ARM

African Rainbow Minerals

INTEGRATED ANNUAL REPORT 2014

We do it better

About this report

As part of our commitment to relevant and transparent reporting, African Rainbow Minerals Limited (ARM or the Company) has produced its fifth Integrated Annual Report. The report is aimed at providing all our stakeholders with a thorough review of ARM's performance against its strategy and its financial, operational and sustainability objectives.

The 2014 Integrated Annual Report covers the period 1 July 2013 to 30 June 2014 and provides an overview of and discusses the performance of our joint venture operations located in South Africa and Zambia. Our sustainability objectives and performance are reported only for those operations where ARM has direct or joint management and therefore does not include the ARM Coal and Harmony operations.

See page 2 for the ARM group structure.

This report is aimed at all ARM's stakeholders who amongst others include shareholders, potential investors, employees, communities surrounding our mining operations, customers, suppliers, the governments of the countries we operate in and the regulators that govern the mining industry. Our integrated approach to reporting aims to assist these stakeholders understand our business better and provide them with the information necessary to properly assess our Company's performance, prospects, value and strategic intent.

See page 24 to 27 for details on our stakeholders and material issues.

This report is guided by the International Integrated Reporting <IR> Framework as issued by the International Integrated Reporting Council (IIRC). This framework seeks to create the link between the business' use of and impact on the various forms of capitals and the Company's material issues and strategy.

We have responded to the relevant statutory frameworks in preparing this report. These include but are not limited to, the Companies Act 71 of 2008 (as amended), the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III), 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. A comprehensive checklist detailing our application of the King III principles is included on our website. The corporate governance section of the report included on pages 118 to 163 discusses our approach to governance, risk management, combined assurance and stakeholder engagement.

The financial information has been prepared according to International Financial Reporting Standards (IFRS). The unqualified opinion of the independent auditors on the financial information may be found on page 168. The presentation of the consolidated and separate annual financial statements for F2013 and F2014 was affected by the adoption of IFRS 11 which became effective for ARM on 1 July 2013. This change in accounting policy had a significant impact on the presentation of the consolidated annual financial statements and as a result comparison to the annual consolidated financial information prior to F2013 will be distorted.

For more detail on the adoption of the new accounting standards please see the Financial Director's report on pages 14 to 20 as well as the notes to the financial statements.

The 2014 Integrated Annual report is supplemented by the comprehensive and detailed Sustainability Report and the Mineral Resources and Reserves Report both of which may be found on our Company website **(www.arm.co.za)**. Printed copies of the Sustainability Report are available on request from the Investor Relations Department. The contact details for the Investor Relations Department are provided on the inside back cover of this Integrated Annual Report.

The non-financial information included in the report has been assured by an external assurance provider to ensure reliability of the information published. The opinion of the external assurer may be found in our detailed Sustainability Report.

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

In the interest of continuous improvement and fulfilling the information and engagement needs of our stakeholders, we welcome any feedback on the content and format of our reports. Please direct any feedback to the Investor Relations Department.

Statement of the Board of Directors (the Board) of African Rainbow Minerals Limited
The Board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. In the Board's opinion the 2014 Integrated Annual Report addresses all material issues and presents fairly the Company's integrated performance. The Board approved the financial and non-financial information contained in this report on 14 October 2014.

Key to references: Integrated Report | Sustainability Report | www.arm.co.za

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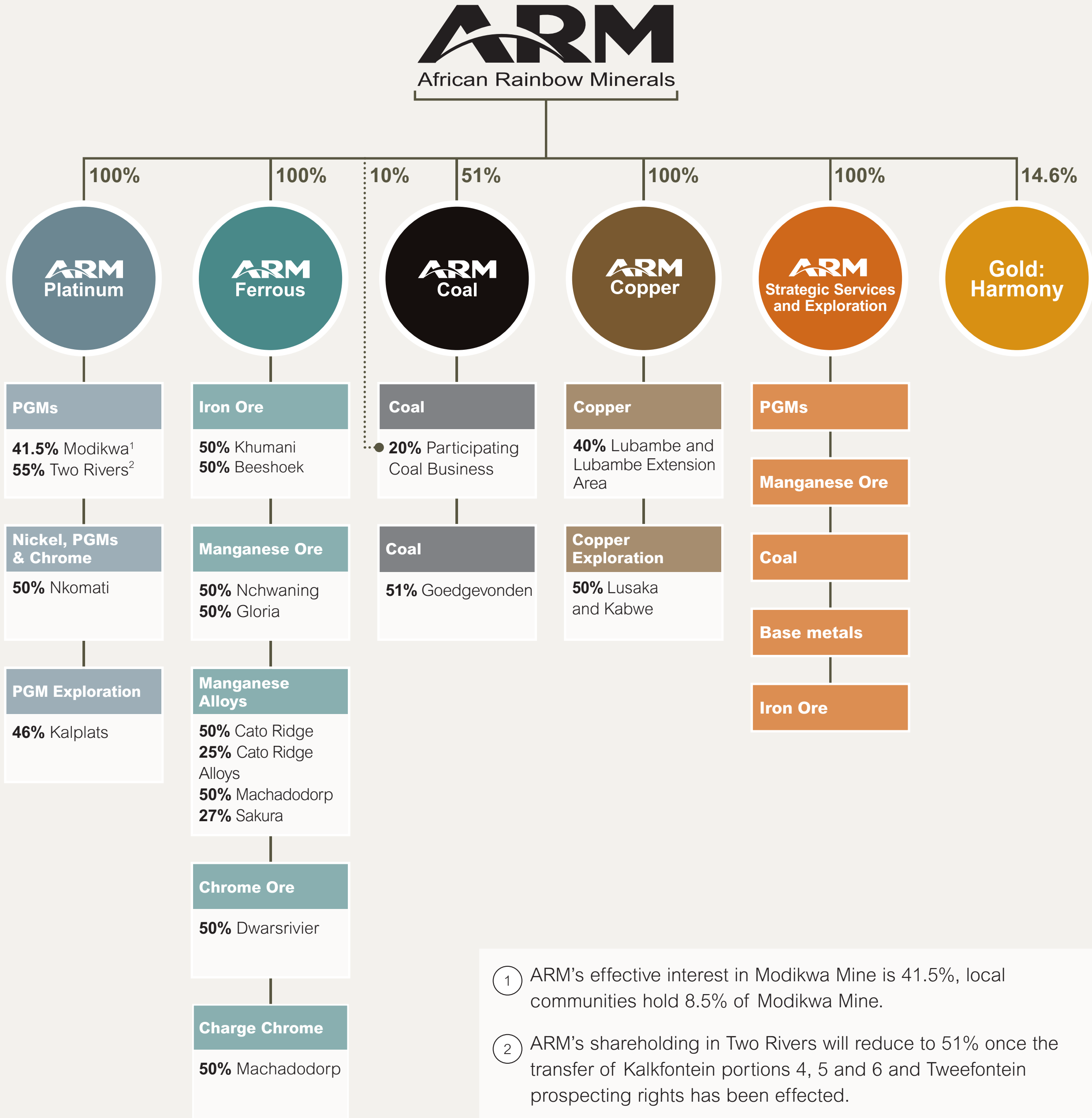
Introduction

About ARM

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

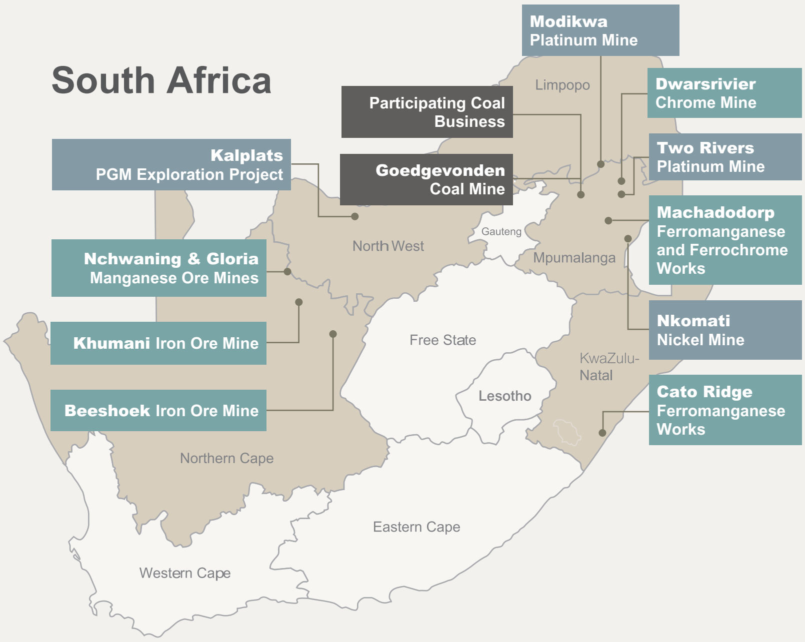
ARM mines and beneficiates iron ore, manganese ore, chrome ore, platinum group metals, copper, nickel and coal. ARM also produces manganese and chrome alloys and has an investment in gold through its shareholding in Harmony.



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 will reduce to 51% once the transfer of Kalkfontein portions 4, 5 and 6 and Tweefontein prospecting rights has been effected.

Where we operate

South Africa



Zambia

Malaysia

Salient features

"ARM achieved record headline earnings in F2014 and declared an increased dividend of 600 cents per share. Excellent performances from Nkomati and Two Rivers mines as nickel and PGM's contribution to headline earnings increased significantly."

Patrice Motsepe, ARM Executive Chairman

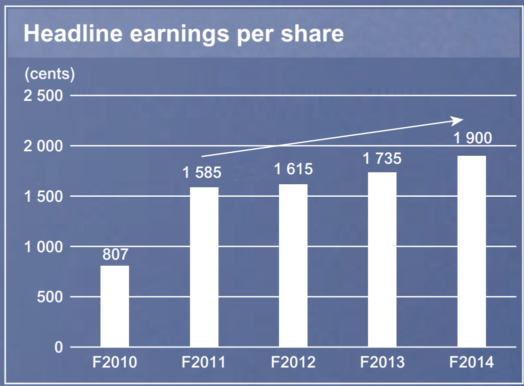
Headline earnings per share increased from 1 735 cents per share to 1 900 cents per share.

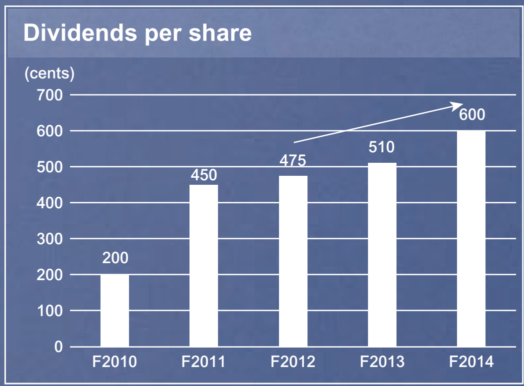
Increased dividend declared of 600 cents per share.

Costs were well controlled at the Nkomati, Dwarsrivier and Two Rivers mines.

Lubambe Copper Mine produced 23 791 tonnes copper as it continued its ramp-up.

Sakura Ferroalloys Project began construction; R790 million has been spent to date.





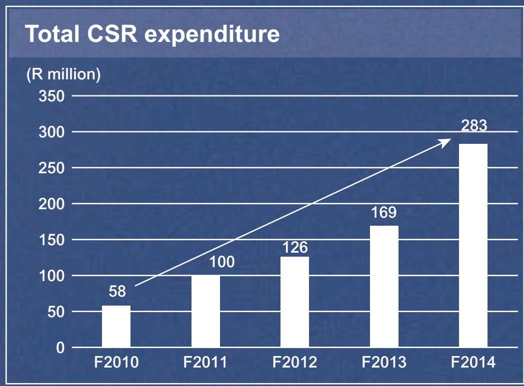
The Lost Time Injury Frequency Rate (LTIFR) was reduced from 0.48 (per 200 000 man-hours) to 0.37 in F2014.

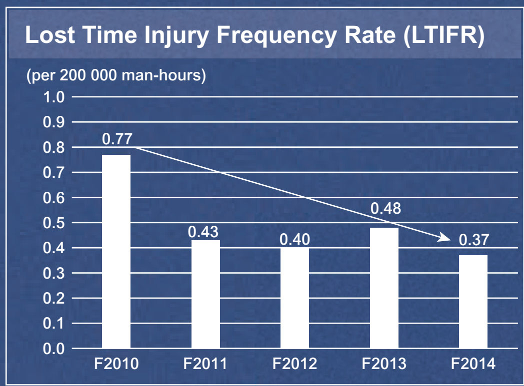
Khumani, Black Rock and Dwarsrivier mines each completed more than two million fatality-free shifts.

Continued improvement in the implementation of HIV & Aids and Tuberculosis (TB) management programmes.

Overall employment equity performance is ahead of 2014 Mining Charter targets.

Total Corporate Social Responsibility (CSR) expenditure increased to R283 million.





Management review

Executive Chairman's report

Patrice Motsepe
Executive Chairman

This year marks the 10th anniversary of ARM as a diversified mining company. Over the years we have invested significantly in the growth of the Company and have created value for our shareholders and benefited our diverse range of stakeholders.

Operational and financial performance

In the financial year under review ARM increased headline earnings by 10% to 1 900 cents per share from 1 735 cents per share. The dividend paid increased by 18% to 600 cents per share and it is the eighth consecutive year in which we have paid dividends to our shareholders. The higher headline earnings were mainly due to a weakening of the Rand against the US Dollar together with increased sales volumes in copper, chrome concentrate, PGMs, manganese alloy and nickel. These headline earnings were reduced by inflation related cost increases and the increased operating costs at Lubambe Mine, which is in ramp-up.

The containment of costs remains a key focus as we strive to ensure that all operations are positioned below the 50th percentile of each commodity's global cost curve. The positioning of ARM's operations in this regard is outlined in Graph 1. Volume growth and improvement in operational efficiencies delivered a reduction in the unit production costs at Nkomati and Dwarsrivier mines of 3% and 2% respectively, while Two Rivers Mine managed to keep unit production costs flat relative to the corresponding period. Cost increases at the iron ore, manganese ore, manganese alloys, Modikwa Platinum and coal operations were above inflation.

The manganese smelters continued to operate below capacity due to depressed manganese alloy prices. The Machadodorp and Cato Ridge operations remain positioned above the 50th percentile of the global cost curve despite a number of cost saving initiatives that have been implemented. The ARM and Assore Boards will review the strategy for the smelters in the year ahead.

Partnering with our employees

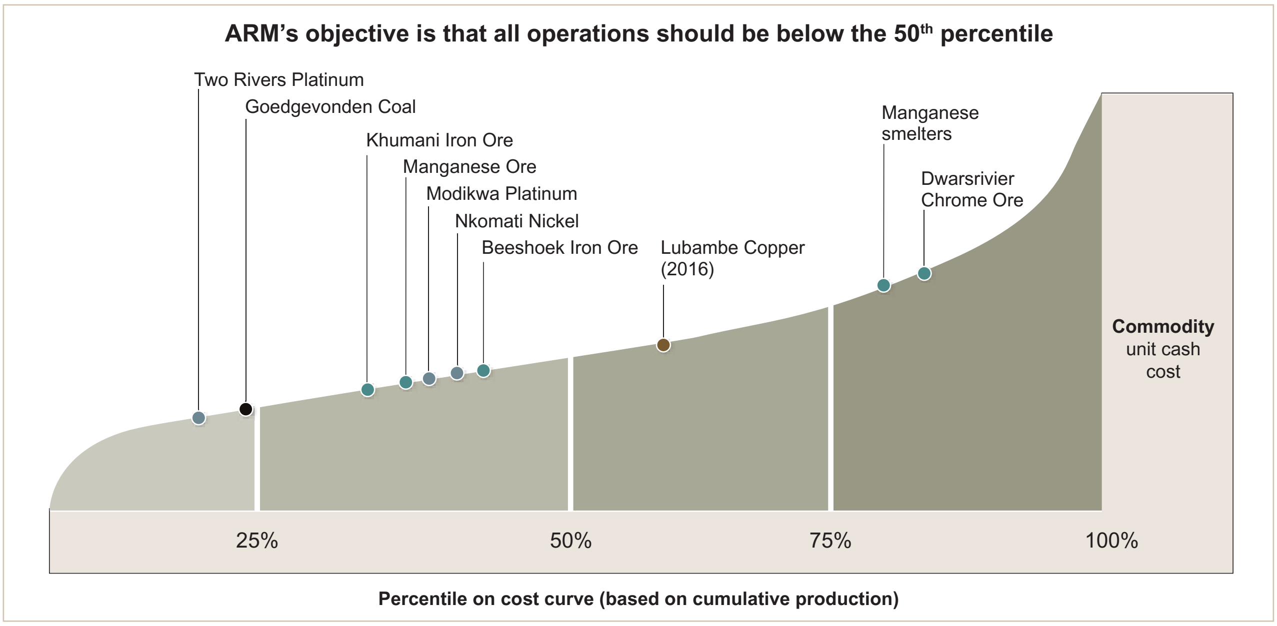
We remain committed to creating a safe and healthy working environment for all our employees. It is pleasing that the number of lost-time injuries reduced from 149 in F2013 to 106 in F2014 and nine of our operations had no fatal accidents. Regrettably there was a fatal accident at the Modikwa Mine on 3 June 2014. On behalf of the ARM Board and management I extend my deepest condolences to the family and friends of our deceased colleague.

The diverse, multi-racial and multi-ethnic nature of our workforce benefits and enriches our company and the mining industry.

We are committed to ensuring that our employees are adequately and competitively remunerated. We have over the years, introduced various schemes and initiatives which are aimed at improving the living conditions of our employees as well as promoting home ownership amongst them.

The trade union organisations that represent our employees are crucial to maintaining a mutually respectable and beneficial relationship with our workforce. We are proud of the constructive engagements we have had with these unions and in recent months concluded wage negotiations with the National Union of Mineworkers (NUM), the Association of Mineworkers and Construction Union (AMCU), the National Union of Metal

Graph 1



Workers SA (NUMSA), Solidarity and the United Association of South Africa (UASA) with minor disruption at our operations.

In F2014, the Company's overall employment equity performance remained ahead of the 2014 Mining Charter targets. We continue to invest significantly in the development of our workforce and in the year under review spent R196 million on various skills development programmes including training courses, learnerships and internal and external bursaries.

Benefiting our stakeholders

We continuously engage and consult our stakeholders and in particular the communities neighbouring our mines, to ensure that they participate and benefit from our mining operations.

During the year R283 million was invested through our Corporate Social Investment (CSI), Local Economic Development (LED) and Social Labour Plan (SLP) projects. These projects are focused on education, health, agriculture, roads, water and other infrastructure.

In addition, as part of our commitment to the broader South Africa, the ARM Broad-Based Economic Empowerment Trust (ARM BBEE Trust) has distributed R110 million since inception to a broad base of poor and historically disadvantaged beneficiaries which include rural upliftment trusts, church groups, trade union and women upliftment trusts. The ARM BBEE Trust works closely with traditional and local community leaders to ensure that projects undertaken by the rural upliftment trusts are those identified by the local communities as being the most beneficial developmental and upliftment projects.

Protecting and conserving the environment

ARM is committed to adhering and implementing global best practices in relation to protecting and conserving the environment and rehabilitating the land where we operate our mines.

We are a member of the International Council of Mining and Metals (ICMM) whose sustainable development framework guides ARM's initiatives pertaining to the continuous improvement in environmental management.

We recognise that our businesses have both a direct and an indirect impact on the environment and remain committed to minimising our environmental impact and being responsible in our use of scarce natural resources. Our major focus areas include responsible water management, climate change and the efficient utilisation of energy to reduce our carbon emissions.

Further details of our sustainability initiatives and the Company's performance in this regard are contained in our detailed Sustainability Report, which can be found on our website.

Growth and outlook

After the commissioning of the vertical shaft at the Lubambe Copper Mine in November 2013, tonnes milled increased by 49% and copper produced was up 60% compared to the corresponding period. The mine remains on track to achieve steady state production of 45 000 tonnes per annum by F2016.

The Lubambe Extension Area (Extension Area) provides a promising opportunity for the expansion of the Lubambe Mine. Additional surface drilling completed in the Extension Area has indicated that the ore body extends even further east than originally expected and an updated mineral resource statement has increased the Extension Area's indicated and inferred resources from 105 million to 134 million tonnes at an in-situ grade of 4.07% copper.

We approved the Black Rock Mine Expansion Project which is expected to increase manganese ore production from 3.2 million to 4.6 million tonnes per annum. The project involves the exploitation of the Seam 2 resource within the Nchwaning lease area to improve cost-effective extraction of high-grade manganese. This project will be developed in two phases. The first phase involves maintenance and modernisation of the mine to reduce annual unit cost escalations. The second phase is the expansion. Capital expenditure for the expansion phase will be in alignment with Transnet's growth in the manganese ore export channel.

The Sakura Ferroalloys Project in Malaysia is also progressing well and remains on track to achieve the steady state of 170 000 tonnes per annum in F2017. Capital expenditure to 30 June 2014 was R790 million. ARM and Assore together own 54% through Assmang which is the largest shareholder in the Sakura Ferroalloys project.

Commodity prices are expected to remain flat or decline; accordingly ARM will review all capital expenditure and focus on reducing costs.

The South African mining industry

The five month platinum strike in the Western Limb was a stark reminder of the crucial importance of building a mutually respectful and beneficial long term relationship between labour and management. Industrial action and labour unrest is not in the interest of either party.

The most successful mining countries are those that have created a globally competitive and attractive business environment for the private sector and other investors in their mining industry. Key aspects of such an environment includes certainty around fiscal, labour and governmental policies.

The South African mining industry is committed to continue working with government, labour and all stakeholders to ensure that the mining industry remains a competitive and attractive investment destination.

In my discussions with the various ministers and governmental representatives, their commitment to creating a globally competitive mining and investment dispensation in South Africa has been consistently emphasised.

The global mining environment

Volatility in commodity prices is expected to persist in the short to medium term. Although the United States and some European countries have shown signs of improved economic health and China remains supportive of demand for our commodities, a number of commodities face supply related headwinds and in particular lower and flat prices should persist in the short term.

Of most concern is the significant fall in iron ore and manganese ore prices. Iron ore prices are expected to remain under pressure and this is expected to negatively impact our earnings in the coming year.

ARM produces high quality iron and manganese ores that remain in strong demand and sell at a premium. As pollution concerns in China are addressed demand for our high quality iron ore and manganese ore as well as PGMs is expected to increase.

Capital within ARM is allocated based primarily on increasing profitability and productivity at all our operations through volume growth, plant optimisations, technology and the continuous training of our people.

Nkomati Nickel Mine underground operation

South Africa's local rail transportation utility, Transnet, initiated its Market Demand Strategy in 2012 which will result in increased bulk commodity export capacity. This will present an opportunity to further optimise the iron and manganese ore operations.

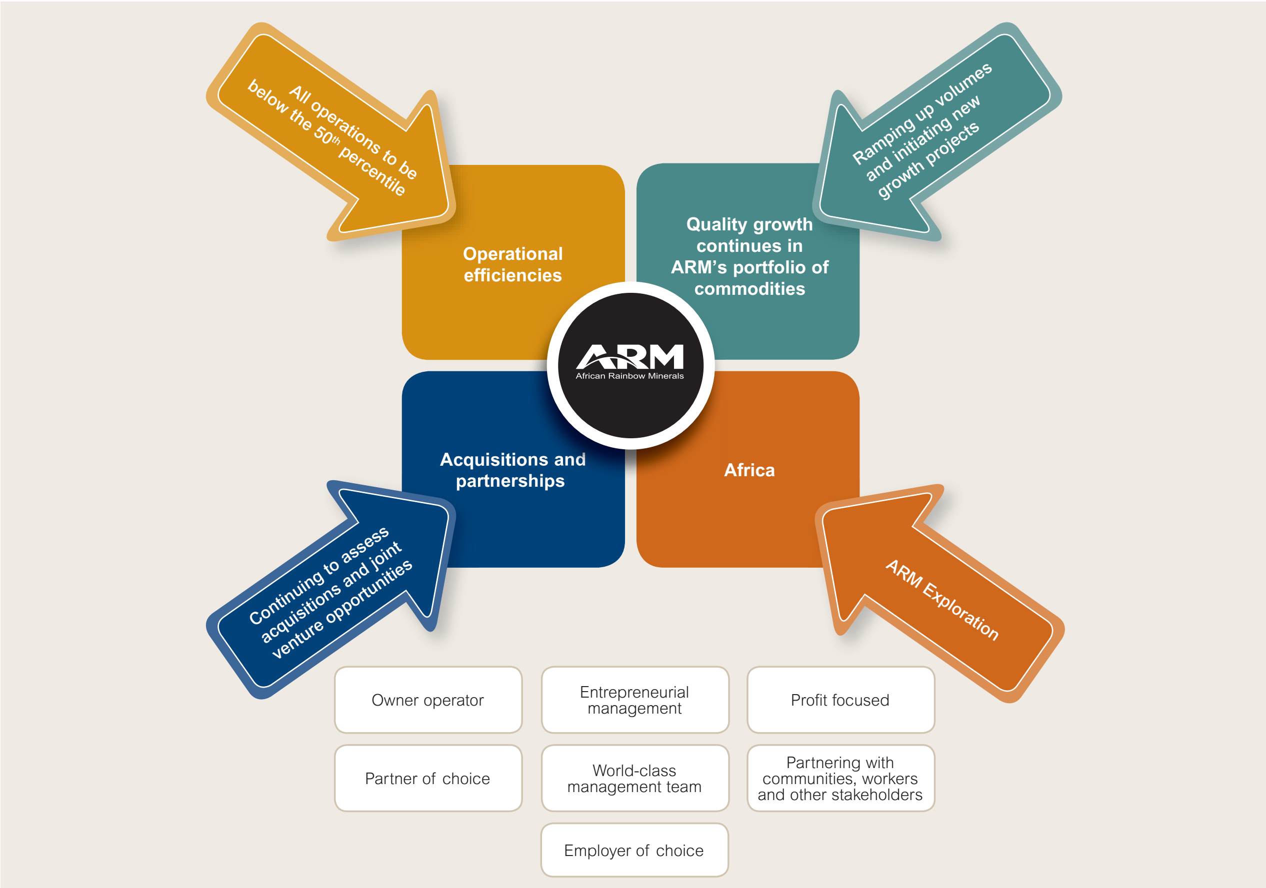
Conclusion

We expect challenging times in the short to medium term; particularly in relation to the prices of some of the commodities we produce. We are however confident that ARM's strategy of focussing on quality growth within our diversified portfolio and ensuring that all operations are positioned below the 50th percentile of the global cost curve will continue to make ARM competitive and create value for its shareholders.

We have included the ARM strategy diagram which reflects our strategy of creating competitive value for our shareholders and benefiting all our stakeholders.

Our strategy is also supported by the high standards of corporate governance which we continue to review to ensure robust controls and alignment of our businesses with global best practice.

ARM strategy diagram



Our success during the past financial year was achieved and based on the hard work and commitment of all our employees and I would like to express my deep appreciation to all of them.

We value the good relationships that ARM has built over the years with all our stakeholders. We are proud of the partnerships that we have built with our host communities, local and national governments and firmly believe that our capacity to succeed is significantly influenced by our ability to improve the living conditions and quality of life of the communities living near our mines and benefiting our broad range of stakeholders.

ARM remains on track to continue building a competitive and sustainable portfolio of mining assets that creates value for all its shareholders and stakeholders.

I wish to thank our world class management team under the leadership of Mike Schmidt. I also would like to express my gratitude to my fellow directors for their outstanding contributions on the Board.

Patrice Motsepe
Executive Chairman

14 October 2014

Management review

Chief Executive Officer's report

Mike Schmidt
Chief Executive Officer

ARM delivered a strong financial performance, achieving record headline earnings of R4.1 billion (F2013: R3.7 billion) and paid an increased dividend of 600 cents per share (F2013: 510 cents per share).

Divisional contribution to headline earnings

	Year ended 30 June		
R million	**2014**	2013	% change
ARM Platinum	**883**	527	68
ARM Ferrous*	**3 736**	3 194	17
ARM Coal	**(120)**	148	–
ARM Copper	**(309)**	(135)	–
ARM Exploration	**(81)**	(88)	8
Gold	**–**	64	–
Corporate and other*	**(1)**	27	–
ARM Headline Earnings	**4 108**	3 737	10

* *Includes IFRS 11 adjustments.*

ARM Platinum headline earnings increased by 68%. A combination of improved sales volumes, a weaker Rand versus the US Dollar and a strong operational performance saw the Nkomati and Two Rivers mines increase headline earnings by 91% and 88% respectively. Modikwa Mine experienced a challenging year with lower production volumes and contributed R64 million to headline earnings (F2013: R96 million).

ARM Ferrous headline earnings of R3.74 billion were positively impacted by a 17% weakening of the Rand against the US Dollar. The positive impact of higher Rand prices was however partially offset by lower iron ore and manganese ore sales volumes.

ARM Copper reported a headline loss of R309 million as the Lubambe Mine continued its ramp-up to full production. Commissioning challenges in the vertical shaft have delayed ramp-up. These challenges have been addressed and the mine is now targeting full production in F2016.

ARM Coal reported a headline loss of R120 million due to lower export prices and operational challenges at the Participating Coal Business (PCB).

Our ability to maintain a competitive cost position for each of the operations remains entrenched in our strategy. All divisions are encouraged and incentivised to pursue cost reduction initiatives to mitigate above-inflation cost increases.

We also remain committed to operating in a safe and responsible manner and are constantly working towards zero harm for our employees. In the period under review, ARM's number of Lost Time Injuries (LTIs) decreased 29% from 149 in F2013 to 106 in F2014. There were numerous commendable safety achievements at the various operations:

- Khumani Mine completed four million fatality-free shifts during March 2014;
- Black Rock Mine completed three million fatality-free shifts during June 2014;
- Dwarsrivier Mine completed two million fatality-free shifts during November 2013;
- Beeshoek Mine completed 18 consecutive months without a lost time injury, and this mine has been fatality-free since March 2003; and
- On 21 May 2014, Nkomati Mine completed 365 consecutive days without a lost-time injury.

Regretfully, despite our ongoing efforts to ensure that the highest safety standards are maintained at all our operations, a surveyor was fatally injured at Modikwa Mine in June 2014. I would like to echo the Board and management's sincerest condolences for this unfortunate loss of life.

ARM Ferrous continues its strong contribution

ARM Ferrous exported 13.6 million tonnes of iron ore in F2014, which was 3% lower than last year. The reduced volumes were largely due to interrupted water supply at the Khumani Mine. Local iron ore sales from the Beeshoek Mine remained constant at 2 million tonnes.

Manganese ore sales volumes decreased 5% to 2.7 million tonnes, largely as a result of reduced local sales. The manganese ore rail export channel to Port Elizabeth continued to operate under difficult conditions and we had to export manganese ore via Durban, using a combination of rail and road transport.

Assmang and Transnet continue to engage on export capacity and growth for both iron ore and manganese ore. Transnet has now concluded its feasibility study to expand the manganese ore export capacity to 12 million tonnes per annum through the Port of Ngqura (Coega) by February 2019 and 16 million tonnes per annum by October 2020.

Manganese alloy sales volumes were 279 000 tonnes as the smelters continued producing at below capacity due to weak market conditions. Together with Assore, ARM is reviewing the strategy for the smelters and has implemented a number of cost saving changes as a cash preservation measure.

Chrome ore sales volumes decreased by 6% to 988 000 tonnes.

Even though sales volumes were lower, unit cost of sales increases for the iron ore division were marginally above inflation. Khumani Mine's production unit costs increased 10.6% driven by higher than inflation wage increases and maintenance costs consistent with an ageing fleet. Beeshoek Mine's unit production cost increases were in line with inflation.

Unit production cost increases at the manganese ore operations were higher than inflation, which was mainly due to above inflation wage increases and greater tramming distances between shaft infrastructure and underground work areas. Ore handling infrastructure is being upgraded to reduce trucking distances and improve productivity.

Manganese alloys unit production costs at Cato Ridge Works increased by 1% and the Machadodorp Works unit production costs increased by 55%, due to lower production volumes as a result of low demand.

Unit production costs decreased by 2% for chrome ore due to benefits realised from an operational efficiency programme. Unit costs at the Chrome Metal Recovery Plant decreased by 7%.

ARM Platinum delivered an excellent performance

ARM Platinum's PGM production (on 100% basis including Nkomati) increased to 841 581 6E ounces from 786 254 6E ounces.

Two Rivers PGM production increased by 7% driven by higher tonnes milled and improved plant recoveries and efficiencies. In addition, Two Rivers increased its UG2 Run of Mine stockpile to a total of 437 960 tonnes of ore (F2013: 305 328 tonnes).

Modikwa's PGM production, however, declined 13% hampered by a cessation of mining at the Hill shaft, a one week industrial action stoppage during March 2014, safety stoppages and a fatality in June 2014. Increased waste dilution due to geological features and the processing of lower grade Merensky ore purchased from Two Rivers, resulted in a 5% decline in the Modikwa plant feed grade.

Nkomati's nickel production decreased by 1% to 22 874 tonnes from 23 220 tonnes.

Nkomati's chrome concentrate sales increased 52% to 341 809 tonnes (F2013: 224 754 tonnes) and Two Rivers commenced chrome concentrate sales in October 2013, with a total of 160 951 tonnes sold in F2014.

Consistent with the strong operational performances ARM Platinum achieved good cost control. Nkomati's unit cash cost increased by 5% to R308 per tonne (F2013: R292 per tonne) while the C1 unit cash cost net of by-products, reduced by 3% to US$4.81/lb (F2013: US$4.98/lb) of nickel produced. Two Rivers managed to maintain unit cash costs at R5 266 per 6E PGM ounce (F2013: R5 244 per 6E PGM ounce). Modikwa's unit cash cost increased by 20% to R7 545 per 6E PGM ounce (F2013: R6 275 per 6E PGM ounce) due to the 13% decrease in production at the mine.

ARM Coal affected by lower prices and higher costs

Run of Mine (ROM) and saleable production at the GGV Mine were 2% and 11% lower respectively. This was mainly due to a mining excavator that was damaged by a fire and was subsequently out of operation for two months, an increase in the mine strip ratio and the impact of an industrial action stoppage. An improvement in rail performance resulted in a 16% increase in GGV export sales volumes, but Eskom curtailed buying of additional coal, resulting in a reduction of 30% in Eskom sales volumes. GGV on-mine saleable unit costs increased 22%. On-mine saleable unit costs in F2013 benefitted from significant in-pit and ROM inventory. The on-mine saleable unit cost in F2014, at R208 per tonne, represents more normalised levels.

PCB was negatively affected by a 9% decrease in export sales volumes and a 22% decrease in export coal prices. Lower export prices were as a result of an overall decline in market prices together with lower quality coal being supplied in response to changes in market demand dynamics. Eskom and domestic sales volumes increased 15% and 53% respectively. PCB saleable production volumes were 5% lower following a strategic decision to downsize high-cost underground sections and shut down a high-cost Coal Handling Processing Plant (CHPP). In addition, the average yield reduced by 7% due to a change in the mix of the qualities of the coal being fed into the plant. The decrease in saleable production impacted on-mine unit production costs which increased by 21% to R396 per tonne. A two million tonne coal stockpile, to be used for the commissioning of the CHPP, is expected to benefit unit costs next year. The transformation from underground mining to opencast mining is on schedule and is expected to result in an improvement in saleable production and unit costs.

ARM Copper's Lubambe Mine ramping up

The Lubambe Copper Mine in Zambia is continuing its ramp-up to full production to produce 45 000 tonnes of copper in concentrate by F2016. Although the main vertical shaft was commissioned in November 2013, throughput constraints were experienced in the refurbished shaft's rock pass systems, as well as through the main tips at the East Decline. These have since been corrected.

By 30 June 2014, 1 558 390 tonnes of copper bearing ore had been milled and yielded 23 791 tonnes of copper. Copper recovery from the concentrator plant improved averaging 77.6% for the year. Concentrate quality issues have been resolved and new off-take agreements are in place to treat the full production from Lubambe at Konkola Copper Mines and Chambishi Copper Smelter, both situated in Zambia.

Mechanised access development is progressing well with ore drive development on schedule. Poor ground conditions are still being experienced in certain places and have delayed one of the main transfer tips in the East Limb. The stoping dilution is a concern and the mining layouts are being modified to improve the milling head grade. Operational efficiency and equipment utilisation are receiving the required level of attention to improve output and reduce unit costs. All other project capital work regarding outstanding underground and surface infrastructure work was completed on schedule and within budget.

The stacker reclaimer ore stock yard at Khumani Iron Ore Mine

ARM Strategic Services and Exploration

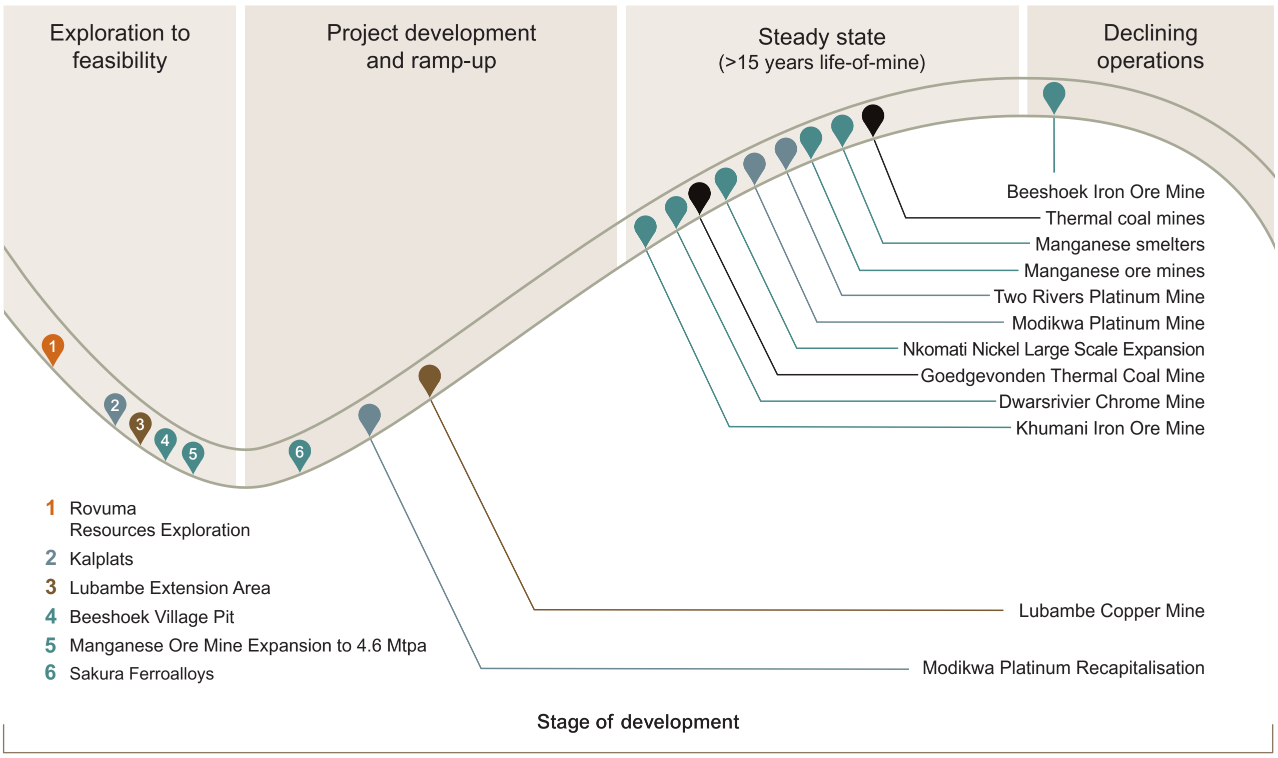
ARM actively pursues new mineral opportunities in Africa based on commodities within ARM's current portfolio.

The agreement with Rovuma Resources Limited, a Mozambican exploration company, is ongoing. Rovuma explores in northern Mozambique and has identified numerous occurrences of copper/zinc, nickel/copper/PGE, chromite/nickel and graphite mineralisation. ARM has agreed to continue with the option for the fourth year and to fund exploration at a cost of about US$7 million for the year commencing 1 April 2014. ARM will have exclusive rights to exercise options to purchase prospecting and/or mining rights to the resources.

ARM projects will provide future growth and improved operating efficiencies

ARM's various projects ensure the medium-term delivery of improved volumes, improved operating efficiencies and additional cost savings. These projects supplement our existing growth pipeline and form the nucleus of our future growth. ARM has built a significant source of knowledge through numerous projects that have been successfully commissioned over the years and also by sharing internal best practices amongst all our operations as well as developing innovative solutions across our businesses.

Project pipeline and operations



The manganese alloy operations are under review mainly due to their cost position above the 50th percentile of the global cost curve.

Focus in F2015 will be on improving the contribution from PCB, Lubambe and Modikwa as well as ensuring that the iron ore and manganese ore operations maintain their competitive cost position, especially in light of the significant fall in US Dollar prices for these commodities.

ARM remains well positioned

I am confident that we are operating with good momentum to deliver improved operational performances that will translate into additional value enhancement. In most instances, our cost performance remains satisfactory, while planned and ongoing cost saving initiatives will allow us to continue to move our businesses progressively down their respective industry cost curves.

I once again sincerely thank all employees for their enthusiasm and hard work, as well as our Executive Chairman and the Board for their leadership, understanding and support. We are committed to steering the Company through these challenging times and remain focused on securing and sustaining our exciting future.

Mike Schmidt
Chief Executive Officer

14 October 2014

Financial Director's report

Headline earnings for the year to 30 June 2014 at R4.1 billion were 10% higher than the prior year headline earnings (F2013: R3.7 billion).

This equates to headline earnings per share of 1 900 cents per share (F2013: 1 735 cents per share). The weighted average number of shares in issue at 30 June 2014 is 216 268 000 shares (30 June 2013: 215 357 000 shares).

The Board declared and paid an increased annual dividend of 600 cents per share (F2013: 510 cents per share) after the year-end.

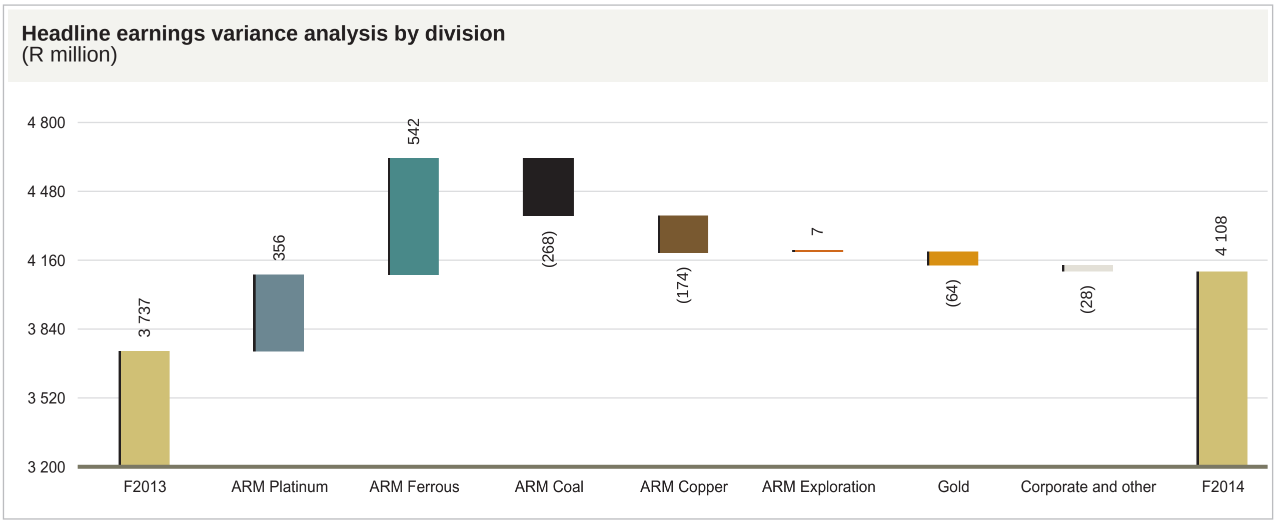
ARM's basic earnings for F2014 were R3 289 million (F2013: R1 634 million) and were negatively impacted by exceptional items of R819 million after tax (F2013: R2 103 million loss after tax). The largest exceptional item relates to the unrealised mark-to-market loss of R510 million after tax on the Harmony investment made through the income statement. Other exceptional items mainly comprise smelter and pelletising plant impairments in ARM Ferrous as well as impairments of plant and equipment in ARM Coal. The reconciliation of basic earnings to headline earnings is provided in note 33 of the financial statements.

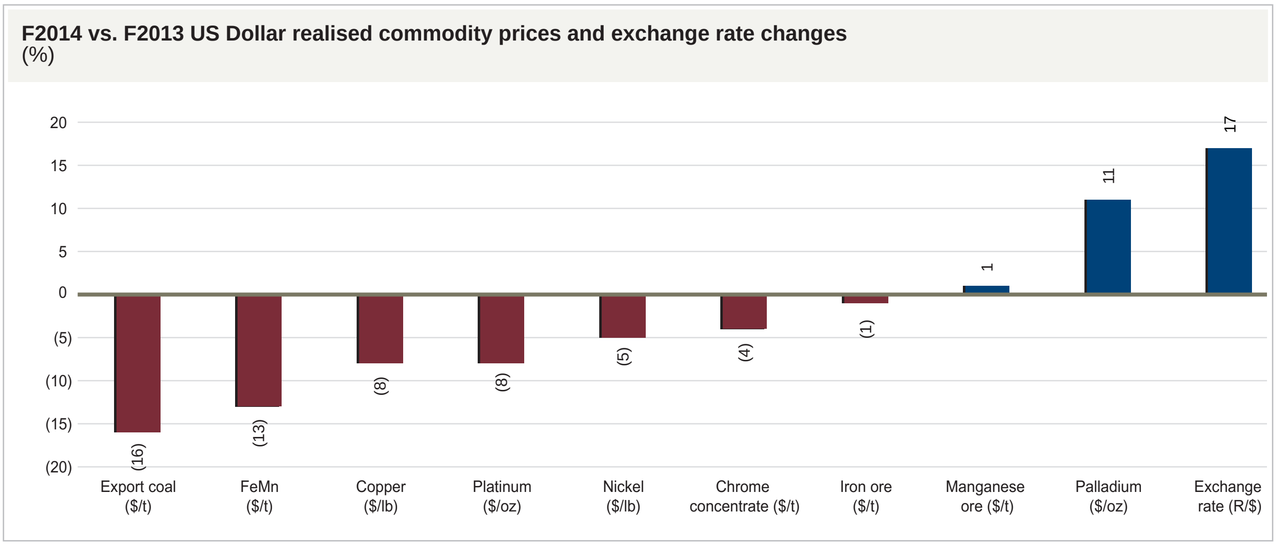
As disclosed in the 2013 Integrated Annual Report and the 31 December 2013 Interim Results report, the new accounting standard, IFRS 11 Joint Arrangements, became effective for ARM on 1 July 2013. The adoption of the new standard requires a change in the manner in which joint arrangements should be accounted for and prior period comparative IFRS results must be restated to reflect a consistent application of the new accounting policy. This change has primarily impacted the manner in which ARM accounts for its joint arrangement investment in Assmang, which ARM jointly manages and controls with its partner, Assore. Assmang is no longer proportionately consolidated because IFRS 11 requires joint arrangements classified as joint ventures to be accounted for using the equity method. ARM's share of its joint ventures is now disclosed as single line items in the consolidated Income Statement as "income from joint venture" and as "investment in joint venture" on the consolidated Statement of Financial Position. The consolidated Cash Flow Statement now only includes a single line for dividends received from joint venture.

A full reconciliation of the effect of the changes resulting from the adoption of IFRS 11 is provided in note 2.5 to the financial statements. The derivation of the statement of financial position value for the investment in joint venture is reflected in note 9 to the financial statements.

While the change in accounting policy has a significant impact on the presentation of the consolidated financial statements, there is no impact on headline earnings, basic earnings or net assets. The segment reporting has been expanded to include more detail on the Assmang results.

The key drivers which impacted on the results for the year were a 17% weaker Rand/US Dollar exchange rate, sales volume increases, sales volume related cost increases and inflationary cost increases (refer to the profit variance analysis on the next page).





The three-year compound annual growth rate in headline earnings for ARM since June 2011 was 6.7%.

The average gross profit margin of 25% (F2013 restated: 20%) is higher than that for the corresponding period largely due to improved profit margins at Nkomati and Two Rivers. The margins achieved at each operation may be ascertained from the detailed segment reports provided in note 2 to the financial statements as well as in the operational reviews on pages 50 to 94.

The process plant at Black Rock Nchwaning Manganese Mine

Earnings were positively impacted by the weakening of the Rand against the US Dollar. The F2014 average Rand/US Dollar of R10.36/US$ was 17% weaker than the average of R8.83/US$ for F2013. For reporting purposes the closing exchange rate was R10.63/US$.

Realised US Dollar commodity prices for platinum, rhodium, copper, nickel, chrome concentrate, ferromanganese and export coal, were lower than in F2013; export iron ore and manganese ore prices remained constant and palladium prices were higher than in F2013. Refer to the graph on the previous page.

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 under Operational review contains detailed information on its operational performance.

- The ARM Ferrous contribution to ARM's headline earnings amounted to R3 736 million (F2013 restated: R3 194 million). This is an increase of 17% over the F2013 result and is largely due to the increased contributions from all its divisions.
- The ARM Platinum contribution, which includes the results of Nkomati Mine, was R883 million and represents a significant 68% improvement to the R527 million contribution for F2013. Improved results were achieved at Two Rivers and Nkomati driven by strong operational performances and good cost control.
- The ARM Coal result reduced by R268 million to a headline loss of R120 million (F2013: R148 million profit) as a result of reduced earnings from the PCB operations. The contribution from GGV remained positive at R122 million (F2013: R162 million).
- The ARM Copper result was a headline loss of R309 million (F2013: R135 million headline loss). In the comparative period, costs at the new Lubambe Copper Mine were capitalised to the end of April 2013. This result includes interest on shareholders loans of R131 million. The mine is in the process of ramping up to full production.
- The ARM Exploration costs amounted to R81 million (F2013: R88 million) and were largely expended on exploration at Rovuma in Mozambique as well as on staff costs.
- The ARM Corporate, other companies and consolidation segment shows a headline loss of R1 million for the year as compared to headline earnings of R27 million for F2013.
- ARM did not receive any dividends from its investment in Harmony during the year (F2013: R64 million).

The **profit variance analysis provided on a segmental basis** 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 impacted by the following variances:

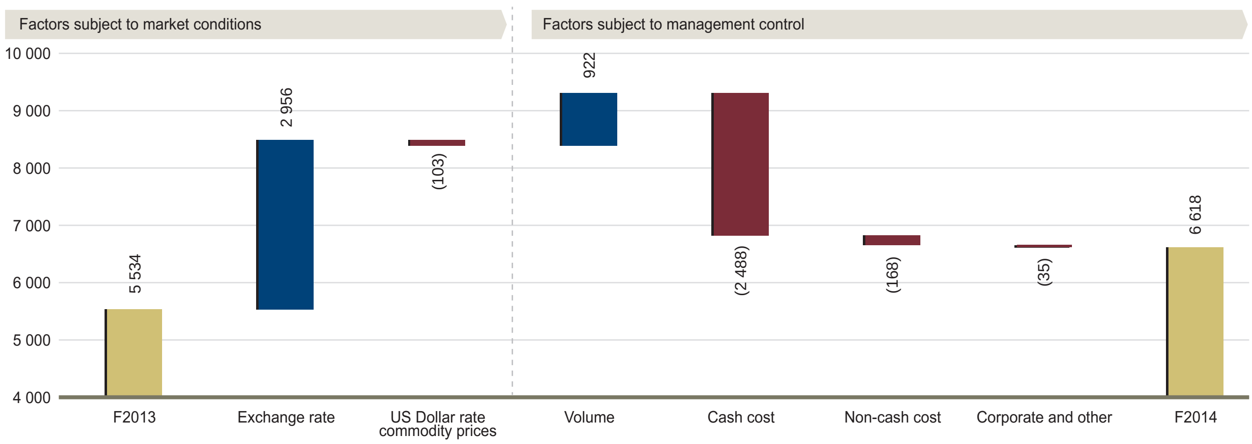
- The 17% weakening of the Rand against the US Dollar accounting for a positive variance of R2.96 billion;
- A net negative variance of R103 million resulting from the fall in US Dollar commodity prices across ARM's operations except for manganese ore and palladium. The nickel price rise which occurred in the latter portion of the financial year resulted in an unrealised mark-to-market gain at year-end of R220 million which is included in the net variance; and
- Sales volume increases for copper, Nkomati Mine chrome concentrate and nickel, GGV export coal and PCB Eskom coal were offset by lower volumes of iron ore and resulted in a positive volume variance of R922 million.

The negative cash cost variance of R2.49 billion is due to an absolute increase in mining costs when compared to F2013. This increase has the following key attributes:

- An average inflationary increase of 8.5% at operations before amortisation charges;
- Sales volume increases, especially at the Lubambe Copper mine (R964 million) as well as at the Nkomati Nickel and Two Rivers mines; and
- Additional cost increases which were above inflation across the group particularly for labour costs, fuel and power.

The increased non-cash costs of R168 million were largely due to an increase in amortisation charges of R148 million.

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



Consolidated income statement (abridged)

	12 months ended 30 June		
	2014 Rm	Restated 2013 Rm	% change
Sales	**10 004**	7 342	36
Profit from operations (before exceptional items)	**1 671**	1 174	42
Income from investments	**119**	131	(9)
Finance costs	**(259)**	(199)	(30)
Loss from associate	**(374)**	(14)	–
Income from joint venture	**3 549**	3 063	16
Exceptional items excluding tax	**(616)**	(2 457)	–
Taxation	**(546)**	84	–
Non-controlling interest	**(255)**	(148)	–
Profit after tax and non-controlling interest	**3 289**	1 634	101
Headline earnings	**4 108**	3 737	10
Headline earnings (cents per share)	**1 900**	1 735	10

The average gross profit margins for the individual operations on a segmental basis are:

	12 months ended 30 June		
	2014 %	2013 %	change
ARM Ferrous	**44**	41	3
ARM Platinum			
– Two Rivers	**31**	23	8
– Modikwa	**8**	13	(5)
– Nkomati	**30**	19	11
ARM Coal (Goedgevonden)	**25**	29	(4)
ARM Copper (in ramp-up)	**3**	–	3

Other operating income, which largely comprises management fee income and foreign exchange gains, decreased by R31 million to R961 million from R992 million in F2013.

Other operating expenses increased by R469 million in comparison to F2013 restated. This increase is largely due to the following items:

- An increase in mineral royalty tax of R196 million (F2014: R302 million; F2013 restated: R106 million) mainly at Nkomati as unredeemed capital expenditure was depleted in the year and at the Lubambe copper mine where sales increased significantly as the mine ramps up production;
- Increases in distribution costs at Nkomati and Lubambe;
- Share option costs increasing by R34 million in the ARM Corporate and Other segment; and
- Inflationary increases of approximately 5%.

As a result of the increased gross profit and the combined impact of the previously mentioned changes in other income and other expenses profit from operations before exceptional items increased to R1.7 billion from R1.2 billion in F2013 restated.

Income from investments amounted to R119 million for the year (F2013 restated: R131 million) and mainly comprises interest received on cash balances. The F2013 amount included a dividend of R64 million from Harmony.

Finance costs at R259 million were R60 million more than those incurred in F2013 restated largely due to finance costs at Lubambe copper mine on shareholder loans and bank funding.

The loss from associate, being the equity accounted results for the PCB operations, increased significantly by R360 million to R374 million and includes an impairment charge of R132 million. This result is fully described in the section on ARM Coal on pages 78 to 85.

The income from joint venture represents the equity accounted earnings for ARM Ferrous.

Consolidated statement of financial position (abridged)

	12 months ended 30 June	
	2014 Rm	Restated 2013 Rm
Non-current assets	**30 077**	28 236
Property, plant, equipment and other	**11 930**	11 499
Investment in joint venture	**14 305**	12 506
Investments	**3 386**	3 811
Other	**456**	420
Current assets	**6 381**	5 603
Cash and cash equivalents	**2 150**	1 965
Other	**4 231**	3 638
Total assets	**36 458**	33 839
Total equity	**28 199**	25 463
Non-current liabilities		
Long-term borrowings	**2 420**	3 293
Other	**2 469**	2 240
Current liabilities		
Short-term borrowings	**1 082**	699
Other	**2 288**	2 144
Total equity and liabilities	**36 458**	33 839

The net cash/(debt) position at 30 June 2014 amounts to net debt of R1 352 million as compared to the net restated debt position of R2 027 million at 30 June 2013. This positive change mainly occurred within the net cash position at ARM Corporate.

The investment in joint venture of R14.3 billion represents the interest in ARM Ferrous which is now reflected separately as previously explained.

The ARM consolidated financial position remains robust and ungeared with the consolidated position at year-end being net cash of R640 million excluding partner loans (F2013 restated: Net cash R13 million).

Total assets increased by R2.6 billion to R36.5 billion largely as a result of R1.2 billion capital expenditure during the year and increased profits, net of dividends in ARM Ferrous.

The details of the capital expenditure are included in the operational reviews on pages 50 to 94.

Additional key features include:

- Other investments, which largely comprise the 14.6% stake which ARM has in Harmony, amounted to R2.1 billion. The Harmony share price at 30 June 2014 was R31.15 (F2013: R35.75). ARM holds 63.6 million shares in Harmony;

- Within current assets the value of accounts receivable increased by R1 001 million in line with the increase in sales at Lubambe, Nkomati and Two Rivers. This impacted negatively on working capital requirements as reflected in note 34 to the financial statements whereas inventory levels remained fairly constant for the year;
- Total interest-bearing borrowings decreased by R490 million to R3.50 billion at 30 June 2014 mainly as a result of reduced borrowings at ARM company; and
- Cash and cash equivalents amounted to R2.15 billion (F2013 restated: R1.97 billion).

Consolidated statement of cash flows

Cash generated from operations was R2.07 billion or R508 million more than the F2013 restated amount of R1.57 billion and is reported after working capital requirements of R959 million (F2013 restated: R990 million). The largest increase occurred at ARM Platinum and amounted to R388 million.

Dividends received from the ARM Ferrous joint venture increased to R1.75 billion (F2013 restated: R1.50 billion).

The consolidated net cash inflow from operating activities increased by R308 million to R2 077 million despite a higher dividend payment in October 2013 and slightly higher tax payments.

Net cash outflow from investing activities amounted to R1 222 million (F2013 restated: R1 720 million) and was largely spent on capital expenditure.

Cash flow from financing activities amounted to an outflow of R759 million (F2013 restated: R474 million inflow) and mainly comprise reduction in borrowings at ARM Corporate and ARM Coal.

Financial capital

ARM's operational cash flows, net of tax, together with cash and cash equivalent balances and external funding sources constitute its primary financial capital. This capital is used to (i) maintain existing operations, (ii) expand new and existing operations, (iii) fund working capital and (iv) make new investments. This utilisation of financial capital is balanced by the Board against its commitment that ARM as a globally competitive company return capital to shareholders as dividends.

Just as the mineral resources and reserves of ARM's operations are valuable assets so too is its financial capital. Financial capital needs to be responsibly managed to ensure that the funding of the Company is not unduly stressed thereby ensuring a sound financial basis for its continued operation and future plans.

For the F2014 financial year the ARM funding position remained robust on the following levels:

Cashflow and capital allocation for the year

The cash generated from operating activities amounted to R2 077 million. This was allocated as follows:

- R1 133 millon: capital expenditure
- R821 million: reduction of borrowings
- R27 million: other net outflows
- R96 million: retained

The capital allocation is considered prudent given the continuing volatility in commodity prices and exchange rates.

Net gearing and borrowings

As at June 2014 total interest bearing borrowings amounted to R3 502 million or 12% of total equity. These borrowings comprise:

- R1 510 million external bank debt
- R1 992 million partner loans

It is evident that at both a consolidated and a segmental level ARM does not have high levels of debt. At an entity level however the ARM Coal investment into GGV and PCB is highly geared by shareholder funding provided as vendor facilitated funding from Glencore. These high debt levels impact on the bottom line profitability of the coal division. The retirement of this debt will be achieved as free cash flow from the coal operations improves.

The process plant at Black Rock Nchwaning Manganese Mine

Segmental analysis

> The detailed segmental results which include income statement, statement of financial position and cash flow information are provided in note 2 of the Annual Financial Statements.

Significant accounting matters

- The new accounting standards IFRS 10, 11 and 12 became effective for financial years commencing after 1 January 2013 and have been implemented by ARM as previously explained.

  Subsidiaries are fully consolidated; for joint operations ARM will recognises its share of assets, liabilities, income and expenses while joint ventures and associates are equity accounted.

  The ARM investment in Assmang, which it jointly manages and controls with its partner Assore, is no longer proportionately consolidated as it is assessed to be a joint venture under the new accounting standards.

  The Assmang investments in project Sakura and Cato Ridge Alloys are treated as joint ventures.

  The accounting for entities is assessed at each reporting date.

- The basic earnings were significantly impacted by the accounting for the mark-to-market adjustment of the investment in Harmony through the income statement. Increases in the Harmony share price above the lowest level which was recorded for 31 December 2013 at R25.90 per share will not reverse the F2013 and 31 December 2013 impairment charges in the Income Statement but will be made through the Statement of Comprehensive Income net of deferred capital gains tax. On the other hand should the Harmony share price in the future fall below the R25.90 per share market price, the mark-to-market adjustment will be made through the income statement net of deferred capital gains tax.

Events after reporting date

The Company paid a dividend of of approximately R1.3 billion on 6 October 2014.

Financial risk management

ARM has an established risk management programme which is more fully described in the Risk report section.

Specific risks which have a financial bias include currency, commodity price, interest rate, counterparty, credit and acquisition risks.

> For a detailed analysis of ARM's approach to these risks, please refer to note 37 of the Annual Financial Statements.

A sensitivity analysis is provided in note 37 of the Annual Financial Statements of the financial statements. In particular, the sensitivity analysis includes the closing prices used in the provisional valuation at year-end of accounts receivable for the ARM Platinum and Nkomati Nickel operations.

The ARM corporate facility is due for repayment or refinancing in August 2015. The ARM Finance Company SA US$80 million loan facility is guaranteed by ARM with quarterly loan repayments scheduled to commence on 31 December 2014 and is more fully described in note 16 of the financial statements.

The Company is therefore well positioned to continue to grow. 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.

Commitments in respect of capital expenditure amounted to R366 million at 30 June 2014. It is anticipated that this expenditure, which relates to mine development and plant equipment, will be financed from operating cash flows and 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 71 of 2008 as amended, and with due regard to the current funding status of the Company, future funding requirements and estimated cash flows.

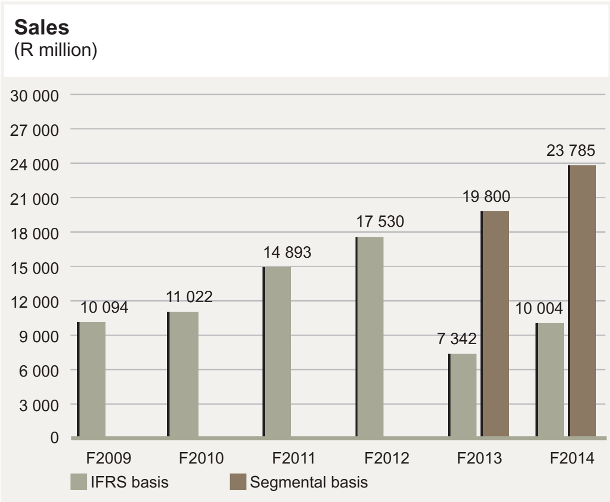
The eighth annual dividend declared by ARM on 4 September 2014 of 600 cents per share represented an 18% increase compared to the F2013 dividend and is consistent with ARM's commitment as a globally competitive company to pay dividends to shareholders while simultaneously maintaining the ability to fund growth of the Company in the future.

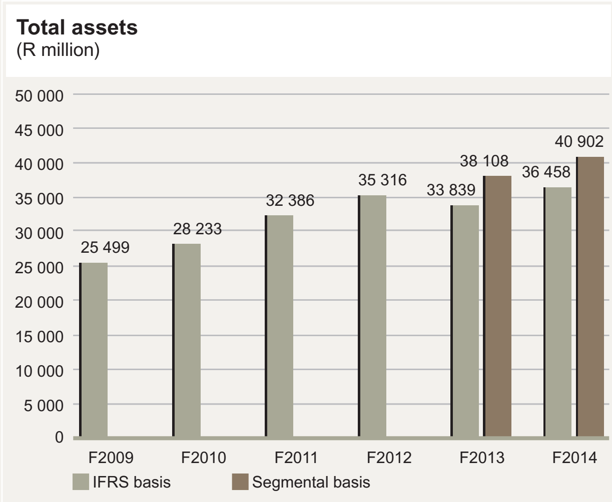
Mike Arnold
Financial Director

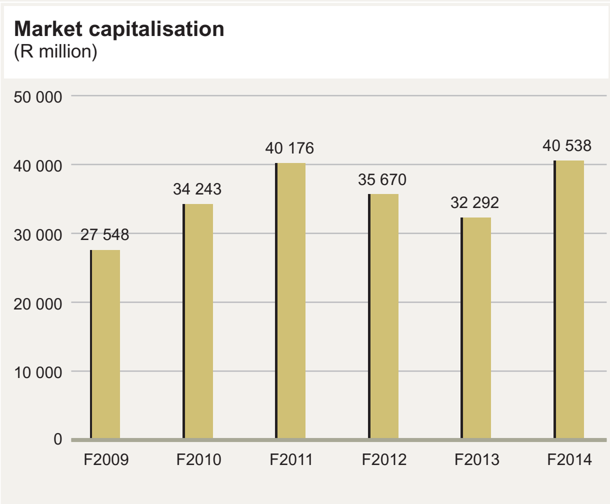
14 October 2014

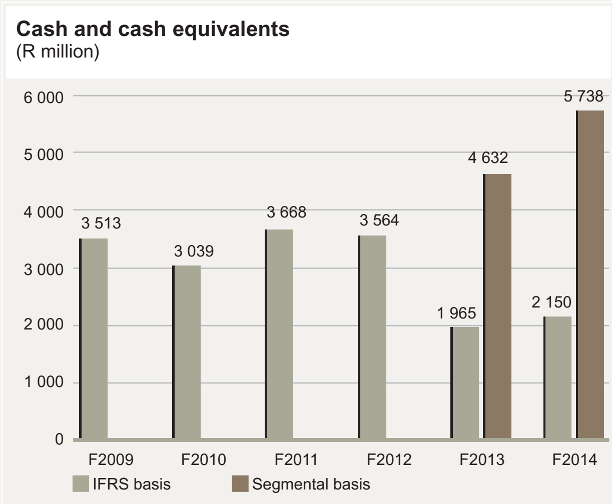
Financial summary and statistics

for the year ended 30 June 2014









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.

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

10 **Gross 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 (Rands)**
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, income from joint venture and exceptional items.

16 **EBITDA margin (%)**
EBITDA divided by sales.

17 **Effective tax rate**
Taxation in the income statement divided by profit before tax.

18 **Effective tax rate excluding exceptional items**
Taxation in the income statement less tax on exceptional items divided by profit before tax and exceptional items.

Financial summary and statistics continued

for the year ended 30 June 2014

R million, unless stated otherwise	Compounded annual growth rate %	Group F2014 Rm	Group Restated F2013 Rm
Income statement			
Sales	10	**10 004**	7 342
Basic earnings	11	**3 289**	1 634
Headline earnings	56	**4 108**	3 737
Basic earnings per share (cents)	6	**1 521**	759
Headline earnings per share (cents)	48	**1 900**	1 735
Dividend declared after year-end per share (cents)		**600**	510
Statement of financial position			
Total assets	12	**36 458**	33 839
Cash and cash equivalents	20	**2 150**	1 965
Total interest bearing borrowings	7	**3 502**	3 992
Shareholders' equity	13	**28 199**	25 463
Statement of cash flows			
Cash generated from operations	13	**2 073**	1 565
Net cash outflow from investing activities	6	**(1 222)**	(1 720)
Net cash (outflow)/inflow from financing activities		**(759)**	474
Number of employees	10	**14 066**	13 731
Number of contractors		**10 645**	10 985
Exchange rates			
Average rate US$1 = R	4	**10.36**	8.83
Closing rate US$1 = R	5	**10.63**	9.93
JSE Limited performance			
Ordinary shares (Rands)			
– high	17	**240**	209
– low	16	**143**	139
– year-end	19	**187**	150
Volume of shares traded (thousands)	15	**110 911**	113 003
Number of ordinary shares in issue (thousands)	1	**216 748**	215 625
Financial statistics	Definition number		
Liquidity ratios (x)			
Current ratio	1	**1.9**	1.9
Quick ratio	2	**1.6**	1.5
Cash ratio	3	**3.6**	6.5
Profitability (%)			
Return on operational assets	4	**9.3**	7.1
Return on capital employed	5	**15.0**	14.1
Return on equity	6	**15.4**	15.5
Gross margin	7	**24.7**	20.1
Operating margin	8	**16.7**	16.0
Debt leverage			
Interest cover (x)	9	**19.1**	21.9
Gross debt to equity ratio (%)	10	**12**	16
Net debt to equity ratio (%)	11	**5**	8
Other			
Net asset value per share (R/share)	12	**123**	112
Market capitalisation	13	**40 538**	32 292
Dividend cover (x)	14	**3.17**	3.40
EBITDA	15	**2 620**	1 982
EBITDA margin (%)	16	**26**	27
Effective tax rate	17	**13**	(5)
Effective tax rate excluding exceptional items	18	**14**	10

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 ten years and restatement due to IRFS in 2013 makes direct comparison for years not always meaningful.
NR refers to figures not reported.

Group

F2012 Rm	F2011 Rm	F2010 Rm	F2009 Rm	F2008 Rm	F2007 Rm	F2006 Rm	F2005 Rm	F2004 Rm
17 530	14 893	11 022	10 094	12 590	6 152	4 622	5 485	3 885
3 438	3 366	1 812	2 868	4 487	1 220	601	462	1 108
3 451	3 374	1 714	2 317	4 013	1 207	462	339	47
1 609	1 581	854	1 355	2 131	586	293	225	865
1 615	1 585	807	1 094	1 906	580	225	166	37
475	450	200	175	400	150	n/a	n/a	n/a
35 316	32 386	28 233	25 499	24 878	18 144	14 611	11 766	11 460
3 564	3 668	3 039	3 513	2 660	1 063	439	288	357
3 237	3 069	3 346	3 744	3 978	4 044	2 252	1 574	1 831
24 405	22 170	18 529	16 751	15 676	11 218	10 393	7 972	7 954
5 969	5 988	3 430	6 678	5 175	2 537	1 243	1 661	603
(4 077)	(3 382)	(2 324)	(3 135)	(2 427)	(2 691)	(1 444)	(826)	(691)
179	(588)	(729)	(171)	(175)	1 562	893	(549)	280
12 273	11 496	10 281	9 643	8 747	7 725	6 943	6 107	5 162
14 214	17 208	12 495	7 134	9 189	5 907	4 862	NR	NR
7.77	6.99	7.59	9.03	7.30	7.20	6.40	6.21	6.90
8.16	6.76	7.67	7.72	7.83	7.07	7.16	6.65	6.26
199	236	206	291	307	138	52	38	48
159	146	117	76	103	53	32	25	32
166	189	161	130	280	123	48	34	34
98 740	121 051	138 241	113 690	84 678	40 203	39 711	51 382	26 547
214 852	214 852	216 292	212 068	211 556	209 730	206 367	204 437	204 208
2.4	2.4	2.2	1.5	1.8	1.5	1.4	1.6	1.5
1.8	1.8	1.7	1.1	1.5	1.1	1.0	1.0	0.9
5.2	12.6	5.9	1.6	1.6	0.8	0.8	0.8	0.4
20.1	24.1	15.2	20.4	39.6	25.1	17.6	20.6	7.5
17.7	19.8	12.0	18.2	36.3	16.4	9.2	8.2	8.2
14.9	15.9	9.6	14.3	27.0	11.1	4.5	5.2	0.7
34.6	40.4	32.1	40.1	56.2	45.7	28.5	31.8	21.1
29.8	36.3	26.5	36.7	53.0	40.3	24.1	29.0	13.6
23.7	25.4	16.0	11.1	16.7	6.9	8.5	8.5	5.4
13	14	18	25	25	36	22	20	23
n/a	n/a	2	1	8	27	17	16	19
108	99	84	76	70	52	50	32	32
35 670	40 176	34 243	27 548	59 236	25 900	9 957	6 949	6 943
3.40	3.52	4.04	6.25	4.76	3.87	n/a	n/a	n/a
6 531	6 517	3 907	4 484	7 229	2 887	1 552	2 025	725
37	44	35	44	57	47	34	37	19
31	32	34	39	30	36	33	37	19
31	32	35	44	30	36	37	38	52

Group overview

Our key stakeholders

Media

ARM is committed to transparent, comprehensive and objective communication with our stakeholders. The Investor Relations Department is responsible for communication with the investment community and the media. Over and above press releases and SENS announcements, management grants one-on-one interviews to the media as requested.

Customers

ARM engages with its customers in the course of business, through annual contractual negotiations and regular service level agreement renewals. ARM has processes in place to ensure consistency of product quality and timeous delivery of products to customers.

Suppliers and local business

Fair and transparent engagement with our suppliers and local businesses is key to our success. ARM's payment terms are in line with industry standards and we ensure that we operate on an ethical basis. ARM requires valid BEE certificates to support transformation in its supply chain and we are committed to the upliftment of local business through our LED programmes.

Industry associations

ARM is a member of the Chamber of Mines (CoM), the International Council on Mining and Metals (ICMM), the Association of Mine Managers of South Africa (AMMSA), the Association of Resident Engineers, Business Unity South Africa (BUSA), the Ferro-Alloy Producers' Association (FAPA), water users' associations as well as the Energy Intensive User Group. Membership of these associations ensures that ARM has access to global best practice and participates in discussions that affect the industry.

Bankers, insurers and funders

Relationships with the relevant financial services institutions are maintained through regular meetings and discussions. We strive for comprehensive and transparent disclosure with all our providers of capital through our external reporting.

Joint venture partners

ARM's strategy is to position itself as a partner of choice. ARM is constantly engaged with its joint venture partners through ongoing management interaction during the ordinary course of business as well as through monthly executive management meetings.

Shareholders, analysts and potential investors

ARM has a comprehensive investor relations programme to communicate with domestic and international shareholders, fund managers and investment analysts. The programme includes a number of conferences, results roadshows twice a year as well as the ARM Annual General Meeting.

ARM's website provides continuous updates on the Company's operational, financial and sustainability performance.

Employees and organised labour

ARM aims to be an employer of choice to ensure that it attracts and retains skills. ARM is committed to fair treatment and remuneration of its employees. ARM invests in skills development and career-planning programmes which are in place to ensure that employees develop to their full potential.

ARM aims to maintain good relationships with unions and is regularly engaged with unions and organised labour through monthly shop steward meetings and other meetings as required.

Communities, civil society and Non-Governmental Organisations

All ARM operations have social investment forums to discuss investment in communities surrounding the operations. In most communities, monthly/quarterly meetings are held to discuss LED and CSI projects. ARM's Broad-Based Economic Empowerment Trust partners with traditional and other community leaders to invest in the upliftment of rural communities throughout South Africa.

Changes or expansions to our current operations require engagement with communities through stakeholder consultation processes as prescribed by the Regulations of the National Environmental Management Act (NEMA).

Government

ARM engages local and provincial government with respect to LED projects, licences and compliance with the relevant safety and environmental legislation. ARM also engages with national government on matters of policy-making as required. ARM is represented on various industry bodies which engage with government.

Our material issues

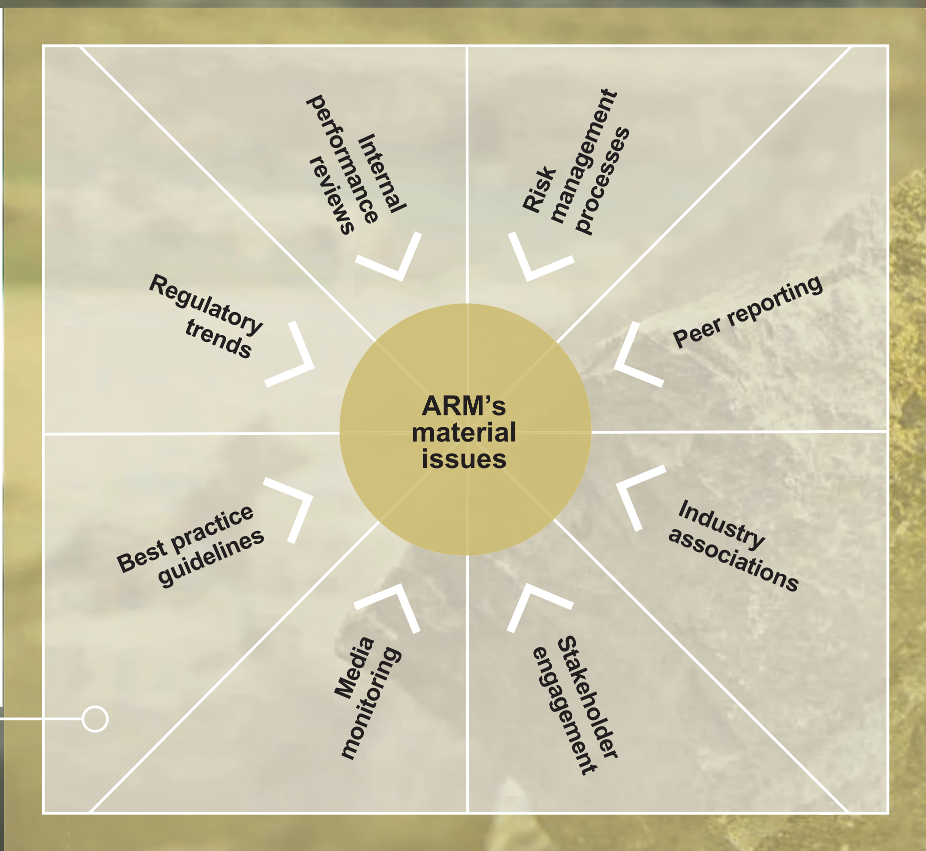
ARM's material issues are those factors that most impact our ability to create long-term sustainable value.

The process of identifying our material issues involves continuous review of both our internal performance and the external environment in which we operate. Engagement with our stakeholders is one of the most important inputs into identifying these material issues. The diagram below shows some of the other inputs we consider in identifying our material issues.

Inputs in deriving our most material issues

Best practice guidelines include:

- Global Reporting Index (GRI)
- International Council on Mining and Metals (ICMM)
- Millennium Development Goals
- Chamber of Mines
- United Nations Declaration of Human Rights
- JSE
- United Nations Global Compact (UNGC)
- International Labour Organisation (ILO) Declaration Principles
- King III
- Carbon Disclosure Project (CDP)
- Integrated Reporting Framework



These material issues inform our strategy and are monitored and evaluated on an ongoing basis. The implementation of our strategy takes place within the context of our responsibility to comply with all relevant legislation, generating returns for investors, uplifting our communities and maintaining the highest standards of ethical behaviour and corporate governance.

Detailed discussion of ARM's Enterprise Risk Management and principal risks, opportunities and challenges is included in the Risk report on page 134 to 143.

Summary of principal risks, opportunities and challenges

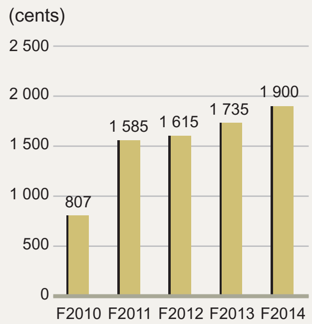
Key performance indicators

ARM's key performance indicators cover both financial and non-financial elements of our business. Indicators for the preceding four years are included for comparison. The financial key performance indicators are based on segmental analysis and include all the ARM divisions. The definitions for the indicators are included where appropriate.

Headline earnings per share (HEPS)

HEPS increased by 10% from 1 735 cents per share to 1 900 cents per share. The increase in headline earnings was primarily due to a 68% improvement in the ARM Platinum contribution and a 17% increase in the ARM Ferrous contribution to headline earnings.

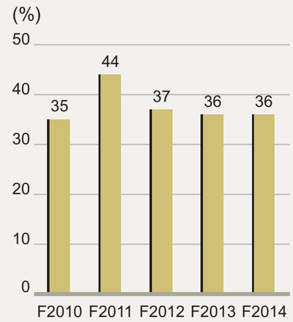
Headline earnings comprise earnings adjusted for items of capital nature. This is then divided by the weighted average number of shares in issue to arrive at headline earnings per share.



EBITDA margin

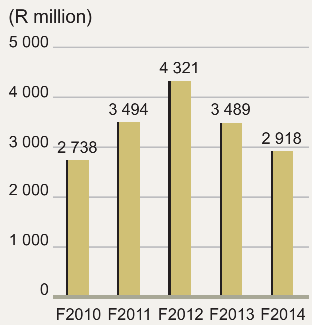
The segmental analysis EBITDA margin remained constant at 36%. The EBITDA was positively affected by a 17% weakening of the Rand versus the US Dollar and higher palladium prices. These were partially offset by lower US Dollar prices realised for platinum, rhodium, copper, nickel, chrome concentrate, ferromanganese and export coal together with higher than inflation cost increases at the iron ore, manganese, Modikwa and coal operations.

The EBITDA margin is the segmental analysis earnings before interest, taxation, depreciation and amortisation, excluding exceptional items and income from associates and joint ventures, divided by segmental analysis sales.



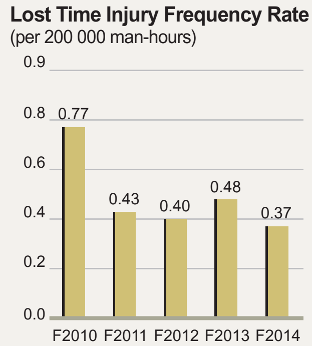
Capital expenditure

Segmental analysis capital expenditure attributable to ARM decreased from R3.5 billion in F2013 to R2.9 billion in F2014. The main capital expenditure items in the year under review related to the Lubambe Mine as it ramps up, equipment purchased for the Beeshoek Village Pit, waste removal at the East Pit, completion of the Khumani Mine Wet High Intensity Magnetic Separation (WHIMS) plant, modernisation of the Black Rock Mine and the recapitalisation of Modikwa Mine.



Safety

- A regrettable fatal accident occurred at Modikwa Mine during the year under review.
- The number of Lost Time Injuries (LTIs) decreased from 149 in F2013 to 106 in F2014. This represents a 29% reduction in LTIs.
- The Lost Time Injury Frequency Rate (LTIFR) reduced from 0.48 in F2013 (per 200 000 man-hours) to 0.37 in F2014.



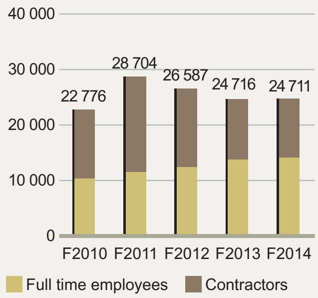
Implementation of the HIV & Aids management programme

- ARM has implemented an HIV & Aids programme in accordance with the primary aims of the South African National Strategic Plan for HIV, TB and sexually transmitted infections (STIs) of 2012 – 2016.
- In alignment with the National Strategic Plan, all operations have implemented integrated policies on HIV, TB and STIs. HIV counselling is offered to all employees who visit the site clinics but HIV testing remains voluntary, referred to as Counselling and Voluntary Testing (CVT). This has resulted in a 63.4% increase in the number of employees counselled.
- A standard TB reporting tool that includes workplace investigations and compulsory TB screening for those in contact with TB infected employees at the workplace, has been implemented as required by the DMR and the DoH. 35 746 employees and contractors were screened in F2014 (F2013: 18 995) and 119 new infections have been reported and are on treatment (F2013: 141). 118 cases have been cured while 14 cases of multi-drug resistant TB (MDR TB) have been admitted to MDR TB hospitals for treatment.
- The number of employees registered on Disease Management Programmes has increased by 86% from 645 to 1 202.

Employment Equity (EE)

- ARM has again been certified as a Top Employer by the CRF Institute and has improved four positions from last year.
- Progress continued in EE, including gender diversity.
- The Company's overall employment equity performance is ahead of 2014 Mining Charter targets.
- The percentage of female employees remained at 15%. There has been an increase of almost 2% in female middle management which reflects positive career progression from junior management.
- The Company spent 8.7% of payroll on training (F2013: 10.1%).

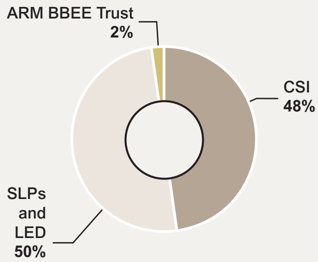
Total labour as at 30 June



Corporate Social Responsibility (CSR)

- During F2014, ARM spent R142 million (F2013: R100 million) in terms of Social and Labour Plans (SLPs) and Local Economic Development (LED) and R135 million in terms of Corporate Social Investment (CSI) (F2013: 62 million). In addition R6 million was spent (F2013: R7 million) on projects to uplift and benefit rural communities.
- Total Corporate Social Responsibility investment was R283 million compared to R169 million in F2013. This includes R95 million CSI expenditure in Zambia by our Lubambe Copper Mine.

Corporate social responsibility expenditure



Climate change

- ARM has determined its carbon footprint and has made a submission to the Carbon Disclosure Project (CDP) for the fifth consecutive year.
- Our CDP submission for F2013, which was submitted during May 2014, was successfully externally verified for the second time. Continued improvement in this regard has ensured an improvement in both our disclosure and performance scores as follows:
  - A disclosure score of 48% in 2011 (no performance projects listed);
  - A disclosure score of 77% in 2012 and a "C" performance score; and
  - A disclosure score of 96% in 2013 and a "B" performance score.

Sustainability review

Ngwaabe Adult Basic Education Training in Limpopo

This Sustainability review demonstrates how ARM has integrated sustainability into its strategy and operations, and discusses the Group's material sustainability issues and provides a brief summary of our performance for the year.

We report our sustainable development progress as it relates to those operations over which we have direct or joint management control, being ARM Ferrous, ARM Platinum and ARM Copper. Sustainable development at ARM Coal and Harmony is therefore not included in the scope of this review.

We discuss our sustainable development approach, initiatives and performance in detail in the 2014 Sustainability Report (available at **www.arm.co.za**), which also includes sections on ARM's compliance with the revised Mining Charter as well as our Corporate Social Responsibility projects.

Pages 28 to 29 of this report summarises the Company's key performance indicators (KPIs), including non-financial KPIs.

Our approach to sustainability

ARM's mineral extraction and beneficiation activities have potentially significant environmental and social impacts. These arise through the Group's energy use, air emissions, water, waste generation and the impact of our activities on landscape and biodiversity. Our employees work in environments that could be hazardous or could expose them to potentially harmful substances if appropriate safety and health management controls are not in place.

The Group's activities are guided by the principles of responsible investment, broad social benefit and good corporate governance. These principles drive our efforts to manage the potential negative environmental and social impacts of our operations proactively and responsibly, and to contribute to the development of the communities around us. This ensures that ARM retains its social licence to operate and can continue to create value for all its stakeholders over the long term.

The long-term sustainability of our business is critically dependent on the integration of the highest standards of corporate governance in the policies, procedures and activities of the organisation. ARM therefore aligns its governance principles with the recommendations of the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III).

The mining industry contributes significantly to the growth and development of mineral-rich countries, through the creation of jobs and the payment of taxes and royalties. Local communities and historically disadvantaged groups benefit from increased financial capital through salaries and wages paid to employees and our support for local suppliers through enterprise development and preferential procurement initiatives.

Local communities also benefit from socio-economic investment projects that support Local Economic Development (LED) programmes as well as through improved infrastructure around operations such as roads, energy and water distribution.

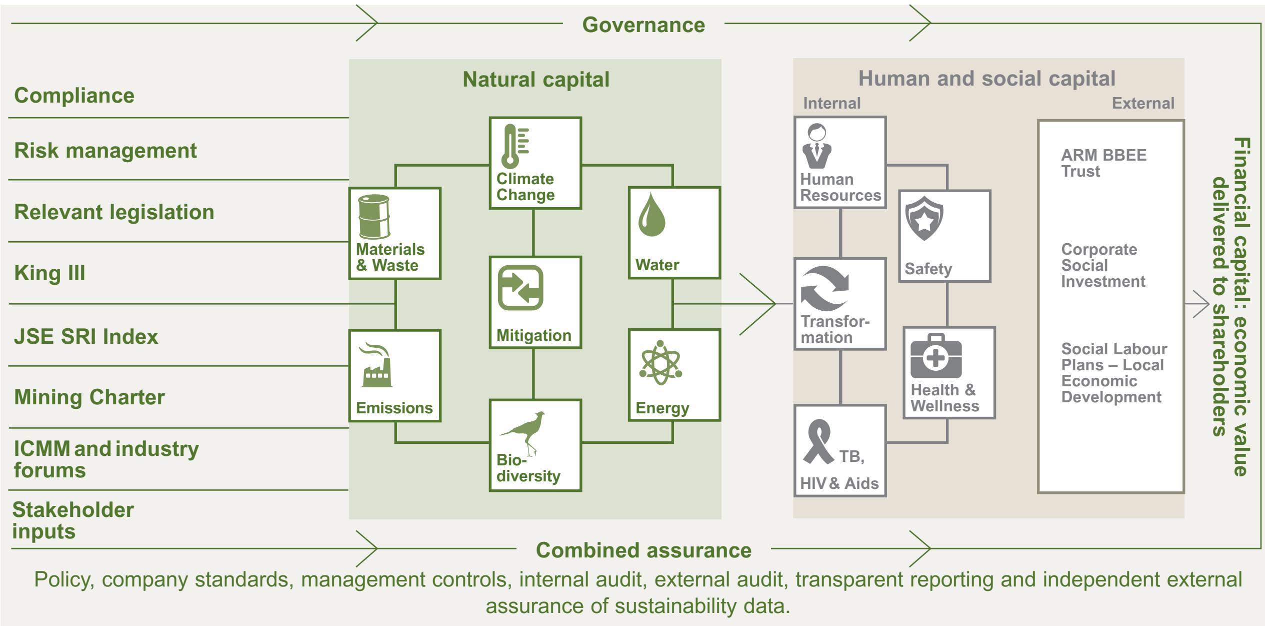
ARM's approach to sustainable development is based on the Group's Guiding Principles, the relevant interests of our stakeholders and our commitment to the corporate governance principles of King III. This is aligned with mining legislation, other relevant regulations, as well as industry and other requirements and guidelines. These include those discussed in the table below.

The Mining Charter	Many of ARM's 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 Mining Charter and aim to exceed its requirements wherever possible.
The ICMM	ARM shares the International Council on Mining and Metals' (ICMM) vision of a respected mining and metals industry widely recognised as essential for society and a key contributor to sustainable development. ARM is a member and an active participant at Council, Executive and Task Force level within the ICMM. The Group's sustainable development initiatives align with the elements of the ICMM sustainable development framework and its 10 sustainability principles.
Industry initiatives	Mining industry initiatives include the Culture Transformation Framework arising out of the Tripartite process between business, labour and Government. The Mining Industry Occupational Safety and Health (MOSH) initiative process shares leading practices and promotes their widespread adoption to help the industry meet the Tripartite health and safety targets and milestones.
The EITI	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.
The GRI	ARM's Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) G3 guidelines, including the Mining and Minerals sector supplement. The Sustainability Report has been externally assured and meets the GRI application level A+.
The JSE SRI Index	ARM has been included in the JSE Socially Responsible Investment (SRI) Index for the fifth year in recognition of the Group's commitment to integrating governance, best practice and environmental, economic and social sustainability into our business. ARM was also included in the Nedbank Green Index for the second time this year.
CDP	The Carbon Disclosure Project (CDP) is an international not-for-profit organisation that works with market forces to motivate companies to disclose their impacts on the environment and natural resources and take action to reduce them. ARM submitted a CDP report for the fifth time in 2014.

Inputs shaping ARM's approach to sustainable development

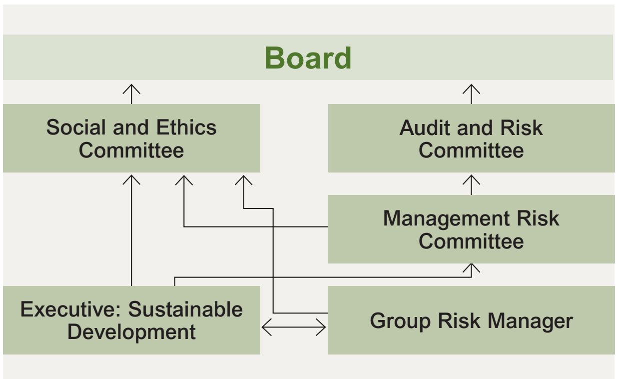
Our Sustainable Development model shows how ARM considers the relevant environmental, social and governance aspects of its business within the context of the imperative to deliver economic value to its shareholders. The Group's combined assurance model supports the integrity of the management, monitoring and reporting of its sustainable development activities.

ARM's sustainable development model



How we manage sustainability in our business

The Board has ultimate responsibility for sustainable development at ARM while the management of sustainability and risk-related issues is tasked to the Social and Ethics Committee and the Audit and Risk Committee.



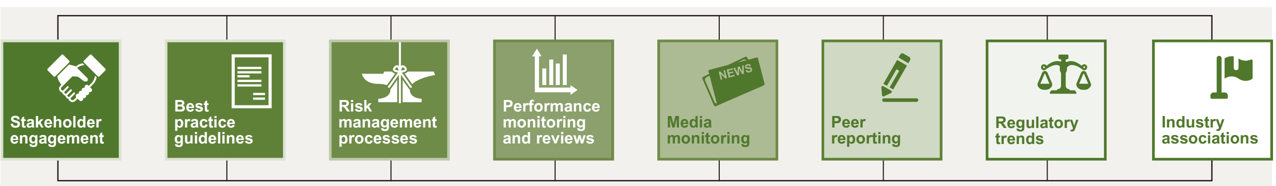
Each of ARM's operations have their own specific sustainability challenges, approach to managing these challenges and maturity of governance processes around these issues. The Company sets sustainable development policies and standards and operational management implements these in a manner appropriate to the circumstances at each operation. Sustainability progress is monitored by and reported through both operational and corporate sustainability governance structures.

Responsibility for the implementation of sustainable development policies and procedures rests with the Chief Executives of each division and the Executive: Sustainable Development. The Executive: Sustainable Development is responsible for reviewing sustainable development-related policies, strategies and targets and also ensuring that these are aligned with the Board's commitment to zero tolerance to harm throughout ARM. The Executive: Sustainable Development reports to the Chief Executive Officer of ARM with oversight from the Social and Ethics Committee.

The Executive: Sustainable Development also reports to the Management Risk Committee, a sub-committee of the Audit and Risk Committee of the Board, on matters and activities related to sustainable development as a standard agenda item and sustainability aspects are included in the Group risk register.

We determine the issues that are most material to the Company by analysing and prioritising information derived from a range of sources, including those shown in the diagram below.

Identifying ARM's most material issues



Social and Ethics Committee

The Social and Ethics Committee monitors the effectiveness of management's efforts in respect of sustainable development. It reviews and ensures implementation of the policies that support ARM's initiatives to protect, enhance and invest in the wellbeing of the economic, social and natural environment in which the Company operates.

Monitoring the Company's Local Economic Development initiatives is an important role of the Social and Ethics Committee. These initiatives support the development of historically disadvantaged South Africans and enable us to meet the requirements of mineral rights conversions, the Mining Charter, the Mineral and Petroleum Resources Development Act, 2002 and other relevant legislation.

Sustainability and risk management

The Management Risk Committee assists the Audit and Risk Committee in its oversight of risk management in the Company. The Management Risk Committee reviews strategic, tactical and major operational risks, including sustainability risks. It implements, coordinates and monitors the Company's enterprise risk management (ERM) framework, guided by the internal control and ERM policy in terms of the annual risk management plan. The ERM framework aims to identify risks, challenges and opportunities, ensure efficient and effective controls, benchmark control performance, and monitor and encourage improvement in control strategies.

The Group Risk Manager 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 Board.

Pages 127 to 128 and 156 to 157 of the Corporate Governance Report provides more information on the composition and activities of the Social and Ethics Committee and the Management Risk Committee.

Every quarter, operational management including Safety, Health, Environmental and Quality (SHEQ) managers, review and update the risk registers and risk and control dashboards. Operational production and engineering functions provide input into this process. Performance against guidelines is reviewed at both operational and corporate levels through regular meetings, providing appropriate oversight of management processes. These reviews form an important part of the combined assurance process and provide operations with a tool to manage and mitigate associated risks to an acceptable level.

Monitoring, measuring and reporting

Consolidating sustainable development data from the different systems at ARM's operations and ensuring accuracy and comparability between periods and operations is time consuming and challenging. The roll-out of consistent internal reporting systems across all operations is assisting in this process. An effective sustainability reporting system has been piloted in ARM Ferrous and is being implemented across the other operations in line with ARM's overall IT strategy.

ARM's risk management philosophy and process champion the integration of risk and assurance to ensure comprehensive management assurance and provide a practical and effective tool for the management of the specific and overall control environment. Assurance on sustainable development information is provided by management review, ARM's outsourced internal audit function, external audits and through external assurance of the content of our sustainability reports.

ARM's Combined Assurance Model defines what constitutes appropriate assurance relative to the three lines of defence. A Combined Assurance report identifies potential gaps and duplication in assurance, and provides input into strengthening the control environment. The inter-relationship between ARM's ERM processes, internal audit initiatives, external audit activities and various management assurance interventions by specialists/subject matter experts further reinforces comprehensive management assurance processes and reporting.

Integrated Reporting and Assurance Services (IRAS) was contracted to provide high-level independent third party assurance over the content of the F2014 Sustainability Report. Their assurance statement is included in the Sustainability Report and includes comment on data collection in ARM.

Summary sustainability review

The sections that follow summarise ARM's material issues and the Company's progress against these for F2014. The information has been grouped according to the six capitals approach of the International Integrated Reporting Council's International <IR> Framework.

For more information on these issues, please refer to the F2014 Sustainability Report at **www.arm.co.za**

Financial capital

ARM's fundamental goal is to create an acceptable financial return for shareholders, investors and other providers of capital. Our "We do it better" management style and our values drive us to balance this economic imperative with a responsible approach to the environmental and social aspects of our business. This ensures that all of our stakeholders benefit from the value created by the business and support ARM's sustainability and long-term growth.

In F2014, sales increased 20% to R23.8 billion (F2013: R19.8 billion). This supported a 41.8% increase in wealth created for ARM's stakeholders to R11 797 million (F2013: R8 318 million).

Value created in F2014 R11.8 billon

Employees
R3.3 billion in salaries and wages

Government
R2.8 billion in taxes and royalties

Shareholders
R1.1 billion in dividends

External providers of capital
R0.6 billion

R4.0 billion re-invested in the Group

Value added statement

	F2014* (Rm)	F2013** (Rm)	F2012 (Rm)	F2011 (Rm)	F2010 (Rm)	F2009 (Rm)	F2008 (Rm)	F2007 (Rm)
Sales	**23 785**	19 800	17 530	14 893	11 022	10 094	12 590	6 152
Net cost of products and services	**11 093**	9 100	8 329	6 357	5 604	4 201	4 318	2 527
Value added by operations	**12 692**	10 700	9 201	8 536	5 418	5 893	8 272	3 625
(Loss)/income from associations	**(374)**	(14)	11	(135)	(51)	147	461	16
Income from Joint Ventures	**11**	3	–	–	–	–	–	–
Exceptional items	**(876)**	(2 639)	(70)	(11)	97	514	162	14
Income from investments	**344**	268	279	216	209	414	168	51
Wealth created	**11 797**	8 318	9 421	8 606	5 673	6 968	9 063	3 706
Applied as follows to:								
Employees as salaries, wages and fringe benefits	**3 330**	2 922	2 179	1 856	1 491	1 399	1 053	738
The State as taxes	**2 796**	1 696	2 125	1 855	1 029	1 727	2 084	781
– Income tax	**1 893**	1 145	1 633	1 693	1 009	1 727	2 084	781
– Mineral Royalty tax	**903**	551	492	162	20	–	–	–
Providers of capital	**1 643**	1 394	1 324	836	725	1 034	1 213	561
– Equity – dividend	**1 102**	1 021	959	426	371	847	315	–
– Non-controlling interest	**255**	148	133	194	162	(198)	460	191
– Outside – finance cost	**286**	225	232	216	192	385	438	370
Total value distributed	**7 769**	6 012	5 628	4 547	3 245	4 160	4 350	2 080
Re-invested in the Group	**4 028**	2 306	3 793	4 059	2 428	2 808	4 713	1 626
Amortisation	**1 841**	1 693	1 315	1 118	987	787	541	406
Reserves retained	**2 187**	613	2 478	2 941	1 441	2 021	4 172	1 220
Wealth distributed	**11 797**	8 318	9 421	8 606	5 673	6 968	9 063	3 706
Market capitalisation at FYE (R billion)	**40.5**	32.2	35.7	40.2	34.3	27.5	59.2	25.9

* *Based on segmental reporting – refer to Note 2 to the financial statements.*
** *This is restated after adoption of IFRS 11 and is in accordance with the segmental reporting – refer to Note 2 to the financial statements.*

Cost efficiencies

ARM's strategy of quality growth in its portfolio of assets is critically dependent on ensuring that all its operations are positioned below the 50th percentile of each commodity's global cost curve. The direct links between financial capital and the other forms of capital are becoming increasingly clear through established and emerging trends such as the rising cost of energy, water availability and the proposed carbon tax. Social and labour unrest and failures to meet safety standards are not only significant social and ethical concerns, but also affect the Company's ability to create financial value by interrupting production. Not addressing these issues will lead to increased unrest, reduced productivity and negatively affect ARM's reputation.

The ability of the Company to achieve its unit cost goals faces a number of challenges including:

- ***Rising energy costs***

Energy is a critical input in mining and beneficiation. It is required to power the crushers and mills that process ore, ventilation fans, pumps for dewatering and the motors that drive conveyor belts and elevator cages. The processing of metals is particularly energy intensive and the smelters in the Ferrous Division consume nearly half of the Group's total electricity.

The rising cost of electricity and fuel not only affects the positioning of our operations on the global cost curve, it also adds further financial pressure to the people in the communities around our operations. Excessive energy cost increases will affect the profitability of all businesses and ultimately undermine job creation, social development and the flow of revenue to Government. Together with other industrial users of electricity, ARM continues to engage with Government institutions to ensure that future tariff increases are realistic within the broader interests of the country as a whole.

Improving process efficiency supports our cost-efficiency targets and reduces our use of natural capital. Energy-efficiency projects are being implemented across our operations and relevant employees are incentivised to improve the efficient use of energy, including electricity.

The decision to build the Sakura smelter in Sarawak, Malaysia was supported by a 15-year green power supply contract. The use of hydro-electric power was a key strategic advantage to manage cost pressures and contribute positively to efforts to reduce global warming.

- ***Carbon tax***

The anticipated carbon tax will affect our South African operations, especially the energy-intensive operations in the ARM Ferrous Division. As discussed in ARM's 2013 Carbon Disclosure Project (CDP) report, we estimate that the direct cost of the carbon tax on ARM's Scope 1 emissions will be between R7.7 million and R15.5 million (based on ARM's equity share).

We are in favour of any initiative that supports a global transition to a lower carbon economy and results in a more resilient society that is more competitive in the long term. However, the policy risks reducing profit margins as compliance costs increase resulting in the inability to compete in global markets and maintain sustainable businesses. The final policy needs to adequately manage the short-term and long-term developmental impacts of the planned carbon tax.

- ***Other environmental regulations***

Increasing environmental regulation in South Africa and in key customer countries may increase compliance costs and affect the selling price of commodities in regulated regions. The implementation of the National Climate Change Response Policy in South Africa includes mandatory reporting and the establishment of Desired Emission Reduction Outcomes (DEROs). While details of the DERO process are still unclear, it is understood that business sectors will be expected to develop a mitigation plan to meet the DERO for the sector, which could impact our ability to do business if the reduction requirements are very ambitious.

Air quality standards become more stringent in 2015, which will affect our furnaces at Cato Ridge and Machadodorp. Both smelters have obtained approved Air Emission Licences (AELs) in terms of the National Environmental Management Air Quality Act (NEMAQA).

- ***Labour costs and efficiency***

South Africa's weak economic growth, rising costs, high unemployment and numerous socio-economic challenges have combined to disproportionately affect people at the lower end of the income spectrum. This extreme financial pressure and increasingly politicised labour environment has been evident in the extended strikes in the platinum and metals industries. ARM supports fair remuneration, however wage increases that are not supported by improved labour productivity undermine profitability and threaten the sustainability of the business.

Infrastructure access and capacity

- ***Security of energy supply***

Unscheduled electricity supply interruptions directly affect our ability to maximise efficiencies and achieve our production targets. ARM's growth plans depend on access to electricity, which requires the effective maintenance and extension of electricity infrastructure. Our South African operations work closely with Eskom to help manage pressure on the national grid by reducing load where necessary.

- ***Rail and port logistics***

Iron ore produced by ARM Ferrous is exported through the Sishen Saldanha Iron Ore Export Channel (SIOEC), a single channel rail and port facility. Capacity constraints on the SIOEC limit ARM's ability to increase its exports. The viability of the Company's expansion plans at Black Rock Mine is dependent on clarity on Transnet's allocation of manganese export volumes which is still outstanding.

Transportation of ore by road is more costly, increases our carbon footprint and has a significant impact on the country's road infrastructure, but may be necessary where rail capacity is constrained. ARM continues to engage with Transnet and other industry role players to explore options for increasing rail and port capacity.

Market conditions

As a producer of commodity products, ARM is a price-taker. Commodity prices fluctuate with international supply and demand trends in the metals we produce. The Company's revenues, earnings and cash flows are affected by commodity price volatility, which is outside our control.

Our costs are largely priced in Rands, while commodities are mostly priced in US Dollars, which exposes the Company to the effects of exchange rate fluctuations.

ARM's structure, which includes a diversified portfolio of assets and products, results in returns that are more stable than those of single product producers. This gives the Company some ability to manage the risks associated with commodity price movements.

Human capital

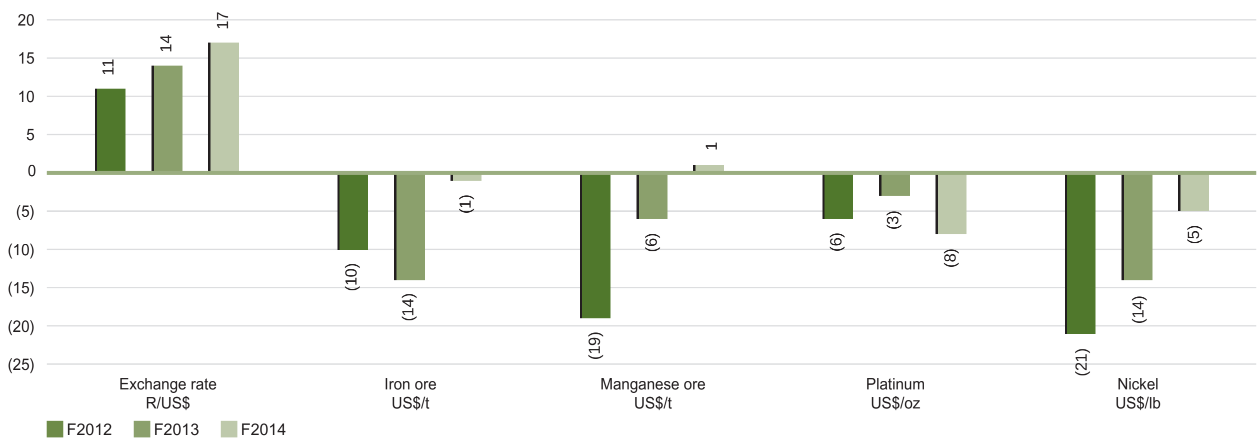
ARM's human capital is represented by nearly 25 000 dedicated permanent employees and contractors that pass through our gates every day. Their diligence and commitment is instrumental in transforming the natural capital of the metals we extract into the financial capital that creates value for our stakeholders. We reinvest a significant portion of financial capital back into our human capital through our skills development initiatives. Through training, the experience gained at work and the innovation that arises from our 'We do it better' approach to mining, the Company also enhances its intellectual capital.

To achieve our strategic goals, we need to attract, retain and enhance the skills required to drive operational efficiency and expand successfully. We also need to ensure that we provide a safe working environment where our employees can operate at their full potential and put in place the processes and resources required to support their health.

Progress on our MAPP (Managing ARM's People Potential) program continued during F2014. Initiatives within the program delivered during the year include:

- Obtaining compliance as an accredited training provider through MQA SETA in the three Northern Cape operations;
- Development of various web-based training academies and portals which facilitate a blended learning approach;
- Piloting the ARM supervisory development programme, which proved successful followed by a handover to and implementation at the Northern Cape operations;
- The Implement Oracle Self Service, Org Plus and Contingent Worker Systems and practices in the Northern Cape to ensure we can manage and empower our employees effectively;
- Implementing a Group wide industrial relations case load management system to promote consistent and fair practices and intelligent reporting; and
- Developing a corporate e-based induction programme.

Commodity prices
(%)



Focus for F2014	✓/×	How we did	Focus for F2015
To fully implement MAPP at the selected operations and to progress from transactional to service excellence and value add.	✓	Concluded the strategic plan for implementation of the four key strategic pillars i.e. workforce planning, talent management, human resources development and performance enhancement. Achieved effective implementation of our Human Capital strategy i.e. to attract and retain, develop and transform.	Operationalise the strategic pillars through implementation: • Workforce planning: To conduct workforce assessments for future business needs and respond to changes of industry requirements in relation to skills gaps. • Talent management: To recruit, develop and retain high quality people to meet the current and future needs of the business, ensure advancement of equal opportunity in employment through career mobility, succession and fast-tracking programmes. • Human resources development: To have a highly skilled workforce that continues to learn and is able to respond to changes in working practices. Ensure and create platforms for learning and development in support of the skills development plan. • Performance enhancement: To have a high-performing, well motivated workforce that continuously seeks to improve on quality outputs. Ensure reward system retains high performing teams and individuals.
Developing more modules for the learning hub.	✓	Various learning hub academies were completed and access given to the relevant stakeholders throughout the year from legislative training to supervisory development which saw the upskilling of 26 supervisors and another 19 still on their learning journey. Eleven learning academies and four information portals were produced.	• Promote the learning hub centre of excellence by ensuring operational implementation and ownership.

Highlights

- ARM participated in the Global Top Employer Certification programme, ranking its employee standards against international benchmarks. ARM was among 77 South African companies who were awarded Top Employer certification.
- Continued progress in terms of employment equity, including gender diversity. HDSA representation at the professionally qualified level increased to 51% (F2013: 49%).
- Female employees make up 14% of the workforce (F2013: 15%) exceeding the Mining Charter target of 10%.
- We again conducted a culture survey to identify interventions to improve workplace culture.
- 93% of our workforce is functionally literate, as we invest in training and development of people, including ABET, to upskill the workforce.

Challenges

- Identifying, attracting and retaining the right skills.
- Housing around our remote operations.

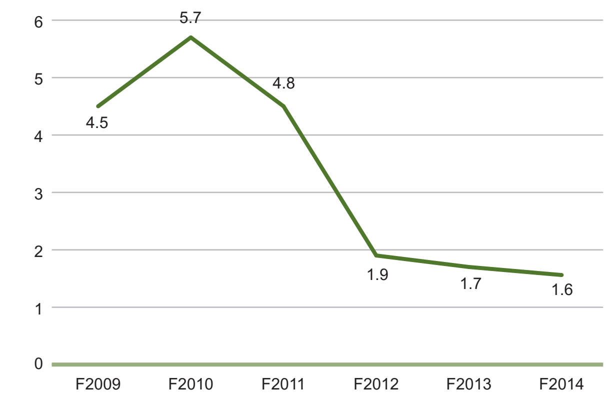
Attraction, retention and development of skills

We aim to be the employer of choice in the mining industry by demonstrating the value of working at ARM. This value goes beyond competitive remuneration and employee benefits, and includes talent management, study assistance, performance management and career development programmes.

ARM was again recognised as one of South Africa's Top Employers by the Corporate Research Foundation (CRF) Institute, through its participation in the Global Top Employer benchmark. ARM aims to consistently improve the employee offering at all levels.

Total headcount remained stable at 24 711 employees (F2013: 24 716) as an increase in permanent employees due to operational requirements was offset by a decline in contractors.

Employee turnover
(%)



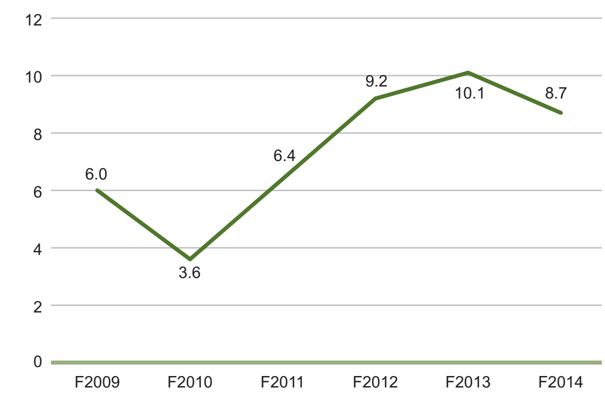
ARM's permanent employee turnover rate improved further to 1.6% in F2014 (F2013: 1.7%) compared to the industry average of 7%.

Our recruitment, skills development and staff retention plans focus on ensuring that the Company has access to the necessary technical and management skills to meet our aggressive growth plans. ARM continues to invest heavily in skills development and sees this investment as a fundamental building block for continuous improvement in productivity and safety performance.

Initiatives include training courses, learnerships, internal and external bursaries and study assistance.

In F2014, ARM invested R196 million in skills development programmes (F2013: R180 million), which represents 8.7% of its annual payroll on skills development (F2013: 10.1%).

Skills development spend (% of payroll)
(%)



Safety

ARM values the safety and health of all our employees as the embodiment of our commitment to zero harm. We implement the policies and processes necessary to ensure our employees' safety, aligned with the guidelines and targets set in the Mining Charter. We benchmark our practices and learn from our peers through initiatives such as 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 by the Divisional Safety, Health and Environmental Managers. Executive reviews take place at quarterly Safety, Health, Environmental and Quality (SHEQ) meetings. Most ARM operations are certified in terms of OHSAS 18001, the international health and safety management system.

Measuring underground ventilation flows at Lubambe Copper Mine

Focus for F2014	✓/×	How we did	Focus for F2015
Zero harm to our employees.	×	There was a fatality at Modikwa Mine in June 2014.	Zero harm to our employees.
Reduce stoppage due to Section 54 and 55 Notices.	×	Collective days lost due to Section 54 and 55 Notices increased to 76 in F2014 from 30 in F2013. Section 54 Notices issued increased to 20 in F2014 (F2013: 18) and Section 55 Notices increased to 19 (F2013: 10).	Reduce stoppage due to Section 54 and 55 Notices.
Continue to align with and adopt leading practices from industry initiatives such as MOSH and the Culture Transformation Framework (CTF).	✓	Our operations have adopted leading practices in terms of hearing protection, entry examination and making safe, underground support standards and the implementing of netting and bolting where appropriate. Modikwa, Two Rivers, Dwarsrivier and Black Rock have implemented proximity detection systems (PDS) on moving machinery while other operations are in the process of investigating and testing appropriate technology.	Continued focus and monitoring of existing leading practices. Active participation in new initiatives and leading practices.

Highlights

- The Reportable Injury Frequency Rate (RIFR) decreased to 0.23 in F2014 from 0.26 in F2013.
- The Group's Lost Time Injury Frequency Rate (LTIFR) per 200 000 man-hours worked improved to 0.37 in F2014 from 0.48 in F2013.
- One operation achieved more than four million fatality-free shifts in F2014, one achieved more than three million fatality-free shifts and two achieved more than two million fatality-free shifts.
- Beeshoek Mine achieved 12 000 fatality-free production shifts.
- Cato Ridge Works achieved 349 and Nkomati Mine achieved 365 consecutive days without a lost time injury.

Challenges

- There was a regrettable fatality at Modikwa Mine during the year. The incident is reported in more detail in the ARM Platinum Operational review on pages 50 to 63.
- As part of a revised safety strategy at Modikwa, safety and health systems are being reinforced and a new SHE manager has been appointed at the mine to address this and other SHE issues.
- There was a significant increase in days lost to Section 54 and 55 Notices issued, mainly due to incidents at Modikwa Mine.

Occupational health and wellness

Supporting the health and wellness of our employees increases our human capital by raising morale and engagement, supports intellectual capital by increasing retention of institutional knowledge and increases financial capital through better productivity and more efficient work.

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 applies appropriate procedures to mitigate dust liberation and manage exposure.

Hearing conservation continues to be a core focus of ARM's occupational health surveillance and management programmes. We have succeeded in and remain committed to reducing workplace noise in line with the Department of Mineral Resources (DMR) 10-year targets agreed at the Mine Health and Safety Summit in 2003.

Occupational health is managed through periodic medical examinations and a programme of biological monitoring of employees and contractors. The most common illnesses diagnosed in our workforce (including chronic and primary health-related conditions) are hypertension, upper respiratory tract infection and back/muscular/skeletal ache.

Focus for F2014	✓/×	How we did	Focus for F2015
Ongoing focus on reducing noise from existing and new equipment, as well as awareness raising to improve compliance with the use of personal protective equipment (PPE).	✓	The focus on reducing machinery noise levels to < 110 dB(A) at all operations continued. The MOSH Leading Practices on Noise have been adopted by mines where appropriate.	Ongoing focus on reducing noise from existing and new equipment, as well as awareness raising to improve compliance with use of PPE.
Continued implementation and monitoring of compliance with MOSH Leading Practices on Noise.		Investigations in terms of Section 11.5 of the Mine Health and Safety Act (MHSA) were conducted in all cases of Percentage Loss of Hearing shifts >5% and reported to the DMR.	Continued implementation and monitoring of compliance with MOSH Leading Practices on Noise.
Continued focus on hearing conservation and education.	✓	The number of Percentage Loss of Hearing (PLH) shifts between 5% and 10% PLH declined 15% in F2014. 784 cases were reported to the DMR, of which 20 (2.6%) were referred for compensation.	Continued focus on hearing conservation and education.

Highlights

- Khumani was successfully certified in terms of the new South African National Standard (SANS 16001: 2013) on its disease and wellness management programme.
- Beeshoek Mine will seek SANS 16001: 2013 certification in F2015.
- Khumani, Beeshoek and Black Rock have signed a Memorandum of Understanding with the local Department of Health to improve access to treatment for HIV, TB and sexually transmitted infections (STIs).
- Management of chronic diseases improved at all operations through the implementation of chronic disease registers and follow up of cases of chronic disease in high risk areas.

Challenges

- The number of Noise Induced Hearing Loss cases submitted for compensation decreased to 54 but still remains high.
- Difficulty in attracting and retaining qualified occupational medical staff in remote locations continues to remain a challenge to uphold the high quality of our medical surveillance programmes.
- Continued focus to further reduce the number of cases of noise induced hearing loss.

Clinic at Lubambe Mine

TB, HIV & Aids

ARM's operations are located in areas where the estimated district HIV prevalence ranges from 14% to 46%. While we estimate the prevalence rate at our operations to be significantly lower, HIV & Aids and other diseases such as tuberculosis (TB) present a significant risk to the wellness and productivity of our employees.

ARM's integrated occupational health and wellness programme focuses on integrated management of TB, HIV & Aids and STIs and is aligned with the National Strategic Plan (NSP) of 2012 – 2016.

Focus for F2014	✓/×	How we did	Focus for F2015
Continue to conduct wellness and disease management gap analyses in terms of the SANS 16001: 2013 standard ("SANS 16001") to align all operations with the standard.	✓	An external occupational health specialist conducted SANS 16001-based wellness and disease management gap analyses on all operations and implementations were well advanced in most operations.	Continue to conduct SANS 16001-based wellness and disease management gap analyses to align all operations with the standard.
Continue internal and external audits to monitor and ensure compliance with ARM's standards and SANS 16001.	✓	Khumani Mine was certified in terms of SANS 16001 in 2013 and Beeshoek Mine applied for Stage 1 certification in September 2014.	Continue annual internal audits on ARM's management guideline requirements and SANS 16001 and increase audit scores for all operations to our increased internal target of 80%.
Continue monitoring of our operational HIV prevalence in relation to provincial and district HIV prevalence where our operations are located.	✓	ARM implemented compulsory counselling and voluntary testing (CVT) at all operations. The number of employees and contractors counselled increased 63% to 24 330. 12 295 employees were tested, which facilitated better management and registration on Disease Management Programmes (DMPs) for HIV positive employees.	Continued compulsory CVT at all operations and occasional Knowledge, Attitudes, Perceptions and Behaviour surveys to increase the level of knowledge and understanding to motivate employees to know their status.
Continue to engage local Aids councils where our operations are located to identify wellness and health-related projects.	✓	Operations implemented various initiatives in their local communities that support the goals of the National Strategic Plan (NSP).	Continue to engage local Aids councils where our operations are located to identify wellness and health-related projects.
Continued alignment with the NSP and passive TB screening of contacts at the workplace and in communities as per DMR regulations.	✓	All employees who visit our occupational health clinics are passively screened for TB using the screening tool provided by the Department of Health. This passive screening led to a decrease in actual new infections detected in 2014 of 119.	Continued alignment with the NSP and passive TB screening of contacts at the workplace and in communities as per DMR requirements.

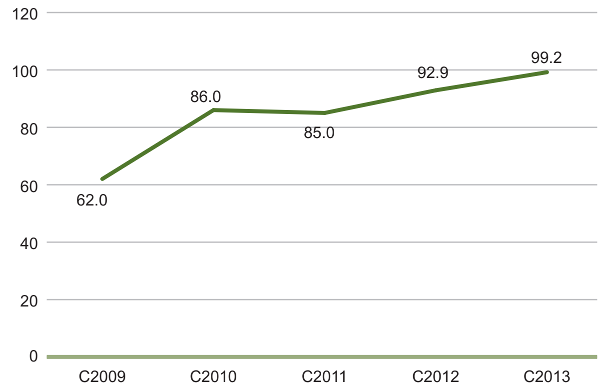
Highlights

- Improved our HIV & Aids programme internal compliance score to 77% from 73.4% in F2013, exceeding our target of 64.4% set in 2008. We have, in line with our drive to continuously improve, increased the target to 80%.
- Compulsory CVT was implemented to be offered during initial, periodical and exit medicals and upon request of employees. This has led to an increase of 63% in the numbers counselled.
- Compulsory passive TB screening was implemented at operations and includes screening of work contacts.
- Beeshoek and Khumani successfully implemented a Medical Male Circumcision Programme in the workplace.
- Khumani, Beeshoek and Black Rock have signed a Memorandum of Understanding with the Department of Health to improve access to treatment for HIV & Aids, TB and STIs for both employees and surrounding communities.
- The TB cure rate continues to be above the national TB cure rate average of 85%.

Challenges

- The incidence of HIV & Aids continues to significantly affect our operations and the communities in which our employees reside, particularly in Mpumalanga (35.1%) and KwaZulu-Natal (39.5%).
- Difficulties in sharing HCT (HIV Counselling and Testing) data with some medical aid schemes, which makes it difficult to monitor employee access and compliance with Disease Management Programmes (DMPs).
- Revitalising the wellness programmes at Nkomati Mine and Modikwa Mine and getting the HIV & Aids management programmes back to their former levels of excellence.
- Ensuring optimal functioning of local Aids councils.
- Encouraging Wellness Committees to continue to work with medical aid schemes.
- Encouraging trained peer educators to remain active.

TB cure rate*
(%)



** TB cure rates are reported on a calendar year basis.*

Environmental capital

ARM's business model depends on converting natural capital into financial capital by the extraction and beneficiation of ore and sale of metals in terms of its mining licence. Sustainability and the principles of responsible mining require us to protect our natural capital and that of the communities around us by minimising our environmental impact and reducing our consumption of scarce natural resources.

Compliance with environmental regulations supports our relationship with Government and reduces the risk of negatively affecting the communities around us, in which a large proportion of our workers live. Understanding the risks associated with climate change and taking steps to mitigate these reduces our risk exposure and helps the Company to realise potential opportunities while maintaining our positive reputation.

The rising cost of energy, especially electricity, and proposed environmental legislation such as the carbon tax, clearly illustrates the interconnectedness of environmental capital, financial capital and social and relationship capital.

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, extreme temperatures affecting the workforce and local communities and the risk of the lack of water.

Our operational environmental management systems identify our environmental impacts and allow us to implement our environmental plans and monitor our performance. Environmental performance and compliance is monitored at operational, divisional and corporate level.

Focus for F2014	✓/×	How we did	Focus for F2015
Monitoring implementation of efficiency targets for water and energy.	×	Some operations have implemented this while others are still in the process.	Continue implementation and monitoring of efficiency targets in terms of water and energy.
A Group strategy has been drafted and is being finalised through consultation with the various divisions.	✓	Performance objectives have been committed by most operations while the climate change strategy is being implemented as part of our efficiency drive.	Monitoring of performance against objectives and emissions targets.
Continued improvement in data collection and performance.	✓	Our CDP submission for F2013 was successfully externally verified for the second time. Continued improvement in this regard has ensured an improvement in both our disclosure and performance scores as follows: • A disclosure score of 48% in 2011 (no performance projects listed); • A disclosure score of 77% in 2012 and a "C" performance score; and • A disclosure score of 96 % in 2013 and a "B" performance score.	Continued improvement through further refining and improvement in our data collection systems. Commitment to identify and implement performance improvement projects.

Highlights

- We continue to implement our climate change strategy, policy and awareness training. This is progressing well and includes a carbon management strategy, emissions reduction plan and scenario planning.
- Energy and carbon reduction opportunities have been identified and quantified at Black Rock Mine and Nkomati Mine. We are currently implementing projects based on these opportunities. We are also investigating a renewable energy (solar) project at Nkomati.
- We submitted a CDP report for the fifth consecutive year and commissioned independent verification of our emissions data for the second time.
- Khumani Mine installed a 100 kW solar plant that saves the mine approximately 170 000 kWh a year.

Challenges

- Continued reduction in carbon emissions.
- The potential financial impact of the pending 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.
- Expanding our monitoring and reporting requirements to our supply chain.

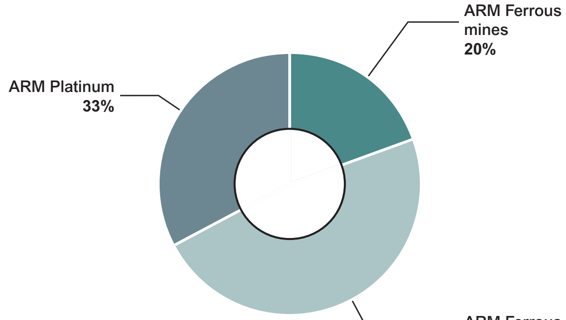
Carbon footprint

Electricity produced from coal accounts for the majority of ARM's carbon footprint. Most of this electricity is consumed by the two smelters in the ARM Ferrous Division, which together account for 47% of the Company's carbon emissions. Other notable sources of carbon emissions include diesel used for mining operations and materials movement and carbon-based reductants such as coke and coal used in our smelters.

ARM is driving increased awareness around emission reduction at its operations through a number of initiatives, including:

- Setting up a capital allowance for energy-efficiency projects;
- Including emission reduction activities on internal KPIs and scorecards for teams and divisions; and
- Facilitating divisional carbon strategy workshops.

Divisional contribution to our attributable F2014 Scope 1 and 2 carbon footprint
(%)



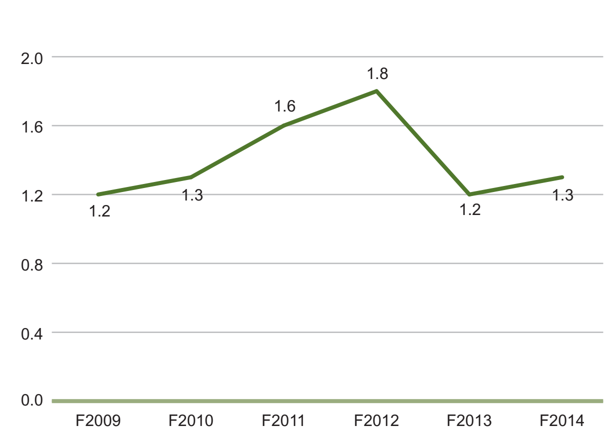
ARM Corporate and ARM Copper contribute less than 0.4% to total emissions.

Measuring environmental underground vibration on surface

ARM submitted a CDP report for the fifth consecutive year detailing ARM's attributable F2013 carbon emissions for our joint venture operations. The report again included independent verification of our emissions data.

ARM's estimated carbon footprint (Scope 1 and 2 attributable emissions) for F2014 increased 1.9% to 1.27 million tonnes carbon dioxide equivalent ($mtCO_2e$) (F2013: 1.24 $mtCO_2e$).

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

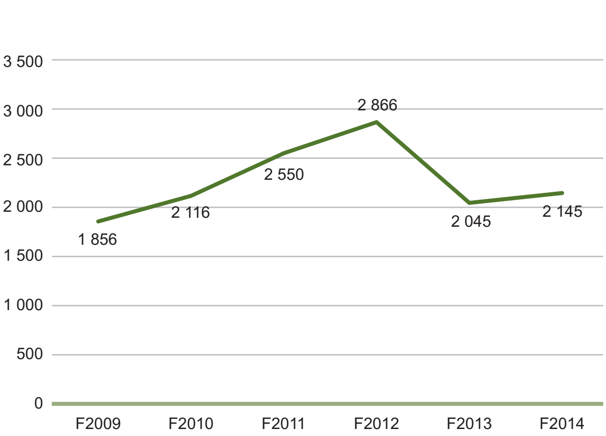


Energy usage

The Ferrous Division accounts for the majority of the Company's energy consumption. Energy-efficiency initiatives are mainly managed through the Ferrous Division's emissions reduction plan. The Platinum Division's reduction plans are being developed as phase II of the climate change programme currently being rolled out.

ARM's electricity consumption (reported on a 100% basis) increased 5% to 2.15 million megawatt hours (mMWh) in F2014 (F2013: 2.05 mMWh).

Electricity consumption
(000 MWh)



Water

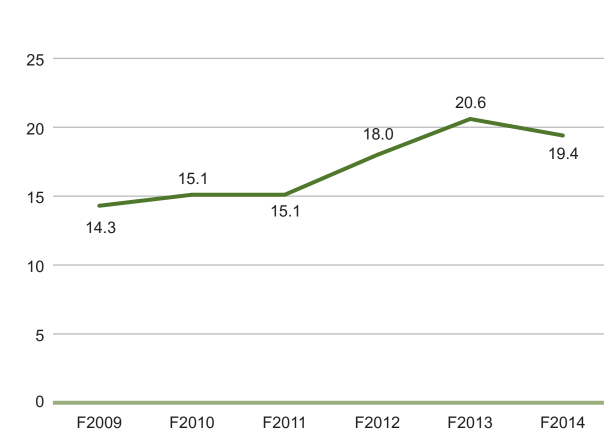
ARM's operations source water from rivers, boreholes and municipal sources according to the terms of their integrated water use licences. We engage with the Department of Water Affairs, local communities, local, provincial and national authorities, irrigation boards, catchment management agencies and other industry users to ensure the sustainability of water resources for all stakeholders.

Several of ARM Ferrous Division's mines are located in the Northern Cape where water is scarce. Expansion plans must carefully consider the availability of water, water quality and the reliability of water infrastructure as a critical resource. Changes to precipitation patterns as a consequence of climate change are likely to affect water sources and ARM has established a Water Task Team to address water risk.

ARM's operations ensure that the necessary controls are in place to ensure that the quality of water around them is not negatively affected.

Total water abstracted in F2014 decreased 6% to 19.4 million m^3 (F2013: 20.6 million m^3).

Water abstracted
(million m^3)



Biodiversity

Mining and beneficiation have a potentially significant impact on the physical landscape around these operations. Our commitment to responsible environmental stewardship includes respect for the biodiversity in the biomes in which we operate.

Biodiversity is managed according to biodiversity action plans that are drafted as part of the environmental impact assessment process. Compliance with the relevant corporate standards is assured through biennial external audits and through annual legal compliance audits as part of the environmental management systems.

During 2014, ARM's operations were assessed by the ICMM and the International Union for Conservation of Nature (IUCN) as part of a review of the progress made by ICMM members in biodiversity management performance. ARM received above average scores in seven of the 10 criteria assessed. Feedback from the review will be used for improvement in the Company's biodiversity initiatives where relevant.

Social and relationship capital

ARM's social and relationship capital is built up through the trust engendered by respectful interactions with our key stakeholders, by working according to our values and through demonstrating our commitment. Where this is achieved, social and relationship capital is an extremely valuable asset that confers upon the Company and its social licence to operate. Social and relationship capital is easily eroded through careless or irresponsible actions that damage the Company's reputation.

ARM's governance structures and ethical leadership support the Company and its employees to act with integrity and respect for the social and environmental context in which they operate.

Stakeholder engagement

ARM has established a formal stakeholder engagement process that allows the Company to understand the legitimate interests and expectation of a broad range of stakeholders and address these in an appropriate way as well as to communicate our concerns and progress.

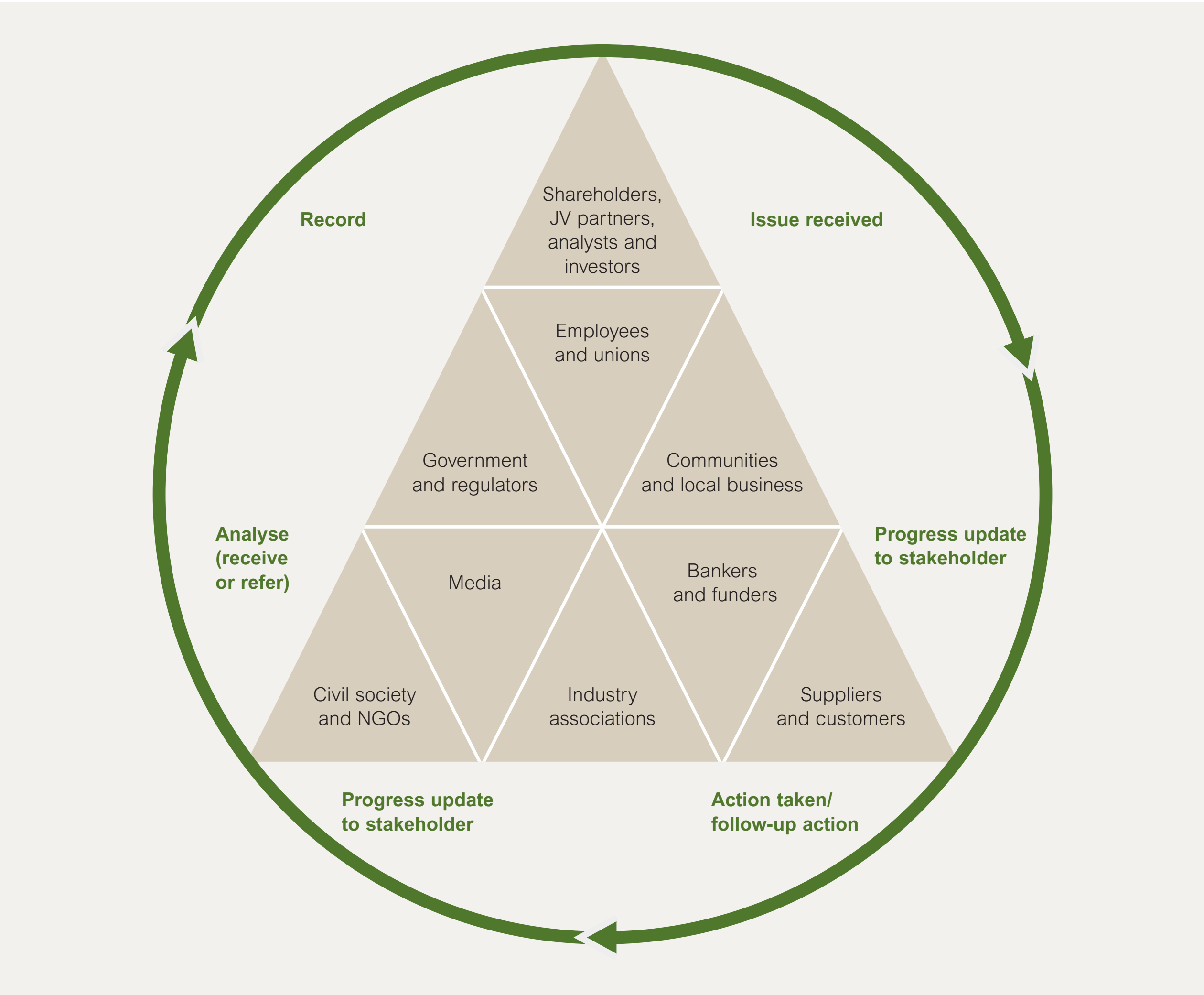
Engagement responsibilities are assigned to relevant positions within the Company. These representatives engage their allocated stakeholders at corporate, divisional and operational level.

The consequences of failing to maintain good relationships with key stakeholders such as Government, labour and communities include financial impacts through disruptions to operations in the form of demonstrations, stoppages and labour unrest.

We respect our employees' right to collective bargaining and engage with representative unions within the framework of the relevant labour legislation. Our engagements with employee stakeholder groups aim to highlight the importance of generating sustainable returns for all stakeholders.

We seek to engage positively and constructively with Government at local, provincial and national level. These engagements focus on sharing information and building our partnership to achieve delivery on Local Economic Development strategies. These include social investment, health and safety, environmental management and transformation.

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



Transformation

ARM supports the principles of transformation as a means of redressing historical inequality and ensuring that the country's assets are directed towards broader social development. We are committed to transformation in the mining industry.

We measure our transformation progress against the Broad-Based Socio-Economic Charter of the dti and Mining Charter. Our transformation action plans have been developed to deliver on the commitments made in our Social and Labour Plans.

The 2014 Mining Charter targets for the representation of historically disadvantaged South Africans will be challenging to achieve in the short term, particularly in the professionally qualified employees and senior management categories. We are nevertheless committed to achieving these targets and have implemented the necessary strategies to improve representation at these levels, which will also support improved transformation in top management.

Focus for CY2013	✓/×	How we did in CY2013	Focus for CY2014
Continued focus to maintain an increase in BEE procurement year on year.	✓	ARM exceeded the Mining Charter targets for Capital, Services and Consumables for the 2013 calendar year.	Continue to aim for and exceed the DMR's 2014 calendar year targets.
Continue to exceed the DMR targets in all three preferential procurement categories.	✓	• Capital: 60% (vs DMR 2013 target of 40%); • Services: 70% (vs DMR 2013 target of 70%); and • Consumables: 53% (vs DMR target of 50%).	Continue to exceed the DMR's 2014 target.
Continued focus on communication with contractors in terms of ARM's B-BBEE requirements to ensure the availability of valid B-BBEE certificates.	✓	ARM showed a consistent increase in B-BBEE procurement, exceeding the FY2013 performance due the availability of valid B-BBEE certificates.	Continue to direct procurement to qualifying suppliers with valid B-BBEE certificates.

Highlights

- All ARM's business units that differentiated their procurement into capital, services and consumables exceeded the Mining Charter targets in these categories for F2014.
- Independently verified as a Level 4 BEE contributor with a score of 73.19% (F2013: Level 4 and 65.1%).

Challenges

- To exceed 2014 Mining Charter BEE targets for capital, services and consumables preferential procurement.
- ARM submitted 2013 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 with regard to the implementation of the Mining Charter Scorecard as it develops.
- To remain abreast of the dti's B-BBEE scorecard developments.

Donation of a tractor and plough to a local community

Corporate Social Responsibility

ARM is committed to supporting the development of the communities in which we operate. We accordingly invest in a range of social investment and local economic development projects that addresses many of the challenges facing the country. These challenges include poverty alleviation, job creation, education, welfare and healthcare.

We implement our Corporate Social Responsibility (CSR) strategy at both corporate and operational levels.

At corporate level, CSR initiatives are run through the Corporate Social Investment (CSI) function (which includes the Chairman's Fund, the Education Trust Fund) and the ARM BBEE Trust.

At operational level, through projects supporting communities around the operations and through the commitments to Local Economic Development (LED) undertaken as part of ARM's Social and Labour Plans (SLP).

Corporate >	**ARM BBEE Trust**	**ARM Chairman's Fund**	**Corporate CSI**
Operations >	**CSI projects and donations**	**LED commitments (SLPs)**	

Focus for F2014	✓/×	How we did	Focus for F2015
Continuing to meet our SLP/LED commitments. Ensuring, through continuous stakeholder engagement, that our SLP commitments are still relevant and a continued focus to implement these successfully.	✓	Operations track their progress against their SLP commitments, verified by external audits to verify successful implementation of SLPs.	Continuous monitoring and evaluation of SLP projects to ensure maximum benefit received by beneficiaries.
Continued improvement in poverty alleviation, job creation, education, welfare and healthcare.	✓	Contributed R283 million towards social upliftment and sustainable poverty reduction. 741 jobs created through LED projects and 339 jobs through CSI projects.	Continued improvement of economic empowerment of communities through economic development and job creation.

Highlights

- CSR investments totalled R283 million in F2014 (F2013: R169 million).
- 741 jobs were created through LED projects in F2014 and 339 through CSI projects (1 080 jobs in total) (F2013: 1 936 jobs in total).
- ARM Ferrous' partnership with TEACH SA will contribute to the development of Maths and Science proficiency in local communities.
- Fully implemented the updated reporting systems to ensure auditable CSI and LED expenditure reports.

Challenges

- Creating sustainable jobs and alleviating poverty.
- Finding the right skills to implement CSI and LED projects.
- Measuring positive social impact as a result of our investment.
- Successful implementation of community projects involves coordination of many parties.
- Identifying the right community representatives and ensuring that representatives actively engage the community they represent.

Our sustainability performance year-on-year

Performance indicator	F2014**	F2013**	F2012	F2011	F2010
Economic and related core baseline indicators*					
Revenue (Rm)	**24 497**	20 475	18 142	15 357	11 425
Sales (Rm)	**23 785**	19 800	17 530	14 893	11 022
Taxes (Rm)	**1 893**	1 145	1 633	1 693	1 009
Headline earnings (Rm)	**4 108**	3 737	3 451	3 374	1 714
EBITDA (Rm)	**8 459**	7 227	6 531	6 517	3 907
Purchased materials and services (Rm)	**11 093**	9 100	8 329	6 357	5 604
Value added (Rm)	**11 797**	8 318	9 421	8 606	5 673
Number of environmental administrative penalties/fines	**3**	1	None	None	2
Employee indicators (100% basis)					
Total number of ARM employees and contractors*	**24 711**	24 716	26 587	28 704	22 776
– Employees (permanent)	**14 066**	13 731	12 373	11 496	10 281
– Contractors (mainly used in capital projects)	**10 645**	10 985	12 214	17 208	12 495
New jobs created (direct employment only)	**335**	1 358	877	1 215	802
Employee turnover (excluding contractors) (%)	**1.6**	1.7	1.9	4.8	5.7
Investment in employee training and development					
– Total expenditure (Rm)	**196**	180	137	96	50
– % of payroll	**8.7**	10.1	9.2	6.4	3.6
Employment equity† (% representation of previously disadvantaged groups among permanent employees)					
– Top management	**38**	50	50	38	4
– Senior management	**40**	42	48	40	32
– Professionally qualified	**51**	49	44	50	45
– Technically qualified	**65**	64	66	69	67
Lost Time Injury Frequency Rate• (200 000 man-hours)	**0.37**	0.48	0.40	0.43	0.77
Reportable/serious accidents	**66**	79	75	74	90
Number of lost man days due to industrial action	**172 221**	0	102 600	14 816	2 411
Environmental indicators (100% basis)					
Total water abstracted (m^3) (municipal, surface and groundwater)	**19 408 464**	20 551 374	17 991 948	15 091 358	15 060 418
Energy usage					
Electricity (MWh)	**2 144 894**	2 045 499	2 866 033	2 549 783	2 116 171
Diesel (000 litres)	**92 013**	108 788	96 360	73 559	55 732
Emissions (**Attributable ▪**) ✧					
Carbon footprint equivalent (equivalent tonnes CO_2)					
Scope 1 and 2	**1 267 620**	1 244 181	1 810 205	1 587 049	1 325 333
Scope 1	**326 132**	327 757	480 420	386 232	327 713
Scope 2	**941 488**	916 424	1 329 785	1 200 816	997 620
Scope 3	**1 770**	6 316	196 354	393 102	220 128
Direct emissions: (Cato Ridge and Machadodorp Works only)					
CO2e emissions – direct (tonnes)	**476 327**	237 392	276 117	280 530	294 780
NOx (tonnes)	**838**	637	715	560	585
SOx (tonnes)	**605**	506	658	408	786
Particulate matter (tonnes)	**182**	122	192	230	191
Corporate Social Responsibility					
Total community upliftment and Corporate Social Investment (Rm)	**282.5**	168.5	126.3	124.5	72.9
CSI (Rm)	**134.6**	62.0	36.3	18	14.5
LED (Rm)	**141.9**	99.6	84.9	100.4	43.8
ARM BBEE Trust (Rm)	**5.9**	6.8	5.1	6.0	14.6

* *Total number of ARM employees and contractors is as at 30 June 2014.*
** *Financial data for F2013 and F2014 is based on segmental reporting.*

Non-financial data is 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 South African practice and include both ARM employees and contractor incidents.*
▪ *Values attributable to shareholding percentages.*
✧ *The Scope 1 and 2 carbon emissions published in the F2013 Sustainability Report, had been provisionally calculated at the time. These have subsequently been verified as part of the CDP submission in May 2014 and resulted in minor adjustments and review of figures published in F2014. For CDP purposes, ARM submits data for the preceding financial year, i.e. the March 2014 CDP submission will contain results for 1 July 2012 to 30 June 2013.*

Note: F2013 electricity consumption and emissions figures may differ slightly from those published in the F2013 IAR because Scope 1 and 2 emissions were provisionally calculated at the time. These emissions have subsequently been reviewed and externally verified and have been accurately disclosed in our CDP submission in May 2014.