African Rainbow Minerals

PROVISIONAL RESULTS

FOR THE YEAR ENDED 30 JUNE

2020

SHAREHOLDER INFORMATION

Issued share capital at 30 June 2020	223 325 857 shares
Market capitalisation at 30 June 2020	ZAR37.8 billion
Market capitalisation at 30 June 2020	US$2.2 billion
Closing share price at 30 June 2020	R169.15
12-month high (1 July 2019 – 30 June 2020)	R193.27
12-month low (1 July 2019 – 30 June 2020)	R82.06
Average daily volume traded for the 12 months	671 981 shares
Primary listing	JSE Limited
JSE Share Code	ARI

CONTENTS

SALIENT FEATURES

Headline earnings increased by 6% to **R5 534 million** or R28.50 per share (F2019: R5 226 million or R27.18 per share).

ARM Platinum headline earnings increased by R1 030 million to **R1 142 million** (F2019: R112 million).

A final dividend of **R7.00** per share is declared. In addition to the interim dividend of R5.00 per share, the total dividend for F2020 is **R12.00** per share.

Net cash improved by R1 189 million to **R3 790 million** at 30 June 2020 (30 June 2019: R2 601 million).

Segmental earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18% to **R11 009 million** (F2019: R9 336 million)

Basic earnings were **R3 965 million** and include an attributable impairment (after tax) of the ARM Coal assets of R1 524 million (F2019: R3 554 million including attributable impairments of R1 070 million and R507 million of the Nkomati Mine and Sakura Ferroalloys assets).

Production volumes, sales volumes and unit costs were impacted by the COVID-19 national lockdown and restrictions.

Strict protocols to prevent the spread of COVID-19 have been implemented and are ongoing across all operations.

OPERATING SAFELY AND SUSTAINABLY

Ensuring the safety and health of employees and supporting communities

The safety, health and well-being of our employees remains a key priority. The latter part of F2020 presented new and increased risks to this priority mainly due to the COVID-19 pandemic. All operations have put in place the necessary measures and protocols to prevent the spread of COVID-19 and protect employees and contractors. These include:

- Daily screening of all employees prior to commencing work and testing where required
- Social distancing at all operations and the corporate offices
- Compulsory wearing of face masks
- Installation of hand wash basins and sanitising stations
- Regular disinfection of high-risk areas
- Education campaigns on prevention of the spread of COVID-19 at the operations, the corporate offices and in host communities
- Where positive cases are confirmed, contact tracing and case management is carried out in accordance with the guidelines issued by the National Department of Health (NDoH). Isolation facilities are provided for affected employees where required
- Implementation of the protocols of the National Institute of Communicable Diseases (NICD) of the NDoH at mine clinics

Inspections for compliance with COVID-19 protocols were conducted at all operations by the Department of Mineral Resources and Energy (DMRE) with no major findings.

At 21 August 2020, 47 400 employees have been screened for COVID-19 and 3 176 employees tested. 772 of our colleagues tested positive for COVID-19. Regrettably 8 colleagues succumbed to COVID-19. We extend our deepest condolences to the colleagues, family and friends of the employees who lost their lives to COVID-19.

During the COVID-19 pandemic we further supported our host communities, suppliers and other stakeholders.

The ARM Ferrous and ARM Platinum operations contributed approximately R58 million (on a 100% basis) towards various COVID-19 response initiatives in host communities and COVID-19 relief funding for small, micro and medium enterprises (SMMEs) affected by COVID-19. Initiatives to support host communities included the purchase of Personal Protective Equipment (PPE) and medical equipment and the supply of water and food parcels to host communities as well as radio and print awareness campaigns

In addition, the Executive Chairman of ARM, Dr Patrice Motsepe, announced on 28 March 2020 that his family, in partnership with companies and organisations that they are associated with (including ARM), pledges R1 billion to assist with South Africa's and Africa's response to the challenges presented by the COVID-19 pandemic. As part of the pledge, ARM has contributed towards the purchase of PPE for health care workers.

Safety performance

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

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

Safety achievements in F2020:

- Beeshoek Mine achieved 18 000 fatality-free production shifts on 16 August 2019, an accomplishment that has taken 16 years and 5 months to achieve. On 9 September 2019 the mine recorded 365 successive days without an LTI
- Khumani Mine achieved 3 million fatality-free shifts on 29 November 2019
- Black Rock Mine achieved 8 million fatality-free shifts on 11 March 2020 which was a first for ARM Ferrous and took 11 years and two months to achieve. The mine also improved its LTIFR by 21% year-on-year
- Modikwa Mine achieved 1 million fatality-free shifts on 6 January 2020

Safety statistics in this report are presented on a 100% basis and exclude ARM Coal operations which are managed by ARM's partner.

Tailings storage facilities and governance

We are committed to ensuring the stability of our tailings storage facilities (tailings facilities). A professional engineer was appointed by each operation to perform annual structural stability audits and quarterly monitoring of the safety and stability of each tailings facility. The latest structural stability reports confirm that the tailings facilities at ARM managed operations are stable.

In 2019, we undertook to commission an independent external review of the tailings facilities in alignment with global best practice to enhance our tailings facilities management systems. The external review of the tailings facilities, which includes a review of management systems and governance processes, has been completed and we are in the process of implementing recommendations for improvement.

In addition, ARM committed to completing dam breach analysis of our tailings facilities to ensure a comprehensive understanding of the potential impact on infrastructure and stakeholders, including communities and the environment. These studies and reports have been slightly delayed by the COVID-19 pandemic, but draft reports have been received and are in the process of being finalised. These reports will inform enhanced emergency response planning.

The recent external review of the tailings facilities identified the requirement for a corporate policy as well as a formalised corporate standard on tailings management in addition to the governance standards which are already in place. These, as well as reporting dashboards on critical compliance elements, are being developed. The ARM Policy and ARM Corporate Standard on tailings management will be aligned with appropriate good practice standards nationally and internationally, including the Global Industry Standard on Tailings Management (GISTM) which was recently finalised by the Global Tailings Review and launched on 5 August 2020.

FINANCIAL PERFORMANCE

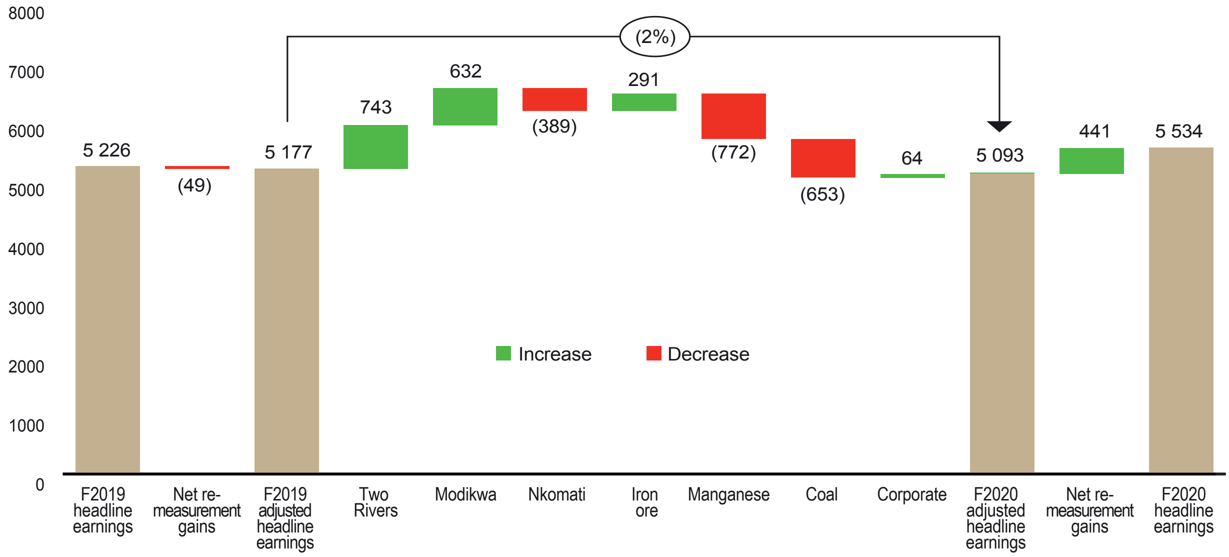
Headline earnings

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

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

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

HEADLINE EARNINGS ANALYSIS (R million)



* *Adjusted headline earnings exclude re-measurement gains and losses for the period. The table on page 4 summarises the re-measurement gains and losses for the current and corresponding financial years.*

The adjusted headline earnings are included for illustrative purposes and are the responsibility of the Board of Directors. They should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS.

Attributable headline earnings for **ARM Ferrous** were 10% lower at R4 479 million (F2019: R4 960 million) as a 9% increase in headline earnings in the iron ore division was more than offset by a 48% decrease in the manganese division headline earnings. Despite lower iron ore sales volumes (mainly as a result of the COVID-19 lockdown), profitability in the iron ore division improved driven by higher Rand export iron ore prices. In contrast, average realised Rand manganese ore prices were 22% lower which, coupled with a 6% decrease in manganese ore sales volumes, significantly impacted the manganese division's headline earnings. Unit costs were well controlled at the manganese ore operations with on-mine unit production costs decreasing by 2% in F2020.

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

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

Production and sales volumes at both PGM operations were lower owing to grade challenges experienced in 1H F2020 and the COVID-19 lockdown in 2H F2020 (as discussed on page 6). Unit cost increases at both operations were above inflation mainly due to the decline in volumes.

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

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

- A provision relating to an increase in rehabilitation and decommissioning obligations of R384 million (discussed in detail on page 11)
- A provision relating to a tax diesel rebate currently under dispute with the South African Revenue Services of R131 million
- A provision for restructuring costs of R77 million
- An inventory write-down of R76 million
- Off-take penalties for out of specification concentrate of R99 million

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

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

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

Headline earnings/(loss) by operation/division

R million	Reviewed F2020	Audited F2019	% change
ARM Ferrous	**4 479**	4 960	(10)
Iron ore division	**3 688**	3 397	9
Manganese division	**836**	1 611	(48)
Chrome division	**–**	(3)	
Consolidation adjustment	**(44)**	(45)	
ARM Platinum	**1 142**	112	>200
Two Rivers Mine	**1 065**	322	>200
Modikwa Mine	**781**	105	>200
Nkomati Mine	**(704)**	(315)	(123)
ARM Coal	**(2)**	411	
Goedgevonden Mine	**(38)**	137	(126)
PCB operations	**36**	274	(87)
ARM Corporate and other	**(85)**	(257)	67
Corporate and other	**78**	(221)	
Machadodorp Works	**(163)**	(36)	(>200)
Headline earnings	**5 534**	5 226	6

Summary of re-measurement gains and losses (impact on headline earnings)

R million	F2020	F2019	% change
ARM Mining Consortium (Modikwa)	**(112)**	(156)	28
African Rainbow Minerals Limited – Intercompany	**(127)**	(175)	27
Anglo American Platinum Limited	**(8)**	(12)	33
Non-controlling interest	**23**	31	(26)
ARM Coal	**485**	245	98
Goedgevonden Mine	**206**	190	8
PCB operations	**279**	55	>200
ARM Corporate and other	**68**	(40)	>200
ARM Mining Consortium (Modikwa) – Intercompany	**127**	175	(27)
ARM Coal	**(59)**	(215)	73
ARM Group	**441**	49	>200

Basic earnings and impairments

Basic earnings were R3 965 million and include attributable impairments of the ARM Coal assets of R1 680 million before tax and R1 524 million after tax. An impairment indicator assessment was performed on Goedgevonden Mine and the PCB investment (as stand-alone and separate cash generating units). Impairment indicators were identified (including lower expected production and above inflation unit cost increases) which resulted in attributable impairment losses (after tax) of R403 million and R1 121 million being recognised for the Goedgevonden Mine and PCB investment cash generating units, respectively.

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

More detail on the impairments is included in note 4 to the financial statements.

Financial position

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

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

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

Cash flow

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

Dividends received from the Assmang joint venture were R3 750 million (F2019: R3 315 million). In F2020, R2 717 million in dividends were paid to ARM shareholders representing the final dividend of R9.00 per share declared in F2019 (total amount paid, R1 741 million) and the interim dividend of R5.00 per share declared for 1H F2020 (total amount paid R976 million).

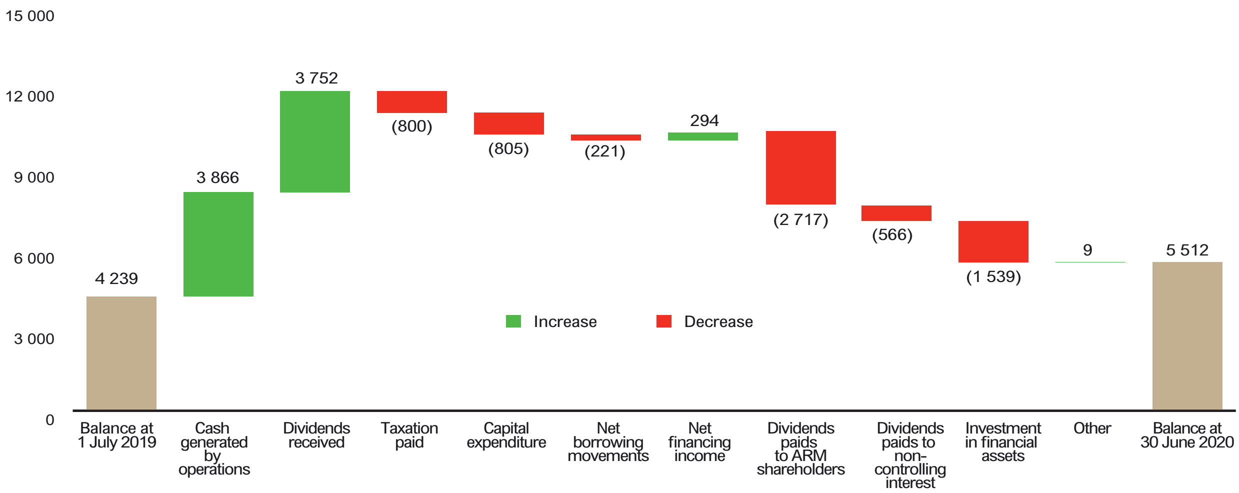
Net cash outflow from investing activities was R2 343 million (F2019: R1 271 million) and include investments in financial assets of R1 539 million. Certain cash and cash equivalents were invested in longer dated fixed deposits in F2020 to achieve better returns.

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

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

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

ANALYSIS OF MOVEMENTS IN NET CASH AND CASH EQUIVALENTS (R million)*



* *Cash and cash equivalents including overdraft.*

Capital expenditure

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

Capital expenditure by operation/division (attributable to ARM)

R million	Reviewed F2020	Audited F2019
ARM Ferrous	**2 173**	2 108
Iron ore division	**1 111**	1 048
Manganese division	**1 157**	1 155
Consolidation adjustment	**(95)**	(95)
ARM Platinum	**1 132**	885
Two Rivers Mine	**813**	587
Modikwa Mine	**319**	130
Nkomati Mine	**–**	168
ARM Coal	**197**	244
Goedgevonden Mine	**197**	244
ARM Corporate	**4**	5
Total	**3 506**	3 242

These results have been achieved in conjunction with ARM's partners at the various operations: Anglo American Platinum Limited, Assore Limited, Impala Platinum Holdings Limited (Implats), Norilsk Nickel Africa Proprietary Ltd and Glencore South Africa.

The provisional results for the 12 months ended 30 June 2020 have been prepared in accordance with IFRS and disclosures are in line with IAS 34: Interim Financial Reporting.

Rounding may result in minor computational discrepancies in tables.

COVID-19 IMPACT ON OPERATIONS

On 27 March 2020 the South African government put in place a 21-day nationwide lockdown (the lockdown) to limit the spread of COVID-19 and flatten the COVID-19 infection curve. In compliance with the lockdown, all ARM operations (in South Africa) except the ARM Coal operations were placed on temporary care and maintenance for the duration of the lockdown. There was no production at these operations during this period.

The ARM Coal operations were considered by government to be an essential service and were permitted to continue producing during the lockdown.

Effective from 17 April 2020, South African mining operations were permitted to resume production up to 50% of capacity. All ARM mines which were on temporary care and maintenance during the lockdown resumed production with strict COVID-19 protocols in place to limit the spread of COVID-19. The Cato Ridge operations remained closed until 31 May 2020.

As lockdown restrictions were further eased, all South African mining operations were allowed to ramp up to 100% capacity. ARM's operations have ramped up at different rates during this period which is discussed in further detail in the operational performance section below.

OPERATIONAL PERFORMANCE

ARM Ferrous

Iron ore division

Prices

Average realised US Dollar prices for export iron ore were flat on a free-on-board (FOB) equivalent basis at US$87/t as higher index iron ore prices were fully offset by a decrease in lump to fines ratio of 54:46 (compared to F2019 of 60:40). The current lump to fines ratio represents a sustainable production split going forward.

Volumes

Total iron ore sales volumes decreased by 11% to 15.6 million tonnes (F2019: 17.5 million tonnes) mainly due to the lockdown and logistical challenges.

Export sales volumes were 9% lower at 13.1 million tonnes (F2019: 14.4 million tonnes). In 1H F2020, volumes railed from Khumani Mine were impacted by loading challenges, emergency maintenance on the rail line (from June to December 2019), equipment breakdowns at the port as well as inclement weather conditions which affected port functions from time to time. In 2H F2020, the impact of the lockdown on export sales volumes was partially mitigated as Khumani Mine received authorisation to operate its load-out stations during the lockdown. In collaboration with Transnet, the mine exported iron ore via the Saldanha Export Channel effective from 30 March 2020, albeit at reduced capacity. The impact of the lockdown (and other COVID-19 restrictions) on export iron ore sales volumes was approximately at 1.22 million tonnes.

At 30 June 2020, the Khumani Mine was producing at full capacity. Export iron ore sales volumes are, however, expected to continue being impacted by COVID-19 related challenges on the logistics channels until end of 1H F2021. At 30 June 2020, stockpiles were full at both Khumani Mine and at Saldanha Port, which is expected to support accelerated sales for 1H F2021.

Local sales volumes were 22% lower at 2.4 million tonnes (F2019: 3.1 million tonnes) mainly as a result of a temporary shutdown at Beeshoek Mine's primary customer during the lockdown. The steel producer restarted operations in early June 2020. As a result, production at the Beeshoek Mine was stopped from mid-May until the end of June 2020. The impact of the lockdown (and other COVID-19 restrictions) on local iron ore sales volumes was approximately at 0.74 million tonnes.

Unit costs

On-mine unit production costs at Khumani Mine increased above inflation at 10% to R251/t (F2019: R227/t) mainly due to a decline in production volumes and the introduction of a capital raising water levy of R17 per kilolitre by the Sedibeng Water Board (effective from August 2019) as part of the upgrade and refurbishment of the Vaal Gamagara Water System, which supplies water to Khumani Mine. The upgrade in the water system is expected to significantly reduce water supply risks for Khumani Mine going forward.

Despite the reduction in production volumes, the increase in on-mine unit production costs at Beeshoek Mine was in line with inflation at 5% to R246 per tonne (F2019: R234 per tonne).

Unit cost of sales (which include marketing and distribution costs) were 10% higher as lower shipping costs were more than offset by an increase in sales and marketing costs per tonne due to higher US Dollar iron ore prices (sales and marketing costs are determined as a percentage of revenue).

Capital expenditure

Capital expenditure (on a 100% basis) was R2 223 million (F2019: R2 097 million) and included capitalised waste stripping costs of R787 million (F2019: R793 million). The balance of the capital expenditure was spent on replacement fleet.

Iron ore operational statistics (100% basis)

	unit	F2020	F2019	% change
Prices				
Average realised price FOB	US$/t	**87**	87	–
Volumes				
Export sales	000t	**13 129**	14 430	(9)
Local sales	000t	**2 439**	3 114	(22)
Total sales	000t	**15 568**	17 543	(11)
Production	000t	**16 092**	17 786	(10)
Export lump/fines split	%	**54:46**	60:40	
Export sales CIF/FOB split	%	**48:52**	50:50	
Unit costs				
Change in on-mine production unit costs	%	**10**	8	
Change in unit cost of sales	%	**10**	15	
Capital expenditure				
Iron ore	R million	**2 223**	2 097	5

Manganese ore

	unit	F2020	F2019
Sales	R million	**9 005**	12 493
Operating profit	R million	**2 595**	4 697
Contribution to headline earnings	R million	**1 846**	3 449
Capital expenditure	R million	**2 228**	2 256
Depreciation	R million	**588**	611
EBITDA	R million	**3 183**	5 307

Prices

Manganese ore prices declined steeply in the latter part of the financial year. The price of 44% manganese ore (CIF Tianjin) decreased by 13% from US$5.74 per manganese tonne unit (mtu) on 1 July 2019 to US$5.02/mtu at 30 June 2020. Prices rallied in April 2020 as COVID-19 lockdown measures, especially in South Africa, impacted global supply. When production restarted, after the lockdown in South Africa, manganese ore prices came under immense pressure decreasing to US$4.15/mtu for 44% manganese ore.

Volumes

Manganese ore sales volumes decreased by 6% from 3.4 million tonnes in F2019 to 3.2 million tonnes in F2020, mainly as a result of the lockdown. 3.15 million tonnes of manganese ore were exported through the Port Elizabeth and Saldanha ports. Due to lockdown restrictions, manganese ore exports halted for approximately a month and restarted at a reduced capacity until 30 June 2020. The impact of the lockdown on manganese ore volumes was approximately 530 thousand tonnes. To mitigate some of the losses, road transport was contracted for about 40 thousand tonnes from May to 30 June 2020. Transnet has performed well under the challenging circumstances.

Production volumes at Black Rock Mine rose 6% to 3.6 million in F2020 tonnes as the Black Rock and Gloria projects progressed. The projects aim to modernise and expand the mine by increasing volumes and flexibility to produce different products as well as improving efficiencies, which is evident in improved unit cost performance in the financial year under review. Ramp-up of the Black Rock Mine is being closely synchronised with Transnet's rail availability and is informed by prevailing market conditions. Engagement with Transnet on rail and port allocation beyond the current contractual period is ongoing.

Unit costs

Black Rock on-mine unit production costs decreased by 2% from R605/t in F2019 to R593/t in F2020, as improved efficiencies and increased production volumes from the Black Rock project more than offset inflationary increases.

Unit costs of sales (which include marketing and distribution costs) were flat (compared to a 17% increase in F2019). Lower sales and marketing costs (owing to lower realised manganese ore prices) and the decrease in freight rates contributed to the lower than inflation unit cost of sales increase.

Capital expenditure

Total capital expenditure for the manganese division was R2 314 million on a 100% basis (F2019: R2 310 million), of which R846 million (F2019: R662 million) related to the modernisation and optimisation of Gloria Mine within Black Rock Mine as approved in F2018. At 30 June 2020, 73% of the approved capital of R2.7 billion was spent.

Manganese ore operational statistics (100% basis)

	unit	F2020	F2019	% change
Volumes				
Export sales	000t	**3 128**	3 321	(6)
Domestic sales*	000t	**99**	113	(12)
Total sales	000t	**3 227**	3 434	(6)
Production	000t	**3 619**	3 409	6
Unit costs				
Change in on-mine production unit costs	%	**(2)**	15	
Change in unit cost of sales	%	**–**	17	

* *Excluding intragroup sales of 208 572 tonnes sold to Cato Ridge Works (F2019: 210 909 tonnes).*

Manganese alloys

	unit	F2020	F2019
Sales	R million	**1 791**	2 293
Operating profit	R million	**140**	255
Contribution to headline earnings	R million	**(174)**	(228)
Capital expenditure	R million	**86**	54
Depreciation	R million	**48**	70
EBITDA	R million	**189**	356

Volumes

High carbon manganese alloy production at Sakura (100% basis) decreased to 232 thousand tonnes (F2019: 249 thousand) mainly due to the unplanned shut down due to COVID-19 restrictions and critically low stock levels of the primary ores which could not be exported from South Africa. High carbon manganese alloy sales (100% basis) decreased by 13% to 216 thousand tonnes (F2019: 248 thousand tonnes). The impact of the lockdown (and other COVID-19 restrictions) on high carbon manganese alloy sales volumes was approximately 12 384 tonnes.

High carbon manganese alloy production at Cato Ridge Works decreased by 11% to 127 thousand tonnes (F2019: 143 thousand tonnes). Medium carbon manganese alloy production at Cato Ridge Alloys (100% basis) decreased by 15% to 50 thousand tonnes (F2019: 59 thousand tonnes).

High carbon manganese alloy sales at Cato Ridge Works decreased by 22% to 65 thousand tonnes (F2019: 83 thousand tonnes). Medium carbon manganese alloy sales at Cato Ridge Alloys (100% basis) decreased by 35% to 42 thousand tonnes (F2019: 65 thousand tonnes).

Unit costs

High carbon manganese alloys production costs increased by 13% from R10 182/t in F2019 to R11 504/t in F2020 mainly due to reduction in production volumes. Medium carbon manganese alloy production costs decreased by 2% from R18 737/t in F2019 to R18 302/t in F2020 due to reduction in input cost for molten metal.

Manganese alloy operational statistics (on 100% basis)

	unit	F2020	F2019	% change
Volumes				
Cato Ridge Works sales*	000t	**65**	83	(22)
Cato Ridge Alloys sales	000t	**42**	65	(35)
Sakura sales	000t	**216**	248	(13)
Cato Ridge Works production	000t	**127**	143	(11)
Cato Ridge Alloys production	000t	**50**	59	(15)
Sakura production	000t	**232**	249	(7)
Unit costs – Cato Ridge Works				
Change in on-mine production unit costs	%	**13**	5	
Change in unit cost of sales	%	**–**	4	
Unit costs – Cato Ridge Alloys				
Change in on-mine production unit costs	%	**(2)**	–	
Change in unit cost of sales	%	**1**	12	
Unit costs – Sakura				
Change in on-mine production unit costs	%	**(23)**	18	
Change in unit cost of sales	%	**(17)**	16	

* *Excluding intragroup sales of 59 841 tonnes sold to Cato Ridge Alloys (F2019: 70 669 tonnes).*

The ARM Ferrous operations, held through its 50% investment in Assmang Proprietary Limited (Assmang), comprise the iron ore and manganese divisions. Assore Limited, ARM's partner in Assmang owns the remaining 50%.

ARM Platinum

Prices

Higher metal prices, particularly palladium (54%) and rhodium (144%), contributed significantly to the Modikwa and Two Rivers mines F2020 results. Stronger prices, coupled with the weaker Rand/US Dollar exchange rate, resulted in the average Rand per 6E kilogram basket price increasing by 73% and 66% to R850 909/kg (F2019: R491 723/kg) and R775 857/kg (F2019: R467 994/kg) for Modikwa and Two Rivers mines, respectively.

US Dollar nickel prices were 13% higher, while a 21% decrease in Nkomati's Rand chrome price adversely affected the Nkomati's Mine's results.

Average US Dollar metal prices

	unit	F2020	F2019	% change
Platinum	US$/oz	**871**	825	6
Palladium	US$/oz	**1 901**	1 233	54
Rhodium	US$/oz	**6 275**	2 567	144
Nickel	US$/t	**13 964**	12 343	13
Copper	US$/t	**5 647**	6 176	(9)
Cobalt	US$/lb	**16**	23	(30)
UG2 chrome concentrate – Two Rivers (CIF*)	US$/t	**134**	155	(14)
High sulphur chrome concentrate – Nkomati (FOT**)	US$/t	**48**	66	(27)

* *Cost, insurance and freight.* *
* *Free on truck.*

Average Rand metal prices

	unit	F2020	F2019	% change
Average exchange rate	R/US$	**15.68**	14.19	11
Platinum	R/oz	**13 658**	11 713	17
Palladium	R/oz	**29 812**	17 497	70
Rhodium	R/oz	**98 399**	36 420	170
Nickel	R/t	**218 948**	175 140	25
Copper	R/t	**88 549**	87 636	1
Cobalt	R/lb	**257**	327	(21)
UG2 chrome concentrate – Two Rivers (CIF*)	R/t	**2 100**	2 206	(5)
High-sulphur chrome concentrate – Nkomati (FOT**)	R/t	**748**	942	(21)

* *Cost, insurance and freight.*
** *Free on truck.*

Two Rivers Mine

Volumes

Lower tonnes milled, combined with lower head grades, resulted in PGM volumes declining from 313 406 6E ounces in F2019 to 261 024 6E ounces in F2020.

Lower PGMs produced were partially due to operational challenges experienced in July 2019 in the flotation circuit (which resulted in PGMs being deposited into spillage containment dams in the concentrator) and the lockdown in the 2H F2020. The impact of lockdown (and other COVID-19 restrictions) on volumes in F2020 was approximately 40 500 6E ounces.

During the lockdown, Implats issued Two Rivers Mine with a *force majeure* on the purchase of concentrate. Despite the *force majeure*, Implats continued to take delivery of concentrate and make payments for concentrate delivered. The *force majeure* was lifted effective from 6 May 2020.

Flexibility in obtaining the optimal blend of ore from split and normal reef sources at Main Decline remains a constraint and affected feed grade to the plant. The accelerated sinking programme for Main Decline progressed well although the lockdown impacted the progress negatively. Main Decline level 11 was established in 1H F2020 and level 12 will be established in first quarter of F2021. The mine will be creating more mining flexibility in the next two years through accelerated decline deepening at Main Decline.

The Plant Expansion Project which will add 40 thousand tonnes per month milling capacity, was approved in December 2019. The contractor proceeded with partial placement of orders for long lead items, with site mobilisation commencing in July 2020. In order to conserve cash during uncertain times brought on by COVID-19, a decision was taken to proceed with only limited site works, focussing on bulk earthworks and civil works. Ordering of the remaining long lead items was postponed until September 2020 when the mine's financial position will be reassessed to recommence with the project as previously planned. The additional mill is now expected to be commissioned in the second quarter of F2022 with full ramp up to 360 000 ounces 6E PGMs per annum now expected to be achieved in the third quarter of F2022.

Construction of the tailings dam was suspended in line with the lockdown. Construction re-started in May 2020 following the easing of lockdown restrictions. To conserve cash, the ordering of new trackless mining machines was delayed by six months to commence in January 2021.

Chrome concentrate sales volumes declined 21% to 172 368 tonnes on lower chrome yield. This, combined with a 5% decline in the Rand chrome price, resulted in chrome cash operating profit declining by 41% to R100 million (F2019: R168 million).

Unit costs

Unit production costs on a Rand per tonne milled basis increased by 16% to R857/t (F2019: R736/t). The Rand per PGM ounce cost increased by 24% to R9 908/oz 6E (F2019: R8 001/oz 6E), as a direct result of lower 6E production volumes.

Capital expenditure

Of the R813 million capital spent at Two Rivers Mine, R220 million was for fleet replacement and refurbishment. Deepening the Main and North declines with respective electrical and mechanical installations comprised R317 million of total capital expenditure.

Two Rivers Mine operational statistics (100% basis)

	unit	F2020	F2019	% change
Cash operating profit	R million	**3 535**	1 433	147
– PGMs	R million	**3 435**	1 264	172
– Chrome	R million	**100**	168	(40)
Tonnes milled	Mt	**3.02**	3.40	(11)
Head grade	g/t, 6E	**3.45**	3.52	(2)
PGMs in concentrate	Ounces, 6E	**261 024**	313 406	(17)
Chrome in concentrate sold	Tonnes	**172 368**	219 566	(21)
Average basket price	R/kg, 6E	**775 857**	467 994	66
Average basket price	US$/oz, 6E	**1 540**	1 026	50
Cash operating margin	%	**55**	33	
Cash cost	R/kg, 6E	**318 534**	257 244	24
Cash cost	R/tonne	**857**	736	16
Cash cost	R/Pt oz	**21 127**	17 031	24
Cash cost	R/oz, 6E	**9 908**	8 001	24
Cash cost	US$/oz, 6E	**632**	564	12
Headline earnings attributable to ARM	R million	**1 065**	322	>200

Modikwa Mine

Volumes

Tonnes milled declined by 15% and combined with a 2% decrease in head grade reduced PGM production by 15% to 259 360 ounces (F2019: 306 930 6E ounces). The decline in head grade was mainly due to increased production from lower-grade on-reef development from North Shaft.

When the lockdown was put in place, Anglo American Platinum (Amplats) had issued the mine with a *force majeure* as a result of the temporary shutdown of its converter plant (which was under repair owing to an explosion at the plant in March 2020). Modikwa Mine continued to deliver concentrate to Angloplats with revised payment terms. All payments are expected to be caught up by April 2021.

The impact of lockdown (and other COVID-19 restrictions) on volumes in F2020 was approximately 48 700 6E ounces.

Unit costs

Unit production costs increased by 19% to R11 974/oz 6E (F2019: R10 027/oz 6E) and were 19% higher on a Rand per tonne basis at R1 598/t (F2019: R1 345/t) due to lower production and increased maintenance.

Capital expenditure

Capital expenditure at Modikwa Mine (on a 100% basis) increased by 145% to R319 million (F2019: R130 million). Of the capital spent, R131 million related to fleet refurbishment and critical spares, R48 million to the construction of the chrome recovery plant, another R48 million for the North shaft project and 4% for the South shaft project.

To maintain the current production profile and ramp-up, Modikwa Mine initiated the North shaft and South 2 shaft projects:

- North shaft project – deepening the shaft from level 7 to level 9 to establish three new mining levels. Levels 7 and 8 are complete and currently operational. Level 9 decline belt extension and bulkhead infrastructure is complete. Development and equipping of level 9 is on track against the revised schedule.
- South 2 shaft – scope included establishing a decline system south of the current South 1 shaft infrastructure. The first phase is expected to enhance mining flexibility while contributing to the overall production build-up of the mine. Phase 1 has been completed and South 2 shaft is ramping-up to steady-state production.

The Chrome Recovery Plant (CRP) Project was approved for construction in 1H F2020. It comprises constructing a chrome spiral plant to recover chrome concentrate from the UG2 concentrator plant tailings stream. Nameplate capacity of the CRP will be 288 thousand tonnes of chrome concentrate per annum. Construction is progressing on schedule and is expected to be complete in 2H F2021.

Modikwa Mine operational statistics (100% basis)

	unit	F2020	F2019	% change
Cash operating profit/(loss)	R million	**3 079**	1 057	191
Tonnes milled	Mt	**1.94**	2.29	(15)
Head grade	g/t, 6E	**4.82**	4.92	(2)
PGMs in concentrate	Ounces, 6E	**259 360**	306 930	(15)
Average basket price	R/kg, 6E	**850 909**	491 723	73
Average basket price	US$/oz, 6E	**1 688**	1 078	57
Cash operating margin	%	**50**	26	
Cash cost	R/kg, 6E	**384 984**	322 360	19
Cash cost	R/tonne	**1 598**	1 345	19
Cash cost	R/Pt oz	**30 746**	25 427	21
Cash cost	R/oz, 6E	**11 974**	10 027	19
Cash cost	US$/oz, 6E	**764**	707	8
Headline earnings attributable to ARM	R million	**781**	105	>200

Nkomati Mine

Progress on care and maintenance

Nkomati Mine's plan to scale down in preparation for care and maintenance continues to progress. Final cessation of production has been delayed, mainly as a result of the lockdown and mining optimisations which have extended production marginally. Production is now expected to cease at the end of February 2021 and not September 2020 as previously planned.

Estimated rehabilitation costs

The estimates used to determine the rehabilitation provisions and funding of the Nkomati Mine Rehabilitation Trust Fund at 30 June 2019 and 31 December 2019 were determined by independent specialist third parties in accordance with Department of Mineral Resources and Energy (DMRE) guidelines and rates.

During F2020, Nkomati Mine embarked on a process to update its rehabilitation obligations according to the new proposed and promulgated requirements under the National Environmental

Management Act no 107 of 1998 (“NEMA”) and based on a shortened economic life of mine.

This assessment was completed in May 2020 and estimated undiscounted rehabilitation costs attributable to ARM at 30 June 2020 to be R620 million, excluding VAT (Discounted R588 million). This represents an (attributable) increase in the rehabilitation and decommissioning provision of R385 million from 30 June 2019. This increase is mainly due to:

- The additional prescriptive requirements on methodology under NEMA to determine and report rehabilitation costs.
- Cash outflows have been forecast to be disbursed significantly faster with the bulk in the first five years once operations cease.
- Social and labour plan obligations during down scaling are now included in the provisioning.

The provision at 30 June 2020 is the best independent estimate and is based on the most reliable information currently available. It will be re-assessed on an ongoing basis as engineering designs evolve and new information becomes available, as well as when approvals of a revised Environmental Management Plan and Water Use Licence are secured.

At 30 June 2020, R213 million (100% basis) cash and financial assets are available to fund the rehabilitation obligations for Nkomati Mine. The resulting shortfall is expected to be funded firstly from cash generated by Nkomati Mine during the production scale down period, and subsequently by the joint venture partners.

Volumes

Nkomati Mine waste mined volumes reduced as part of the plan to scale down the open pit operations and tonnes milled for the year decreased by 19% to 6.62 million tonnes (F2019: 8.15 million). Nickel production volumes declined 25% to 10 638 tonnes (F2019: 14 209 tonnes). Both total mining and milled volumes were impacted negatively as a result of the temporary cessation of mining operations during the lockdown. The impact of lockdown (and other COVID-19 restrictions) on volumes in F2020 was approximately 1 398 tonnes.

The mine had 23 264 tonnes of nickel concentrate in stock at 30 June 2020 (30 June 2019: 13 000 tonnes).

Chrome concentrate sales declined by 50% and this, combined with a 28% reduction in average realised US Dollar chrome prices, resulted in cash operating profit from chrome decreasing to R42 million (F2019: R314 million).

Unit costs

On-mine unit production costs in F2020 decreased by 4% to R380/t (F2019: R394/t).

C1 unit cash costs net of by-products per nickel produced in F2020 were 3% lower at US$6.29/lb (F2019: US$6.47/lb). The improvement in C1 unit cash costs was due to increased by-product credits, particularly palladium and weaker R/US$ exchange rate.

Nkomati Mine operational statistics (100% basis)

	unit	F2020	F2019	% change
Cash operating profit	R million	**14**	(97)	–
– Nickel	R million	**(28)**	(411)	(93)
– Chrome	R million	**42**	314	(87)
Cash operating margin	%	**1**	(3)	
Tonnes milled	Mt	**6.62**	8.15	(19)
Head grade	% nickel	**0.25**	0.26	(4)
Nickel on-mine cash cost per tonne milled	R/tonne	**380**	367	4
Nickel on-mine cash cost per tonne milled (including capitalised waste stripping costs)	R/tonne	**380**	394	(4)
Cash costs net of by-products*	US$/lb	**6.29**	6.47	(3)
Contained metal				
Nickel	Tonnes	**10 638**	14 209	(25)
PGMs	Ounces	**80 684**	109 496	(26)
Copper	Tonnes	**5 169**	7 163	(28)
Cobalt	Tonnes	**616**	820	(25)
Chrome concentrate sold	Tonnes	**222 110**	442 464	(50)
Headline loss attributable to ARM	R million	**(704)**	(315)	(123)

* *This reflects US Dollar cash costs net of by-products (PGMs and chrome) per pound of nickel produced.*

ARM Coal

Prices

Thermal coal prices declined sharply in 2H F2020, due to decrease in demand for coal mainly driven by the COVID-19 global pandemic. India and China reduced their thermal coal imports considerably on the back of reduced demand and a prioritisation of local coal produced. Demand reduced in European markets due to increase in coal-to-gas fuel switching, rising renewable generation and weaker overall power demand due to the impact of COVID-19.

Goedgevonden Mine average received export US Dollar price decreased by 32% to US$48/t in F2020 (F2019: US$71/t) due to lower market prices and increased export of low-grade quality (as domestic demand decreased). PCB's average received export US Dollar prices decreased by 22% from US$64.88/t in F2019 to US$50.54/t in F2020.

Approximately 62% of export volumes at Goedgevonden Mine were high-quality coal while PCB exports of high-quality coal amounted to 65%, hence PCB's average received export price was slightly higher than that of Goedgevonden Mine.

Goedgevonden Mine

Goedgevonden Mine attributable headline earning analysis

R million	F2020	F2019	% change
Cash operating profit	**56**	292	(80)
Amortisation and depreciation	**(197)**	(163)	(20)
Imputed interest expense*	**(160)**	(144)	(11)
Loan re-measurement gain (loss)	**207**	190	9
Loss on sale of asset	**–**	(1)	
Impairment loss	**(559)**	–	
(Loss)/Profit before tax	**(653)**	174	
Add: loss on sale of asset	**–**	1	
Add: impairment loss	**559**	–	>
Add/(less): tax	**56**	(38)	
Headline (loss)/earnings attributable to ARM	**(38)**	137	

* *Post restructuring the ARM Coal loans, all interest expense on these loans is imputed.*

Volumes

Total sales volumes declined by 4%, resulting in total attributable revenue decreasing to R1 056 million in F2020 compared to R1 162 million in F2019.

The mine was impacted by inclement weather in the 1H F2020, resulting in some pits being flooded. Increased health and safety measures due to COVID-19 also impacted production volumes in 2H F2020. Production in F2020 was further impacted by poor performance from the mining contractor who has since been replaced. The mine made up some of the contractor shortfall by utilising its own equipment.

In 2H F2020, the negative impact of the lockdown on volumes was partially mitigated by both the Goedgevonden and PCB operations being regarded as an essential service during the lockdown period. The mines were therefore granted approval to operate due to the supply of coal to Eskom. Export of coal was also permitted during the lockdown mitigating the impact on the ARM Coal operations to approximately 10% production being lost.

ARM's attributable saleable production was 4.45 million tonnes in F2020 compared to 4.92 million tonnes in F2019.

Unit costs

On-mine unit production costs per saleable tonne rose by 13% to R431/t (F2019: R380/t) The above inflationary increase in unit cost was due to an increase in repairs and maintenance expenditure together with the decrease in saleable production.

The increase in export sales resulted in higher expenditure on distribution costs.

Goedgevonden Mine operational statistics

	unit	F2020	F2019	% change
Total production and sales (100% basis)				
Saleable production	Mt	**6.77**	6.99	(3)
Export thermal coal sales	Mt	**4.29**	3.27	31
Domestic thermal coal sales	Mt	**2.25**	3.57	(37)
ARM attributable production and sales				
Saleable production	Mt	**1.76**	1.82	(3)
Export thermal coal sales	Mt	**1.12**	0.85	32
Domestic thermal coal sales	Mt	**0.59**	0.93	(37)
Average received coal price				
Export (FOB)*	US$/tonne	**47.87**	71.10	33
Domestic (FOT)**	R/tonne	**305**	275	11
On-mine saleable cost	R/tonne	**431**	380	13
Cash operating profit				
Total	R million	**215**	1 123	(81)
Attributable (26%)	R million	**56**	292	(81)
Attributable headline (loss)/earnings	R million	**(38)**	137	

* *FOB refers to free on board.*
** *FOT refers to free on truck.*

PCB

PCB attributable headline earnings analysis

R million	F2020	F2019	% change
Cash operating profit	**304**	898	(66)
Imputed interest	**(118)**	(138)	14
Amortisation and depreciation	**(479)**	(424)	(13)
Loan re-measurement gain/(loss)	**278**	55	>200
Loss on sale of asset	**(2)**	–	
(Impairment loss)/reversal of impairment	**(1 121)**	3	
(Loss)/Profit before tax	**(1 138)**	394	
Add/(less): impairment/(reversal of impairment)	**1 123**	(3)	
Add/(less): tax	**51**	(118)	142
Plus: tax on impairment/impairment reversal	**–**	1	
Headline earnings attributable to ARM	**36**	274	(88)

Volumes

Export sales volumes were 29% lower than F2019 at 7.73 million tonnes (F2019: 10.95 million) and domestic sales volumes increased from 4.61 million tonnes to 5.74 million tonnes largely due to increased sales to Eskom.

In F2020, the PCB operations were negatively impacted by the underperformance of a mining contractor. The contractor has been replaced at the end of F2020 and the replacement contractor is currently ramping up to full production. The PCB operation was further impacted by high rainfall and safety stoppages in the first half of F2020, which impacted run-of-mine production.

PCB is commissioning a second dragline at its operations. This is expected to be fully commissioned and operational in the 1H F2021 which is expected to result in increased production.

Saleable production decreased by 13% from F2019 due to additional safety measures put in place after a fatality at the Tweefontein Mine in November 2019 together with challenges experienced with the contractor who was placed into liquidation.

Unit costs

Unit production costs per saleable tonne increased by 24% from R391/t in F2019 to R484/t in F2020, mainly due to lower saleable production.

PCB operational statistics

	unit	F2020	F2019	% change
Total production sales (100% basis)				
Saleable production	Mt	**13.34**	15.34	(13)
Export thermal coal sales	Mt	**7.73**	10.95	(29)
Domestic thermal coal sales	Mt	**5.74**	4.61	25
ARM attributable production and sales				
Saleable production	Mt	**2.69**	3.10	(13)
Export thermal coal sales	Mt	**1.56**	2.21	(29)
Domestic thermal coal sales	Mt	**1.16**	0.93	25
Average received coal price				
Export (FOB)*	US$/tonne	**50.54**	64.88	(22)
Domestic (FOT)**	R/tonne	**666**	582	14
On-mine saleable cost	R/tonne	**484**	391	24
Cash operating profit				
Total	R million	**1 505**	4 446	(66)
Attributable (20.2%)	R million	**304**	898	(66)
Headline earnings attributable to ARM	R million	**36**	274	(88)

* *FOB refers to free on board.*
** *FOT refers to free on truck.*

ARM's economic interest in PCB is 20.2%. PCB consists of two large mining complexes in Mpumalanga. ARM has a 26% effective interest in the Goedgevonden Mine near Ogies in Mpumalanga.

HARMONY

ARM's investment in Harmony was revalued positively by R2 325 million (net of deferred capital gains tax) in F2020 (F2019: R627 million) as the Harmony share price increased by 126% from R31.74 at 30 June 2019 to R71.86 per share at 30 June 2020. The Harmony investment is therefore reflected on the ARM Statement of Financial Position at R5 366 million based on the Harmony share price at 30 June 2020.

ARM's shareholding in Harmony reduced from 13.8% at 30 June 2019 to 12.4% at 30 June 2020. On 25 June 2020, Harmony concluded an equity raise in the form of a rights issue. ARM did not follow its rights under the issuance, thereby marginally diluting ARM's shareholding in Harmony.

Gains are accounted for, net of deferred capital gains tax, through the Statement of Comprehensive Income. Dividends from Harmony are recognised in the ARM Statement of profit or loss on the last day of registration following dividend declaration.

Harmony's results for the financial year ended 30 June 2020 are expected to be announced on 15 September 2020 and should be available on the Harmony website at www.harmony.co.za.

OUTLOOK

The COVID-19 pandemic is having pronounced health, economic and societal impacts, the effects of which are expected to remain for a long time to come. In January 2020 the World Bank forecasted that global gross domestic product (GDP) would grow by 2.5% in the 2020 calendar year. This forecast was revised to a contraction of global GDP of 5.2% in June 2020 as risks presented by COVID-19 were factored in. Encouragingly, many countries have started to see reduced COVID-19 infection rates and are gradually easing lockdown restrictions and opening up their economies. Threats to global economic recovery, however, remain as some countries are yet to reach peak infections and concerns about second wave of infections persist for those countries that are seeing reduced infection rates. This is expected to keep the outlook for the global economy conservative.

Economic conditions in China, which is a key market for our commodities, have shown some resilience during this period and are expected to continue being supported by fiscal stimulus undertaken by the Chinese government.

Prices for most of our key commodities have been resilient through these turbulent times. Whilst COVID-19 is expected to continue having an impact on businesses globally, commodity prices are expected to remain robust in the short- to medium-term as supply-side constraints (mostly driven by COVID-19 impacts) are expected to be greater than negative demand-side impacts. The outlook for thermal coal, however, remains of concern as reduced energy demand (due to reduced economic activity), environmental concerns and improving prices for competing energy sources are expected to continue putting thermal coal prices under pressure.

During these uncertain times our response is to continue prioritising the health, safety and wellbeing of our employees and ensure the long-term sustainability of our business. Our strong cash position enables us to navigate the current environment while continuing to invest in the existing business and pay dividends. It also gives us flexibility to opportunistically pursue value enhancing growth opportunities that are aligned to ARM's strategy.

We remain committed to mutually beneficial relationships with all of our stakeholders to ensure that we build a resilient and sustainable business that delivers competitive returns for shareholders.

DIVIDENDS

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

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

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

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

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

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

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

No dematerialisation or rematerialisation of share certificates may occur between Wednesday, 30 September 2020 and Friday, 2 October 2020, both dates inclusive, nor may any transfers between registers take place during this period.

CHANGES TO MINERAL RESOURCES AND MINERAL RESERVES

There has been no material change to ARM's Mineral Resources and Mineral Reserves as disclosed in the integrated annual report for the financial year ended 30 June 2019, other than depletion due to continued mining activities at the operations, with the exception of Kalplats PGM Prospect Mineral Resources which are no longer reported by ARM.

An updated Mineral Resources and Mineral Reserves Statement will be issued in our F2020 integrated annual report.

CHANGES TO BOARD OF DIRECTORS

Mr Andre Wilkens stepped down as an Executive Director of ARM effective from 18 December 2019.

Mr Wilkens served for many years as an Executive Director, including a long and successful tenure as the company's CEO.

Mrs Jongisa Magagula was appointed as Executive Director for Investor Relations and New Business Development from 18 December 2019.

Mr Bernard Swanepoel stepped down as an independent non-executive director and as chairperson of the Investment Committee effective from 2 March 2020.

Mr David Noko, an independent non-executive director and a member of the Investment Committee was appointed as the chairman of the Investment Committee effective from 2 March 2020.

REVIEW BY INDEPENDENT AUDITOR

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

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

BASIS OF PREPARATION

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

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

Signed on behalf of the board:

P T Motsepe
Executive Chairman

M P Schmidt
Chief Executive Officer

Johannesburg

31 August 2020

FINANCIAL STATEMENTS

Contents

Group statement of financial position at 30 June 2020

	Notes	Group F2020 Rm Reviewed	Group F2019 Rm Audited
ASSETS			
Non-current assets			
Property, plant and equipment	4	7 211	7 062
Investment properties		24	–
Intangible assets	4	83	114
Deferred tax assets	5	–	485
Loans and long-term receivables	6	278	283
Other non-current financial asset	13	230	–
Investment in associate	7	795	1 837
Investment in joint venture	8	17 545	16 702
Other investments	12	5 635	2 648
		31 801	29 131
Current assets			
Inventories		568	676
Trade and other receivables		3 023	2 743
Taxation		132	34
Financial assets	13	1 309	–
Cash and cash equivalents	14	5 715	4 632
		10 747	8 085
Total assets		42 548	37 216
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital		11	11
Share premium		4 950	4 700
Treasury shares		(2 405)	(2 405)
Other reserves		4 367	1 958
Retained earnings		25 157	23 909
Equity attributable to equity holders of ARM		32 080	28 173
Non-controlling interest		2 028	1 530
Total equity		34 108	29 703
Non-current liabilities			
Long-term borrowings	15	1 512	1 095
Deferred tax liabilities	5	2 085	1 517
Long-term provisions	23	1 953	1 599
		5 550	4 211
Current liabilities			
Trade and other payables		1 637	1 608
Short-term provisions		737	648
Taxation		103	110
Overdrafts and short-term borrowings – interest bearing	15	413	936
		2 890	3 302
Total equity and liabilities		42 548	37 216

Group statement of profit or loss for the year ended 30 June 2020

		Group	
	Notes	F2020 Rm Reviewed	F2019 Rm Audited
Revenue	3	**12 386**	9 596
Sales	3	**11 653**	8 834
Cost of sales		**(7 492)**	(7 449)
Gross profit		**4 161**	1 385
Other operating income	17	**1 160**	974
Other operating expenses	18	**(2 050)**	(1 575)
Profit/(loss) from operations before special items		**3 271**	784
Income from investments		**446**	334
Finance costs		**(397)**	(309)
Income from associate	7 and 19	**33**	276
Income from joint venture	8	**4 450**	4 502
Profit before taxation and special items		**7 803**	5 587
Special items before tax	10	**(1 693)**	(1 491)
Profit before taxation		**6 110**	4 096
Taxation	20	**(1 076)**	(242)
Profit for the year		**5 034**	3 854
Attributable to:			
Equity holders of ARM			
Profit for the year		**3 965**	3 554
Basic earnings for the year		**3 965**	3 554
Non-controlling interest			
Profit for the year		**1 069**	300
		1 069	300
Profit for the year		**5 034**	3 854
Earnings per share			
Basic earnings per share (cents)	11	**2 042**	1 848
Diluted basic earnings per share (cents)	11	**2 011**	1 815

Group statement of comprehensive income for the year ended 30 June 2020

	Financial instruments at fair value through other comprehensive income Rm	Other Rm	Retained earnings Rm	**Total Shareholders of ARM Rm**	Non-controlling interest Rm	**Total Rm**
For the year ended 30 June 2019 (Audited)						
Profit for the year to 30 June 2019	–	–	3 554	**3 554**	300	**3 854**
Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods						
Net impact of revaluation of listed investment	627	–	–	**627**	–	**627**
Revaluation of listed investment[1]	808	–	–	**808**	–	**808**
Deferred tax on above	(181)	–	–	**(181)**	–	**(181)**
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods						
Foreign currency translation reserve movement	–	16	–	**16**	–	**16**
Total other comprehensive income	627	16	–	**643**	–	**643**
Total comprehensive income for the year	627	16	3 554	**4 197**	300	**4 497**
For the year ended 30 June 2020 (Reviewed)						
Profit for the year to 30 June 2020	–	–	3 965	**3 965**	1 069	**5 034**
Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods						
Net impact of revaluation of listed investment	2 325	–	–	**2 325**	–	**2 325**
Revaluation of listed investment[1]	2 996	–	–	**2 996**	–	**2 996**
Deferred tax on above	(671)	–	–	**(671)**	–	**(671)**
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods						
Foreign currency translation reserve movement	–	203	–	**203**	–	**203**
Total other comprehensive income	2 325	203	–	**2 528**	–	**2 528**
Total comprehensive income for the year	2 325	203	3 965	**6 493**	1 069	**7 562**

[1] *The share price of Harmony increased from R31.74 per share at 30 June 2019 to R71.86 at 30 June 2020 and increased from R21.22 at 30 June 2018 to R31.74 per share at 30 June 2019. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of International Financial Reporting Standards (IFRS).*

Group statement of changes in equity for the year ended 30 June 2020

	Share capital and premium Rm	Treasury shares Rm	Other reserves: Financial instruments at fair value through other comprehensive income Rm	Other reserves: Share-based payments Rm	Other reserves: Other[1] Rm	Retained earnings	**Total Shareholders of ARM Rm**	Non-controlling interest Rm	**Total Rm**
Balance at 30 June 2018	4 409	(2 405)	392	1 107	(80)	22 484	**25 907**	1 471	**27 378**
Net fair value adjustment of ARM Coal Richards Bay Coal Terminal (RBCT)	–	–	–	–	–	52	**52**		**52**
Gross fair value adjustment[2]	–	–	–	–	–	72	**72**	–	**72**
Deferred tax	–	–	–	–	–	(20)	**(20)**	–	**(20)**
Re-measurement adjustment Modikwa	–	–	–	–	–	25	**25**	–	**25**
Balance at 1 July 2018 (Restated)	4 409	(2 405)	392	1 107	(80)	22 561	**25 984**	1 471	**27 455**
Total comprehensive income for the year	–	–	627	–	16	3 554	**4 197**	300	**4 497**
Profit for the year to 30 June 2019	–	–	–	–	–	3 554	**3 554**	300	**3 854**
Other comprehensive income	–	–	627	–	16		**643**	–	**643**
Bonus and performance shares issued to employees	302	–	–	(302)	–	–	**–**	–	**–**
Dividend paid	–	–	–	–	–	(2 206)	**(2 206)**	–	**(2 206)**
Dividend paid to Impala Platinum	–	–	–	–	–	–	**–**	(241)	**(241)**
Share-based payments expense	–	–	–	198	–	–	**198**	–	**198**
Balance at 30 June 2019 (Audited)	4 711	(2 405)	1 019	1 003	(64)	23 909	**28 173**	1 530	**29 703**
Total comprehensive income for the year	–	–	2 325	–	203	3 965	**6 493**	1 069	**7 562**
Profit for the year to 30 June 2020	–	–	–	–	–	3 965	**3 965**	1 069	**5 034**
Other comprehensive income	–	–	2 325	–	203	–	**2 528**	–	**2 528**
Bonus and performance shares issued to employees	307	–	–	(298)	–	–	**9**	–	**9**
Dividend paid[3]	–	–	–	–	–	(2 717)	**(2 717)**	–	**(2 717)**
Dividend paid to minorities[4]	–	–	–	–	–	–		(571)	**(571)**
Share repurchase[5]	(57)	–	–	–	–	–	**(57)**		**(57)**
Share-based payments expense	–	–	–	179	–	–	**179**	–	**179**
Balance at 30 June 2020 (Reviewed)	4 961	(2 405)	3 344	884	139	25 157	**32 080**	2 028	**34 108**

[1] *Other reserves consist of the following:*

	F2020 Rm	**F2019 Rm**	**F2018 Rm**
Dilution in Two Rivers	(26)	(26)	(26)
Foreign currency translation reserve – Assmang	167	24	13
Foreign currency translation reserve – other entities	69	9	4
Capital redemption and prospecting loans written off	28	28	28
Tamboti assets sale to Two Rivers	(99)	(99)	(99)
Total	**139**	**(64)**	**(80)**

[2] *Opening balance adjusted as a result of the initial application of IFRS 9 (Details of which was included in the financial results 30 June 2019, which can be found on www.arm.co.za.)*
[3] *Interim dividend paid of 500 cents per share and final dividend paid of 900 cents per share.*
[4] *Dividends paid to the Impala Platinum and the Modikwa minorities.*
[5] *ARM repurchased 622 843 shares at an average price of R90.86 from the market, which were then cancelled.*

Group statement of cash flows for the year ended 30 June 2020

	Notes	Group F2020 Rm Reviewed	Group F2019 Rm Audited
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		**12 499**	9 611
Cash paid to suppliers and employees		**(8 633)**	(7 488)
Cash generated from operations	**21**	**3 866**	2 123
Interest received		**373**	264
Interest paid		**(79)**	(80)
Taxation paid		**(800)**	(309)
		3 360	1 998
Dividends received from joint venture	**8**	**3 750**	3 315
Dividends received from other		**2**	8
Dividend paid to non-controlling interest – Impala Platinum		**(566)**	(241)
Dividend paid to shareholders		**(2 717)**	(2 206)
Net cash inflow from operating activities		**3 829**	2 874
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment to maintain operations		**(651)**	(931)
Additions to property, plant and equipment to expand operations		**(154)**	–
Proceeds on disposal of property, plant and equipment		**1**	1
Investment in Harmony	**12**	**–**	(211)
Acquisition of Machadodorp Works	**9**	**–**	(130)
Investments in financial assets	**13**	**(1 539)**	–
Net cash outflow from investing activities		**(2 343)**	(1 271)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**4**	4
Share buy back		**(57)**	–
Long-term borrowings raised		**–**	295
Long-term borrowings repaid		**(216)**	(595)
Short-term borrowings raised		**43**	15
Short-term borrowings repaid		**(48)**	–
Net cash outflow from financing activities		**(274)**	(281)
Net increase in cash and cash equivalents		**1 212**	1 322
Cash and cash equivalents at beginning of year		**4 239**	2 910
Foreign currency translation on cash balance		**61**	7
Cash and cash equivalents at end of year		**5 512**	4 239
Made up as follows:			
– Available	**14**	**4 767**	3 004
– Restricted	**14**	**745**	1 235
		5 512	4 239
Overdrafts	**15**	**203**	393
Cash and cash equivalents per statement of financial position		**5 715**	4 632
Cash generated from operations per share (cents)		**1 991**	1 104

Notes to the financial statements for the year ended 30 June 2020

1. STATEMENT OF COMPLIANCE

The Group provisional results for the year under review have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and contains the information required by IAS 34 – Interim Financial Reporting, requirements of the South African Companies Act and the Listings Requirements of the Johannesburg Stock Exchange (JSE) Limited.

BASIS OF PREPARATION

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

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

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group has adopted the following new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) that became effective.

Standard	Subject	Effective date
IFRS 3	Business Combinations – Previously held Interests in a joint operation	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation – Amendments	1 January 2019
IFRS 11	Joint Arrangements – Previously held Interests in a joint operation	1 January 2019
IFRS 16	Leases	1 January 2019
IAS 12	Income Taxes – Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019
IAS 23	Borrowing Costs – Borrowing costs eligible for capitalisation	1 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures – Amendments	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

Apart from IFRS 16 the adoption of the other standards had no significant effect on the Group Financial Statements.

IFRS 16 LEASES

The Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative initial adoption effect recognised at the date of initial application. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting IFRS 16 as at 1 July 2019 was follows:

	Rm
Assets	
Property, plant and equipment	**41**
Deferred tax asset	**11**
Total assets	**52**
Liabilities	
Interest-bearing loans and borrowings	**41**
Deferred tax liabilities	**11**
Total liabilities	**52**
Total adjustment on equity:	
Retained earnings	**–**
Non-controlling interests	**–**

Notes to the financial statements for the year ended 30 June 2020 continued

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Not to separate lease and non-lease components from determining the lease liability.

Based on the foregoing, as at 1 July 2019:

- Right-of-use assets of R41 million were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of R41 million (included in interest-bearing loans and borrowings) were recognised.
- Both deferred tax assets and liabilities increased by R11 million because of the deferred tax impact of the changes in assets and liabilities.
- These adjustments had no effect on retained earnings and non-controlling interest.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

Operating lease commitments as at 30 June 2019	**R62 million**
Weighted average incremental borrowing rate as at 1 July 2019	**8.3%-10.9%**
Discounted operating lease commitments at 1 July 2019	**R41 million**
Less:	
Commitments relating to short-term leases	–
Commitments relating to leases of low-value assets	–
Add:	
Commitments relating to leases previously classified as finance leases	–
Payments in optional extension periods not recognised as at 30 June 2019	–
Lease liabilities as at 1 July 2019	**R41 million**

Right-of-use assets

The Group recognises right-of-use assets at the lease commencement date (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are disclosed under property, plant and equipment on the statement of financial position.

Notes to the financial statements for the year ended 30 June 2020 continued

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below R75 000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Set out below, are the carrying amounts of the Group's right-of-use assets, which are included in the property, plant and equipment and lease liabilities, which are included in long-term borrowings and short-term borrowings on the statement of financial position and the movements during the period:

	Right-of-use assets				
	Land and buildings Rm	Plant and machinery Rm	Furniture, equipment and vehicles Rm	**Total Rm**	Lease liabilities Rm
At 1 July 2019	21	19	1	**41**	41
Additions	95	194	3	**292**	311
Disposals	–	(7)	–	**(7)**	–
Transfer from existing finance leases	–	161	–	**161**	140
Depreciation expense	(9)	(85)	(2)	**(96)**	–
Impairment	–	(1)	–	**(1)**	–
Interest expense	–	–	–	**–**	24
Payments	–	–	–	**–**	(140)
At 30 June 2020	107	281	2	**390**	376

COVID-19 IMPACT ON OPERATIONS

Health and safety measures are complied with at all operations, measures that have been put in place to reduce the risk of an COVID-19 outbreak include the following:

- Daily screening of all employees
- Compulsory wearing of face masks
- Social distancing throughout the mine
- Installation of hand wash basins and sanitising stations
- Regular disinfection of high risk areas

ARM PLATINUM

Two Rivers

The Two Rivers Mine was impacted by the national lockdown resulting in zero production from the mine, effective from 27 March 2020. On 17 April 2020, the mine was allowed to produce at 50% capacity. From 1 June 2020, the mine was allowed to produce at 100% capacity, with strict social distancing and other health and safety measures which are to be complied with.

Two Rivers generated significantly lower revenue during the month of April 2020. The operation was, however, able to produce sufficient ounces in the month of May and June 2020 to mitigate impact of reduced production in April.

Notes to the financial statements for the year ended 30 June 2020 continued

In response to the decrease in production, management deferred capital expenditure without introducing risk to the business and reduced dividend pay out to preserve cash.

Two Rivers sells its concentrate to African Rainbow Limited's 46% Joint Venture partner Impala Platinum, which did not default on payments due during the national lockdown period. Impala Platinum issued Two Rivers with a *force majeure* which was subsequently uplifted as the country was moved to level 4 of the national lock down. Despite the *force majeure*, concentrate payments were still made.

The mine was operating with 70% of the workforce at 30 June 2020.

Modikwa

The Modikwa Platinum Mine was impacted by the lockdown resulting in zero production from the mine, effective from 27 March 2020. On 17 April 2020, the mine was allowed to produce at 50% capacity. From 1 June 2020, the mine was allowed to produce at 100% capacity, with strict social distancing and other health and safety measures which are to be complied with.

Modikwa sells its concentrate to African Rainbow Limited's 50% Joint Venture partner Rustenburg Platinum Mines which did not default on payments due. On 6 March 2020, Anglo American Platinum announced the temporary shutdown of the entire Anglo converter plant, part of the chain of processing facilities and the need to declare *force majeure* as their converter plant was damaged following an explosion. No processing of materials could be completed during the converter repair.

The sale of concentrate from 7 March 2020 to 11 May 2020 was directly impacted by the *force majeure* event and a *force majeure* payment agreement was agreed to between African Rainbow Minerals and Joint venture partner Rustenburg Platinum Mines.

Rustenburg Platinum Mines has committed to pay for all the sales concentrate as delivered during the *force majeure* period with revised payment terms up to April 2021. Apart from the 7 March 2020 to 11 May 2020 concentrate sales, payment terms for concentrate have remained unchanged as per sales contracts and the collection of revenue continues to be robust.

The mine was operating with 55% of the workforce at 30 June 2020.

Nkomati

Nkomati is not experiencing any material challenges with sales of its products and confirmed its continued deliveries under existing sales contracts.

The joint venture partners of Nkomati continue to scale down production volumes in preparation for care and maintenance, currently anticipated to be early in 2021.

ARM FERROUS

All Assmang's South African mining operations and smelters were in complete lockdown from 27 March 2020 to 17 April 2020, which resulted in zero production during national lockdown, Sakura, however, which was allowed to operate under the Malaysian restriction of movement order. On 17 April 2020, the iron ore and manganese mines were allowed to produce at 50% capacity and the Cato Ridge smelter and converter remained switched off until 30 April 2020. At 30 June 2020, all Assmang's operations were operating at 100% capacity.

During national lockdown from 27 March 2020 to 17 April 2020, Assmang only operated load-out stations at Khumani and Beeshoek to export Iron ore via the port of Saldanha to its export customers and there were no sales for Manganese ore and alloys (except for Sakura). On 17 April 2020, the national lockdown restrictions were eased and Manganese ore mines and Cato Ridge Works and alloys were able to make sales from shipments that were loaded from port stockpiles. At 30 June 2020, sales are still impacted by Transnet not operating at 100%.

ARM COAL

During the lockdown, the three mining operations within ARM Coal, i.e. Tweefontein, Impunzi and the Goedgevonden Coal Mines, were regarded as essential services due to supply of coal to Eskom. Due to stockpile management, export sales were also permitted.

Transnet Freight Rail (TFR) and Richards Bay Coal Terminal (RBCT) have been operating at a sufficient level of their capacity and have not had a material negative impact on the ARM Coal operations.

The API4 coal traded price has reduced significantly since the COVID-19 outbreak. This is due to a slowdown in global economies resulting in reduced coal demand. The API4 index reduced from $90/tonne in January 2020 to $55/tonne in June 2020 (i.e. 39% decrease). This was largely offset by a significant weakening of ZAR against the USD. Over the same period (January 2020 to June 2020), the ZAR weakened from R14.00 to R17.36 to the USD (i.e. 24%).

Notes to the financial statements for the year ended 30 June 2020 continued

NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following amendments, standards or interpretations have been issued but are not yet effective for the ARM Group. The effective date refers to periods beginning on or after, unless otherwise indicated.

Standard	Subject	Effective date
IFRS 3	Business Combinations – Amendment	1 January 2020
IAS 1	Presentation of financial statements – Amendment	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – Amendment	1 January 2020
IFRS 9, IFRS 7 and IAS 39	Interest Rate Benchmark Reform – Amendments	1 January 2020
IFRS 17	Insurance contracts	1 January 2023

The Group does not intend early adopting any of the above amendments or standards.

ARM continuously evaluates the impact of these standards and amendments, the adoption of which, are not expected to have a significant effect on the Group Financial Statements.

Notes to the financial statements for the year ended 30 June 2020 continued

2. PRIMARY SEGMENTAL INFORMATION

Business segments

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

Machadodorp Works, Corporate and other and Gold are included in ARM Corporate.

Attributable	ARM Platinum Rm	ARM Ferrous[1] Rm	ARM Coal Rm	ARM Corporate Rm	Total Rm	IFRS Adjust-ment[2] Rm	Total per IFRS financial statements Rm
2.1 Year to 30 June 2020 (Reviewed)							
Sales	10 548	15 717	1 056	49	**27 370**	(15 717)	**11 653**
Cost of sales	(6 165)	(8 768)	(1 201)	(92)	**(16 226)**	8 734	**(7 492)**
Other operating income[3]	120	538	232	713	**1 603**	(443)	**1 160**
Other operating expenses[3]	(1 098)	(1 334)	(20)	(932)	**(3 384)**	1 334	**(2 050)**
Segment result	3 405	6 153	67	(262)	**9 363**	(6 092)	**3 271**
Income from investments	99	305	13	334	**751**	(305)	**446**
Finance cost	(120)	(53)	(173)	(104)	**(450)**	53	**(397)**
Income from associate[4]	–	–	33	–	**33**	–	**33**
Loss from joint venture	–	(127)	–	–	**(127)**	4 577	**4 450**
Special items before tax	–	(38)	(937)	(756)	**(1 731)**	38	**(1 693)**
Taxation	(1 174)	(1 746)	211	(96)	**(2 805)**	1 729	**(1 076)**
Profit/(loss) after tax	2 210	4 494	(786)	(884)	**5 034**	–	**5 034**
Non-controlling interest	(1 068)	–	–	(1)	**(1 069)**	–	**(1 069)**
Consolidation adjustment[5]	–	(44)	–	44	**–**	–	**–**
Contribution to basic earnings/(losses)	1 142	4 450	(786)	(841)	**3 965**	–	**3 965**
Contribution to headline earnings/(losses)	1 142	4 479	(2)	(85)	**5 534**	–	**5 534**
Other information							
Segment assets, including investment in associate	10 179	22 835	3 375	11 449	**47 838**	(5 290)	**42 548**
Investment in associate			795		**795**		**795**
Investment in joint venture						17 545	**17 545**
Segment liabilities	2 924	2 090	1 748	1 580	**8 342**	(2 090)	**6 252**
Unallocated liabilities (tax and deferred tax)					**5 388**	(3 200)	**2 188**
Consolidated total liabilities					**13 730**	(5 290)	**8 440**
Cash inflow/(outflow) generated from operations	4 055	7 463	144	(333)	**11 329**	(7 463)	**3 866**
Cash inflow/(outflow) from operating activities	2 608	6 080	161	(2 690)	**6 159**	(2 330)	**3 829**
Cash outflow from investing activities	(829)	(2 183)	(192)	(1 322)	**(4 526)**	2 183	**(2 343)**
Cash (outflow)/inflow from financing activities	(1 097)	9		823	**(265)**	(9)	**(274)**
Capital expenditure	1 132	2 173	197	4	**3 506**	(2 173)	**1 333**
Amortisation and depreciation	448	994	197	7	**1 646**	(994)	**652**
Impairment before tax	–	7	941	750	**1 698**	(7)	**1 691**
EBITDA	3 853	7 147	264	(255)	**11 009**	(7 086)	**3 923**

[1] *Refer to ARM Ferrous segment note 2.4 and note 8 for more detail.*
[2] *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.*
[3] *The re-measurement of the ARM Coal loans amounts to R147 million loss with no tax effect. The re-measurement of the Modikwa loans amounts to R8 million loss.*
[4] *The re-measurement of the ARM Coal loans amounts to a profit of R279 million with no tax effect. Impairment losses included in income from associate are R4 million before tax of R1 million.*
[5] *Relates to fees capitalised in ARM Ferrous and reversed upon consolidation.*
There were no significant inter-company sales.

Notes to the financial statements for the year ended 30 June 2020 continued

2. PRIMARY SEGMENTAL INFORMATION continued

Attributable	ARM Platinum Rm	ARM Ferrous[1] Rm	ARM Coal Rm	ARM Corporate Rm	Total Rm	IFRS Adjustment[2] Rm	Total per IFRS financial statements Rm
2.2 Year to 30 June 2019 (Audited)							
Sales	7 584	17 807	1 162	88	**26 641**	(17 807)	**8 834**
Cost of sales	(6 345)	(9 223)	(1 019)	(53)	**(16 640)**	9 191	**(7 449)**
Other operating income	78	158	201	600	**1 037**	(63)	**974**
Other operating expenses	(530)	(1 856)	(12)	(1 033)	**(3 431)**	1 856	**(1 575)**
Segment result	787	6 886	332	(398)	**7 607**	(6 823)	**784**
Income from investments	51	296	11	272	**630**	(296)	**334**
Finance cost	(87)	(38)	(167)	(55)	**(347)**	38	**(309)**
Profit from associate	–	–	276	–	**276**	–	**276**
Loss from joint venture[3]	–	(506)	–	–	**(506)**	5 008	**4 502**
Special items before tax	(1 344)	(180)	(1)	(146)	**(1 671)**	180	**(1 491)**
Taxation	(68)	(1 911)	(38)	(118)	**(2 135)**	1 893	**(242)**
(Loss)/profit after tax	(661)	4 547	413	(445)	**3 854**	–	**3 854**
Non-controlling interest	(297)	–	–	(3)	**(300)**	–	**(300)**
Consolidation adjustment[4]	–	(45)	–	45	**–**	–	**–**
Contribution to basic (losses)/ earnings	(958)	4 502	413	(403)	**3 554**	–	**3 554**
Contribution to headline earnings/ (losses)	112	4 960	411	(257)	**5 226**	–	**5 226**
Other information							
Segment assets, including investment in associate	8 444	22 268	4 962	7 108	**42 782**	(5 566)	**37 216**
Investment in associate			1 837		**1 837**	–	**1 837**
Investment in joint venture						16 702	**16 702**
Segment liabilities	2 411	2 422	1 319	2 156	**8 308**	(2 422)	**5 886**
Unallocated liabilities (tax and deferred tax)					**4 771**	(3 144)	**1 627**
Consolidated total liabilities					**13 079**	(5 566)	**7 513**
Cash inflow/(outflow) generated from operations	1 739	7 177	281	103	**9 300**	(7 177)	**2 123**
Cash inflow/(outflow) from operating activities	1 298	5 913	284	(2 023)	**5 472**	(2 598)	**2 874**
Cash (outflow)/inflow from investing activities	(713)	(2 053)	(214)	(344)	**(3 324)**	2 053	**(1 271)**
Cash (outflow)/inflow from financing activities	(237)	–	(63)	19	**(281)**	–	**(281)**
Capital expenditure	885	2 108	244	5	**3 242**	(2 108)	**1 134**
Amortisation and depreciation	524	1 037	163	5	**1 729**	(1 037)	**692**
Impairment before tax	1 344	528	3	146	**2 021**	(528)	**1 493**
EBITDA	1 311	7 923	495	(393)	**9 336**	(7 860)	**1 476**

[1] *Refer to ARM Ferrous segment note 2.4 and note 9 for more detail.*
[2] *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.*
[3] *Impairment loss included in income from joint venture R528 million before tax of R6 million.*
[4] *Relates to fees capitalised in ARM Ferrous and reversed upon consolidation.*
There were no significant inter-company sales.

Notes to the financial statements for the year ended 30 June 2020 continued

2. PRIMARY SEGMENTAL INFORMATION continued

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

Attributable	Nkomati Rm	Two Rivers Rm	Modikwa Rm	Platinum Total Rm
2.3 Year to 30 June 2020 (Reviewed)				
External sales	1 282	6 173	3 093	**10 548**
Cost of sales	(1 475)	(2 994)	(1 696)	**(6 165)**
Other operating income	12	21	87	**120**
Other operating expenses[1]	(523)	(383)	(192)	**(1 098)**
Segment result	(704)	2 817	1 292	**3 405**
Income from investments	7	25	67	**99**
Finance cost	(32)	(83)	(5)	**(120)**
Taxation	25	(786)	(413)	**(1 174)**
(Loss)/profit after tax	(704)	1 973	941	**2 210**
Non-controlling interest	–	(908)	(160)	**(1 068)**
Contribution to basic (losses)/earnings	(704)	1 065	781	**1 142**
Contribution to headline (losses)/earnings	(704)	1 065	781	**1 142**
Other information				
Segment and consolidated assets	445	6 029	3 705	**10 179**
Segment liabilities	1 009	1 339	576	**2 924**
Unallocated liabilities (tax and deferred tax)				**1 363**
Consolidated total liabilities				**4 287**
Cash (outflow)/inflow generated from operations	(121)	2 641	1 535	**4 055**
Cash (outflow)/inflow from operating activities	(132)	1 261	1 479	**2 608**
Cash outflow from investing activities	(51)	(428)	(350)	**(829)**
Cash outflow from financing activities	(6)	(72)	(1 019)	**(1 097)**
Capital expenditure	–	813	319	**1 132**
Amortisation and depreciation	–	355	93	**448**
EBITDA	(704)	3 172	1 385	**3 853**

[1] *Includes R370 million for rehabilitation and decommissioning. The joint venture partners of Nkomati continue to scale down production volumes in preparation for care and maintenance, currently anticipated to be early in 2021.*

Notes to the financial statements for the year ended 30 June 2020 continued

2. PRIMARY SEGMENTAL INFORMATION continued

Attributable	Nkomati Rm	Two Rivers Rm	Modikwa Rm	Platinum Total Rm
2.3 Year to 30 June 2019 (Audited)				
External sales	1 523	3 994	2 067	**7 584**
Cost of sales	(1 744)	(2 949)	(1 652)	**(6 345)**
Other operating income	10	20	48	**78**
Other operating expenses	(140)	(159)	(231)	**(530)**
Segment result	(351)	906	232	**787**
Income from investments	7	12	32	**51**
Finance cost	(14)	(70)	(3)	**(87)**
Special items before tax (refer note 4 and 10)	(1 344)	–	–	**(1 344)**
Taxation	317	(251)	(134)	**(68)**
(Loss)/profit after tax	(1 385)	597	127	**(661)**
Non-controlling interest	–	(275)	(22)	**(297)**
Contribution to basic (losses)/earnings	(1 385)	322	105	**(958)**
Contribution to headline (losses)/earnings	(315)	322	105	**112**
Other information				
Segment and consolidated assets	520	5 168	2 756	**8 444**
Segment liabilities	511	1 465	435	**2 411**
Unallocated liabilities (tax and deferred tax)				**715**
Consolidated total liabilities				**3 126**
Cash (outflow)/inflow generated from operations	(89)	1 229	599	**1 739**
Cash (outflow)/inflow from operating activities	(86)	761	623	**1 298**
Cash outflow from investing activities	(146)	(436)	(131)	**(713)**
Cash outflow from financing activities	(7)	(66)	(164)	**(237)**
Capital expenditure	168	587	130	**885**
Amortisation and depreciation	110	319	95	**524**
Impairment before tax	1 344	–	–	**1 344**
EBITDA	(241)	1 225	327	**1 311**

Notes to the financial statements for the year ended 30 June 2020 continued

2. PRIMARY SEGMENTAL INFORMATION continued

Year to 30 June 2020 (Reviewed)	Iron ore Division Rm	Manganese Division Rm	ARM Ferrous Total Rm	ARM share Rm	IFRS Adjust-ment[1] Rm	Total per financial statements Rm
2.4 Analysis of the ARM Ferrous segment on a 100% basis						
Sales	20 638	10 795	**31 433**	**15 717**	(15 717)	–
Cost of sales	(10 033)	(7 503)	**(17 536)**	**(8 768)**	8 768	–
Other operating income	1 235	701	**1 936**	**538**	(538)	–
Other operating expense	(2 267)	(1 258)	**(3 525)**	**(1 334)**	1 334	–
Segment result	9 573	2 735	**12 308**	**6 153**	(6 153)	–
Income from investments	595	15	**610**	**305**	(305)	–
Finance cost	(48)	(56)	**(104)**	**(53)**	53	–
Loss from joint venture	–	(254)	**(254)**	**(127)**	127	–
Special items before tax	(64)	(13)	**(77)**	**(38)**	38	–
Taxation	(2 730)	(764)	**(3 494)**	**(1 746)**	1 746	–
Profit after tax	7 326	1 663	**8 989**	**4 494**	(4 494)	–
Consolidation adjustment				**(44)**	44	–
Contribution to basic earnings	7 326	1 663	**8 989**	**4 450**	–	**4 450**
Contribution to headline earnings	7 376	1 672	**9 048**	**4 479**	–	**4 479**
Other information						
Consolidated total assets	22 002	25 132	**47 134**	**22 835**	(5 291)	**17 545**
Consolidated total liabilities	4 953	6 036	**10 989**	**2 090**	(2 090)	–
Capital expenditure	2 223	2 314	**4 537**	**2 173**	(2 173)	–
Amortisation and depreciation	1 419	637	**2 056**	**994**	(994)	–
Cash inflow from operating activities	4 980[2]	3 429	**8 409**	**6 080**	(6 080)	–
Cash outflow from investing activities	(2 099)	(2 267)	**(4 366)**	**(2 183)**	2 183	–
EBITDA	10 992	3 372	**14 364**	**7 147**	(7 147)	–
Additional information for ARM Ferrous at 100%						
Non-current assets						
Property, plant and equipment			**27 306**		(27 306)	–
Investment in joint venture			**1 442**		(1 442)	–
Other non-current assets			**1 542**		(1 542)	–
Current assets						
Inventories			**5 198**		(5 198)	–
Trade and other receivables			**5 131**		(5 131)	–
Financial assets			**99**		(99)	–
Cash and cash equivalents			**6 416**		(6 416)	–
Taxation			**189**		(189)	–
Non-current liabilities						
Other non-current liabilities			**8 303**		(8 303)	–
Current liabilities						
Trade and other payables			**1 813**		(1 813)	–
Short-term provisions			**1 024**		(1 024)	–

[1] *Includes consolidation and IFRS 11 – Joint Arrangements – adjustments.*
[2] *Dividend paid amounting to R3.8 billion included in cash flows from operating activities.*

Refer note 2.1 and note 8 for more detail on the ARM Ferrous segment.

Notes to the financial statements for the year ended 30 June 2020 continued

2. PRIMARY SEGMENTAL INFORMATION continued

Year to 30 June 2019 (Audited)	Iron ore Division Rm	Manganese Division Rm	Chrome Division Rm	**ARM Ferrous Total Rm**	**ARM share Rm**	IFRS Adjust-ment[1] Rm	**Total per IFRS financial statements Rm**
2.4 Analysis of the ARM Ferrous segment on a 100% basis continued							
Sales	20 827	14 786	–	**35 613**	**17 807**	(17 807)	**–**
Cost of sales	(10 151)	(8 295)	1	**(18 445)**	**(9 223)**	9 223	**–**
Other operating income	750	544	5	**1 299**	**158**	(158)	**–**
Other operating expense	(2 599)	(2 083)	(11)	**(4 693)**	**(1 856)**	1 856	**–**
Segment result	8 827	4 952	(5)	**13 774**	**6 886**	(6 886)	**–**
Income from investments	583	31	–	**614**	**296**	(296)	**–**
Finance cost	(44)	(52)	–	**(96)**	**(38)**	38	**–**
Loss from joint venture	–	(1 012)	–	**(1 012)**	**(506)**	506	**–**
Special items before tax	(2)	(358)	–	**(360)**	**(180)**	180	**–**
Taxation	(2 569)	(1 254)	–	**(3 823)**	**(1 911)**	1 911	**–**
Profit/(loss) after tax	6 795	2 307	(5)	**9 097**	**4 547**	(4 547)	**–**
Consolidation adjustment				**–**	**(45)**	45	**–**
Contribution to basic earnings	6 795	2 307	(5)	**9 097**	**4 502**	–	**4 502**
Contribution to headline earnings	6 795	3 221	(5)	**10 011**	**4 960**	–	**4 960**
Other information							
Consolidated total assets	24 113	21 793	–	**45 906**	**22 268**	(5 566)	**16 702**
Consolidated total liabilities	6 865	4 672	–	**11 537**	**2 422**	(2 422)	**–**
Capital expenditure	2 097	2 310	–	**4 407**	**2 108**	(2 108)	**–**
Amortisation and depreciation	1 457	681	–	**2 138**	**1 037**	(1 037)	**–**
Cash inflow from operating activities	2 856[2]	5 654	–	**8 510**	**5 913**	(5 913)	**–**
Cash outflow from investing activities	(2 040)	(2 065)	–	**(4 105)**	**(2 053)**	2 053	**–**
EBITDA	10 284	5 633	(5)	**15 912**	**7 923**	(7 923)	**–**
Additional information for ARM Ferrous at 100%							
Non-current assets							
Property, plant and equipment				**24 823**		(24 823)	**–**
Investment in joint venture				**1 412**		(1 412)	**–**
Other non-current assets				**919**		(919)	**–**
Current assets							
Inventories				**4 961**		(4 961)	**–**
Trade and other receivables				**7 473**		(7 473)	**–**
Financial assets				**188**		(188)	**–**
Cash and cash equivalents				**6 105**		(6 105)	**–**
Non-current liabilities							
Other non-current liabilities				**7 522**		(7 522)	**–**
Current liabilities							
Trade and other payables				**2 664**		(2 664)	**–**
Short-term provisions				**983**		(983)	**–**
Taxation				**308**		(308)	**–**

[1] *Includes consolidation and IFRS 11 – Joint Arrangements – adjustments.*
[2] *Dividend paid amounting to R3.3 billion included in cash flows from operating activities.*

Refer note 2.2 and note 8 for more detail on the ARM Ferrous segment.

Notes to the financial statements for the year ended 30 June 2020 continued

2. PRIMARY SEGMENTAL INFORMATION continued

ARM Corporate as presented in the table on pages 29 and 30 is analysed further into Machadodorp, Corporate and other, and Gold segments.

	Machadodorp Works Rm	Corporate and other[1] Rm	Gold[2] Rm	Total ARM Corporate Rm
2.5 Additional information				
Year to 30 June 2020 (Reviewed)				
Sales	49	–		**49**
Cost of sales	(142)	50		**(92)**
Other operating income	5	708		**713**
Other operating expenses	(133)	(799)		**(932)**
Segment result	(221)	(41)		**(262)**
Income from investments	–	334		**334**
Finance costs	(18)	(86)		**(104)**
Special item (refer note 10)[3]	(7)	(749)		**(756)**
Taxation	76	(172)		**(96)**
Loss after tax	(170)	(714)		**(884)**
Non-controlling interest	–	(1)		**(1)**
Consolidation adjustments[4]	–	44		**44**
Contribution to basic losses	(170)	(671)		**(841)**
Contribution to headline (losses)/earnings	(163)	78		**(85)**
Other information				
Segment and consolidated assets	89	5 994	5 366	**11 449**
Segment liabilities	370	1 210		**1 580**
Cash inflow/(outflow) from operating activities	4	(2 694)		**(2 690)**
Cash outflow from investing activities	–	(1 322)		**(1 322)**
Cash inflow from financing activities	–	823		**823**
Capital expenditure	–	4		**4**
Amortisation and depreciation	2	5		**7**
Impairment before tax	7	743		**750**
EBITDA	(219)	(36)		**(255)**
Year to 30 June 2019 (Audited)				
Sales	88	–		**88**
Cost of sales	(103)	50		**(53)**
Other operating income	1	599		**600**
Other operating expenses	(39)	(994)		**(1 033)**
Segment result	(53)	(345)		**(398)**
Income from investments	–	272		**272**
Finance costs	(6)	(49)		**(55)**
Special item (refer note 9 and 10)	(146)	–		**(146)**
Taxation	23	(141)		**(118)**
Loss after tax	(182)	(263)		**(445)**
Non-controlling interest	–	(3)		**(3)**
Consolidation adjustment[4]	–	45		**45**
Contribution to basic losses	(182)	(221)		**(403)**
Contribution to headline losses	(36)	(221)		**(257)**
Other information				
Segment and consolidated assets	208	4 530	2 370	**7 108**
Segment liabilities	268	1 888		**2 156**
Cash inflow/(outflow) from operating activities	5	(2 028)		**(2 023)**
Cash outflow from investing activities	–	(344)		**(344)**
Cash inflow from financing activities	–	19		**19**
Capital expenditure	–	5		**5**
Amortisation and depreciation	2	3		**5**
Impairment before tax	146	–		**146**
EBITDA	(51)	(342)		**(393)**

1 *Includes a re-measurement loss on the loans to Modikwa and ARM Coal of R68 million (F2019 : R40 million).*
2 *The share price of Harmony increased from R31.74 per share at 30 June 2019 to R71.86 at 30 June 2020 and increased from R21.22 at 30 June 2018 to R31.74 per share at 30 June 2019. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of International Financial Reporting Standards (IFRS).*
3 *Corporate and other includes an impairment on the investment in associate of R743 million with no tax effect.*
4 *Relates to fees capitalised in ARM Ferrous and reversed on consolidation.*

Notes to the financial statements for the year ended 30 June 2020 continued

3. REVENUE AND SALES

	Reviewed F2020 Rm	Audited F2019 Rm
Sales – mining and related products	**11 653**	**8 834**
Local sales	**9 618**	6 639
Export sales	**2 035**	2 195
Revenue	**12 386**	**9 596**
Fair value adjustments to revenue	**539**	353
Revenue from contracts with customers	**11 847**	9 243
Sales of commodities	**11 527**	8 850
Penalty and treatment charges[1]	**(413)**	(369)
Fees received	**733**	762

[1] *Penalty and treatment charges for F2020 comprises of R303 million (F2019: R305 million) for Two Rivers, R99 million (F2019: R64 million) for Nkomati and R11 million (F2019: nil) for Modikwa.*

4. IMPAIRMENT

4.1 ARM Coal

Cash-generating units

At 30 June 2020 impairment losses in the GGV and PCB cash generating units were recognised by ARM, due to a combination of:

– a decline in saleable production;

– above inflation increases in unit costs.

A discounted cash flow (DCF) valuation model was prepared to determine the net present value (NPV) of the GGV operation and the investment in PCB. The recoverable amount of ARM's attributable share of GGV amounted to R1.5 bilion. The recoverable amount of ARM's net investment in PCB amounted to R795 million.

The level 3 valuation recoverable amounts of the GGV operation and investment in PCB cash generating units were determined based on the fair value less cost of disposal calculation performed in terms of IFRS. ARM's attributable share of the impairment losses amounted to R1 680 million before tax and R1 524 million after tax.

	Rm Gross	Rm Tax	Rm After tax
GGV impairment	559	(156)	403
GGV: Property, plant and equipment	528	(148)	380
GGV: Intangible asset (RBCT entitlement)	31	(8)	23
PCB 20.2%: impairment of investment (refer note 7)	1 121	–	1 121
Total attributable to ARM	**1 680**	**(156)**	**1 524**

A pre-tax discount rate of 20.1% was used for the impairment calculation together with the following commodity prices and exchange rates:

		FY2021 Real	FY2022 Real	FY2023 Real	Long-term Real
Exchange rate	R/US$	16.61	15.36	15.00	15.05
Richards Bay Free on Board (FOB) Price	US$/t	60.00	66.70	69.20	70.86

Other impairment losses were recognised in F2020 on property, plant and equipment for R4 million before tax of R1 million (refer note 2.1 and 10). These were accounted for in the income from associate line in the statement of profit or loss.

In F2019, an impairment reversal was recognised on property plant and equipment for R3 million before tax of R1 million (refer note 2.2 and 10). This is accounted for in the income from associate line in the statement of profit or loss.

4. IMPAIRMENT continued

4.2 Nkomati Nickel Mine

ARM's attributable share of the total impairment charge for the year ended 30 June 2019 amounted to R1 344 million before tax and R1 070 million after tax (refer note 10).

Details of which were included in the financial results 30 June 2019, which can be found on www.arm.co.za.

4.3 Machadodorp Works

An impairment loss was recognised in F2020 on property, plant and equipment for R7 million with no tax effect (refer note 10).

In F2019, the goodwill for Machadodorp Works was tested for impairment. Since exploratory work for Machadodorp Works is still ongoing, future economic benefits and the recoverable amount could not be reliably estimated or measured, an impairment loss amounting to R146 million was recognised in ARM Group at 30 June 2019 (refer note 9 and 10).

Details of which were included in the financial results 30 June 2019, which can be found on www.arm.co.za.

4.4 ARM Ferrous

An impairment loss was recognised in F2020 on property, plant and equipment for R7 million before tax of R2 million (F2019: R21 million before tax of R6 million) (refer note 2.4 and 10). This is accounted for in the income from joint venture line in the statement of profit or loss.

In F2019, an impairment loss of R1 013 million after tax was recognised on Assmang's investment in its equity-accounted investment, Sakura Ferroalloys Sdh Bhd. ARM's attributable share of the impairment loss amounted to R313 million for the property, plant and equipment and R194 million for the investment after tax (refer note 10).

Details of which was included in the financial results 30 June 2019, which can be found on www.arm.co.za.

5. DEFERRED TAX

	Reviewed F2020 Rm	Audited F2019 Rm
Deferred tax assets		
Opening balance	**485**	620
Investment in Harmony recognised in other comprehensive income	**(416)**	(181)
Other	**(69)**	46
Deferred tax assets on the statement of financial position	**–**	485
Deferred tax liabilities		
Opening balance	**1 517**	1 634
Investment in Harmony recognised in other comprehensive income	**255**	–
Two Rivers	**333**	18
Modikwa	**292**	113
Nkomati	**–**	(269)
ARM coal	**(211)**	60
Other	**(101)**	(39)
Deferred tax liabilities on the statement of financial position	**2 085**	1 517

6. LOANS AND LONG-TERM RECEIVABLES

	Reviewed F2020 Rm	Audited F2019 Rm
ARM Coal and Glencore South Africa	**278**	283
Total	**278**	283

ARM Coal (Pty) Ltd ("ARM Coal"), an entity jointly controlled by ARM Limited (51%) and Glencore Operations South Africa (Pty) Ltd ("GOSA") (49%), has recorded an amount payable by GOSA to ARM Coal of R452 million (ARM's attributable portion: R230 million) as a long-term receivable ('receivable'). This amount is included in the total long-term receivables amount of R278 million above.

Notes to the financial statements for the year ended 30 June 2020 continued

6. LOANS AND LONG-TERM RECEIVABLES continued

ARM Coal, to the date of this report, is unable to provide sufficient evidence to support the existence of this receivable in its accounting records. As such, the long-term receivables are potentially overstated by R452 million (ARM's attributable portion: R230 million) in the financial results of ARM and ARM Coal.

ARM is investigating internally whether the receivable can be validated. Should the internal process not achieve a satisfactory conclusion in the next few weeks an independent forensic expert will be appointed.

Due to the uncertainty whether the receivable can be validated ARM management has taken the view to continue to recognise the asset, consistent with prior years, until the outcome of the investigation processes reveals otherwise. The above matters have resulted in the qualification of the review report by the external auditor.

The R230 million receivable represents 0.72% of group non-current assets and 0.54% of group total assets.

7. INVESTMENT IN ASSOCIATE

	Reviewed F2020 Rm	Audited F2019 Rm
Through ARM's 51% investment in ARM Coal and ARM's 10% direct investment, the Group holds a 20.2% investment in the Participative Coal Business (PCB) of Glencore Operations South Africa Proprietary Limited (GOSA).		
Opening balance	**1 837**	1 936
Share of profit for the current year	**33**	276
(Loss)/profit for the current year	**(246)**	221
Re-measurement of loans (refer note 16)	**279**	55
Loan movements	**46**	(237)
Impairment on investment (refer note 4 and 10)	**(1 121)**	–
Closing balance	**795**	1 975
Less: Dividend received prior years	**–**	(138)
Total closing balance	**795**	1 837

8. INVESTMENT IN JOINT VENTURE

	Reviewed F2020 Rm	Audited F2019 Rm
The investment relates to ARM Ferrous and consists of Assmang as a joint venture which includes iron ore, manganese and chrome operations (until the disposal of Machadodorp Works) (refer note 9).		
Opening balance	**16 702**	15 504
Net income for the period[1]	**4 450**	4 502
Income for the period	**4 494**	4 547
Consolidation adjustment	**(44)**	(45)
Foreign currency translation reserve	**143**	11
Less: Cash dividend received for the period	**(3 750)**	(3 315)
Closing balance	**17 545**	16 702

Refer note 2.1 and 2.4 for more detail on the ARM Ferrous segment

[1] *Includes expected credit losses recorded of R74 million less tax of R1 million (F2019: R123 million less tax of R16 million). F2019 includes a profit on sale of Machadodorp Works of R91 million less tax of R26 million.*

9. ACQUISITION OF MACHADODORP WORKS

On 28 February 2019, ARM acquired 100% of the Machadodorp Works business from Assmang, for a cash amount of R130 million. A subsequent purchase price adjustment of R17 million which was received after 30 June 2019, reduced the amount to R113 million. ARM's effective ownership increased to 100% from the previous indirect 50%.

ARM acquired Machadodorp Works to use its existing infrastructure for alternative smelting technology, to commercialise more efficient and cost effective ways of smelting, particularly in so far as energy (which is one of the biggest cost inputs in smelting) is required. Building a new facility for test work would have been more expensive than using existing Machadodorp Works facility.

Assets acquired and liabilities assumed

ARM measured the identifiable assets and liabilities of Machadodorp Works at acquisition-date fair values. The values are presented below:

	Reviewed F2020 Rm	Audited F2019 Rm
ASSETS		162
Non-current assets		42
Current assets		120
LIABILITIES		(232)
Non-current liabilities		(217)
Current liabilities		(15)
Total identifiable net liabilities at fair value		(70)
Deferred tax asset raised on acquisition		37
Purchase price adjustment		17
Goodwill arising on acquisition		146
Cash outflow on acquisition		130

Goodwill of R146 million was recognised at acquisition. Goodwill represents the value paid in excess of the fair value of the net assets acquired (refer note 2.5 and 4).

Notes to the financial statements for the year ended 30 June 2020 continued

10. SPECIAL ITEMS

	Reviewed F2020 Rm	Audited F2019 Rm
Impairment loss of goodwill – Machadodorp Works (refer note 4)	–	(146)
Impairment loss of property, plant and equipment – Machadodorp Works (refer note 4)	(7)	–
Loss on sale of Lubambe – other	(6)	–
Loss on sale of property, plant and equipment – ARM Coal (refer note 4)	–	(1)
Impairment loss of property, plant and equipment – Nkomati (refer note 4)	–	(1 344)
Impairment loss of property, plant and equipment and intangible assets – ARM Coal	(559)	–
Impairment loss on investment in 20.2% PCB – ARM (refer note 4)	(1 121)	–
Special items per statement of profit or loss before taxation effect	**(1 693)**	(1 491)
Impairment (loss)/reversal on property, plant and equipment accounted for directly in associate – ARM Coal (refer note 4)	(4)	3
Impairment loss on property, plant and equipment accounted for directly in joint venture – Assmang (refer note 4)	(7)	(21)
Impairment loss on investment in Sakura accounted for directly in joint venture – Assmang (refer note 4)	–	(194)
Impairment loss on property, plant and equipment on Sakura accounted for directly in joint venture – Assmang (refer note 4)	–	(313)
Profit on sale of Machadodorp Works accounted directly in joint venture – Assmang (refer note 9)	–	91
Loss on sale of property, plant and equipment accounted for directly in joint venture – Assmang	(31)	(2)
Special items before taxation effect	**(1 735)**	(1 927)
Taxation accounted for in joint venture – impairment loss at Assmang	–	6
Taxation accounted for in joint venture – profit on disposal of Machadodorp Works – Assmang	–	(26)
Taxation accounted for in joint venture – loss on disposal of property, plant and equipment – Assmang	9	1
Taxation accounted for in associate – (reversal)/impairment loss at ARM Coal	1	(1)
Taxation loss on sale of property ARM Coal	–	1
Taxation on impairment loss of property, plant and equipment and intangible assets – ARM Coal	156	–
Taxation – impairment loss of Nkomati assets	–	274
Total	**(1 569)**	(1 672)

Notes to the financial statements for the year ended 30 June 2020 continued

11. EARNINGS PER SHARE

	Reviewed F2020	Audited F2019
Headline earnings (R million)	**5 534**	5 226
Headline earnings per share (cents)	**2 850**	2 718
Basic earnings per share (cents)	**2 042**	1 848
Diluted headline earnings per share (cents)	**2 807**	2 669
Diluted basic earnings per share (cents)	**2 011**	1 815
Number of shares in issue at end of year (thousands)	**223 326**	222 008
Weighted average number of shares (thousands)	**194 188**	192 269
Weighted average number of shares used in calculating diluted earnings per share (thousands)	**197 170**	195 800
Net asset value per share (cents)	**14 365**	12 690
EBITDA (R million)	**3 923**	1 476
Interim dividend declared (cents per share)	**500**	400
Dividend declared after year-end (cents per share)	**700**	900
Reconciliation to headline earnings (R million)		
Basic earnings attributable to equity holders of ARM	**3 965**	3 554
– Impairment loss on property, plant and equipment – Nkomati	**–**	1 344
– Impairment loss on property, plant and equipment and intangible assets – ARM Coal	**559**	–
– Impairments loss/(reversal) of property, plant and equipment in associate – ARM Coal	**4**	(3)
– Impairments loss of property, plant and equipment in joint venture – Assmang	**7**	21
– Impairments loss of property, plant and equipment in Sakura in joint venture – Assmang	**–**	313
– Loss on sale of property, plant and equipment in joint venture Assmang	**31**	2
– Impairment loss of property, plant and equipment – Machadodorp Works	**7**	–
– Impairment on Goodwill – Machadodorp Works	**–**	146
– Impairment on investment in Sakura in joint venture – Assmang	**–**	194
– Profit on sale of Machadodorp Works – Assmang	**–**	(91)
– Impairment loss on investment in 20.2% PCB – ARM	**1 121**	–
– Loss on sale of Lubambe – other	**6**	–
– Loss on disposal of property, plant and equipment – ARM Coal	**–**	1
	5 700	5 481
– Taxation accounted for in joint venture – impairment loss at Assmang	**–**	(6)
– Taxation accounted for in joint venture – loss/(profit) on disposal of fixed assets at Assmang	**(9)**	25
– Taxation accounted for in associate ARM Coal – impairment reversal/(loss) at ARM Coal	**(157)**	1
– Taxation loss on sale of property ARM Coal	**–**	(1)
– Taxation – impairment loss of Nkomati assets	**–**	(274)
Headline earnings	**5 534**	5 226

12. OTHER INVESTMENTS

	Reviewed F2020 Rm	Audited F2019 Rm
Harmony[1]	**5 366**	2 370
Opening balance	**2 370**	1 351
Fair value in other comprehensive income	**2 996**	808
Additional shares acquired (refer statement of cash flow)	**–**	211
Guardrisk[2]	**30**	26
Preference shares	**1**	1
Richard Bay Coal Terminal[3]	**238**	251
Closing balance	**5 635**	2 648

[1] *This is a level 1 valuation in terms of IFRS 7 and 9.*
[2] *This is a level 2 valuation in terms of IFRS 7 and 9.*
[3] *This is a level 3 valuation in terms of IFRS 7 and 9.*

The fair value of the RBCT investment was determined by calculating the present value of the future wharfage cost savings by being a shareholder in RBCT as opposed to the wharfage payable by non-shareholders. A pre-tax discount rate of 19.4% (F2019: 20.9%) and term of 18 years (F2019: 19 years) was used to determine the fair value below.

Opening balance	**251**	176
Fair value (loss)/gain	**(13)**	75
Closing balance	**238**	251

Notes to the financial statements for the year ended 30 June 2020 continued

13. FINANCIAL ASSETS

	Reviewed F2020 Rm	Audited F2019 Rm
Investments in fixed deposits		
Current financial assets		
– African Rainbow Minerals Limited	**1 074**	–
– Two Rivers Platinum Proprietary Limited	**25**	–
– ARM Platinum Proprietary Limited	**105**	–
– Other	**105**	–
	1 309	–
Non-current financial assets		
– ARM Coal (Investment in fixed deposit)	**41**	–
– Mannequin Captive Cell (Cell AVL 18) (refer note 23.2)	**189**	–
	230	–
Total	**1 539**	–

During F2020, a portion of cash and cash equivalents was invested in fixed deposits with maturities longer than three months to achieve better returns. R1 024 million will mature before 30 September 2020. When these investments mature, to the extent that amounts are not re-invested in new investments with maturities of longer than three months, they will again form part of cash and cash equivalents. The carrying amounts of the financial assets shown above approximate the fair values.

14. CASH AND CASH EQUIVALENTS

	Reviewed F2020 Rm	Audited F2019 Rm
Total unrestricted	**4 970**	3 397
– African Rainbow Minerals Limited	**3 294**	2 562
– ARM BBEE Trust	**66**	1
– ARM Finance Company SA	**295**	236
– ARM Platinum Proprietary Limited	**1 217**	519
– ARM Treasury Investments Proprietary Limited	**41**	40
– Nkomati	**1**	–
– Two Rivers Platinum Proprietary Limited	**21**	11
– Other non-restricted cash	**35**	28
Total restricted	**745**	1 235
– Mannequin Captive Cell (Cell AVL 18)	**644**	891
– Rehabilitation trust funds	**45**	191
– Other restricted cash	**56**	153
Total as per statement of financial position	**5 715**	4 632
Less: Overdrafts (refer note 15)	**(203)**	(393)
Total as per Group Statement of Cash Flows	**5 512**	4 239

Notes to the financial statements for the year ended 30 June 2020 continued

15. BORROWINGS

	Reviewed F2020 Rm	Audited F2019 Rm
Long-term borrowings are held as follows:		
ARM Coal Proprietary Limited (partner loan) (refer note 1)	**963**	1 023
ARM BBEE Trust (loan from Harmony Gold)[1]	**316**	–
African Rainbow Minerals Limited (lease liability) (refer note 1)	**2**	–
Anglo Platinum Limited (lease liability) (refer note 1)	**39**	–
Two Rivers Platinum Proprietary Limited (finance leases)	**–**	72
Two Rivers Platinum Proprietary Limited (lease liability) (refer note 1)	**192**	–
	1 512	1 095
Short-term borrowings		
African Rainbow Minerals Limited (lease liability) (refer to note 1)	**3**	–
ARM BBEE Trust (loan from Harmony Gold)[1]	**–**	368
Anglo Platinum Limited (partner loan)	**67**	101
Anglo Platinum Limited (lease liability) (refer note 1)	**23**	–
ARM Coal (lease liability) (refer note 1)	**6**	–
Nkomati Mine	**–**	6
Two Rivers Platinum Proprietary Limited (finance leases)	**–**	68
Two Rivers Platinum Proprietary Limited (lease liability) (refer note 1)	**111**	–
	210	543
Overdrafts (refer note 14)		
Nkomati Mine	**26**	16
Two Rivers Platinum Proprietary Limited	**150**	357
Other	**27**	20
	203	393
Overdrafts and short-term borrowings	**413**	936
Total borrowings	**1 925**	2 031

The carrying amounts of the financial liabilities shown above approximate the fair values.

[1] *The maturity date of the ARM BBEE Trust loan was extended to 31 December 2022. The other terms and conditions remain unchanged.*

16. RE-MEASUREMENT GAINS AND LOSSES

	Reviewed F2020 Rm	Audited F2019 Rm
ARM Coal		
Included in other operating income and profit from associate are re-measurements with no tax effect in both years relating to the GGV and PCB loans. The gain and loss as a result of a re-measurement of debt between ARM and Glencore Operations South Africa Proprietary Limited (GOSA) and ARM Coal Proprietary Limited.		
The re-measurement adjustments are as follows:		
Other operating income increase (re-measurement gain on loans) – ARM coal segment	**206**	190
ARM Corporate (re-measurement loss)	**(59)**	(215)
Re-measurement gain/(loss) in operating income/(expenses)	**147**	(25)
Income from associate (re-measurement gain on loans) – (refer note 7)	**279**	55
Net ARM Coal re-measurement gain/(loss)	**426**	30
The re-measurements are as a result of changes in the future repayment cash flows applied to the net present value calculations, which was impacted by lower production and commodity prices in F2020. The discount rate used in the calculation of the re-measurement is 10%.		
Modikwa		
Included in other operating expenses for F2020 is a re-measurement loss attributable to ARM of R15 million (tax nil). The re-measurement loss in Modikwa of R135 million (F2019: R187million loss) is partially eliminated against a re-measurement gain in ARM Company of R127 million (F2019: R175 million).		
The re-measurement adjustments are as follows:		
Other operating expense increase (re-measurement loss on loans)	**(8)**	(12)
ARM platinum segment (re-measurement loss)	**(135)**	(187)
ARM Corporate (re-measurement gain)	**127**	175
Non-controlling interest	**23**	31
Net Modikwa re-measurement gain	**15**	19

Notes to the financial statements for the year ended 30 June 2020 continued

17. OTHER OPERATING INCOME

	Reviewed F2020 Rm	Audited F2019 Rm
Management fees	**733**	762
Insurance income	**84**	74
Realised foreign exchange gains	**9**	18
Royalties received	**80**	41
Loan re-measurement gains (refer note 16)	**147**	–
Other	**107**	79
Total	**1 160**	974

18. OTHER OPERATING EXPENSES

	Reviewed F2020 Rm	Audited F2019 Rm
Provisions – long-term	**386**	64
Provisions – short-term	**188**	222
Mineral royalty tax	**381**	140
Staff cost	**347**	276
Loan re-measurement loss (refer note 16)	**8**	37
Consulting fees	**33**	49
Share-based payments expense	**211**	211
Insurance	**95**	88
Research and development	**115**	108
Other	**286**	380
Total	**2 050**	1 575

19. INCOME FROM ASSOCIATE

	Reviewed F2020 Rm	Audited F2019 Rm
(Loss)/profit (before re-measurement on loans)	**(246)**	221
Loan re-measurement gain (refer note 16)	**279**	55
Total	**33**	276

20. TAXATION

	Reviewed F2020 Rm	Audited F2019 Rm
South African normal taxation		
– current year	**758**	384
– mining	**589**	228
– non-mining	**169**	156
– prior year	**(64)**	4
Deferred taxation	**382**	(146)
Total tax	**1 076**	242

Notes to the financial statements for the year ended 30 June 2020 continued

21. CASH GENERATED FROM OPERATIONS PER CASHFLOW

	Reviewed F2020 Rm	Audited F2019 Rm
Cash generated from operations before working capital movement	**5 055**	2 678
Working capital changes	**(1 189)**	(555)
Movement in inventories	**(3)**	(64)
Movement in receivables	**(157)**	(197)
Movement in payables and provisions	**(1 029)**	(294)
Cash generated from operations (per cash flow)	**3 866**	2 123

22. COMMITMENTS

	Reviewed F2020 Rm	Audited F2019 Rm
Commitments in respect of future capital expenditure, which will be funded from operating cash flows and by utilising available cash and/or borrowing resources, are summarised below:		
Commitments		
Commitments in respect of capital expenditure:		
Approved by directors		
– contracted for	**228**	188
– not contracted for	**–**	4
Total commitments	**228**	192

23. PROVISIONS

	Reviewed F2020 Rm	Audited F2019 Rm
Long-term provisions		
Opening balance	**1 599**	**1 135**
Machadodorp Works restoration and decommissioning provision	**52**	**214**
Nkomati restoration and decommissioning provision	**322**	**86**
Two Rivers restoration and sterilisation provision	**20**	**70**
ARM Coal restoration and decommissioning provision	**46**	**27**
Silicosis and tuberculosis class action provision	**(130)**	**–**
Other	**44**	**67**
Closing balance	**1 953**	**1 599**

23.1 NKOMATI RESTORATION AND DECOMMISSIONING PROVISION

	Reviewed F2020 Rm	Audited F2019 Rm
Long-term provisions		
Opening balance	**203**	107
Provision for the period[1]	**370**	86
Transfer to short-term provisions	**(63)**	–
Unwinding of discount rate	**15**	10
Closing balance	**525**	203
Short-term provision		
Transfer from long-term provisions	**63**	–
Total Nkomati restoration and decommissioning provision	**588**	203

[1] *The joint venture partners of Nkomati continue to scale down production volumes in preparation for care and maintenance, currently anticipated to be early in 2021. An assessment of the total closure and rehabilitation costs for the operation has been completed and resulted in an increase in the restoration and decommissioning provision.*

Notes to the financial statements for the year ended 30 June 2020 continued

23. PROVISIONS continued

	Reviewed F2020 Rm	Audited F2019 Rm
23.2 SILICOSIS AND TUBURCULOSIS CLASS ACTION PROVISION		
Long-term provisions		
Opening balance	**319**	330
Settlement payments	**(92)**	–
Settlement term changes	**–**	(27)
Interest unwinding	**25**	26
Demographic assumptions changes	**(12)**	(10)
Transfer to short-term provisions	**(51)**	–
Closing balance	**189**	319
Short-term provision		
Transfer from long-term provisions	**51**	–
Total silicosis and tuberculosis class action provision	**240**	319

ARM has a contingency policy in this regard which covers environmental impairment liability and silicosis liability with Guardrisk Insurance Company Limited ('Guardrisk'). In turn, Guardrisk has reinsured the specified risks with Mannequin Insurance PCC Limited – Cell AVL 18, Guernsey which cell captive is held by ARM.

Following the High Court judgement previously reported, the Tshiamiso Trust was registered in November 2019. As part of the settlement a guarantee of R304 million was issued by Guardrisk on behalf of ARM in favour of the Tshiamiso Trust on 13 December 2019.

Details of the provision were discussed in the 30 June 2019 financial results, which can be found on www.arm.co.za.

24. RELATED PARTIES

The Company in the ordinary course of business enters into various sale, purchase, service and lease transactions with subsidiaries, associated companies, joint ventures and joint operations. Transactions between the Company, its subsidiaries and joint operations relate to fees, insurances, dividends, rentals and interest and are regarded as intra-group transactions and eliminated on consolidation.

	Reviewed F2020 Rm	Audited F2019 Rm
Amounts accounted in the statement of profit or loss relating to transactions with related parties		
Subsidiaries		
Impala Platinum – Sales	**6 173**	3 994
Joint operations		
Anglo American Platinum – Sales	**3 093**	2 067
Joint venture		
Assmang Proprietary Limited		
– Provision of management services	**733**	762
– Dividends received	**3 750**	3 315
Amounts outstanding at year-end (owing to)/receivable by ARM on current account		
Joint venture		
Assmang – debtor	**110**	38
Joint operations		
Anglo American Platinum – debtor	**660**	644
Norilsk Nickel – creditor	**(4)**	(3)
Norilsk Nickel – debtor	**–**	97
Anglo American Platinum – short-term borrowing	**(66)**	(101)
Glencore Operations SA – long-term borrowing	**(927)**	(1 023)
Glencore Operations SA – debtor	**230**	224
Subsidiary		
Impala Platinum – debtor	**1 812**	1 289
Impala Platinum – dividend paid	**566**	241

25. CONTINGENT LIABILITIES

An additional guarantee has been issued by Assmang to United Overseas Bank (UOB) in December 2019, $16 million being attributable to ARM. This guarantee is for Sakura debt funding, $2 million has since been drawn down by Sakura at reporting date.

The estimates used to determine the rehabilitation provisions and funding of the Nkomati Mine Rehabilitation Trust Fund at 30 June 2019 and 31 December 2019 were determined by independent specialists in accordance with Department of Mineral Resources and Energy (DMRE) guidelines and rates.

During F2020, Nkomati Mine embarked on a process to its update rehabilitation obligations according to the new proposed and promulgated requirements under the National Environmental Management Act no 107 of 1998 ("NEMA") and based on a shortened economic life of mine.

The Nkomati mine closure may have a potential exposure regarding rehabilitation and management of water post closure. This is as a result of uncertainties regarding the assessment of long-term water management measures, and anticipated amendments to the existing Water Use License (WUL). The obligation will be recognised when it is probable and can be reliably estimated.

The provision at 30 June 2020 is the best independent estimate and is based on the most reliable information currently available. It will be re-assessed on an ongoing basis as engineering designs evolve and new information becomes available, as well as when approvals of a revised Environmental Management Plan and Water Use Licence are secured.

For a detailed disclosure on contingent liabilities, refer to ARM's integrated annual report for the year ended 30 June 2019 available on the group's website (www.arm.co.za).

26. EVENTS AFTER REPORTING DATE

ARM and Harmony has obtained approval to enter into a new loan with the ARM BBEE Trust at, *inter alia*, zero percent interest or such other rate determined by ARM and Harmony from time to time. The new loans will be used by the ARM BBEE Trust to repay in full all amounts outstanding to ARM and Harmony under the existing ARM and Harmony loans. The financial effect of this transaction cannot be determined at this point in time, as no agreement has been entered into yet.

Subsequent to year-end ARM received a dividend from Assmang of R1 500 million.

No other significant events have occurred subsequent to the reporting date that could materially affect the reported results.

CONTACT DETAILS AND ADMINISTRATION

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Forward-looking statements

Certain statements in this report constitute forward-looking statements that are neither reported financial results nor other historical information. They include but are not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Such forward-looking statements may or may not take into account and may or may not be affected by known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa; decreases in the market price of commodities; hazards associated with underground and surface mining; labour disruptions; changes in government regulations, particularly environmental regulations; changes in exchange rates; currency devaluations; inflation and other macro-economic factors; and the impact of the COVID-19 pandemic. These forward-looking statements speak only as of the date of publication of these pages. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

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MP Schmidt (Chief Executive Officer)
F Abbott*
M Arnold**
Dr MMM Bakane-Tuoane*
TA Boardman*
AD Botha*
JA Chissano (Mozambican)*
WM Gule*
AK Maditsi*
JMagagula
HL Mkatshana
AM Mukhuba
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African Rainbow Minerals

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