ARM

African Rainbow Minerals

Integrated Annual Report 2010

We do it better

Contents

The Board and management of ARM appreciate the importance of communicating clearly and transparently to all our stakeholders. Our Integrated Annual Report for the financial year ended 30 June 2010 reflects this commitment and features new and expanded sections containing pertinent information on ARM, its operations and activities. New sections are indicated below with an asterisk (*).

About this report

This Integrated Annual Report covers the strategy, review of performance against objectives and financial results of African Rainbow Minerals (ARM) for the financial year ended 30 June 2010 (F2010). The ARM Board (the Board) approved the financial and non-financial information contained in this report on 15 October 2010.

We have aimed to provide a balanced and complete assessment of ARM's performance to enable all our stakeholders to properly assess our progress in the last year, in accordance with the relevant statutory frameworks. These include, but are not limited to, the Company's Act and JSE Listings Requirements, as well as all legislation, regulations and codes of practice applicable to the South African mining sector and in the countries in which we operate.

The Group and operational commentary provided covers the management approaches and actions taken in the last year of ARM's five-year strategic planning cycle, which ended in 2010, in relation to the macro-economic dynamics, key performance indicators, opportunities and risks for ARM as a whole and in each of our core businesses and joint ventures (including those in which we have a non-controlling interest and over which we do not exercise management control). It also includes management targets and priorities as the Group moves into the future. The Company structure provided in our corporate summary on page 2 indicates ARM's ownership in each of these businesses, thereby illustrating the scope of this report, and the significant entities with whom we partner in each case.

For easy reference and comparability, the structure of this year's report follows that presented to our broad base of stakeholders in our Annual Report last year. In line with the reporting recommendations of the King Report on Governance for South Africa 2009 (King III), which comes into effect for JSE-listed companies for financial years ending after 1 March 2011, we will seek to become progressively more integrated in our approach going forward. In August 2010, ARM completed a gap analysis on its compliance with King III and will report more fully on its compliance with King III in next year's Annual Report.

The consistent improvement in ARM's reporting over the last two years has been recognised in the rankings obtained in the Ernst & Young Excellence in Corporate Reporting Awards. Last year's report was ranked in the "excellent" category. In the review of ARM's Annual Report 2009, University of Cape Town's Geoff Everingham stated: "There has … been a commendable improvement over the years … this progress is largely due to the increased emphasis given to forward-looking information and the efforts made in sustainability reporting."

We are conscious of the need to continuously improve our reporting to stakeholders and this year we believe we have made further progress, especially in how our sustainable development reporting has responded to the principles of inclusivity, materiality and responsiveness.

In addition to the abridged Sustainability report, which is in our Integrated Annual Report, a printed standalone version has been published. The comprehensive report includes a further level of detail and relevant case studies to demonstrate the Local Economic Development and Corporate Social Investment initiatives in which ARM is involved. Printed copies of the full version of the Sustainability Report are available on request from our Investor Relations Department (contact details are provided on the inside back cover) or electronically on our corporate website (**www.arm.co.za**). Further detail on the scope and boundaries of our Sustainability report is provided on page 97 of the Integrated Annual Report.

Shareholders are directed to the notice and proxy form for the Annual General Meeting to be held on Friday, 3 December 2010, starting on page 268.

We invite and value feedback from our stakeholders on all our reporting mechanisms, across different media types, particularly as a way to confirm that we are covering the issues they view as most material. Stakeholders are encouraged to provide their feedback on this year's report using the contact details on the inside back cover. Additional information regarding investor relations and communication with stakeholders may be found in the Investor Relations report on pages 262 to 265 and in the Sustainability report on pages 97 to 148.

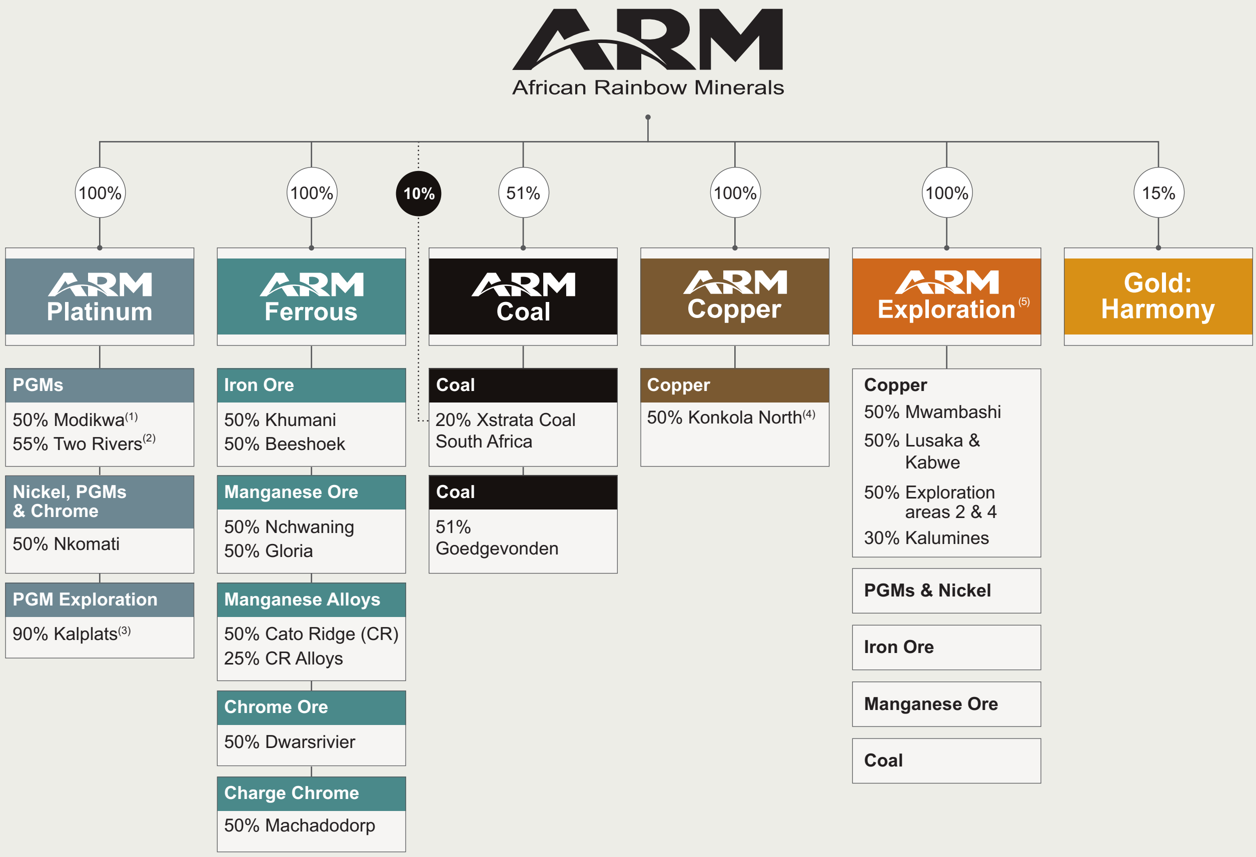
The Integrated Annual Report has been extensively cross-referenced to enable readers to find additional information easily, while attempting to keep the level of repetition to a minimum.

All monetary values in the report are given in South African Rand (R) unless otherwise stated. Rounding figures may result in computational discrepancies on management and operational review tabulations.

Corporate summary

African Rainbow Minerals is a leading South African diversified mining and minerals company, with world-class long-life, low-cost assets. ARM's business model centres on forging mutually beneficial partnerships with major players in the resource sector.

ARM in its current form was created in 2004 to operate, develop, explore and hold significant interests in the South African and African mining industries. By the end of its 2010 financial year, ARM had successfully achieved its 2 x 2010 growth strategy of doubling production volumes in its portfolio of commodities while concurrently sharpening its focus on cost control, expansion into Africa and growing the Company through targeted acquisitions and partnerships.



(1) *Assets held through ARM Mining Consortium's effective interest of 41.5%, the balance held by local communities.*
(2) *ARM shareholding in Two Rivers will reduce to 51% once the transfer of Kalkfontein portions 4, 5 and 6 and Tweefontein prospecting rights has been effected.*
(3) *Platinum Australia earned in 12% ownership on completion and approval of the prefeasibility study. The transfer of this ownership is awaiting approval from the Department of Mineral Resources. Platinum Australia will earn up to 49% on completion of a bankable feasibility study. In the event that the JV acquires Anglo American's 10%, Platinum Australia has the right to acquire 49% of the acquired 10%.*
(4) *Konkola North is subject to a buy-in right of up to 20% (5% free-carried interest) by state-owned ZCCM Investment Holdings plc.*
(5) *ARM Exploration is involved in identifying and assessing exploration and mineral business opportunities in sub-Saharan Africa.*

Share information:		
	Issued share capital at 30 June 2010	**212 692 376 shares**
	Market capitalisation at 30 June 2010	**ZAR34 billion**
	Market capitalisation at 30 June 2010	**US$4.5 billion**
	Closing share price at 30 June 2010	**R161.40**
	Average volume traded for the 12 months ended 30 June 2010	**550 761 shares per day**
	Primary listing	**JSE Limited**
	Ticker symbol	**ARI**

ARM Platinum



ARM Ferrous



ARM Coal



ARM Copper



ARM Exploration



Gold: Harmony



The Investment Analyst Society (IAS)/SAMREC Awards are given annually, after an adjudication of JSE listed Mining and Exploration Company Annual Reports by judges selected from the minerals industry.

*African Rainbow Minerals (ARM) was awarded the **"2009 SAMREC award for the best Exploration Section".***

Integrated salient features

"ARM has achieved good operational results with significant volume growth and continues to control its costs. We have delivered on our 2 x 2010 growth strategy and are continuing with an aggressive growth strategy in our portfolio of commodities. ARM's financial position remains robust."

Patrice Motsepe, ARM Executive Chairman

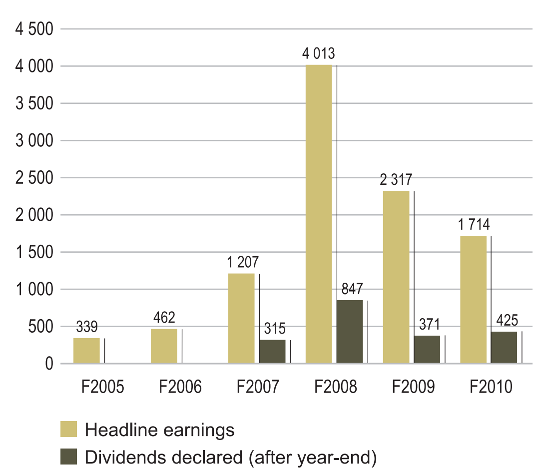
Financial

- Headline earnings down 26% to R1.7 billion from R2.3 billion mainly due to a 16% stronger Rand and lower commodity prices. Headline earnings per share of 807 cents per share compared to 1 094 cents per share in the previous financial year.
- Second half (2H F2010) headline earnings substantially up 178% to R1.26 billion from the first half-year (1H F2010) headline earnings of R454 million.
- Significant increase in the 2H F2010 headline earnings to R1.26 billion compared to the corresponding six-month period (2H F2009) headline earnings of R85 million.
- ARM pays an increased fourth annual dividend of 200 cents per share (F2009: 175 cents per share paid).
- Cash and cash equivalents of R3.0 billion; net debt to equity of 1.7%.

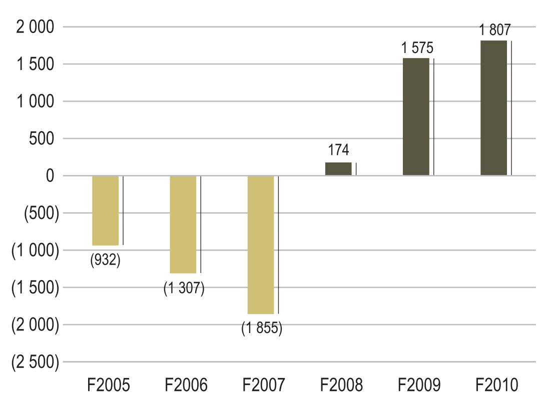
Operational

- Significant increases in sales volumes across all commodities except for domestic thermal coal.
- Decrease in unit costs of iron ore, nickel and platinum group metals (PGM) reflects a strong focus on continuing cost control.
- Approval of the development of Konkola North Copper Project in Zambia. The mine will be developed in conjunction with ARM's partner Vale at a project cost of US$380 million (on a 100% basis).
- Successful conclusion of 2 x 2010 growth strategy.
- Continuation of aggressive growth in ARM's portfolio of commodities.

Headline earnings and dividends
(R million)



Net cash/(net debt) excluding partner loans
(R million)

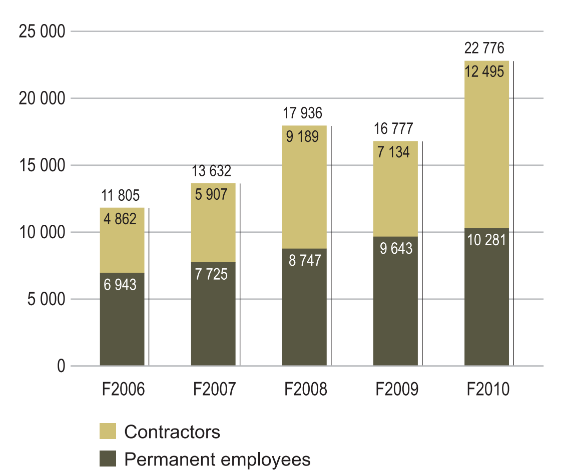


Sustainability

- Regrettably, one fatality was reported at Machadodorp Works.
- Modikwa achieves 6 million fatality-free shifts.
- Safety performance: Slight increase in Lost Time Injury Frequency Rate (LTIFR) to 0.770 (per 200 000 man hours).
- Continuous improvement in implementation of HIV & Aids management programme.
- Community upliftment and social investment (CSI, LED, SLP and ARM BBEE Trust) of R72.9 million.
- Improvement in employment equity and gender diversity – Mining Charter Targets continue to be exceeded.
- Nkomati achieves 1 million fatality-free shifts.

Nkomati PCMZ plant construction

Total labour
(Number of full-time employees and contractors – 100% basis)



Underground safety awareness talk

Key performance indicators

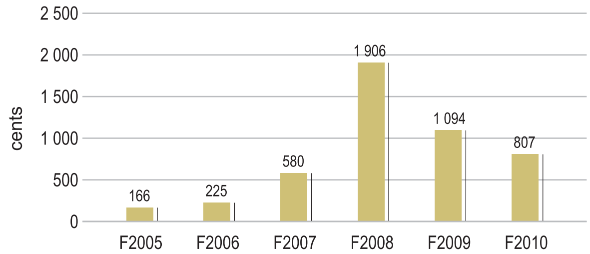
Overview of ARM's key performance indicators covering both financial and sustainability performance for F2010, including comparable indicators for preceding years. The definitions of the indicators are included where appropriate.

Financial

Headline earnings per share (HEPS)

F2010 HEPS declined to 807 cents from 1 094 cents in F2009 mainly due to a stronger Rand and lower realised US Dollar commodity prices.

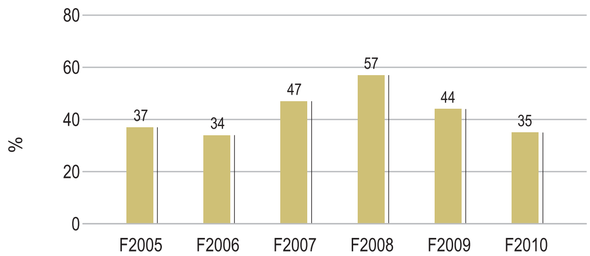
Headline earnings comprise earnings adjusted for items of a capital nature. This is then divided by the weighted average number of shares in issue to arrive at HEPS.



EBITDA margin

The average EBITDA margin reduced to 35% from 44% in F2009 as realised prices, especially for ferrous commodities, were lower than the previous year.

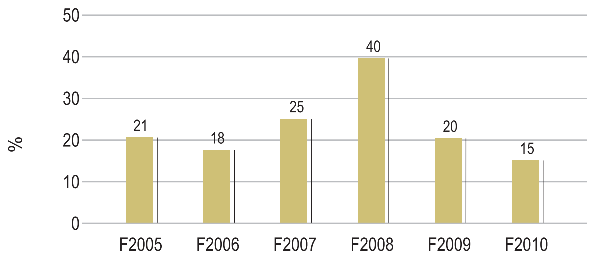
The EBITDA margin is earnings before interest, taxation depreciation and amortisation, excluding exceptional items and income from ARM's associates, divided by sales.



Return on operational assets

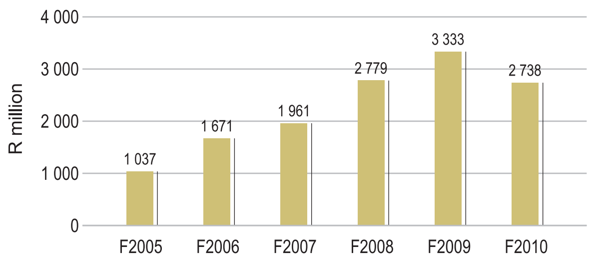
Return on operational assets declined from 20% in F2009 to 15% in the current year.

Return on operational assets is the profit from operations divided by tangible assets, excluding capital work in progress.



Capital expenditure (capex)

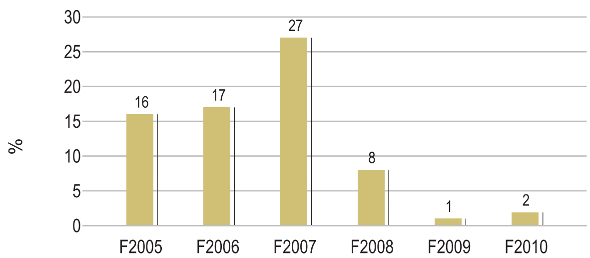
Capex attributable to ARM decreased 17% to R2.7 billion. A large portion of the F2010 capital expenditure was spent on the growth projects in the Ferrous, Platinum and Coal Divisions. Expenditure on growth is expected to continue supported by ARM's strong financial position.



Net debt to equity

ARM's net debt to equity percentage increased only marginally from 1.4% to 1.7% as the Company mainly utilised operational cash flows and cash resources to reduce external debt and to fund capital expenditure.

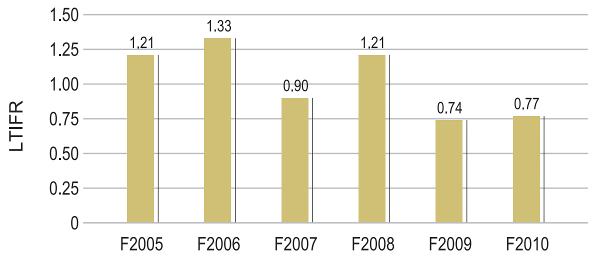
The net debt to equity ratio is total debt less cash and cash equivalents, divided by total equity.



Non-financial

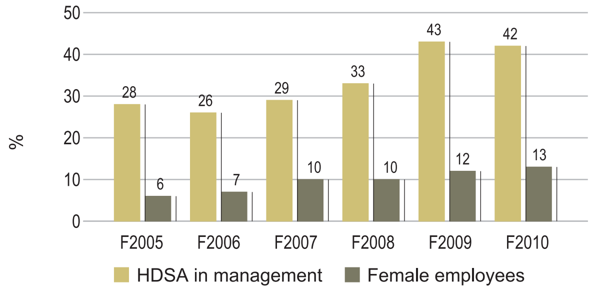
Safety

- Regrettably, one fatality occurred during the year under review. On 10 April 2010, Mr Erick Maluka was fatally injured during slinging operations at the Machadodorp Works.
- The number of lost time injuries (LTIs) increased slightly, while the Lost Time Injury Frequency Rate (LTIFR) for the year was 0.770 (per 200 000 man hours) compared to 0.736 in the previous financial year.



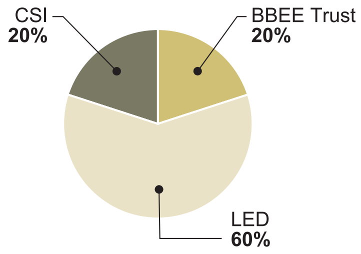
Employment Equity (EE)

- Continued progress in terms of employment equity, including gender diversity.
- Historically Disadvantaged South Africans (HDSA) in management has decreased to 42% from 43% in F2009.
- Total number of female employees at 13% vs 12% in F2009, thereby exceeding the Mining Charter target of 10%.



Community upliftment and social investment

- During F2010, approximately R58.3 million was spent in terms of Social and Labour Plans (SLPs), Local Economic Development (LED) and Corporate Social Investment (CSI) – (similar to F2009 spend of R60 million).
- In addition, the ARM BBEE Trust spent R14.6 million (in F2010) on projects towards upliftment and benefit of rural communities in the provinces in which ARM has operations.
- Total social responsibility investment was R72.9 million during the year.



Implementation of HIV & Aids management programme

- Continued progress in implementation of the HIV programme in alignment with the primary aims of the National Strategic Plan for South Africa (2007 – 2011).
- ARM is actively participating in the National HIV Counselling and Testing campaign as proposed by SANAC (South African National Aids Council):
  - 6 991 employees and 2 088 contractors counselled during the year (40%) and 5 830 employees and 1 404 contractors tested during the year (32%) of the total workforce.

Energy efficiency

As a signatory to the National Energy Efficiency Campaign, management of energy use remains a focus since energy utilisation impacts on costs and greenhouse gas (GHG) emissions.

Climate change

Collected GHG emissions data for F2009, analysed the Company's carbon footprint and made submission to CDP (Carbon Disclosure Project).

Operational overview

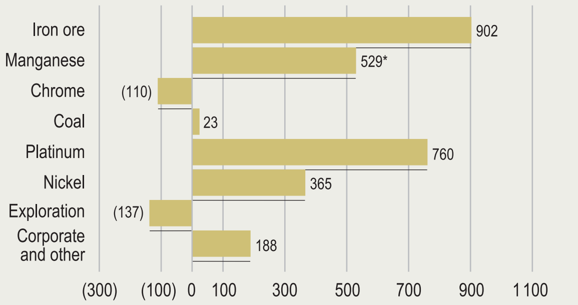
ARM's "We do it better" management style brings entrepreneurial flair to the businesses it manages and is invested in. ARM's partners provide access to markets, skills and value generating growth opportunities.

ARM Total

		F2010	F2009	% change
Headline earnings	Rm	**1 714**	2 317	(26)
EBITDA margin	%	**35**	44	
EBITDA	Rm	**3 907**	4 484	(13)

Total attributable capex: **R2.7 billion**
Total labour in F2010: **22 776** *(Excludes ARM Coal)*

Net cash inflow/(outflow) from operating activities
(R million attributable)



** Manganese cash from operating activities excluding dividends paid to ARM*

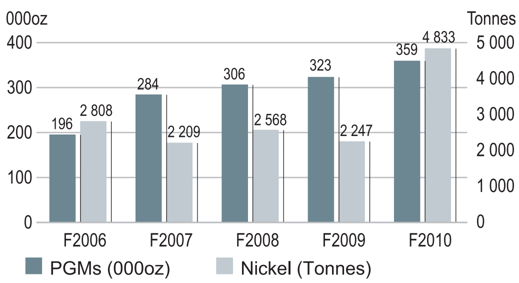
ARM Platinum

ARM Partners: Anglo Platinum, Norilsk Nickel, Impala Platinum

		F2010	F2009	% change
Headline earnings	Rm	**521**	(319)	
EBITDA margin	%	**35**	(8)	
EBITDA	Rm	**1 541**	(180)	

Attributable capital expenditure: **R0.7 billion**
Total labour in F2010: **10 247**
Key investments during the year: **Nkomati Nickel Expansion**

Key attributable operational production volumes



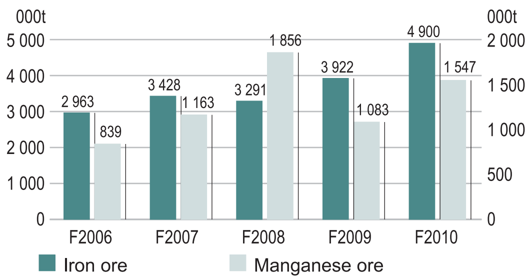
ARM Ferrous

ARM Partner: Assore

		F2010	F2009	% change
Headline earnings	Rm	**1 364**	3 150	(57)
EBITDA margin	%	**38**	67	
EBITDA	Rm	**5 146**	5 146	(52)

Attributable capital expenditure: **R1.6 billion**
Total labour in F2010: **12 360**
Key investments during the year: **Khumani Iron Ore, Nchwaning Manganese Ore Plant**

Key attributable operational production volumes



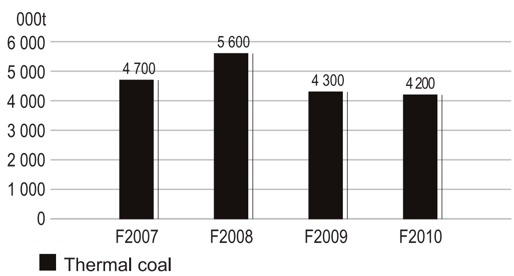
ARM Coal

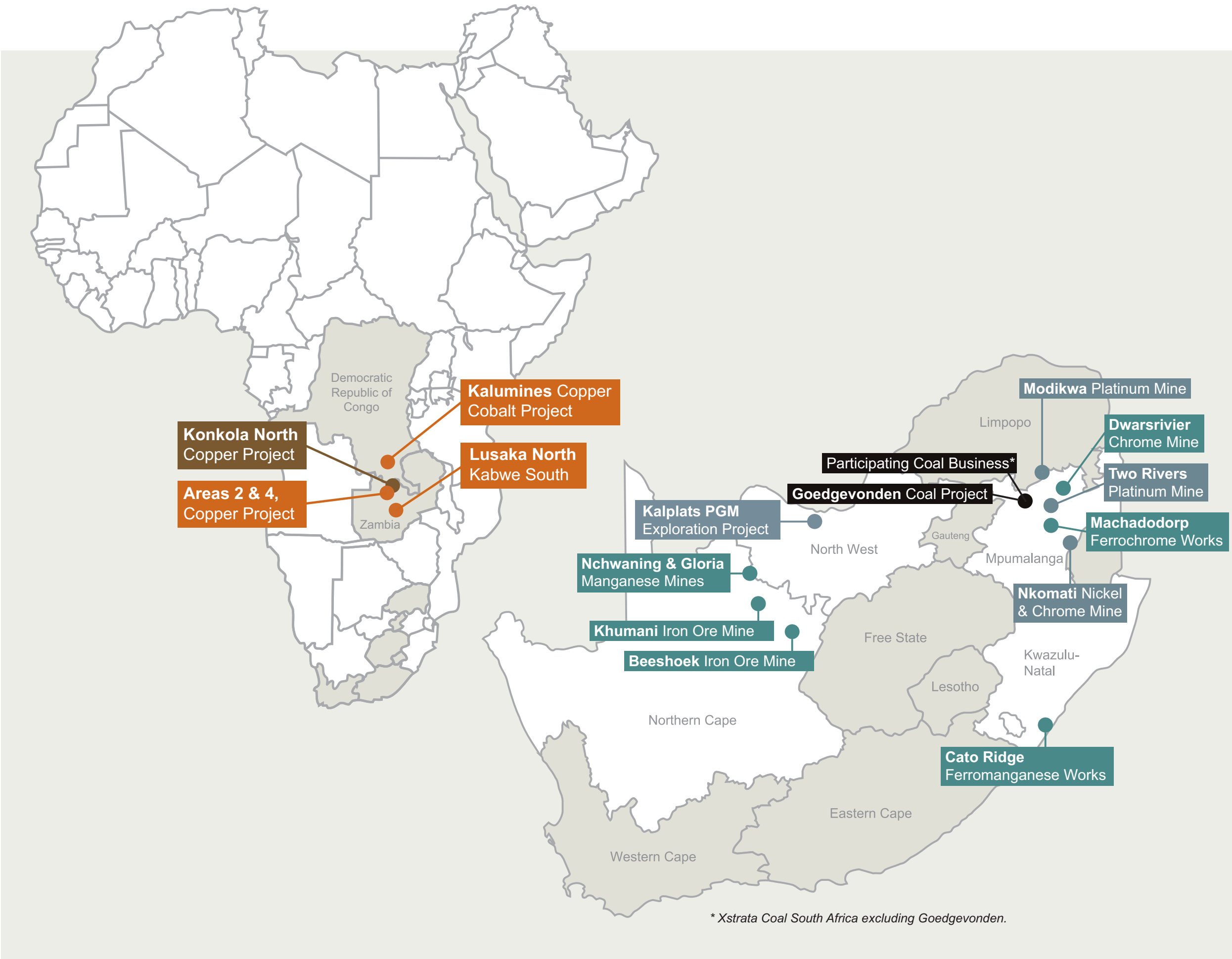
ARM Partner: Xstrata Coal South Africa

		F2010	F2009	% change
Headline earnings	Rm	**(17)**	135	(113)
EBITDA margin	%	**54**	60	
EBITDA	Rm	**114**	73	56

Attributable capital expenditure: **R0.3 billion**
Total labour in F2010: **7 686**
Key investments during the year: **Goedgevonden Thermal Coal Mine**

Attributable operational sales volumes





ARM Copper

ARM Partner: Vale S.A.

Konkola North Copper Project

- Measured and Indicated ore resource of 57.4 million tonnes at 2.42% copper.
- 2.5 million tonnes milled, yielding 45 000 tonnes of copper in concentrate per annum.
- Commission concentrator: December 2012, full production 2015.
- Life-of-mine: 28 years.
- Total capital expenditure: US$380 million in July 2010 terms.
- C1 cash cost: US$1.07/lb (45th percentile: 2015).
- Potential to increase output to 100 000 tonnes copper per annum (Area “A” resource).

ARM Exploration

ARM Partner: Vale S.A.

2005 – 2006

TEAL listed to raise funding to further African exploration

- ARM creates TEAL to advance projects outside of South Africa.
- ARM dilutes ownership to 65% to facilitate TSX listing and fundraising.

2006 – 2008

TEAL invests US$130 million to further exploration in Africa and moves assets up the value curve; debt funding supported by ARM.

Dec 2008 – Feb 2009

ARM announces proposed JV with Vale

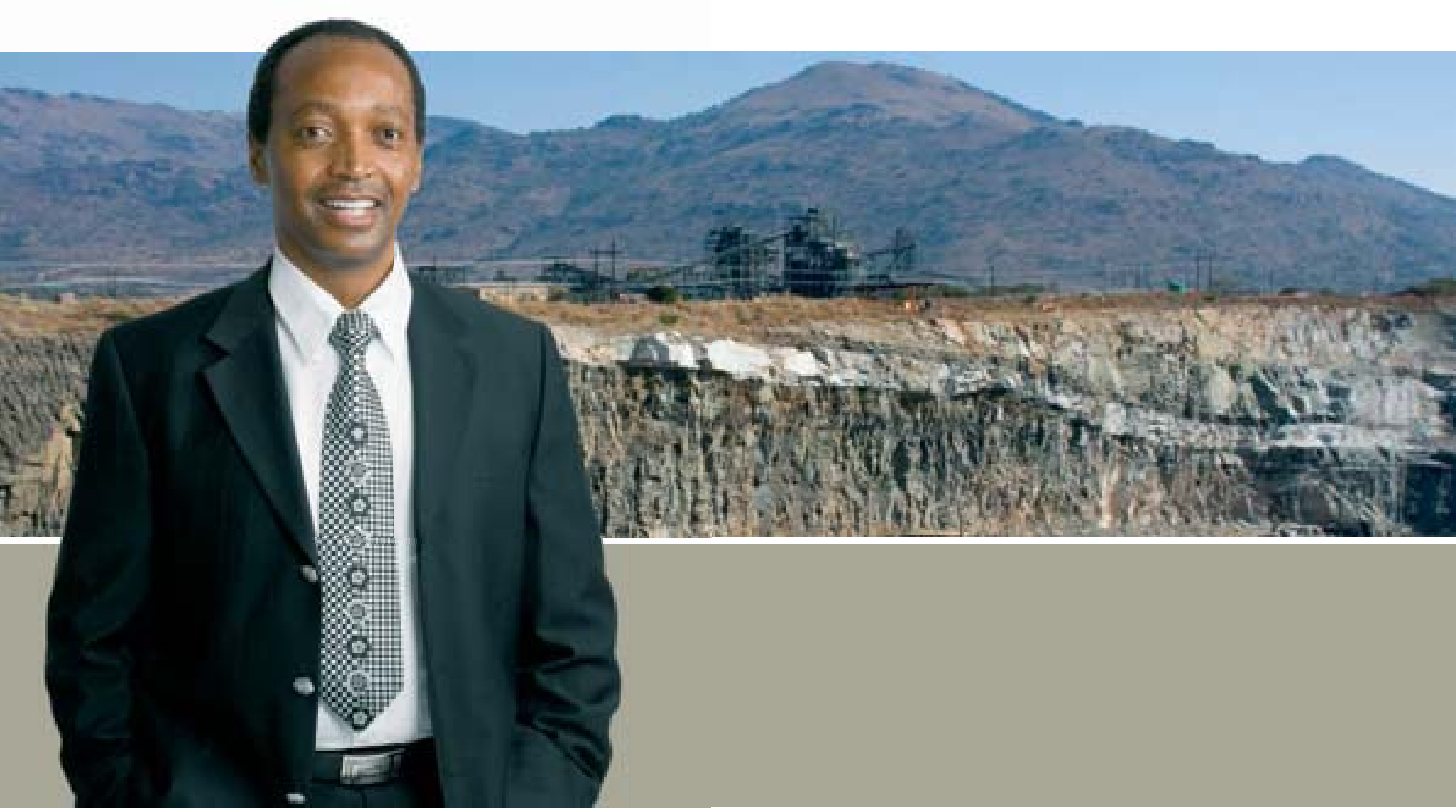
- 15 December 2008: TEAL minorities offered a 123% premium based on 120-day volume-weighted average price.
- 13 Feb 2009: TEAL shareholders vote in favour of transaction – TEAL delisted.
- ARM effectively sells 15% to Vale.
- Future funding shared by 50% JV partner, Vale.

1 March 2009 – current

Transaction concluded

- ARM receives R137 million for 15% sale.
- Bank debt repaid by partners of US$85 million.
- Konkola North project is JV’s near-term focus.
- Drilling commences to expand and define resources.
- Bankable feasibility study for the Konkola North Copper Project East/South Limb ore bodies completed. Project released by ARM and Vale.
- Pre-feasibility study completed for the Konkola North Area “A” resource.
- Pre-feasibility study completed for the development of the Kalumines ore bodies.

Executive Chairman's report



Patrice Motsepe Executive Chairman

ARM achieved impressive operational results over the past financial year and is proceeding with its aggressive growth strategy despite the challenging and inconsistent global economic environment.

Our world class management team continued with their effective cost containment and productivity enhancement measures.

The significant growth in sales volumes could not fully offset the 16% strengthening of the Rand against the US Dollar, as well as lower US Dollar commodity prices received for certain of our commodities. The net result was a 26% decrease in headline earnings to R1.7 billion, or 807 cents per share. What is pleasing however, is that the headline earnings for the second half of the year, of R1.3 billion was 178% higher than the R454 million for the first half of the financial year.

This past year has been gratifying as we achieved a significant milestone which is the successful completion of our 2 x 2010 growth strategy. In terms of this strategy we undertook in 2005, to double production volumes by 2010, in our portfolio of commodities, including iron ore, manganese ore, nickel, platinum group metals and coal. This strategy culminated in the delivery of seven new mines over the last 5 years.

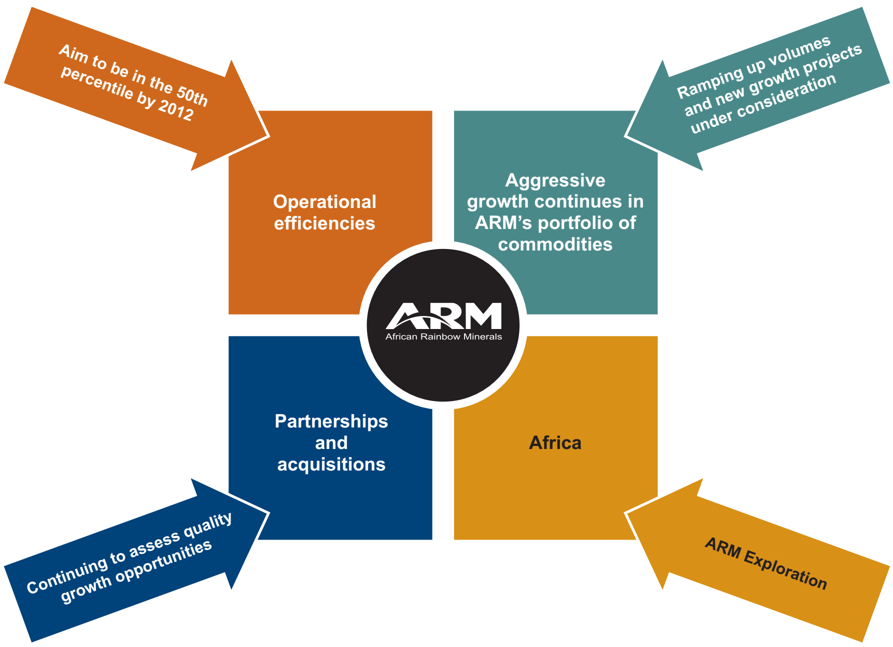
Our diverse and quality portfolio of commodities will stand ARM in good stead as demand in commodity markets improves. Furthermore the benefits of our cost control measures and the huge increases in our volumes will significantly contribute to ARM's long-term profits.

Since the initiation of our growth strategy in 2005, ARM has spent approximately R13.5 billion on an attributable basis on our growth projects, which includes R2.7 billion in the last financial year.

Our aggressive growth continues. Expansions are currently underway at various operations and ARM continues to explore opportunities that are available through corporate action and partnerships.

ARM is well placed financially given that the Company's growth is supported by a robust financial position with low gearing. At 30 June 2010, ARM's net debt to equity had been maintained at below 2% year-on-year; a level that supports the Company's aggressive growth ambitions.

ARM STRATEGY: FIRING ON ALL CYLINDERS



Global Economic Environment

Conditions in commodity markets continued to be challenging, especially in the first six months of the financial year, as the global economy continued to be affected by the slowdown that began in the latter part of the 2008 calendar year. Notwithstanding this, ARM managed to increase annual sales volumes across all commodities, except domestic thermal coal. At the same time, ARM's management and employees have controlled costs and repositioned the Company to benefit from the global economic recovery.

Whilst the distinct change in profitability in the second half of the year was as a result of improved market conditions, the difficult decisions we took in 2009 to proactively restructure our operations, also contributed to the profits of the Company.

2 x 2010 Growth Strategy

The overriding objective of successfully achieving our 2 x 2010 growth strategy ensured that during the past two years we did not reduce the capital expenditure on our growth projects. While we continued to proactively manage our financial position to ensure an acceptable risk level, we were determined to achieve an appropriate balance between profitability and continued growth.

Since the inception of our 2 x 2010 growth strategy, ARM successfully built seven mines at Modikwa, Two Rivers, Goedgevonden, Nkomati, Khumani, Nchwaning 3 and Dwarsrivier. Most of these are large mines, each with a life-of-mine of more than 25 years. In addition, we increased capacity and improved efficiencies at 2 of our processing plants.

At Black Rock we built a new manganese metallurgical plant and increased the output capacity of the plant from 3 mtpa to 5 mtpa. The Two Rivers processing plant was successfully optimised and has improved recoveries as well as increased annual tonnages at the plant.

Our senior management has now built up significant experience in developing and delivering major projects timeously and within budget.

Through our 2 x 2010 strategy we have doubled volumes in our portfolio of commodities as follows (on a 100% basis):

Executive Chairman's report continued

- Iron ore sales volumes increased from 5.8 to 9.8 million tonnes
- Manganese ore sales volumes increased from 1.8 to 3.1 million tonnes
- PGM sales volumes increased from 320 to 689 thousand ounces
- Nickel sales volumes increased from 5.3 to 8.7 thousand tonnes.

In addition to the above increases, we added two new commodities to our portfolio. Coal was added and attributable sales volumes increased to 2.5 million tonnes for export coal and 1.7 million tonnes for domestic coal in 2010. We also added chrome ore and chrome concentrate at Nkomati and increased sales volumes to 502 thousand tonnes and 314 thousand tonnes respectively.

Aggressive Growth Continues

We are entering another exciting period of growth and ARM's strategy is to continue to pursue profitable new opportunities.

ARM and Vale recently approved the development of the Konkola North Copper Project in Zambia. Development of the project has already commenced and will be at a capital cost of US$380 million in July 2010 terms and will produce 45 000 tonnes of contained copper in concentrate per annum. The project has significant potential for expansion. Exploration to evaluate Area "A" of the project, is already underway.

The release of this project represents a significant milestone for ARM as it adds a new commodity to the ARM portfolio and is our first operational investment outside South Africa. Our share of the newly developed mine will be housed in a new division, ARM Copper which we expect to grow in the future.

Our internal growth pipeline also includes, amongst others, the following growth projects:

- The Khumani Iron Ore Mine expansion to 16 mtpa.
- The Nkomati Nickel Mine which will increase production from 9 666 tonnes of nickel produced in concentrate in 2010 to 20 500 tonnes by 2013.
- The Goedgevonden Coal Mine which is expected to reach full production of 6.7 mtpa in 2011.

We are also evaluating the following prospects:

- An enlarged Platinum Mine at Modikwa.
- The Kalumines Copper Project.
- The Kalplats Platinum Project.

ARM has a 77-year operational history which augurs well for its objective of continuing to be a globally competitive, world-class mining company. We can only succeed in this regard if we retain, motivate and appropriately reward our highly skilled and experienced management team.

Partnerships and Joint Ventures

ARM has positioned itself as the partner of choice within the South African and African mining industry. In our partnerships we seek to have at least 50% ownership of the asset or group of assets. Where we own less than 50% we seek to ensure a process that enables us to increase our shareholding, over time to at least 50%.

Our strategy of being an owner operator, allows us to introduce our management culture and skills to the development of our assets while sharing in the extensive knowledge and experience of our partners; especially in the sales and marketing of our products.

Our success in our joint ventures is reflected in the world-class partnerships formed with global mining companies most of whom are leaders in their respective commodities. We are pleased to grow our relationship with Vale with the release of the Konkola North Project. This is further evidence of the mutual benefit of our collaborations.

Sustainability and Safety

Our primary objective remains the continued creation of value for our shareholders. We always ensure that this is done in a sustainable manner that minimises any environmental impact and prioritises the health and safety of the 22 000 employees and contractors that make up ARM.

We are committed to managing our operations and developing new projects in a manner that creates long-lasting economic and social benefits for the communities neighbouring our mines and ensuring that safety standards are of the highest level.

We believe that a safe and healthy workplace is every employee's right. Safety awareness, risk assessment and responsible supervision are crucial to the ongoing success of ARM.

Regrettably one fatality was reported during the financial year ended 30 June 2010. At the Machadodorp Works on 10 April 2010, Mr Erick Maluka was fatally injured during slinging operations. ARM and its Board of Directors convey their deepest condolences to Mr Maluka's family, friends and colleagues.

The Future

While the past financial year, particularly the second half, has seen a remarkable recovery in commodity markets, sentiment is still cautious as the timing of the recovery of the American and other developed economies remains uncertain.

Whereas the global recovery is expected to continue and benefit export oriented economies, it is anticipated that the recovery in certain demand driven economies will be much slower during the forthcoming year.

There remains much speculation about commodity consumption and specifically about the demand from China. We produce high quality iron ore and manganese which is in demand and is used as blend material for lower grade ore from China, India and other developing economies. We are in a small high quality niche market. The medium-term fundamentals are compelling. We remain firmly of the view that a supply shortage could materialise in certain markets, particularly in commodities such as platinum and copper.

ARM remains confident and is well positioned financially and operationally to continue to create value for its shareholders from its long-life and low cost mines. The planned attributable capital spend over the next three years to June 2013, is approximately R10 billion and includes the development of the first phase of our investment in copper. This capital expenditure is expected to be funded from operating cash flows and by utilising available cash and borrowing resources.

Tailings thickener Nkomati Nickel Mine

Conclusion

We paid an increased fourth annual dividend to shareholders of 200 cents per share involving a cash outflow of R425 million (F2009: R371 million). ARM remains committed to being a dividend paying Company whilst implementing its aggressive growth strategy.

The ARM Board experienced a number of changes in the current year. Mr Max Sisulu resigned as an Independent Non-executive Director of the board and became Speaker of the South African Parliament. I would like to express my sincere gratitude to Max for his service to the board and wish him well with his new responsibilities.

We welcomed Mr Mike Arnold to the board. Mike was appointed Financial Director effective 1 August 2009, a position previously held by Mr Frank Abbott who remains on the board as a Non-executive Director. Mr Anton Botha was appointed as an Independent Non-executive Director and Mr Bernard Swanepoel who was previously a Non-executive Director became an Independent Non-executive Director of the board.

We recognise that mining has been and continues to be a crucial sector within the South African economy. As we create shareholder value, we are committed to ensuring that we do so in a manner which allows us to contribute meaningfully to our workforce, the communities within which we operate and to the South African economy.

Since 2005, we have more than doubled the number of employees at the operations from 10 969 to 22 776.

The upliftment of communities within which we operate remains a key imperative for ARM. In the preceding five years we have invested approximately R165 million in the development of our communities. R14.6 million of this was distributed through the ARM Broad Based Economic Empowerment (ARM BBEE) Trust and invested in projects identified by the communities for their upliftment and development. These projects have been in education, health and the development of sustainable enterprises that benefit the communities.

I would like to express my gratitude to my fellow Board members for their invaluable contributions and wise counsel throughout the year.

At the end of a particularly eventful year, I would like to thank Andre Wilkens, our excellent management team, all our employees and their families, for their support and dedication. I am equally grateful to our diverse stakeholders for the tremendous support and the relationships that we have built over many years.

I would also specifically like to thank our various joint venture partners; Anglo Platinum Limited, Assore Limited, Impala Platinum Holdings Limited, Norilsk Nickel Africa (Pty) Limited, Xstrata Coal and Vale S.A.

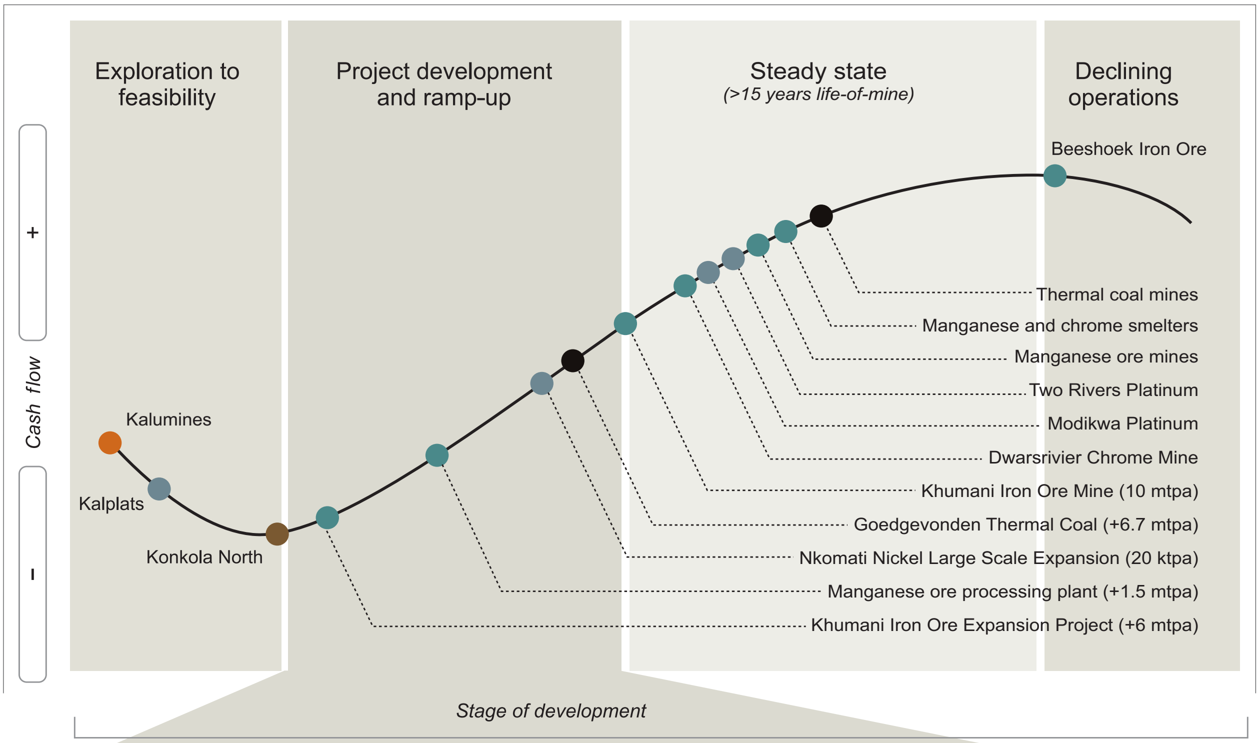
I am confident that ARM will continue to be competitive and create value for our shareholders and contribute to the improvement of the living conditions of the communities living near our mines and our various stakeholders.

Patrice Motsepe
Executive Chairman

15 October 2010

Key growth projects

Project pipeline and operations



Key growth projects

	Khumani Iron Ore (10 – 16 mtpa)	Goedgevonden Thermal Coal	Nkomati Nickel Large Scale Expansion	Konkola North Copper Project
Steady state	10 mtpa (+6 mtpa)	3.5 Mt local; 3.2 Mt export	20 500 t contained nickel	45 000 t copper
Capex committed	100% (20%)	97%	90%	2%
Stage	Ramp-up (building)	Ramp-up	100 000 tpm upgrading	Construction
Position on cost curve	30th percentile	25th percentile	40th percentile	45th percentile
Commissioning (calendar year)	2008 (2012)	2009	2009	2012
Full production (financial year)	2010 (2013)	2012	2013	2015
Comment	More efficient low unit cost	Dragline opencast operation	C1 cash cost net of unit cost by-products of US$3.80/lb	New commodity in portfolio and first mine outside South Africa

A balanced, growing portfolio

- **Konkola North copper** – bankable feasibility study completed, project released by joint venture partners after year-end
- **Kalplats platinum** – bankable feasibility study under way
- **Furnace expansion feasibilities completed** – on hold pending more favourable market and regulatory environment
- **Modikwa platinum expansion** – pre-feasibility under way
- **Thermal coal** – various coal properties under consideration with our partners
- **Zambia copper** – drilling continues at Konkola North Area “A” and Area “A” extension
- **DRC copper** – drilling and evaluation continues at Kalumines; Kasonta and Lupoto
- **Nkomati nickel** – Doornhoek exploration continuing

Chief Executive's report

André Wilkens Chief Executive Officer

ARM's businesses have delivered a strong and exceptionally pleasing operating performance in a year which was effectively a recovery year from the economic downturn experienced in the second half of 2009. It is pleasing that the value of our portfolio of assets was preserved and, in many cases, enhanced.

With realised commodity prices in Rand terms significantly lower than F2009, we have been focused on streamlining our operations with an objective to improve efficiencies and enhance margins. As a result, almost all our mining operations are positioned in the lower half of their respective industry cost curves, with long life mines and extensive growth options.

Sales for the year of R11 billion were 9% higher than last year. This is despite realised Rand commodity prices, especially for manganese (57%) and iron ore (14%), being lower than F2009. This increase in sales can be attributed purely to the strong sales volume growth achieved by the different business units. Sales volumes across the commodities increased as follows (on a 100% basis):

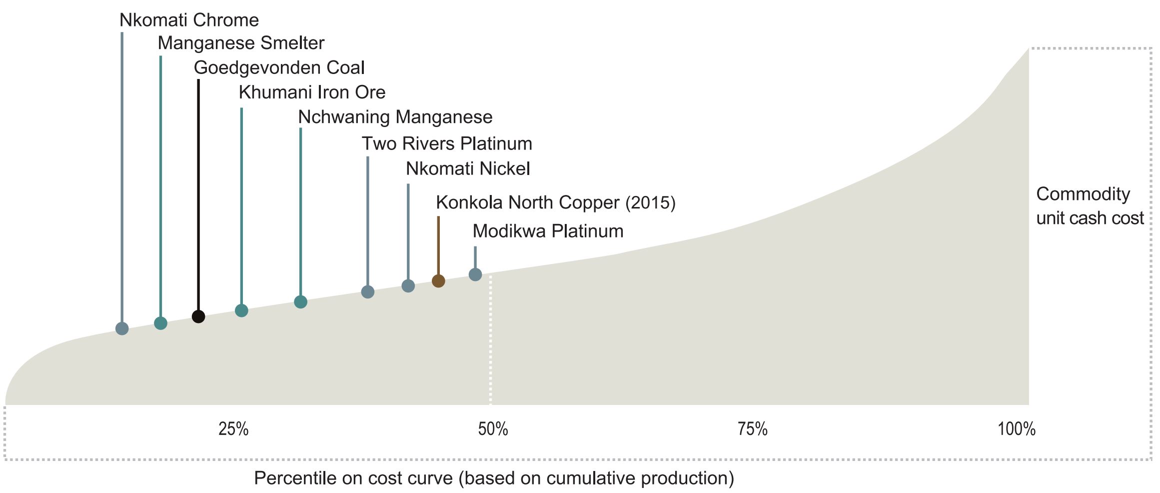
- 516% increase in chrome concentrate sales to 313 735 tonnes (Nkomati Mine only).
- 112% increase in nickel sales to 8 697 tonnes.
- 103% increase in ferromanganese sales to 238 000 tonnes.
- 44% increase in manganese ore sales to 3.1 million tonnes.
- 32% increase in iron ore sales to 9.8 million tonnes.
- 31% increase in ferrochrome sales to 189 000 tonnes.
- 11% increase in PGM sales to 688 957 ounces.
- 6% increase in export thermal coal sales to 11.9 million tonnes.

Sales in the first half of the year totalled R4.2 billion and R6.8 billion was reported for the second half of the year. The increase in the second half of the year demonstrates the significant recovery in commodity prices in the latter half of the financial year.

For the year to 30 June 2010, headline earnings totalled R1.7 billion, compared to R2.3 billion last year. There was a dramatic improvement in the second six-month period of 2010 with headline earnings of R1.2 billion, against first half

Chief executive's report continued

ARM target for operations on the respective global cost curve by 2012
(ARM estimate, benchmarked at steady-state/normalised production volumes)



headline earnings of R0.5 billion. As a comparison, in the first six months of the previous financial year, ended 31 December 2008, earnings were R2.2 billion and over the following six months ended 30 June 2009, earnings totalled a mere R85 million.

The largest contributor to ARM's headline earnings was ARM Ferrous with earnings of R1.4 billion (F2009: R3.2 billion), while ARM Platinum's share of headline earnings amounted to R521 million. This is a significant improvement following the loss of R319 million reported by ARM Platinum last year. This turnaround can be attributed to the significant increase in volumes at Nkomati and Two Rivers. Lower sales volumes and decreased Rand export prices resulted in ARM Coal reporting a loss of R17 million (R135 million profit in F2009). ARM Exploration's costs were significantly reduced through restructuring initiatives in the second half of 2009, an increased focus on costs as well as the benefit of sharing costs with our new partner, Vale S.A. (Vale). ARM received a dividend of R32 million from its investment in Harmony Gold Mining Company Limited (Harmony).

Response to economic slowdown

In my report last year, I discussed a number of strategic imperatives that our operations were implementing to ensure continued profitability. Driven by varying commodity demand factors, we reduced production volumes for certain commodities, costs were contained throughout the ARM Group, and we enhanced the philosophy of ensuring cash generation at all operations.

A number of positive aspects have emerged from these challenging times; firstly our management teams ensured that our actions did not weaken the valuable growth options that we have within our portfolio and, secondly our financial position is now especially robust with net debt at 30 June 2010 of R307 million. This reflects a marginal increase of R76 million relative to the previous year after attributable capital expenditure of R2.7 billion. The net debt to equity percentage at 30 June 2010 was 1.7%.

Licence to operate

ARM has successfully converted its old order mining rights for the Khumani, Goedgevonden and Participating Coal Business (PCB) operations, whilst the new order mining right application for the manganese operations has been approved by the Department of Mineral Resources (DMR) and is in the process of being executed. The conversion of the mining rights of our platinum, nickel and chrome operations is in process and should be completed soon.

Continued focus on growth

ARM has consistently pursued a strategy of value creation through growth and asset improvement. This has largely focused on: operational efficiencies; organic growth (which had become known as our 2 x 2010 strategy); pursuing partnerships and acquisitions where appropriate; and an initiative to expand into the rest of the African continent.

In F2010 we increased our workforce by 35.7% and expect the increasing trend to continue going forward as we realise our ambitious growth plans. There were no retrenchments in the year under review, and our employment equity and gender diversity levels exceeded targets set out in the Mining Charter for a second year in a row.

Chrome stockpile

Bench cutting at Dwarsrivier

Operational efficiencies: ARM's objective to ensure that each of the operating units is placed below the 50th percentile of the global cost curve by 2012, has materialised with unit production cost reductions being achieved at the Khumani Iron Ore Mine, Nkomati Nickel Mine as well as at the Modikwa and Two Rivers Platinum Mines. ARM's management teams are continually looking to enhance value and to strive for continuous improvements. I am very pleased that our teams consistently deliver real cost savings and productivity enhancements. This has been achieved whilst simultaneously improving health, safety and environmental performance and proactively engaging with our broad and diverse stakeholder groupings.

Above inflation cost increases at the manganese operations were as a result of planned reduction in production volumes at the Nchwaning and Gloria Mines, while the ferromanganese and ferrochrome operations were impacted by increases in electricity tariffs, higher prices of reductants and lower production volumes.

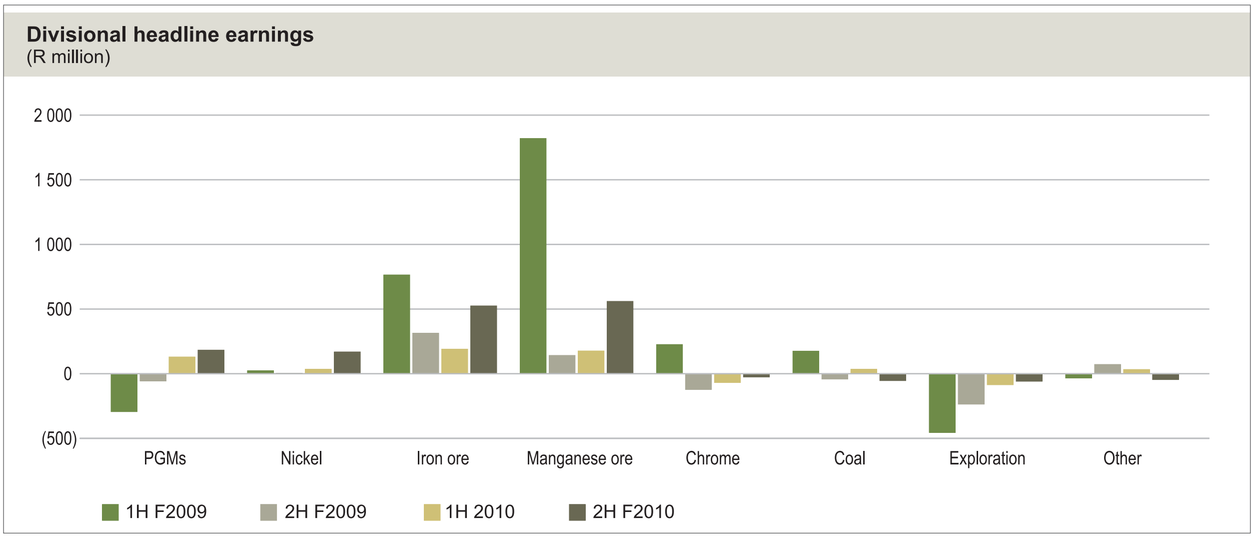
2 x 2010: This strategy, which started in 2005, was focused on the transformation of our operations to ensure increased commodity output at low cost through an owner-operator culture. The past financial year has represented a significant milestone as we successfully completed our 2 x 2010 growth strategy and doubled production volumes in iron ore, manganese ore, platinum group metals, nickel, coal and chrome. This has provided an excellent platform to move forward and continue with further organic growth prospects in the coal, platinum, copper and ferrous metals. Each of these projects is focused on the delivery of robust returns using ARM's in-house, and fairly conservative, long-term commodity price scenarios.

Aggressive growth continues: The 2 x 2010 projects have formed a solid base for the next phase of our Company's growth transformation. We continue to pursue aggressive growth in our portfolio of assets. ARM Ferrous is currently exploring opportunities to increase iron ore production beyond 16 mtpa and manganese ore production beyond 3 mtpa. Such expansions are contingent on export capacity on the Saldanha export channel being increased beyond 60 mtpa. We also have expansion ambitions for our manganese alloy production. With the successful conversion of one of our ferrochrome furnaces to a ferromanganese production furnace in F2010, we are now exploring the conversion of two additional furnaces to take advantage of the higher margins associated with ferromanganese. We have aggressive growth ambitions for our ARM Platinum operations, and are working on a feasibility study to explore the expansion of our Modikwa Mine. We will ensure that we grow the new mining operations in line with all stakeholders requirements for appropriate and responsible social and economic development.

By the end of 2013, ARM's portion of capital invested, including the ramp-up to commissioning, over a nine-year period will have amounted to some R23 billion, with our partners having contributed an additional R19 billion.

Partnerships and acquisitions: While further growth is being planned at specific operations, we are also assessing opportunities that are continually presented through corporate action and partnerships. Acquisitions and take-overs will continue to play a role in our growth and development strategy as we continue to build a quality mining company. Our approach to continue to partner with the best in the industry will also play a major role in the assessment and final decision of any new initiatives.

Chief executive's report continued



Expansion into Africa: The Vale/ARM Joint Venture (the JV) has approved the release of the Konkola North Copper Project in Zambia. ARM sees this as early development of a copper growth strategy in sub-Saharan Africa. Our portion of the newly developed mine will be housed in a new division, ARM Copper. Work has already commenced with the pre-approved capital expenditure in August 2010, commissioning of the concentrator plant is expected 27 months later and full production is expected to be reached in 2015. The project capital expenditure, in July 2010 terms, is US$380 million, and the mine's throughput design is 2.5 million tonnes a year of ore at an average mill head grade of 2.3% copper, yielding 45 000 tonnes of contained copper in concentrate, which will be toll smelted in Zambia. The expected life-of-mine will be 28 years.

A key focus area for ARM Copper will also be to continue with a further three-year exploration programme to evaluate Konkola North's Area "A". This has the potential to double the output to 100 000 tonnes copper per annum in concentrate. Area "A" is situated about six kilometres south of the planned mine development on the Konkola North property. Our drilling has defined a substantial copper resource, and planned drilling will further enhance this resource base.

At the Kalumines mining licence property in the Democratic Republic of Congo, the JV has defined copper and cobalt resources through an extensive drilling campaign. Further drilling and metallurgical test work is in progress to evaluate the possible development of these copper/cobalt resources.

ARM Exploration's objective remains identifying and assessing exploration and mineral business opportunities for base metals, ferrous metals, PGMs and coal in sub-Saharan Africa.

The JV has sold its interest in the Otjikoto Gold prospect in Namibia for a net consideration of US$26 million.

Kalumines drilling

Outlook

It has become obvious that the volatile commodity environment that we have experienced over the last two years has changed certain aspects of our business. Some of the change is for the good, whilst other aspects need further consideration. ARM's determined focus on efficiencies and the containment of its operational costs is commendable.

As a consequence of the financial crisis, the industry's significant capital reduction on exploration and projects has postponed new output. This implies that demand from developing economies such as China, Brazil and India may not be met.

We believe demand for certain commodities will be driven by the development of iron and steel manufacturing capacity in these countries and other developing economies seeking to build infrastructure, while supply growth will also be constrained by infrastructure limitations. We believe this will result in a deficit for commodities in the Ferrous Division in the short term. In the medium to long-term we forsee PGMs and copper will have a serious deficit, since projects have been delayed and will take some five to seven years to get to full production. There are a number of supply constraints in the industries, that take time to be addressed.

Our three new mines which are currently ramping up are coming into steady state production at an opportune time. We will also increase our copper exposure in order to take advantage of the improved prices.

ARM remains well positioned to benefit in this environment. Our carefully planned development and acquisition initiatives over recent years have delivered a well-balanced portfolio that is delivering production output which is exceeding our expectations. We now have the scale and capability to further develop new mining and processing operations.

As we enter into this next phase of ARM's transformation, I am confident that the prospects for the Company remain very encouraging, and will continue to be rewarding over many years to come.

Working together

I wish to thank everyone at ARM for their tremendous efforts during the last year. Your contribution toward a solid foundation for our Company is much appreciated. I believe we can continue to sustain this in the long-term by meeting all stakeholders' expectations regarding social and environmental impact in addition to delivering a strong operational and financial performance.

My sincere thanks to our Executive Chairman for his leadership, guidance and entrepreneurial thinking.

I want to thank our shareholders and business partners for their support over the last year and together with all ARM employees, I look forward to working on your behalf to justify your continued confidence in us.

André Wilkens
Chief Executive Officer

15 October 2010

Financial review

Mike Arnold Financial Director

Overview

The ARM headline earnings of R1 714 million for F2010 (headline earnings per share of 807 cents) represent a firm recovery from the steep economic decline experienced in the first half of the 2009 financial year. These headline earnings are 26% lower than the R2 317 million achieved for F2009 (headline earnings per share of 1 094 cents). The headline earnings for the six-month period to 30 June 2010 were R1 260 million and are 178% higher than those of 1H F2010 which were R454 million. To better illustrate the decline and recovery, information is provided in this section, and elsewhere in the Annual Report, on the relative performance over the past two years in six-month periods.

It is quite evident from the table that ARM headline earnings for 2H F2009 were only slightly better than breakeven at R85 million and were R2.15 billion less than the headline earnings for 1H F2009. In this context, the headline earnings for 1H F2010 of R454 million and R1 260 million for 2H F2010 represent a big recovery in the space of only a year.

Headline earnings

Commodity group R million	1H F2010 Rm	2H F2010 Rm	Total F2010 Rm	1H F2009 Rm	2H F2009 Rm	Total F2009 Rm
Ferrous	**302**	**1 062**	**1 364**	2 812	338	3 150
Platinum	**131**	**184**	**315**	(293)	(55)	(348)
Nickel	**36**	**170**	**206**	24	5	29
Coal	**36**	**(53)**	**(17)**	176	(41)	135
Exploration	**(85)**	**(58)**	**(143)**	(454)	(235)	(689)
Corporate and other	**34**	**(45)**	**(11)**	(33)	73	40
Total	**454**	**1 260**	**1 714**	2 232	85	2 317

The cumulative annual growth rate in headline earnings for ARM since June 2005 was 38%.

The results for the year to June 2010 were negatively impacted by the significant 16% strengthening in the average Rand/US Dollar exchange rate to R7.59/US$ from the average in F2009 of R9.03/US$.

Basic earnings for the year were R1 812 million (basic earnings per share of 854 cents); R98 million more than headline earnings, largely as a result of a R107 million exceptional gain realised in the Exploration segment from the sale of its gold interest at Otjikoto. The F2009 basic earnings were R551 million higher than headline earnings for that year due largely to the once-off gain on ARM's sell down of its stake in TEAL to 50% and the introduction of Vale as a 50:50 partner.

The ARM Ferrous Division has been the major contributor to ARM's headline earnings for the past three years owing to strong performances from its iron ore and manganese divisions. In F2010 their contribution declined by 57% to R1 364 million (F2009: R3 150 million). Details of ARM Ferrous results may be obtained from the segmental reports in the financial statements note 2.3. From these reports it is evident that the largest fall in the contribution from ARM Ferrous occurred in the manganese division which reduced by R2.4 billion from R3.9 billion in F2009 to R1.5 billion in F2010, at 100%. Smaller declines were recorded at both iron ore and chrome when compared to F2009. The overall reduction occurred despite sales volume increases in iron ore, manganese ore and ferromanganese alloys. The average US Dollar sales prices for all the ARM Ferrous commodities fell in F2010 when compared to the averages for F2009 exacerbated by the abovementioned strengthening in the average Rand/US Dollar exchange rate.

The Platinum Division achieved a significant turnaround in F2010 as the divisional headline earnings contribution increased to R521 million from a loss of R319 million in F2009; a turnaround of R840 million. The improvement in these results is largely due to significant sales volume increases of 11% in PGMs and 115% in nickel while total chrome sales increased by 103 755 tonnes. It should also be noted that the F2009 results for the Platinum Division were adversely affected by the R547 million negative realised adjustment to the 30 June 2008 debtors balance which manifested itself during the first four months of the F2009 year. The comparative adjustment in F2010 on the 30 June 2009 debtors is a realised R50 million gain.

The Coal Division's contribution to ARM's headline earnings fell by R152 million to a loss of R17 million largely as a result of lower export thermal coal prices and the impact of the stronger Rand/US Dollar exchange rate and lower sales volumes at the participating coal business (PCB). The contribution from Goedgevonden (GGV) to some extent ameliorated the PCB decline as the new mine ramps up production.

The contribution of ARM Corporate, other and Gold was a charge of R11 million as compared to a gain of R40 million in F2009. This variance largely relates to increased staff costs and consolidation adjustments less the F2009 Harmony dividend recognised in F2010.

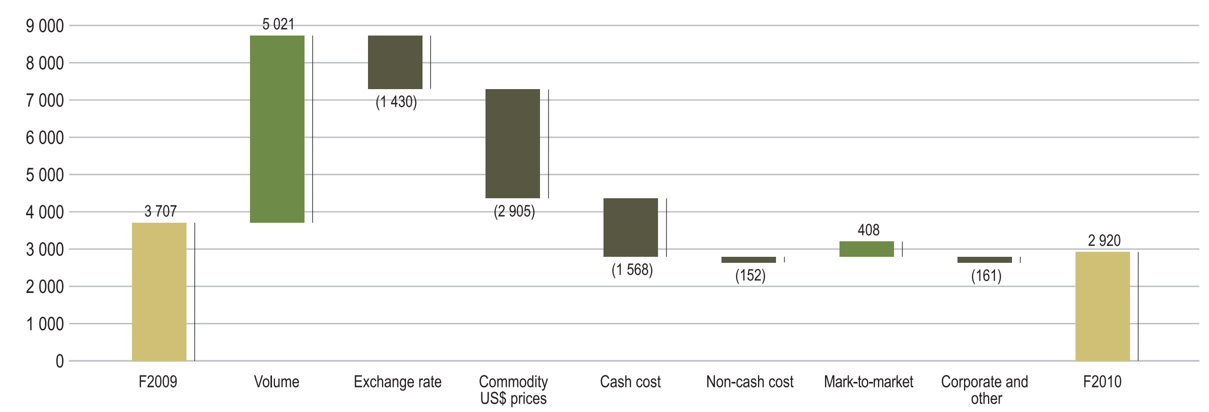
The ARM Exploration Division costs were significantly lower than previous periods as a result of: (i) the restructuring initiatives in 2H F2009; (ii) an increased focus on costs; and (iii) the benefit of sharing costs with ARM's partner, Vale. The impact on headline earnings for the Exploration Division was a negative R143 million (F2009: R689 million loss), a very significant improvement of R546 million.

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

Sales were largely impacted by the following variances:

- The major positive variance amounts to R5 billion which arises from the improvement in sales volumes across ARM's operations.

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



Financial review continued

Summarised income statement

R million	F2010	F2009	% change
	Year ended 30 June		
Sales	**11 022**	10 094	9
Profit from operations (before exceptional items)	**2 920**	3 707	(21)
Income from investments	**209**	414	(50)
Finance costs	**(192)**	(385)	(50)
Income/(loss) from associate	**(51)**	147	(135)
Exceptional items	**97**	514	
Taxation	**(1 009)**	(1 727)	(42)
Non-controlling interest	**(162)**	198	
Profit after tax and non-controlling interest	**1 812**	2 868	(37)
Headline earnings	**1 714**	2 317	(26)
Headline earnings cents per share	**807**	1 094	(26)
EBITDA	**3 907**	4 484	(13)

Summarised statement of financial position

R million		F2010	F2009
Non-current assets		**20 290**	18 566
Property, plant, equipment and other		**13 807**	12 138
Investments		**6 483**	6 428
Current assets		**7 943**	6 933
Other		**4 904**	3 420
Cash and cash equivalents		**3 039**	3 513
Total assets		**28 233**	25 499
Total equity		**18 529**	16 751
Non-current liabilities:	Long-term borrowings	**2 582**	1 364
	Other	**3 461**	2 678
Current liabilities:	Short-term borrowings	**764**	2 380
	Other	**2 897**	2 326
Total equity and liabilities		**28 233**	25 499

- The fall in commodity prices in US Dollar terms and the strengthening of the Rand against the US Dollar account reduced by the mark-to-market positive variance accounts for the remaining negative variance of R3.9 billion.
- The negative cash cost variance of R1.6 billion is due to the absolute increase in mining costs to produce the additional sales volumes achieved.

Consolidated income statement

Sales for the year of R11.0 billion were 9% higher than sales in F2009. The increase in 2H F2010 when compared to 1H F2010 is largely attributable to increased sales volumes and commodity price increases (manganese and iron ore).

The contribution to sales by segment varied as follows for F2010 as compared to F2009:

- ARM Ferrous sales fell by 16% to R6.4 billion.
- Platinum sales increased by 80% to R3.2 billion.
- Nkomati Nickel increased by 125% to R1.2 billion.
- ARM Coal increased by 75% to R0.2 billion.

The gross profit margin for the year reduced to 32.1% (F2009: 40.1%) as increased sales volumes and good unit cost improvements were impacted, particularly by lower average Rand manganese and iron ore prices, while Rand PGM prices remained fairly constant. The average gross profit margins for the individual operations for F2010 and F2009 are:

Gross profit margin by operation

	F2010 %	F2009 %
Assmang	**35**	62
Two Rivers	**28**	(34)
Modikwa	**26**	(29)
Nkomati	**26**	9
Coal	**26**	30
Group	**32**	40

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

- Electricity and reductant cost increases at the ferromanganese and ferrochrome smelters.
- Mining cost inflation of between 8% and 14%.
- Attributable amortisation has increased by R200 million as new operations ramp-up at Khumani Iron Ore, GGV Coal and Nkomati Nickel.

Other operating income decreased by R508 million to R408 million. In the Corporate and other segment this income comprises largely management fees received (F2010: R200 million and F2009: R120 million) while in the operational segments the income is largely due to foreign exchange gains. In F2010 as a result of the strengthening of the Rand during the year (in F2009 the average exchange rate increased during the year), the amount of these gains was less than in F2009 by R340 million. Other income in F2009 included R100 million from the partial settlement of the Cato Ridge furnace explosion insurance claim which is not repeated in F2010.

Other operating expenses decreased by R225 million in comparison to F2009. This decrease is largely due to the fall in costs in the Exploration segment reduced by an increase in the Corporate and other segment of approximately R100 million related to increased staff related costs.

The newly introduced Mineral Royalty Tax was payable for the period from 1 March 2010 to 30 June 2010. This cost is included in other operating expenses as it is not a tax and is also not directly attributable to the sales process. An amount of R20 million was incurred for the four-month period and is lower than might be expected due to the high levels of capital expenditure and unredeemed capital expenditure at most operations for this period.

Profit from operations before exceptional items reduced to R2.9 billion from R3.7 billion as a result of the lower gross profit and the net impact of changes in other income and other expenses outlined above.

Income from investments amounted to R209 million for the year and includes a dividend received from Harmony of R32 million in October 2009 relating to their F2009 results. Interest income has reduced in comparison to F2009 due to the fall in average interest rates of about 4% during the year and the reduction in average cash balances held across the various operations, particularly at ARM Company and at ARM Ferrous.

While total interest-bearing borrowings have remained fairly constant during the year, finance costs are R193 million lower in F2010 due to the fall in interest rates during the year.

Consolidated statement of financial position

The ARM financial position remains strong and effectively un-geared with net debt to equity remaining at below 2% year-on-year.

The net debt position at 30 June 2010 of R307 million reflects a marginal increase of R76 million relative to the previous year after attributable capital expenditure of R2.7 billion (F2009: R3.3 billion) and represents an improvement of R1.1 billion since 31 December 2009.

- The net debt to equity percentage is 1.7% at 30 June 2010 (F2009: 1.4%). The total debt at 30 June 2010 of R3.3 billion includes an amount R2.1 billion advanced by ARM's partners (Implats: R343 million; Anglo Platinum: R114 million; Xstrata: R1.66 billion) and therefore the net cash amount excluding partner loans at 30 June 2010, is R1.8 billion (F2009: net cash R1.6 billion).
- Cash and cash equivalents were R3.0 billion at 30 June 2010 (F2009: R3.5 billion).
- The only significant external bank debt at 30 June 2010 is in ARM Company where the year-end balance on the corporate loan was R784 million (F2009: R967 million). This loan is repayable in August 2012.
- The Company has agreed terms with a financial institution for a US$80 million term loan commencing on 1 July 2011 to assist with the funding of the Konkola North Copper Project.

Total assets increased by 10.7% largely as a result of the R2.7 billion capital expenditure during the year. The detail of this expenditure is included in the operational reviews as well as in the segmental analysis on pages 208 to 213.

Additional key features include:

- Other investments, which largely comprise the 14.8% stake which ARM has in Harmony, remained largely unchanged at R5.2 billion as the share price at which the investment is marked-to-market of R81.40/share in F2010 was similar to the 30 June 2009 figure of R80.00/share. ARM holds 63.6 million shares in Harmony.
- Within current assets the largest change was in accounts receivable which increased by R1.46 billion as sales levels increased during the year. This impacted negatively on working capital requirements as reflected in note 33 to the financial statements. Inventory levels remained at F2009 levels.
- Total interest-bearing borrowings fell by R398 million to R3 346 million at 30 June 2010. During the year, bank debt at TEAL (R335 million repaid in full), Nkomati (R149 million repaid in full) and ARM Company were repaid or reduced. The partner loans from Xstrata increased during the year by R526 million as Xstrata continued to fund the development of the Goedgevonden Thermal Coal Mine.
- Trade and other payables increased by R678 million to R2.3 billion. This increase impacted positively on working capital requirements and thus to some extent countered the increase in accounts receivable.

Consolidated statement of cash flows

Cash generated by operations were R3.2 billion less than in F2009 mainly owing to a R2.2 billion negative swing in the working capital movements when comparing F2010 to F2009. Refer note 33 to the financial statements. In F2009 there was a R1.7 billion release of working capital following the dramatic slowdown in business activity during the global recession.

As a result of the above decrease, offset by lower taxes and the dividend paid by ARM in F2010, the net cash inflow from operating activities fell by R1.5 billion to R2.5 billion from R4.1 billion in F2009.

Capital expenditure outflows were mainly for expansionary purposes (79% or R2.0 billion) and to a lesser extent on maintenance capital expenditure (21% or R519 million). The level of maintenance capital expenditure was reduced following the cash preservation strategies, particularly at Platinum. These levels are expected to increase in F2011. Expansion capital expenditure was largely spent at Khumani Iron Ore, Goedgevonden Thermal Coal and Nkomati Nickel.

Financial review continued

There was a net outflow on financing activities of R729 million (F2009: R171 million) mainly due to loans being reduced as explained above.

The closing cash position of R3.0 billion (at 30 June 2009: R3.5 billion) was held primarily at ARM Company (R903 million; at 30 June 2009: R1 287 million), at ARM Ferrous (R897 million; at 30 June 2009: R1.6 billion). Restricted cash increased by R465 million due to an increase in cash paid into environmental trust funds as well as increased cash held at the two ARM insurance captives.

Segmental analysis

The graphs and charts in this financial review indicate certain key elements of the segmental contributions to the ARM results. In addition, detailed segmental results which include income statement, statement of financial position and cash flow information are provided on pages 208 to 213 of the financial statements.

Significant accounting matters

1. The new Mineral Royalty Tax (MRT) which became effective on 1 March 2010 is described earlier in this report under the section dealing with the consolidated income statement.

   The calculation of this tax cost differs for each operation and commodity as it is a function of many variables including (i) a sales value at the mine gate dependent on the specified condition of each commodity as detailed in the legislation, (ii) the cost structure at the operation, (iii) the amount of capital expenditure as well as the tax status on previously unredeemed capital expenditure. There is no MRT payable by the smelter operations in ARM Ferrous. Within ARM all entities liable for MRT are treated as producing unrefined products where the minimum MRT rate is 0.5% and the maximum is 7%.

   The current State Share of Profits tax payable by the manganese ore mines will be replaced by the MRT as soon as the mining conversions for the manganese mines are registered.

2. The ARM Board approved the release of the Konkola North Copper Project, after the year-end, in August 2010. From the date of release, all expenditure on the project is to be capitalised.

3. The ARM Ferrous Division has instituted legal proceedings against the local reinsurers for 40% of their claims arising from the explosion at Cato Ridge in 2007. The claim amount is for approximately R800 million. ARM Ferrous reported in F2009 that a settlement had been reached with the overseas reinsurers for 60% of the claim. As the outcome of the legal action is not certain there has been no accrual for any recovery from the local reinsurers.

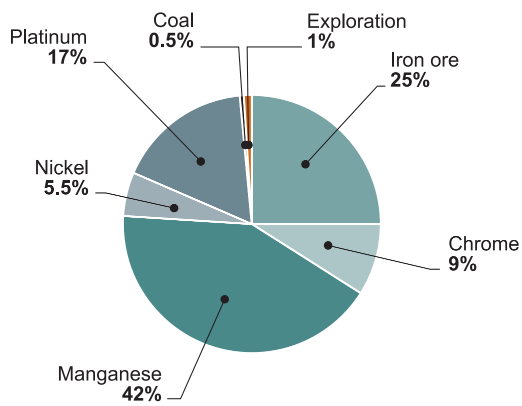
Financial risk management

ARM has an established risk management programme which is more fully described in a separate section on pages 160 to 161 of this report.

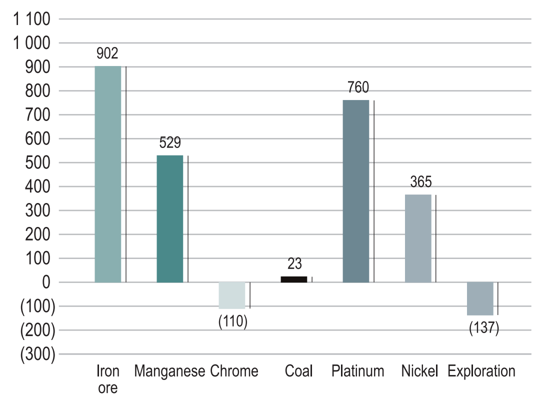
Specific risks which have a financial bias include currency, commodity price, interest rate, counterparty, credit and acquisition risk. A detailed analysis of ARM's approach to these risks is provided on pages 237 to 242 of the financial statements.

A sensitivity analysis is provided on page 242 of the financial statements. In particular, the sensitivity analysis reflects the closing prices used in the provisional valuation of accounts receivable for the ARM Platinum and Nkomati Nickel segment.

F2010 revenue contribution per commodity



F2010 cash flow from operating activities
(R million)



Dwarsrivier open-pit

The ARM financial position has remained effectively un-geared since 30 June 2009 and during the year surplus cash has been largely utilised to repay external bank debt. The only significant external bank debt at 30 June 2010 is held by ARM Company through its corporate facility which had a balance outstanding of R784 million which is due for repayment or refinancing in August 2012. This position does not mean that ARM is risk averse but rather that the Company is well positioned to continue to grow aggressively in the future. Planned attributable capital expenditure for the three-year period to June 2013 is approximately R10 billion (refer graphical analysis on this page). The Company has a position that a net debt to equity ratio of up to 30% would be considered by the Company provided that the related debt levels can be serviced from operational cash flows.

Dividend

Dividends are declared after consideration of the solvency and liquidity of the Company and with due regard to the earnings, current funding status of the Company, future funding requirements and estimated cash flows.

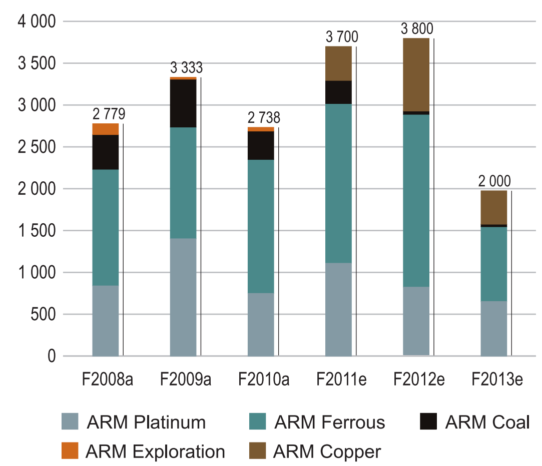
ARM had minimal gearing at 30 June 2010 and sufficient cash and cash equivalents and borrowing resources to fund both the planned maintenance and expansion of operations. Management continually reviews Company plans and forecasts every quarter.

The fourth annual dividend declared by ARM on 30 August 2010 of R2.00 per share represents an increase of 14% over the F2009 dividend and is in line with ARM's commitment as a globally competitive company to pay dividends to shareholders while continuing to grow the Company for the future.

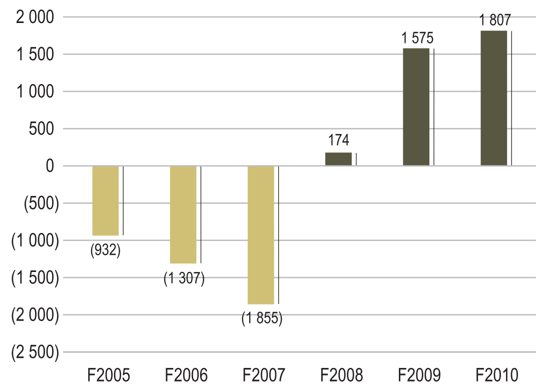
Mike Arnold
Financial Director

15 October 2010

Attributable capital expenditure
(R million)



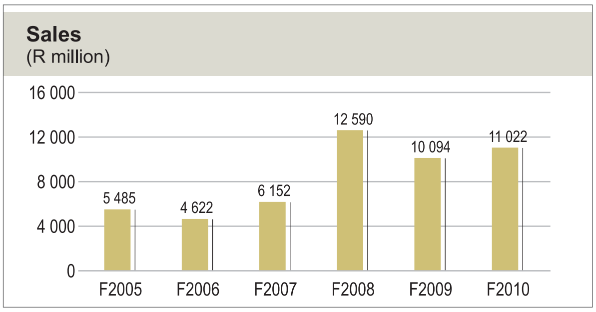
Net cash/(net debt) excluding partner loans
(R million)

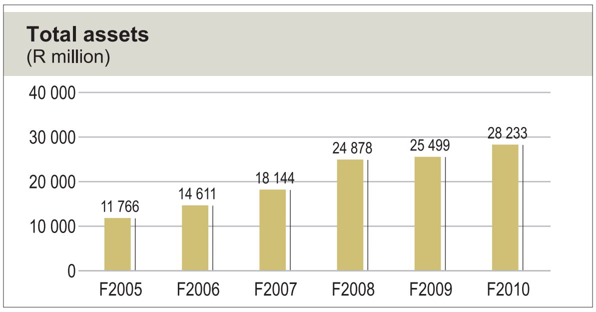


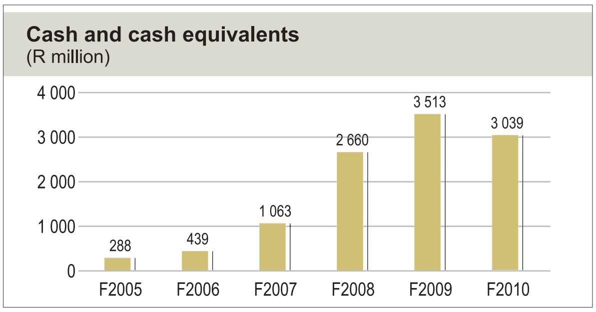
Financial summary and statistics

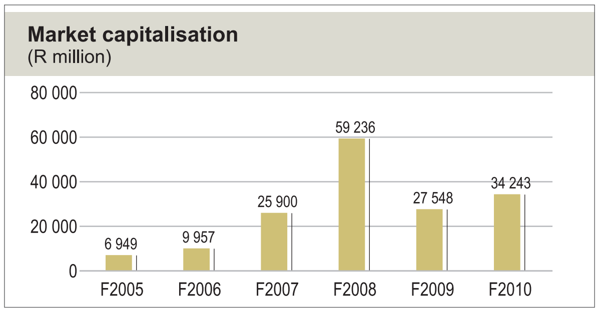
		Group						
R million, unless stated otherwise	Compounded annual growth rate %	F2010 Rm	F2009 Rm	F2008 Rm	F2007 Rm	F2006 Rm	F2005 Rm	F2004 Rm
Income statement								
Sales	19	**11 022**	10 094	12 590	6 152	4 622	5 485	3 885
Headline earnings	82	**1 714**	2 317	4 013	1 207	462	339	47
Basic earnings per share (cents)	0	**854**	1 355	2 131	586	293	225	865
Headline earnings per share (cents)	67	**807**	1 094	1 906	580	225	166	37
Dividend declared after year-end per share (cents)		**200**	175	400	150	n/a	n/a	n/a
Statement of financial position								
Total assets	16	**28 233**	25 499	24 878	18 144	14 611	11 766	11 460
Cash and cash equivalents	43	**3 039**	3 513	2 660	1 063	439	288	357
Total interest-bearing borrowings	11	**3 346**	3 744	3 978	4 044	2 252	1 574	1 831
Shareholders' equity	15	**18 529**	16 751	15 676	11 218	10 393	7 972	7 954
Statement of cash flows								
Cash generated from operations	34	**3 430**	6 678	5 175	2 537	1 243	1 661	603
Net cash outflow from investing activities	22	**(2 324)**	(3 135)	(2 427)	(2 691)	(1 444)	(826)	(691)
Net cash (outflow)/inflow from financing activities		**(729)**	(171)	(175)	1 562	893	(549)	280
Number of employees	12	**10 281**	9 643	8 747	7 725	6 943	6 107	5 162
Number of contractors	27	**12 495**	7 134	9 189	5 907	4 862	NR	NR
Exchange rates								
Average rate US$1 = R	2	**7.59**	9.03	7.30	7.20	6.40	6.21	6.90
Closing rate US$1 = R	3	**7.67**	7.72	7.83	7.07	7.16	6.65	6.26
JSE Limited performance								
Ordinary shares (Rands)								
– high	27	**206**	291	307	138	52	38	48
– low	24	**117**	76	103	53	32	25	32
– year-end	30	**161**	130	280	123	48	34	34
Volume of shares traded (thousands)	32	**138 241**	113 690	84 678	40 203	39 711	51 382	26 547
Number of ordinary shares in issue (thousands)	1	**212 692**	212 068	211 556	209 730	206 367	204 437	204 208
Financial statistics	Definition number							
Liquidity ratios (x)								
Current ratio	1	**2.2**	1.5	1.8	1.5	1.4	1.6	1.5
Quick ratio	2	**1.7**	1.1	1.5	1.1	1.0	1.0	0.9
Cash ratio	3	**5.89**	1.6	1.6	0.8	0.8	0.8	0.4
Profitability (%)								
Return on operational assets	4	**15.2**	20.4	39.6	25.1	17.6	20.6	7.5
Return on capital employed	5	**12.5**	18.2	36.3	16.4	9.2	8.2	8.2
Return on equity	6	**9.6**	14.3	27.0	11.1	4.5	5.2	0.7
Gross margin	7	**32.1**	40.1	56.2	45.7	28.5	31.8	21.1
Operating margin	8	**26.5**	36.7	53.0	40.3	24.1	29.0	13.6
Debt leverage								
Interest cover (x)	9	**16.0**	11.1	16.7	6.9	8.5	8.5	5.4
Debt to equity ratio (%)	10	**18**	25	25	36	22	20	23
Net debt to equity ratio (%)	11	**2**	1	8	27	17	16	19
Other								
Net asset value per share (R/share)	12	**84**	76	70	52	50	32	32
Market capitalisation	13	**34 243**	27 548	59 236	25 900	9 957	6 949	6 943
Dividend cover (X)	14	**4.04**	6.25	4.76	3.87	n/a	n/a	n/a
EBITDA	15	**3 907**	4 484	7 229	2 887	1 552	2 025	725
EBITDA margin (%)	16	**35**	44	57	47	34	37	19
Effective tax rate	17	**34**	39	30	36	33	37	19

The financial information above is in accordance with International Financial Reporting Standards.
The comparison above is given from F2004 which is when the current ARM was formed.
Various corporate transactions were entered into during the past seven years, therefore direct comparison is not always meaningful.
NR refers to figures not reported.









Definitions

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

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

Financial summary (US Dollar)

	Group						
	F2010 US$m	F2009 US$m	F2008 US$m	F2007 US$m	F2006 US$m	F2005 US$m	F2004 US$m
Income statement							
Sales	**1 452**	1 118	1 725	854	722	883	563
Headline earnings	**226**	257	550	168	72	55	7
Basic earnings per share (cents)	**113**	150	292	81	46	36	125
Headline earnings per share (cents)	**106**	121	261	81	35	27	5
Dividend declared after year-end per share (cents)	**26**	23	51	n/a	n/a	n/a	n/a
Statement of financial position							
Total assets	**3 682**	3 304	3 178	2 576	2 041	1 769	1 831
Cash and cash equivalents	**396**	455	340	150	61	43	57
Shareholders' equity	**2 416**	2 171	2 002	1 587	1 452	1 199	1 271
Statement of cash flows							
Cash generated from operations	**451**	739	709	352	194	267	97
Net cash outflow from investing activities	**306**	348	334	374	226	133	100
Net cash (outflow)/inflow from financing activities	**(96)**	(19)	(24)	217	140	(88)	41
JSE Limited performance							
Ordinary shares (cents)							
– high	**2 714**	3 217	4 205	1 917	816	612	696
– low	**1 542**	842	1 414	739	500	411	471
– year-end	**2 099**	1 683	3 576	1 747	674	511	543

Principal risks and uncertainties

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

For a detailed analysis of financial instruments and risk management issues refer note 37 to the financial statements, and for risk management procedures and processes refer to pages 160 to 161 of the corporate governance section.

RISK	IMPACT	MITIGATION ACTION TAKEN BY ARM
Financial risk		
Commodity price volatility		
ARM's revenue, earnings and cash flows are dependent upon prevailing commodity prices determined by the supply of and demand for commodities, linked to global economic conditions.	Fluctuation in the commodity price for the range of commodities may have a material impact on ARM's financial results.	• Maintains a diversified portfolio of commodities. • Follows a general policy not to engage in commodity price hedging. • Constantly monitors commodity markets and matches production with market demand and commodity prices. • Focuses on containing and reducing operating expenses.
Fluctuations in currency exchange rates		
ARM's products are mostly sold in US Dollars.	Fluctuations in the exchange rate of the South African Rand against the US Dollar may have a material impact on ARM's financial results.	• Foreign exchange hedging is limited to specific items of capital expenditure on major projects. Rand movement provides both an opportunity and a risk.
Inflation/increased costs/cost control		
ARM is unable to directly set the prices it receives for the commodities it produces. Extraction and processing costs of raw materials and consumables, such as reductants, reagents, power, fuels, labour, transport and equipment, are susceptible to inflationary and supply and demand pressures.	ARM's ability to contain costs in an inflationary environment and maintain low cost efficient operations can have a significant impact on its profitability. The competitiveness of its products and its long-term profitability can negatively impact ARM's earnings.	• Ability to contain/reduce costs and maintain operational efficiency is a measure of the quality of ARM's operational management and asset stewardship. • Cost performance are key measures of management performance and operational efficiency. • Aim, by 2012, to be within the 50th percentile of the global cost curve (based on steady-state production). • Regular audits of operations identify potential inefficiencies.
Financing		
High debt levels, combined with a significant project pipeline could reduce ARM's ability to grow its operations and to take advantage of business opportunities.		• As a result of focus on cash conservation and debt reduction, ARM has a strong financial position with low gearing, which ensures ARM can proceed with funding key growth projects.
Operational risk		
ARM's operations are affected by the availability of raw materials, water and power. Other operating risks range from: unusual or unexpected geological features, ground conditions or seismic activity to technical failures, fires, explosions and other incidents at mines and smelters.	Any of these could adversely affect our ability to operate cost efficiently or meet production levels.	• An effective, well-developed and entrenched risk management process is in place. • Comprehensive and effective risk management remains an imperative at all levels within ARM and its operations. • An integrated approach to risk management not only helps to ensure appropriate corporate governance compliance, but also provides a practical and effective tool for the management of risk.
Health and safety		
Although ARM is not significantly exposed to deep level mining operations, mining remains a hazardous industry and is subject to extensive and increasingly more stringent health, safety and environmental legislation and regulations.	Failure to provide a safe working environment and/or non-compliance with legislation and regulation could impact negatively on employee safety, health, employee and community relations and profitability. Injury or loss associated with any safety breach, breach of regulations or non-compliance could damage ARM's reputation.	• The Group Sustainable Development Reporting Manager, reporting directly to the Chief Executive Officer, ensures oversight of the process. • ARM participates in industry forums in which health and safety best practices are shared with a view to improving performance in these areas. • Medical surveillance is performed in compliance with legislation. • Wellness programmes which create awareness and provide input on methods of treatment of chronic diseases (including Tuberculosis, sexually transmitted diseases and other HIV-related opportunistic infections) are run by each operation. • ARM has an advanced HIV and Aids Management Programme.
Environment		
The environmental challenges facing ARM include its impact on climate change. This impact is primarily through greenhouse gas emissions resulting from the generation of the energy it consumes and its use of reductants; biodiversity conservation and land management; resource management, in particular water and energy; emissions; dust from its operations; waste and tailings management; and closure planning and closed site management.	Estimated rehabilitation provisions based on the best information available and provided for over the life of our operations may subsequently need to be increased. This could impact on earnings.	• Water management is a priority at all ARM operations and of particular importance to sustain both our operations and the surrounding communities. • ARM's operations have environmental management programmes based on ISO 14001. • Integrated air quality management plans, including emission inventories are in place at the two smelters; both Cato Ridge and Machadodorp have emission reduction projects.

RISK	IMPACT	MITIGATION ACTION TAKEN BY ARM

Operational risk continued

RISK	IMPACT	MITIGATION ACTION TAKEN BY ARM
Project development		
ARM has a significant pipeline of growth projects which require strong project management skills.	Ineffective management of projects could result in cost overruns and delays.	• ARM's managed businesses have a proven track record of project delivery (on time and within budget).
Reserves and resources		
Mine reserves decline as commodities are extracted. There is also the possibility that some reserves cannot be mined as profitably as anticipated.	Exploitation of existing reserves; successful exploration and development activities and acquiring access to economically recoverable reserves are essential for ARM's future.	• Existing operations have substantial reserves that may be exploited via organic growth projects. • ARM continues to assess quality growth opportunities; actively focuses on opportunities to explore and develop new ventures to increase and diversify its portfolio of assets.
Security of energy supply		
ARM's mining operations, and more particularly, its ferromanganese and ferrochrome smelters, are intensive users of electricity. Electricity constraints have reduced the reliability of the energy supply in South Africa and increased prices.	The lack of a sustainable supply of energy may negatively impact on our ability to operate and influence future expansion prospects. The considerable increase in electricity costs in South Africa may affect our ability to contain costs.	• Energy efficiency plans have been implemented at all our operations. • ARM continues to explore potential co-generation opportunities.
Emission and climate change		
Climate change and weather-related events. Legislation relating to climate change is likely to result in restriction of industrial emissions, and the imposition of added costs for emissions that exceed permitted levels and increase costs for monitoring, reporting and accounting for emissions.	Climate change may result in weather-related events or other physical threats that may hamper production or damage assets. Failure to meet and exceed best practice for monitoring and reporting emissions could have a reputational impact on ARM and affect our ability to operate.	• Climate change issues are a priority for ARM management who are continually working to: – improve our understanding of ARM's carbon footprint; and – reduce the carbon intensity of our operations and activities. • Emission inventories are being compiled and monitored for all ARM smelters. • Every effort is being made to reduce our consumption of electricity by enhancing efficiency.

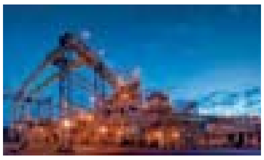
Social risk

RISK	IMPACT	MITIGATION ACTION TAKEN BY ARM
Community and corporate social investment		
ARM's operations and future projects can have an impact on communities in the vicinity in which we operate.	Support of local communities for our activities is essential for the successful completion of projects. Lack of community support could have a negative impact on productivity and consequently on profitability. Communities may become dependent on our operations.	• ARM's Corporate Social Investment (CSI) and Local Economic Development (LED) plans focus on the upliftment of historically disadvantaged communities in the vicinity of our operations with the aim of building capacity. • ARM strives to earn the trust of local communities through extensive stakeholder engagement with these communities. • ARM uses its investment in local communities to enhance the socio-economic capacity of the communities in which it operates, and to avoid them becoming dependent on ARM's operations after closure.
Labour relations		
From time to time our operations experience limited work stoppages and industrial action.	Work stoppages result in production interruptions and could have a material impact on ARM's financial results.	• The majority of ARM's workforce is unionised. ARM has and actively seeks to foster good relations with employees and unions.
Key employees		
The loss of key employees.	This could have an adverse effect on the Group. As we develop and expand, our future success will depend on our ability to attract and retain highly skilled and qualified personnel.	• ARM aims to be the employer of choice in its industry. Levels of remuneration are regularly and aggressively benchmarked against peers. ARM makes a concerted effort to retain and manage the Group's talent pool. In 2010, ARM spent an equivalent of 3.5% of its salary spend on training and skills development. • Learnerships, primarily focusing on technical disciplines, increased to 216 in 2010 with the aim of increasing the skills levels of employees. • ARM's graduate training programme is an important part of human resource development strategy. Bursaries and study assistance allowances for graduates were provided to 125 people in 2010.

Operational summary

ARM Platinum

Modikwa (100% basis)		F2010	F2009	%
PGMs in concentrate	Ounces	**339 623**	348 866	(3)
Cash cost	R/kg	**137 241**	160 507	(14)
EBITDA margin	%	**28**	(18)	



Two Rivers (100% basis)		F2010	F2009	%
PGMs in concentrate	Ounces	**296 760**	246 295	20
Cash cost	R/kg	**134 213**	136 288	(2)
EBITDA margin	%	**39**	(10)	

Nkomati (100% basis)		F2010	F2009	%
Contained nickel	Tonnes	**9 666**	4 495	115
Chrome ore/concentrate sold	000t	**816**	712	15
C1 cash cost net of by-products	US$/lb	**3.26**	2.48	32
EBITDA margin	%	**35**	10	

ARM Ferrous

Iron ore (100% basis)		F2010	F2009	%
Sales tonnes	000t	**9 799**	7 409	32
Change in costs compared to previous year	%	**(6)**	(7)	
EBITDA margin	%	**50**	70	

Manganese ore (100% basis)		F2010	F2009	%
Sales tonnes (excluding intra-group sales)	000t	**3 095**	2 152	44
Change in costs compared to previous year	%	**20**	19	
EBITDA margin	%	**45**	81	

Manganese alloys (100% basis)		F2010	F2009	%
Sales tonnes (excluding intra-group sales)	000t	**238**	177	103
Change in costs compared to previous year	%	**13**	38	
EBITDA margin	%	**23**	62	

Charge chrome (100% basis)		F2010	F2009	%
Sales tonnes	000t	**189**	144	31
Change in costs compared to previous year	%	**16**	37	
EBITDA margin	%	**0.2**	21	

ARM Coal

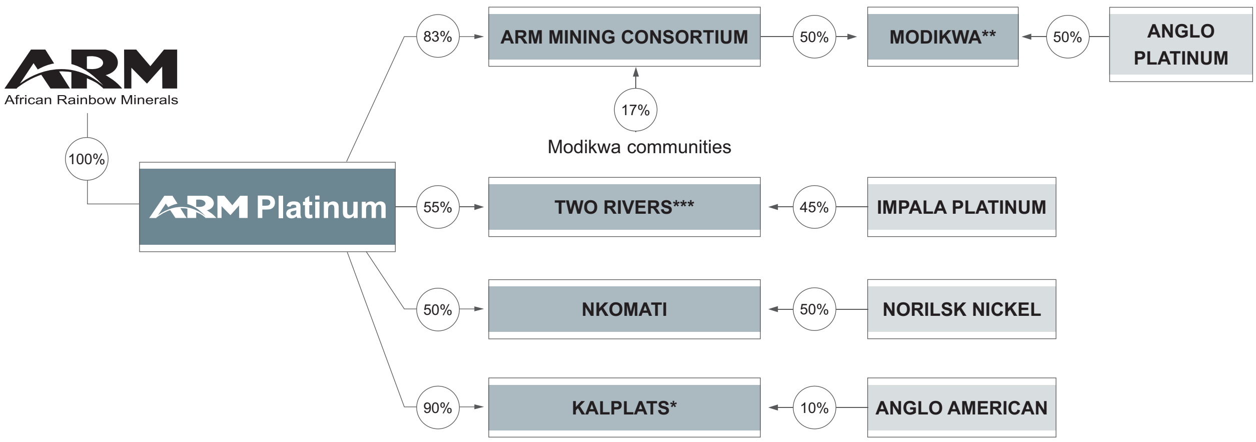
Thermal coal (Attributable)		F2010	F2009	%
Total sales	Mt	**4**	4	(3)
On-mine saleable cost	R/tonne	**195**	228	(15)
Operating margin	%	**31**	38	

ARM Platinum

ARM Platinum

Steve Mashalane Chief Executive: ARM Platinum

Divisional structure

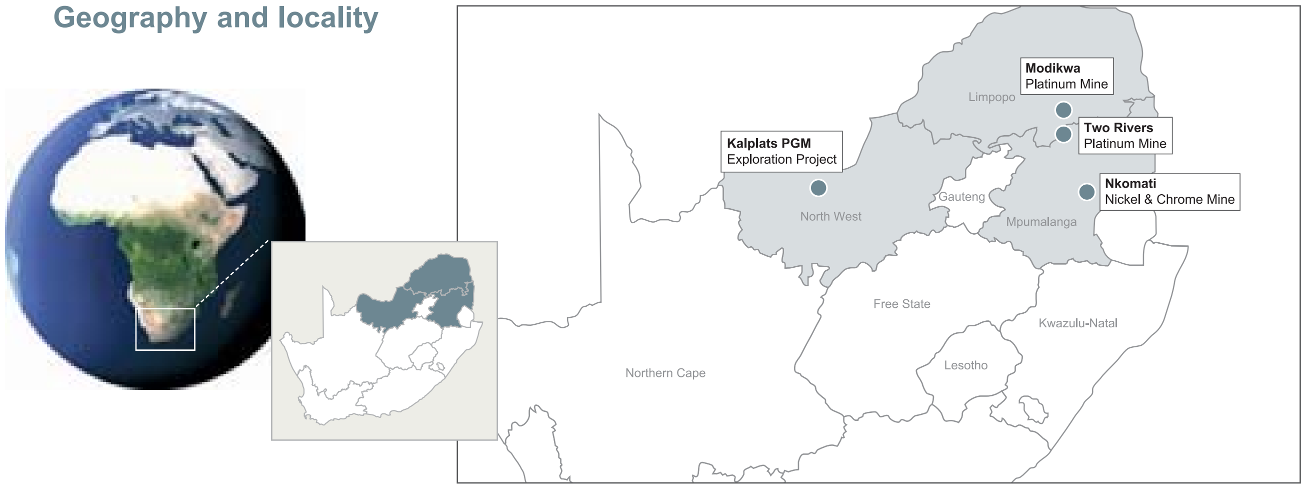


* *Platinum Australia earned in 12% ownership on completion and approval of the prefeasibility study. The transfer of this ownership is awaiting approval from the Department of Mineral Resources. Platinum Australia will earn up to 49% on completion of a bankable feasibility study. In the event that the JV acquires Anglo American's 10%, Platinum Australia has the right to acquire 49% of the acquired 10%.*

** *Assets held through ARM Mining Consortium, ARM's effective interest at 41.5% and the balance held by Modikwa local communities.*

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

Geography and locality



Scorecard

F2010 objectives	F2010 performance	F2011 objectives
Modikwa		
Achieve 350 000 6E Platinum Group Metals (PGM) oz (4E: 310 000 oz). Focus on moving down on the global PGM cost curve.	Achieved 339 623 6E PGM oz. Modikwa is now below the 50% quartile on the global PGM cost curve.	Achieve 360 000 6E PGM oz. Continue to focus on cost containment.
Initiate feasibility study on appropriate scenario of the modular and incremental increase of production.	Feasibility study complete.	Complete bankable feasibility study to increase production.
Two Rivers		
Improve concentrator plant recoveries, increase 6E PGM production to 260 000 oz. Focus on moving down on the global PGM cost curve.	Concentrator plant recoveries improved substantially from 72% to 80%. 6E PGM ounces increased to 296 760 ounces. Two Rivers remains below the 50% quartile on the global PGM cost curve.	Achieve 300 000 6E PGM oz. Continue to focus on cost containment.
Nkomati		
Improve recoveries on the 100 ktpm plant.	Recoveries remained constant. This plant was stopped on 30 June 2010 for the upgrade to the 250 ktpm PCMZ plant.	Commission the 250 ktpm PCMZ plant by December 2010.
Operate 375 ktpm plant at steady state by end of F2010.	Successfully commissioned the 375 ktpm plant, resulting in a 163% increase in tonnes milled. Ramp-up on this plant is continuing.	Improve recoveries on the 375 ktpm plant.
Enter into nickel off-take agreement for full production.	Full nickel off-take agreement entered into with Metal Trade Oversees (MTO).	Secure off-take agreements for PCMZ chrome concentrate.
Sales of 550 000 tonnes of chrome for F2010 (includes 230 000 tonnes of concentrate) depending on grade requirement from market.	Sold 816 016 tonnes of chrome (including 313 735 tonnes of concentrate).	Chrome sales of 650 000 tonnes, including 460 000 tonnes of concentrate.
Kalplats		
Assessment of feasibility study.	Reviewed pre-feasibility study completed by PLA in January 2010.	External review of bankable feasibility study.

6E includes platinum, palladium, rhodium, gold, ruthenium and iridium. 4E includes platinum, palladium, rhodium and gold.

Operational overview – attributable to ARM

		F2010	F2009	% change	Operational target F2011
Modikwa – PGM production	Ounces 6E	**169 812**	174 433	(3)	→
Two Rivers – PGM production	Ounces 6E	**163 218**	135 462	20	→
Nkomati Nickel Mine					
Nickel	Tonnes	**4 833**	2 247	115	↗
PGMs	Ounces	**26 286**	13 374	97	↗
Copper	Tonnes	**2 605**	1 134	130	↗
Chrome ore sold	000t	**251**	331	(24)	↙
Chrome concentrate sold	000t	**157**	25	516	↗
ARM Platinum PGM production (including Nkomati)	Ounces	**359 316**	323 259	11	↗
ARM Platinum cash operating margin	%	**36**	(5)		
Headline earnings/(loss) contribution to ARM	R million	**521**	(319)		

ARM Platinum continued

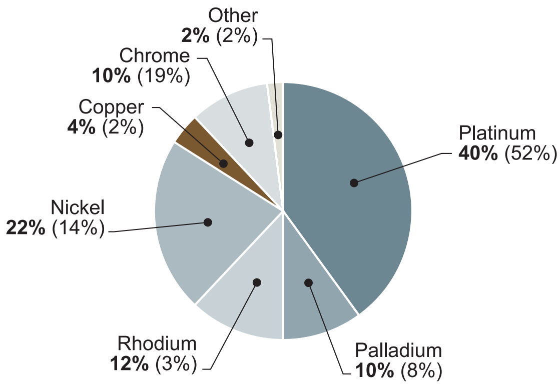
Review of the year

ARM Platinum's operations benefited from the improvement in the global economy during the year under review. Cash operating profits were recorded at all operations, resulting in ARM Platinum contributing R521 million to ARM's headline earnings, an increase of R840 million when compared to F2009. There was a substantial volume increase which resulted in significant cost reductions. The attributable PGM production (including Nkomati) for F2010 increased by 11% to 359 316 ounces (F2009: 323 259 ounces) in concentrate as a result of increased production and recoveries at Two Rivers, grade improvements at Modikwa and the commissioning of the 375 ktpm plant at Nkomati. ARM Platinum focused on initiatives to improve unit costs and achieved an annual reduction in costs across all operations, positioning them within the 50th percentile of the respective cost curves.

The increase in commodity prices was offset by the strengthening of the Rand against the US Dollar from R9.03/$ to R7.59/$, resulting in the basket prices for both Modikwa and Two Rivers remaining similar at R225 865/PGM oz and R247 323/PGM oz respectively. Realising the debtors at 30 June 2009 did, however, result in a positive adjustment of R50 million, as reported in December 2009.

F2010 ARM Platinum revenue contribution per commodity (100% basis)

(F2009 comparative in brackets)



Modikwa Platinum Mine

Modikwa's tonnes milled decreased by 8% due to the restructuring of the mining plan. This decrease was partially offset by a 5% improvement in the built-up head grade as a result of improved mining and discontinuing of the Merensky trial mining, resulting in metal in concentrate being marginally lower at 339 623 PGM ounces. The unit cost decreased by 10% to R639 per tonne milled, whereas Rand unit cost per 6E PGM ounce decreased by 14% to R4 269. This has moved Modikwa substantially down the unit cost curve and is well within the 50th percentile.

Two Rivers Platinum Mine

At Two Rivers, the successful concentrator plant optimisation programme, combined with a 12% increase in tonnes milled, yielded a 20% growth in 6E PGM ounces produced to 296 760 PGM ounces. At year-end, the surface stockpile was 22 193 tonnes. Costs were well contained, with only a 6% increase in unit cost to R425 per tonne milled (F2009: R399), whilst the Rand unit cost per 6E PGM ounce decreased by 2% to R4 174. This is a first quartile unit cost mine producing approximately 300 000 PGM ounces and over 140 000 ounces platinum.

The earnings of Two Rivers were negatively affected by interest charged on the shareholders' loans from ARM and Implats. Interest was charged at a rate of 8% per annum as at 30 June 2010 (F2009: 11.5%).

Nkomati Mine

After the commissioning of the 375 ktpm concentrator plant in September 2009, Nkomati achieved a 163% increase in tonnes milled and contained nickel production increased by 115% to 9 666 tonnes (F2009: 4 495 tonnes). Copper production showed a 130% increase to 5 210 tonnes. Chrome ore sales decreased to 502 281 tonnes (F2009: 661 336 tonnes), offset by a 262 811 tonnes increase in chrome concentrate sales. Unit cost was reduced by 38% to R242 per tonne milled while cash cost net of by-products (C1 cash cost) increased by 32% to $3.26/lb. The increase in the C1 cash cost is in line with the anticipated cost as per the feasibility study and places Nkomati in the 40th percentile on the cost curve.

The Nkomati management team is currently addressing problems with the variability of the open-pit ore feed into the plant. The variability in the hardness of the rock is resulting in fragmentation, crushing and flotation challenges at the mine.

Nkomati underground ore has not experienced such variability problems, and it is likely that this will be a two to three-year concern, due to the proximity of the ore to surface.

Short-term contingency plans have been implemented and research is being conducted to find a sustainable long-term solution. This is likely to have an impact on the production costs in the medium term and could potentially increase the C1 cash cost net of by-products cost to US$3.80/lb.

The 100 ktpm plant was stopped on 30 June 2010, in preparation for the upgrade to the 250 ktpm PCMZ plant, due for commissioning in December 2010.

Mining rights status

The new order mining right application for Two Rivers was submitted to the Department of Mineral Resources (DMR) on 2 July 2007. Two Rivers has since interacted twice with the DMR on its proposed social and labour plan, which the mine is now implementing.

The new order mining right application for Nkomati has been approved. Nkomati is in the process of finalising the documents required for the execution of the mining right.

The Modikwa new order mining right application was submitted to the DMR on 31 March 2009, after the revision of ARM's off-take agreement with Anglo Platinum.

Safety

ARM Platinum's dedicated focus on creating a safe and healthy workplace has led to two of the operations achieving significant milestones during F2010.

Modikwa achieved 52 months fatality-free on 12 August 2010 and reached 6 million consecutive fatality-free man shifts worked on 2 December 2009; a remarkable achievement in the industry. The Lost Time Injury Frequency Rate (LTIFR) was reported at 1.1 on the same level as F2009.

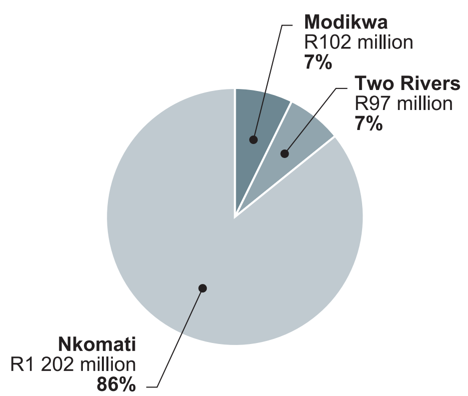
During January 2010, Two Rivers surpassed 1.5 million fatality-free shifts, and realised a LTIFR of 0.6 for the year, on the same level as F2009.

Nkomati attained 1 million fatality-free shifts on 16 April 2010, and achieved a LTIFR of 0.5 (F2009: 0.2).

Capital expenditure

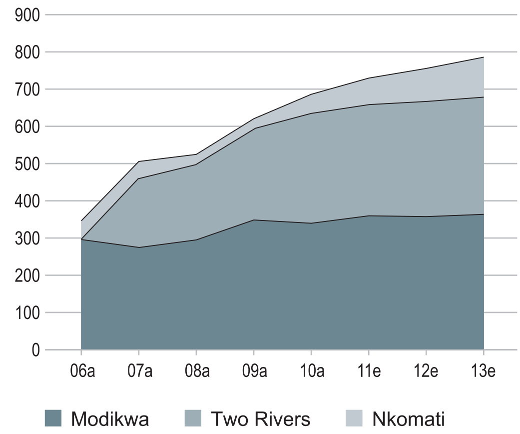
The capital expenditure at ARM Platinum was R1.4 billion (R749 million attributable) of which 86% was spent on the Nkomati Expansion Project. The capital spent at Two Rivers and Modikwa was largely to sustain operations. Decline extensions and ore reserve development recommenced during F2010 at both operations.

F2010 ARM Platinum capital expenditure
(100% basis)

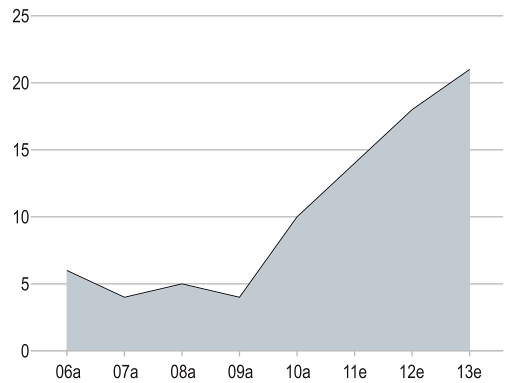


ARM PLATINUM VOLUMES FROM 2005 TO 2013

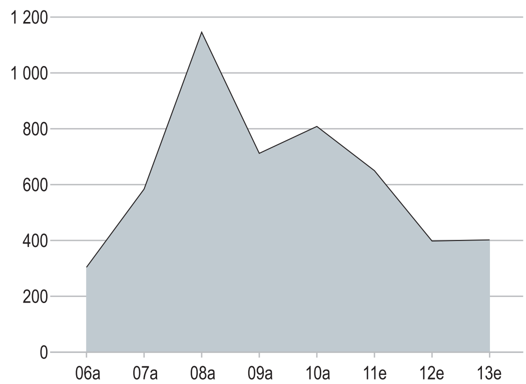
ARM PGM production
(100% basis) (000oz)



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



Nkomati Chrome sales
(100% basis) (000t)



ARM Platinum continued

Modikwa Platinum Mine development end drilling

Market review

The global economy seems to be recovering, albeit at a moderate pace. PGM demand appears likely to increase, but uncertainty remains in the automotive and industrial sectors. With the exception of the Nkomati expansion, production levels are expected to remain constant for F2011.

Platinum

The platinum markets moved into surplus in 2009 from a deficit of 220 000 in 2008. The surplus was due mainly to a softening in automotive and industrial demand which dropped 39% to 2.23 million in 2009. This was partially offset by an increase in jewellery demand and the booming Chinese domestic economy. Identifiable physical investment demand for platinum increased by 18.9% in 2009 to 660 000 ounces. Despite purchasing of large bars in Japan being weaker than in 2008, total holdings of metal within the European Exchange Traded Funds (ETFs) rose substantially following their decline in the second half of the previous year.

Gross purchases of platinum for jewellery manufacture climbed by 46.1% in 2009 to 3.01 million ounces worldwide. The reduced price of platinum led to a fall in recycling of scrap jewellery by 18.7% to 565 000 ounces, resulting in net global demand of 2.445 million ounces, a rise of 79.1%. In China, the booming economy and a lower average platinum price (compare to 2008) boosted gross demand to a record 2.08 million ounces. The rebuilding of stocks of metal and finished jewellery throughout the trade contributed to the increase.

The supply of platinum remained largely unchanged, decreasing by 0.3% relative to 2008.

The price of platinum rose soundly throughout F2010 but declined in mid-May 2010. ARM Platinum achieved an average price of US$1 453/oz during F2010 (F2009: US$1 148/oz), with the highest price (US$1 752/oz) occurring on 26 April 2010. Concerns linger over the slow recovery of the global economy; nonetheless, the platinum market seems to return closer to balance as demand grows. We foresee a deficit in the 2010 calendar year that will persist due to supply constraints.

Palladium

Palladium demand in the automotive sector declined worldwide, with the exception of China, resulting in the market remaining in oversupply. The weakened demand requirement in the jewellery, electronics and dental sectors was offset by the increase in investment demand mainly due to the behaviour of ETF investors. The average price achieved by ARM Platinum for F2010 was US$393/oz (F2009: US$239/oz). Demand seems certain to increase in most sectors, deriving from the prospects of economic recovery.

Rhodium

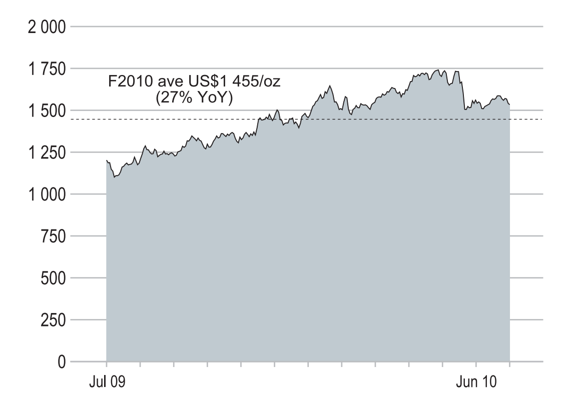
Rhodium was in surplus as a result of weak automotive purchasing and extensive destocking; however, the price performed robustly throughout F2010, only weakening during May 2010. ARM Platinum sold rhodium at an average price of US$2 173/oz (F2009: US$2 620/oz). Demand for rhodium remains greatly dependent on the automotive industry. This is gradually recovering, though it is improbable that vehicle output will reach pre-crisis levels in most regions in the short term.

Nickel

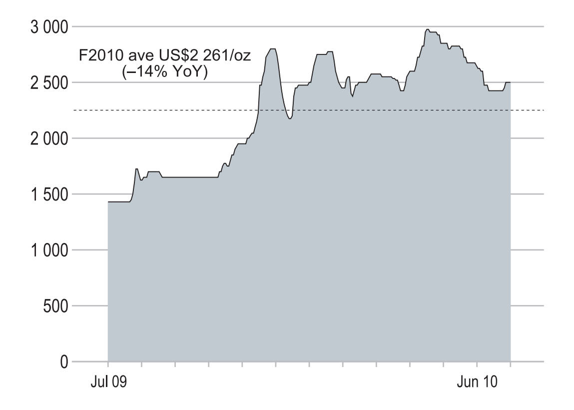
Both demand and supply of nickel declined during the first six months of F2010, while stocks at the LME built up steadily. Nickel demand improved during the last six months of F2010 as a result of the recovery in the automotive and steel markets. As demand for nickel increases across the globe, production is likely to follow suit. The average price achieved by ARM Platinum increased by 52% to US$20 285/t (F2009: US$13 312/t). The nickel market is anticipated to be in oversupply for the next two years. This is, however, expected to be offset by the expected growth in the automotive industry, with prices likely to remain stable at current levels.

PLATINUM PRICING TRENDS FOR F2010 (JULY 2009 TO JUNE 2010)

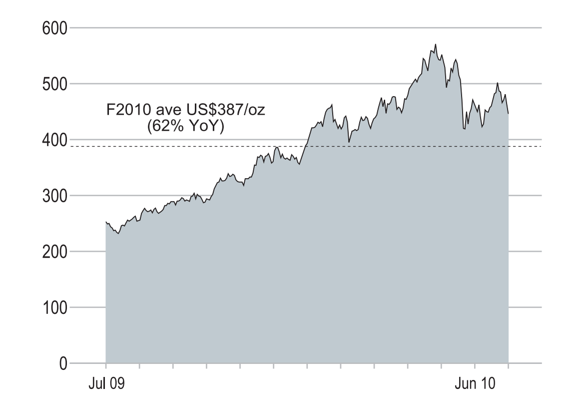
Platinum*
(US$/oz)



Rhodium*
(US$/oz)



Palladium*
(US$/oz)



Nickel*
(US$/t)

** Source: Inet Bridge*

ARM Platinum continued

Modikwa Platinum Mine

Management:	The mine is jointly managed, via a joint management committee, between Anglo Platinum and ARM.					
Reserves and resources: (100% basis)		**Measured and Indicated Resources**		**Proved and Probable Reserves**		
		Mt	**g/t 4E**	**Mt**	**g/t 4E**	**Moz**
	UG2	149.01	5.86	47.57	4.94	7.55
	Merensky	72.00	2.78	–	–	–
	4E = Platinum + Palladium + Rhodium + Gold					
Refining:	All metal produced is smelted and refined by Anglo Platinum.					
Total labour:	4 584 (includes 860 contractors)					

The approximate conversion factor at Modikwa from 4E to 6E is 20%.

100% Basis		F2007	F2008	F2009	F2010	F09/10 % change
Metal production						
Platinum	Ounces	124 121	133 890	136 083	**131 502**	(3)
Palladium	Ounces	121 245	129 872	132 110	**128 863**	(2)
Rhodium	Ounces	25 238	27 089	27 518	**27 299**	(1)
Gold	Ounces	3 570	3 870	3 836	**3 384**	(12)
Ruthenium	Ounces	35 845	38 899	39 664	**38 952**	(2)
Iridium	Ounces	8 674	9 443	9 654	**9 623**	
PGMs	Ounces 6E	318 692	343 062	348 866	**339 623**	(3)
Nickel	Tonnes	674	768	753	**663**	(12)
Copper	Tonnes	413	478	460	**410**	(11)
Operational statistics						
Tonnes milled	Mt	2.32	2.46	2.46	**2.27**	(8)
Head grade	g/t 6E	5.11	5.22	5.25	**5.53**	5
Average number of own employees	Number	3 837	4 186	3 880	**3 724**	(4)
Average number of contractors	Number	1 710	2 236	835	**860**	3
Financial indicators						
Cash cost	R/tonne	476	538	708	**639**	(10)
Cash cost	R/Pt oz	8 917	9 882	12 798	**11 025**	(14)
Cash cost	R/PGM oz 6E	3 389	3 857	4 992	**4 269**	(14)
Cash cost	R/kg 6E	108 943	123 995	160 507	**137 241**	(14)
Basket price	R/kg 6E	251 476	341 356	227 006	**225 865**	(1)
Net sales revenue	R million	2 029	3 161	1 456	**2 115**	45
Cash operating cost	R million	1 080	1 323	1 742	**1 450**	(17)
Cash operating (loss)/profit	R million	923	1 837	(286)	**665**	
Cash operating margin	%	47	58	(20)	**31**	
Capital expenditure	R million	204	379	368	**102**	(72)

Refer to page 211 for Modikwa Platinum Mine segmental information.

Two Rivers Platinum Mine

Management:	The mine is managed by ARM.					
Reserves and resources: (100% basis)		**Measured and Indicated Resources**		**Proved and Probable Reserves**		
		Mt	**g/t 4E**	**Mt**	**g/t 4E**	**Moz**
	UG2	55.65	4.67	35.92	3.54	4.09
	Merensky	18.70	3.55			
	6E = Platinum + Palladium + Rhodium + Ruthenium + Iridium + Gold					
Refining:	All metal produced is smelted and refined by Implats subsidiary, Impala Refining Services Limited (IRS).					
Total labour:	2 740 (includes 2 031 contractors)					

100% Basis		**F2007**	**F2008**	**F2009**	**F2010**	**F09/10 % change**
Metal production						
Platinum	Ounces	87 934	98 621	118 023	**140 908**	19
Palladium	Ounces	50 479	56 411	67 390	**81 587**	21
Rhodium	Ounces	14 501	16 130	19 136	**23 634**	24
Gold	Ounces	1 190	1 301	1 627	**1 909**	17
Ruthenium	Ounces	24 342	27 683	32 577	**39 235**	20
Iridium	Ounces	5 651	6 345	7 541	**9 487**	26
PGMs	Ounces 6E	184 099	206 491	246 295	**296 760**	20
Nickel	Tonnes	250	298	365	**438**	20
Copper	Tonnes	118	143	190	**219**	15
Operational statistics						
Tonnes milled	Mt	2.04	2.37	2.62	**2.92**	12
Head grade	g/t 6E	4.24	4.00	4.10	**3.95**	(4)
Average number of own employees	Number	479	583	774	**709**	(8)
Average number of contractors	Number	1 445	1 612	2 078	**2 031**	(2)
Financial indicators						
Cash cost	R/tonne	246	340	399	**425**	6
Cash cost	R/Pt oz	5 724	8 161	8 846	**8 792**	(1)
Cash cost	R/PGM oz 6E	2 734	3 898	4 239	**4 174**	(2)
Cash cost	R/kg 6E	87 906	125 319	136 288	**134 213**	(2)
Basket price	R/kg 6E	268 928	362 935	246 680	**247 323**	
Net sales revenue	R million	1 408	2 362	1 022	**2 098**	105
Cash operating cost	R million	425	805	1 044	**1 239**	19
Cash operating (loss)/profit	R million	945	1 485	(83)	**837**	
Cash operating margin	%	69	63	(8)	**40**	
Capital expenditure	R million	464	357	346	**97**	(72)

Refer to page 211 for Two Rivers Platinum Mine segmental information.

ARM Platinum continued

Nkomati Mine

Management:	The mine is managed as a 50:50 unincorporated joint venture with Norilsk Nickel Africa (Pty) Limited.					
Reserves and resources: (100% basis)		**Measured and Indicated Resources**		**Proved and Probable Reserves**		
		Mt	**Ni%**	**Mt**	**Ni%**	
	Nickel	266.03	0.34	129.51	0.34	
		Mt	**Cr_2O_3%**	**Mt**	**Cr_2O_3%**	
	Chrome	2.00	31.63	2.00	31.63	
		Mt	**g/t 4E**	**Mt**	**g/t 4E**	**Moz**
	PGMs	266.03	0.84	129.51	0.87	3.62
	4E = Platinum + Palladium + Rhodium + Gold					
Refining:	All metal is smelted and refined by Metal Trade Oversees (MTO).					
Total labour:	2 923 (includes 2 100 contractors)					

100% Basis		**F2007**	**F2008**	**F2009**	**F2010**	**F09/10 % change**
Metal Production						
Nickel	Tonnes	4 418	5 136	4 495	**9 666**	115
Copper	Tonnes	2 788	2 605	2 268	**5 210**	130
Cobalt	Tonnes	208	276	244	**578**	137
PGMs	Ounces	46 101	40 813	26 727	**52 574**	97
Chrome ore sold	000t	584	1 146	661	**502**	(24)
Chrome concentrate sold	000t	–	–	51	**314**	516
Operational Statistics						
Tonnes milled	Thousand	318	1 070	1 259	**3 308**	163
Head grade	% nickel	1.57	0.70	0.54	**0.45**	(17)
Average number of own employees	Number	254	306	560	**823**	47
Average number of contractors	Number	1 362	1 190	2 060	**2 100**	2
Financial Indicators						
Nickel on-mine cash cost per tonne treated	R/tonne	503	339	389	**242**	(38)
Cash cost net of by-products	US$/lb	(1.10)	(4.45)	2.48	**3.26**	32
Net sales revenue	R million	1 404	1 996	1 086	**2 439**	124
Cash operating cost	R million	180	363	490	**801**	64
Cash operating (loss)/profit – Total	R million	1 011	1 192	181	**916**	407
Cash operating (loss)/profit – Nickel mine	R million	934	518	(253)	**584**	
Cash operating (loss)/profit – Chrome mine	R million	77	674	433	**332**	(23)
Cash operating margin	%	71	60	17	**38**	126
Average nickel price	US$/t	37 929	28 507	13 312	**20 285**	52
Capital expenditure	R million	398	584	1 756	**1 202**	(32)

Refer to pages 209 to 210 for Nkomati Nickel Mine segmental information.

Nkomati Nickel Large Scale Project update

The 375 ktpm MMZ concentrator plant was completed during the year and commissioning commenced on 15 September 2009. Since commissioning, this plant produced 5 359 tonnes of nickel while production ramp-up is continuing. Teething problems continued with the new primary crusher and overland conveyor system as equipment failures affected production causing a lack of ore supply. The situation is closely monitored and to ensure ore supply interim measures were put in place. Management is currently performing test work on ore and will implement a long-term solution towards the end of the 2010 calendar year. The project cost for this phase is currently below budget and Board approvals for closure are in progress.

The upgrade of the current 100 ktpm plant to 250 ktpm PCMZ plant was released for implementation, and construction started during August 2009. The 100 ktpm plant was stopped as planned on 30 June 2010 and will be off line for the upgrade and commissioning of the new PCMZ plant. The project is on target to achieve the scheduled completion date of December 2010, within budget.

Total funds committed at 30 June 2010 on the expansion project amount to R3.3 billion of the R3.7 billion approved for the capital project.

The Eskom power supply project for the 375 ktpm plant is complete and two of the three new 40MVA transformers have been installed and energised. The third 40MVA transformer will be commissioned in November 2010. The next phase of the Eskom power supply project is the upgrade of the 132kV overhead distribution lines and we anticipate this to be completed by calendar year-end 2011. This will improve the mine's back-up power supply position.

Nkomati Mine open-pit

Nkomati open-pit blast hole drilling

Nkomati PCMZ chrome spiral plant

ARM Platinum continued

NKOMATI NICKEL LARGE SCALE PROJECT UPDATE

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

PCMZ nickel in concentrate: 5 000 tpa
Average grade: 0.25% Ni
PCMZ plant: 250 000 tpm

MMZ nickel in concentrate: 15 500 tpa
Average grade 0.45% Ni
MMZ plant: 375 000 tpm

Chrome: a significant value contributor

- ±500 000 tpa chrome (market dependent)

Other by-products include:

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

Project released September 2007 → **Opencast mine expected to produce at a steady state C1 cash cost of $3.80/lb** → **Ramp-up: 2009**
Full production: 2013

Capital cost of R3.7 billion 90% committed, shareholders to contribute balance of funding requirement

Kalplats PGM Exploration Project

Management	Both projects are currently managed by PLA.	
Reserves and resources (100% basis)	**Measured and Indicated Resources**	
	Mt	**g/t 3E**
	64.95	1.49
	3E = Platinum + Palladium + Gold	

Kalplats PGM Exploration Project

ARM Platinum approved the pre-feasibility study completed by Platinum Australia (PLA) for the Kalahari Platinum Project (Kalplats) in January 2010. PLA is in the process of completing a bankable feasibility study. The transfer of 12% ownership to PLA, earned from the completion and approval of the prefeasibility study, awaits approval from the Department of Mineral Resources.

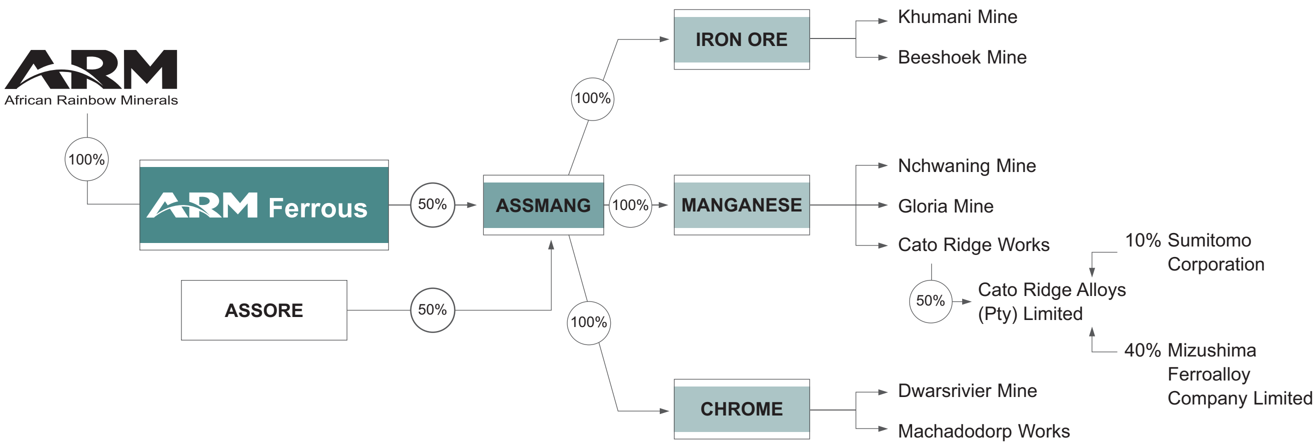
Nkomati secondary ball mill of the PCMZ plant

ARM Ferrous

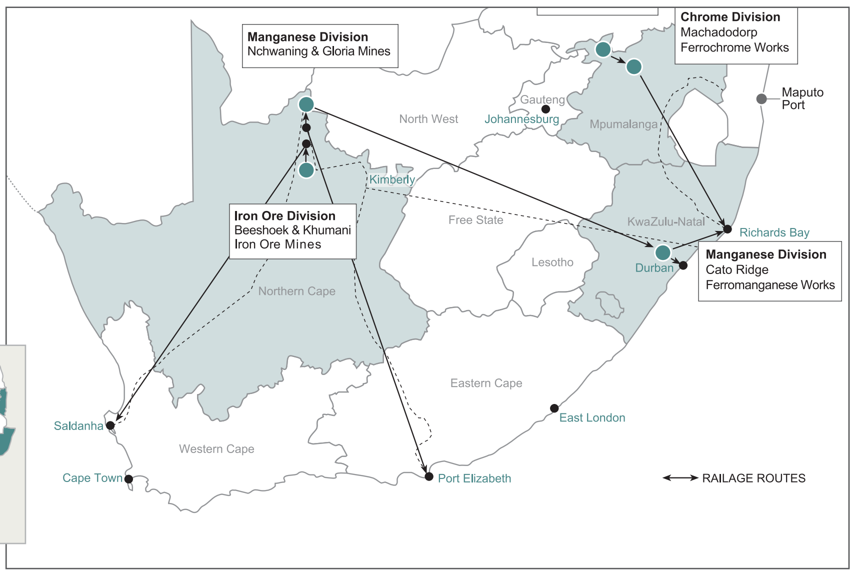
ARM Ferrous

Jan Steenkamp Chief Executive: ARM Ferrous

Divisional structure



Geography and locality



Scorecard

F2010 objectives	F2010 performance	F2011 objectives
Iron ore		
Achieve 10 mtpa production at Khumani mine.	The Khumani Mine has ramped up to 10 mtpa capacity.	Continue with the construction of the 16 mtpa Khumani Mine.
Continue expanding Khumani Mine, ensuring project remains on time and within budget.	Construction progressed well and ahead of schedule.	Project construction to continue on budget and ahead of schedule.
Finalise the Transnet contract for the additional 4 mtpa export allocation.	Contract reviewed with Transnet in the process of finalisation.	Agreement to be signed.
Explore options for Beeshoek Mine in terms of local market opportunities.	Options identified.	Options to be evaluated and final decisions to be made.
Investigate expansion of the Saldanha export capacity from 60 mpta to 93 mtpa, including export of manganese ore.	Industry and Transnet forum has been established and consultants appointed to complete pre-feasibility.	Conclude study and evaluate the viability for ARM Ferrous to invest in further expansion.
Manganese		
Finalise manganese export contract with Transnet to commence in November 2009.	Contract finalised for export of manganese ore through the port of Port Elizabeth until March 2013.	As above for the expansion of capacity through the port of Saldanha Bay that will include manganese ore.
Complete construction of the new 5 mtpa ore processing plant at Nchwaning Mine.	Completed on time and on budget	Optimise utilisation of new plant.
Re-evaluation of economic viability of additional furnace (No 7), and finalisation of Environmental Impact Assessment (EIA) process.	Viability study completed.	Finalise options for future ferromanganese expansion.
Chrome		
Commence process of converting Dwarsrivier Chrome Mine from contractor operator to owner operator.	Completed.	Establish the ARM culture of operating.
Convert ferrochrome furnace No 5 to a ferromanganese furnace.	Conversion construction completed.	Produce 40 000 tonnes per annum of ferromanganese from the newly converted furnace.
		Investigate the conversion of an additional two ferrochrome furnaces to ferromanganese.

New Nchwaning processing plant

ARM Ferrous continued

Operational overview – attributable to ARM

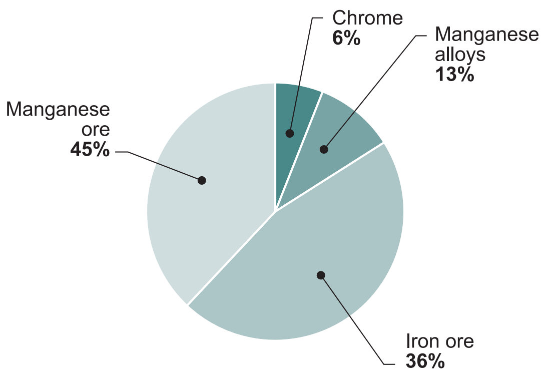
Sales volumes		F2010	F2009	% change	Operational target F2011
Manganese ore	000t	**1 548**	1 076	43	→
• Nchwaning*	000t	**1 172**	794	48	→
• Gloria*	000t	**376**	282	33	→
Ferromanganese	000t	**119**	59	101	↗
Iron ore		**4 900**	3 704	32	↗
• Khumani	000t	**4 466**	2 908	53	↗
• Beeshoek	000t	**434**	796	(45)	→
Chrome					
• Dwarsrivier chrome ore*	000t	**136**	128	6	↗
• Machadodorp charge chrome	000t	**94**	72	30	↗
ARM Ferrous operating margin (%)	%	**31**	63	(50)	
ARM Ferrous cash operating margin (%)	%	**38**	68	(44)	
Headline earnings attributable to ARM (R million)	R million	**1 364**	3 150	(57)	

** Excludes intra-company sales.*

Review of the year

The ARM Ferrous Division experienced a challenging year in 2010 with reported headline earnings declining 57% to R2.7 billion from R6.3 billion in 2009. Despite these market conditions, which were especially pronounced in the first half of the year under review, ARM Ferrous achieved increased sales volumes across all commodities. The decrease in headline earnings was due mainly to lower realised US Dollar commodity prices across all ferrous products as well as a 16% strengthening of the Rand versus the US Dollar. Realised prices decreased in US Dollar terms for iron ore (14%), manganese (57%), ferro-manganese (49%) and ferrochrome (17%) when compared to the 2009 financial year.

F2010 ARM Ferrous revenue per commodity (100% basis)



Assmang cost and EBITDA margin performance

Commodity group	% change F2010 vs F2009 cost increase/ (decrease)	F2010 EBITDA margin %
Iron ore	**(6.0)**	**50.9**
Manganese ore	**20.1**	**45.6**
Manganese alloys	**13.6**	**23.9**
Charge chrome	**16.8**	**0.2**

** Shows R/tonne produced.*

Iron ore

The Iron Ore Division achieved a 32% increase in sales volumes to 9.8 million tonnes as the Khumani expansion continued to ramp-up production to 10 mtpa. The Beeshoek Mine reduced production as planned with sales from Beeshoek reducing by 45% to 867 000 tonnes for the local market. Regardless of the overall increase in iron ore sales volumes, revenue decreased marginally to R4.9 billion (from R5.0 billion in 2009) mainly as a result of lower realised Rand iron ore prices. There was a notable improvement in realised prices in the second half of the financial year under review with iron ore prices increasing approximately 42% during this period.

The iron ore operations achieved a decrease in unit production costs of 6% as a result of increased production at Khumani.

The Khumani expansion to 16 mtpa continued ahead of schedule with approximately R2.2 billion of the R6.7 billion planned capital expenditure spent as at 30 June 2010. The expansion is expected to be completed within budget. Ramp-up of the expansion has been planned to coincide with the expansion of the Transnet Saldanha export channel from 47 mtpa to 60 mtpa in the 2012 calendar year. ARM is in the final stages of concluding an agreement with Transnet for an additional 4 mtpa of export capacity from this expansion.

Manganese

Manganese sales volumes increased 44% to 3.1 million tonnes. Production volumes decreased by 37% as planned with the increased sales achieved from inventory which was accumulated in the 2009 financial year as part of a restocking strategy.

Average realised US Dollar manganese prices decreased by 57% which significantly impacted EBITDA margins which reduced from 81% to 46%.

On-mine production unit costs at the manganese operations increased above inflation as a result of the lower production. Off-mine costs also increased as a result of higher logistics costs arising from increased use of road transportation. ARM has secured additional export capacity for manganese ore through the Durban and Richards Bay ports due to limited capacity through the Port Elizabeth port. Transportation to the Richards Bay port included road transportation at a significantly higher cost.

The manganese alloy operations increased sales volumes significantly in the current year driven by improved demand in the steel markets, especially in the second half of the year. In 2009, approximately 40% of the furnace capacity was shut down due to a significant decline in demand. Sales volumes in F2010, however, increased 103% to 238 thousand tonnes returning close to F2008 pre-crisis levels.

Increased costs put pressure on operating margins for manganese alloys with an increase in electricity costs being the main reason for a 13.6% increase in unit production costs. On 24 February 2010, the National Energy Regulator of South African (NERSA) approved a 24.8% increase in electricity tariffs commencing on 1 April 2010. NERSA approved further consecutive annual increases of 25.8% and 25.9% commencing on 1 April 2011 and 2012 respectively. The price paid for electricity also rose due to increased winter tariffs. Electricity comprises approximately 20% of total manganese alloy production costs and it is expected that the 2011 and 2012 electricity tariff increases will continue to put upward pressure on manganese alloy costs.

Above inflation production costs were also as a result of an increase in reductant costs.

In the current year, ARM together with its joint venture partner Assore, undertook to increase manganese alloy capacity by converting furnace No 5, at Machadodorp, from a ferrochrome to a ferromanganese furnace. The capital expenditure for the conversion was R68 million. The converted furnace has the capacity to produce up to 40 thousand tonnes of ferromanganese per annum.

Chrome

The performance of the Chrome Division continued to be negatively affected by weaker conditions in the stainless steel markets. Stainless steel markets have been relatively slow to recover lagging steel markets. In addition to low demand in the stainless steel market, the ferrochrome market was characterised by over-supply. As a result of this reduced demand, the Machadodorp ferrochrome smelter operated at an average 70% of capacity for the 2010 year.

The reduced production of ferrochrome coupled with the increase in the cost of electricity (as explained above) together with higher reductant costs led to an increase of 16.8% in the unit production costs at the ferrochrome operation. EBITDA margins for this operation were reduced to 0.2% from 21% in 2009.

Mining rights status

The Khumani Mine is operating under a new order mining licence and is in the process of updating its licence to operate the mine at 16 mtpa.

The application for the conversion of the manganese mines old order mining licence was approved by the DMR in the latter part of the 2010 calendar year. This conversion is in the process of being notarially executed.

The Dwarsrivier Mine's application was submitted well in advance of the 1 May 2010 deadline. No final approval has been received from the DMR to date.

Safety and health

Regrettably one fatality was reported during the financial year ended 30 June 2010 at Machadodorp Works. On 10 April 2010 Mr Erick Maluka was fatally injured during slinging operations. ARM and its Board of Directors convey their deepest condolences to Mr Maluka's family, friends and colleagues. Beeshoek

ARM Ferrous continued

Mine achieved 7 000 fatality-free production shifts in the DMR competition on 2 August 2009.

Khumani Iron Ore Mine was the winner and Cato Ridge Works was the runner-up in the 'Excellence in Safety' competition during the financial year 2010.

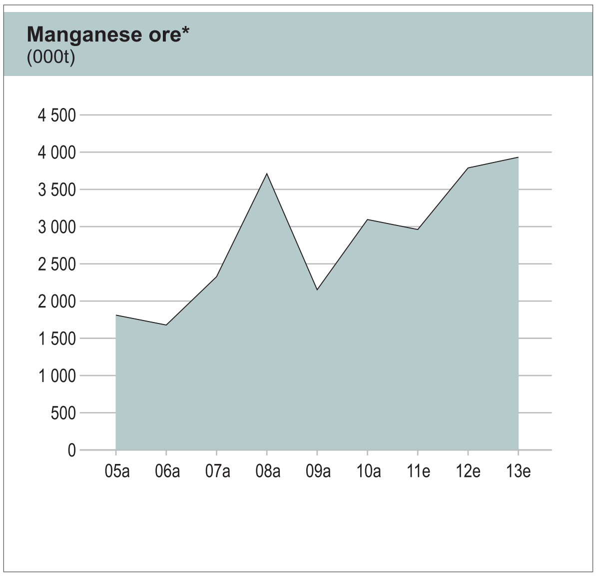
Logistics

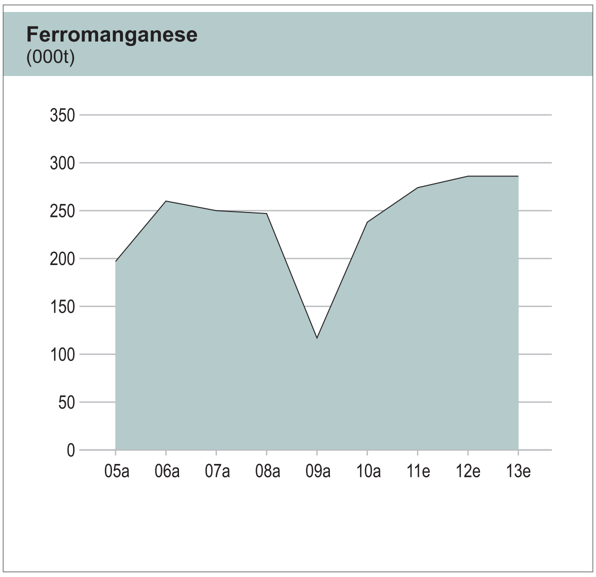
ARM Ferrous rail capacity throughput for iron ore exports was negatively affected by a Transnet strike that occurred during May 2010.

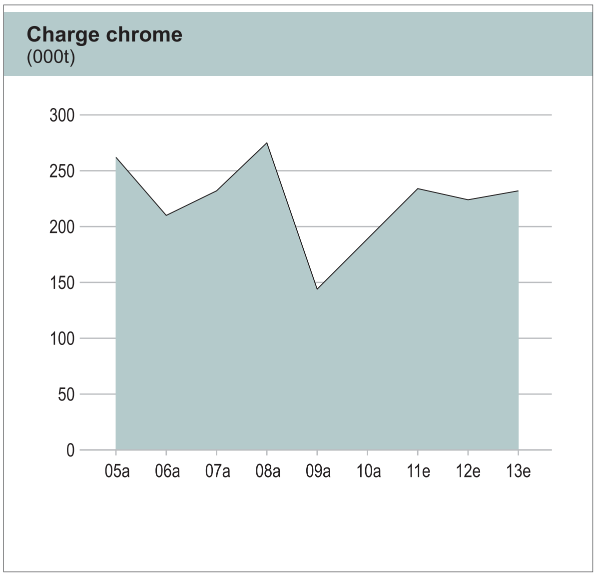
ARM Ferrous is in the final stages of concluding an agreement with Transnet to increase its iron ore export capacity from 10 mtpa to 14 mtpa as part of the expansion of the Saldanha export channel. This expansion is expected to be completed in the 2012 calendar year.

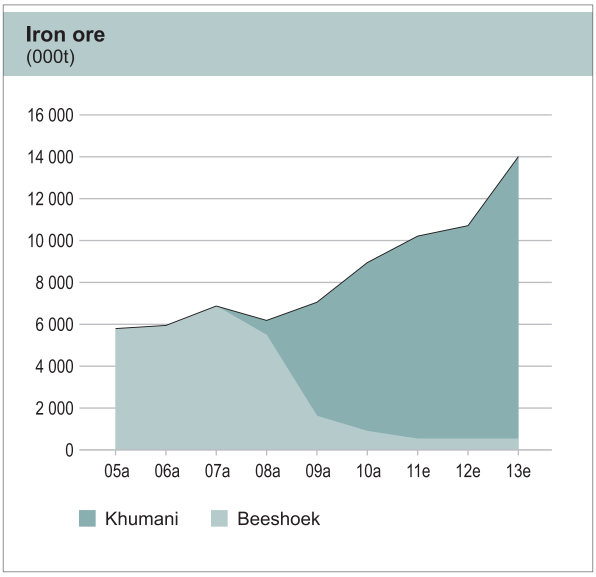
South African iron ore producers and manganese ore producers have embarked on a joint project with Transnet to investigate the further expansion of the Saldanha export channel to beyond 60 mtpa. The expansion of the rail line and port facility will enable ARM Ferrous to significantly increase iron and manganese ore exports through Saldanha Port.

In the interim the agreement for the export of manganese ore through Port Elizabeth harbour has been signed and will expire on 31 March 2013. Additional manganese ore export capacity has also been secured at Durban and Richards Bay harbours until June 2013.









** Excluding intra-group sales.*

ARM Ferrous is endeavouring to reduce the amount of road transport being used for both raw materials and final product. This is much dependent on operational service levels achieved by Transnet.

Capital expenditure

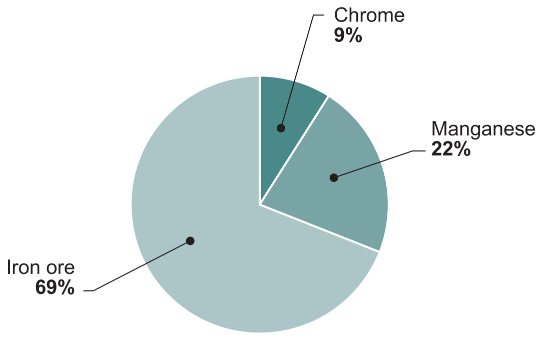
Capital expenditure increased 20% to R3.3 billion in 2010. The major portion of this capital expenditure was spent on ongoing infrastructure development for the Khumani expansion to 16 mtpa. This amounted to R2.1 billion. The project continues to progress on time and is currently well within budget.

In the period under review R305 million was spent on the construction of the new beneficiation plant at Nchwaning Mine. The plant capacity was increased from 3 mtpa to 5 mtpa. The plant was commissioned in May 2010.

R63 million was spent on development at Nchwaning Mine and R258 million on rebuilding furnaces at the Cato Ridge Works and Machadodorp Works. The conversion of the Number 5 furnace at Machadodorp from ferrochrome to ferromanganese production was completed at a capital cost of R68 million.

The majority of the remaining capital was spent on IT related projects, vehicles and other equipment replacements.

F2010 ARM Ferrous capital expenditure by division
(100% basis)



Market review

The last financial year saw the continuation of the recovery in both the carbon steel and stainless steel markets which are the demand drivers for the Company's ores and alloys. World crude carbon steel production for the period under review exceeded the previous period by 17% propelled mostly by China and the rest of Asia but with little contribution from the western world.

World steel forecasts indicate that steel use is expected to increase by 10.7% to 1 241 million metric tonnes in the 2010 calendar year after contracting by 6.7% in 2009. Should these projections be realised, world steel demand will exceed the pre-crisis levels of 2007. In 2011, it is forecast that world steel demand will grow by a further 5.3% to reach a record high of 1 306 Mt. The resilience of the emerging economies, especially China, has been the critical factor enabling the earlier than expected recovery of world steel demand.

Iron ore

The first quarter of the 2010 calendar year saw an end to the annual "Benchmark Price", although pricing mechanisms continue to evolve. Currently, Assmang's prices are negotiated quarterly and are based on a three-month average of spot price indices in China for the preceeding quarter. However, other producers are using different periods, spot prices, blend of fixed and index pricing etc. The new pricing mechanism follows the supply and demand dynamics of iron ore more accurately and to some extent mitigates the high volatility experienced during the past year. However, steelmakers are unhappy about the uncertainty that this has caused in their raw material costs as many of their customers are accustomed to annual contracts and are having to consider using the futures markets for hedging.

Post the end of the fiscal year when annual prices were still in place, prices for the April – June quarter, effective from 1 April 2010 saw a substantial increase of above 95% for both lumps and fines.

Iron ore demand remained strong through the year due mainly to the continued strong steel production in China and a strong recovery in the Japanese and South Korean steel industry. European and South African steel capacity utilisation has not yet recovered to the 2008 highs and these markets could remain subdued in the short term.

Iron ore supply could remain tight at least for the next three years. Although supply is expected to grow in the short term additional supply capacity is likely to be limited up to 2012. Post 2015 there may be a theoretical oversupply. It is anticipated that 650 million tonnes of increased capacity could come on line between now and 2015. Total seaborne supply is expected to grow to 1 billion tonnes in the 2010 calendar year-end (2009: 819 Mt), 1.2 billion in 2012 and 1.4 billion tonnes in 2015. This increase in supply is however unlikely to keep up with rising demand especially until 2013 with demand expected to grow faster than supply at least until 2013.

Manganese

Demand for both manganese ore and alloy picked up during the year. For manganese ore the main importers were China and Asia. Imports into China were at record levels during the year and for the 12-month period under review amounted to 12.6 million tonnes. Prices recovered substantially from the very low levels that were reached at the bottom of the market. However, towards the end of the period it was apparent that there was a substantial stock build up in China and there was reluctance from buyers to commit to purchases. This stock will negatively affect pricing

ARM Ferrous continued

going forward and both the large major western producers and the new producers in countries such as Malaysia and Indonesia may have to adjust production levels.

Manganese alloy pricing reached a nadir just before the end of the last financial year but recovered moderately during the period. Again, just before the end of our financial year prices softened, which was due to overproduction by some of the major alloy producers and a moderate decline in steel production. An interesting structural change that has occurred in the manganese alloys market is that China is no longer the largest exporter. In 2008, Chinese manganese alloy exports were over 1.1 million tonnes but in 2009 were less than 0.2 million tonnes. This is due to a variety of reasons including power cost increases, availability of power, environmental legislation, declining domestic ore grades and a 20% Chinese export duty. This trend has continued into 2010 and the only alloy which is being exported at similar levels to 2008 is medium carbon ferromanganese.

China continues to dominate the demand for manganese ore. Total imported ore in 2009 grew by 28% year-on-year and is expected to grow by another 19% in 2010 to 11.5 million tonnes. The second largest market for seaborne traded manganese ore is just over 1 million tonnes. It is thus clear that the market, and specifically price levels, for manganese ore are determined by future Chinese demand.

ARM Ferrous's strategy to participate in the Indian market has been very successful. The Indian market is expected to become the largest seaborne market after China in the near future and it is therefore imperative that Assmang keeps a presence in this market.

Ferrochrome

The stainless steel market was split into two geographic areas with very different dynamics. In Asia, stainless steel production increased dramatically and in the case of China to record levels. In fact, during the period under review, Chinese production was more than 10 million tonnes making it by far the largest stainless producer. On the other hand, both the USA and Europe, the previous core stainless markets, are still substantially below 2008 levels with no sign of any pick up which will be dependent on economic growth and in particular construction growth in these areas.

Demand for ferrochrome was consequently much stronger than was anticipated a year ago and production restraint was exhibited by most South African producers and the major Kazakh producer. This resulted in pricing recovering strongly e.g. the European contract price recovered by more than 50% from its low point. However, with a cutback in stainless production in Asia towards the end of the period and no signs of a pick up in Europe/USA there are concerns that there may be pressure on pricing going forward particularly as current prices may be high enough to ensure that marginal producers find it attractive to remain in production.

World stainless production in 2009 was 25.38 million tonnes, a decrease of 3.9% from 2008. Western world production fell 16% to 16.20 million tonnes, with these lower demand levels a consequence of the economic crisis.

It is expected that global stainless steel production will increase 14% year-on-year to almost 29 million tonnes in 2010. Further growth of 5% to approximately 30.5 million tonnes is anticipated in 2011.

Going forward, the wellbeing of the ferrochrome industry will depend on producers not oversupplying the market. Such potential oversupply, if realised, will cause the market and prices to decline again. In the short term much will depend on how much South African capacity is taken out during the high electricity cost winter period.

Prospects

The impact of the economic crisis continued to affect earnings in ARM Ferrous. There was however a significant improvement in prices for most ferrous products in the latter part of the 2010 year with iron ore and manganese ore US Dollar prices increasing approximately 45% and 77% respectively. This recovery trend is expected to continue going forward albeit at a slower pace.

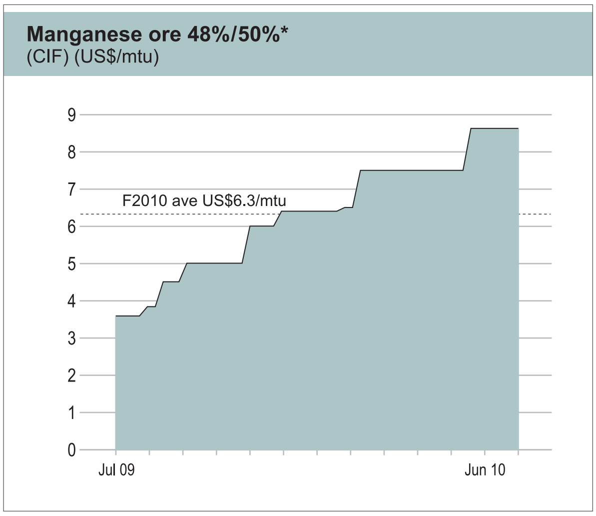
Total iron ore sales for the 2011 year are expected to increase to 10.2 mtpa. The construction of the Khumani expansion to 16 mtpa will progress in 2011. A feasibility study into the viability of increasing production at Beeshoek is currently under way. The opportunity to expand Khumani and Beeshoek is contingent on conditions in the domestic iron ore market and the increase of export capacity through the Saldanha export channel beyond 60 mtpa.

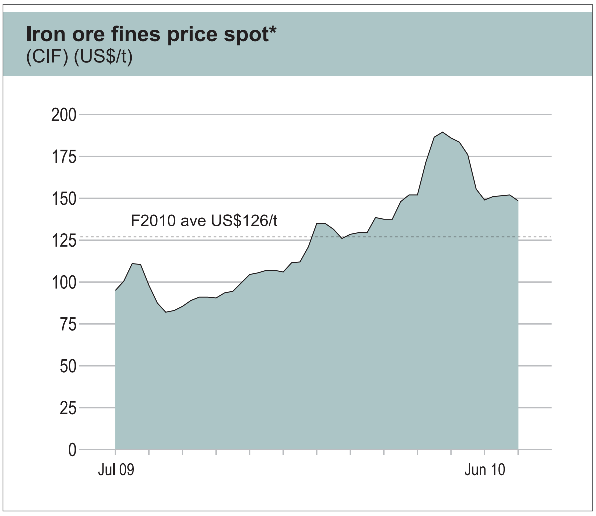
Growth in the Manganese Division is currently limited by export capacity through the Port Elizabeth port. ARM Ferrous however continues to explore and take advantage of opportunities to increase export capacity especially in favourable demand conditions. The study to increase the Saldanha export channel beyond 60 mtpa is considering the export of both iron ore and manganese ore.

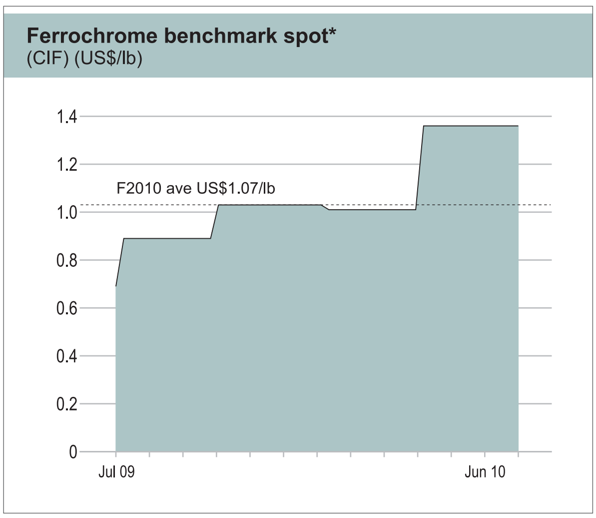
With the conversion of furnace Number 5 successfully completed an opportunity exists to convert additional furnaces at Machadodorp from ferrochrome to ferromanganese in order to optimise alloy production within ARM Ferrous. Although the majority of regulatory approvals are in place for further conversions, a number of logistical and engineering issues require attention before further conversions can proceed. Should the conversion of the two furnaces be successful the production capacity for ferromanganese will increase from 280 thousand tonnes to 400 thousand tonnes per annum. As the production of ferromanganese utilises relatively lower electricity per unit of product the conversion of additional furnaces to ferromanganese will free up additional power to allow ARM Ferrous to consider further expansion.

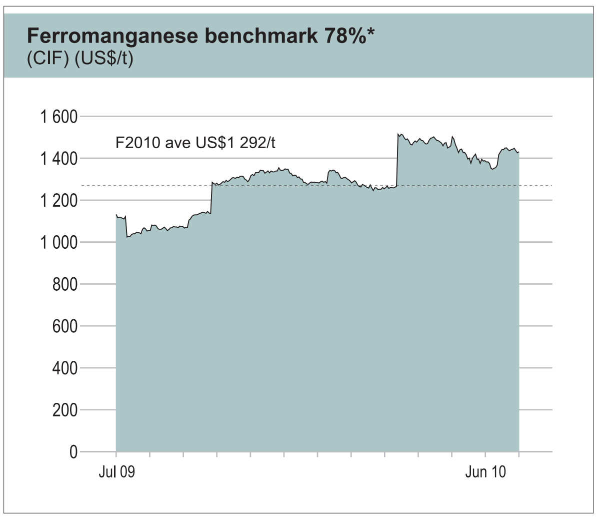
Dwarsrivier beneficiation plant

FERROUS PRICING TRENDS FOR F2010









* *Source: Inet Bridge*

ARM Ferrous continued

Iron Ore Division

Beeshoek and Khumani Iron Ore Mines

Management:	Jointly management by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function as well as technical consulting services.		
Resources: (Measured and Indicated)	**Beeshoek** **Khumani**	113.35 million tonnes 613.7 million tonnes	63.7% iron 64.5% iron
Reserves: (Proved and Probable)	**Beeshoek** **Khumani**	47.7 million tonnes 543.6 million tonnes	64.9% iron 64.4% iron
Total labour:	6 357 (including 5 171 contractors)		

		F2007	F2008	F2009	F2010	F09/10 % change
Attributable headline earnings	R million	340	390	1 080	**718**	(33)
Operating margin	%	44	39	60	**41**	(31)
Total iron ore sales	000t	6 855	6 581	7 410	**9 799**	32
Beeshoek Iron Ore Mine						
Iron ore produce	000t	6 675	4 493	2 658	**521**	(80)
Iron ore sold	000t	6 855	5 466	1 593	**867**	(46)
Sales revenues	R million	2 164	2 282	1 284	**410**	(68)
Total costs	R million	1 197	1 218	361	**353**	(2)
Operating profit	R million	967	1 064	923	**62**	(93)
Capex	R million	94	100	160	**48**	(70)
Khumani Iron Ore Mine						
Iron ore produced	000t	0	1 848	6 646	**8 765**	32
Iron ore sold	000t	0	1 115	5 817	**8 932**	54
Sales revenues	R million	0	493	3 733	**4 518**	21
Total costs	R million	0	0	1 576	**2 566**	63
Operating profit	R million	(6)	15	2 157	**1 952**	10
Capex	R million	1 641	2 131	1 369	**2 256**	65

Refer to pages 209, 210 and 212 for Iron Ore segmental information.

KHUMANI IRON ORE MINE

10.0 mtpa construction complete

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

- New modern and cost-competitive mine due to lower stripping ratio, the mining area already dewatered and favourable position in relation to infrastructure.
- Production successfully ramped up to 10 mtpa.
- The further ramp-up from 10 mtpa to 16 mtpa will commence 1 July 2012.

16.0 mtpa construction to be completed by 2nd quarter 2012 calendar year

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

- Potential to double export sales to 20 mtpa (pending Transnet expansion programme).
- Agreement with Transnet for 14 mtpa export capacity to be signed.

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

Capital cost of R4.6 billion spent

Capital cost for 16 mtpa – R6.7 billion

Manganese Division

Nchwaning and Gloria Manganese Mines and Cato Ridge Ferromanganese Works

Management:	Jointly management by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function as well as technical consulting services.							
		Tonnes ('000)	**Mn%**	**Fe%**		**Tonnes ('000)**	**Mn%**	**Fe%**
	Nchwaning				**Gloria**			
Resources: (Measured and Indicated)	Seam 1 Seam 2	128.6 180.8	45.3 42.4	8.7 15.5	Seam 1 Seam 2	51.6 29.4	38.3 29.9	5.5 10.1
Reserves: (Proved and Probable)		108.0	45.3	8.7		39.7	38.3	5.5
Total labour:	3 322 (including 1 357 contractors)							

		F2007	F2008	F2009	F2010	F09/10 % change
Attributable contribution to headline earnings		288	2 044	1 978	**739**	(63)
Operating profit	%	33	64	78	**35**	(55)
Manganese ore						
Manganese ore produced	000t	2 847	3 154	3 138	**1 973**	(37)
Manganese ore sales*	000t	2 327	3 711	2 152	**3 095**	44
Revenues*	R million	1 310	6 796	6 308	**4 202**	(33)
Total costs	R million	858	2 060	1 355	**2 400**	77
Operating profit	R million	452	4 736	4 943	**1 802**	(64)
Capex	R million	174	218	567	**459**	19
Manganese alloys						
Manganese alloys produced	000t	347	261	216	**252**	17
Manganese alloys sold	000t	251	247	117	**238**	103
Sales revenues	R million	1 380	2 756	2 128	**2 085**	(2)
Total costs	R million	931	1 332	883	**1 652**	87
Operating profit	R million	449	1 424	1 245	**433**	(65)
Capex	R million	123	293	286	**285**	–

** Excluding intra-group sales.*

Refer to pages 209, 210 and 212 for Manganese segmental information.

Khumani Iron Ore Mine sampling tower

Nchwaning Manganese Mine headgear

ARM Ferrous continued

Chrome Division

Dwarsrivier Chrome Mine and Machadodorp Ferrochrome Works

Management:	Jointly management by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function as well as technical consulting services.
Resources: (Measured and Indicated)	50.6 million tonnes at 39.0% Cr_2O_3%
Reserves: (Proved and Probable)	39.5 million tonnes at 35.8% Cr_2O_3%
Total labour:	2 681 (including 940 contractors)

		F2007	F2008	F2009	F2010	F09/10 % change
Attributable headline earnings	R million	38	342	107	**(92)**	(186)
Operating margin	%	9	38	15	**(15)**	(200)
Dwarsrivier chrome ore						
Chrome ore produced	000t	710	849	684	**587**	(14)
Chrome ore sold*	000t	172	304	256	**272**	6
Sales revenues*	R million	79	177	337	**212**	(37)
Operating profit	R million	(12)	(3)	45	**(153)**	(440)
Capex	R million	122	68	127	**65**	(49)
Machadodorp charge chrome						
Charge chrome produced	000t	242	270	169	**200**	18
Charge chrome sold	000t	232	275	144	**189**	31
Sales revenues	R million	1 195	2 331	1 473	**1 378**	(6)
Total costs	R million	1 069	1 382	1 242	**1 464**	18
Operating profit	R million	126	949	231	**(86)**	(137)
Capex	R million	77	90	270	**224**	(17)

** Excluding intra-group sales.*

Refer to pages 209, 210 and 212 for Chrome segmental information.

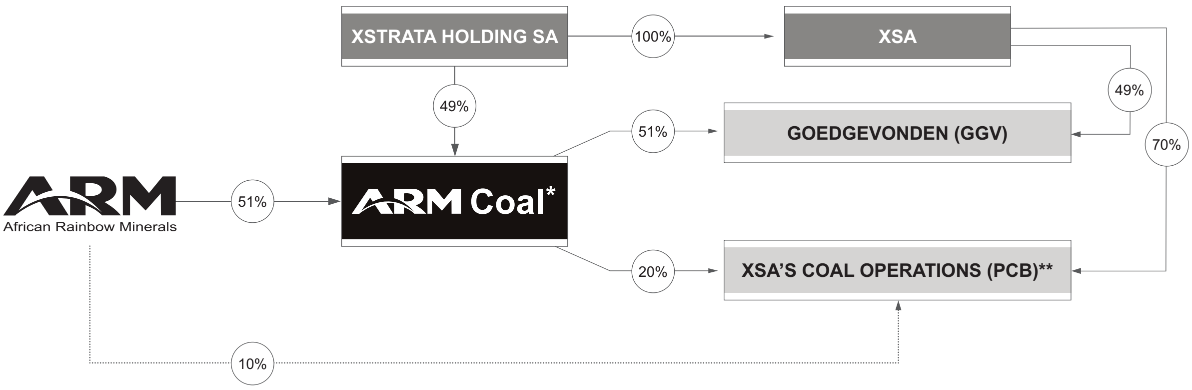
The new thickener at the expansion of Khumani to 16 mtpa

ARM Coal

ARM Coal

Mangisi Gule Chief Executive: ARM Coal

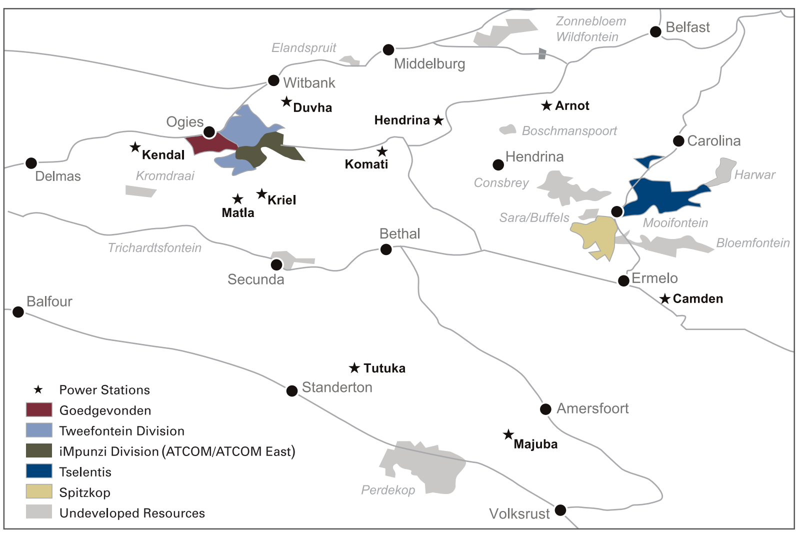
Divisional structure



* *ARM Coal holds the following:*
  – *Access to Xstrata's 20.9% interest and entitlement in the Richards Bay Coal Terminal (RBCT); and*
  – *An export entitlement of 3.2 mtpa in the Phase V expansion at the RBCT.*

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

Geography and locality



Scorecard

F2010 objectives	F2010 performance	F2011 objectives
Participating Coal Business (PCB)		
Continue with the transition from high cost underground mining to low cost open cast mining.	ATCOM East pit integrated into the Impunzi complex. Closure of the 5 Seam underground mine.	Finalise sale of Mpumalanga assets.
Improve domestic sales and prices received through Eskom contract.	Domestic prices declined further during the year due to a further decrease in demand.	Continue to seek opportunities to increase domestic prices and sales volumes.
Improve train loading times.	GGV rapid train loading station commissioned.	Complete feasibility study for the multi-product Tweefontein Coal Handling and Processing Plant (CHPP) and rapid train loading system.
Start implementation of ATCOM and ATCOM East consolidation.	Project to be completed during the first quarter of the 2011 calendar year.	
Goedgevonden Coal Mine (GGV)		
Implementation of coal supply agreement.	A 17-year coal supply agreement was concluded with Eskom in January 2010.	
Successfully ramp-up production at GGV to achieve full production by 2011.	Run of mine (ROM) production increased by 50% during current financial year and both modules of plant commissioned.	Long-term design capacity throughput of plant to be achieved during third quarter of 2010 calendar year.

Operational overview – attributable to ARM

Attributable		F2010	F2009	% change	Operational target F2011
PCB sales	Mt	**3.5**	3.8	(8)	→
Export	Mt	**2.1**	2.2	(1)	→
Domestic	Mt	**1.4**	1.6	(8)	→
GGV sales	Mt	**0.6**	0.5	20	↗
Export	Mt	**0.3**	0.1	138	↗
Domestic	Mt	**0.3**	0.4	(29)	↗
ARM total sales	Mt	**4.1**	4.3	(5)	↗
Export	Mt	**2.4**	2.3	4	↗
Domestic	Mt	**1.7**	2.0	(15)	↗
ARM operating margin	%	**29**	38	(24)	
Cash operating profit	R million	**376**	636	(41)	
PCB	R million	**264**	563	(53)	
GGV	R million	**112**	73	53	
Headline earnings attributable to ARM	R million	**(17)**	135	(113)	
PCB	R million	**(51)**	120	(143)	
GGV	R million	**34**	15	138	

Refer to pages 209 to 210 for ARM Coal segmental information.

ARM Coal continued

Review of the year

Although the Goedgevonden Coal Mine (GGV) showed an improved performance during the current financial year, ARM Coal experienced a challenging year which resulted in cash operating profit and headline earnings declining by 41% to R376 million and 113% to a loss of R17 million respectively. The major portion of this decline was as a result of the stronger Rand, lower realised US Dollar export prices and lower volumes at the Participating Coal Business (PCB) operations. This was to some extent offset by an increase in cash operating profit at GGV as production ramp-up commenced.

Goedgevonden Coal Mine

ARM's economic interest:	26.01%
Management:	Governed by a management committee, controlled by ARM Coal, with four ARM representatives and three Xstrata representatives.
Reserves and resources: (total)	195.4 Mt (saleable reserves)
Reserves and resources: (attributable to ARM coal)	99 Mt (saleable reserves)
Total labour:	628 (includes 291 contractors)
Life-of-mine:	31 years

Operational statistics

100% basis		**F2010**	F2009	% change
Total saleable production	Mt	**2.7**	2.5	7
Total sales	Mt	**2.4**	2.1	14
Export	Mt	**1.2**	0.5	143
Domestic	Mt	**1.2**	1.6	(27)
Average price received				
Export (FOB)	US$/t	**67.84**	65.15	4
Eskom (FOR)	R/t	**171.76**	99.35	73
On-mine saleable cost per tonne	R/t	**141.03**	90.42	56
Cash operating profit	R million	**430**	279	54
Operating margin	%	**53**	60	(12)
Capex*	R million	**1 105**	1 960	44

** Excludes capitalised interest.*

Attributable profit analysis

	F2010	F2009	% change
Cash operating profit attributable to ARM (26%)	**112**	73	53
Less: interest paid	**(5)**	(15)	(67)
amortisation	**(47)**	(34)	38
fair value adjustments	**(13)**	(2)	550
Profit before tax	**47**	22	114
Tax	**(13)**	(7)	85
Headline earnings attributable to ARM	**34**	15	127

Refer to pages 209 and 210 for ARM Coal segmental information.

Run-of-mine (ROM) production at GGV increased by 50% during the current financial year as the mine transformed from a project into an operational mine. This performance was negatively affected by excessive rain which caused the pit to be water logged on a number of occasions during the financial year.

The late commissioning of the second module of the plant as well as other problems experienced during commissioning resulted in saleable production not increasing in line with ROM production. Raw coal inventories increased as feed to the plant was restricted by design issues detected during commissioning. Most of these issues were rectified by the end of F2010 and this should see saleable production reach the full design capacity of 6.7 million tonnes per annum in the 2011 calendar year.

Export sales volumes increased by 143% during the year and although domestic sales volumes decreased by 27% compared to the previous year, increased volumes of higher quality coal were sold during the current financial year in terms of the new long-term agreement concluded with Eskom. The underperformance of Transnet Freight Rail (TFR) during the year affected both export and domestic sales volumes at GGV.

Attributable cash operating profit increased by 53% to R112 million and attributable headline earnings by 138% to R34 million due to increased revenues resulting from higher sales volumes. The increase in sales volumes was however reduced by the effects of a stronger Rand and lower US Dollar export coal prices.

Cash costs per saleable tonne increased to R141.03 as the long-term cost per saleable tonne (which is used to determine the amount of working costs to be capitalised) was recalculated. The first-time capitalisation of working costs was impacted by large volumes of in-pit inventory being exposed during the development stage which was not valued. The mine will benefit from having this inventory available in its future mining operations.

Participating Coal Business

ARM's economic interest:	20.2%
Management:	Governed by a supervisory committee with five Xstrata representatives and three ARM representatives.
Total labour:	7 058 (includes 2 913 contractors)
Life-of-mine:	Economic lives of the mines range from six to 25 years.

Operational statistics

100% basis		**F2010**	F2009	% change
Total saleable production	Mt	**18.2**	19.3	(6)
iMpunzi	Mt	**6.9**	6.7	3
Mpumalanga	Mt	**1.1**	2.3	(52)
South Stock	Mt	**4.5**	4.8	(8)
Tweefontein	Mt	**5.7**	5.5	4
Total sales	Mt	**17.7**	18.4	(4)
Export	Mt	**10.7**	10.7	(1)
Domestic	Mt	**7.0**	7.7	(8)
Average price received				
Export (FOB)	US$/t	**66.88**	69.24	(3)
Eskom (FOR)	R/t	**114.37**	160.24	(29)
On-mine saleable cost per tonne	R/t	**250**	257	(3)
Cash operating profits	R million	**1 306**	2 787	(53)
Operating margin	%	**21**	45	(53)
Capex	R million	**2 130**	3 832	44

Attributable profit analysis

	F2010	F2009	% change
Cash operating profit attributable to ARM (20.2%)	**264**	563	(53)
Less: interest paid	**(64)**	(87)	(26)
amortisation	**(234)**	(300)	(22)
fair value adjustments	**(37)**	(10)	270
Profit/(loss) before tax	**(71)**	166	(143)
Tax PCB	**20**	(47)	
Headline earnings attributable to ARM	**(51)**	120	(143)

Refer to pages 209 and 210 for ARM Coal segmental information.

The PCB operations experienced a challenging year. Exceptionally high rainfall during the year and industrial action at some of the operations reduced saleable production by 6% when compared to 2009. Export sales volumes were lower due to the continued under-performance of TFR. Domestic demand decreased negatively impacting domestic sales volumes.

Attributable cash operating profit decreased 53% to R264 million mainly due to a reduction of R350 million in revenue resulting from the stronger Rand, lower coal prices and lower sales volumes.

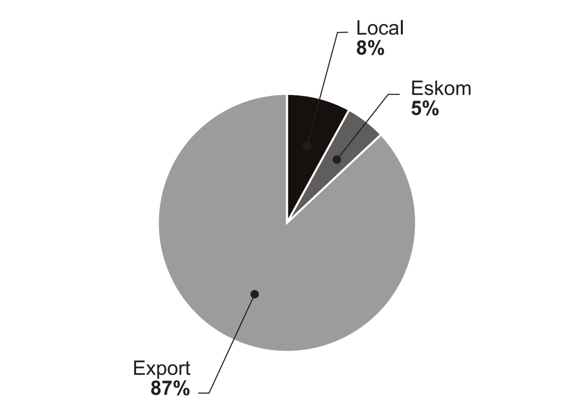
A defensive marketing strategy was adopted whereby coal was sold forward on contract at levels of approximately 65% of sales volumes in the first six months and 72% of sales volumes in the second six months.

On-mine costs were well controlled which led to a reduction of 3% in on-mine costs.

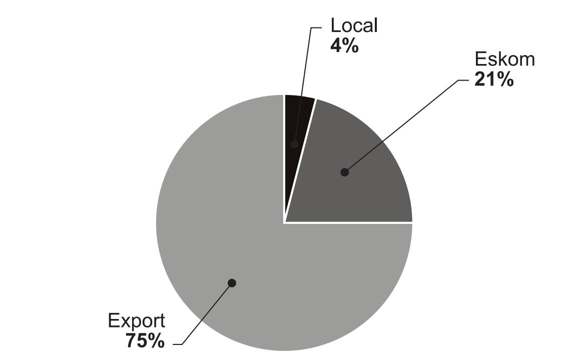
Attributable headline earnings for PCB reduced 143% from R120 million in 2009 to a loss of R51 million in 2010.

ARM Coal continued

F2010 PCB revenue (attributable to ARM)



F2010 GGV revenue (attributable to ARM)



Logistics

Continued underperformance by Transnet Freight Rail (TFR) had a negative impact on both ARM Coal's export and domestic sales. Although rail performance showed signs of improved performance from January 2010 this was negatively impacted by a strike by TFR employees in May 2010 compounded by a maintenance shut down immediately thereafter.

At GGV all Eskom sales were planned to be railed to the delivery point at the power station, however only a small percentage was actually transported by rail. This necessitated an increase in the use of road transport and resulted in GGV not delivering the quantities of coal provided for in the off-take agreement. Coal is sold to Eskom on a Free on Truck/Rail (FOT/FOR) basis and thus the increased use of road transport did not affect GGV costs.

Although the Phase V expansion of the Richards Bay port to 91 mtpa has been completed a discrepancy continues to exist between the rail capacity and port capacity through Richards Bay Coal Terminal. Current capacity on the rail line remains at 72 mtpa. This limits the ability of the participants of Phase V (which include ARM Coal) to utilise the port expansion capacity. Until expansion of the rail line to 91 mtpa is achieved capacity on the rail line will be allocated on the rail to Phase V participants proportionately on an "equal pain, equal gain" basis.

GGV is a low cost producer and with its modern rapid load out system is able to opportunistically take advantage of available export capacity through our joint venture partner XSCA which has approximately 14 mtpa allocation on the coal rail line and the port.

ARM Coal remains optimistic that a longer term and sustainable solution will be found. Already TFR have begun with the expansion of the rail facility to 81 mtpa.

Mining rights status

During the year under review all the conversions of all the old order mining rights into new order mining rights for the operations in Xstrata Coal South Africa (XCSA) were approved by the DMR. Execution of these new order mining rights is expected to be completed during the third quarter of 2010 calendar year after which registration will commence.

All new mining rights in respect of the properties comprising the GGV Mine were issued and notarially executed during the 2008 year.

The application for a Section 11 transfer by ARM Coal and XCSA to incorporate both the GGV and Zaaiwater mining licence into one licence is in progress and it is expected that this process will be completed during the 2011 financial year.

Capital expenditure

As at 30 June 2010 approximately 97% of the capital cost of building the GGV Mine had been committed. The balance is expected to be spent during the third quarter of the 2010 calendar year. The mine will be completed at a cost of R3.6 billion.

76% of the expansionary capital spent at the PCB during the current year was spent on the ATCOM East project. The latest estimate to complete the project is at R3.2 billion. As at 30 June 2010, 50% of the total project cost had been committed and it is anticipated that the project will be completed during the first quarter of the 2011 calendar year.

Market review

Export market

Demand for seaborne thermal coal increased by 6% in 2009, mainly driven by China's increased consumption of coal which was recorded at 92 million tonnes in 2009, 178% higher than

2008. China still relies on coal to produce at least 80% of its electricity where base load electricity generation remains the most attractive method of electricity production from a cost perspective. This supports further investment into coal fired power station and supports the outlook for thermal coal demand in China.

In addition increases in demand and interest in South African coal was evident out of India with exports from South Africa to India increasing 130% in 2009. Thermal coal imports to India in 2009 were an estimated 56 million tonnes, 49% higher than the 38 million tonnes imported in 2008. This marked shift in trade flows driven by Asian demand growth more than offset reduced Atlantic Basin demand.

Due to the low levels of economic activity, import demand from Europe and the United States was approximately 9% lower.

US Dollar thermal coal prices at Richards Bay Coal Terminal thus increased by some 10% in the 2009 calendar year and this higher price is expected to continue in 2011 and 2012. XCSA supplies between 20% and 30% of its export thermal coal to these two countries. The fact that China is continuing to grow as a net importer of coal as demand for electricity in that country grows with ongoing industrialisation bodes well for South African coal exporters.

Thermal coal supply has not been able to meet demand in 2009. Although supply increased from Australia, Indonesia and Russia, these increases were offset by reduced supply from China and the USA. South African coal export also reduced to 62 million tonnes constrained by logistics capacity. The result was an overall export global supply growth of 2% relative to global demand growing of 6%.

Domestic (Eskom) market

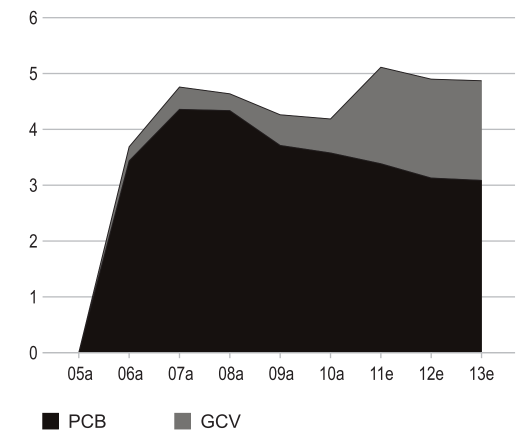
Coal from GGV is being supplied to Eskom in terms of the long-term supply agreement that was concluded during January 2009. This will result in an overall increase in sales volumes to Eskom during the coming financial year. The coal supplied in terms of this agreement is beneficiated resulting in a good quality product which in turn yields higher sales prices.

Demand for other domestic coal remains subdued and it is expected that this will only see some positive movement when the global economy recovers.

Prospects

Fundamentals in the thermal coal market continue to be supported by improving demand conditions. Especially pronounced has been the increase in demand from China and India. In 2007 China moved from being a net exporter of thermal coal to a net import position driven by rapidly increasing demand for power. There has also been increased demand from India with net imports in India expected to be upward of 76 million tonnes in 2010.

ARM attributable thermal coal sales
(Mt)



The GGV Mine is expected to achieve full ramp-up in the 2011 calendar year and thus is well positioned to deliver into the increased demand.

XCSA's is currently implementing its strategy to transform from high cost underground operations to low cost opencast operations. This strategy is on track and it is estimated that some 76% of total production will be produced by opencast operations by the 2012 calendar year. As part of this strategy XCSA has completed the transaction to restructure its Douglas Tavistock Joint Venture (DTJV) with BHP Billiton Energy Coal South Africa (BECSA). Prior to the restructuring, the Douglas and Middelburg collieries which comprise the DTJV were 84% owned and operated by BECSA and 16% owned by XCSA. Under the terms of the restructuring, XCSA has acquired and will going forward manage the mining of ATCOM operations. The ATCOM East project was initiated during the year in line with this strategy.

The successful completion of this strategy will ensure that ARM Coal's portfolio comprises largely low cost open cast high quality coal assets.

The prospecting right in respect of the Zonnebloem property was granted during the current financial year and prospecting work will be intensified on the property during the ensuing financial year. Development of this asset is contingent to an increase in the export capacity on the coal line and the port.

ARM Coal continued

GOEDGEVONDEN PROJECT UPDATE

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

6.7 mtpa saleable thermal coal

3.2 mtpa export sales (27 MJ/kg)

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

3.5 mtpa domestic sales (21.5 MJ/kg)

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

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

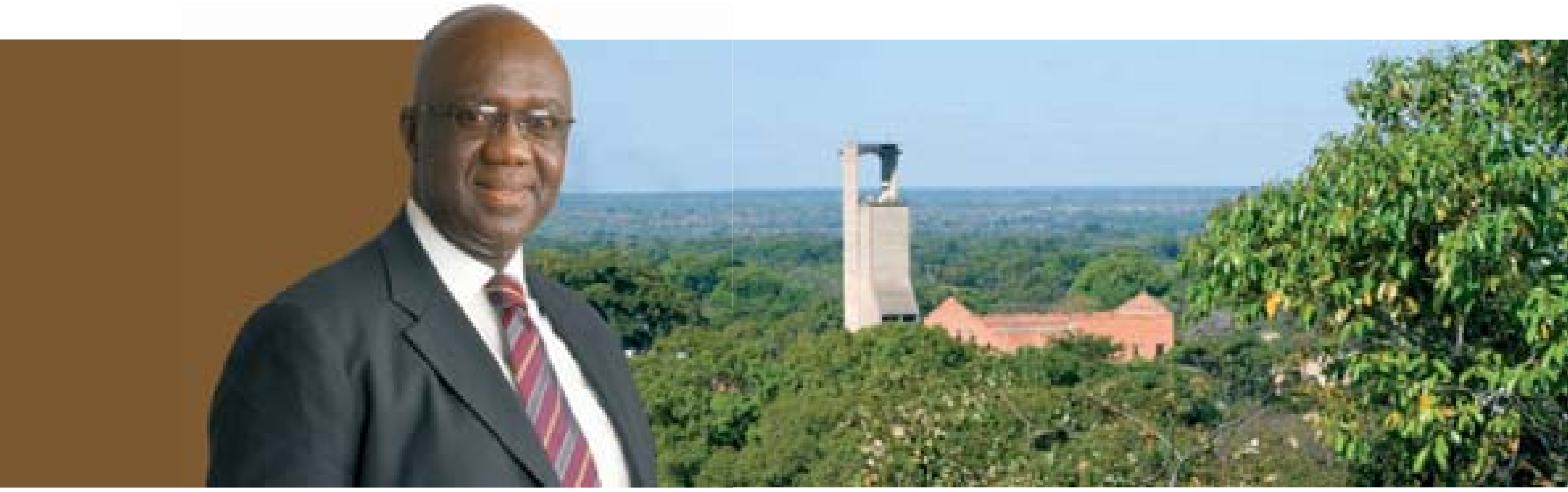
Capital cost of R3.6 billion, 97% committed, funded by Xstrata Coal.

In-pit loading at Goedgevonden

Export stockpile at Goedgevonden

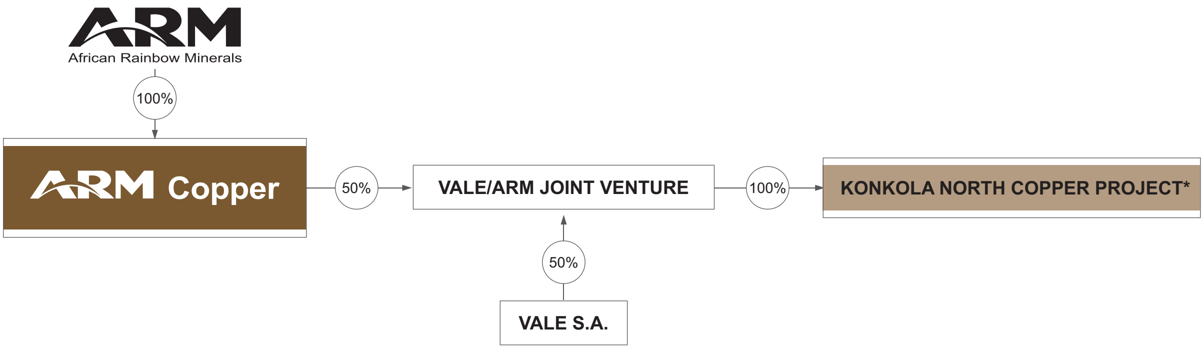
ARM Copper

ARM Copper



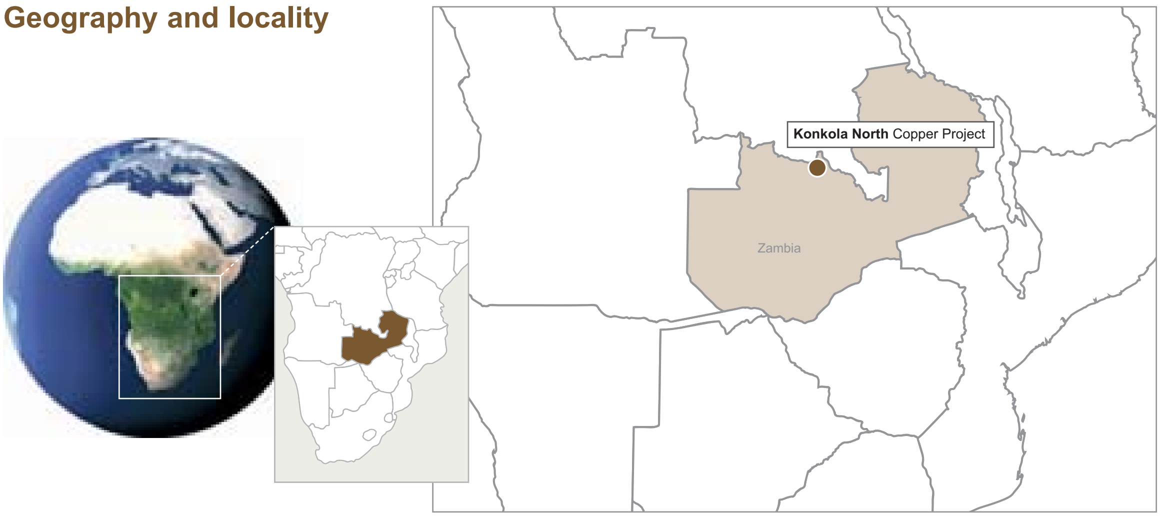
Dan Simelane Chief Executive: ARM Copper

Divisional structure



** Konkola North is subject to a buy-in right of up to 20% (5% free-carried interest) by state-owned ZCCM Investment Holdings Plc.*

Geography and locality



Scorecard

F2010 objectives	F2010 performance	F2011 objectives
Zambia		
South/East Limb ore body Complete 23 000 metre resource conversion drilling programme, undertake geotechnical and hydrological studies, improve the costing accuracy and complete a final feasibility study.	A 22 146 metre drilling programme was completed. A revised resource estimate was obtained, signed off by an independent competent person. Additional technical investigations were completed and revised cost estimations were undertaken. A bankable feasibility study was completed.	Successfully conclude the closing process for ZCCM-IH participation in the development of the South/East Limb mine. Commence the project development for the establishment of the 2.5 mtpa South/East Limb mine to produce 45 000 tonnes of contained copper per year.
Area "A" ore body Complete geological evaluation and plan a further resource delineation and infill drilling programme.	A geological evaluation was completed and a resource estimation was undertaken. A pre-feasibility study for a 2.5 mtpa mine was completed. Infill drilling was postponed to the next financial year to focus on the completion of the South/East Limb ore body evaluation.	Undertake a further 16 800 metre resource delineation and infill drilling programme in Area "A" and update the geological resources. Undertake metallurgical test work and related feasibility studies to further evaluate the development of the ore body.

Review of the year

The primary objective of the Vale/ARM joint venture ("the JV") was the fulfilment of the JV partners' requirements for the completion of the bankable feasibility study for the development of the South and East Limb copper ore bodies on the Konkola North mining licence property.

The Konkola North Copper Project is located within the Greater Konkola Area of the Zambian Copperbelt in close proximity to the town of Chililabombwe. The project area is 44 km^2, and the rights are secured through a Large-scale Mining Licence (LML 20), valid to May 2033. The JV has completed 86 000 metres of exploration drilling and defined a resource of 300 million tonnes at an average grade of 2.57% total copper.

The additional resource definition drilling campaign completed during the financial year has enhanced the confidence level of the resource associated with the South and East Limb ore bodies on the Konkola North property. In addition to various technical investigations, the JV has updated the capital budget estimate, the life-of-mine planning and costing. The JV has complied with the licensing requirements in Zambia and has obtained approval for its Environmental Impact Assessment. The final bankable feasibility study for the project has been completed and was submitted to the Government of Zambia and ZCCM Investment Holdings in June 2010.

The Konkola North Copper Project

In August 2010 both ARM and Vale approved the release of the Konkola North Copper Project in Zambia. The development of the project adds an additional mineral commodity to ARM's portfolio. This will also be the first time ARM's operational interests extend beyond South Africa. ARM sees this as a first phase development for a copper growth strategy in sub-Saharan Africa. ARM's share of the newly developed mine will be housed in a new division, ARM Copper.

The JV will adopt a staged development of the resources of the Konkola North licence area, focusing initially on the northern portion known as the South and East Limb copper ore bodies. Here the JV intends to re-equip the existing 423 metre deep vertical shaft (the no. 2 shaft) and related shaft infrastructure to develop and mine the South Limb ore body. Other already existing mining infrastructure includes two vertical ventilation shafts and three ore haulage levels. A new twin decline is planned for the development and mining of the East Limb ore body. The metallurgical plant will produce about 145 000 tonnes of copper concentrate at an average grade of 30% copper per year (45 000 tonnes of contained copper per year) which will be sold to a copper smelter in Zambia.

The project is expected to be developed at a capital cost of US$380 million (in July 2010 terms) with full production expected in 2015. Work on the development of the project commenced with the pre-approved capital expenditure in August 2010, commissioning of the concentrator plant is expected in 27 months. The mine's throughput design is 2.5 mtpa of ore at an average mill head grade of 2.3% copper, yielding 45 000 tonnes of contained copper in concentrate to be toll smelted in Zambia. The expected life-of-mine will be 28 years. A further three-year exploration programme is planned to evaluate the Area "A", ARM Copper continued

situated approximately 6 kilometres south of the South East Limb mine, which has the potential to double the output to 100 000 tonnes copper per annum in concentrate. Initially the South and East Limb mines will be developed, after which the deeper, higher grade and wider reef areas in Area “A” will be mined.

ZCCM Investment Holdings plc. (“ZCCM IH”) has the right to a 15% or 20% equity interest in Konnoco Zambia Limited, the locally registered JV controlled company that holds the exclusive rights to the Konkola North Project. Of the ZCCM IH equity interest options, 5% will be a ‘free-carried’ interest, the remaining 10% or 15 % interest is a paying interest, and ZCCM IH may elect to either fund its share of equity or be debt funded by the JV partners at an interest rate of LIBOR plus 4.5% (should ZCCM IH elect to have a 15% interest) or a fixed rate of 20% (should ZCCM IH elect to have a 20% interest).

Exploration drill rig

Projects

Konkola North: Area “A” South

Previous drilling on the greater Konkola North property has indicated the potential for a very large copper resource, of 220 million tonnes with copper at grades of 2.64%, albeit at depths of up to 1 300 metres.

The JV has targeted the southernmost part of the Konkola North area for more detailed resource definition drilling and a substantial copper resource is being delineated in Area “A” South, presently containing 75 million tonnes at copper grades of 2.81%. The JV commissioned an initial pre-feasibility study of an Area “A” Mine, including shaft infrastructure to 1 300 metres depth, initial mine plan and schedule, the evaluation of metallurgical processing options, and related engineering investigations. Following this initial study, the JV intends to undertake further drilling to increase this resource base and continue with further optimisation studies.

Market review

World demand for copper experienced robust growth over the past century growing at an average of 4% per annum from less than 500 000 tonnes to just over 18.2 million tonnes in 2009. Since 1980, demand for copper has effectively doubled, with recent growth being especially strong in Asia, where demand more than doubled in the past 15 years to 2009.

Copper prices have been well supported by the growing demand improving from approximately US$1.30/lb copper in July 2004 and peaking at just over US$4.00/lb in mid 2008. The financial crisis however prompted a rapid decline in prices to approximately US$1.30/lb. Since then prices have improved steadily to approximately US$3.50 in July 2010.

In the 2009 calendar year, demand was driven mainly by developing markets and especially Asia, whilst developed markets, particularly the US and Europe, were worst affected by the crisis. Government stimulus in these developed economies marginally improved copper demand in the latter part of 2009. Chinese net imports of copper increased 130% to 3.14 million tonnes in 2009 absorbing much of the reduced consumption in the developed markets. The real estate, construction and consumer sectors in China continued to support demand into the 2010 calendar year and led to China consuming 1.5 million tonnes in the first half of 2010, only 14% lower than the record of 2009.

Supply in 2009 was impacted by the economic downturn which, together with labour unrest at several mining operations, led to an underperformance of global copper supply. Although high copper prices encouraged increased supply, many projects faced multiple challenges including high capital and operational costs, technical difficulties and country risk.

World copper production in 2010 is projected to increase by 6.7% to 16.8Mt. A lower growth of only 2.9% is expected in 2011 due to deferrals and delays in projects prompted by the 2008 economic crisis. A shortage of concentrates, based on projected production (adjusted for unanticipated disruptions) is expected to continue to restrain growth of refined production.

Copper prices are likely to be supported by supply constraints going forward. Challenges for new projects, increasing costs at existing operations as well as declining copper grades are expected to put upward pressure on costs and support prices. The pace of operating cost inflation in recent years has been more rapid in copper than most other commodities, with this trend expected to persist. Capital costs also appear to be rising fast.

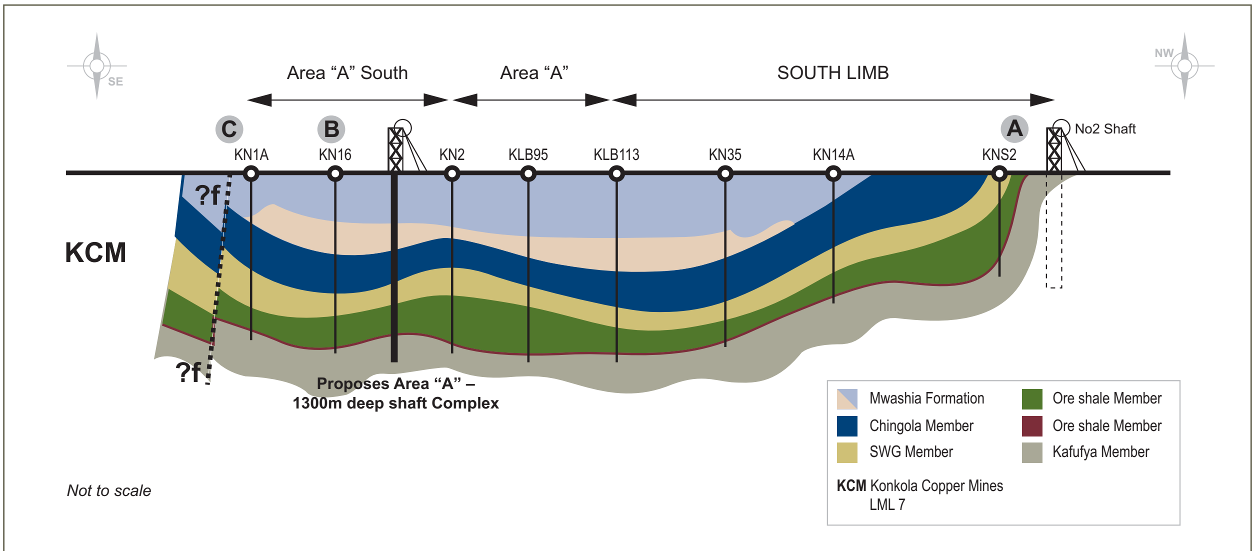
We continue to be bullish on copper based on anticipated deficits of 260 000t in 2010 and 425 000t in 2011 with the copper price expected to retrace to previous peaks.

Mineral resources summary as at 30 June 2010

Mineral project	Ownership	Mineral Resources category	Mineral Resources Mt	Total copper %	Contained copper Mt
Konkola North Copper Project[1]	100%				
South Limb[2]		Measured	0.7	2.70	0.02
		Indicated	23.9	2.13	0.51
		Total	24.6	2.15	0.53
East Limb[2]		Measured	4.0	2.64	0.11
		Indicated	16.6	2.58	0.43
		Total	20.6	2.59	0.54
Fold Axis[2]		Measured	0.4	2.10	0.01
		Indicated	11.8	2.70	0.32
		Total	12.2	2.68	0.33
		Measured	5.1	2.60	0.23
Total		Indicated	57.4	2.42	1.39
South Limb[2]		Inferred	13.8	2.22	0.31
East Limb[2]		Inferred	0.4	2.00	0.01
Fold Axis[2]		Inferred	9.7	2.25	0.22
Area "A"[2]		Inferred	219.5	2.64	5.79

1 ZCCM IH has a buy-in right for up to 20% (5% of which is free-carried interest).
2 The mineralised zones were modeled on a 1% total copper cut-off, and were signed off by an Independent Competent Person.

KONKOLA NORTH COPPER PROJECT GEOLOGICAL CROSS SECTION



ARM Copper continued

KONKOLA NORTH COPPER PROJECT

Konkola North is subject to a buy-in right of up to 20% (5% free-carried interest) by state-owned ZCCM IH.

2011	→ Konkola North South and East Limb →	2015
Measured and Indicated ore resource of 57.4 million tonnes at 2.42% copper.		
2.5 million tonnes milled, yielding 45 000 tonnes of copper in concentrate per annum.		
Commission concentrator: December 2012.		Full production 2015.
Life-of-mine.		28 years.
Total capital expenditure.		US$380 million in July 2010 terms.
		C1 cash cost: US$1.07/lb (45th percentile – 2015).

2011	→ Konkola North Area "A" →	2015
Three years to explore Area "A".		
One year BFS thereafter.		Potential to increase output to 55 000 tonnes of copper per annum.

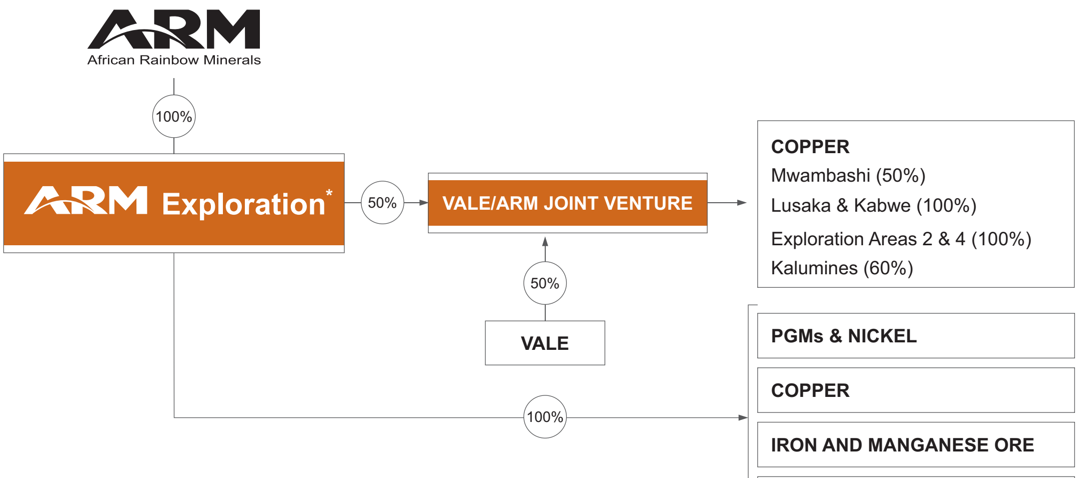
Konkola North headgear

ARM Exploration

ARM Exploration

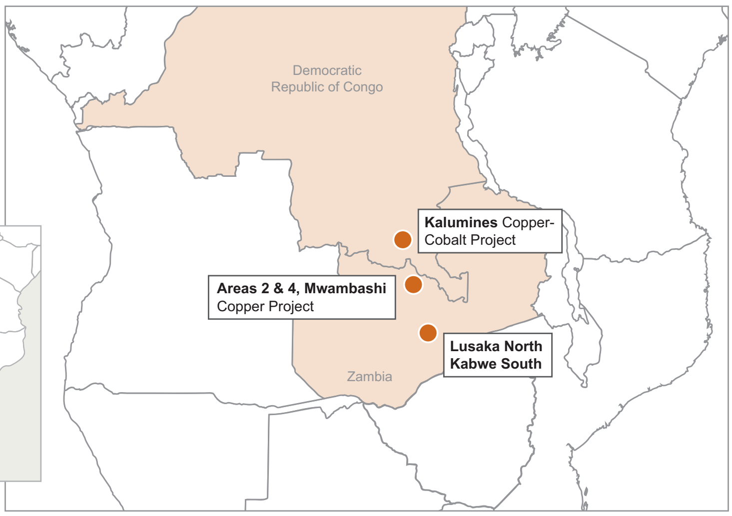
Dan Simelane Chief Executive: ARM Exploration

Divisional structure



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

Geography and locality



Scorecard

F2010 objectives	F2010 performance	F2011 objectives
DRC		
Undertake additional drilling to further delineate the resource estimations and advance various metallurgical studies.	A 14 500 metre drilling programme was completed. A revised resource estimation of the various orebodies was obtained. Metallurgical test work commenced.	Continue with infill and delineation drilling and define additional mineable reserves, undertake metallurgical test work and mine planning and development engineering studies, and advance the requirements of a feasibility study. Complete a pre-feasibility study.
Namibia		
The JV commenced with a process to divest its interest in the Otjikoto Gold Project through a selected tender process.	The Otjikoto Gold Project and related assets in Namibia were sold for a net consideration of US$26.9 million.	No further work will be undertaken by the joint venture in Namibia.

Mineral Resources Summary as of 30 June 2010

Mineral Project	Ownership	Mineral Resources Category	Tonnes Mt	Total copper %	Contained copper Mt
Kalumines Property[1,2]	60%				
Lupoto		**Indicated**	30.7	2.53	0.78
Lupoto		**Inferred**	4.2	2.33	0.10
Kasonta		**Inferred**	25.1	1.40	0.35
Kasonta South		**Inferred**	4.4	1.64	0.07
Niamumenda		**Inferred**	2.6	2.25	0.06
Stockpile			1.1	4.15	0.05

1 The resources defined for the Kalumines property are not signed off by an independent competent person.
2 The mineralised zones were modelled on a 0.5% total copper cut-off.

Exploration drilling

ARM Exploration continued

Review of the year

An objective of the Vale/ARM joint venture ("the JV") is the further resource delineation drilling on the Kalumines mining licence property in the DRC, in close proximity to Lubumbashi. Here the JV is in the process of defining copper and cobalt resources, and initial metallurgical test work has been undertaken.

ARM Exploration has its main objective to identify and assess exploration and mineral business opportunities for base metals, ferrous metals, PGM's and coal in sub-Saharan Africa.

The loss attributable to ARM decreased to R143 million in F2010 from a loss of R689 million in F2009. This was largely due to the stringent cost control initiatives implemented by the JV partners and the dilution of ARM to 50%. The F2009 year included stock write down and restructuring costs which were not repeated in F2010. ARM further benefitted from a strengthening of the Rand/US$ which impacted the translation of the ARM Exploration results.

Democratic Republic of Congo

The Kalumines Project

The Kalumines Project is located 23 km to the west of Lubumbashi, DRC, within a NW-SE orientated inlier of Mine Series stratigraphy comprising large fragments or rafts which hosts the copper and cobalt mineralisation.

Numerous ore bodies have been defined on the property, and important exploration targets have been identified. With a targeted resource of 50Mt of copper ore at an average grade of 2.5% copper, three ore bodies have been evaluated in detail and several additional targets have been identified as potential additional resources.

The JV has drilled a total of 14 500 meters in the current financial year. In addition, the JV undertook metallurgical test work, initial mine design and related engineering work to pre-feasibility study standards. This study will be submitted to the JV 's partner, Gecamines, during September 2011. The JV anticipates additional work, comprising more detailed resource extension drilling, metallurgical test work and related studies.

Projects

JV Projects

The JV has further exploration rights south of the old Kabwe Mine and north of Lusaka, in Zambia. The JV continues to evaluate other exploration opportunities in Zambia and applications for additional licence areas are in progress.

The JV has applied for the incorporation into the Konkola North Mining Licence of a large area to the east of the existing Konkola North Mining licence, an area which previously was held by the JV as a prospecting licence. Further exploration investigations are planned in certain areas of the Copperbelt in Zambia.

ARM Projects

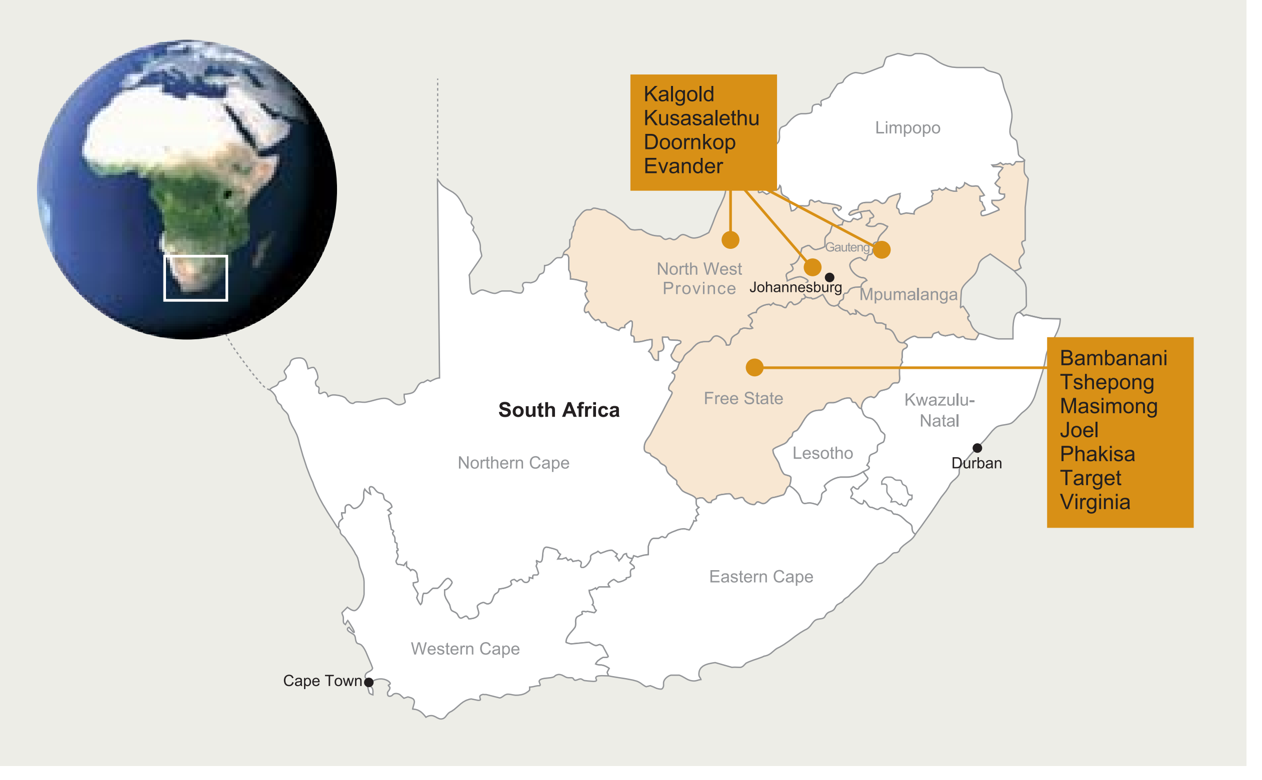
ARM Exploration has established a large database of mining and exploration undertakings in Africa, focusing on platinum group metals, iron ore, manganese ore, base metals and coal. ARM Exploration continues to evaluate minerals business investment opportunities that offer sustainable investment possibilities for a medium to long-term project pipeline in resource commodities for which ARM has experience and a competitive advantage.

Detailed borehole core investigations

Gold: Harmony

Gold: Harmony

Geography and locality



Scorecard

F2010 objectives	F2010 performance	F2011 objectives
Generate free cash flow		
Eliminate loss-making assets. Restructuring portfolio.	Good progress made.	
Increase production: • More development for more face length. • Achievable plans.	Majority of shafts perform in line with plan.	1.7 million ounces per annum.
Improve productivity. More focus on: training; motivation; safety, health, environment; labour relations.	106 grams per total employees costed (underground).	120 grams per total employees costed.
Commissioning projects: • Financed own capital projects: Doornkop: 2,5 years to complete major capital; Kusasalethu: 1,5 years of project capital; Phakisa: majority of capital spent, Tshepong decline producing. • Hidden Valley commissioned.	In line with plan. Done.	Two to four years on average to complete.
Grow the company		
Explore • PNG – Wafi/Golpu. • PNG tenements 100% owned.	• Excellent drilling results. • Drilling started.	10 million ounces.
Build future mines • Wafi/Golpu.	Concept study in progress.	2 016 profitable copper-gold mining.
Acquire Only quality ounces with healthy margins.	Continues.	On-going review.

Operational performance

		F2010	F2009
Gold produced	Kg	**44 433**	45 437
	000oz	**1 429**	1 461
Operating cost	R/kg	**195 162**	168 661
	US$/oz	**801**	583
Financial performance			
Revenue	R million	**11 284**	11 496
Production costs	R million	**8 358**	7 657
Cash operating profit	R million	**2 926**	3 839
Net profit/(loss) for the year (includes discontinued operations)	R million	**(192)**	2 927
Total headline(loss)/earnings per share (includes discontinued operations)	R million	**(7)**	262
Total capital expenditure	R million	**3 353**	4 469
Market performance			
Average gold price received	R/kg	**266 009**	250 826
	US$/oz	**1 092**	867
R/US$ exchange rate (average for period)		**7.58**	9.00
R/US$ exchange rate – at end of the period		**7.63**	7.72
Market capitalisation	R billion	**34.9**	34.1
	US$ billion	**4.5**	4.4

Harmony Gold Mining Company Limited

Harmony, one of the world's largest gold mining companies, operates primarily in South Africa and Papua New Guinea (PNG).

In South Africa, the company has 10 underground and two surface operations. In PNG, Harmony has a 50% interest in the Morobe Mining Joint Ventures (MMJV), which includes Hidden Valley, an open-cast gold and silver project which began production in June 2009, the Wafi-Golpu project, and extensive exploration tenements. Harmony's partner in PNG is Newcrest Mining Limited (Newcrest), which acquired its interest in this operation from Harmony, the original developer of the project, in F2009. Harmony's exploration portfolio focuses principally on highly prospective areas in PNG and the Wafi-Golpu project in particular, as well as exploration projects in South Africa.

Harmony is a publicly listed company. The group's primary listing is on the JSE Limited (share code: HAR) in South Africa. Harmony's ordinary shares are also listed on stock exchanges in London (HRM), and Berlin (HAM1), and are quoted in the form of American Depositary Receipts on the New York (HMY), and as International Depositary Receipts on the Brussels exchange (HMY).

At the end of June 2010 the group had issued 428 654 779 ordinary shares and had a market capitalisation of R34.89 billion (US$4.5 billion).

Harmony's corporate headquarters are located in Randfontein, South Africa.

In F2010, Harmony produced 1.43 million ounces of gold (F2009: 1.46 million ounces). The company employed 42 597 people, largely in South Africa, of whom 36 893 were full-time employees and 5 704 contractors (F2009: 45 685 people, including contractors).

Significant capital expenditure in recent years has been aimed at accessing the group's extensive resources and to extend the lives of its mines.

Harmony continues to focus on growth and thus investment in exploration. In August 2010 Harmony announced a significant increase in the mineral resource in its Walfi-Golpu porphyry copper-gold project in PNG. This project which is part of Harmony's joint venture with Newcrest Mining Limited contains 16 million ounces of gold and 4.8 million tonnes of copper (expressed in gold equivalent ounces the resource amounts to 38.5 Moz of gold*). In addition Harmony's international exploration programme has lead to the discovery of a new zone of mineralisation adjacent to the main Golpu resource in PNG.

At 30 June 2010, Harmony reported ore reserves of 48.1 million ounces and mineral resources of 189.2 million ounces.

The group is planning to grow gold production to 2 million safe and profitable ounces by 2012.

Harmony's gold production from continuing operations decreased to 1 428 545 ounces in F2010, from 1 460 831 ounces in F2009. Despite the higher average gold price received, cash costs increased by 16% as Harmony continued to execute its stated strategy to restructure its asset base to deliver safe, profitable and sustainable ounces.

Harmony's cash operating profit decreased to R2.9 billion in F2010 from R3.8 billion in F2009. The result was a net loss to R192 million in F2010 from a profit of R2.9 billion in the previous year. This equated to a headline loss of 7 cents per share, significantly lower than last year's 262 cents per share earnings.

The Hidden Valley project remains on schedule with construction 87% complete and essentially all capital committed. A major project milestone was achieved when the first gold pour was completed late in June 2009. Site construction activities focused on the process plant, crushers and power station facilities. The mill, gravity concentrators and tailing system were all completed and commissioned to enable the first ore to be processed. The mine reached commercial levels of production in May 2010.

Harmony also declared a dividend, paying 50 cents per share. This was paid on 20 September 2010. ARM's dividend receipt from Harmony is R32 million and this will be accounted for in the F2011 financial statements. Harmony has reflected on its previous achievements and disappointments and, taking into account the needs of all its shareholders and stakeholders, has implemented a number of initiatives to ensure that the Company is profitable into the future.

Harmony is well-positioned to take advantage of a higher gold price and, at a price of R250 000/kg, the Company's plans support strong cash flows, covering both ongoing and growth capital.

The ARM statement of financial position at 30 June 2010 reflects a marked-to market investment in Harmony of R5.1 billion, which is based on a Harmony share price of R81.40. Changes in the value of the investment in Harmony are accounted for by ARM through the statement of comprehensive income net of deferred capital gains tax. Dividends are recognised in ARM's income statement. The investment reflected at market value in the statement of financial position represents approximately 15% of ARM's market capitalisation of R34 billion at 30 June 2010.

Harmony's full results for the financial year ended 30 June 2010 can be viewed on Harmony's website at **www.harmony.co.za**

** Gold equivalents based on US$950 oz Au, $4 412/t Cu at 100% recovery for both metals.*

Mineral Resources and Reserves

Contents

Competent person's report on Mineral Resources and Mineral Reserves

This report is issued as the annual update of Resources and Reserves to inform shareholders and potential investors of the mineral assets held by African Rainbow Minerals Limited (ARM).

*An extended version of this report is also available on **www.arm.co.za** under the Mineral Resources and Reserves section.*

Salient features F2010

ARM Ferrous

Khumani	Investigations into the modelling of the ore-body limits according to the geological units are in progress.
Beeshoek	Exploration around Beeshoek North (BN) pit increased the BN reserves and resources by 18%. Feasibility study on Village pit is in progress.
Nchwaning	Development into the Graben area continues and valuable information on the geological structure is being gained.
Gloria	Drilling in progress to increase geological knowledge to the west. 42 boreholes have been completed and are awaiting assays and re-modelling.

ARM Platinum

Nkomati	The SRK audit on the 2009 re-modelling was finalised. Measured Resources were declared in the Pit 3 area where the 50m infill drilling was undertaken.
Two Rivers	The Snowden audit on the UG2 re-modelling was completed and finalised.
Kalplats	The addition of the Mira deposit and the update of resource estimates by Coffey has resulted in an increase in total resource to 137 million tonnes (6.7 million ounces 3E).

ARM Coal

Goedgevonden	Production increased by 50% as the mine is ramping up to full production.

ARM Copper

Konkola North	Vale/ARM JV on Konkola North announced.

F2010 Mineral Resource/Reserves summary

Platinum	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)		
	Mt	PGE+Au	Mt	PGE+Au	Moz
Two Rivers					
UG2	55.65	4.67(6E)	35.92	3.54 (6E)	4.09 (6E)
Merensky	18.70	3.55(6E)	–	–	–
Modikwa					
UG2	149.01	5.86(4E)	47.57	4.94(4E)	7.55(4E)
Merensky	72.00	2.78(4E)	–	–	–
Nkomati	266.03	0.85(4E)	129.51	0.87(4E)	3.62(4E)
Kalplats	64.95	1.49(3E)	–	–	–

6E=*Pt+Pd+Rh+Ru+Ir+Au* ***4E***=*Pt+Pd+Rh+Au* ***3E***=*Pt+Pd+Au*

Nickel	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)	
	Mt	Ni%	Mt	Ni%
Nkomati – Total MMZ+PCMZ	266.03	0.34	129.51	0.34

Manganese	Mineral Resources (Measured and Indicated)			Mineral Reserves (Proved and Probable)		
	Mt	Mn%	Fe%	Mt	Mn%	Fe%
Nchwaning						
No 1 Seam	128.63	45.3	8.7	107.96	45.3	8.7
No 2 Seam	180.80	42.4	15.5	–	–	–
Gloria						
No 1 Seam	51.57	38.3	5.5	39.71	38.3	5.5
No 2 Seam	29.40	29.9	10.1	–	–	–

Iron ore	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)	
	Mt	Fe%	Mt	Fe%
Beeshoek	113.35	63.71	47.67	64.93
Khumani				
Bruce	234.32	64.49	213.55	64.49
King	379.41	64.51	330.08	64.39

Chromite	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)	
	Mt	Cr_2O_3%	Mt	Cr_2O_3%
Dwarsrivier	50.60	39.03	39.50	35.75
Nkomati	2.00	31.63	2.00	31.63

Coal	Mineral Resources	Mineral Reserves	
	(Measured and Indicated)	(Proved and Probable)	Saleable
	Mt	Mt	Mt
Goedgevonden	550.6	364	195.4

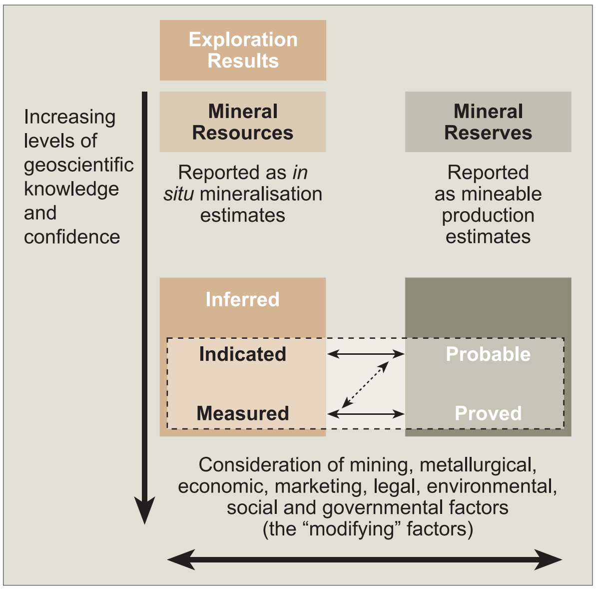
Copper	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)	
	Mt	%TCu	Mt	%TCu
Konkola North	57.4	2.42	–	–

General statement

ARM's method of reporting Mineral Resources and Mineral Reserves conforms to the South African Code for Reporting Mineral Resources and Mineral Reserves (SAMREC Code) and the Australian Institute of Mining and Metallurgy Joint Ore Reserves Committee Code (JORC Code).

The convention adopted in this report is that Mineral Resources are reported inclusive of that portion of the total Mineral Resource converted to a Mineral Reserve, except for Modikwa Platinum Mine where the Mineral Resources are reported exclusive of the Mineral Reserves. Resources and reserves are quoted as at 30 June 2010. External consulting firms audit the resources and reserves of the ARM operations on a three- to four-year cycle basis.

Rounding of figures may result in computational discrepancies on the Mineral Resource and Reserve tabulations.



Competence

The competent person with overall responsibility for the compilation of the Mineral Resources and Reserves report is Paul van der Merwe, PrSciNat, an ARM employee. He consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Paul van der Merwe graduated with a BSc (Hons) in Geology from Free State University. He spent four years as an exploration geologist for FOSKOR. He then joined the Uranium Resource Evaluation Group of the then Atomic Energy Corporation of South Africa for 12 years. While employed there he studied geostatistics and spent some time at the University of Montreal, Canada. In 1991 he joined Anglovaal Mining (now ARM) in the Geostatistics Department and evaluated numerous mineral deposit types for this group in Africa. In 2001, he was appointed as Mineral Resources Manager for the Group. He is registered with the South African Council for Natural Scientific Professions as a Professional Natural Scientist in the field of practice of geological Science, Registration Number 400498/83, and as such is considered to be a Competent Person.

All competent persons at the operations have sufficient relevant experience in the type of deposit and in the activity for which they have taken responsibility. Details of the ARM's competent persons are available from the Company Secretary on written request.

The following competent persons were involved in the calculation of Mineral Resources and Reserves. They are employed by ARM or its subsidiaries and joint venture (JV) partners:

M Burger/ S v Niekerk	PrSciNat PrSciNat	Iron
B Rusive	PrSciNat	Manganese
A Pretorius*	PrSciNat	Chrome
M Davidson	PrSciNat	Nickel
J Woolfe	PrSciNat	Nickel/Platinum
R van Rhyn	PrSciNat	Platinum
S Kadzviti	PrSciNat	Nickel/Platinum
AMEC	E&C Services*	Copper

** External consultant*

P J van der Merwe

24 Impala Road, Chislehurston, Sandton

15 October 2010

ARM Ferrous

Assmang Limited Operations

ARM's attributable beneficial interest in Assmang's operations is 50%. The other 50% is held by Assore Limited.

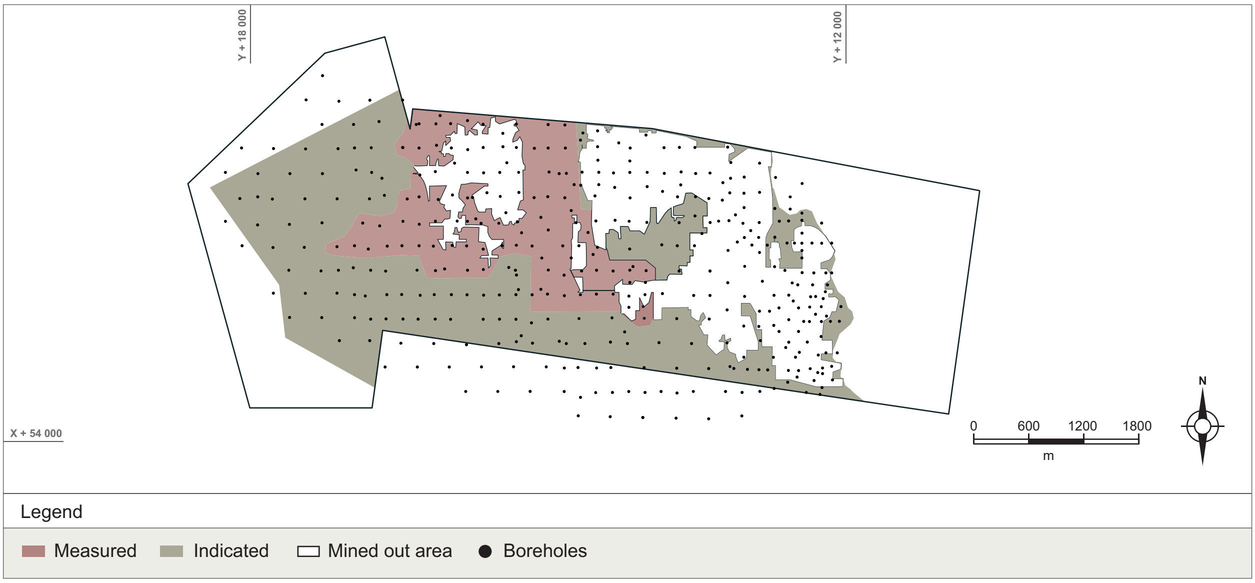
Manganese Mines

Nchwaning Mine: 1 Body Manganese Resources and Reserves

	Mineral Resources				Mineral Reserves		
	Mt	**Mn%**	**Fe%**		**Mt**	**Mn%**	**Fe%**
Measured	39.63	46.6	9.2	Proved	34.08	46.6	9.2
Indicated	89.01	44.7	8.4	Probable	73.88	44.7	8.4
Total Resources 1 Body 2010	**128.63**	**45.3**	**8.7**	**Total Reserves 1 Body 2010**	**107.96**	**45.3**	**8.7**
Total Resources 1 Body 2009	130.60	45.1	9.04	Total Reserves 1 Body 2009	109.40	45.1	9.04

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors: Proved Reserves=Measured Resources less 14% pillar loss.
Probable Reserves=Indicated Resources less 17% pillar loss.

NCHWANING MINERAL RESOURCE CLASSIFICATION MAP



Nchwaning Mine: 2 Body Manganese Resources

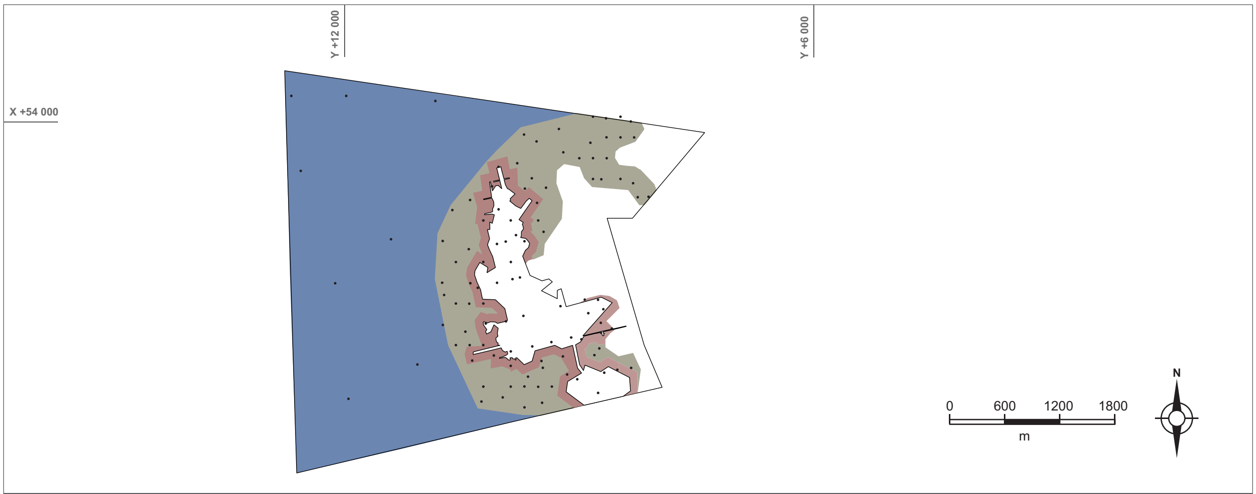
Mineral Resources	**Mt**	**Mn%**	**Fe%**
Measured	53.37	42.0	16.3
Indicated	127.43	42.6	15.2
Total Resources 2 Body 2010	**180.80**	**42.4**	**15.5**
Total Resources 2 Body 2009	180.8	42.4	15.5

Totals are rounded off.

Gloria Mine: 1 Body Manganese Resources and Reserves							
	Mineral Resources				Mineral Reserves		
	Mt	Mn%	Fe%		Mt	Mn%	Fe%
Measured	13.94	38.1	5.0	Proved	10.73	38.1	5.0
Indicated	37.63	38.3	5.7	Probable	28.98	38.3	5.7
Total Resources 1 Body 2010	**51.57**	**38.3**	**5.5**	**Total Reserves 1 Body 2010**	**39.71**	**38.3**	**5.5**
Total Resources 1 Body 2009	53.30	38.2	5.5	Total Reserves 1 Body 2009	41.00	38.2	5.5
Inferred 2010	**128.24**						
Inferred 2009	128.30						

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors: Proved Reserves=Measured Resources less 23% pillar loss.
Probable Reserves=Indicated Resources less 23% pillar loss.

GLORIA MINERAL RESOURCE CLASSIFICATION MAP



Legend

Measured Indicated Inferred Mined out area Boreholes

Gloria Mine: 2 Body Manganese Resources			
Mineral Resources	**Mt**	**Mn%**	**Fe%**
Measured	–	–	–
Indicated	29.40	29.9	10.1
Total Resources 2 Body 2010	**29.40**	**29.9**	**10.1**
Total Resources 2 Body 2009	29.40	29.9	10.1
Inferred 2010	128.24		
Inferred 2009	132.30		

Totals are rounded off.

ARM Ferrous continued

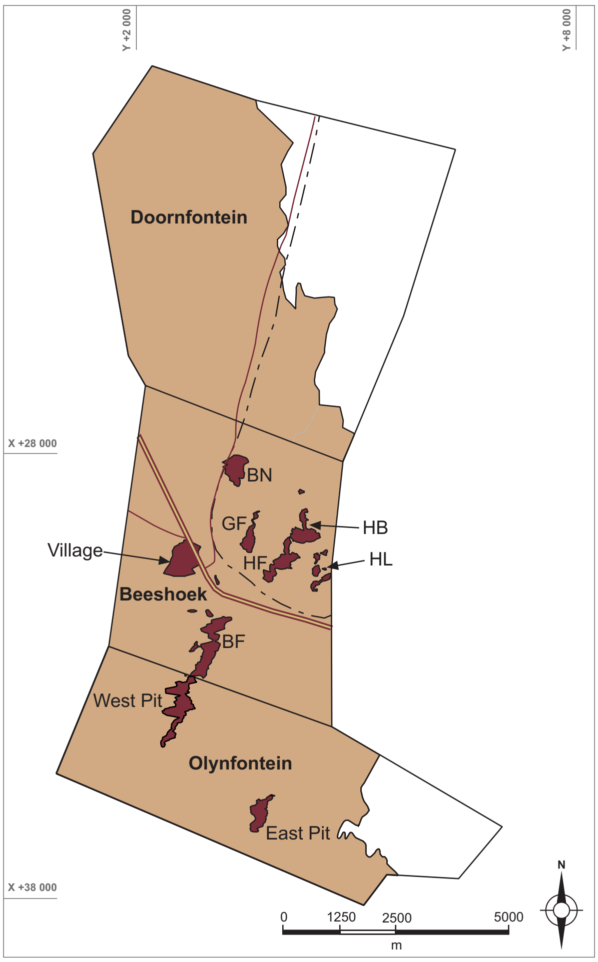
Iron Ore Mines

Beeshoek Iron Ore Mine: Resources and Reserves

	Measured Resources		Indicated Resources		Inferred Resources		Total Resources Measured + Indicated		Proved Reserves		Probable Reserves		Total Reserves	
Pit/Area	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**
BN	23.54	63.50	0.03	63.13	–	–	23.57	63.50	15.52	63.95	–	–	15.52	63.95
HF/HB	16.64	64.30	0.30	63.85	–	–	16.94	64.29	2.55	65.24	0.03	66.45	2.58	65.25
BF	6.95	63.29	0.22	63.58	–	–	7.17	63.30	1.93	63.81	–	–	1.93	63.81
East Pit	9.14	64.61	0.03	64.19	–	–	9.17	64.61	1.89	65.66	–	–	1.89	65.66
Village	40.80	63.56	0.09	64.64	–	–	40.89	63.56	24.23	65.53	–	–	24.23	65.53
GF	3.13	63.81	0.09	61.80	–	–	3.22	63.75	–	–	–	–	–	–
HH Ext	0.28	62.63	–	–	–	–	0.28	62.63	–	–	–	–	–	–
HL	3.05	65.17	–	–	–	–	3.05	65.17	0.93	65.70	–	–	0.93	65.70
West Pit	9.06	62.74	–	–	0.05	61.87	9.06	62.74	0.59	64.45	–	–	0.59	64.45
Detrital	–	–	–	–	2.50	60.00	–	–	–	–	–	–	–	–
Total 2010	**112.59**	**63.71**	**0.76**	**63.61**	**2.55**	**60.04**	**113.35**	**63.71**	**47.64**	**64.93**	**0.03**	**66.45**	**47.67**	**64.93**
Total 2009	108.94	63.71	0.74	63.61	3.75	60.00	109.68	63.71	45.21	64.95	0.03	66.45	45.24	64.95

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors: Economic pit design, Fines generated, Classified to customer specifications.

BEESHOEK OPEN-PIT LOCALITY MAP

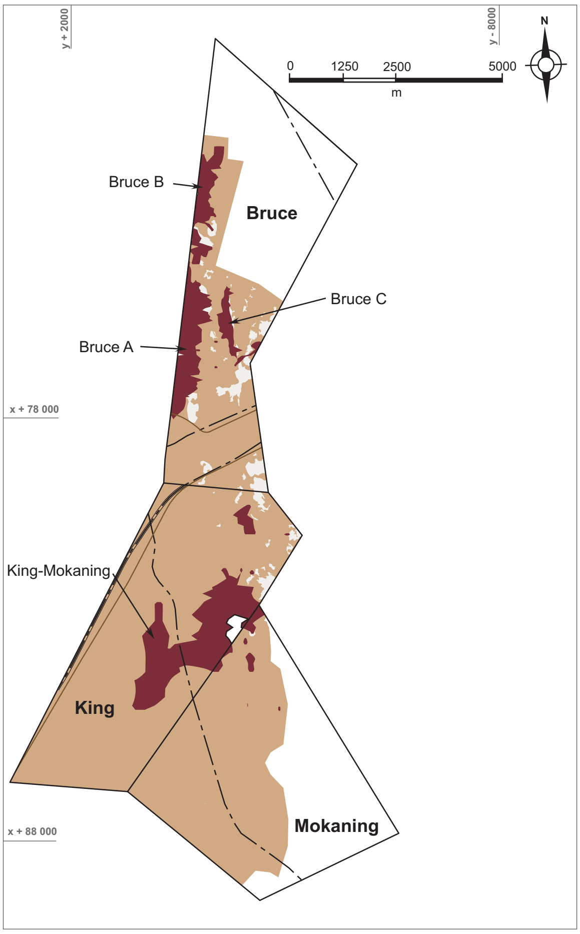


Tailing thickener

Khumani Iron Ore Mine: Resources and Reserves																
	Measured Resources		Indicated Resources		Inferred Resources		Total Resources Measured + Indicated		Proved Reserves		Probable Reserves		Total Reserves	
Pit/Area	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**	**Mt**	**Fe%**
Bruce A	110.60	64.39	0.05	62.43	0.33	63.70	110.65	64.39	100.60	64.43	0.08	62.12	100.68	64.43
Bruce B	93.88	64.43	9.18	64.56	3.81	64.13	103.06	64.44	88.01	64.41	4.20	63.92	92.21	64.39
Bruce C	17.10	65.13	3.51	65.84	1.04	64.29	20.61	65.25	17.02	65.14	3.64	65.91	20.66	65.28
King/ Mokaning	255.60	64.53	123.81	64.48	17.67	64.00	379.41	64.51	258.14	64.43	71.94	64.26	330.08	64.39
Detrital	–	–	–	–	4.00	60.00	–	–	–	–	–	–	–	–
Total 2010	**477.18**	**64.50**	**136.55**	**64.52**	**26.85**	**63.43**	**613.73**	**64.50**	**463.77**	**64.45**	**79.86**	**64.32**	**543.63**	**64.43**
Total 2009	325.40	64.70	307.60	64.42	40.80	62.97	632.90	64.56	481.40	64.51	84.40	64.26	565.70	64.49

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors: Economic pit design, Fines generated, Classified to customer specifications.

KHUMANI OPEN-PIT LOCALITY MAP



Khumani construction

Assaying samples

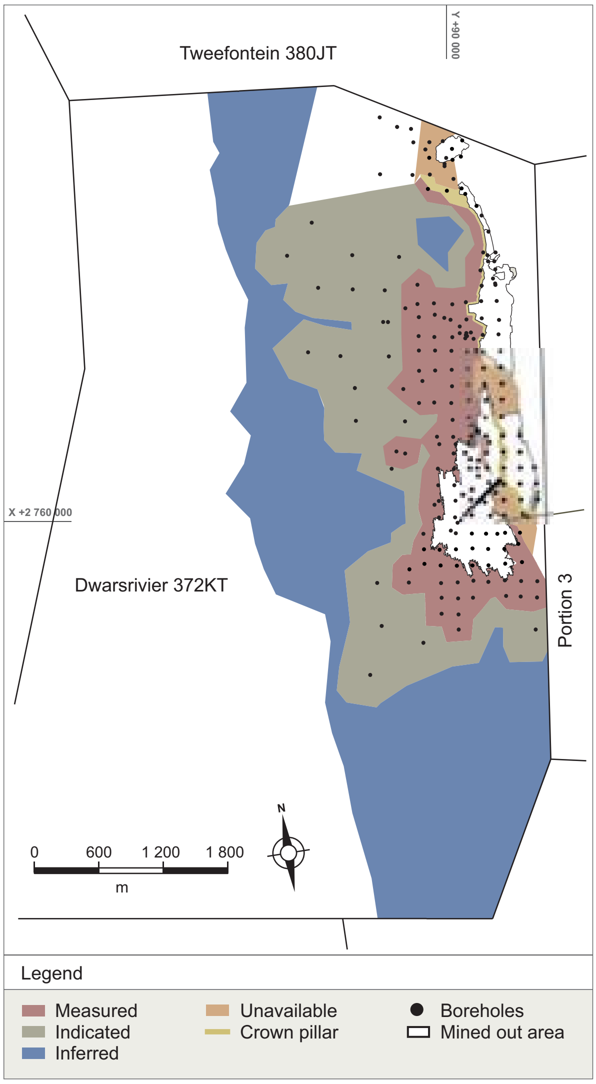
ARM Ferrous continued

Chromite Mine

Load Haul Dump (LHD) operation

Drill rig in workshop

DWARSRIVIER MINERAL RESOURCE CLASSIFICATION MAP



Dwarsrivier Chrome Mine: Resources and Reserves							
	Mineral Resources				Mineral Reserves		
	Mt	Cr_2O_3%	FeO%		Mt	Cr_2O_3%	FeO%
Measured	18.83	39.21	23.07	Proved	12.75	35.95	22.07
Indicated	31.77	38.93	22.93	Probable	26.75	35.65	21.96
Total Measured and Indicated 2010	**50.60**	**39.03**	**22.98**	**Total Reserves 2010**	**39.50**	**35.75**	**22.00**
Total Measured and Indicated 2009	47.88	39.56	23.11	Total reserves 2009	35.64	39.50	23.10
Inferred	48.09	39.56	23.16				

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors: Geological losses (10%), Mining losses (5%), Pillar loss (23%).

ARM Platinum

Nkomati Nickel-Copper-Cobalt-PGM-Chromite Mine

ARM's attributable beneficial interest in Nkomati operations is 50%. The other 50% is held by Norilsk Nickel.

Nkomati Mine: Resources

	Measured Mineral Resources						Indicated Mineral Resources						Total Mineral Resources				
	Cut-off (Ni)%	Mt	Ni%	Cu%	Co%	4E g/t	Cut-off (Ni)%	Mt	Ni%	Cu%	Co%	4E g/t	Mt	Ni%	Cu%	Co%	4E g/t
BMZ (underground)	0.35	0.03	0.62	0.36	0.04	1.60	0.35	0.20	0.47	0.33	0.02	1.20	0.23	0.49	0.33	0.02	1.25
MMZ (underground)	0.35	0.95	0.54	0.19	0.03	1.06	0.30	47.80	0.48	0.21	0.03	1.03	48.75	0.48	0.21	0.03	1.03
PCMZ (underground)	–	–	–	–	–	–	0.30	19.90	0.38	0.12	0.02	0.77	19.90	0.38	0.12	0.02	0.77
MMZ (open-pit) Pits 2 & 3	0.24	18.90	0.46	0.19	0.03	1.07	0.24	57.25	0.42	0.19	0.03	1.00	76.15	0.42	0.19	0.03	1.02
PCMZ (open-pit) Pits 2 & 3	0.16	23.30	0.27	0.08	0.01	0.79	0.16	97.70	0.22	0.07	0.01	0.66	121.00	0.23	0.07	0.01	0.68
Total 2010 Mineral Resources		**43.18**	**0.36**	**0.13**	**0.02**	**0.92**		**222.85**	**0.34**	**0.14**	**0.02**	**0.84**	**266.03**	**0.34**	**0.13**	**0.02**	**0.85**
Total 2009 Mineral Resources		0.98	0.54	0.20	0.03	1.71		233.00	0.38	0.15	0.02	0.93	233.98	0.38	0.15	0.02	0.93

__4E__ = platinum, palladium, rhodium and gold.
Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.

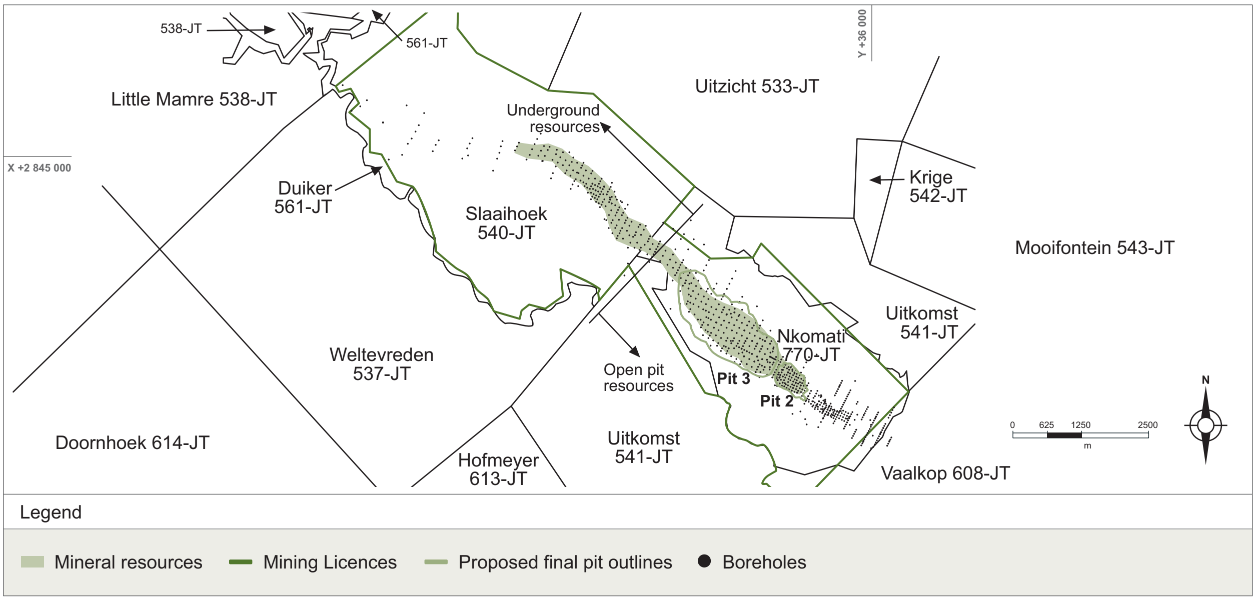
Nkomati Mine: Reserves

	Proved Mineral Reserves						Probable Mineral Reserves						Total Mineral Reserves				
	Cut-off (Ni)%	Mt	Ni%	Cu%	Co%	4E g/t	Cut-off (Ni)%	Mt	Ni%	Cu%	Co%	4E g/t	Mt	Ni%	Cu%	Co%	4E g/t
MMZ (underground)	–	–	–	–	–	–	0.35	6.54	0.59	0.22	0.03	1.09	6.54	0.59	0.22	0.03	1.09
MMZ (open-pit) Pits 2 & 3	–	–	–	–	–	–	0.24	65.32	0.42	0.18	0.02	1.01	65.32	0.42	0.18	0.02	1.01
PCMZ (open-pit) Pits 2 & 3	–	–	–	–	–	–	0.16	57.65	0.23	0.07	0.01	0.69	57.65	0.23	0.07	0.01	0.69
Total 2010 Mineral Reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**129.51**	**0.34**	**0.13**	**0.02**	**0.87**	**129.51**	**0.34**	**0.13**	**0.02**	**0.87**
Total 2009 Mineral Reserves	–	–	–	–	–	–	–	159.70	0.32	0.12	0.02	0.82	159.70	0.32	0.12	0.02	0.82

Totals are rounded off.
Modifying factors: Economic pit design, geotechnical, metallurgical.

ARM Platinum continued

NKOMATI MINE LOCALITY MAP



Oxidised Massive Chromitite Resources	Indicated Mineral Resources		Inferred Resources	
	Mt	Cr_2O_3%	Mt	Cr_2O_3%
Total 2010 Chromitite (at 30% Cr_2O_3 cut-off)	**2.00**	**31.63**		
Total 2009 Chromitite (at 30% Cr_2O_3 cut-off)	1.82	33.56	0.1	31.71

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.

Oxidised Massive Chromitite Reserves	Probable Mineral Reserves	
	Mt	Cr_2O_3%
Total 2009 Chromitite (at 30% Cr_2O_3 cut-off)	2.00	31.63

Totals are rounded off.
Modifying factors: Economic pit design, geotechnical, metallurgical.

Oxidised Chromititic Peridotite	Indicated Mineral Resources		Inferred Resources	
	Mt	Cr_2O_3%	Mt	Cr_2O_3%
Total 2010 Oxidised PCR			**3.70**	**10.30**
Total 2009 Oxidised PCR	5.20	16.41	8.7	16.04

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.

Two Rivers Platinum Mine

ARM's attributable beneficial interest in Two River's operations is 55%. The other 45% is held by Impala Platinum.

UG2 Mineral Resources

	(UG2 + Internal Pyroxenite)								
	Mt	**Pt g/t**	**Pd g/t**	**Rh g/t**	**Au g/t**	**(3PGE + Au) g/t**	**(5PGE + Au) g/t**	**Pt Moz**	**6E Moz**
Measured	8.83	2.57	1.44	0.48	0.04	4.53	5.42	0.73	1.54
Indicated	46.82	2.09	1.24	0.39	0.04	3.76	4.53	3.15	6.82
Total 2010	**55.65**	**2.17**	**1.27**	**0.41**	**0.04**	**3.89**	**4.67**	**3.88**	**8.36**
Total 2009	54.09	2.17	1.3	0.4	0.04	3.91	4.71	3.77	8.19
Inferred	1.12	2.91	1.69	0.54	0.05	5.19	6.26	0.1	0.23

***3PGE** = platinum, palladium and rhodium; **5PGE** = platinum, palladium, rhodium, iridium and ruthenium; **6E** = 5PGE + gold*
Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.

UG2 Mineral Reserves

	(UG2 + Internal Pyroxenite)								
	Mt	**Pt g/t**	**Pd g/t**	**Rh g/t**	**Au g/t**	**(3PGE + Au) g/t**	**(5PGE + Au) g/t**	**Pt Moz**	**6E Moz**
Proved	5.12	1.83	1.08	0.35	0.03	3.29	3.94	0.30	0.65
Probable	30.80	1.62	0.92	0.31	0.03	2.88	3.47	1.60	3.44
Total 2010	**35.92**	**1.65**	**0.95**	**0.32**	**0.03**	**2.94**	**3.54**	**1.90**	**4.09**
Total 2009	37.29	1.83	1.10	0.34	0.03	3.30	3.98	2.19	4.78

***3PGE** = platinum, palladium and rhodium; **5PGE** = platinum, palladium, rhodium, iridium and ruthenium; 6E = **5PGE** + gold*
Totals are rounded off.
Modifying factors: Mining losses, dilution, geotechnical, metallurgical.

Merensky Reef Mineral Resources

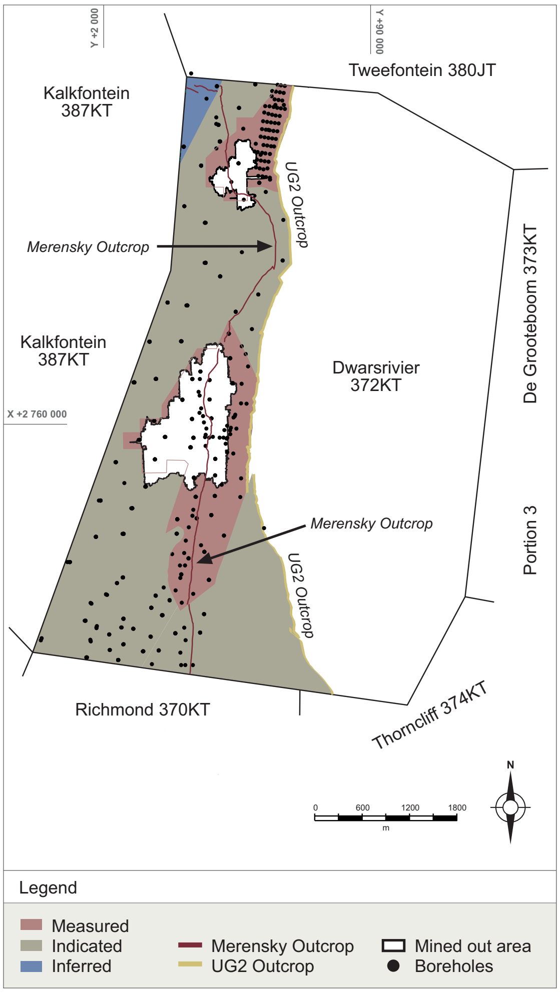
Top Zone	**Mt**	**(3PGE + Au) g/t**	**Pt g/t**	**6E g/t**	**Pt Moz**	**6E Moz**
Measured						
Indicated	18.70	3.34	2.06	3.55	1.2	2.13
Total 2010	**18.70**	**3.34**	**2.06**	**3.55**	**1.2**	**2.13**
Total 2009	18.70	3.34	2.06	3.55	1.2	2.13
Inferred	3.90	3.16	1.95	3.36	0.24	0.41

***3PGE** = platinum, palladium and rhodium; **5PGE** = platinum, palladium, rhodium, iridium and ruthenium; **6E** = **5PGE** + gold*
Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.

ARM Platinum continued

Manganese to stockpile

TWO RIVERS MINERAL RESOURCE CLASSIFICATION MAP



Underground drill rig

Modikwa Platinum Mine

ARM's attributable beneficial interest in Modikwa's operations is 50%. The other 50% is held by Anglo Platinum.

Modikwa Mineral Resources and Reserves UG2

	Mineral Resources				Mineral Reserves		
	Mt	**3PGE + Au g/t**	**Moz**		**Mt**	**3PGE + Au g/t**	**Moz**
Measured	54.30	5.84	10.19	Proved	20.69	5.02	3.34
Indicated	94.71	5.88	17.89	Probable	26.88	4.87	4.21
Total Measured and Indicated 2010	**149.01**	**5.86**	**28.08**	**Total**	**47.57**	**4.94**	**7.55**
Total Measured and Indicated 2009	145.73	5.86	27.44		56.01	4.71	8.49
Inferred	75.68	6.19	15.05				

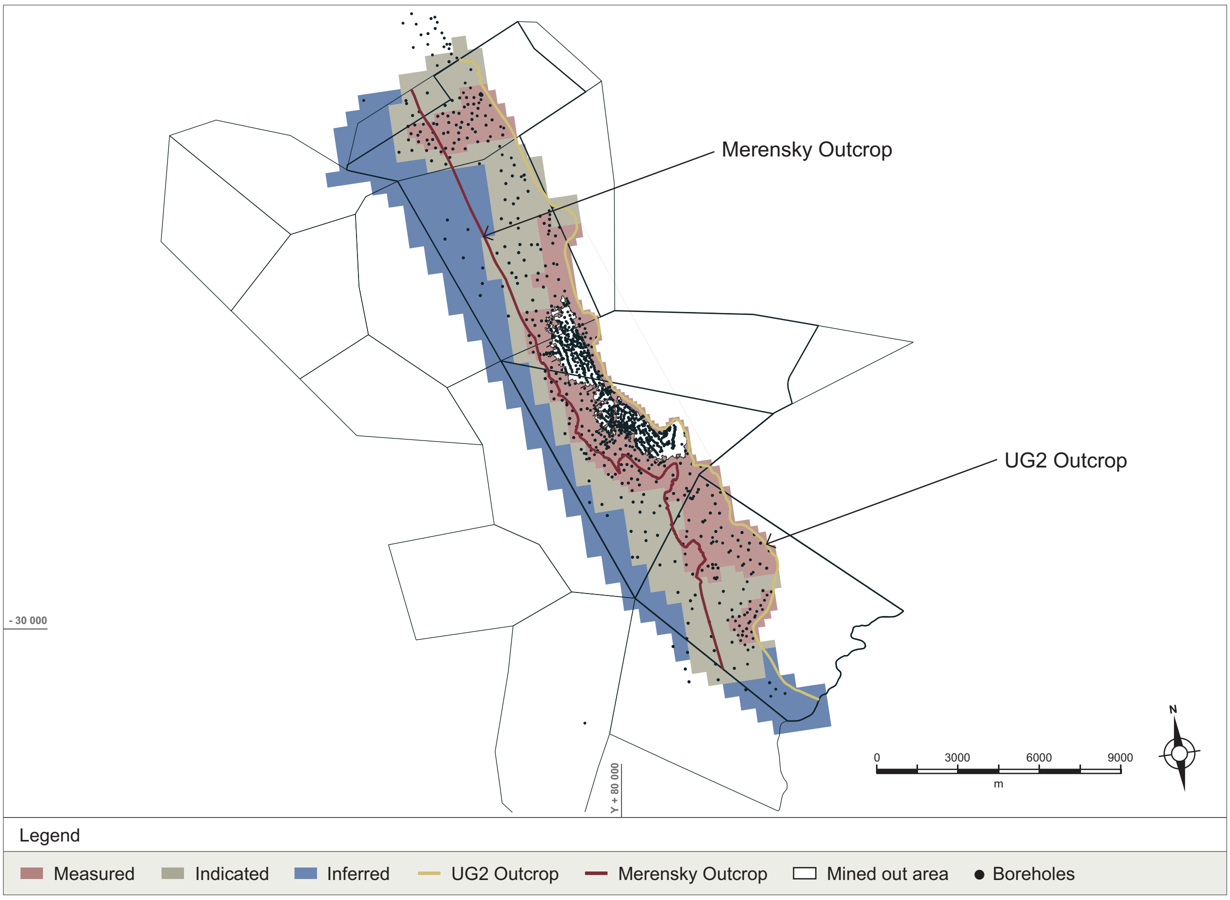
3PGE *= platinum, palladium and rhodium.* *Mineral Resources are exclusive of Mineral Reserves.* *Totals are rounded off.*

Modikwa Mineral Resources Merensky Reef

	Mineral Resources		
	Mt	**3PGE + Au g/t**	**Moz**
Measured	17.95	2.94	1.70
Indicated	54.05	2.73	4.74
Total Measured and Indicated 2010	**72.00**	**2.78**	**6.44**
Total Measured and Indicated 2009	72.00	2.78	6.44
Inferred	136.84	2.65	11.66

3PGE *= platinum, palladium and rhodium.* *Totals are rounded off.* *Modifying factors: Mining losses, dilution, geotechnical, metallurgical.*

MODIKWA MINERAL RESOURCE CLASSIFICATION MAP



ARM Platinum continued

Kalplats Platinum Projects

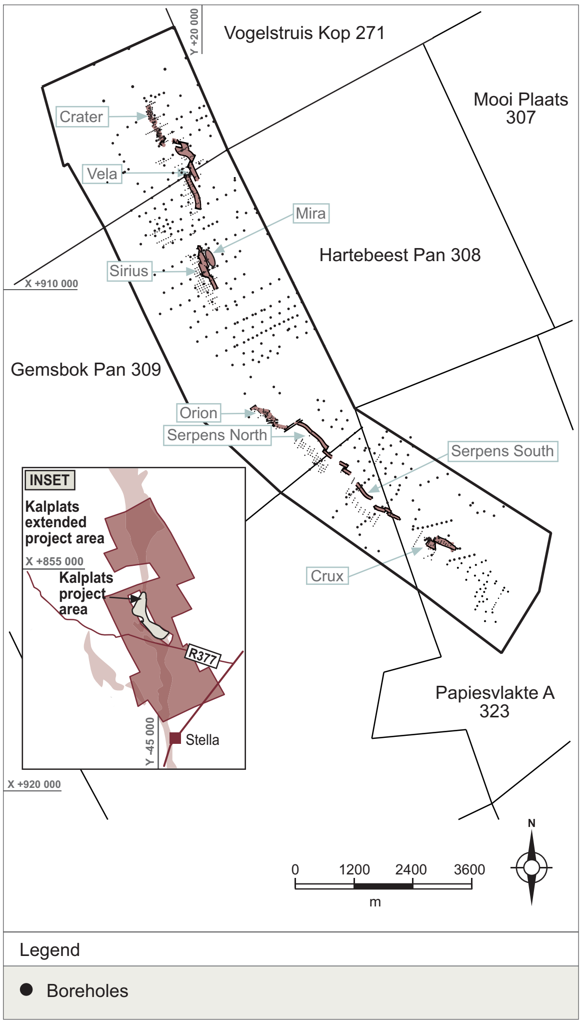
ARM's attributable beneficial interest in Kalplats' operations is 90%.

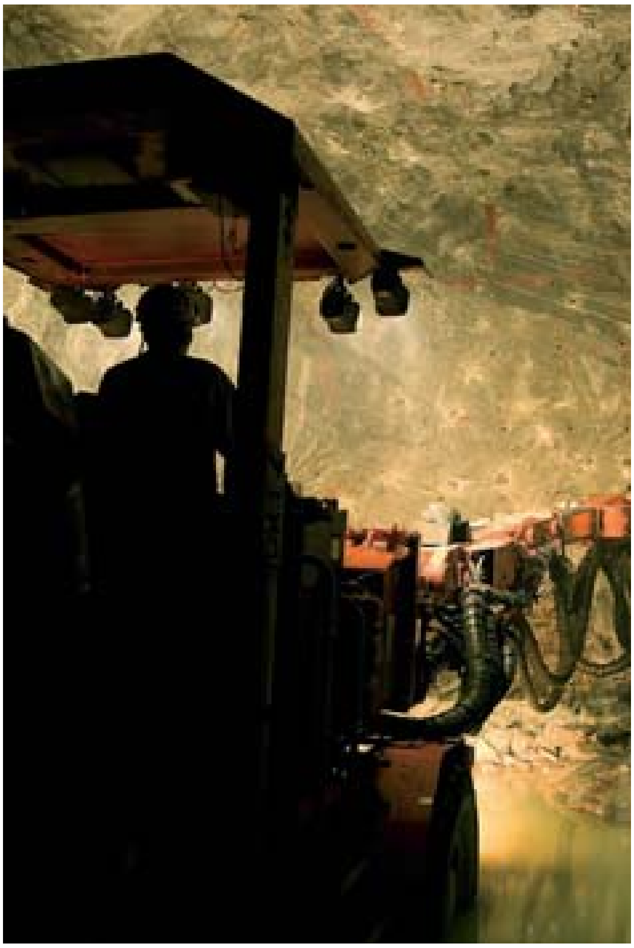
Kalplats Mineral Resources

	Measured Resources		Indicated Resources		Measured and Indicated Resources			Inferred Resources		Total Mineral Resources		
Deposit	**Mt**	**3E g/t**	**Mt**	**3E g/t**	**Mt**	**3E g/t**	**3E Moz**	**Mt**	**3E g/t**	**Mt**	**3E g/t**	**3E Moz**
Crater	1.34	1.89	6.22	1.85	7.55	1.86	0.45	18.66	2.11	26.22	2.04	1.72
Orion	4.20	1.57	4.01	1.56	8.21	1.57	0.41	3.64	1.61	11.86	1.58	0.60
Crux	7.70	1.55	10.88	1.40	18.58	1.46	0.87	9.46	1.35	28.04	1.42	1.28
Sirius	0.80	1.52	5.31	1.49	6.11	1.49	0.29	3.38	1.27	9.48	1.41	0.43
Mira	–	–	2.71	1.42	2.71	1.42	0.12	3.93	1.44	6.63	1.43	0.31
Vela	–	–	21.79	1.36	21.79	1.36	0.95	14.87	1.32	36.66	1.34	1.58
Serpens N	–	–	–	–	–	–	–	7.70	1.43	7.70	1.43	0.35
Serpens S	–	–	–	–	–	–	–	10.76	1.34	10.76	1.34	0.46
Total 2010	**14.04**	**1.59**	**50.91**	**1.46**	**64.95**	**1.49**	**3.11**	**72.40**	**1.56**	**137.36**	**1.53**	**6.74**
Total 2009	13.43	1.58	43.14	1.46	56.57	1.49	2.71	76.63	1.53	133.20	1.51	6.48

3E = platinum, palladium and gold
Totals are rounded off.
Resources include UM, UUM, LM, MR, LG, MMW and the Main Reef Residual layers, which is the total mineralised width for all seven layers.
Cut off grade of 0.5 g/t 3E has been applied.

KALPLATS PLATINUM PROJECTS LOCALITY MAP





Twin boom drill rig

ARM Coal

Goedgevonden Coal Mine

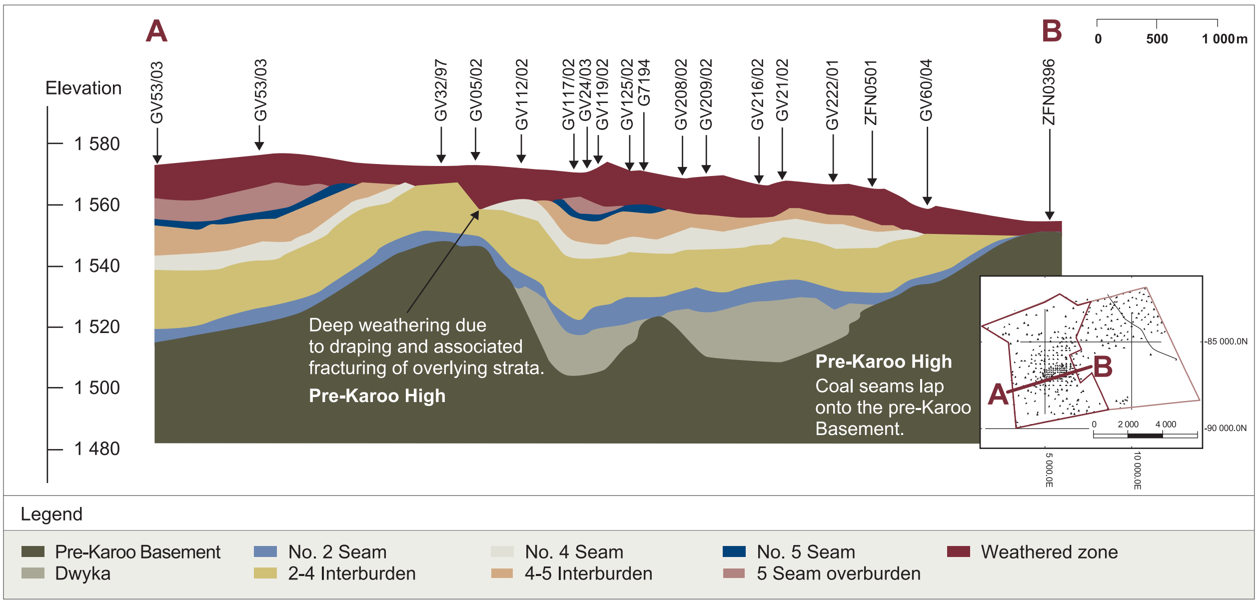
ARM's attributable beneficial interest in Goedgevonden's operations is 26%. The other 74% is held by Xstrata.

Goedgevonden Resources

Seam No.	Measured Mt	Indicated Mt	Inferred Mt	Proved Mt	Probable Mt	Saleable Mt
Resources within Mine Plan						
2	188.2	–	–	169.3	–	89.4
4	177.5	–	–	159.6	–	85.7
5	39.5	–	–	35.5	–	20.3
Total	**405.2**	**–**	**–**	**364.4**	**–**	**195.4**
Resources outside of Mine Plan						
2	51.4	18.3	–	–	–	–
4	49.2	8.6	56.9	–	–	–
5	17.0	0.8	6.3	–	–	–
Total	117.7	27.7	63.2			
Overall	**522.9**	**27.7**	**63.2**	**364.4**	**–**	**195.4**

Totals are rounded off.

SECTION SHOWING GOEDGEVONDEN COAL SEAMS



ARM Copper

Konkola North Copper Project

ARM and its 50:50 strategic joint venture partner Vale, owners of Konnoco Zambia, announced on 27 August 2010 the release of the Konkola North Copper Mine in Zambia.

Mineral Resources at a 1% total copper cut-off grade.

Mineral Resources	Mt	%TCu	Mt Contained Cu
Measured South Limb	0.7	2.7	0.02
Indicated South Limb	23.9	2.13	0.51
Total South Limb	**24.6**	**2.15**	**0.53**
Measured East Limb	4.0	2.64	0.11
Indicated East Limb	16.6	2.58	0.43
Total East Limb	**20.6**	**2.59**	**0.54**
Measured Fold axis	0.4	2.1	0.01
Indicated Fold axis	11.8	2.7	0.32
Total Fold axis	**12.2**	**2.68**	**0.33**
Total Measured and Indicated 2010	**57.4**	**2.42**	**1.39**
Inferred South Limb	13.8	2.22	
Inferred East Limb	0.4	2.0	
Inferred Fold axis	9.7	2.25	
Inferred Area A	219.5	2.64	

Totals are rounded off.

Geological computer modelling

ARM Exploration

ARM's attributable beneficial interest in exploration ventures is 50%. The other 50% is held by Vale.

The Mwambashi Copper Project lies in the Zambian Copperbelt on the western edge of the Chambishi Basin.

Mineral Resources at 0.5% total copper cut-off grade

Mineral Resources	Mt	%TCu	Mt Contained Cu
Measured	10.54	1.84	0.19
Indicated	1.90	1.17	0.02
Total Measured and Indicated 2010	12.44	1.74	0.16
Inferred	1.77	2.10	0.04

Totals are rounded off.

Kalumines Properties (DRC) – Mineral Resources				
Mineral Resources		**Mt**	**%TCu**	**Mt Contained Cu**
Lupoto	Measured	–	–	–
	Indicated	30.70	2.53	0.78
	Inferred	4.20	2.33	0.10
Kasonta	Inferred	25.10	1.40	0.35
Kasonta south	Inferred	4.40	1.64	0.07
Karu East	Inferred	5.50	1.80	0.10
Niamumenda	Inferred	2.60	2.25	0.06
Stockpile		1.10	4.15	0.05

Totals are rounded off.

Gold: Harmony

ARM owns 14.8% of Harmony's issued share capital. Harmony, South Africa's third largest gold producer, is separately run by its own management team. Resources and Reserves of the Harmony mines are the responsibility of the Harmony team and are published in Harmony's Annual Report.

Detailed mine planning

Definitions

The definitions of Mineral Resources and Reserves, quoted from the SAMREC Code, are as follows:

A **'Mineral Resource'** is a concentration or occurrence of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, or estimated from specific geological evidence, sampling and knowledge interpreted from an appropriately constrained and portrayed geological model. Mineral Resources are subdivided, and must be so reported, in order of increasing confidence in respect of geoscientific evidence, into Inferred, Indicated or Measured categories.

An **'Inferred Mineral Resource'** is that part of a Mineral Resource for which volume or tonnage, grade and mineral content can be estimated with only a low level of confidence. It is inferred from geological evidence and sampling and assumed but not verified geologically or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited in scope or of uncertain quality and reliability.

An **'Indicated Mineral Resource'** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on information from exploration, sampling and testing of material gathered from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological or grade continuity but are spaced closely enough for continuity to be assumed.

A **'Measured Mineral Resource'** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

A **'Mineral Reserve'** is the economically mineable material derived from a Measured or Indicated Mineral Resource or both. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a Pre-Feasibility Study for a project and a Life-of-Mine Plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

A **'Probable Mineral Reserve'** is the economically mineable material derived from a Measured or Indicated Mineral Resource or both. It is estimated with a lower level of confidence than a Proved Mineral Reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a Pre-Feasibility Study for a project or a Life-of-Mine Plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

A **'Proved Mineral Reserve'** is the economically mineable material derived from a Measured Mineral Resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a Pre-Feasibility Study for a project or a Life-of-Mine Plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

Sustainability

Contents

About this review of our sustainability performance

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

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

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

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

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

Overview of ARM's operations

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

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

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

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

ARM's sustainability performance at a glance

Overview of our principal achievements, challenges and strategic focus areas

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

Principal achievements

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

Challenges and strategic focus areas

- Preventing all workplace injuries and ensuring zero fatalities. We regret to report one work-related fatality this year. Our injury frequency rate remained relatively consistent and in line with industry standards. Enhancing our safety management is a primary focus.
- Developing, attracting and retaining an adequate skills pool (internal and external) to meet our ambitious growth objectives.
- Meeting the expectations of the International Council on Mining and Metals (ICMM), and aligning with the Broad-Based Socio-Economic Charter for the Mining Industry (Mining Charter), as recently revised.
- Further integration of sustainability risks into our Enterprise Risk Management system, and improving our systems for measuring and monitoring our sustainability performance and reporting practices.
- Formalising our stakeholder engagement processes.
- Decentralised management framework presents challenges to embedding sustainability throughout our operations. We continue to establish Group policies for key issues to ensure a congruent approach to developing and managing the business.
- Meeting reduction targets set for emissions at our smelters, and improving our water management.
- Ensuring BBBEE and BEE procurement supplier accreditation.
- Continued implementation of our housing strategy and furthering our transformation strategy in line with the new objectives of the revised Mining Charter.
- Developing a greenhouse gas (GHG) emissions reduction strategy and a climate change strategy, and respective implementation plans.

Production volumes

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

Our sustainability performance year-on-year

Performance indicator	F2010	F2009
Economic and related core baseline indicators		
Revenue (Rm)	**11 425**	10 712
Sales (Rm)	**11 022**	10 094
Duties, levies and taxes paid (Rm)	**1 009**	1 727
Headline earnings (Rm)	**1 714**	2 317
EBITDA (Rm)	**3 907**	4 484
Purchased materials and services (Rm)	**5 624**	4 201
Value added	**5 653**	6 968
*Procurement of capital goods, services and consumables from BBBEE suppliers (%)	**52.5 (target was 40%)**	37.3
Number of environmental administrative penalties/fines	**2**	None
Employee issues		
Total number of all ARM employees and contractors	**22 776**	16 777
– Employees (permanent)	**10 281**	9 643
– Contractors (mainly used in capital projects)	**12 495**	7 134
New jobs created (direct employment only)	**802**	896
Employee turnover (excluding contractors) %	**5.7**	4.5
Investment in employee training and development		
– total expenditure (Rm)	**50**	57
– % of payroll	**3.6**	6
Employment equity (% representation of previously disadvantaged groups among permanent employees)		
– Top management	**44**	44
– Senior management	**32**	32
– Professionally qualified	**45**	47
– Technically qualified	**67**	56
Lost time injury frequency rate (LTIFR) (/200 000 man hrs)	**0.770**	0.736
Reportable/serious accidents	**90**	82
Number of lost workdays due to industrial action	**2 411**	115
Environmental issues		
Total water withdrawn (m^3) (municipal, surface and groundwater)	**15 060 418**	14 314 155
Energy usage		
– Electricity (000 kWh)	**2 003 918**	2 038 751
– oil (000 litres)	**3 626**	2 788
– diesel (000 litres)	**55 732**	54 625
Emissions		
Carbon footprint equivalent (equivalent tonnes CO_2)	**In the process of determining**	2 664 549
– CO_2 emissions – direct (tonnes) (Cato Ridge and Machadodorp only)	**562 487**	748 473
– NOx (tonnes)	**1 113**	–
– SOx (tonnes)	**1 559**	–
– Particulate matter (tonnes)	**350**	–
Domestic waste (tonnes)	**38 960**	37 834
Corporate social investment		
CSI (Rm)	**14.5**	19.3
LED (Rm)	**43.8**	28
ARM BBEE Trust (Rm)**	**14.6**	n/a
Total community upliftment and social investment (Rm)	**72.9**	60

* *Non-financial data is based on 100% (vs attributable to equity), unless otherwise stated.*
* *EE stats: Reported annually in October of each year, in line with SA Department of Labour.*
* *LTIFR: Injury rates are measured per 200 000 man hours, in line with general SA practice, and include both ARM employees and contractor incidents.*
* *Environmental indicators: we continue to improve our systems for measuring and monitoring our performance to ensure comprehensive and reliable data. Accordingly, our figures for F2009 have in certain cases been restated.*
* *Water usage: 2009 figures exclude Nkomati – consumption at Nkomati was 490 000 cubic metres, but recycling rates are not measured.*
* *CO_2 kg figure for all mines not available (mines are currently in the process of establishing emissions inventories).*
* *Energy usage: a nominal amount of petrol is used in transport at select operations and is not deemed material for reporting.*
** *Dividends paid in F2009 but project spend only from 1 July 2009.*

Sustainable development at ARM

Our approach to sustainability

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

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

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

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

These Trusts have been created for the purpose of uplifting and benefiting rural communities in various provinces. ARM has to date distributed approximately R41 million to the above mentioned Trusts. In terms of welfare, these projects are anti-poverty initiatives in nature, with emphasis on continuous development and self-help initiatives, such as training in the community, other community-based projects and agricultural projects. A total of 26 projects have been completed in the various provinces.

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

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

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

ICMM
International Council on Mining & Metals

Managing sustainability

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

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

The sustainable growth of our business is ultimately dependent upon the maintenance of a stable political environment, the ability to attract and retain appropriately skilled employees, continued access to natural resources, and maintaining good relationships with our principal stakeholders, including governments and the communities where we operate. As we strive to act in a socially responsible manner, it is essential that we remain informed and responsive. In our business, value protection is dependent on risk management, compliance and operational efficiency. An understanding of our material issues is an essential part of this process, and is discussed in the following section.

Understanding our material issues

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

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

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

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

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

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

Improving our approach to managing sustainability

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

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

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

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

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

Sustainable development at ARM continued

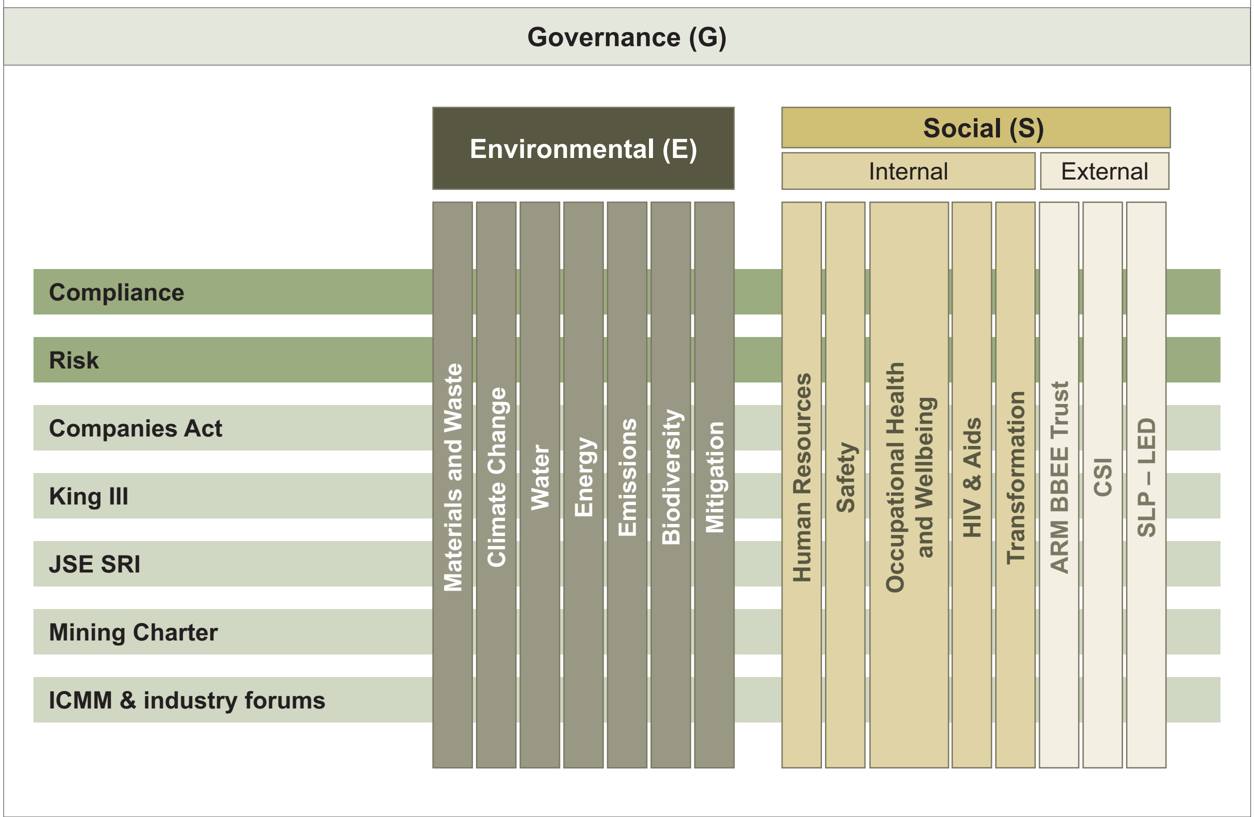
ARM's sustainable development reporting framework

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

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

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

ARM'S SUSTAINABLE DEVELOPMENT REPORTING MODEL



Guidance from external sector and global frameworks

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

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

We realise that sustainability reporting is only part of the process of driving sustainability throughout ARM. As we seek to improve our management processes, this will assist in improving our reporting. This year ARM appointed a Group Manager: Sustainable Development Reporting responsible for reporting, as well as managing and driving sustainability.

Adhering to the requirements of the ICMM

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

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

Ekujabuleni bakery bread loaves for sale

Sustainable development at ARM continued

Management commitments and actions in relation to the 10 ICMM Principles

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

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

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

Ekujabuleni Bakery and Eating House – a Nkomati project

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

Sustainable development at ARM continued

Assurance programme

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

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

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

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

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

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

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

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

Ensuring sound governance

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

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

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

Beeshoek orchard project

The ARM BBEE Trust sewing project in Piet Retief investment are maintained. The Committee advises the Board on policy issues, the efficacy of ARM's management systems for its sustainable development programmes and progress towards set goals, and compliance with statutory, regulatory and Mining Charter requirements. The Terms of Reference were reviewed by the Committee in 2010. Amendments are in progress to reflect the Company's obligations under King III and the new Companies Act, as well as its new commitments pursuant to ARM's membership of the ICMM and the EITI.

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

Engaging with our stakeholders

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

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

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

Sustainable development at ARM continued

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

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

Responding to our material issues

Adding value to the economy

F2010 Key features – at a glance

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

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

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

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

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

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

Our performance

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

** ARM's long-term viability and profitability is based on agility – the ability to adapt to prevailing market conditions.*
** ARM's approach is to grow through partnerships with key players in various sectors to ensure that the Company is at the forefront of technological development and global practices, and has access to key markets and value-generating growth opportunities.*
** ARM's organic growth projects with its partners remain on schedule and within budget.*

Human Resources

F2010 Key features – at a glance

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

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

Managing our human capital

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

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

Senior responsibility for training and development resides with our Executive: Human Resources. Objectives and targets in regard to training and development are in place internally. We endeavour to meet and exceed requirements by referring to all compliance, governance and ethical issues related to legislation, SLP, the Mining Charter, the JSE, King III and the ICMM. Regular benchmarking on Human Resource best practices is conducted and efforts are made to ensure that line management is regularly updated. Going forward, ARM is in the process of developing a comprehensive and integrated Human Resource management information system, comprising integrated employee information, a scorecard/reporting framework and a talent management tool. We will continue to foster an entrepreneurial culture and leadership that reflects ARM's culture and values, with the assistance of executive coaching and mentorship.

Practices and policies

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

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

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

Employee profile

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

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

Responding to our material issues continued

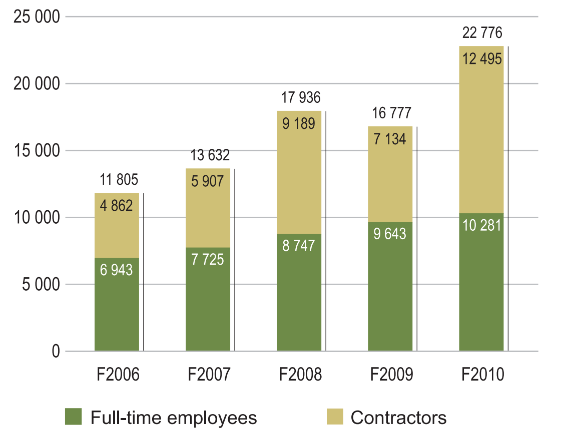
permanent employment is a function of the progression and maturing of our projects through different phases: from construction (which is more contractor-intensive) to commissioning, ramp-up and operational phases which entail recruitment of new permanent employees. In terms of ARM's expansion plans going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

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

Employee turnover

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

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



Attracting, developing and retaining talent

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

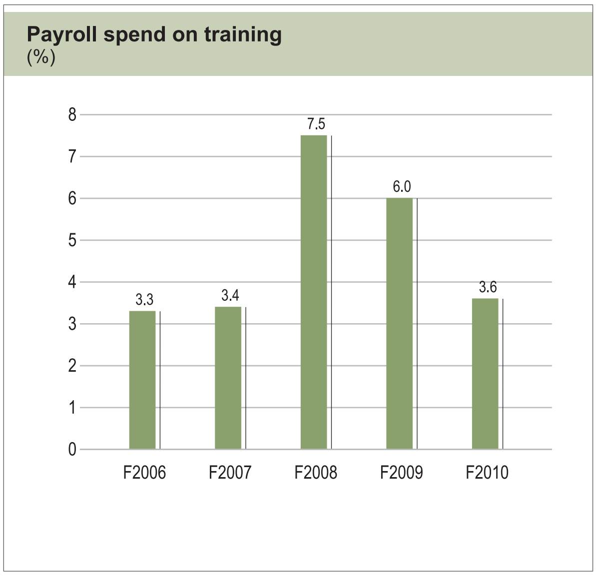
The tremendous rate of growth of ARM's operations creates employment opportunities, which in turn presents a significant challenge with respect to the skills pool (internal and external). In South Africa in particular, there is a large captive audience for limited skills, and a resource pool that is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

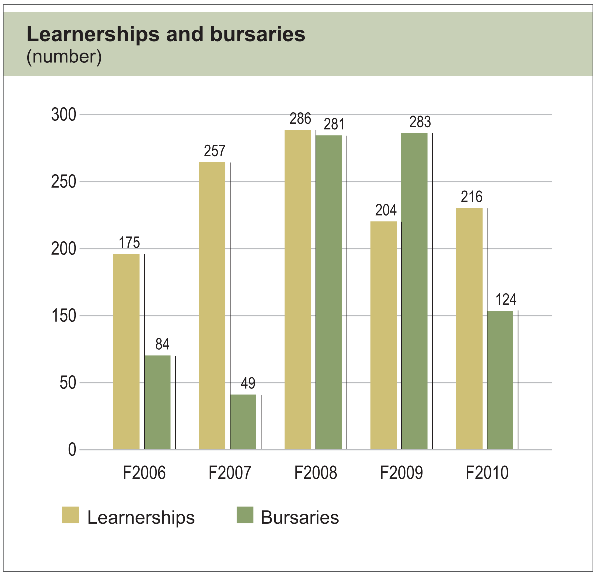
As the Company grows, the need for the right technical and managerial skills to ensure effective delivery of projects becomes increasingly acute. In anticipation of our growth requirements, current and future initiatives aimed at mitigating the strain on available internal and external skills pool include:

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

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

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





Training and development spend

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

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

Learnerships and bursaries

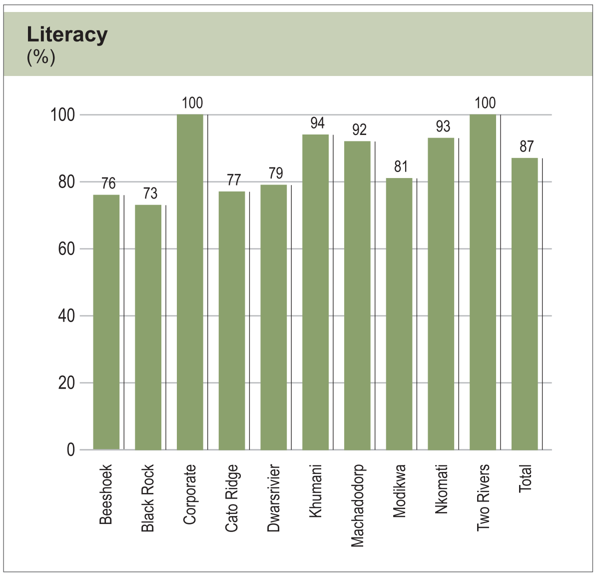
The number of learnerships this year increased slightly from 204 last year to 216. A main focus of the learnership programme is to develop engineering disciplines (apprentices). Currently, all apprentices that complete their courses are engaged at our operations. We have a few registered learnerships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

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

Literacy

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

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



Responding to our material issues continued

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

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

Graduate programme

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

Since inception in 2006, we have employed 30 graduates in total: ten black females, two white males, one Indian male and seventeen black males. To date, 17 out of 30 (57%) graduates are occupying senior positions within ARM. Ten of the 30 (33%) are still in the training programme, while only three out of the 30 have resigned.

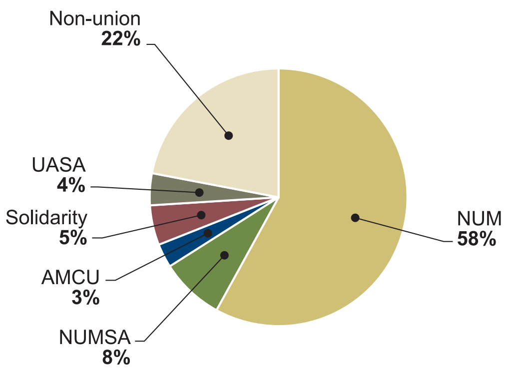
Encouraging positive labour relations

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

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

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

Union representation



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

Safety

F2010 Key features – at a glance

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

Underground safety talk

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

Approach to managing safety

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

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

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

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

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

Monitoring our performance

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

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

Providing appropriate safety training

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

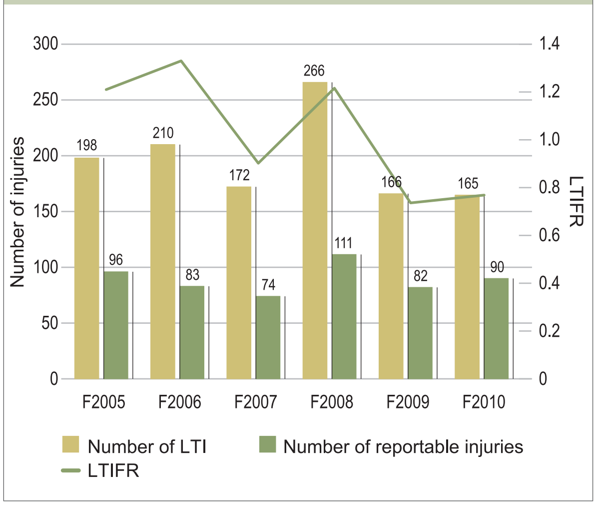
Mining remains a hazardous industry and is subject to extensive and increasingly more stringent SHE regulations and legislation. To ensure ongoing improvement, risk preparedness and compliance, ARM's officials continually monitor and review procedures, initiate and promote awareness campaigns, regularly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

Our performance

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

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

Lost time and reportable injury statistics



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

Safety performance statistics for F2010 compared to F2009

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

ARM Total includes the corporate offices.*

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

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

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

Internal and external safety achievements

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

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

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

Definitions

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

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

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

Responding to our material issues continued

a) the death of an employee;

b) an injury, to any employee, likely to be fatal;

c) unconsciousness, incapacitation from heatstroke or heat exhaustion, oxygen deficiency, the inhalation of fumes or poisonous gas, or electric shock or electric burn accidents of or by any employee and which is not reportable in terms of par (d);

d) an injury which either incapacitates the injured employee for performing that employee's normal or similar occupation for a period totaling 14 days or more, or which causes the injured employee to suffer the loss of a joint, or part of a joint, or sustain a permanent disability;

e) an injury, other than injuries referred to in par (d), which incapacitates the injured employee from performing that employee's normal or similar occupation on the next calendar day.

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

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

a) any person dies, becomes unconscious, suffers the loss of a limb or part of a limb or is otherwise injured or becomes ill to such a degree that he/she is likely either to die or to suffer a permanent physical defect or likely to be unable for a period of at least 14 days either to work or to continue with the activity for which he/she was employed or is usually employed;

b) a major incident occurred; or

c) the health or safety of any person was endangered and where:

i) a dangerous substance was spilled;

ii) the uncontrolled release of any substance under pressure took place;

iii) machinery or any part thereof fractured or failed resulting in flying, falling or uncontrolled moving objects; or

iv) machinery ran out of control.

Occupational Health and Wellness

F2010 Key features – at a glance

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

Our approach to managing occupational health and wellbeing

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

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

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

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

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

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

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

Effective management of our integrated wellness programmes requires us to understand and monitor a range of behavioural indicators, including levels of absenteeism, chronic disease, emotional wellness and substance abuse, and to ensure close communication between clinic staff, line management, and HR and SHE staff. This has been a challenge, especially since we currently rely on decentralised separate information systems to collate information, which can prove difficult to integrate. Consequently, as reported in the Human Resources section of this report, ARM is in the process of developing a comprehensive and integrated HR management system which will also facilitate closer coordination between the various departments in terms of input, data analysis and case management.

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

Principal occupational health issues

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

Responding to our material issues continued

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

Mitigating noise-induced hearing loss

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

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

Noise-induced hearing loss statistics (includes contractors)

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

Mitigating dust and associated ailments

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

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

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

Transformation

F2010 Key features – at a glance

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

ARM embraces cultural and gender diversity in the workplace

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

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

Managing transformation at ARM

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

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

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

Adhering to the Mining Charter

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

Responding to our material issues continued

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

ARM's progress achieved in F2010	Going forward
Employment Equity	
Has the Company published its Employment Equity plan and reported on annual progress in meeting this plan?	
As part of the transformation process, ARM operations submit their equity plans to the Department of Labour annually, after thorough analyses and consultation with management and unions. An independent BBEE verification auditor has been appointed to prepare a dti scorecard for each operation. This will be utilised to manage and improve on existing targets in accordance with the Employment Equity Act.	The employment equity plan will continue to be revised and updated to ensure that it is in line with existing legislation and the targets of the new Mining Charter, published in September 2010.
Has the Company established a plan to achieve a target for HDSAs?	
A comprehensive manpower plan is used to establish, manage and measure performance in terms of HDSA targets. ARM's integrated HR management system will be used to enhance management of the HDSA talent pool. HDSA representation in management remains level with F2009 at 43%; HDSA representation within Top and Senior Management stands at 31% (vs 33% in 2009).	ARM has achieved its 2009 target of 45% HDSA representation across its operations and will continue to work towards exceeding this target, as well as the target of the revised Mining Charter. Regarding our growth strategy, this remains a challenge. Skills shortage has been identified as a major risk and the mitigation of this risk is a primary focus within ARM.
Has the Company identified a talent pool and is this being fast-tracked?	
In addition to the initiatives outlined above, ARM has 12 graduates enrolled in its graduate programme, which seeks to promote transformation through attracting and developing suitable graduates who are passionate about the minerals and mining sector. Since inception in 2006, we have employed a total of 30 graduates. In addition, we are using parallel appointments to fast-track employees.	ARM, over the five-year period from 2005, has created 1.8 permanent jobs per calendar day. In view of our anticipated growth rate, we anticipate an escalation in our employee numbers, which will put strain on the available internal and external skills pool. We aim to address this through various initiatives: • Renewed talent management through talent identification, development plans and succession plans. • Graduate development programme. • Shiftboss/Mine Overseer development programme with a feeder to GM, and Foremen development programme. • Outside succession plan/talent pool. • Increase in effective training spend. • Learnerships and bursaries. • Liaison with Institutes of Higher Learning and students through "direct marketing" and the Minerals Education Trust Fund (METF). • Branding ARM as an employer of choice.
Has the Company established a plan to achieve the target for women participating in mining of 10% within the five years and is it implementing the plan?	
ARM has a Women in Mining development programme; five candidates have been earmarked for fast-tracking and 12 for mentorship. These 17 individuals were identified by Human Resources as having the potential to be accelerated into senior management and executive leadership roles. In addition, six candidates are being developed from lower levels.	By the end of F2011, we aim to have assessed each candidate's personal development in terms of strategic leadership and to have significantly addressed our developmental gaps through mentoring and coaching interventions.

Responding to our material issues continued

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

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

Responding to our material issues continued

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

** See table below.*

Production volumes (tonnes)

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

Employment equity

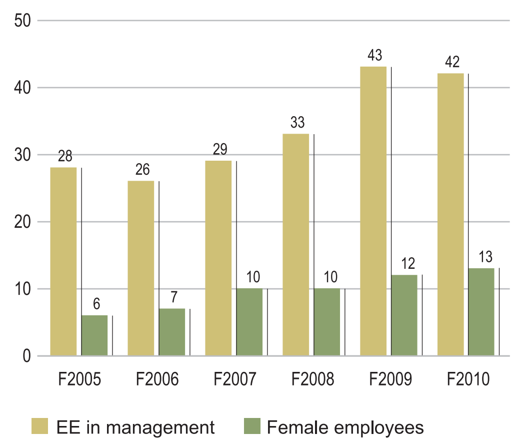
ARM's scorecard for monitoring employment equity (EE) performance against targets is presented below.

ARM's employment equity statistics

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

** Corporate members from Top and Senior Management.*

Employment equity
(%)



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

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

Responding to our material issues continued

Preferential procurement

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

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

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

Our preferential procurement objectives

ARM's principal preferential procurement objectives include the following:

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

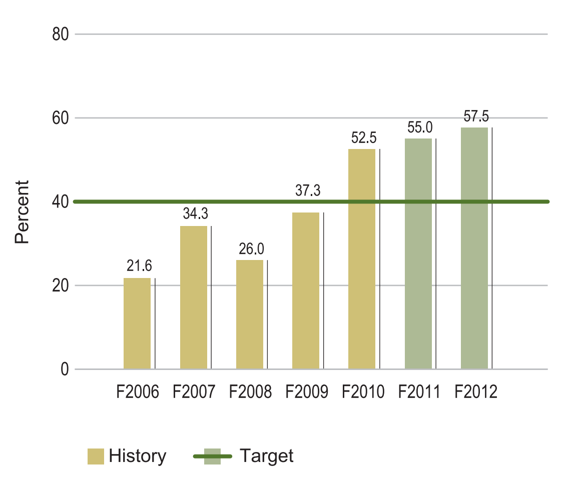
Our performance and targets

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

	F2010	F2010 Targets	F2009
Mining Charter: Narrow-based BEE	**52.5%**	**40% (own)**	37.3%
BBBEE	**59.3%**	**50% (dti)**	43.9%

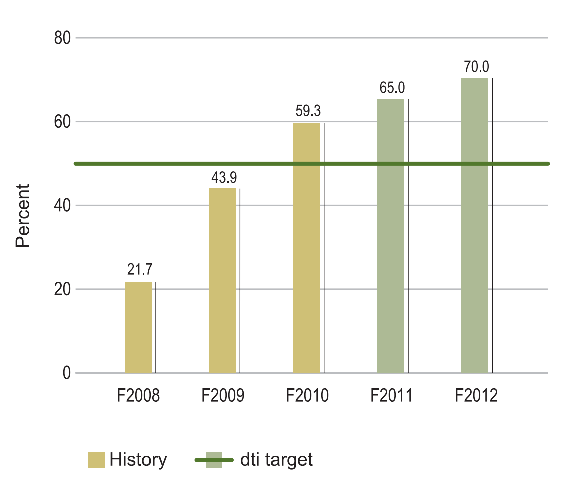
Procurement data is generally excluded for those operations in the Group which are managed by other entities. Modikwa's procurement data is separately managed by Anglo Platinum, and ARM Coal/GGV's procurement data is managed by Xstrata Coal. Procurement data for the ARM/Vale partnership is also excluded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

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



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

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

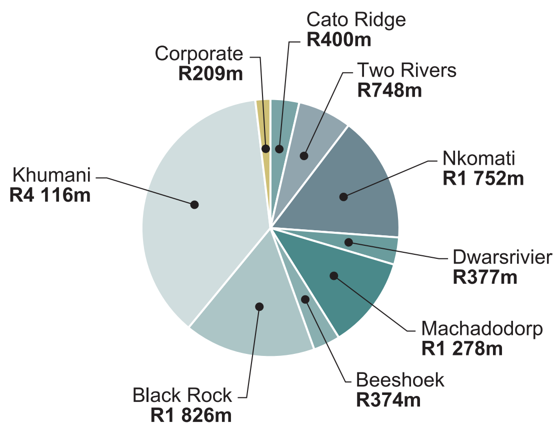


ARM's BBBEE targets for F2011 and F2012 are provisionally set to increase at 5% over the preceding years to meet the dti target of 70% in 2012.

Procurement expenditure

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

Operations – expenditure F2010
(R11 billion)



Ensuring supplier accreditation

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

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

Improving our transformation scores – our approach

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

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

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

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

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

Responding to our material issues continued

BEE VERIFICATION AGENCY CC

8 Park Street, Durbanville, 7550 | P O Box 46, Parow 7499

Tel: 021 975 3689 | Fax: 021 979 4096 | Call Centre: 0860 722 222
E-mail: info@bee-verification.com | Website: www.beever.co.za

BEEVER NATIONWIDE

Black Economic Empowerment

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

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

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

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

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BVA-014

HIV & Aids

F2010 Key features – at a glance

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

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

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

Managing HIV & Aids

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

- Providing HIV & Aids management support in line with the ARM HIV & Aids management guideline document.
- Assisting in the formulation of policies and strategic plans.
- Liaising with significant stakeholders, both internally and externally.
- Organising and evaluating HIV & Aids-related training for our operations.
- Coordinating operational HIV & Aids management reporting.
- Assisting operations in HIV & Aids-specific budget formulations.
- Establishing networks with other external structures such as government departments, local municipalities and non-governmental organisations.
- Conducting HIV & Aids management audits at all operations.

Management guideline

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

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

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

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

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

Informing and assisting our employees

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

Responding to our material issues continued

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

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

HIV & Aids community outreach projects

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

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

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

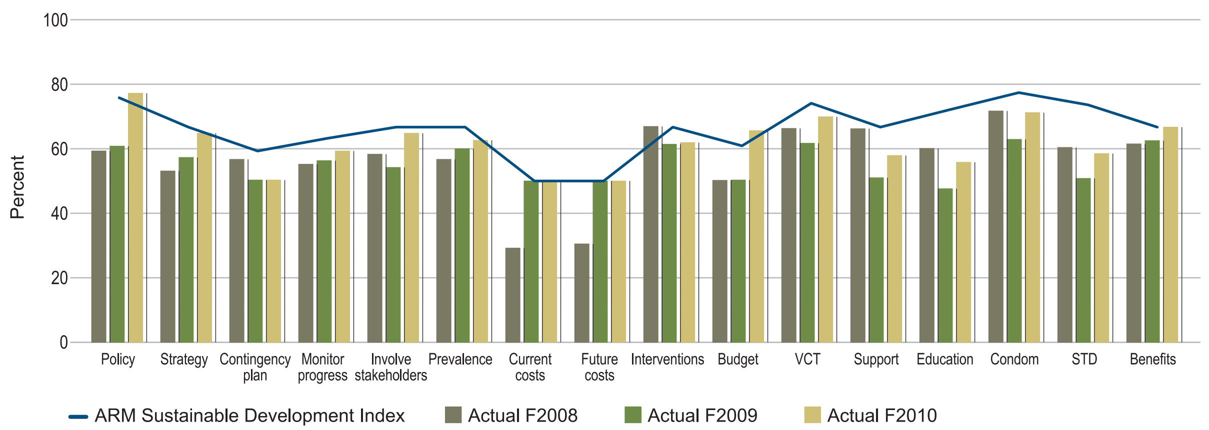
ARM will manage these programmes by integrating our HIV & Aids community outreach projects with our current Corporate Social Investment projects in communities where our operations are situated. Our main focus areas will be providing support to community home-based care groups, orphans and vulnerable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

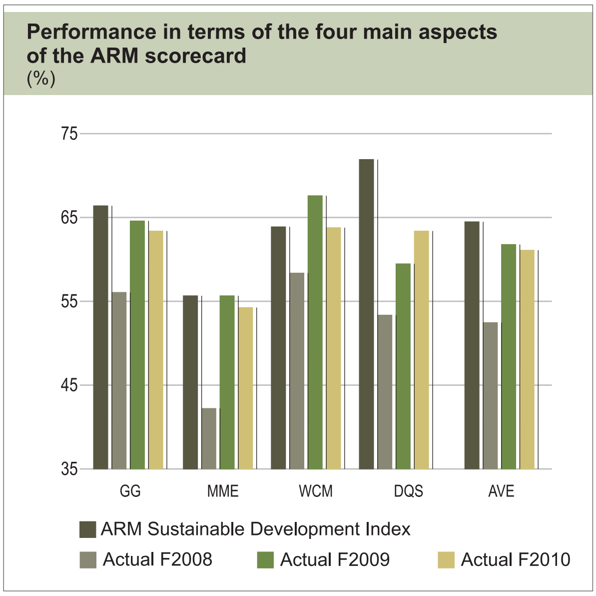
Our performance

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

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

Performance according to the 16 performance indicators of the ARM scorecard
(%)





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

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

Progress achieved in our stated target areas for F2010

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

ARM's HIV & Aids activities: progress achieved in our stated target areas for F2010
Establish policies at all operations agreed to by all stakeholders
Seven of our operations have HIV & Aids policies that address basic principles in the workplace, as per the GRI. The policies have been agreed upon with relevant stakeholders, including union leadership. The other two operations are in the process of finalising their agreements. Our HIV & Aids policy addresses incapacity management, disease management, and employee benefits. It is a condition of employment at ARM to belong to a medical aid scheme.
Establish a basic current and future cost analysis for each site which will involve determining prevalence rates
A basic cost analysis model has been established for use by ARM's operations to assist in understanding and managing the impact of new HIV & Aids infections on the business.
Gearing up and integrating VCT and encouraging HIV-positive employees to register for disease management programmes
There are comprehensive VCT programmes managed by qualified counsellors at six of our nine operations. However, we still need to work on the process of registration on various disease management programmes as part of these programmes. While the other three operations do not have in-house VCT facilities, they organise and undertake quality VCT campaigns. ARM actively participates in the National HIV and counselling (HCT) campaign as proposed by the South African National Aids Council (SANAC) to significantly scale up HIV testing and facilitate access to wellness and treatment services for our employees, contractors and the communities near our operations. Nkomati is one of our operations that is acting as a counselling and testing site in Mpumalanga. Beeshoek and Khumani have entered into partnership with UGM wellness in Kathu and Postmasburg, where the service will be extended to dependants and families in the community. Although we managed to encourage more than 6 000 of our employees and contractors to test their HIV status, we aim to improve on this as soon as our operations in the Northern Cape launch their VCT services through the UGM wellness.

Responding to our material issues continued

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

Focus areas and targets for F2011

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

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

Working in partnership

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

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

Corporate Social Investment

F2010 Key features – at a glance

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

Our approach to CSI

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

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

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

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

Partnering to promote community upliftment

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

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

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

SLP Committed Projects

- *Infrastructure*
- *Enterprise development*
- *Community development*

LED

All other/Non-SLP Commitments
(According to priorities)

- *Health*
- *Education*
- *Sporting events*
- *Cultural events*
- *Capacity building*
- *Other*

CSI

Projects by the ARM Rural Upliftment Trusts

- *Limpopo*
- *KwaZulu-Natal*
- *Mpumalanga and Northern Cape*
- *Eastern Cape*
- *North West/Free State*

The ARM BBEE Trust

Responding to our material issues continued

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

CSI initiatives in the year under review included

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

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

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

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

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

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

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

Responding to our material issues continued

The ARM BBEE Trust

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

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

Our performance

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

Eradication of invader species at Nkomati

Environment

F2010 Key features – at a glance

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

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

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

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

Environmental management – our approach

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

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

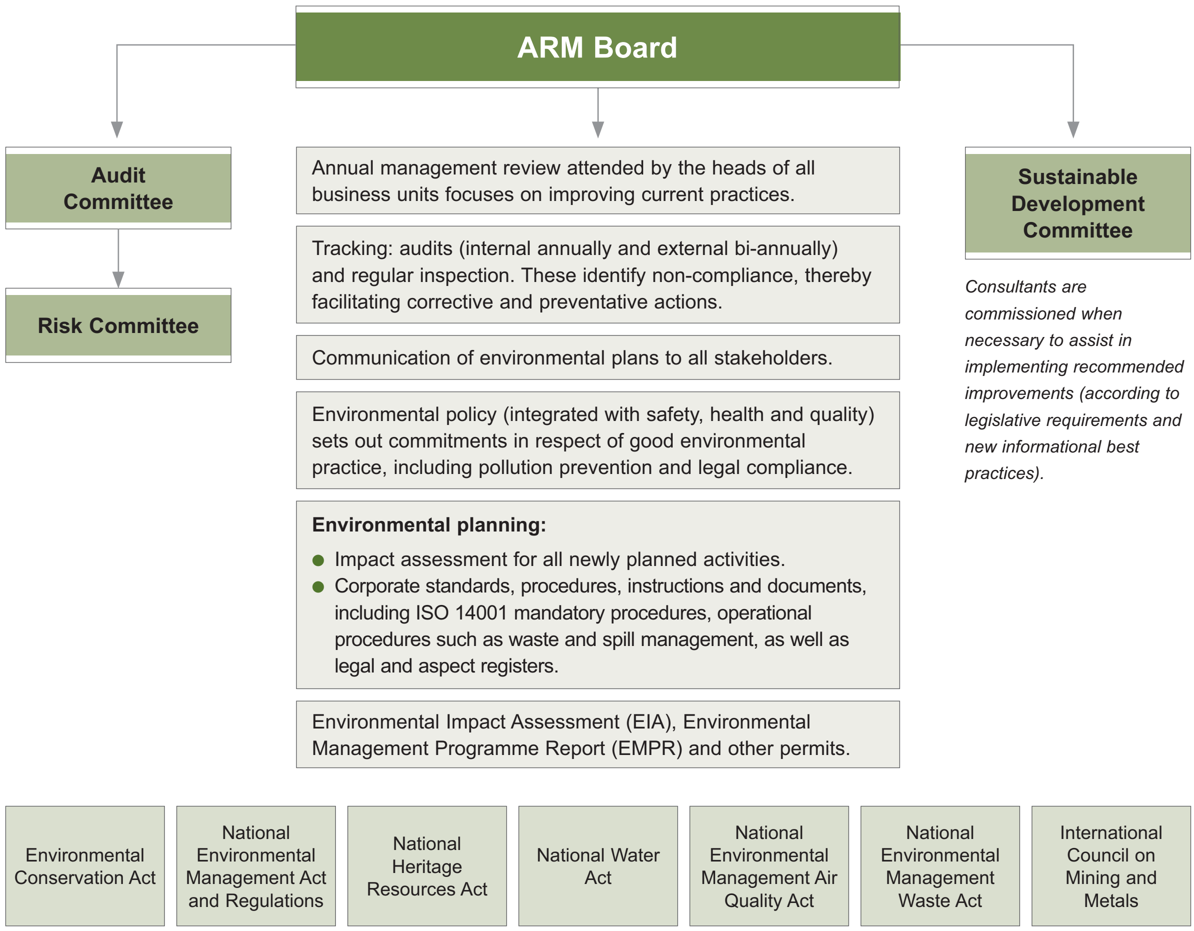
Operations not certified include Modikwa Mine (which decided to place ISO certification on hold during the economic downturn), Two Rivers Mine and Khumani Mine, the latter planning to be certified before the end of F2011.

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

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

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

OUTLINE OF THE ENVIRONMENTAL MANAGEMENT SYSTEM AT ARM



Responding to our material issues continued

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

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

Climate change

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

The main contributors of direct GHG emissions are our two smelter operations, Cato Ridge Works and Machadodorp Works, as a result of carbonaceous reductants in the smelting process. Total emissions for the smelters for F2009 was 748 473 tonnes CO_2 and for F2010, 562 487 tonnes CO_2. The lower emissions in F2010 were proportional to reduced production. Targets have been set to reduce emissions at these operations and our other mines are in the process of establishing emission inventories.

The six primary GHGs are CO_2, methane (CH_4), nitrous oxide (N_20), hydrofluorocarbons (HFCs), perfluorocabons (PFCs) and sulphur hexafluorides (SF_6). Except for CO_2, none of these are produced by any of ARM's operations, although naturally occurring methane may be exposed by mining operations. This is an explosion hazard in the mining industry and monitoring for methane occurrence underground takes place on a continuous basis.

Other emissions potentially caused by ARM's operations include, at our smelters, sulphur dioxides, nitrous oxides and total particulate matter (which includes dust) emissions caused by smelting of ore and reduction processes in the arc furnaces and associated pelletising plants. At our mines, potential emissions include total particulate matter emissions as a result of blasting, crushing, transport, conveying, screening and handling of ore as well as H_2O emissions as a result of ventilation.

Measuring our carbon footprint contribution

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

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

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

Our performance

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

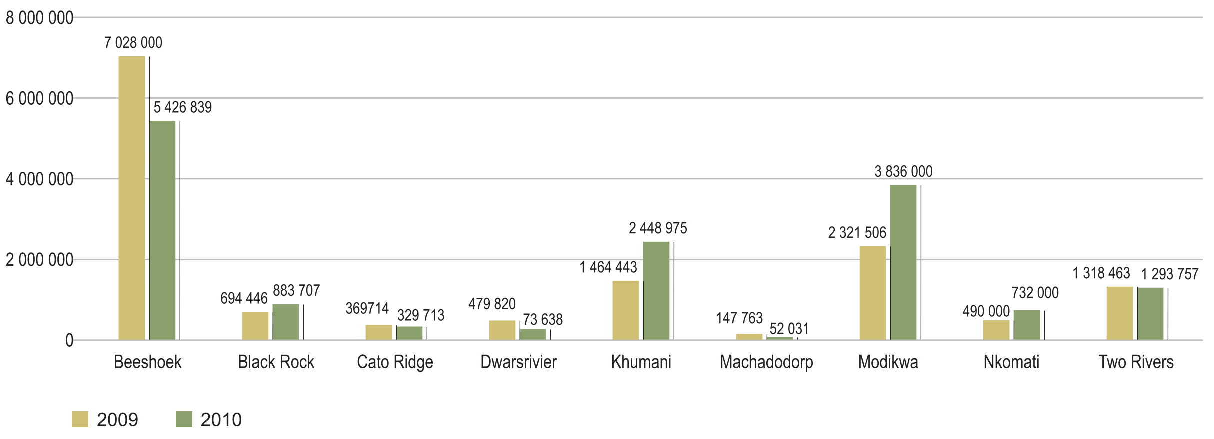
Performance overview

Indicator	F2010	F2009
Oil (000 litres)	**3 626**	2 788
Diesel (000 litres)	**55 732**	54 625
Electricity (000 kWh)	**2 003 918**	2 038 751
Water consumption (m^3)	**15 060 418**	14 314 155
Water recycled (m^3)	**	**
Carbon footprint (CO_2 equivalent)	**2 664 549**	
Domestic waste (tonnes)	**38 960**	37 834

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

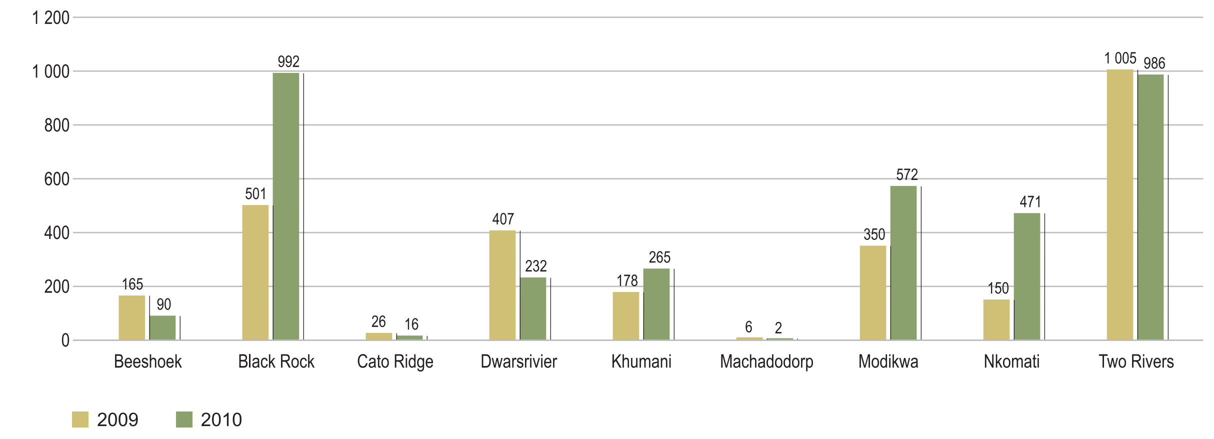
The table below sets out water consumption figures for F2009 and F2010. Beeshoek consumption figures include water for the community, taken from the Gamagara pipeline. Mining activities at Beeshoek were reduced during the year, while expansion of activities at Nkomati and Khumani Mines necessitated increased water consumption in accordance with the abstraction volumes allocated to these mines in terms of their Water Use Licences.

Water consumption per operation
(m^3)



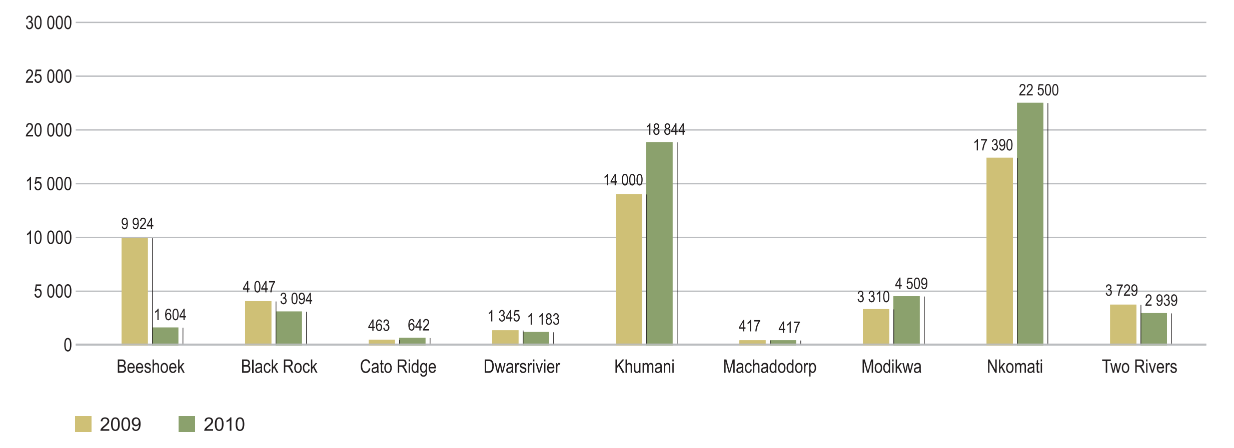
Black Rock Mine, with the development of Nchwaning, has increased oil consumption due to an increase in hauling activities. Reduced mining and transport activities at Beeshoek during the year have led to a lower consumption of oil and diesel.

Oil consumption per operation
(000 litres)

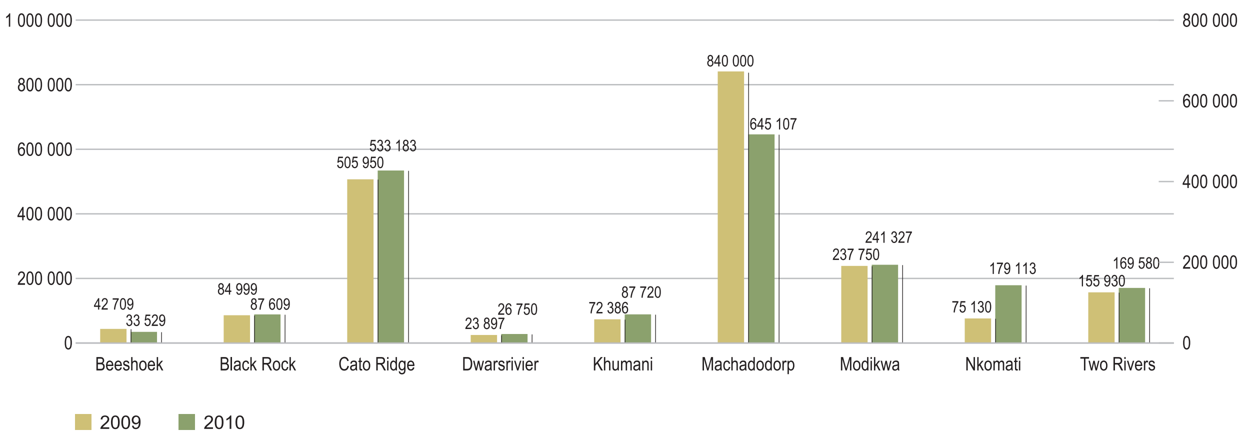


Responding to our material issues continued

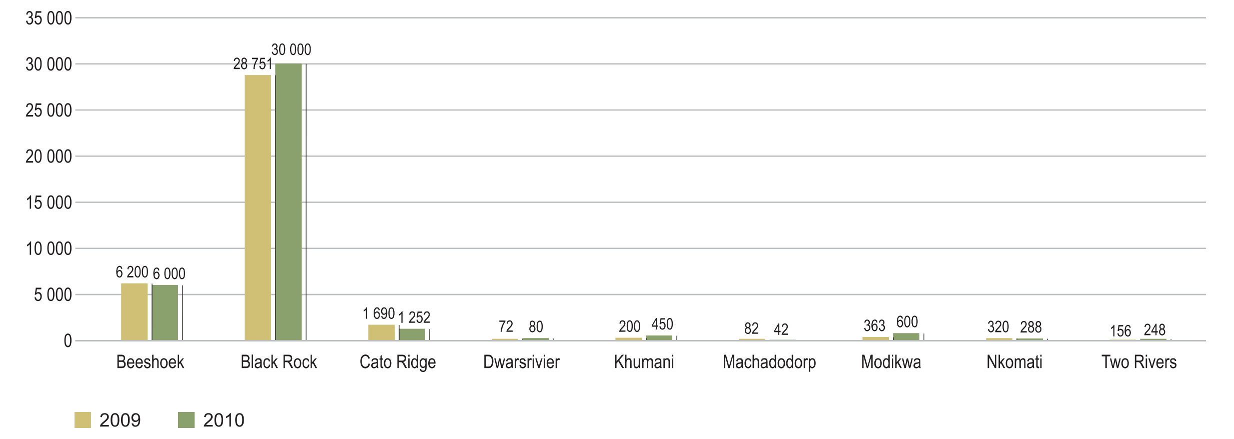
Diesel consumption per operation
(000 litres)



Electricity consumption per operation
(000 kWh)



Domestic waste per operation
(tonnes)



Energy and emissions

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

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

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

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

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

Water management

Water is fundamental to our business operations in respect of mining, smelting and beneficiation. Natural resource constraints are a long-term risk for ARM, and water availability, consumption and pollution are key risks throughout the Group. At our smelting operations, water is sourced from municipalities while at the mining operations, it is sourced from rivers and boreholes in line with integrated water use licences (WUL) obtained through the lead authority, the Department of Water and Environmental Affairs (DWEA). These WULs are regulated by DWEA and a formal process and specification is prescribed by DWEA for compilation of a WUL. This entails consultation with local irrigation boards, water users' associations and catchment management agencies on a local level, and with DWEA on a provincial and national level.

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

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

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

Waste management

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

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

Responding to our material issues continued

Environmental rehabilitation

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

Rehabilitation provisions at ARM operations

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



Biodiversity management

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

Biodiversity at a glance

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

Responding to our material issues continued

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

Corporate governance

Contents

Corporate governance report

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

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

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

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

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

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

Board composition

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

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

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

Changes during F2010:
** Mr M V Sisulu resigned on 7 August 2009.*
1 Former Financial Director; became a Non-executive Director on 1 August 2009.
2 Appointed Financial Director on 1 August 2009.
3 Appointed on 1 August 2009.

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

Corporate governance continued

Independence

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

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

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

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

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

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

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

Executive Chairman and Chief Executive Officer

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

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

Board Charter

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

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

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

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

Election, induction, succession and assessment

Election

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

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

Executive Directors: Appointment and re-election dates

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

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

Non-executive Directors: Appointment and re-election dates

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

1 In terms of the Company's Articles of Association, one-third of the serving Directors shall retire at Annual General Meetings of the Company or, if the total number of serving Directors who shall retire does not constitute a multiple of three, the number of Directors who shall retire shall be the number, adjusted upwards, that is the closest to one-third.
2 Mr Sisulu resigned on 7 August 2009.

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

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

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

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

Induction and continuing education

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

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

Succession

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

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

Assessment

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

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

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

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

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

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

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

Board meetings

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

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

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

Board of Directors: Meetings*

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

a = apologies
* *Mr Sisulu resigned on 7 August 2009, prior to the August 2009 Board meeting.*
1 *Messrs Arnold and Botha were appointed on 1 August 2009.*
2 *Mr Abbott is the former Financial Director; he became a Non-executive Director on 1 August 2009.*

Advice and information

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

Company Secretary

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

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

Board committees

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

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

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

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

Corporate governance continued

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

Audit Committee

Members:

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

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

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

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

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

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

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

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

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

Audit Committee: Meetings*

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

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

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

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

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

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

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

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

Investment Committee

Members:

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

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

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

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

Nomination Committee

Members:

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

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

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

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

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

Investment Committee: Meetings

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

a = apologies
1 Appointed as Committee Chairman in August 2009.
2 Appointed as Committee members in August 2009.
3 Retired as Committee Chairman in August 2009.

Corporate governance continued

Remuneration Committee: Meetings

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

1 Appointed as a Committee member in August 2009 subsequent to the August 2009 Remuneration Committee meeting.
2 Resigned from the Committee in August 2010.

Remuneration Committee

Members:

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

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

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

Three meetings were held during the 2010 financial year.

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

Sustainable Development Committee

Members:

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

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

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

Four meetings were held during the 2010 financial year.

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

Sustainable Development Committee: Meetings*

	Aug-09	Nov-09	Feb-10	May-10
Dr R V Simelane (Chairman)	√	√	√	√
Dr M M M Bakane-Tuoane	√	√	√	√
Z B Swanepoel[1]	√	a	√	a

a = apologies
** Mr M V Sisulu resigned on 7 August 2009 prior to the first Sustainable Development Committee meeting of the financial year.*
1 Resigned from the Committee in August 2010.

Non-executive Directors Committee: Meetings*

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

a = apologies
** Mr Sisulu resigned on 7 August 2009, prior to the August 2009 meeting.*
1 Dr Bakane-Tuoane is the Lead Independent Non-executive Director.
2 Mr Abbott is the former Financial Director; he became a Non-executive Director on 1 August 2009.
3 Mr Botha was appointed as a Director on 1 August 2009.

Meetings of Non-executive Directors

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

Ad Hoc Committees

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

Management committees

Management Risk Committee

Members:

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

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

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

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

Steering Committee

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

Treasury Committee

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

Ethics

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

The Code may be found on ARM's corporate website ***www.arm.co.za****.*

Whistleblowers' facility

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

Conflicts of interest

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

Disclosure

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

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

Internal control and internal audit

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

Going concern

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

Risk management programme

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

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

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

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

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

ERM process/risk register

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

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

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

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

Physical risk management

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

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

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

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

Risk financing and insurance

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

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

Monitoring new developments

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

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

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

Legal compliance

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

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

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

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

Mining Charter

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

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

Dealings in securities and insider trading policy

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

The complete policy governing dealing in Company securities and insider trading may be found on ARM's corporate website ***www.arm.co.za***

Donations to political parties

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

Investor relations and communication with stakeholders

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

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

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

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

Annual General Meeting

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

Sponsor

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

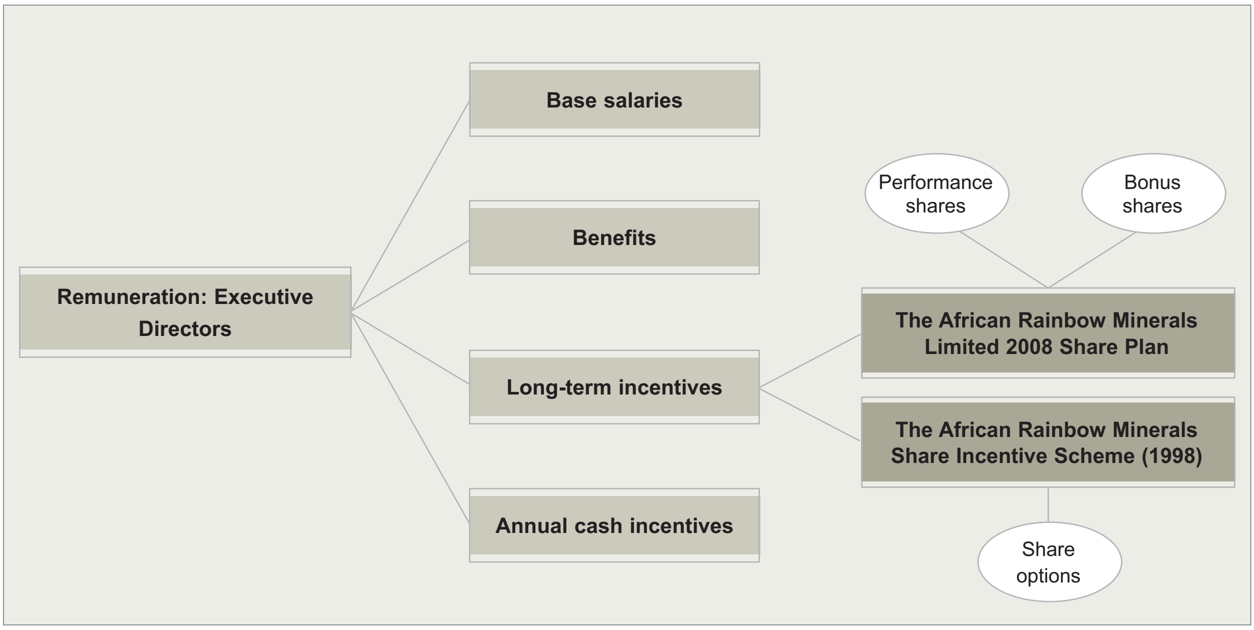
Remuneration report

Role of the Remuneration Committee

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

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

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



Composition of the Remuneration Committee

Members:

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

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

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

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

Remuneration Philosophy and Policy: Executive remuneration

Principles of executive remuneration

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

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

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

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

Remuneration report continued

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

Elements of executive remuneration

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

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

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

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

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

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

Base salaries

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

Benefits

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

Annual cash incentives

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

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

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

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

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

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

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

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

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

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

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

Non-executive Directors are not incentivised.

Long-term (share-based) incentives

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

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

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

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

- Performance shares
- Bonus shares
- Share options

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

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

The implementation of the three elements is described below.

Performance share method

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

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

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

Bonus share method

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

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

Share option scheme

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

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

Combined Offers

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

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

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

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

Remuneration report continued

Service contracts: Executive Directors

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

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

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

Remuneration policy: Non-executive Directors' remuneration

Non-executive Directors' fees

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

In its determination, consideration is given, *inter alia*, to the importance of attracting and retaining experienced Non-executive Directors, market dynamics and the increasingly demanding responsibilities of Directors as well as the contributions of each Director and their participation in the activities of the Board and its committees.

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

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

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

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

Board retainers and per meeting attendance fees

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

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

Annual Board retainers and meeting attendance fees are as follows:

	2010/11 Fees (Rand)[1]		2009/10 Fees (Rand)[2]	
	Annual	Per meeting	Annual	Per meeting
Independent Non-executive Director	**297 000**	**14 300**	270 000	12 960
Non-executive Director	**237 600**	**14 300**	216 000	12 960

1 Effective 1 July 2010, should the increase be approved by shareholders at the Annual General Meeting.
2 Effective 1 July 2009.

Committee attendance fees

On the advice of the Remuneration Committee, the Board recommends for approval by shareholders an increase in the per committee meeting attendance fees payable to Non-executive Directors. The level of such fees reflects the impact, influence and risk component of a committee's role in achieving the Company's objectives as well as the experience of committee members. The fees provide compensation for preparation for and attendance at meetings.

Committee meeting attendance fees are as follows:

	2010/11 Fees (Rand)[1]	2009/10 Fees (Rand)[2]
Audit Committee		
Chairman	**74 250**	67 500
Member	**29 700**	27 000
Investment, Nomination, Remuneration and Sustainable Development Committees		
Chairman	**17 800**	16 200
Member	**11 900**	10 800

1 Effective 1 July 2010, should the increase be approved by shareholders at the Annual General Meeting.
2 Effective 1 July 2009.

Fee for the Lead Independent Non-executive Director

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

Service contracts: Non-executive Directors

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

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

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

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

Board of Directors




1 **Patrice Motsepe** [48] Executive Chairman *BA (Legal), LLB*	2 **André Wilkens** [61] Chief Executive Officer *Mine Managers Certificate of Competency, MDPA (Unisa), RMIIA*	3 **Mike Arnold** [53] Financial Director *BSc Eng (Mining Geology), BCompt (Hons), CA(SA)* Appointed 1 August 2009	4 **Mangisi Gule** [58] Executive Director: ARM Coal *BA (Hons) Wits, P & DM (Wits Business School)*



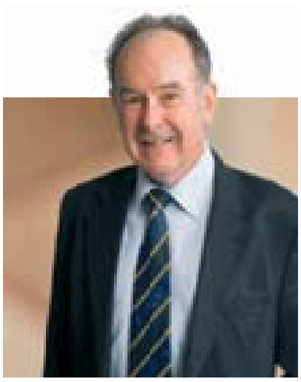

5 **Stompie Shiels** [54] Executive Director: Business Development *BSc (Min Eng), MBL, Mine Managers Certificate*	6 **Jan Steenkamp** [56] Chief Executive: ARM Ferrous *National Met Diploma, Mine Managers Certificate, MDP, Cert. Eng*	7 **Steve Mashalane** [48] Chief Executive: ARM Platinum *BCom (Hons), PMD (Harvard Business School)*	8 **Dr Manana Bakane-Tuoane** [62] Independent Non-executive Director *BA, MA, PhD (Economics)*

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

10 Joaquim Chissano
[70] Independent Non-executive Director
PhD

11 Mike King
[73] Independent Non-executive Director
CA(SA), FCA

12 Alex Maditsi
[48] Independent Non-executive Director
BProc, LLB, LLM



13 Roy McAlpine
[69] Independent Non-executive Director
BSc, CA

14 Dr Rejoice Simelane
[58] Independent Non-executive Director
BA (Econ and Acc), MA, PhD (Econ)

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

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

Board of Directors continued

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

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

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

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

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

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

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

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

9 Frank Abbott

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

10 Joaquim Chissano

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

11 Mike King

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

12 Alex Maditsi

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

13 Roy McAlpine

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

14 Dr Rejoice Simelane

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

15 Bernard Swanepoel

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

16 Anton Botha

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

Steering committee

André Wilkens
Chief Executive Officer

Mike Arnold
Financial Director

Steve Mashalane
Chief Executive: ARM Platinum

Mangisi Gule
Chief Executive: ARM Coal

Imrhan Paruk
Executive: Corporate Development

Jan Steenkamp
Chief Executive: ARM Ferrous

Stompie Shiels
Executive Director: Business Development

Dan Simelane
Chief Executive: ARM Copper and Exploration

Jongisa Klaas
Head of Investor Relations and Corporate Development

Mike Schmidt
Executive: Platinum Operations

Director Matlala
Leader: Transformation

Chris Blakey-Milner
Leader: Risk Management

Graham Butler
Executive: ARM Ferrous

Deon Pieterse
Executive: Human Resources

Rilette Avenant-Buys
Executive: Logistics

Busi Mashiane
Human Resources Manager

Nerine Botes-Schoeman
Group Manager: Sustainable Development Reporting

Sandile Langa
Executive: ARM Ferrous

Mark Bräsler
Executive: Operations Support

Alyson D'Oyley
Company Secretary

Claus Schlegel
Executive: ARM Exploration

André Joubert
Executive: ARM Ferrous Operations

Peter Steenkamp
Executive: Coal Operations

Peter Manda
Executive Legal

Annual financial statements

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Directors' responsibility

Directors' responsibility for annual financial statements

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

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

The Board considers that in preparing the financial statements the most appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates in accordance with IFRS. The Directors are satisfied that the financial statements fairly present the results of operations and the financial position for the Group at year-end and that the additional information included in the Integrated Annual Report is accurate and consistent with the financial statements.

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

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

Patrice Motsepe
Executive Chairman

André Wilkens
Chief Executive Officer

Johannesburg
15 October 2010

Certificate of the Company Secretary

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

Alyson D'Oyley
Company Secretary

Johannesburg
15 October 2010

Report of the Audit Committee

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

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

Execution of functions of the Audit Committee

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

During the year under review:

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

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

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

- confirmed the going concern as the basis of preparation of the interim and annual financial statements;
- examined and reviewed the interim and annual financial statements, as well as all financial information, disclosed to the public prior to submission and approval by the Board;
- ensured that the annual financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year and prospects of the Company and of the Group;
- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements;
- considered management's recommendation to the Board on the dividend paid to shareholders; and
- met separately with management, external audit and internal audit.

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

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

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

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

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

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

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

Independence of external auditor

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

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

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

On behalf of the Audit Committee

Michael W King
Chairman of the Audit Committee

15 October 2010

Report of the independent auditors

TO THE MEMBERS OF AFRICAN RAINBOW MINERALS LIMITED

Report on the financial statements

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

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

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

Opinion

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

Ernst & Young Inc.

Registered Auditor
Johannesburg

15 October 2010

Directors' report

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

Nature of business

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

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

Holding company

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

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

Review of operations

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

Corporate governance

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

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

Financial results

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

Borrowings and cash

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

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

Going concern

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

Taxation

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

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

Directors' report continued

Subsidiaries, joint ventures, associates and investments

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

Dividend

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

Capital expenditure

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

Events after the reporting period

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

Share capital

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

Shareholder analysis

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

Directorate

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

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

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

Interests of Directors

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

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

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

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

Directors' remuneration

Executive Directors and senior executives

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

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

Emoluments paid to Executive Directors and three senior executives

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

** Mr Arnold was appointed to the Board on 1 August 2009, subsequent to the F2009 year-end.*
*** The Company has not previously reported emoluments paid to the three most highly-paid senior executives who are not Directors.*

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

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

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

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

Non-executive Directors

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

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

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

Emoluments paid to Non-executive Directors

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

1 Payments for the reimbursement of out-of-pocket expenses have been excluded.
2 Mr Abbott received Directors' fees during his secondment to Harmony. His full salary and bonus to 31 December 2009 were recovered from Harmony. He became a Non-executive Director of ARM on 1 August 2009.
3 Mr Botha was appointed on 1 August 2009 subsequent to the F2009 year-end.
4 Mr Menell retired on 28 November 2008.
5 Mr Sisulu resigned on 7 August 2009.
6 Fees payable by the subsidiary to Messrs Motsepe, Wilkens and Abbott, ARM Executive Directors, were paid to ARM.

Performance shares

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

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

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

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

Performance shares

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

1 Vesting date 16 October 2012 (conditional on performance measures).
2 Mr Abbott retired as the Financial Director on 1 August 2009 and remains a Non-executive Director.
3 Mr Arnold was appointed to the Board as the Financial Director on 1 August 2009.

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

Performance shares

Senior executives

	Number of shares
Opening balance as at 1 July 2009	10 877
Performance shares awarded 15 October 2009[1]	7 064
Closing balance as at 30 June 2010	**17 941**

1 Vesting date 16 October 2012 (conditional on performance measures).

Bonus shares

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

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

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

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

Bonus shares

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

1 Vesting date 16 October 2012.
2 Mr Abbott retired as the Financial Director on 1 August 2009 and remains a Non-executive Director.
3 Mr Arnold was appointed to the Board as the Financial Director on 1 August 2009.

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

Bonus shares

Senior executives

	Number of shares
Opening balance as at 1 July 2009	10 660
Bonus shares granted 15 October 2009[1]	1 352
Closing balance as at 30 June 2010	**12 012**

1 Vesting date 16 October 2012.

Share option scheme

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

Schedule of share option entitlements

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

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

1 The latest expiry date is 15 October 2017.
2 Mr Abbott retired as Financial Director on 1 August 2009 and remains as a Non-executive Director.
3 Mr Arnold was appointed to the Board as the Financial Director on 1 August 2009.

Directors' report continued

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

Schedule of share option entitlements

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

** The latest expiry date is 15 October 2017.*

Schedule of performance share vesting dates

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

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

Schedule of bonus share vesting dates

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

		Number of shares
Bonus shares outstanding at 30 June 2010		**130 045**
Vesting on	3 December 2011	118 092
	18 March 2012	474
	16 October 2012	11 479

Vesting dates

Schedules of vesting dates may be found below.

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

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

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

Schedule of option vesting dates

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

Share incentive movements

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

Share incentive movements

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

** Conditional.*

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

External auditors

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

Secretary

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

Special resolutions

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

Listings

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

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

STRATE (Share Transactions Totally Electronic)

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

Convenience translation into United States Dollars

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

Statements of financial position

at 30 June

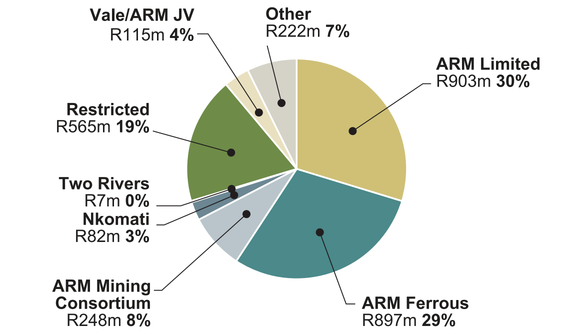
		Group		Company	
	Notes	**F2010 Rm**	F2009 Rm	**F2010 Rm**	F2009 Rm
Assets					
Non-current assets					
Property, plant and equipment	3	**13 256**	11 500	**1 933**	1 477
Investment property	4	**12**	12	**–**	–
Intangible assets	5	**212**	213	**–**	–
Deferred tax assets	15	**44**	32	**43**	32
Loans and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

Income statements

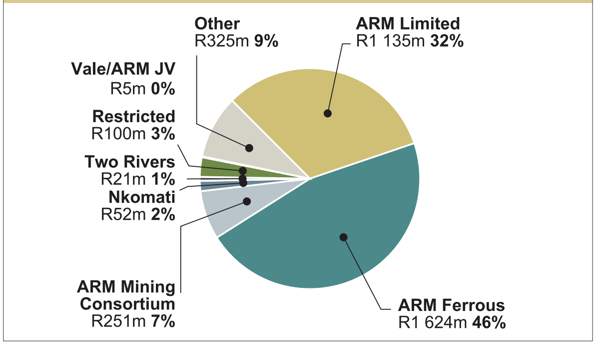
for the year ended 30 June

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

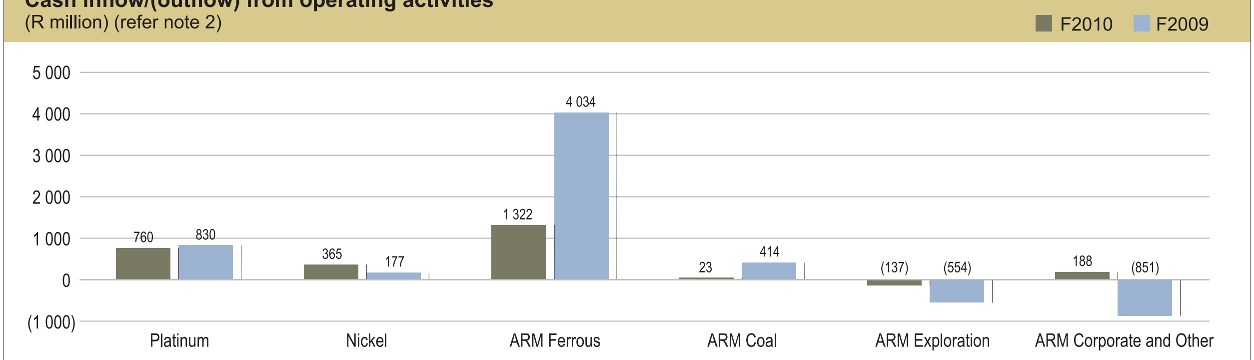
Cash and cash equivalents – statement of financial positon F2010 (R million)



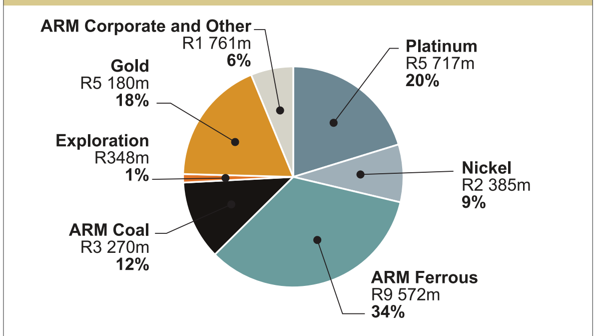
Cash and cash equivalents – statement of financial positon F2009 (R million)



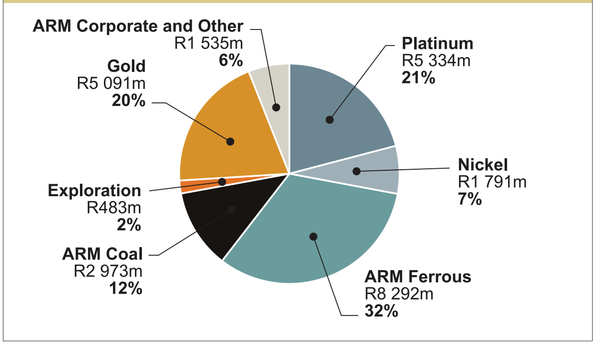
Cash inflow/(outflow) from operating activities
(R million) (refer note 2)



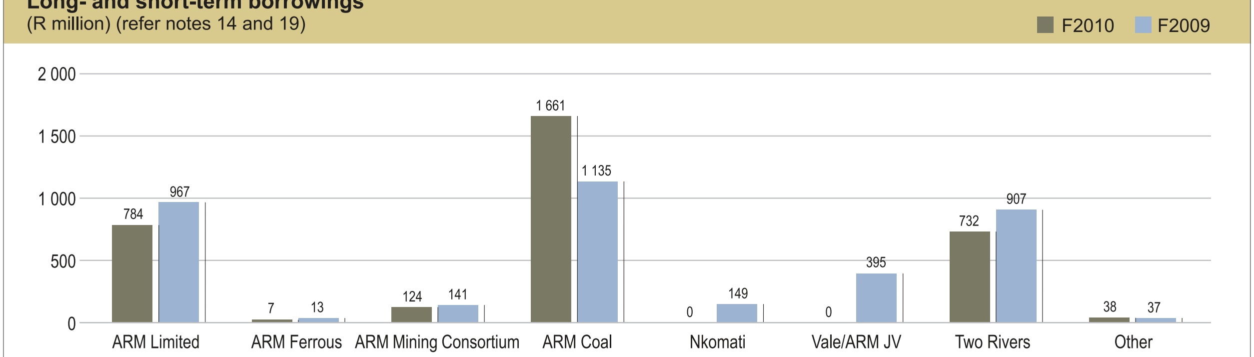
Segment assets F2010
(R million) (refer note 2)

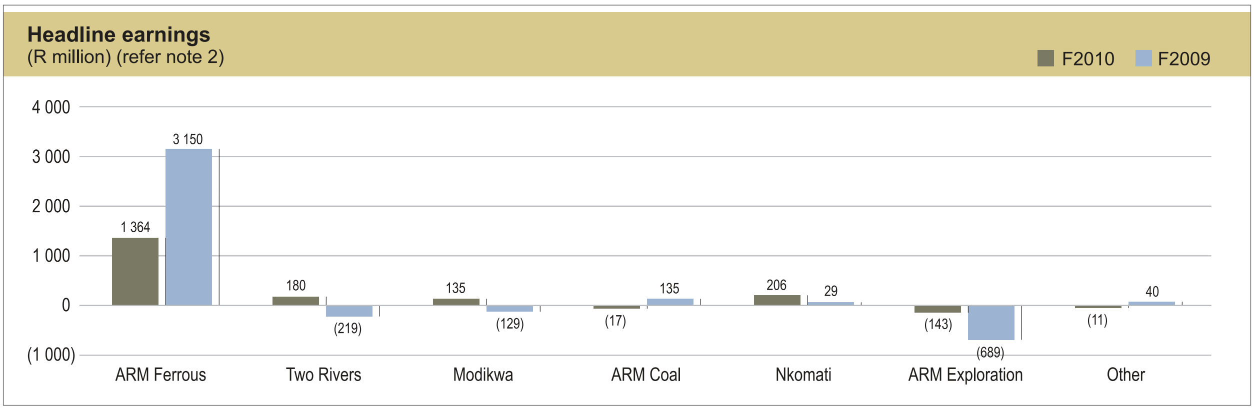


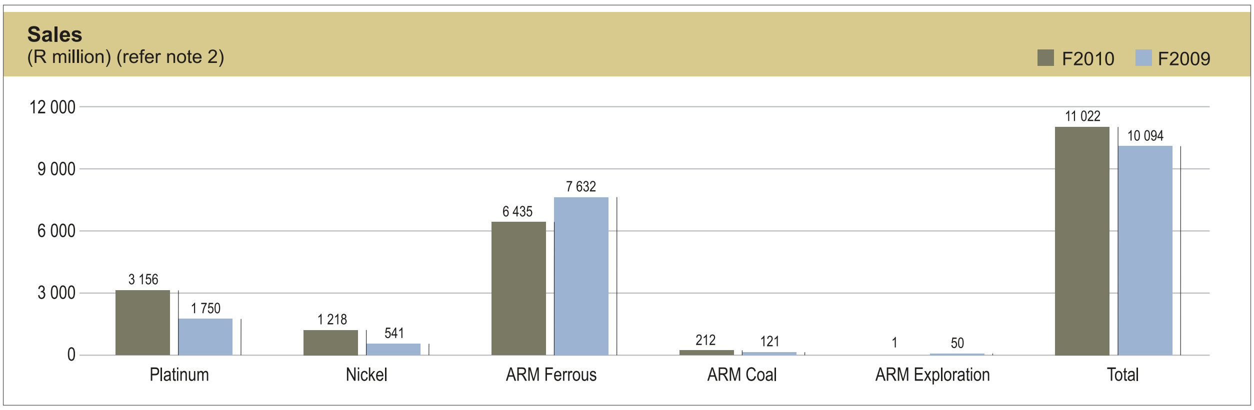
Segment assets F2009
(R million) (refer note 2)

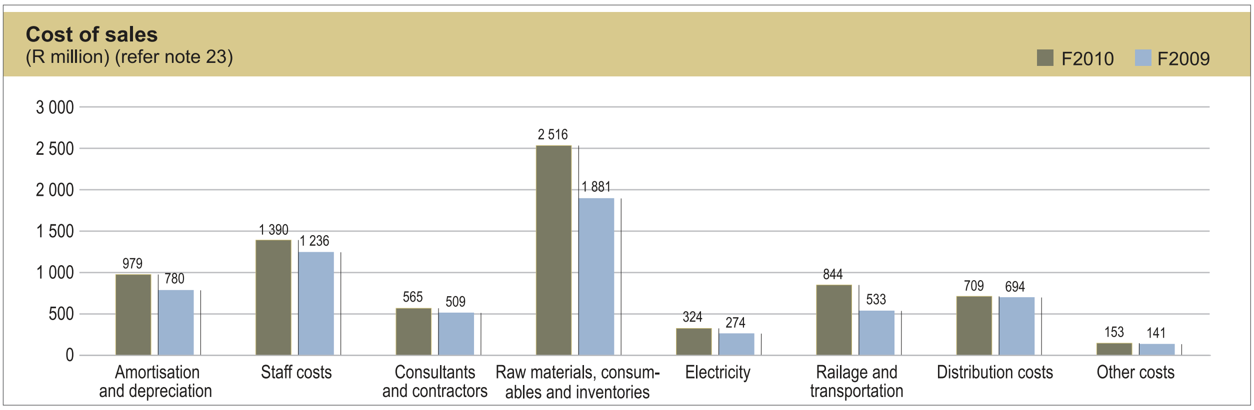


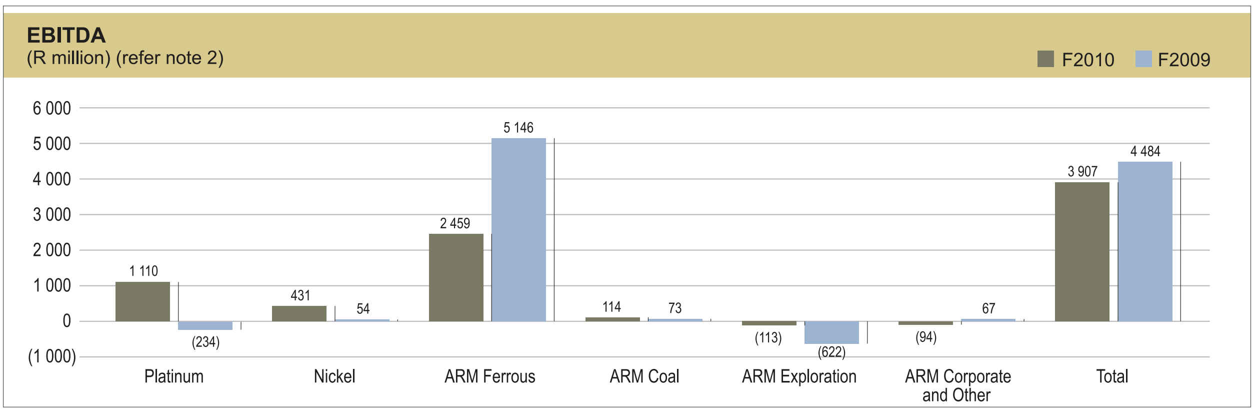
Long- and short-term borrowings
(R million) (refer notes 14 and 19)




Headline earnings
(R million) (refer note 2)
F2010
F2009
4 000
3 000
2 000
1 000
0
(1 000)
ARM Ferrous 1 364 3 150
Two Rivers 180 (219)
Modikwa 135 (129)
ARM Coal (17) 135
Nkomati 206 29
ARM Exploration (143) (689)
Other (11) 40


Sales
(R million) (refer note 2)
F2010
F2009
12 000
9 000
6 000
3 000
0
Platinum 3 156 1 750
Nickel 1 218 541
ARM Ferrous 6 435 7 632
ARM Coal 212 121
ARM Exploration 1 50
Total 11 022 10 094


Cost of sales
(R million) (refer note 23)
F2010
F2009
3 000
2 500
2 000
1 500
1 000
500
0
Amortisation and depreciation 979 780
Staff costs 1 390 1 236
Consultants and contractors 565 509
Raw materials, consumables and inventories 2 516 1 881
Electricity 324 274
Railage and transportation 844 533
Distribution costs 709 694
Other costs 153 141


EBITDA
(R million) (refer note 2)
F2010
F2009
6 000
5 000
4 000
3 000
2 000
1 000
0
(1 000)
Platinum 1 110 (234)
Nickel 431 54
ARM Ferrous 2 459 5 146
ARM Coal 114 73
ARM Exploration (113) (622)
ARM Corporate and Other (94) 67
Total 3 907 4 484

Statements of comprehensive income

for the year ended 30 June

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

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

Statements of changes in equity

for the year ended 30 June

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

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

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

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

Statements of cash flows

for the year ended 30 June

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

Notes to the financial statements

for the year ended 30 June

1 Accounting policies

Statement of compliance

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

Impact of new standards

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

IAS 1: Presentation of Financial Statements
IAS 23: Borrowing Costs
IAS 27: Amendments to Consolidated and Separate Financial Statements
IAS 32: Amendments to IAS 32 – Financial Instruments: Presentation
IAS 39: Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedge items
IFRS 1 Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards – Cost of investment in a subsidiary, jointly controlled entity or associate
IFRS 2 Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
IFRS 3 Business Combinations
IFRS 7 Amendment to Financial Instruments: Disclosures
IFRS 8 Operating Segments
IFRIC 15 Agreements for the construction of real estate
IFRIC 16 Hedges of a net investment in a foreign operation
IFRIC 17 Distribution of non-cash assets
IFRIC 18 Transfer of assets from investments

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

IAS 1

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

Financial impact on adopting IAS 27

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

IFRS 7

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

IFRS 8

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

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

Basis of preparation

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

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

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

Basis of consolidation

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

Inter-company transactions and balances

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

Subsidiary companies

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

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

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

Notes to the financial statements continued

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

Joint ventures

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

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

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

Investment in an associate

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

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

Business combinations

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

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

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

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

Current taxation

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

Deferred taxation

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

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

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

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

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

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

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

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

Value added tax (VAT)

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

Secondary taxation on companies (STC)

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

Provisions

Provisions are recognised when the following conditions have been met:

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

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

Environmental rehabilitation obligation

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

Decommissioning

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

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Restoration

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

Environmental rehabilitation trust funds

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

Financial instruments

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

Financial assets

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

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

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

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

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

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

Notes to the financial statements continued

Impairment of financial assets

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

Assets carried at amortised cost

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

Available-for-sale assets

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

Financial liabilities

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

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

Financial guarantees

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

Derivative instruments

Derivatives, including embedded derivatives, are initially and subsequently measured at fair value. Fair value adjustments are recognised in the income statement. Forward exchange contracts are valued at the reporting date using the forward rate available at the reporting date for the remaining maturity period of the forward contract. Any gain or loss from valuing the contract against the contracted rate is recognised in the income statement. A corresponding forward exchange asset or liability is recognised. On settlement of a forward exchange contract, any gain or loss is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash that is subject to legal or contractual restrictions on use is included in cash but indicated as restricted.

Investments

Investments, other than investments in subsidiaries, associates and joint ventures, are considered to be available-for-sale financial assets and are subsequently carried at fair value. Increases and decreases in fair values of available-for-sale investments are reflected in the revaluation reserve in other comprehensive income. On disposal of an investment, the balance in the revaluation reserve is recognised in the income statement. Where active markets exist, fair values are determined with reference to the stock exchange quoted selling prices at the close of business on the reporting date. Where there are no active markets, fair value is determined using valuation techniques like recent similar transactions, reference to similar transactions, discounted cash flow and option pricing models. Where a reliable fair value cannot be determined, investments are carried at cost. All regular purchases and sales of financial assets are recognised on the trade date, ie the date the Group commits to purchasing the asset.

Receivables

Trade receivables, which generally have 30 – 90 day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or cost that are an integral part of the effective interest rate. Receivables are financial assets classified as loans and receivables. Some receivables are classified at fair value through the income statement. These are receivables where the amount that will be received in the future is dependent on the commodities or concentrate content, and/or the price at the date of settlement. An impairment is recognised when there is evidence that an entity will not be able to collect all amounts due according to the original terms of the receivables. The impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rates. The amount of the impairment is charged to the income statement.

Payables

Trade and other payables are not interest bearing and are initially recorded at fair value and subsequently at amortised cost and classified as financial liabilities at amortised cost.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and classified as financial liabilities at amortised cost. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Set-off

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities and the Group intends to settle on a net basis or to realise the asset and settle the liability simultaneously, all related financial effects are netted.

Intangible assets

Intangible assets acquired are reflected at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment where there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortisation is based on units of production. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. This is done individually or at the cash generating unit level. The assessment of the indefinite life is reviewed annually to see if it is supportable, if not supportable it is changed prospectively to finite.

Investment property

Investment properties are carried at cost and depreciated on a straight-line basis over their estimated useful lives to an estimated residual value. Where the residual value exceeds the carrying amount, amortisation is continued at a zero charge until its residual value subsequently decreases to an amount below the carrying amount. Where the building has changed from owner occupied to investment property in order to earn rentals and for capital appreciation, the cost deemed is the carrying amount if applicable. An impairment is taken in the income statement when the recoverable amount is less than the carrying amount.

Property, plant and equipment

Property, plant and equipment other than land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings are carried at cost. Land is only depreciated where the form is changed so that it affects its value. Land is then depreciated on a straight-line method over the mining activity to a maximum of 25 years to its estimated residual value. Buildings are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value, if such value is significant. The annual depreciation rates used vary between 2% and 5%. New acquisitions and additions to existing land and buildings are reflected at cost.

Mine development and decommissioning

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine or its current production, as well as the decommissioning thereof, are capitalised. Development expenditure is net of proceeds from the sale of ore extracted during the development phase. Development cost capitalised is classified under Mine development and decommissioning assets. Development costs to maintain production are expensed as incurred.

Notes to the financial statements continued

Mine development and decommissioning assets are depreciated using the units-of-production method based on estimated proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. These reserves are reassessed annually. The maximum period of amortisation using this method is 25 years.

Mineral rights

Mineral rights that are being depleted are depreciated over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. The maximum rate of depletion of any mineral right is 25 years.

Plant and machinery

Mining plant and machinery is depreciated on the units-of-production method over the lesser of its estimated useful life based on estimated proven and probable ore reserves.

Non-mining plant and machinery is depreciated over its useful life. The maximum life of any single item as used in a depreciated calculation is 25 years.

When plant and equipment comprises major components with different useful lives, these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining book value of the component replaced is written off in the income statement.

Mine properties

Mine properties (including houses, schools and administration blocks) are depreciated on the straight-line basis over their expected useful lives, to estimated residual values. The residual value is the amount currently expected to be obtained for the asset after deducting estimated costs of the disposal, if the asset was already at the end of its useful life.

Furniture equipment and vehicles

Furniture equipment and vehicles are depreciated on a straight-line basis over their expected useful lives, to estimated residual values.

Finance leases

Finance leases are depreciated on a straight-line basis over their expected useful lives, to estimated residual values.

Depreciation rates

Depreciation rates that are based on units-of-production take into account, proven and probable ore reserves. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as technological innovation, asset life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value.

The annual depreciation rates generally used in the Group are:

- furniture and equipment 10% to 33%;
- mine properties 4% to 7%;
- motor vehicles 20%;
- mine development plant and machinery, and mineral rights and land 10 to 25 years;
- investment properties 2%; and
- intangible assets over life-of-mine to a maximum of 25 years.

Exploration expenditure

All exploration expenditures are expensed until they result in projects that are evaluated as being technically and commercially feasible and a future economic benefit is highly probable. In evaluating if expenditures meet these criteria to be capitalised, the Company utilises several different sources of information and also differentiates projects by levels of risks, including:

- Degree of certainty over the mineralisation of the ore body.
- Commercial risks, including but not limited to country risk.
- Prior exploration knowledge available about the target ore body.

Exploration expenditure on greenfields sites, being those where the Group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a bankable feasibility study has been completed, after which the expenditure is capitalised.

Exploration expenditure on brownfields sites, being those adjacent to any mineral deposits which are already being mined or developed, is only expensed as incurred until the Company has obtained sufficient information from all available sources to ameliorate the project risk areas identified above and which indicates by means of a pre-feasibility study that the future economic benefits are highly probable.

Exploration expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised.

Activities in relation to evaluating the technical feasibility and commercial viability of mineral resources are treated as forming part of exploration expenditures.

Costs related to property acquisitions and mineral and surface rights are capitalised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale (under current assets) if the carrying amount of these assets will be recovered principally through a sale transaction rather than through continued use. This condition will only be regarded as met if the sale transaction is highly probable and the asset (or disposal group) is available for sale in its present condition. For the sale to be highly probable management must be committed to the plan to sell the asset and the transaction should be expected to qualify for recognition as a complete sale within 12 months of the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amounts and their fair value less cost to sell and are not depreciated.

Impairment of non-financial assets

The carrying value of assets is reviewed at each statement of financial position date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated. The recoverable amount is the higher of fair value less cost to sell or value in use. Value in use is determined by an estimated future cash flow discounted at a pre-tax discount rate.

Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount and the difference is expensed in the income statement. If the circumstances leading to the impairment no longer exist, the appropriate portion of the impairment loss previously recognised is written back.

Intangible assets with an indefinite life are tested annually for impairment.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset that requires a substantial period of time to be prepared for its intended use are capitalised. Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when:

- expenditures for the asset are being incurred;
- borrowing costs are being incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in process.

Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are complete.

Other borrowing costs are charged to finance costs in the income statement as incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value with due allowances being made for obsolete and slow-moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the following basis:

- Consumables and maintenance spares are valued at average cost.
- Ore stockpiles are valued at weighted average cost.
- Finished products are valued at weighted average cost. Unallocated overhead costs due to below normal capacity are expensed as shortworkings.
- Houses are valued at their individual cost.
- Work-in-process is valued at weighted average cost, including an appropriate portion of direct overhead costs. Unallocated overhead costs due to below normal capacity are expensed as shortworkings.
- Raw materials are valued at weighted average cost.
- By-products are valued at weighted average cost.

Inventories are classified as current when it is reasonable to expect them to be sold within their normal cycle which could be the next financial year. If not, they are classified as non-current.

Foreign currency translations

The Group and Company financial statements are presented in South African Rand, which is the Company's functional currency.

Foreign entities

Financial statements of all entities that have a functional currency different from the presentation currency of their parent entity, are translated into the presentation currency using the exchange rates applicable at the reporting date, as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date.
- Income and expenditure at the average rate of exchange for the year, except where the date of income or expense for significant transactions can be identified, in which case the income or expense is translated at the rate of exchange ruling at the date of the flow.
- Cash flow items at the average rate of exchange for the year, except where the date of cash flow for significant transactions can be identified, in which case the cash flows are translated at the rate of exchange ruling at the date of the cash flow.
- Fair value adjustments of the foreign entity are translated at the closing rate.
- Goodwill is considered to relate to the reporting entity and is translated at the closing rate.
- Differences arising on translation are classified as equity until the investment is disposed of when it is recognised in the income statement.

Foreign currency transactions and balances

Transactions in foreign currencies are converted to the functional currency at the rate of exchange ruling at the date that the transaction is recorded.

Foreign denominated monetary assets and liabilities (including those linked to a forward exchange contract) are stated in the functional currency using the exchange rate ruling at the reporting date, with the resulting exchange differences being recognised in the income statement.

Notes to the financial statements continued

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to control the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly against the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Employee benefits

The Group operates two defined contribution pension schemes, both of which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post-employment healthcare benefits to senior employees. These benefits are unfunded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when incurred.

Other long-term benefits

The Group provides certain long-term incentive schemes to attract, retain, motivate and reward eligible senior employees. The cost of providing these incentives is determined by actuaries using the projected unit credit method. Actuarial gains and losses are recognised as income or expense when incurred. The past service costs are recognised as an expense on a straight-line basis over the period until the benefits vest.

Share-based payments

The Company issues equity-settled share-based instruments to certain employees. Equity-settled share-based payments are measured at the fair value of the instruments at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period on a straight-line basis, based on management's estimate, which is considered annually, of shares that are expected to vest.

Fair value is measured using the Black Scholes option pricing model. The fair values used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

One of the subsidiaries issued cash or equity-settled options which were measured at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

When the Company settles rights in cash, the grants are remeasured at each reporting date. For equity-settled options the services received and a liability to pay for those services are recognised over the expected vesting period.

Black economic empowerment (BEE) transactions

When entering into BEE share-based transactions any excess of the fair value of the shares over the consideration received is recognised as an expense in that period.

Revenue recognition

Revenue which includes by-products, is recognised when the risks and rewards of ownership have been transferred and when it is probable that the economic benefits associated with a transaction flow to the Group and the amount of revenue can be measured reliably.

Revenue is measured at the fair value of the amount received or receivable net of VAT, cash discounts and rebates.

Dividend income

Dividends are accounted for on the last day of registration for listed investments and when declared in respect of unlisted investments.

Mining products

Revenue from the sale of mining and related products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

In some cases, where the terms of the executed sales agreement allow for an adjustment to the sale price based on a survey of the goods by the customer, recognition of the sales revenue is based on the most recently determined estimate of product specification.

Sales on FOB (free on board) are recognised on the date of loading and CIF (cost in freight) is recognised when it arrives at its destination.

In the case of certain commodities the final sale price is determined a number of months after the concentrate is delivered. Revenue is measured at the best estimate of future prices and adjusted subsequently in revenue.

Rental income

Rental income on investment properties is accounted for on a straight-line basis over the term of the lease.

Interest

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset and an appropriate accrual is made at each accounting reference date.

Cost of sales

All costs directly related to the producing of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses.

When inventories are sold, the carrying amount is recognised in cost of sales. Any write-down, losses or reversals of previous write-downs or losses are recognised in cost of sales.

Early settlement discounts and rebates

These are deducted from revenue and cost of inventories when applicable.

Reinsurance

Premiums are disclosed on a gross basis in the other operating income note (refer note 24). Claims are presented on a gross basis in receivables and payables. The Group cedes insurance risk in the normal course of business for the majority of its business.

Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other operations, whose operating results are regularly reviewed by the entity's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance. There is discrete financial information available for each operation (refer note 2 for the operating segments).

A geographical segment is a group of products and services within a particular economic environment that is subject to risks and returns that are different from segments operating in other economic environments.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable the obligation will be required to be settled, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

Significant accounting judgements and estimates

The preparation of the financial statements requires management to make certain estimates. The principles used are the same as in previous years. When estimates are compared to actual and variances occur, the estimates are adjusted accordingly. Adjustments to estimates are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing changes in the above include, amongst others, revisions to estimated reserves, resources and life of operations, developments in technology, regulatory requirements and environmental management strategies, changes in estimated costs of anticipated activities, inflation rates, foreign exchange rates and movements in interest rates affecting the discount rate applied. For assumptions on certain specific estimates used, refer to individual notes.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are described below.

Mine rehabilitation provision (refer note 16)

Mine rehabilitation provisions are assessed annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in the income statement.

Ore reserves and resource estimates (refer Mineral Resources and Reserves section)

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the mining properties. Ore reserves and mineral resource estimates are based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the

Notes to the financial statements continued

carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units of production depreciation

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units of production depreciation methodologies are available to choose from; the Group adopts a Run of the Mine tonnes of ore produced methodology for mining costs and an ounces/pounds of metal produced methodology for post-mining costs. Changes are accounted for prospectively.

Impairment of assets (refer note 26)

Each cash generating unit is assessed annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future approved expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate, taking into account factors, including weighted average cost of capital and applicable risk factors, to determine the net present value.

The key prices used in the impairment calculations for F2009 performed were as follows:

- For platinum a price of between 1 231 and 1 500 US Dollars per ounce up to 2014 and thereafter an increase of 2% per annum;
- For nickel a price of between 14 503 and 17 500 US Dollars per tonne up to 2014 and thereafter an increase of 2% per annum; and
- For chrome, current market prices.

There were no impairment indicators in F2010 and therefore no impairment calculations were performed.

Deferred taxation asset (refer note 15)

Three-year business plans, the first year of which is approved by the Board and the content of the next two years being noted, are used to determine whether deferred tax assets will be utilised from taxable income in the future. These plans use many assumptions and estimates and will be adjusted every year as more information becomes available.

Asset life and residual values

These are assessed annually and may differ from previous years as many estimates and assumptions are used to determine the values. Estimates and assumptions are updated to improve the judgements made.

Share-based payments (refer note 42)

Estimation of the fair value of share-based payments requires determining the most appropriate model, inputs such as the expected life of the option, volatility and dividend yields.

Definitions

Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits, as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. For cash flow purposes overdrafts are deducted from cash and cash equivalents that are on the statement of financial position.

Cash restricted for use

Cash which is subject to restrictions on its use is stated separately at the carrying value in the notes.

Active markets

This is normally a stock exchange where the public can purchase and sell shares on a regular basis and prices are determined by the market conditions.

Basic earnings per share

Earnings divided by the weighted average number of shares in issue.

Headline earnings per share

Headline earnings comprise earnings for the year, adjusted for profits/losses as a remeasurement in accordance with the requirements of Circular 3 of 2009 issued by the South African Institute of Chartered Accountants. Adjustments against earnings take account of attributable taxation and non-controlling interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

Amortised cost

This is calculated using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Fair value

Where an active market is available it is used to represent fair value. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions with reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Effective interest method

This method determines the rate that discounts the estimated future cash flow payments or receipts through the expected life of the financial liability or financial asset to the net carrying amount of the financial liability or asset.

Diluted earnings per share

Diluted earnings per share is arrived at by dividing earnings (as used in calculating basic earnings per share) by the weighted average number of ordinary shares, adjusted for any financial instruments or other contracts that may entitle the holder thereof to ordinary shares. Fully diluted headline earnings per share are calculated on the same basis as fully diluted earnings per share.

Cash generated from operations per share

Cash generated from operations divided by the weighted average number of shares in issue during the year.

Exceptional items

These are items that are of a capital nature and not part of operating activities and that qualify for adjustment to the calculation of headline earnings.

EBITDA before exceptional items and income from associates

This comprises basic earnings, to which is added back taxation, exceptional items, income from associates, finance cost, income from investments and amortisation and depreciation.

Notes to the financial statements continued

New standards

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

	Standard or interpretation	Effective date	Date issued
IFRS 1	First-time adoption of International Reporting Standards – Additional Exceptions for first-time adoptors	1 January 2010	July 2009
IFRS 1	First-time adoption of International Reporting Standards – Limited exemption from comparative IFRS 7 Disclosures for first-time adoptors	1 July 2010	November 2009
IFRS 2	Group cash-settled share-based payment arrangements	1 January 2010	June 2009
IFRS 9	Financial instruments	1 January 2013	November 2009
IAS 24	Related party disclosures	1 January 2011	November 2009
IAS 32	Amendment Financial instruments: Presentation – Classification of rights issues	1 February 2010	October 2009
IFRIC14	Prepayments of a minimum funding requirement (Amendment)	1 January 2011	November 2009
IFRIC19	Extinguishing Financial liabilities with equity instruments	1 July 2010	November 2009

Impact of the above

None of the above standards or interpretations are expected to have a significant effect on the results of operation or the financial position of the Group.

2 Primary segmental information

Business segments

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

ARM has a strategic holding in Harmony (gold).

Platinum comprises Two Rivers Platinum Mine as a 55% subsidiary and ARM Mining Consortium Limited through which ARM holds an effective 41.5% interest in the Modikwa Platinum Mine.

Nickel comprises Nkomati Mine as a 50% joint venture for both its nickel and chrome operations. In the corporate structure, nickel is included under ARM Platinum.

ARM Ferrous comprises Assmang as a 50% joint venture. Assmang comprises iron ore, manganese and chrome operations.

ARM Coal, a 51% joint venture for accounting purposes, consists of a 10.2% participating investment in the existing coal operations of XCSA and a 26% joint venture interest in the Goedgevonden Mine. In addition, ARM has a direct 10% participating investment in the existing coal operations of XCSA.

ARM Exploration comprises the Vale/ARM 50% joint venture from March 2009 and prior to this it was held as TEAL, a 64.9% subsidiary. This division is involved in identifying and assessing exploration and mineral business opportunities in sub-Saharan Africa.

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

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

** Corporate, other companies and consolidation adjustments.*

Notes to the financial statements continued

	ARM Platinum Platinum Rm	Nickel Rm	ARM Ferrous Rm	ARM Coal Rm	ARM Exploration Rm	*Corporate and other Rm	Gold Rm	Total Rm
2 Primary segmental information *(continued)*								
2.1 Year to 30 June 2009								
Total sales	1 750	543	7 632	121	50	–	–	**10 096**
Inter-group sales to ARM Ferrous	–	2	–	–	–	–	–	**2**
Sales	1 750	541	7 632	121	50	–	–	**10 094**
Cost of sales	(2 317)	(491)	(3 007)	(84)	(177)	28	–	**(6 048)**
Other operating income	8	24	615	1	–	268	–	**916**
Other operating expenses	2	(48)	(462)	(1)	(515)	(231)	–	**(1 255)**
Segment result	(557)	26	4 778	37	(642)	65	–	**3 707**
Income from investments	69	8	220	–	6	111	–	**414**
Finance cost	(60)	(1)	(36)	(15)	(49)	(68)	–	**(229)**
Finance cost Implats: Shareholders' loan Two Rivers	(70)	–	–	–	–	–	–	**(70)**
Finance cost ARM: Shareholders' loan Two Rivers	(86)	–	–	–	–	–	–	**(86)**
Income from associate	–	–	–	147	–	–	–	**147**
Exceptional items	1	(1)	–	–	567	(53)	–	**514**
Taxation	152	(4)	(1 802)	(7)	(4)	(62)	–	**(1 727)**
Non-controlling interest	204	–	–	–	–	(6)	–	**198**
Contribution to basic earnings	(347)	28	3 160	162	(122)	(13)	–	**2 868**
Contribution to headline earnings	(348)	29	3 150	135	(689)	40	–	**2 317**
Other information								
Segment assets, including investment in associate	5 334	1 791	8 292	2 973	483	1 535	5 091	**25 499**
Investment in associate	–	–	–	1 327	–	–	–	**1 327**
Segment liabilities	1 535	332	815	1 463	497	1 298	–	**5 940**
Unallocated liabilities (tax and deferred tax)								**2 808**
Consolidated total liabilities								**8 748**
Cash inflow/(outflow) from operating activities	830	177	4 034	414	(554)	(851)	–	**4 050**
Cash (outflow)/inflow from investing activities	(475)	(866)	(1 388)	(498)	147	(55)	–	**(3 135)**
Cash (outflow)/inflow from financing activities	(270)	149	(263)	211	276	(274)	–	**(171)**
Capital expenditure	524	878	1 335	572	22	2	–	**3 333**
Amortisation and depreciation	323	28	378	36	20	2	–	**787**
Impairment	–	1	–	–	42	–	–	**43**
EBITDA	(234)	54	5 146	73	(622)	67	–	**4 484**

** Corporate, other companies and consolidation adjustments.*

2 Primary segmental information *(continued)*

2.2

	ARM Platinum Two Rivers Rm	ARM Platinum Modikwa Rm	Total Rm
Year to 30 June 2010			
Sales			
External sales	**2 099**	**1 057**	**3 156**
Cost of sales	**(1 507)**	**(787)**	**(2 294)**
Other operating income	**10**	**1**	**11**
Other operating expenses	**(23)**	**(56)**	**(79)**
Segment result	**579**	**215**	**794**
Income from investments	**3**	**20**	**23**
Finance cost	**(35)**	**(3)**	**(38)**
Finance cost Implats: Shareholders' loan Two Rivers	**(41)**	**–**	**(41)**
Finance cost ARM: Shareholders' loan Two Rivers	**(50)**	**–**	**(50)**
Taxation	**(130)**	**(69)**	**(199)**
Non-controlling interest	**(146)**	**(28)**	**(174)**
Contribution to basic earnings	**180**	**135**	**315**
Contribution to headline earnings	**180**	**135**	**315**
Other information			
Segment and consolidated assets	**3 046**	**2 671**	**5 717**
Segment liabilities	**1 007**	**533**	**1 540**
Unallocated liabilities (tax and deferred tax)			**871**
Consolidated total liabilities			**2 411**
Cash inflow from operating activities	**551**	**209**	**760**
Cash outflow from investing activities	**(75)**	**(41)**	**(116)**
Cash outflow from financing activities	**(275)**	**(20)**	**(295)**
Capital expenditure	**97**	**51**	**148**
Amortisation and depreciation	**238**	**78**	**316**
EBITDA	**817**	**293**	**1 110**
Year to 30 June 2009			
Sales			
External sales	1 022	728	**1 750**
Cost of sales	(1 373)	(944)	**(2 317)**
Other operating income	7	1	**8**
Other operating expenses	(7)	9	**2**
Segment result	(351)	(206)	**(557)**
Income from investments	19	50	**69**
Finance cost	(39)	(21)	**(60)**
Finance cost Implats: Shareholders' loan Two Rivers	(70)	–	**(70)**
Finance cost ARM: Shareholders' loan Two Rivers	(86)	–	**(86)**
Exceptional items	1	–	**1**
Taxation	131	21	**152**
Non-controlling interest	177	27	**204**
Contribution to basic earnings	(218)	(129)	**(347)**
Contribution to headline earnings	(219)	(129)	**(348)**
Other information			
Segment and consolidated assets	2 853	2 481	**5 334**
Segment liabilities	1 117	418	**1 535**
Unallocated liabilities (tax and deferred tax)			**638**
Consolidated total liabilities			**2 173**
Cash inflow from operating activities	450	380	**830**
Cash outflow from investing activities	(294)	(181)	**(475)**
Cash outflow from financing activities	(168)	(102)	**(270)**
Capital expenditure	340	184	**524**
Amortisation and depreciation	251	72	**323**
EBITDA	(100)	(134)	**(234)**

Notes to the financial statements continued

		Iron ore Division Rm	Manganese Division Rm	Chrome Division Rm	Total Rm	Attributable to ARM Rm
2	**Primary segmental information** *(continued)*					
	Pro forma analysis of the Ferrous segment	100%	100%	100%	100%	50%
2.3	**Year to 30 June 2010**					
	Sales	**4 993**	**6 287**	**1 590**	**12 870**	**6 435**
	Other operating income	**119**	**187**	**29**	**335**	**148**
	Other operating expense	**201**	**436**	**248**	**885**	**423**
	Operating profit	**2 003**	**2 235**	**(239)**	**3 999**	**2 000**
	Contribution to earnings	**1 437**	**1 480**	**(185)**	**2 732**	**1 367**
	Contribution to headline earnings	**1 436**	**1 478**	**(185)**	**2 729**	**1 364**
	Other information					
	Consolidated total assets	**8 729**	**8 922**	**1 920**	**19 571**	**9 572**
	Consolidated total liabilities	**2 532**	**2 596**	**722**	**5 850**	**1 171**
	Capital expenditure	**2 304**	**743**	**289**	**3 336**	**1 601**
	Amortisation and depreciation	**544**	**250**	**142**	**936**	**459**
	Cash inflow from operating activities	**1 985**	**(122)**	**(219)**	**1 644**	**1 322**
	Cash outflow from investing activities	**(2 133)**	**(666)**	**(267)**	**(3 066)**	**(1 534)**
	Cash outflow from financing activities	**–**	**4**	**(1)**	**3**	**1**
	EBITDA	**2 547**	**2 485**	**(97)**	**4 935**	**2 459**
	Year to 30 June 2009					
	Sales	5 018	8 436	1 809	15 263	7 632
	Other operating income	329	914	145	1 388	615
	Other operating expense	182	532	368	1 082	462
	Operating profit	3 080	6 199	277	9 556	4 778
	Contribution to earnings	2 170	3 956	193	6 319	3 160
	Contribution to headline earnings	2 160	3 927	213	6 300	3 150
	Other information					
	Consolidated total assets	6 506	8 350	2 038	16 894	8 292
	Consolidated total liabilities	1 745	2 506	654	4 905	815
	Capital expenditure	1 529	854	397	2 780	1 335
	Amortisation and depreciation	409	236	127	772	378
	Cash inflow from operating activities	2 844	610	312	3 766	4 034
	Cash outflow from investing activities	(1 541)	(840)	(395)	(2 776)	(1 388)
	Cash inflow/(outflow) from financing activities	(492)	–	(34)	(526)	(263)
	EBITDA	3 478	6 406	424	10 308	5 146

	Group F2010 Rm	Group F2009 Rm
2 Primary segmental information *(continued)*		
2.4 Geographical segments		
The Group operates principally in South Africa, however, the Vale/ARM joint venture operates in Zambia, the DRC, Namibia and other countries. Assets by geographical area in which the assets are located are as follows:		
– South Africa	**26 515**	25 122
– Europe	**828**	73
– Americas	**65**	114
– Far and Middle East	**466**	86
– Other	**359**	104
	28 233	25 499
Sales by geographical area		
– South Africa	**3 879**	2 393
– Europe	**2 270**	2 070
– Far and Middle East	**4 292**	4 558
– Americas	**335**	458
– Other	**246**	615
	11 022	10 094
Sales to major customers		
The only segment that is affected by the requirement to show this analysis is the platinum segment and the breakdown is as follows:		
Rustenburg Platinum Mines Limited	**1 057**	728
Impala Platinum Limited	**2 099**	3 333
Capital expenditure		
– South Africa	**2 723**	3 311
– Rest of Africa	**15**	22
	2 738	3 333

Notes to the financial statements continued

3 Property, plant and equipment

Group	Mine development and decom-missioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral rights Rm	Mine properties Rm	Furniture, equipment and vehicles Rm	Finance leases Rm	Total property, plant and equipment Rm
Cost								
Balance at 30 June 2008	**2 868**	**4 486**	**389**	**1 940**	**422**	**757**	**157**	**11 019**
Additions	757	1 900	24	62	79	460	51	3 333
Reclassifications	8	(129)	–	–	39	82	–	–
Change in holding in TEAL	(24)	(35)	(6)	–	–	(15)	–	(80)
Disposals	–	(45)	–	–	–	(31)	(20)	(96)
Realignment of currencies	5	8	1	–	–	3	–	17
Balance at 30 June 2009	**3 614**	**6 185**	**408**	**2 002**	**540**	**1 256**	**188**	**14 193**
Additions	745	1 608	58	51	60	185	30	2 737
Reclassifications	(649)	583	13	–	–	50	–	(3)
Derecognition	(2)	(4)	–	–	–	(1)	–	(7)
Change in estimates	(11)	–	36	–	–	–	(1)	24
Disposals	–	(8)	(1)	–	–	(27)	(12)	(48)
Balance at 30 June 2010	**3 697**	**8 364**	**514**	**2 053**	**600**	**1 463**	**205**	**16 896**
Accumulated amortisation, depreciation and impairment								
Balance at 30 June 2008	**564**	**859**	**54**	**98**	**28**	**321**	**71**	**1 995**
Charge for the year	150	315	16	23	16	197	68	785
Impairments	–	12	(1)	–	–	1	–	12
Disposals	–	(35)	–	–	–	(28)	(20)	(83)
Change in holding in TEAL	(2)	(6)	(1)	–	–	(5)	–	(14)
Realignment of currencies	–	(3)	–	–	–	1	–	(2)
Balance at 30 June 2009	**712**	**1 142**	**68**	**121**	**44**	**487**	**119**	**2 693**
Charge for the year	263	390	20	30	15	231	33	982
Impairments	(1)	2	2	–	–	–	–	3
Reclassification	52	1	–	3	–	(56)	–	–
Disposals	–	(7)	–	–	–	(19)	(12)	(38)
Balance at 30 June 2010	**1 026**	**1 528**	**90**	**154**	**59**	**643**	**140**	**3 640**
Carrying value at 30 June 2009	**2 902**	**5 043**	**340**	**1 881**	**496**	**769**	**69**	**11 500**
Carrying value at 30 June 2010	**2 671**	**6 836**	**424**	**1 899**	**541**	**820**	**65**	**13 256**

3 Property plant and equipment *(continued)*

a. Borrowing costs

Borrowing costs incurred at prime overdraft and overnight call rates applicable during the year, amounting to R80 million, were capitalised in respect of mine development and decommissioning assets and plant and machinery for the year to 30 June 2010 (2009: R77 million).

b. Capital work-in-progress

Included in mine development and decommissioning assets and plant and machinery above are R1 960 million (2009: R2 274 million) of assets relating to projects in progress. Included in this amount are: (i) R1 764 million in respect of the Khumani iron ore plant and mine expansion from 10 to 16 million tonnes per annum; and (ii) R163 million in respect of MMZ development and the plant upgrade from 100 kt to 250 kt per month at Nkomati.

c. Pledged assets

The carrying value of assets pledged as security for loans amounts to R1.9 billion (2009: R1.7 billion). Refer to note 14 for security granted in respect of loans to Two Rivers and ARM Coal.

d. Exploration and evaluation assets

These assets are included under mine development and decommissioning assets and amount to R32 million (2009: R22 million).

Company	Mine development and decom-missioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral rights Rm	Furniture, equipment and vehicles Rm	Total property, plant and equipment Rm
Cost						
Balance at 30 June 2008	**228**	**401**	**9**	**144**	**82**	**864**
Additions	126	733	12	–	8	879
Derecognition	(1)	–	–	–	–	(1)
Balance at 30 June 2009	353	1 134	21	144	90	1 742
Additions	282	295	13	–	16	606
Derecognition	(2)	(4)	–	–	(1)	(7)
Reclassification	(428)	375	–	–	53	–
Balance at 30 June 2010	**205**	**1 800**	**34**	**144**	**158**	**2 341**
Accumulated amortisation, depreciation and impairment						
Balance at 30 June 2008	**94**	**95**	**1**	**–**	**46**	**236**
Charge for the year	7	10	–	–	12	29
Balance at 30 June 2009	101	105	1	–	58	265
Charge for the year	100	38	1	–	7	146
Impairment	–	(3)	–	–	–	(3)
Reclassification	1	38	–	–	(39)	–
Balance at 30 June 2010	**202**	**178**	**2**	**–**	**26**	**408**
Carrying value at 30 June 2009	**252**	**1 029**	**20**	**144**	**32**	**1 477**
Carrying value at 30 June 2010	**3**	**1 622**	**32**	**144**	**132**	**1 933**

a. Borrowing costs

Borrowing costs incurred at prime overdraft and overnight call rates applicable during the year, amounting to R29 million were capitalised in respect of mine development and decommissioning assets and plant and machinery for the year to 30 June 2010 (2009: R9 million).

b. Capital work-in-progress

Included in mine development and decommissioning assets and plant and machinery above are R163 million (2009: R993 million) of assets relating to the plant upgrade from 100 kt to 250 kt per month at Nkomati and the MMZ development.

A register containing details of mineral and mining rights and land and buildings is available for inspection during business hours at the registered address of the Company by members or their duly authorised agents.

Notes to the financial statements continued

		Group F2010 Rm	Group F2009 Rm
4	**Investment property**		
	Cost		
	Opening balance	**20**	20
	Accumulated depreciation and impairment		
	Opening balance	**8**	8
	Carrying value	**12**	12

The investment property is situated at 56 Main Street, Johannesburg, South Africa. Management's estimated fair value of the building ranges between R20 million and R30 million as at 30 June 2010. The value was arrived at after reviewing the market conditions in the area. Current lease contracts terminate between 2010 and 2011. Annual rental escalations are between 8% and 10%. Refer note 24 for rental income derived from this property.
The movements for additions and depreciation during the year were less than R1 million.

		RBCT entitlement Rm	Other Rm	Total Rm
5	**Intangible asset**			
	Group			
	Cost			
	Balance at 30 June 2008	220	2	**222**
	Balance at 30 June 2009	220	2	**222**
	Additions	–	1	**1**
	Reclassification	–	3	**3**
	Balance at 30 June 2010	220	6	**226**
	Accumulated amortisation, and depreciation			
	Balance at 30 June 2008	7	–	**7**
	Charge for the year	2	–	**2**
	Balance at 30 June 2009	9	–	**9**
	Charge for the year	5	–	**5**
	Balance at 30 June 2010	14	–	**14**
	Carrying value at 30 June 2009	211	2	**213**
	Carrying value at 30 June 2010	206	6	**212**

Finite life intangible assets which are amortised comprise of: (i) the RBCT entitlement held by the Goedgevonden joint venture of R206 million (2009: R211 million); and (ii) R6 million (2009: R2 million) patents, trademarks and software. The remaining amortisation period of the RBCT entitlement is limited to 25 years. There are no indefinite life intangible assets.

	Group F2010 Rm	Group F2009 Rm	Company F2010 Rm	Company F2009 Rm
6 Investment in associate				
Through ARM's 51% investment in ARM Coal, the Group holds an effective 10.2% investment in the existing coal operations of XCSA.				
Opening balance	**758**	676	**–**	–
Original investment (10.2%)	**400**	400	**–**	–
Additional investment (ATCOM and ATC Collieries)*	**9**	9	**–**	–
Retained income	**349**	267	**–**	–
Income from associate current year	**(33)**	82	**–**	–
Cash flow hedge	**8**	–	**–**	–
	733	758	**–**	–
ARM invested directly in 10% of the existing coal operations of XCSA on 1 September 2007.				
Opening balance	**707**	642	**432**	432
Original investment	**400**	400	**400**	400
Additional investment (ATCOM and ATC Collieries)	**32**	32	**32**	32
Retained income	**275**	210	**–**	–
Income from associate current year	**(18)**	65	**–**	–
Cash flow hedge	**8**	–	**–**	–
	697	707	**432**	432
Less: dividend received prior years	**138**	138	**–**	–
Total investment	**1 292**	1 327	**432**	432
** Treated as a long-term loan and receivable in ARM Company which eliminates on consolidation (refer note 7).*				
Group's interest in sales of associate	**1 256**	1 606		
Group's interest in associate statement of financial position				
Non-current assets	**3 505**	3 240		
Current assets	**673**	1 112		
Total assets	**4 178**	4 352		
Less liabilities				
Non-current liabilities	**2 686**	2 349		
Current liabilities	**200**	676		
Net assets	**1 292**	1 327		

Notes to the financial statements continued

		Group		Company	
		F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
7	**Loans and long-term receivables**				
	Long-term receivables	**51**	134	**10**	9
	Total	**51**	134	**10**	9
	Long-term loans held as follows:				
	Vale/ARM joint venture	**–**	114	**–**	–
	Assmang	**32**	–	**–**	–
	ARM Platinum (Modikwa)	**19**	20	**–**	–
	ARM Coal (refer note 6)	**–**	–	**9**	9
	ARM Coal	**–**	–	**1**	–
		51	134	**10**	9
	In F2009, the Vale/ARM joint venture loan represented the portion ARM funded in excess of its shareholding proportion.				
	Assmang – relates to loans to employees for houses built at the Khumani iron ore mine in the Northern Cape (refer note 10). These loans are interest bearing at prime less 2%.				
	ARM Platinum (Modikwa) is a loan due by the communities (non-controlling interest) around the Modikwa Mine and will be repaid as and when a dividend is declared from ARM Mining Consortium.				
8	**Financial asset**				
	Structured investment	**84**	78	**–**	–

The investment is a structured product, invested with ABSA Bank, over a fixed term made with the strategic intention to attract, retain, motivate and reward eligible senior employees. The investment capital growth is linked to the higher of the JSE Top 40 index growth, or CPI. The investment maturity dates are 29 November 2011 and 29 November 2013. This asset is carried at fair value through the income statement.

		Group		Company	
		F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
9	**Other investments**				
	Listed – other investments*				
	Opening balance	**5 091**	6 045	**5 091**	6 045
	Unrealised revaluation gain/(loss) for the year	**89**	(954)	**89**	(954)
	Total – listed investments (available-for-sale)	**5 180**	5 091	**5 180**	5 091
	Market value of listed investments	**5 180**	5 091	**5 180**	5 091
	(Determined by reference to market share price)				
	Unlisted joint ventures				
	Investment in joint ventures**			**812**	812
	Loans*** (refer page 254)			**674**	303
	Preference shares	**11**	10	**–**	–
	Unlisted – subsidiary companies				
	Cost of investments			**481**	481
	Loans*** (refer page 253)			**1 236**	1 625
	Total unlisted	**11**	10	**3 203**	3 221
	Total carrying amount of other investments	**5 191**	5 101	**8 383**	8 312

Investments in unquoted equity instruments are measured at cost. Their market value cannot be measured reliably due to the significant uncertainties which exist in estimating parameters such as exchange rates, commodity prices and general market conditions. Investments valued at cost amount to R481 million (F2009: R481 million) as reflected above in the Company column.

Certain listed and unlisted shares have been pledged as security for the ARM corporate loan which at 30 June 2010 was R784 million (2009: R967 million) (refer note 14). The book value of the pledged shares amounts to R3 051 million (2009: R2 472 million).

A report on investments appears on pages 252 to 254.

* *Harmony 63 632 922 shares at R81.40 per share (2009: R80.00).*
** *ARM Coal (Proprietary) Limited, Assmang and Vale/ARM joint venture.*
*** *These loans are interest free with no fixed terms of repayment except for:*
(i) the loan to Two Rivers Platinum Mine which bears interest at 8% (2009: 12%) per annum;
(ii) the loan to Venture Building Trust which bears interest at 2% below the prime bank overdraft rate; and
(iii) Vale/ARM joint venture loans included under joint ventures R335 million which currently bears interest at 4% and R339 million (2009: R303 million) bears interest at prime.

Notes to the financial statements continued

		Group		Company	
		F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
10	**Inventories**				
	Inventories (non-current)				
	Stockpiles	**148**	169	**15**	35
		148	169	**15**	35
	Inventory consists of copper fines and lumpy material, high and low grade, and chrome which were mined and stockpiled, not expected to be turned to account within a year.				
	Inventories (current)				
	Ore stockpiles	**589**	695	**–**	–
	Consumable stores	**289**	240	**21**	2
	Raw material	**192**	191	**–**	–
	Work-in-progress	**60**	187	**24**	22
	Khumani housing	**108**	–	**–**	–
	Finished goods	**596**	541	**20**	30
		1 834	1 854	**65**	54
	Stockpile quantities are determined using assumptions such as densities and grades which are based on studies, historical data and industry norms.				
	Value of inventory carried at net realisable value is R149 million (F2009: R657 million).				
	Refer to note 23 for the expense of inventory written down or up and the amount of inventories expensed during the year.				
	Inventories to the value of R79 million (F2009: R39 million) have been pledged as security for loans in ARM Coal (Proprietary) Limited (2009: ARM Coal (Proprietary) Limited and Modikwa) (refer note 14).				
11	**Trade and other receivables**				
	Trade receivables	**2 457**	1 210	**224**	134
	Related parties	**–**	–	**30**	21
	Other receivables	**569**	355	**70**	53
		3 026	1 565	**324**	208
	Trade and other receivables are non-interest-bearing and are generally on 30 – 60 day payment terms.				
	Payment terms which vary from the norm are: – PGM which are paid approximately four months after delivery; and – 20% of nickel delivered which is paid approximately five months after delivery				
	Debtors outstanding longer than their terms and that are not impaired:				
	Outstanding on terms – normal cycle	**2 878**	1 468	**317**	208
	Outstanding longer than 30 days outside normal cycle	**81**	28	**–**	–
	Outstanding longer than 60 days outside normal cycle	**36**	23	**–**	–
	Outstanding longer than 90 days outside normal cycle	**17**	10	**–**	–
	Outstanding longer than +120 days outside normal cycle	**14**	36	**7**	–
	Total	**3 026**	1 565	**324**	208

A provision of R7 million has been raised in F2010 on debtors outstanding longer than 120 days (F2009: R11 million) while the balance is considered recoverable. Total provision at year-end amounted to R14 million (2009: R11 million).

	Group		Company	
	F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
12 Cash and cash equivalents				
Cash at bank and on deposit	**2 474**	3 413	**978**	1 224
Restricted cash				
– Rehabilitation trust funds (refer note 21)	**109**	92	**44**	42
– Other*	**456**	8	**25**	–
Cash and cash equivalents per statement of financial position	**3 039**	3 513	**1 047**	1 266
Less: overdrafts (refer note 19)	**(248)**	(188)	**(38)**	(36)
Cash and cash equivalents per statement of cash flows	**2 791**	3 325	**1 009**	1 230
Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates.				
** Guarantees issued as follows:*				
– Two Rivers – to DMR and Eskom amounting to R45 million (2009: R8 million).				
– Nkomati – to DMR and Eskom amounting to R26 million (2009: R nil).				
– Restricted cash held by Mannequin Insurance PCC Limited (Cell AVL 18) amounting to R385 million in terms of an insurance contract.				
13 Share capital and share premium				
Share capital				
Authorised				
500 000 000 (2009: 500 000 000) ordinary shares of 5 cents each	**25**	25	**25**	25
	25	25	**25**	25
Issued				
Opening balance	**11**	11	**11**	11
624 153 shares issued for cash (2009: 511 945)	**–**	–	**–**	–
212 692 376 (2009: 212 068 223) ordinary shares of 5 cents each	**11**	11	**11**	11
Share premium	**3 803**	3 759	**3 803**	3 759
– Balance at beginning of the year	**3 759**	3 733	**3 759**	3 733
– Premium on shares issued	**44**	26	**44**	26
Total issued share capital and share premium	**3 814**	3 770	**3 814**	3 770

Notes to the financial statements continued

	Group		Company	
	F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
14 Long-term borrowings				
Secured				
Loan facility (Two Rivers – mine housing project) This loan is repayable in bi-annual instalments over a scheduled eight-year period, which commenced on 31 March 2008. The interest rate was linked to the prime overdraft rate until completion of the project, and is now linked to JIBAR. At year-end the rate was 8.1% (2009: 12.1%). The loan is secured by a mortgage bond over the property and a cession of insurances.	**125**	143	**–**	–
Loan facility (ARM Corporate) This loan is repayable in August 2012. The interest rate is linked to JIBAR. At year-end the rate was 9.595%. This loan has been secured by a pledge of shares (refer note 9). The cover ratio of the market value of the pledged shares or alternative security to loan indebtedness must exceed 2.1 times cover. At year-end it was 4.9:1. In F2009, the loan was repayable on 9 August 2009. The interest rate was linked to JIBAR. At year-end the rate was 9.692%. The interest rate on this loan increased approximately 0.71% per annum should the Company net debt to market capitalisation ratio exceed 45%. At year-end the ratio was less than 1%. The cover ratio of the market value of the pledged shares or alternative security to loan indebtedness must exceed 2.5 times cover. This loan was refinanced in August 2009.	**784**	967	**784**	967
Leases (Two Rivers) Finance leases over property, plant and equipment with a book value of R54 million (2009: R53 million) bear interest at 2.65% (2009: 2.65%) below the prime overdraft rate and are payable in varying monthly instalments over a maximum period of 60 months which commenced on 30 November 2005 (refer note 39).	**62**	86	**–**	–
Leases (Assmang) Finance leases over property, plant and equipment with a book value of R9 million (2009: R11 million) bear interest at 1.28% (2009: 1.28%) below the prime overdraft rate and are payable in varying monthly instalments over 60 months which commenced on 31 October 2004 (refer note 39).	**6**	14	**–**	–
Leases (ARM Mining Consortium Limited) Finance leases over property, plant and equipment with a book value of R3 million (2009: R4 million) bear interest at 9.75 % (2009: 9.75%) which commenced in January 2008 for a period of five years (refer note 39).	**2**	3	**–**	–

	Group F2010 Rm	Group F2009 Rm	Company F2010 Rm	Company F2009 Rm
14 Long-term borrowings *(continued)*				
Loan facility (ARM Coal – partner loan) This loan is with Xstrata SA (XSA) and is related to the acquisition and development of the GGV Thermal Coal Mine. The loan consists of an acquisition facility of R629 million (2009: R583 million), a Phase 1 project facility of R761 million (2009: R543 million) and a Phase 2 project facility of R178 million (2009: R nil) All these loans bear interest at the prime bank overdraft rate and repayments are expected to commence after 2012. These are secured by: a cession in favour of XSA creating a first ranking security interest over ARM Coal's participating interest in the Goedgevonden joint venture; a cession in favour of XSA creating a first ranking security interest over all the preference shares in XSA held by ARM Coal; a cession in favour of XSA creating a first ranking security interest over ARM Coal's right, title and interest in and to the joint venture account; mortgage bonds to be registered by ARM Coal in favour of XSA over all immovable property of ARM Coal; and notarial bonds to be registered by ARM Coal in favour of XSA over all movable assets owned by ARM Coal.	**1 568**	1 126	**–**	–
Loan (Vale/ARM joint venture) The loan is from Standard Chartered Bank and amounts to \$42.5 million. The loan carries interest at LIBOR linked interest rate plus 1.25%. The loan has been translated at the year-end closing R/US Dollar exchange rate. The loan is secured via a guarantee of support from ARM and was repayable on 31 August 2009. This loan was settled in August 2009.	**–**	328	**–**	–
Unsecured				
Loan ARM Coal (partner loan) This loan is with Xstrata Schweiz (AG) and is interest free and no repayment terms have been specified.	**85**	4	**–**	–
Loan ARM Coal (partner loan) This loan is with XSA and is interest free and no repayment terms have been specified.	**5**	5	**–**	–
Loan (ARM Coal) Third party loan relating to a property acquisition. This loan bears interest at the prime bank overdraft rate plus 2% and is repayable on 1 February 2011.	**4**	–	**–**	–
Loan facility (Modikwa) This loan is from our partner Anglo Platinum and does not carry any interest and has no fixed repayment terms.	**114**	132	**–**	–

Notes to the financial statements continued

		Group F2010 Rm	Group F2009 Rm	Company F2010 Rm	Company F2009 Rm
14	**Long-term borrowings** *(continued)*				
	Loan (Vale/ARM joint venture)	–	60		
	This loan is from Vale International SA and carries interest at Wall Street Journal Prime (3.25% at year-end) plus 2% (total 5.25%) and was repayable on 1 April 2014. This loan was repaid during the current year.				
	Loan (Vale/ARM joint venture)	–	7	–	–
	In April 2008, TEAL acquired Korea Zinc Company Limited's 30% interest in the five mining licence areas in Zambia at no interest. This loan has been discounted to fair value at the average borrowing rate of 4.6%. This loan was repaid during the current year.				
	Total borrowings	**2 755**	2 875	**784**	967
	Less: repayable within one year included in short-term borrowings	**173**	1 511	**–**	967
	Total SA Rand long-term borrowings	**2 582**	1 364	**784**	–
	Held as follows:				
	– African Rainbow Minerals Limited	**784**	–	**784**	–
	– Assmang Limited	**3**	6	**–**	–
	– ARM Mining Consortium Limited	**1**	3	**–**	–
	– ARM Coal (Proprietary) Limited	**1 657**	1 135	**–**	–
	– Two Rivers Platinum (Proprietary) Limited	**137**	160	**–**	–
	– Vale/ARM joint venture	**–**	60	**–**	–
		2 582	1 364	**784**	–

Repayments schedule – undiscounted cash flows, excluding accounting adjustments

Group	Total borrowings F2010 Rm	Repayable during the year ending 30 June F2011 Rm	F2012 Rm	F2013 Rm	F2014 Rm	F2015 – onwards Rm
Secured loans						
Loan facility (Two Rivers – mine housing project)	**125**	26	25	23	22	29
Loan facility (ARM Coal – partner loan)	**1 568**	–	–	23	35	1 510
Loan facility (ARM Corporate)	**784**	–	–	784	–	–
Unsecured loans	**2 477**	26	25	830	57	1 539
Loan ARM Coal (partner loan)	**90**	–	–	–	–	90
Loan ARM Coal	**4**	4	–	–	–	–
Anglo Platinum (partner loan)	**114**	114	–	–	–	–
Finance leases – Assmang	**6**	4	2	–	–	–
– ARM Mining Consortium	**2**	1	1	–	–	–
– Two Rivers	**62**	24	20	15	3	–
Total borrowings at 30 June 2010	**2 755**	173	48	845	60	1 629

	F2009	F2010	F2011	F2012	F2013	F2014
Total borrowings at 30 June 2009	2 875	1 511	55	42	38	1 229

	Group		Company	
	F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
15 Deferred taxation				
Deferred tax asset				
Assessed loss	**1**	–	**–**	–
STC	**43**	32	**43**	32
Deferred tax asset	**44**	32	**43**	32
Deferred tax liability				
Property, plant and equipment	**2 770**	2 338	**279**	205
Intangible assets	**59**	59	**–**	–
Provisions	**(131)**	(128)	**(11)**	(24)
Capital gains tax on revaluation of listed investment	**163**	151	**163**	151
Inventories	**129**	(16)	**–**	–
Assessed losses	**(3)**	(106)	**–**	–
Post-retirement healthcare provisions	**(26)**	(21)	**(24)**	(20)
Deferred tax liability	**2 961**	2 277	**407**	312
Reconciliation of opening and closing balance				
Opening deferred tax liability	**2 277**	2 154	**312**	456
Opening deferred tax asset	**(32)**	(20)	**(32)**	(20)
Net deferred tax liability opening balance	**2 245**	2 134	**280**	436
Temporary differences from:	**672**	111	**84**	(156)
Property, plant and equipment	**432**	402	**74**	15
Provisions	**(3)**	(46)	**13**	(28)
Revaluation of investments – directly in equity	**11**	(133)	**12**	(133)
Assessed loss	**103**	(90)	**–**	–
Post-retirement healthcare provisions	**(5)**	1	**(4)**	2
Inventories	**145**	(11)	**–**	–
STC	**(11)**	(12)	**(11)**	(12)
Deferred tax liability	**2 961**	2 277	**407**	312
Deferred tax asset	**(44)**	(32)	**(43)**	(32)
Net deferred tax liability – closing balance	**2 917**	2 245	**364**	280

Deferred tax liability balances are shown net of deferred tax assets where a legal right of offset exists at settlement.

Deferred tax assets are raised only when they can be utilised against future taxable profits. Future taxable profits are estimated based on approved business plans which include estimates and assumptions regarding economic growth, interest, inflation, metal prices, exchange rates, taxation rates and competitive forces.

Notes to the financial statements continued

		Group		Company	
		F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
16	**Long-term provisions**				
	Environmental rehabilitation obligation				
	Provision for decommissioning				
	Balance at beginning of year	**169**	153	**12**	17
	Provision for the year	**23**	24	**4**	3
	TEAL changed from subsidiary to joint venture	**–**	(7)	**–**	–
	Unwinding discount rate	**13**	12	**1**	1
	Reallocation	**3**	(13)	**–**	(9)
	Balance at end of year	**208**	169	**17**	12
	Provision for restoration				
	Balance at beginning of year	**82**	35	**27**	3
	Reallocation	**(3)**	13	**–**	9
	Unwinding of discount rate	**5**	3	**–**	–
	Provision for the year	**–**	31	**(1)**	15
	Balance at end of the year	**84**	82	**26**	27
	Total environmental rehabilitation obligation	**292**	251	**43**	39
	The net present value of current rehabilitation liabilities is based on discount rates of between 8% and 13% (2009: 8% – 9%), inflation rates of between 4% and 8% (2009: 3% – 9%) and life-of-mines of between 3 and 25 years (2009: 3 and 25 years). Refer to note 21 for amounts held in trust funds. These provisions are based upon estimates of cash flows which are expected to occur at the end of life-of-mines. These assumptions have inherent uncertainties as they are derived from future estimates of mining and financial parameters, such as commodity prices, exchange rates and inflation.				
	Post-retirement healthcare benefits				
	Balance at beginning of year	**83**	83	**72**	74
	Benefits paid	**(7)**	(9)	**(7)**	(9)
	Service cost	**–**	1	**–**	–
	Interest cost	**6**	8	**6**	7
	Actuarial loss	**16**	–	**17**	–
	Balance at end of the year (refer note 41)	**98**	83	**88**	72
	Other long-term provisions				
	Balance at beginning of year	**67**	53	**–**	–
	Change in estimate of variable purchase price for mine properties	**28**	(10)	**–**	–
	Payments	**(2)**	–	**–**	–
	Provision for the year	**17**	24	**–**	–
	Balance at end of the year	**110**	67	**–**	–
	Total long-term provisions at end of the year	**500**	401	**131**	111

Other long-term provisions include: – long-term incentive schemes aimed at attracting, retaining and rewarding eligible senior employees; – compensation for potential loss of future income payable by Two Rivers to Assmang due to Two Rivers having a tailings dam on part of the mining area of Assmang.

		Group		Company	
		F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
17	**Trade and other payables**				
	Trade	**854**	656	**184**	158
	Financial liabilities through profit and loss (refer note 37)	**–**	16	**–**	16
	Other	**1 461**	965	**127**	88
	Total trade and other payables	**2 315**	1 637	**311**	262
	Trade and other payables are generally non-interest-bearing and are typically on 30 – 90 day payment terms.				
18	**Short-term provisions**				
	Bonus provision				
	Balance at beginning of year	**27**	79	**3**	57
	Provision for the period	**157**	14	**118**	3
	Payments made during the year	**(32)**	(66)	**(3)**	(57)
	Balance at end of the year	**152**	27	**118**	3
	Leave pay provision				
	Balance at beginning of year	**55**	50	**10**	7
	Provision for the period	**21**	11	**10**	5
	Payments made during the year	**(5)**	(6)	**(4)**	(2)
	Balance at end of the year	**71**	55	**16**	10
	Other provisions				
	Balance at beginning of year	**76**	55	**–**	–
	Provision for the period	**(23)**	21	**–**	–
	Payments made	**(8)**	–	**–**	–
	Balance at end of the year	**45**	76	**–**	–
	Total short-term provisions	**268**	158	**134**	13

The bonus provision is based on the policy as approved by each operation.

The leave pay provision is calculated based on a combination of total pensionable salary packages multiplied by the leave days due at year-end. Other provisions – environmental rehabilitation and retrenchment provisions.

Notes to the financial statements continued

	Group		Company	
	F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
19 Overdrafts and short-term borrowings				
Overdrafts	**248**	188	**38**	36
Short-term borrowings	**343**	681	**291**	440
Current portion of long-term borrowings (refer note 14)	**173**	1 511	**–**	967
	764	2 380	**329**	1 443
Overdrafts and short-term borrowings are held as follows:				
– African Rainbow Minerals Limited	**38**	1 004	**38**	1 152
– Assmang Limited	**4**	7	**–**	–
– ARM Mining Consortium Limited	**123**	138	**–**	–
– ARM Coal (Proprietary) Limited	**4**	–	**–**	–
– Nkomati	**–**	149	**–**	–
– Vale/ARM joint venture	**–**	335	**–**	–
– Two Rivers Platinum (Proprietary) Limited – Bank loans	**252**	208	**–**	–
– Two Rivers Platinum (Proprietary) Limited – Impala Platinum	**343**	539	**–**	–
– Loans from subsidiaries	**–**	–	**291**	291
	764	2 380	**329**	1 443
Unutilised short-term borrowing and overdraft facilities				
– African Rainbow Minerals Limited	**430**	430	**430**	430
– Assmang Limited – 50%	**971**	1 234		
– ARM Mining Consortium Limited	**41**	35		
– Two Rivers Platinum (Proprietary) Limited	**247**	361		
Total	**1 689**	2 060	**430**	430

	Group		Company	
	F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
20 Joint ventures				
The proportionate share of the following joint ventures have been incorporated into the Group results:				
– 50% share in the Nkomati Nickel and Chrome Mine.				
– 50% share in Assmang which includes Cato Ridge Alloys at 25%.				
– 51% share in ARM Coal (Proprietary) Limited which includes the ARM Coal. 51% interest in the Goedgevonden joint venture.				
– 50% share in Modikwa joint venture which is held as a 83% subsidiary through ARM Mining Consortium and is consolidated as a subsidiary.				
– 50% share in Vale/ARM joint venture since 1 March 2009.				
The Company results include the proportionate share of the following unincorporated joint venture:				
– 50% share in the Nkomati Nickel and Chrome Mine.				
The aggregate amounts of joint ventures proportionately consolidated in the financial statements are:				
Income statements				
Sales	**8 929**	9 024	**1 224**	543
Cost of sales	**(6 006)**	(4 525)	**(902)**	(493)
Other operating income	**186**	641	**37**	24
Other operating expenses	**(672)**	(638)	**(72)**	(48)
Income from investments	**113**	283	**7**	8
Finance costs	**(64)**	(90)	**(2)**	(1)
Income from associate	**(33)**	82	**–**	–
Exceptional items	**97**	(11)	**(2)**	–
Profit before tax	**2 550**	4 766	**290**	33
Taxation	**(864)**	(1 792)	**(85)**	(4)
Profit for the year after taxation	**1 686**	2 974	**205**	29
Statements of financial position				
Non-current assets	**12 122**	10 585	**1 930**	1 508
Current assets	**5 428**	4 889	**455**	285
Non-current liabilities (interest-bearing)	**3**	86	**–**	–
Non-current liabilities (non-interest-bearing)	**4 264**	3 224	**287**	199
Current liabilities (non-interest-bearing)	**1 940**	2 017	**199**	315
Current liabilities (interest-bearing)	**16**	629	**–**	149
Statements of cash flows				
Net cash inflow from operating activities	**1 782**	4 451	**365**	177
Net cash outflow from investing activities	**(2 242)**	(2 786)	**(557)**	(866)
Net cash inflow from financing activities	**62**	271	**(150)**	149

Notes to the financial statements continued

		Group		Company	
		F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
21	**Environmental rehabilitation trust funds**				
	Balance at beginning of year	**92**	66	**42**	28
	Contributions	**11**	20	**–**	12
	Interest earned	**6**	6	**2**	2
	Total (included in cash and cash equivalents) (refer note 12)	**109**	92	**44**	42
	Total environmental rehabilitation obligations (refer note 16)	**292**	251	**43**	39
	Less: amounts in trust funds (see above)	**(109)**	(92)	**(44)**	(42)
	Unfunded portion of liability	**183**	159	**(1)**	(3)
	Part of the unfunded portion of the liability is secured by guarantees in favour of the Department of Mineral Resources as required, R96 million (2009: R72 million) (refer note 38).				
22	**Sales**				
	Sales – mining and related products	**11 022**	10 094	**1 224**	543
	Made up as follows:				
	Local sales	**3 857**	2 492	**115**	174
	Export sales	**7 164**	7 552	**1 109**	369
	Sales by foreign entity	**1**	50	**–**	–
		11 022	10 094	**1 224**	543
	Revenue	**11 425**	10 712	**2 264**	3 328
	Sales – mining and related products	**11 022**	10 094	**1 224**	543
	Interest received	**177**	414	**147**	204
	Dividends received	**32**	–	**532**	2 269
	Fees received	**179**	160	**361**	312
	Property rental income	**7**	6	**–**	–
	Net insurance premium received	**8**	38	**–**	–
23	**Cost of sales**				
	Amortisation and depreciation	**979**	780	**145**	28
	Staff costs	**1 390**	1 236	**112**	60
	– salaries and wages	**1 201**	1 085	**103**	54
	– pension – defined contribution and benefit plans	**78**	66	**7**	5
	– long service rewards	**60**	42	**–**	–
	– medical aid	**51**	43	**2**	1
	Consultants and contractors	**565**	509	**6**	2
	Electricity	**324**	274	**–**	–
	Inventory written down	**–**	238	**–**	–
	Raw materials, consumables used and change in inventories	**2 516**	1 643	**627**	396
	Railage and transportation	**844**	533	**–**	–
	Provisions – long-term	**12**	7	**–**	2
	– short-term	**50**	23	**12**	5
	Distribution costs	**709**	694	**–**	–
	Other costs	**91**	111	**–**	–
		7 480	6 048	**902**	493

		Group		Company	
		F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
24	**Other operating income**				
	Fees received	**179**	242	**361**	348
	Unrealised foreign exchange gain	**86**	2	**35**	–
	Realised foreign exchange gain	**73**	497	**–**	23
	Commission received	**4**	7	**4**	7
	Gross insurance premiums received	**252**	408	**–**	–
	Less: ceded to reinsurers	**(244)**	(370)	**–**	–
	Net insurance received	**8**	38	**–**	–
	Rental income from investment property	**5**	5	**–**	–
	Other	**53**	125	**17**	13
		408	916	**417**	391
25	**Other operating expenses**				
	Auditors' remuneration – audit fees	**14**	14	**5**	4
	Exploration	**59**	128	**–**	–
	Depreciation	**8**	7	**2**	1
	Direct operating expenses of investment property	**5**	4	**–**	–
	Insurance	**77**	46	**–**	–
	Operating lease payments	**3**	5	**–**	1
	Rent paid	**6**	7	**6**	6
	Mineral royalty tax	**20**	–	**1**	–
	Staff cost	**163**	205	**141**	127
	– salaries and wages	**150**	196	**128**	118
	– pension – defined contribution and benefit plans	**8**	6	**8**	6
	– long service rewards	**1**	–	**1**	–
	– training	**4**	3	**4**	3
	Consulting fees	**29**	25	**22**	14
	Realised foreign exchange loss	**47**	–	**47**	–
	Unrealised foreign exchange loss	**–**	151	**4**	53
	Net loss on financial liability at fair value through profit and loss	**–**	16	**–**	16
	Provisions – long-term	**19**	47	**16**	–
	– short-term	**105**	23	**115**	3
	Share transfer, secretarial and financial services	**3**	3	**3**	3
	Shortworkings	**142**	150	**–**	–
	Share-based payments	**47**	64	**47**	49
	Other	**283**	360	**111**	58
		1 030	1 255	**520**	335
26	**Profit from operations**				
	Profit from operations includes:				
	(Surplus)/loss on disposal of property, plant and equipment	**(3)**	4	**–**	–
	Amortisation and depreciation (refer notes 3 and 5)				
	– buildings	**20**	16	**1**	–
	– intangible assets	**5**	2	**–**	–
	– mine development, exploration and decommissioning assets	**263**	150	**100**	7
	– mineral rights	**30**	23	**–**	–
	– plant and machinery	**390**	315	**38**	10
	– mine properties	**15**	16	**7**	12
	– finance leases	**33**	68	**–**	–
	– furniture equipment and vehicles	**231**	197	**–**	–
	Impairment of plant and equipment (refer notes 2 and 3)	**10**	43	**3**	1

Notes to the financial statements continued

		Group		Company	
		F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
27	**Income from investments**				
	Dividend income – listed	**32**	–	**32**	–
	– unlisted	**–**	–	**500**	2 269
	Interest received – subsidiary companies	**–**	–	**95**	107
	– environmental trust funds (refer note 21)	**6**	6	**2**	2
	– short-term bank deposits	**171**	408	**50**	95
		209	414	**679**	2 473
	The interest received is from financial assets categorised as loans and receivables (refer note 37).				
28	**Finance cost**				
	Interest on finance leases	**7**	10	**–**	–
	Gross interest paid – long and short-term borrowings and overdrafts	**253**	422	**127**	184
	Unwinding of discount rate	**12**	30	**2**	1
	Less: capitalised (refer note 3)	**(80)**	(77)	**(29)**	(9)
		192	385	**100**	176
	The interest paid is on financial liabilities categorised as other financial liabilities at amortised cost (refer note 37).				
29	**Exceptional items**				
	Surplus/(loss) on dilution in TEAL to 50%	**–**	557	**–**	(53)
	Profit on sale of Otjikoto	**103**	–	**–**	–
	Profit on sale of fixed assets	**3**	–	**–**	–
	Capital portion of insurance claim at Nkomati	**1**	–	**1**	–
	Impairments of property, plant and equipment	**(10)**	(43)	**(3)**	(1)
	Exceptional items per income statement	**97**	514	**(2)**	(54)
	Taxation	**1**	–	**1**	–
	Profit on asset swap in the DTJV – ARM Coal	**–**	27	**–**	–
	Capital portion of insurance claim at Cato Ridge	**–**	14	**–**	–
	Loss on disposal of property, plant and equipment	**–**	(4)	**–**	–
	Total amount adjusted for headline earnings	**98**	551	**(1)**	(54)

	Group		Company	
	F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
30 Taxation				
South African normal taxation				
– current year	**271**	979	**22**	94
– mining	**213**	814	**–**	1
– non-mining	**58**	165	**22**	93
– prior year	**(52)**	50	**–**	–
State's share of profits	**80**	234	**–**	–
Deferred taxation				
– current year	**607**	248	**72**	(22)
– prior year	**52**	–	**–**	–
STC	**51**	216	**–**	–
	1 009	1 727	**94**	72
Dealt with as follows:				
Attributable to profit before exceptional items	**1 010**	1 727	**95**	72
Attributable to exceptional items (refer note 29)	**(1)**	–	**(1)**	–
	1 009	1 727	**94**	72
South African mining tax is calculated based on taxable income less capital expenditure.				
Where there is insufficient taxable income to offset capital expenditure, the remaining balance is carried forward as unredeemed capital expenditure.				
Reconciliation of rate of taxation:	**%**	%	**%**	%
Standard rate of Company taxation	**28**	28	**28**	28
Adjusted for:				
Disallowed expenditure	**2**	2	**7**	3
Exempt income	**(1)**	(5)	**(20)**	(27)
Effects of mining taxes – State's share of profits	**2**	4	**–**	–
STC	**1**	5	**(1)**	–
Estimated assessed losses not raised as deferred tax assets	**2**	5	**–**	–
Other	**–**	–	**(2)**	(1)
Effective rate of taxation	**34**	39	**12**	3
Estimated assessed losses available for reduction of future taxable income	**304**	977	**–**	–
No deferred tax asset has been raised on the estimated assessed losses of R287 million in the Vale/ARM joint venture Group (2009: R131 million).				
Unredeemed capital expenditure available for reduction of future mining income*	**2 953**	1 989	**943**	809

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

The Company had unutilised credits in respect of STC of R1 782 million at 30 June 2010 (2009: R1 620 million). A deferred tax asset has been raised on a portion of these credits amounting to R43 million (2009: R32 million). The post year-end dividend declared will bear STC at 10% (2009: 10%). No STC will be payable on the dividend as the existing STC credits together with STC credits arising from the post year-end dividend receipt from Assmang will exceed any STC payable. The latest tax assessment for the Company relates to the year ended June 2000. All returns up to and including June 2009 have been submitted.

Notes to the financial statements continued

		Group	
		F2010 Rm	F2009 Rm
31	**Calculations per share**		
	The calculation of basic earnings per share is based on basic earnings of R1 812 million (2009: R2 868 million and a weighted average of 212 289 thousand (2009: 211 707 thousand) shares in issue during the year.		
	The calculation of headline earnings per share is based on headline earnings of R1 714 million (2009: R2 317 million), and a weighted average of 212 289 thousand (2009: 211 707 thousand) shares in issue during the year.		
	The calculation of diluted basic earnings per share is based on basic earnings of R1 812 million (2009: R2 868 million), with no reconciling items to derive at diluted earnings, and a weighted average of 214 763 thousand (2009: 214 737 thousand) shares, calculated as follows:		
	Weighted average number of shares used in calculating basic earnings per share (thousands)	**212 289**	211 707
	Potential ordinary shares due to share options granted (thousands)	**2 474**	3 030
	Weighted average number of shares used in calculating diluted earnings per share (thousands)	**214 763**	214 737
	The calculation of diluted headline earnings per share is based on headline earnings of R1 714 million (2009: R2 317 million) and a weighted average of 214 763 thousand (2009: 214 737 thousand) shares.		
	The calculation of net asset value per share is based on net assets of R17 765 million (2009: R16 149 million) and the number of shares at year-end of 212 692 thousand (2009: 212 068 thousand) shares.		
	The calculation of cash generated from operations per share (cents) is based on cash generated from operations of R3 430 million (2009: R6 678 million) and the weighted average number of shares in issue of 212 289 thousand (2009: 211 707 thousand).		
	Dividend per share		
	After the year-end, a dividend of 200 cents per share (2009: 175 cents per share, 2008: 400 cents per share) was declared which approximates R425 million (2009: R371 million, 2008: R847 million). This dividend was declared before approval of the financial statements but was not recognised as a distribution to owners during the period to June 2010.		
32	**Headline earnings**		
	Basic earnings per income statement	**1 812**	2 868
	– Surplus on dilution in TEAL to 50%	**–**	(557)
	– Profit on sale of Otjikoto	**(103)**	–
	– Impairments of property, plant and equipment	**10**	43
	– Capital portion of insurance claim at Cato Ridge	**–**	(14)
	– Capital portion of insurance claim at Nkomati	**(1)**	–
	– (Profit)/loss on disposal of property, plant and equipment	**(3)**	4
	– Profit on asset swap in the DTJV – ARM Coal	**–**	(27)
		1 715	2 317
	Taxation	**(1)**	–
	Headline earnings	**1 714**	2 317

	Group		Company	
	F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
33 Reconciliation of net profit before tax to cash generated from operations				
Profit from operations before exceptional items	**2 920**	3 707	**219**	106
(Loss)/income from associate	**(51)**	147	**–**	–
Exceptional items	**97**	514	**(2)**	(54)
Profit from operations after exceptional items	**2 966**	4 368	**217**	52
Adjusted for:	**1 062**	694	**308**	156
– Amortisation and depreciation of property, plant and equipment	**987**	787	**147**	29
– Impairment provided for	**4**	11	**–**	7
– Long and short-term provisions	**186**	100	**142**	10
– Impairment of property, plant and equipment	**10**	43	**3**	1
– (Profit)/loss on disposal of property, plant and equipment	**(3)**	4	**–**	–
– Surplus on disposal of investments	**(103)**	(558)	**–**	53
– Unrealised foreign exchange gains/(losses)	**(86)**	149	**(31)**	–
– Associate income	**51**	(147)	**–**	–
– Inventory written off	**–**	238	**–**	–
– Share options	**47**	64	**47**	49
– Sale of houses	**(32)**	–	**–**	–
– Other non-cash flow items	**1**	3	**–**	7
Cash from operations before working capital changes	**4 028**	5 062	**525**	208
Decrease/(increase) in inventories	**39**	(922)	**10**	17
(Increase)/decrease in receivables	**(1 393)**	2 374	**(82)**	(3)
Increase in payables and provisions	**756**	164	**28**	71
Cash generated from operations	**3 430**	6 678	**481**	293
34 Taxation paid				
Balance at beginning of year	**530**	1 033	**116**	110
Current taxation as per income statement	**350**	1 479	**22**	94
Normal tax	**219**	1 029	**22**	94
State's share of profits	**80**	234	**–**	–
STC	**51**	216	**–**	–
TEAL changed from subsidiary to joint venture	**–**	(5)	**–**	–
Royalty	**2**	–	**–**	–
Balance at end of year	**(270)**	(530)	**(90)**	(116)
Tax payable	**(314)**	(531)	**(90)**	(116)
Tax receivable	**44**	1	**–**	–
Taxation paid	**612**	1 977	**48**	88

Notes to the financial statements continued

		Group	
		F2010 Rm	F2009 Rm
35	**Sale of interest in TEAL**		
	Fixed assets	–	66
	Long-term borrowings	–	(137)
	Stock	–	132
	Debtors	–	37
	Cash and cash equivalents	–	17
	Creditors	–	(89)
	Taxation	–	(5)
	Short-term borrowings and overdrafts	–	(441)
	Net assets sold	–	(420)
	Profit with disposal	–	610
	Proceeds	–	190
	Less: cash and cash equivalents	–	(17)
	Transaction cost – Company	–	(53)
	Net cash effect	–	120
36	**Sale of interest in Otjikoto**		
	In June 2010, TEAL Minerals finalised an agreement where it sold its investment in TEAL Namibia (B) Inc for a cash consideration of US$28 million (ARM's share US$14 million).		
	Net assets sold	**(1)**	–
	Profit with disposal	**103**	–
	Net proceeds	**102**	–
	Transaction costs	**5**	–
	Gross cash effect	**107**	–

37 Financial instruments and risk management

The Group is exposed to certain financial risks in the normal course of its operations. To manage these risks, a treasury risk management committee monitors transactions involving financial instruments.

The Group does not acquire, hold or issue derivative instruments for trading purposes.

The following risks are managed through the policies adopted below:

a. Currency risk

The commodity market is predominantly priced in US Dollars which exposes the Group's cash flows to foreign exchange currency risks.

In addition, there is currency risk on long lead-time capital items which may be denominated in US Dollars or Euros or other currencies.

Derivative instruments which may be considered to hedge the position of the Group against these risks include forward sale and purchase contracts as well as forward exchange contracts.

The use of these derivative instruments is considered on a month-by-month basis when appropriate.

	Foreign currency amount	Year-end exchange rate
Financial assets		
Foreign currency denominated items included in receivables:		
30 June 2010	US$179 million	7.67
30 June 2009	US$118 million	7.72
Foreign currency denominated items included in cash and cash equivalents:		
30 June 2010	US$20 million	7.67
30 June 2009	US$20 million	7.72
Financial liabilities		
Foreign currency denominated items included in payables:		
30 June 2010	US$6 million	7.67
30 June 2009	US$12 million	7.72
Foreign currency denominated items included in overdrafts and short-term borrowings		
30 June 2010	US$nil million	7.67
30 June 2009	US$42,5 million	7.72

Foreign currency contract

A forward exchange contract was taken out in May 2009 to cover US$42.5 million at a rate of R8.1720/US$, payable on 31 August 2009. At F2009 year-end there was an unrealised loss on this contract included in payables (refer note 17) of R16 million and recognised in the income statement.

During the year under review, Xstrata took out a number of foreign exchange contracts (FECs) whereby US$ revenue is hedged to a maximum of the forecast net local South African Rand operating costs of the Participating Coal Business (PCB) for a period of 12 months forward. The fair value movement of the open effective FECs at year-end was reported in the statement of comprehensive income resulting in R16 million being recorded, at Group level, for the share of the cash flow hedge reserve in the PCB.

b. Liquidity risk management

The Group's executive meets regularly to review long and mid-term plans as well as short-term forecasts of cash flow.

Funding requirements are met by arranging banking facilities and/or structuring finance as applicable. All funding and related structures are approved by the Board of Directors.

Notes to the financial statements continued

37 Financial instruments and risk management *(continued)*

The table below summarises the maturity profile of the Group's financial liabilities at 30 June based on undiscounted cash flows.

	Within one year	Two to five years	Over five years	Total
	Group F2010			
Long-term borrowings (refer note 14)	**173**	**953**	**1 629**	**2 755**
Trade and other payables (refer note 17)	**2 315**	**–**	**–**	**2 315**
Overdrafts and short-term borrowings (refer note 19)	**591**	**–**	**–**	**591**
Total	**3 079**	**953**	**1 629**	**5 661**
	Group F2009			
Long-term borrowings (refer note 14)	1 511	229	1 135	2 875
Trade and other payables (refer note 17)	1 637	–	–	1 637
Overdrafts and short-term borrowings (refer note 19)	869	–	–	869
Total	4 017	229	1 135	5 381

c. Credit risk

Credit risk arises from possible defaults on payments by business partners or bank counterparties. The Group minimises credit risk by evaluating counterparties before concluding transactions in order to ensure the creditworthiness of such counterparties. The maximum exposure is the carrying amounts disclosed in note 11. Major trade receivables include Impala Platinum R631 million (2009: R363 million) and Rustenburg Platinum Mines R352 million (2009: R264 million).

Cash is only deposited with institutions which have exceptional credit ratings with the amounts distributed appropriately among these institutions to minimise credit risk through diversification. The maximum exposure is the carrying values as per note 12.

The available-for-sale assets (which is mostly the Harmony investment) exposure is the carrying value of the assets as per note 9.

d. Treasury risk management

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

Together with ARM executives, Andisa coordinates the short-term cash requirements in the South African domestic money market.

A treasury committee, consisting of senior managers in the Company and representatives from Andisa meet on a regular basis to analyse currency and interest rate exposures as well as future funding requirements within the Group. The committee reviews the treasury operation's dealings to ensure compliance with Group policies and counterparty exposure limits.

e. Commodity price risk

Commodity price risk arises from the possible adverse effect of fluctuations in commodity prices on current and future earnings. Most of these prices are US Dollar and EURO-based and are internationally determined in the open market. From these base prices contracts are negotiated. ARM does not actively hedge future commodity revenues of the commodities that it produces against price fluctuations.

The Nkomati, Two Rivers and Modikwa operations recognise revenue at the month-end during which delivery of concentrate has occurred, at the closing spot price for the contained metal. There is a risk that the spot price does not realise when the metal price fixes on out-turn at the refinery. Management is of the opinion that this method of revenue recognition is the most appropriate as opposed to using forward prices as an estimate. The risk is that where there are significant changes in metal prices after a reporting period-end that the next reporting period is impacted. The value of accounts receivable for these three entities included in trade and other receivables (refer note 11) is R1 207 million (2009: R764 million). Refer to the sensitivity calculations which follow note (j) below.

37 Financial instruments and risk management *(continued)*

f. Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group manages its interest cost using a mix of fixed and variable rates.

Fluctuations in interest rates give rise to interest rate risks through the impact these fluctuations have on the value of short-term cash investments and financing activities.

Fixed interest rate loans carry a fair value risk due to change in market rates.

Cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

The table quantifies the interest rate risk

		Book value at year-end Rm	Maturity date	Effective interest rate
Financial assets				
Year ended 30 June 2010				
Cash – financial institutions	US$21 million	160	Overnight call deposit	0% to 1%
– financial institutions		2 542		6% to 8%
– fixed		337	July 2010	6% to 8%
		3 039		
Year ended 30 June 2009				
Cash – financial institutions	US$20 million	157	Overnight call deposit	0% to 1%
– financial institutions		2 447		7% to 11%
– fixed		909	July 2009	7% to 8%
		3 513		
Financial liabilities				
Year ended 30 June 2010				Year-end rate
Long-term borrowings				
Leases		70	2012	1.28% to 2.65% below prime
Loan facility (Two Rivers – mine housing project)		125	2016	8.1%
Loan facility (Modikwa) – Rustenburg Platinum Mines Limited (partner loan)		114		No terms or interest applicable
Loan facility (ARM Corporate)		784	2013	9.6%
Loan facility (ARM Coal – partner loan)		90		No terms or interest applicable
Loan (ARM Coal)		4	2011	Prime plus 2%
Loan facility (ARM Coal – partner loan)		1 568	2025	Prime
		2 755		
Less: transferred to short-term		(173)		
Total		2 582		

Summary of variable and fixed rates

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

Notes to the financial statements continued

37 Financial instruments and risk management *(continued)*

f. Interest rate risk *(continued)*

The table quantifies the interest rate risk

Financial assets	Book value at year-end Rm	Maturity date	Effective interest rate
Year ended 30 June 2009			
Long-term borrowings			
Leases	103	2012	1.28% to 2.65% below prime
Loan facility (Two Rivers – mine housing project)	143	2016	12.08%
Loan facility (Vale/ARM joint venture)	60	2014	5.25%
Loan facility (Vale/ARM joint venture)	328	2010	LIBOR plus 1.25%
Loan facility (Vale/ARM joint venture)	7	2010	4.60%
Loan facility (ARM Corporate)	967	2010	9.69%
Loan facility (ARM Coal – partner loan)	9		No terms of interest applicable
Loan facility (Modikwa) Rustenburg Platinum Mines Limited (partner loan)	132		No terms of interest applicable
Loan facility (ARM Coal – partner loan)	1 126	2025	Prime
	2 875		
Less: transferred to short-term	(1 511)		
Total	1 364		

		Transfer to short term	
Summary of variable and fixed rates			
Variable rates	2 734	1 379	1 355
Fixed rates	141	132	9
Total	2 875	1 511	1 364

			Repricing date	Maturity date	
Short-term financial liabilities					
Year ended 30 June 2010					
– Financial institutions		307	30/06/2010	30/06/2010	Variable rate between 9% and 15%
– Anglo Platinum (partner loan)		114			No interest
– Implats		343			Variable rate at year-end 8%
Total		764			
Year ended 30 June 2009					
Short-term financial liabilities					
– Financial institutions		1 381	30/06/2009	30/06/2009	Variable rate between 9% and 15%
– Financial institutions	US$	328	30/06/2009	30/06/2009	LIBOR plus .06% on first 20 million US$ LIBOR plus 1% on next 30 million US$
– Anglo Platinum (partner loan)		132	30/06/2009	30/06/2009	No interest
– Implats (partner loan)		539			Variable rate at year-end 11%
Total		2 380			

37 Financial instruments and risk management *(continued)*

g. Fair value risk

Except for interest-free loans given by the Company to its subsidiaries, the carrying amounts of trade receivables, cash and cash equivalents and trade and other payables approximate fair value because of the short-term duration of these instruments.

Fair value hierarchy

The Group uses the following hierarchy for determining the level confidents in the valuation technique used:

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

Level 2 – techniques where all inputs that have an impact on the value are observable, either directly or indirectly

Level 3 – techniques where all inputs that have an impact on the value are not observable

Financial instruments by categories

Group F2010

Category	Loans and receivables	At fair value through profit and loss	Available-for-sale assets	Other liabilities at amortised cost	Total book value	Total fair value	Fair value hierarchy level
Investments – listed	**–**	**–**	**5 191**	**–**	**5 191**	**5 191**	**1**
Trade and other receivables	**1 819**	**1 207**	**–**	**–**	**3 026**	**3 026**	**3**
Loans and long-term receivable	**51**	**–**	**–**	**–**	**51**	**51**	**2**
Financial assets – structured investment	**–**	**84**	**–**	**–**	**84**	**84**	**2**
Trade and other payables	**–**	**–**	**–**	**(2 315)**	**(2 315)**	**(2 315)**	**3**
Cash and cash equivalents	**3 039**	**–**	**–**	**–**	**3 039**	**3 039**	**2**
Long-term borrowings	**–**	**–**	**–**	**(2 582)**	**(2 582)**	**(2 582)**	**2**
Short-term borrowings	**–**	**–**	**–**	**(516)**	**(516)**	**(516)**	**2**
Overdrafts	**–**	**–**	**–**	**(248)**	**(248)**	**(248)**	**2**

Financial instruments by categories

Group F2009

Category	Loans and receivables	At fair value through profit and loss	Available-for-sale assets	Other liabilities at amortised cost	Total book value	Total fair value	Fair value hierarchy level
Investments – listed	–	–	5 101	–	5 101	5 101	1
Loans and long-term receivable	134	–	–	–	134	134	2
Financial assets – structured investment	–	78	–	–	78	78	2
Foreign exchange contract	–	(16)	–	–	(16)	(16)	2
Trade and other receivables	801	764	–	–	1 565	1 565	3
Trade and other payables	–	–	–	(1 621)	(1 621)	(1 621)	3
Cash and cash equivalents	3 513	–	–	–	3 513	3 513	2
Long-term borrowings	–	–	–	(1 364)	(1 364)	(1 364)	2
Short-term borrowings	–	–	–	(2 192)	(2 192)	(2 192)	2
Overdrafts	–	–	–	(188)	(188)	(188)	2

Notes to the financial statements continued

37 Financial instruments and risk management *(continued)*

h. Acquisition risk

Acquisition risk is the risk that acquisitions do not realise expected returns. This risk is mitigated by ensuring that all major investments are reviewed by the ARM Investment Committee after being proposed by management.

i. Capital risk management

The management and maintenance of capital in ARM is a central focus of the Board and senior management especially as ARM has a declared policy of growth. The ability to continue as a going concern and to safeguard assets while optimally funding expansion is continually monitored.

Capital is mainly monitored on the basis of the net gearing ratio while giving due consideration to life-of-mine plans and business plans.

Capital structure is maintained and improved by ensuring an appropriate level of borrowings, adjusting dividends and reviewing returns from operations. ARM does not have a fixed policy on gearing but targets a net gearing threshold of 30% for external funding.

Total capital is defined as total equity on the statement of financial positions plus debt.

j. Sensitivity

The sensitivity calculations are performed on the variances in prices, exchange rates and interest rate changes.

The assumptions are calculated individually while keeping all other variables constant.

The effect is calculated only on the financial instruments as at year-end.

It is relevant to note that the accounts receivable balance in (e) above of R1 207 million (F2009: 764 million) was valued using the following parameters: (i) Rand/US Dollar exchange rate of R7.67 (2009: R7.72); (ii) platinum price of $1 532/oz (2009:$1 186/oz); (iii) palladium price of $446/oz (2009: $249/oz); rhodium of $2 375 oz (2009: $1 350/oz); and a nickel price of $19 430/tonne (2009: $16 010/tonne).

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

	Group	
	F2010 Rm	F2009 Rm
The increase in profit before tax if:		
The Rand/US Dollar exchange rate weakens by R1	**193**	119
The price of nickel increases by 10%	**37**	18
The price of PGM increases by 10%	**82**	56
The interest rate increases by 1%	**4**	9

The interest change impact is calculated on the net financial instruments at reporting date and does not take into account any repayments of long or short-term borrowings.

The prices of all other commodities are contractually fixed and are thus not impacted by price fluctuations after the reporting date.

		Group		Company	
		F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
38	**Commitments and contingent liabilities**				
	Commitments				
	Commitments in respect of capital expenditure:				
	Approved by directors				
	– contracted for	**2 921**	3 647	**220**	242
	– not contracted for	**505**	908	**170**	597
	Total commitments	**3 426**	4 555	**390**	839
	Commitments allocated as follows				
	Assmang Limited	**2 938**	3 587	**–**	–
	ARM Mining Consortium Limited	**52**	37	**–**	–
	ARM Coal (Proprietary) Limited	**34**	68	**–**	–
	Nkomati	**390**	839	**390**	839
	Two Rivers Platinum (Proprietary) Limited	**3**	24	**–**	–
	Vale/ARM joint venture	**9**	–	**–**	–
		3 426	4 555	**390**	839

It is anticipated that this expenditure, which mainly relates to mine development and plant and equipment, will be incurred over an estimated two-year period and will be financed from operating cash flows and by utilising available cash and borrowing resources.

Contingent liabilities

Taxation

The Company has a contingent liability arising from its dispute with the South African Revenue Services (SARS) over the deductibility of a loan stock redemption premium claimed in the Company's 1998 tax submission. The matter is currently under appeal and no trial date has been set by SARS.

The outcome of this dispute is not clear and as such the Directors of the Company are of the opinion that no provision should be raised in these results.

The potential liability for tax is R107 million, excluding interest. The interest thereon is estimated at R155 million to June 2010 (2009: R142 million).

Disputes

- The Modikwa joint venture with Rustenburg Platinum Mines have a contingent liability for approximately R10 million brought by Ubuntu Small Scale Mining claiming breach of contract.
- Two Rivers Platinum Mine is defending a claim for approximately R8.5 million brought by Mabotha Business Trading claiming breach of contract.
- Two Rivers Platinum Mine is defending a claim for approximately R1.8 million brought by Imbali Crude claiming breach of contract.

Other

- The Vale/ARM joint venture has a potential contingent liability of US$15 million (US$7.5 million attributable to ARM) arising from the DRC government review of a mining licence granted. The ultimate potential liability will only be the present value of the above amount that will need to be accrued in the capital cost of the mine, with payments in incremental instalments thereafter, should a decision be made by the Vale/ARM joint venture to develop a mine on this property.

Guarantees

A back-to-back guarantee to Assore Limited (Assore) in respect of guarantees issued to bankers by Assore (for Assmang) to secure a short-term export finance agreement facility of R180 million (2009: R180 million). Short-term export finance loans negotiated in terms of the above facility in the ordinary course of business at 30 June 2010 were R nil (2009: R nil).

ARM has provided an irrevocable and unconditional guarantee to Copperbelt Energy Corporation plc (CEC) and the Development Bank of Southern Africa Limited (DBSA) for the due and punctual payment by Chambishi Metals plc (Chambishi) of the capital charge component of the power supply assets installed and owned by CEC for which financing was obtained by CEC from DBSA. The total outstanding capital charge obligation started in 2002 at $10 million and will reduce over ten years ending June 2012 as capital charge payments are made by Chambishi. ARM has a contractual right to have this guarantee replaced by the current owners of Chambishi.

Guarantees to the Department of Mineral Resources for rehabilitation provision amounting to R96 million (2009: R72 million).

Guarantees to Eskom amounting to R28 million (2009: R4 million).

Notes to the financial statements continued

39 Leases

Finance leases (refer note 3)

	Group			
	F2010 Rm		F2009 Rm	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**32**	**28**	55	48
After one year but not more than five years	**48**	**42**	64	55
Total minimum lease payments	**80**	**70**	119	103
Less: amounts representing finance charges	**(10)**	**–**	(16)	–
Present value of minimum lease payments	**70**	**70**	103	103
Operating leases – Group as lessee				
This is in respect of office building rentals paid				
Within one year	**4**		5	
After one year but not more than five years	**2**		4	
Total minimum lease payments	**6**		9	
Operating leases – Group as lessor				
This is in respect of office building rentals received (refer note 4)				
Within one year	**1**		5	
After one year but not more than five years	**–**		2	
Total minimum lease payments	**1**		7	

40 Retirement plans

The Group facilitates pension plans and provident funds substantially covering all employees. These are composed of defined contribution pension plans, which are governed by the Pension Funds Act, 1956, and defined contribution provident funds administered by employee organisations within the industries in which members are employed.

The benefits provided by the defined contribution plans are determined by accumulated contributions and returns on investment.

Members contribute between 5.0% and 7.5% and employers between 6.2% and 18.12% of pensionable salaries to the funds.

Members' contribution for the current year amounts to R86 million (2009: R72 million).

41 Post-retirement healthcare benefits

The Group has obligations to fund a portion of certain pensioners' and retiring employees' medical aid contributions based on the cost of benefits. The anticipated liabilities arising from these obligations have been actuarially determined using the projected unit credit method and a corresponding liability has been raised.

The liability is assessed periodically by an independent actuary. This assessment uses the following principal actuarial assumptions:

- A real discount rate of between 1% and 2% per annum.
- An increase in healthcare costs at a rate of between 6% and 9% per annum.
- A 1% change in the net discount rate used is estimated to have an impact of 9.5% (2009: 9.68%) on the liability.
- The average expected working lifetime of eligible members was nine (2009: 11) years at the date of the valuation in 2010.

The provisions raised in respect of post-retirement healthcare benefits amounted to R98 million (2009: R83 million) at the end of the year. Of this amount, R16 million (2009: R nil) was charged against income in the current year (refer note 16).

The liabilities raised based on present values of the post-retirement benefit, have been recognised in full.

An actuarial valuation is carried out in respect of this liability at three-yearly intervals. No new employees get this benefit and the liability is relatively stable. The last actuarial valuation was carried out in 2010 and the next one will be in 2013.

At retirement members are given the choice to have an actuarially determined amount paid into their pension fund to cover the expected cost of the post-retirement health cover. Alternatively, the Group will continue to fund a portion of the retiring employee's medical aid contributions.

	F2010	F2009	F2008	F2007	F2006
Balance at 30 June (R million)	**98**	83	83	82	86

Notes to the financial statements continued

	F2010 Share options	F2009 Share options	F2010 Average price Cents	F2009 Average price Cents

42 Share-based payment plans

Equity-settled plan

The Company uses three plans to attract, retain, motivate and reward eligible employees who are able to influence the performance of ARM on a basis which aligns their interest with those of the Company's shareholders.

Share options

The Company grants share options to certain employees under a share incentive scheme. The exercise price of the options is equal to the market price of the shares on the date of the grant. Before July 2008 the options start to vest one year after the grant date in three equal tranches over three years and from 1 July 2008 the options vest after three years. Both schemes are subject to continued employment.

	F2010 Share options	F2009 Share options	F2010 Average price Cents	F2009 Average price Cents
Outstanding at the beginning of the period	**4 834 037**	5 124 907	**7 374**	7 098
Granted during the period	**185 952**	249 292	**15 624**	9 730
Forfeited during the period	**(59 894)**	(28 217)	**18 822**	17 589
Exercised during the period	**(624 153)**	(511 945)	**7 046**	5 185
Outstanding at the end of the period	**4 335 942**	4 834 037	**7 617**	7 374
Exercisable at the end of the period	**3 152 144**	1 746 774		
Range of strike prices of options exercised (cents)			**2 700 to 13 973**	2 700 to 9 620
Range of strike prices of outstanding options (cents)			**2 700 to 27 950**	2 700 to 27 950

Bonus shares method

Annually, eligible employees receive a grant of full value ARM shares that match, according to a specified ratio, a portion of the annual cash incentive accruing to them. Bonus shares will be settled to participants after three years, conditional on continued employment. The bonus share method of the plan provides an additional element of share-based retention to executives and senior management who through their performance, on an annual basis, have demonstrated their value to the Company, and by further encouraging executives and senior management to build up a shareholding in ARM.

	Group	
	F2010 Bonus shares	F2009 Bonus shares
Outstanding at the beginning of the period	**122 683**	–
Granted during the period	**11 479**	132 308
Forfeited during the period	**(2 414)**	(798)
Shares vested*	**(1 703)**	(8 827)
Outstanding at the end of the period	**130 045**	122 683

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

42 Share-based payment plans *(continued)*

Performance share method

Annual conditional awards of full value shares are made to eligible employees. Performance shares vest after a three-year period subject to continued employment and the Company's achievement against a weighted combination of challenging performance measures over this period, selected from:

– comparative total shareholder return in relation to a peer group;
– return on capital employed against a prescribed target; and
– growth in headline earnings per share in relation to an inflation index.

The selection of performance metrics has been made on the basis that, individually or in combination, they clearly foster the creation of shareholder value. The performance share method closely aligns the interest of shareholders, executives and senior management by rewarding superior shareholder and financial performance in the future, and by encouraging executives and senior management to build up a shareholding in ARM.

	Group	
	F2010 Performance shares	F2009 Performance shares
Outstanding at the beginning of the period	**137 965**	–
Granted during the period	**128 530**	146 650
Forfeited during the period	**(3 610)**	(7 820)
Shares vested*	**(332)**	(865)
Outstanding at the end of the period	**262 553**	137 965

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

The fair value of shares granted in these plans are estimated as at the date of the grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the range of inputs to the model used on the grant date for the years ended 30 June 2010 and 30 June 2009.

	Group	
	F2010	F2009
Dividend yield (%)	**1.35**	1.43
Expected volatility (%)	**54.3**	54.9
Risk-free interest rate (%)	**7.49**	7.96
Expected life of options (years)	**2 – 5**	2 – 6
Weighted average share price (cents)	**16 596**	14 568
Fair value of options issued during the year (Rm)	**32**	30
Fair value of options per option issued during the year (cents)	**9 745**	6 017
The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.		
The effect on the income statement for the Group and Company was a charge of (Rm)	**47**	49

Notes to the financial statements continued

42 Share-based payment plans *(continued)*

Share appreciation rights plan

TEAL, a former subsidiary of ARM, had established a share appreciation rights plan in order to provide incentive compensation to Directors, senior management, employees and consultants of TEAL. The exercise price could not be lower than the average list price on 15 November 2005 on the Toronto Stock Exchange (TSX). The exercise period was within eight years. The vesting was 40% on the second anniversary, 30% on the third and 30% on the fourth anniversary from the date of the grant. A holder who exercised share appreciation rights was entitled to receive an amount equal to the weighted average trading price of the Common Shares on the TSX for the five trading days prior to the exercise date, less the exercise price and any applicable taxes, such amount to be paid by TEAL, at the option of TEAL, either in cash or common shares.

As a result of the plan of arrangement that came into effect on 1 March 2009 and the related transactions, all share options were deemed to be vested and an offer of CAD 3.00 (R19) per share was made to all appreciation right holders.

	Group	
	F2010	F2009
Outstanding at the beginning of the period	–	5 233 198
Granted during the period	–	–
Forfeited during the period	–	(1 388 840)
Exercised during the period	–	(3 844 358)
Outstanding at the end of the period	–	–
Exercisable at the end of the period	–	–
The fair value of cash-settled share options granted was estimated as at the date of the grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used on the grant date for the years ended 30 June.		
Dividend yield (%)	–	Nil
Expected volatility (%)	–	77%
Historical volatility (%)	–	n/a
The expected life of the options was based on the industry norm and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility was indicative of future trends which may also not be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.		
The effect on the income statement for the Group was a charge of (Rm)	–	15

43 Related party transactions

The Company in the ordinary course of business enters into various sale, purchase, service and lease transactions with subsidiaries, associated companies and joint ventures.

A report on investments in subsidiaries, associated companies and joint ventures, that indicates the relationship and degree of control exercised by the Company, appears on pages 252 to 254.

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

	Group		Company	
	F2010 Rm	F2009 Rm	**F2010 Rm**	F2009 Rm
Assmang				
– provision of services			**179**	299
– dividends received			**500**	2 151
ARM Coal (Proprietary) Limited – dividends received			**–**	117
Venture Building Trust (Proprietary) Limited – interest received			**1**	1
Two Rivers Platinum (Proprietary) Limited				
– interest received			**50**	86
– provision of services			**2**	2
Vale/ARM joint venture – provision of services			**–**	8
– interest			**44**	20
Mannequin insurances received				
– various Group Companies	**169**	207	–	–
Mannequin fees paid – Kingfisher	**27**	35	**–**	–
Kingfisher insurances received				
– various Group Companies	**32**	19	**–**	–
Venture Building Trust (Proprietary) Limited				
– rent received from Vale/ARM joint venture	**–**	1	**–**	–
Nkomati – chrome sales to Assmang	**6**	2	**6**	2
Nkomati – receivable iro Assmang	**–**	–	**2**	2
Venture Building Trust (Proprietary) Limited – rent received from Vale/ARM joint venture	**–**	1	**–**	–
Nkomati – chrome sales to Assmang	**6**	2	**–**	–
Nkomati – receivable iro Assmang	**–**	–	**2**	2
Amounts outstanding at year-end owing to ARM on current account				
Assmang			**22**	16
Vale/ARM joint venture			**–**	1
Venture Building Trust			**2**	3

Notes to the financial statements continued

	Group F2010 Rm	Group F2009 Rm
43 Related party transactions *(continued)*		
Key management personnel		
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity and comprise members of the Board of Directors and senior management.		
Key management personnel: senior management compensation		
Salary	**13**	18
Accrued bonuses	**2**	3
Pension scheme contributions	**1**	2
Reimbursive allowances	**1**	3
Total	**17**	26

Share options

	Number of options	Average price	Average gross selling price
Held on 1 July 2008	815 902	R94.34	
Granted during the year	72 584	R96.20	
Staff movements	196 892	R79.45	
Exercised during the year	(81 262)	R50.29	R132.24
Held on 1 July 2009	1 004 116	R109.19	
Granted during the year	21 281	R161.45	
Staff movements	(711 536)	R99.36	
Held on 30 June 2010	313 861	R101.70	

Bonus and performance shares

	Number of bonus shares	Number of performance shares
Held on 1 July 2008	–	–
Granted/awarded during the year	41 475	39 986
Vested during the year*	(8 827)	(865)
Forfeited during the year*	–	(7 287)
Held on 30 June 2009	32 648	31 834
Granted/awarded during the year	979	19 802
Staff movements	(26 275)	(24 560)
Vested during the year*	–	–
Forfeited during the year*	–	–
Held on 30 June 2010	**7 352**	**27 076**

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

	Group F2010 Rm	Group F2009 Rm	Company F2010 Rm	Company F2009 Rm
43 Related party transactions *(continued)*				
Details relating to Directors' emoluments, share options and shareholdings in the Company are disclosed in the Directors' report.				
Shareholders				
The principal shareholders of the Company are detailed in the Shareholder Analysis report.				
ARM's Executive Chairman, Patrice Motsepe, is involved through shareholdings and/or directorships in various other companies and trusts. The Company rents office space from one of the entities as disclosed below. Mr Motsepe's director's emoluments, share options and shareholding in the Company are disclosed in the Directors' report.				
Rental paid for offices at 29 Impala Road, Chislehurston, Sandton.				
This rental is similar to rentals paid to third parties in the same area for similar buildings.	**1**	1	**1**	1

Report on subsidiary companies

for the year ended 30 June

	Company	
	F2010 Rm	F2009 Rm
Investments		
Listed: market value R5 180 million – Harmony	**5 180**	5 091
Unlisted	**481**	481
	5 661	5 572
Amounts owing by subsidiaries (refer note 9)	**1 236**	1 625
Amounts owing to subsidiaries (refer note 19)	**(291)**	(291)
	6 606	6 906
Income from subsidiaries		
Fees – management advisory services	**2**	10
	2	10
Members' aggregate interest in profits and losses after taxation of subsidiaries		
Profits	**315**	–
Losses	**–**	789

Principal subsidiary companies

		Issued capital amount R million		Direct interest in capital %		Book value of the Company's interest R million		Indebtedness by/(to) R million	
Name	**Class**	**F2010**	F2009	**F2010**	F2009	**F2010**	F2009	**F2010**	F2009
African Rainbow Minerals Platinum (Proprietary) Limited – platinum mining	Ord	**–**	–	**100**	100	**257**	257	**803**	951
Anglovaal Air (Proprietary) Limited – air charter operator	Ord	**–**	–	**100**	100	**89**	89	**(212)**	(212)
Atscot (Proprietary) Limited – investment company	Ord	**1**	1	**100**	100	**10**	10	**(23)**	(23)
Avmin Limited – mining investment	Ord	**–**	–	**100**	100	**–**	–	**(17)**	(17)
Bitcon's Investments (Proprietary) Limited – investment company	Ord	**–**	–	**100**	100	**2**	2	**(2)**	(2)
Jesdene Limited – share dealer	Ord	**–**	–	**100**	100	**–**	–	**6**	6
Kingfisher Insurance Co Limited – insurance	Ord	**–**	–	**100**	100	**35**	35	**–**	–
Lavino (Proprietary) Limited – investment company	Ord	**–**	–	**100**	100	**4**	4	**(9)**	(9)
Letaba Copper & Zinc Corp Limited – prospecting company	Ord	**1**	1	**94**	94	**–**	–	**–**	–
Mannequin Insurance PCC Limited (Cell AVL18)* – insurance	Ord	**4**	4	**100**	100	**4**	4	**–**	–
Prieska Copper Mines Limited – investment company	Ord	**27**	27	**97**	97	**–**	–	**–**	–
Sheffield Minerals (Proprietary) Limited – investment company	Ord	**–**	–	**100**	100	**–**	–	**(4)**	(4)
South African Base Minerals Limited – investment company	Ord	**–**	–	**100**	100	**–**	–	**–**	–
Tasrose Investments (Proprietary) Limited – mining investment	Pref	**–**	–	**100**	100	**24**	24	**(24)**	(24)
Two Rivers Platinum (Proprietary) Limited – platinum mining	Ord	**100**	100	**55**	55	**55**	55	**419**	660
Vallum Investments (Proprietary) Limited – investment company	Ord	**–**	–	**100**	100	**–**	–	**–**	–
Venture Building Trust (Proprietary) Limited – property investment	Ord	**–**	–	**100**	100	**1**	1	**8**	8

Ord – Ordinary shares
Pref – Preference shares
Unless otherwise stated, all companies are incorporated and carry on their principal operations in South Africa. Interests are shown to the extent that this information is considered material. A schedule with details of all other subsidiaries is available from the registered office.
** Incorporated in Guernsey, December year-end. Audited June figures are consolidated.*

Principal associate companies, joint ventures and other investments

	Group		Company		Group			
	Number of shares held		Number of shares held		Effective percentage holding		Indebtedness by (to) Rm	
Name of company	**F2010**	F2009	**F2010**	F2009	**F2010**	F2009	**F2010**	F2009
Associated companies								
Unlisted								
Lucas Block Minerals Limited (1936) Ordinary shares of 200 cents per share	**121**	121	**102**	102	**30**	30		
Xstrata South Africa (Proprietary) Limited* Non-convertible participating preference shares of 100 cents per share	**800**	800	**400**	400	**20.2**	20.2		
Investment in other companies								
Listed								
Harmony Gold Mining Company Limited Ordinary shares of 50 cents per share	**63 632 922**	63 632 922	**63 632 922**	63 632 922	**14.84**	14.94		
Unlisted								
Business Partners Limited	**323 177**	323 177	**323 177**	323 177	**0.2**	0.2		
Joint ventures and partnerships								
ARM Coal (Proprietary) Limited (including Goedgevonden)	**51**	51	**51**	51	**51**	51		
Cato Ridge Alloys (Proprietary) Limited	**19 400**	19 400	**–**	–	**12.5**	12.5		
Modikwa joint venture*	**–**	–	**–**	–	**41.5**	41.5		
Nkomati joint venture	**–**	–	**–**	–	**50**	50	**903**	504
Assmang Limited (including Cato Ridge Alloys)	**1 774 103**	1 774 103	**1 774 103**	1 774 103	**50**	50		
Vale/ARM joint venture	**500**	500	**500**	500	**50**	50	**674**	303

** December year-end. Audited June figures are consolidated.*

Convenience translation into US Dollars

For the benefit of international investors, the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows of the Group, presented in South African Rands and set out on pages 188 to 196, have been translated into US Dollars and are presented on this page and pages 256 to 260.

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

The statement of financial position is translated at the rate of exchange ruling at the close of business at 30 June each year and the income statements and statement of cash flows are translated at the average exchange rates for the years reported except for the opening and closing cash balances of cash flows which are translated at the rate ruling at the close of business at 30 June each year. The statement of comprehensive income is translated at the average rate of the years reported.

The statement of changes in equity is translated at the rate ruling at the close of business at 30 June each year.

The following exchange rates were used:

	F2010 R/US$	F2009 R/US$
Statement of financial position	**R7.67**	R7.72
Income statement and statement of cash flows	**R7.59**	R9.03

The US Dollar denominated statement of financial position, income statements, statement of comprehensive income, statements of changes in equity and statements of cash flows should be read in conjunction with the accounting policies of the Group as set out on pages 197 to 208 and with the notes to the financial statements on pages 208 to 251.

Statement of financial position

US Dollar convenience translation

for the year ended 30 June

		Group	
	Notes	**F2010 US$m**	F2009 US$m
Assets			
Non-current assets			
Property, plant and equipment	3	**1 728**	1 490
Investment property	4	**2**	2
Intangible assets	5	**28**	28
Deferred tax assets	15	**6**	4
Loans and long-term receivables	7	**7**	17
Financial assets	8	**11**	10
Inventories	10	**19**	22
Investment in associate	6	**168**	172
Other investments	9	**677**	661
		2 646	2 406
Current assets			
Inventories	10	**239**	240
Trade and other receivables	11	**395**	203
Taxation	34	**6**	–
Cash and cash equivalents	12	**396**	455
		1 036	898
Total assets		**3 682**	3 304
Equity and liabilities			
Capital and reserves			
Ordinary share capital	13	**1**	1
Share premium	13	**496**	487
Other reserves		**95**	79
Retained earnings		**1 724**	1 526
Equity attributable to equity holders of ARM		**2 316**	2 093
Non-controlling interest		**100**	78
Total equity		**2 416**	2 171
Non-current liabilities			
Long-term borrowings	14	**337**	177
Deferred tax liabilities	15	**386**	295
Long-term provisions	16	**65**	52
		788	524
Current liabilities			
Trade and other payables	17	**302**	212
Short-term provisions	18	**35**	20
Taxation	34	**41**	69
Overdrafts and short-term borrowings – interest-bearing	19	**100**	308
		478	609
Total equity and liabilities		**3 682**	3 304

Income statement
US Dollar convenience translation
for the year ended 30 June

	Notes	Group F2010 US$m	Group F2009 US$m
Revenue	22	**1 505**	1 182
Sales	22	**1 452**	1 118
Cost of sales	23	**(986)**	(670)
Gross profit		**466**	448
Other operating income	24	**54**	101
Other operating expenses	25	**(136)**	(139)
Profit from operations before exceptional items	26	**384**	410
Income from investments	27	**28**	46
Finance costs	28	**(25)**	(43)
Income from associate	6	**(7)**	16
Profit before taxation and exceptional items		**380**	429
Exceptional items	29	**13**	57
Profit before taxation		**393**	486
Taxation	30	**(133)**	(191)
Profit for the year		**260**	295
Attributable to:			
Non-controlling interest		**21**	(22)
Equity holders of ARM		**239**	317
		260	295
Additional information			
Headline earnings	32	**226**	257
Headline earnings per share (cents)	31	**106**	121
Basic earnings per share (cents)	31	**113**	150
Diluted headline earnings per share (cents)	31	**105**	119
Diluted basic earnings per share (cents)	31	**111**	148

Statement of comprehensive income
US Dollar convenience translation
for the year ended 30 June

	Notes	Group Available-for-sale reserve US$m	Other US$m	Retained earnings US$m	Share-holders of ARM US$m	Non-controlling interest US$m	Total US$m
For the year ended 30 June 2009							
Profit for the year		–	–	317	317	(22)	295
Other comprehensive income							
Revaluation of listed investment	9	(106)	–	–	(106)	–	(106)
Deferred tax on revaluation of listed investment		15	–	–	15	–	15
Net impact of revaluation of listed investment		(91)	–	–	(91)	–	(91)
Realignment of currency in dilution in TEAL		–	(5)	–	(5)	–	(5)
Foreign currency translation reserve realised		–	2	–	2	–	2
Total other comprehensive income		(91)	(3)	–	(94)	–	(94)
Total comprehensive income for the year		(91)	(3)	317	223	(22)	201
For the year ended 30 June 2010							
Profit for the year		**–**	**–**	**239**	**239**	**21**	**260**
Other comprehensive income							
Revaluation of listed investment	9	**12**	**–**	**–**	**12**	**–**	**12**
Deferred tax on revaluation of listed investment		**(2)**	**–**	**–**	**(2)**	**–**	**(2)**
Net impact of revaluation of listed investment		**10**	**–**	**–**	**10**	**–**	**10**
Foreign exchange reversal on loans		**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Cash flow hedge reserve		**–**	**2**	**–**	**2**	**–**	**2**
Total other comprehensive income		**10**	**1**	**–**	**11**	**–**	**11**
Total comprehensive income for the year		**10**	**1**	**239**	**250**	**21**	**271**

Statement of changes in equity
US Dollar convenience translation
for the year ended 30 June

		Group						
	Notes	Share capital and premium US$m	Available-for-sale reserve US$m	Other US$m	Retained profit US$m	Share-holders of ARM US$m	Non-controlling interest US$m	Total US$m
Balance at 30 June 2008		478	152	23	1 247	1 900	102	2 002
Profit for the year		–	–	–	317	317	(22)	295
Other comprehensive income		–	(91)	(3)	–	(94)	–	(94)
Total comprehensive income for the year		–	(91)	(3)	317	223	(22)	201
Translation adjustments		7	(13)	3	57	54	(2)	52
Share-based payments		–	–	7	–	7	–	7
Share options paid in cash		–	–	(3)	–	(3)	–	(3)
Share options exercised	13	3	–	–	–	3	–	3
Share appreciation rights: TEAL – non-controlling interest share		–	–	1	–	1	–	1
Premium paid on purchase of non-controlling interest		–	–	2	–	2	–	2
Dividend paid	31	–	–	–	(94)	(94)	–	(94)
Other		–	–	1	(1)	–	–	–
Balance at 30 June 2009		488	48	31	1 526	2 093	78	2 171
Profit for the year		**–**	**–**	**–**	**239**	**239**	**21**	**260**
Other comprehensive income		**–**	**10**	**1**	**–**	**11**	**–**	**11**
Total comprehensive income for the year		**–**	**10**	**1**	**239**	**250**	**21**	**271**
Translation adjustments		**3**	**–**	**(1)**	**8**	**10**	**1**	**11**
Share-based payments		**–**	**–**	**6**	**–**	**6**	**–**	**6**
Share options exercised	13	**6**	**–**	**–**	**–**	**6**	**–**	**6**
Dividend paid	31	**–**	**–**	**–**	**(49)**	**(49)**	**–**	**(49)**
Balance at 30 June 2010		**497**	**58**	**37**	**1 724**	**2 316**	**100**	**2 416**

Statement of cash flows
US Dollar convenience translation
for the year ended 30 June

		Group	
	Note	**F2010 US$m**	F2009 US$m
Cash flow from operating activities			
Cash receipts from customers		**1 316**	1 487
Cash paid to suppliers and employees		**(865)**	(748)
Cash generated from operations	33	**451**	739
Translation adjustment		**4**	18
Interest received		**23**	45
Interest paid		**(18)**	(36)
Dividends received		**4**	13
Dividends paid		**(49)**	(94)
Taxation paid	34	**(81)**	(219)
Net cash inflow from investing activities		**334**	466
Cash flow from investing activities			
Additions to property, plant and equipment to maintain operations		**(68)**	(103)
Additions to property, plant and equipment to expand operations		**(261)**	(259)
Proceeds on disposal of property, plant and equipment		**2**	1
Proceeds on disposal of 15% in TEAL	35	**–**	13
Proceeds on disposal of Otjikoto	36	**14**	–
Decrease in investment loans and receivables		**7**	–
Net cash outflow from investing activities		**(306)**	(348)
Cash flow from financing activities			
Proceeds on exercise of share options		**6**	3
Share options settled in cash		**–**	(3)
Long-term borrowings raised		**112**	29
Long-term borrowings repaid		**(110)**	(35)
(Decrease)/increase in short-term borrowings		**(104)**	(13)
Net cash outflow from financing activities		**(96)**	(19)
Net increase in cash and cash equivalents		**(68)**	99
Cash and cash equivalents at beginning of year		**431**	332
Cash and cash equivalents at end of year	12	**363**	431

Financial summary and statistics

US Dollar convenience translation

for the year ended 30 June

	Group						
	F2010 US$m	F2009 US$m	F2008 US$m	F2007 US$m	F2006 US$m	F2005 US$m	F2004 US$m
Income statement							
Sales	**1 452**	1 118	1 725	854	722	883	563
Headline earnings	**226**	257	550	168	72	55	7
Basic earnings per share (cents)	**113**	150	292	81	46	36	125
Headline earnings per share (cents)	**106**	121	261	81	35	27	5
Dividend declared after year-end per share (cents)	**26**	23	51	n/a	n/a	n/a	n/a
Statement of financial position							
Total assets	**3 682**	3 304	3 178	2 576	2 041	1 769	1 831
Cash and cash equivalents	**396**	455	340	150	61	43	57
Shareholders' equity	**2 416**	2 171	2 002	1 587	1 452	1 199	1 271
Cash flow							
Cash generated from operations	**451**	739	709	352	194	267	97
Net cash outflow from investing activities	**306**	348	334	374	226	133	100
Net cash (outflow)/inflow from financing activities	**(96)**	(19)	(24)	217	140	(88)	41
JSE Limited performance							
Ordinary shares (cents)							
– high	**2 714**	3 217	4 205	1 917	816	612	696
– low	**1 542**	842	1 414	739	500	411	471
– year-end	**2 099**	1 683	3 576	1 747	674	511	543

Investor relations report

ARM's primary listing is on the JSE Limited. The Company also has an unsponsored Level 1 American Depositary Receipt (ADR) programme which is available to investors for over-the-counter or private transactions.

Share information

Ticker code	ARI
Sector	General Mining
Nature of business	ARM is a diversified mining and minerals company with assets in ferrous, platinum group metals, coal base metals and copper. ARM holds a significant interest in the gold mining sector through its shareholding in Harmony.
Issued share capital at 30 June 2010	212 692 376
Market capitalisation at 30 June 2010	R34 billion US$4.5 billion
Closing share price at 30 June 2010	R161.40
12 month high (1 July 2009 – 30 June 2010)	R205.99
12 month low (1 July 2009 – 30 June 2010)	R116.51
Average volume traded for the 12 months	550 761 shares per day

Shareholders' diary

Annual General Meeting	Friday, 3 December 2010
Financial year-end	June 2011
Integrated Annual Report issued	October 2011
Interim results announcement	March 2011
Provisional results announcement	September 2011

Shareholder analysis

Shares held	Number of shareholders	% of shareholders	Number of shares held	% of issued share capital
1 to 1 000 shares	3 953	74.57	1 068 117	0.49
1 001 to 10 000 shares	869	16.39	2 929 347	1.38
10 001 to 100 000 shares	362	6.83	11 308 048	5.32
100 001 to 1 000 000 shares	99	1.87	28 239 501	13.28
1 000 001 shares and above	18	0.34	169 147 363	79.53
Total	**5 301**	**100.00**	**212 692 376**	**100.00**

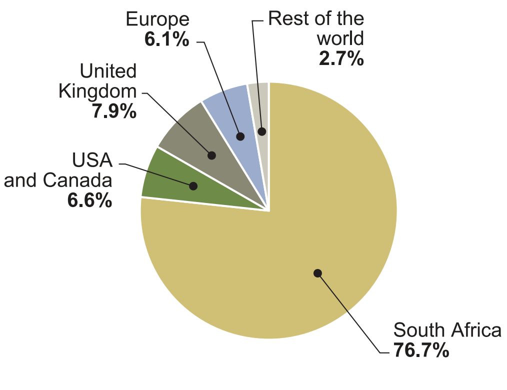
Distribution of shareholders	Number of shares held	% of issued share capital
Black Economic Empowerment	116 365 157	54.71
Unit Trusts/Mutual Fund	36 183 266	17.01
Pension Funds	24 400 118	11.47
Investment Trusts	13 749 442	6.46
Other Managed Funds	8 769 780	4.12
Insurance Companies	4 715 739	2.22
Foreign Government	3 063 542	1.44
Private Investors	2 601 560	1.22
Custodians	1 617 438	0.76
Corporate Holding	202 000	0.09
University	166 627	0.08
Charity	88 100	0.06
Remainder	769 607	0.36
Total	**212 692 376**	**100.00**

Public/non-public shareholders	Number of shareholders	% of total shareholders	Number of shares held	% of issued share capital
Non-public shareholders	5	0.09	116 579 157	54.81
Public shareholders	5 296	99.91	96 113 219	45.19
Total	**5 301**	**100.00**	**212 692 376**	**100.00**

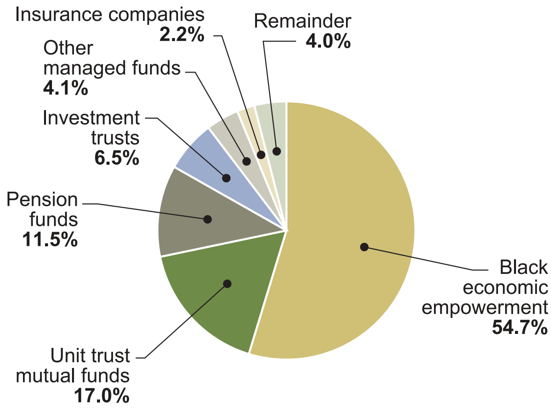
Investment management and beneficial interest (more than 3%)	Number of shares held	%
BlackRock Inc.	22 563 412	10.61
Public Investment Corporation Limited	10 973 507	5.16
Fidelity Investments	8 863 585	4.17
Allan Gray Investment Council	8 030 776	3.77
Total	50 431 280	23.71

Investor relations report continued

Geographic split of beneficial shareholders



Beneficial shareholder split by category



Top 20 shareholders

	Shareholder	Number of shares held	% holding of shares in issue
1	African Rainbow Minerals & Exploration Investments (Pty) Limited	87 750 417	41.26
2	ARM Broad-Based Economic Empowerment Trust	28 614 740	13.45
3	BlackRock Inc.	22 563 412	10.61
4	Public Investment Corporation Limited	10 973 507	5.16
5	Fidelity Investments	8 863 585	4.17
6	Allan Gray Investment Council	8 030 776	3.78
7	Investec Asset Management	5 626 472	2.65
8	RMB Asset Management	4 405 051	2.07
9	STANLIB Asset Management	3 008 192	1.41
10	The Vanguard Group	1 841 048	0.87
11	Dimensional Fund Advisors	1 750 089	0.82
12	Government Singapore Investment Corporation	1 632 617	0.77
13	Coronation Fund Managers	1 524 619	0.72
14	Jennison Associates LLC	1 350 700	0.64
15	Kagiso Asset Management (Pty) Limited	1 344 803	0.63
16	Old Mutual Asset Managers	948 735	0.45
17	Rand Merchant Bank	885 432	0.42
18	Metropolitan Asset Managers	830 911	0.39
19	State Street Global Advisors	781 927	0.37
20	Nomura Asset Management	730 047	0.34

Share liquidity

Number of shares traded on the JSE Limited during F2010

Month	Volume
July 2009	12 745 174
August 2009	12 505 937
September 2009	11 254 438
October 2009	9 310 395
November 2009	9 114 367
December 2009	9 206 052
January 2010	14 978 491
February 2010	15 373 890
March 2010	11 805 684
April 2010	10 387 803
May 2010	10 981 977
June 2010	10 577 027
Total	138 241 235

Investor relations

Jongisa Klaas
Head of Investor Relations and Corporate Development
Telephone: +27 11 779 1507
Fax: +27 11 779 1312
E-mail: jongisa.klaas@arm.co.za

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

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

The 2010 ARM Integrated Annual Report and the Sustainability Report are available in electronic format on the Company's website at **www.arm.co.za**. Printed copies can also be requested from the Company's Investor Relations Department.

Glossary of terms and acronyms

4E	Platinum, palladium, rhodium and gold
6E	Platinum, palladium, rhodium, gold, ruthenium and iridium
Anglo Platinum	Anglo Platinum Limited
a	The a referred to in tabulation and graphic analysis refers to actual numbers
ARM	African Rainbow Minerals Limited
ARM BBEE Trust	ARM Broad-Based Economic Empowerment Trust
ARMI	African Rainbow Minerals & Exploration Investments (Pty) Limited
Assmang	Assmang Limited
Assore	Assore Limited
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
Btu – lb	British Thermal Unit per pound
C1 cost	Cash cost net of revenue from by-products
CO_2	Carbon dioxide
COM	Chamber of Mines
CPI	Consumer Price Index
CPIX	Consumer Price Index, excluding interest
CSA	Coal Supply Agreement
CSI	Corporate Social Investment
DEAT	Department of Environmental Affairs and Tourism
DME	Department of Minerals and Energy
DMR	Department of Mineral Resources
DoL	Department of Labour
DRC	Democratic Republic of the Congo
DTJV	Douglas Tavistock joint venture
DWAF	Department of Water Affairs and Forestry
DWEA	Department of Water and Environmental Affairs
e	The e referred to in tabulation and graphic analysis refers to estimated numbers
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation, amortisation, excluding exceptional items and income from associates
EIA	Environmental Impact Assessment
EMPR	Environmental Management Programme Report
F2010	Financial year starting 1 July 2009 ending 30 June 2010
F2009	Financial year starting 1 July 2008 ending 30 June 2009
F2008	Financial year starting 1 July 2007 ending 30 June 2008
FOB	Free on board
FOG	Fall of ground
FOR	Free on rail
FTSE	Financial Times and London Stock Exchange
GAR	Gross as received
GHG	Greenhouse gas
Goedgevonden/GGV	Goedgevonden Thermal Coal Project
H1	First six months of financial year
H2	Second six months of financial year
Harmony Gold	Harmony Gold Mining Company Limited
HDSA	Historically Disadvantaged South African
HIV	Human immuno-deficiency virus

IAS	International Accounting Standards
IBC	Inside back cover
ICMM	International Council on Mining and Metals
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
Implats	Impala Platinum Holdings Limited
IRS	Impala Refining Services Limited
JORC Code	Australian Institute of Mining and Metallurgy Joint Ore Reserves Committee Code
JSE	JSE Limited – Johannesburg Stock Exchange
JV	Joint venture
Kalplats AOI	Kalplats Area Of Influence
King II	King Report on Corporate Governance in South Africa 2002
King III	King Report on Governance for South Africa 2009 and the King Code of Governance Principles
LED	Local Economic Development
LoM	Life of mine
LTIFR	Lost Time Injury Frequency Rate – A rate expressed per million man hours for a work-related injury that results in the employee being unable to attend work at his/her place of work, performing his/her assigned duties on the next calendar day (whether a scheduled work day or not) after the day of injury. If the appointed medical professional advises that the injured person is unable to attend work on the next calendar day after the injury, regardless of the injured person's next rostered shift, a lost time injury is deemed to have occurred.
MHSA	Mine Health and Safety Act
Mining Charter	Broad-Based Socio-Economic Empowerment Charter signed in 2002
MMZ	Main Mineralised Zone
MPRDA	Minerals and Petroleum Resources Development Act
MSB	Massive Sulphide Body
NPI	Nickel Pig Iron
NUM	National Union of Mineworkers
NUMSA	National Union of Metal Workers
OHSA	Occupational Health and Safety Act
PCB	Participating Coal Business: Xstrata Coal South Africa existing operations, excluding Goedgevonden
PCMZ concentrator	Chromotitic Peridotite Mineralised Zone concentrator
PCR	Chromotitic Peridotite
PGMs	Platinum Group Metals
PLA	Platinum Australia
RBCT	Richards Bay Coal Terminal
RIFR	Reportable Injury Frequency Rate
SAMREC Code	South African Code for Reporting Mineral Resources and Mineral Reserves
SHE	Safety, Health and Environment Department
SME	Small and Medium-sized Enterprise
SMME	Small, Medium and Micro Enterprise
STC	Secondary Tax on Companies
UASA	United Association of South Africa
UG2	Upper group 2 – second level of three chrometite layers
Vale	Vale SA (formerly Companhia Vale do Rio Doce)
VCT	Voluntary counselling and testing
XCSA	Xstrata Coal South Africa
XSA	Xstrata South Africa
ZCCM-IH	ZCCM Investment Holdings Plc

Notice of annual general meeting

AFRICAN RAINBOW MINERALS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1933/004580/06)
JSE share code: ARI ISIN: ZAE000054045
("ARM" or "the Company")

Notice is hereby given that the 77th Annual General Meeting of members of African Rainbow Minerals Limited will be held in Boardrooms 6 and 7, Sandton Convention Centre, corner of Fifth Avenue and Maude Street, Sandton, on Friday, 3 December 2010 at 11:00, South African time, for considering and, if deemed fit, passing, with or without modification, the resolutions set out below:

Ordinary business

Acceptance of financial statements

Ordinary resolution number 1 is proposed to receive and consider the annual financial statements for the Company and the Group, for the most recent financial year. The annual financial statements and Group annual financial statements are included within the Integrated Annual Report.

Ordinary resolution number 1

1. "Resolved that the annual financial statements and Group annual financial statements for the year ended 30 June 2010 and the Directors' and auditors' reports thereon be and are hereby received and accepted."

Re-election of Directors

Ordinary resolutions numbers 2 – 7 are proposed to re-elect Directors who retire by rotation as Directors of the Company in accordance with the provisions of the Company's Articles of Association, and who, being eligible, offer themselves for re-election. The Directors' *curricula vitae* appear in the Integrated Annual Report on pages 170 and 171. The ARM Board of Directors (the "Board") recommends the re-election of these Directors.

Ordinary resolution number 2 – Re-election of Dr M M M Bakane-Tuoane

2. "Resolved that Dr M M M Bakane-Tuoane, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

Ordinary resolution number 3 – Re-election of Mr W M Gule

3. "Resolved that Mr W M Gule, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

Ordinary resolution number 4 – Re-election of Mr M W King

4. "Resolved that Mr M W King, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

Ordinary resolution number 5 – Re-election of Mr A K Maditsi

5. "Resolved that Mr A K Maditsi, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

Ordinary resolution number 6 – Re-election of Mr K S Mashalane

6. "Resolved that Mr K S Mashalane, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

Ordinary resolution number 7 – Re-election of Mr J C Steenkamp

7. "Resolved that Mr J C Steenkamp, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

Reappointment of external auditors and confirmation of designated auditor

Ordinary resolution number 8 is proposed to approve the reappointment of Ernst & Young Incorporated as the external auditors of the Company and to confirm Mr E A L Botha as the person designated to act on behalf of the external auditors for the financial year ending 30 June 2011 and to remain in office until the conclusion of the next annual general meeting.

Ordinary resolution number 8 – Reappointment of auditors and confirmation of designated auditor

8. "Resolved that the reappointment of Ernst & Young Incorporated as the external auditors of the Company be and is hereby approved and that Mr E A L Botha be and is hereby confirmed as the designated auditor for the financial year ending 30 June 2011 and to remain in office until the conclusion of the next annual general meeting."

Remuneration of Directors

Ordinary resolutions numbers 9 – 12 are proposed to ensure that Directors' fees attract and retain Directors.

Ordinary resolution number 9 – Increase in annual retainer fees

9. "Resolved that with effect from 1 July 2010, the annual retainer fees of Directors be increased by 10% per annum (rounded to the nearest R50) from R270 000 to R297 000 per annum for Independent Non-executive Directors and from R216 000 to R237 600 per annum for Non-executive Directors."

Ordinary resolution number 10 – Increase in the Board meeting attendance fees

10. "Resolved that with effect from 1 July 2010, the per Board meeting attendance fees payable to Directors be increased by 10% per annum (rounded to the nearest R50) from R12 960 to R14 300 per meeting."

Ordinary resolution number 11 – Increase in the Committee meeting attendance fees

11. "Resolved that with effect from 1 July 2010, the per meeting attendance fees for Committee meetings be increased by 10% per annum (rounded to the nearest R50) as follows:

		2010/11 per Meeting Fees (Rand)	2009/10 per Meeting Fees (Rand)
Audit Committee			
	Chairman	**74 250**	67 500
	Member	**29 700**	27 000
Investment, Nomination, Remuneration and Sustainable Development Committees			
	Chairman	**17 800**	16 200
	Member	**11 900**	10 800

Ordinary resolution number 12 – Introduction of a fee for the Lead Independent Non-executive Director

12. "Resolved that with effect from 1 July 2010, the fee for the Lead Independent Non-executive Director to chair quarterly *in camera* meetings of Non-executive Directors be R17 800 per meeting."

Amendments to the Company's Share Incentive Schemes pursuant to Schedule 14 of the JSE Listings Requirements

Ordinary resolutions numbers 13 and 14 are proposed to bring the African Rainbow Minerals Share Incentive Scheme, as amended (the "Scheme"), and The African Rainbow Minerals Limited 2008 Share Plan (the "Share Plan") in line with the amendments to Schedule 14 of the JSE Listings Requirements, which must be implemented by no later than 1 January 2011.

Ordinary resolution number 13 – Amendments to the Scheme

13. "Resolved that the sixth amending deed to the Scheme, a copy of which has been labelled for identification purposes and tabled at the Annual General Meeting, be and is hereby approved."

The salient features of the proposed amendments to the Scheme appear in Annexure 1 on page 271. Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company from the date of issue of the Integrated Annual Report of which this Notice of Annual General Meeting forms part, up to and including the date of the Annual General Meeting: (i) the Company's 2010 Integrated Annual Report; (ii) the Scheme and the five registered amendments to the Scheme; (iii) a consolidated version of the Scheme, as previously amended, incorporating the proposed amendments to the Scheme; and (iv) the proposed sixth amendment to the Scheme.

Pursuant to the JSE Listings Requirements, ordinary resolution number 13 is required to be passed by achieving a 75% majority of the votes cast by all equity securities holders entitled to vote and who are present in person or represented by proxy at the Annual General Meeting. Votes cast in terms of shares held by the Scheme as defined will not be taken into account in respect of this resolution.

Ordinary resolution number 14 – Amendments to the Share Plan

14. "Resolved that the 2010 amended version of the Share Plan, a copy of which has been labelled for identification purposes and tabled at the Annual General Meeting, be and is hereby approved."

The salient features of the proposed amendments to the Share Plan appear in Annexure 2 on page 272. Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company from the date of issue of the Integrated Annual Report of which this Notice of Annual General Meeting forms part, up to and including the date of the Annual General Meeting: (i) the Company's 2010 Integrated Annual Report; (ii) the Share Plan; and (iii) the proposed amendments to the Share Plan.

Pursuant to the JSE Listings Requirements, ordinary resolution number 14 is required to be passed by achieving a 75% majority of the votes cast by all equity securities holders entitled to vote and who are present in person or represented by proxy at the Annual General Meeting. Votes cast in terms of shares held by the Share Plan as defined will not be taken into account in respect of this resolution.

Authorisation of Directors

Ordinary resolution number 15 is proposed to authorise Executive Directors to implement the resolutions approved by shareholders.

Ordinary resolution number 15

15. "Resolved that subject to the passing of the above resolutions, any one Executive Director of the Company be and is hereby authorised to do, or cause to be done, all such things and sign, or cause to be signed, all such documents and take all such action as considered necessary to implement the resolutions set out in this Notice of Annual General Meeting."

Voting and proxies

Each shareholder of the Company who is registered as such and who, being an individual, is present in person or by proxy or which, being a Company, is represented, at the Annual General Meeting is entitled to one vote on a show of hands. On a poll, each shareholder present in person or by proxy or represented shall have one vote for every share held by such shareholder.

Certificated shareholders/dematerialised shareholders with own name registrations

Shareholders who have not yet dematerialised their shares with own name registrations ("Entitled Shareholders") may appoint one or more proxies to attend, speak and vote or abstain from voting in such shareholders' stead. The person so appointed need not be a member of the Company. A form of proxy is attached for use by those Entitled Shareholders who wish to be represented at the Annual General Meeting. Such Entitled Shareholders should complete the attached form of proxy in accordance with the instructions contained therein and deposit it at the transfer secretaries, Computershare Investor Services (Pty) Limited, 7th Floor, 70 Marshall Street, Johannesburg 2001, South Africa (or posted to PO Box 61051, Marshalltown 2107, South Africa) (or faxed to the Proxy Department Fax +27 11 688 5238).

Dematerialised shareholders

Shareholders who have dematerialised their shares (other than those with own name registrations) should provide their Central Securities Depository Participant ("CSDP") or broker with their voting instructions in terms of the custody agreement entered into with the relevant CSDP or broker. Should such shareholders wish to attend the Annual General Meeting or send a proxy to represent them at the Annual General Meeting, they should inform their CSDP or broker timeously and request their CSDP or broker to issue them with the necessary letter of representation to attend.

By order of the Board

A N D'Oyley (Ms)
Company Secretary

15 October 2010

Annexure number 1:

Explanatory Notes to Ordinary Resolution Number 13

Schedule 14 of the JSE Listings Requirements governs the requirements for share incentive schemes. The JSE Limited amended Schedule 14 and, as a result, all listed companies are required to make appropriate amendments to their existing share incentive schemes by no later than 1 January 2011. Ordinary resolution number 13 deals with these amendments.

SALIENT FEATURES OF PROPOSED AMENDMENTS TO THE AFRICAN RAINBOW MINERALS SHARE INCENTIVE SCHEME (THE “SCHEME”)

Capitalised terms in this annexure shall bear the same meanings as in the Integrated Annual Report and all other words and expressions defined in the Scheme shall bear the same meanings in this document.

It is proposed to amend the Scheme as set out below. These proposed amendments have been approved by the JSE Limited and the trustees of the Scheme, but must be approved by the Company in general meeting and lodged with the Master of the High Court. The reasons for the amendments are to bring the Scheme in line with the amendments to Schedule 14 of the JSE Listings Requirements.

The salient features of the proposed amendments are to provide that:

- Executive Directors may not be trustees of the Scheme;
- the maximum number of shares which may be acquired by participants under the Scheme, or any other share incentive scheme of the Company, is 10 581 294 shares;
- the maximum number of shares which may be acquired by any one participant under the Scheme, or any other share incentive scheme of the Company, is 1 058 129 shares;
- amendments to the provisions relating to matters contained in Schedule 14.1 of the JSE Listings Requirements may only be effected with the approval of an ordinary resolution of 75% (seventy-five percent) of the shareholders of the Company, in accordance with the JSE Listings Requirements;
- three further categories of amendments (the basis on which awards are made, the rights attaching to the Scheme shares and the treatment of share options in instances of mergers, takeovers and corporate actions by or in respect of the Scheme) are included in clause 6.3 of the Scheme; and
- the trustees may acquire shares as required by the Scheme through the market.

Annexure number 2:

Explanatory Notes to Ordinary Resolution Number 14

Schedule 14 of the JSE Listings Requirements governs the requirements for share incentive schemes. The JSE Limited amended Schedule 14 and, as a result, all listed companies are required to make appropriate amendments to their existing share incentive schemes by no later than 1 January 2011. Ordinary resolution number 14 deals with these amendments.

SALIENT FEATURES OF PROPOSED AMENDMENTS TO THE AFRICAN RAINBOW MINERALS LIMITED 2008 SHARE PLAN (THE "SHARE PLAN")

Capitalised terms in this annexure shall bear the same meanings as in the Integrated Annual Report or the Share Plan, as the context requires.

It is proposed to amend the Share Plan as set out below. These proposed amendments have been approved by the JSE Limited and management, but must be approved by the Company in general meeting. The reason for the amendments is to bring the Share Plan in line with the amendments to Schedule 14 of the JSE Listings Requirements.

The salient features of the proposed amendments are the following:

- To ensure that Shares may only be issued or purchased for purposes of the Share Plan once a Participant (or group of Participants) to whom they will be Granted or Awarded has been formally identified.
- To ensure that Shares held for purposes of the Share Plan will not have their votes at general/annual general meetings taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements or for purposes of determining categorisations as detailed in Section 9 of the JSE Listings Requirements.
- To require the prior approval, if required, of any securities exchange on which Shares are listed, and the prior authority of the shareholders of the Company in general meeting if the aggregate number of Shares which may be acquired by Participants under the Share Plan together with Any Other Plan is to exceed 10 581 294 Shares.
- To require the prior approval, if required, of any securities exchange on which Shares are listed, and the prior authority of the shareholders of the Company in general meeting if the aggregate number of Shares that may be acquired by any one Participant in terms of the Share Plan together with Any Other Plan is to exceed 1 058 129 Shares.
- To provide that in the determination of the number of Shares which may be acquired by Participants in terms of clauses 8.1 and 8.2 of the Share Plan Rules, Shares shall not be taken into account, which have been purchased through the market.
- To require that no adjustments shall be required in terms of clause 22.1 of the Share Plan Rules in the event of the issue of equity securities as consideration for an acquisition in terms of clause 22.4 of the Share Plan Rules, the issue of securities for cash and the issue of equity securities for a vendor consideration placing.
- To provide that any proposed amendment of the following matters shall not be competent unless it is approved by ordinary resolution of 75% (seventy-five percent) of the shareholders of the Company in general meeting, excluding all of the votes attached to Shares owned or controlled by existing Participants in the Share Plan:
  - the voting, dividend, transfer or other rights (including rights on liquidation of the Company) which may attach to any Grant or Award;
  - the provisions in these Rules dealing with the rights (whether conditional or otherwise) in and to the Bonus Shares or Performance Shares of Participants who leave the employment of the Group prior to Vesting;
  - the basis for Grants and Awards in terms of these Rules; and
  - the provisions of clause 22.4 of the Share Plan Rules, which is the clause dealing with adjustments in the equity capital of the Company.

Form of proxy

AFRICAN RAINBOW MINERALS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1933/004580/06)
JSE share code: ARI ISIN: ZAE000054045
("ARM" or "the Company")

A shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of ARM) to attend, speak and vote or abstain from voting in the place of that shareholder at the Annual General Meeting.

Shareholders who have dematerialised their shares (other than those with own name registrations) should provide their Central Securities Depository Participant ("CSDP") or broker with their voting instructions in terms of the custody agreement entered into with their relevant CSDP or broker. Should such shareholders wish to attend the Annual General Meeting of the Company, they should inform their CSDP or broker timeously and request their CSDP or broker to issue them with the necessary letter of representation to attend and vote their ARM shares.

For completion by shareholders who have not yet dematerialised their shares or who have dematerialised their shares with own name registration. Shareholders who have not yet dematerialised their shares or who have dematerialised their shares with own name registration ("Entitled Shareholders") may appoint one or more proxies to attend, speak and vote or to abstain from voting in such shareholder's stead. The person so appointed need not be a member of the Company. This form of proxy is for the use of those Entitled Shareholders who wish to be so represented. Such Entitled Shareholders should complete this form of proxy in accordance with the instructions contained herein and return it to the transfer secretaries, to be received by the time and date stipulated herein.

If you are unable to attend the 77th Annual General Meeting of shareholders of African Rainbow Minerals Limited convened for Friday, 3 December 2010 at 11:00, South African time, but wish to be represented thereat you should complete and return this form of proxy as soon as possible, but in any event to be received by not later than 11:00, South African time, on Wednesday, 1 December 2010.

I/We ______________________________ (name in block letters)

of ______________________________ (address)

being the holder of ______________________________ shares in the issued share capital of

the Company, do hereby appoint ______________________________

______________________________ or failing him/her,

______________________________ or failing him/her,

the Chairman of the Board of Directors, or failing him/her the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11:00, South African time, on Friday, 3 December 2010 and at any adjournment thereof and in particular in respect of the following resolutions:

Indicate with an X in the spaces below how votes are to be cast.

Ordinary Resolutions	For	Against	Abstain
1. To receive and accept the annual financial statements and Group annual financial statements for the year ended 30 June 2010 and the Directors' and auditors' reports thereon.			
2. To re-elect Dr M M M Bakane-Tuoane as a Director.			
3. To re-elect Mr W M Gule as a Director.			
4. To re-elect Mr M W King as a Director.			
5. To re-elect Mr A K Maditsi as a Director.			
6. To re-elect Mr K S Mashalane as a Director.			
7. To re-elect Mr J C Steenkamp as a Director.			
8. To reappoint Ernst & Young Incorporated as external auditors and to appoint Mr E A L Botha as the person designated to act on behalf of the external auditors.			
9. With effect from 1 July 2010, the annual retainer fees of Directors be increased by 10% per annum.			
10. With effect from 1 July 2010, the per Board meeting attendance fees of Directors be increased by 10% per annum.			
11. With effect from 1 July 2010, the per Committee meeting attendance fees of Committee members be increased by 10% per annum.			
12. With effect from 1 July 2010, a fee be introduced for the Lead Independent Non-executive Director.			
13. To amend the Scheme in accordance with amendments to Schedule 14 of the JSE Listings Requirements.			
14. To amend the Share Plan in accordance with amendments to Schedule 14 of the JSE Listings Requirements.			
15. That subject to the passing of the above resolutions, any one Executive Director of the Company be and is hereby authorised to do, or cause to be done, all such things and sign, or cause to be signed, all such documents and take all such action as considered necessary to implement the resolutions set out in this Notice of Annual General Meeting.			

Number of shares	Unless this section is completed for a lesser number, the Company is authorised to insert in the said section the total number of shares registered in my/our name(s) one business day before the meeting.

Signed at ______________________ on ______________________ 2010

Signature ______________________

Assisted by me (where applicable) ______________________

Please see notes overleaf ►

Notes to the proxy

Instructions on signing and lodging the form of proxy

Please read the notes below:

1. The completion and lodging of this form of proxy will not preclude the Entitled Shareholder who grants this proxy from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should he or she wish to do so.

2. Every member present in person or represented by proxy and entitled to vote shall, on a show of hands, have only one vote and upon a poll every member shall have a vote for every ordinary share held.

3. You may insert the name of any person(s) whom you wish to appoint as your proxy in the blank space(s) provided for that purpose. The person whose name appears first on the form of proxy and who is present at this meeting will be entitled to act as a proxy to the exclusion of those whose names follow.

4. When there are joint holders of shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders for which purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding. Only that holder whose name appears first in the register need sign this form of proxy.

5. If the form of proxy is signed under the authority of a power of attorney or on behalf of a company or any other juristic person, then it must be accompanied by such power of attorney or a certified copy of the relevant enabling resolution or other authority of such company or other juristic person, unless proof of such authority has been recorded by the Company.

6. If the Entitled Shareholder does not indicate in the appropriate place on the face hereof how he or she wishes to vote in respect of a resolution, his or her proxy shall be entitled to vote as he or she deems fit in respect of that resolution.

7. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration must be signed, not initialled.

8. The Chairman of the meeting may, in his or her absolute discretion, reject any form of proxy which is completed other than in accordance with these instructions.

9. Forms of proxy, powers of attorney or any other authority appointing a proxy shall be deposited at the transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001, South Africa (or posted to PO Box 61051, Marshalltown 2107, South Africa) (or faxed to the Proxy Department +27 11 688 5238) so as to be received not later than 11:00, South African time, on Wednesday, 1 December 2010 (in respect of the meeting) or 48 hours, excluding Saturdays, Sundays and public holidays, before the time appointed for holding of any adjourned meeting.

10. No form of proxy shall be valid after the expiration of six months from the date when it was signed except at an adjourned meeting in cases where the meeting was originally held within six months from the aforesaid date.

Contact details

African Rainbow Minerals Limited
Registration number: 1933/004580/06
Incorporated in the Republic of South Africa
ISIN: ZAE 000054045

Registered and corporate office
ARM House
29 Impala Road
Chislehurston
Sandton
2196

PO Box 786136, Sandton, 2146

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

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

New business development
Stompie Shiels
Telephone: +27 11 779 1476
Fax: +27 11 779 1312
E-mail: stompie.shiels@arm.co.za

Investor relations
Jongisa Klaas
Head of Investor Relations and Corporate Development
Telephone: +27 11 779 1507
Fax: +27 11 779 1312
E-mail: jongisa.klaas@arm.co.za

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

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

Auditors
External auditors
Ernst & Young Incorporated
Internal auditors
KPMG

Bankers
ABSA Bank Limited
FirstRand Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited

Sponsors
Deutsche Securities SA (Proprietary) Limited

Transfer secretaries
Computershare Investor Services (Pty) Limited
Ground Floor, 70 Marshall Street
Johannesburg 2001

PO Box 61051, Marshalltown, 2107

Telephone: +27 11 370 5000
Fax: +27 11 688 5222
E-mail: web.queries@computershare.co.za
Website: http://www.computershare.co.za

Directors

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

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

Forward-looking statements

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

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