About this report

Machadodorp Ferromanganese and Ferrochrome Works

This is the **third Integrated Annual Report** produced by African Rainbow Minerals (ARM or the Company). The report sets out the Company's **strategy and prospects,** and reviews ARM's **performance against financial, operational and sustainability objectives** for the financial year ended 30 June 2012 (F2012). The ARM Board (the Board) approved the financial and non-financial information contained in this report on 17 October 2012.

The structure and content of this year's report are consistent with those presented last year, to ensure ease of reference and comparability. In line with our commitment to meaningful disclosure, we aim to provide a balanced and material assessment of ARM's strategic position and performance to enable all our stakeholders to properly assess our Company.

The Company structure is included in the Corporate Summary on pages 2 and 3 and indicates ARM's ownership in each of its operations.

The Management review and Group overview provide a summary of the Company's performance in F2012 as well as an overview of the Company strategy, growth prospects and material risks and uncertainties. The operational reviews discuss in greater detail the operational, financial and sustainability performance of each division relative to F2012 targets as well as the material issues and future priorities for each division.

In addition to the Sustainability review included on pages 31 to 49 of this report a greater level of sustainability related information is provided in the operational reviews and the comprehensive stand-alone 2012 Sustainability Report which supplements the Integrated Annual Report 2012. An electronic version of the Sustainability Report has been published on our corporate website (**www.arm.co.za**) and printed copies are available on request from our Investor Relations Department. (Contact details for our Investor Relations Department are provided on the inside back cover.) The opinion of the external assurance provider on our non-financial disclosure can be found in the stand-alone Sustainability Report.

We have responded to the relevant statutory frameworks in preparing the report. These include, but are not limited to, the Companies Act 2008 (as amended), the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III) and the JSE Listings Requirements, as well as all legislation, regulations and codes of practice applicable to the South African mining sector and the countries in which we operate. In line with the reporting recommendations of King III we continue to strive towards a progressively more integrated approach to reporting. The Company's application of the King III principles, including details on our approach to integrated reporting, combined assurance, stakeholder engagement and risk management can be found in the Corporate Governance report on pages 121 to 153.

The financial information in this report has been prepared according to International Financial Reporting Standards (IFRS) and the opinion of the independent auditors on the financial information included in this report can be found on page 158.

The financial results for the 2011 financial year have been restated due to the early adoption of the International Financial Reporting Interpretations Committee (IFRIC) 20: Stripping costs in the production phase of a surface mine. This interpretation would have become mandatorily effective for financial years commencing on or after 1 January 2013.

All monetary values in this report are given in South African Rands unless otherwise stated. Rounding figures may result in computational discrepancies on management and operational review tabulations.

We are conscious of the importance of reporting to stakeholders as the basis for accountability, meaningful engagement and informed decision-making. We are therefore proud to once again be ranked in the top 10 of the Ernst & Young Excellence in Integrated Reporting Awards 2012 for our Integrated Annual Report 2011. These awards are a survey of integrated reports from South Africa's top 100 companies and top 10 state-owned companies.

The management of ARM is confident that we operate in an enlightened, efficient and responsible way hand-in-hand with our stakeholders, and that we seek constant improvement in our pursuit of sustainable value. This, we believe, is illustrated in our Integrated Annual Report 2012. In the interest of continuous improvement and fulfilling the information and engagement needs of our stakeholders, we welcome feedback from our stakeholders on the content and format of our reports. Please direct any feedback to the Investor Relations Department.

Corporate summary

African Rainbow Minerals (ARM) is a **leading South African diversified mining and minerals company with long-life, low unit cost operations and significant growth opportunities.**

ARM
African Rainbow Minerals

ARM Platinum (100%)
- PGMs: 41.5% Modikwa[1], 55% Two Rivers[2]
- Nickel, PGMs & Chrome: 50% Nkomati
- PGM Exploration: 90% Kalplats[3]

ARM Ferrous (100%)
- Iron Ore: 50% Khumani, 50% Beeshoek
- Manganese Ore: 50% Nchwaning, 50% Gloria
- Manganese Alloys: 50% Cato Ridge, 25% Cato Ridge Alloys, 50% Machadodorp
- Chrome Ore: 50% Dwarsrivier
- Charge Chrome: 50% Machadodorp

ARM Coal (51%) (ARM: 10%)
- Coal: 20% Xstrata Coal South Africa
- Coal: 51% Goedgevonden

ARM Copper (100%)
- Copper Projects: 40% Lubambe[5]
- Copper Exploration: 50% Lusaka & Kabwe, 30% Kalumines

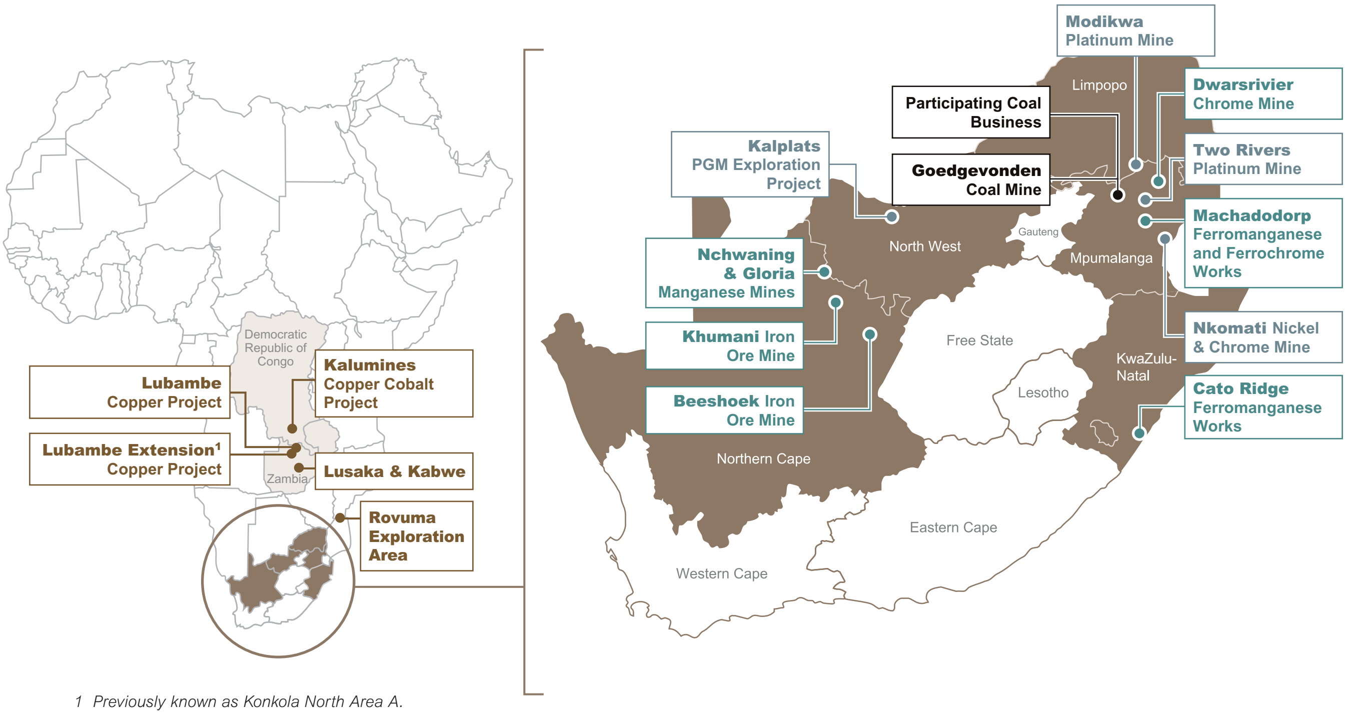
ARM Exploration[4] (100%)
- PGMs
- Manganese Ore
- Coal
- Base metals

Gold: Harmony (15%)

1. ARM's effective interest in Modikwa Mine is 41.5%, local communities hold 8.5% of Modikwa Mine.
2. ARM's shareholding in Two Rivers Mine will reduce to 51% once the transfer of Kalkfontein portions 4, 5 and 6 and Tweefontein prospecting rights has been effected.
3. Platinum Australia earned 12% ownership on completion and approval of the pre-feasibility study. The transfer of this ownership is in the process of being effected. Platinum Australia will earn an additional 32% on completion of a bankable feasibility study. In the event that the JV acquires Anglo American's 10%, Platinum Australia has the right to acquire 49% of the acquired 10%.
4. ARM Exploration is involved in identifying and assessing exploration and mineral business opportunities in sub-Saharan Africa.
5. Konkola North Copper Mine was renamed Lubambe Copper Mine Limited.

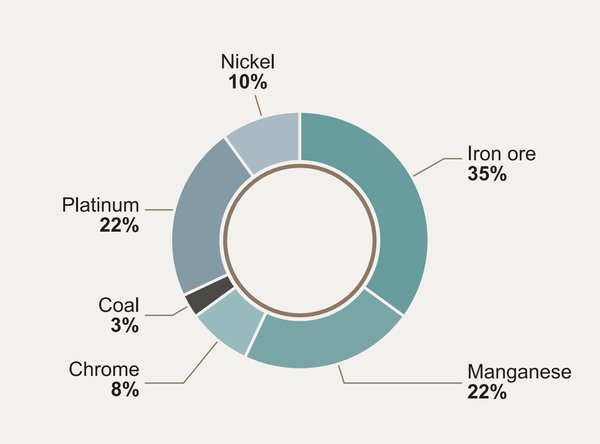
ARM mines and beneficiates iron ore, manganese ore and alloys, chrome ore and alloys, platinum group metals, copper, nickel and coal. ARM also has an investment in gold through its shareholding in Harmony.

ARM's strategy is **focused on quality growth within its portfolio of assets** and ensuring that all ARM's operations are positioned below the 50th percentile of each commodity's global cost curve. This is **achieved, in conjunction with ARM's joint venture partners,** through volume growth and continuous improvement in operational efficiencies. In 2010 ARM **successfully achieved its 2 X 2010 strategy to double production** in its diversified portfolio of assets, and in **2012 ARM delivered its iron ore, coal and nickel growth projects.** ARM's growth of existing assets is supplemented by **continuous assessment of acquisition and partnership opportunities and exploration in Africa.**

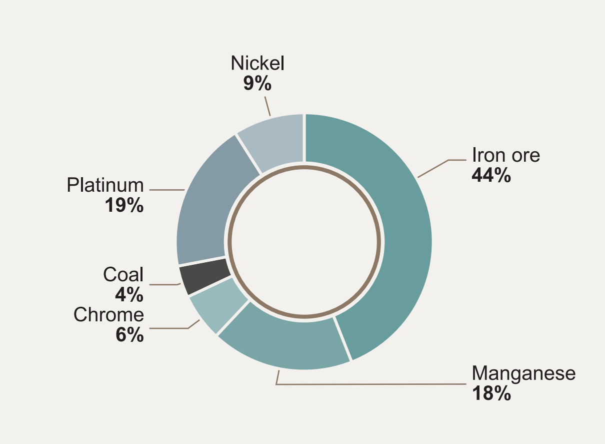


1 Previously known as Konkola North Area A.

ARM F2011 revenue split



ARM F2012 revenue split



Executive Chairman's report

During the year under review, ARM significantly increased sales volumes across all its commodities except ferrochrome and Nkomati chrome ore. The Company also increased headline earnings and dividends despite challenging global markets.

Patrice Motsepe, Executive Chairman

Introduction

ARM has delivered another year of good results.

Headline earnings for the year ended 30 June 2012 were R3.5 billion compared to the restated headline earnings of R3.4 billion in the previous year. Headline earnings per share increased to 1 615 cents from 1 585 cents per share last year.

This increase in headline earnings was achieved as ARM mitigated the negative impact of lower commodity prices by increasing sales volumes across its portfolio of assets.

Quality growth continues in ARM's portfolio of commodities

ARM's sales revenue for the year increased 18% to R17.5 billion driven by increased sales volumes (on 100% basis) as follows:

- 48% increase in iron ore sales to 14.8 million tonnes;
- 43% increase in nickel sales to 12 700 tonnes;
- 40% increase in chrome ore sales in ARM Ferrous to 521 000 tonnes;
- 24% increase in manganese alloy sales to 270 000 tonnes;
- 35% increase in Goedgevonden (GGV) Eskom coal sales to 3.7 million tonnes;
- 15% increase in GGV export coal sales to 3.1 million tonnes;
- 4% increase in PGM production (including Nkomati) to 708 000 ounces; and
- 1% increase in manganese ore sales to 2.9 million tonnes.

The capital expenditure on growth projects over the past seven years has resulted in higher production and sales volumes, improved efficiencies and extended lives of mines.

The Khumani Iron Ore Expansion Project, in terms of which production at Khumani Mine was planned to increase from 10 mtpa to 16 mtpa by June 2014 was handed over during the financial year under review, one year ahead of schedule. Khumani Mine achieved iron ore sales of 13.4 million tonnes this year, against planned sales of 11.4 million tonnes. The two million tonnes higher than planned volumes were achieved as the mine accelerated development in order to take advantage of additional rail capacity made available following Transnet's ramp-up of the expansion of the Saldanha Export Channel from 47 mtpa to 60 mtpa.

The Khumani Mine is in the process of building an additional stockpile area, which is in its final stages of commissioning. This will enable the mine to take full advantage of the available rail capacity.

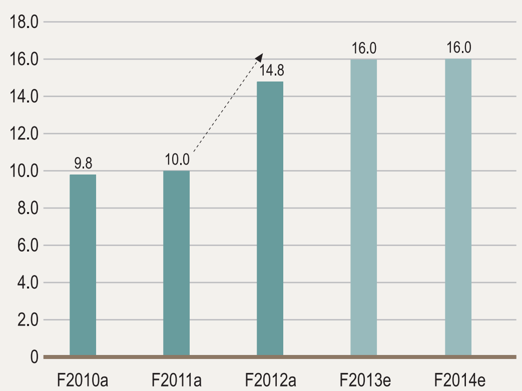
ARM and Assore approved the building of a Wet High Intensity Magnetic Separation (WHIMS) Plant at Khumani Mine to improve ore recovery and extend the life of the mine. The WHIMS Plant is expected to be completed in F2013.

Production ramp-up at the Nkomati Large-Scale Expansion Project delivered a 39% increase in contained nickel in the financial year under review. After having experienced head-grade and recovery challenges in the preceding 18 months, Nkomati has delivered significant improvement in its operational performance. Through various interventions, including advanced stripping of waste, the mine achieved a marked improvement in the operation's head-grade and recoveries. The mine, however, continues to be negatively impacted by weak US Dollar nickel, chrome concentrate and platinum prices which decreased 22%, 40% and 6%, respectively.

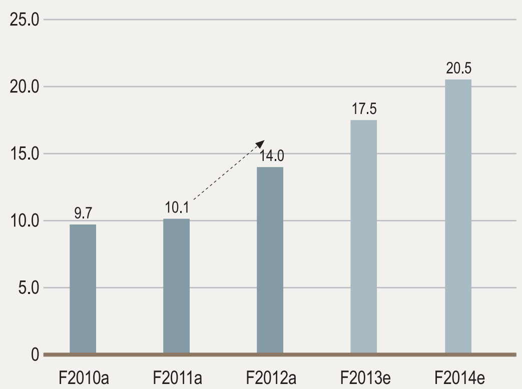
The GGV Coal Mine achieved design capacity in the second half of the year. Performance of the mine's coal handling facility, which was commissioned in 2011, improved significantly in the second half of the year resulting in saleable production at GGV increasing by 8% compared to F2011.

The Lubambe Copper Project (previously known as the Konkola North Copper Project) continued to progress on schedule and within budget. This was despite worse than expected ground conditions being encountered in the East Limb. The plant, which is expected to mill 2.5 million tonnes per annum of ore to produce 45 000 tonnes of copper in concentrate per annum, will be commissioned by the end of the 2012 calendar year and is expected to achieve steady state production in the 2015 financial year.

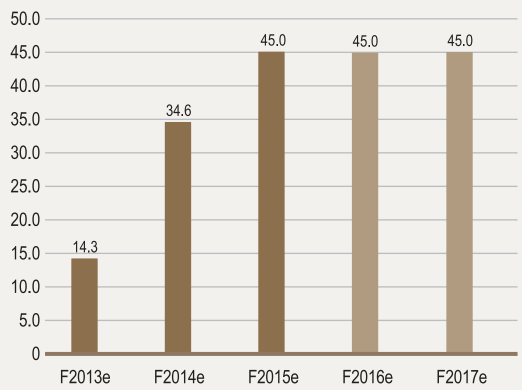
Total iron ore sales (Million tonnes)



Nickel production (Thousand tonnes)



Copper production (Thousand tonnes)



Additional rail and port infrastructure

The South African Government's commitment to allocate significant resources to upgrade the rail, port and electricity infrastructure will contribute to the global competitiveness of the South African economy and the mining industry.

Transnet recently announced that it would commit approximately R300 billion over the next 7 years to the growth of rail, pipeline and port infrastructure. The majority of this capital is expected to be spent on the expansion of the iron ore, manganese ore and coal, rail and port infrastructure.

ARM is well positioned to benefit from this additional capacity. We have commissioned feasibility studies to consider the growth of our iron ore and manganese portfolios.

OPERATIONAL EFFICIENCIES

Operations below the 50th percentile

In 2005 ARM set a target to have all its operations positioned within the 50th percentile of each commodity's respective cost curve by the 2012 financial year. The Lubambe Mine is expected to be positioned below the 50th percentile by 2015 when it achieves ramp-up. Nkomati Mine is expected to be positioned slightly above the 50th percentile at full production in the 2014 financial year. Management is currently assessing ways to improve Nkomati's cost positioning.

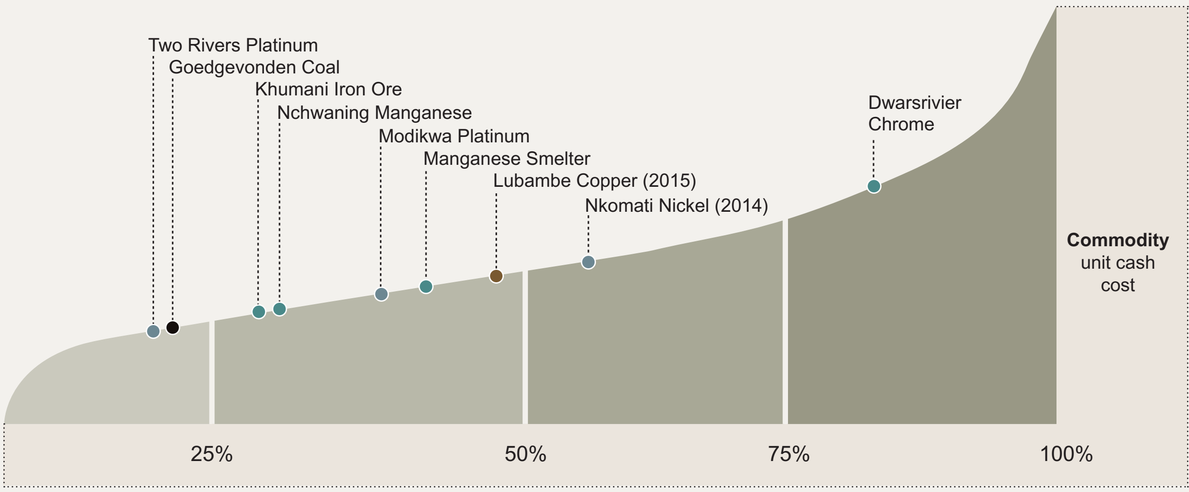
It is very pleasing that ARM has successfully achieved its cost targets set in 2005, through volume growth and a number of capital interventions to improve efficiencies. While the ferrochrome operations remain positioned above the 50th percentile, decisive action has been taken. Together with our partner Assore, we have undertaken to convert three of the furnaces at Machadodorp Works from ferrochrome to ferromanganese production.

Dwarsrivier Chrome Mine is also positioned above the 50th percentile and ARM is in the process of reviewing alternatives for this mine.

Management continues to be committed to ensuring that all of ARM's operations are below the 50th percentile.

ARM positioning for operations on the respective global cost curve

(ARM estimate, benchmarked at steady-state/normalised production volumes)



Percentile on cost curve (based on cumulative production)

Cost Containment

There continues to be increased pressure on input costs such as power, diesel, labour and consumables. Our operational teams are implementing a range of initiatives to ensure that cost control remains a key focus across all business units.

In the year under review satisfactory cost containment results were delivered at Two Rivers Mine, the PCB coal operations, the manganese ore mines, the manganese alloy operations and Nkomati Mine. We did, however, experience above inflation cost increases at the iron ore operations, as a result of additional waste stripping and reduced capitalisation of costs. Modikwa Mine's unit costs were higher, largely driven by strike action. Higher unit production costs at GGV Coal were as a result of increased overburden removal and the cessation of capitalisation of working costs during F2011. The increased overburden removal has resulted in higher in-pit inventory which will benefit the mine and have a positive impact on costs going forward.

Exploration

We are continually assessing acquisitions of both brown and greenfield opportunities. These opportunities are key to the future of ARM as they are expected to provide ARM with a base to ensure growth beyond our existing assets.

We have restructured ARM Exploration and have appointed Jan Steenkamp, the former Chief Executive of ARM Ferrous, as Chief Executive. The team has initiated a rigorous process to assess potential acquisitions.

The exploration team is focussing on identifying and assessing ferrous metals, base metals, PGMs, as well as coal targets. We are confident that prospective targets will be successfully secured in the medium to long term.

ARM Exploration has commenced with exploration in Mozambique in conjunction with a Mozambican company, Rovuma Resources. Initial results are encouraging and as a result ARM has agreed to continue with the option for the second year, commencing April 2012 to fund exploration at a cost of US$7 million per year. ARM has exclusive rights to purchase prospecting and/or mining rights in respect of the resources currently being investigated.

Harmony

We continue to view Harmony as a strategic investment and are pleased with the improvement in performance and profitability.

I visited Papua New Guinea and was impressed with the good progress in the construction of the Hidden Valley mine and the excellent relationships that have been built with local communities and the Government of Papua New Guinea.

We remain excited about Wafi-Golpu and are confident that a world class mine will be built there.

The CEO's report provides further information on Harmony.

Sustainable Development

We are committed to fulfilling our broader duties and obligations to contribute to the improvement of the standards of living of our employees, people living near our mines and other stakeholders; as well as the protection and rehabilitation of the environment.

There are now approximately 27 000 employees working at our operations. We are very proud of the partnerships we have with the communities neighbouring our mines and governments that will deliver benefits to various stakeholders when mining discontinues.

ARM has over the past three years, spent approximately R300 million on various projects which resulted in the provision or improvement of health, education, water, roads, electricity and other facilities to the communities living near our mines and elsewhere in the country.

Some of our community development efforts are delivered through the ARM Broad-Based Economic Empowerment Trust (ARM BBEE Trust), which was established in 2005 with the primary objective of contributing to the improvement of the living conditions of poor and marginalised persons. The ARM BBEE Trust provides funding to various provincial rural upliftment trusts throughout South Africa. These provincial trusts were established by ARM to fund various education, health, welfare and enterprise development projects. Over the preceding five years the ARM BBEE Trust has distributed R74 million to the rural provincial trusts as well as to various church groups, women's groups and trade union organisations who collectively own 10% of ARM through the ARM BBEE Trust.

Our sustainability objectives are based and guided by the principles of a variety of organisations, such as the Global Reporting Initiative and the International Council on Mining and Metals (ICMM), of which we are a member.

This is to ensure that all of our operations and projects comply with global best practices. We often conduct external assessments and verifications to ensure that we remain a world-class mining operator.

Further details of our sustainability endeavours and the Company's performance are contained in this report. We acknowledge that sustainable development is a key focus area of our business and we have therefore supplemented this report with a detailed Sustainability Report, which can be found at: **www.arm.co.za**.

Safety

ARM is committed to implementing and complying with global best practices in relation to the safety and health of all our employees and their working environment.

Over the last year, the Lost Time Injury Frequency Rate improved from 0.43 to 0.40 per 200 000 man hours. Despite concerted efforts to maintain the highest safety standards at all our operations, regrettably ARM lost four employees in three fatal accidents.

Two of the fatalities occurred at Two Rivers Mine. On 13 December 2011, Mr Ananias Silvano Chambale, a team leader was fatally injured underground by a trackless mobile machine. On 21 January 2012, Mr Daniel Vusi Ntuli, a contract employee, was fatally injured in a fall of ground accident. Modikwa experienced a tragic double fatality on 27 January 2012 when Ms Patricia Moropa and Mr Khateane Lenong were fatally injured in a fall of ground accident while installing support in an old underground working area.

The ARM Board and management extend their sincerest condolences to the family, friends and colleagues of the deceased.

Our key safety efforts and initiatives are delivering success at various operations:

- Nkomati Mine, Beeshoek Mine and Khumani Mine achieved in excess of two million fatality free shifts;
- Dwarsrivier Mine, Black Rock Mine and Cato Ridge Works achieved in excess of one million fatality free shifts; and
- Beeshoek Mine completed 13 consecutive months without a Lost Time Injury.

Gas readings being taken at Modikwa Platinum Mine

Two Rivers Platinum Mine

Nkomati Nickel Mine underground workshop

The importance of investor confidence

We are witnessing a gradual but discernible shift in global economic power and activity from west to east as the global economy slowly recovers from its first recession in over six decades. This recovery is, however, unevenly distributed; sluggish in developed economies and more sustained in developing countries. In addition, the material-intensive nature of growth in emerging economies will escalate in the next decade, responding to the urbanisation and industrialisation pressures particularly in China, India and other emerging markets.

The mining industry is confronted by increased demands and expectations from governments, the communities living near our mines and other stakeholders in some developing economies. Inclinations towards resource nationalism are also on the increase.

In the past year, investors have voiced concerns about the security of their investments in the mining industry, particularly in South Africa after reports about mooted initiatives ranging from nationalisation, excessive taxes and most recently, the tragic events in Marikana and the labour unrest and strikes in the platinum mining sector.

The mining industry is a significant and strategically important sector in South Africa's economy, generating around 18% of the country's GDP and 50% of its total foreign exchange earnings. The industry also accounts for around one million jobs directly and indirectly.

The most successful mining countries in the world are those that have created a globally competitive and attractive environment for domestic and foreign investment in the mining and other sectors of their economy.

In these countries, thousands of new jobs have been created, the standards of living of their inhabitants have significantly increased, poverty is decreasing and there has been a growth of the middle class. Chile, Brazil, Botswana, Ghana, Peru, Tanzania and more recently Zambia are but a few examples of countries that have recognised the substantial benefits that results from establishing a mining dispensation that is globally competitive and attractive to investment in the mining sector.

I have no doubt that the South African Government is aware of these mining success stories and recognises the crucial importance of maintaining the confidence and trust of the investment community.

Outlook

Commodity markets have been negatively impacted by the uncertainties and risks relating to the growth of the European, Chinese and American economies.

The impact of the European economic crisis on global markets has highlighted the dependence on Eastern economies as a market for commodities. With the sovereign debt and economic recovery challenges in some European economies unresolved, the European crisis is expected to continue putting pressure on global markets in the short term. This coupled with a benign growth outlook in the US points to a subdued global growth outlook for at least the next 12 months.

Demand for ARM Ferrous' products is mostly influenced by demand from China. China's demand for metals will be dependent on improved Chinese regional fixed capital formation, urbanisation, rebalancing towards consumer spending and decisive reflationary policies. Deteriorating global credit and economic conditions could act as a catalyst for further Chinese government stimulus measures, which have remained more conservative than previous efforts.

Demand fundamentals in the PGM, nickel and chrome markets are expected to remain subdued in the short-term due to uncertainty in the developed markets and oversupply. The long-term fundamentals of these commodities are positive. We expect price support in the medium term to be provided by supply side challenges which are being experienced by PGM producers and the expected recovery in the developed markets.

ARM is well positioned with a robust balance sheet. The Company continues to focus on enhancing operational efficiencies to ensure we maintain a favourable cost positioning to maximise margins in the currently challenging price environment.

Board of Directors

On 1 June 2012, we announced changes to the composition of our Board of Directors and executive management in line with global best practices. We reduced the number of executive directors from eight to five with effect from 1 June 2012. All the former executive directors continue to be full-time executives of the Company.

I would like to express my deepest gratitude to André Wilkens for the outstanding leadership he provided as CEO of ARM. André will continue as an executive director based in the office of the Executive Chairman and will be responsible for Growth and Strategic Development.

I would also like to welcome Mike Schmidt who became CEO on 1 March 2012. Mike has been with ARM for the past 5 years and was looking after our operations at ARM Platinum.

A special thanks goes to all the directors of ARM for their hard work, wise counsel and guidance.

Conclusion

We continue to spend on capital and invest in growth whilst paying dividends. Our dividends for this financial year increased to 475 cents per share, compared to a dividend of 450 cents per share last year. This is the highest dividend in the Company's history and is the sixth consecutive year in which we have declared dividends.

We would like to thank our partners: Anglo American Platinum, Assore, Impala Platinum, Norilsk Nickel, Xstrata, Vale S.A., Zambian Consolidated Copper Mines (ZCCM-IH), and Gecamines for their support and contribution to the success of our joint ventures.

We live in uncertain and challenging times. However, I am confident that ARM will continue to grow and create value for all its stakeholders.

Patrice Motsepe
Executive Chairman

17 October 2012

Chief Executive Officer's report

Mike Schmidt, Chief Executive Officer

Commodity markets have been characterised by uncertainty and volatility in recent months as debt-related risks in Europe and challenges emerged in the world's two most important economies, the United States and China. These and other factors have caused most commodity prices to decline during the year under review.

Certain commodities were affected more than others, but significant sales volume growth and a weaker Rand meant that we were able to increase headline earnings to R3.5 billion. These results highlight the resilience of ARM's business model as well as the benefits of a diversified commodity base.

We remain focused on improving efficiencies at our existing operations, while at the same time continuing to grow our quality asset base. More fundamentally we are committed to operating in a safe and responsible manner.

Our responsibility towards social and environmental management is paramount for sustainability and the communities surrounding our operations will contribute meaningfully to our accomplishment if we enhance the quality of life and standard of living of those that surround ARM's operations.

Another strong contribution from the Ferrous Division

ARM Ferrous once again delivered a strong performance increasing their headline earnings contribution by 21% to R3.5 billion. A large proportion of these earnings was derived from the iron ore division.

Iron ore sales volumes increased by 47% to 14.8 million tonnes as the new Khumani Mine ramped up production ahead of schedule. Transnet delivered better than expected efficiencies on the Saldanha Export Channel which contributed significantly to the performance of the Khumani Mine as the mine opportunistically utilised available capacity on the export channel. The accelerated ramp up of Khumani Mine resulted in additional waste stripping and reduced capitalisation of the overburden contributing to a 13% increase in the unit production costs.

The Manganese Division also delivered a solid performance. Manganese ore volumes remained fairly consistent, constrained by limited availability of additional rail and port capacity for manganese ore. US Dollar manganese ore prices decreased 24%. The 11% weakening of the Rand against the US Dollar was not sufficient to offset the decline in US Dollar prices. A highlight in the performance of the manganese ore operations was the improvement in operational efficiencies that enabled the manganese ore operations to deliver a below inflation increase of 4% in unit production costs.

ARM Ferrous achieved 24% higher manganese alloy sales increase of volumes as the converted No. 5 Furnace at Machadodorp Works ramped up ferromanganese production to design capacity. Unit costs at the manganese alloy operations were well contained as a result of the higher volumes.

ARM Ferrous continues to consider further growth of its assets. This growth would enable ARM Ferrous to leverage the capital already invested in the iron ore and manganese ore operations and to develop these assets to the optimum production levels. This growth will be matched to Transnet's Market Demand Strategy in which Transnet commits to expand rail, port and pipeline infrastructure.

ARM Ferrous continues to engage Transnet regarding growth for iron ore and manganese ore exports. The South African iron ore producers together with Transnet, have completed a feasibility study to expand iron ore export capacity from the current 60 mtpa to 82 mtpa through the port of Saldanha. ARM Ferrous will start to engage Transnet on a new manganese ore export contract and a future export allocation for the period 1 April 2013 until 31 March 2017. Transnet is in the process of concluding a feasibility study to expand its manganese ore export capacity to approximately 12 mtpa through the Port of Coega (Ngqura), which is expected to commence in April 2017.

Platinum Division reports higher PGM and nickel production

ARM Platinum's PGM production increased 4% to 708 thousand ounces, compared to 680 thousand ounces last year, while total nickel produced increased by 39% to 14 004 tonnes from 10 100 tonnes. A significant fall in nickel and chrome prices, above average wage and electricity tariff increases coupled with safety stoppages and industrial action at Modikwa resulted in headline earnings decreasing from R515 million to R60 million. These issues negatively impacted unit production costs, but over the years Two Rivers and Modikwa mines have introduced a range of initiatives to contain costs and as a result the operations continue to be positioned below the 50th percentile of the global PGM cost curve with respective unit costs of R4 779/6E PGM oz and R5 864/PGM oz.

Basket prices for Modikwa and Two Rivers remained essentially unchanged at R267 998/kg and R279 804/kg, respectively. The weakening of the Rand was, however, not sufficient to compensate for the significant reduction in US Dollar nickel and chrome prices. This reduction severely impacted the earnings at Nkomati Mine.

Despite the turmoil in the PGM market, ARM Platinum has not slowed its capital development projects as we firmly believe in the medium- to long-term fundamentals of the PGM market.

Capital expenditure (on 100% basis) was R1.4 billion, which included various projects at Modikwa Mine including the deepening of North Shaft, the sinking of South 2 Shaft, an underground mining fleet replacement programme, a housing project and the establishment of a UG2 open pit operation. The underground mining fleet was replaced at Two Rivers Mine, while the Main and North declines were deepened, and a PGM scavenger plant to enhance recoveries was commissioned. Capital expenditure at Nkomati Mine was R0.5 billion, which was largely spent on the completion of the Large-Scale Expansion Project and sustaining operations.

At Modikwa Mine, the UG2 Phase 2 replacement project to increase production to design capacity of 240 000 tonnes per month is underway, and work on the South 2 decline system continues as expected. At Two Rivers, a feasibility study has been completed on the extraction of UG2 ore from the deeper southern strike extent of the Main Decline, and the mine is currently conducting Merensky Reef trial mining and milling. It is expected that an updated investment proposal will be completed in 2013. The Nkomati Nickel Large-Scale Expansion Project continues as planned and total funds spent and committed at 30 June 2012 amounted to R3.5 billion of the total R3.7 billion approved for the capital project.

Significant improvement at ARM Coal

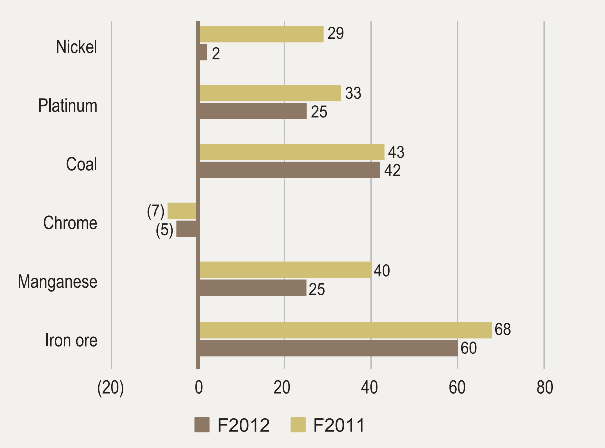
ARM Coal's operational performance improved significantly in the year under review as the Goedgevonden (GGV) Coal Handling Processing Plant (CHPP) achieved consistent design capacity levels of production, resulting in a 9% increase in saleable production to 6.4 million tonnes. Saleable production at the Participating Coal Business (PCB) increased by 3% as performance of the Impunzi CHPP improved. There was a significant headline earnings turnaround from a headline loss of R103 million in F2011 to a profit of R52 million in the year under review.

As a result of previously negotiated term contracts, ARM Coal realised higher US Dollar export prices despite Richards Bay spot coal prices (API 4) having reduced from US$117 per tonne to US$88 per tonne. Increased export and Eskom sales volumes, both at GGV and PCB, coupled with the 28% increase in the realised US Dollar export prices and an 11% weaker Rand contributed significantly to the improvement in ARM Coal's cash operating profit.

Transnet showed a marked improvement in performance since August 2011. ARM Coal did not fully benefit from this improvement due to industrial action on two occasions during the year which hampered production during 1H F2012.

As at 30 June 2012, 92% of the capital of R2.8 billion to complete the Impunzi East project had been committed and the project is expected to be completed by December 2012. The Tweefontein Optimisation Project, which is estimated to cost R8.2 billion was approved by ARM and its partner, Xstrata, during the financial year. Work on the project commenced towards the end of F2012 and this project is expected to be completed in F2016. The Tweefontein Optimisation Project represents the last phase of the conversion of the PCB operations from underground to open pit mining and is expected to contribute to an improvement in the average unit costs of PCB.

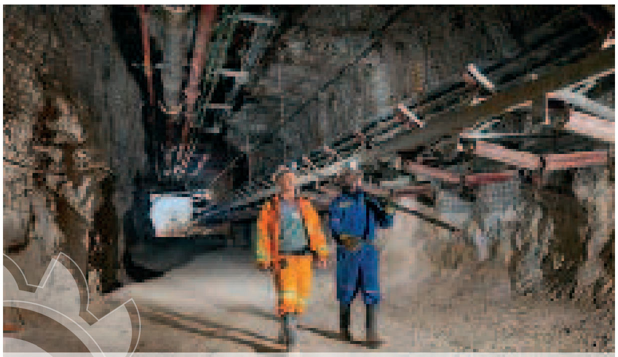
EBITDA margin (%)



Lubambe Copper Project on time and within budget

The Lubambe Copper Project (previously known as Konkola North) is progressing within budget and in line with the baseline schedule. Commissioning of the concentrator plant is expected by the end of the 2012 calendar year. The mechanised development is progressing well and the first ore body intersection from the East

Construction of the concentrator plant at Lubambe Copper Mine



New main portal underground infrastructure at Lubambe Copper Mine

Aerial view of Lubambe Copper Mine

Decline was made on 4 December 2011 and ore from stoping has now been delivered to the stockpile on surface.

The project team successfully achieved early access development to the 100 metre level of the vertical shaft from the East Decline, which enabled development operations at No. 2 Shaft Complex to commence before the commissioning of the vertical shaft system. Production ramp-up to full production of 45 000 tonnes of contained copper is still expected to be reached in 2015.

Project expenditure in July 2010 terms is estimated at US$410 million, of which 94% was committed by 30 June 2012.

The mine's throughput design from both the South and East Limb ore bodies remains at 2.5 mtpa of ore at an average mill head grade of 2.3% copper, producing 45 000 tonnes of contained copper in concentrate per annum for 28 years. The copper concentrate produced will be toll smelted and refined in Zambia.

During the last year, the state controlled Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH), exercised its right to acquire a 20% shareholding in Lubambe Copper Mine and fulfilled its obligations in terms of the shareholders agreement. 5% of the 20% shareholding was free-carried. ZCCM-IH has contributed capital for the 15% that was not part of the free carry.

The second phase of the Lubambe Copper Project, which provides for the exploitation of Area A South, located six kilometres to the south of the present mine development, will require a vertical shaft as well as the expansion of the Lubambe Copper Mine processing plant, potentially increasing the total production to 100 000 tonnes of copper in concentrate.

Exploration drilling is continuing in Area A and five exploration drill rigs were deployed during the year with 15 ore shale intersections achieved. A total of 24 164 meters were drilled to determine continuity of mineralisation and the majority of the drilling results have been analysed and initial results are encouraging. Feasibility study work will commence in early 2013.

ARM Exploration

ARM Exploration has established a large database of mining and exploration undertakings in Africa, focusing on platinum group metals, manganese ore, base metals and coal. Projects underway include an exploration programme in Mozambique where numerous occurrences of copper/zinc/silver/gold, nickel/copper/PGE, chromite/nickel and graphite mineralisation have been identified. In Zambia, ARM Exploration has undertaken reconnaissance exploration work on prospective areas for high grade manganese mineralisation. A number of targets have been identified and discussion with the rights holders has commenced.

Significant boost in profits at Harmony

Harmony reported an 80% increase in operating profit and a 148% increase in headline earnings for F2012. These significantly improved results were driven mainly by a 23% improvement in the US Dollar gold price together with an 11% weakening in the R/US$ exchange rate.

Harmony's gold sold decreased by 4% from 41 043kg to 39 545kg, whilst cash operating cost per kilogram produced increased by 20% to R270 918/kg. In US$/oz terms cash operating costs increased only 8%.

On 29 August 2012 Harmony released the prefeasibility study of the Wafi-Golpu project. This project is expected to enhance the Harmony value proposition with gold equivalent reserve ounces in Papua New Guinea (PNG) now representing 42% of Harmony's total reserves in comparison to 11% as at 30 June 2011. As at 30 June 2012, Harmony's gold equivalent Mineral Reserves in South Africa and PNG amount to 52.9 million ounces, which represents a 31% annual increase in declared reserves. The increase is largely due to the increase in mineral reserves in PNG which resulted from the completion of the Wafi-Golpu prefeasibility study.

Sustainability remains a key part of the business

We continually review our sustainability policy framework to ensure that our operations and projects are managed in line with best practice. This includes a rigorous auditing and assessment process to ensure our policies and standards are being upheld.

Safe production remains a key focus. We are fully aware that the realisation of our safety objectives will materialise only as a result of a sustained and ongoing effort. This effort, which is the number one priority in the Company, is ultimately aimed at ensuring that no harm comes to any of our people. Despite our efforts to maintain the highest safety standards, regrettably we lost four of our colleagues in three fatal accidents. I would like to join our Executive Chairman and the Board in extending my sincerest condolences to the family, friends and colleagues of the deceased.

Good safety management will remain the cornerstone of everything we do and our people, including all stakeholders in the form of contractors, suppliers and unions, have all embraced this critical safety imperative that is non-negotiable in all aspects of our business.

We have integrated sustainable development considerations into the decision-making process across all our operations and the result has been a visible balance of the Company's requirements to perform financially, to strive toward world-class standards in environmental management and to ensure broad social benefit.

There is also a continued focus on education and training efforts throughout ARM. We see education and training as a fundamental building block for continuous improvement in productivity and safety performance.

ARM is well positioned

While we remain cautious on commodity price forecasts, we remain well positioned to benefit from the anticipated demand growth over the medium-term. This strong position is based on our robust balance sheet, a strong portfolio of exciting assets and new quality growth opportunities.

I would like to take this opportunity to thank the entire ARM team for their diligence, support, passion and total commitment that has enabled us to deliver good results.

I would also like to thank André Wilkens for ensuring that my transition to being CEO was smooth and effective.

My gratitude also goes to the Executive Chairman and our Board for their support and guidance.

Mike Schmidt
Chief Executive Officer

17 October 2012

Financial Director's report

Mike Arnold, Financial Director

Overview

The ARM headline earnings for the year to 30 June 2012 of R3 451 million were 2% or R77 million higher than the prior year's restated headline earnings (F2011: R3 374 million).

The results for the year have been impacted significantly by US Dollar commodity price decreases, a weaker Rand/US Dollar exchange rate, sales volume increases and cost increases.

The results for F2011 have been restated due to the early adoption of the International Financial Reporting Interpretations Committee (IFRIC) 20: Stripping costs in the production phase of a surface mine. This interpretation would have become mandatorily effective for financial years commencing on or after 1 January 2013. This implementation is treated as a change in accounting policy and resulted in a restatement of ARM's prior year results. The net adjustment to earnings and headline earnings for F2011 amounts to an increase of R55 million. Thus, the previously published results for ARM's headline earnings for the year to 30 June 2011 of R3 319 million have been restated to R3 374 million. The early adoption of this interpretation results in working costs at surface operations where excessive waste stripping is required being more representative of each year's operations. The impact of the application of IFRIC 20 on the F2012 headline earnings was an increase of R70 million. Note 3 to the financial statements provides a detailed analysis of this change.

Basic earnings for F2012 approximate the reported headline earnings as net exceptional items amounted to a R13 million loss for the year (F2011: R8 million loss). Basic earnings were R3 438 million (basic earnings per share of 1 609 cents). Refer to note 30 of the financial statements for a reconciliation of exceptional items.

Contribution to headline earnings

	12 months ended 30 June		
Commodity group	**2012 Rm**	2011* Rm	% change
Platinum group metals	**190**	350	(46)
Nkomati nickel and chrome	**(130)**	165	(179)
Ferrous metals	**3 495**	2 897	21
Coal	**52**	(103)	–
Copper	**(31)**	(173)	82
Exploration	**(113)**	–	–
Corporate, gold and other	**(12)**	238	(105)
ARM headline earnings	**3 451**	3 374	2

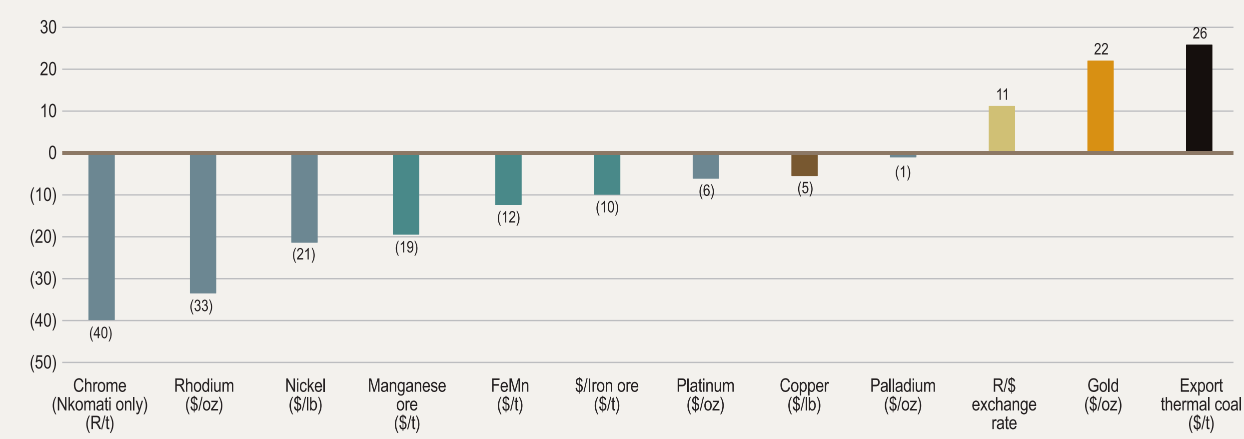
* *The 2011 headline earnings have been restated for the early adoption of IFRIC 20.*

The five year compound annual growth rate in headline earnings for ARM since June 2007 was 23%.

Sales for the year increased by 18% to R17.53 billion (F2011: R14.89 billion). The average gross profit margin of 35% (F2011: 40%) is lower than the previous year. Commodity prices received by ARM decreased for most commodities during F2012 when compared to F2011. In particular, the average prices in US Dollar terms for iron ore, palladium, rhodium, nickel, export thermal coal, manganese ore and chrome ore decreased significantly. Refer to the graph below.

The results for the year to June 2012 were positively impacted by the 11% weakening in the average Rand/US Dollar exchange rate to R7.77/US$ from the average in F2011 of R6.99/US$.

F2012 vs. F2011 realised prices (% change)



Details of the ARM divisional segment financial results may be obtained from the segment reports in note 2 of the financial statements. In addition each division's report from pages 48 to 112 contains a great deal of information on its operational performance.

The Ferrous Division was the major contributor to ARM's headline earnings owing to strong performances from its iron ore and manganese divisions. The iron ore division improved on the F2011 sales figure by 48% as the Khumani Iron Ore Mine ramped up production ahead of schedule. The attributable headline earnings of ARM Ferrous increased by 21% to R3.50 billion from the result achieved in F2011 (R2.90 billion).

The Platinum Division's contribution to headline earnings decreased to R60 million (F2011: R515 million) due to all its operations reflecting a decline in profits. The Nkomati Mine results were R295 million lower than in F2011 owing to the significant fall in nickel and chrome ore prices of 22% and 39% respectively. The contribution from Modikwa was negatively affected by a five week strike in March and April 2012.

The Coal Division contributed headline earnings of R52 million (F2011: R103 million loss) largely due to the improved performances of both the Goedgevonden and PCB mines. Cash operating profit for all operations improved driven by increased export prices and saleable production.

With effect from 1 July 2011 the ARM Copper segment comprises an effective 40% in the Lubambe (formerly Konkola North) Copper Project, an effective 30% shareholding in the Kalumines Copper project, and an effective 50% shareholding in the Lusaka Kabwe Project. This segment's result was a loss of R31 million (F2011: R173 million loss). All costs on the Lubambe Copper Project including exploration costs on Area A are being capitalised.

The new ARM Exploration segment's costs amounted to R113 million (F2011: Rnil) and were largely expended on exploration in Mozambique on the Rovuma prospecting areas and on staff costs.

The ARM Corporate, other companies and consolidation segment reflects a headline loss of R76 million for the year as compared to a positive contribution of R206 million for F2011. The negative variance largely relates to increased tax charges, increased share option accounting expenses and higher corporate expenses. The tax charges include the settlement reached with the South African Revenue Service on the loan stock tax dispute. In addition there is a tax charge of R85 million reflecting the reversal of the deferred tax asset raised at 30 June 2011 pertaining to Secondary Tax on Companies (STC) which ceased on 1 April 2012. The results also include attributable insurance premium income of R157 million recognised in a cell captive, representing premium income earned following the restructuring of an underlying policy providing annual insurance protection to Group operations. This insurance income and the STC charge are not expected to be recurring. The dividend from Harmony of R64 million (F2011: R32 million) is included in this segment in the table on page 14.

The **unaudited profit variance** analysis below indicates how ARM's results were impacted by various factors during the year at the level of Profit from operations before exceptional items.

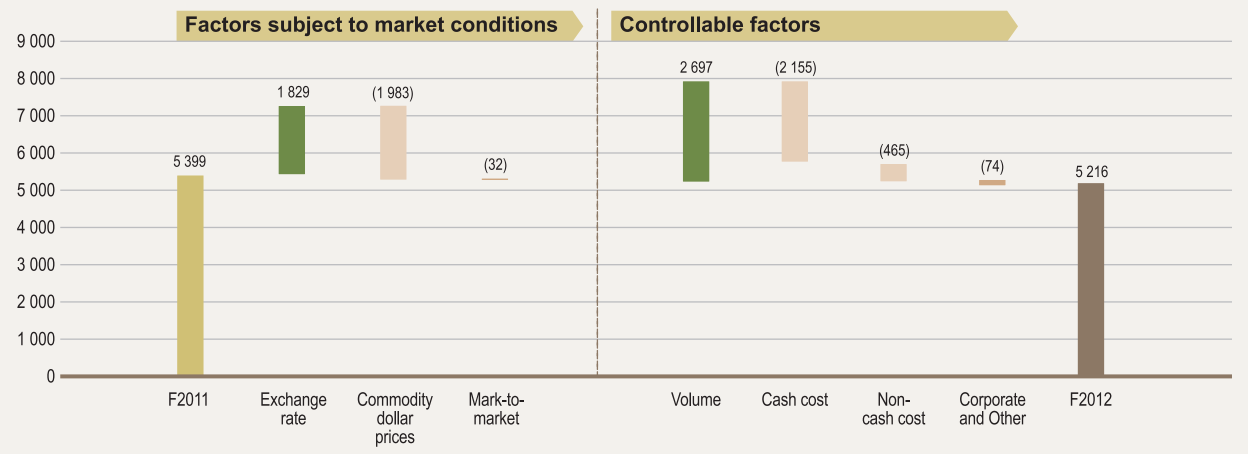
Sales were largely impacted by the following variances:
- The major negative variance of R2.0 billion results from the fall in US Dollar commodity prices across ARM's operations except for export thermal coal;
- The weakening of the Rand against the US Dollar accounts for a positive variance of R1.8 billion;

Sales volume increases contributed R2.70 million to the positive variance. This increase was mainly achieved at the iron ore operations.

The negative cash cost variance of R2.2 billion is based upon an absolute increase in mining costs when compared to F2011. This increase has the following key attributes:
- An average inflationary increase of between 10% and 14% at operations before amortisation charges;
- A R330 million increase in mineral royalty tax is included in this variance.
- Additional costs at ARM Ferrous pertaining to marketing and logistics fees, accelerated ramp up at Khumani iron ore as well as increased power and reductant costs at the smelter operations.
- Volume increases, especially at the Khumani and Nkomati mines.

The increased non-cash costs of R465 million were largely due to increased amortisation charges of R197 million, the write down of ferrochrome stockpiles of R56 million and increases in provisions of approximately R100 million.

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



Consolidated income statement

	12 months ended 30 June		
	2012 Rm	2011 Rm	% change
Sales	**17 530**	14 893	18
Profit from operations (before exceptional items)	**5 216**	5 399	(3)
Income from investments	**279**	216	29
Finance costs	**(232)**	(216)	(7)
Income/(loss) from associate	**11**	(135)	–
Exceptional items	**(70)**	(11)	–
Taxation	**(1 633)**	(1 693)	4
Non-controlling interest	**(133)**	(194)	31
Profit after tax and non-controlling interest	**3 438**	3 366	2
Headline earnings	**3 451**	3 374	2
Headline earnings cents per share	**1 615**	1 585	2
EBITDA	**6 531**	6 517	–

* *Restated for the early adoption of IFRIC 20.*

Sales for the year of R17.5 billion were 18% higher than sales in F2011.

This increase is analysed across the ARM divisions as follows and may be referenced to the segmental analysis on pages 188 to 194:

- ARM Ferrous sales increased by 24%;
- ARM Platinum sales were unchanged;
- Nkomati Nickel sales increased by 4%;
- ARM Coal sales increased by 53%.


Construction of the concentrator plant at Lubambe Copper Mine

The average gross profit margins for the individual operations are:

	12 months ended 30 June		
	2012 %	2011 %	Change
ARM Ferrous	**44**	47	(3)
ARM Platinum			
– Two Rivers	**22**	28	(6)
– Modikwa	**7**	22	(15)
– Nkomati*	**4**	30	(26)
ARM Coal	**28**	25	3

* *Restated for the early adoption of IFRIC 20.*

Absolute cost increases during the year which had a noteworthy impact on cost of sales were:

- Electricity and reductant cost increases at the ferromanganese and ferrochrome smelters;
- Average cost inflation of between 10% and 14%;
- Amortisation which increased by R197 million as the new operations ramp up at Khumani Iron Ore, Nkomati Nickel and GGV Coal; and
- Increased costs at Nkomati and Khumani mines as described above.

Other operating income increased to R859 million from R511 million in F2011. The increase is largely due to a R399 million increase in foreign exchange gains in ARM Ferrous as well as an insurance gain of R93 million in ARM Ferrous.

Other operating expenses increased by R580 million in comparison to F2011. This increase is largely due to the following items:

- The increase in mineral royalty tax (F2012: R492 million; F2011: R162 million) which is reflected in Other Expenses.
- The increase in the Corporate and Other segment of approximately R115 million related to an increase in staff costs of R24 million, share option accounting charges increased by R57 million and increased consulting fees of R10 million.

Profit from operations before exceptional items decreased marginally to R5.2 billion from R5.4 billion in F2011, as a result of the combined impact of the above mentioned changes in other income and other expenses.

Income from investments amounted to R279 million for the year and includes dividends received from Harmony of R64 million, as well as interest received on cash balances.

Finance costs remained similar to those incurred in F2011 as gross borrowings remained largely unchanged for the year.

The effective tax rate for the year remained fairly constant at 31.4% (F2011: 32.2%).

Consolidated statement of financial position

	Year ended 30 June	
	2012 Rm	2011 Rm
Non-current assets	**25 662**	23 375
Property, plant, equipment and other	**18 910**	15 798
Investments	**6 313**	7 129
Other	**439**	448
Current assets	**9 654**	9 011
Cash and equivalents	**3 564**	3 668
Other	**6 090**	5 343
Total assets	**35 316**	32 386
Total equity	**24 405**	22 170
Non-current liabilities:		
Long-term borrowings	**2 216**	2 337
Other	**4 669**	4 142
Current liabilities:		
Short-term borrowings	**1 021**	732
Other	**3 005**	3 005
Total equity and liabilities	**35 316**	32 386

The ARM consolidated financial position remains robust and effectively un-geared with the consolidated position at year-end being net cash of R327 million (F2011: Net cash R599 million). Total cash and cash equivalents were R3.6 billion (F2011: R3.7 billion) and total borrowings were R3.2 billion (F2011: R3.1 billion).

Total assets increased by 9% to R35.3 billion largely as a result of the R4.3 billion capital expenditure during the year reduced by the decreased mark to market valuation of the investment in Harmony.

The details of the capital expenditure are included in the operational reviews on pages 48 to 119.

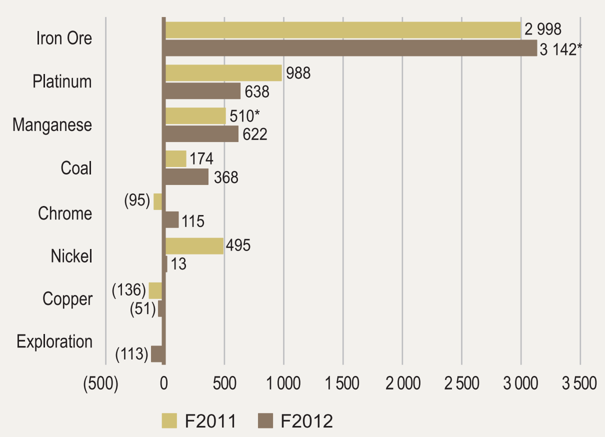
Additional key features include:

- Other investments; which largely comprise the 14.7% stake which ARM has in Harmony; decreased to R4.9 billion as the share price at which the investment is marked-to-market of R76.50 per share was lower than the 30 June 2011 figure of R89.95 per share. ARM holds 63.6 million shares in Harmony;
- Within current assets the value of inventories increased by R303 million while trade and other receivables increased by R493 million, in line with the increase in sales. This impacted negatively on working capital requirements as reflected in note 34 to the financial statements.
- Total interest bearing borrowings increased R168 million to R3.23 billion at 30 June 2012; and
- Cash and cash equivalents net of interest bearing borrowings and excluding partner loans (Impala Platinum: R48 million, Anglo Platinum: R114 million, Xstrata: R1.6 billion and Vale: R195 million) amounted to R2.30 billion. This is R292 million less than at 30 June 2011.

Consolidated statement of cash flows

Cash generated from operations was R5.97 billion, almost equal to the F2011 amount of R5.99 billion and is reported after working capital requirements of R1.19 billion (F2011: R633 million). The largest increase occurred at the iron ore operations as reflected in the graph below.

Attributable net cash inflow/(outflow) from operating activities (R million)



* *Net cash inflow excluding dividends paid to ARM.*

The consolidated operational cash flow was reduced by an increase in dividends paid and therefore the net cash inflow from operating activities decreased by R531 million to R3.89 billion from R4.42 billion in F2011.

The split in cash outflows for capital expenditure was 71% for expansionary purposes and 29% or R1 180 million on maintenance capital expenditure. ARM categorises capital expenditure as expansionary when the spend increases production capacity at operations. Expansion capital expenditure was largely spent at (i) the Khumani Iron Ore Expansion Project from 10 mtpa to 16 mtpa and the (ii) Lubambe Copper Project.

The closing cash and cash equivalents position of R3.56 billion (at 30 June 2011: R3.67 billion) was held primarily at ARM Ferrous (R2.16 billion; at 30 June 2011: R1.47 billion).

Segmental analysis

The graphs and charts on pages 170 and 171 indicate certain key elements of the segmental contributions to the ARM results. In addition detailed segmental results which include income statement, statement of financial position and cash flow information are provided on pages 188 to 194 of the financial statements.

Significant accounting matters

The implementation of an early adoption of IFRIC 20 has been fully described above.

During the current financial year the Company entered into a cash settlement of R40 million with the South African Revenue Service (SARS) relating to the previously reported contingent liability which arose from its dispute with SARS over the deductibility of a loan stock redemption premium claimed in the Company's 1998 tax submission.

IFRS 10, 11 and 12 which deal with consolidation accounting principles and disclosure for subsidiaries, joint arrangements, associates and structured entities becomes effective for financial years commencing after 1 January 2013. The adoption of these three standards may potentially have an impact on the presentation and disclosures for ARM as it has a number of significant investments and joint arrangements. Management are currently evaluating the impact of these standards.

Events after reporting date

The ARM corporate loan facility of R1.75 billion has been refinanced and increased to R2.25 billion. The new facility matures in August 2015. At the year end the amount outstanding on this facility was R415 million and was reflected in short-term borrowings as the refinancing only occurred after the year end.

The Company paid a dividend of R1 021 million on 1 October 2012.

Financial risk management

ARM has an established risk management programme which is more fully described in a separate section on pages 24 to 25 of this report.

Specific risks which have a financial bias include currency, commodity price, interest rate, counterparty, credit and acquisition risks. A detailed analysis of ARM's approach to these risks is provided on pages 218 to 224 of the financial statements.

A sensitivity analysis is provided on page 224 of the financial statements. In particular the sensitivity analysis reflects the closing prices used in the provisional valuation at year-end of accounts receivable for the ARM Platinum and Nkomati Nickel operations.

The ARM financial position has remained effectively un-geared since 30 June 2009 and has not changed materially since 30 June 2011. The only significant external bank debt at 30 June 2012 is held by ARM company through its R1.75 billion corporate facility which had a balance outstanding of R415 million. This loan has been refinanced as described above and is due for repayment or refinancing in August 2015. During the past year ARM finalised an US$80 million loan facility to assist with the funding of the Lubambe Copper Project. This facility is housed within a Swiss subsidiary; ARM Finance Company SA and is guaranteed by ARM. The repayment profile of this loan is more fully described in note 15 of the financial statements.

The Company is therefore well positioned to continue to grow in the future. The Company is not risk averse and while it does not have a fixed policy on gearing ARM targets a net gearing threshold of 30% for external funding subject to the ability to meet debt service requirements.

Forecasted attributable capital expenditure for the period to June 2015 is R8.95 billion and includes approved projects, maintenance capital and projects under consideration. This expenditure will be funded from operational cash flows and by utilising available cash and borrowing resources.

Dividend

Dividends are declared after consideration of the solvency and liquidity of the Company in accordance with the requirements of the Companies Act of 2008 as amended, and with due regard to the current funding status of the Company, future funding requirements and estimated cash flows.

ARM had no gearing at 30 June 2012 and had sufficient cash and cash equivalents and borrowing resources to fund both the planned maintenance and expansion of operations. Management continually reviews operational and corporate plans and forecasts every quarter.

The sixth annual dividend declared by ARM on 3 September 2012 of 475 cents per share represented an increase of 6% over the F2011 dividend and is consistent with ARM's commitment as a globally competitive company to pay dividends to shareholders while simultaneously maintaining the ability to fund growth of the Company in the future.

Mike Arnold
Financial Director

17 October 2012

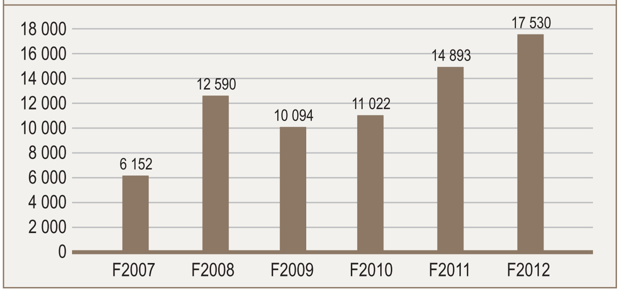
Financial summary and statistics

for the year ended 30 June 2012

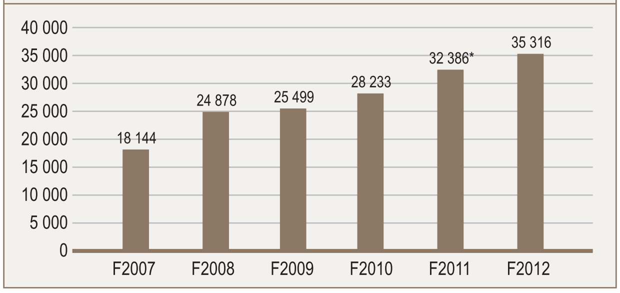
		Group								
R million, unless stated otherwise	Compounded annual growth rate %	**F2012 Rm**	F2011* Rm	F2010 Rm	F2009 Rm	F2008 Rm	F2007 Rm	F2006 Rm	F2005 Rm	F2004 Rm
Income statement										
Sales	21	**17 530**	14 893	11 022	10 094	12 590	6 152	4 622	5 485	3 885
Headline earnings	71	**3 451**	3 374	1 714	2 317	4 013	1 207	462	339	47
Basic earnings per share (cents)	8	**1 609**	1 581	854	1 355	2 131	586	293	225	865
Headline earnings per share (cents)	60	**1 615**	1 585	807	1 094	1 906	580	225	166	37
Dividend declared after year-end per share (cents)		**475**	450	200	175	400	150	n/a	n/a	n/a
Statement of financial position										
Total assets	15	**35 316**	32 386	28 233	25 499	24 878	18 144	14 611	11 766	11 460
Cash and cash equivalents	33	**3 564**	3 668	3 039	3 513	2 660	1 063	439	288	357
Total interest bearing borrowings	7	**3 237**	3 069	3 346	3 744	3 978	4 044	2 252	1 574	1 831
Shareholders' equity	15	**24 405**	22 170	18 529	16 751	15 676	11 218	10 393	7 972	7 954
Statement of cash flows										
Cash generated from operations	33	**5 969**	5 988	3 430	6 678	5 175	2 537	1 243	1 661	603
Net cash outflow from investing activities	25	**(4 077)**	(3 382)	(2 324)	(3 135)	(2 427)	(2 691)	(1 444)	(826)	(691)
Net cash (outflow)/inflow from financing activities		**179**	(588)	(729)	(171)	(175)	1 562	893	(549)	280
Number of permanent employees	11	**12 373**	11 496	10 281	9 643	8 747	7 725	6 943	6 107	5 162
Number of contractors		**14 214**	17 208	12 495	7 134	9 189	5 907	4 862	NR	NR
Exchange rates										
Average rate US$1 = R	1	**7.77**	6.99	7.59	9.03	7.30	7.20	6.40	6.21	6.90
Closing rate US$1 = R	3	**8.16**	6.76	7.67	7.72	7.83	7.07	7.16	6.65	6.26
JSE Limited performance										
Ordinary shares (Rands)										
– high	19	**199**	236	206	291	307	138	52	38	48
– low	22	**159**	146	117	76	103	53	32	25	32
– year end	22	**166**	189	161	130	280	123	48	34	34
Volume of shares traded (thousands)	18	**98 740**	121 051	138 241	113 690	84 678	40 203	39 711	51 382	26 547
Number of ordinary shares in issue (thousands)	1	**214 852**	214 852	216 292	212 068	211 556	209 730	206 367	204 437	204 208
Financial statistics	Definition number									
Liquidity ratios (x)										
Current ratio	1	**2.4**	2.4	2.2	1.5	1.8	1.5	1.4	1.6	1.5
Quick ratio	2	**1.8**	1.8	1.7	1.1	1.5	1.1	1.0	1.0	0.9
Cash ratio	3	**5.2**	12.6	5.9	1.6	1.6	0.8	0.8	0.8	0.4
Profitability (%)										
Return on operational assets	4	**20.1**	24.1	15.2	20.4	39.6	25.1	17.6	20.6	7.5
Return on capital employed	5	**17.7**	19.8	12.0	18.2	36.3	16.4	9.2	8.2	8.2
Return on equity	6	**14.9**	15.9	9.6	14.3	27.0	11.1	4.5	5.2	0.7
Gross margin	7	**34.6**	40.4	32.1	40.1	56.2	45.7	28.5	31.8	21.1
Operating margin	8	**29.8**	36.3	26.5	36.7	53.0	40.3	24.1	29.0	13.6
Debt leverage										
Interest cover (x)	9	**23.7**	25.4	16.0	11.1	16.7	6.9	8.5	8.5	5.4
Debt to equity ratio (%)	10	**13**	14	18	25	25	36	22	20	23
Net debt to equity ratio (%)	11	**n/a**	n/a	2	1	8	27	17	16	19
Other										
Net asset value per share (R/share)	12	**108**	99	84	76	70	52	50	32	32
Market capitalisation	13	**35 670**	40 176	34 243	27 548	59 236	25 900	9 957	6 949	6 943
Dividend cover (x)	14	**3.40**	3.52	4.04	6.25	4.76	3.87	n/a	n/a	n/a
EBITDA	15	**6 531**	6 517	3 907	4 484	7 229	2 887	1 552	2 025	725
EBITDA margin (%)	16	**37**	44	35	44	57	47	34	37	19
Effective tax rate	17	**31**	32	34	39	30	36	33	37	19

** Restated for early adoption of IFRIC 20.*
The financial information above is in accordance with International Financial Reporting Standards.
The comparison above is given from 2004 which is when the current ARM was formed.
Various corporate transactions were entered into during the past eight years, therefore direct comparison for years may not always be meaningful.
NR refers to figures not reported.

Sales (R million)

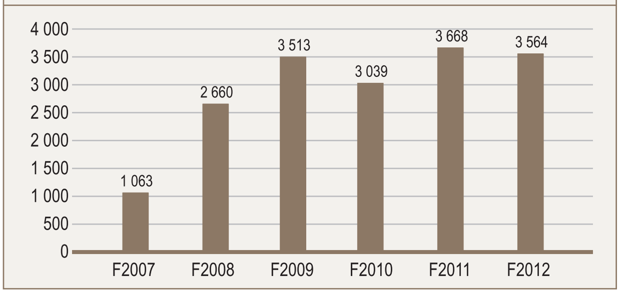


Total assets (R million)

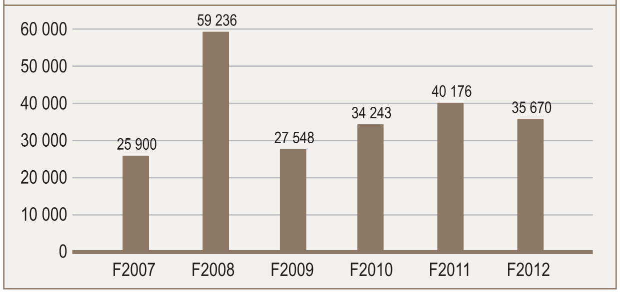


* *Restated for early adoption of IFRIC 20.*

Cash and cash equivalents (R million)



Market capitalisation (R million)



Definitions

1 **Current ratio (times):** *Current assets divided by current liabilities.*
2 **Quick ratio (times):** *Current assets less inventories divided by current liabilities.*
3 **Cash ratio (times):** *Cash and cash equivalents divided by overdrafts and short-term borrowings less overdrafts.*
4 **Return on operational assets (%):** *Profit from operations divided by tangible assets (property, plant and equipment and current assets) excluding capital work in progress.*
5 **Return on capital employed (%):** *Profit before exceptional items and finance costs, divided by average capital employed. Capital employed comprises non-current and current assets less trade and other payables and provisions.*
6 **Return on equity (%):** *Headline earnings divided by ordinary shareholders' interest in capital and reserves.*
7 **Gross margin (%):** *Gross profit divided by sales.*
8 **Operating margin (%):** *Profit from operations before exceptional items divided by sales.*
9 **Interest cover (times):** *Profit before exceptional items and finance costs divided by finance costs.*
10 **Debt to equity ratio:** *Total debt divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest.*
11 **Net debt to equity ratio:** *Total debt less cash and cash equivalents divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest.*
12 **Net asset value per share (Rand):** *Ordinary shareholders' interest in capital and reserves divided by number of shares in issue.*
13 **Market capitalisation (R million):** *Number of ordinary shares in issue multiplied by market value of shares at 30 June.*
14 **Dividend cover (times):** *Headline earnings per share divided by dividend per share.*
15 **EBITDA (R million):** *Earnings before interest, taxation, depreciation, amortisation, income from associate and exceptional items.*
16 **EBITDA margin (%):** *EBITDA divided by sales.*
17 **Effective tax rate:** *Taxation in the income statement divided by profit before tax.*

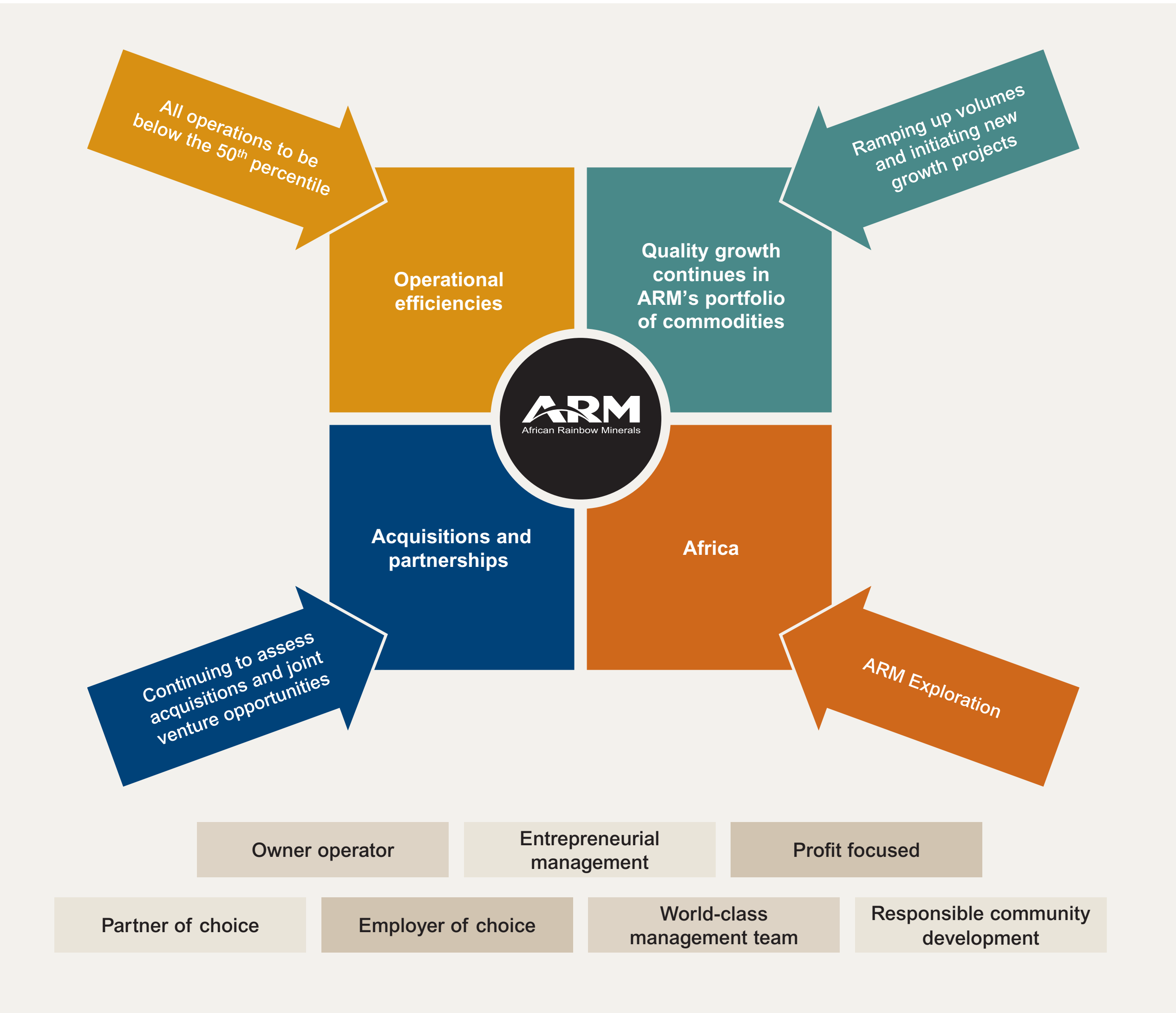
Note: All ratios except return on capital employed use year end balances. Return on capital employed is a two-year average.

US Dollar convenience translation

	Group								
	F2012 US$m	F2011* US$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	**2 256**	2 131	1 452	1 118	1 725	854	722	883	563
Headline earnings	**444**	483	226	257	550	168	72	55	7
Basic earnings per share (US cents)	**207**	226	113	150	292	81	46	36	125
Headline earnings per share (US cents)	**208**	227	106	121	261	81	35	27	5
Dividend declared after year-end per share (US cents)	**58**	67	26	23	51	n/a	n/a	n/a	n/a
Statement of financial position									
Total assets	**4 327**	4 791	3 682	3 304	3 178	2 576	2 041	1 769	1 831
Cash and cash equivalents	**437**	543	396	455	340	150	61	43	57
Shareholders' equity	**2 990**	3 280	2 416	2 171	2 002	1 587	1 452	1 199	1 271
Statement of cash flows									
Cash generated from operations	**768**	857	451	739	709	352	194	267	97
Net cash outflow from investing activities	**(525)**	(484)	(306)	(348)	(334)	(374)	(226)	(133)	(100)
Net cash (outflow)/inflow from financing activities	**22**	(85)	(96)	(19)	(24)	217	140	(88)	41
JSE Limited performance									
Ordinary shares (US cents)									
– high	**2 561**	3 376	2 714	3 217	4 205	1 917	816	612	696
– low	**2 046**	2 092	1 542	842	1 414	739	500	411	471
– year end	**2 035**	2 788	2 099	1 683	3 576	1 747	674	511	543

* *Restated for early adoption of IFRIC 20.*

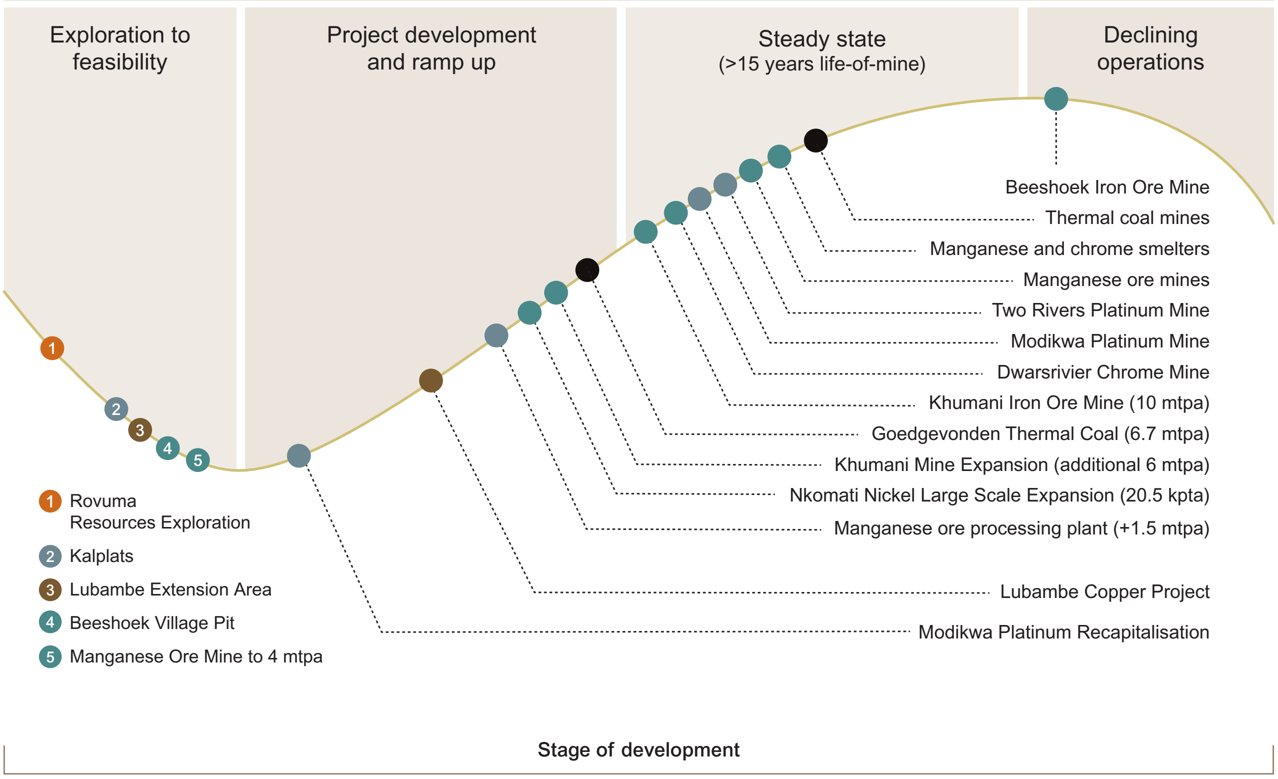
ARM strategy



Key growth projects

	Khumani Iron Ore (10 – 16 mtpa)	Nkomati Nickel Large-Scale Expansion	Lubambe Copper Project
Steady state	16 mtpa	20 500 tpa nickel	45 000 tpa copper
Capex committed	95%	95%	94%
Stage	Ramp-up	Ramp-up	Construction
Position on cost curve	30th percentile	55th percentile	45th percentile
Commissioning (financial year)	2012	2010	2013
Full production (financial year)	2013	2014	2015
Comment	High grade, low unit cost mine	C1 cash cost net of by-products of US$6.00/lb at steady state in 2014	New commodity in portfolio and first mine outside South Africa

Project pipeline and operations



Potential future projects

- Iron ore expansion beyond 16 mtpa
- Manganese ore expansion to 5 mtpa
- Expansion of Modikwa Platinum Mine
- Thermal Coal Projects

Principal risks, uncertainties and opportunities

The risks, challenges and opportunities set out below represent selected issues that may impact on ARM's results and operations in the future.

Risk/challenge/opportunity	Impact	Mitigating action taken by ARM
Financial risk		
Commodity price volatility		
ARM's revenue, earnings and cash flows are dependent upon prevailing commodity prices, determined by the supply of and demand for commodities and linked to global economic conditions.	Fluctuation in the commodity prices for the range of commodities we produce may have a material impact on ARM's financial results.	• Maintains a diversified portfolio of commodities. • Follows a general policy not to engage in commodity price hedging. • Constantly monitors commodity markets and matches production with market demand and commodity prices. • Focuses on containing and reducing operating expenses.
Fluctuations in currency exchange rates		
ARM's products are mostly sold in US Dollars.	Fluctuations in the exchange rate of the South African Rand against the US Dollar may have a material impact on ARM's financial results.	• ARM limits its foreign exchange hedging to specific items of capital expenditure on major projects. Rand movement provides us with both an opportunity and a risk.
Inflation/increased costs/cost control		
ARM is unable to set the prices it receives for the commodities it produces. Extraction and processing costs of raw materials and consumables, such as reductants, reagents, power, fuels, labour, transport and equipment, are susceptible to inflationary and supply and demand pressures.	ARM's ability to contain costs in an inflationary environment and maintain low cost efficient operations can have a significant impact on its profitability. The competitiveness of its products and its long-term profitability can negatively impact ARM's earnings.	• ARM's ability to contain/reduce costs and maintain operational efficiency is a measure of the quality of its operational management and asset stewardship. • Cost performance is a key measure of management performance and operational efficiency. • ARM strives to be within the 50th percentile of the global cost curve (based on steady-state production). • Regular audits of operations identify potential inefficiencies.
Financing		
High debt levels, combined with a significant project pipeline could reduce ARM's ability to grow its operations and to take advantage of business opportunities.	ARM would not be able to achieve its growth strategy.	• ARM's focus on cash conservation and debt reduction has resulted in ARM being in a strong financial position with low gearing, which allows us to proceed with the funding key growth projects.
Operational risk		
ARM's operations are affected by the availability of raw materials, water and power. Other operating risks range from: unusual or unexpected geological features, ground conditions or seismic activity to technical failures, fires, explosions and other incidents at our mines and smelters.	Any of these could adversely affect our ability to operate cost efficiently or meet production levels.	• An effective, well-developed and entrenched risk management process is in place. • Comprehensive and effective risk management remains an imperative at all levels within ARM and its operations. • An integrated approach to risk management not only helps to ensure appropriate corporate governance compliance, but also provides a practical and effective tool for the management of risk.
Health and safety		
Although ARM is not significantly exposed to deep level mining operations, mining remains a hazardous industry and is subject to extensive and increasingly more stringent health, safety and environmental legislation and regulations.	Failure to provide a safe working environment and/or non-compliance with legislation and regulation could impact negatively on employee safety, health, employee and community relations and profitability. Injury or loss associated with any safety breach, breach of regulations or non-compliance could damage ARM's reputation.	• The Executive: Sustainable Development, reports directly to the Chief Executive Officer, which ensures oversight of the process. • ARM participates in industry forums in which health and safety best practices are shared with a view to improving performance in these areas. • Medical surveillance is performed in compliance with legislation. • Wellness programmes, which create awareness and provide input on methods of treatment of chronic diseases are run by each operation. • ARM has an advanced HIV & Aids management programme.
Project development		
ARM has a significant pipeline of growth projects which require strong project management skills.	Ineffective management of projects could result in cost overruns and delays.	• ARM's managed businesses have a proven track record of project delivery (on time and within budget).
Infrastructure access and capacity		
Logistics constraints and access to rail and port capacity remains challenges to meeting increased demand for commodities and ARM strategic growth.	These challenges may result in the inability to achieve planned export targets and have a material impact on future growth with a resultant impact on financial results.	• Feasibility studies underway to further expand iron and manganese ore operations to benefit from Transnet's R300 billion Market Demand Strategy to expand SA rail, pipeline and port facilities. • ARM remains actively involved in commodity and industry initiatives as well as logistics optimisation processes on mine to optimise logistics for exports.

Risk/challenge/opportunity	Impact	Mitigating action taken by ARM
Operational risk continued		
Reserves and resources		
Mine reserves decline as commodities are extracted. There is also the possibility that some reserves cannot be mined as profitably as anticipated.	Exploitation of existing reserves, successful exploration and development activities and acquiring access to economically recoverable reserves are essential for ARM's future.	• Existing operations have substantial reserves that can be exploited via organic growth projects. • ARM continues to assess quality growth opportunities and actively focuses on opportunities to explore and develop new ventures to increase and diversify its portfolio of assets.
Security of energy supply		
ARM's mining operations, and particularly, its ferromanganese smelters, are intensive users of electricity. Electricity constraints have reduced the reliability of the energy supply in South Africa and increased prices.	The lack of a sustainable supply of energy may negatively impact on ARM's ability to operate and influence future expansion prospects. The considerable increase in electricity costs in South Africa may affect our ability to contain costs.	• Energy efficiency plans have been implemented at all operations. • ARM continues to explore potential co-generation opportunities.
Emission and climate change		
Extreme weather conditions resulting from climate change; ongoing legislation is likely to result in restriction of industrial emissions, the imposition of added costs for emissions exceeding permitted levels and increased costs for monitoring, reporting and accounting for emissions.	Climate change may result in weather-related events or other physical threats that may hamper production or damage assets. Failure to meet and exceed best practice for monitoring and reporting emissions could have a reputational impact on ARM and affect its ability to operate.	• Climate change issues are a priority for ARM management who are continually working to improve understanding of ARM's carbon footprint and to reduce the carbon intensity of our operations and activities. • Emission inventories continue to be compiled and monitored for all our smelters. • Every effort is made to reduce consumption of electricity by enhancing efficiency.
Social risk		
Community and corporate social investment		
ARM's operations and future projects can have an impact on communities in the vicinity in which we operate. Poverty, a lack of service delivery and employment resulting in social activism.	The support of local communities is essential for the successful completion of ARM's projects. Lack of community support could have a negative impact on productivity and consequently on profitability. Communities look to ARM and the mining industry as a whole to address their need for infrastructure development, service delivery and employment opportunities. Communities may become dependent on our operations.	• ARM's Corporate Social Investment (CSI) and Local Economic Development (LED) plans focus on the upliftment and capacity building of historically disadvantaged communities in the vicinity of our operations. • ARM strives to earn the trust of local communities through extensive stakeholder engagement. • ARM uses its investment in local communities to enhance the socio-economic capacity of the communities in which it operates, and to avoid dependence on ARM's operations after closure. • ARM focuses on responsible purchasing from local, historically disadvantaged South African suppliers and employment practices that give preference to members of the local community; and in some cases, offers training opportunities to community members.
Labour relations		
From time to time our operations experience limited work stoppages and industrial action.	Work stoppages result in production interruptions and could have a material impact on ARM's financial results.	• Local communities, labour and Government are recognised and engaged as key stakeholders. • ARM has and actively seeks to foster good relations with employees and unions. • ARM strives to be an employer of choice and has been acknowledged as a leading employer in the CRF Institute's "Best Employer" awards for the second consecutive year.
Key employees		
The loss of key employees.	This could have an adverse effect on ARM. As ARM develops and expands mining operations, its future success will depend on our ability to attract and retain suitably skilled and qualified personnel.	• ARM aims to be the employer of choice in its industry. Our levels of remuneration are regularly and aggressively benchmarked against our peers. ARM makes a concerted effort to retain and manage the Group's talent pool. • Learnerships, focusing primarily on technical disciplines, increased to 264 in F2012 with the aim of increasing the skills levels of employees. • ARM's graduate training programme is an important part of the human resource development strategy.

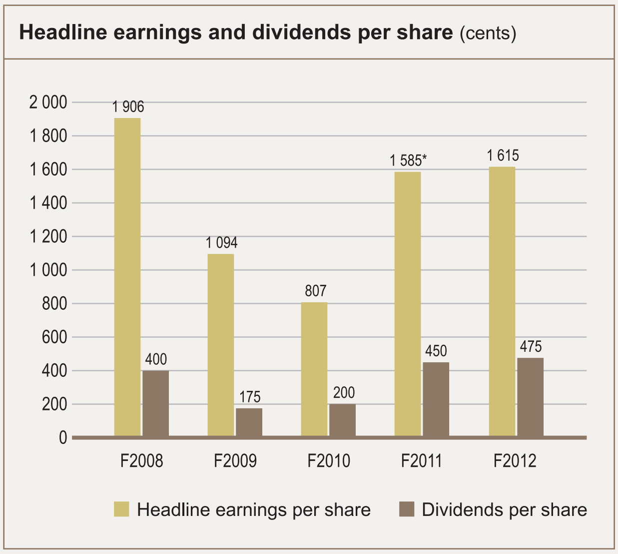
Integrated salient features

"ARM **significantly increased sales volumes** across all its commodities except ferrochrome and Nkomati chrome ore. We also **increased headline earnings and dividends** despite challenging global markets"

Patrice Motsepe, Executive Chairman

Financial

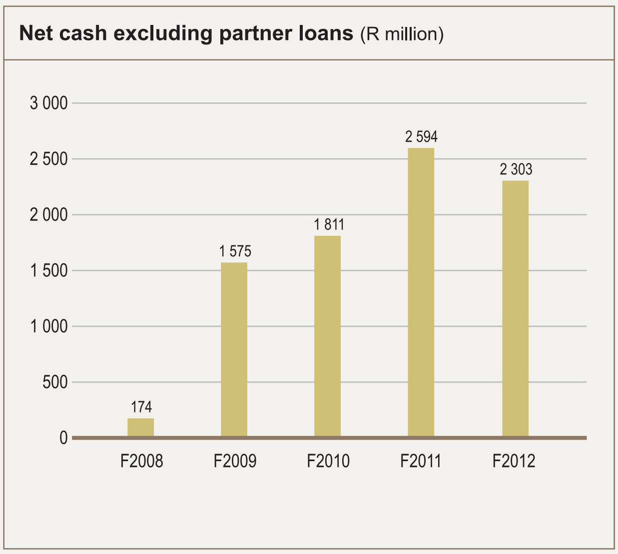
- Headline earnings increased 2% to R3.45 billion (F2011 restated: R3.37 billion) in difficult market conditions. The headline earnings per share were 1 615 cents compared to 1 585 cents in F2011 (restated).
- ARM declared an increased dividend of 475 cents per share, compared to the F2011 dividend of 450 cents per share.
- Sales revenue increased 18% to R17.53 billion due to increased sales volumes achieved.
- ARM maintained a robust financial position with net cash (excluding partner loans) of R2.3 billion (F2011: R2.6 billion).



* *Restated for early adoption of IFRIC 20.*

Operational

- Significant sales volume increases across all ARM commodities excluding ferrochrome and Nkomati Mine chrome ore.
- Satisfactory cost containment at Two Rivers Mine, the PCB coal operations, the manganese ore mines, the manganese alloy operations, the Nkomati Mine and the chrome ore mine.
- Update on growth projects:
  - The Khumani Iron Ore Expansion Project from 10 mtpa to 16 mtpa was successfully handed over to the mine one year ahead of schedule and well below budget.
  - Full production ramp-up to 6.4 mtpa was achieved at Goedgevonden Mine.
  - Significant improvement in the operational performance during the ramp-up phase of the Nkomati Mine in the second half of the financial year.
  - Lubambe Copper Project (previously known as Konkola North Copper Project) is progressing on time and within budget with plant commissioning expected by the end of the 2012 calendar year.

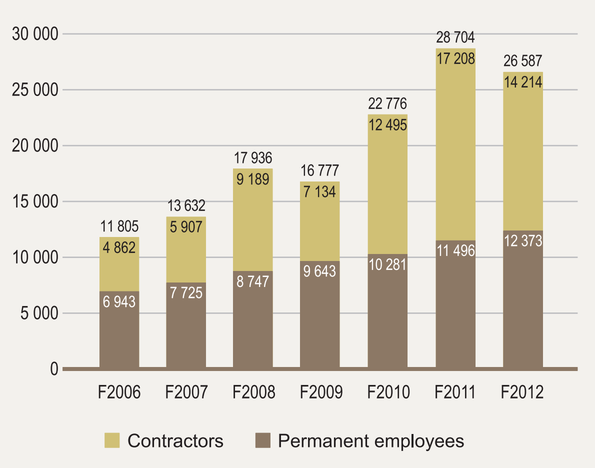


PCMZ plant, Nkomati Nickel Mine

Sustainability

- Nkomati, Beeshoek and Khumani mines achieved in excess of two million fatality-free shifts while Black Rock Mine, Dwarsrivier Mine and Cato Ridge Works each achieved in excess of a million fatality-free shifts.
- The ARM Lost time Injury Frequency Rate (LTIFR) improved from 0.43 in F2011 to 0.40 in F2012.
- Regrettably, four lives were lost as a result of three accidents.
- Our performance against our internal HIV & Aids benchmark improved, for the first time exceeding the high standard we set for our operations in F2008.
- Total Corporate Social Responsibility investment (which includes expenditure in terms of Corporate Social Investment, Local Economic Development and the ARM BBEE Trust) improved from R125 million in F2011 to R126 million in F2012.
- ARM contributed to 24 classrooms, five schools, four school halls and three crèches in F2012.
- ARM has for the second year met application level A+ of the Global Reporting Initiative (GRI) G3 guidelines and has been successfully assured for third consecutive year.

Total labour as at 30 June



Key performance indicators

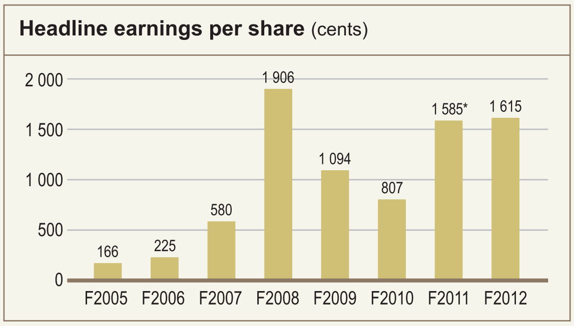
Overview of ARM's key performance indicators covering both financial and sustainability performance for F2012, including comparable indicators for preceding years. The definitions for the indicators are included where appropriate.

Financial

Headline earnings per share (HEPS)

HEPS increased 2% from 1 585 cents (restated) to 1 615 cents per share despite challenging commodity market conditions which led to a decline in US Dollar prices in all ARM's commodities except export thermal coal and gold. An 11% weakening in the Rand against the US Dollar did offset some of the decline in US Dollar prices. The HEPS were positively affected by significant increases in sales volumes across ARM's portfolio of commodities as ARM ramped up three of its growth projects.

Headline earnings comprise earnings adjusted for items of a capital nature. This is then divided by the weighted average number of shares in issue to arrive at headline EPS.

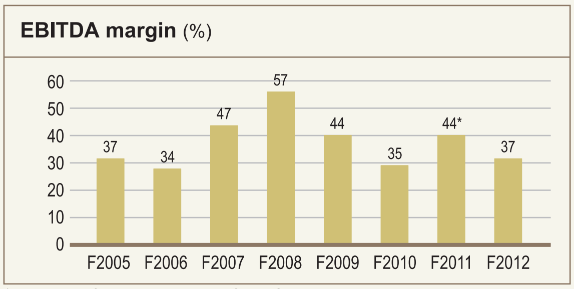


* Restated for early adoption of IFRIC 20.

EBITDA margin

The ARM EBITDA reduced from 44% (restated) in F2011 to 37% in F2012 as a result lower commodity prices and increased costs particularly at the Khumani, Nkomati and GGV operations. Costs at Modikwa were also higher as a result of industrial action and safety stoppages.

The EBITDA margin is earnings before interest, taxation depreciation and amortisation excluding exceptional items and income from ARM associates, divided by sales.

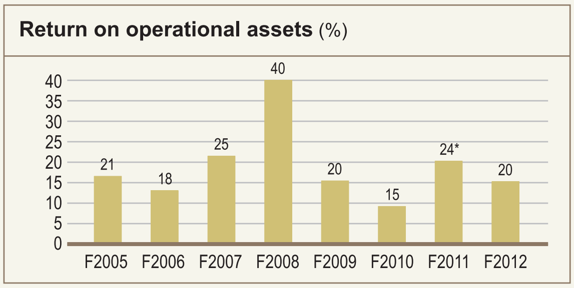


* Restated for early adoption of IFRIC 20.

Return on operational assets

Return from operational assets decreased from 24% (restated) in F2011 to 20% in the year under review.

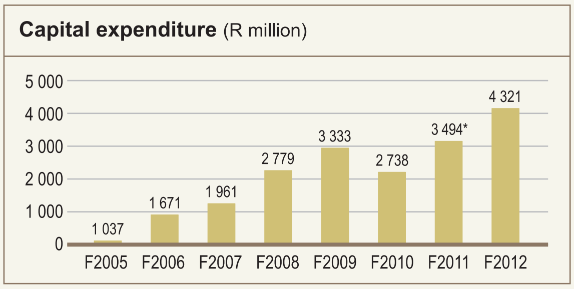
Return on operational assets is the profit from operations divided by property plant and equipment and current assets excluding work in progress.



* Restated for early adoption of IFRIC 20.

Capital expenditure

Capital expenditure attributable to ARM increased to R4.3 billion in F2012 (F2011 restated: R3.5 billion). The majority of this capital expenditure was spent on completing the Khumani Expansion Project which has now been handed over to the operations. Significant capital expenditure was also expended on the Lubambe Copper Project which will be commissioned by the end of the 2012 calendar year. The balance of the capital expenditure was mostly for maintenance of the operations.

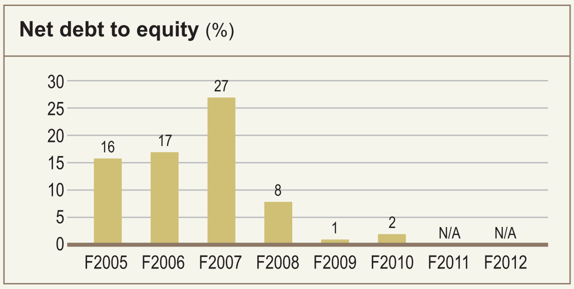


* Restated for early adoption of IFRIC 20.

Net debt to equity

ARM is in a strong financial position with net cash of R327 million as at end June 2012. This robust financial position provides strong support for ARM's future growth plans.

The net debt to equity ratio is total debt less cash and cash equivalents, divided by total equity.

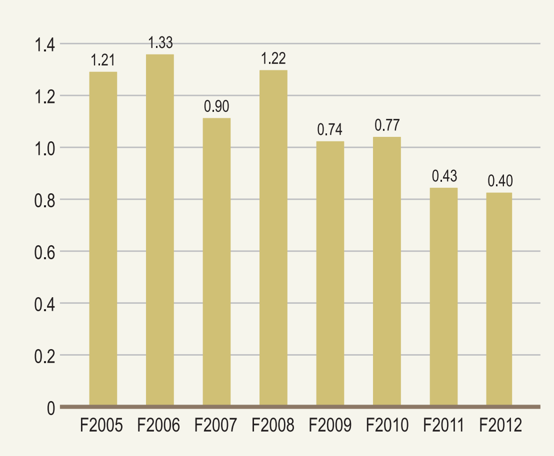


Non-financial

Safety

- Regrettably, four lives were lost during the year, two each at Two Rivers and Modikwa mines:
  – Two Rivers:
  On 13 December 2011, Mr Ananias Silvano Chambale, a team leader, was seriously injured by a trackless mobile machine underground and he passed away in hospital two days later.
  On 21 January 2012, Mr Daniel Vusi Ntuli was in the process of watering down broken rock to allay dust in the mining face, when he was fatally injured by a rock which dislodged from the roof.
  – Modikwa:
  On 27 January 2012, Ms Patricia Moropa and Mr Khateane Lenong were installing support when a fall of ground occurred, fatally injuring both employees.
- Three operations (Nkomati Mine, Beeshoek Mine and Khumani Mine) achieved in excess of two million fatality-free shifts while three other operations achieved in excess of one million fatality-free shifts.
- The LTIFR decreased from 0.43 in F2011 to 0.40 in F2012 (calculated per 200 000 man hours worked). Reportable accidents were reduced from 74 in F2011 to 69 in F2012.

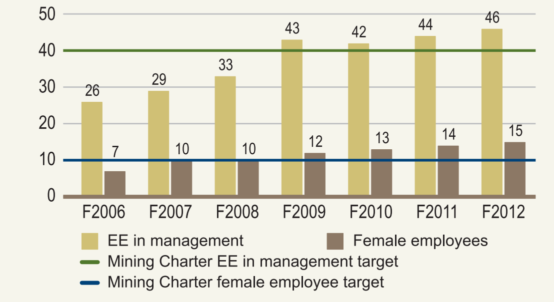
Safety performance (LTIFR)



Employment Equity (EE)

- ARM has been certified as a Best Employer South Africa for the second consecutive year and has recently been awarded the 6th position by the CRF Institute.
- Continued progress in EE, including gender diversity
- EE in management has increased from 44% in F2011 to 46% in F2012, which exceeds the Mining Charter EE in management target of 40%.
- Total number of female employees increased from 14% in F2011 to 15% in F2012, which exceeds the Mining Charter female employee target of 10%.
- The Employment Equity report was submitted to the Department of Labour on 28 September 2011 and complies with Section 21 of the Equity Act.

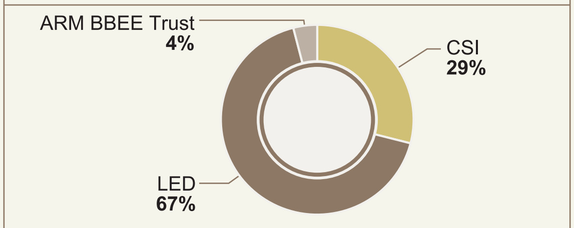
Employment equity (%)



Corporate Social Responsibility (CSR)

- During F2012, ARM spent R85 million in terms of Social and Labour Plans (SLPs) and Local Economic Development (LED) and R36 million in terms of Corporate Social Investment (CSI). In addition, the ARM BBEE Trust spent R5 million (F2011: R6 million) on projects to uplift and benefit rural communities. These figures exclude dividends which are paid in addition to project spend.
- Total Corporate Social Responsibility Investment was R126 million compared to R125 million during the previous financial year.

CSR expenditure for F2012 (%)



Implementation of the HIV & Aids management programme

- There has been continued progress in the implementation of the HIV & Aids programme in alignment with the primary aims of the new South African National Strategic Plan for HIV, TB and STI (2012 – 2016).
- Membership of the South African Business Coalition on HIV & Aids (SABCOHA) allows ARM to benchmark our programme with the best nationally and internationally.
- ARM is actively participating in the National HIV Counselling and Testing campaign as proposed by SANAC (South African National Aids Council).
- The number of employees receiving Anti-Retroviral Treatment (ARV) increased by 61% from 242 in F2011 to 400 in F2012.
- The number of employees registered on Disease Management Programmes increased from 390 to 513.

Climate change

- ARM has calculated its carbon footprint and has made a submission to the Carbon Disclosure Project (CDP) for the third consecutive year.
- Continued focus on monitoring and reporting including improving the data collection processes.
- The strategy together with policy and awareness training programme to address risks posed by climate change has progressed well. This includes quantification of carbon emissions and an emissions reduction plan which is being formulated in alignment with national legislation and International Council on Mining and Metals (ICMM) climate change policy developments.

Sustainability review

Our motto **'We do it better'** guides how we conduct our business and includes our **commitment** to **responsibly managing** the **impacts of our operations** on our key stakeholders, the environment, the communities around us and broader society.

The Sustainability Review that follows provides an overview of how we approach the integration of sustainability considerations into our strategy and operations, how we define our material sustainability issues and summarises our performance against these issues for the year.

Our sustainable development reporting is limited to those operations over which we have direct or joint management control, being the Ferrous and Platinum Divisions as well as our Copper Division (which includes the Lubambe Copper Mine, currently under construction) and excludes those operations and investments that we do not manage directly (Coal and Gold: Harmony).

As part of our integrated reporting for F2012, we have again published a separate Sustainability Report that provides full information on these and other factors, extensive detail on the management and performance of each of the material issues as well as how we comply with the revised Mining Charter, including a detailed section on our corporate social responsibility.

The summary on page 29 of this report shows a number of the Company's non-financial key performance indicators.

Our approach to sustainability

Mining by its nature is a high impact industry. Extractive operations have a direct physical effect on the environment and communities around the mines. Our employees risk exposure to dangerous substances and hazardous working environments in the process of our operations.

At the same time, mining brings many benefits – providing the economy with the building blocks it needs to grow, creating jobs in areas where these may be scarce, contributing to the fiscus and investing in local communities to create long-term positive social change.

Our guiding principles of responsible investment and broad social benefit keep us mindful of our responsibility to manage the potential negative environmental and social impacts of our operations. It is clear that long-term financial sustainability is impossible without ensuring environmental and social sustainability.

Our commitment to doing sustainable business is underpinned by our commitment to the highest levels of corporate governance. We align our approach with the principles contained in the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III).

As discussed in more detail in the Corporate Governance report on pages 121 to 124.

Mining is a highly regulated industry and many of our social and environmental responsibilities are defined by the terms of our mining licences, environmental regulations and associated industry guidelines. We pay particular attention to the requirements of the Mining Charter which we seek to exceed wherever possible.

ARM has been a member of the International Council on Mining and Metals (ICMM) since 2009 and participates actively at an executive level within the Council. The Company shares the ICMM vision of a respected mining and metals industry widely recognised as essential for society and a key contributor to sustainable development. Our sustainable development initiatives are guided by the elements of the ICMM sustainable development framework and the ten principles of the ICMM.

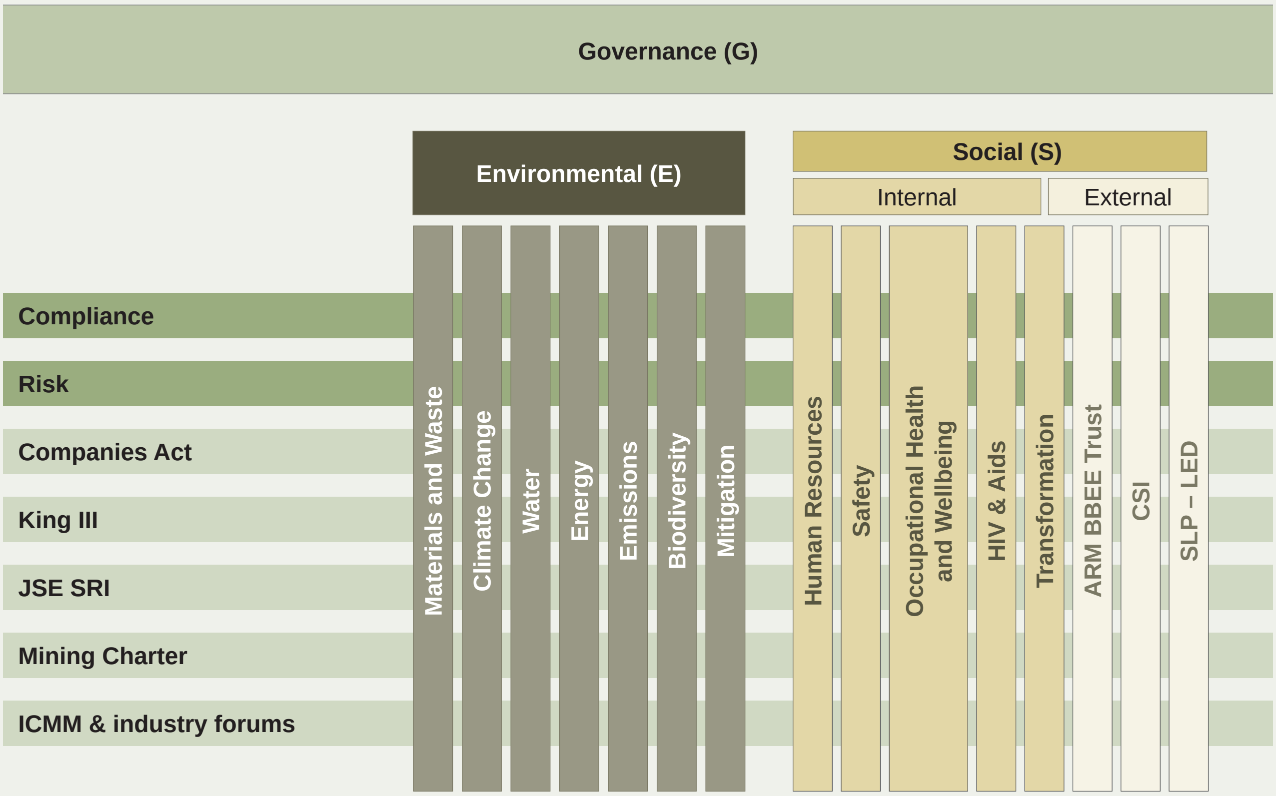
As a member of the ICMM, ARM subscribes to the Extractive Industries Transparency Initiative (EITI) – a global standard promoting transparency and the management of revenues from natural resources.

Our Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) G3 guidelines, including the Mining and Minerals sector supplement, and meets application level A+, having been externally assured for the third consecutive year.

Our commitment to integrating governance best practice and environmental, economic and social sustainability into our business has been recognised by our inclusion in the JSE Socially Responsible Investment (SRI) Index for the fourth year.

Our approach to sustainable development is captured in our Sustainable Development Model. We are in the process of updating our Sustainable Development Model to reflect the evolution in our approach to sustainability and to illustrate how the model interlinks with our combined assurance model.

ARM's sustainable development model



How we manage sustainability in our business

ARM's business model involves partnering with other major mining players. This approach has brought together a range of operations each with its own specific sustainability challenges, approach to managing these challenges and maturity of governance processes around these issues. Sustainable development policies and standards are set at Group level and implemented by operational management in a manner appropriate to the circumstances existing at the operation. Monitoring and reporting of sustainability progress is consolidated under the central sustainability governance structures.

The responsibilities of the Executive: Sustainable Development include reviewing sustainable development policies, strategies and targets and ensuring alignment with the Board's commitment to zero tolerance of harm throughout the business. She reports directly to ARM's Chief Executive Officer and operates with oversight from the Social and Ethics Committee.

Social and Ethics Committee

The Social and Ethics Committee monitors and reports on the manner and extent to which ARM protects, enhances and invests in the economy, society and the natural environment in which it operates in order to ensure that its business practices are sustainable. This includes the review and consideration of the efficacy of ARM's systems to promote local economic development opportunities that enable historically disadvantaged South Africans to develop. These development initiatives also enable us to meet the requirements of mining rights conversions, the Mining Charter and other requirements detailed in the Minerals and Petroleum Resources Development Act, 2002 and other relevant legislation.

Sustainability and Risk Management

Sustainability is integrated into the Company's risk management system and sustainability issues are included in the Group risk register. The Leader: Risk Management and the Executive: Sustainable Development attend Social and Ethics Committee meetings and are members of the Management Risk Committee. They also attend Board meetings to respond to any risk- and sustainability-related matters raised by the Directors.

The Management Risk Committee is a sub-committee of the Group Audit and Risk Committee and is tasked with assisting the Audit and Risk Committee in discharging its duties relating to risk matters by implementing, coordinating 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.

ARM's Risk Management programme integrates the management of risk and assurance, providing both corporate governance compliance and a practical and effective tool for the management of risk (including sustainability risk) within ARM.

More information on the composition and activities of the Social and Ethics Committee and the Management Risk Committee can be found on pages 133 to 135 of the Corporate Governance report.

At an operational level, risk registers and risk and control dashboards are continuously reviewed and updated. Performance against Safety, Health, Environmental, Risk and Quality (SHERQ) guidelines are reviewed at operational and corporate level through:
- Monthly Operational Committee meetings
- Quarterly Executive Committee meetings
- Quarterly ARM Management Risk Committee meetings
- Quarterly ARM Sustainable Development Management Committee meetings
- Quarterly operational Sustainable Development meetings
- Quarterly ARM Social and Ethics Committee meetings
- Quarterly ARM Audit and Risk Committee meetings
- Quarterly Board meetings

These reviews form an important part of the combined assurance process and provide appropriate oversight of management processes as well as management and mitigation of associated risks to an acceptable level.

Monitoring, measuring and reporting

Central reporting of sustainable development data is a challenging process as it is drawn from a number of different systems at the operations. Consolidating the information requires significant time and ensuring accuracy and comparability of data between periods and operations is a challenge.

We have developed internal reporting systems which have been successfully piloted in the ARM Ferrous Division. These are being rolled out across the other operations in line with the implementation of ARM's overall IT strategy.

To ensure that our data is reliable until comprehensive reporting solutions have been implemented at all our operations, we verify sustainable development information through our outsourced internal audit function, as well as through external assurance of the content of our sustainability reports. Integrated Reporting & Assurance Services (IRAS) has again been commissioned to provide high-level independent third party assurance over the content of the F2012 Sustainability Report. The report is included in the Sustainability Report and includes comment on data collection in ARM.

Our material issues

ARM has a formal stakeholder engagement process that engages relevant stakeholders at corporate, divisional and/or operational level as appropriate. Specific engagement responsibilities are assigned to relevant positions within the Company. Our key stakeholders include:
- Shareholders (including our joint venture business partners), institutional shareholders, analysts and investors
- Unions/organised labour
- Communities
- Government
- Local business
- Industry bodies
- Bankers and funders
- Customers
- Suppliers
- Employees

Full details of how we identify and engage with our stakeholders, as well as their key concerns and how ARM responds to these, are included in our Sustainability Report.

We determine the issues that are material to the Company through:
- engagement with our key stakeholders;
- review and assessment of our internal performance measures;
- monitoring of media coverage;
- review of similar issues reported by members of the extractive industry; and
- our assessment of trends in policy and regulations.

The issues identified include economic, environmental and social issues as well as the maintenance of the highest standards of corporate governance as summarised in the table on pages 24 and 25.

While our risk management processes classify the risks broadly into Financial, Operational and Social risks, we recognise that all of the issues material to the Company ultimately have a financial impact and affect the creation of long-term sustainable stakeholder value.

The following summary sections provide a high-level overview of our material issues. Full details are available in our Sustainability Report.

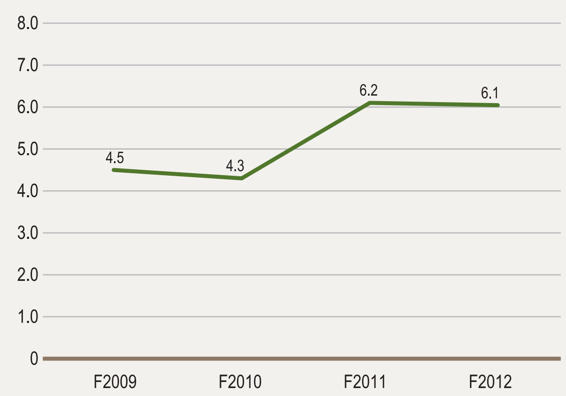
Economic issues

Electricity costs and our ability to use electricity efficiently

Electricity is an important input in our operations, especially in the smelters in the Ferrous Division which together account for over half of the electricity consumed by the Group.

Increases in administered costs, such as electricity tariffs, affect our cost containment targets. While we have put in place initiatives to increase the efficiency with which we use electricity (detailed in our Sustainability Report), we are concerned that continued above inflation price increases may negatively affect not only our business but the communities in which we operate. Energy costs have increased as a proportion of the total input costs. The F2012 figure demonstrates the benefits of ARM Ferrous energy efficiency drive.

Energy cost/cost of sales (%)



As a responsible South African company we support Eskom's tariff increase as necessary to facilitate its infrastructure building programme. ARM's continued expansion depends on our ability to access this infrastructure.

The Ferrous Division is a member of the Energy Intensive Users Association and has developed its own Energy Efficiency Charter to map its development and implementation of energy efficient practices.

Together with other industrial users of electricity, ARM is engaging with government institutions to ensure that future tariff increases balance Eskom's need to build and maintain its infrastructure with the need to sustain industries that are critical for job creation and contribute revenue for government.

While we support measures that seek to promote the efficient use of energy, there is a danger that further financial disincentives, such as the proposed carbon tax, will increase the cost of energy to the degree that business in the South African economy becomes unviable.

Logistics

ARM faces logistical challenges in the transport of product from our mines to the ports for export. Iron ore is exported through the Sishen-Saldanha Iron Ore Export Channel (SIOEC), a single channel rail and port facility. ARM's ability to increase its exports is limited by the capacity of SIOEC and risks being affected by any industrial action affecting Transnet Freight Rail as well as its operating performance.

ARM is engaging with Transnet and other industry role players to explore options for reducing the rail constraint. Options under consideration include expanding SIOEC beyond its current capacity of 60 million tonnes per annum and a proposal to transport ore to the port of Coega in the Eastern Cape.

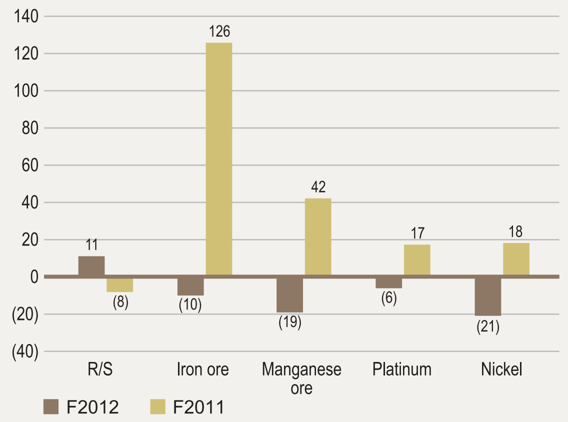
Rail capacity constraints oblige us to transport ore by road. This is not only more costly, but unnecessarily increases the Company's carbon footprint and negatively impacts the country's road infrastructure.

Market conditions

The price of the commodities that ARM produces and beneficiates is set internationally and reflects global demand for metals. These prices are therefore affected by global economic conditions and subject to significant volatility. Commodity prices are set in US Dollars, so the Company's revenues, cash flows, profitability and asset values are affected by exchange rate fluctuations as well as commodity price fluctuations.

ARM does have some ability to manage the risks associated with commodity price cycles due to the diversified portfolio of products that allows more stable returns than single product producers.

Changes in realised commodity prices and exchange rates (%)



Costs

Managing our operational efficiencies is a core part of our long-term strategy. We target unit costs below the 50th percentile of the cost curve for various commodities produced at our managed operations. We are on track to achieve this target through initiatives such as reducing ferrochrome production and increasing the production of ferromanganese at Machadodorp Works.

While we are on target to achieve this goal, increasing energy costs and labour costs that do not keep pace with productivity gains will present challenges to containing production costs.

Social issues

Employee safety and wellness

Mining involves exposure to substances and situations which can be dangerous if the right controls and training are not put in place and continuously improved according to the risks. It is our moral duty to provide a safe and healthy working environment for our employees. Although categorised as a non-financial material issue, health and safety is ultimately a financial issue – healthy employees operating in a safe environment are better able to perform to their full potential. Failure to adequately protect our employees risks poor morale, low productivity, injuries, lost shifts, labour unrest and ultimately the withdrawal of our licence to operate.

Safety

ARM is committed to zero harm and our approach to business is designed to ensure that we provide safe working conditions for our employees and can clearly demonstrate this against the guidelines and targets set in the Mining Charter scorecard. We are also committed to benchmarking and learning from our peers and therefore actively participate to implement the targets and processes outlined in the Mining Industry Occupational Safety and Health (MOSH) Adoption System to meet the Tripartite Health and Safety Targets and Milestones.

Operational safety policies, strategies and safety performance are governed and monitored at a corporate level by the ARM Health and Safety Committee and reviewed at an executive level every quarter in Safety, Health, Environmental and Quality (SHEQ) meetings. Most operations have obtained certification in terms of the international health and safety management system OHSAS 18001.

Focus in F2012		How we did	Focus in F2013
• Zero harm to our employees.	X	Four fatalities during the F2012 year.	• Zero harm to our employees.
• Reduce business interruptions/ stoppages due to Section 54 and 55 Notices.	X	Increase in collective days lost due to Section 54 and 55 Notices from 37 in F2011 to 63 in F2012. Increase in both the number of Section 54 and 55 Notices: 16 Section 54 (F2011: 15) and 13 Section 55 (F2011: 5) Notices issued.	• Reduce stoppages due to Section 54 and 55 Notices.
• Modikwa Mine: ISO 9001, 14001 and OHSAS 18001 recertification.	X	Placed on hold due to the current economic climate, however safety, health, environmental and quality management systems are aligned with ISO 9001, 14001 and OHSAS 18001.	• Continuous improvement of the SHEQ management systems as well as reporting systems at a Group level.
• Two Rivers Platinum Mine: ISO 14001 and OHSAS 18001 (preparation for certification).	X	The training centre is ISO 9001 certified. ISO 14001 and OHSAS 18001 certification placed on hold due to the current economic climate, however safety, health, and environmental management systems are aligned with ISO 14001 and OHSAS 18001.	• Continuous improvement of the SHEQ management systems as well as reporting systems at a Group level.

HIGHLIGHTS:

- Against the backdrop of the extremely unfortunate incidents mentioned above, the overall safety performance of the Group continued to improve. The Lost Time Injury Frequency Rate (LTIFR) improved from 0.43 per 200 000 man hours worked in F2011 to 0.40 in F2012 and the Reportable Injury Frequency Rate (RIFR) decreased from 0.29 in F2011 to 0.25 in F2012.
- Three operations achieved more than two million fatality-free shifts during F2012 while three others achieved over one million fatality-free shifts. Beeshoek Mine completed 13 months without a lost time injury.

More information on how we manage and measure safety at our operations is available in the full Sustainability Report.

CHALLENGES:

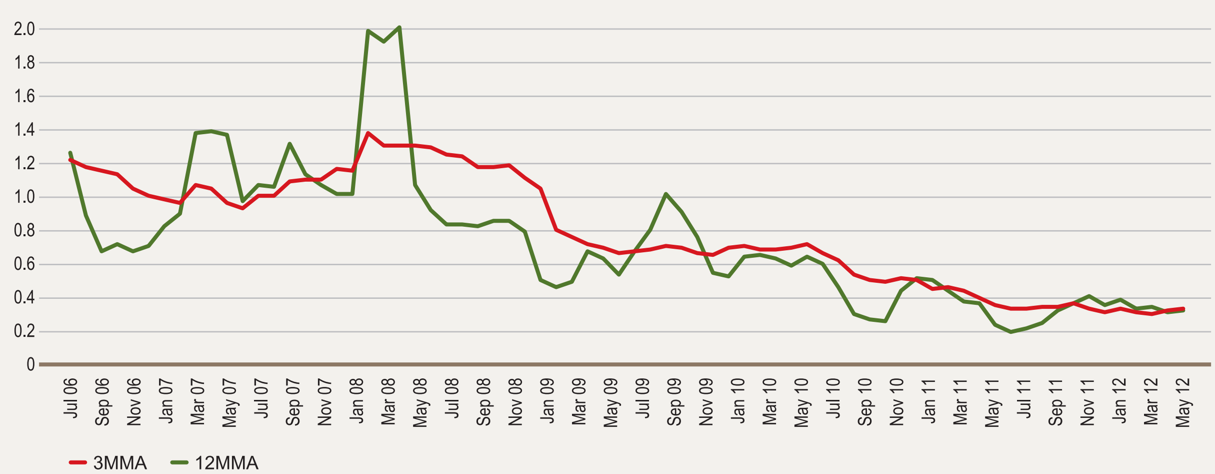
- Despite ARM's commitment to zero harm, there were four tragic fatalities during the year compared to one fatality each in F2011 and F2010. All four fatalities occurred in the Platinum Division, two at Modikwa Platinum Mine and two at Two Rivers Platinum Mine.

More information on these incidents is available in the ARM Platinum operational review on pages 53 and 54.

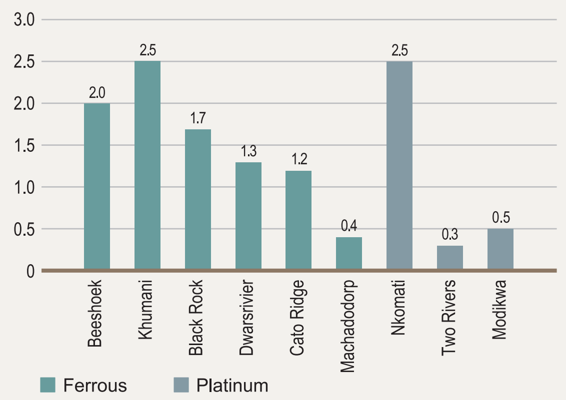
ARM and its Board of Directors extend their sincerest condolences to the family, friends and colleagues of the deceased.

- Fatality Frequency Rate increased to 0.013 in F2012 (F2011: 0.004).
- Section 54 and 55 Notices resulted in the loss of 63 shifts/days in F2012 (F2011: 37).

LTIFR trends 3- and 12-month moving averages (MMA)



Fatality-free shifts (million)



Occupational health and wellness

Caring for the health of our employees is a key part of building a sustainable business. We manage employee health through a programme of periodic physical examinations, biological monitoring and medical testing of employees.

The most common illnesses diagnosed in our workforce (including chronic and primary health-related diseases) are hypertension, upper respiratory tract infection and back/muscular/skeletal ache.

Hazardous substances in our operations include manganese, chromium and coal, tar, pitch and volatiles (CTPV) in our smelting operations. Asbestos has been detected in the ore body at Nkomati Mine and the operation accordingly applies appropriate procedures to mitigate dust liberation and manage exposure.

The principal occupational health issue is noise-induced hearing loss. ARM is committed to reducing workplace noise in line with the DMR's 10 year targets agreed at the Mine Health and Safety Summit in 2003.

Focus in F2012		How we did	Focus in F2013
• Meeting the Department of Mineral Resources (DMR) milestone of reducing machinery noise levels to less than 110 decibels (db) by 2013.	✓	Reduced machinery noise levels to <110 db at most operations through automatic silencer fans, and tender process specifications for new equipment. Target date for outstanding operational compliance is November 2013.	• Ongoing focus on existing and new equipment, noise reduction as well as awareness raising to improve compliance with Personal Protective Equipment (PPE).
• Continue to reduce number of new tuberculosis (TB) infections.	✓	New TB infections reduced to 39 in F2012 (F2011: 68; F2010: 104).	• Continue to reduce the number of new TB infections and manage and monitor those already on treatment.
• Prevent further deterioration in hearing loss through early identification and investigation.	✓	Reduced the number of Percentage Loss of Hearing (PLH) shifts in all categories of hearing loss.	• Continued focus on prevention of hearing loss.

HIGHLIGHTS:

- Monthly reporting of health statistics has been revised and updated in line with the DMR and Mine Health and Safety Council (MHSC) requirements following the Mine Health and Safety Summit in November 2011.
- Managing TB has been a specific focus for the year under review and new infections decreased from 68 in F2011 to 39 in F2012.
- Hearing loss as measured by shift in percentage loss of hearing (PLH) has decreased across all categories.

CHALLENGES:

- Noise Induced Hearing Loss (NIHL) remains a particular focus and the number of cases submitted for compensation has increased to 45 from 33 in F2011.
- Difficulty in attracting and retaining qualified occupational medical staff to remote locations impacts negatively on effectiveness of our medical surveillance programmes.

TB, HIV & Aids

Chronic diseases such as tuberculosis (TB) and HIV & Aids remain a risk to the wellness and productivity of our employees. These issues are managed as part of our occupational health and wellness processes. During the year under review we successfully integrated our HIV policies to include TB and sexually transmitted infections (STIs) management as per the National Strategic Plan (NSP) of 2012 – 2016.

Focus in F2012		How we did	Focus in F2013
• Daily access to voluntary counselling and testing (VCT) at all operations.	X	All operations except Nkomati Mine and Machadodorp Works have moved from VCT to counselling and voluntary testing; all medical examinations at the clinics include HIV counselling and tests are then optional.	• Nkomati Mine and Machadodorp Works are in the process of reviewing service level agreements with their occupational health service providers to align with the rest of the Group.
• Enhancing support to employees living with HIV & Aids.	✓	All operations have programmes run by accredited service providers to address counselling sessions for both health and non-health related matters.	• All service providers to provide detailed quarterly utilisation reports to assist operations with their strategic plans.
• Linking VCT/HCT and prevalence survey results to skills plans.	✓	Prevalence rates have been established and are being used by the Human Resources (HR) department to address contingency planning, multi-skilling plans, succession plans and bursary schemes.	• Calculate HIV economic impact at all operations including corporate office.
• Establish/expand sustainable HIV & Aids community outreach projects.	✓	Operations focus on the following areas as required by the NSP: • Community home-based care. • Support for orphans and vulnerable children. • School health services. • Community HCT/TB campaigns.	• Engage with district health services to manage HIV, TB and STIs in surrounding communities according to the NSP.

HIGHLIGHTS:

- Improved our HIV & Aids programme internal compliance score mark from 60.7% in F2011 to 71.0% in F2012, exceeding our target of 64.4% set in 2008. This is attributable mostly to the significant improvements made by Khumani Mine, Beeshoek Mine, Black Rock Mine and Two Rivers Platinum Mine.
- Increased the number of employees registered on our disease management programme by 32% in the current year.
- The number of employees receiving Anti-Retroviral (ARV) treatment at our facilities increased by 61% in F2012.
- Successfully organised TB campaigns at Khumani Mine, Beeshoek Mine and Black Rock Mine in partnership with the Department of Health, screening more than 6 500 employees.

CHALLENGES:

- The incidence of HIV & Aids continues to significantly affect our operations and the communities in which our employees reside, particularly in Mpumalanga and KwaZulu-Natal.
- Fear of discrimination and stigma continues to prevent individuals from determining their status and/or disclosing their HIV status once they know it.
- Ensuring optimal functioning of local Aids councils.
- Encouraging trained peer educators to remain active.

More information on how we manage and measure occupational health and wellness at our operations, including TB, HIV & Aids, is available in the full Sustainability Report.

Environmental issues

ARM is committed to responsible environmental stewardship as a fundamental part of sustainable value creation. The direct financial incentive to reduce energy consumption in the face of the rising cost of electricity is clear and the proposed carbon tax represents a further incentive. However, the priority we place on environmental management stems from the ARM value set and our commitment to upholding the principles of responsible mining as members of the ICMM.

We recognise that the sound environmental stewardship practised at our operations reduces the risk of negatively affecting the communities around us, in which a large proportion of our workers live. Relationships with Government, labour, communities and Non-Governmental Organisations (NGOs), are an important focus to maintain our licence to operate.

Our most material environmental issues are climate change and resource management with energy use and water availability being key concerns. Climate change implications include physical risks posed by flooding or drought and the risk of a lack of supply of water.

Operational environmental management systems identify environmental impacts and facilitate the implementation of environmental plans and performance monitoring. Environmental performance and compliance are monitored at the operational, divisional and corporate level.

Focus in F2012		How we did	Focus in F2013
• Efficient management of resources, including water and energy.	✓	Efficiency and intensity measures for water and energy have now been established at the divisional level, going back to F2009 in order to determine trends. This is assisting us in understanding the impact of our resource utilisation in order to enhance efficiency.	The efficiency measures to assist in the management of resources are to be established at operational level.
• Strategic review of climate change risks, initiatives and approach. Formulation of a strategy and policy aligned with national legislation and the ICMM's climate change policy developments.	✓	Priority was given to the smelting operations during F2012.	Workshops are being conducted at the remaining operations to finalise the strategic review process in order to finalise a group policy.
• Setting performance objectives and emissions targets as well as integrating our climate change strategy throughout the business.	X	The process to determine performance objectives and targets was implemented at the smelting operations.	This process will be continued at the remaining operations.
• Further improving our environmental data collection, monitoring, and reporting systems.	✓	Improved data collection, specifically regarding energy, was focused on during F2012 which has enhanced our monitoring and reporting system regarding our carbon footprint.	Improving the environmental monitoring, evaluation and reporting system forms part of a continuous improvement process aligned with our Group IT systems development plan.

HIGHLIGHTS:

- A climate change strategy, policy and awareness training project was initiated in F2011. This project is progressing well and includes a carbon management strategy and emissions reduction plan.
- Workshops on carbon strategy and climate change were conducted and follow-up training programmes have been were rolled out at a third of our operations to date. This programme continues and includes scenario planning.
- We submitted a report to the Carbon Disclosure Project (CDP) for the third consecutive year.
- ARM representatives attended COP17 in December 2011.

CHALLENGES:

- Carbon emission reduction and the potential financial impact of the proposed carbon tax.
- Climate change impact on water resources: risk of water scarcity impeding our growth plans and the physical risk of major storm events and flooding.

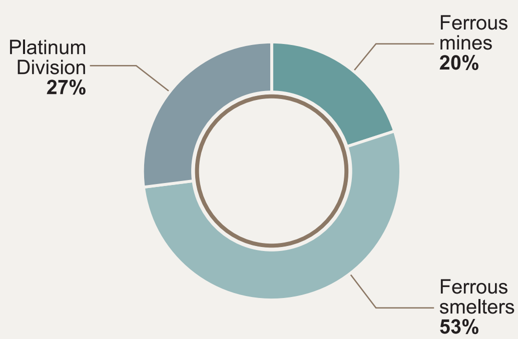
Parsons plant, Khumani Iron Ore Mine

Badplaas water treatment plant upgrade, Nkomati Nickel Mine

Carbon footprint

The main contributors to ARM's carbon emissions are the consumption of electricity produced from coal, diesel use and the use of carbon-based reductants such as coke and coal in our smelters.

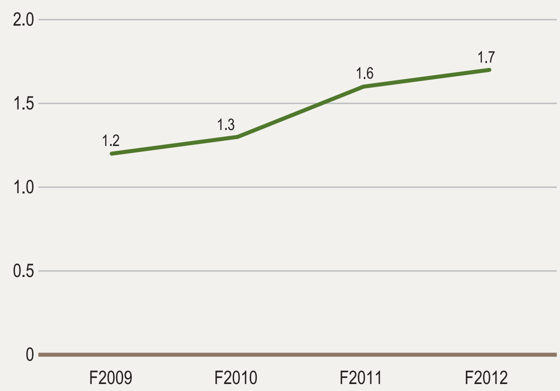
Divisional contribution to our F2011 Scope 1, 2 and 3 carbon footprint



The two smelters in the Ferrous Division are the biggest source of carbon emissions in the Company due to the energy intensive nature of their operations.

ARM submitted a report to the Carbon Disclosure Project (CDP) for the third consecutive year. The CDP submission contains the F2011 carbon emissions attributable to ARM for our joint venture operations.

Carbon footprint – attributable scope 1 and 2 ($mtCO_2e$)



ARM's estimated carbon footprint (Scope 1 & 2 attributable emissions) for F2012 was 1.74 million tonnes carbon dioxide equivalent ($mtCO_2e$), an increase of 9.5% on F2011's 1.59 $mtCO_2e$.

As an operation's carbon footprint will increase with increased production, regardless of most improvements in resource efficiency, we prefer to measure carbon footprint in terms of efficiencies, i.e. per unit of production or as a function of full time employees.

This is presented in more detail in our Sustainability Report.

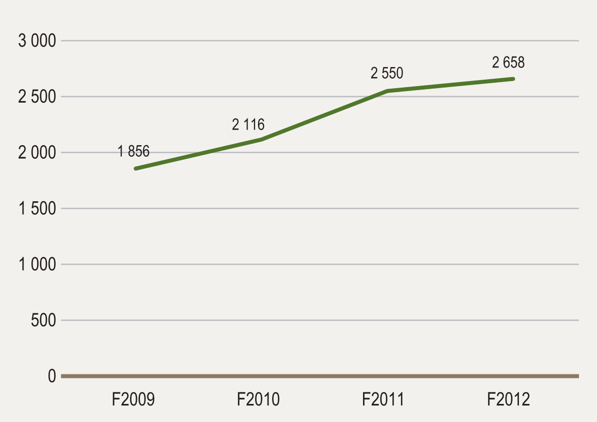
Energy usage

Energy consumption is managed through the Ferrous Division's emissions reduction plan as the largest contributor to the Company's carbon emissions. The Platinum Division's reduction plans will be developed as phase II of the climate change programme currently being rolled out.

Dust suppression water cart, Nchwaning Manganese Mine

Distribution of Deben School uniforms, Khumani Iron Ore Mine

Electricity consumption (000 MWh)



Energy consumption (reported on a 100% basis) in the Company increased 4.3% to 2.7 million megawatt hours (mMWh) in F2012 (F2011: 2.5 mMWh). Measured as consumption per R million sales, electricity consumption in F2012 was 79.9 kWh compared to 89.2 kWh in F2011, an efficiency gain of 10.5%.

Water

Water availability is a key consideration when we plan the expansion or construction of an operation and is certain to become a more pressing issue in future. As water prices adjust to take into account future likely scarcity, users of water will be increasingly financially incentivised to manage consumption through increasing efficient use of water and recycling. This trend is likely to be further exacerbated by the effects of climate change. It is also critical that we ensure that our operations do not have a negative impact on the water quality around us.

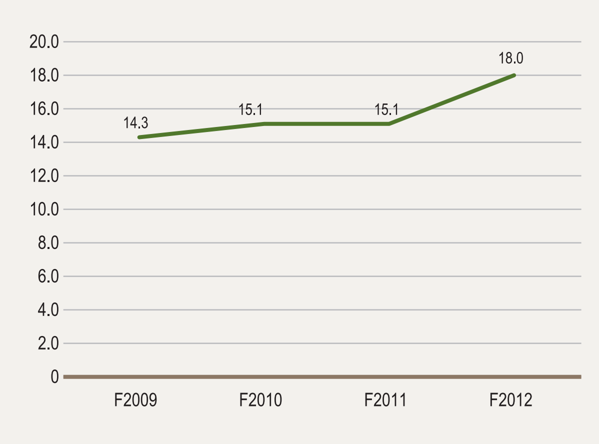
Some of our operations have had to address legacy issues of groundwater contamination and rehabilitate historically contaminated land that impacts on surface and groundwater. Contaminated land surveys have been completed at Machadodorp Works and are currently in progress at Cato Ridge Works in terms of the National Environmental Management: Waste Act (NEMWA). The outcomes of these studies will be included in the next assessment of closure and rehabilitation costs (normally performed before the end of the tax year) and changes will be reflected in the next year's financial provision towards closure and rehabilitation.

Our operations source water from rivers, boreholes and municipal sources as per the terms of their integrated water use licences.

ARM operations engage with the Department of Water Affairs, local communities, local authorities, irrigation boards, catchment management agencies and other industry users to ensure the sustainability of water resources for all stakeholders.

Total water withdrawal in F2012 of 18.0 million m^3 represents a 19.2% increase over F2011 (15.1 million m^3).

Water withdrawal (million m^3)



Full details of our environmental impacts and how these are managed, including a full analysis of the Group's carbon footprint, is available in our Sustainability Report.

Corporate Social Responsibility

ARM is committed to making a significant contribution towards the national agenda of addressing the challenges facing South Africa, including poverty alleviation, job creation, education, welfare and healthcare.

ARM's corporate social responsibility (CSR) strategy functions at three levels:

- At corporate level through the Corporate Social Investment Function (which includes the Chairman's Fund and the Education Trust Fund) as well as the ARM BBEE Trust;
- Through operations-based participation in, and funding of, projects; and
- Through the commitments to local economic development (LED) undertaken as part of ARM's Social and Labour Plans (SLP).

Focus in F2012		How we did	Focus in F2013
• Meeting our SLP/LED commitments.	✓	Our operations track their progress against their SLP commitments and external audits are performed to verify successful implementation of SLPs.	Ensuring, through continuous stakeholder engagement, that commitments are still relevant and continued focus to successfully implement SLP.
• Poverty alleviation, job creation, education, welfare and healthcare.	✓	Contributed R126 million towards social upliftment and sustainable poverty reduction. 1 377 jobs created through LED projects.	Continued improvement.

HIGHLIGHTS:

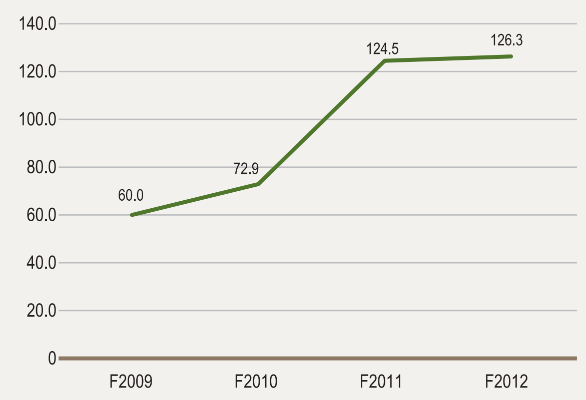
- CSR investment totalled R126.3 million in F2012 (F2011: R124.5 million).
- 1 377 jobs were created through LED projects in F2012 (F2011: 1 041).
- New reporting structure implemented and working well.
- Pilot project introduced in the Ferrous Division to empower operations to deliver sustainable community projects including project management applications.
- Stakeholder engagement approach pilot being tested at Black Rock Mine.
- ARM Ferrous appointed a senior employee to manage CSR and ensure a total project management approach.
- Completed a six-month process to update reporting systems to ensure that CSI statistics could be easily audited.

CHALLENGES:

- Job creation.
- Poverty alleviation.

Full details of our CSR initiatives, including a summary of local economic development and corporate social investment projects, are available in our Sustainability Report.

Corporate Social Responsibility Investment (R million)



Relationships with communities in which we operate, labour and Government

Local communities, labour and Government are key stakeholders and engaging with them to understand their concerns as well as communicate our concerns and progress is a crucial part of our stakeholder engagement programme. Failure to maintain good relationships with these key stakeholders can lead to disruptions in operations and the financial consequences this would entail.

Our approach to stakeholder engagement is discussed in full in ARM's Sustainability Report.

Employees are crucial to our success and we respect their right to collective bargaining. We engage with representative unions within the framework of the relevant labour legislation. The tragic deaths at Lonmin's Marikana mine demonstrate the potential consequences where labour disputes are not resolved to the satisfaction of all parties. At the same time, it is important that all stakeholders understand the real financial consequences of their demands, as was made clear from negotiations during the three week strike at Modikwa. Since resolution of these issues, Modikwa Mine once again met its production targets in the last quarter of the financial year.

We engage with Government at both local and national level to share information and partner to achieve delivery on local economic development strategies including social investment, health and safety, environmental management and transformation.

Human capital

Our growth plans are reliant on our ability to attract and retain the necessary skills to expand successfully. At the same time we need to focus on uplifting our workforce through skills development initiatives.

Focus in F2012		How we did	Focus in F2013
• Further roll-out of integrated human resource management plan.	✓	ARM is currently implementing and rolling out the MAPP (Managing ARM People Potential) Project aimed at developing our in-house human resources system in line with our people strategy and strategic growth and development plan. The Company has to date audited all its policies and procedures and has signed off most of these policies in line with our blueprint. Central to this process is the Company's effort and focus to ensure that all HR practices, policies and principles are aligned with the regulatory Codes of Good Practice.	To continue to generate HR business intelligence solutions for ARM as enablers for us to realise our strategy.
• Centralised learning hub with various academies.	✓	The team responsible for the learning hub has been appointed and progress is on track.	To complete the learning hub in all relevant fields.

HIGHLIGHTS:

- ARM certified 6th out of the 72 South African Best Employers by the Corporate Research Foundation (CRF) Institute.
- Continued progress in terms of employment equity, including gender diversity.
- Employment equity in management increased to 46% in F2012 (F2011: 44%).
- Female employees make up 15% of the workforce (F2011:14%) exceeding the Mining Charter target of 10%.

CHALLENGES:

- Skills attraction and retention.
- Housing around our remote operations.
- Training and development.

Tjakastad Maths and Science Project, Nkomati Nickel Mine

Zonke Stone Art, Khumani Iron Ore Mine

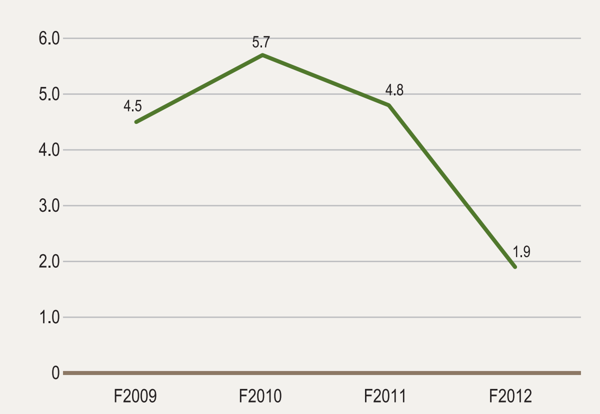
Attraction, retention and development of skills

During F2012, the Company created an average of 2.4 permanent positions in its operations per calendar day. Over the past five years we have created an average of 2.5 permanent jobs per calendar day, totalling 4 648 new jobs over the five-year period.

Our goal is to be the employer of choice in the mining industry and we have a number of initiatives in place to achieve this, including regular benchmarking of our levels of remuneration against our peers and recruiting from local communities wherever possible.

Our progress in this regard is reflected in our permanent employee turnover rate, which averaged 1.9% in F2012 (F2011: 4.8%), well below the industry average.

Employee turnover* (%)

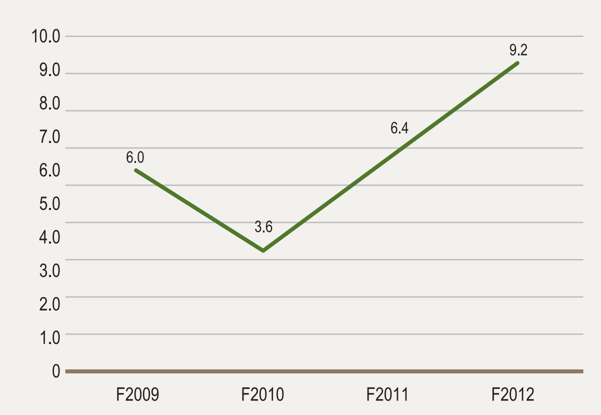


* *Excludes contractors.*

While we consider our workforce to have good skills, the risk of a shortage of skills, and especially technical and management skills, to meet our aggressive growth plans is an important input into our recruitment, skills development and staff retention plans. Skills development initiatives within the Group include learnerships, internal and external bursaries and study assistance. We have established learnership academies at operations to increase skills levels and as part of succession planning.

During F2012, the Company spent 9.2% of its annual payroll on skills development (F2011: 6.4%).

Skills development spend (% of payroll)



Some of our operations in the Northern Cape lack appropriate housing in close proximity to the mine which represents a risk to our ability to attract and retain the right people. We are proactively addressing this through a major housing project.

Our Sustainability Report includes a full discussion of our Human Capital statistics and skills development initiatives.

Transformation

ARM recognises that the transformation of the mining industry into one reflective of all South Africans is in the long-term interests of the Company, the industry and the nation. We are committed to being a transformation leader in the industry. Our approach is guided by the Broad-Based Socio-Economic Charter of the Mining Industry (Mining Charter) and our transformation action plans are built around delivering on the commitments made in our Social and Labour Plans.

True transformation takes time and although we exceed the current Mining Charter targets for employment equity and gender diversity, the increased HDSA representation required from 2014 (40%) will be a demanding target to meet especially in professionally qualified employees and senior management. We have implemented strategies to achieve these targets and their successful execution will also contribute to improving transformation within top management.

Focus in F2012		How we did	Focus in F2013
• Continue to increase BEE procurement by target of 2.5% per annum.	✓	A focus to clarify definitions regarding specific inclusions and exclusions of BEE procurement has generally raised the F2012 performance at all business units.	Continued focus to increase BEE procurement by 2.5% year-on-year.
• Source and attract new BEE and BBBEE compliant suppliers.	✓	The number of BBBEE accreditation agencies has more than doubled, favourably contributing to the number of accredited service providers.	Managing the availability of valid BBBEE certificates.
• Review and revise preferential procurement policy and procedures in line with the revised Mining Charter.	✓	ARM responded successfully to the DMR's requirement to differentiate BEE expenditure into capital services and consumables.	While BEE capital requirements should reasonably be met, BEE services and consumables will require strong effort.

HIGHLIGHTS:

- All ARM's business units which had differentiated their procurement into capital, services and consumables exceeded the Mining Charter targets in these categories for F2012.
- Independently verified as a Level 4 BEE Contributor with a score of 69.33% (F2011: Level 3 and 75.18%).

CHALLENGES:

- Meeting 2014 Mining Charter BEE targets for Capital Services and Consumables preferential procurement.
- ARM has submitted the Mining Charter scorecards for all its mines to the Department of Mineral Resources (DMR), based on the guidelines published in the Government Gazette. We will continue to consult with the DMR and through the Chamber of Mines forums to remain informed as to the understanding with regard to the implementation of the Mining Charter Scorecard develops.

Further information on our approach to transformation and performance against the Mining Charter is available in our full Sustainability Report.

Adding value

During the year under review ARM created significant value for a diverse range of stakeholders in the form of:

- Employee wages and benefits;
- Taxation and royalties paid to Government;
- Dividends paid to shareholders;
- Providers of capital;
- Socio-economic development initiatives in the communities in which we operate; and
- Re-investment to ensure its sustainability over the long-term and value creation for stakeholders.

ARM's value added statement shows an overall increase of 9% in wealth created and distributed in F2012, up from R8 606 million in F2011 to R9 421 million. Sales for the year increased by 18% to R17.5 billion (F2011: R14.9 billion).

Value added statement

	F2012 Rm	F2011* Rm	F2010 Rm	F2009 Rm	F2008 Rm	F2007 Rm
Sales	**17 530**	14 893	11 022	10 094	12 590	6 152
Net cost of products and services	**8 329**	6 357	5 604	4 201	4 318	2 527
Value added by operations	**9 201**	8 536	5 418	5 893	8 272	3 625
(Loss)/income from associate	**11**	(135)	(51)	147	461	16
Exceptional items	**(70)**	(11)	97	514	162	14
Income from investments	**279**	216	209	414	168	51
Wealth created	**9 421**	8 606	5 673	6 968	9 063	3 706
Applied as follows to:						
Employees as salaries, wages and fringe benefits	**2 179**	1 856	1 491	1 399	1 053	738
The state as taxes	**1 633**	1 693	1 009	1 727	2 084	781
Royalty tax	**492**	162	20			
Providers of capital	**1 324**	836	725	1 034	1 213	561
– Equity – dividend	**959**	426	371	847	315	–
– Non-controlling interest	**133**	194	162	(198)	460	191
– Outside – finance cost	**232**	216	192	385	438	370
Total value distributed	**5 628**	4 547	3 245	4 160	4 350	2 080
Re-invested in the Group	**3 793**	4 059	2 428	2 808	4 713	1 626
Amortisation	**1 315**	1 118	987	787	541	406
Reserves retained	**2 478**	2 941	1 441	2 021	4 172	1 220
Wealth distributed	**9 421**	8 606	5 673	6 968	9 063	3 706
Market capitalisation at FYE (R billion)	**35.7**	40.2	34.3	27.5	59.2	25.9

** Restated for early adoption of IFRIC 20.*

Our sustainability performance year-on-year

Performance indicator	F2012	F2011*	F2010
Economic and related core baseline indicators			
Revenue (Rm)	**18 142**	15 357	11 425
Sales (Rm)	**17 530**	14 893	11 022
Duties, levies and taxes paid (Rm)	**1 633**	1 693	1 009
Headline earnings (Rm)	**3 451**	3 374	1 714
EBITDA (Rm)	**6 531**	6 517	3 907
Purchased materials and services (Rm)	**8 329**	6 353	5 604
Value added	**9 421**	8 606	5 673
*Procurement of capital goods, services and consumables from BBBEE Suppliers (%)	**95.5**	74.4	52.5
Number of environmental administrative penalties/fines	**None**	None	2
Employee indicators (100% basis)			
Total number of all ARM employees and contractors	**26 587**	28 704	22 776
– Employees (permanent)	**12 373**	11 496	10 281
– Contractors (mainly used in capital projects)	**14 214**	17 208	12 495
New jobs created (direct employment only)	**877**	1 215	802
Employee turnover (excluding contractors) %	**1.9**	4.8	5.7
Investment in employee training and development			
– Total expenditure (Rm)	**137**	96	50
– % of payroll	**9.2**	6.4	3.6
Employment equity (% representation of previously disadvantaged groups among permanent employees)			
– Top management	**50**	38	44
– Senior management	**48**	40	32
– Professionally qualified	**44**	50	45
– Technically qualified	**66**	69	67
Lost Time Injury Frequency Rate (LTIFR) (200 000 man hours)	**0.40**	0.43	0.77
Reportable/serious accidents	**75**	74	90
Number of lost workdays due to industrial action	**102 600**	14 816	2 411
Environmental indicators (100% basis)			
Total water withdrawn (m^3) (municipal, surface and groundwater)	**17 991 948**	15 091 358	15 060 418
Energy usage			
– Electricity (kWh)	**2 658 452**	2 547 836	2 003 918
– Oil (000 litres)	**3 575**	2 909[+++]	2 934[+++]
– Diesel (000 litres)	**96 360**	73 559	55 732
Emissions (Attributable[+++])			
Carbon footprint equivalent (equivalent tonnage CO_2) – Scope 1 & 2 Total	**1 737 068[+++]**	1 587 049[+++]	1 325 333[+++]
– Scope 1	**485 277**	386 232[+++]	327 713[+++]
– Scope 2	**1 251 791**	1 200 816[+++]	997 620[+++]
– Scope 3	**In the process of determining**	393 102[+++]	220 128[+++]
Carbon emission intensity ratios (Scope 1 & 2)			
– Tonnes CO_2e/1 000 ZAR	**0.104**	0.110	0.123
– Tonnes CO_2e/Full Time Employee	**279.4**	274.5	256.2
Direct emissions (tonnes) (100% basis)			
– CO_2 emissions – direct (tonnes) (Cato Ridge and Machadodorp only)	**552 234**	561 060	589 559
– NOx (tonnes)	**1 429**	1 120	1 169[++]
– SOx (tonnes)	**1 316**	816	1 572[++]
– Particulate matter (tonnes)	**384**	460	381[++]
Corporate Social Responsibility			
Total community upliftment and Corporate social investment (Rm)	**126.3**	124.5	72.9
– CSI (Rm)	**36.3**	18.0	14.5
– LED (Rm)	**84.9**	100.4	43.8
– ARM BBEE Trust (Rm)**	**5.1**	6.0	14.6

** Some economic and related core baseline indicators have been restated for early adoption of IFRIC: 20.*
Non-financial data based on 100% (vs attributable to equity) unless otherwise stated, e.g. emissions data.
The Employment Equity report was submitted to the Department of Labour and complies with Section 21 of the Act.
LTIFR: injury rates are measured per 200 000 man hours, in line with general SA practices and include both ARM employees and contractor incidents.
++ Environmental indicators: we continue to improve our systems for measuring and monitoring our performance to ensure comprehensive and reliable data. Accordingly, our figures for previous years have in certain cases been restated.
+++ Values attributable to shareholding percentages.
 # The Scope 1 and 2 Carbon Footprint has been provisionally calculated for F2012, this will form part of the next CDP submission in 2013. For CDP purposes, ARM submits data for the preceding financial year, i.e. the March 2013 CDP submission will contain results for 1 July 2011 to 30 June 2012.

Operational review

ARM's **"We do it better"** management style brings **entrepreneurial flair to the businesses** it manages and is invested in. ARM's partners provide **access to markets, skills and value generating growth opportunities.**

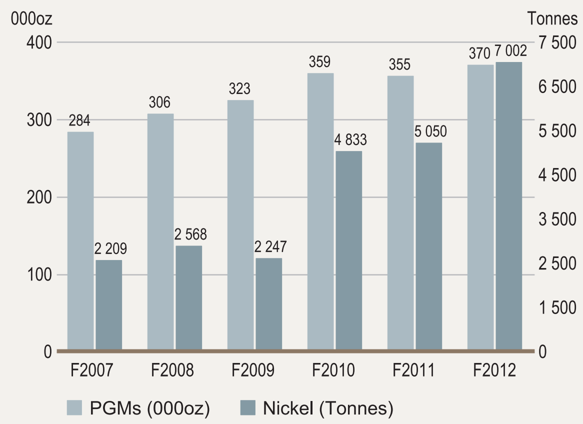
ARM Platinum

		F2012	F2011*	%
Headline earnings	Rm	**60**	515	(88)
EBITDA Margin	%	**17**	32	
EBITDA	Rm	**852**	1 540	(45)

* *Restated for early adoption on IFRIC 20.*

Total attributable capital expenditure	R0.9 billion
Total labour in F2012	11 490 (including 6 189 contractors)
Key projects invested in during the year	Nkomati Nickel Large-Scale Expansion Project

ARM Platinum attributable production volumes



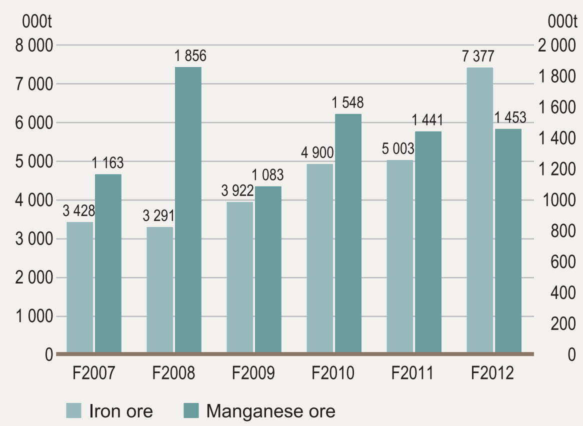
ARM Ferrous

		F2012	F2011*	%
Headline earnings	Rm	**3 495**	2 897	21
EBITDA Margin	%	**45**	50	
EBITDA	Rm	**5 373**	4 728	14

* *Restated for early adoption on IFRIC 20.*

Total attributable capital expenditure	R2.2 billion
Total labour in F2012	10 192 (including 3 460 contractors)
Key projects invested in during the year	Khumani Iron Ore Expansion Project from 10 to 16 million tonnes per annum

ARM Ferrous attributable sales volumes



ARM attributable

		F2012	F2011*	%
Headline earnings	Rm	**3 451**	3 319	2
EBITDA Margin	%	**37**	43	
EBITDA	Rm	**6 531**	6 517	2

* *Restated for early adoption on IFRIC 20.*

Total attributable capital expenditure	R3.4 billion
Total labour in F2012	26 587 (excluding ARM Coal)

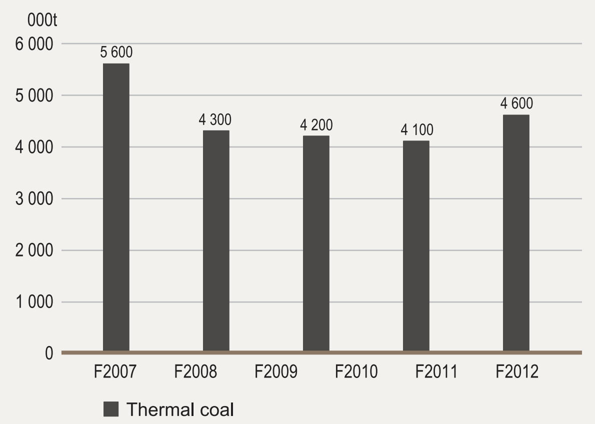
ARM Coal

		F2012	F2011*	%
Headline earnings	Rm	**52**	(103)	–
EBITDA Margin	%	**42**	43	
EBITDA	Rm	**323**	217	49

* *Restated for early adoption on IFRIC 20.*

Attributable capital expenditure	R0.2 billion
Key investment projects during the year	Goedgevonden Coal Mine

ARM Coal attributable sales volumes



ARM Copper

Lubambe Copper Project

- Measured and Indicated Resource of 57.4 million tonnes at 2.42% copper.
- 2.5 million tonnes to be milled yielding 45 000 tonnes of copper in concentrate per annum.
- Concentrator plant to be commissioned by the end of the 2012 calendar year, full production in the 2015 financial year.
- Life of mine of 28 years.
- Total capital expenditure of US$410 million (in July 2010 terms).
- C1 cash cost of US$1.45/lb (55th percentile at steady state: 2015).
- Potential to increase output to 100 000 tonnes copper per annum (Lubambe Extension Area resource).

ARM Exploration

The focus of ARM Exploration Division is to identify and assess quality business opportunities in sub-Saharan Africa.

Effective from 1 July 2011, the copper exploration assets that previously formed part of ARM Exploration, including a 30% shareholding in the Kalumines Copper Project and a 50% shareholding in the Lusaka & Kabwe Project, have been moved into the ARM Copper Division.

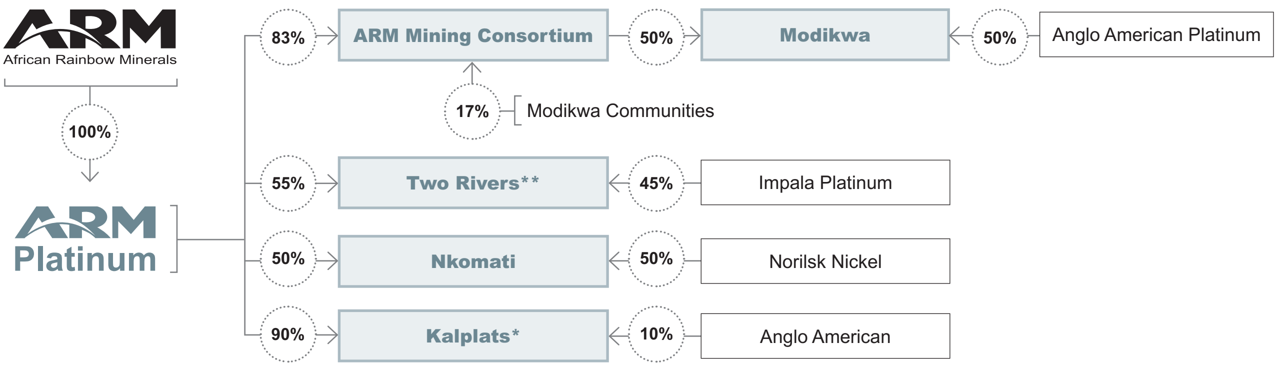
A highly skilled and experienced exploration team has been established under the leadership of Jan Steenkamp.

ARM Exploration has signed an agreement with Rovuma Resources, a Mozambican exploration company, to explore for manganese ore, nickel, PGMs and base metals in Mozambique. In terms of the agreement ARM will fund ongoing exploration at an estimated cost of US$7 million per annum and has exclusive rights to exercise options to purchase prospecting/mining rights to the resources.

ARM Platinum

Francois Uys, Executive: ARM Platinum

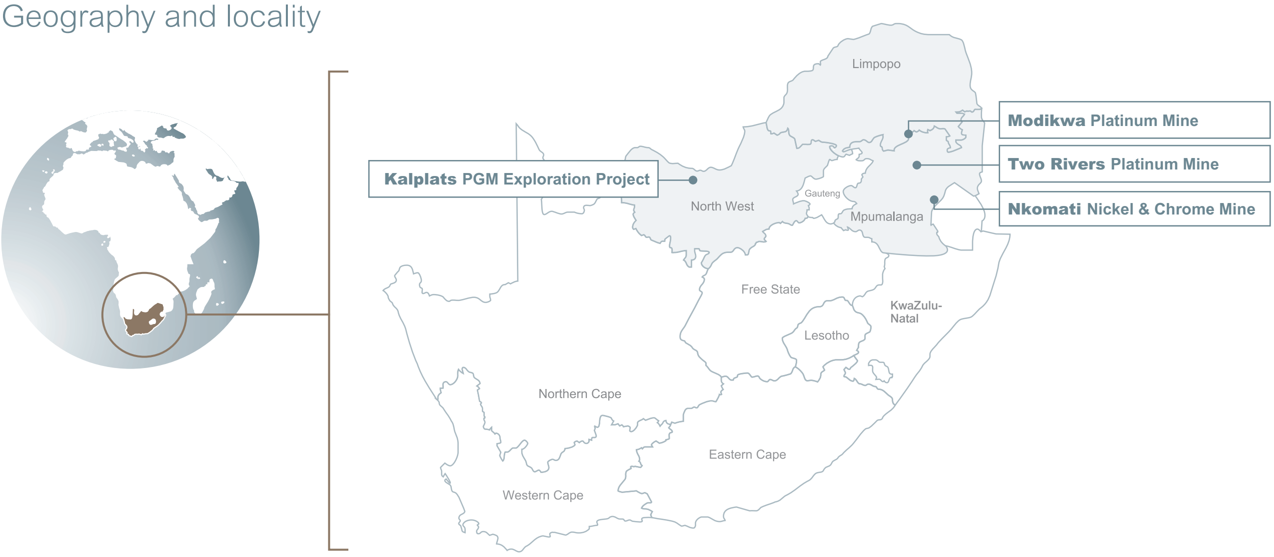
Divisional structure



* Platinum Australia earned 12% ownership on completion and approval of the prefeasibility study. The transfer of this ownership is in the process of being effected. Platinum Australia will earn an additional 32% on completion of a bankable feasibility study. In the event that the JV acquires Anglo American's 10%, Platinum Australia has the right to acquire 49% of the acquired 10%.

** ARM shareholding in Two Rivers will reduce to 51% once the transfer of the Kalkfontein portions 4, 5 and 6 and Tweefontein prospecting rights has been effected.

Geography and locality



Scorecard

F2012 objectives	F2012 performance	F2013 objectives
Modikwa		
Achieve 340 000 6E Platinum Group Metals (PGM) oz. Maintain Modikwa's cost positioning below the 50th percentile of the global PGM cost curve.	Modikwa only achieved 304 044 6E PGM oz as a result of safety stoppages and prolonged industrial action. Modikwa remains positioned below the 50th percentile of the global PGM cost curve.	Achieve 350 000 6E PGM ounces while retaining Modikwa's cost curve position.
Sinking of South 2 decline.	Development of South 2 commenced; advanced to approximately 400 metres.	Continue development of South 2.
		Re-establish Modikwa as a 240 ktpm (from underground) operation by F2015.
Two Rivers		
Maintain steady state production at 313 000 6E PGM oz.	Two Rivers achieved 320 113 6E PGM oz. Two Rivers remains positioned below the 50th percentile of the global PGM cost curve.	Maintain steady state production at 320 000 6E PGM oz.
Complete feasibility study on Merensky mining.	The feasibility study was completed. The only outstanding items are power supply and tailings facilities.	Refine feasibility results in anticipation of project release in 2016.
		Improve efficiencies with the implementation of the chrome rejection and PGM enhancement plants.
Nkomati		
Optimise efficiencies and recoveries of 250 000 tonnes per month (ktpm) plant.	Recoveries at the 250 ktpm plant improved by 13%.	Continue improvement in recoveries and efficiencies on the plant with overall recoveries above 70% and increase tonnes milled to 300 ktpm.
Focus on improving 375 ktpm plant grades and recoveries.	Overall plant grades and recoveries are improving as mining of oxidised ore in Pit 3 comes to an end.	Continue improving recoveries and efficiencies on the plant with overall recoveries above 70%.
Continue with spot sales of chrome concentrate subject to commercially acceptable off-take agreements.	Chrome concentrate continues to be sold on the spot market.	Continue with spot sales of chrome concentrate subject to commercially acceptable off-take agreements.
Achieve chrome sales of 560 000 tonnes including 511 000 tonnes of chrome concentrate.	Chrome sales were 505 316 tonnes including 441 173 tonnes of concentrate. Chrome sales were lower as a result of subdued chrome ore market conditions.	Achieve sales of 265 000 tonnes of chrome concentrate.
Kalplats		
Perform test work on bulk sample to confirm grade, recovery and dilution parameters.	The bulk sample was delayed.	Evaluate the definitive feasibility study.

Overview

Operational overview – attributable to ARM		**F2012**	F2011	F12/11 % change	Operational target F2013
Modikwa – PGM production	Ounces 6E	**152 022**	159 668	(5)	↑
Two Rivers – PGM production	Ounces 6E	**176 062**	168 939	4	→
Nkomati Nickel Mine					
– Nickel	Tonnes	**7 002**	5 050	39	↑
– PGMs	Ounces	**42 022**	26 805	57	↑
– Copper	Tonnes	**3 686**	2 605	41	↑
– Chrome ore sold	000t	**32**	167	(81)	↓
– Chrome concentrate sold	000t	**221**	191	16	↓
ARM Platinum PGM production (including Nkomati)	Ounces	**370 106**	355 412	4	↑

Financial overview – attributable to ARM		**F2012**	F2011	F12/11 % change
ARM Platinum cash operating margin	%	**16**	32	(50)
Headline earnings contribution to ARM	R million	**60**	515*	(88)

** Restated due to the early adoption of IFRIC 20.*

Sustainability overview – 100% basis		**F2012**	F2011	F12/11 % change	Operational target F2013
LTIFR*		**0.54**	0.40	35	↓
CSR** spend	R million	**24**	66	(64)	↑
Electricity consumption	MWh	**724**	673	8	↓
Water consumption	million m^3	**6.5**	6.1	6	↓
Carbon footprint Scope 1 & 2 attributable	tCO_2	**403 241**	371 329	9	↓

** LTIFR: Lost Time Injury Frequency rate per 200 000 man hours.*
*** CSR: Corporate Social Responsibility.*
All figures based on 100% interest in subsidiaries/JVs except tCO_2e which is attributable (as per CDP submission).

Operational and financial review

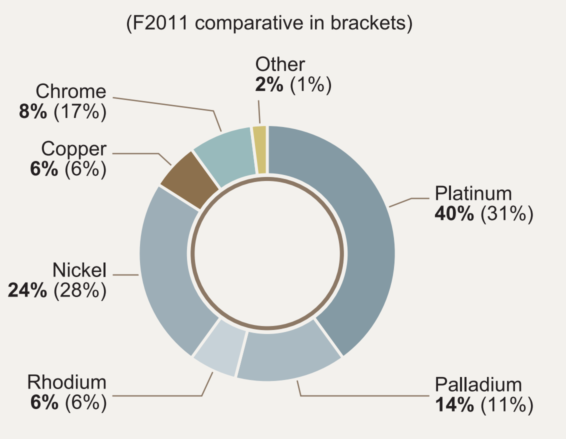
Attributable headline earnings decreased from R515 million to R60 million driven mainly by a significant fall in commodity prices, above inflation wage increases, utility tariff increases, coupled with safety stoppages and industrial action. PGM production (on 100% basis including Nkomati) increased 4% to 708 200 ounces (F2011: 680 108 ounces) while total nickel produced increased by 39% to 14 004 tonnes (F2011: 10 100 tonnes).

With unit costs of R4 779/6E PGM oz and R5 864/PGM oz respectively, Two Rivers and Modikwa continue to be positioned below the 50th percentile of the global PGM cost curve.

Dollar PGM prices were lower than the corresponding period but an 11% weakening in the Rand against the US Dollar compensated for the reduced PGM prices, resulting in the basket prices for Modikwa and Two Rivers remaining essentially unchanged at R267 998/kg and R279 804/kg respectively. The weakening of the Rand from R6.99/US$ to R7.77/US$ was not sufficient to compensate for the significant reduction in US Dollar nickel and chrome prices. This fall in prices severely impacted the earnings at Nkomati Mine.

Realising the debtors at 30 June 2011 resulted in a positive mark-to-market adjustment of R97 million (F2011: negative R23 million).

F2012 ARM Platinum revenue contribution per commodity
(100% basis)



Modikwa Platinum Mine

Modikwa experienced a challenging year caused by prolonged industrial action and safety stoppages in the second half of the financial year. Cash operating profits decreased by 53% as a combined result of reduced production and increased cost. Production, both tonnes milled and PGM ounces produced, declined by 5%, with PGMs for the year totalling 304 044 6E ounces (F2011: 319 336 ounces). Unit costs increased 18% to R819 per tonne milled (F2011: R692) and Rand unit cost per 6E PGM ounce increased 18% to R5 864 per ounce (F2011: R4 979 per ounce). The cost increases were as a result of a fall in volumes as a result of an industrial action that lasted five weeks, high labour inflation, higher electricity tariffs and increased diesel costs.

Two Rivers Platinum Mine

Operationally Two Rivers performed well, increasing tonnes milled by 5%. PGMs produced increased to 320 113 ounces (F2011: 307 162 ounces). The decline in cash operating profit at Two Rivers can be attributed to the 9% decrease in the PGM basket price and the 11% increase in total cash cost. Unit cash cost per PGM ounce only increased by 6% to R4 779 per 6E PGM ounce (F2011: R4 499 per 6E PGM ounce).

Nkomati Mine

Optimisation of maintenance practices, ore fragmentation and ore loading rates delivered improved production results. A 21% increase in total tonnes milled combined with improved grades (6%) and recoveries (5%) at the concentrator plants, delivered a 39% growth in nickel output. The improvement in head grade can be attributed to mining commencing in the deeper ore in Pit 3. The MMZ grade is expected to be higher during the next two to three years.

Chrome ore sales declined to 64 144 tonnes (F2011: 334 803 tonnes) while chrome concentrate sales increased by 16% to 441 173 tonnes (F2011: 381 196 tonnes). A 40% decline in chrome concentrate prices from US$278/t to US$168/t negatively affected earnings from chrome. In April 2012 Nkomati Mine put the chrome spiral plant on care and maintenance owing to deteriorating chrome market conditions. The spiral plant will be restarted as soon as market dynamics improve.

Nkomati's cash operating profit of R130 million is 84% down from the previous period. The decline in profits can be attributed to a 22% decline in the nickel price and a 40% decrease in chrome concentrate prices. The unit costs remained flat at R272 per tonne milled (F2011: R271 per tonne milled) as a result of an increase in volumes. The C1 unit cash cost increased to US$8.58/lb net of by-products (F2011: US$4.99). Chrome credits contributing to the cash cost net of by-products reduced to US$0.06/lb (F2011: US$3.99/lb).

Head grade and plant recoveries

Ore quality in Pit 3 is improving as mining is progressing into deeper areas. The head grade of the concentrator plants increased by 5%, contributing significantly to enhanced plant performance. To enhance credibility of assay results an independent assay laboratory is performing all assay analyses for reporting purposes.

Nkomati had 400 tonnes (F2011: 720 tonnes) nickel in concentrate stock at the port at year end.

Advanced waste stripping and a reverse circulation drilling programme will continue to enhance our knowledge on the complexity of the ore body.

Cash cost

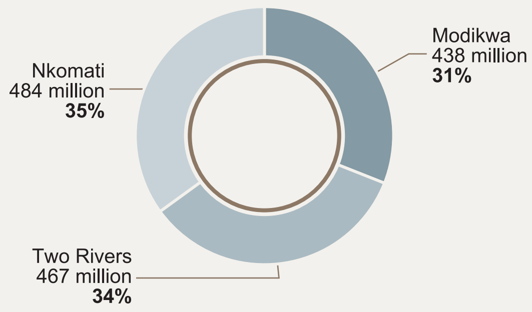
An increase in efficiencies and volumes caused unit cost to remain flat at R272 per tonne milled (F2011: R271 per tonne). The cash cost net of by-products (C1 cash cost) increased from US$4.99/lb to US$8.58. The increase in C1 cash cost is attributed to the following:

- Chrome credits reduced to US$0.06/lb (F2011: US$3.99/lb)
- Other by-product credits reduced to US$3.57/lb (F2011: US$4.01/lb) as a result of lower dollar metal prices.

Capital expenditure

Capital expenditure at ARM Platinum was R1.4 billion for the financial year under review (R928 million attributable). Modikwa's major capital items included the deepening of North Shaft, the sinking of South 2 Shaft, an underground mining fleet replacement programme, a housing project and the establishment of a UG2 open pit operation. Of the capital spent at Two Rivers, 22% is associated with the replacement of the underground mining fleet, while the balance was incurred in the deepening of the Main and North declines as well as a PGM scavenger plant to enhance recoveries. Capital expenditure at Nkomati was R364 million of which R16 million was spent on the completion of the Nkomati Large-Scale Expansion Project and the balance to sustain operations.

F2012 ARM Platinum capital expenditure (100% basis)
(R million)



Sustainability review

This summary section provides an overview of ARM Platinum's performance against the Company's most material sustainability issues. Each of these issues, as well as other sustainability issues such as biodiversity, environmental mitigation, materials and waste and human resources issues, are analysed and discussed in more detail in the Sustainability Report, available on our website (**www.arm.co.za**).

Safety

ARM Platinum experienced four unfortunate fatalities in the year under review. In December 2011, Mr Ananias Silvano Chambale was injured at Two Rivers Platinum Mine and subsequently passed away as a result of the injuries he sustained. In January 2012, Mr Daniel Vusi Ntuli was fatally injured in a fall of ground accident while watering down broken rock at Two Rivers Platinum Mine. In the same month, Ms Patricia Moropa and Mr Khateane Lenong were fatally injured during a fall of ground while installing support at Modikwa Mine.

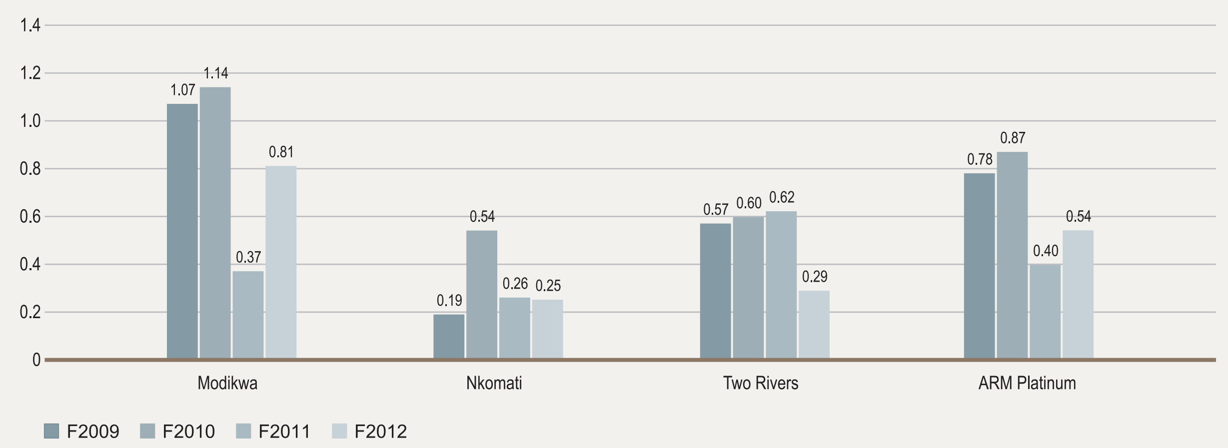
The safety and wellbeing of our workers is extremely important to us and we deeply regret these tragic accidents.

It is worth noting that in the quarter preceding these accidents, Modikwa Mine had achieved 8.7 million fatality-free shifts and operated for 68 consecutive months without a fatality, while Two Rivers Mine achieved 2.7 million fatality-free shifts.

The LTIFR for ARM Platinum increased to 0.54 per 200 000 man hours (F2011: 0.40) mainly due to the increase at Modikwa Mine from 0.37 to 0.81. In response to the fatalities, the safety strategy and management plan at Modikwa Mine have been revised in order to improve safety.

Nkomati Mine's good safety record continued and the mine achieved 2.4 million fatality-free shifts during F2012.

ARM Platinum safety performance (LTIFR)



Occupational health and wellness

Occupational health and wellness concerns for ARM Platinum include hypertension, diabetes and tuberculosis (TB). Noise-induced hearing loss is a particular concern and the main focus of our occupational health surveillance and management programmes.

All ARM Platinum operations have implemented integrated policies on HIV, TB and sexually transmitted infections as required by the National Strategic Plan 2012 – 2016 and the Mining Charter. Estimated HIV prevalence rates were 35% at Nkomati Mine, 15% at Modikwa Mine and 7% at Two Rivers Platinum Mine. These rates are generally below those of the districts in which the mines are located.

The operations are involved in projects to assist local communities, including providing a site for the HIV Counselling and Testing (HCT) and TB screening at Nkomati Mine, as well as the involvement of Modikwa Mine and Two Rivers Mine in the business sector group that drafted the Limpopo Provincial strategic plan 2012 – 2016.

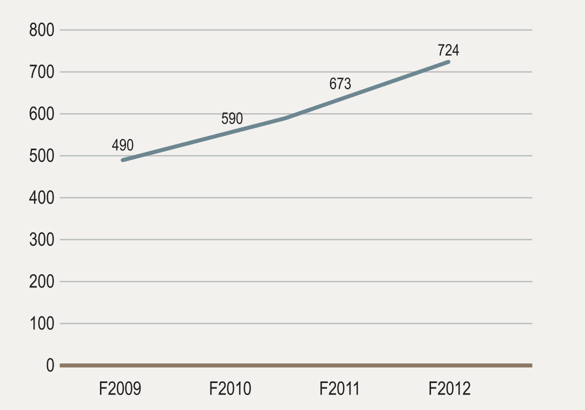
Further information on prevalence rates and our approach to managing HIV & Aids is available in the 2012 Sustainability Report.

Environment

ARM Platinum's estimated Scope 1 and 2 carbon footprint for F2012 was 403 241 equivalent tonnes of CO_2 (tCO_2e) on an attributable basis, an increase of 9% on the prior year's 371 329 tCO_2e. Two Rivers Mine contributed approximately 25% of the division's carbon footprint, Nkomati Mine 46% and Modikwa Mine 29%.

Energy usage is the biggest contributor to ARM Platinum's carbon footprint and the division is in the process of setting energy reduction targets. ARM Platinum's electricity consumption for the year was 724 megawatt hours (MWh) on a 100% basis, an 8% increase on F2011's 673 MWh.

ARM Platinum electricity consumption (MWh)



Water withdrawal increased by 6% to 6.5 million m^3 in F2012 (F2011: 6.1 million m^3) in line with increased production at the mines. Nkomati Mine used the most water of the three mines and Two Rivers Mine the least.

Corporate Social Responsibility (CSR)

ARM Platinum spent R24 million on CSR in F2012 compared to R66 million in F2011. The 64% decrease is due to the completion of a 12 kilometre tarred road in the Maandagshoek community in F2011 which was not replaced with a similar scale project in F2012. Local Economic Development (LED) in terms of the

Nkomati Nickel Mine MMZ concentrator plant

Social Labour Plans (SLPs) was R19 million declining from R63 million in F2011.

Corporate Social Investment (CSI) increased to R6 million in F2012 (F2011: R3 million). Priority areas in terms of the CSI policy include health, education, sporting events, community capacity building, arts and culture, job creation and infrastructure.

The division's LED projects included:

- The construction and equipping of a bakery and a sewing factory for local communities by Modikwa Mine.
- Completion of the construction of a 12 km tar road which will benefit the Mooihoek and Maandagshoek communities by Modikwa Mine.
- The upgrade of water treatment works in the Badplaas Community by Nkomati Mine.
- The construction of a community hall in Kalkfontein that will accommodate 450 people by Two Rivers Mine.

CSI initiatives during the year include:

- The Tjakastad Maths and Science Centre project by Nkomati Mine which included the provision of 25 computers installed with interactive education programmes and the creation of two full-time job opportunities.
- The repair of cricket nets and sponsorship of uniforms for Lydenburg Hoërskool by Two Rivers Mine.
- Supporting soccer and marathon events in Mampudima and Matimatjie communities by Modikwa Mine.

Labour relations

During the year there were two strikes at ARM Platinum mines; a six day stoppage at Nkomati Mine in September F2011 and a five week strike at Modikwa Mine in April F2012. These work stoppages were addressed responsibly by the mine management and employee representatives.

Transformation

ARM assesses its transformation progress against the guidelines gazetted for the Mining Charter. Modikwa Mine, Nkomati Mine and Two Rivers Mine achieved scores above 90% for the 2011 calendar year which classifies these operations as excellent performers. Capacity is being built at the operations in order to meet Mining Charter Scorecard targets and reporting requirements.

Mining authorisation

Nkomati Mine was granted Mining Rights 146 MR and 147 MR respectively on 6 June 2012 over the area, and for the minerals, as previously held under its Old Order Mining Licences.

Two Rivers Mine holds an Old Order Mining Licence no. 4/2003 on Dwarsrivier 372KT, relating only to the PGEs contained in the Merensky and UG2 reefs. An application for a new order conversion of the mining licence was submitted in July 2007. The application has been approved but not yet executed.

The conversion application for new order rights for Modikwa Mine was submitted on 31 March 2009. The approval of the application is still pending.

In September 2006, ARM Platinum was granted a prospecting right (PR492 of 2006) over the Kalplats Project covering portions of the farms Groot Gewaagd 270, Gemsbok Pan 309, Koodoos Rand 321 and Papiesvlakte 323 (approximately 3 810 hectares). The prospecting right was renewed until 26 July 2012 when it lapsed. ARM Platinum has applied for a Retention Permit of the Kalplats Project area since market conditions are not conducive for the Company to exploit the area. In April 2007, a new order prospecting right (DME1056) (approximately 62 985 hectares) was granted to ARM Platinum over the Extended Project area which covers an additional 20 kilometres of strike to the north and 18 kilometres to the south of the Kalplats Project area.

Prospects

Modikwa

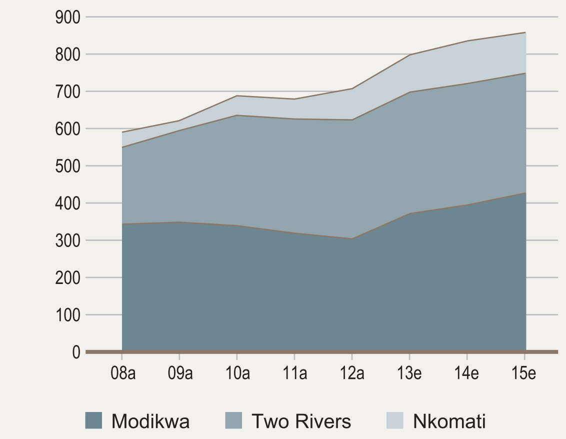
The UG2 Phase 2 replacement project to increase production to design capacity of 240 000 tonnes per month is ongoing. The capital expenditure required for the replacement project exceeds the cash currently being generated by the mine with cash shortfalls being funded by the partners.

Work on the South 2 decline system continues as expected. The materials decline has advanced 418 metres and the Chairlift decline has advanced 409 metres from surface. Reef was intersected at approximately 335 metres.

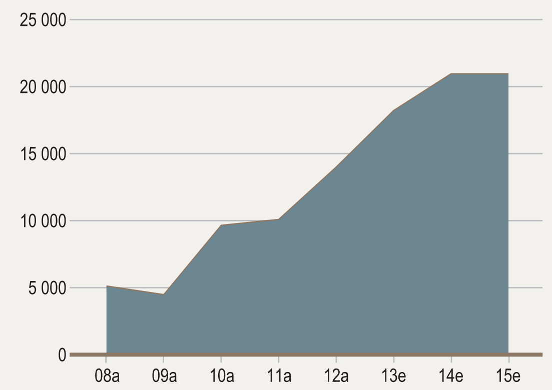
Two Rivers

A feasibility study has been completed on the extraction of UG2 ore from the deeper southern strike extent of the Main Decline. As part of the Merensky reef feasibility study, Two Rivers has conducted Merensky reef trial mining and milling. To date 220 000 tonnes have been mined and 73 000 tonnes have been milled. It is planned to stop the trial mining in September 2012 and mill an additional 60 000 tonnes by June 2013. Infill drilling to further verify metallurgical recoveries in the shallow UG2 ore at the proposed North Open Pit has been completed. An updated feasibility study will be completed in F2013.

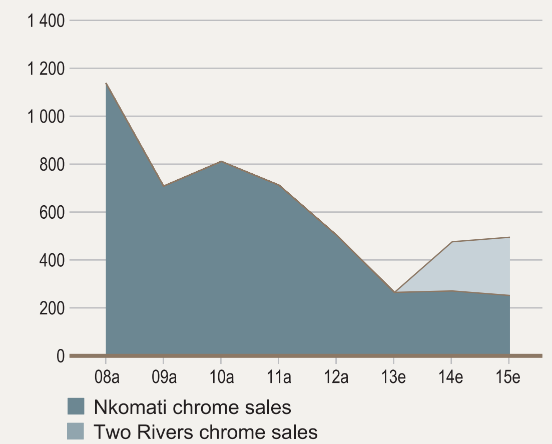
PGM production (100% basis) (000oz)



Nkomati Nickel production (100% basis) (000t)



Chrome sales (100% basis) (000t)



Market review

F2012 was characterised by falling commodity prices as the sovereign debt crisis in Europe continued. Following the uncertainty in the global economy, there have been some signs of improved conditions. Consumer spending is rising in the United States and Japan seems to be recovering from the 2011 natural disasters. Some risks do remain, as the Euro zone is still suffering from high unemployment and low growth. Nevertheless, inflation adjusted growth in China, India and Brazil is envisaged to surpass the inflationary pressures and tight credit in emerging markets.

Platinum

The platinum market shifted into surplus during the last year, with the rise in demand being offset by rising levels of recovery from autocatalyst and jewellery scrap. Developments in the South African industry are affecting the sector's ability to increase supply year-on-year, with safety stoppages and industrial action continuing to interrupt output. The market is expected to remain in oversupply as purchasing levels for industrial applications are anticipated to be constrained, especially with a lack in demand from Europe. ARM Platinum achieved an average price of US$1 603 per oz during F2012 (F2011:US$1 707 per oz).

Palladium

Despite an increased demand for palladium in the autocatalyst sector, the market was in surplus primarily as a result of net selling by investors. It is anticipated to return to deficit as demand in the automotive and chemical industries increases, and investments return positive. The average price achieved by ARM Platinum for F2012 was US$673 per oz (F2011: US$680 per oz).

Rhodium

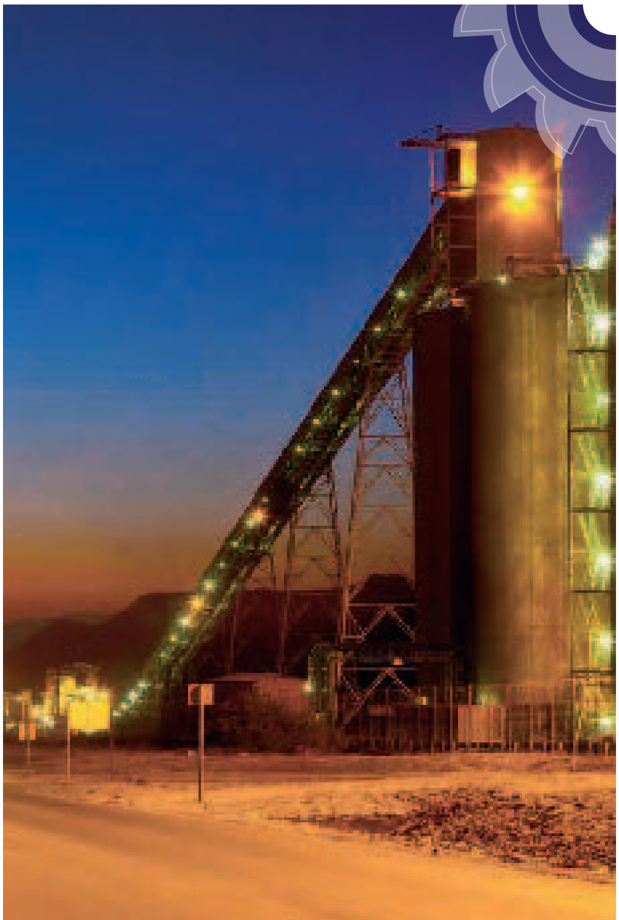
Demand for rhodium is anticipated to slightly increase in F2013, particularly in the Exchange Traded Fund (ETF) investment market and hard disk media industry. The market is likely to stay in surplus as supplies from South Africa could possibly return to regular levels. ARM Platinum realised an average rhodium price of US$1 495 per oz, 34% lower than the F2011 price of US$2 248.

Nickel

Nickel was the worst base metal performer in 2012, declining 30% since February 2012. The short-term outlook remains weak caused by a lack in demand from stainless steel producers. Indonesia, which accounts for 23% of world nickel ore production has implemented an export tax on nickel ore which is expected to have a positive effect on market prices from Q4 2012. The average price realised by ARM Platinum for F2012 was US$18 815 per tonne (F2011: US$23 970 per tonne).

Nkomati Nickel Mine stockpiles

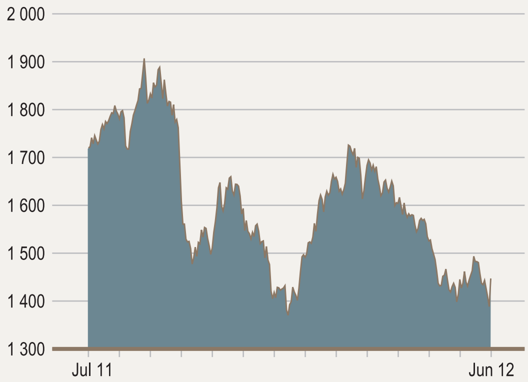
Two Rivers primary mill and primary mill feed system



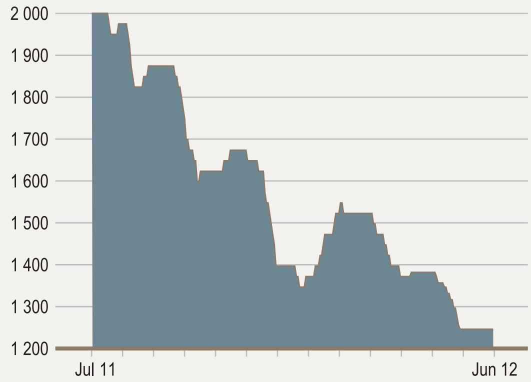
Modikwa Platinum Mine silo and conveyor

PGM and nickel pricing trends for F2012 (July 2011 to June 2012)

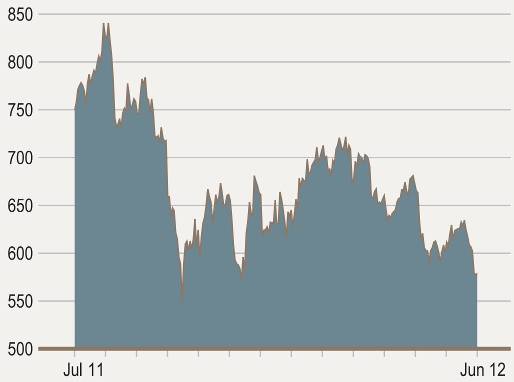
Platinum* (US$/oz)



Rhodium* (US$/oz)



Palladium* (US$/oz)



Nickel* (US$/t)

* *Source: I-Net Bridge*

Operational statistics

Modikwa Platinum Mine

Management	The mine is jointly managed, by a joint management and executive committees, between Anglo American Platinum and ARM.					
Resources and Reserves (100% basis)		**Measured and Indicated Resources**		**Proved and Probable Reserves**		
		Mt	**g/t 4E**	**Mt**	**g/t 4E**	**Moz**
	UG2	143.24	5.89	54.78	4.71	8.30
	Merensky	72.00	2.78	–	–	–
	4E = Platinum + Palladium + Rhodium + Gold					
Refining	All metal produced is smelted and refined by Anglo Platinum					
Total labour	5 018 (including 1 272 contractors)					

100% Basis		F2009	F2010	F2011	**F2012**	F12/11 % change
Metal production						
Platinum	Ounces	136 083	131 502	127 532	**121 239**	(5)
Palladium	Ounces	132 110	128 863	119 597	**113 373**	(5)
Rhodium	Ounces	27 518	27 299	24 680	**23 931**	(3)
Gold	Ounces	3 836	3 384	3 372	**3 162**	(6)
Ruthenium	Ounces	39 664	38 952	34 934	**34 019**	(3)
Iridium	Ounces	9 654	9 623	9 222	**8 319**	(10)
PGMs	Ounces 6E	348 866	339 623	319 336	**304 044**	(5)
Nickel	Tonnes	753	663	595	**591**	(1)
Copper	Tonnes	460	410	380	**370**	(3)
Operational statistics						
Tonnes milled	Mt	2.46	2.27	2.30	**2.18**	(5)
Head grade	g/t 6E	5.25	5.53	5.48	**5.39**	(2)
Average number of permanent employees	Number	3 880	3 724	4 030	**3 746**	(7)
Average number of contractors	Number	835	860	1 019	**1 272**	25
Financial indicators						
Cash cost	R/tonne	708	639	692	**819**	18
Cash cost	R/Pt oz	12 798	11 025	12 468	**14 706**	18
Cash cost	R/PGM oz 6E	4 992	4 269	4 979	**5 864**	18
Cash cost	R/kg 6E	160 507	137 241	160 084	**188 538**	18
Basket price	R/kg 6E	227 006	225 865	263 530	**267 998**	2
Net sales revenue	R million	1 456	2 115	2 162	**2 050**	(5)
Cash operating cost	R million	1 742	1 450	1 590	**1 759**	11
Cash operating (loss)/profit	R million	(286)	665	572	**267**	(53)
Cash operating margin	%	(20)	31	26	**13**	
Capital expenditure	R million	368	102	250	**438**	75

Refer to pages 191 and 192 for the Modikwa Platinum Mine segmental information.

Two Rivers Platinum Mine

Management	Managed by ARM.					
Resources and Reserves (100% basis)		Measured and Indicated Resources		Proved and Probable Reserves		
		Mt	g/t 6E	Mt	g/t 6E	Moz
	UG2	57.82	4.55	35.14	3.52	3.98
	Merensky	38.16	3.17	–	–	–
	6E = Platinum + Palladium + Rhodium + Ruthenium + Iridium + Gold					
Refining	All metal produced is smelted and refined by Implats subsidiary Impala Refining Services Limited (IRS)					
Total labour	3 489 (include 2 710 contractors)					

100% Basis		F2009	F2010	F2011	**F2012**	F12/11 % change
Metal production						
Platinum	Ounces	118 023	140 908	145 323	**149 909**	3
Palladium	Ounces	67 390	81 587	84 102	**89 484**	6
Rhodium	Ounces	19 136	23 634	24 606	**25 478**	4
Gold	Ounces	1 627	1 909	1 972	**2 486**	26
Ruthenium	Ounces	32 577	39 235	41 396	**42 910**	4
Iridium	Ounces	7 541	9 487	9 763	**9 845**	1
PGMs	Ounces 6E	246 295	296 760	307 162	**320 113**	4
Nickel	Tonnes	365	438	444	**595**	34
Copper	Tonnes	190	219	219	**297**	36
Operational statistics						
Tonnes milled	Mt	2.62	2.92	2.95	**3.10**	5
Head grade	g/t 6E	4.10	3.95	3.94	**3.86**	(2)
Average number of permanent employees	Number	774	709	761	**779**	2
Average number of contractors	Number	2 078	2 031	2 537	**2 710**	7
Financial indicators						
Cash cost	R/tonne	399	425	468	**493**	5
Cash cost	R/Pt oz	8 846	8 792	9 509	**10 205**	7
Cash cost	R/PGM oz 6E	4 239	4 174	4 499	**4 779**	6
Cash cost	R/kg 6E	136 288	134 213	144 638	**153 642**	6
Basket price	R/kg 6E	246 680	247 323	277 279	**279 804**	1
Net sales revenue	R million	1 022	2 098	2 274	**2 336**	3
Cash operating cost	R million	1 044	1 239	1 382	**1 530**	11
Cash operating (loss)/profit	R million	(83)	837	881	**788**	(11)
Cash operating margin	%	(8)	40	39	**34**	
Capital expenditure	R million	346	97	304	**467**	54

Refer to pages 191 and 192 for the Two Rivers Platinum Mine segmental information.

Nkomati Mine

Management	The mine is managed as a 50:50 unincorporated joint venture with Norilsk Nickel Africa.					
Resources and Reserves (100% basis)		**Measured and Indicated Resources**		**Proved and Probable Reserves**		
		Mt	**Ni%**	**Mt**	**Ni%**	
	Nickel	281.01	0.34	128.61	0.32	
		Mt	**Cr_2O_3%**	**Mt**	**Cr_2O_3%**	
	Chrome	0.23	33.95	0.23	27.92	
		Mt	**g/t 4E**	**Mt**	**g/t 4E**	**Moz**
	PGMs	281.01	0.86	128.61	0.93	3.85
	4E = Platinum + Palladium + Rhodium + Gold					
Refining	Refining takes place through various tolling contracts					
Total labour	2 983 (include 2 207 contractors)					

100% Basis		F2009	F2010	F2011	F2012	F12/11 % change
Metal production						
Nickel	Tonnes	4 495	9 666	10 100	**14 004**	39
Copper	Tonnes	2 268	5 210	5 210	**7 371**	41
Cobalt	Tonnes	244	578	553	**744**	35
PGMs	Ounces	26 727	52 574	53 610	**84 044**	57
Chrome ore sold	000t	661	502	335	**64**	(81)
Chrome concentrate sold	000t	51	314	381	**441**	16
Operational statistics						
Tonnes milled	Thousand	1 259	3 308	5 259	**6 388**	21
Head grade	% nickel	0.54	0.45	0.32	**0.34**	6
Average number of permanent employees	Number	560	823	801	**776**	(3)
Average number of contractors	Number	2 060	2 100	1 943	**2 207**	14
Financial indicators						
Nickel on-mine cash cost per tonne treated	R/tonne	389	242	271	**272**	–
Cash cost net of by-products	US$/lb	2.48	3.26	4.99	**8.58**	72
Net sales revenue	R million	1 086	2 439	2 991	**3 107**	4
Cash operating cost	R million	490	801	1 423	**1 737**	22
Cash operating (loss)/profit – Total	R million	181	916	824	**130**	(84)
Cash operating (loss)/profit – Nickel Mine	R million	(253)	584	256	**115**	(55)
Cash operating (loss)/profit – Chrome Mine	R million	433	332	567	**15**	(97)
Cash operating margin	%	17	38	28	**4**	
Average Nickel price	US$/t	13 312	20 285	23 970	**18 815**	(22)
Capital expenditure	R million	1 756	1 202	808	**484**	(40)

Refer to pages 191 and 192 for the Nkomati Nickel Mine segmental information.

Nkomati Nickel Large Scale Project update

Total funds committed at 30 June 2012 amount to R3.5 billion of the total R3.7 billion approved for the capital project. The upgrade of the 132kV overhead distribution lines was delayed as a result of Eskom processes, with completion now expected by March 2013. This has no material impact on Nkomati in the short- to medium-term.

Nkomati Nickel Large-Scale Project

Total nickel in concentrate: 20 500 tpa
Average grade: 0.35% Ni; total plant capacity: 625 000 – 675 000 tpm

PCMZ nickel in concentrate: 6 400 tpa
Average grade: 0.25% Ni
PCMZ plant: 250 000 – 300 000 tpm

Chrome: a significant value contributor

- ±500 000 tpa chrome (market dependent)

MMZ nickel in concentrate: 14 100 tpa
Average grade 0.45% Ni
MMZ plant: 375 000 tpm

Other by-products include:

- 110 000 ounces per annum of PGM (Pt:Pd 1:2.7)
- 10 000 tpa copper
- 300 tpa cobalt

Project released September 2007 → **Opencast mine expected to produce at a C1 cash cost of $6.00/lb at steady state in 2014** → **Ramp-up: 2009 Full production: 2014**

Capital cost of R3.7 billion 95% spent and committed

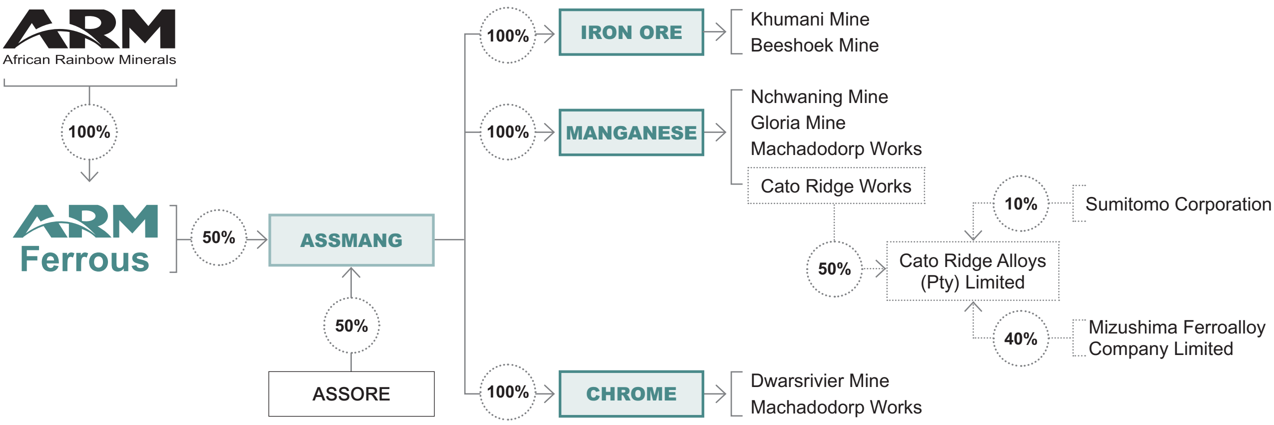
Kalplats PGM Exploration Project

The review by ARM Platinum of the Definitive Feasibility Study (DFS) continued during the year and the planned bulk sample exercise proposed for 2012 was deferred. The viability of a possible mining operation at Kalplats is adversely affected by the lack of Eskom power and the uncertainty regarding the timing of its delivery. In this light, an application for a Retention Permit was submitted in July 2012 at a cost of R20 million.

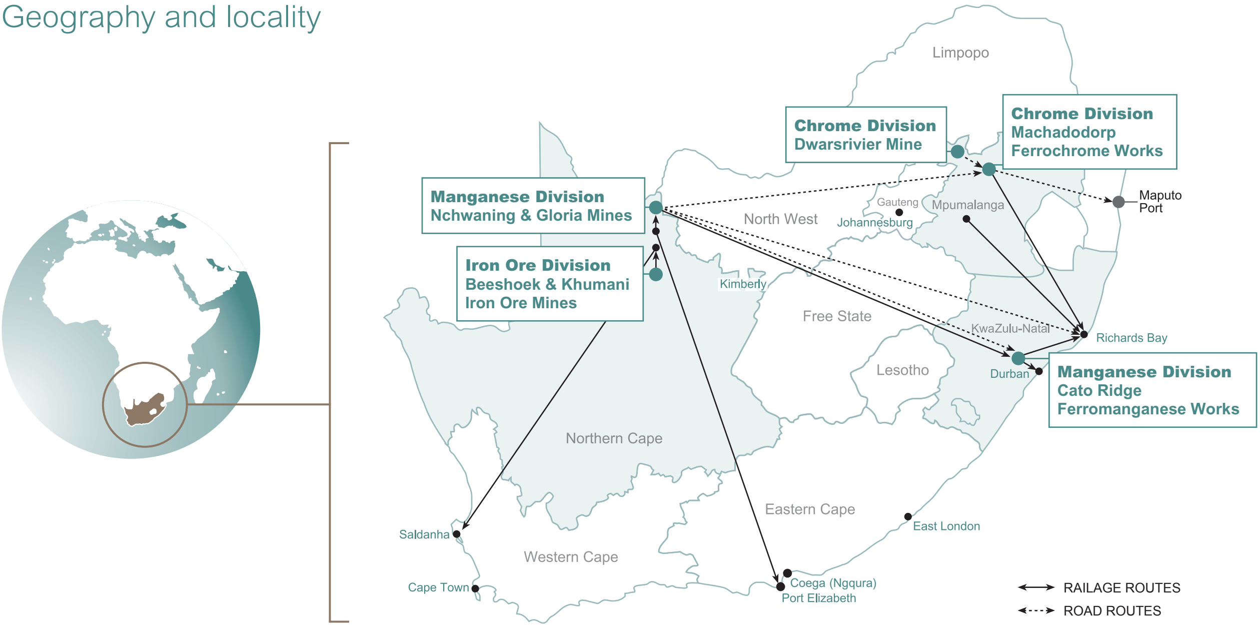
Management	The project is currently managed by PLA.	
Resources and Reserves (100% basis)	**Measured and Indicated Resources**	
	Mt	**g/t 3E**
	69.91	1.48
	3E = Platinum + Palladium + Gold	

André Joubert, Chief Executive: ARM Ferrous

Divisional structure



Geography and locality



Scorecard

F2012 objectives	F2012 performance	F2013 objectives
Iron ore		
Ramp-up production at the Khumani Mine to 12 million tonnes per annum (mtpa).	Khumani Mine achieved sales of 13.4 million tonnes in F2012.	Continue to ramp up Khumani Mine to 14 million tonnes.
Sign and implement the agreement with Transnet for an additional 4 mtpa export allocation on the Saldanha Export Channel.	The agreement was finalised.	Implement agreement.
Commence with mining from the East Pit of the Beeshoek Mine.	Contractors were appointed and have commenced with mining from the East Pit.	Continue with mining in the East Pit.
Complete the feasibility study to evaluate the further expansion of the Saldanha Export Channel from 60 mtpa to 93 mtpa.	The feasibility study a Front End Loading (FEL) level II was completed and handed over to Transnet.	Transnet to conclude the feasibility study to export manganese ore through the Coega (Ngqura) Port and iron ore through the Saldanha Port.
Manganese		
Complete the feasibility study to increase export capacity for manganese ore through the ports of Saldanha and Coega (Ngqura).	The feasibility study to export manganese through the Saldanha Port was concluded and handed over to Transnet. The feasibility study to export manganese ore through Coega (Ngqura) Port is currently being conducted by Transnet.	Transnet to complete feasibility study for the expansion to Coega Port.
Ramp up the Nchwaning Mine from 3 mtpa to 4 mtpa.	The feasibility study to expand Nchwaning Mine from 3 mtpa to 4 mtpa has been completed and is under consideration by the Assmang shareholders.	Once approved commence construction with the expansion.
Convert No 2 and 3 furnaces at Machadodorp Works to ferromanganese production.	The conversion of No. 2 and 3 furnaces has commenced and was completed in October 2012.	Optimise ferromanganese production using the optimal furnace combination.
Continue producing ferromanganese at the steady state level of 50 000 tonnes at the converted No 5 Furnace.	No. 5 Furnace achieved production of 50 675 tonnes in F2012.	To produce ferromanganese at competitive cost.
Chrome		
Ramp up production at the Dwarsrivier Mine to 1.4 mtpa.	Due to weaker chrome ore market conditions production stabilised at 1.2 mtpa.	Evaluate the chrome ore market and optimise Dwarsrivier Mine accordingly.

Overview

Operational overview – attributable to ARM		F2012	F2011	F12/11 % change	Operational target F2013
Manganese ore sales	000t	**1 453**	1 441	1	→
• Nchwaning*	000t	**1 062**	1 057	0	→
• Gloria*	000t	**390**	384	2	→
Ferromanganese sales	000t	**135**	109	24	↑
• Cato Ridge	000t	**115**	96	20	→
• Machadodorp	000t	**20**	13	54	↑
Iron ore sales	000t	**7 376**	5 003	47	↑
• Khumani	000t	**6 682**	4 659	43	↑
• Beeshoek	000t	**695**	344	102	↑
Chrome sales					
• Dwarsrivier chrome ore*	000t	**260**	186	40	↑
• Machadodorp charge chrome	000t	**87**	119	(27)	↓

* *Excludes intra-company sales.*

Financial overview		F2012	F2011	F12/11 % change
ARM Ferrous operating margin	%	**39**	44	
ARM Ferrous cash operating margin	%	**45**	49	
Headline earnings attributable to ARM	R million	**3 495**	2 897	21

Sustainability overview – on 100% basis		F2012	F2011	F12/11 % change	Operational target F2013
LTIFR*		**0.29**	0.47	(38)	↓
CSR** spend	R million	**83**	51	63	↑
Electricity consumption	MWh	**1 934**	1 876	3	↓
Water consumption	million m^3	**11.5**	8.9	29	↓
Carbon footprint Scope 1 & 2 attributable	tCO_2	**1 333 489**	1 214 768	10	↓

* *LTIFR: Lost Time Injury Frequency rate per 200 000 man hours.*
** *CSR: Corporate Social Responsibility.*
All figures based on 100% interest in subsidiaries /JVs except tCO_2e which is attributable (as per CDP submission).

Operational and financial review

ARM Ferrous achieved a 21% increase in attributable headline earnings to R3 495 million for the financial year ended 30 June 2012 (F2011: R2 897 million). The increase in headline earnings was mainly due to a significant increase in iron ore sales volumes. ARM Ferrous achieved higher sales volumes across all its commodities except for chrome alloys.

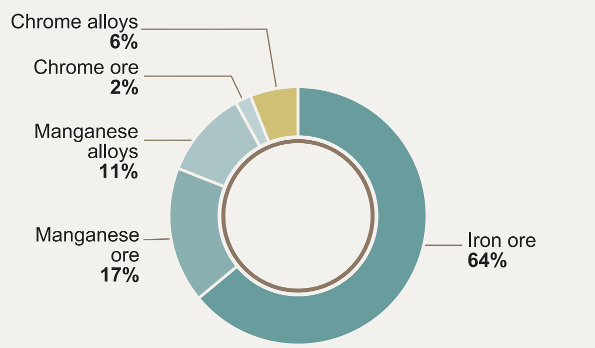
Sales volumes (on 100% basis) increased as follow:

- iron ore sales increased by 48% from 10 million tonnes to 14.8 million tonnes;
- chrome ore sales (excluding intragroup sales) increased by 40% from 373 thousand tonnes to 521 thousand tonnes; and
- manganese alloy sales increased by 24% from 218 thousand tonnes to 270 thousand tonnes;
- manganese ore sales increased 1% from 2.88 million tonnes to 2.91 million tonnes.

Chrome alloys sales decreased 27% from 238 thousand tonnes to 174 thousand tonnes as the No. 2 and 3 furnaces were converted from chrome alloy to manganese alloy production.

Realised US Dollar iron ore, manganese ore and manganese alloy prices decreased 10%, 24% and 12% respectively. The reduction in US Dollar prices for these commodities was to some extent offset by an 11% weakening of the Rand against the US Dollar.

F2012 ARM Ferrous revenue per commodity (100% basis)



Costs at the iron ore operations remained under pressure as additional waste stripping and reduced capitalisation of costs led to a 13% increase in unit production costs. Unit production cost increases below inflation were achieved at the manganese ore, manganese alloy and chrome ore operations as a result of improved operational efficiencies and increased volumes in manganese alloys and chrome ore.

Assmang cost and EBITDA margin performance

Commodity group	% change F2012 vs. F2011 unit cost increase/ (decrease)	F2012 EBITDA margin %
Iron ore	**13**	60
Manganese ore	**4**	27
Manganese alloys	**1**	25
Charge chrome	**19**	(10)
Chrome ore	**(0.1)**	20

Iron Ore Division

The Iron Ore Division contributed a significant R2 918 million to the ARM Ferrous headline earnings. This represents a 26% increase compared to the previous corresponding year ended 30 June 2011. The increase in headline earnings, which was achieved despite a 10% decrease in the realised US Dollar prices for iron ore, was as a result of the 48% increase in iron ore sales volumes achieved in F2012.

The higher iron ore sales volumes were delivered as the Khumani Mine accelerated ramp up of the Khumani Expansion Project from 10 mtpa to 16 mtpa. The expansion project was handed over to the mine one year ahead of schedule and well under budget. Transnet delivered better than expected efficiencies on the Saldanha Export Channel as it ramped up expansion of the Saldanha channel from 47 mtpa to 60 mtpa. Export sales from Khumani thus increased 43% from 9.3 million tonnes to 13.4 million tonnes.

Beeshoek Mine production increased from 1.0 million tonnes to 2.1 million tonnes as mining in the East Pit commenced. External sales from Beeshoek Mine increased 102% from 0.7 million tonnes to 1.4 million tonnes. Iron ore tonnes were moved from Beeshoek to Khumani mine and sold into the export market to maximise export sales.

Accelerated waste stripping associated with the accelerated ramp-up of Khumani Mine, together with the reduction in capitalised costs led to a 13% increase production unit costs for the Iron Ore Division. Khumani Mine is expected to fully ramp up production to design capacity in F2013.

Manganese Division

The Manganese Division's contribution to headline earnings was 11% lower owing to reduced US Dollar prices realised for manganese ore and manganese alloys. US manganese ore prices were 24% lower whilst manganese alloy prices were 12% lower. The 11% weakening of the Rand against the US Dollar was not sufficient to fully offset the reduction in these US Dollar prices.

Manganese ore sales volumes increased by 1% to 2.9 million tonnes. On-mine production unit costs at the manganese operations were well controlled and a below inflation increase of 4% was achieved as a result of improved operational efficiencies.

Manganese alloy sales volumes were 24% higher as the No. 5 Furnace which was converted from chrome alloy to manganese alloy ramped up to design capacity. Manganese alloy production is expected increase further in F2013 with the conversion of No. 2 and 3 furnaces.

Higher electricity rates together with increased cost of reductants continued to negatively impact on manganese alloy production costs. These costs increased were mitigated through increased manganese alloy volumes and therefore unit production costs increased only 1% in the year under review.

Chrome Division

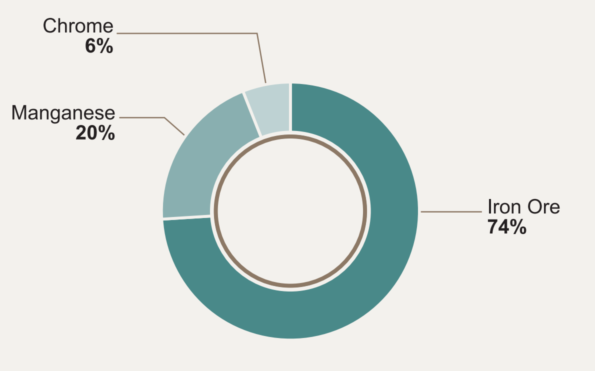
The performance of the Chrome Division continued to be negatively affected by weak market conditions in the chrome and ferrochrome markets. As a result chrome contributed a headline loss of R86 million to ARM Ferrous.

In line with ARM and Assore's strategy to reduce ferrochrome exposure, ferrochrome sales decreased 27% to 174 thousand tonnes. Chrome ore sales from Dwarsrivier Mine consequently increased 40% as more chrome ore became available for the export and local markets. Ferrochrome sales are expected to continue to reduce as an additional two ferrochrome furnaces are converted to ferromanganese production.

Capital expenditure

Capital expenditure on a 100% basis was R4.5 billion (F2011: R4.1 billion). The main expenditure items included on-going development of the Khumani Iron Ore 16 mtpa Expansion Project (R2.5 billion) and the conversion of No. 2 and 3 furnaces from ferrochrome to ferromanganese at Machadodorp Works (R216 million). The balance of the capital expenditure was spent mainly on feasibility studies, information technology, replacement of vehicles and insuring compliance to legislative changes.

F2012 ARM Ferrous capital expenditure (100% basis)



Logistics

ARM Ferrous iron ore export sales volumes were higher than those planned due to additional rail and port capacity being made available as part of Transnet's expansion on the Saldanha Export Channel. The iron ore operations were able to opportunistically utilise the additional capacity as the Khumani Expansion Project was ahead of schedule. In addition, ore was moved from Beeshoek Mine to Khumani Mine due to the second load-out station at Khumani Mine being commissioned ahead of time.

ARM Ferrous, through Assmang, continues to engage Transnet regarding further expansion of export capacity for the iron ore and manganese ore export channels.

Iron ore and manganese ore producers together with Transnet have completed a feasibility study to expand the iron ore export capacity from the current 60 mtpa capacity to 82 mtpa through the port of Saldanha. This study was handed-over to Transnet to complete to a higher level of accuracy.

ARM Ferrous (through Assmang) will start to engage Transnet regarding a new manganese ore export contract through the port of Port Elizabeth and future export allocation for the period 1 April 2013 until 31 March 2017. Assmang currently also exports manganese ore through the ports of Durban and Richards Bay.

Transnet is in the process of concluding a feasibility study to expand its manganese ore export capacity to approximately 12 mtpa through the Port of Ngqura commencing April 2017.

Assmang has reduced its road transport volumes of chrome ore by successfully securing rail capacity through the port of Richards Bay.

Sustainability review

This section provides an overview of the ARM Ferrous performance against the Company's most material sustainability issues. Each of these issues, as well as other sustainability issues such as biodiversity, environmental mitigation, materials and waste and human resources issues, are analysed and discussed in more detail in our Sustainability Report, available on our website (**www.arm.co.za**).

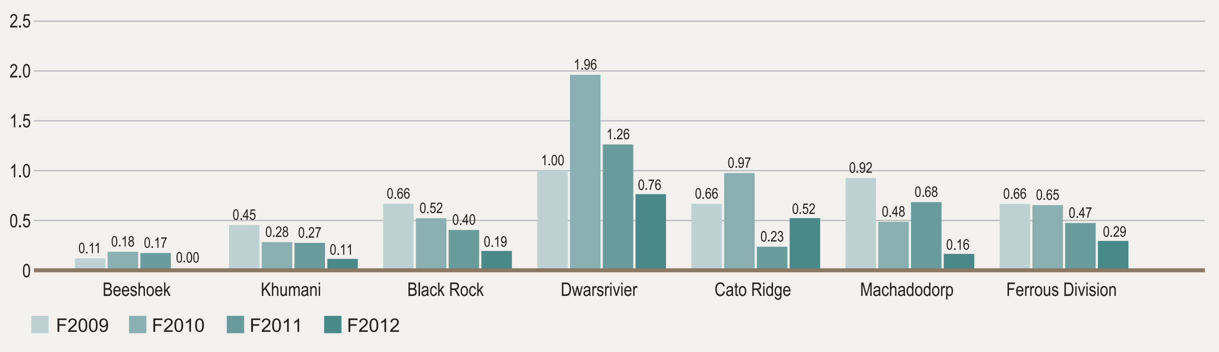
Safety

The ARM Ferrous LTIFR improved from 0.47 to 0.29.

Safety performance highlights include:

- Beeshoek Mine achieved two million fatality-free shifts and completed 13 consecutive operating months without incurring a lost time injury. The last fatality at Beeshoek occurred in March 2003.
- Khumani Mine completed 2.5 million fatality-free shifts in F2012.
- Black Rock Mine achieved 1.7 million fatality-free shifts and received an award as the safest underground mine and the most improved underground mine in the Northern Cape Mine Managers Association competition
- Cato Ridge Works and Dwarsrivier Mine also achieved significant safety milestones during F2012, reaching 1.2 million and 1.3 million fatality-free shifts respectively.

ARM Ferrous safety performance (LTIFR)



Occupational health and wellness

Material occupational health and wellness issues at ARM Ferrous include hypertension, diabetes mellitus and tuberculosis (TB). Noise induced hearing loss is the main focus of the division's occupational health surveillance and management programmes. ARM Ferrous has a biological monitoring programme in place to monitor amongst others, exposure to manganese, coal, tar, pitch and volatiles (CTPVs) at the smelting operations at Cato Ridge Works and Machadodorp Works.

All ARM Ferrous operations have implemented integrated policies on HIV, TB and sexually transmitted infections as required by the National Strategic Plan 2012 – 2016 and the Mining Charter. HIV prevalence rates at the ferrous operations are estimated to be well below those of the districts in which they operate, ranging from 2.4% among Beeshoek Mine's permanent employees to 20.2% at Cato Ridge Works.

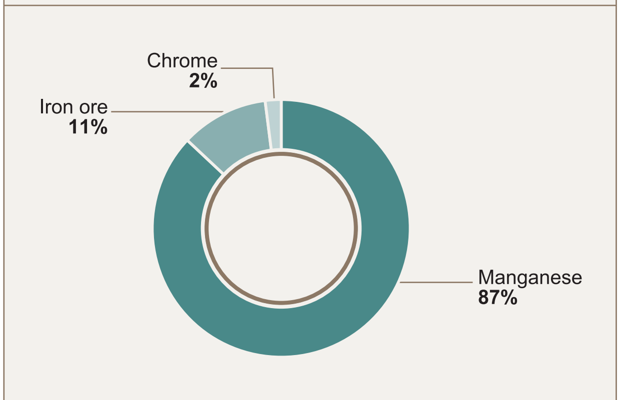
Various operations in ARM Ferrous are also involved in HIV & Aids-related community outreach programmes. These include a 24/7 primary health care facility that will also service members of the local community at Khumani Mine and the supply of furniture to the Age of Hope community home-based care centre by Beeshoek Mine.

ARM's approach to managing occupational health and wellness, as well as an analysis of relevant statistics, is discussed in the Sustainability Report available on the ARM website.

Environment

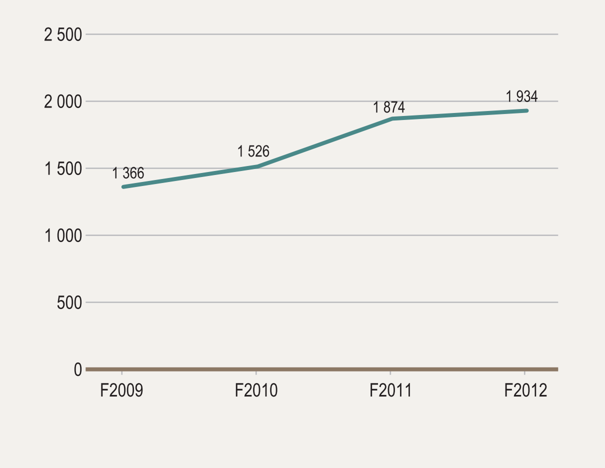
ARM Ferrous contributed 77% to ARM's F2012 carbon footprint due mainly to the energy consumed at the smelters at Cato Ridge Works and Machadodorp Works. The smelters together accounted for 63% of ARM's total F2012 carbon footprint. In F2012 ARM Ferrous produced an estimated 1 333 490 equivalent tonnes of CO_2 (tCO_2e) Scope 1 & 2 emissions on an attributable basis (F2011: 1 214 768 tCO_2e).

Contribution to ARM Ferrous F2012 carbon footprint
(100% basis)



Electricity consumption for the year was 1 934 megawatt hours (MWh), a 3.1% increase on the F2011 electricity consumption of 1 874 MWh. In 2009, ARM Ferrous set a target to reduce peak energy consumption by 10% by 2013 and various energy efficiency projects have been implemented.

ARM Ferrous electricity consumption (MWh)



Availability of additional water supply is a potential growth constraint, especially for the Black Rock Mine, Beeshoek Mine and Khumani Mine which are located in the Northern Cape where water is a scarce resource. ARM Ferrous operations accounted for 64% of water withdrawal in ARM with Beeshoek consuming more than half the division's water. Some of the water withdrawn at Beeshoek Mine is supplied to local communities and the mine's employee village. Water withdrawal increased by 29% to 11.5 million m^3 in F2012 (2011: 8.9 million m^3).

Corporate Social Responsibility (CSR)

The ARM Ferrous expenditure on local economic development (LED) increased 77% to R66 million (F2011: R38 million). Corporate Social Investment (CSI) expenditure was R17 million (F2011: R14 million), bringing the total investment in CSR projects to R83 million (2011: R51 million).

Significant LED projects supported by ARM Ferrous included:

- An upgrade of road at a busy intersection in Machadodorp by Machadodorp Works.
- An upgrade of storm water, drainage system and road infrastructure in Postmasburg by Beeshoek Mine.
- The supply of a water reticulation system to the Madibeng Community by Black Rock Mine.
- The installation of an 11kV bulk electricity supply for 347 households at Mapoteng Kathu by Khumani Mine.
- Establishing a plantation of 15 000 olive trees for the Kalkfontein community.

CSI projects included:

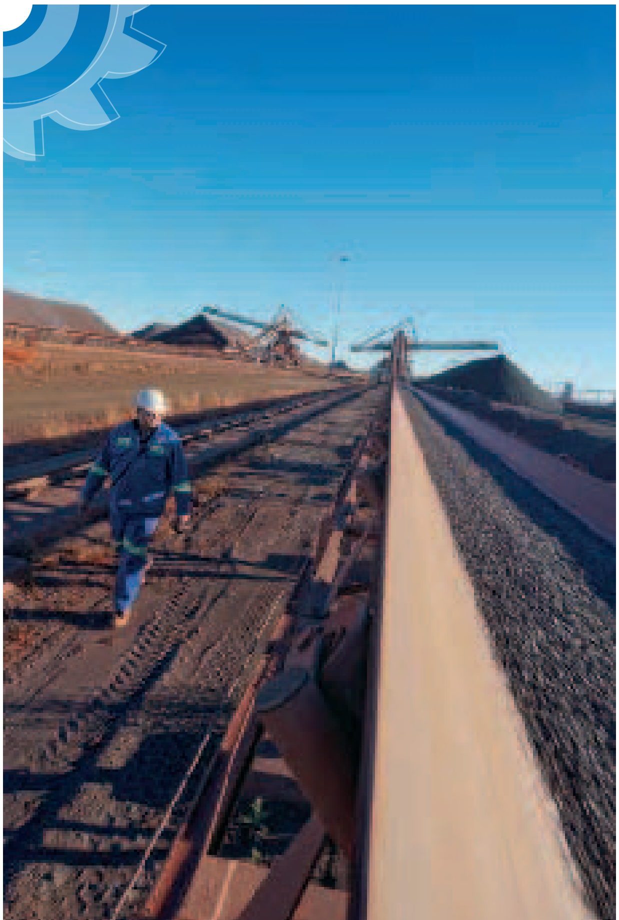
- A full time Further Education and Training (FET) Bursary Scheme implemented by Beeshoek Mine.
- The construction of a home-based care centre in Thusano and sight restoration project by Black Rock Mine.
- The establishment of two community vegetable gardens by Cato Ridge Works.

Transformation

The ARM Ferrous operations achieved scores in excess of 80% against the guidelines of the Mining Charter for the 2011 calendar year, and a classification of excellent performance.

Nchwaning Manganese Mine

Machadodorp Ferromanganese and Ferrochrome Works



New load out station at Khumani Iron Ore Mine

Mining rights status

The New Order Mining Rights for the Khumani Mine were granted in 2008 for 30 years. The conversion on the Beeshoek Mine Old Order Mining Rights was signed on 16 March 2012 and applies for 30 years. The Beeshoek New Order Mining Rights are now awaiting registration.

The New Order Mining Rights for the manganese ore mines for 30 years were signed on 13 July 2011 and are also awaiting registration.

The application for the Dwarsrivier Chrome Mine is being processed with a recommendation for approval for 30 years but has not yet been executed.

Prospects

Khumani Mine

The Khumani Expansion Project has been handed over to the operations and is now ramping up to full production.

In the first half of the 2012 financial year ARM and Assore approved an amount of R1.2 billion for the development of the Wet High Intensity Magnetic Separation (WHIMS) plant at Khumani Mine. The WHIMS plant is expected to improve the recovery of ore and optimise the life of Khumani Mine. Development of the plant has commenced and is expected to be commissioned in May 2013.

Building of the additional stockpile area at the mine is in the final commissioning stage and the capital for the diversion of the Transnet Rail Freight (TFR) main line, which runs through the future King mining area has been approved.

Beeshoek Mine

The R885 million development of the East Pit to extend production at Beeshoek by approximately 20 years has commenced and to date some 5.5 million tonnes of overburden has been removed from this pit. The diversion of the R385 road between Postmasburg and Olifantshoek to allow for the mining of the future Beeshoek Village pit is progressing on schedule. The development of the stands for housing in Postmasburg is also continuing on schedule.

Machadodorp Works

The conversion of No. 2 and 3 furnaces from ferrochrome to ferromanganese at Machadodorp Works is progressing on schedule and was completed in October 2012. The upgrading of the raw material section at Machadodorp Works is in an advanced stage and will be completed in January 2013.

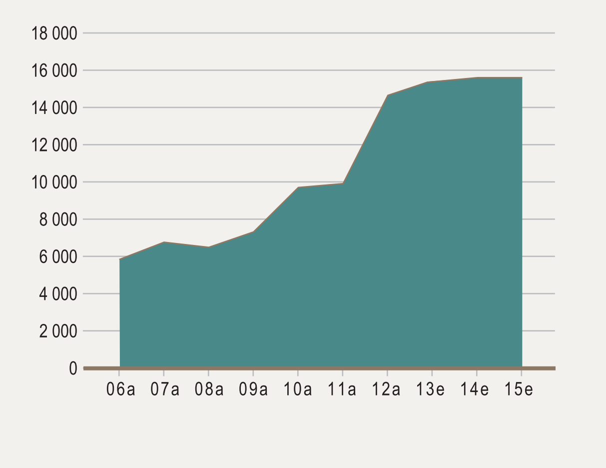
Manganese Ore Expansion

The feasibility study for the expansion of the manganese ore mine from 3 mtpa to 4 mtpa is in progress. The expansion may include the sinking of two additional shafts or the refurbishing of the Nchwaning No. 2 shaft. The feasibility study into building a sinter plant has been completed and will form part of the total feasibility of this expansion. .

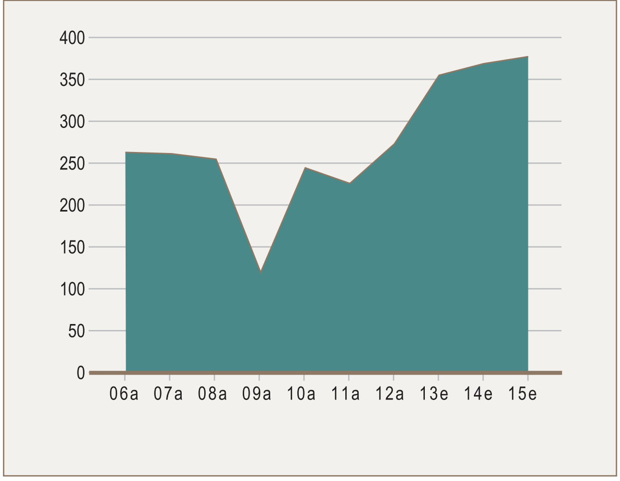
The scoping study to expand the manganese ore mine further from 4 mtpa to 5 mtpa was completed. A more detailed feasibility study to align this further expansion with Transnet's growth of the manganese export channel will be completed during the latter part of the 2012 calendar year. Thereafter a decision will be made.

ARM Ferrous sales volumes from 2006 to 2015 (100% basis)

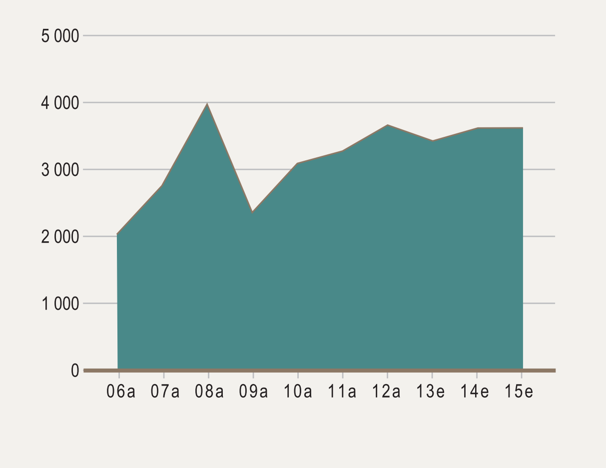
Iron ore (000t)*



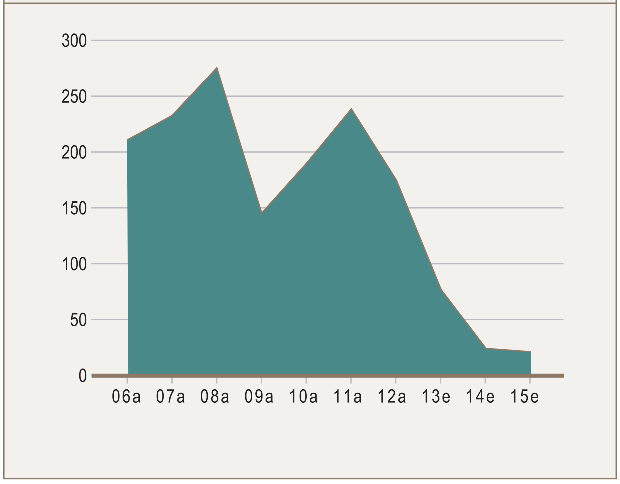
Ferromanganese* (000t)



Manganese ore* (000t)**



Charge chrome* (000t)



* *Source: INet Bridge*
** *Excluding intra-group sales*

Market review

Steel

Global steel demand is forecast to grow by 3.6% to 1,422 Mt in 2012 and a further 4.5% to 1,486 Mt in 2013.

The global impact of the Eurozone debt crisis and resulting uncertainties remain the key downside risk to the current market outlook. A very important development impacting the overall view going forward is the slowdown of Chinese steel demand driven by the Chinese government's efforts to restructure the economy from an export focused to a domestic consumption focused economy. China's steel consumption is nonetheless expected to increase by 4.0% to 649 Mt in 2012 and again by 4.0% in 2013.

Japan's steel use is expected to decline by 0.6% in 2012 due to the impact of exchange rate appreciation and a further decline of 2.2% in 2013.

India is expected to resume its high growth trend, after a fairly sluggish performance in 2011. In 2012, India's steel use is forecasted to grow by 6.9% and by an accelerated 9.4% in 2013 as a result of urbanisation and surging infrastructure investment.

The recovery of steel demand is expected to stall in most of the European countries in 2012 as the sovereign debt crisis continues to act as a major drag on economic activities.

Iron ore

Delays in the new projects expected to add to the seaborne iron ore market and Chinese domestic production running at full production is expected to lead to a deficit in the iron ore market, this especially if an easing in monetary policy in China improves steel demand. Such improvements in the steel market dynamics would be expected to feed through to steel prices and switch iron ore from a buyer's to a sellers' market.

ARM Ferrous sales are roughly spread 60% into Asia (F2011: 70%) and 40% into Europe, India and Turkey (F2011: 30%). The intention is to diversify sales into more countries other than China, especially lumpy iron ore. The recent entry into the Indian market has proven lucrative and the expectation is to continue with sales into India for the next few years.

There is some concern in the market that increased in capacity in Australia and Brazil may lead to an oversupply in the near-term. Both countries exported record volumes in the preceding quarters, however a recent analysis indicates that, depending on disruptions, additional supply may only be between 40 Mt and 60 Mt during 2012 which, as long as steel production increases, should not materially affect iron ore prices.

Analysts see approximately 500 million tonnes of increased iron ore capacity between now and 2017, which translates to approximately 100 million tonnes per year over the next five years. The majority of this additional supply is expected to come from the main suppliers, i.e. Vale, Rio Tinto, BHP Billiton and FMG.

Total seaborne supply is expected to grow to 1.136 billion tonnes in the 2012 calendar year (2011: 1.094 billion tonnes). Supply increases are not expected to be enough to keep up with rising demand at least until the 2014 calendar year with Chinese domestic production still required to balance the market. There is little capacity expansion potential left at Chinese domestic producers and major Chinese miners do not appear to be adding new mining capacity. Furthermore, Indian supply is forecast to decrease further from 81 Mt in 2011 to approximately 65 Mt in 2017, helping to support the prices.

Local demand for iron ore to existing customers (the largest three being Arcelor Mittal South Africa, Scaw Metals and Cape Gate has increased substantially due to a three year agreement being settled with Arcelor Mittal South Africa. For the 2012 calendar year 1.3 Mt will be sold to Arcelor Mittal, which will increase by a further 0.7 Mt from 2013 until end 2014 calendar year.

Cost inflation pressures and grade depletion are structural challenges for the iron ore industry. In addition execution risk around new projects supports the view that high-cost as lower grade Chinese domestic ore is required to balance the market for the next few years.

The majority ARM and Assore customers have agreed to a synchronised quarterly pricing model based on an average of iron ore indices to track the market as closely as possible. One of the most important concepts of this new formula is the transparency given by publicly published price sources (e.g. Platts). The new pricing mechanism continues to evolve with alternate pricing methods with shorter pricing periods (e.g. monthly, weekly, etc.) still being discussed.

During the first half of the 2012 calendar year, two new physical iron ore spot trading platforms were launched which will provide an additional iron ore sales channel for iron ore producers. Both platforms, China Beijing International Mining Exchange (CBMX) and globalORE (based in Singapore), will give greater price transparency and improve trade efficiency between iron ore suppliers and steel mills. Assmang is currently investigating its participation on these platforms and, subject to increased spot volume availability and an increase in potential benefit for Assmang, may join either or both of the two platforms.

Manganese Ore

Over the preceding two years export volumes from major low cost suppliers such as Gabon, South Africa, Australia and Ghana have risen significantly and effectively displaced a large portion of high cost supply. Even though demand in the seaborne manganese ore market continues to grow, the market is over supplied and prices for manganese ore remain subdued.

At least two new players are expected to commence exports of manganese ore during 2013, or even late 2012. Even though low cost inland export logistics remain constrained the new players are expected to put additional pressure on prices, especially medium grade ores.

Price levels reached an unsustainable low level during first quarter of the 2012 calendar year and it is therefore expected that price levels will gradually improve during the 2013 financial year.

Manganese alloys

Globally manganese alloys consumption is expected to rise by 4 million tonnes over the next five years. Of this increase only 1.3 Mt is expected to be outside of China and India. The majority of this growth in demand is expected in silico-manganese and refined ferromanganese with very little growth expected in high carbon ferromanganese.

Severe price competition is expected in the manganese alloy market and thus ARM and Assore continue to seek new markets (South America and the Middle East) and defend its traditional markets (Europe and North America). During current conditions of reduced demand, especially due to the volatility in Europe, other major integrated producers (with a lower cost base) are expected to become more aggressive in maintaining their market share to ensure that they are not required to cut production.

New capacity on high carbon ferromanganese, either through producers switching away from ferrochrome and silica-manganese or through new furnace capacity being brought on line is expected to put pressure on prices especially in the currently subdued demand growth conditions.

ARM and Assore are confident of the ability to sell the increased volumes in refined ferromanganese due to growing demand in high carbon ferromanganese due to western steel producers targeting higher quality steels.

Chrome

China continues to be the driving force for demand chrome ore and ferrochrome. Over the past few years China has gradually increased its share of ferrochrome production from below 10% before 2004 to almost 30% in 2011. During this period South Africa has lost market share of ferrochrome production from above 50% to a level of approximately 35% in the 2011 calendar year. It is expected that China will take over as the leader in ferrochrome production over the next two years with the majority of its volumes being produced for domestic consumption.

China has continued to increase its market share of the world trade in chrome ore from 86% in 2010 calendar year to 89% in 2011. The amount of chrome ore imported during 2011 rose by approximately 9% (to 9.44 million tonnes), with 50% supplied from South Africa.

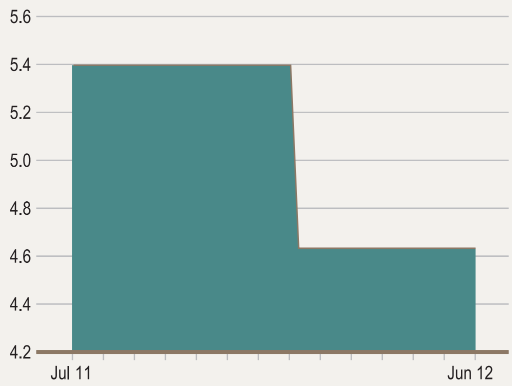
Chrome ore prices decreased during 2011 as a result of increased supply of lower grade products from UG2 Platinum Group Metals producers in South Africa. Current chrome ore prices are almost US$100/t lower than highs achieved in 2011.

Going forward it is expected that the current oversupply and over capacity of chrome ore will maintain pressure on the fragile supply demand balance. It is anticipated that the supply of low grade products such as UG2 chrome and additional entrants for supply of lower grade materials from other regions in the world will continue to negatively impact the market. Pricing pressures are expected to continue and no significant improvement in price levels is expected over the next year.

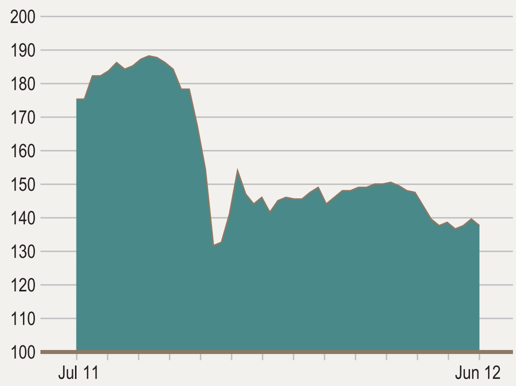
There is a risk of a chrome ore levy being imposed by the SA Government and some South African ferrochrome producers are becoming more vocal about this, with support from countries such as Turkey and Kazakhstan.

Ferrous pricing trends for F2012 (July 2011 to June 2012)

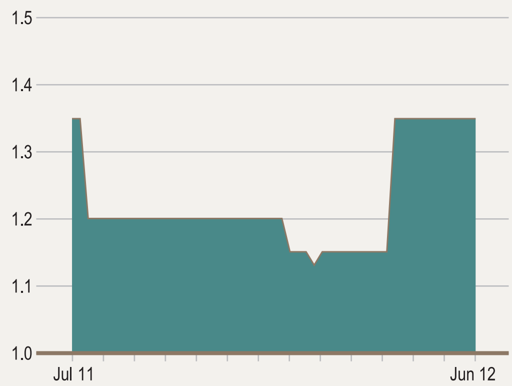
Manganese ore 46%/48% spot prices* (CIF) (US$/mtu)



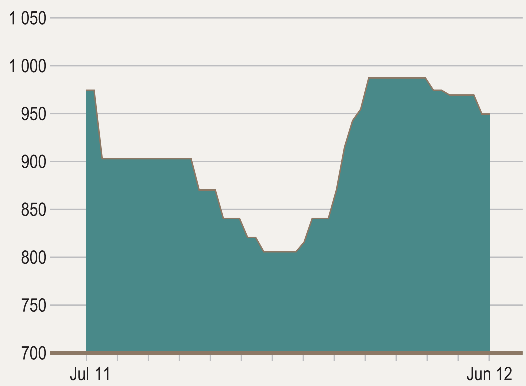
Iron ore fines spot prices* (CIF) (US$/t)



Ferrochrome spot prices* (US$/lb)



Ferromanganese spot prices 78%* (CIF) (US$/t)



* *Source: INet Bridge*

ARM Ferrous Operational Statistics

Iron Ore Division

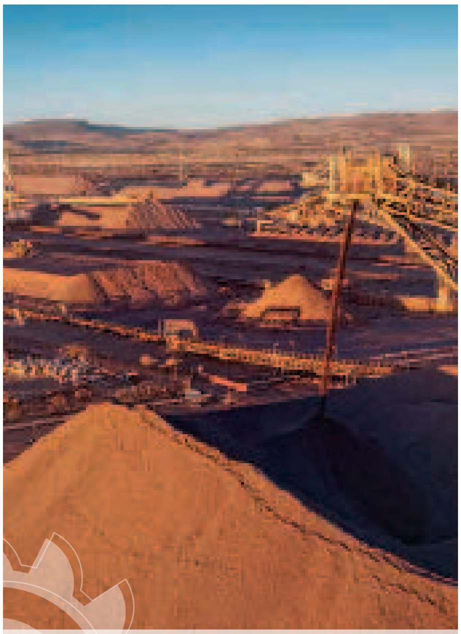
Beeshoek and Khumani Iron Ore Mines

Management	Joint management by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function as well as technical consulting services.	
Resources Measured and Indicated	Beeshoek	117.5 million tonnes 63.73% iron
	Khumani	709.0 million tonnes 64.26% iron
Reserves Proved and Probable	Beeshoek	54.0 million tonnes 64.05% iron
	Khumani	512.9 million tonnes 64.46% iron
Total labour	4 738 (includes 2 706 contractors)	

100% Basis		F2009	F2010	F2011	**F2012**	F12/11 % change
Attributable headline earnings	R million	1 080	718	2 327	**2 968**	28
Operating margin	%	60	41	61	**55**	
Total iron ore sales	000t	7 410	9 799	10 006	**14 753**	47
Beeshoek Iron Ore Mine						
Iron ore produced	000t	2 658	521	960	**2 104**	119
Iron ore sold	000t	1 593	867	688	**1 389**	102
Sales revenues	R million	1 284	410	407	**724**	78
Total costs	R million	361	353	263	**367**	40
Operating profit	R million	923	62	144	**357**	148
Capex	R million	160	48	83	**306**	267
Khumani Iron Ore Mine						
Iron ore produced	000t	6 646	8 765	8 725	**11 555**	32
Iron ore sold	000t	5 817	8 932	9 318	**13 364**	43
Sales revenues	R million	3 733	4 518	9 935	**14 572**	47
Total costs	R million	1 576	2 566	3 598	**6 558**	82
Operating profit	R million	2 157	1 952	6 341	**8 013**	26
Capex	R million	1 369	2 256	3 142	**3 033**	(3)

Refer to page 193 for the Iron Ore Division segmental information.

New WHIMS plant under construction at Khumani Iron Ore Mine



Parsons plant, Khumani Iron Ore Mine

Khumani Expansion Project

Khumani Iron Ore Mine

10.0 mtpa construction complete

↓

Mine design allows for flexibility to produce different percentage of product specification

- New modern and cost-competitive mine due to lower stripping ratio, the mining area already dewatered and favourable position in relation to infrastructure
- Production successfully ramped up to 10 mtpa
- The further ramp-up from 10 mtpa to 14 mtpa will commence 1 July 2012

16.0 mtpa construction completed

↓

Typical grade of products
Lumpy 65.5% Fines 65.0%
Indicative over life-of-mine

- Potential to increase volumes to 20 mtpa (pending Transnet expansion programme)
- Agreement with Transnet for 14 mtpa export capacity to be signed

Project released 2006 → **Ramp-up: 2009 (10 mtpa) Full production: 2010** → **Feasibility for 16 mtpa 2Q 2009 completed** → **Construct and commission 16 mtpa: 2009 to 2012**

Capital cost of R5.6 billion spent

Approved capital cost for 16 mtpa – R6.7 billion

Manganese Division

Nchwaning and Gloria Manganese Mines and Cato Ridge and Machadodorp Ferromanganese Works

Management	Jointly managed by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function as well as technical consulting services.							
	Nchwaning				**Gloria**			
		Tonnes ('000)	**Mn%**	**Fe%**		**Tonnes ('000)**	**Mn%**	**Fe%**
Resources Measured and Indicated	Seam 1	142.38	43.9	9.0	Seam 1	126.79	37.6	4.7
	Seam 2	180.80	42.4	15.5	Seam 2	29.40	29.9	10.1
Reserves Proved and Probable	Seam 1	110.34	43.9	9.0	Seam 1	93.82	37.6	4.7
Total labour	3 461 (includes 679 contractors)							

Manganese division – operational statistics

100% Basis		F2009	F2010	F2011	**F2012**	F12/11 % change
Attributable contribution to headline earnings	R million	1 978	739	688	**611**	(11)
Operating profit	%	78	35	36	**19**	
Manganese ore						
Manganese ore produced	000t	3 138	1 973	3 048	**3 296**	8
Manganese ore sales*	000t	2 152	3 095	2 882	**2 905**	1
Sales revenue*	R million	6 308	4 202	4 338	**3 985**	(8)
Total costs	R million	1 355	2 400	2 398	**3 136**	31
Operating profit	R million	4 943	1 802	1 940	**849**	(56)
Capex	R million	567	459	238	**470**	97
Manganese alloys**						
Manganese alloys produced	000t	216	252	291	**372**	28
Manganese alloys sold	000t	117	238	218	**270**	24
Sales revenue	R million	2 128	2 085	2 127	**2 367**	11
Total costs	R million	883	1 652	1 889	**1 936**	2
Operating profit	R million	1 246	433	238	**431**	81
Capex	R million	286	285	418	**415**	0

* *Excluding intra-group sales.*
** *Manganese alloys includes production, sales, costs and capex from the converted furnace at Machadodorp Works from F2011.*

Refer to page 193 for the Manganese Division segmental information.

Chrome Division

Dwarsrivier Chrome Mine and Machadodorp Ferrochrome Works

Management	Jointly managed by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function as well as technical consulting services.
Resources Measured and Indicated	55.03 million tonnes at 38.11% Cr_2O_3
Reserves Proved and Probable	39.15 million tonnes at 34.01% Cr_2O_3
Total labour	1 993 includes 75 contractors

Chrome Division – operational statistics

100% Basis		F2009	F2010	F2011	**F2012**	F12/11 % change
Attributable headline earnings	R million	107	(92)	(116)	**(86)**	26
Operating profit	%	15	(15)	(11)	**(13)**	
Dwarsrivier chrome ore						
Chrome ore produced	000t	684	537	866	**1 004**	16
Chrome ore sold*	000t	256	272	373	**521**	40
Sales revenues*	R million	337	212	401	**596**	49
Total costs	R million	292	353	454	**544**	20
Operating profit	R million	45	(141)	(53)	**52**	–
Capex	R million	127	65	77	**211**	174
Machadodorp charge chrome						
Charge chrome produced	000t	169	200	237	**186**	(22)
Charge chrome sold	000t	144	189	238	**174**	(27)
Sales revenues	R million	1 473	1 378	1 867	**1 444**	(23)
Total costs	R million	1 242	1 464	2 048	**1 754**	(14)
Operating profit	R million	231	(86)	(181)	**(310)**	(71)
Capex	R million	270	224	140	**81**	(42)

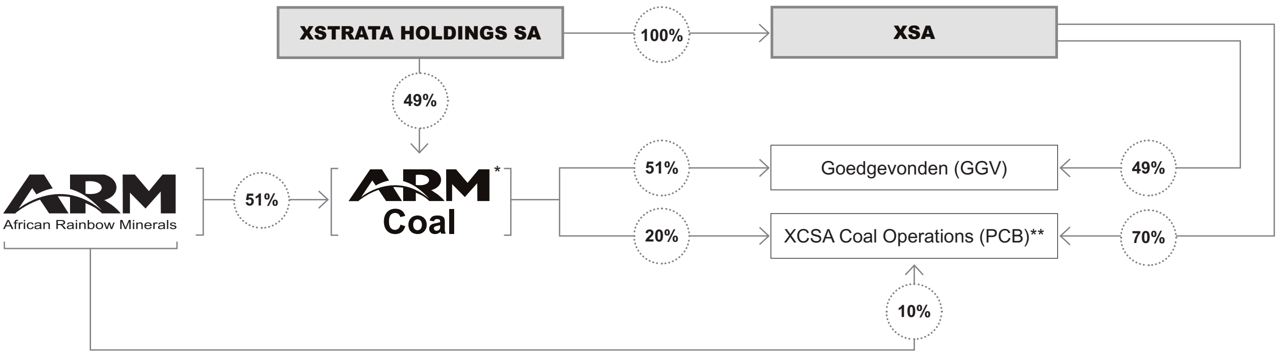
* *Excluding intra-group sales.*

Refer to page 193 for the Chrome Division segmental information.

ARM Coal

Thando Mkatshana, Chief Executive: ARM Coal

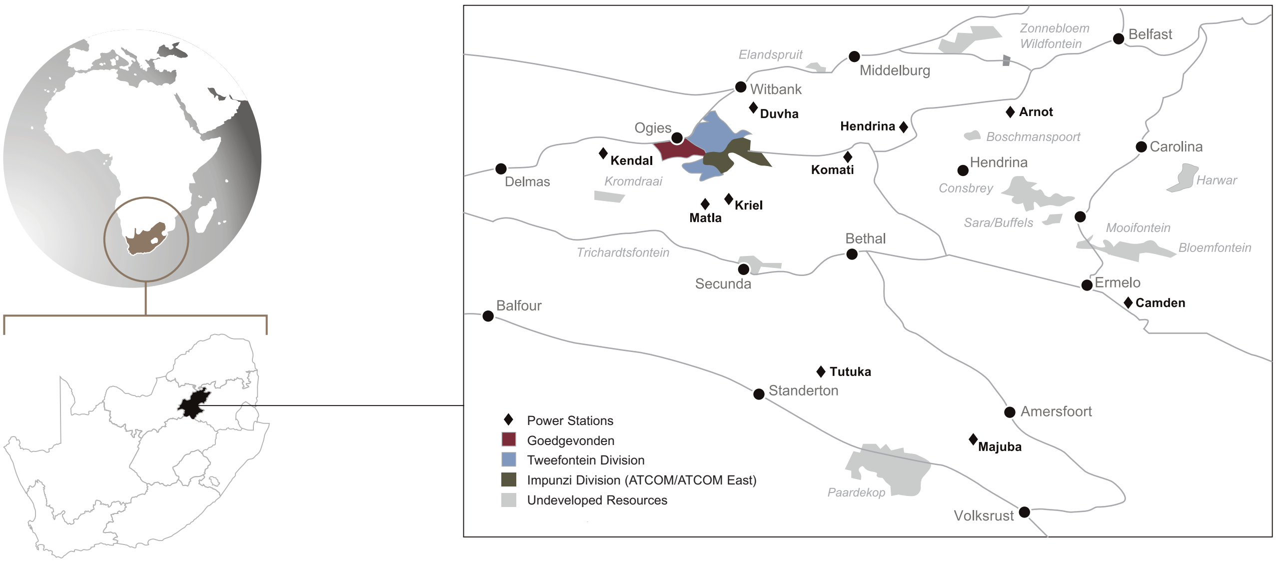
Divisional structure



* ARM Coal holds the following:
- Access to Xstrata's 16.5% interest and entitlement in the Richards Bay Coal Terminal (RBCT); and
- An export entitlement of 3.2 mtpa in the Phase V expansion at the RBCT.

** Participating Coal Business (PCB) refers to Xstrata Coal South Africa's (XCSA) coal operations excluding GGV.

Geography and locality



Scorecard

F2012 objectives	F2012 performance	F2013 objectives
Participating Coal Business (PCB)		
Final conditions precedent to be met for the sale of the Mpumalanga assets (Tselentis and Spitzkop) by end of 2011 calendar year.	All the conditions precedent were met and the sale was finalised in December 2011.	
Continue to seek opportunities to increase domestic prices and sales volumes.	The Eskom sales prices realised increased 14% and Eskom sales volumes increased 18%.	
Successful building and implementation of the Tweefontein Optimisation Project (TOP).	The TOP was approved by both the ARM and Xstrata Boards during F2012. Development of the project has commenced and the project is expected to be completed in F2016.	Continue construction of the TOP.
Successfully ramp up the Impunzi Mine to design capacity.	Design capacity reached at Impunzi Mine in the second half of F2012.	
		Commission Addcar 5 seam mining.
		Take advantage of improved performance by Transnet and increase thermal coal exports.
Goedgevonden Coal Mine (GGV)		
Consistent performance at the Coal Handling Processing Plant (CHPP) and mine production.	The Goedgevonden CHPP achieved design capacity in the second half of F2012.	Complete a prefeasibility study to expand GGV output.

Overview

Operational overview – attributable to ARM		F2012	F2011	F12/11 % change	Operational target 2013
PCB sales	Mt	**2.8**	2.7	4	→
Export thermal coal sales	Mt	**1.9**	1.8	6	↑
Eskom thermal coal sales	Mt	**0.7**	0.6	17	↓
Local thermal coal sales	Mt	**0.2**	0.3	(33)	→
GGV sales	Mt	**1.8**	1.4	29	↑
Export thermal coal sales	Mt	**0.8**	0.7	14	↑
Eskom thermal coal sales	Mt	**1.0**	0.7	43	→
ARM total sales	Mt	**4.6**	4.1	12	↑
Export thermal coal sales	Mt	**2.7**	2.5	8	↑
Eskom thermal coal sales	Mt	**1.7**	1.3	31	↓
Local thermal coal sales	Mt	**0.2**	0.3	(33)	→
ARM operating margin	%	**32**	30		

Financial overview – attributable to ARM		F2012	F2011	F12/11 % change
Cash operating profit	R million	**686**	443	55
PCB	R million	**369**	229	61
GGV	R million	**316**	214	48
Headline earnings attributable to ARM	R million	**52**	(103)	–
PCB	R million	**(26)**	(135)	81
GGV	R million	**78**	32	144

Operational and financial review

ARM Coal showed a significant turnaround in F2012 increasing cash operating profit by 55% from R443 million to R686 million (on an attributable basis). This improvement was mainly due to increased export and Eskom sales volumes achieved at both GGV and PCB. GGV's Coal Handling Processing Plant (CHPP), which had previously experienced ramp-up challenges, achieved consistent design capacity levels in the second half of the financial year. Saleable production at GGV thus increased 8% to 6.4 million tonnes. Saleable production at PCB increased by 2% as performance of the Impunzi CHPP improved.

ARM Coal realised higher US Dollar export prices despite Richards Bay spot coal prices (API 4) having reduced from US$117 per tonne to US$88 per tonne in the year under review. Realised US Dollar export prices increased 32% and 25% at GGV and PCB respectively. The higher than API4 prices were achieved as a result of previously negotiated term contracts.

ARM Coal headline earnings for F2012 were R52 million (F2011: R103 million headline loss) due to an increase in cash operating profit which was offset by increased taxation as well as an increase in finance charges, due to higher borrowing levels.

Goedgevonden Coal Mine (GGV)

The GGV Mine achieved full ramp-up in the year under review. Challenges were experienced at the mine's CHPP during 1H F2012; despite these challenges saleable production increased by 8% for F2012. Production in the second half of the 2012 financial year showed a marked improvement increasing 28% when compared with 1H F2012 with sustainable good performance being achieved.

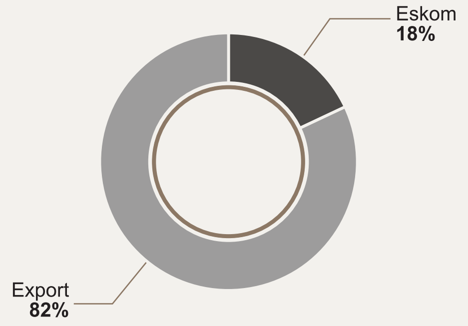
The consistent improvement in Transnet's performance since the second half of the 2011 calendar year resulted in increased export and Eskom sales volumes of 11% and 37% respectively.

The positive variance in sales volumes together with the increase in realised prices resulted in the attributable cash operating profit increasing by 48% from R214 million to R316 million. Headline earnings of R78 million are 144% higher than F2011. Attributable export revenue in F2012 increased by R256 million of which R56 million was due to higher sales volumes, R154 million due to higher export prices and R46 million as a result of a weaker Rand.

Total attributable on mine costs increased by R77 million due to an increase in overburden removal volumes, higher diesel costs and the cessation of the capitalisation of working costs during F2011. The increase in overburden removal costs resulted in increased in-pit inventory levels which will have a positive impact on costs going forward. Operating costs per saleable tonne increased by 20% to R200 per tonne (F2011: R166 per tonne).

GGV's increase in headline earnings was higher as a result of the increased cash operating profit which was offset by an increase in depreciation and finance costs of R15 million each and an increase of R26 million in income tax.

F2012 GGV revenue split (100% basis)



Participating Coal Business (PCB)

The PCB attributable cash operating profit increased by 61% to R369 million (F2011: R229 million). Attributable headline earnings improved from a R135 million loss to a R26 million loss mainly due to the increase of R140 million in operating profit, offset by an increase of R42 million in taxation.

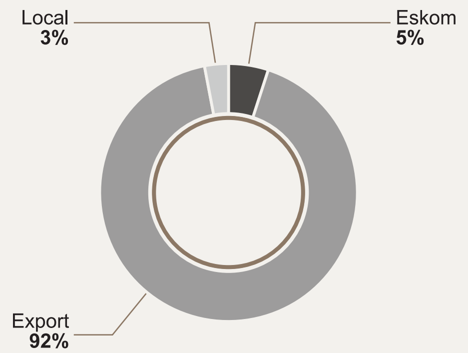
The disposal transaction relating to the Mpumalanga assets was finalised on 15 December 2011 and realised an attributable exceptional profit after tax of R38 million.

Increased demand resulted in Eskom sales volumes being 18% higher whilst other domestic sales declined by 42%. Export sales volumes in F2012 were marginally higher than F2011. The export sales for F2011 included 120 000 export tonnes from the Mpumalanga assets which were disposed of in F2012.

Attributable run of mine (ROM) production was 17% lower than F2011 mainly due to the inclusion of 310 000 tonnes from the Mpumalanga complex in F2011 and the closure of the South Stock underground operation during F2012. An increase in production at Impunzi Mine partially compensated for these reductions.

Attributable saleable production was 3% higher than F2011 even though F2011 included 153 000 tonnes of production from the Mpumalanga assets. PCB on-mine unit saleable cost at R321 per tonne was well controlled and 5% lower than F2011.

F2012 PCB revenue split (100% basis)



Capital expenditure

The Goedgevonden Mine reached design capacity during the year under review. The mine was completed within the estimate of R3.6 billion. As at 30 June 2012 92% of the capital of R2.8 billion to complete the Impunzi project had been committed and the project is expected to be completed by December 2012.

The R8.2 billion required for the Tweefontein Optimisation Project (TOP) was approved by the ARM Board during the financial year. Work on the project commenced towards the end of F2012 and this project is expected to be completed in F2016.

Logistics

Transnet has shown significant improvement in its Richard Bay Coal Terminal (RBCT) rail line performance. This improvement was achieved despite a 10 day maintenance shut down during May 2012. Since August 2011 Transnet has achieved annualised rates per month in excess of 67 mtpa reversing a long trend of stagnant performance. The improved performance was achieved due to improved operational efficiencies, with on-time departures and arrivals improving by 11% and 20% respectively compared to Transnet's prior year ended 31 March 2011. Indications are that the annual rate for the 2012 calendar year is expected to be close to 70 million tonnes compared to the 64.8 million tonnes achieved in the 2011 calendar year.

The Phase V expansion of Richards Bay Coal Terminal to 91 mtpa was completed in 2011. This increase in port capacity resulted in a discrepancy between the rail and port capacity limiting the Phase V coal producers from participating in their full allocation of the port expansion. Transnet is in the process of addressing this discrepancy by increasing the RBCT rail line from design capacity of 72 mtpa to 81 mtpa. In this regard Transnet has already expended capital on and is currently taking delivery of the locomotives. This expansion is expected to be completed in 2015. In addition, Transnet has included as part of its R300 billion Market Demand Strategy plans to further increase the RBCT rail line to 98 mtpa.

Growth in ARM Coal has historically been constrained by lack of sufficient rail capacity. The expansion plans currently being investigated or executed by Transnet bode well for the growth of ARM Coal.

Sustainability

Our sustainable development reporting is limited to those operations over which we have direct joint management control and therefore excludes the ARM Coal operations.

Mining rights status

As at 30 June 2012 all conversions from Old Order Mining Rights to New Order Mining Rights for the operations in XCSA had been granted and four of the seven have been registered by the mining titles office.

Prospects

The strategy to convert the ARM Coal and Xstrata assets from predominantly underground mining to Tier 1, cost competitive opencast operations is progressing well. GGV is operating at design capacity and the Impunzi Mine was commissioned and is planned to achieve design capacity during F2013. The last phase of this strategy involves the development of the TOP approved by the ARM and Xstrata Boards in the year under review. The TOP involves mining the underground pillars by opencast method and the construction of a new modern Coal Handling Processing Plant with a rapid load out terminal. Capital expenditure approved for TOP is R8.2 billion. The project, which is currently being implemented, is expected to deliver the first coal in the second quarter of 2016.

Market review

Export coal market

The global seaborne thermal coal market has seen a decline in spot prices in the first half of the 2012 calendar year. This decline was mainly influenced by an oversupply in the market which outpaced the growth in the demand. One of the main contributors to the oversupply was increased exports from the US as producers in the US placed supply into alternative markets following an increased usage of shale gas by domestic energy producers. Demand has however shown some resilience driven mainly by demand in Asia which is expected to continue increasing.

South African coal exports appear to be growing after stagnating for the preceding five years constrained by availability of export capacity. In the current calendar year however as a result of Transnet's improved performance, South African coal exports are expected to increase. There remains robust demand for South African export coal from China and India.

Domestic coal market

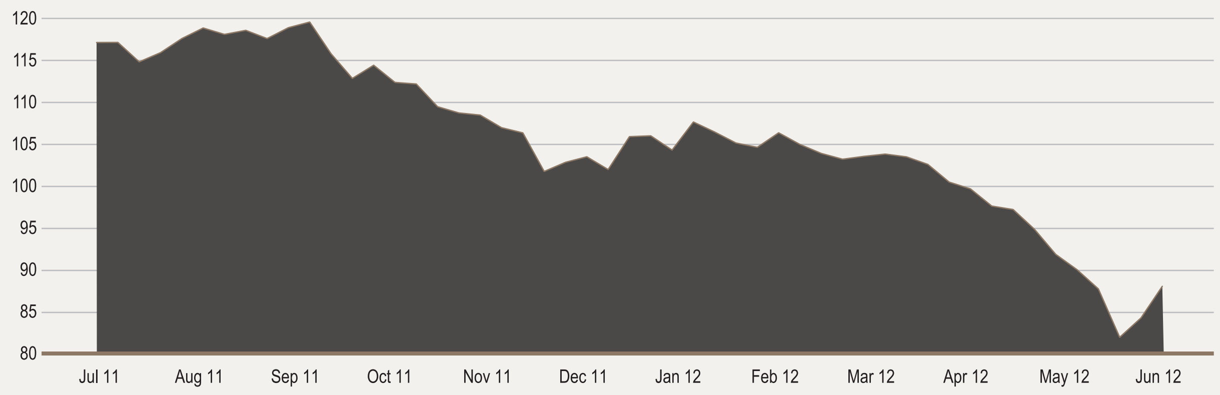
Eskom, the main consumer of coal domestically, increased their coal burn to 125 mtpa in the 2011 calendar year with this growth expected to continue and exceed 145 mtpa within the next 10 years. GGV is one of the major coal suppliers to Eskom and has a long-term coal supply agreement in terms of which 3.7 million tonnes of coal was dispatched in F2012. In the same period PCB supplied 3.3 Mt to Eskom.

ARM is jointly working with its partners to increase the supply to Eskom to take advantage of planned growth.

The rest of the domestic coal market is subdued and is expected to remain a small portion of the PCB business.

Thermal coal pricing trends for F2012 (July 2011 to June 2012)

Richards Bay export thermal coal spot prices (US$/t)



Goedgevonden Coal Mine (GGV)

Management	Governed by a management committee, controlled by ARM Coal, with four ARM representatives and three Xstrata representatives.
Reserves (100% basis)	200 Mt (saleable reserves)
ARM's economic interest	26.01%
Total labour	538 Employees 471 Contractors

(100% basis)

		F2012	F2011	F12/11 % change
Total saleable production	Mt	**6.4**	5.9	8
Total sales	Mt	**6.7**	5.4	24
Export	Mt	**3.0**	2.7	11
Eskom	Mt	**3.7**	2.7	37
Average price received				
Export (FOB)	US$/t	**101.90**	77.00	32
Eskom (FOR)	R/t	**146.06**	183.94	(21)
On mine saleable cost per tonne	R/t	**199.80**	165.85	20
Cash operating profits	R million	**1 216**	824	48
Operating margin	%	**41**	42	
Capital expenditure	R million	**506**	326	55

Attributable profit analysis

	F2012	F2011	% change
Cash operating profit attributable to ARM	**316**	214	48
Less: interest paid	**(97)**	(82)	(18)
amortisation	**(98)**	(77)	(27)
fair value adjustments	**(11)**	(17)	35
Profit before tax	**110**	38	189
Tax	**(32)**	(6)	>(200)
Headline earnings attributable to ARM	**78**	32	144

Refer to pages 189 and 190 for the Coal segmental information.

Participating Coal Business

Management	Governed by a supervisory committee with five Xstrata representatives and three ARM representatives.
ARM's economic interest	20.2%
Total labour	3 087 Employees 2 714 Contractors

(100% basis)

(100% basis)		F2012	F2011	F12/11 % change
Total saleable production	Mt	**13.2**	12.9	2
Impunzi	Mt	**5.5**	4.3	28
Mpumalanga	Mt	**0**	0.8	–
South Stock	Mt	**3.1**	4.0	(23)
Tweefontein	Mt	**4.6**	3.8	21
Total sales	Mt	**13.3**	13.2	0
Export	Mt	**9.3**	9.2	1
Eskom	Mt	**3.3**	2.8	18
Local	Mt	**0.7**	1.2	(42)
Average price received				
Export (FOB)	US$/t	**98.75**	79.30	25
Eskom (FOR)	R/t	**120.31**	105.98	14
Domestic (FOR)	R/t	**262.12**	296.59	(12)
On mine saleable cost per tonne	R/t	**321.37**	338.07	(5)
Cash operating profits	R million	**1 828**	1 133	61
Operating margin	%	**24**	20	
Capex*	R million	**2 230**	2 620	15

Attributable profit analysis

	F2012	F2011	% change
Cash operating profit attributable to ARM	**369**	229	61
Less: interest paid	**(118)**	(107)	(10)
amortisation	**(268)**	(282)	5
fair value adjustments	**(20)**	(27)	26
Profit before tax	**(37)**	(187)	80
Tax	**10**	52	81
Headline earnings attributable to ARM	**(27)**	(135)	80

ARM's economic interest in XCSA coal operations excluding GGV (PCB) as at 30 June 2012 remains at 20.2%. PCB consists of two large mining complexes situated in Mpumalanga. ARM has a 26% effective interest in the GGV Thermal Coal Mine situated near Ogies in Mpumalanga.

Attributable refers to 20.2% of Xstrata Coal South Africa (XCSA) Operations whilst total refers to 100%.

Refer to pages 189 and 190 for the Coal segmental information.

Goedgevonden Project completed

Goedgevonden Coal Mine (GGV) is 51% owned by ARM Coal and 49% owned by Xstrata.

7.0 mtpa saleable thermal coal

3.2 mtpa export sales (27 MJ/kg)

ARM Coal has secured 3.2 mtpa capacity at Richards Bay Coal Terminal (RBCT)

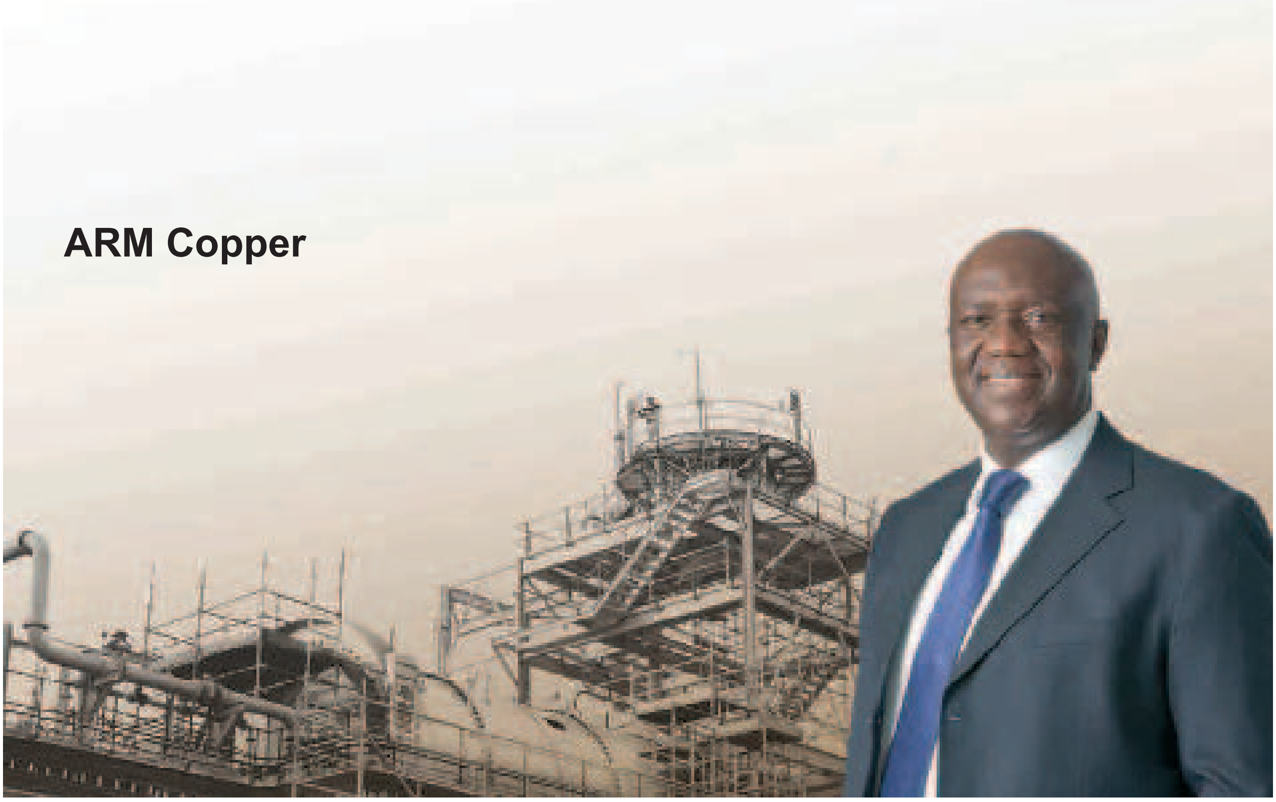
3.8 mtpa domestic sales (21.5 MJ/kg)

- Eskom off-take negotiations finalised
- Close proximity to four power stations
- Supplying a premium product (washed and sized)

Project released 2007 → **Opencast mine expected to produce in lower quartile of global cost curve** → **Ramp-up: 2009 Full production: 2011**

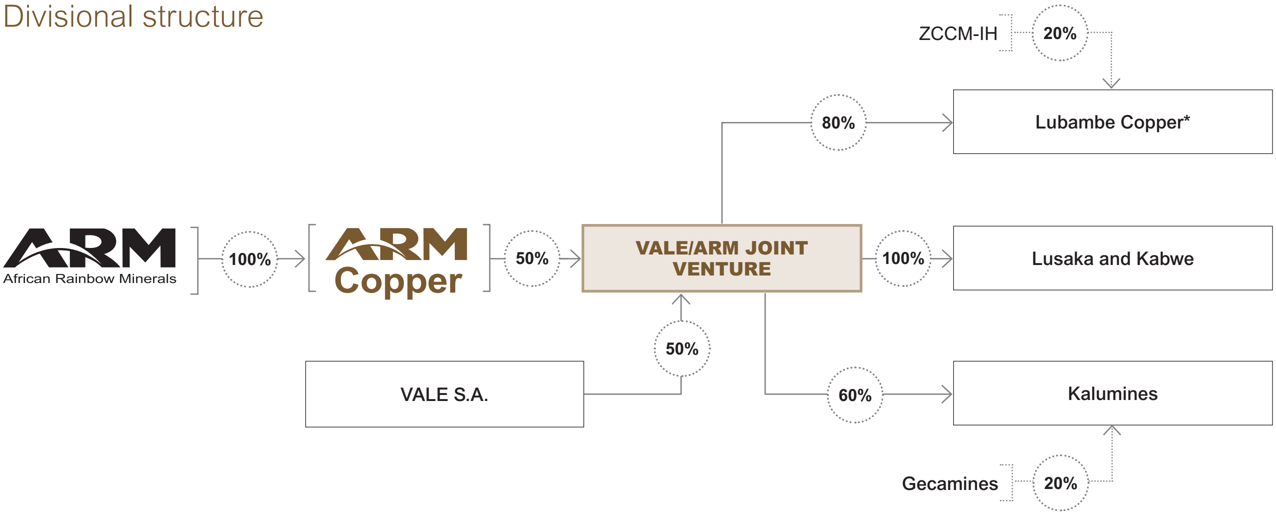
Capital cost of R3.6 billion

ARM Copper



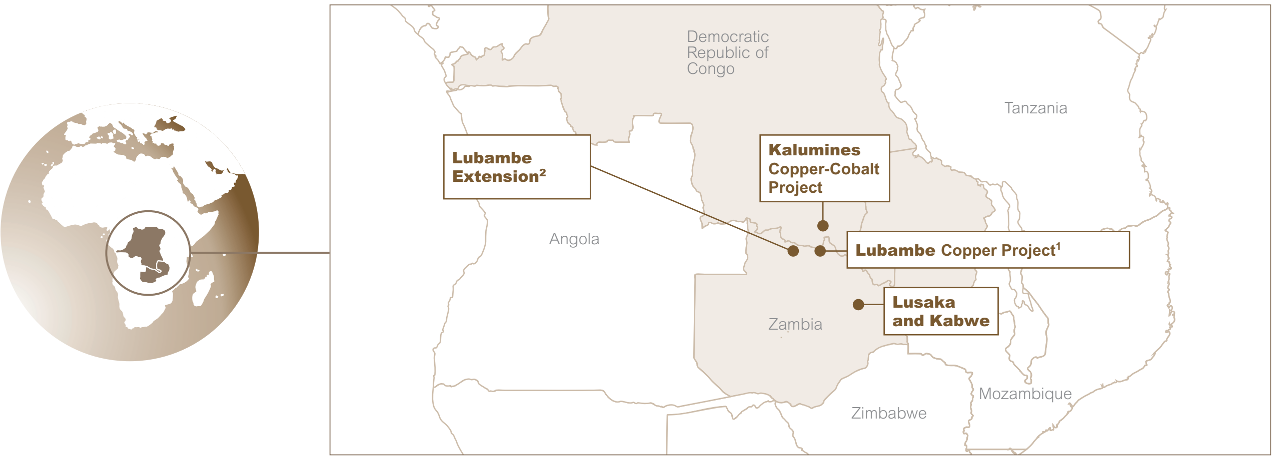
Dan Simelane, Chief Executive: ARM Copper

Divisional structure



* The Lubambe Copper Project (previously Konkola North Copper Project) was subject to a buy-in right of up to 20% (5% free carried interest) by State-owned Zambia Consolidated Copper Mines Investment Holdings plc (ZCCM-IH). ZCCM-IH has exercised this right and the 20% to ZCCM-IH has been transferred.

Geography and locality



1. Previously known as Konkola North Copper Project.
2. Previously known as Area A.

Scorecard

F2012 objectives	F2012 performance	F2013 objectives
Lubambe Copper Project		
Obtain final sign off and approval of all the relevant documentation relating to ZCCM-IH's participation in the development of the South East Limb mine.	All the required agreements between the Government of the Republic of Zambia and the Vale/ARM Joint Venture were signed to ensure tenure of the mining lease area as stipulated in the agreements.	
Commission the concentrator plant by December 2012 in line with the approved budget and achieve the planned production ramp up as per the feasibility study.	The concentrator plant is on schedule for delivery of first concentrate from Lubambe Copper Mine by the end of the 2012 calendar year.	Commission the concentrator plant on time and below budget whilst training the newly recruited teams to operate the plant to its design criteria.
		Commence with stoping operations from underground and maintain the production ramp-up profile whilst adhering to best practice safety management systems and results.
Lubambe Extension Area (previously known as Konkola North Area A)		
Continue exploration drilling in Lubambe Extension Area in a phased approach for a total of 20 000 metres to delineate high grade copper mineralisation in the South East area and in central Extension Area. Geological surveys are planned over the target stratigraphy on the remaining licence area. Geological and grade models will be constructed and initial resource estimation work is planned.	Just over 24 000 metres of drilling were completed by the end of the 2012 financial year delivering results slightly above expectations. Geological grade models are being constructed for updating the pre-feasibility and for inclusion in the feasibility study which is planned for completion before the end of the 2013 calendar year. During the year an Aero Magnetic Survey was conducted over the mining lease area to possibly identify further target areas.	Complete a feasibility study on the extension area by the end of the 2013 calendar year.

Review of the year

Due to the similarity of the name “Konkola North” to the name of a neighbouring mine, a decision was taken to change the name to Lubambe Copper. The name of the registered company was also changed from Konnoco (ZAMBIA) Ltd. to Lubambe Copper Mine Ltd. The newly registered name of the company has been approved by the relevant authorities in Zambia and will be used going forward. Lubambe is the Bemba (one of the local languages in Zambia) word for a Black Eagle and was chosen by the people working on the mine.

During 1H F2012 Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) exercised their right to acquire a 20% shareholding in Konnoco (ZAMBIA) Limited and fulfilled all their obligations in terms of the signed shareholders agreement. Both Vale and ARM are delighted to have ZCCM-IH as a full-fledged partner on board with us.

After the inauguration of the newly elected President and Government of the Republic of Zambia (GRZ) in October 2011, all the required agreements between the GRZ and the Vale/ARM Joint Venture were signed in Lusaka by the duly authorised representatives of all the parties involved, to ensure tenure of the mining lease area as stipulated in the agreements.

Project progress has been very good and despite poor ground conditions and certain delays in the refurbishing of the existing No. 2 Shaft, the project remained on target and within budget and all critical milestones have been met.

Return water dam with conveyor transfer tower, Lubambe Copper Mine

Construction of concentrator plant, Lubambe Copper Mine

Underground rock transfer system at Lubambe Copper Mine

The Lubambe Copper Project

The Lubambe Copper Project is progressing within budget and in line with the baseline schedule. Commissioning of the concentrator plant is expected before the end of the 2012 calendar year. 22 out of the 27-month project construction phase was completed as at 30 June 2012

The project management team has done well in selecting very able contracting companies and teams prior to the commencement of the project. Contractual agreements are effectively managed by both the contracting companies and the Vale/ARM Joint Venture Company and we believe this is an integral part of the successful project progress to date. Work quality is of a high standard and, with the full mine management team already deployed on site, safety integration between all parties has played an important role in achieving the world class safety results of the project to date.

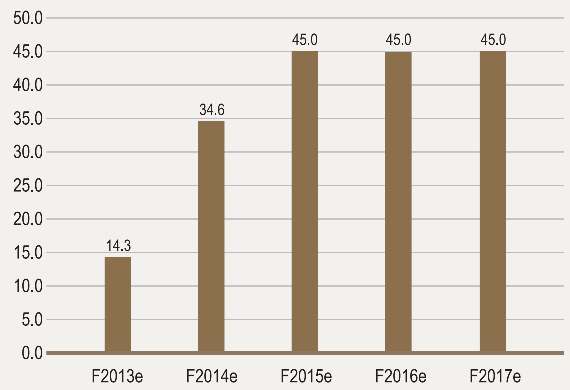
Worse than expected underground ground conditions were encountered in the East Limb of the project, despite these challenges the mechanised mining development is progressing well and was ahead of schedule as at the end of June 2012. The first ore body intersection from the East Decline was made in December 2011 and the first owner mining crews commenced access development in November 2011. Mine management, in conjunction with the project team have incorporated mine design improvements, which will partly negate the impact of the worse than expected ground conditions.

The refurbishment of the No. 2 Vertical Shaft was negatively affected by the 2011 steel industry strike in South Africa and resulted in late delivery of steel to the project site; this delay was largely mitigated due to early access development to the 100 metre level of the No. 2 Vertical Shaft from the East Decline. This early access enables development operations at No. 2 Shaft Complex to continue before the commissioning of the vertical shaft system. Production ramp-up to full production of 45 000 tonnes of contained copper is still expected to be achieved in F2015.

Project expenditure in July 2010 terms is estimated at US$410 million, of which 94% was committed by 30 June 2012. This expenditure includes the cost of relocating about 205 informal houses built on a potential mining subsidence area.

The mine's throughput design from both the South and East Limb ore bodies remains at 2.5 mtpa of ore at an average mill head grade of 2.3% copper, which will result in the production of 45 000 tonnes of contained copper in concentrate per annum for 28 years. The copper concentrate produced will be toll smelted and refined in Zambia. Commissioning of the concentrator plant is expected before the end of the 2012 calendar year and all the off-take agreements have been agreed and signed. Longitudinal Room and Pillar Stoping (LRP) commenced in August 2012 and will ramp up to full production by 2015.

Copper production (thousand tonnes)



Sustainability review

This section provides an overview of ARM Copper's performance in terms of its material sustainability issues. Sustainability issues and safety statistics disclosed in this section refer to the Lubambe Copper Project. Due to the inherent high risks associated with construction and underground mining development, the safety and health of employees and contractors is the most material risk at the Lubambe Copper Project.

Safety

Over seven million man hours have been worked since the start of the Lubambe Copper Project. As at end June 2012 the project had recorded six Lost Time Injuries (LTIs). The Lost Time Injury frequency rate for F2012 was 0.18 per 200 000 man hours and the progressive number of man hours worked without an LTI were in excess of two million. Training is an integral part of ensuring efficient transition into safe production. To date 321 full-time employees have received training at the Lubambe Project.

Another material safety issue is road safety. Road safety awareness campaigns run continuously at the project.

Occupational health and wellness

Occupational health and wellness management is a key issue in completing the Lubambe Copper Project. Malaria is the most significant health risk, with an average of 20 cases per month reported at the project. Prevention-related interventions and awareness activities are ongoing and include residual spraying of work areas, employee accommodation and various community areas. Regular safety talks are held on malaria prevention. Weekly malaria statistics are given to the workforce and a monitoring programme is in place.

HIV & Aids prevalence in the Zambian Copper Belt area is estimated at 14%. HIV & Aids therefore presents a significant risk to the wellness of our employees. "Know your status" and awareness programmes have been implemented and to date, 528 employees have been tested. The prevalence among our current workforce is 6%.

Environment

The mine's environmental management programme includes monitoring of dust, noise, diesel emissions, water quality, vibration and illumination. Environmental management on site is aligned with the specific challenges presented by the Zambian climate. Dust suppression during the dry winter months is essential, while very high rainfall requires a focus on water management and effective drainage around construction areas in summer.

An external audit has been scheduled for early F2013 to establish performance against the requirements of Environmental Management Programme targets.

Corporate Social Responsibility

ARM Copper spent on R5.9 million on Corporate Social Investment (CSI).

Kalumines Copper Project

The feasibility study at the Kalumines prospecting area has been completed and submitted to the shareholders. Variability drilling and test work was done, but further areas of optimisation did not achieve expected project value enhancements. The mining permit has been extended to 2 January 2013.

Prospects

The Lubambe Copper Project: Extension Area

The previous study area known as Konkola North Area A has been renamed to Lubambe Extension Area and falls within the Large Mining Licence area of Lubambe Copper Mine Limited entitled 7061 – HQ – LML. This extension area is the second phase of the Lubambe Copper Project and provides for the exploitation of the area located six kilometres to the south of the present mine development. Development of the Lubambe Extension Area will require a vertical shaft as well as the expansion of the Lubambe Copper Mine processing plant potentially increasing the total production to 100 000 tonnes of copper in concentrate.

The greater Lubambe Copper Mine Area includes the extensions of the copper mineralisation from the South/East Limb area to the south (the Konkola Basin) and the area to the east previously known as Area 2 (PLLS 73), covering the Kawiri and Kawiri North basins.

The JV has targeted the southernmost part of the Konkola Basin within the mining lease area for more detailed resource delineation drilling. The Vale/ARM Joint Venture (the JV)) previously completed a pre-feasibility study on a resource of 75 million tonnes. The pre-feasibility showed a high probability of the area being developed. Drilling continued this year in this area and five drill rigs were deployed in the area to enlarge the resource and increase the confidence levels. Initial drill results indicate an average reef width of approximately 11 metres at 2.81% total copper at an average depth of 1 100 metres.

The JV also conducted an Aero Magnetic survey of the areas to the east now known as the Kawiri Basin and the Kawiri North Basin.

No adjustments have been made to the resource statement of the new mine. We expect a revised resource statement by June 2013.

Mineral resources summary as of 30 June 2012 (unchanged from previous year)

Mineral Project	Joint Venture ownership	Mineral Resources Category	Tonnes (Mt)	Total Copper (%)	Contained Copper (Mt)
Lubambe Copper Project	80%				
South Limb[1]		Measured	0.7	2.70	0.02
		Indicated	23.9	2.13	0.51
		Total	24.6	2.15	0.53
East Limb[1]		Measured	4.0	2.64	0.11
		Indicated	16.6	2.58	0.43
		Total	20.6	2.59	0.54
Fold Axis[1]		Measured	0.4	2.10	0.01
		Indicated	11.8	2.70	0.32
		Total	12.2	2.68	0.33
Total		**Measured and Indicated**	**57.4**	**2.42**	**1.39**
South Limb[1]		Inferred	13.8	2.22	
East Limb[1]		Inferred	0.4	2.00	
Fold Axis[1]		Inferred	9.7	2.25	
Area 'A'[2]		Inferred	219.5	2.64	

1 The mineralised zones were modelled on a 1% total copper cut-off, and were signed off by AMEC E&C Inc.
2 Resources defined are historical and not verified by AMEC E&C Inc.

Mineral reserves summary as of 30 June 2012

	Mt	%TCu	Mt Contained Cu
Proved South Limb	0.76	2.49	0.02
Probable South Limb	1.99	2.11	0.04
Total Reserves South Limb	**2.75**	**2.22**	**0.06**
Proved East Limb	1.88	2.34	0.04
Probable East Limb	4.71	2.39	0.11
Total Reserves East Limb	6.59	2.38	0.16
Total Reserves 2012	**9.34**	**2.33**	**0.22**
Total Reserves 2011	–	–	–

Totals are rounded off.
Modifying factors: Mining losses, mining dilution and metallurgical.
The Mineral Reserves cover a three Year Plan Area.

Market review

The global demand for copper continues to grow driven by expanding sectors including electrical and electronic products, building and construction, industrial machinery, and consumer and general products.

Refined copper usage reached 20 million tonnes with China still the largest consumer at over 7.9 million tonnes. According to the International Copper Association (ICA), equipment was the largest copper end-use followed by infrastructure and construction.

After a record high in December 2011, China's copper imports eased in January 2012 ahead of the Chinese New year. In February China imports rose to the third highest level on record and remained at a level exceeding 400 000 tonnes per month for the fifth consecutive month by the end of June 2012.

Global copper production in the preceding year reached over 16 million tonnes with Chile still the largest producer (at 5.3 million tonnes). China was the largest producer of anode and blister copper for the year with anode and blister production of just over 4.7 million tonnes. Global refined copper production increased to 19.6 million tonnes including 3.5 million tonnes of secondary refined production.

New copper supply is expected to be constrained as new and existing projects face challenges of declining grades and increased capital cost and operational cost inflation. A more risk adverse attitude in copper exploration is being seen as the majority of recent discoveries come from brownfield projects.

Zambia is currently the 7th highest copper producing country in the world following very close behind the Russian Federation and Australia. Zambia produced approximately 740 000 tonnes of

Aerial view of Lubambe Copper Mine and concentrator plant

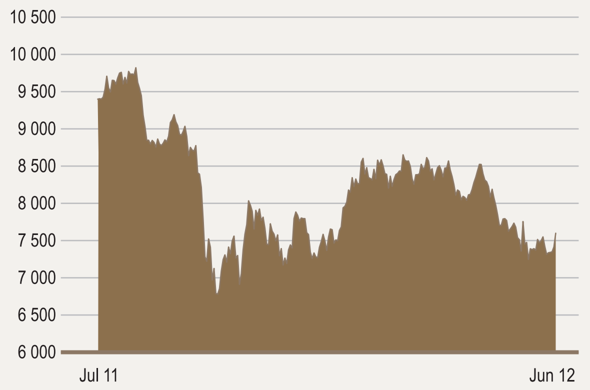
copper in 2011. Zambia has clearly indicated its intention to increase its copper output through new investments in the country.

Although copper prices have been well supported by the growing demand and improved from approximately US$1.30/lb copper in July 2005 and reached a record high of US$4.62/lb in February 2011, there is renewed downward pressure from global macro-economic concerns. During the first half of 2012 copper prices averaged US$3.65/lb (US$8 060/tonne) which is a decline of 14% year on year.

Global economic uncertainty is expected to keep copper prices under pressure in the short-term. Despite this, copper prices are expected to remain well above the estimated incentive and marginal cost of production. China has lowered its 2012 growth target but prospects for Chinese copper demands remains high due to the continuing urbanisation trend and the continued development of the new power grid which alone is expected to consume 12 million tonnes of copper over four years. The deferment of investments into major copper mining projects due to the European debt crisis and the fact that existing and new developing mines are struggling to keep pace with growing emerging market needs, will in all likelihood cause the surplus forecast by some to in 2015 to be eroded.

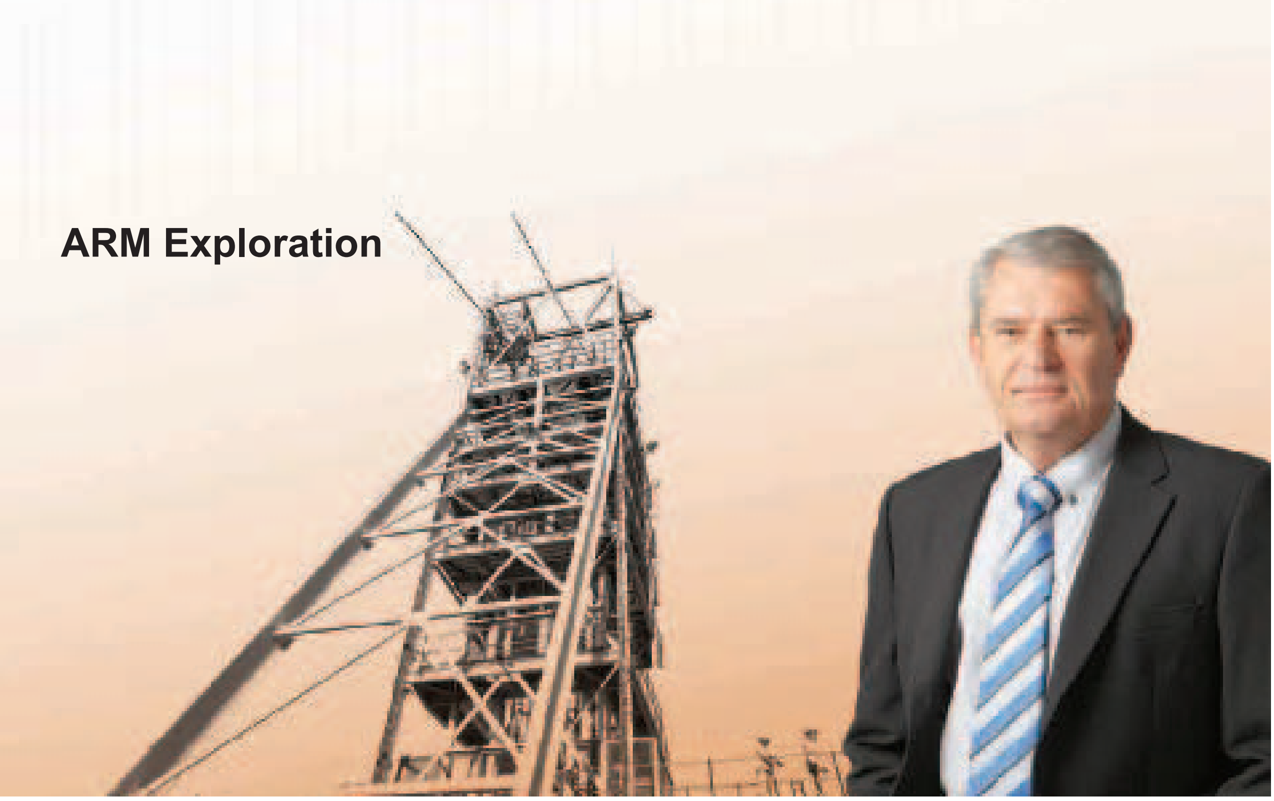
Copper pricing trends for F2012 (July 2011 to June 2012)

Copper spot prices* (US$/t)



* *Source: INet Bridge*

ARM Exploration



Jan Steenkamp, Chief Executive: ARM Exploration

Divisional structure

ARM African Rainbow Minerals → 100% → ARM Exploration* → 100% →

- PGMs
- Base metals
- Manganese ore
- Coal

* ARM Exploration is involved in identifying and assessing exploration and mineral business opportunities in sub-Saharan Africa.

Geography and locality

Scorecard

F2012 objectives	F2012 performance	F2013 objectives
Mozambique		
As ARM Exploration is a new division no objectives were previously set	ARM and Rovuma completed airborne gravity survey as well as a review and reprocessing of previously completed survey data.	Assess targets through mapping and integration of data.
	The regional geological mapping programme was completed.	Commence resources definition drilling.
	Technical training and assessment workshops held and targets outlined.	Initiate and complete fatal flaw analysis and a conceptual development plan.
	Commenced reconnaissance drilling.	
		Identity suitable exploration projects for participation, with particular focus on PGMs, base metals, coal and manganese ore.

Review of the year

ARM is conscious of the need to ensure continued growth beyond the ore bodies that currently comprise its portfolio, and is in the process of implementing changes and a strategic review of its exploration strategy. This will ensure that the ARM Exploration's strategy focuses on identifying, exploring for, evaluating and acquiring mineral resource projects that have the ability to outline and define sustainable mineral resource for mine development.

ARM Exploration is a new division, and previously represented the Vale/ARM Joint Venture which was subsequently renamed ARM Copper.

ARM Exploration has established a large database of mining and exploration undertakings in Africa, focusing on platinum group metals, manganese ore, base metals and coal.

In July 2011 ARM signed an agreement with Rovuma Resources Limited (Rovuma), a British Virgin Island registered Mozambican exploration company. Rovuma has been exploring in Mozambique since 2007 and a number of occurrences of copper/zinc/silver/gold, nickel/copper/PGE, chromite/nickel and graphite mineralisation have been identified.

ARM agreed to continue with the second year of exploration (commencing April 2012) and to fund exploration at a cost of US$7 million per year. In terms of the agreement ARM has exclusive rights to exercise options to purchase prospecting and/or mining rights to the resources.

In Zambia, ARM Exploration has undertaken reconnaissance exploration work on prospective areas for high grade manganese mineralisation. Numerous targets have been identified and discussions with the rights holders have commenced.

The headline loss attributable to ARM in F2012 is R113 million (F2011: Rnil) and was largely due to the exploration costs in Rovuma.

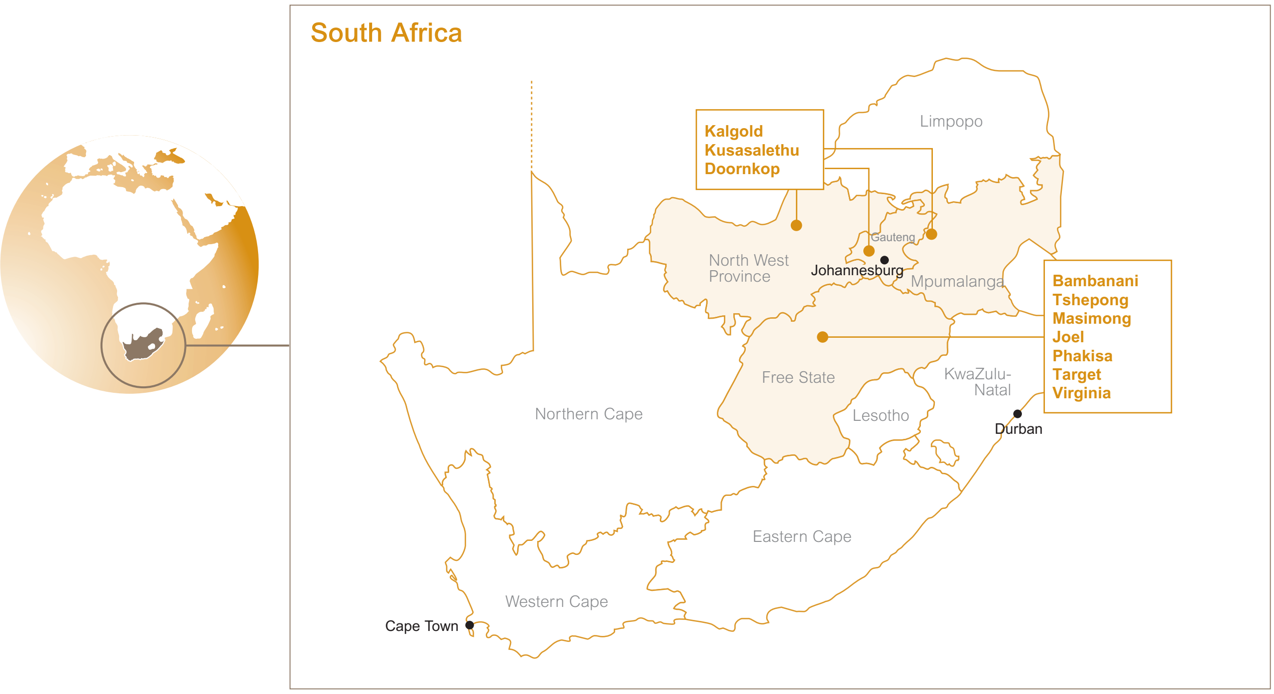
Rovuma Exploration Project

Exploration in the first year of ARM funding included the completion of airborne gravity surveys to further enhance the geological understanding of previously defined base metal mineralisation and provide drill targets. ARM and Rovuma have employed consulting geologists, geophysicists and geochemists with an international reputation to audit the exploration work previously undertaken by Rovuma and to undertake detailed geological/structural mapping. The rainy season (December to April) was used to process, integrate and interrogate the various survey data to provide the basis for the planned drilling programme which commenced in June 2012.

The prospective horizon has a strike of approximately 100 kilometres and four target cluster areas have been defined. Each target cluster comprises numerous identified areas of base metal mineralisation. A technical opportunity assessment process is currently underway and aims to prioritise 10 to 15 areas for drill testing during the field season of 2012.

Gold: Harmony

Geography and locality



Operational performance

		F2012	F2011
Gold produced	kg	**39 642**	40 535
	000oz	**1 275**	1 303
Operating costs	R/kg	**270 918**	226 667
	US$/oz	**1 085**	1 009
Financial performance			
Revenue[1]	R million	**15 169**	11 596
Production costs[1]	R million	**9 911**	8 504
Production profit[1]	R million	**5 258**	3 092
Net profit for the year (including discontinued operations)	R million	**2 645**	617
Total headline earnings per share (includes discontinued operations)	cents per share	**565**	223
Total capital expenditure	R million	**3 226**	3 134
Market performance			
Average gold price received	R/kg	**419 492**	307 875
	US$/oz	**1 680**	1 370
Market Capitalisation	R billion	**33.0**	38.7

1 Excludes discontinued operations.

Papua New Guinea

Harmony Gold Mining Company Limited (Harmony)

Harmony operates and develops world class gold assets in South Africa. It has 10 underground mines, one open pit operation and several surface sources in South Africa. Harmony also has a 50% joint venture in Papua New Guinea (PNG) with Newcrest Mining Limited (Newcrest), which includes the Hidden Valley open pit mine, the Wafi-Golpu exploration project as well as other exploration properties. Harmony also has 100%-owned, PNG exploration areas. Harmony employs approximately 40 000 people including contractors.

Harmony's results for the 12 months to 30 June 2012 have proven that Harmony's management team has created a company that benefits from a rising South African rand gold price, while fulfilling the objective of geographic and currency diversification. Harmony has achieved its objective of ensuring the closure or disposal of the older, non-core assets in South Africa. As a result high cost operations have been removed from the portfolio, and what has emerged is a collection of world-class assets designed to build significant long-term shareholder value.

For the year ended 30 June 2012, Harmony increased its operating profit by 80% to R5.9 billion, compared to the R3.3 billion in the 2011 financial year. Gold production decreased marginally from 40 535 kg to 39 642 kg. Cash operating cost per kilogram of gold produced increased by 20% to R270 918/kg, while cash operating costs in US$/oz terms only increased by 8% to US$1 085/oz.

Harmony generated a net profit of R2.6 billion in F2012, which represents a four-fold increase on the R617 million recorded in F2011. Headline earnings and headline earnings per share more than doubled year-on-year, from R957 million to R2.4 billion and 223 cents to 551 cents, respectively.

Harmony continued to grow its asset base in line with the strategy of delivering safe, profitable and sustainable ounces. Significant steps towards this goal included:

- Ongoing investment in development at Phakisa, Kusasalethu, Doornkop, Tshepong and Hidden Valley mines, reaffirming the robust life-of-mine plans and reserves for these quality assets;
- Restructuring of Bambanani following the decision to halt mining in the sub-shaft, with activities on this mine now focused on developing the shaft pillar;
- Ongoing exploration in PNG, including tenements wholly owned by Harmony;
- Completion of the pre-feasibility study at Golpu PNG, where drilling results justify the long-held confidence that this project has the potential to change the company materially; and
- Continuing to create a new dynamic for junior gold miners in South Africa through the disposal of non-core assets: Rand Uranium Proprietary Limited was sold to Gold One International Limited for US$250 million (Harmony's share US$38 million) and Evander in the process of being sold to Pan African Resources for R1.5 billion. The proceeds will be available for further development of Wafi-Golpu, and the other important growth initiatives.

Harmony's gold equivalent gold reserves in South Africa and PNG as at 30 June 2012 totalled 52.9 million ounces, which represents a 31% annual increase. This is largely due to the increase in mineral reserves in PNG following the completion of the pre-feasibility study at Wafi-Golpu. Harmony's strategy to diversify internationally has significantly enhanced its value proposition with gold equivalent reserve ounces in PNG now representing 42% of Harmony's total reserves in comparison to 11% as at 30 June 2011. In South Africa, the mines in build-up phase represent 32% of Harmony's total gold equivalent mineral reserves. These mines, together with Wafi-Golpu, are the solid foundation on which Harmony will increase its future gold production, reserves and value.

The completion of the pre-feasibility study shows a substantial increase in the mineral reserve estimate for Golpu, which contains 12.4 million ounces of gold and 5.4 million tonnes of copper for 38.9 million gold equivalent ounces. Block caving is the mining method proposed, with two lifts to a depth of 1.45 km. Drilling beneath Lift 2 has returned high grade intersections and mineralisation remains open at depth. The development capital costs and resulting preliminary valuations demonstrate a sound business case that supports the updated reserve estimate associated with developing Lifts 1 and 2 at Golpu.

The Golpu Project will move into the feasibility study phase when the joint venture partners have completed the engagement with key stakeholders (including the PNG and provincial governments, landholders and community representatives) to ensure clear alignment of the objectives and requirements for the project's future development. Dependent on the final feasibility study, first production is expected in 2019 and the mine life is estimated at 26 years. Under the pre-feasibility study base case scenario annual production is forecast to reach 490 000 ounces of gold and 290 000 tonnes of copper during the period 2026 to 2035. The capital costs, which have been estimated to pre-feasibility study level, are being closely evaluated to assess what opportunities exist to further refine the numbers. It is anticipated that, subject to satisfactory resolution on these outstanding matters, Harmony and its joint venture partner will progress the Golpu project into the Feasibility Study phase during the first half of calendar 2013.

After declaring an interim dividend of 40 cents per share in February 2012, Harmony declared a final dividend of 50 cents per share for F2012 in August 2012 bringing the total dividend for F2012 to 90 cents per share. ARM has accounted for the interim dividend in its 2H F2012 results and will account for the final dividend in the first half of its 2013 financial year.

The ARM Statement of Financial Position at 30 June 2012 reflects a mark-to-market investment in Harmony of R4.9 billion which is based on a Harmony share price of R76.50 per share. Changes in the value of the investment in Harmony are accounted for by ARM through the Statement of Comprehensive Income, net of deferred capital gains tax. Dividends are recognised in the ARM income statement on the last day of registration following dividend declaration. The investment reflected at market value in the statement of financial position represents approximately 14% of ARM's market capitalisation of R35.7 billion at 30 June 2012, which is consistent with the 14% as at 30 June 2011.

Harmony's full results for its financial year ended 30 June 2012 may be viewed on the company's website **www.harmony.co.za**