EXECUTIVE CHAIRMAN'S REPORT

PATRICE MOTSEPE

OVERVIEW

After a few years of persistent headwinds in the global mining industry, the 2017 financial year (F2017) was characterised by an improved outlook as US Dollar prices for the commodities that ARM produces increased relative to the previous financial year.

The higher US Dollar prices contributed significantly to the 204% increase in headline earnings reported for F2017 despite being partially offset by a 6% strengthening of the South African Rand against the US Dollar. Headline earnings were R3.2 billion compared to R1.1 billion in F2016.

Throughout the commodity markets downturn over the past few years, ARM continued to pay dividends. In the year under review, an eleventh annual consecutive dividend of R6.50 per share was declared. This is an increase of 189% compared to the previous financial year's dividend and is the highest dividend to date.

Despite improved commodity prices, we continued to focus on proactively managing those factors which are within management's control. These include:

> maintaining a safe and healthy work environment;
> restructuring loss-making operations;
> improving operational efficiencies and containing unit cost increases;
> focussing on the efficient allocation of capital;
> improving our financial position;
> partnering and investing in our employees;
> improving our relationship with key stakeholders; and
> ensuring that we remain responsible stewards of our environmental resources.

MAINTAINING A SAFE AND HEALTHY WORK ENVIRONMENT

We are proud to report that there were no fatalities at any of our operations in F2017, resulting in ARM being fatality-free for two consecutive financial years.

The Company's Lost Time Injury Frequency Rate (LTIFR) improved by 14% from 0.32 per 200 000 man-hours in F2016 to 0.28 per 200 000 man-hours in F2017.

Safety-related stoppages (i.e. section 54 Notices) reduced to 21 from 28 in F2016. This improvement was achieved through increased discipline at all our operations and collaboration with the Department of Mineral Resources (DMR) to improve our adherence to safety standards.

OPERATIONAL REVIEW

The CEO's Report deals with ARM's operational performances in greater detail and I will therefore review our operations in broad terms.

RESTRUCTURING LOSS-MAKING OPERATIONS

During F2017 the businesses that we primarily focussed on for restructuring included the Lubambe, Nkomati and Modikwa mines as well as ARM Coal.

Lubambe Mine

On 15 August 2017, ARM announced that an agreement had been concluded for the disposal of ARM and Vale's 80% interest in Lubambe Mine to EMR Capital for a consideration of US$97 million. The disposal included the equity holding and loans to Lubambe Mine. Completion of the sale is subject to the fulfilment of conditions precedent which are expected to be concluded within six months of the signature date.

Nkomati Mine

Nkomati Mine contributed headline earnings of R91 million mainly due to improved chrome prices. Waste stripping was curtailed because of the low nickel price and is currently being accelerated in order to open up ore reserves to gain increased mining flexibility. Work is also being done to stabilise the pile wall on the Western Section of the mine. The Eastern Section of the pit has lower grade ore resulting in a reduction in the forecasted production volumes for the next three years.

Nkomati Mine is expected to return to production volumes of 18 500 tonnes per annum from the 2021 financial year.

We are concerned about the outlook for nickel prices in the short-term, but remain positive on the medium- to long-term outlook. The mine is implementing a number of initiatives to minimise funding requirements from partners in this low nickel price environment.

Modikwa Mine

Modikwa Mine's headline loss reduced by 21% to R66 million (F2016: R84 million). PGMs produced at the mine increased by 3% as the head grade and plant recoveries improved. Unit costs per PGM ounce increased at a rate below the inflation rate of 3%. Despite these improvements, Modikwa Mine is likely to continue requiring funding support from the partners for a portion of its sustaining capital expenditure.

Interventions are under way to improve the mine's profitability and cash flow generation. These include the cessation of mining in areas that are producing at a loss.

In the fourth quarter of F2017 Modikwa Mine reported improvements in tonnes milled, production volumes and unit costs. This positions the mine well for the coming financial year. Unit production costs for the quarter were R1 174 per tonne milled, compared to an average of R1 265 per tonne milled reported for F2017.

ARM and Anglo Platinum are committed to ensuring that the expenditure on capital is efficient and to return the operation to profitability.

ARM Coal

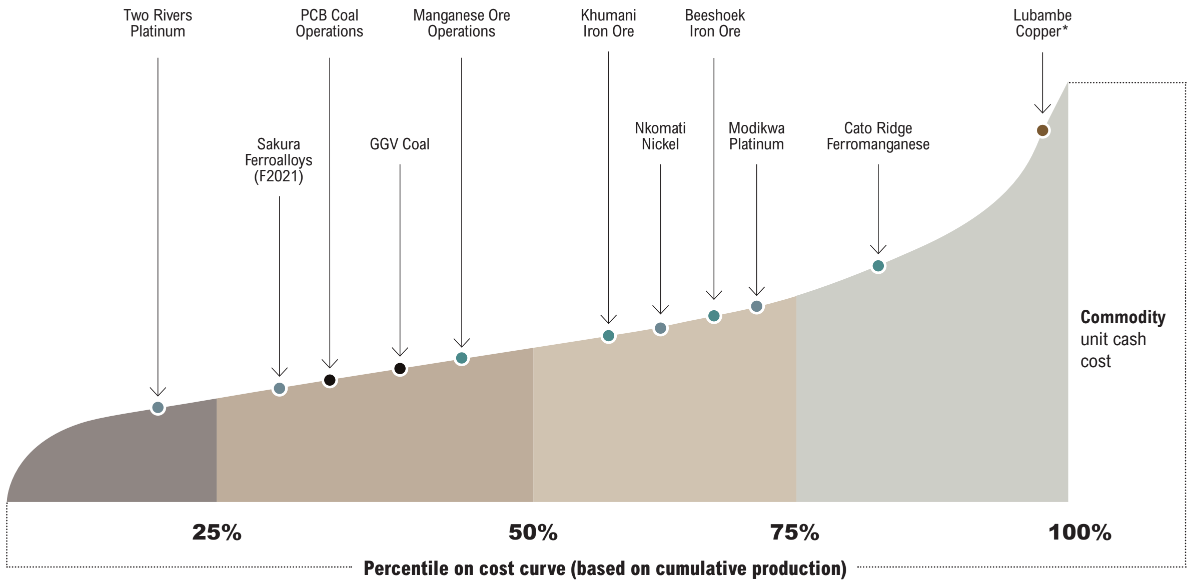
ARM and Glencore Operations South Africa are in discussions concerning the restructuring of the ARM Coal partner loans to improve ARM's debt obligations in terms of these loans.

IMPROVING OPERATIONAL EFFICIENCIES AND CONTAINING UNIT COST INCREASES

Positioning all operations below the 50th percentile of the respective global commodity unit cost curves, remains a key part of ARM's strategy.

EXECUTIVE CHAIRMAN'S REPORT continued

ARM'S OBJECTIVE IS TO ENSURE THAT ALL OPERATIONS ARE BELOW THE 50th PERCENTILE



* *ARM announced on 15 August 2017 that an agreement has been concluded for the disposal of ARM's 40% effective interest in the Lubambe Mine and Extension Area.*

In the financial year under review a number of ARM's operations moved up the global unit cost curves, as per the diagram above. These are; the Khumani, Beeshoek, Nkomati, Modikwa and Lubambe mines, as well as Cato Ridge Works.

Khumani and Beeshoek mines: Despite the iron ore operations achieving unit cost increases below inflation in F2017, Khumani and Beeshoek Mine moved to the right of the global iron ore unit cost curve (which is based on, all-in cash costs including sustaining capital expenditure on a 62% fines adjusted basis). The move to the right was mainly as a result of a flattening of the global iron ore unit cost curve as new low cost production from the major iron ore producers ramped up.

Even at the current cost curve position the iron ore operations remained very profitable delivering an EBITDA margin of 45%. Khumani Mine realised premiums for the lumpy and high iron ore content that it sells.

Nkomati Mine: Nkomati Mine is expected to remain positioned above the 50th percentile of the global nickel unit cost curve (which is based on a C1 unit cash costs net of by-products) during the three-year period of reduced production volumes, as discussed earlier in this report. When the mine ramps back up to 18 500 tonnes per annum its position is expected to improve to the 50th percentile of the F2021 global nickel unit cost curve.

Modikwa Mine: In F2017 Modikwa Mine improved to be positioned below the 75th percentile. The global PGM unit cost curve has flattened in recent years. Consequently, incremental unit cost improvements at Modikwa Mine (such as those achieved in the fourth quarter of F2017) are expected to further improve the mine's position on the global PGM unit cost curve.

Lubambe Mine: Lubambe Mine continues to be positioned well above the 50th percentile of the global copper unit cost curve. An agreement for the disposal of Lubambe Mine has been concluded as discussed earlier in this report.

Cato Ridge Works: ARM and Assore are currently reviewing their strategy for the local manganese alloy production.

Only three of the six furnaces at Cato Ridge Works are operating, owing to the high cost of production at this operation.

IMPROVING OUR FINANCIAL POSITION

The cash dividend received from Assmang increased from R875 million in F2016 to R2 488 million in F2017. This, along with other cash generated, enabled ARM to fully repay its corporate revolving credit facility and reduce the overdraft and short-term borrowings. The net debt improved from R4 235 million at 30 June 2016 to R1 271 million as at 30 June 2017.

The ARM Ferrous attributable cash and cash equivalents balance (which is excluded from the net debt calculation) was R3 165 million at 30 June 2017 (F2016: R2 399 million).

PARTNERING AND INVESTING IN OUR EMPLOYEES

Our employees are crucial to our ability to create sustainable value for all our stakeholders. We continued to build on the good relationships we have with our employees and the trade unions that represent them through open and honest engagement.

There are approximately 24 100 employees at the ARM operations (F2016: 23 128). Employee turnover based on full time employees leaving was only 1.1% for F2017 (F2016: 15%).

Investment in our workforce through skills development and particularly in relation to the skills that our employees require to be more efficient and competitive was maintained at R180 million in F2017 (F2016: R184 million).

Over the years ARM has invested, across all our operations, in a range of initiatives that support youth and women development. These initiatives include, amongst others, community cadetship training, Science, Technology, Engineering and Mathematics (STEM) programmes, learnerships and a graduate development programme. The initiatives increase the pool of future industry skills, especially amongst members from historically disadvantaged communities.

It is pleasing that our efforts of creating an inclusive and transformed workforce are bearing fruit as 55% of our senior management are historically disadvantaged South Africans.

We believe that an inclusive and representative workforce greatly benefits and enriches our company and our country.

IMPROVING OUR RELATIONSHIP WITH KEY STAKEHOLDERS

We are committed to develop and to improve the living conditions of the residents living at our host communities through *inter alia*; various Corporate Social Investment (CSI), Local Economic Development (LED) and Social and Labour Plan (SLP) initiatives and projects. These initiatives prioritise women, youth, historically disadvantaged persons and people living with disabilities or HIV and Aids.

During F2017, R115 million was invested through our CSI, LED and SLP projects (F2016: R106 million).

We also contribute to the broader upliftment and development of poor and historically disadvantaged communities in South Africa through the ARM Broad-Based Economic Empowerment Trust (ARM BBEE Trust), which works in close collaboration with local communities, traditional leaders and other stakeholders.

Since inception beneficiaries of the ARM BBEE Trust have received approximately R134 million. These funds were used for education, water, health, farming and various other rural development projects throughout South Africa and have also benefitted particularly the youth and women.

ENSURING THAT WE REMAIN RESPONSIBLE STEWARDS OF OUR ENVIRONMENTAL RESOURCES

We are committed to being responsible stewards of the environmental resources in the areas where we mine.

ARM is also committed to applying global good practice and our approach to managing our environment is in line with the principles of the Sustainable Development Framework of the International Council on Mining and Metals (ICMM) of which we are a member.

We have introduced initiatives that are focussed on the efficient and responsible use of water, the efficient utilisation of energy and the reduction of carbon emissions.

Further details on our environmental management programmes are included in the operational reviews for each division and in the 2017 Sustainability Report.

THE SOUTH AFRICAN MINING INDUSTRY

The mining industry remains a key part of the South African economy. It is significant to the country's economic growth and sustainable development. It contributes to the fiscus and to the country's balance of payments. It creates direct and indirect employment for several hundred thousand South Africans. It also creates opportunities for SMME's (Small, Medium and Micro Enterprises) through preferential procurement, supplier development and enterprise development.

Despite the current challenges of low business confidence, job losses and the disagreement between the government and the Chamber of Mines on the Mining Charter; all parties and stakeholders recognise that it is critically important that the legal, regulatory, tax and overall governing dispensation of the mining industry continue to be globally competitive and attractive for private and foreign investment.

We are committed to working with government, labour, our host communities and other stakeholders to ensure that the South African mining industry advances the interests and benefits all stakeholders.

RECOGNITION

I would like to extend my gratitude to our shareholders, employees and their representative organisations, host communities and to all our other stakeholders for their support and co-operation.

I am also grateful to our world-class management team and staff and for the good leadership that Mike Schmidt continues to provide.

Finally, I would like to thank each and every director for their invaluable guidance and contribution to the board.

We are confident about the future of ARM and are committed to ensuring that it continues to be a globally competitive company, that benefits all its stakeholders.

Patrice Motsepe
Executive Chairman

10 October 2017

CHIEF EXECUTIVE OFFICER'S REPORT

MIKE SCHMIDT

INTRODUCTION

ARM is pleased to report a 204% increase in headline earnings for the year ended 30 June 2017. All the operational divisions reported an improvement in their headline earnings contribution as follows:

HEADLINE EARNINGS/(LOSS) BY OPERATION/DIVISION

	12 months ended 30 June		
	2017	Re-presented 2016	% change
ARM Platinum	**350**	(10)	>200
Two Rivers Mine	**325**	318	2
Modikwa Mine	**(66)**	(84)	21
Nkomati Mine	**91**	(244)	137
ARM Ferrous	**3 709**	1 441	157
Iron ore division	**2 187**	1 215	80
Manganese division	**1 161**	198	>200
Chrome division	**375**	55	>200
Consolidation adjustment	**(14)**	(27)	
ARM Coal	**82**	(297)	128
GGV Mine	**(99)**	(87)	(14)
PCB Operations	**181**	(210)	186
ARM Copper*	**(203)**	(361)	44
ARM Strategic Services and Exploration	**(28)**	(23)	(22)
Gold	**64**	–	
Corporate and other*	**(778)**	301	(>200)
Total headline earnings	**3 196**	1 051	>200

* *Following the announcement of the disposal of ARM's interest in Lubambe Mine, the operation has been classified as held for sale at 30 June 2017, in terms of IFRS. As such intercompany interest accrued to ARM Company from Lubambe Mine of R219 million (F2016: R194 million) has been eliminated from both the ARM Copper and Corporate and other segments.*

OPERATING IN A SAFE AND RESPONSIBLE MANNER

Our focus and commitment to safety remains resolute and uncompromising. We are pleased with the results yielded by our continuing efforts to improve our safety performance. In the year under review, both the Ferrous and Platinum divisions achieved their lowest LTIFR to date of 0.17 and 0.38 per 200 000 man-hours, respectively.

Other safety achievements in F2017 included:

> Beeshoek Mine completed 15 000 fatality-free production shifts in November 2016;
> Black Rock Mine completed five million fatality-free shifts in October 2016 and received an award from the DMR as the safest underground mine in the Northern Cape region;
> Khumani Mine achieved one million fatality-free shifts at the beginning of December 2016;
> Modikwa Mine achieved four million fatality-free shifts in July 2017; and
> Nkomati Mine achieved a full financial year without a lost time injury.

ARM PLATINUM

ARM Platinum headline earnings improved by R360 million as each operation in the division improved its contribution to earnings. The higher headline earnings were driven mainly by increased US Dollar PGM, nickel and most significantly chrome concentrate prices which were partially offset by a strengthening of the Rand against the US Dollar.

Production volumes at Modikwa Mine were 3% higher as an increase in head grade and concentrator recoveries negated the lower milled tonnes. Unit production costs per PGM ounce at Modikwa Mine were well controlled with the mine achieving below inflation unit cost increases for a second consecutive financial year.

Production volumes at Two Rivers and Nkomati mines were lower, impacted by various operational challenges.

PGM production at Two Rivers Mine was 3% lower at 390 214 ounces 6E PGMs as the complexity in the ore body resulted in lower mined grades. The ore body South of the main shaft historically indicated a decline in grades which have been intersected sooner than expected due to split reef.

As a result of the lower volumes, Two Rivers Mine's unit production costs on a Rand per 6E ounce increased by 10%. A number of initiatives are being implemented to improve the head grade including undercutting of the lower grade ore and scalping of waste rock on surface.

Two Rivers Mine has received consent from the DMR to transfer the Tamboti rights to it, and to have the Tamboti rights incorporated into its mining right. The addition of the Tamboti right to the Two Rivers mining area will result in the deepening of the main decline and is expected to contribute to an improved head grade.

Production at Nkomati Mine was negatively affected by poor mining efficiencies in the first half of the year and the construction of a second pile wall to achieve slope stability on the Western perimeter of the open pit. Consequently, Nkomati Mine's C1 unit cash costs increased by 15% to US$4.81/lb.

As discussed in the Executive Chairman's report, Nkomati Mine's production is expected to improve to 18 500 tonnes per annum from F2021 onwards.

ARM FERROUS

ARM Ferrous' headline earnings increased by 157% to R3 709 million as iron ore, manganese ore and manganese alloy prices recovered. The Ferrous operations were able to deliver into this improved price environment realising average US Dollar prices for export iron ore that were 45% better than F2016. Average realised US Dollar prices for export manganese ore were 93% higher than F2016.

In addition to improved realised prices, disciplined unit production cost containment and increased volumes at the iron ore and manganese alloy operations also contributed to higher earnings.

The high quality iron ore and manganese ore produced by ARM Ferrous was a key differentiating factor.

Index premiums for lumpy iron ore increased from a low of US$1 per tonne in January 2017 to approximately US$13 per tonne by the end of the F2017, while the premium for higher iron content iron ore (as measured by the index price differential between 62% iron ore fines and 58% iron ore fines delivered in China) increased by 96% in the period under review. 60% of Khumani Mine's export sales volumes were lumpy iron ore with an average iron content of 65%.

Premiums for higher manganese content also increased in F2017.

Fiscal and environmental policies in China, particularly those addressing pollution control, are expected to continue supporting premiums for high quality product as the Chinese government implements cuts to outdated and inefficient steel production capacity.

The Black Rock Project, which is expected to ramp up manganese ore production from the current 3 million tonnes to 4 million tonnes per annum by F2020 (subject to market conditions and the availability of rail capacity) positions ARM Ferrous well to deliver into this increased demand for high quality manganese ore. We are pleased too with the successful commissioning of the Sakura Ferroalloys Project. Both furnaces at Sakura are now producing high-carbon ferromanganese and are exceeding design capacity at 230 000 tonnes per annum.

CHIEF EXECUTIVE OFFICER'S REPORT continued

ARM COAL

ARM Coal headline earnings of R82 million in F2017 were a significant turnaround from the headline loss of R297 million reported in F2016. The improvement was mainly attributable to the PCB operations which contributed R181 million headline earnings (F2016: R210 million headline loss).

The Goedgevonden (GGV) Mine continued to be loss-making as additional expenditure to improve in-pit inventory levels and saleable production resulted in on-mine saleable production unit costs increasing by 35% as waste stripping was accelerated. Most of GGV Mine's operational issues have been addressed with the mine's unit production costs expected to improve going forward.

The ARM Coal operations are now in steady state and the objective of changing to large-scale, low-cost opencast mines has been successfully achieved. GGV Mine and the PCB operations are currently positioned well below the 50th percentile of the thermal coal global unit cost curve. Restructuring of ARM Coal's debt, as discussed in the Executive Chairman's report, is expected to improve ARM's debt obligations in terms of these loans.

ARM COPPER

The ARM Copper headline loss improved by 44% from R361 million to R203 million mainly due to improved realised copper prices which were offset by lower sales volumes. The decrease in volumes was in line with a decision taken in F2016 to reduce tonnes milled to 80 000 tonnes a month in order to minimise cash requirements and preserve Lubambe Mine's reserves. Despite the lower sales volumes, Lubambe Mine's C1 unit cash costs increased below inflation at only 2% from US2.41/lb in F2016 to US$2.45 per pound of copper produced.

The disposal of ARM's interest in Lubambe as discussed in the Executive Chairman's report is expected to be completed within six months from the signature date.

LOOKING AHEAD

While higher average realised US Dollar commodity prices certainly contributed positively to the F2017 results, commodity price and exchange rate volatility remains high. In this uncertain environment we continue to focus on restructuring the loss-making operations and those that require shareholder funding. Cost containment to ensure that all our operations are positioned below the 50th percentile of the respective cost commodity curves remains a key part of our strategy.

We remain prudent with capital to ensure that funding is only applied to projects that are expected to provide satisfactory returns.

ARM remains confident of the long-term outlook for our commodities. Supported by a robust financial position, ARM continues to assess quality growth opportunities both internally and through mergers and acquisitions and new joint venture partnerships.

CONCLUSION

As we navigate ever-changing global commodity markets, we continue to adhere to our "We do it better" management style to build a more efficient and resilient business that creates long-term value and benefit for all our stakeholders. The hard work and commitment of our employees is the very foundation of our ability to achieve this. I would therefore like to thank each and every employee for their contribution. I extend heartfelt gratitude to our stakeholders and joint venture partners for their continued support during the year.

Finally, I would like to convey my sincere appreciation to our Executive Chairman and the Board for their guidance and support in the past year.

Mike Schmidt
Chief Executive Officer

10 October 2017