Corporate Governance report

The ARM Board of Directors **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 is a public company 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. In addition, ARM abides by the principles set out in the King Report on Corporate Governance in South Africa 2009 (King III), which came into effect for JSE-listed companies for financial years ending after 1 March 2011, save for the exceptions noted in this report. ARM complies with additional good governance principles, which qualified the Company for inclusion in the JSE's Socially Responsible Investment Index in 2010.

As more fully described under the heading "Ethics" on page 131 of this Corporate Governance report, all the Directors and employees are required to maintain high standards of integrity and ethical behaviour. This is to ensure that ARM'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 of Directors (the Board) is the foundation of ARM's corporate governance systems and is accountable and responsible for ARM's performance. The Board retains effective control through a clear governance structure and has established committees to assist it, in accordance with the provisions of ARM's Board Charter. The Board recognises 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 appropriate to each entity's legal form. The Chief Executives of each division regularly report to the Board regarding the activities of the divisions.

Companies Act

The Companies Act 71 of 2008, as amended by the Companies Amendment Act 3 of 2011, and the Regulations thereto (the Companies Act) came into effect on 1 May 2011. The Board is committed to the implementation of the new Companies Act. Accordingly, the Company has commenced a programme to achieve compliance with the new obligations imposed upon the Company and some of the resolutions included in the Notice of Annual General Meeting are being proposed to comply with the new provisions of the Companies Act. Other matters, such as the adoption of a new Memorandum of Incorporation to replace the Memorandum and Articles of Association of the Company, will be addressed within the transition periods set out in the legislation. The Company is completing a gap analysis and expects to verify its behavioural compliance and to report more fully on its structural compliance in the 2012 Integrated Annual Report.

King III

ARM supports the principles and practices set out in King III and has taken steps to ensure that it complies with the recommendations and requirements as a consequence thereof. The Company conducted a gap analysis in August 2010 to assess its compliance level in respect of King III and to identify areas that require improvement. ARM also uses developments and governance trends as an opportunity to review its governance structures. With this objective, provisions impacting the divisions and operations have been and are being identified, assessed and addressed. Gaps, if any, are addressed through action plans and regular monitoring and reporting

Corporate Governance continued

to the appropriate governance structures. Ongoing progress reports in this regard are presented to the Audit Committee and the divisional audit committees. A number of policies and procedures have already been adopted. These include the following:

- The Code of Ethics was revised by the Board in June 2011 and renamed the Code of Conduct.
- The annual evaluation of the independent status of the Directors is being conducted in accordance with King III standards and JSE Listings Requirements criteria.
- To comply with the new King III reporting requirements, the Company prepared its first Integrated Annual Report for F2010.
- The Company also prepared a comprehensive Sustainable Development Report for F2010, which was independently assured at a moderate (Type I) level of assurance in terms of the AccountAbility AA1000S Standard.
- A Combined Assurance Model for ARM has been developed and is being implemented. The model will also be rolled out to the divisions.
- An Information Technology (IT) Governance Framework and Charter as well as an IT Policy Framework are being developed.
- A Legal Compliance and Regulatory Policy was adopted by the Company.
- A draft Sustainability Framework has been developed and will be finalised during F2012.
- In addition to the policy included in the Code of Conduct, the development of a more comprehensive stakeholder communications/engagement policy is in progress.

King III Application

	Apply	Partially apply	Under review/do not apply
Ethical leadership and corporate citizenship			
Effective leadership based on an ethical foundation	✓		
Responsible corporate citizen	✓		
Effective management of the Company's ethics	✓		
Assurance statement on ethics in the Integrated Annual Report	✓		
Boards and Directors			
The Board is the focal point for and custodian of corporate governance	✓		
Strategy, risk, performance and sustainability are inseparable	✓		
Directors act in the best interests of the Company	✓		
The chairman of the Board is an Independent Non-executive Director			✓[1]
Framework for the delegation of authority has been established	✓		
The Board comprises a balance of power, with a majority of Non-executive Directors who are independent	✓		
Directors are appointed through a formal process	✓		
Formal induction and ongoing training of Directors is conducted	✓		
The Board is assisted by a competent, suitably qualified and experienced Company Secretary	✓		
Regular performance evaluations of the Board, its committees and the individual Directors	✓		
Appointment of well-structured committees and oversight of key functions	✓		

King III Application (continued)

	Apply	Partially apply	Under review/do not apply
Boards and Directors (continued)			
An agreed governance framework between the Group and its subsidiary boards is in place	✓		
Directors and executives are fairly and responsibly remunerated	✓		
Remuneration of Directors and senior executives is disclosed	✓		
The Company's remuneration policy is approved by its shareholders		✓[2]	
Internal audit			
Effective risk-based internal audit	✓		
Written assessment of the effectiveness of the Company's system of internal controls and risk management	✓		
Internal audit is strategically positioned to achieve its objectives	✓		
Audit Committee			
Effective and independent	✓		
Suitably skilled and experienced Independent Non-executive Directors	✓		
Chaired by an Independent Non-executive Director	✓		
Oversees integrated reporting		✓[3]	
A combined assurance model is applied to improve efficiency in assurance activities		✓[4]	
Satisfies itself of the expertise, resources and experience of the Company's finance function	✓		
Oversees internal audit	✓		
Integral to the risk management process	✓		
Oversees the external audit process	✓		
Reports to the Board and shareholders on how it has discharged its duties	✓		
Compliance with laws, codes, rules and standards			
The Board ensures that the Company complies with the relevant laws	✓		
The Board and each individual Director have a working understanding of the relevance and implications of non-compliance	✓		
Compliance risk forms an integral part of the Company's risk management process	✓		
The Board has delegated to management the implementation of an effective compliance framework and processes	✓		
Governing stakeholder relationships			
Appreciation that stakeholders' perceptions affect a company's reputation	✓		
Management proactively deals with stakeholder relationships	✓		
There is an appropriate balance between its various stakeholder groupings	✓		
Equitable treatment of stakeholders	✓		
Transparent and effective communication to stakeholders	✓		
Disputes are resolved effectively and timeously	✓		

Corporate Governance continued

King III Application (continued)

	Apply	Partially apply	Under review/do not apply
The governance of information technology (IT)			
The Board is responsible for IT governance		✓[5]	
IT is aligned with the performance and sustainability objectives of the Company	✓		
Management is responsible for the implementation of an IT governance framework		✓[6]	
The Board monitors and evaluates significant IT investments and expenditure	✓		
IT is an integral part of the Company's risk management	✓		
IT assets are managed effectively	✓		
The Audit Committee assists the Board in carrying out its IT oversight responsibilities	✓		
The governance of risk			
The Board is responsible for the governance of risk and setting levels of risk tolerance	✓		
The Risk Management Committee assists the Board in carrying out its risk responsibilities	✓		
The Board delegates the process of risk management to management	✓		
The Board ensures that risk assessments and monitoring is performed on a continual basis	✓		
Framework and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓		
Management implements appropriate risk responses	✓		
The Board receives assurance on the effectiveness of the risk management process	✓		
Sufficient risk disclosure is made to stakeholders	✓		
Integrated reporting and disclosure			
The Board ensures the integrity of the Company's Integrated Annual Report	✓		
Sustainability reporting and disclosure is integrated with the Company's financial reporting	✓		
Sustainability reporting and disclosure is independently assured	✓		

Explanatory Notes

1 *ARM has an Executive Chairman and a Lead Independent Non-executive Director. Additional information may be found under the heading "Executive Chairman and Chief Executive Officer" on page 121 of the 2011 Integrated Annual Report.*

2 *The Company's Remuneration report, including the Remuneration Policy, which is found on pages 136 to 143 of the Integrated Annual Report will be presented to shareholders for a non-binding advisory vote for the first time in December 2011 at the Annual General Meeting.*

3 *The Audit Committee oversees the preparations of the Integrated Annual Report. The Company is in the process of rolling out the real-time reporting of key performance indicators to ensure that integrated reporting occurs as a process, rather than an output.*

4 *The Company is committed to appointing service providers to provide independent assurance on both the financial and non-financial aspects of the business based upon their specific expertise and experience. The Company has developed and implemented a combined assurance model, which is being further refined and rolled out to the divisions. Additional information is available under the heading "Risk management programme" on pages 132 and 133 of the 2011 Integrated Annual Report.*

5 *ARM has an IT department under the direction of a Chief Information Officer who reports quarterly to the ARM Management Risk Committee and the ARM Audit Committee and has a line function reporting to an Executive Director. With the assistance of the Company's internal auditors, an IT Governance Framework is being formulated with processes, procedures and structures. The IT Governance Framework will be submitted to the Board for approval.*

6 *Management is responsible for the implementation of IT governance. The role of existing management structures, such as the IT steering committee, is being formalised in the IT Governance Framework described in explanatory note 5.*

Comment from Sustainability Assurance Provider:

SustainabilityServices.co.za conducted an assessment of ARM's compliance with King III's 'apply or explain' recommendations, and found no concerns relative to ARM's assertions regarding the specific recommendations.

Of the 60 recommendations reviewed, only 1 was a 'Not Apply', and 5 were 'Partially Apply', with all 6 accompanied by reasonable explanations.

For more information, go to the assurance statement within the Sustainability Report available on ARM's corporate website: ***www.arm.co.za***

www

Board composition

ARM has a unitary Board comprising 17 Directors of whom eight are Independent Non-executive Directors. One is a Non-executive Director who is not independent and eight are Executive Directors. *Curricula vitae* for the Board members are provided on pages 146 and 147.

Of the Company's 17 Directors, seven Directors, or 41%, are black Directors. Two Directors, or 12%, are black female Directors.

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

* *Mr J R McAlpine retired on 30 June 2011 on attainment of his 70th birthday.*
1 *Lead Independent Non-executive Director.*
2 *Appointed on 1 February 2011.*
3 *Appointed on 1 September 2011.*

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 on the recommendation of the Nomination Committee 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 T A Boardman was appointed as an Independent Non-executive Director on 1 February 2011. It was determined that he was independent given that he is free from any business or other relationship that could be a conflict.

Mr M P Schmidt was appointed as an Executive Director on 1 September 2011.

Mr F Abbott, the former Financial Director of the Company, became a Non-executive Director on 1 August 2009 and this status has not changed. Non-executive Directors are not considered independent if they were executives of the Company or a subsidiary within the preceding three financial years.

The Nomination Committee 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 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 are not material 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.

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 III, is an executive representing the Company's largest shareholder, which held 41.17% of the Company's share capital at 30 June 2011. 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 the Company'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 2011. The Chief Executive Officer is appointed by the Board.

Board Charter

The Board Charter, which was approved in May 2009, was amended and approved by the Board in June 2011 to ensure compliance with King III and the new Companies Act. The Board Charter provides guidelines to Directors in respect of, *inter alia*, the Board's responsibilities, authority, composition, meetings and the need for performance evaluations.

Corporate Governance continued

The roles and responsibilities of the Board as set out in the Board Charter include the following:

- determining the Company's purpose, values and identifying its stakeholders and developing strategies in relation thereto;
- being the focal point for and custodian of good corporate governance by managing the Board's relationship with management, the shareholders of the Company and other stakeholders of ARM;
- providing strategic direction and leadership which is aligned to the Company's value system by reviewing and approving budgets, plans and strategies for ARM and monitoring the implementation of such strategic plans and approving the capital funding for such plans;
- ensuring that ARM's business is conducted ethically and monitoring the ethics performance of ARM;
- approving business plans, budgets and strategies which are aimed at achieving ARM's long-term strategy and vision;
- annually reviewing the Board's work plan;
- monitoring the operational performance of ARM including financial and non-financial aspects relating to such performance;
- ensuring the sustainability of ARM's business;
- reporting in ARM's integrated annual report on the going concern status of ARM and whether ARM will continue to be a going concern in the next financial year;
- determining, implementing and monitoring policies, procedures, practices and systems to ensure the integrity of risk management and internal controls in order to protect ARM's assets and reputation;
- identifying and monitoring key performance indicators of ARM's business and evaluating the integrity of the systems used to determine and monitor such performance;
- monitoring and ensuring compliance with the Company's policies, codes of best business practice, the recommendations of King III and all applicable laws and regulations;
- adopting and annually reviewing the information technology governance framework and receiving independent assurance on such framework;
- considering, through the Audit Committee, specific limits for the levels of risk tolerance;
- defining levels of materiality, thereby reserving certain powers for itself and delegating other matters to management of the Company;
- ensuring that the Company's annual financial statements are prepared and are laid before a duly convened Annual General Meeting of the Company;
- ensuring that a communications policy is established, implemented and reviewed annually and, in addition to its statutory and regulatory reporting requirements, that such policy contains accepted principles of accurate and reliable reporting including being open, transparent, honest, understandable, clear and consistent in ARM's communications with stakeholders;
- considering recommendations made to the Board by the Nomination Committee in regard to the nomination of new Directors and the re-appointment of retiring directors, both as Executive Directors and Non-executive Directors;
- ensuring that the competency and other attributes of the Directors are suitable for their appointment as Directors and the roles which they are intended to perform on the Board and that they are not disqualified in any way from being appointed as Directors;
- ensuring that appointments to the Board are formal and transparent and comply with all prescribed procedures;
- ensuring that a succession plan for the Executive Directors and senior management is implemented;
- selecting and appointing suitable candidates as members of committees of the Board and the chairmen of such committees;
- ensuring that annual performance evaluations are conducted of the Board, the Executive Chairman, the Chief Executive Officer and other individual Directors, and Board committees and their respective chairmen; and
- ensuring that the Board comprises a balance of Executive and Non-executive Directors, with the majority of Non-executive Directors being independent, and ensuring that the Directors are persons who have the relevant knowledge, skills and experience required for governing the Company efficiently.

The Board Charter also provides for a clear division of responsibilities to ensure a balance of power and authority, so that no one Director has unfettered powers of decision-making.

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, 2 December 2011, 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
Executive Directors[1]		
P T Motsepe (Executive Chairman)	5 May 2003	2012
A J Wilkens (Chief Executive Officer)	26 October 2004	2012
M Arnold	1 August 2009	2011
W M Gule	1 December 2004	2013
K S Mashalane	9 May 2006	2013
M P Schmidt	1 September 2011	2011
L A Shiels	20 February 2008	2011
J C Steenkamp	12 May 2003	2013

1 *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
Non-executive Directors[1]		
Dr M M M Bakane-Tuoane (Lead Independent Non-executive Director)	30 April 2004	2013
F Abbott	30 April 2004	2011
T A Boardman	1 February 2011	2011
A D Botha	1 August 2009	2012
J A Chissano	21 April 2005	2012
M W King	30 April 2004	2013
A K Maditsi	30 April 2004	2013
J R McAlpine[2]	7 December 1998	n/a
Dr R V Simelane	30 April 2004	2011
Z B Swanepoel	5 May 2003	2011

1 *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.*
2 *Mr J R McAlpine retired on 30 June 2011.*

Dr Simelane and Messrs Abbott, Arnold, Shiels and Swanepoel 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.

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. Messrs Boardman and Schmidt, who were appointed on 1 February 2011 and 1 September 2011, respectively, have made themselves available for election. The election of Messrs Boardman and Schmidt 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.

The Directors' *curricula vitae* may be found on pages 146 and 147.

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 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. Regulatory and legislative updates are provided regularly. The Company holds an annual budget planning workshop and a Bosberaad with senior management and the Board to, *inter alia*, inform Directors about the Company's business. Site visits are also conducted.

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, career development and recruitment. The Company adopts an integrated approach to succession planning. For example, the Social and Ethics Committee (formerly called 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 February 2011, the Company announced the commencement of the process to identify a successor to the current Chief Executive Officer, Mr A J Wilkens. This process was led by the Nomination Committee. Given the importance of the succession of the Chief Executive Officer all Non-executive Directors were invited to committee meetings that dealt with this matter and to attend the interviews of the prospective candidates. In addition to a placement agency, an independent technical advisor was appointed to assist the committee with its deliberations. Following an intensive search, Mr M P Schmidt was appointed the Chief Executive Officer Designate and an Executive Director of the Company with effect from 1 September 2011 to work with Mr Wilkens for six months as part of a hand over process. It is the intention of the Company that Mr Schmidt will take over as Chief Executive Officer of ARM on 1 March 2012 and that Mr Wilkens will continue to serve on the Board as an Executive Director in the Executive Chairman's office.

Assessment

The Board is committed to transparency in assessing the performance of the Board, its committees and individual Directors, as well as the governance processes that support Board activities. The effectiveness of the Board and its committees is assessed annually. The most recent assessment was conducted in 2011. Independent external advisors assisted the Nomination Committee and the Executive Chairman with evaluations of the Board, its committees, individual Directors, including the Executive Chairman and the Chief Executive Officer, and the Company Secretary. The Board is of the view that the involvement of independent external advisors assists to ensure a rigorous and impartial evaluation process.

Matters considered in the 2011 assessment focused on the effectiveness of the Board, including:

- Board composition
- Board meetings and content
- Roles of the Executive Chairman and the Company Secretary
- Board accountability
- Appointment, induction and training, and succession planning
- Performance evaluation and remuneration
- Board Committees
- Communication and interpersonal relations
- Board dynamics and leadership
- Strategy and compliance
- Risk management and internal controls
- Accounting and audit
- Non-financial performance (sustainability)
- Balance of power and authority
- Ethics and Board leadership
- Stakeholder relations

In the assessment process consideration was also given to the Board's diversity, size and demographics.

The findings of the 2011 assessment were considered by the Board in August 2011 and certain recommendations have been implemented, such as the appointment of additional members to the Remuneration Committee to achieve the appropriate mix of credibility, skills and experience, and the addition of stakeholder relations as a regular Board agenda item.

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 136.

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 2011, five 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 2011, the Board held its third annual Bosberaad for Directors and senior management, to consider 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.

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.

Board of Directors: Meeting attendance

	Aug '10	Nov '10	Feb '11	May '11	June '11
P T Motsepe (Executive Chairman)	✓	✓	✓	✓	✓
A J Wilkens (Chief Executive Officer)	✓	✓	✓	✓	✓
F Abbott	✓	✓	✓	✓	✓
M Arnold	✓	✓	✓	✓	✓
Dr M M M Bakane-Tuoane (Lead Independent Non-executive Director)	✓	✓	✓	a	✓
T A Boardman*	n/a	n/a	✓	✓	a
A D Botha	✓	✓	✓	✓	✓
J A Chissano	✓	✓	✓	a	a
W M Gule	✓	a	✓	✓	✓
M W King	✓	✓	✓	✓	a
A K Maditsi	✓	✓	✓	✓	✓
K S Mashalane	✓	✓	✓	✓	✓
J R McAlpine**	✓	✓	✓	✓	✓
L A Shiels	✓	a	✓	✓	✓
Dr R V Simelane	✓	✓	✓	✓	✓
J C Steenkamp	✓	✓	✓	✓	✓
Z B Swanepoel	✓	✓	✓	✓	✓

a = apologies
* *Mr T A Boardman was appointed to the Board on 1 February 2011.*
** *Mr J R McAlpine retired from the Board on 30 June 2011.*

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. 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 in accordance with the provisions of the Company's Board Charter. 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.

In F2011, the Terms of Reference were reviewed by the committees and amendments to the Terms of Reference were approved by the Board to reflect the requirements under King III and the new Companies Act.

Corporate Governance continued

The membership of the Board committees consists solely of Non-executive Directors with one exception: contrary to King III and the JSE Listings Requirements ARM's Executive Chairman is currently a member of the Nomination Committee. 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 F2011 are included in each committee report. The Committee Chairmen attend Annual General Meetings to answer any questions from shareholders.

The Board has established the following permanent committees: Audit Committee, Investment Committee, Nomination Committee, Non-executive Directors' Committee, Remuneration Committee and Social and Ethics Committee (formerly called the Sustainable Development Committee).

Audit Committee

Members:
M W King (Chairman)
Dr M M M Bakane-Tuoane
T A Boardman (appointed to the Committee on 1 February 2011)
A D Botha
A K Maditsi
J R McAlpine (retired on 30 June 2011)
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 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 94 of the Companies Act and its composition complies with the provisions of that section.

The Board's amendments to the Audit Committee Terms of Reference in F2011 meet the requirements of the new Companies Act.

Based on the Terms of Reference, a comprehensive framework is prepared to ensure that all tasks assigned to the Audit Committee are considered at least once a year.

The Audit Committee performs its review function over all ARM operations. To assist the Audit Committee with its reviews, all operational 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 Social and Ethics Committee (formerly called 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 Inc. (E&Y). At the Annual General Meeting, shareholders will be requested to reappoint E&Y as external auditors of the Company and to reappoint 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 updated on 5 May 2011. 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 for which the fee would not exceed R75 000. Matters for which the fee will exceed 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. 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 pages 130 and 131 of this 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 six times a year. Seven meetings were held during the 2011 financial year.

The Report of the Audit Committee, may be found on pages 152 and 153.

Audit Committee: Meeting attendance

	Aug '10	Sept '10	Sept '10	Nov '10	Feb '11	March '11	May '11
M W King (Chairman)	✓	✓	✓	✓	✓	✓	✓
Dr M M M Bakane-Tuoane	✓	✓	✓	✓	✓	✓	a
T A Boardman*	n/a	n/a	n/a	n/a	✓	✓	✓
A D Botha	a	✓	✓	✓	✓	✓	✓
A K Maditsi	a	✓	a	✓	✓	✓	✓
J R McAlpine**	✓	✓	✓	✓	✓	✓	✓
Dr R V Simelane	✓	✓	✓	✓	✓	✓	✓

a = apologies
* *Mr T A Boardman was appointed to the Audit Committee on 1 February 2011.*
** *Mr J R McAlpine retired on 30 June 2011.*

Investment Committee

Members:
Z B Swanepoel (Chairman)
F Abbott
A D Botha
M W King
A K Maditsi

The Investment Committee comprises five Non-executive Directors, the majority of whom are independent.

The Investment Committee's purpose is to consider substantial investments proposed by management, including mining 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 terms of the new Terms of Reference approved by the Board in F2011, the Investment Committee is required to meet at least once a year. Two meetings were held during the 2011 financial year.

Investment Committee: Meeting attendance

	July '10	March '11
Z B Swanepoel (Chairman)	✓	✓
F Abbott	✓	✓
A D Botha	✓	✓
M W King	✓	✓
A K Maditsi	✓	✓

Nomination Committee

Members:
A K Maditsi (Chairman)
P T Motsepe
Dr R V Simelane

The Nomination Committee comprises a majority of Independent Non-executive Directors. For additional information in this regard refer to the section entitled "Board Committees" on pages 125 and 126 of this Corporate Governance report.

The Nomination Committee is responsible, *inter alia*, for establishing formal and transparent procedures for the appointment of Directors; recommending to the Board suitable candidates for appointment as members of its committees and the chairmen of such committees; ensuring compliance with those provisions of the Articles governing the rotation of Directors and making recommendations to the Board with regard to the eligibility of retiring Directors of the Company for re-election.

The Nomination Committee is also responsible for developing a formal induction programme for new Directors of the Company, overseeing access by Directors to external continuing professional development programmes for Directors so as to ensure that inexperienced Directors are developed through mentorship and training programmes; and ensuring that Directors receive regular briefings on changes in risks, laws and the environment in which ARM operates.

The Nomination Committee assists the Executive Chairman to lead the overall performance evaluation, at least once a year, of the Chief Executive Officer and the other Directors in respect of their roles as Directors as well as evaluations of the Board as a whole and its committees. The Nomination Committee assists the Lead Independent Non-Executive Director to lead the overall performance evaluation, at least once a year, of the Executive Chairman, with the assistance of the Company Secretary.

The Nomination Committee reviews, from time to time, the structure, composition and size of the Board and makes recommendations to the Board regarding any changes that are considered necessary to enhance the effectiveness of the Board, including recommendations on the general composition of the Board and the balance between Executive and Non-executive Directors appointed to the Board. The Nomination Committee monitors succession planning for the Executive Chairman, the Chief Executive Officer, other Directors and senior management who are not Directors.

In terms of the new Terms of Reference approved by the Board in F2011, at least one meeting must be held per year. During F2011, five meetings were held.

Corporate Governance continued

The Nomination Committee led the process to identify a successor to the current Chief Executive Officer, Mr A J Wilkens. Given the importance of the succession of the Chief Executive Officer, all Non-executive Directors and the incumbent Chief Executive Officer were invited to committee meetings that dealt with this matter and to attend the interviews of the prospective candidates. In addition to a placement agency, an independent technical advisor was appointed to assist the committee with its deliberations. During the succession process, two additional formal planning meetings were held in addition to interviews.

For additional information regarding the succession process, please refer to page 124.

Nomination Committee: Meeting attendance

	Feb '11	March '11	April '11	May '11	June '11
A K Maditsi (Chairman)	✓	✓	✓	✓	✓
P T Motsepe	✓	✓	✓	✓	✓
Dr R V Simelane	✓	✓	✓	✓	✓

Non-executive Directors' Committee

Members:
Dr M M M Bakane-Tuoane (Chairman)
F Abbott
T A Boardman (appointed on 1 February 2011)
A D Botha
J A Chissano
A K Maditsi
M W King
J R McAlpine (retired on 30 June 2011)
Dr R V Simelane
Z B Swanepoel

The committee comprises all of the Non-executive and Independent Non-executive Directors and meets formally on a quarterly basis without management. The meetings are chaired by the Lead Independent Non-executive Director, Dr M M M Bakane-Tuoane.

Terms of Reference for the committee were approved by the Board in F2011. The committee provides a forum for the Non-executive Directors of the Company to consider and discuss issues of importance to ARM, including the promotion of increased investor confidence, stimulating business growth, reducing fraudulent practices through effective business leadership, fostering sustainable long-term growth in both the social and economic arenas, and cultivating and promoting an ethical corporate culture within ARM.

Five meetings were held during the 2011 financial year.

Non-executive Directors' Committee: Meeting attendance

	Aug '10	Nov '10	Feb '11	May '11	June '11
Dr M M M Bakane-Tuoane (Chairman)	✓	✓	✓	a	✓
F Abbott	✓	✓	✓	✓	✓
T A Boardman*	n/a	n/a	✓	✓	a
A D Botha	✓	✓	✓	✓	✓
J A Chissano	a	✓	✓	a	a
M W King	✓	✓	✓	✓	a
A K Maditsi	✓	✓	✓	a	✓
J R McAlpine**	a	a	✓	✓	✓
Dr R V Simelane	✓	✓	✓	✓	✓
Z B Swanepoel	✓	✓	✓	✓	✓

a = apologies
* *Mr T A Boardman was appointed as an Independent Non-executive Director on 1 February 2011.*
** *Mr J R McAlpine retired on 30 June 2011.*

Remuneration Committee

Members:
Dr M M M Bakane-Tuoane (Chairman)
F Abbott (appointed to the Committee in July 2011)
T A Boardman (appointed to the Committee in August 2011)
A D Botha
A K Maditsi (appointed to the Committee in July 2011)
J R McAlpine (retired in June 2011)
Z B Swanepoel (resigned from the Committee in August 2010)

The Remuneration Committee is a Board committee comprising five Non-executive Directors, the majority of whom are independent. The committee meets at least twice per year. The Remuneration Committee assists the Board in its responsibility for setting the Company's remuneration policies to ensure that these policies are aligned to ARM's business strategy and create value for ARM over the long-term.

The Remuneration Committee's responsibilities include, *inter alia*:

- ensuring that remuneration policies for the remuneration payable to all employees of ARM have been developed and monitoring the implementation of such policies;
- ensuring that, in developing the Company's remuneration policies, the mix of fixed and variable remuneration in cash, shares and other elements of remuneration meets ARM's business needs and furthers its strategic objectives;
- ensuring that performance targets in all occupational categories of ARM and its joint ventures are set and monitored;
- ensuring that the Company's remuneration policies are put to a non-binding advisory vote at the Annual General Meeting of the Company;
- ensuring that independent third-party advisors are engaged with regards to the benchmarking of the remuneration of Executive Directors and senior management;
- reviewing the results of a benchmarking survey of the remuneration packages of Executive Directors and senior management;
- determining specific remuneration packages for Executive Directors and senior management, including but not limited to basic salary;
- ensuring that remuneration levels accurately reflect the contribution of Executive Directors and senior management;
- considering and making recommendations to the Board regarding any proposed cash bonus schemes or amendments to any existing cash bonus schemes in respect of the Executive Directors and senior management;
- ensuring that annual bonuses clearly relate to performance against annual objectives which are consistent with long-term value for shareholders. Individual and corporate performance targets, both financial and sustainability-related, must be tailored to the needs of ARM's business;
- determining whether any cash performance bonuses will be awarded to any of the Executive Directors and senior management taking cognisance of the respective job descriptions and the performance of ARM against the budgetary and strategic objectives as approved by the Board;
- regularly reviewing share-based incentive schemes to ensure their continued contribution to shareholder value and guarding against unjustified windfalls and inappropriate gains from the operation of share-based incentives;
- considering and making recommendations to the Board regarding any proposed long-term shared-based incentive schemes or amendments to any such schemes in respect of the Executive Directors and senior management;
- determining any grants or awards made pursuant to ARM's long-term share-based incentive schemes including grants or awards to Executive Directors and senior employees of ARM;
- monitoring long-term (share-based) incentives to ensure that remuneration policies do not encourage behaviour contrary to the Company's risk management policy and strategy;
- satisfying itself as to the accuracy of recorded performance measures that govern the vesting of long-term (shared-based) incentives;
- ensuring that management develops appropriate retirement and pension scheme arrangements for employees of the Company;
- receiving reports from management in regard to all employee benefits including benefits in kind and other financial arrangements to ensure that they are justified, correctly valued and suitably disclosed;
- ensuring that independent third-party advisors are engaged with regards to the benchmarking and recommendation of Non-executive Directors' fees;
- reviewing the results of a benchmarking survey of the fees payable to Non-executive Directors;
- making recommendations to the Board for submission to an Annual General Meeting of the shareholders of the Company regarding Board and committee fees payable to Non-executive Directors;
- making recommendations to the Board for submission to an Annual General Meeting of shareholders of the Company regarding the fee payable to the Lead Independent Non-executive Director for chairing meetings of the Non-executive Directors' Committee;
- ensuring that Independent Non-executive Directors do not receive remuneration contingent upon the performance of ARM; and
- upon being notified by management of the terms of any agreement with any Non-executive Director, making recommendations, if required, to senior management of or to the Board regarding such agreement.

In 2011, the Board determined that the Remuneration Committee's performance would be enhanced by the appointment of additional committee members following the retirement of Mr McAlpine, and therefore the Board appointed two Independent Non-executive Directors and one Non-executive Director to the Remuneration Committee in July and August 2011.

Three meetings were held during the 2011 financial year.

Remuneration Committee: Meeting attendance*

	July '10	Aug '10	March '11
Dr M M M Bakane-Tuoane (Chairman)	✓	✓	✓
A D Botha	✓	✓	✓
J R McAlpine	✓	✓	✓
Z B Swanepoel**	✓	n/a	n/a

* *Messrs F Abbott, T A Boardman and A K Maditsi were appointed to the Remuneration Committee subsequent to the financial year-end.*
** *Mr Z B Swanepoel resigned from the Remuneration Committee in August 2010.*

Additional information is provided in the Remuneration report on pages 136 to 143 and the Directors' report on pages 155 to 163.

Corporate Governance continued

Social and Ethics Committee (formerly called the Sustainable Development Committee)

Members:
Dr R V Simelane (Chairman)
F Abbott (appointed to the Committee in February 2011)
Dr M M M Bakane-Tuoane
Z B Swanepoel (resigned from the Committee in August 2010)

The Company's sustainable development philosophy is underpinned by the realisation that there is a need to turn mineral wealth into sustainable economic growth and wealth. Through its business endeavours, ARM seeks to act as a catalyst for local, national, regional and international development, to make a lasting and important social, economic and environmental contribution to the developing regions in which ARM operates and to achieve and maintain world-class performance standards in the management of safety, health (occupational), the environment, HIV & Aids and social investment.

Social and Ethics Committee: Meeting attendance*

	Aug '10	Nov '10	Feb '11	May '11
Dr R V Simelane (Chairman)	✓	✓	✓	✓
Mr F Abbott **	n/a	n/a	✓	✓
Dr M M M Bakane-Tuoane	✓	✓	✓	✓

Mr Z B Swanepoel resigned from the Social and Ethics Committee in August 2010 prior to the first meeting of the financial year.
** *Mr F Abbott was appointed to the Social and Ethics Committee in February 2011.*

The purpose of the Social and Ethics Committee is to monitor and report on the manner in and extent to which ARM protects, enhances and invests in the wellbeing of the economy, society and the natural environment in which ARM operates in order to ensure that its business practices are sustainable. The committee also reviews and considers the efficacy of ARM's systems to promote local economic development opportunities to enable historically-disadvantaged South Africans to develop economically whilst meeting the requirements of mining rights conversions and other requirements detailed in the Minerals and Petroleum Resources Development Act 28 of 2002 and other legislation.

The Social and Ethics Committee Terms of Reference were amended by the Board in May 2011 in compliance with King III and the committee name was amended in August 2011 when the Sustainable Development Committee was renamed the Social and Ethics Committee as contemplated in Section 72(8) of the Companies Act. The Terms of Reference of the Social and Ethics Committee will be further amended in F2012 to comply with the Companies Act.

The Social and Ethics Committee Terms of Reference provide that the committee must have a minimum of three members, the majority of whom shall be Independent Non-executive Directors. Currently, the committee is comprised of three Non-executive Directors, the majority of whom are independent.

Four meetings were held during the 2011 financial year.

Additional information may be found in the Sustainability review on pages 33 to 40 of the Integrated Annual Report and in the comprehensive stand-alone Sustainability Report available on ARM's corporate website: **www.arm.co.za**

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) (Executive Director)
M Arnold (Executive Director)
C Blakey-Milner
N Botes-Schoeman
J M Bräsler
W M Gule (Executive Director)
K S Mashalane (Executive Director)
J Pistorius
M P Schmidt (Executive Director since 1 September 2011)
D V Simelane
J C Steenkamp (Executive Director)
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 plan, policy and processes to ensure that broader strategic and significant business risks are identified and quantified with attendant controls and management assurance. The Management Risk Committee's Terms of Reference were amended in F2011 to comply with King III.

The Management Risk Committee is chaired by the Chief Executive Officer and its membership includes the Financial Director, the chief executives of the divisions, the Leader: Risk Management, the Group Manager: Sustainable Development and the Chief Information Officer. With effect from 1 July 2011, the internal auditors are invited to attend one meeting per year. 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 are invited to attend Board meetings to respond to any risk-related matters raised by the Directors.

The Management Risk Committee met four times during the 2011 financial year.

Management Risk Committee: Meeting attendance*

	Aug '10	Oct '10	Jan '11	April '11
A J Wilkens (Chairman)	✓	✓	✓	a
M Arnold	✓	a	✓	✓
C Blakey-Milner	✓	✓	✓	✓
N Botes-Schoeman	✓	a	✓	✓
J M Bräsler	✓	✓	✓	a
W M Gule	✓	✓	✓	✓
K S Mashalane	a	a	✓	✓
M P Schmidt	✓	✓	✓	a
D V Simelane	✓	a	✓	✓
J Pistorius**	n/a	n/a	n/a	✓
J C Steenkamp	✓	✓	✓	✓
P W Steenkamp	✓	✓	✓	a

a = apologies
** The Chief Audit Executive, Mr D Ashe of KPMG Services (Pty) Limited, attended the meeting held on 1 August 2011, subsequent to the financial year-end.*
*** Mr J Pistorius was appointed to the Management Risk Committee in April 2011.*

A table of ARM's principal risks and uncertainties is set out on pages 26 and 27 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 pages 48 and 49.

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.

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 Conduct (the Code), which was previously known as the Code of Ethics. The Code was amended in F2011 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**

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. A more detailed communications policy is being prepared in accordance with King III.

Corporate Governance continued

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.

Comment from Sustainability Assurance Provider:

As part of the scope of work to provide independent third party assurance over ARM's sustainability reporting, SustainabilityServices.co.za conducted an assessment of ARM's ethics policies and procedures, in line with King III recommendations.

Based on our review, it appears that ARM has a robust system of policies – including the recently updated Code of Conduct – procedures and controls in place to meet reasonable expectations for monitoring and measuring of ethical compliance.

For more information, go to the assurance statement within the Sustainability Report available on ARM's corporate website: ***www.arm.co.za***

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 appropriateness of the going concern basis in the preparation of the year-end financial statements.

Risk management programme

ARM's well established and proactive risk management processes underscore ARM's commitment to comprehensive and effective risk management at all levels. ARM recognises that integrating risk management philosophy and practice into its culture is an on-going process which, in order to be effective, must be a continuous, dynamic and developing endeavour that addresses risks and opportunities across the spectrum, from those associated with strategy and its implementation, to operational, legal, social, ethical and reputational risks and opportunities.

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, the Leader: Risk Management and various members of the ARM Steering Committee.

ARM Risk Management has championed integration of risk and assurance processes over many years. This integrated approach not only assists in providing assurance and appropriate corporate governance compliance, but also provides a practical and effective tool for the management of risk within ARM.

Reporting on the implementation, co-ordination and monitoring of ARM's risk management policy, programme and approved annual Risk Management Plan takes place at operational, divisional and at MRC meetings on a quarterly basis.

The structure of reporting on risk management within ARM has been developed and formalised to ensure that the process remains dynamic, is consistent, comprehensive and allows for constant review and refining.

A Risk and Control Dashboard system provides a focused approach to the monitoring of the control effectiveness of risks and processes in order to ensure that risks are managed within approved levels of tolerance and appetite and so that the process of continuous improvement is facilitated.

The functional reporting areas and objectives, set out below, are as follows:

Risk Register/Enterprise Risk Management (ERM)

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 (the 'ERM 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 that 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 the possible extent of loss.

A schedule of Principal Risks, Challenges and Opportunities for ARM is included in the Quarterly Risk Managers' Report and reviewed at the MRC and also at Audit Committee meetings. The Quarterly Risk Managers' Report also includes specific reference to changes in the risk profile and emerging risks.

The internal auditors also periodically review the ERM Framework and the ERM Policy to ensure these remain current and compliant with the terms and spirit of King III as updated from time to time.

The internal auditors use the risk registers to ensure the annual Internal audit plan covers the high-risk areas identified. The risk register is regularly updated throughout the Company.

The co-ordinated and integrated approach towards risk management and assurance has enabled ARM to develop and implement a combined assurance model as a natural progression of the ERM Framework. Considerable work has been undertaken during the financial year to identify the extent and relationship between internal and external assurance providers and to further refine the combined assurance model to ensure a practical and effective management assurance tool. This process will progressively continue.

Physical risk management

Ensures that 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 (control effectiveness) 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 (IMIU). The majority of ARM's operations are rated in the top quartile of worldwide operations rated by IMIU.

Risk financing and insurance

Ensures that 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.

Governance and Risk: monitoring new developments

Ensures that the risks arising from new developments in ARM's operating environment are considered on an on-going 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 biennially. The most recent external SHE audit was conducted in F2011. All findings are being addressed through the risk and non-conformance systems of the different operations. Sixteen corporate standards on risk assessment, legal compliance, water management, waste management, contractor management, biodiversity, waste and emissions management were implemented during F2011.

During F2011 the Company did not receive any 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.

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.

A legal and regulatory compliance policy for the Company has been adopted by the Company.

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 section describing the progress ARM has made against the requirements of the Revised Mining Charter is provided in the Sustainability Report available on ARM's corporate website: **www.arm.co.za**

Corporate Governance continued

Dealings in securities and insider trading policy

ARM enforces closed periods prior to the publication of interim and provisional financial results. 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 36 of 2004, 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 amended in F2011 following amendments to the JSE Listings Requirements in April 2010.

The complete policy governing dealings in Company securities and insider trading may be found on ARM's corporate website **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, United Kingdom, North America and Singapore, 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 236 to 239 and in the Sustainability Report available on ARM's corporate website: **www.arm.co.za**

Annual General Meeting

The Notice of the Annual General Meeting may be found on pages 242 to 248.

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

In 2005, ARM embarked on an aggressive growth strategy with the objective of doubling the size of the Company. This was achieved in 2010. ARM is focussed on continuing to grow aggressively in its portfolio of commodities. ARM has world-class resources and excellent partnerships to achieve its strategic objectives. ARM recognises that this strategy can only be delivered by the foresight, dedication and hard work of management and employees.

It is also recognised that the Company competes for a small talent pool and set of competencies within the global and South African mining industries. South African mining talent is regarded as among the best in the world. The current growth in African mining escalates this risk. ARM's own growth and additional demand for talent is contingent on the Company's attraction and retention strategies in terms of current and potential employees.

The Remuneration Committee acknowledges its responsibility to apply the remuneration strategy to ensure a fine balance in attracting and retaining employees through competitive remuneration practices, while creating shareholder value. Supporting a progressive remuneration policy are ARM's succession planning, human resources development and manpower planning process, which aim to ensure the in-time delivery of competent and experienced individuals to realise the Company's growth expectations and strategy. These elements are discussed in more detail in the Sustainability Report available on ARM's corporate website: **www.arm.co.za**

Composition of the Remuneration Committee

Members:

Dr M M M Bakane-Tuoane (Chairman)
F Abbott (appointed in July 2011)
T A Boardman (appointed in August 2011)
A D Botha
A K Maditsi (appointed in July 2011)
J R McAlpine (retired on 30 June 2011)
Z B Swanepoel (resigned from the Committee in August 2010)

In accordance with King III, the Remuneration Committee consists entirely of Non-executive Directors, four of whom are independent. The Board considers the composition of the Committee to be appropriate in terms of the necessary blend of knowledge, skills and experience. The composition of the Committee clearly indicates a strong background and expertise in the financial and human capital fields, as well as from various influential institutions.

Role of the Remuneration Committee and Terms of Reference

The Remuneration Committee is a committee of the Board. Its purpose is to recommend appropriate fee levels for Non-executive Directors, to approve remuneration packages for Executive Directors and executives, to determine the overall policy and strategy for remunerating 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.

The Committee must perform all the functions necessary to fulfil its purpose as stated above, including the following:

- ensuring that policies for the remuneration payable to all employees of ARM have been developed and monitoring their implementation;
- ensuring that, in developing the Company's remuneration policies, the mix of fixed and variable remuneration in cash, shares and other elements of remuneration meets ARM's business needs and furthers its strategic objectives;
- ensuring that performance targets in all occupational categories within ARM and its joint ventures are set and monitored; and
- ensuring that the Company's remuneration policies are put to a non-binding advisory vote at the Annual General Meeting.

It is also the responsibility of the Remuneration Committee to ensure compliance with the recommendations of King III. The Remuneration Committee is satisfied that the Company has met and complies with the recommendations.

Committee activities

The Remuneration Committee met three times during F2011 with full attendance at each meeting. The scheduled work plan was followed with the normal cycle of approvals that include, but are not limited, to the following:

- The approval of the annual increase to the salaries of Executive Directors and senior management. The increase recommended to the Board for approval was 7%.
- The approval of the annual bonus paid to Executive Directors and senior management in terms of the Out Performance Bonus Scheme.
- The approval of the annual allocation of shares and share options under The African Rainbow Minerals Share Incentive Scheme (the Scheme) and The African Rainbow Minerals Limited 2008 Share Plan (Share Plan).
- The recommendation of the Board retainer and Board and Committee meeting attendance fees for Non-executive Directors to the Board for submission to shareholders.
- The approval of the deferred bonus/co-investment scheme.
- The review of the Remuneration Policy.
- The review of the conditions of employment and benefits to ensure that they are reasonable in terms of best practices.

During F2011 ARM was certified as a "Best Employer South Africa 2011/2012" by the CRF Institute and scored the following:

- Primary benefits 5/5
- Secondary benefits and working conditions 4/5
- Training and development 5/5
- Career development 5/5
- Company culture 4/5
- Diversity 4/5

This indicates that ARM's remuneration and benefits policies and practices (primary and secondary benefits – elements 1 and 2) measure extremely well against South African and international practices.

Over and above the normal cycle of approvals the Remuneration Committee will embark in the next financial year on an extensive remuneration and benefits survey to benchmark ARM's competitiveness and adherence to global best practices.

The Chief Executive Officer, Financial Director and Executive: Human Resources attend Committee meetings by invitation and assist the Committee in its deliberations, except when issues relating to their own remuneration are discussed.

No Director was involved in deciding his or her remuneration. The Chairman of the Remuneration Committee attends Annual General Meetings to answer any questions from shareholders.

Additional information may be found under the heading "Remuneration Committee" in the Corporate Governance report on pages 128 and 129.

Advisors to the Remuneration Committee

In F2011 the Remuneration Committee was advised by Deloitte & Touche (Deloitte), which provided, *inter alia*, market benchmarking information on executive remuneration, Non-executive Directors' fees and advised on and assisted with the design, implementation and verification of calculations pertaining to allocations, grants and awards pursuant to short- and long-term incentive plans. All short- and long-term incentive calculations are audited by either the Company's internal auditors (KPMG) or, at financial year-end, by the external auditors Ernst & Young Inc.

The Remuneration Committee and the Company also made use of the professional services and advice of PricewaterhouseCoopers (PwC)/Remchannel and Compensation Technologies to conduct Non-executive Director fees and conditions of employment surveys and benchmarks for other management and employee categories. This was aimed at ensuring overall competitiveness.

Non-binding Advisory Vote

Chapter 2 of King III, which deals with boards and directors, requires companies to table their remuneration policy to shareholders every year for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the Company's Remuneration policy and on its implementation.

Ordinary resolution number 11 (included in the Notice of Annual General Meeting) is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board and the Remuneration Committee will take the outcome of the vote into consideration when considering the Company's Remuneration policy.

Additional information may be found in the Notice of Annual General Meeting on pages 242 to 248.

Remuneration Philosophy and Policy: Executive remuneration

Principles of executive remuneration

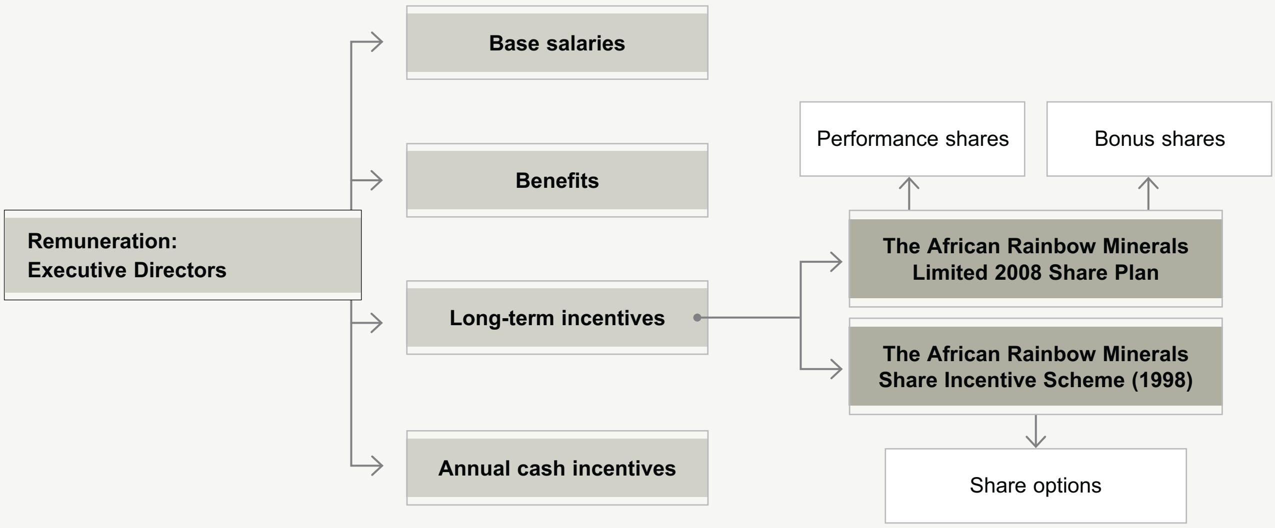
ARM's executive remuneration philosophy aims to attract and retain high-calibre executives, and to motivate and reward them for developing and implementing the Company's strategy to deliver consistent and sustainable shareholder value. The Company demonstrates:

- the ability to attract top talent throughout the organisation as 96.5% of all job offers made were accepted;
- the ability to retain that top talent as the annual turnover is only 4.8% with no turnover in top management;
- a management team that realises the slogan of "We do it better" and consistently achieves and exceeds business targets, meets project budgets and timelines and thereby creates sustainable shareholder value; and
- a management team that has delivered on the Company's strategy since 2005 and achieved its strategic objectives.

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, which are structured to reward effective operational performance; and
- **long-term (share-based) incentives** that are used to align the long-term interests of management with shareholders and that are responsibly implemented, so as not to expose shareholders to unreasonable or unexpected financial impact.

Remuneration report continued



Elements of executive remuneration

- Base salaries (i.e. fixed 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 the remuneration package relative to the market and takes into account the performance of the Company and the individual executive in determining both quantum and design.

For additional information regarding Executive Directors' emoluments for F2011, refer please to the Directors' report on pages 157 and 159 to 163.

The policies relating to the four components of executive remuneration are summarised in the table on the next page.

Policy	Basis of delivery
Base salaries: • The salaries of Executive Directors and other senior executives are benchmarked against market practices, other South African mining companies that are comparable in size, business complexity and international scope. • Reflect market median levels based on role and individual skills and experience. • Base salaries of key individuals are aligned with salaries in the upper quartile of the resource market.	• Monthly in cash. • Reviewed annually, with changes taking effect 1 July. • Increases in base salary are also determined by Company performance, individual performance and changes in responsibility. • Base salary is on a total cost-to-company (TCTC) basis with all benefits converted into the base salary. Participation in short- and long-term incentive schemes is calculated from and in addition to the TCTC package.
Benefits: *Retirement/Pension Fund:* • Membership of the ARM Pension Fund is compulsory. Executives, if already members of a recognised industrial pension/retirement fund, such as Sentinel, may remain members if so elected. *Medical scheme:* • It is compulsory to belong to a medical scheme.	• Contributions are made by executives from the TCTC base salary. • The ARM Pension Fund is managed by eight trustees: 50% appointed by ARM and 50% elected by the members. • The fund is administrated by Alexander Forbes. • It is a defined contribution fund. • Executives may participate in any managed medical aid plan of their choice.
Other benefits and conditions of employment: • All other conditions of employment are comparable to those of the industry and conditions do not differ from the rest of the employees in the company. No special or extraordinary conditions are applicable to executives.	• Adjustments are made to the TCTC depending on the benefits selected by employees, *e.g.* travel allowances.
Annual cash incentives: • Incentivised achievement of annual objectives and sustained performance against comparative and absolute targets are rewarded. • Executive Directors and senior executives are allowed voluntary deferral of either 25%, one third or 50% of bonus into “co-investment” shares (see page 141 of this Remuneration report for details).	• On-target bonus percentages are established by the Remuneration Committee in terms of ARM’s overall reward strategy; however, the Out Performance Bonus 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 in accordance with 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 profit applies to non-executive employees at corporate level. At operational level, the incentive bonus for all employees, payable at financial year-end, depends upon actual operational performance against a weighting of the following three measures of performance: – targeted profit from the operations; – targeted operational unit cost of sales in each of the mineral cluster(s); and – targeted operational production. • Health and safety is either an additional measure or penalty. The weighting of the above metrics is applied to each employee in relation to his or her sphere of influence. • Non-executive Directors are not incentivised.

Remuneration report continued

Policy	Basis of delivery
Long-term (share-based) incentives: • ARM share-based incentives are based on two schemes: – The African Rainbow Minerals Share Incentive Scheme; and – The African Rainbow Minerals Limited 2008 Share Plan.	• Prior to 2008, ARM's only form of long-term incentive was a long-standing 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. This was done within the parameters of the original approval by the JSE and shareholders, to bring it in line with these developments. • Additionally its reward impact was significantly 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 and subsequently amended at the 2010 Annual General Meeting. • ARM's long-term (share-based) incentives now consist of: – performance shares; – bonus shares; and – 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 programme 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, conditional awards of full value performance shares have been made to executives annually since 2008. The shares vest after a three-year period subject to the Company's achievement of a weighted combination of performance measures over this period as approved by the Remuneration Committee. The Share Plan makes provision for criteria to be 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 performance criteria for the vesting of the performance shares, as approved by the Remuneration Committee, are currently defined in terms of the achievement of a Market Price Appreciation (MPA) performance, in comparison to the 20 companies comprising the constituent members of the FTSE/JSE Resources Index (RESI) 20 Index (now called RESI 10). Recommendations will be made to the Remuneration Committee regarding the method of allocation under the new RESI 10.

The MPA for this purpose is defined to be the increase in value of a portfolio of company shares purchased on a specified date, holding the shares until the third anniversary of the purchase date, and then selling the portfolio on that day.

If the MPA over the three year period:

- Ranks at the median of the RESI 20, then the targeted number of performance shares awarded will be settled.
- Ranks at or above fifth position in the RESI 20, then three times the targeted number of performance shares awarded will be settled to a participant.
- Ranks at or less than fifteenth position in the RESI 20, then all performance shares awarded will lapse, and no shares will accrue to a participant.
- Ranks between any one of the above points, then the number of performance shares vesting, will be linearly apportioned as the ranking of the MPA increases.
- Any performance shares not vesting will lapse and will be of no further force or effect.

These performance measures have been selected on the basis that, individually or in aggregate, they incentivise the creation of shareholder value. The performance share method aligns the interests of shareholders and executives by rewarding superior shareholder return in the future, and by encouraging executives to build a shareholding in ARM.

From F2011 additional awards of performance shares may be made in terms of the newly introduced deferred bonus/co-investment scheme, described below.

For additional information regarding performance share awards in F2011, please refer to the Directors' report on page 159.

Bonus share method
In terms of the Share Plan, annually since 2008, executives have received 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 settled after three years, conditional on continued employment. Its purpose is to retain executives for the long-term.

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. It also encourages executives to build a shareholding in ARM.

From F2011 additional grants of bonus shares may be made in terms of the newly introduced deferred bonus/co-investment scheme, described below.

For additional information regarding bonus share grants in F2011, please refer to the Directors' report on page 160.

Share option scheme
Annual allocations of share options in terms of the Scheme are made to executives, but at a much 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 until the eighth anniversary of its allocation.

The Scheme was amended in December 2010 to allow the Company to offer participants the opportunity to net settle share options when exercised.

For additional information regarding share option allocations in F2011, please refer to the Directors' report on pages 161 to 163.

Deferred bonus/co-investment scheme
In February 2011, the Remuneration Committee approved a deferred bonus/co-investment scheme, in which executives may invest in additional bonus shares and additional performance shares under the terms and conditions of the Share Plan.

Executives and senior managers have been offered the opportunity, before the end of March each year, to elect that a portion (25%, one third or a maximum of 50%) of their bonus which is only determined at the end of the performance year is deferred and converted into an equivalent value of bonus shares.

Additionally, any portion of the bonus calculated at the end of the performance year above a certain threshold (Rand) level is to be on a compulsory basis deferred and converted into an equivalent value of bonus shares.

The remainder of the bonus, after any elective or compulsory deferral, will accrue to executives and be paid out in cash.

To encourage executives to take up the deferral(s), the deferred bonus shares are matched with performance shares according to prescribed ratios.

The deferred bonus share element will be utilised to enhance the retention characteristics of the current reward of Executive Directors and senior management. The Company is of the view that the deferral of a portion of immediate cash bonuses demonstrates a heightened commitment to performance and shareholder alignment, and enhances both the retention of employees and the performance and shareholder alignment characteristics of the Share Plan.

Although the deferred bonus shares will still be at risk to share price volatility, a high level of reward certainty exists for the grantees, as the only performance criteria associated with vesting is their continued employment. Performance and shareholder alignment will be enhanced by the matching of the deferred bonus shares with additional performance shares in specific ratios that reflect the risk/reward characteristics the Company wishes to operate under.

Summaries of long-term incentives
The number 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 159 to 163.

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), Schmidt (Chief Executive Officer Designate), 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 in terms of the executive employment agreements with the Executive Directors is set out in detail on page 157 of the Directors' report. Executive Directors are not paid by the Company for their services and duties as Directors of the Company. They only receive remuneration in terms of their employment relationship with the Company.

Remuneration report continued

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 contribute significantly 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 meeting attendance fees are paid quarterly and in arrears. Board attendance fees are paid for site visits and seminars. 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 158.

Board retainers and per meeting attendance fees

On the advice of the Remuneration Committee, the Board recommends an annual retainer and meeting fees for attendance at Board meetings payable to Non-executive Directors for approval by shareholders.

A comprehensive benchmarking exercise was performed on Non-executive Directors' Board fees using Deloitte surveys, PwC surveys and Annual Reports of various similar-sized companies in the resources sector. Based upon the outcome of this exercise, a proposed 7% per annum increase in retainers and Board meeting attendance fees to be paid to Non-executive Directors will be submitted for approval to shareholders at the Annual General Meeting scheduled to be held on Friday, 2 December 2011. This will bring the Company's Board retainers and per meeting fees more in line with the market and ensure that ARM retains the skills and experience of its Non-executive Directors.

Executive Directors do not receive Directors' fees.

	2011/12 Fees (Rand)*		2010/11 Fees (Rand)**	
Annual Board retainers and meeting attendance fees	**Annual**	**Per meeting**	**Annual**	**Per meeting**
Independent Non-executive Director	**317 800**	**15 300**	297 000	14 300
Non-executive Director	**254 250**	**15 300**	237 600	14 300

* *Effective 1 July 2011, should the increase be approved by shareholders at the Annual General Meeting.*
** *Effective 1 July 2010.*

Committee meeting attendance fees

The Company also conducted a comprehensive third-party benchmarking exercise on Non-executive Directors' committee meeting attendance fees, including the use of Deloitte's surveys. On the advice of the Remuneration Committee, the Board recommends for approval by shareholders an increase in the committee meeting attendance fees payable to Non-executive Directors as set out in the table below. The level of such committee attendance 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 the committee members. The fees provide remuneration for preparation for and attendance at meetings.

		2011/12 per Meeting Fees (Rand)*	2010/11 per Meeting Fees (Rand)**
Audit Committee			
	Chairman	**79 450**	74 250
	Member	**31 800**	29 700
Investment Committee, Nomination Committee, Remuneration Committee and Social and Ethics (formerly called Sustainable Development) Committee			
	Chairman	**30 000**	17 800
	Member	**20 000**	11 900

* *Effective 1 July 2011, should the increase be approved by shareholders at the Annual General Meeting.*
** *Effective 1 July 2010.*

Fee for the Lead Independent Non-executive Director

On the advice of the Remuneration Committee, the Board recommends for approval by shareholders the increase, effective 1 July 2011, of the fee of R17 800 to R19 050 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.

Please refer to the Notice of Annual General Meeting on pages 242 to 248.

Service contracts: Non-executive Directors

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

An agreement has been entered into between the Company and Mr Chissano to perform services on behalf of the Company. The renewable contract is subject to one month's termination notice by either party.

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

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.

Details regarding amounts paid in F2011 in terms of service contracts with Non-executive Directors are provided in the Directors' report on page 158.

Board of Directors

1

Patrice Motsepe

(49)
Executive Chairman
BA (Legal), LLB

2

André Wilkens

(62)
Chief Executive Officer
Mine Managers Certificate of Competency, MDPA (Unisa), RMIA

3

Mike Arnold

(54)
Financial Director
BSc Eng (Mining Geology), BCompt (Hons), CA(SA)

4

Mangisi Gule

(59)
Chief Executive: ARM Coal
BA (Hons) Wits, P & DM (Wits Business School)

5

Stompie Shiels

(55)
Executive Director: Business Development
BSc (Min Eng), MBL, Mine Managers Certificate

6

Jan Steenkamp

(57)
Chief Executive: ARM Ferrous
National Met Diploma, Mine Managers Certificate, MDP, Cert. Eng

7

Steve Mashalane

(49)
Chief Executive: ARM Platinum
BCom (Hons), PMD (Harvard Business School)

8

Mike Schmidt

(53)
Chief Executive Officer Designate
Mine Managers Certificate, Pr.Cert. Eng

9

Dr Manana Bakane-Tuoane

(63)
Independent Non-executive Director
BA, MA, PhD (Econ)

10

Frank Abbott

(56)
Non-executive Director
BCom, CA(SA), MBL

11

Tom Boardman

(61)
Independent Non-executive Director
BCom, CA(SA)

12

Anton Botha

(58)
Independent Non-executive Director
BCom (Marketing), BProc,
BCom (Hons), SEP (Stanford)

13

Joaquim Chissano

(71)
Independent Non-executive Director
PhD

14

Mike King

(74)
Independent Non-executive Director
CA(SA), FCA

15

Alex Maditsi

(49)
Independent Non-executive Director
BProc, LLB, LLM

16

Dr Rejoice Simelane

(59)
Independent Non-executive Director
BA (Econ and Acc), MA,
PhD (Econ), LLB

17

Bernard Swanepoel

(50)
Independent Non-executive Director
BSc (Min Eng), BCom (Hons)

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 was appointed as Chief Executive Officer to ARM in 2004 and appointed to its Board in the same year. The balance of André's 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. In 2004, Mike was appointed Executive Finance of ARM. Most recently, he was appointed as the Chief Financial Officer of ARM in 2008.

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 L A (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 Mike Schmidt

Appointed to the Board in 2011. Mike Schmidt joined ARM as Executive: Platinum Operations in July 2007 after 13 years with Lonmin Platinum where he was Vice President Limpopo operations at the time he left the company. Prior to that, he was employed by Hartebeestfontein Gold Mining Company. Mike was appointed the Chief Executive Officer Designate and an Executive Director of the Company with effect from 1 September 2011. He will take over as Chief Executive Officer of ARM on 1 March 2012.

9 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). She serves as a Non-executive Director of Sanlam Limited and certain Sanlam trusts. Manana is also a Special Advisor (Economics) to the South African Minister of Water and Environmental Affairs.

10 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.

11 Tom Boardman

Appointed to the Board in 2011. Tom Boardman was Chief Executive of Nedbank Group Limited from December 2003 to February 2010. He was previously Chief Executive and an executive director of BoE Limited, one of South Africa's leading private and investment banking companies which was acquired by Nedbank in 2002. He was the founding shareholder and Managing Director of retail housewares chain Boardmans which was acquired by Pick 'n Pay in 1986. Prior to this he was Managing Director of Sam Newman Limited and worked for the Anglo American Corporation for three years. He served his articles at Deloittes. He is a non-executive director of Nedbank Group, Vodacom Limited, Woolworths Holdings, Royal Bafokeng Holdings and Mutual & Federal Insurance Company Limited. Tom has also been appointed as a non-executive director of Kinnevik, a listed Swedish Investment company. He is a director of WWF South Africa and The Peace Parks Foundation and is the Chairman of The David Rattray Foundation and serves as a trustee on a number of other charitable foundations.

12 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, 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.

13 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.

14 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.

15 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.

16 Dr Rejoice Simelane

Appointed to the Board in 2004. An economist by training, Rejoice Simelane commenced her career at the University of Swaziland, as a lecturer in Economics. Between 1998 and 2001 she worked at the National Department of Trade and Industry and at the National Treasury. She later served in the capacity of Special Adviser, Economics, to the then 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 Limited, Mamelodi Sundowns Football Club and the Council for Medical Schemes. A recipient of a CIDA Scholarship and a Fulbright Fellow, she also served as a member of the Presidential Economic Advisory Panel (PEAP) under former President Mbeki until 2009. In addition, she is a member of the Advisory Board of the Bureau for Economic Policy Analysis (BEPA) of the University of Pretoria.

17 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 is Non-executive chairman of Savannah Mining (a UK-based exploration company focusing on Nigeria) and is Chief Executive Officer of Village Main Reef.

Steering Committee

The photographs of the following Steering Committee Members, who are Executive Directors, are included on pages 144 and 145.

André Wilkens

Mike Arnold

Mangisi Gule

Steve Mashalane

Mike Schmidt

Stompie Shiels

Jan Steenkamp

Rilette Avenant-Buys

Executive: Logistics

Chris Blakey-Milner

Leader: Risk Management

Nerine Botes-Schoeman

Group Manager: Sustainable Development

Mark Bräsler

Executive: Operations Support

Graham Butler

Executive: Exploration and Project Investment

Alyson D'Oyley

Company Secretary

André Joubert

Executive: ARM Ferrous Operations

Pierre Joubert

Executive: ARM Copper Operations

Jongisa Klaas

Head of Investor Relations and Corporate Development

Sandile Langa

Executive: ARM Ferrous

Peter Manda

Executive: Legal

Busi Mashiane

Human Resources Manager

Director Matlala

Leader: Transformation

Imrhan Paruk

Executive: Corporate Development

Deon Pieterse

Executive: Human Resources

Johan Pistorius

Chief Information Officer

Claus Schlegel

Executive: ARM Exploration

Dan Simelane

Chief Executive: ARM Copper

Peter Steenkamp

Executive: ARM Platinum Operations

Princess Thwala

Executive: ARM Ferrous

Annual financial statements

Contents

Goedgevonden coal washing plant

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 117 to 134 of the 2011 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 annual financial statements of the Company and the Group fairly present the results of operations and the financial position for the Company and the Group at year-end and that the additional information included in the 2011 Integrated Annual Report is accurate and consistent with the financial statements.

The responsibility of the external auditors, Ernst & Young Inc., 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 of the Company and the Group annual financial statements on pages 151 to 235, were approved by the Board and are signed on its behalf by:

Patrice Motsepe	**André Wilkens**
Executive Chairman	*Chief Executive Officer*

Johannesburg
17 October 2011

Certificate of the Company Secretary

In my capacity as Company Secretary, I hereby confirm that, in terms of Section 88(2)(e) of the Companies Act, as amended, for the year ended 30 June 2011, the Company has lodged with the Commissioner 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
17 October 2011

Report of the Audit Committee

This report is provided by the Audit Committee appointed in respect of the F2011 financial year of ARM in compliance with section 94 of the Companies Act 71 of 2008, as amended (the Act).

Information on the membership and composition of the Audit Committee, its Terms of Reference and its procedures is described more fully in the Corporate Governance report on pages 126 and 127 of the 2011 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, risk 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 and evaluated the effectiveness of the external auditor and its independence;
- obtained and accepted an annual written statement from the auditor that its 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 2012.

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

- confirmed the going concern status of the Company and Group as the basis of preparation of the interim, provisional and annual financial statements;
- examined and reviewed the interim, provisional 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 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;
- reviewed significant issues raised by the internal audit process and the adequacy of corrective action in response to significant internal audit findings; and
- 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:
  - the internal auditors' report on internal financial controls for the year to 30 June 2011, based on negative assurance, delivered an assessment of "Good". Control improvement opportunities identified were generally of a housekeeping nature. The internal auditors specifically confirmed that, based on the scope of their assignment, no material breakdown in internal financial controls had come to their attention; and
  - the internal auditors' report on internal controls and enterprise risk management for the year to 30 June 2011, based on negative assurance, delivered an assessment of "Acceptable; with room for improvement". Based on their scope, the internal auditors confirmed that no material breakdown in internal controls had come to their attention.
- the Audit Committee has considered the effectiveness of the systems of internal financial controls of the Company and its business entities taking into consideration reports by management and the above-mentioned reports by the internal auditors thereon and have also considered the reports by the external auditors on the annual financial statements. Based on the above, the Audit Committee concluded that nothing had come to its attention that would suggest that the internal financial controls were not effective for the year to 30 June 2011. In addition, the Audit Committee has considered the accounting practices and the annual financial statements of the Company and Group and consider these to be fair and reasonable.

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 and processes on risk assessment and risk management and implementation thereof throughout the Group;
- ensured that the Company has applied a combined assurance model to provide a coordinated approach to all assurance activities;
- reviewed the communication of risks to stakeholders in the Integrated Annual Report; 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 and Group;
- Discharged those statutory obligations of an audit committee as prescribed by section 270A of the previous Companies Act of 1973 (as amended) and section 94 of the new Companies Act;
- 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.

Qualifications and experience of Audit Committee members

Audit Committee member*	Academic qualifications	Membership on other ARM committees	Date first appointed to ARM Board	Date first appointed to Audit Committee
M W King (Chair)	CA(SA), FCA	Member of ARM's Investment Committee.	30 April 2004	12 July 2004
Dr M M M Bakane-Tuoane	BA, MA, PhD (Econ)	Lead Independent Non-executive Director. Member of ARM's Social and Ethics Committee and Chairman of ARM's Remuneration Committee and ARM's Non-executive Directors' Committee.	30 April 2004	4 July 2008
T A Boardman	BCom, CA(SA)	Member of ARM's Remuneration Committee.	1 February 2011	1 February 2011
A D Botha	BCom (Marketing), BProc, BCom (Hons), SEP (Stanford)	Member of ARM's Remuneration Committee and ARM's Investment Committee.	1 August 2009	9 June 2010
A K Maditsi	BProc, LLB, LLM	Chairman of ARM's Nomination Committee and a member of ARM's Remuneration Committee and ARM's Investment Committee.	30 April 2004	12 July 2004
Dr R V Simelane	BA (Econ and Acc), MA, PhD (Econ), LLB	Chairman of ARM's Social and Ethics Committee and a member of ARM's Nomination Committee.	30 April 2004	12 July 2004

** All of the current members of the Audit Committee are Independent Non-executive Directors.*

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 2011, 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 2011 Integrated Annual Report and recommended the 2011 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
17 October 2011

Report of the independent auditors

To the members of African Rainbow Minerals Limited

We have audited the accompanying financial statements of African Rainbow Minerals Limited Group and Company, which comprise the statements of financial position as at 30 June 2011, the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the Directors' report, as set out on pages 155 to 228.

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, and for such internal control as the Directors' determine is necessary to enable the preparation of financial statements that are free from material misstatement, about whether due to fraud or error.

Auditor's 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 auditor's 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 auditor considers 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 African Rainbow Minerals Limited Group and Company as at 30 June 2011, and 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.

Director – Ernest Adriaan Lodewyk Botha
Registered Auditor
Chartered Accountant (SA)
Wanderers Office Park
52 Corlett Drive, Illovo
Johannesburg

17 October 2011

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 2011.

Nature of business

African Rainbow Minerals Limited (ARM) is a niche, diversified South African mining company with excellent long-life, low unit cost operations 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 Gold Mining Company Limited. ARM's partners at the various South African operations are Anglo American Platinum Limited, Assore Limited, Impala Platinum Holdings Limited, Norilsk Nickel Africa (Proprietary) Limited and Xstrata Coal South Africa (Proprietary) Limited.

ARM's assets in the rest of Africa are held in a 50:50 joint venture with Vale SA, 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 prospect in the Democratic Republic of Congo (DRC).

Holding company

The Company's largest shareholder is African Rainbow Minerals & Exploration Investments (Proprietary) Limited (ARMI), holding 41.17% of the issued ordinary share capital as at 30 June 2011. 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 (ARM 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 ARM BBEE Trust has been able to distribute R10.2 million to beneficiaries during the past year arising from ARM's Dividend No 4.

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 2011, on pages 4 to 115.

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 applied the principles of King III, except for the principles noted and explained in the Corporate Governance report on pages 117 to 134.

Financial results

The annual financial statements and Group annual financial statements and accounting policies appear on pages 151 to 235 of this report. The results for the year ended 30 June 2011 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 2011 amounted to R3.1 billion, which are at slightly lower levels than F2010 (R3.3 billion). Cash and cash equivalents increased by R0.6 billion to R3.7 billion at 30 June 2011. As a result ARM is in a net cash position of R599 million (F2010: net debt R307 million).

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 2012. 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 2002.

All tax submissions up to and including June 2010 have been submitted. The assessments for F2003 to F2010 have not yet been issued by the South African Revenue Services (SARS). The tax return for June 2011 will be submitted during F2012.

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 226 to 228.

Directors' report continued

Dividend

The fifth annual dividend declared on 31 August 2011 amounts to a distribution of R959 million. The dividend was paid to share-holders on 26 September 2011. In accordance with the requirements of Section 4 of the Companies Act, 2008, as amended, the Board determined that the solvency and liquidity requirements therein are met for the payment of the dividend.

Capital expenditure

Capital expenditure for F2011 amounted to R3.4 billion (F2010: R2.7 billion). Full details are set out in the Financial Director's report on pages 14 to 23 and in the Operational reviews on pages 42 to 115.

Events after the reporting period

Since the year-end the portion of the insurance claim relating to the furnace explosion at the Cato Ridge Works, claimable against the local insurers, was settled on 26 August 2011. The portion attributable to ARM will be approximately R69 million after tax. The results to 30 June 2011 have not been adjusted as the impact is not considered material.

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 2011, is set out in the Investor Relations report on pages 236 to 239.

Directorate

The composition of the Board is set out on page 121. *Curricula vitae* may be found on pages 146 and 147.

Mr T A Boardman was appointed as an Independent Non-executive Director on 1 February 2011. Mr J R McAlpine retired as an Independent Non-executive Director on 30 June 2011 on attainment of his 70th birthday. The Nomination Committee determined that Mr Z B Swanepoel, a Non-executive Director, became an Independent Non-executive Director on 6 August 2010, three years subsequent to his resignation from Harmony. Mr M P Schmidt, was appointed as the Chief Executive Officer Designate and Executive Director on 1 September 2011.

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 Abbott, Arnold, Shiels and Swanepoel and Dr Simelane each of whom is available for re-election. In addition, shareholders' approval must be sought for Directors appointed by the Board during the year. Messrs Boardman and Schmidt are both affected by this requirement and make themselves available for election.

Interest of Directors

The direct beneficial and non-beneficial interest of the Directors of the Company in the issued share capital of the Company at 30 June 2011 were as follows:

	30 June 2011				30 June 2010			
	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	**–**	**–**	**15 000**	**–**	–	–	10 000	–
L A Shiels	**2 000**	**–**	**–**	**–**	2 000	–	–	–
Total	**2 000**	**–**	**87 765 417**	**–**	2 000	–	87 760 417	–

Between 30 June 2011 and the date of this report, no Directors acquired a direct or indirect beneficial or non-beneficial interest in the issued share capital of the Company.

Directors' remuneration: Executive Directors and senior executives

The remuneration of Executive Directors and senior executives consists of base salaries, benefits, annual cash incentives, and long-term (share-based) incentives. 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 136 to 143.

The table below sets out the emoluments paid during the year ended 30 June 2011 to Executive Directors and the three most highly-paid senior executives who are not Directors.

The Board has also determined that the Executive Directors are the only prescribed officers of the Company and that as a result no additional disclosure of executive salaries is required. Prescribed officers in terms of Section 66 (10) of the Companies Act 71 of 2008, as amended, and as further described in Section 38 of the Regulations thereto.

Emoluments paid to Executive Directors and three senior executives

All figures in R000	Salary F2011	Pension scheme contri-butions F2011	Allow-ances F2011	**Total gross annual package F2011**	Accrued bonus F2011	Total F2011	Total gross[3] annual package F2010	Accrued bonus F2010	Total F2010
Executive Directors[1]									
P T Motsepe	6 613	–	125	**6 738**	3 492	10 230	5 961	5 754	11 715
A J Wilkens	5 431	617	781	**6 829**	3 332	10 161	6 153	6 808	12 961
M Arnold[2]	2 778	304	418	**3 500**	2 093	5 593	2 568	2 924	5 492
W M Gule	2 108	235	388	**2 731**	1 812	4 543	2 406	2 468	4 874
K S Mashalane	2 281	196	514	**2 991**	1 011	4 002	2 445	2 409	4 854
L A Shiels	2 089	269	318	**2 676**	1 812	4 488	2 348	2 468	4 816
J C Steenkamp	3 961	493	793	**5 247**	3 768	9 015	4 174	4 890	9 064
Total for Executive Directors				**30 712**		48 032	26 055		53 776
Senior Executives	6 746	675	797	**8 218**	3 830	12 048	6 633	7 334	13 967

1 Mr M P Schmidt was appointed to the Board on 1 September 2011, subsequent to the F2011 year-end.
2 Mr M Arnold was appointed to the Board on 1 August 2009.
3 Total gross annual package before bonuses.

The accrued bonuses indicated for F2011 are based upon performance in F2011.

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.

The bonuses earned by Executives Directors and senior executives were in line with those paid in the previous year notwithstanding the significant increase in headline earnings of 94% year on year. These bonuses were earned based on targets for a combination of profit performance and cost performance at operations, and were approved by the Remuneration Committee after considering aspects of the operational results for all divisions.

Directors' report continued

Directors' remuneration: 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 in F2010. Additional information regarding Board and committee fees may be found in the Remuneration report on pages 142 and 143.

The Board has agreed to recommend an increase in Non-executive Directors' fees, effective from 1 July 2011, to ensure that Non-executive Directors' fees remain competitive. The Board further agreed to recommend an increase in the 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 2011.

Emoluments paid to Non-executive Directors

All figures in R000	Board and Committee fees	Other*	**Total F2011**	Total F2010
Non-executive Directors[1]				
Dr M M M Bakane-Tuoane	805	–	**805**	667
F Abbott[2]	457	–	**457**	326
T A Boardman[3]	269	–	**269**	–
A D Botha[4]	735	–	**735**	383
J A Chissano	383	548	**931**	822
M W King	1 012	–	**1 012**	902
A K Maditsi	737	–	**737**	561
J R McAlpine[5]	698	–	**698**	595
Dr R V Simelane	831	–	**831**	651
M V Sisulu[6]	–	–	**–**	28
Z B Swanepoel	495	–	**495**	407
Total	6 422	548	**6 970**	5 342

* *Additional information may be found under the heading "Service Contracts: Non-executive Directors" on page 143 of the Remuneration report.*

1 *Payments for the reimbursement of out-of-pocket expenses have been excluded.*

2 *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. For details regarding gains made in F2011 on the exercise of bonus shares and performance shares, please see pages 159 and 160.*

3 *Mr Boardman was appointed on 1 February 2011.*

4 *Mr Botha was appointed on 1 August 2009.*

5 *Mr McAlpine retired on 30 June 2011.*

6 *Mr Sisulu resigned on 7 August 2009.*

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 will be settled 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.

Mr Abbott retired as the Financial Director of ARM on 1 August 2009. During F2011, 3 557 of Mr Abbott's 5 250 performance shares were settled and 1 693 performance shares were forfeited. The performance shares had been awarded when Mr Abbott was an Executive Director. He has no remaining performance shares.

The total number of performance shares awarded in October 2010 and April 2011 was 125 530. During the year under review, 3 557 performance shares, held by employees who either retired or were retrenched during the year, were settled and 9 031 performance shares were forfeited. The total number of performance shares as at 30 June 2011 was 375 495.

Between 30 June 2011 and the date of this report, no performance shares were settled or forfeited.

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

Performance shares

Executive Directors	P T Motsepe	M Arnold	W M Gule	K S Mashalane	L A Shiels	J C Steenkamp	A J Wilkens
	Number of shares						
Opening balance as at 1 July 2010	33 527	8 046	6 724	7 014	6 706	15 031	33 718
Performance shares awarded 15 October 2010	12 786	3 545	2 742	2 742	2 742	7 074	12 859
Closing balance as at 30 June 2011	**46 313**	**11 591**	**9 466**	**9 756**	**9 448**	**22 105**	**46 577**
Performance shares awarded 29 September 2011[1]	**18 968**	**5 598**	**3 281**	**1 830**	**3 281**	**6 821**	**18 099**

1 *Performance shares awarded between 30 June 2011 and the date of this report, in terms of the Share Plan and in terms of the Company's deferred bonus/co-investment scheme, which is more fully described in the Remuneration report on pages 140 and 141.*

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

Performance shares

Senior executives	Number of shares
Opening balance as at 1 July 2010	17 941
Staff movements	(503)
Performance shares awarded 15 October 2010[1]	8 226
Closing balance as at 30 June 2011	**25 664**
Performance shares awarded 29 September 2011[2]	**14 400**

1 *Vesting date 16 October 2013 (conditional on performance measures).*
2 *Performance shares awarded between 30 June 2011 and the date of this report, in terms of the Share Plan and in terms of the Company's deferred bonus/co-investment scheme, which is more fully described in the Remuneration report on pages 140 and 141.*

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.

Mr Abbott retired as the Financial Director of ARM on 1 August 2009. During F2011, all of Mr Abbott's 5 397 bonus shares, which had been granted when Mr Abbott was an Executive Director, were settled. He has no remaining bonus shares.

The total number of bonus shares granted in October 2010 and April 2011 was 121 589. During the year under review, 5 397 bonus shares, held by employees who either retired or were retrenched during the year, were settled and 347 bonus shares were forfeited. The total number of bonus shares as at 30 June 2011 was 245 890.

Between 30 June 2011 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	M Arnold	W M Gule	K S Mashalane	L A Shiels	J C Steenkamp	A J Wilkens
	Number of shares						
Opening balance as at 1 July 2010	23 364	4 740	4 910	4 076	4 812	9 856	16 403
Bonus shares granted 15 October 2010[1]	16 847	3 696	2 859	2 790	2 859	7 562	13 406
Closing balance as at 30 June 2011	**40 211**	**8 436**	**7 769**	**6 866**	**7 671**	**17 418**	**29 809**
Bonus shares awarded 29 September 2011[2]	**18 968**	**5 598**	**3 281**	**1 830**	**3 281**	**6 821**	**18 099**

1 Vesting date 16 October 2013.
2 Bonus shares granted between 30 June 2011 and the date of this report, in terms of the Share Plan and in terms of the Company's deferred bonus/co-investment scheme, which is more fully described in the Remuneration report on pages 140 and 141.

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 2010	12 012
Staff movements	(4 301)
Bonus shares awarded 15 October 2010[1]	8 089
Closing balance as at 30 June 2011	**15 800**
Bonus shares awarded 29 September 2011[2]	**14 400**

1 Vesting date 16 October 2013.
2 Bonus shares granted between 30 June 2011 and the date of this report, in terms of the Share Plan and in terms of the Company's deferred bonus/co-investment scheme, which is more fully described in the Remuneration report on pages 140 and 141.

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. Mr Abbott retired as the Financial Director of ARM on 1 August 2009. During F2011, Mr Abbott exercised all of his 51 151 share options, which had been granted when he was an Executive Director. These share options were exercised at an average issue price of R131.93 per share option and a gross sales price of R224.06 per share option. He has no remaining share options. 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 2011 are set out on the next page.

Share option scheme (continued)

Schedule of share option entitlements

Executive Directors	P T Motsepe		M Arnold		W M Gule*	
	No of options	**Avg price R**	**No of options**	**Avg price R**	**No of options**	**Avg price R**
Opening balance as at 1 July 2010	1 050 907	51.23	143 378	88.77	140 174	79.15
Options granted			6 287	178.49	4 863	178.49
Options exercised			24 001		39 730	
Average issue price per option				45.87		64.15
Gross sale price per option				204.61		194.71
Options forfeited and lapsed						
Closing balance as at 30 June 2011	**1 050 907**	**51.23**	**125 664**	**101.45**	**105 307**	**89.36**
Grant date of options						
15 December 2004	550 000	27.00			35 000	27.00
10 October 2005	133 784	37.00	101	37.00		
1 November 2006	254 468	73.99	82 051	73.99	19 867	73.99
16 October 2007	85 880	139.73	21 598	139.73	33 646	139.73
21 May 2008			3 914	279.50		
5 December 2008	16 068	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
15 October 2010			6 287	178.49	4 863	178.49

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 2010	119 352	95.47	246 971	59.40	298 881	81.76	647 128	60.84
Options granted	4 863	178.49	4 863	178.49	9 408	178.49	12 072	178.49
Options exercised	40 000				12 635			
Average issue price per option		73.99				37.00		
Gross sale price per option		203.26				213.00		
Options forfeited and lapsed								
Closing balance as at 30 June 2011	**84 215**	**110.47**	**251 834**	**61.70**	**295 654**	**86.75**	**659 200**	**62.99**
Grant date of options								
15 December 2004							216 313	27.00
15 June 2005			140 000	32.00				
10 October 2005					40 000	37.00	112 865	37.00
1 November 2006	36 573	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
15 October 2010	4 863	178.49	4 863	178.49	9 408	178.49	12 072	178.49

** 33 646 share options were exercised between 30 June 2011 and the date of this report at an average issue price of R139.73 per option and a gross sale price of R186.80 per option.*

Directors' report continued

Schedule of share option entitlements

Senior executives	No of options	Average price R
Opening balance as at 1 July 2010	181 138	114.50
Options granted	14 589	178.49
Staff movements	(71 671)	94.19
Options exercised	(20 551)	
Average issue price per option		116.19
Gross sale price per option		186.82
Options forfeited and lapsed	–	–
Closing balance as at 30 June 2011*	**103 505**	**137.23**
Grant date of options		
1 November 2006	7 358	73.99
16 October 2007	55 464	139.73
5 December 2008	12 597	96.20
15 October 2009	13 497	155.20
15 October 2010	14 589	178.49

** The last expiry date is 15 October 2018.*

Schedule of performance share vesting dates

Senior executives	Number of shares
Performance shares outstanding at 30 June 2011	**375 495**
Vesting on	
3 December 2011	123 492
18 March 2012	4 466
16 October 2012	118 127
26 April 2013	4 695
16 October 2013	116 861
2 April 2014	7 854

Schedule of bonus share vesting dates

Senior executives	Number of shares
Bonus shares outstanding at 30 June 2011	**245 890**
Vesting on	
3 December 2011	112 695
18 March 2012	474
16 October 2012	11 479
16 October 2013	121 008
2 April 2014	234

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	Average issue price per option
Options outstanding at 30 June 2011	**4 081 733**	**R80.33**
Vested		
17 December 2005	183 333	R27.00
11 October 2006	100 134	R37.00
17 December 2006	300 820	R27.00
17 June 2007	59 375	R32.00
11 October 2007	120 286	R37.00
2 November 2007	180 824	R73.99
17 December 2007	472 646	R27.00
6 June 2008	25 999	R119.00
17 June 2008	106 782	R32.00
11 October 2008	147 224	R37.00
17 October 2008	183 411	R139.73
2 November 2008	213 371	R73.99
16 April 2009	13 821	R271.00
22 May 2009	1 304	R279.50
6 June 2009	25 999	R119.00
17 October 2009	183 879	R139.73
2 November 2009	442 582	R73.99
16 April 2010	13 821	R271.00
22 May 2010	1 304	R279.50
6 June 2010	36 001	R119.00
17 October 2010	185 498	R139.73
2 November 2010	193 144	R73.99
16 April 2011	13 824	R271.00
22 May 2011	1 306	R279.50
6 June 2011	17 999	R119.00
Vesting on		
2 November 2011	253 144	R73.99
6 December 2011	200 188	R96.20
18 March 2012	11 110	R120.80
6 June 2012	18 002	R119.00
16 October 2012	174 548	R155.20
27 April 2013	4 808	R195.60
16 October 2013	186 687	R178.49
2 April 2014	8 559	R223.00

Share incentive movements

	Options		Performance shares[1]		Bonus shares[1]	
	F2011	F2010	**F2011**	F2010	**F2011**	F2010
Opening balance as at 30 June 2010	**4 335 942**	4 834 037	**262 553**	137 965	**130 045**	122 683
Exercised	**(440 164)**	(624 153)	**–**	–	**–**	–
Settled	**–**	–	**(3 557)**	(332)	**(5 397)**	(1 703)
Granted/awarded/granted	**196 635**	185 952	**125 530**	128 530	**121 589**	11 479
Forfeited	**(10 680)**	(59 894)	**(9 031)**	(3 610)	**(347)**	(2 414)
Closing balance as at 30 June 2011	**4 081 733**	4 335 942	**375 495**	262 553	**245 890**	130 045
Subsequent to year-end:						
Exercised	**(44 629)**	–	**–**	–	**–**	–
Granted/awarded/granted	**–**	–	**93 367**	–	**93 367**	–
Balance as at 29 September 2011	**4 037 104**	4 335 942	**468 862**	262 553	**339 257**	130 045

1 Conditional.

External auditors

Ernst & Young Inc. (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 2012 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. Additional information regarding the office of the Company Secretary during the year are set out on page 125.

Special resolutions

No special resolutions were passed by ARM and its subsidiaries during the period 1 July 2010 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 (Proprietary) 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 for 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 229 to 235 and do not form part of the audited financial statements.

Statements of financial position

at 30 June 2011

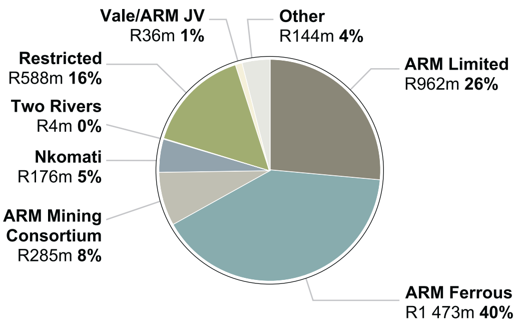
		Group		Company	
	Notes	**F2011 Rm**	F2010 Rm	**F2011 Rm**	F2010 Rm
Assets					
Non-current assets					
Property, plant and equipment	3	**15 500**	13 256	**2 131**	1 933
Investment property	4	**12**	12	**–**	–
Intangible assets	5	**202**	212	**–**	–
Deferred tax assets	15	**87**	44	**85**	43
Loans and long-term receivables	7	**186**	51	**198**	10
Financial assets	8	**45**	84	**–**	–
Inventories	10	**130**	148	**13**	15
Investment in associate	6	**1 331**	1 292	**432**	432
Other investments	9	**5 798**	5 191	**8 818**	8 383
		23 291	20 290	**11 677**	10 816
Current assets					
Inventories	10	**2 162**	1 834	**162**	65
Trade and other receivables	11	**3 113**	3 026	**195**	324
Taxation	34	**75**	44	**–**	–
Cash and cash equivalents	12	**3 668**	3 039	**1 248**	1 047
		9 018	7 943	**1 605**	1 436
Total assets		**32 309**	28 233	**13 282**	12 252
Equity and liabilities					
Capital and reserves					
Ordinary share capital	13	**11**	11	**11**	11
Share premium	13	**3 840**	3 803	**3 840**	3 803
Other reserves		**1 201**	728	**1 003**	498
Retained earnings		**16 105**	13 223	**6 507**	5 754
Equity attributable to equity holders of ARM		**21 157**	17 765	**11 361**	10 066
Non-controlling interest		**958**	764	**–**	–
Total equity		**22 115**	18 529	**11 361**	10 066
Non-current liabilities					
Long-term borrowings	14	**2 337**	2 582	**410**	784
Deferred tax liabilities	15	**3 571**	2 961	**516**	407
Long-term provisions	16	**549**	500	**137**	131
		6 457	6 043	**1 063**	1 322
Current liabilities					
Trade and other payables	17	**2 448**	2 315	**312**	311
Short-term provisions	18	**287**	268	**118**	134
Taxation	34	**270**	314	**100**	90
Overdrafts and short-term borrowings					
– interest-bearing	19	**732**	764	**37**	38
– non-interest-bearing	19	**–**	–	**291**	291
		3 737	3 661	**858**	864
Total equity and liabilities		**32 309**	28 233	**13 282**	12 252

Income statements

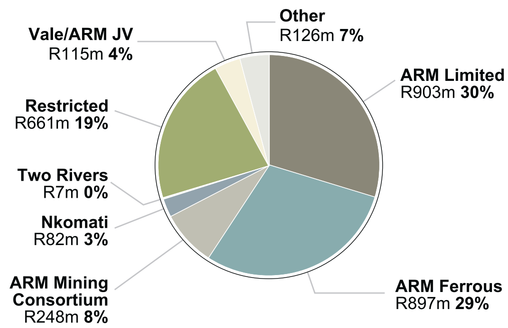
for the year ended 30 June 2011

	Notes	Group F2011 Rm	Group F2010 Rm	Company F2011 Rm	Company F2010 Rm
Revenue	22	**15 357**	11 425	**3 089**	2 264
Sales	22	**14 893**	11 022	**1 499**	1 224
Cost of sales	23	**(8 952)**	(7 480)	**(1 126)**	(902)
Gross profit		**5 941**	3 542	**373**	322
Other operating income	24	**511**	408	**462**	417
Other operating expenses	25	**(1 130)**	(1 030)	**(711)**	(520)
Profit from operations before exceptional items	26	**5 322**	2 920	**124**	219
Income from investments	27	**216**	209	**1 166**	679
Finance costs	28	**(216)**	(192)	**(53)**	(100)
Loss from associate	6	**(135)**	(51)	**–**	–
Profit before taxation and exceptional items		**5 187**	2 886	**1 237**	798
Exceptional items	29	**(11)**	97	**(4)**	(2)
Profit before taxation		**5 176**	2 983	**1 233**	796
Taxation	30	**(1 671)**	(1 009)	**(54)**	(94)
Profit for the year		**3 505**	1 974	**1 179**	702
Attributable to:					
Non-controlling interest		**194**	162		
Equity holders of ARM		**3 311**	1 812	**1 179**	702
		3 505	1 974	**1 179**	702
Additional information					
Headline earnings (R million)	32	**3 319**	1 714		
Headline earnings per share (cents)	31	**1 559**	807		
Basic earnings per share (cents)	31	**1 555**	854		
Diluted headline earnings per share (cents)	31	**1 552**	798		
Diluted basic earnings per share (cents)	31	**1 548**	844		
Number of shares in issue at end of year (thousands)		**213 133**	212 692		
Weighted average number of shares in issue (thousands)		**212 889**	212 289		
Weighted average number of shares used in calculating diluted earnings per share (thousands)	31	**213 871**	214 763		
Net asset value per share (cents)	31	**9 927**	8 352		
EBITDA (R million)		**6 434**	3 907		
Dividend declared after year-end (cents per share)	31	**450**	200	**450**	200

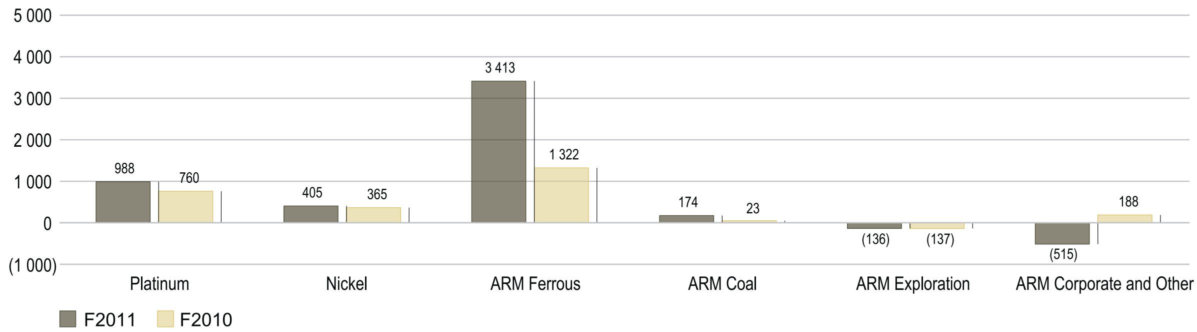
Cash and cash equivalents – statement of financial position F2011 (R million) (refer note 12)



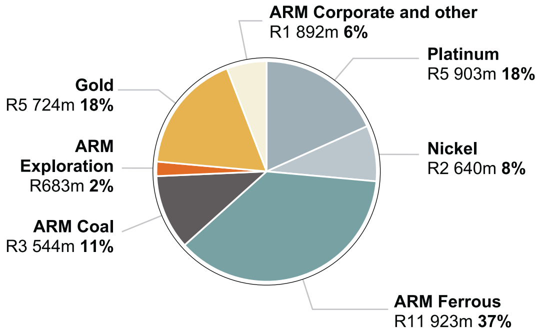
Cash and cash equivalents – statement of financial position F2010 (R million) (refer note 12)



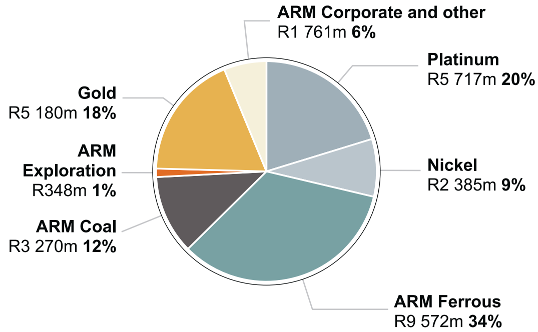
Cash inflow/(outflow) from operating activities
(R million) (refer note 2)



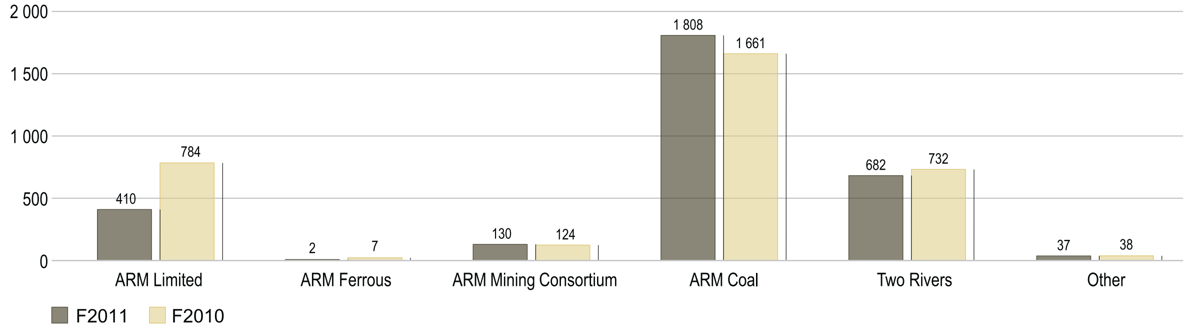
Segment assets 2011
(R million) (refer note 2)



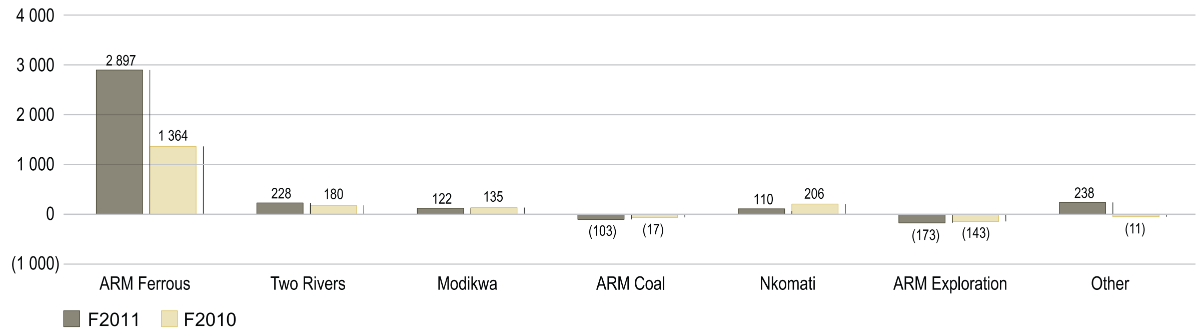
Segment assets 2010
(R million) (refer note 2)



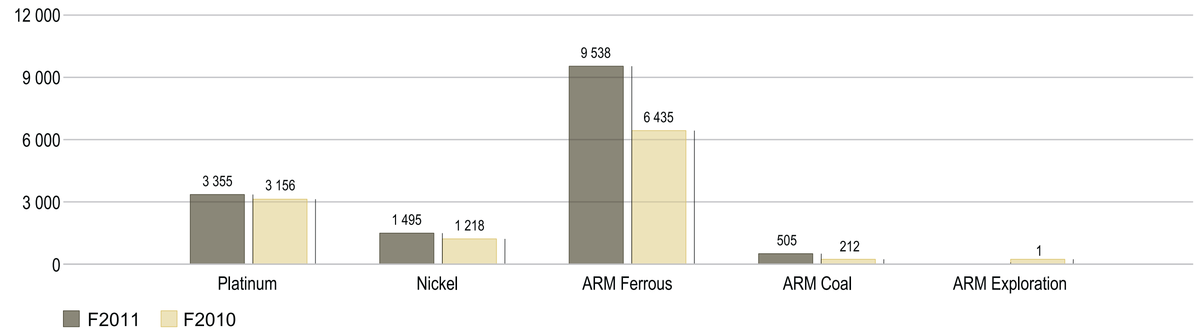
Long and short-term borrowings
(R million) (refer notes 14 and 19)



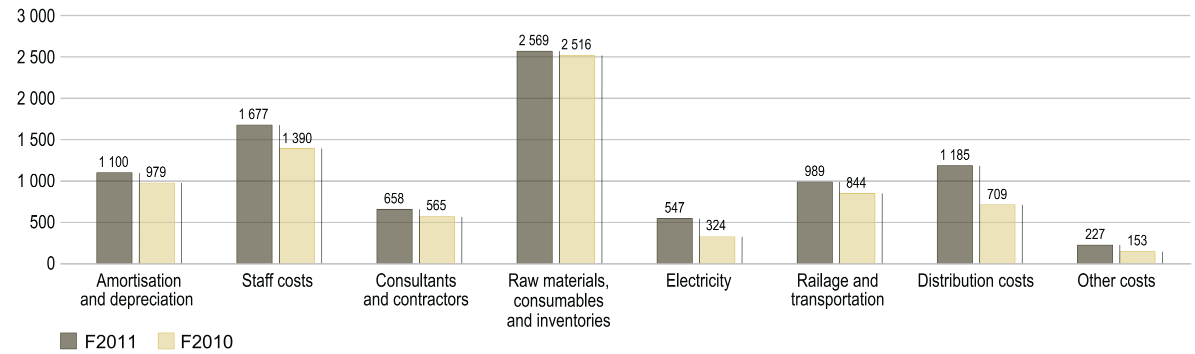
Headline earning
(R million) (refer note 2)



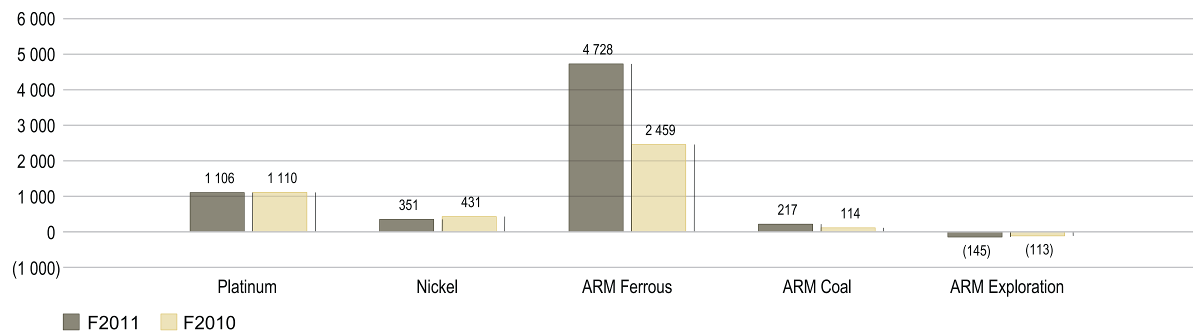
Sales
(R million) (refer note 2)



Cost of sales
(R million) (refer note 23)



EBITDA
(R million) (refer note 2)



Statements of comprehensive income

for the year ended 30 June 2011

		Group					
	Notes	Available-for-sale reserve Rm	Other Rm	Retained earnings Rm	Total Share-holders of ARM Rm	Non-controlling interest Rm	Total Rm
For the year ended 30 June 2010							
Profit for the year to 30 June 2010		–	–	1 812	1 812	162	**1 974**
Other comprehensive income							
Revaluation of listed investment	9	89	–	–	89	–	**89**
Deferred tax on revaluation of listed investment		(13)	–	–	(13)	–	**(13)**
Net impact of revaluation of listed investment		76	–	–	76	–	**76**
Foreign exchange on loans to foreign Group entity		–	(6)	–	(6)	–	**(6)**
Cashflow hedge reserve	6	–	16	–	16	–	**16**
Foreign currency translation		–	(2)	–	(2)	–	**(2)**
Total other comprehensive income		76	8	–	84	–	**84**
Total comprehensive income for the year		76	8	1 812	1 896	162	**2 058**
For the year ended 30 June 2011							
Profit for the year to 30 June 2011		**–**	**–**	**3 311**	**3 311**	**194**	**3 505**
Other comprehensive income							
Revaluation of listed investment	9	**544**	**–**	**–**	**544**	**–**	**544**
Deferred tax on revaluation of listed investment		**(76)**	**–**	**–**	**(76)**	**–**	**(76)**
Net impact of revaluation of listed investment		**468**	**–**	**–**	**468**	**–**	**468**
Foreign exchange on loans to foreign Group entity		**–**	**(82)**	**–**	**(82)**	**–**	**(82)**
Deferred tax on foreign exchange on loans to foreign Group entity		**–**	**11**		**11**		**11**
Cashflow hedge reserve	6	**–**	**(4)**	**–**	**(4)**	**–**	**(4)**
Foreign currency translation		**–**	**40**	**–**	**40**	**–**	**40**
Total other comprehensive income		**468**	**(35)**	**–**	**433**	**–**	**433**
Total comprehensive income for the year		**468**	**(35)**	**3 311**	**3 744**	**194**	**3 938**

		Company		
	Notes	Available-for-sale reserve Rm	Retained earnings Rm	Total Rm
For the year ended 30 June 2010				
Profit for the year to 30 June 2010		–	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**
Total comprehensive income for the year		76	702	**778**
For the year ended 30 June 2011				
Profit for the year to 30 June 2011		**–**	**1 179**	**1 179**
Other comprehensive income				
Revaluation of listed investment	9	**544**	**–**	**544**
Deferred tax on revaluation of listed investment		**(76)**	**–**	**(76)**
Net impact of revaluation of listed investment		**468**	**–**	**468**
Total other comprehensive income		**468**	**–**	**468**
Total comprehensive income for the year		**468**	**1 179**	**1 647**

Statements of changes in equity

for the year ended 30 June 2011

	Notes	Share capital and premium Rm	Availible-for-sale reserve Rm	Other* Rm	Retained earnings Rm	Total Shareholders of ARM Rm	Non-controlling interest Rm	Total Rm
		Group						
Balance at 30 June 2009		3 770	370	230	11 779	16 149	602	**16 751**
Profit for the year to 30 June 2010		–	–	–	1 812	1 812	162	**1 974**
Other comprehensive income		–	76	8	–	84	–	**84**
Total comprehensive income for the year		–	76	8	1 812	1 896	162	**2 058**
Share-based payments		–	–	47	–	47	–	**47**
Share options exercised	13	44	–	–	–	44	–	**44**
Dividend paid	31	–	–	–	(371)	(371)	–	**(371)**
Other		–	–	(3)	3	–	–	**–**
Balance at 30 June 2010		3 814	446	282	13 223	17 765	764	**18 529**
Profit for the year to 30 June 2011		–	–	–	3 311	3 311	194	**3 505**
Other comprehensive income		–	468	(35)	–	433	–	**433**
Total comprehensive income for the year		–	468	(35)	3 311	3 744	194	**3 938**
Share-based payments		–	–	37	–	37	–	**37**
Share options exercised	13	37	–	–	–	37	–	**37**
Dividend paid	31	–	–	–	(426)	(426)	–	**(426)**
Other		–	–	3	(3)	–	–	**–**
Balance at 30 June 2011		**3 851**	**914**	**287**	**16 105**	**21 157**	**958**	**22 115**

	F2011 Rm	F2010 Rm	F2009 Rm
* Other reserves consist of the following:			
General reserve	**32**	32	32
Insurance contingency	**18**	15	18
Share-based payments	**304**	267	220
Cashflow hedge reserve	**12**	16	–
Foreign exchange on loans to foreign Group entity	**(77)**	(6)	–
Foreign currency translation reserve (FCTR)	**12**	(28)	(26)
Premium paid on purchase of non-controlling interest	**(14)**	(14)	(14)
Total	**287**	**282**	**230**

		Company				
	Notes	Share capital and premium Rm	Availible-for-sale reserve Rm	Other* Rm	Retained earnings Rm	Total Rm
Balance at 30 June 2009		3 770	164	211	5 423	**9 568**
Profit for the year to 30 June 2010		–	–	–	702	**702**
Other comprehensive income		–	76	–	–	**76**
Total comprehensive income for the year		–	76	–	702	**778**
Dividend paid	31	–	–	–	(371)	**(371)**
Share-based payments		–	–	47	–	**47**
Share options exercised	13	44	–	–	–	**44**
Balance at 30 June 2010		3 814	240	258	5 754	**10 066**
Profit for the year to 30 June 2011		–	–	–	1 179	**1 179**
Other comprehensive income		–	468	–	–	**468**
Total comprehensive income for the year		–	468	–	1 179	**1 647**
Dividend paid	31	–	–	–	(426)	**(426)**
Share-based payments		–	–	37	–	**37**
Share options exercised	13	37	–	–	–	**37**
Balance at 30 June 2011		**3 851**	**708**	**295**	**6 507**	**11 361**

	F2011 Rm	F2010 Rm	F2009 Rm
* Other reserves consist of the following:			
General reserve	**35**	35	35
Share-based payments	**260**	223	176
Total	**295**	258	211

Statements of cash flows

for the year ended 30 June 2011

		Group		Company	
	Notes	**F2011 Rm**	F2010 Rm	**F2011 Rm**	F2010 Rm
Cash flow from operating activities					
Cash receipts from customers		**15 409**	9 992	**2 092**	1 524
Cash paid to suppliers and employees		**(9 511)**	(6 562)	**(1 674)**	(1 043)
Cash generated from operations	33	**5 898**	3 430	**418**	481
Interest received		**181**	176	**79**	103
Interest paid		**(117)**	(135)	**(52)**	(77)
Dividends received		**33**	33	**1 032**	532
Dividend paid		**(426)**	(371)	**(426)**	(371)
Taxation paid	34	**(1 240)**	(612)	**(54)**	(48)
Net cash inflow from operating activities		**4 329**	2 521	**997**	620
Cash flow from investing activities					
Additions to property, plant and equipment to maintain operations		**(797)**	(519)	**(11)**	(12)
Additions to property, plant and equipment to expand operations		**(2 151)**	(1 981)	**(386)**	(551)
Proceeds on disposal of property, plant and equipment		**3**	13	**–**	
Proceeds on disposal of Otjikoto	35	**–**	107	**–**	–
Investment in associate		**(178)**	–	**–**	–
Investment in RBCT		**(63)**	–	**–**	–
(Increase)/decrease in loans and receivables		**(106)**	56	**(62)**	41
Net cash outflow from investing activities		**(3 292)**	(2 324)	**(459)**	(522)
Cash flow from financing activities					
Proceeds on exercise of share options		**37**	44	**36**	44
Long-term borrowings raised		**283**	848	**205**	609
Long-term borrowings repaid		**(596)**	(834)	**(575)**	(800)
Decrease in short-term borrowings		**(312)**	(787)	**(2)**	(172)
Net cash outflow from financing activities		**(588)**	(729)	**(336)**	(319)
Net increase in cash and cash equivalents		**449**	(532)	**202**	(221)
Cash and cash equivalents at beginning of year		**2 791**	3 325	**1 009**	1 230
Foreign currency translation on cash balance		**(13)**	(2)	**–**	–
Cash and cash equivalents at end of year	12	**3 227**	2 791	**1 211**	1 009
Cash generated from operations per share (cents)	31	**2 770**	1 616	**196**	227

Notes to the financial statements

for the year ended 30 June

1 Accounting policies

Statement of compliance

The 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, 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:

IFRS 1 First-time adoption of International Financial Reporting Standards – Additional exceptions for first time adoption. (Amendment)
IFRS 2 Share-based payments – Group cash settled share-based payment arrangement. (Amendment)
IFRS 3 Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS (Amendment)
Measurement of non-controlling interest. (Amendment)
Un-replaced and voluntarily replaced share-based payment awards. (Amendment)
IFRS 5 Disclosures of non-current assets (or disposal groups) held for sale and discontinued operations. (Amendment)
IFRS 8 Disclosure of information about segment assets. (Amendment)
IAS 1 Current/non-current classification of convertible instruments. (Amendment)
IAS 7 Classification of expenditures on unrecognised assets. (Amendment)
IAS 17 Classification of leases of land and buildings. (Amendment)
IAS 27 Transition requirements for amendments made as a result of IAS 27 consolidated and separate financial statements. (Amendment)
IAS 32 Financial instruments presentation – Classification of rights issued. (Amendment)
IAS 36 Unit of accounting for goodwill impairment test. (Amendment)
IAS 39 Assessment of loan repayment penalties as embedded derivatives. (Amendment)
Scope exception for business combinations contract. (Amendment)
Cash flow hedge accounting. (Amendment)
IFRIC 19 Extinguishing financial liabilities with equity instruments.
None of the above new or revised standards had any impact on the Group or Company financial statements.

Basis of preparation

The Group and company financial statements for the year have been prepared under the supervision of the financial director, Mr M Arnold CA(SA).

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 Group and Company financial statements have been prepared on the historical cost basis except for certain financial instruments that are fairly valued by mark 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 intragroup 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.

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).

Notes to the financial statements continued

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 reporting 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

Notes to the financial statements continued

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.

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.

Notes to the financial statements continued

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

Notes to the financial statements continued

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.

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.

Notes to the financial statements continued

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

Notes to the financial statements continued

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 short workings.
- 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 short workings.

- 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.

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.

Notes to the financial statements continued

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 an 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.

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.

Broad Based Black Economic Empowerment (BBBEE) transactions

When entering into BBBEE 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) and CIF (cost in freight) are recognised on the date of loading.

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.

Notes to the financial statements continued

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 resources and reserves 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 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.

There were no impairment indicators in F2011 and 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 useful 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 41)

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.

Notes to the financial statements continued

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 F2009 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 Standard

The following new standards have been issued but are only effective for future periods

Standard	Subject Effective date	Effective date
IFRS 1	Amendments to IFRS 1 – Severe hyper inflation and removal of fixed dates for first time adopters. 1 July 2011	1 July 2011
	Replacement of fixed dates for certain exceptions with the date 1 July 2011 of transition to IFRS's (amendment)	1 July 2011
	Accounting policy changes in the year of adoption (Amendment) 1 January 2011	1 January 2011
	Revaluation basis as deemed cost (Amendment) 1 January 2011	1 January 2011
	Use of deemed cost for operations subject to rate regulations 1 January 2011 (Amendment)	1 January 2011
IFRS 7	Financial instruments disclosures – Amendments enhancing disclosures about transfers of financial assets 1 July 2011	1 July 2011
	Clarifications of disclosures (Amendment) 1 January 2011	1 January 2011
IFRS 9	Financial instruments (Phase 1 – Financial assets) 1 January 2013	1 January 2013
	Financial instruments (Phase 1 – Financial liabilities) 1 January 2013	1 January 2013
IFRS 10	Consolidated Financial Statements – New definition of control 1 January 2013	1 January 2013
IFRS 11	Joint Arrangements 1 January 2013	1 January 2013
IFRS 12	Disclosure of interest in other entities 1 January 2013	1 January 2013
IFRS 13	Fair value measurement 1 January 2013	1 January 2013
IAS 1	Clarification of statement of changes in equity (Amendment) 1 January 2011	1 January 2011
	Presentation of other comprehensive income (Amendment) 1 January 2012	1 January 2012
IAS 12	Income taxes – Recovery of underlying assets (Amendment) 1 January 2012	1 January 2012
IAS 19	Employee benefits (revised) 1 January 2013	1 January 2013
IAS 24	Related party disclosures 1 January 2012	1 January 2011
IAS 27	Separate financial statements 1 January 2013	1 January 2013
IAS 28	Investment in associate (Amended) 1 January 2013	1 January 2013
IAS 34	Significant events and transactions (Amendment) 1 January 2011	1 January 2011
IFRIC 13	Fair value of award credit (Amendment) 1 January 2011	1 January 2011
IFRIC 14	Prepayments of minimum funding requirement (Amendment) 1 January 2011	1 January 2011

Impact of the above

None of the above standards or interpretations are expected to have any significant effect on the results of operation or the financial position of the Group. IFRS 10, 11 and 12 will however as a minimum significantly impact the presentation as the Group has a number of significant joint ventures. IFRS 11 Joint Arrangements (Effective 1 January 2013) is likely to have the most significant impact on the presentation of financial results for the Group. In terms of this Standard, a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The focus is no longer on the legal structure. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated with equity accounting now mandatory for participants in joint ventures. This standard is expected to result in a number of the Group's joint ventures being equity accounted, instead of being proportionately consolidated.

Notes to the financial statements continued

2 Primary segmental information

Business segments

For management purposes, the Group is organised into the following operating divisions. The operating divisions are ARM Platinum (which includes platinum and nickel), ARM Ferrous, ARM Coal, ARM Copper and ARM Exploration.

ARM has a strategic holding in Harmony (gold) of 14.8% (F2010: 14.84%).

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, comprises of a 10.2% participating investment in the existing coal operations of XCSA (the participating coal business or PCB) and a 26% joint venture interest in the Goedgevonden Mine (GGV). 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 to 30 June 2011. This division is involved in identifying and assessing exploration and mineral business opportunities in sub-Saharan Africa.

ARM Copper: With effect from 1 July 2011 this division comprises the Konkola North Copper project, an effective 30% shareholding in the Kalumines Copper project and an effective 50% shareholding in the Lusaka Kabwe Project. All these projects are held within the 50:50 Vale/ARM joint venture.

The commodity groupings predominantly reflect the risks and rewards of trading and the operating divisions are therefore identified as the reporting segments.

Notes to the financial statements continued

		ARM Platinum Platinum Rm	ARM Platinum Nickel Rm	ARM Ferrous Rm	ARM Coal Rm	ARM Exploration Rm	*Corporate and other Rm	Gold Rm	**Total Rm**
2	**Primary segmental information** *(continued)*								
2.1	**Year to 30 June 2011**								
	Total sales	3 355	1 499	9 538	505	–	–	–	**14 897**
	Inter-group sales to ARM Ferrous	–	4	–	–	–	–	–	**4**
	Sales	3 355	1 495	9 538	505	–	–	–	**14 893**
	Cost of sales	(2 477)	(1 122)	(5 009)	(381)	–	37	–	**(8 952)**
	Other operating income	20	11	125	–	–	355	–	**511**
	Other operating expenses	(96)	(236)	(425)	(2)	(151)	(220)	–	**(1 130)**
	Segment result	802	148	4 229	122	(151)	172	–	**5 322**
	Income from investments	25	8	71	–	–	80	32	**216**
	Finance cost	(43)	(2)	(13)	(85)	(47)	10	–	**(180)**
	Finance cost Implats: Shareholders' loan Two Rivers	(16)	–	–	–	–	–	–	**(16)**
	Finance cost ARM: Shareholders' loan Two Rivers	(20)	–	–	–	–	–	–	**(20)**
	Loss from associate	–	–	–	(135)	–	–	–	**(135)**
	Exceptional items	–	(4)	(7)	–	–	–	–	**(11)**
	Taxation	(186)	(43)	(1 388)	(5)	(2)	(47)	–	**(1 671)**
	Non-controlling interest	(212)	–	–	–	27	(9)	–	**(194)**
	Contribution to basic earnings	350	107	2 892	(103)	(173)	206	32	**3 311**
	Contribution to headline earnings	350	110	2 897	(103)	(173)	206	32	**3 319**
	Other information								
	Segment assets, including investment in associate	5 903	2 640	11 923	3 544	683	1 892	5 724	**32 309**
	Investment in associate	–	–	–	1 331	–	–	–	**1 331**
	Segment liabilities	1 585	226	1 271	1 924	209	1 138	–	**6 353**
	Unallocated liabilities (tax and deferred tax)								**3 841**
	Consolidated total liabilities								**10 194**
	Cash inflow/(outflow) from operating activities	988	405	3 413	174	(136)	(515)	–	**4 329**
	Cash (outflow)/inflow from investing activities	(293)	(393)	(1 822)	(427)	(313)	(44)	–	**(3 292)**
	Cash (outflow)/inflow from financing activities	(329)	–	(3)	78	–	(334)	–	**(588)**
	Capital expenditure**	429	404	1 967	85	475	44	–	**3 404**
	Amortisation and depreciation	304	203	499	95	6	5	–	**1 112**
	Impairment	–	4	–	–	–	–	–	**4**
	EBITDA	1 106	351	4 728	217	(145)	177	–	**6 434**

* *Corporate, other companies and consolidation adjustments.*

** *Capital expenditure in the ARM exploration segment relates to the ARM Copper development of the Konkola North Copper Project.*

Notes to the financial statements continued

2 Primary segmental information *(continued)*

2.2 Year to 30 June 2010

	ARM Platinum Platinum Rm	ARM Platinum Nickel Rm	ARM Ferrous Rm	ARM Coal Rm	ARM Exploration Rm	*Corporate and other Rm	Gold Rm	Total Rm
Year to 30 June 2010								
Total sales	3 156	1 224	6 435	212	1	–	–	**11 028**
Inter-group sales to ARM Ferrous	–	6	–	–	–	–	–	**6**
Sales	3 156	1 218	6 435	212	1	–	–	**11 022**
Cost of sales	(2 294)	(896)	(4 160)	(157)	–	27	–	**(7 480)**
Other operating income	11	37	148	–	–	212	–	**408**
Other operating expenses	(79)	(72)	(423)	(1)	(120)	(335)	–	**(1 030)**
Segment result	794	287	2 000	54	(119)	(96)	–	**2 920**
Income from investments	23	7	86	–	–	61	32	**209**
Finance cost	(38)	(2)	(7)	(7)	(46)	(1)	–	**(101)**
Finance cost Implats: Shareholders' loan Two Rivers	(41)	–	–	–	–	–	–	**(41)**
Finance cost ARM: Shareholders' loan Two Rivers	(50)	–	–	–	–	–	–	**(50)**
Loss from associate	–	–	–	(51)	–	–	–	**(51)**
Exceptional items	–	(2)	3	–	96	–	–	**97**
Taxation	(199)	(85)	(715)	(13)	1	2	–	**(1 009)**
Non-controlling interest	(174)	–	–	–	21	(9)	–	**(162)**
Contribution to basic earnings	315	205	1 367	(17)	(47)	(43)	32	**1 812**
Contribution to headline earnings	315	206	1 364	(17)	(143)	(43)	32	**1 714**
Other information								
Segment assets, including investment in associate	5 717	2 385	9 572	3 270	348	1 761	5 180	**28 233**
Investment in associate	–	–	–	1 292	–	–	–	**1 292**
Segment liabilities	1 540	213	1 171	1 746	59	1 700	–	**6 429**
Unallocated liabilities (tax and deferred tax)								**3 275**
Consolidated total liabilities								**9 704**
Cash inflow/(outflow) from operating activities	760	365	1 322	23	(137)	188	–	**2 521**
Cash (outflow)/inflow from investing activities	(116)	(557)	(1 534)	(259)	149	(7)	–	**(2 324)**
Cash (outflow)/inflow from financing activities	(295)	(150)	1	239	(8)	(516)	–	**(729)**
Capital expenditure	148	601	1 601	339	44	5	–	**2 738**
Amortisation and depreciation	316	144	459	60	6	2	–	**987**
Impairment	–	3	–	–	7	–	–	**10**
EBITDA	1 110	431	2 459	114	(113)	(94)	–	**3 907**

** Corporate, other companies and consolidation adjustments*

The ARM platinum segment is analysed further into Two Rivers Platinum Mine and ARM Mining Consortium (which includes Modikwa Platinum Mine).

Notes to the financial statements continued

		Two Rivers Rm	Modikwa Rm	**Platinum Total Rm**
2	**Primary segmental information** *(continued)*			
2.2	**Year to 30 June 2011**			
	Sales			
	External sales	2 274	1 081	**3 355**
	Cost of sales	(1 634)	(843)	**(2 477)**
	Other operating income	12	8	**20**
	Other operating expenses	(30)	(66)	**(96)**
	Segment result	622	180	**802**
	Income from investments	8	17	**25**
	Finance cost	(41)	(2)	**(43)**
	Finance cost Implats: Shareholders' loan Two Rivers	(16)	–	**(16)**
	Finance cost ARM: Shareholders' loan Two Rivers	(20)	–	**(20)**
	Taxation	(138)	(48)	**(186)**
	Non-controlling interest	(187)	(25)	**(212)**
	Contribution to basic earnings	228	122	**350**
	Contribution to headline earnings	228	122	**350**
	Other information			
	Segment and consolidated assets	3 173	2 730	**5 903**
	Segment liabilities	1 001	584	**1 585**
	Unallocated liabilities (tax and deferred tax)			**923**
	Consolidated total liabilities			**2 508**
	Cash inflow from operating activities	669	319	**988**
	Cash outflow from investing activities	(174)	(119)	**(293)**
	Cash outflow from financing activities	(329)	–	**(329)**
	Capital expenditure	304	125	**429**
	Amortisation and depreciation	228	76	**304**
	EBITDA	850	256	**1 106**
	Year to 30 June 2010			
	Sales			
	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)**
	Segment result	579	215	**794**
	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)**
	Contribution to basic earnings	180	135	**315**
	Contribution to headline earnings	180	135	**315**
	Other information			
	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**

Notes to the financial statements continued

		Iron ore Division Rm	Manganese Division Rm	Chrome Division Rm	Total Rm	Attributable to ARM Rm
2	**Primary segmental information** *(continued)*					
	Pro forma analysis of the Ferrous segment on a 100% basis					
2.3	**Year to 30 June 2011**					
	Sales	**10 342**	**6 466**	**2 267**	**19 075**	**9 538**
	Other operating income	**378**	**147**	**36**	**561**	**125**
	Other operating expense	**691**	**317**	**152**	**1 160**	**425**
	Operating profit	**6 485**	**2 289**	**(315)**	**8 459**	**4 229**
	Contribution to earnings	**4 650**	**1 369**	**(234)**	**5 785**	**2 892**
	Contribution to headline earnings	**4 654**	**1 377**	**(234)**	**5 797**	**2 897**
	Other information					
	Consolidated total assets	**15 051**	**7 902**	**1 460**	**24 413**	**11 923**
	Consolidated total liabilities	**4 203**	**1 984**	**718**	**6 905**	**1 271**
	Capital expenditure	**3 225**	**656**	**216**	**4 097**	**1 967**
	Amortisation and depreciation	**593**	**287**	**148**	**1 028**	**499**
	Cash inflow/(outflow) from operating activities	**5 996**	**(980)**	**(189)**	**4 827**	**3 413**
	Cash outflow from investing activities	**(2 788)**	**(649)**	**(207)**	**(3 644)**	**(1 822)**
	Cash outflow from financing activities	**–**	**–**	**(6)**	**(6)**	**(3)**
	EBITDA	**7 078**	**2 576**	**(167)**	**9 487**	**4 728**
	Year to 30 June 2010					
	Sales	4 993	6 287	1 590	12 870	6 435
	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
	Contribution to earnings	1 437	1 480	(185)	2 732	1 367
	Contribution to headline earnings	1 436	1 478	(185)	2 729	1 364
	Other information					
	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/(outflow) 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 inflow/(outflow) from financing activities	–	4	(1)	3	1
	EBITDA	2 547	2 485	(97)	4 935	2 459

Notes to the financial statements continued

		Group	
		F2011 Rm	F2010 Rm
2	**Primary segmental information** *(continued)*		
2.4	**Geographical segments**		
	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	**30 564**	26 515
	– Europe	**162**	828
	– Americas	**142**	65
	– Far and Middle East	**749**	466
	– Zambia	**663**	348
	– Other	**29**	11
		32 309	28 233
	Sales by geographical area		
	– South Africa	**4 170**	3 879
	– Europe	**2 258**	2 270
	– Far and Middle East	**7 726**	4 292
	– Americas	**649**	335
	– Other	**90**	246
		14 893	11 022
	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	**1 080**	1 057
	Impala Platinum Limited	**2 274**	2 099
	Capital expenditure		
	– South Africa	**2 930**	2 723
	– Rest of Africa	**474**	15
		3 404	2 738

Notes to the financial statements continued

3 Property, plant and equipment

Group	Mine development and decom-missioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral rights Rm	Mine Properties Rm	Furniture Equipment and vehicles Rm	Finance Leases Rm	Total property, plant and equipment Rm
Cost								
Balance at 30 June 2009	3 614	6 185	408	2 002	540	1 256	188	14 193
Additions	745	1 608	58	51	60	185	30	2 737
Reclassifications	(649)	583	13	–	–	50	–	(3)
Derecognition	(2)	(4)	–	–	–	(1)	–	(7)
Disposals	–	(8)	(1)	–	–	(27)	(12)	(48)
Change in estimates	(11)	–	36	–	–	–	(1)	24
Balance at 30 June 2010	3 697	8 364	514	2 053	600	1 463	205	16 896
Additions	1 097	1 620	126	24	85	361	91	3 404
Reclassifications	(92)	23	1	3	22	61	–	18
Derecognition	–	(3)	–	–	–	(2)	–	(5)
Disposals	(2)	(101)	–	–	–	(30)	(7)	(140)
Realignment of currencies	(17)	(7)	(2)	–	(8)	(1)	–	(35)
Balance at 30 June 2011	4 683	9 896	639	2 080	699	1 852	289	20 138
Accumulated amortisation, depreciation and impairment								
Balance at 30 June 2009	712	1 142	68	121	44	487	119	2 693
Charge for the year	263	390	20	30	15	231	33	982
Impairments	(1)	2	2	–	–	–	–	3
Disposals	–	(7)	–	–	–	(19)	(12)	(38)
Reclassification	52	1	–	3	–	(56)	–	–
Balance at 30 June 2010	1 026	1 528	90	154	59	643	140	3 640
Charge for the year	313	444	26	35	9	240	35	1 102
Impairments	–	(1)	–	–	–	–	–	(1)
Reclassification	(59)	34	–	3	(2)	15	–	(9)
Change in estimates – provisions	(4)	–	48	–	–	–	1	45
Disposals	(2)	(87)	–	–	–	(34)	(7)	(130)
Realignment of currencies	–	(6)	(2)	–	–	(1)	–	(9)
Balance at 30 June 2011	1 274	1 912	162	192	66	863	169	4 638
Carrying value at 30 June 2010	2 671	6 836	424	1 899	541	820	65	13 256
Carrying value at 30 June 2011	3 409	7 984	477	1 888	633	989	120	15 500

Notes to the financial statements continued

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 R12 million, were capitalised in respect of mine development and decommissioning assets and plant and machinery for the year to 30 June 2011 (F2010: R80 million).

b. Capital work-in-progress
Included in mine development and decommissioning assets and plant and machinery above are R2 427 million (F2010: R1 960 million) of assets relating to projects in progress. Included in this amount are: (i) R1 961 million in respect of the Khumani iron ore plant and mine expansion from 10 to 16 million tonnes per annum; (ii) R122 million in respect of MMZ development and the plant upgrade from 100 kt to 250 kt per month at Nkomati (iii) R344 million in respect of the Konkola North Copper Project in Zambia.

c. Pledged assets
The carrying value of assets pledged as security for loans amounts to R2 billion (F2010: R1.9 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 R37 million (F2010: R32 million).

Company	Mine development and decom-mission assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral rights Rm	Furniture equipment and vehicles Rm	Total property, plant and equipment Rm
Cost						
Balance at 30 June 2009	353	1 134	21	144	90	1 742
Additions	282	295	13	–	16	606
Derecognition	(2)	(4)	–	–	(1)	(7)
Reclassification	(428)	375	–	–	53	–
Balance at 30 June 2010	205	1 800	34	144	158	2 341
Additions	300	83	1	–	24	408
Derecognition	–	(4)	–	–	(1)	(5)
Balance at 30 June 2011	505	1 879	35	144	181	2 744
Accumulated amortisation, depreciation and impairment						
Balance at 30 June 2009	101	105	1	–	58	265
Charge for the year	100	38	1	–	7	146
Impairment	–	(3)	–	–	–	(3)
Reclassification	1	38	–	–	(39)	–
Balance at 30 June 2010	202	178	2	–	26	408
Charge for the year	131	63	1	–	11	206
Impairment	–	(1)	–	–	–	(1)
Balance at 30 June 2011	333	240	3	–	37	613
Carrying value at 30 June 2010	3	1 622	32	144	132	1 933
Carrying value at 30 June 2011	172	1 639	32	144	144	2 131

a. Borrowing costs
Borrowing costs incurred at prime overdraft and overnight call rates applicable during the year, amounting to R12 million were capitalised in respect of mine development and decommissioning assets and plant and machinery for the year to 30 June 2011 (F2010: R29 million).

b. Capital work-in-progress
Included in mine development and decommissioning assets and plant and machinery above are R122 million (F2010: R163 million) of assets relating to the plant upgrade from 100kt 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	
		F2011 Rm	F2010 Rm
4	**Investment property**		
	Cost		
	Opening balance	**20**	20
	Accumulated depreciation		
	Opening balance	**8**	8
	Carrying value	**12**	12

The investment property is situated at 56 Main Street, Johannesburg South Africa.

This property was valued at R15 million by an independent valuer in February 2011 based on an open market valuation basis. Currently this property is 60% occupied with current lease contracts terminating between F2011 and F2014. Annual rental escalations are between 8% and 10%.

Refer to note 24 for rental income derived from this property.

The movements for depreciation during the year were less than R1 million.

		RBCT Entitlement Rm	Other Rm	**Total Rm**
5	**Intangible assets**			
	Group			
	Cost			
	Balance at 30 June 2009	220	2	**222**
	Additions	–	1	**1**
	Reclassification	–	3	**3**
	Balance 30 June 2010	220	6	**226**
	Balance 30 June 2011	220	6	**226**
	Accumulated amortisation			
	Balance at 30 June 2009	9	–	**9**
	Charge for the year	5	–	**5**
	Balance 30 June 2010	14	–	**14**
	Charge for the year	10	–	**10**
	Balance 30 June 2011	24	–	**24**
	Carrying value at 30 June 2010	206	6	**212**
	Carrying value at 30 June 2011	196	6	**202**

Finite life intangible assets which are amortised comprise: (i) the RBCT entitlement held by the Goedgevonden joint venture of R196 million (F2010: R206 million) and (ii) R6 million (F2010: R6 million) relating to patents, trademarks and software. There are no indefinite life intangible assets. The export rights relating to the investment in the RBCT are amortised on a units of export sales method. The remaining amortisation period of the RBCT entitlement is limited to 24 years (F2010: 25 years).

Notes to the financial statements continued

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
6 Investment in associate				
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	**911**	758	**–**	–
Original investment (10.2%)	**400**	400	**–**	–
Additional investment (ATCOM and ATC collieries)*	**9**	9	**–**	–
Additional investment RBCT	**178**	–	**–**	–
Retained income	**316**	349	**–**	–
Cash flow hedge	**8**	–	**–**	–
Loss for the current year	**(70)**	(33)	**–**	–
Cash flow hedge current year	**(2)**	8	**–**	–
	839	733	**–**	–
ARM invested directly in 10% of the existing coal operations of XCSA on 1 September 2007.				
Opening balance	**697**	707	**432**	432
Original investment	**400**	400	**400**	400
Additional investment (ATCOM and ATC collieries)	**32**	32	**32**	32
Retained income	**257**	275	**–**	–
Cash flow hedge	**8**	–	**–**	–
Loss for the current year	**(65)**	(18)	**–**	–
Cash flow hedge current year	**(2)**	8	**–**	–
	630	697	**432**	432
Less: dividend received prior years	**138**	138	**–**	–
Total investment	**1 331**	1 292	**432**	432

* *Treated as a long-term loan and receivable in ARM Company which eliminates on consolidation (refer note 7).*

	Group		Company	
Total loss for the year	**(135)**	(51)		
Total cash flow hedge for the year	**(4)**	16		
Group's interest in sales of associate	**1 165**	1 256		
Group's interest in associate statement of financial position				
Non-current assets	**3 672**	3 505		
Current assets	**785**	673		
Total assets	**4 457**	4 178		
Less liabilities				
Non-current liabilities	**2 952**	2 686		
Current liabilities	**174**	200		
Net assets	**1 331**	1 292		

Notes to the financial statements continued

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
7	**Loans and long-term receivables**				
	Long-term receivables	**186**	51	**198**	10
	Total	**186**	51	**198**	10
	Long-term loans held as follows:				
	Assmang	**53**	32	**–**	–
	ARM Platinum (Modikwa)	**19**	19	**–**	–
	ARM Coal (refer note 6)	**–**	–	**9**	9
	ARM Coal (Xstrata)	**114**	–	**–**	–
	ARM Coal – Corporate	**–**	–	**189**	1
		186	51	**198**	10
	The Assmang loan – 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%.				
	The ARM Platinum (Modikwa) loan is 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.				
	The ARM Coal loan relates to a loan to RBCT for the construction of the phase V expansion of RBCT.				
8	**Financial asset**				
	Structured investment	**45**	84	**–**	–

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 date is 29 November 2013 (F2010: 29 November 2011 and 29 November 2013). This asset is carried at fair value through the profit and loss.

Notes to the financial statements continued

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
9 Other investments				
Listed – other investments*				
Opening balance	**5 180**	5 091	**5 180**	5 091
Unrealised revaluation gain for the year	**544**	89	**544**	89
Total listed investments classified as available-for-sale	**5 724**	5 180	**5 724**	5 180
Market value of listed investments	**5 724**	5 180	**5 724**	5 180
(Determined by reference to market share price)				
Unlisted – Joint ventures				
Investment in joint ventures**			**1 153**	812
Loans*** (refer page 228)			**676**	674
RBCT	**63**	–	**–**	–
Preference shares	**11**	11	**–**	–
Unlisted – subsidiary companies				
Cost of investments			**481**	481
Loans*** (refer page 227)			**784**	1 236
Total unlisted	**74**	11	**3 094**	3 203
Total carrying amount of other investments	**5 798**	5 191	**8 818**	8 383

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 (F2010: 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 2011 was R410 million (F2010: R784 million) (refer note 14). The book value of the pledged shares amounts to R5 021 million (F2010: R3 051 million).

A report on investments appears on pages 226 to 228.

* *Harmony 63 632 922 shares at R89.95 per share (F2010: R81.40).*
** *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 of R89 million (F2010: R419 million) bears interest at 6.5% (F2010: 8%) pa.,*
(ii) *the loan to Venture Building Trust of R55 million (F2010: R8 million) bears interest at 2% below the prime bank overdraft rate,*
(iii) *Vale/ARM joint venture loans included under joint ventures R309 million (F2010: R339 million) which currently bears interest at 4% and, R367 million (F2010: R335 million) bears interest at prime.*

Notes to the financial statements continued

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
10	**Inventories**				
	Inventories (non-current)				
	Ore Stockpiles	**130**	148	**13**	15
		130	148	**13**	15
	Inventories consist of copper fines and lumpy material, high and low grade lumpy material, and chrome which were mined and stockpiled, not expected to be turned to account within a year.				
	Inventories (current)				
	Ore stockpiles	**278**	589	**–**	–
	Consumable stores	**254**	289	**44**	21
	Raw material	**189**	192	**–**	–
	Work-in-progress	**66**	60	**21**	24
	Khumani housing	**81**	108	**–**	–
	Finished goods	**1 294**	596	**97**	20
		2 162	1 834	**162**	65
	Stockpile quantities are determined using assumptions such as densities and grades which are based on studies, historical data and industry norms.				
	Value of inventories carried at net realisable value is R413 million (F2010: R149 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 R139 million (F2010: R79 million) have been pledged as security for loans in ARM Coal (Proprietary) Limited (refer note 14).				
11	**Trade and Other Receivables**				
	Trade receivables	**2 311**	2 457	**68**	224
	Related parties	**–**	–	**29**	30
	Other receivables	**802**	569	**98**	70
		3 113	3 026	**195**	324
	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 – 20% of nickel delivered which is paid approximately five months after delivery				
	Debtors outstanding longer than their terms and that are not impaired				
	Outstanding on terms' normal cycle	**2 842**	2 892	**195**	324
	Outstanding longer than 30 days outside normal cycle	**120**	81	**–**	–
	Outstanding longer than 60 days outside normal cycle	**86**	36	**–**	–
	Outstanding longer than 90 days outside normal cycle	**44**	17	**–**	–
	Outstanding longer than +120 days outside normal cycle*	**41**	14	**13**	7
	Less: provisions for impairments	**(20)**	(14)	**(13)**	(7)
	Total	**3 113**	3 026	**195**	324

** A provision of R6 million has been raised in F2011 on debtors outstanding longer than 120 days (F2010: R7 million) and the balance is considered recoverable. Total provision at year-end amounted to R20 million (F2010: R14 million).*

Notes to the financial statements continued

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
11	**Trade and Other Receivables** *(continued)*				
	Provision for impairment				
	Opening balance	**14**	7	**7**	–
	Charge for the year	**6**	7	**6**	7
	Closing balances	**20**	14	**13**	7
12	**Cash and cash equivalents**				
	Cash at bank and on deposit	**3 080**	2 378	**1 138**	940
	Restricted cash				
	– Rehabilitation trust funds (refer note 21)	**130**	109	**45**	44
	– Other*	**458**	552	**65**	63
	Cash and cash equivalents per statement of financial position	**3 668**	3 039	**1 248**	1 047
	Less: overdrafts (refer note 19)	**(441)**	(248)	**(37)**	(38)
	Cash and cash equivalents per statement of cash flows	**3 227**	2 791	**1 211**	1 009
	The cash is held as follows per statement of financial position:				
	African Rainbow Minerals Limited	**962**	903	**962**	858
	Assmang Limited	**1 473**	897	**–**	–
	ARM Platinum (Pty) Limited	**285**	248	**–**	–
	Kingfisher Insurance Co Limited	**139**	126	**–**	–
	Nkomati	**176**	82	**176**	82
	Two Rivers Platinum (Pty) Limited	**4**	7	**–**	–
	Vale/ARM joint venture	**36**	115	**–**	–
	Venture Building Trust (Pty) Limited	**5**	–	**–**	–
	Restricted cash	**588**	661	**110**	107
		3 668	3 039	**1 248**	1 047

Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates.

* *Guarantees issued mainly includes:*

- *Two Rivers – to DMR and Eskom amounting to R49 million (F2010: R45 million).*
- *Nkomati – to DMR and Eskom amounting to R27 million (F2010: R26 million).*
- *Restricted cash held by Mannequin Insurance PCC Limited (Cell AVL 18) amounting to R343 million (F2010: R385 million) in terms of a insurance contract.*

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
13	**Share capital and share premium**				
	Share capital				
	Authorised				
	500 000 000 (F2010: 500 000 000) ordinary shares of 5 cents each	**25**	25	**25**	25
		25	25	**25**	25
	Issued				
	Opening balance	**11**	11	**11**	11
	440 164 shares issued for cash (F2010: 624 153)*	**–**	–	**–**	–
	213 132 540 (F2010: 212 692 376) ordinary shares of 5 cents each	**11**	11	**11**	11
	Share premium	**3 840**	3 803	**3 840**	3 803
	– Balance at beginning of the year	**3 803**	3 759	**3 803**	3 759
	– Premium on shares issued	**37**	44	**37**	44
	Total issued share capital and share premium	**3 851**	3 814	**3 851**	3 814

* *The movement in issued shares was less than R1 million.*

Notes to the financial statements continued

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
14 Long-term borrowings				
Secured				
Loan facility (Two Rivers – mine housing project)	**108**	125	**–**	–
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 7.1% (F2010: 8.1%). The loan is secured by a mortgage bond over the property and a cession of insurances.				
Loan facility (ARM Corporate)	**410**	784	**410**	784
This loan facility is for an amount of R1 750 million and the balance outstanding is repayable in August 2012. The interest rate is linked to JIBAR. At year-end the rate was 8.8% (F2010: 9.6%). This loan has been secured by a pledge of shares (refer note 9). The cover ratio of the market value of the pledge shares or alternative security to loan indebtedness must exceed 2.1 times cover. At year-end it was 10.47:1 (F2010: 4.9:1).				
Leases (Two Rivers)	**113**	62	**–**	–
Finance leases over property, plant and equipment with a book value of R113 million (F2010: R54 million) bear interest at 2.65% (F2010: 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 2008 (refer note 38).				
Leases (Assmang)	**2**	6	**–**	–
Finance leases over property, plant and equipment with a book value of R2 million (F2010: R9 million) bear interest at 1.28% (F2010: 1.28%) below the prime overdraft rate and are payable in varying monthly installments over 60 months which commenced on 31 October 2009 (refer note 38).				
Leases (ARM Mining Consortium)	**1**	2	**–**	–
Finance leases over property, plant and equipment with a book value of R5 million (F2010: R5 million) bear interest at 9.75% (F2010: 9.75%) which commenced in January 2008 for a period of five years (refer note 38).				

Notes to the financial statements continued

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
14	**Long-term borrowings** *(continued)*				
	Loan facility (ARM Coal – partner loan) This loan is with Xstrata SA (XSA) and relates to the acquisition and development of the GGV Thermal Coal Mine.	**1 635**	1 568	**–**	–
	The loan consists of an acquisition facility of R688 million (F2010: R629 million), a phase 1 project facility of R761 million (F2010: R761 million) and a phase 2 project facility of R186 million (F2010: R178 million).				
	All these loans bear interest at the prime bank overdraft rate and repayments are expected to commence during the 2012 financial year.				
	These are secured by:				
	a cession in favour of XSA creating a first ranking security interest over ARM Coal's participating interest in the Goedgevonden joint venture;				
	a cession in favour of XSA creating a first ranking security interest over all the preference shares in XSA held by ARM Coal;				
	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;				
	mortgage bonds to be registered by ARM Coal in favour of XSA over all immovable property of ARM Coal; and				
	notarial bonds to be registered by ARM Coal in favour of XSA over all movable assets owned by ARM Coal.				
	Unsecured				
	Loan ARM Coal (partner loan) This loan is with Xstrata Schweiz (AG) and is interest free and no repayment terms have been specified.	**–**	85	**–**	–
	Loan ARM Coal – RBCT (partner loan) This loan is with XSA and bears interest at the prime bank overdraft rate plus 0.5% and is repayable over 10 years.	**173**	–	**–**	–
	Loan ARM Coal (partner loan) This loan is with XSA and is interest free and no repayment terms have been specified.	**–**	5	**–**	–
	Loan ARM Coal 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.	**–**	4	**–**	–

Notes to the financial statements continued

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
14 Long-term borrowings *(continued)*				
Loan facility (Modikwa)	**–**	114	**–**	–
This loan is with partner Anglo Platinum and does not carry any interest and has no fixed repayment terms.				
Total borrowings	**2 442**	2 755	**410**	784
Less: repayable within one year included in short-term borrowings (refer to note 19).	**105**	173	**–**	–
Total SA Rand long-term borrowings	**2 337**	2 582	**410**	784
Held as follows:				
– African Rainbow Minerals Limited	**410**	784	**410**	784
– Assmang Limited	**–**	3	**–**	–
– ARM Mining Consortium Limited	**1**	1	**–**	–
– ARM Coal (Proprietary) Limited	**1 781**	1 657	**–**	–
– Two Rivers Platinum (Proprietary) Limited	**145**	137	**–**	–
	2 337	2 582	**410**	784

Repayments schedule – undiscounted cash flows, excluding accounting adjustments

Group	**Total borrowings F2011 Rm**	**Repayable during the year ending 30 June**				
		F2012 Rm	**F2013 Rm**	**F2014 Rm**	**F2015 Rm**	**F2016 – onwards Rm**
Secured Loans						
Loan facility (Two Rivers – mine housing project)	**108**	24	23	21	20	20
Loan facility (ARM Coal – partner loan)	**1 635**	20	22	26	65	1 502
Loan facility (ARM Corporate)	**410**	–	410	–	–	–
Unsecured loans	**2 153**	44	455	47	85	1 522
Loan ARM Coal (RBCT)	**173**	7	15	16	18	117
Finance leases – Assmang	**2**	2	–	–	–	–
– ARM Mining Consortium	**1**	–	1	–	–	–
– Two Rivers	**113**	52	44	17	–	–
Total borrowings 30 June 2011	**2 442**	105	515	80	103	1 639

	F2010	**F2011**	**F2012**	**F2013**	**F2014**	**F2015 – onwards**
Total borrowings 30 June 2010	**2 755**	173	48	845	60	1 629

Notes to the financial statements continued

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
15 Deferred taxation				
Deferred tax assets				
Assessed losses	**1**	1	**–**	–
Provision	**1**	–	**–**	–
STC	**85**	43	**85**	43
Deferred tax assets	**87**	44	**85**	43
Deferred tax liabilities				
Property, plant and equipment	**3 426**	2 770	**320**	279
Intangible assets	**56**	59	**–**	–
Provisions	**(164)**	(131)	**(20)**	(11)
Capital gains tax on revaluation of listed investment	**240**	163	**240**	163
Inventories	**40**	129	**–**	–
Assessed losses	**–**	(3)	**–**	–
Post-retirement healthcare provisions	**(27)**	(26)	**(24)**	(24)
Deferred tax liabilities	**3 571**	2 961	**516**	407
Reconciliation of opening and closing balance				
Opening deferred tax liabilities	**2 961**	2 277	**407**	312
Opening deferred tax assets	**(44)**	(32)	**(43)**	(32)
Net deferred tax liability opening balance	**2 917**	2 245	**364**	280
Temporary differences from:	**567**	672	**67**	84
Property, plant and equipment	**656**	432	**41**	74
Intangible assets	**(3)**	–	**–**	–
Provisions	**(34)**	(3)	**(9)**	13
Revaluation of investments – directly in equity	**77**	11	**77**	12
Inventories	**(89)**	145	**–**	–
Assessed losses	**3**	103	**–**	–
Post-retirement healthcare provisions	**(1)**	(5)	**–**	(4)
STC credits	**(42)**	(11)	**(42)**	(11)
Total deferred tax	**3 484**	2 917	**431**	364
Deferred tax liabilities	**3 571**	2 961	**516**	407
Deferred tax assets	**(87)**	(44)	**(85)**	(43)

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	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
16	**Long-term provisions**				
	Environmental rehabilitation obligation				
	Provision for decommissioning				
	Balance at beginning of year	**208**	169	**17**	12
	Provision for the year	**79**	23	**1**	4
	Unwinding discount rate	**16**	13	**2**	1
	Reallocation	**(7)**	3	**–**	–
	Balance at end of year	**296**	208	**20**	17
	Provision for restoration				
	Balance at beginning of year	**84**	82	**26**	27
	Reallocation	**7**	(3)	**–**	–
	Unwinding of discount rate	**6**	5	**1**	–
	Provision for the year	**5**	–	**3**	(1)
	Balance at end of year	**102**	84	**30**	26
	Total environmental rehabilitation obligation	**398**	292	**50**	43
	The net present value of current rehabilitation liabilities is based on discount rates taking into consideration long bond yield rates of around 9% (F2010: 8% – 13%), inflation rates of around 6% in line with the South African Reserve Bank long-term inflation target of between 3% to 6% (F2010: 4% – 8%) and life of mines of between 3 and 25 years (F2010: 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.				
	Post-retirement healthcare benefits				
	Balance at beginning of year	**98**	83	**88**	72
	Benefits paid	**(9)**	(7)	**(9)**	(7)
	Interest cost	**8**	6	**8**	6
	Actuarial loss	**–**	16	**–**	17
	Balance at end of the year (refer note 40)	**97**	98	**87**	88
	Other long-term provisions				
	Balance at beginning of year	**110**	67	**–**	–
	Change in estimate of variable purchase price for mine properties	**(12)**	28	**–**	–
	Payments	**(9)**	(2)	**–**	–
	Transfer to short-term provisions	**(33)**	–	**–**	–
	(Reversal)/provision for the year	**(2)**	17	**–**	–
	Balance at end of the year	**54**	110	**–**	–
	Total long-term provisions at end of the year	**549**	500	**137**	131

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.

Notes to the financial statements continued

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
17	**Trade and other payables**				
	Trade	**919**	854	**82**	184
	Other	**1 529**	1 461	**230**	127
	Total trade and other payables	**2 448**	2 315	**312**	311
	Trade and other payables are generally non-interest-bearing and are typically on 30 – 90 day payment terms.				
18	**Short-term provisions**				
	Bonus provision				
	Balance at beginning of year	**152**	27	**118**	3
	Provision for the period	**154**	157	**100**	118
	Payments made during the year	**(163)**	(32)	**(120)**	(3)
	Transfer from long-term provision	**9**	–	**–**	–
	Balance at end of the year	**152**	152	**98**	118
	Leave pay provision				
	Balance at beginning of year	**71**	55	**16**	10
	Provision for the period	**29**	21	**6**	10
	Payments made during the year	**(4)**	(5)	**(2)**	(4)
	Balance at end of the year	**96**	71	**20**	16
	Other provisions				
	Balance at beginning of year	**45**	76	**–**	–
	Provision for the period	**(30)**	(23)	**–**	–
	Payments made	**–**	(8)	**–**	–
	Transfer from long-term provision	**24**	–	**–**	–
	Balance at end of the year	**39**	45	**–**	–
	Total short-term provisions	**287**	268	**118**	134

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 include the short-term portion of environmental rehabilitation provisions.

Notes to the financial statements continued

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
19 Overdrafts and short-term borrowings				
Overdrafts	**441**	248	**37**	38
Short-term borrowings	**186**	343	**291**	291
Short-term portion of long-term borrowings (refer note 14)	**105**	173	**–**	–
	732	764	**328**	329
Overdrafts and short-term borrowings are held as follows:				
– African Rainbow Minerals Limited	**37**	38	**37**	38
– Assmang Limited	**2**	4	**–**	–
– ARM Mining Consortium Limited	**129**	123	**–**	–
– ARM Coal (Pty) Limited	**27**	4	**–**	–
– Two Rivers Platinum (Proprietary) Limited – Bank loans	**464**	252	**–**	–
– Two Rivers Platinum (Proprietary) Limited – Impala Platinum	**73**	343	**–**	–
– Loans from subsidiaries	**–**	–	**291**	291
	732	764	**328**	329
Unutilised short-term borrowing and overdraft facilities				
– African Rainbow Minerals Limited	**430**	430	**430**	430
– Assmang Limited – 50%	**521**	971	**–**	–
– ARM Mining Consortium Limited	**26**	33	**–**	–
– Two Rivers Platinum (Proprietary) Limited	**10**	247	**–**	–
Total	**987**	1 681	**430**	430

Notes to the financial statements continued

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
20 Joint ventures				
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.				
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:				
Income statements				
Sales	**12 619**	8 929	**1 495**	1 224
Cost of sales	**(7 355)**	(6 006)	**(1 122)**	(902)
Other operating income	**145**	186	**11**	37
Other operating expenses	**(878)**	(672)	**(236)**	(72)
Income from investments	**97**	113	**8**	7
Finance costs	**(149)**	(64)	**(2)**	(2)
Income from associate	**(70)**	(33)	**–**	–
Exceptional items	**(11)**	97	**(4)**	(2)
Profit before tax	**4 398**	2 550	**150**	290
Taxation	**(1 486)**	(864)	**(43)**	(85)
Profit for the year after taxation	**2 912**	1 686	**107**	205
Statements of financial position				
Non-current assets	**14 217**	12 122	**2 128**	1 930
Current assets	**6 338**	5 428	**513**	455
Non-current liabilities (interest-bearing)	**1 784**	3	**–**	–
Non-current liabilities (non-interest-bearing)	**3 183**	4 264	**344**	287
Current liabilities (non-interest-bearing)	**2 845**	1 940	**198**	199
Current liabilities (interest-bearing)	**44**	16	**–**	–
Statements of cash flows				
Net cash inflow from operating activities	**4 175**	1 782	**405**	365
Net cash outflow from investing activities	**(3 074)**	(2 242)	**(393)**	(557)
Net cash inflow from financing activities	**75**	62	**–**	(150)

Notes to the financial statements continued

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
21	**Environmental rehabilitation trust funds**				
	Balance at beginning of year	**109**	92	**44**	42
	Contributions	**15**	11	**–**	–
	Interest earned	**6**	6	**1**	2
	Total (included in cash and cash equivalents) (refer note 12)	**130**	109	**45**	44
	Total environmental rehabilitation obligations (refer note 16)	**398**	292	**50**	43
	Less: amounts in trust funds (see above)	**(130)**	(109)	**(45)**	(44)
	Unfunded portion of liability	**268**	183	**5**	(1)
	Part of the unfunded portion of the liability is secured by guarantees in favour of the Department of Mineral Resources as required R185 million (F2010: R96 million) (refer note 37)				
22	**Sales**				
	Sales – mining and related products	**14 893**	11 022	**1 499**	1 224
	Made up as follows:				
	Local sales	**4 181**	3 857	**44**	115
	Export sales	**10 712**	7 164	**1 455**	1 109
	Sales by foreign joint venture	**–**	1	**–**	–
		14 893	11 022	**1 499**	1 224
	Revenue	**15 357**	11 425	**3 089**	2 264
	Sales – mining and related products	**14 893**	11 022	**1 499**	1 224
	Interest received (refer note 27)	**184**	177	**134**	147
	Dividends received (refer note 27)	**32**	32	**1 032**	532
	Fees received	**211**	179	**424**	361
	Property rental income	**7**	7	**–**	–
	Net insurance premiums received	**30**	8	**–**	–
23	**Cost of sales**				
	Amortisation and depreciation	**1 100**	979	**201**	145
	Staff costs	**1 677**	1 390	**135**	112
	– salaries and wages	**1 464**	1 201	**126**	103
	– pension – defined contribution and benefit plans	**94**	78	**8**	7
	– long service rewards	**–**	60	**–**	–
	– medical aid	**119**	51	**1**	2
	Consultants and contractors	**658**	565	**6**	6
	Electricity	**547**	324	**54**	30
	Inventories written down	**90**	–	**1**	–
	Raw materials, consumables used and change in inventories	**2 479**	2 516	**708**	597
	Railage and transportation	**989**	844	**–**	–
	Provisions – long-term	**4**	12	**3**	–
	– short-term	**94**	50	**18**	12
	Distribution costs	**1 185**	709	**–**	–
	Other costs	**129**	91	**–**	–
		8 952	7 480	**1 126**	902

Notes to the financial statements continued

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
24	**Other operating income**				
	Fees received	**293**	179	**425**	361
	Unrealised foreign exchange	**38**	86	**7**	35
	Realised foreign exchange	**71**	73	**–**	–
	Commission received	**34**	4	**8**	4
	Gross insurance premiums received	**79**	252	**–**	–
	Less: Ceded to reinsurers	**(49)**	(244)	**–**	–
	Net insurance income received	**30**	8	**–**	–
	Rental income from investment property	**4**	5	**–**	–
	Other	**41**	53	**22**	17
		511	408	**462**	417
25	**Other operating expenses**				
	Auditors Remuneration	**12**	14	**5**	5
	Exploration	**49**	59	**–**	–
	Depreciation	**12**	8	**5**	2
	Direct operating expenses of investment property	**6**	5	**–**	–
	Insurance	**100**	77	**–**	–
	Operating lease payments	**3**	3	**–**	–
	Rent paid	**3**	6	**3**	6
	Mineral royalty tax	**162**	20	**7**	1
	Staff cost	**179**	163	**163**	141
	– salaries and wages	**165**	150	**149**	128
	– pension – defined contribution and benefit plans	**8**	8	**8**	8
	– long service rewards	**1**	1	**1**	1
	– training	**5**	4	**5**	4
	Consulting fees	**22**	29	**17**	22
	Realised foreign exchange	**32**	47	**29**	47
	Unrealised foreign exchange	**–**	–	**40**	4
	Provisions – long-term	**1**	19	**1**	16
	– short-term	**59**	105	**86**	115
	Secretarial and financial services	**3**	3	**3**	3
	Short workings	**47**	142	**–**	–
	Share-based payment expensed	**37**	47	**37**	47
	Other	**403**	283	**315**	111
		1 130	1 030	**711**	520
26	**Profit from operations before exceptional items**				
	Profit from operations includes:				
	(Loss)/surplus on disposal of property, plant and equipment	**(7)**	3	**–**	–
	Amortisation and depreciation (refer notes 3 and 5)				
	– buildings	**26**	20	**1**	1
	– intangible assets	**10**	5	**–**	–
	– mine development, exploration and decommissioning assets	**313**	263	**131**	100
	– mineral rights	**35**	30	**–**	–
	– plant and machinery	**444**	390	**63**	38
	– mine properties	**9**	15	**–**	–
	– finance leases	**35**	33	**–**	–
	– furniture equipment and vehicles	**240**	231	**11**	7
	Impairment of plant and equipment (refer notes 2 and 3)	**4**	10	**4**	3

Notes to the financial statements continued

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
27	**Income from investments**				
	Dividend income – listed	**32**	32	**32**	32
	– unlisted	**–**	–	**1 000**	500
	Interest received – subsidiary companies	**–**	–	**76**	95
	– environmental trust funds (refer note 21)	**6**	6	**1**	2
	– short-term bank deposits and other	**178**	171	**57**	50
		216	209	**1 166**	679
	The interest received is from financial assets categorised as loans and receivables. (refer note 36)				
28	**Finance cost**				
	Interest on finance leases	**7**	7	**–**	–
	Gross interest paid – long and short-term borrowings and overdrafts	**195**	253	**63**	127
	Unwinding of discount rate	**26**	12	**2**	2
	Less: capitalised (refer note 3)	**(12)**	(80)	**(12)**	(29)
		216	192	**53**	100
	The interest paid is on financial liabilities categorised as other financial liabilities at amortised cost (refer note 36).				
29	**Exceptional items**				
	Profit on sale of Otjikoto	**–**	103	**–**	–
	(Loss)/profit on sale of fixed assets	**(7)**	3	**–**	–
	Capital portion of insurance claim at Nkomati	**–**	1	**–**	1
	Impairments of property, plant and equipment	**(4)**	(10)	**(4)**	(3)
	Exceptional items per income statement	**(11)**	97	**(4)**	(2)
	Taxation	**3**	1	**1**	1
	Total amount adjusted for headline earnings	**(8)**	98	**(3)**	(1)

Notes to the financial statements continued

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
30 Taxation				
South African normal taxation				
– current year	**975**	271	**64**	22
– mining	**875**	213	**–**	–
– non-mining	**100**	58	**64**	22
– prior year	**–**	(52)	**–**	–
State's share of profits	**93**	80	**–**	–
STC	**100**	51	**–**	–
Total current taxation	**1 168**	350	**64**	22
Deferred taxation				
– current year	**503**	607	**(10)**	72
– prior year	**–**	52	**–**	–
Total deferred taxation	**503**	659	**(10)**	72
Total taxation	**1 671**	1 009	**54**	94
Attributable to:				
Profit before exceptional items	**1 674**	1 010	**55**	95
Exceptional items (refer note 29)	**(3)**	(1)	**(1)**	(1)
	1 671	1 009	**54**	94
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.				
Reconciliation of rate of taxation:	**%**	%	**%**	%
Standard rate of Company taxation	**28**	28	**28**	28
Adjusted for:				
Disallowed expenditure	**1**	2	**5**	7
Exempt income	**–**	(1)	**(25)**	(20)
Effects of mining taxes – State's share of profits	**1**	2	**–**	–
STC	**1**	1	**(4)**	(1)
Estimated assessed losses not raised as deferred	**1**	2	**–**	–
Other	**–**	–	**–**	(2)
Effective rate of taxation	**32**	34	**4**	12
Estimated assessed losses available for reduction of future taxable income	**519**	304	**–**	–
No deferred tax asset has been raised on the estimated assessed losses of R456 million (F2010: R287 million) in the Vale/ARM joint venture group.				
Unredeemed capital expenditure available for reduction of future mining income*	**2 564**	2 953	977	943

* *Deferred tax has been raised on these estimated tax benefits.*

The Company had unutilised credits in respect of STC of R2 637 million at 30 June 2011 (F2010: R2 032 million). A deferred tax asset has been raised on a portion of these credits amounting to R85 million (F2010: R43 million). The post year-end dividend declared will bear STC at 10% (F2010: 10%). However, 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 2002. All returns up to and including June 2010 have been submitted.

Notes to the financial statements continued

	Group F2011 Rm	Group F2010 Rm
31 Calculations per share		
The calculation of basic earnings per share is based on basic earnings of R3 311 million (F2010: R1 812 million) and a weighted average of 212 889 thousand (F2010: 212 289 thousand) shares in issue during the year.		
The calculation of headline earnings per share is based on headline earnings of R3 319 million (F2010: R1 714 million), and a weighted average of 212 889 thousand (F2010: 212 289 thousand) shares in issue during the year.		
The calculation of diluted basic earnings per share is based on basic earnings of R3 311 million (F2010: R1 812 million), with no reconciling items to derive diluted earnings, and a weighted average of 213 871 thousand (F2010: 214 763 thousand) shares, calculated as follows:		
Weighted average number of shares used in calculating basic earnings per share (thousands).	**212 889**	212 289
Potential ordinary shares due to share options granted (thousands)	**982**	2 474
Weighted average number of shares used in calculating diluted earnings per share (thousands)	**213 871**	214 763
The calculation of diluted headline earnings per share is based on headline earnings of R3 319 million (F2010: R1 714 million) and a weighted average of 213 871 thousand (F2010: 214 763 thousand) shares.		
The calculation of net asset value per share is based on net assets of R21 157 million (F2010: R17 765 million) and the number of shares at year-end of 213 133 thousand (F2010: 212 692 thousand) shares.		
The calculation of cash generated from operations per share (cents) is based on cash generated from operations of R5 898 million (F2010: 3 430 million) and the weighted average number of shares in issue of 212 889 thousand (F2010: 212 289 thousand).		
Dividend per share		
After the year-end a dividend of 450 cents per share (F2010: 200 cents per share, F2009: 175 cents per share) was declared which approximates R959 million (F2010: R426 million, F2009: R371 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 2011.		
32 Headline earnings		
Basic earnings per income statement	**3 311**	1 812
– Profit on sale of Otjikoto	**–**	(103)
– Impairments of property, plant and equipment	**4**	10
– Capital portion of insurance claim at Nkomati	**–**	(1)
– Loss/(profit) on disposal of property, plant and equipment	**7**	(3)
	3 322	1 715
– Taxation	**(3)**	(1)
Headline earnings	**3 319**	1 714

Notes to the financial statements continued

		Group		Company	
		F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
33	**Reconciliation of net profit before tax to cash generated from operations**				
	Profit from operations before exceptional items	**5 322**	2 920	**124**	219
	(Loss)/income from associate	**(135)**	(51)	**–**	–
	Exceptional items	**(11)**	97	**(4)**	(2)
	Profit from operations after exceptional items	**5 176**	2 966	**120**	217
	Adjusted for:	**1 362**	1 062	**394**	308
	– Amortisation and depreciation of property, plant and equipment	**1 112**	987	**206**	147
	– Impairment of debtors	**6**	4	**–**	–
	– Long and short-term provisions	**158**	186	**109**	142
	– Impairment of property, plant and equipment	**4**	10	**4**	3
	– (Profit)/loss on disposal of property, plant and equipment	**7**	(3)	**–**	–
	– Surplus on disposal of investments	**–**	(103)	**–**	–
	– Unrealised foreign exchange gains/(losses)	**(38)**	(86)	**33**	(31)
	– Associate income	**135**	51	**–**	–
	– Share based payments expensed	**37**	47	**37**	47
	– Sale of houses – Khumani	**(28)**	(32)	**–**	–
	– Other non-cash flow items	**(31)**	1	**5**	–
	Cash from operations before working capital changes	**6 538**	4 028	**514**	525
	(Increase)/decrease in inventories	**(414)**	39	**(97)**	10
	(Increase)/decrease in receivables	**(10)**	(1 393)	**136**	(82)
	(Decrease)/increase in payables and provisions	**(216)**	756	**(135)**	28
	Cash generated from operations	**5 898**	3 430	**418**	481
34	**Taxation paid**				
	Balance at beginning of year	**270**	530	**90**	116
	Current taxation as per income statement (refer note 30)	**1 168**	350	**64**	22
	Normal tax	**975**	219	**64**	22
	State's share of profits	**93**	80	**–**	–
	STC	**100**	51	**–**	–
	Interest received	**(3)**	–	**–**	–
	Royalty	**–**	2	**–**	–
	Balance at end of year	**(195)**	(270)	**(100)**	(90)
	Tax payable	**(270)**	(314)	**(100)**	(90)
	Tax receivable	**75**	44	**–**	–
	Taxation paid	**1 240**	612	**54**	48

Notes to the financial statements continued

		Group	
		F2011 Rm	F2010 Rm
35	**Sale of Interest in Otjikoto**		
	In June 2010 TEAL Minerals finalised an agreement whereby it sold it's 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

36 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. (Refer note 36(j) for sensitivity analysis).

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 currency amount	Year-end exchange rate
Financial assets		
Foreign currency denominated items included in receivable:		
30 June 2011	US$250 million	6.76
30 June 2010	US$179 million	7.67
Foreign currency denominated items included in cash and cash equivalents:		
30 June 2011	US$5 million	6.76
30 June 2010	US$20 million	7.67
Financial liabilities		
Foreign currency denominated items included in payables:		
30 June 2011	US$23 million	6.76
30 June 2010	US$6 million	7.67
Foreign currency denominated items included in overdrafts and short-term borrowings		
30 June 2011	US$nil million	6.76
30 June 2010	US$nil million	7.67

Foreign currency contract

During the year under review Xstrata took out a number of foreign exchange contracts (FEC's) 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 FEC's at year-end was reported in the statement of comprehensive income resulting in R12 million (F2010: R16 million) being recorded, at Group level, for the share of the cashflow 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

36 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 F2011			
	Within one year Rm	**2-5 years Rm**	**Over 5 years Rm**	**Total Rm**
Long-term borrowings (refer note 14)	**105**	**698**	**1 639**	**2 442**
Trade and other payables (refer note 17)	**2 448**	**–**	**–**	**2 448**
Overdrafts and short-term borrowings (refer note 19)	**627**	**–**	**–**	**627**
Total	**3 180**	**698**	**1 639**	**5 517**
	Group F2010			
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
Total	3 079	953	1 629	5 661

	Group	
	F2011 Rm	F2010 Rm
Overdrafts and short-term borrowings are held at the following financial institutions		
ABSA Bank Limited	**190**	103
Nedbank Limited	**200**	100
The Standard Bank of South Africa Limited	**14**	7
First National Bank Limited	**223**	381
	627	591

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 R670 million (F2010: R631 million) and Rustenburg Platinum Mines R297 million (F2010: R352 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 largely the Harmony investment) exposure is the carrying value of these assets as per note 9.

	Group	
	F2011 Rm	F2010 Rm
Cash and cash equivalents are held at the following financial institutions		
ABSA Bank Limited	**445**	701
Barclays Private Clients International	**343**	443
Nedbank Limited	**61**	221
The Standard Bank of South Africa Limited	**2 569**	1 192
Investec Limited	**36**	41
First Rand Limited	**92**	93
Stanlib Collective Investment Limited	**59**	–
Other	**63**	348
	3 668	3 039

Notes to the financial statements continued

36 Financial instruments and risk management *(continued)*

d. Treasury risk management

The treasury function is outsourced to Andisa Capital (Proprietary) Limited (Andisa), specialists in the management of third party treasury operations.

Together with ARM financial 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, including the financial director 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 018 million (F2010: R1 207 million). Refer to the sensitivity calculations which follow note (j) below.

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. (Refer to note 36 (j) for sensitivity analysis).

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.

Notes to the financial statements continued

36 Financial instruments and risk management *(continued)*

The table quantifies the interest rate risk

Financial assets		Book value at year-end Rm	Maturity date	Effective interest rate
Year ended 30 June 2011				
Cash – financial institutions	US$5 million	37	Overnight call deposit	0 to 1 per cent
– financial institutions		2 781		5 to 7 per cent
– fixed		850	July 2011	5 to 7 per cent
		3 668		
Year ended 30 June 2010				
Cash – financial institutions	US$21 million	160	Overnight call deposit	0 to 1 per cent
– financial institutions		2 542		6 to 8 per cent
– fixed		337	July 2010	6 to 8 per cent
		3 039		

Financial liabilities		Maturity date	Year-end rate
Year ended 30 June 2011			
Long-term borrowings			
Leases	116	2012	1.28% to 9.75% below prime
Loan facility (Two Rivers – mine housing project)	108	2016	7.1%
Loan facility (ARM Corporate)	410	2013	8.80%
Loan ARM Coal – RBCT (partner loan)	173	2021	0.5% above prime
Loan facility (ARM Coal – partner loan)	1 635	2025	Prime
	2 442		
Less: transferred to short-term	(105)		
Total	2 337		

Summary of variable and fixed rates	Total	Transfer to short-term	Long-term
Variable rates	2 442	105	2 337
Fixed rates	–	–	–
Total	2 442	105	2 337

		Maturity date	Year-end rate
Year ended 30 June 2010			
Long-term borrowings			
Leases	70	2012	1.28% to 2.65% below prime
Loan facility (Two Rivers – mine housing project)	125	2016	8.10%
Loan facility (ARM Corporate)	784	2013	9.60%
Loan facility (ARM Coal – partner loan)	90		No terms of interest applicable
Loan facility (Modikwa) Rustenburg Platinum Mines Limited (partner loan)	114		No terms of interest applicable
Loan facility (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)		
Total	2 582		

Notes to the financial statements continued

36 Financial instruments and risk management *(continued)*

Summary of variable and fixed rates

	Total	Transfer to short-term	Long-term
Variable rates	2 551	59	2 492
Fixed rates	204	114	90
Total	2 755	173	2 582

Short-term financial liabilities	**Book value at year-end**	**Repricing date**	**Maturity date**	
Year ended 30 June 2011				
– Financial institutions	545	30/06/2011	30/06/2011	Variable rate between 7% and 10%
– Anglo Platinum (partner loan)	114			No interest
– Implats (partner loan)	73			Variable rate at year end 6.5%
Total	732			
Year ended 30 June 2010				
Short-term financial liabilities				
– Financial institutions	307	30/06/2010	30/06/2010	Variable rate between 9% and 15%
– Anglo Platinum (partner loan)	114			No interest
– Implats (partner loan)	343			Variable rate at year end 8%
Total	764			

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.

The Group uses the following hierarchy for determining the level of confidence in the valuation technique used.

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – a technique were all inputs that have a impact on the value are observable, either directly or indirectly.

Level 3 – a technique were all inputs that have a impact on the value are not observable.

Notes to the financial statements continued

36 Financial instruments and risk management *(continued)*

Financial instruments by categories — **Group F2011**

Category	**Loans and receivable Rm**	**At fair value through profit and loss Rm**	**Available-for-sale assets Rm**	**Other liabilities at amortised cost Rm**	**Total book value Rm**	**Total fair value Rm**	**Fair value hierarchy level Rm**
Investments – listed	**–**	**11**	**5 724**	**–**	**5 735**	**5 735**	**1**
Investments – unlisted	**63**	**–**	**–**	**–**	**63**	**63**	**2**
Trade and other receivables	**2 095**	**1 018**	**–**	**–**	**3 113**	**3 113**	**2**
Loans and long-term receivable	**186**	**–**	**–**	**–**	**186**	**186**	**2**
Financial assets – structured investment	**–**	**45**	**–**	**–**	**45**	**45**	**2**
Trade and other payables	**–**	**–**	**–**	**(2 448)**	**(2 448)**	**(2 448)**	**2**
Cash and cash equivalents	**3 668**	**–**	**–**	**–**	**3 668**	**3 668**	**2**
Long-term borrowings	**–**	**–**	**–**	**(2 337)**	**(2 337)**	**(2 337)**	**2**
Short-term borrowings	**–**	**–**	**–**	**(291)**	**(291)**	**(291)**	**2**
Overdrafts	**–**	**–**	**–**	**(441)**	**(441)**	**(441)**	**2**

Financial instruments by categories — Group F2010

Category	Loans and receivable	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	2
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)	2
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

Notes to the financial statements continued

36 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 position 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 018 million (F2010: R1 207 million) was valued using the following parameters: (i) Rand/US Dollar exchange rate of 6.76 (F2010: R7.67), (ii) platinum price of $1 722/oz (F2010: $1 532/oz), (iii) palladium price of $761 /oz (F2010: $446/oz), rhodium of $2 000 oz (F2010: $2 375/oz) and a nickel price of $23 125/tonne (F2010: $19 430/tonne).

The sensitivity was applied to profit or loss before taxation and non-controlling interest.

	Group	
	F2011 Rm	F2010 Rm
The increase in profit before tax if:		
The Rand/US Dollar exchange rate weakens by R1	**157**	193
The price of nickel increases by 10%	**34**	37
The price of PGM increases by 10%	**100**	82
The interest rate increases by 1%	**1**	4
The decrease in profit before tax if:		
The Rand/US Dollar exchange rate strengthens by R1	**(157)**	(193)
The price of nickel decreases by 10%	**(34)**	(37)
The price of PGM decreases by 10%	**(100)**	(82)
The interest rate decreases by 1%	**(1)**	(4)

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.

Notes to the financial statements continued

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
37 Commitments and contingent liabilities				
Commitments				
Commitments in respect of capital expenditure:				
Approved by directors				
– contracted for	**3 383**	2 921	**122**	220
– not contracted for	**600**	505	**87**	170
Total commitments	**3 983**	3 426	**209**	390
Commitments allocated as follows				
Assmang Limited	**2 687**	2 938	**–**	–
ARM Mining Consortium Limited	**36**	52	**–**	–
ARM Coal (Proprietary) Limited	**24**	34	**–**	–
Nkomati	**209**	390	**209**	390
Two Rivers Platinum (Proprietary) Limited	**4**	3	**–**	–
Vale/ARM joint venture	**1 023**	9	**–**	–
	3 983	3 426	**209**	390

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 R164 million to June 2011 (F2010: R155 million).

The company is in discussion with the South African Revenue Services on progressing this dispute.

Disputes

- ARM has issued summons against Mr R Spoor for defamation. The claim is for an amount of R1.5 million.
- ARM Mining Consortium has made an application against the Department of Mineral Resources and third party respondents requesting the court to order the DMR and third party to reassess applications for the prospecting rights brought by Modikwa JV that had been earlier rejected.
- Nkomati mine have received a judgement in their favour for an amount of R31 million against Niemcor, Niemcor have in turn filed a claim against Nkomati for R28 million claiming damages for breach of contract. Niemcor has not prosecuted the matter any further.
- Two Rivers Platinum Mine is defending a claim for approximately R8.5 million brought by Mabotha Business Trading 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 installments thereafter, should a decision be made by the Vale/ARM joint venture to develop a mine on this property.

Notes to the financial statements continued

37 Commitments and contingent liabilities *(continued)*

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 (F2010: R180 million). Short-term export finance loans negotiated in terms of the above facility in the ordinary course of business at 30 June 2011 were Rnil (F2010: Rnil).

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 10 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 R185 million (F2010: R96 million).

Guarantees to Eskom amounting to R56 million (F2010: R28 million).

38 Leases

Finance Leases (refer note 3)

	Group			
	F2011 Rm	**F2011 Rm**	F2010 Rm	F2010 Rm
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**62**	**55**	**32**	28
After one year but not more than five years	**64**	**61**	**48**	42
Total minimum lease payments	**126**	**116**	**80**	70
Less: amounts representing finance charges	**(10)**	**–**	**(10)**	–
Present value of minimum lease payments	**116**	**116**	**70**	70
Operating leases – Group as lessee				
This is in respect of office building rentals paid				
Within one year	**2**		**4**	
After one year but not more than five years	**–**		**2**	
Total minimum lease payments	**2**		**6**	
Operating leases – Group as lessor				
This is in respect of office building rentals received (refer note 4)				
Within one year	**1**		**1**	
After one year but not more than five years	**1**		**–**	
Total minimum lease payments	**2**		**1**	

39 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 R102 million (F2010: R86 million).

Notes to the financial statements continued

40 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 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% (F2010: 9.5%) on the liability.
- The average expected working lifetime of eligible members was 8 (F2010: 9) years at the date of the valuation in F2010.

The provisions raised in respect of post-retirement healthcare benefits amounted to R97 million (F2010: R98 million) at the end of the year. Of this amount, Rnil million (F2010: R16 million) 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 F2010 and the next one will be in F2013.

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.

	F2011	F2010	F2009	F2008	F2007
Balance at 30 June (R million)	**97**	98	83	83	82

	Group			
	F2011 Share Options	F2010 Share Options	**F2011 Average price Cents**	F2010 Average price Cents
41 Share-based payment plans				
Equity-settled plan				
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.				
Share options				
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.				
The contract life of each option is eight years from the grant date.				
Outstanding at the beginning of the period	**4 335 942**	4 834 037	**7 617**	7 374
Granted during the period	**196 635**	185 952	**18 043**	15 624
Forfeited during the period	**(10 680)**	(59 894)	**14 056**	18 822
Exercised during the period	**(440 164)**	(624 153)	**8 264**	7 046
Outstanding at the end of the period	**4 081 733**	4 335 942	**8 033**	7 617
Exercisable at the end of the period	**3 224 687**	3 152 144		
Range of strike prices of options exercised (cents)			2 700 to 13 973	2 700 to 13 973
Range of strike prices of outstanding options (cents)			2 700 to 27 950	2 700 to 27 950

Notes to the financial statements continued

41 Share-based payment plans *(continued)*

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	
	F2011 Bonus shares	F2010 Bonus shares
Outstanding at the beginning of the period	**130 045**	122 683
Granted during the period	**121 589**	11 479
Forfeited during the period	**(347)**	(2 414)
Shares vested*	**(5 397)**	(1 703)
Outstanding at the end of the period	**245 890**	130 045

** This represents shares that vested during the period as a result of no fault terminations.*

Performance shares 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.

	F2011 Performance shares	F2010 Performance shares
Outstanding at the beginning of the period	**262 553**	137 965
Granted during the period	**125 530**	128 530
Forfeited during the period	**(9 031)**	(3 610)
Shares vested*	**(3 557)**	(332)
Outstanding at the end of the period	**375 495**	262 553

** This represents shares that vested during the period as a result of no fault terminations.*

Notes to the financial statements continued

41 Share-based payment plans *(continued)*

The fair value of shares granted in these plans are estimated as at the date of the grant using an independent valuer that uses the Cox-Rox Rubinstein binomial tree model, taking into account the terms and conditions upon which the options were granted. Previously the Black Scholes model was used. The following table lists the range of inputs to the model used on the grant date for the years ended 30 June 2011 and 30 June 2010.

	Group	
	F2011	F2010
Dividend yield %	**1.19**	1.35
Expected volatility %	**42.60**	54.3
Risk-free interest rate %	**8.60**	7.49
Expected life of options (years)	**1 – 8**	2 – 5
Weighted average share price (cents)	**19 036**	16 596
Fair value of options issued during the year (Rm)	**16**	32
Fair value of options per option issued during the year (cents) – October	**7 943**	9 327
Fair value of options per option issued during the year (cents) – April	**10 626**	10 043
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 Group and Company was a charge of (Rm)	**37**	47

42 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 226 to 228.

Transactions between the company, its subsidiaries, associated companies and joint ventures relate to fees, insurances, dividends, rents and interest and are regarded as intra-Group transactions and eliminated on consolidation.

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
Assmang Limited				
– Provision of services			**212**	179
– Dividends received			**1 000**	500
Venture Building Trust (Proprietary) Limited – interest received			**3**	1
Two Rivers Platinum (Proprietary) Limited				
– Interest received			**20**	50
– Provision of services			**2**	2
Vale/ARM joint venture – interest			**45**	44
Mannequin insurances received – various Group Companies	**143**	169	**–**	–
Mannequin fees paid – Kingfisher	**–**	27	**–**	–
Kingfisher insurances received – various Group Companies	**87**	32	**–**	–
Nkomati – chrome sales to Assmang	**4**	6	**–**	–
Nkomati – receivable iro Assmang	**–**	–	**–**	2
Amounts outstanding at year-end owing to ARM on current account				
Assmang Limited	**–**	–	**27**	22
Venture Building Trust (Proprietary) Limited	**–**	–	**–**	2

Notes to the financial statements continued

	Group	
	F2011 Rm	F2010 Rm
42 Related party transactions *(continued)*		
Key management personnel		
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	**17**	13
Accrued bonuses	**13**	2
Pension scheme contributions	**1**	1
Reimbursive allowances	**2**	1
Total	**33**	17

Share options

	Number of options	Average price cents	Average gross selling price cents
Held on 1 July 2009	1 004 116	10 919	
Granted during the year	21 281	16 145	
Staff movements	(711 536)	9 936	
Exercised during the year			
Held on 1 July 2010	313 861	10 170	
Granted during the year	37 072	17 849	
Staff movements	126 076	12 531	
Exercised during the year	(70 000)	11 900	21 417
Held on 30 June 2011	407 009	10 724	

Bonus and performance shares

	Number of bonus shares	Number of performance shares
Held on 1 July 2009	32 648	31 834
Granted/awarded during the year	979	19 802
Staff movements	(26 275)	(24 560)
Held on 30 June 2010	7 352	27 076
Granted/awarded during the year	20 213	20 905
Staff movements	12 012	17 941
Held on 30 June 2011	39 577	65 922

Notes to the financial statements continued

42 Related party transactions *(continued)*

	Group		Company	
	F2011 Rm	F2010 Rm	**F2011 Rm**	F2010 Rm
Details relating to directors emoluments, share options and shareholdings in the Company are disclosed in the Directors' report.				
Shareholders				
The principal shareholders of the Company are detailed in the Shareholder Analysis report.				
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.				
Rental paid for offices at 29 Impala Road, Chislehurston, Sandton	**1**	1	**1**	1

Report on subsidiary companies

for the year ended 30 June 2011

	Company	
	F2011 Rm	F2010 Rm
Investments		
Listed: market value – Harmony	**5 724**	5 180
Unlisted	**481**	481
	6 205	5 661
Amounts owing by subsidiaries (refer note 9)	**784**	1 236
Amounts owing to subsidiaries (refer note 19)	**(291)**	(291)
	6 698	6 606
Income from subsidiaries		
Fees – management advisory services	**2**	2
	2	2
Members' aggregate interest in profits after taxation of subsidiaries		
Profits	**350**	315

Principal subsidiary companies

		Issued capital Amount R million		Direct interest in capital %		Book value of the Company's interests: Shares R million		Book value of the Company's interests: Indebtedness by/(to) R million	
Name	**Class**	**F2011**	F2010	**F2011**	F2010	**F2011**	F2010	**F2011**	F2010
African Rainbow Minerals Platinum (Proprietary) Limited platinum mining	Ord	**–**	–	**100**	100	**257**	257	**634**	803
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	**89**	419
Vallum Investments (Proprietary) Limited investment company	Ord	**–**	–	**100**	100	**–**	–	**–**	–
Venture Building Trust (Proprietary) Limited property investment	Ord	**–**	–	**100**	100	**1**	1	**55**	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			
	Number of shares held		Number of shares held		Effective percentage holding		Indebtedness by Rm	
Name of company	**F2011**	F2010	**F2011**	F2010	**F2011**	F2010	**F2011**	F2010
Associated companies								
Unlisted								
Lucas Block Minerals Limited (1936)								
Ordinary shares of 200 cents per share	**121**	121	**121**	121	**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	**–**	–
Investment in other companies								
Listed								
Harmony Gold Mining Company Limited								
Ordinary shares of 50 cents per share	**63 632 922**	63 632 922	**63 632 922**	63 632 922	**14.80**	14.84	**–**	–
Unlisted								
Business Partners Limited	**323 177**	323 177	**323 177**	323 177	**0.2**	0.2	**–**	–
Joint ventures and partnerships								
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	**988**	903
Assmang Limited (including Cato Ridge Alloys)	**1 774 103**	1 774 103	**1 774 103**	1 774 103	**50**	50	**–**	–
Vale/ARM joint venture	**731**	508	**731**	508	**50**	50	**676**	674

** 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 164 to 172, have been translated into United States dollars and are presented on this page and pages 230 to 234.

This information is only supplementary and is not required by any accounting standard and does not represent US GAAP.

The statement of financial position are 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:	**F2011 R/US$**	F2010 R/US$
Statement of financial position	**R6.76**	R7.67
Income statement and statement of cash flows	**R6.99**	R7.59

The US Dollar denominated statement of financial position, income statements, statement of comprehensive income, statement 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 173 to 183 and with the notes to the financial statements on pages 184 to 225.

Statement of financial position

as at 30 June

US Dollar convenience translation

		Group	
	Note	**F2011 US$m**	F2010 US$m
Assets			
Non-current assets			
Property, plant and equipment	3	**2 293**	1 728
Investment property	4	**2**	2
Intangible assets	5	**30**	28
Deferred tax assets	15	**13**	6
Loans and long-term receivables	7	**28**	7
Financial assets	8	**7**	11
Inventories	10	**19**	19
Investment in associate	6	**197**	168
Other investments	9	**858**	677
		3 447	2 646
Current assets			
Inventories	10	**320**	239
Trade and other receivables	11	**461**	395
Taxation	34	**11**	6
Cash and cash equivalents	12	**543**	396
		1 335	1 036
Total assets		**4 782**	3 682
Equity and liabilities			
Capital and reserves			
Ordinary share capital	13	**2**	1
Share premium	13	**568**	496
Other reserves		**178**	95
Retained earnings		**2 382**	1 724
Equity attributable to equity holders of ARM		**3 130**	2 316
Non-controlling interest		**142**	100
Total equity		**3 272**	2 416
Non-current liabilities			
Long-term borrowings	14	**346**	337
Deferred tax liabilities	15	**528**	386
Long-term provisions	16	**81**	65
		955	788
Current liabilities			
Trade and other payables	17	**365**	302
Short-term provisions	18	**42**	35
Taxation	34	**40**	41
Overdrafts and short-term borrowings – interest-bearing	19	**108**	100
		555	478
Total equity and liabilities		**4 782**	3 682

Income statement

for the year ended 30 June

US Dollar convenience translation

		Group	
	Note	**F2011 US$m**	F2010 US$m
Revenue	22	**2 197**	1 505
Sales	22	**2 131**	1 452
Cost of sales	23	**(1 281)**	(986)
Gross profit		**850**	466
Other operating income	24	**73**	54
Other operating expenses	25	**(162)**	(136)
Profit from operations before exceptional items	26	**761**	384
Income from investments	27	**31**	28
Finance costs	28	**(31)**	(25)
Income from associate	6	**(19)**	(7)
Profit before taxation and exceptional items		**742**	380
Exceptional items	29	**(2)**	13
Profit before taxation		**740**	393
Taxation	30	**(239)**	(133)
Profit for the year		**501**	260
Attributable to:			
Non-controlling interest		**28**	21
Equity holders of ARM		**473**	239
		501	260
Additional information			
Headline earnings	32	**475**	226
Headline earnings per share (cents)	31	**223**	106
Basic earnings per share (cents)	31	**222**	113
Diluted headline earnings per share (cents)	31	**222**	105
Diluted basic earnings per share (cents)	31	**221**	111

Statement of comprehensive income

for the year ended 30 June

US Dollar convenience translation

		Group					
	Notes	Availible for-sale reserve US$m	Other US$m	Retained earnings US$m	Share-holders of ARM US$m	Non controlling interest US$m	Total US$m
For the year ended 30 June 2010							
Profit for the year to 30 June 2010		–	–	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 on loans in foreign Group entity		–	(1)	–	(1)	–	(1)
Cashflow hedge reserve	6	–	2	–	2	–	2
Total other comprehensive income		10	1	–	11	–	11
Total comprehensive income for the year		10	1	239	250	21	271
For the year ended 30 June 2011							
Profit for the year to 30 June 2011		**–**	**–**	**473**	**473**	**28**	**501**
Other comprehensive income							
Revaluation of listed investment	9	**78**	**–**	**–**	**78**	**–**	**78**
Deferred tax on revaluation of listed investment		**(11)**	**–**	**–**	**(11)**	**–**	**(11)**
Net impact of revaluation of listed investment		**67**	**–**	**–**	**67**	**–**	**67**
Foreign exchange on loans to foreign Group entity		**–**	**(12)**	**–**	**(12)**	**–**	**(12)**
Cashflow hedge reserve	6	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Foreign currency translation		**–**	**6**	**–**	**6**	**–**	**6**
Total other comprehensive income		**67**	**(7)**	**–**	**60**	**–**	**60**
Total comprehensive income for the year		**67**	**(7)**	**473**	**533**	**28**	**561**

Statement of changes in equity

for the year ended 30 June

US Dollar convenience translation

		Group						
	Notes	Share Capital and Premium US$m	Availible for sale reserve US$m	Other US$m	Retained Profit US$m	Share-holders of ARM US$m	Non-controlling interest US$m	Total US$m
Balance at 30 June 2009		488	48	31	1 526	2 093	78	2 171
Profit for the year to 30 June 2010		–	–	–	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	13	6	–	–	–	6	–	6
Dividend paid	31	–	–	–	(49)	(49)	–	(49)
Balance at 30 June 2010		497	58	37	1 724	2 316	100	2 416
Profit for the year to 30 June 2011		**–**	**–**	**–**	**473**	**473**	**28**	**501**
Other comprehensive income		**–**	**67**	**(7)**	**–**	**60**	**–**	**60**
Total comprehensive income for the year		**–**	**67**	**(7)**	**473**	**533**	**28**	**561**
Translation adjustments		**68**	**10**	**8**	**246**	**332**	**14**	**346**
Share-based payments		**–**	**–**	**5**	**–**	**5**	**–**	**5**
Share options exercised	13	**5**	**–**	**–**	**–**	**5**	**–**	**5**
Dividend paid	31	**–**	**–**	**–**	**(61)**	**(61)**	**–**	**(61)**
Balance at 30 June 2011		**570**	**135**	**43**	**2 382**	**3 130**	**142**	**3 272**

Statement of cash flow

for the year ended 30 June

US Dollar convenience translation

		Group	
	Note	**F2011 US$m**	F2010 US$m
Cash flow from operating activities			
Cash receipts from customers		**2 204**	1 316
Cash paid to suppliers and employees		**(1 361)**	(865)
Cash generated from operations	33	**843**	451
Translation adjustment		**52**	4
Interest received		**26**	23
Interest paid		**(17)**	(18)
Dividends received		**5**	4
Dividends paid		**(61)**	(49)
Taxation paid	34	**(177)**	(81)
Net cash inflow from investing activities		**671**	334
Cash flow from investing activities			
Additions to property, plant and equipment to maintain operations		**(114)**	(68)
Additions to property, plant and equipment to expand operations		**(308)**	(261)
Proceeds on disposal of property, plant and equipment		**–**	2
Proceeds on disposal of Otjikoto	35	**–**	14
Investment in associate		**(25)**	–
Investment in RBCT		**(9)**	–
(Increase)/decrease in loans and receivables		**(15)**	7
Net cash outflow from investing activities		**(471)**	(306)
Cash flow from financing activities			
Proceeds on exercise of share options		**5**	6
Long-term borrowings raised		**40**	112
Long-term borrowings repaid		**(85)**	(110)
(Decrease)/increase in short-term borrowings		**(45)**	(104)
Net cash outflow from financing activities		**(85)**	(96)
Net increase in cash and cash equivalents		**115**	(68)
Cash and cash equivalents at beginning of year		**363**	431
Cash and cash equivalents at end of year	12	**478**	363
Cash generated from operations per share (cents)	31	**396**	212

Financial summary and statistics

for the year ended 30 June

US Dollar convenience translation

	Group							
	F2011 US$m	F2010 US$m	F2009 US$m	F2008 US$m	F2007 US$m	F2006 US$m	F2005 US$m	F2004 US$m
Income statement								
Sales	**2 131**	1 452	1 118	1 725	854	722	883	563
Headline earnings	**475**	226	257	550	168	72	55	7
Basic earnings per share (cents)	**222**	113	150	292	81	46	36	125
Headline earnings per share (cents)	**223**	106	121	261	81	35	27	5
Dividend declared after year-end per share (cents)	**67**	26	23	51	n/a	n/a	n/a	n/a
Statement of financial position								
Total assets	**4 782**	3 682	3 304	3 178	2 576	2 041	1 769	1 831
Cash and cash equivalents	**543**	396	455	340	150	61	43	57
Shareholders' equity	**3 272**	2 416	2 171	2 002	1 587	1 452	1 199	1 271
Statement of cash flows								
Cash generated from operations	**843**	451	739	709	352	194	267	97
Net cash outflow from investing activities	**(471)**	(306)	(348)	(334)	(374)	(226)	(133)	(100)
Net cash (outflow)/inflow from financing activities	**(85)**	(96)	(19)	(24)	217	140	(88)	41
JSE Limited performance								
Ordinary shares (cents)								
– high	**3 376**	2 714	3 217	4 205	1 917	816	612	696
– low	**2 092**	1 542	842	1 414	739	500	411	471
– year-end	**2 788**	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

Ticker code	ARI
Sector	General Mining
Nature of business	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.
Issued share capital at 30 June 2011	213 132 540 shares
Market capitalisation at 30 June 2011	R40.2 billion
	US$5.95 billion
Closing share price at 30 June 2011	R188.50
12 month high (1 July 2010 – 30 June 2011)	R236.00
12 month low (1 July 2010 – 30 June 2011)	R146.25
Average volume traded for the 12 months	484 444 shares per day

Shareholders' diary

Annual General Meeting	Friday, 2 December 2011
Financial year-end	June 2012
Annual financial statements issued	October 2012
Interim results announcement	March 2012
Provisional results announcement	September 2012

Shareholder analysis

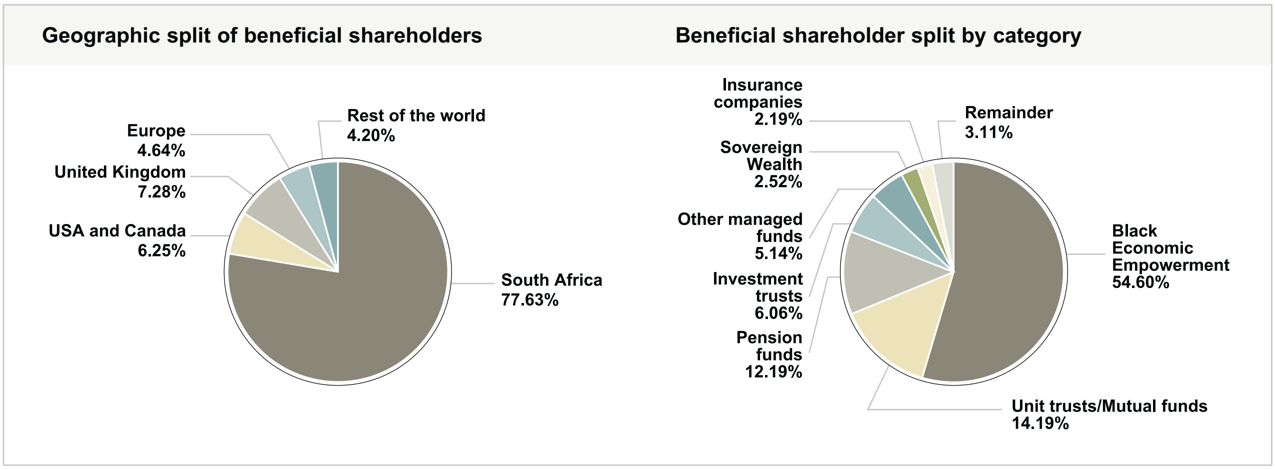
Shares held	Number of shareholders	% of shareholders	Number of shares held	% of issued share capital
1 to 1 000 shares	4 514	76.08	1 200 306	0.57
1 001 to 10 000 shares	919	15.49	3 169 496	1.50
10 001 to 100 000 shares	388	6.54	12 387 126	5.81
100 001 to 1 000 000 shares	97	1.64	29 093 620	13.65
1 000 001 shares and above	15	0.25	167 281 992	78.47
Total	**5 933**	**100.00**	**213 132 540**	**100.00**

Distribution of shareholders	Number of shares held	% of issued share capital
Black Economic Empowerment	116 365 157	54.60
Unit Trusts/Mutual Funds	30 234 532	14.19
Pension Funds	25 982 867	12.19
Investment Trusts	12 923 290	6.06
Other Managed Funds	10 963 675	5.14
Sovereign Wealth	5 360 936	2.52
Insurance Companies	4 660 352	2.19
Private Investors	2 469 763	1.16
Custodians	1 508 943	0.71
Exchange-Traded Fund	334 105	0.16
Corporate Holding	202 000	0.09
University	133 540	0.06
Charity	88 100	0.04
Hedge Fund	33 100	0.02
Remainder	1 872 180	0.87
Total	**213 132 540**	**100.00**

Public/non-public shareholders	Number of shareholders	% of total shareholders	Number of shares held	% of issued share capital
Non-public shareholders	5	0.08	116 579 157	54.70
Public shareholders	5 928	99.92	96 553 383	45.30
Total	**5 933**	**100.00**	**213 132 540**	**100.00**

Investment management and beneficial interest (more than 3%)	Number of shares held	%
Black Rock Inc.	22 068 565	10.35
Public Investment Corporation Limited	11 962 077	5.61
Investec Asset Management	7 347 094	3.45
Total	**41 377 736**	**19.41**

Investor relations report continued



Top 20 shareholders

	Shareholder	Number of shares held	% holding of shares in issue
1	African Rainbow Minerals & Exploration Investments (Pty) Limited	87 750 417	41.17
2	ARM Broad-Based Economic Empowerment Trust	28 614 740	13.43
3	Black Rock Inc.	22 068 565	10.35
4	Public Investment Corporation Limited	11 962 077	5.61
5	Investec Asset Management	7 347 094	3.45
6	Kagiso Asset Management (Pty) Limited	3 314 141	1.56
7	Allan Gray Investment Council	3 311 168	1.55
8	RMB Asset Management	3 117 533	1.46
9	Government Singapore Investment Corporation	3 111 178	1.46
10	Fidelity Investments	2 886 627	1.36
11	STANLIB Asset Management	2 708 354	1.27
12	The Vanguard Group	2 570 475	1.21
13	Dimensional Fund Advisors	1 695 357	0.79
14	Coronation Fund Managers	1 692 239	0.79
15	Jennison Associates LLC	1 442 031	0.68
16	Legg Mason Inc.	1 262 235	0.60
17	Metropolitan Asset Managers	1 255 248	0.59
18	AXA Financial SA	1 169 819	0.55
19	Abax Investments	1 157 898	0.54
20	Old Mutual Asset Managers	1 090 339	0.51

Share liquidity

Number of shares traded on the JSE Limited during F2011*

Month	Volume
July 2010	11 096 208
August 2010	10 952 972
September 2010	9 194 087
October 2010	8 725 992
November 2010	9 655 360
December 2010	7 611 087
January 2011	11 261 137
February 2011	13 045 179
March 2011	12 671 244
April 2011	6 812 007
May 2011	8 317 349
June 2011	11 708 457
Total	121 051 079

**Source: JSE Limited*

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

Corné Dippenaar

Corporate Development
Telephone: +27 11 779 1478
Fax: +27 11 779 1312
E-mail: corne.dippenaar@arm.co.za

Ursula Anyamene

Investor Relations Administrator
Telephone: +27 11 779 1466
Fax: +27 11 779 1312
E-mail: ursula.anyamene@arm.co.za

The F2011 ARM Integrated Annual Report and the Sustainability Report are available in electronic format on the Company's website at **www.arm.co.za**. Printed copies can also be requested from the Company Investor Relations Department.

Glossary of terms and acronyms

3E	Platinum, palladium and gold
4E	Platinum, palladium, rhodium and gold
6E	Platinum, palladium, rhodium, gold, ruthenium and iridium
Anglo Platinum	Anglo American 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
C2008	Calendar year starting 1 January 2008 ending 31 December 2008
C2009	Calendar year starting 1 January 2009 ending 31 December 2009
C2010	Calendar year starting 1 January 2010 ending 31 December 2010
C2011	Calendar year starting 1 January 2011 ending 31 December 2011
CO_2	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
F2011	Financial year starting 1 July 2010 ending 30 June 2011
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
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 200 000 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	Peridotite Chromotitic Mineralised Zone
PCR	Chromotitic Peridotite Resource
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
TFR	Transnet Freight Rail
UASA	United Association of South Africa
UG2	Upper group 2 – second level of three chrometite 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	Zambia Consolidated Copper Mines 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 78th Annual General Meeting of shareholders of African Rainbow Minerals Limited will be held in the Oleander Room, Sandton Sun Hotel, corner Fifth and Alice Streets, Sandton, on Friday, 2 December 2011 at 14:00, South African time, for considering and, if deemed fit, adopting, with or without modification, the resolutions set out below.

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for the purposes of being entitled to attend and vote at the Annual General Meeting is Friday, 25 November 2011. The last day to trade in the Company's shares is Friday, 18 November 2011.

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, which ended on 30 June 2011. The financial statements are included in the 2011 Integrated Annual Report.

Ordinary resolution number 1

1. "Resolved that the annual financial statements and the Group annual financial statements for the year ended 30 June 2011 including the Directors', Audit Committee and auditors' reports, be and are hereby received and accepted."

   In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Re-election of Directors

Ordinary resolutions numbers 2 – 6 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 2011 Integrated Annual Report on pages 146 and 147. The Board of Directors (the "Board") recommends the re-election of these Directors.

Ordinary resolution number 2 – Re-election of Mr F Abbott

2. "Resolved that Mr F Abbott, 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."

   In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Ordinary resolution number 3 – Re-election of Mr M Arnold

3. "Resolved that Mr M Arnold, 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."

   In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Ordinary resolution number 4 – Re-election of Mr L A Shiels

4. "Resolved that Mr L A Shiels, 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."

   In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Ordinary resolution number 5 – Re-election of Dr R V Simelane

5. "Resolved that Dr R V Simelane, 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."

   In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Ordinary resolution number 6 – Re-election of Mr Z B Swanepoel

6. "Resolved that Mr Z B Swanepoel, 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."

   In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Election of Directors

Ordinary resolutions numbers 7 and 8 are proposed to elect Directors who were appointed Directors since the previous Annual General Meeting and whose period of office terminates in accordance with the Company's Memorandum of Incorporation at this Annual General Meeting. The Board recommends the election of Messrs T A Boardman and M P Schmidt.

Ordinary resolution number 7 – Election of Mr T A Boardman

7. "Resolved that Mr T A Boardman whose period of office as a Director terminates in accordance with the Company's Articles of Association on the date of this Annual General Meeting and who being eligible and having made himself available for election, be and is hereby elected as a Director of the Company."

   In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Ordinary resolution number 8 – Election of Mr M P Schmidt

8. "Resolved that Mr M P Schmidt whose period of office as a Director terminates in accordance with the Company's Articles of Association on the date of this Annual General Meeting and who being eligible and having made himself available for election, be and is hereby elected as a Director of the Company."

   In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Reappointment of external auditors and reappointment of designated auditor

Ordinary resolution number 9 is proposed to approve the re-appointment of Ernst & Young Inc. as the external auditors of the Company and to reappoint Mr E A L Botha as the person designated to act on behalf of the external auditors for the financial year ending 30 June 2012 and remain in office until the conclusion of the next Annual General Meeting.

Ordinary resolution number 9 – Reappointment of auditors and reappointment of designated auditor

9. "Resolved that the reappointment of Ernst & Young Inc. as the external auditors of the Company be and is hereby approved and that Mr E A L Botha be and is hereby reappointed as the designated auditor for the financial year ending 30 June 2012 and to remain in office until the conclusion of the next Annual General Meeting."

   In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Election of Audit Committee members

Ordinary resolution number 10 – Election of Audit Committee members

Ordinary resolution number 10 is proposed to elect Audit Committee members in terms of section 94(2) of the Companies Act 71 of 2008 (as amended) (the "Companies Act") and the King Report on Governance for South Africa 2009 ("King III") as more fully explained in the Annexure on page 246. The *curricula vitae* of those Independent Non-executive Directors offering themselves for election as members of the Audit Committee are included on pages 146 and 147 of the 2011 Integrated Annual Report.

10. "Resolved that shareholders elect, each by way of a separate vote, the following Independent Non-executive Directors, as members of the Audit Committee, with effect from the end of this Annual General Meeting:
    10.1 Mr M W King (as Chairman)
    10.2 Dr M M M Bakane-Tuoane
    10.3 Mr T A Boardman*
    10.4 Mr A D Botha
    10.5 Mr A K Maditsi
    10.6 Dr R V Simelane*"

    **Subject to his or her re-election as a Director pursuant to Ordinary Resolutions numbers 7 and 5, respectively.*

    In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Remuneration policy

Ordinary resolution number 11 – Endorsement of ARM's Remuneration policy

Ordinary resolution number 11 is proposed for the purpose set out in the Annexure on page 246.

11. "Resolved that shareholders endorse, by way of a non-binding advisory vote, the Company's Remuneration Report, including the Remuneration policy, as set out in the 2011 Integrated Annual Report on pages 136 to 143."

    In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Authorisation of Directors

Ordinary resolution number 12 is proposed to authorise Executive Directors to implement the resolutions adopted by shareholders.

Ordinary resolution number 12

12. "Resolved that, subject to the passing of the above ordinary resolutions and the special resolutions below, 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 considered necessary to implement the resolutions set out in this Notice of Annual General Meeting."

    In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Special business

To consider, and, if deemed fit, adopt, the following special resolutions with or without modification:

Remuneration of Non-executive Directors

Special resolutions numbers 1 – 4 are proposed to ensure that Non-executive Directors' fees attract and retain Non-executive Directors.

Special resolution number 1 – Increase in annual retainer fees

13. "Resolved that with effect from 1 July 2011, the annual retainer fees for Non-executive Directors be increased by 7% per annum (rounded to the nearest R50) from R297 000 to R317 800 per annum for Independent Non-executive Directors and from R237 600 to R254 250 per annum for Non-executive Directors."

    In order to be adopted, this resolution requires the support of at least 75% of votes cast by shareholders present or represented by proxy at the Annual General Meeting.

Special resolution number 2 – Increase in the Board meeting attendance fees

14. "Resolved that with effect from 1 July 2011, the per Board meeting attendance fees for Non-executive Directors be increased by 7% per annum (rounded to the nearest R50) from R14 300 to R15 300 per meeting."

    In order to be adopted, this resolution requires the support of at least 75% of votes cast by shareholders present or represented by proxy at the Annual General Meeting.

Special resolution number 3 – Increase in the Committee meeting attendance fees

15. "Resolved that with effect from 1 July 2011, the per Committee meeting attendance fees for Non-executive Directors be increased as follows:

		2011/12 per Meeting Fees (Rand)*	2010/11 per Meeting Fees (Rand)**
Audit Committee			
	Chairman	**79 450**	74 250
	Member	**31 800**	29 700
Investment Committee, Nomination Committee, Remuneration Committee and Social and Ethics (formerly called Sustainable Development) Committee			
	Chairman	**30 000**	17 800
	Member	**20 000**	11 900

* *Effective 1 July 2011, should the increase be approved by shareholders at the Annual General Meeting.*
** *Effective 1 July 2010.*

In order to be adopted, this resolution requires the support of at least 75% of votes cast by shareholders present or represented by proxy at the Annual General Meeting.

Special resolution number 4 – Increase in the fee for the Lead Independent Non-executive Director

16. "Resolved that with effect from 1 July 2011, the fee for the Lead Independent Non-executive Director to chair quarterly *in camera* meetings of Non-executive Directors be increased by 7% from R17 800 to R19 050 per meeting."

    In order to be adopted, this resolution requires the support of at least 75% of votes cast by shareholders present or represented by proxy at the Annual General Meeting.

Financial assistance – For related or inter-related companies

In terms of the Companies Act, the Board may authorise a company to provide financial assistance to any company or corporation which is related or inter-related to the Company, provided that such assistance is approved by way of a special resolution of the shareholders adopted within the previous two years and certain requirements set out in the Companies Act are met, *inter alia*, that the Board is satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test. The Board seeks such approval from shareholders in order to provide financial assistance to any company or corporation which is related or inter-related to the Company.

Special resolution number 5 – Financial assistance – For related or inter-related companies

17. "Resolved that the provision of any financial assistance by the Company, subject to the provisions of the Companies Act, to any company or corporation which is related or inter-related to the Company (as defined in the Companies Act), on the terms and conditions which the Directors may determine, be and is hereby approved."

In order to be adopted, this resolution requires the support of at least 75% of votes cast by shareholders present or represented by proxy at the Annual General Meeting.

Financial assistance – For subscription for securities

In terms of the Companies Act, the Board may authorise a company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, provided that such assistance is approved by way of a special resolution of the shareholders adopted within the previous two years and certain requirements set out in the Companies Act are met, *inter alia*, that the Board is satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test. The Board seeks such approval from shareholders in order to provide financial assistance to any person who is a participant in any of the Company's share, or any employee, incentive schemes.

Special resolution number 6 – Financial assistance – For subscription for securities

18. "Resolved that the provision of financial assistance by the Company to any director or prescribed officer of the Company (or any person related to any of them or to any company or corporation related or inter-related to any of them) or to any person who is a participant in any of the Company's share, or any employee, incentive schemes, for the purpose of, or in connection with, the subscription for or purchase of any securities, issued or to be issued by the Company or related or inter-related company, where any such financial assistance is provided in terms of any such scheme that does not satisfy

the requirements of Section 97 of the Companies Act, be and is hereby approved."

In order to be adopted, this resolution requires the support of at least 75% of votes cast by shareholders present or represented by proxy at the 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.

In terms of Section 63(1) of the Companies Act, any person attending or participating in the Annual General Meeting must present reasonably satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote whether as a shareholder or as a proxy for a shareholder has been reasonably verified. Acceptable forms of identification include valid identity documents, drivers' licences or passports.

Electronic participation by shareholders

Should any shareholder (or any proxy for a shareholder) wish to participate in the Annual General Meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate to the transfer secretaries, at their address above, to be received by the transfer secretaries at least 5 business days prior to the Annual General Meeting in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of Section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right to elect not to provide for electronic participation at the Annual General Meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the Company.

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 shareholder of the Company. A form of proxy is attached for the use of those Entitled Shareholders who wish to be represented. 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) (or emailed to Proxy@computershare.co.za).

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

17 October 2011

Annexure

Explanatory Note to Ordinary resolution number 10: Election of Audit Committee members

Ordinary resolution number 10 is proposed to provide for the election of Audit Committee members.

Chapter 3 of the King Report on Governance for South Africa 2009 (King III) requires the shareholders of a public company to elect the members of an audit committee at each annual general meeting. In accordance therewith the Nomination Committee should present shareholders with suitable candidates for election as audit committee members. The members of the Nomination Committee satisfied themself that, *inter alia*, the Independent Non-executive Directors offering themselves for election as members of the Audit Committee:

- are Independent Non-executive Directors as contemplated in King lll and the JSE Listings Requirements;
- are suitably qualified and experienced for Audit Committee membership (see the Report of the Audit Committee which appears on pages 152 and 153 of the 2011 Integrated Annual Report);
- have an understanding of integrated annual reporting (including financial reporting), internal financial controls, external and internal audit processes, risk management, sustainability issues and the governance process (including information technology governance) within the Company;
- collectively possess skills which are appropriate to the Company's size and circumstance, as well as its industry;
- have an understanding of International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice and other financial and sustainability reporting standards, regulations and guidelines applicable to the Company; and
- adequately keep up to date with key developments affecting their required skills set.

The Nomination Committee members recommended that the Board recommend the election of the existing Audit Committee members to shareholders.

For further details regarding the performance of the Audit Committee during the period under review, please refer to the Report of the Audit Committee which appears on pages 152 and 153 of the 2011 Integrated Annual Report.

Explanatory Note to Ordinary resolution number 11: Non-binding advisory vote

Ordinary resolution number 11 is proposed to provide for a non-binding advisory vote on the Company's Remuneration policy.

Chapter 2 of King III, which deals with boards and directors, requires companies to table their Remuneration policy to shareholders every year for a non-binding advisory vote at the annual general meeting. This vote enables shareholders to express their views on the Company's remuneration policy and on its implementation.

The Company's Remuneration report may be found on pages 136 to 143 of the 2011 Integrated Annual Report. The Remuneration report includes, *inter alia*, the Company's Remuneration policy, details of the members of the Remuneration Committee and describes the remuneration arrangements in place for the Executive Directors and Non-executive Directors.

Ordinary resolution number 11 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company's Remuneration policy.

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 shareholder 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 78th Annual General Meeting of shareholders of African Rainbow Minerals Limited convened for Friday, 2 December 2011 at 14:00, 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 14:00, South African time, on Wednesday, 30 November 2011.

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 Executive 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 14:00, South African time, on Friday, 2 December 2011 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 Business	For	Against	Abstain
1. Ordinary Resolution number 1: To receive and accept the annual financial statements for the Company and the Group for the year ended 30 June 2011 and the Directors' and auditors' reports thereon.			
2. Ordinary Resolution number 2: To re-elect Mr F Abbott as a Director.			
3. Ordinary Resolution number 3: To re-elect Mr M Arnold as a Director.			
4. Ordinary Resolution number 4: To re-elect Mr L A Shiels as a Director.			
5. Ordinary Resolution number 5: To re-elect Dr R V Simelane as a Director.			
6. Ordinary Resolution number 6: To re-elect Mr Z B Swanepoel as a Director.			
7. Ordinary Resolution number 7: To elect Mr T A Boardman as a Director.			
8. Ordinary Resolution number 7: To elect Mr M P Schmidt as a Director.			
9. Ordinary Resolution number 9: To reappoint Ernst & Young Inc. as external auditors and to reappoint Mr E A L Botha as the person designated to act on behalf of the external auditors.			
10. Ordinary Resolution number 10: To individually elect the following Independent Non-executive Directors as members of the ARM Audit Committee:			
10.1 Mr M W King (as Chairman)			
10.2 Dr M M M Bakane-Tuoane			
10.3 Mr T A Boardman			
10.4 Mr A D Botha			
10.5 Mr A K Maditsi			
10.6 Dr R V Simelane			
11. Ordinary Resolution number 11: To endorse the Company's Remuneration Report, which includes the Remuneration policy.			
12. Ordinary Resolution number 12: That subject to the passing of the above ordinary resolutions and the special resolutions below, 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.			
Special Business			
13. Special Resolution number 1: With effect from 1 July 2011, the annual retainer fees of Directors be increased by 7% per annum.			
14. Special Resolution number 2: With effect from 1 July 2011, the per Board meeting attendance fees of Directors be increased by 7% per annum.			
15. Special Resolution number 3: With effect from 1 July 2011, the per Committee meeting attendance fees of Committee members be increased as outlined on page 244 of this Notice of Annual General Meeting.			
16. Special Resolution number 4: With effect from 1 July 2011, the per meeting fee for the Lead Independent Non-executive Director to chair Non-executive Directors' Meetings be increased by 7%.			
17. Special Resolution number 5: To authorise the Directors to cause the Company to provide financial assistance to any company or corporation which is related or inter-related to the Company, subject to the provisions of the Companies Act 71 of 2008, as amended.			
18. Special Resolution number 6: To authorise the Directors to cause the Company to provide financial assistance by way of a loan, guarantee or the provision of security to any person who is a participant in any of the Company's share, or any employee, incentive schemes, subject to the provisions of the Companies Act 71 of 2008, as amended.			

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 ______________________ 2011

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 shareholder 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 shareholder 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) (or emailed to Proxy@computershare.co.za) so as to be received not later than 14:00, South African time, on Wednesday, 30 November 2011 (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 Annual General Meeting or any adjournment thereof, as the case may be.

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
Chislehurston
Sandton
2196

PO Box 786136, Sandton, 2146

Telephone: +27 11 779 1300
Fax: +27 11 779 1312
E-mail: ir.admin@arm.co.za
Website: http://www.arm.co.za

Company secretary
Alyson D'Oyley, LLB., LLM.
Telephone: +27 11 779 1300
Fax: +27 11 779 1318
E-mail: alyson.doyley@arm.co.za

Business development
Stompie Shiels
Executive Director: Business Development
Telephone: +27 11 779 1476
Fax: +27 11 779 1312
E-mail: 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

Investor relations *(continued)*
Corné Dippenaar
Corporate Development
Telephone: +27 11 779 1478
Fax: +27 11 779 1312
E-mail: corne.dippenaar@arm.co.za

Ursula Anyamene
Investor Relations Administrator
Telephone: +27 11 779 1466
Fax: +27 11 779 1312
E-mail: ursula.anyamene@arm.co.za

Auditors
External auditors
Ernst & Young Inc.
Internal auditors
KPMG

Bankers
ABSA Bank Limited
FirstRand Bank Limited
The Standard Bank of South Africa Limited
Nedbank 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
Website: http//www.computershare.co.za

Directors
P T Motsepe (Executive Chairman)
A J Wilkens (Chief Executive Officer)
F Abbott*
M Arnold
Dr M M M Bakane-Tuoane**
T A Boardman**
A D Botha**
J A Chissano (Mozambican)**
W M Gule
M W King**
A K Maditsi**
K S Mashalane
M P Schmidt
L A Shiels
Dr R V Simelane**
J C Steenkamp
Z B Swanepoel**

**Non-executive*
***Independent non-executive*

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.

STUDIO 5