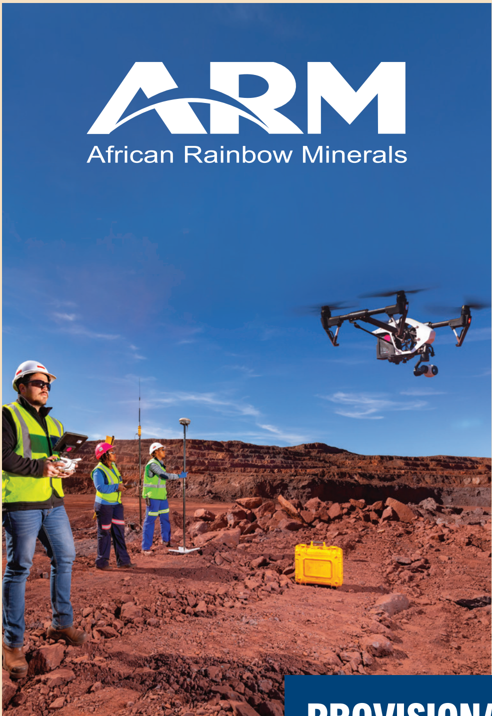
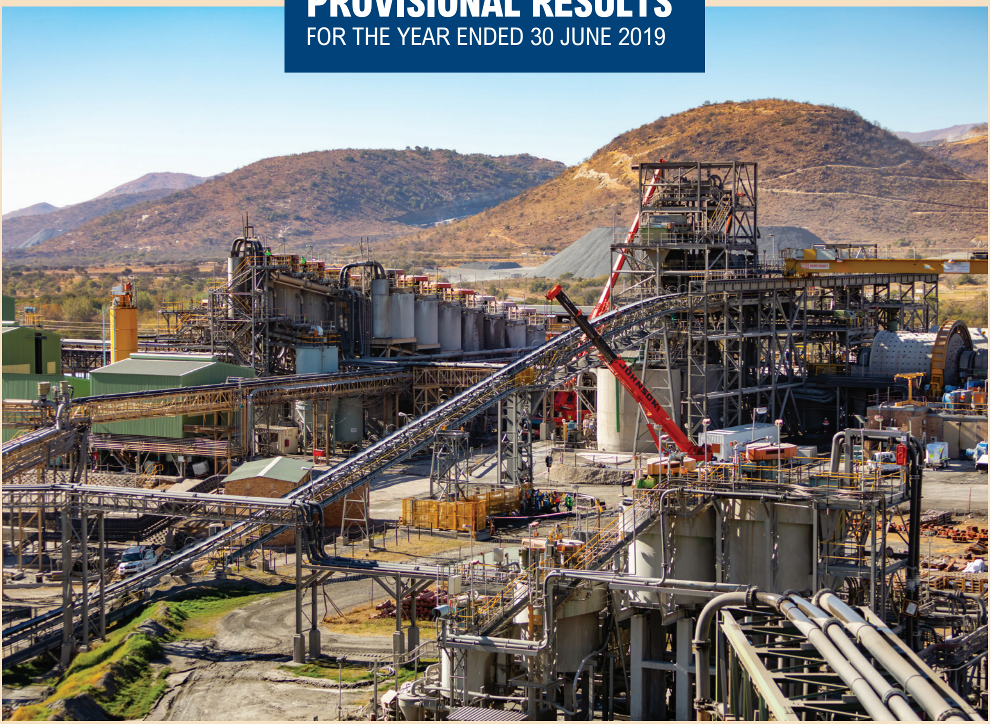
ARM
African Rainbow Minerals



PROVISIONAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2019



Shareholder information

Issued share capital at 30 June 2019	222 008 324 shares
Market capitalisation at 30 June 2019	ZAR40.4 billion
Market capitalisation at 30 June 2019	US$2.9 billion
Closing share price at 30 June 2019	R182.17
12-month high (1 July 2018 – 30 June 2019)	R187.99
12-month low (1 July 2018 – 30 June 2019)	R106.80
Average daily volume traded for the 12 months	570 404 shares
Primary listing	JSE Limited
JSE Share Code	ARI
ADR ticker symbol	AFRBY

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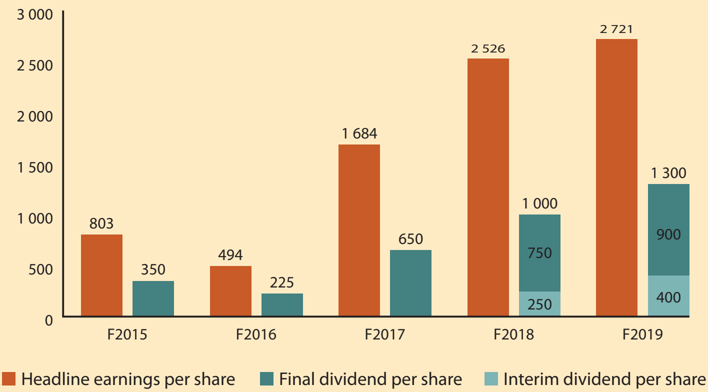
Salient features

- Headline earnings increased by 9% to R5 226 million or R27.18 per share (F2018: R4 814 million or R25.26 per share).
- The iron ore division delivered a 103% increase in headline earnings to R3 397 million (F2018: R1 672 million).
- Basic earnings were R3 554 million (F2018: R4 562 million) and include attributable impairments (after tax) of the Nkomati Mine and Sakura Ferroalloys of R1 070 million and R507 million, respectively.
- A final dividend of 900 cents was declared. An interim dividend of 400 cents per share was paid in April 2019 bringing the total dividend for F2019 to 1 300 cents per share (F2018: 1 000 cents per share).
- ARM received dividends of R3 315 million for F2019 (F2018: R3 000 million) from Assmang.
- A robust financial position was maintained with consolidated net cash increasing by R1 606 million to R2 601 million (R995 million at 30 June 2018).
- An agreement to scale down the loss-making Nkomati Mine was reached by the joint venture partners. Engagements with affected stakeholders are under way.

Headline earnings and dividends per share
(cents)



Results overview

Safety

ARM is committed to creating and maintaining a safe work environment for all employees. Despite our initiatives and determination to achieve the target of zero harm, an employee, Mr Thomas Maluleke was fatally injured in a fall of ground accident at Modikwa Mine on 27 March 2019. The ARM Board of Directors (the Board) and the management team extend sincere condolences to the family, friends and colleagues of Mr Maluleke.

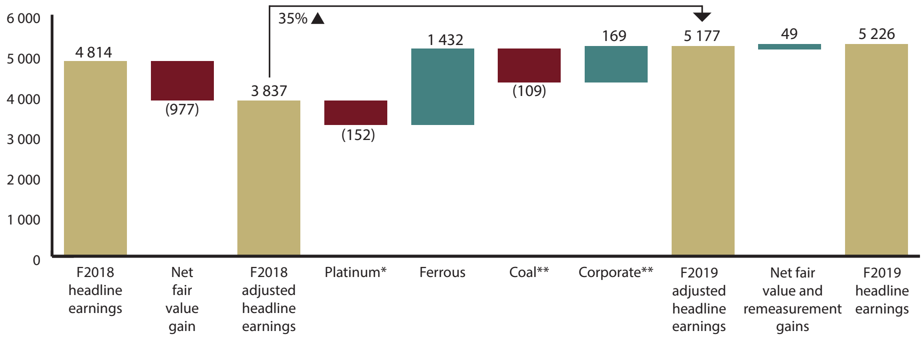
The number of lost time injuries across our directly or jointly managed operations reduced marginally from 91 to 90 in F2019 while the number of reportable injuries increased from 68 to 76. A Lost Time Injury Frequency Rate (LTIFR) of 0.42 per 200 000 man-hours was reported for the financial year under review (F2018: 0.38 per 200 000 man-hours).

Safety figures and statistics are reported only for the operations where ARM has direct or joint management and therefore do not include the ARM Coal and Sakura Ferroalloy operations. Reported safety figures and statistics are on a 100% basis.

Financial performance

Headline earnings increased by 9% to R5 226 million or R27.18 per share in F2019 (F2018: R4 814 million or R25.26 per share) driven mainly by higher headline earnings delivered by the iron ore and Two Rivers operations. The F2018 headline earnings included a net fair value gain of R977 million while the F2019 headline earnings include net fair value and re-measurement gains of R49 million. Excluding the net fair value and re-measurement gains, the F2019 adjusted headline earnings are up by 35%.

Analysis of headline earnings (%)



* *Modikwa Mine's F2019 headline earnings include a fair value loss of R156 million (net of non-controlling interest and tax) on the re-measurement of mostly inter-company loans in accordance with new IFRS 9 accounting standard which became effective for ARM from 1 July 2018. This fair value gain is partly eliminated at the ARM Corporate and other segment with a R19 million net gain effect on the group consolidated headline earnings.*

** *F2019 includes a re-measurement gain on the ARM Coal loans which were restructured in F2018 of R245 million. R215 million of this fair value gain is eliminated at the ARM Corporate and other level. In F2018 (when the loans were restructured) a fair value gain of R1 210 million was included in ARM Coal and R233 million loss in the ARM Corporate and other segment.*

Segmental earnings before interest, tax, depreciation and amortisation (EBITDA) were 16% higher at R9 336 million (F2018: R8 024 million).

ARM continued to benefit from its portfolio diversification as lower US Dollar prices for manganese ore, manganese alloy, platinum, nickel and thermal coal were more than offset by higher US Dollar prices in iron ore, palladium and rhodium. The average realised Rand/US Dollar weakened by 11% during F2019 to R14.19/US$ (F2018: R12.84/US$). For reporting purposes, the closing exchange rate was R14.09/US$ (30 June 2018: R13.72/US$)

ARM Ferrous – Headline earnings increased by 41% to R4 960 million (F2018: R3 528 million) as the iron ore division delivered a 103% increase. Iron ore prices were high in the financial year under review with the index price for 62% Fe iron ore fines CIF North China increasing from US$64.45/t in July 2018 to close at US$116.35/t at the end of June 2019. Concurrently, lump premiums increased by 9% over the financial year. A combination of higher fines prices, increased lump premiums and a higher lump to fines ratio in sales volumes resulted in average realised iron ore prices increasing by 34% (on an FOB equivalent basis). On-mine unit production costs at the iron ore operations increased by 8%.

Headline earnings in the manganese division were 15% lower mainly due to reduced profitability at the manganese alloy operations owing to lower manganese alloy prices and high input costs (particularly for manganese ore and reductants).

ARM Platinum – Headline earnings declined by 73%. Two Rivers Mine delivered a 5% increase in headline earnings benefitting from an increase in the Rand PGM basket price which was partially offset by lower sales volumes. Two Rivers Mine continues to be impacted by lower head grades. Initiatives to improve the PGM volumes at Two Rivers Mine are being considered, including installation of additional milling capacity. An addition of approximately 40 thousand tonnes per month of milling capacity to the Two Rivers Mine plant would result in an increase of PGM production volumes to approximately 380 thousand 6E PGMs per annum.

Modikwa Mine headline earnings remained flat at R105 million. Although Modikwa also benefitted from higher PGM prices, reported headline earnings were negatively impacted by a R156 million fair value loss on intercompany loans in accordance with new International Financial Reporting Standards (IFRS) 9. This loss is partially eliminated in ARM Company with a R19 million net gain effect on the group consolidated earnings. EBITDA at Modikwa Mine was 34% higher at R327 million (F2018: R244 million).

Nkomati Mine reported a headline loss of R315 million impacted by an increase in unit production costs and a R130 million negative mark-to-market adjustment as the nickel price reduced to US$12 675/t at 30 June 2019. An agreement was reached by the joint venture partners to scale down production at the loss-making Nkomati Mine and place the mine on care and maintenance from September 2020 in preparation for closure.

ARM Coal – Headline earnings were R411 million including a loan re-measurement gain of R245 million. The corresponding financial year headline earnings of R1 485 million included a fair value gain of R1 210 million on restructuring of the ARM Coal loans. Excluding the re-measurement/ fair value gains, GGV Mine recorded a headline loss of R53 million in F2019 (F2018: R33 million headline loss) while the PCB operations recorded headline earnings of R219 million (F2018: R308 million).

The ***ARM Corporate and other*** headline loss of R257 million is R356 million lower than the R613 million reported in F2018. This is mainly due to higher fee income (R130 million); lower unrealised foreign exchange losses (R70 million), lower taxes (R113 million) and an intercompany loan re-measurement gain on the ARM Mining Consortium loan (R175 million). These were partially offset by a higher bonus provision (R35 million), Machadodorp Works expenses now included in the Corporate and other segment (R39 million) and intercompany loan re-measurement loss on the ARM Coal loans of R215 million (F2018: R233 million loss).

Headline earnings/(loss) by operation/division

R million	Reviewed 2019	Audited 2018	% change
	12 months ended 30 June		
ARM Platinum	**112**	420	(73)
Two Rivers Mine	**322**	306	5
Modikwa Mine*	**105**	105	–
Nkomati Mine	**(315)**	9	
ARM Ferrous	**4 960**	3 528	41
Iron ore division	**3 397**	1 672	103
Manganese division	**1 611**	1 904	(15)
Chrome division**	**(3)**	(21)	86
Consolidation adjustment	**(45)**	(27)	(67)
ARM Coal* **	**411**	1 485	(72)
Goedgevonden Mine	**137**	852	(84)
PCB operations	**274**	633	(57)
ARM Copper******	**–**	(6)	
ARM Corporate and other	**(257)**	(613)	139
Headline earnings	**5 226**	4 814	9
Headline earnings from continuing operations	**5 226**	4 820	8
Headline loss from discontinued operations	**–**	(6)	

* *Modikwa Mine's F2019 headline earnings include a fair value loss of R156 million (net of non-controlling interest and tax) on the re-measurement of mostly inter-company loans in accordance with new IFRS 9 accounting standard which became effective for ARM from 1 July 2018. This fair value loss is partly eliminated at the ARM Corporate and other segment with a R19 million gain effect on the group consolidated headline earnings.*

** *In F2018 the Chrome Division comprised of Machadodorp Works where slag was being processed to produce ferrochrome. Machadodorp Works was sold to ARM in F2019 and is now included in ARM Corporate and other segment from 1 March 2019.*

*** *The F2019 headline earnings include a R245 million re-measurement gain on the ARM Coal loans which were restructured in F2018. R215 million of this fair value gain is eliminated in the ARM Corporate and other segment. In F2018 (when the loans were restructured) a fair value gain of R1 210 million was included in the ARM Coal headline earnings and a R233 million fair value loss was included in the ARM Corporate and other segment.*

**** *ARM Copper comprised Lubambe Mine which was sold in F2018.*

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

The provisional results for the financial year ended 30 June 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the disclosures are in accordance with IAS 34: Interim Financial Reporting.

Rounding of figures may result in minor computational discrepancies on the tabulations

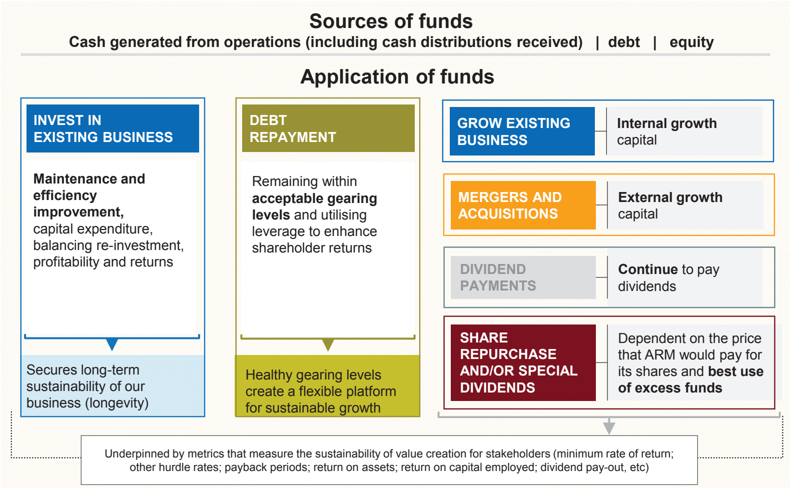
Basic earnings for the financial year were R3 554 million (F2018: R4 562 million) and include amongst others the following attributable impairments:

- Nkomati Mine assets of R1 070 million after tax;
- Sakura Ferroalloys assets and investment (included in the equity-accounted Assmang joint venture) of R507 million after tax; and
- Goodwill recognised on the acquisition of Machadodorp Works of R146 million with no tax effect.

Additional special items are discussed in more detail on note 9 to the financial statements and a reconciliation of basic earnings to headline earnings is provided in note 10 to the financial statements.

The detailed and expanded segmental contribution analysis is provided in note 2 to the financial statements.

Allocation of capital

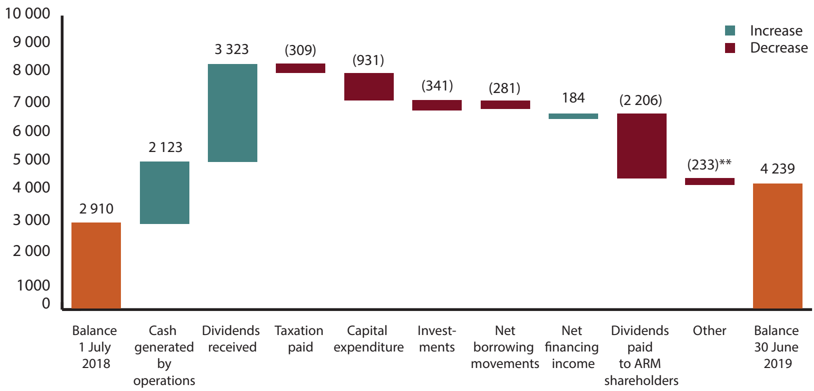


Sources of funds: Cash

Cash generated from operations increased by R189 million to R2 123 million (F2018: R1 934 million) after a R555 million increase in working capital requirements (F2018: R517 million increase). The cash dividends received from the Assmang joint venture amounted to R3 315 million (F2018: R3 000 million).

At 30 June 2019 net cash and cash equivalents (i.e. cash and cash equivalents less overdrafts) amounted to R4 239 million (30 June 2018: R2 910 million). This excludes the attributable cash and cash equivalents held at ARM Ferrous (50% of Assmang) of R3 053 million (30 June 2018: R2 507 million).

Analysis of movements in net cash and cash equivalents (R million)*



* *Cash and cash equivalents including overdrafts.*

** *Includes dividends paid to Impala Platinum Mine from Two Rivers Mine.*

Application of funds: Investing in existing business

Capital expenditure cash flow for the period was R931 million all of which related to sustaining capital. The 19% reduction in capital expenditure cash flow was mainly as a result of lower capitalised waste stripping at Nkomati Mine.

Net cash outflow from investing activities was R1 271 million (F2018: R381 million) and included the acquisition of Machadodorp Works for R130 million and ARM's R211 million participation in a Harmony rights issue (F2018: included proceeds from disposal of Lubambe Mine of R741 million). R17 million of the Machadodorp Works acquisition was refunded to ARM after the reporting date when the purchase price was finalised. As such the final acquisition price was R113 million.

The consolidated ARM total assets of R37 billion (F2018: R34 billion) include ARM's investment in Harmony which was R2 370 million at 30 June 2019 (30 June 2018: R1 351 million). Harmony's share price was R31.74 per share at 30 June 2019 (30 June 2018: R21.22 per share).

Application of funds: Repayment of debt

Total borrowings repaid were R595 million (F2018: R878 million). The decrease in total borrowings is largely due to repayments on the ARM Coal debt post the restructuring in F2018.

There was no debt at ARM Ferrous in either of the two reporting periods.

Gross debt at 30 June 2019 was R2 031 million (30 June 2018: R2 296 million).

Application of funds: Return to shareholders

A final dividend of 900 cents per share was declared for F2019 in addition to a 400 cents per share interim dividend paid in April 2019 bringing the total dividend for F2019 to 1 300 cents per share.

Dividends paid to ARM shareholders in F2019 include R1 433 million paid in October 2018 as a final dividend for F2018 and R773 million paid in April 2019 for the F2019 interim dividend bringing the total dividend paid in F2019 to R2 206 million.

ARM has updated its dividend declaration guiding principles to include a formula in determining dividends. ARM will aim to pay ordinary dividends to shareholders equal to approximately 40-70% of annual dividends received from its group companies.

Dividends remain at the discretion of the Board of Directors and will take into account the Company's capital allocation principles as well as other relevant factors such as financial performance, commodities outlook, investment opportunities, gearing levels as well as solvency and liquidity requirements of the Companies Act.

ARM will aim to pay an interim and a final dividend. The weighting between the interim and final dividends is likely to result in the final dividend being higher than the interim dividend.

Where appropriate, the Board will consider supplementing ordinary dividends with special dividends. ARM will not borrow funds to pay dividends.

Corporate actions

Nkomati Mine decision

After evaluation of numerous scenarios for the future of Nkomati Mine, it has become clear in the current market environment, that Nkomati Mine has reached the end of its economic life. The joint venture partners have agreed to scale down production volumes and place the open-pit mine on care and maintenance effective from 30 September 2020 in preparation for closure. The Nkomati underground mine was placed on care and maintenance in December 2015.

Production volumes at the mine are expected to be approximately 14 thousand tonnes for the 2020 financial year.

Engagement with affected stakeholders including employees, representative unions, contractors, the Department of Minerals Resources (DMR) and host communities has commenced and is ongoing. Employees affected by the scale down will be supported throughout the process with counselling, financial planning support, outplacement services and reskilling as well as with skills development.

The mine's environmental responsibilities will be executed in line with the mine's Environmental Management Programme and all relevant statutory requirements. R206 million (on 100% basis) in restricted cash and guarantees has been provided for rehabilitation obligations. Final costs for rehabilitation will be assessed and finalised on completion of a technical assessment in this regard.

Acquisition of Machadodorp Works

ARM company acquired Assore's effective 50% interest in Machadodorp Works for R113 million to use existing infrastructure at the facility to explore alternative smelting technology for manganese, chrome and other ores.

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

Details of this acquisition are included in note 8 to the financial statements. The effective date of the purchase was 28 February 2019. Effective from the date of the purchase, Machadodorp Works is reported in the Corporate and other segment instead of the ARM Ferrous division.

Approval of silicosis settlement agreement

On Friday, 26 July 2019, the Johannesburg High Court approved the silicosis and tuberculosis (TB) class action settlement agreement concluded between the claimants' representatives and attorneys and the mining companies, including ARM, which companies are members of the Gold Working Group.

The High Court held that the terms of the settlement agreement were fair, reasonable and equitable, and the Court commended the parties for reaching the settlement.

In terms of the court order, class members must be given an opportunity to opt out of the settlement agreement if they do not accept the terms of the settlement. This means that class members who opt out, will not be entitled to any benefits under the settlement agreement, but they would retain the right to litigate personally or in another class action against the applicable mining company or companies if they wish to do so. If more than 2 000 class members opt out, the companies of the Gold Working Group have an election to abandon the settlement, and to continue defending the class action.

In respect of the liabilities of ARM arising from its obligations in terms of the settlement agreement, ARM has a financial provision of R319 million at 30 June 2019. This amount is estimated to cover payment of the class action legal costs of the claimants' attorneys, the costs of establishment and administration of a trust and payment of the initial and ongoing benefit contributions to this trust over a 13-year period. ARM has a contingency policy in this regard which covers environmental site liability and silicosis liability, with Guardrisk Insurance Company Limited ('Guardrisk'). In turn, Guardrisk has reinsured the specified risks with Mannequin Insurance PCC Limited – Cell AVL 18, Guernsey, which cell captive is held by ARM.

Refer to note 21 to the financial statements for further details.

Impairments

Nkomati Mine

An impairment charge of R1 166 million before tax (R892 million after tax) was recognised for Nkomati Mine in the first half of F2019, which impairment was largely as a result of:

- A decline in head grade, resulting in decreased metal output;
- An inability to generate sufficient cash for operational requirements; and
- An increase in production costs.

The reduction in the mine's economic life necessitated a further impairment charge at 30 June 2019, largely due to:

- The mine's inability to generate sufficient cash to meet operational requirements; and
- An increase in production costs.

ARM's attributable share of the additional impairment loss amounted to R178 million before and after tax, bringing the total attributable impairment charge for F2019 to R1 344 million before tax and R1 070 million after tax.

Machadodorp Works

On acquisition of Assore's effective 50% interest in Machadodorp Works (as discussed above) goodwill amounting to R146 million was recognised. The goodwill amount represents the excess paid above the fair value of the net assets acquired and liabilities assumed. It represented the benefit of ARM acquiring an existing and established facility to which ARM already has a 50% interest to explore alternative smelting technology (as opposed to building a new facility).

Since the exploratory work on the alternative smelting technologies is on-going, future economic benefits are not certain nor can they be reliably estimated or measured. As such, management reviewed the carrying value of the goodwill and concluded that an impairment charge for the full amount was appropriate at this stage. This impairment does not change management's view of the opportunities that are presented by the test work thus far.

Sakura

At 30 June 2019, total impairment charges of R1 013 million (gross amount: R1 013 million) was recognised relating to Sakura Ferroalloys. ARM's attributable share of the impairment loss amounted to R507 million after tax (gross amount: R507 million).

The impairment charge was largely due to a combination of:

- A decline in manganese alloys prices; and
- An increase in production costs resulting primarily from high manganese ore prices.

Refer to note 4 for further details on the above discussed impairment charges.

Changes to Mineral Resources and Mineral Reserves

There has been no material change to mineral resources and reserves as disclosed in the 2018 Integrated Annual Report for the previous financial year ended 30 June 2018, other than depletion due to continued mining activities at the operations with the exception of:

- Nkomati Mine, where the Mineral Reserves decreased materially from 83.56 million tonnes at a grade of 0.31% Ni (72.34 million tonnes in the open pit area and 11.22 million tonnes for the underground section) to 6.79 million tonnes at a grade of 0.30% Ni open pit Mineral Reserves due to the lower nickel price outlook, increased mining costs and increased waste stripping requirements that necessitated a change in the mine plan.
- The Measured and Indicated Mineral Resources for Nkomati Mine, however, marginally increased by 2% from 172.20 to 175.74 million tonnes at 0.35 % Ni mainly due to new geological information and updating of the Mineral Resource model.

An updated Mineral Resources and Mineral Reserves Statement will be issued in the Company's F2019 Integrated Annual Report.

Operational reviews

ARM Ferrous

ARM Ferrous headline earnings of R4 960 million were 41% higher compared to R3 528 million in F2018. This increase was mainly due to a 103% increase in headline earnings in the iron ore division driven by higher prices and a weaker average Rand/US Dollar exchange rate. Included in the iron ore division's revenue is a positive fair value adjustment of R793 million relating to open shipments as the iron ore prices rallied towards the end of the financial year. The final prices realised for these open shipments will depend on market prices in July to September 2019

Headline earnings for the manganese division were 15% lower mainly as a result of lower manganese alloy prices and higher production input costs.

ARM Ferrous headline earnings (on 100% basis)

	12 months ended 30 June		
R million	**Reviewed 2019**	Audited 2018	% change
Iron ore division	**6 795**	3 343	103
Manganese division	**3 221**	3 808	(15)
Chrome division*	**(5)**	(42)	88
Total	**10 011**	7 109	41
ARM share	**5 005**	3 555	41
Consolidation adjustments**	**(45)**	(27)	(67)
Headline earnings attributable to ARM	**4 960**	3 528	41

* *In F2018 the Chrome division was made up of processing of slag at Machadodorp Works to produce ferrochrome. Assmang has since sold Machadodorp Works to ARM as discussed on page 49.*

** *Relates to the reversal of certain capitalised fees.*

Capital expenditure

Assmang capital expenditure (on 100% basis) increased by 43% to R4 407 million (F2018: R3 081 million).

Capital expenditure at the iron ore business (on a 100% basis) increased from R1 780 million to R2 097 million mainly due to:

- Fleet and mining equipment replacement at Khumani Mine and Beeshoek Mine as part of the life cycle of the machinery;
- Increased capitalised waste stripping at the Khumani King Pit and Beeshoek Village Pit as current financial year stripping ratios in certain pits exceeded the life-of-mine stripping ratios for those pits. The stripping ratio for Khumani Mine increased to 2.22 in F2019 while Beeshoek Mine's stripping ratio was 4.26 in F2019 (compared to the mine's average remaining life-of-mine stripping ratio of 2.75); and
- Commencement of capitalised waste stripping at the Bruce Pit of Khumani Mine.

The manganese division's capital expenditure increased by 80% to R2 310 million (F2018: R1 285 million). R662 million of the capital expenditure related to the modernisation and optimisation of Gloria Mine as approved in F2018. The Gloria Mine decline shaft shut-down commenced in November 2018 and was commissioned on 16 April 2019.

The capital approved for Gloria Mine will give the manganese ore operation flexibility to produce different product specifications (from high to medium grade) as the ability to deliver different specification products to customers has become a key differentiator. In addition, production capacity at Black Rock Mine will increase to approximately 5 million tonnes per annum. Ramp-up of the mine will be closely synchronised with Transnet rail availability.

Cato Ridge Works capital expenditure (on a 100% basis) was R89 million compared to R45 million in F2018.

Capital expenditure (on 100% basis)

	12 months ended 30 June		
R million	**Reviewed 2019**	Audited 2018	% change
Iron ore	**2 097**	1 780	18
Manganese	**2 310**	1 285	80
Chrome*	**–**	16	(100)
Total	**4 407**	3 081	43

* *In F2018 the Chrome Division comprised of Machadodorp Works which was sold to ARM in F2019 and is now included in the Corporate and other segment.*

Logistics

Transnet experienced some challenges during the financial year including derailments, an accident on a rail bridge on the Iron Ore Export Channel which necessitated a replacement of the bridge and various other port incidents. To mitigate these losses, road transport contractors and a private port terminal were used to make up the losses incurred on manganese ore exports.

Iron ore division

ARM Ferrous average realised US Dollar prices for export iron ore were 34% higher (an FOB equivalent basis) at US$87/t (F2018: US$65/t). The increase in realised prices was driven mainly by an increase in the 62% Fe fines index price, following the Vale tailings dam incident in Brazil at the end of January 2019, higher lump premiums as well as higher lump to fines ratio in iron ore sales (60% compared to 54% in F2018).

Total iron ore sales volumes were 2% lower at 17.5 million tonnes (F2018:17.9 million). Of the 17.5 million tonnes sold, 14.4 million tonnes were exported (F2018: 14.3 million tonnes) and 3.1 million tonnes were sold locally (F2018: 3.6 million tonnes).

Khumani Mine facilitated export of approximately 900 thousand tonnes of iron ore by a junior iron ore producer through its rapid load-out facility.

Production volumes decreased by 4% mainly due to water supply challenges at Khumani Mine. Assmang continues to engage with the Sedibeng Water Board to address challenges experienced on the Vaal Gamagara Water System and is part of a collaborative team effort to recapitalise and upgrade the water system to ensure sufficient capacity and the sustainability of the system.

The Sedibeng Water Board has approved a capital raising levy of R17.58/kl to be charged effective from September 2019 for F2020 and F2021, pending the finalisation of the off-take agreements between Sedibeng Water and the respective mines and/or industries.

Production volumes at Khumani Mine during F2019 were achieved at the same on:off grade plant feed ratios of 35:65 as F2018. There was a marginal change in the King:Bruce ore mined ratio to 62:38 (F2018: 60:40). The better quality ore mined at Khumani Mine during F2019 resulted in the increased lump production ratio of 58% lump product (F2018: 55%).

On-mine unit production costs at Khumani Mine increased to R226/t compared to R207/t in F2018 mainly due to the 4% decline in production volumes and high increases in diesel and labour costs. On-mine unit production costs at Beeshoek Mine increased to R234/t compared to R223/t in F2018 mainly due to a decline in production volumes. Unit cost of sales for the iron ore operations were 20% higher driven mainly by:

- A 20% increase in Cost Insurance and Freight (CIF) shipments as well as an increase in US Dollar freight rates;
- An increase in sales and marketing costs as a result of higher US Dollar iron ore prices; and
- A weaker Rand versus the US Dollar exchange rate which impacted both freight and sales and marketing costs.

Iron ore division operational statistics (on 100% basis)

		12 months ended 30 June		
	Units	**2019**	2018	% change
Volumes				
Export sales	000t	**14 430**	14 302	1
Domestic sales	000t	**3 114**	3 572	(13)
Total sales	000t	**17 543**	17 874	(2)
Production	000t	**17 786**	18 578	(4)
Export lump/fines split	%	**60:40**	54:46	
Export sales CIF/FOB split*	%	**50:50**	41:59	
Prices				
Average realised price FOB**	US$/t	**87**	65	34
Unit costs				
Change in on-mine production unit costs	%	**8**	2	
Change in unit cost of sales	%	**15**	2	

* *CIF refers to sales on a Cost, Insurance and Freight basis while FOB refers to sales on a Free On Board basis.*

** *This is the average realised price of total sales where the CIF sales are adjusted to an FOB basis by taking off the freight rate.*

Manganese division

Manganese division ore and alloys split (on 100% basis) F2019

(R million)	Manganese ore	Manganese alloy	Total
Sales	12 493	2 293	14 786
Operating profit	4 697	255	4 952
Contribution to headline earnings*	3 449	(228)	3 221
Capital expenditure	2 256	54	2 310
Depreciation	611	70	681
EBITDA	5 307	356	5 663

* *In the above Sakura Ferroalloys is treated as a joint venture and is only included in the contribution to headline earnings.*

Manganese division ore and alloys split (on 100% basis) F2018

(R million)	Manganese ore	Manganese alloy*	Total
Sales	10 504	2 329	12 833
Operating profit	4 478	627	5 105
Contribution to headline earnings*	3 192	616	3 808
Capital expenditure	1 240	45	1 285
Depreciation	537	57	594
EBITDA	5 015	684	5 699

* *In the above Sakura Ferroalloys is treated as a joint venture and is only included in the contribution to headline earnings.*

Manganese ore

The Platts index price for 44% manganese ore decreased from US$6.79/mtu to US$5.75/mtu while the index price for 37% manganese ore was 23% lower at US$4.59/mtu.

Production volumes at Black Rock Mine decreased by 8% from 3.7 million tonnes in F2018 to 3.4 million tonnes in F2019 due to the planned shut-down of the Gloria Mine conveyor together with the commissioning of new infrastructure at the mine as part of the Black Rock Project.

The Black Rock Mine sold 3.65 million tonnes of manganese ore (F2018: 3.41 million tonnes) including intragroup sales. 3.32 million tonnes of manganese ore were exported (F2018: 3.08 million tonnes) while 325 853 tonnes (F2018: 335 512 tonnes) were sold locally using a combination of rail and road-hauling (approximately 150 000 tonnes).

To secure the ramp-up in volume from Black Rock Mine, rail and port capacities through the ports of Port Elizabeth and Saldanha were secured until F2021. Engagements with Transnet to synchronise the production ramp-up at Black Rock Mine with Transnet's rail and port capacity expansions from F2022 and beyond are ongoing.

On-mine unit production cost increased by 15% from R525/t in F2018 to R605/t in F2019 mainly due to lower production volumes and high increases in labour and diesel costs. Unit costs of sales were 17% higher mainly as a result of:

- A 22% increase in CIF shipments and an increase in US Dollar freight rates;
- A weaker Rand versus the US Dollar; and

Higher logistics costs as a result of approximately 150 thousand tonnes of manganese ore being road hauled (road haulage is at a higher cost than rail transportation).

Manganese alloys: Cato Ridge Works and Cato Ridge Alloys

Total production volumes increased by 9% from 138 thousand tonnes to 150 thousand tonnes. This was primarily as a result of ore variability, load shedding and converter lining failures.

Total sales volumes increased by 6% from 206 thousand tonnes in F2018 to 218 thousand tonnes in F2019.

Unit production costs of Cato Ridge Works increased by 14% primarily due to the purchase of more expensive sinter to meet grade requirements, which was impacted by ore variability. Unit production costs of Cato Ridge Alloys increased by 9% primarily due to higher molten metal costs. Realised high carbon ferromanganese prices decreased by 5%. Realised medium carbon ferromanganese prices decreased by 1%.

Manganese alloys: Sakura Ferroalloys

Assmang's losses from Sakura were R556 million (F2018: R162 million) before impairment charges. Despite an increase in sales volumes, Sakura Ferroalloys reported a headline loss mainly due to subdued manganese alloy prices and an increase in unit production costs (as a higher ratio of lump product (versus fines) was processed to improve efficiencies in the furnace). In addition to operational losses, Assmang recognised R186 million (F2018: Rnil) of expected credit losses on loans, receivables and guarantees in favour of Sakura Ferroalloys as well as a R224 million write down in inventory to net realisable value.

Production volumes increased by 2% from 244 thousand tonnes to 249 thousand tonnes while sales volumes increased by 5% from 235 thousand tonnes in F2018 to 248 thousand tonnes in F2019.

Manganese division operational statistics (on 100% basis)

		12 months ended 30 June		
	Units	**2019**	2018	% change
Manganese ore volumes				
Export sales*	000t	**3 321**	3 080	8
Domestic sales	000t	**113**	97	16
Total sales	000t	**3 434**	3 177	8
Production	000t	**3 409**	3 717	(8)
Manganese alloy volumes				
South African operations – sales	000t	**150**	138	9
Sakura – sales	000t	**248**	240	3
South African operations – production	000t	**206**	218	(5)
Sakura – production	000t	**249**	244	2
Unit costs –manganese ore				
Change in on-mine production unit costs	%	**15**	16	
Change in unit cost of sales	%	**17**	15	
Unit costs –manganese alloy				
South African operations – change in unit production costs	%	**14**	6	
Sakura – change in unit production costs	%	**18**	5	
South African operations – change in unit cost of sales	%	**14**	20	
Sakura – change in unit cost of sales	%	**16**	6	

* *Includes sales to Sakura Ferroalloys*

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

ARM Platinum

Two Rivers Mine delivered improved headline earnings which were offset by a headline loss at Nkomati Mine, resulting in ARM Platinum's attributable headline earnings decreasing by 73% to R112 million (F2018: R420 million). Modikwa headline earnings were flat at R105 million.

Lower PGM production at Modikwa Mine (8%), Two Rivers Mine (10%) and Nkomati Mine (1%) resulted in ARM Platinum's PGM ounces (on a 100% basis) reducing by 8% to 729 833 6E ounces (F2018: 792 583 6E ounces). Nkomati Mine's nickel production increased by 7% to 14 209 tonnes (F2018: 13 302 tonnes).

ARM Platinum attributable headline earnings/(loss)

	12 months ended 30 June		
R million	**Reviewed 2019**	Audited 2018	% change
Two Rivers Mine	**322**	306	5
Modikwa Mine*	**105**	105	–
Nkomati Mine	**(315)**	9	
Total	**112**	420	(73)

* *F2019 includes a fair value loss of R156 million on the re-measurement of inter-company loans in accordance with IFRS 9 accounting standard which became effective for ARM from 1 July 2018. This fair value loss is partly eliminated at the ARM Corporate and other level and therefore has a net R19 million gain on the group consolidated headline earnings.*

Improved Rand palladium (40%) and rhodium (84%) prices contributed significantly to the Modikwa and Two Rivers results. The average Rand per 6E kilogram basket price for both Modikwa and Two Rivers mines increased by 29% and 26% to R491 723/kg (F2018: R380 603/kg) and R467 994/kg (F2018: R370 755/kg) respectively. An 11% decrease in Nkomati's Rand chrome price had a negative impact on the group's results. The tables below set out the relevant price comparison:

Average US Dollar metal prices

		12 months ended 30 June		
	Units	**2019**	2018	% change
Platinum	US$/oz	**825**	936	(12)
Palladium	US$/oz	**1 233**	974	27
Rhodium	US$/oz	**2 567**	1 540	67
Nickel	US$/t	**12 343**	12 397	–
Copper	US$/t	**6 176**	6 798	(9)
Cobalt	US$/lb	**23**	35	(34)
UG2 chrome concentrate – Two Rivers (CIF*)	US$/t	**155**	174	(11)
High sulphur chrome concentrate – Nkomati (FOT**)	US$/t	**66**	82	(20)

* *CIF refers to Cost, Insurance and Freight.*

** *FOT refers to Free On Truck.*

Average Rand metal prices

		12 months ended 30 June		
	Units	**2019**	2018	% change
Exchange Rate	R/US$	**14.19**	12.84	11
Platinum	R/oz	**11 713**	12 020	(3)
Palladium	R/oz	**17 497**	12 509	40
Rhodium	R/oz	**36 420**	19 780	84
Nickel	R/t	**175 140**	159 172	10
Copper	R/t	**87 636**	87 282	–
Cobalt	R/lb	**327**	443	(26)
UG2 chrome concentrate – Two Rivers (CIF*)	R/t	**2 206**	2 232	(1)
High sulphur chrome concentrate – Nkomati (FOT**)	R/t	**942**	1 059	(11)

** CIF refers to Cost, Insurance and Freight.*

*** FOT refers to Free On Truck.*

Capital expenditure

Capital expenditure at ARM Platinum operations (on a 100% basis) increased marginally to R1.2 billion (F2018: R1.1 billion).

Capital expenditure at Modikwa Mine (on 100% basis) decreased by 2% to R260 million (F2018: R266 million). Of the capital spent in F2019, 29% is associated with the North Shaft Project and 3% with the South Shaft Project, both of which are discussed further under Projects in this section. Fleet refurbishment and critical spares accounted for 22% percent of the capital expenditure.

Of the R587 million capital spent at Two Rivers in F2019, 21% is associated with fleet replacement and refurbishment. The deepening of the Main and North declines, together with the respective electrical and mechanical installations, comprised 50% of the total capital expenditure.

Nkomati Mine's capital expenditure of R336 million (on 100% basis) was mainly for capitalised waste stripping which decreased by 26% to R225 million as waste stripping was capitalised for the first five months of the year. No waste stripping costs have been capitalised since 30 November 2018.

Capital expenditure (on 100% basis)

	12 months ended 30 June		
	2019	2018	% change
Modikwa	**260**	266	(2)
Two Rivers	**587**	455	29
Nkomati	**111**	124	(10)
Nkomati capitalised waste stripping	**225**	304	(26)
Total	**1 183**	1 149	3

Two Rivers Mine

Attributable headline earnings at Two Rivers Mine increased by 5% to R322 million (F2018: R306 million) due to a 26% increase in the Rand PGM basket price. A 1% decrease in tonnes milled and a 3% reduction in head grade led to PGM ounces produced declining by 10% to 313 406 6E ounces (F2018: 348 405 6E ounces). In addition, chrome concentrate sales volumes declined by 4% to 219 566 tonnes as a result of a lower chrome yield, a direct consequence of the lower PGM grade. This, combined with a 15% decline in the Rand chrome price from July 2018 to June 2019, resulted in chrome cash operating profit declining by 20% to R168 million (F2018: R210 million).

Flexibility in obtaining the optimal blend of ore, from split reef and normal reef sources, at the Main Decline has continued to be a constraint and negatively affected the feed grade to the plant. The accelerated sinking program of Main Decline is progressing well and is expected to produce an additional four levels by the end of February 2020, which is expected to improve mining flexibility. In addition, undercutting of the thick internal waste within the split reef is also being undertaken where practically possible, which is expected to contribute marginally to an improved grade at Main Decline. The plant feed grade is expected to average approximately 3.6g/t.

Unit production costs on a Rand per tonne milled basis increased by 7% to R736 per tonne (F2018: R688 per tonne). The Rand per PGM ounce, increased by 17% to R8 001 per 6E ounce (F2018: R6 822 per 6E ounce), as a direct result of the decline in grade and ounces combined with high increases in diesel and electricity. The UG2 ROM stockpile declined by 84 436 tonnes to a total of 122 735 tonnes as at 30 June 2019.

Two Rivers Mine operational statistics (on 100% basis)

		12 months ended 30 June		
	Units	**2019**	2018	% change
Cash operating profit	R million	**1 432**	1 314	9
PGMs	R million	**1 264**	1 104	15
Chrome	R million	**168**	210	(20)
Tonnes milled	Mt	**3.40**	3.46	(2)
Head grade	g/t, 6E	**3.52**	3.63	(3)
PGMs in concentrate	Ounces, 6E	**313 406**	348 405	(10)
Chrome concentrate sold	Tonnes	**219 566**	229 642	(4)
Average basket price	R/kg, 6E	**467 994**	370 755	26
Average basket price	US$/oz, 6E	**1 026**	895	15
Cash operating margin	%	**33**	34	
Cash cost	R/kg, 6E	**257 244**	219 334	17
Cash cost	R/tonne	**736**	688	7
Cash cost	R/Pt oz	**17 031**	14 623	16
Cash cost	R/oz, 6E	**8 001**	6 822	17
Cash cost	US$/oz, 6E	**564**	531	6
Headline earnings attributable to ARM	R million	**322**	306	5

Modikwa Mine

Modikwa Mine delivered attributable headline earnings of R105 million (F2018: R105 million). The positive impact of a 26% increase in the Rand PGM basket price was mostly offset by a R156 million fair value loss on the re-measurement of mostly inter-company loans.

Tonnes milled decreased by 6% and combined with a 1% decrease in head grade, resulted in PGM ounce production decreasing by 8% to 306 930 6E ounces (F2018: 333 888 6E ounces). The decline in plant grade was mainly due to lower grade material being blended with higher grade fines to optimise the plant capacity.

Unit production costs increased by 9% to R10 027 per 6E PGM ounce (F2018: R9 197 6E PGM ounce) and were 6% higher on a Rand per tonne basis at R1 345 per tonne (F2018: R1 265 per tonne).

The South 2 Shaft system hoisted just under 45 thousand tonnes per month for F2019. Progress is being made to ramp-up South 2 system to 50 thousand tonnes per month in F2020.

Modikwa Mine operational statistics (on 100% basis)

		12 months ended 30 June		
	Units	**2019**	2018	% change
Cash operating profit	R million	**1 057**	521	103
Tonnes milled	Mt	**2.29**	2.43	(6)
Head grade	g/t, 6E	**4.92**	4.98	(1)
PGMs in concentrate	Ounces, 6E	**306 930**	333 888	(8)
Average basket price	R/kg, 6E	**491 723**	380 603	29
Average basket price	US$/oz, 6E	**1 078**	922	17
Cash operating margin	%	**26**	14	
Cash cost	R/kg, 6E	**322 360**	295 685	9
Cash cost	R/tonne	**1 345**	1 265	6
Cash cost	R/Pt oz	**25 427**	23 311	9
Cash cost	R/oz, 6E	**10 027**	9 197	9
Cash cost	US$/oz, 6E	**707**	716	(1)
Headline earnings attributable to ARM	R million	**105**	105	–

Nkomati Mine

Nkomati Mine reported an attributable headline loss of R315 million (F2018: R9 million headline earnings) for F2019 as spot nickel prices reduced to US$12 675/t at 30 June 2019, resulting in a negative mark-to-market adjustment of R130 million. In the corresponding year, the nickel spot price increased from US$9 375/t on 1 July 2017 to US$14 940/t on 30 June 2018, resulting in a positive mark-to-market of R465 million during that period.

Chrome concentrate sales mitigated some of the decline (442 464 tonnes compared to 328 371 tonnes) despite a 31% decrease in the average Rand chrome price from July 2018 to June 2019.

Nkomati Mine's total tonnes milled increased by 1% to 8.15 million tonnes (F2018: 8.04 million tonnes). Nickel production volumes increased by 7% to 14 209 tonnes (F2018: 13 302 tonnes). Nkomati Mine had 13 thousand tonnes of nickel concentrate in stock as at 30 June 2019 (30 June 2018: 9 thousand.)

Waste stripping costs of R225 million (F2018: R304 million) were capitalised during the financial year. Capitalisation of waste stripping ceased from 30 November 2018 with all stripping costs included in operating costs from 1 December 2018. On-mine unit production costs (excluding capitalised waste stripping costs) increased by 22% at R367/t (F2018: R301/t) mainly due to higher waste stripping in operating costs. High increases in diesel and maintenance costs also impacted negatively on unit costs.

C1 unit cash costs net of by-products (including capitalised waste stripping cost) were 10% higher at US$6.47/lb (F2018: US$5.86/lb) of nickel produced. The increase in C1 unit cash costs was due to reduced by-product credits.

Nkomati Mine operational statistics (on 100% basis)

		12 months ended 30 June		
	Units	**2019**	2018	% change
Cash operating profit	R million	**(97)**	494	
– Nickel	R million	**(411)**	259	
– Chrome	R million	**314**	235	33
Cash operating margin	%	**(3)**	15	
Tonnes milled	Mt	**8.15**	8.04	1
Head grade	% nickel	**0.26**	0.24	9
Nickel on-mine cash cost per tonne milled	R/tonne	**367**	301	22
Nickel on-mine cash cost per tonne milled (including capitalised waste stripping costs)	R/tonne	**394**	339	17
Cash costs net of by-products*	US$/lb	**6.47**	5.86	11
Contained metal				
Nickel	Tonnes	**14 209**	13 302	7
PGMs	Ounces	**109 496**	110 290	(1)
Copper	Tonnes	**7 163**	7 371	(3)
Cobalt	Tonnes	**820**	716	14
Chrome concentrate sold	Tonnes	**442 464**	328 371	35
Headline (loss)/earnings attributable to ARM	R million	**(315)**	9	

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

Projects

Modikwa Mine

In order to maintain the current production profile and ramp-up, the operation initiated the North Shaft Deepening Project and the South 2 Shaft Project:

- Deepening of North Shaft – Entails the deepening of North Shaft from Level 7 to Level 9 thereby establishing three new mining levels. Levels 7 and 8 have been completed and are currently operational, Level 9 mining development and equipping is on track to meet the revised schedule; anticipated handover for the ore transfer system is F2020.
- Sinking of South 2 Shaft – Scope included the establishment of a decline shaft system South of the current South 1 Shaft Infrastructure. The first phase of the project is expected to enhance mining flexibility while also contributing to the overall production build-up of the mine. Phase one of the project has been completed and is expected to take the production capacity to 50 000 tonnes of ore per month by F2020.

Two Rivers Mine

In order to increase the PGM ounce production at Two Rivers Mine given the continued presence of split-reef which has reduced the head grade, a study was undertaken to increase the concentrator plant capacity.

The outcome of the study is that plant capacity can be increased by an additional 40 thousand tonnes per month by installing an additional mill and floatation circuit. The additional milled volumes are expected to increase Two Rivers Mine's 6E PGM ounce production volumes to approximately 380 thousand per annum.

The project was submitted to the Two Rivers Mine board of directors and is currently under consideration by the joint venture partners. Construction would take approximately 20 months and if the project is approved would commence in the last quarter of F2020.

The ARM Platinum division comprises:

- *Three operating mines:*
  - *Modikwa – ARM Mining Consortium has an effective 41.5% interest in Modikwa where local communities hold an 8.5% effective interest. The remaining 50% is held by Anglo American Platinum.*
  - *Two Rivers – an ARM subsidiary in which ARM has a 54% shareholding and Implats 46%.*
  - *Nkomati–- a 50:50 partnership between ARM and Norilsk Nickel Africa.*

ARM Coal

ARM Coal attributable headline earnings decreased by 72% to R411 million (F2018: R1 485 million). A gain on the re-measurement of the ARM Coal loans amounted to R245 million in F2019 compared to the fair value gain on restructuring of the ARM Coal loans of R1 210 million in the comparative period. Excluding the fair value and re-measurement gains ARM Coal adjusted headline earnings for F2019 were R166 million (F2018: R275 million).

Interest expense (which is imputed post the ARM Coal loan restructuring in F2018) reduced by 10% to R282 million (F2018: R313 million).

Thermal coal demand in Europe was negatively impacted by the reduction in the price of gas and an increase in carbon taxes. Seaborne coal prices were positively impacted by an increase in demand from India during the first half of the financial year. However, a decrease in demand from China during the second half of the year significantly reduced prices. The impact of the lower US Dollar prices was offset by a weakening of the average realised Rand versus the US Dollar exchange rate. Realised Rand prices for export coal decreased by 3% from R990 per tonne in F2018 to R959 per tonne in F2019.

More than 75% of the export volumes at GGV Mine were high quality coal while approximately 65% of PCB exports were high quality. This resulted in PCB's average received export price (US$65/t) being lower compared to GGV Mine's (US$71/t).

ARM attributable saleable tonnes produced of 4.92 million tonnes in F2019 is marginally lower than the 4.93 million tonnes produced in F2018.

ARM Coal attributable headline earnings analysis

	12 months ended 30 June		
R million	**2019**	2018	% change
Cash operating profit	**1 190**	1 365	(13)
Interest expense*	**(282)**	(313)	10
Amortisation	**(587)**	(592)	1
Re-measurement/fair value gain	**245**	1 210	80
Other adjustments	**2**	–	–
Profit before tax	**568**	1 670	(66)
Plus/(Less) other adjustments	**(2)**	–	–
Less:Tax	**(155)**	(185)	(16)
Headline earnings attributable to ARM	**411**	1 485	(72)

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

Goedgevonden (GGV) Mine

Average received export US Dollar prices decreased by 16% from $84.57/t in F2018, to $71.10/t in F2019. The impact of the lower prices was offset by a weakening of the Rand/US Dollar exchange rate.

During 1H F2019, the mine was impacted by port closures at the Richards Bay Coal Terminal and an underperformance by Transnet Freight Rail. Both of the above improved during 2H F2019.

The F2019 performance of GGV Mine was impacted by illegal community protest as the mine lost one week of production in February 2019 due to an illegal community protest.

Notwithstanding the above challenges, the mine's performance has consistently improved during F2019 resulting in total saleable production increasing by 16% while sales volumes were 12% higher when compared to F2018. An increase in sales volumes resulted in total attributable revenue increasing by 13% in F2019 compared to F2018.

On-mine unit production costs per saleable tonne increased by 8% to R380/t as high increases in diesel costs were partially offset by increased production volumes.

The above resulted in a 13% reduction in attributable cash operating profit to R292 million compared to R335 million in F2018.

The GGV Mine reported headline earnings attributable to ARM of R137 million (F2018: R852 million). The F2018 headline earnings included a fair value gain of R885 million which was only R190 million in F2019. Excluding the fair value and re-measurement gains, GGV Mine reported a R53 million headline loss in F2019 (F2018: R33 million).

GGV Mine operational statistics

		12 months ended 30 June		
	Units	**2019**	2018	% change
Total production and sales (100% basis)				
Saleable production	Mt	**6.99**	6.05	16
Export thermal coal sales	Mt	**3.27**	2.85	15
Domestic thermal coal sales	Mt	**3.57**	3.26	10
ARM attributable production and sales				
Saleable production	Mt	**1.82**	1.57	16
Export thermal coal sales	Mt	**0.85**	0.74	15
Domestic thermal coal sales	Mt	**0.93**	0.85	10
Average received coal price				
Export (FOB*)	US$/tonne	**71.10**	84.57	(16)
Domestic (FOT*)	R/tonne	**275**	235	17
On-mine saleable costs	R/tonne	**380**	351	8
Cash operating profit				
On 100% basis	R million	**1 123**	1 290	(13)
Attributable (26%)	R million	**292**	335	(13)
Headline earnings attributable to ARM	R million	**137**	852	(84)

** FOB refers to Free On Board and FOT refers to Free On Truck.*

GGV Mine attributable headline earning analysis

	12 months ended 30 June		
	2019	2018	% change
Cash operating profit	**292**	335	(13)
Interest expense*	**(144)**	(154)	7
Amortisation	**(163)**	(167)	3
Re-measurement/fair value gain	**190**	885	78
Loss on sale of assets	**(1)**	–	–
Profit before tax	**174**	899	(81)
Loss on sale of assets	**1**	–	–
Less: Tax	**(38)**	(47)	18
Headline earnings attributable to ARM	**137**	852	(84)

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

Participating Coal Business (PCB)

Average received export US Dollar prices decreased by 12% compared to F2018. The impact of the lower price was offset by a weakening of the Rand/US Dollar exchange rate.

Export sales volumes were 19% lower than F2018. Domestic sales volumes increased largely due to an increase in sales to Eskom.

During F2019, ROM production was impacted by the occurrence of sinkholes arising from old underground mined areas currently being mined at the Tweefontein Mine. This issue has since improved during F2019.

There were challenges with spontaneous combustion at the Tweefontein Mine. This resulted in reduced feed rates to the plant resulting in lower saleable production from PCB.

Furthermore, the PCB operation was impacted by industrial action during F2019. The PCB mines lost one week of production in February 2019 due to an illegal community protest.

Saleable production decreased by 8% as compared to F2018. Attributable cash operating profit decreased by 13% to R898 million (F2018: R1 030 million).

Unit production costs per saleable tonne increased by 18% from R330 per tonne in F2018 to R391 per tonne in F2019 mainly due to a decline in saleable production and high increases in diesel costs.

Headline earnings attributable to ARM were R274 million. (F2018: R633 million), and include a loan re-measurement gain of R55 million (F2018: fair value gain of R325 million). Adjusted headline earnings excluding the fair value and re-measurement gains were R219 million for F2019 (F2018: R308 million).

PCB operational statistics

		12 months ended 30 June		
	Units	**2019**	2018	% change
Total production and sales (100% basis)				
Saleable production	Mt	**15.34**	16.64	(8)
Export thermal coal sales	Mt	**10.95**	13.44	(19)
Domestic thermal coal sales	Mt	**4.61**	2.34	97
ARM attributable production and sales				
Saleable production	Mt	**3.10**	3.36	(8)
Export thermal coal sales	Mt	**2.21**	2.71	(19)
Domestic thermal coal sales	Mt	**0.93**	0.47	98
Average received coal price				
Export (FOB*)	US$/tonne	**64.88**	73.51	(12)
Domestic (FOT*)	R/tonne	**582**	368	58
On-mine saleable costs	R/tonne	**391**	330	18
Cash operating profit				
On a 100% basis	R million	**4 446**	5 099	(13)
Attributable (20.2%)	R million	**898**	1 030	(13)
Headline earnings attributable to ARM	R million	**274**	633	(57)

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

PCB attributable headline earnings analysis

	12 months ended 30 June		
R million	**2019**	2018	% change
Cash operating profit	**898**	1 030	(13)
Interest expense*	**(138)**	(159)	(13)
Amortisation	**(424)**	(425)	–
Re-measurement/fair value gain	**55**	325	(83)
Impairment reversal	**3**	–	–
Profit before tax	**394**	771	(49)
Less: Impairment charge	**(3)**	–	–
Less: Tax	**(118)**	(138)	(14)
Plus: Tax on impairment charge	**1**	–	–
Headline earnings attributable to ARM	**274**	633	(57)

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

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

Attributable refers to 20.2% of PCB whilst total refers to 100%.

Harmony Gold Mining Company Limited (Harmony)

Revenue

Revenue increased by R6 460 million or 32% mainly due to an 18% increase in gold sold and a R515 million increase in silver sales. The average gold price received increased by 3% to R586 653/kg (from R570 709/kg in F2018). Forward gold sale contracts of 6 998kg (or 225 000oz) with an average price of R638 007/kg matured during F2019.

Production costs

Production costs increased by R5 240 million or 35% during F2019 mainly due to the inclusion of Moab Khotsong for the full year as well as continuing production at Hidden Valley for the full year.

Amortisation and depreciation

Amortisation and depreciation is R1 484 million higher for F2019 year owing mainly to full year production at Hidden Valley (R1 604 million increase) as well as Moab Khotsong (R178 million increase) included for the full year.

Gains on derivatives

Gains on derivatives recorded a net gain of R484 million (US$34 million) for 2019 (FY18: R99 million). The gains relate primarily to foreign exchange derivatives entered into during the year when the spot US$/Rand exchange rate was weaker than the closing rate of US$/R14.13. The hedging programmes realised cash gains of R477 million (US$34 million) for FY19. Management continues to top-up these programmes when the market presents attractive opportunities to do so.

Net loss and headline earnings

The net loss for FY19 was R2 607 million (US$185 million), compared to a loss of R4 473 million (US$321 million) for FY18. Moab Khotsong and Hidden Valley's inclusion for a full financial year as well as lower impairments recorded in FY19 contributed to the improvement. Headline earnings amounted to 204 SA cents (14 US cents) compared to 171 SA cents (13 US cents) in FY18.

Borrowings

Borrowings as at 30 June 2019 include US$175 million utilised on the US$ term facility and US$120 million on the US$ revolving credit facility (RCF). The group's South East Asia operations have an outstanding loan of US$20 million used to finance the acquisition of fleet equipment. R1.5 billion has been utilised on the group's R2 billion facility. Net debt remained stable at R4 922 million at 30 June 2019 compared to R4 908 million at 30 June 2018 (in US$ terms a decrease of US$9 million from US$357 million to US$348 million).

Harmony's results for financial year ended 30 June 2019 can be viewed on Harmony's website at www.harmony.co.za.

ARM owns 13.83% of Harmony's issued share capital.

Events after the reporting date

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

Outlook

Global GDP growth remains at risk as concerns about a slowdown in China's growth and uncertainty about the US-China trade negotiations persists. Other global events driving sentiment include uncertainty over Brexit negotiations, geopolitical tensions between the US and Iran and central bank monetary policy responses. These risks continue to impact commodity prices, currencies and equity markets globally, increasing volatility.

The Rand has weakened against the US Dollar along with other emerging market currencies. Much of the Rand's weakness has been as a result of thin, illiquid trading conditions amidst continued trade talks between the US and China as well as developments in US monetary policy. In addition, domestic issues including uncertainty around government's reform plans and concerns about key government state owned entities are also contributing to Rand volatility.

Trends in addressing pollution concerns (particularly in China) and tightening emission regulations globally are expected to continue supporting demand for high-quality bulk commodities, positioning ARM's high-grade iron ore and manganese ore well. In the medium- to long-term, global emission reduction initiatives and the move to cleaner mobility and energy are expected to put pressure on demand for PGMs and thermal coal but create opportunities for other commodities in our portfolio (including bulk and base metals). PGM producers continue to conduct research that will enable PGMs to be part of the clean mobility solution including fuel cell technology.

ARM continues to assess the impacts of these trends and invest in line with our capital allocation guiding principle to ensure that our assets are on the lower end of the global unit cost curve and that our commodity mix is well positioned to maximise on the opportunities created by these trends. We remain committed to building mutually beneficial relationships with all of our stakeholders to ensure that we continue to build a sustainable business that delivers competitive returns for shareholders.

Dividends

The Board has approved and declared a final dividend of 900 cents per share (gross) in respect of the year ended 30 June 2019 (F2018: 750 cents per share). The amount to be paid is approximately R1 998 million. An interim dividend of 400 cents per share was declared and paid in F2019 bringing the total dividend for F2019 to 1 300 cents per share.

This declaration is consistent with ARM's commitment, as a globally competitive company, to pay dividends while retaining the ability to fund efficiency improvements and sustaining production.

- The dividend declared will be subject to Dividend Withholding Tax. In accordance with paragraphs 11.17(a) (i) to (x) and 11.17(c) of the JSE Listings Requirements the following additional information is disclosed:
- The dividend has been declared out of income reserves;
- The South African Dividends Tax ("Dividends Tax") rate is 20% (twenty percent);
- The gross local dividend amount is 900 cents per ordinary share for shareholders exempt from the Dividends Tax;
- The net local dividend amount is 720.00000 cents per share for shareholders liable to pay the Dividends Tax;
- As at the date of this declaration ARM has 222 008 324 ordinary shares in issue; and
- ARM's income tax reference number is 9030/018/60/1.
- A gross dividend of 900 cents per ordinary share, being the dividend for the year ended 30 June 2019 has been declared payable on Monday, 30 September 2019 to those shareholders recorded in the books of the Company at the close of business on Friday, 27 September 2019. The dividend is declared in the currency of South Africa. Any change in address or dividend instruction to apply to this dividend must be received by the Company's transfer secretaries or registrar not later than Monday, 23 September 2019. The last day to trade ordinary shares cum dividend is Monday, 23 September 2019. Ordinary shares trade ex-dividend from Wednesday, 25 September 2019. The record date is Friday, 27 September 2019 whilst the payment date is Monday, 30 September 2019.

No dematerialisation or rematerialisation of share certificates may occur between Wednesday, 25 September 2019 and Friday, 27 September 2019, both dates inclusive, nor may any transfers between registers take place during this period.

Changes to the Board

On 26 June 2019 Mr Kobus Möller resigned as an independent non-executive director of the Company, to pursue other interests.

The following changes were made to the composition of ARM board committees to enhance the efficiency and effectiveness of the board.

- Messrs D C Noko and J A Chissano have been appointed as members of the social and ethics committee; and
- Mr D C Noko has been appointed as a member of the investment committee.

Signed on behalf of the Board:

P T Motsepe
Executive Chairman

M P Schmidt
Chief Executive Officer

Johannesburg

30 August 2019

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Financial statements

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Review by independent auditors

The financial information has been reviewed by the external auditors, Ernst & Young Inc. (the partner in charge is LIN Tomlinson CA (SA)) whose unqualified review report is available for inspection at the Company's registered office.

The Integrated Annual Report containing a detailed review of the operations of the Company together with the audited financial statements will be distributed to shareholders in October 2019.

Any reference to future financial performance included in these results has not been reviewed or reported on by ARM's external auditors.

Basis of preparation

The Group provisional results for the financial year under review have been prepared under the supervision of the Finance Director Miss AM Mukhuba CA(SA). The Group provisional financial statements have been prepared on the historical cost basis, except for certain financial instruments that are fairly valued. The accounting policies used are in terms of IFRS and are consistent with those in the most recent annual financial statements, apart from the new standards adopted in the current year. Please refer to note 1 to the financial statements.

Group statement of financial position

at 30 June 2019

	Notes	**F2019 Rm Reviewed**	F2018 Rm Audited
ASSETS			
Non-current assets			
Property, plant and equipment	4	**7 062**	7 916
Intangible assets		**114**	120
Deferred tax assets		**485**	620
Loans and long-term receivables	5	**283**	462
Investment in associate	6	**1 837**	1 798
Investment in joint venture	7	**16 702**	15 504
Other investments	11	**2 648**	1 561
		29 131	27 981
Current assets			
Inventories		**676**	591
Trade and other receivables		**2 743**	2 357
Taxation		**34**	85
Cash and cash equivalents	12	**4 632**	3 291
		8 085	6 324
Total assets		**37 216**	34 305
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital		**11**	11
Share premium		**4 700**	4 398
Treasury shares		**(2 405)**	(2 405)
Other reserves		**1 958**	1 419
Retained earnings		**23 909**	22 484
Equity attributable to equity holders of ARM		**28 173**	25 907
Non-controlling interest		**1 530**	1 471
Total equity		**29 703**	27 378
Non-current liabilities			
Long-term borrowings	13	**1 095**	1 744
Deferred tax liabilities		**1 517**	1 634
Long-term provisions	21	**1 599**	1 135
		4 211	4 513
Current liabilities			
Trade and other payables		**1 608**	1 406
Short-term provisions	21	**648**	374
Taxation		**110**	82
Overdrafts and short-term borrowings	13	**936**	552
		3 302	2 414
Total equity and liabilities		**37 216**	34 305

Group statement of profit or loss

for the year ended 30 June 2019

	Notes	F2019 Rm Reviewed	F2018 Rm Reviewed and restated[1]
Revenue		**9 596**	9 112
Revenue continuing operation	3	**9 596**	8 772
Revenue discontinued operation		**–**	340
Sales	3	**8 834**	8 142
Cost of sales	3	**(7 449)**	(6 696)
Gross profit		**1 385**	1 446
Other operating income[2]	15	**974**	1 527
Other operating expenses[2]		**(1 575)**	(1 263)
Profit from operations before special items		**784**	1 710
Income from investments		**334**	177
Finance costs		**(309)**	(360)
Income from associate[2]	6 and 16	**276**	619
Income from joint venture[3]	7	**4 502**	3 510
Profit before taxation and special items		**5 587**	5 656
Special items before tax	9	**(1 491)**	(42)
Profit before taxation from continuing operation		**4 096**	5 614
Taxation	17	**(242)**	(573)
Profit for the year from continuing operation		**3 854**	5 041
Discontinued operation			
Loss after tax for the year from discontinued operation	19	**–**	(219)
Profit for the year		**3 854**	4 822
Attributable to:			
Equity holders of ARM			
Profit for the year from continuing operations		**3 554**	4 747
Loss for the year from discontinued operation	19	**–**	(185)
Basic earnings for the year		**3 554**	4 562
Non-controlling interest			
Profit for the year from continuing operations		**300**	294
Loss for the year from discontinued operation	19	**–**	(34)
		300	260
Profit for the year		**3 854**	4 822

[1] F2018 was restated as a result of implementing IFRS 15 – Revenue from contracts with customers (refer note 1).

[2] The re-measurement of the ARM Coal loans had an impact of R25 million loss (F2018: restructuring profit of R652 million) in other operating expenses and other operating income, respectively and R55 million profit in income from associate (F2018: restructuring profit of R325 million). There was no tax effect in both years (refer note 6 and 16). Impairment included in income from associate is R3 million (F2018: R19 million) less tax of R1 million (F2018: R5 million). The re-measurement of loans in ARM Mining Consortium amounted to R12 million loss (F2018: nil).

[3] Impairments included in income from joint venture of R528 million before tax of R5 million (F2018 : R26 million before tax of R7 million). Includes an expected credit loss of R123 million before tax less tax of R16 million.

	Notes	F2019	F2018
Earnings per share	10		
Basic earnings per share (cents)		**1 848**	2 393
Basic earnings from continuing operations per share (cents)		**1 848**	2 490
Basic loss from discontinued operation per share (cents)		**–**	(97)
Diluted basic earnings per share (cents)		**1 815**	2 325
Diluted basic earnings from continuing operations per share (cents)		**1 815**	2 419
Diluted basic loss from discontinued operation per share (cents)		**–**	(94)

Group statement of comprehensive income

for the year ended 30 June 2019

	Financial instruments at fair value through other comprehensive income Rm	Other Rm	Retained earnings Rm	Total Share-holders of ARM Rm	Non-controlling interest Rm	**Total Rm**
For the year ended 30 June 2018 (Audited)						
Profit for the year to 30 June 2018	–	–	4 562	**4 562**	260	**4 822**
Profit for the year to 30 June 2018 from continuing operations	–	–	4 747	**4 747**	294	**5 041**
Loss for the year to 30 June 2018 from discontinued operations	–	–	(185)	**(185)**	(34)	**(219)**
Other comprehensive (loss)/income that may be reclassified to the statement of profit or loss in subsequent periods						
Net impact of revaluation of listed investment	(22)	–	–	**(22)**	–	**(22)**
Revaluation of listed investment[1]	(29)	–	–	**(29)**	–	**(29)**
Deferred tax on above	7	–	–	**7**	–	**7**
Premium on non controlling interest release	–	14	–	**14**	–	**14**
Foreign currency translation reserve movement from continuing operations	–	110	–	**110**	–	**110**
Foreign currency translation reserve movement from discontinued operation Current year movement	–	(80)	–	**(80)**	–	**(80)**
Current year reversed – included in sale of Lubambe	–	80	–	**80**	–	**80**
Foreign currency translation reserve movement from discontinued operation Prior year – sold	–	(650)	–	**(650)**	–	**(650)**
Total other comprehensive loss	(22)	(526)	–	**(548)**	–	**(548)**
Total comprehensive (loss)/income for the year	(22)	(526)	4 562	**4 014**	260	**4 274**
For the year ended 30 June 2019 (Reviewed)						
Profit for the year to 30 June 2019	–	–	3 554	**3 554**	300	**3 854**
Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods						
Net impact of revaluation of listed investment	627	–	–	**627**	–	**627**
Revaluation of listed investment[1]	808	–	–	**808**	–	**808**
Deferred tax on above	(181)	–	–	**(181)**	–	**(181)**
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods						
Foreign currency translation reserve movement	–	16	–	**16**	–	**16**
Total other comprehensive income	627	16	–	**643**	–	**643**
Total comprehensive income for the year	627	16	3 554	**4 197**	300	**4 497**

[1] *The share price of Harmony increased from R21.22 per share at 30 June 2018 to R31.74 at 30 June 2019 and decreased from R21.68 at 30 June 2017 to R21.22 per share at 30 June 2018. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of International Financial Reporting Standards (IFRS).*

Group statement of changes in equity

for the year ended 30 June 2019

	Share capital and premium Rm	Treasury shares Rm	Financial instruments at fair value through other comprehensive income Rm	Share-based payments Rm	Other[1] Rm	Retained earnings Rm	**Total Shareholders of ARM Rm**	Non-controlling interest Rm	**Total Rm**
Balance at 30 June 2017 (Audited)	4 290	(2 405)	414	1 017	625	19 556	**23 497**	543	**24 040**
Total comprehensive (loss)/income for the year	–	–	(22)	–	(526)	4 562	**4 014**	260	**4 274**
Profit for the year to 30 June 2018	–	–	–	–	–	4 562	**4 562**	260	**4 822**
Other comprehensive loss	–	–	(22)	–	(526)	–	**(548)**	–	**(548)**
Bonus and performance shares issued to employees	119	–	–	(119)	–	–	**–**	–	**–**
Dividend paid	–	–	–	–	–	(1 714)	**(1 714)**	–	**(1 714)**
Tamboti assets sale to Two Rivers (refer note 4)	–	–	–	–	(99)	–	**(99)**	99	**–**
Reclassification of foreign currency translation reserve included in loss on sale of Lubambe	–	–	–	–	(80)	80	**–**	–	**–**
Non-controlling interest derecognised on sale of Lubambe	–	–	–	–	–	–	**–**	822	**822**
Dividend paid to Impala Platinum	–	–	–	–	–	–	**–**	(253)	**(253)**
Share-based payments expense	–	–	–	209	–	–	**209**	–	**209**
Balance at 30 June 2018 (Audited)	4 409	(2 405)	392	1 107	(80)	22 484	**25 907**	1 471	**27 378**
Fair value adjustment ARM Coal Richards bay Coal Terminal[2]	–	–	–	–	–	52	**52**	–	**52**
Fair value adjustment gross[2]	–	–	–	–	–	72	**72**	–	**72**
Deferred tax[2]	–	–	–	–	–	(20)	**(20)**	–	**(20)**
Re-measurement adjustment Modikwa[2]	–	–	–	–	–	25	**25**	–	**25**
Opening balance restated 1 July 2018[2]	4 409	(2 405)	392	1 107	(80)	22 561	**25 984**	1 471	**27 455**
Total comprehensive income for the year	–	–	627	–	16	3 554	**4 197**	300	**4 497**
Profit for the year to 30 June 2019	–	–	–	–	–	3 554	**3 554**	300	**3 854**
Other comprehensive income	–	–	627	–	16	.	**643**	–	**643**
Bonus and performance shares issued to employees	302	–	–	(302)	–	–	**–**	–	**–**
Dividend paid	–	–	–	–	–	(2 206)	**(2 206)**	–	**(2 206)**
Dividend paid to Impala Platinum	–	–	–	–	–	–	**–**	(241)	**(241)**
Share – based payments expense	–	–	–	198	–	–	**198**	–	**198**
Balance at 30 June 2019 (Reviewed)	4 711	(2 405)	1 019	1 003	(64)	23 909	**28 173**	1 530	**29 703**

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

	F2019 Rm	*F2018 Rm*	*F2017 Rm*
Dilution in Two Rivers	***(26)***	*(26)*	*(26)*
Foreign currency translation on loans - discontinued operation (refer note 19)	***–***	*–*	*61*
Foreign currency translation reserve - Assmang	***24***	*13*	*(121)*
Foreign currency translation reserve - other entities	***9***	*4*	*28*
Foreign currency translation reserve - discontinued operation (refer note 19)	***–***	*–*	*669*
Capital redemption and prospecting loans written off	***28***	*28*	*28*
Premium paid on purchase of non-controlling interest	***–***	*–*	*(14)*
Tamboti assets sale to Two Rivers (refer note 4)	***(99)***	*(99)*	*–*
Total	***(64)***	***(80)***	***625***

[2] *Opening balances adjusted as a result of the initial application of IFRS 9 (refer note 1). Amounts differ from that disclosed at 31 December 2018 as a result of revised estimates and deferred tax.*

Group statement of cash flows

for the year ended 30 June 2019

	Notes	F2019 Rm Reviewed	F2018 Rm Audited
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		**9 611**	9 195
Cash paid to suppliers and employees		**(7 488)**	(7 261)
Cash generated from operations	18	**2 123**	1 934
Interest received		**264**	159
Interest paid		**(80)**	(100)
Taxation paid		**(309)**	(426)
		1 998	1 567
Dividends received from joint venture	7	**3 315**	3 000
Dividends received from other		**8**	–
		5 321	4 567
Dividend paid to non-controlling interest – Impala Platinum		**(241)**	(253)
Dividend paid to shareholders		**(2 206)**	(1 714)
Net cash inflow from operating activities		**2 874**	2 600
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment to maintain operations		**(931)**	(1 150)
Dividends received from investments – Harmony		**–**	22
Proceeds on disposal of property, plant and equipment		**1**	3
Proceeds on disposal of investment		**–**	741
Investment in Harmony	11	**(211)**	–
Acquisition of Machadodorp Works	8	**(130)**	–
Proceeds from loans		**–**	3
Net cash outflow from investing activities		**(1 271)**	(381)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**4**	–
Long-term borrowings raised		**295**	496
Long-term borrowings repaid		**(595)**	(746)
Short-term borrowings raised		**15**	27
Short-term borrowings repaid		**–**	(132)
Net cash outflow from financing activities		**(281)**	(355)
Net increase in cash and cash equivalents		**1 322**	1 864
Cash and cash equivalents at beginning of year		**2 910**	1 031
Foreign currency translation on cash balance		**7**	15
Cash and cash equivalents at end of year		**4 239**	2 910
Made up as follows:			
– Available	12	**3 004**	1 779
– Restricted	12	**1 235**	1 131
		4 239	2 910
Cash generated from operations per share (cents)		**1 104**	1 015

Notes to the financial statements

for the year ended 30 June 2019

1. **STATEMENT OF COMPLIANCE**

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

BASIS OF PREPARATION

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

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

Standard	Subject	Effective date
IAS 28	Investment in associates and joint ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	1 January 2018
IFRS 1	First-time adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters	1 January 2018
IFRS 2	Share-based payment (Amendment)	1 January 2018
IFRS 4 and IFRS 9	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRIC 22	Foreign currency transactions and Advance Consideration	1 January 2018

Apart from IFRS 9 and IFRS 15 (refer below and note 3) the adoption of the other standards had no significant effect on the Group Financial Statements.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 is effective for ARM from 1 July 2018. ARM has opted to apply the modified retrospective approach, whereby opening retained income at 1 July 2018 is adjusted and the figures for F2018 are not restated.

The carrying value for financial assets equates their fair value.

The following financial instruments were impacted by the implementation of IFRS 9:

Equity investments (other than investments in subsidiaries, associates and joint ventures)
Listed investments
ARM continues to classify the listed shares in Harmony as fair value through other comprehensive income, whereby fair value gains and losses are recognised in equity (other comprehensive income) and will not be reclassified through profit or loss.

Unlisted investments
Previously, unlisted investments were measured at cost. Under IFRS 9, these investments in equities are measured at fair value.

Unlisted investments subject to adjustment – Investment in Richards Bay Coal Terminal (RBCT).
This investment is held by ARM Coal which is a jointly-controlled operation of ARM and Glencore Operations South Africa Proprietary Limited (GOSA), and hence ARM's share of the investment is recognised in the ARM company financial statements. Up until 30 June 2018, this investment was carried at cost.

For F2019, the fair value of this investment was determined by calculating the present value of the future wharfage cost savings by being a shareholder in RBCT as opposed to the wharfage payable by non-shareholders. The cumulative fair value adjustment is R55 million after tax of which R52 million after tax relates to prior periods (adjusted against retained earnings) and R3 million relates to F2019. The current financial year's fair value adjustment is accounted for through profit or loss. This is a level 3 valuation in terms of IFRS 7 and 13. The fair value is most sensitive to wharfage cost. The current RBCT valuation is based on a wharfage cost differential of R44/tonne. If increased by 10% this would result in a R25 million increase in the valuation on the RBCT investment. If decreased by 10% this would result in a R25 million decrease in the valuation on the RBCT investment. The valuation is calculated based on the duration of the RBCT lease agreement with Transnet SOC Limited to 31 December 2038 (including renewal options), using a pre-tax discount rate of 20.9%.

Trade and other receivables (including loans advanced)

Previously, receivables that contained provisional pricing features linked to commodity prices and exchange rates were designated to be measured at fair value through profit or loss because of the embedded derivative which would otherwise require separation. Under IFRS 9, such instruments continue to be measured on the same basis. Other receivables, including loans advanced, continue to be measured at amortised cost under IFRS 9.

The impairment model for amortised cost financial assets under IFRS 9 requires the recognition of expected losses, rather than only incurred losses.

The long-term loans to ARM Coal, Glencore and PCB continue to be accounted for at amortised cost.

Non-current liabilities

An interest free non-current liability owed by ARM Mining Consortium Ltd to Rustenburg Platinum Mines Ltd (Anglo American Platinum Ltd) was impacted by IFRS 9, resulting in a cumulative net fair value gain of R13 million, of which R25 million fair value gain relates to prior periods (fair value gain recorded against retained earnings), and R12 million loss recorded in statement of profit or loss.

Impact of adopting IFRS 9 – Financial Instruments	F2019 Rm Reviewed
Effect in statement of profit or loss is as follows:	
Fair value gain on the RBCT investment	3
Re-measurement loss on the Anglo American Platinum Limited loan	(12)
Expected credit losses on Assmang receivables and loans	(107)
Net movement in statement of profit or loss	**(116)**
Effect in statement of equity is as follows:	
Fair value gain on the RBCT investment	52
Increase in fair value	72
Deferred tax	(20)
Re-measurement gain on the Anglo American Platinum Limited loan	25
Net movement against opening retained earnings	**77**
Statement of Financial Position – impact	
Other investments – increase – Investment in RBCT	75
Anglo American Platinum Limited loan	101
Re-measurement loss on the Anglo American Platinum Limited loan in profit or loss	12
Re-measurement gain on the Anglo American Platinum Limited loan in retained earnings	(25)
Short-term borrowing – Anglo American Platinum Limited	114
Short-term borrowing – Anglo American Platinum Limited 30 June 2019	101

Notes to the financial statements
for the year ended 30 June 2019

Expected credit losses were recorded in ARM Ferrous of R107 million attributable to ARM after tax.

The methods for calculating expected credit losses for each financial asset type depends on the underlying assets and their properties. Sometimes several techniques and models may be used within a single asset class. Refer to note 7 for more details.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 became applicable to ARM for the financial year commencing 1 July 2018. ARM has selected the full retrospective approach, requiring comparative years to be restated. The impact of IFRS 15 has been assessed based on the operating segments of the group.

IFRS 15 replaces the risks and rewards principle that was applicable under IAS 18.

Revenue under IFRS 15 is recognised under the following five step model:

- Identify the contract with customers;
- Identify the performance obligations;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognise revenue when performance obligations are satisfied.

The impact of the adoption of IFRS 15 on ARM is as follows:

Assay estimates
Commodity sales are subject to assay estimates, which means that the transaction price is variable. IFRS 15 constrains the estimate of variable consideration recognised such that amounts are only included in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur when the uncertainty relating to final assay/quality is subsequently resolved, i.e. finalisation of the sale by the customer. The assay differences are typically not significant at approximately 1% of commodity sales revenue and therefore management did not change the approach followed under IAS 18. The adjustments to revenue arising from assay adjustments will continue to be recognised consistently as per the prior accounting treatment, i.e. included in revenue from contracts with customers.

Provisional pricing
Commodity sales are subject to provisional pricing features such as commodity prices and foreign exchange rates which are only finalised sometime after transfer of the commodities.

On initial recognition, revenue is recognised at fair value. The revenue and related trade receivable is then re-measured at every subsequent month-end until the sale has been finalised. The sale is finalised at average commodity prices and exchange rate for the month preceding the month of invoicing.

Previously, the changes in the fair value were recognised as part of revenue. These changes arise from re-measuring the related trade receivable to fair value at every month-end.

The related trade receivables will continue to be measured at fair value under IFRS 9, which was adopted at the same time as IFRS 15. The resultant changes in fair value are not within the scope of IFRS 15, since they are re-measurements of a financial asset. Accordingly, they are not subject to the IFRS 15 variable consideration constraint. IFRS 9 requires the full change in fair value to be recognised.

Since the changes in fair value relate to sales, management believes it is appropriate to continue to present such fair value changes as revenue (albeit not ‘revenue from contracts with customers’). The revenue note disclosure disaggregates total revenue such that ‘revenue from contracts with customers’ is distinguished from these fair value adjustments.

ARM Corporate

ARM provides management services to operations within the group. ARM invoices and recognises revenue on a monthly basis using the actual results of the component meaning no uncertainty surrounding the transaction price. The adoption of IFRS 15 therefore had no impact on the revenue recognition in ARM Corporate.

ARM Ferrous

The change that had the most significant impact was on sales with cost, insurance and freight (CIF)/ cost and freight (CFR) Inco terms. Sales with CIF/CFR Inco terms result in two distinct performance obligations – namely the supply of the commodity and shipping of the commodity. IFRS 15 had no impact on the equity accounted earnings of Assmang. However the composition of sales has changed as reflected below:

On a 50% basis	**F2019 Rm Currently under IFRS 15**	**F2019 Rm Previously under IAS 18**	F2018 Rm Currently under IFRS 15[1]	F2018 Rm Previously under IAS 18
Revenue from contracts with customers	**16 996**	**17 807**	13 836	13 774
Cost, insurance and freight (CIF) and cost and freight (CFR)	**10 209**		7 045	
Free on board (FOB), free carrier (FCA) and Free on train (FOT)	**6 787**		6 791	
Sales		**17 807**		13 774
Fair value adjustments to contract revenue	**793**		(84)	
Other sales	**18**		22	
Sales per segments	**17 807**	**17 807**	13 774	13 774

[1] *Amounts differ from that disclosed at 31 December 2018 as a result of a reclassification.*

The fair value adjustments are higher compared to the previous financial year, this is largely as a result of the prices increasing during the current financial year, resulting in fluctuations between the provisional and final sale.

ARM Platinum

The following areas are impacted:

Penalties and treatment charges

Adjustments, in the form of penalties and treatment charges, are made to the pricing to the extent the commodities sold do not meet certain specifications and as part of the terms of the various off-take agreement. As a result, the IFRS 15 constraint on variable consideration applies, which seeks to limit the amount of revenue recognised to guard against significant reversals in subsequent reporting periods.

Modikwa

Chrome and moisture penalties were previously a deduction to revenue under IAS 18 and this is consistent with the requirements of IFRS 15, therefore there is no impact on Modikwa's revenue.

Two Rivers Platinum

Previously, grade, chrome and moisture penalties as well as smelting, refining and drying fees were classified as cost of sales. In terms of IFRS 15, the grade, chrome and moisture penalties as well as smelting, refining and drying fees are to be off-set against revenue.

Notes to the financial statements

for the year ended 30 June 2019

Nkomati

Previously, arsenic and Magnesium Oxide penalties as well as transport recoveries were classified as cost of sales. In terms of IFRS 15, the arsenic and Magnesium Oxide penalties as well as transport recoveries will be debited against revenue.

ARM Coal

The assessment of domestic and export contracts against the requirements of IFRS 15 indicated that the adoption of IFRS 15 has no impact.

Group impact of IFRS 15 – Revenue from contracts with customers

The impact on the group was as follows:

	F2019 Rm	F2018 Rm
Revenue impact		
Penalty and treatment charges – now deducted from revenue – Nkomati	**(64)**	(62)
Penalty and treatment charges – now deducted from revenue – Two Rivers	**(305)**	(142)
	(369)	(204)
Cost of sales impact		
Penalty and treatment charges - no longer included in cost of sales – Nkomati	**64**	62
Penalty and treatment charges - no longer included in cost of sales – Two Rivers	**305**	142
	369	204
Net effect	**–**	–

These changes had no effect on basic earnings, headline earnings or diluted earnings.

Please refer to note 3: Revenue, for the disaggregation of revenue from revenue from contracts with customers into CIF, CFR, FOB, FCA, FOT and fair value adjustments to revenue.

NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Standard	Subject	Effective date
IAS 1	Presentation of financial statement – new definition	1 January 2020
IAS 8	Accounting policies, changes in accounting estimates and errors – new definition	1 January 2020
IAS 12	Income taxes – clarification	1 January 2019
IAS 19	Employee benefits	1 January 2019
IAS 23	Borrowing costs	1 January 2019
IFRS 3	Business Combinations – Amendment	1 January 2019
IFRS 3	Business Combinations – Amendment - Definition of a business	1 January 2020
IFRS 9	Financial Instruments – Classification and Measurement (Amendment)	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance	1 January 2022
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

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

ARM continuously evaluates the impact of these standards and amendments, the most prominent being IFRS 16 Leases. In summary the following are the current expectations in relation to IFRS 16.

IFRS 16 – LEASES

Under the new standard, an asset (the right to use the leased item) and a financial liability for lease payments are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases and embedded leases in service contracts.

The Group has opted to adopt the modified retrospective transition approach such that the cumulative effect of transition to IFRS 16 will be recognised in retained earnings and the comparative period will not be restated.

Management finalised the review of existing contracts in preparation for the standard's day one application.

The impact of IFRS 16 for F2020, based upon ARM's current contractual agreements, is estimated to be:

- a lease liability of not more than R100 million.
- a right of use asset of not more than R100 million.

Depreciation of the right of use asset and the finance charge representing the unwinding of the discount on the lease liability will be recorded in the statement of profit or loss.

Apart from IFRS 16 discussed above, the adoption of the other standards is not currently expected to have a significant effect on the Group Financial Statements.

Notes to the financial statements

for the year ended 30 June 2019

2. **PRIMARY SEGMENTAL INFORMATION**

Business segments

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

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

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

There were no significant inter-company sales.

[1] Refer to ARM Ferrous segment note 2.3 and note 7 for more detail.

[2] Includes IFRS 11 - Joint Arrangements - adjustments related to ARM Ferrous.

[3] The re-mesurement of the ARM Coal loans had an impact of loss of R 25 million with no tax effect. The re-measurement of the Modikwa loans amounts to R12 million loss.

[4] The re-measurement of the ARM Coal loans was a profit of R55 million, with no tax effect. Impairment reversal included in income from associate are R3 million before tax of R1 million.

[5] Impairment loss included in income from joint venture R528 million before tax of R6 million.

[6] Relates to fees capitalised in ARM Ferrous and reversed upon consolidation.

Notes to the financial statements

for the year ended 30 June 2019

2. **PRIMARY SEGMENTAL INFORMATION** (Continued)

Attributable	ARM Platinum Rm	ARM Ferrous[1] Rm	ARM Coal Rm	ARM Corporate Rm	Total Rm	IFRS Adjustment[2] Rm	Total per IFRS financial statements Total Rm	Discontinued operations ARM Copper Rm
	Continuing operations							Discontinued operations
Year to 30 June 2018 (Reviewed and restated)								
Sales	7 114	13 774	1 028	–	**21 916**	(13 774)	**8 142**	340
Cost of sales	(5 846)	(8 103)	(857)	37	**(14 769)**	8 073	**(6 696)**	(282)
Other operating income[3]	60	217	896	504	**1 677**	(150)	**1 527**	4
Other operating expenses	(284)	(1 249)	(7)	(972)	**(2 512)**	1 249	**(1 263)**	(70)
Segment result	1 044	4 639	1 060	(431)	**6 312**	(4 602)	**1 710**	(8)
Income from investments	34	299	10	133	**476**	(299)	**177**	–
Finance cost	(80)	(34)	(172)	(108)	**(394)**	34	**(360)**	(12)
Finance cost ZCCM: Shareholders' loan Vale/ARM joint operation[4]	–	–	–	–	**–**	–	**–**	(20)
Profit from associate[5]	–	–	619	–	**619**	–	**619**	–
Income from joint venture[6]	–	118	–	–	**118**	3 392	**3 510**	–
Special items before tax	(39)	(25)	(3)	–	**(67)**	25	**(42)**	(117)
Taxation	(287)	(1 460)	(45)	(231)	**(2 023)**	1 450	**(573)**	(62)
Profit / (loss) after tax	672	3 537	1 469	(637)	**5 041**	–	**5 041**	(219)
Non-controlling interest	(291)	–	–	(3)	**(294)**	–	**(294)**	34
Consolidation adjustment[7]	–	(27)	–	27	**–**	–	**–**	–
Contribution to basic earnings/ (losses)	381	3 510	1 469	(613)	**4 747**	–	**4 747**	(185)
Contribution to headline earnings/ (losses)	420	3 528	1 485	(613)	**4 820**	–	**4 820**	(6)
Other information								
Segment assets, including investment in associate	9 009	20 223	4 689	5 103	**39 024**	(4 719)	**34 305**	
Investment in associate			1 798		**1 798**	–	**1 798**	
Investment in joint venture						15 504	**15 504**	
Segment liabilities	1 880	1 883	1 453	1 878	**7 094**	(1 883)	**5 211**	
Unallocated liabilities (tax and deferred tax)					**4 552**	(2 836)	**1 716**	
Consolidated total liabilities					**11 646**	(4 719)	**6 927**	
Cash inflow/(outflow) generated from operations	1 593	4 880	305	109	**6 887**	(4 880)	**2 007**	(73)
Cash inflow/(outflow) from operating activities	1 120	3 789	309	(1 753)	**3 465**	(789)	**2 676**	(76)
Cash (outflow)/inflow from investing activities	(907)	(1 447)	(188)	573	**(1 969)**	1 447	**(522)**	141
Cash outflow from financing activities	(38)	–	(115)	(195)	**(348)**	–	**(348)**	(7)
Capital expenditure	802	1 474	140	2	**2 418**	(1 474)	**944**	46
Amortisation and depreciation	572	971	167	2	**1 712**	(971)	**741**	
Impairment before tax	39	26	19	–	**84**	(26)	**58**	
EBITDA	1 616	5 610	1 227	(429)	**8 024**	(5 573)	**2 451**	(8)

There were no significant inter-company sales.

1 *Refer to ARM Ferrous segment note 2.3 and note 7 for more detail.*
2 *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.*
3 *The restructuring of the ARM Coal loans had an impact of R652 million profit with no tax effect.*
4 *Intercompany interest of R127 million receivable by ARM Corporate and accrued by ARM Copper is presented in terms of IFRS 5.*
5 *The restructuring of the ARM Coal loans had an impact of R325 million profit with no tax effect. Impairment loss included in income from associate are R19 million less tax of R5 million.*
6 *Impairment loss included in income from joint venture R26 million before tax of R7 million.*
7 *Relates to capitalised fees in ARM Ferrous.*

Notes to the financial statements

for the year ended 30 June 2019

2. **PRIMARY SEGMENTAL INFORMATION** (Continued)

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

	Attributable	Nkomati Rm	Two Rivers Rm	Modikwa[1] Rm	Platinum Total Rm
2.2	**Year to 30 June 2019 (Reviewed)**				
	External sales	1 523	3 994	2 067	**7 584**
	Cost of sales	(1 744)	(2 949)	(1 652)	**(6 345)**
	Other operating income	10	20	48	**78**
	Other operating expenses	(140)	(159)	(231)	**(530)**
	Segment result	(351)	906	232	**787**
	Income from investments	7	12	32	**51**
	Finance cost	(14)	(70)	(3)	**(87)**
	Special items before tax (refer note 4 and 9)	(1 344)	–	–	**(1 344)**
	Taxation	317	(251)	(134)	**(68)**
	(Loss)/profit after tax	(1 385)	597	127	**(661)**
	Non-controlling interest	–	(275)	(22)	**(297)**
	Contribution to basic (losses)/earnings	(1 385)	322	105	**(958)**
	Contribution to headline (losses)/earnings	(315)	322	105	**112**
	Other information				
	Segment and consolidated assets	520	5 168	2 756	**8 444**
	Segment liabilities	511	1 465	435	**2 411**
	Unallocated liabilities (tax and deferred tax)				**715**
	Consolidated total liabilities				**3 126**
	Cash (outflow)/inflow generated from operations	(89)	1 229	599	**1 739**
	Cash (outflow)/inflow from operating activities	(86)	761	623	**1 298**
	Cash outflow from investing activities	(146)	(436)	(131)	**(713)**
	Cash outflow from financing activities	(7)	(66)	(164)	**(237)**
	Capital expenditure	168	587	130	**885**
	Amortisation and depreciation	110	319	95	**524**
	Impairment before tax	1 344	–	–	**1 344**
	EBITDA	(241)	1 225	327	**1 311**
	Year to 30 June 2018 (Reviewed and restated)				
	External sales	1 577	3 741	1 796	**7 114**
	Cost of sales	(1 478)	(2 737)	(1 631)	**(5 846)**
	Other operating income	7	22	31	**60**
	Other operating expenses	(88)	(152)	(44)	**(284)**
	Segment result	18	874	152	**1 044**
	Income from investments	7	11	16	**34**
	Finance cost	(14)	(63)	(3)	**(80)**
	Special items before tax (refer note 4 and 9)	1	–	(40)	**(39)**
	Taxation	(2)	(239)	(46)	**(287)**
	Profit after tax	10	583	79	**672**
	Non-controlling interest	–	(277)	(14)	**(291)**
	Contribution to basic earnings	10	306	65	**381**
	Contribution to headline earnings	9	306	105	**420**
	Other information				
	Segment and consolidated assets	1 914	4 774	2 321	**9 009**
	Segment liabilities	374	1 158	348	**1 880**
	Unallocated liabilities (tax and deferred tax)				**913**
	Consolidated total liabilities				**2 793**
	Cash inflow generated from operations	269	1 175	149	**1 593**
	Cash inflow from operating activities	271	688	161	**1 120**
	Cash outflow from investing activities	(211)	(560)	(136)	**(907)**
	Cash (outflow)/inflow from financing activities	(65)	27	–	**(38)**
	Capital expenditure	214	455	133	**802**
	Amortisation and depreciation	162	318	92	**572**
	Impairment before tax	(1)	–	40	**39**
	EBITDA	180	1 192	244	**1 616**

[1] *Anglo American Platinum and ARM were in on-going discussions to find a holistic solution to ensure the sustainability of Modikwa. On 16 July 2018, the partners agreed to temporarily amend the terms of the existing Sale of Concentrate agreement to improve the cash flow generation of the mine while a turnaround and operational improvement plan is implemented. The negotiations became unconditional in F2018.*

As a result, the financial results for the year ended 30 June 2018 include an adjustment for 18 months, 1 January 2017 to 30 June 2018.

Notes to the financial statements

for the year ended 30 June 2019

2. **PRIMARY SEGMENTAL INFORMATION** (Continued)

2.3 ***Pro forma* analysis of the ARM Ferrous segment on a 100% basis**

	Iron ore Division Rm	Manga-nese Division Rm	Chrome Division Rm	ARM Ferrous Total Rm	ARM share Rm	IFRS Adjust ment[1] Rm	Total per IFRS financial state-ments Rm
Year to 30 June 2019 (Reviewed)							
Sales	20 827	14 786	–	**35 613**	**17 807**	(17 807)	–
Cost of sales	(10 151)	(8 295)	1	**(18 445)**	**(9 223)**	9 223	–
Other operating income	750	544	5	**1 299**	**158**	(158)	–
Other operating expense	(2 599)	(2 083)	(11)	**(4 693)**	**(1 856)**	1 856	–
Segment result	8 827	4 952	(5)	**13 774**	**6 886**	(6 886)	–
Income from investments	583	31	–	**614**	**296**	(296)	–
Finance cost	(44)	(52)	–	**(96)**	**(38)**	38	–
Loss from joint venture	–	(1 012)	–	**(1 012)**	**(506)**	506	–
Special items before tax (refer note 9)	(2)	(358)	–	**(360)**	**(180)**	180	–
Taxation	(2 569)	(1 254)	–	**(3 823)**	**(1 911)**	1 911	–
Profit/(loss) after tax	6 795	2 307	(5)	**9 097**	**4 547**	(4 547)	–
Consolidation adjustment					**(45)**	45	–
Contribution to basic earnings and total comprehensive income	6 795	2 307	(5)	**9 097**	**4 457**	45	**4 502**
Contribution to headline earnings	6 795	3 221	(5)	**10 011**	**5 005**	(45)	**4 960**
Other information							
Consolidated total assets	24 113	21 793	–	**45 906**	**22 268**	(5 566)	**16 702**
Consolidated total liabilities	6 865	4 672	–	**11 537**	**2 422**	(2 422)	–
Capital expenditure	2 097	2 310	–	**4 407**	**2 108**	(2 108)	–
Amortisation and depreciation	1 457	681	–	**2 138**	**1 037**	(1 037)	–
Cash inflow from operating activities	2 856[2]	5 654	–	**8 510**	**5 913**	(5 913)	–
Cash outflow from investing activities	(2 040)	(2 065)	–	**(4 105)**	**(2 053)**	2 053	–
EBITDA	10 284	5 633	(5)	**15 912**	**7 923**	(7 923)	
Additional information for ARM Ferrous at 100%							
Non-current assets							
Property, plant and equipment				**24 823**		(24 823)	–
Investment in joint venture				**1 412**		(1 412)	–
Other non-current assets				**919**		(919)	–
Current assets							
Inventories				**4 961**		(4 961)	–
Trade and other receivables				**7 473**		(7 473)	–
Financial assets				**188**		(188)	–
Cash and cash equivalents				**6 105**		(6 105)	–
Non-current liabilities							
Other non-current liabilities				**7 522**		(7 522)	–
Current liabilities							
Trade and other payables				**2 664**		(2 664)	–
Short-term provisions				**983**		(983)	–
Taxation				**308**		(308)	–

[1] *Includes consolidation and IFRS 11 - Joint Arrangements - adjustments.*

[2] *Dividend paid amounting to R3.3 billion included in cash flows from operating activities.*

Refer note 2.1 and note 7 for more detail on the ARM Ferrous segment.

Notes to the financial statements

for the year ended 30 June 2019

2. **PRIMARY SEGMENTAL INFORMATION** (Continued)

	Iron ore Division Rm	Manganese Division Rm	Chrome Division Rm	ARM Ferrous Total Rm	ARM share Rm	IFRS Adjustment[1] Rm	Total per IFRS financial statements Rm
Year to 30 June 2018 (Reviewed and restated)							
Sales	14 534	12 833	180	**27 547**	**13 774**	(13 774)	–
Cost of sales	(9 143)	(6 747)	(316)	**(16 206)**	**(8 103)**	8 103	–
Other operating income	692	664	–	**1 356**	**217**	(217)	–
Other operating expense	(1 853)	(1 645)	78	**(3 420)**	**(1 249)**	1 249	–
Segment result	4 230	5 105	(58)	**9 277**	**4 639**	(4 639)	–
Income from investments	578	21	–	**599**	**299**	(299)	–
Finance cost	(34)	(34)	–	**(68)**	**(34)**	34	–
Loss from joint venture	–	236	–	**236**	**118**	(118)	–
Special items before tax (refer note 9)	–	(50)	–	**(50)**	**(25)**	25	–
Taxation	(1 431)	(1 506)	16	**(2 921)**	**(1 460)**	1 460	–
Profit/(loss) after tax	3 343	3 772	(42)	**7 073**	**3 537**	(3 537)	–
Consolidation adjustment					**(27)**	27	–
Contribution to basic earnings and total comprehensive income	3 343	3 772	(42)	**7 073**	**3 537**	(27)	**3 510**
Contribution to headline earnings	3 343	3 808	(42)	**7 109**	**3 555**	(27)	**3 528**
Other information							–
Consolidated total assets	23 149	17 992	524	**41 665**	**20 223**	(4 719)	**15 504**
Consolidated total liabilities	6 165	3 190	426	**9 781**	**1 883**	(1 883)	–
Capital expenditure	1 780	1 285	16	**3 081**	**1 474**	(1 474)	–
Amortisation and depreciation	1 401	594	8	**2 003**	**971**	(971)	–
Cash inflow from operating activities	1 522[2]	3 001	55	**4 578**	**3 789**	(3 789)	–
Cash outflow from investing activities	(1 725)	(1 153)	(15)	**(2 893)**	**(1 447)**	1 447	–
EBITDA	5 631	5 699	(50)	**11 280**	**5 610**	(5 610)	–
Additional information for ARM Ferrous at 100%							
Non-current assets							
Property, plant and equipment				**22 712**		(22 712)	–
Investment in joint venture				**3 011**		(3 011)	–
Other non-current assets				**786**		(786)	–
Current assets							
Inventories				**4 392**		(4 392)	–
Trade and other receivables				**5 522**		(5 522)	–
Financial assets				**228**		(228)	–
Cash and cash equivalents				**5 014**		(5 014)	–
Non-current liabilities							
Other non-current liabilities				**6 796**		(6 796)	–
Current liabilities							
Trade and other payables				**1 819**		(1 819)	–
Short-term provisions				**961**		(961)	–
Taxation				**206**		(206)	–

[1] *Includes consolidation and IFRS 11 - Joint Arrangements - adjustments.*

[2] *Dividend paid amounting to R3 billion included in cash flows from operating activities.*

Refer note 2.1 and note 7 for more detail on the ARM Ferrous segment.

Notes to the financial statements

for the year ended 30 June 2019

2. **PRIMARY SEGMENTAL INFORMATION** (Continued)

2.4 Additional information

ARM Corporate as presented in the table on pages 82 and 83 is analysed further into Machadodorp, Corporate and other and Gold segments.

	Machado-dorp Works[1] Rm	Corporate and other[2] Rm	Gold Rm	F2019 Total ARM Corporate
Year to 30 June 2019 (Reviewed)				
Sales	88	–		**88**
Cost of sales	(103)	50		**(53)**
Other operating income	1	599		**600**
Other operating expenses	(39)	(994)		**(1 033)**
Segment result	(53)	(345)		**(398)**
Loss from investments	–	272		**272**
Finance costs	(6)	(49)		**(55)**
Special item (refer note 8 and 9)	(146)	–		**(146)**
Taxation	23	(141)		**(118)**
Loss after tax	(182)	(263)		**(445)**
Non-controlling interest	–	(3)		**(3)**
Consolidation adjustments[3]		45		**45**
Contribution to basic (losses)/earnings	(182)	(221)		**(403)**
Contribution to headline (losses)/earnings	(36)	(221)		**(257)**
Other information				
Segment and consolidated assets	208	4 530	2 370	**7 108**
Segment liabilities	268	1 888		**2 156**
Cash inflow/(outflow) from operating activities	5	(2 028)		**(2 023)**
Cash outflow from investing activities	–	(344)		**(344)**
Cash inflow from financing activities	–	19		**19**
Capital expenditure	–	5		**5**
Amortisation and depreciation	2	3		**5**
Impairment before tax	146	–		**146**
EBITDA	(51)	(342)		**(393)**

[1] *Refer note 8 for the detail of the acquisition of Machadodorp Works.*
[2] *Includes a re-measurement loss on the loans to Modikwa and ARM Coal of R40 million (F2018: Nil)*
[3] *Relates to fees capitalised in ARM Ferrous and reversed on consolidation.*

	Corporate and other[1]	Gold	F2018 Total ARM Corporate
Year to 30 June 2018 (Reviewed and restated)			
Cost of sales	37		**37**
Other operating income	504		**504**
Other operating expenses	(972)		**(972)**
Segment result	(431)		**(431)**
Income from investments	111	22	**133**
Finance costs[2]	(108)		**(108)**
Taxation	(231)		**(231)**
(Loss)/profit after tax	(659)	22	**(637)**
Non-controlling interest	(3)		**(3)**
Consolidation adjustment[3]	27		**27**
Contribution to basic (losses)/earnings	(635)	22	**(613)**
Contribution to headline (losses)/earnings	(635)	22	**(613)**
Other information			
Segment and consolidated assets	3 752	1 351	**5 103**
Segment liabilities	1 878		**1 878**
Cash outflow from operating activities	(1 753)		**(1 753)**
Cash inflow from investing activities	551	22	**573**
Cash outflow from financing activities	(195)		**(195)**
Capital expenditure	2		**2**
Amortisation and depreciation	2		**2**
EBITDA	(429)		**(429)**

[1] *Corporate, other companies and consolidation adjustments*
[2] *Inter-company interest of R127 million recoverable by ARM corporate and accrued by ARM Copper re-presented in terms of IFRS 5.*
[3] *Relates to fees capitalised in ARM Ferrous and reversed on consolidation*

Notes to the financial statements

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3. REVENUE AND COST OF SALES

	Reviewed 2019 Rm Currently under IFRS 15	Reviewed and restated 2018 Rm Currently under IFRS 15[1]	Audited 2018 Rm Previously under[2] IAS 18
Revenue	**9 596**	**9 112**	**9 603**
Revenue – continuing operations	9 596	8 772	9 263
Revenue – discontinued operations	–	340	340
Total Revenue[3]	**9 596**	**9 112**	**9 603**
Fair value adjustments to revenue[3]	353	282	–
Revenue from contracts with customers[3]	9 243	8 830	9 603
Sales of commodities continuing operations	8 850	8 064	8 346
Sales of commodities discontinued operations	–	340	340
Penalty and treatment charges[3]	(369)	(204)	–
Dividends received	–	–	22
Fees received	762	630	630
Interest received	–	–	155
Insurance income received	–	–	72
Property rental received	–	–	16
Royalty received	–	–	22
SALES			
Sales previously – IAS 18	9 203	8 346	8 346
Penalty and treatment charges[3]	(369)	(204)	–
Sales per statement of profit or loss (IFRS 15)	8 834	8 142	8 346
COST OF SALES			
Cost of sales previously – IAS 18	(7 818)	(6 900)	(6 900)
Penalty and treatment charges[3]	369	204	–
Cost of sales per statement of profit or loss – IFRS 15	(7 449)	(6 696)	(6 900)

[1] *Amounts differ from that disclosed at 31 December 2018 as a result of additional fair values.*

[2] *The prior periods were restated in terms of IFRS 15 where penalty and treatment charges are now deducted from revenue and not included in cost of sales and dividend, interest, rental, insurance and royalties received does not form part of revenue anymore.*

[3] *Refer note 1 for details of the impact of adopting and implementing IFRS 15.*

4. **PROPERTY, PLANT AND EQUIPMENT**

4.1 **IMPAIRMENT**

4.1.1 **Nkomati Nickel Mine**

Notwithstanding the increase in the nickel price over the reporting period as at 31 December 2018 an impairment loss (ARM's attributable share of R1 166 million before tax and R892 million after tax) of the Nkomati Nickel Mine was recognised. This was largely as a result of:

i) A decline in head grade, resulting in decreased metal output;

ii) Inability to generate sufficient cash for operational requirements; and

iii) An increase in production costs.

A pre-tax discount rate of 20.2% was used for the impairment calculation together with the following metal prices and exchange rate assumptions.

	F2019 Nominal	F2020 Nominal	F2021 Nominal	F2022 Nominal	Long-term Real
Platinum – US$/ounce	855	1 090	1 138	1 172	1 173
Palladium – US$/ounce	1 027	1 050	1 050	1 032	965
Gold – US$/ounce	1 273	1 315	1 323	1 355	1 183
Nickel – US$/tonne	12 998	13 498	13 999	15 539	15 364
Copper – US$/tonne	6 221	6 925	7 040	7 241	6 516
Cobalt – US$/lb	35	33	30	25	19
Chrome concentrate – US$/tonne	62	75	75	77	72
Exchange rate – R/US$	14.40	14.08	13.61	13.92	13.27

A reduction in the economic life of mine from 2026 to 2021 resulted in a further impairment loss attributable to ARM of R178 million with no tax effect being recognised at 30 June 2019.

This was largely due to:

i) The mine's inability to generate sufficient cash to meet operational requirements; and

ii) An increase in overall costs

ARM's attributable share of the total impairment charge for the year amounted to R1 344 million before tax and R1 070 million after tax. The difference between the pre- and post-tax charge does not correspond with the South African Corporate tax rate of 28%, as the tax charge on the impairment was limited to the corresponding deferred tax liability available for off-set on the statement of financial position. Management did not recognise a deferred tax asset as the recoverability of such an asset is uncertain in the foreseeable future.

4.1.2 **Kalplats**

In F2018 an impairment loss of R40 million (tax nil) was recognised at 30 June 2018 as a result of the prospecting right relating to Kalplats having expired. ARM Platinum Proprietary Limited has not applied for a mining right.

Notes to the financial statements

for the year ended 30 June 2019

4.2 **OTHER IMPAIRMENT**

4.2.1 **Goodwill**

At 30 June 2019, the goodwill for Machadodorp Works was tested for impairment. Since exploratory work for Machadodorp Works is still on-going, future economic benefits and the recoverable amount could not be reliably estimated or measured, at this current stage. An impairment loss amounting to R146 million was recognised in ARM Company at 30 June 2019 (refer note 8 and 9).

4.2.2 **ARM Coal – PCB**

An impairment reversal was recognised in F2019 on property plant and equipment for R3 million (F2018: R19 million loss) before tax of R1 million (F2018: R5 million) (Refer note 2.1 and 9). This is accounted for in the income from associate line in the statement of profit or loss.

4.2.3 **ARM Ferrous**

An impairment loss was recognised in F2019 on property plant and equipment for R21 million before tax of R6 million (F2018: R26 million before tax of R7 million) (Refer note 2.1 and 9). This is accounted for in the income from joint venture line in the statement of profit or loss.

An impairment loss of R1 013 million after tax was recognised on Assmang's investment in its equity-accounted investment, Sakura Ferroalloys Sdh Bhd. ARM's attributable share of the impairment loss amounted to R313 million for the property, plant and equipment and R194 million for the investment after tax (refer note 9).

This impairment was largely due to a combination of:

- A consistent decline in manganese alloys prices;
- An increase in production costs resulting primarily from high manganese ore prices.

The recoverable amount of the investment was determined based on a fair value discounted cash flow Malaysian Ringgit (MYR) valuation model performed in terms of International Financial Reporting Standards.

The model was calculated over a twenty-year period using a terminal value at the end of year twenty.

A pre-tax Malaysian discount rate of 8.07% was used in the impairment calculation. The Malaysian Ringgit valuation was converted to South African Rand using an exchange rate of R3.42 at 30 June 2019.

The following assumptions were used in the valuation model:

		FY 2020	FY 2021	FY 2022	FY 2023
Manganese Ore Price Assumptions	$/dmtu CIF	4.34 – 5.97	4.37 – 6.00	4.48 – 6.14	4.91 – 6.65
Manganese Alloy Price Assumptions	USD/mt DDP	727 – 1341	770 – 1393	804 – 1455	867 – 1550
Manganese Alloy Price Assumptions	EUR/mt DDP	1 011	996	1 075	1 113

Exchange Rates

		FY 2020	FY 2021	FY 2022	FY 2023
USD/ZAR	ZAR nominal	14.08	14.20	14.50	14.98
USD/MYR	MYR nominal	4.10	4.00	4.00	4.00
USD/EUR	EUR nominal	0.85	0.82	0.83	0.81

Discounts on Manganese Alloy Prices

	FY 2020	FY 2021	FY 2022	FY 2023
USA	6 – 12%	6 – 12%	6 – 12%	6 – 12%
Europe	8.5%	8.5%	6%	6%
Japan and other	6.5%	6.5%	6%	6%

4.3 **OTHER PROPERTY PLANT AND EQUIPMENT**

Tamboti

In F2018 the mineral rights held in Tamboti Platinum Proprietary Limited were sold to Two Rivers. The net effect of this transaction was R99 million increase in the non-controlling interest of the Group. This increased the ARM shareholding in Two Rivers from 51% to 54%.

	Reviewed 2019 Rm	Audited 2018 Rm
5. LOANS AND LONG-TERM RECEIVABLES		
ARM Platinum (Modikwa)	**–**	17
ARM Coal	**283**	445
Total	**283**	462

Notes to the financial statements

for the year ended 30 June 2019

		Reviewed 2019 Rm	Audited 2018 Rm
6.	**INVESTMENT IN ASSOCIATE**		
	Through ARM's 51% investment in ARM Coal, the Group holds a 10.2% investment in the Participative Coal Business of GOSA.		
	Opening balance	**1 197**	1 140
	Total profit for the current year	**124**	212
	Profit for the current year	**107**	127
	F2019 re-measurement/F2018 fair value gains on loans (refer note 14)	**17**	85
	Loan movements/Restructuring allocation	**(237)**	(155)
	Closing balance	**1 084**	1 197
	ARM invested directly in 10% of the Participative Coal Business of GOSA on 1 September 2007.		
	Opening balance	**739**	332
	Total profit for the current year	**152**	407
	Profit for the current year	**114**	167
	F2019 re-measurement/F2018 fair value gains on loans (refer note 14)	**38**	240
	Closing balance	**891**	739
	Less: Dividend received prior years	**(138)**	(138)
	Closing balance	**1 837**	1 798
7.	**INVESTMENT IN JOINT VENTURE**		
	The investment relates to ARM Ferrous and consists of Assmang as a joint venture which includes iron ore, manganese and chrome operations.		
	Opening balance	**15 504**	14 860
	Net income for the period[1]	**4 502**	3 510
	Income for the period	**4 547**	3 537
	Consolidation adjustment	**(45)**	(27)
	Foreign currency translation reserve	**11**	134
	Less: Cash dividend received for the period	**(3 315)**	(3 000)
	Closing balance	**16 702**	15 504

Refer note 2.1 and 2.3 for more detail on the ARM Ferrous segment

[1] *Includes expected credit losses recorded of R123 million less tax of R16 million and profit on sale of Machadodorp Works of R91 million less tax of R26 million. The expected credit losses for Assmang is effected with an increased risk factor associated with Sakura. The credit loss was calculated for Sakura based on the cash flows from the impairment model. A 25% credit loss was used for loans and 10% for guarantees.*

7. **INVESTMENT IN JOINT VENTURE** (continued)

The following methods were used in calculating expected credit losses:

Category	Type of credit loss model used	Sufficient internal data history
Inter-group loans Associate Companies – Private group	Moody's Analytics "RiskCalc" SA financial statement model and data and judgmental assessment	Not applicable
Loans to non-listed entities – instalment sale book	Analytical review of loan book history	Yes
Entities not covered by models	Where there is insufficient data or models to cover an asset type, expert judgement is used by mapping these to similar type assets and then by applying a suitable adjustment	No
Trade receivables	Analysis of empirical evidence of historical defaults and losses. Material and concentrated exposures were assessed separately using ratings	No

Trade receivables

Basis of valuation

Trade receivable Expected Credit Losses were measured on the simplified method.

Methodology

Data used:
Credit policies that include a description of the different categories of debtors and a basis of establishing their risk and historic proportion of total sales each category of debtor contributes.

Segmentation

The debtors book was segmented into groups of customers that are considered to exhibit similar credit risks and behaviour. Where a segment has an insufficient number of customers, observable default history or is not material, a judgemental overlay was applied. All intercompany balances in the debtors book were excluded as they have different behaviours. Respective default rates were derived for separate currencies in the debtors book.

The following segments were identified:

Segment	Approach	% of sales
Open account	Rating of debtors	54.04
Letters of credit	Judgemental assessment – extremely low risk	37.07
Pre-payments, cash against documents and standby letters of credit	Judgemental assessment – extremely low risk	3.31
Insured book	Judgemental based on insurance terms	5.58

Notes to the financial statements

for the year ended 30 June 2019

7. **INVESTMENT IN JOINT VENTURE** (continued)

Conversion of historic Probability of Default and Loss Given Default into a forward-looking Expected Credit Losses

The primary driver of credit risk for the customers of Assmang is driven by commodity prices. This means that macro-economic variables that would be applied to most companies' receivables books are not relevant. Credit ratings are forward looking and place a significant emphasis on the impact of future commodity prices. Due to the nature of the book, any further adjustment would be insignificant.

Instalment sale debtors

Basis of valuation

An analytical review was performed on the loan portfolio and its historical payment patterns, bad debts and recoveries.

Methodology

The analytical review based on the payment history of the entire loan book since inception. The historical default and loss rates were compared to the home loan portfolios of FirstRand Bank and were adjusted to reflect an element of market data. No specific conversion to forward-looking losses has been performed.

Guarantees

Basis of valuation

A guarantee has been issued by Assmang Proprietary Limited in favour of the associate Sakura to its bankers. A subjective assessment has been performed but due to the likelihood of implied support to prevent a liability occurring, a different Probability of Default has been assumed.

	Reviewed 2019 Rm
8. **ACQUISITION OF MACHADODORP WORKS**	
On 28 February 2019, ARM acquired 100% of the Machadodorp Works business from Assmang, for a cash amount of R130 million. A subsequent purchase price adjustment of R17 million which was received after 30 June 2019 reduced the amount to R113 million. This resulted in ARM's effective ownership increasing to 100% from the previous indirect 50%. ARM acquired Machadodorp Works to use its existing infrastructure for alternative smelting technology, to commercialise more efficient and cost effective ways of smelting, particularly in so far as energy (which is one of the biggest cost inputs in smelting) is required. Building a new facility for test work would have been more expensive than using existing Machadodorp Works facility.	
Assets acquired and liabilities assumed	
ARM has measured the identifiable assets and liabilities of Machadodorp Works at their acquisition-date fair values. The values are presented below:	
Assets	**162**
Non-current assets	**42**
Current assets	**120**
Liabilities	**(232)**
Non-current liabilities	**(217)**
Current liabilities	**(15)**
Total identifiable net liabilities at fair value	**(70)**
Deferred tax asset raised on acquisition	**37**
Purchase price adjustment (receivable)	**17**
Goodwill arising on acquisition	**146**
Cash outflow on acquisition	**130**
Goodwill of R146 million has been recognised at acquisition. Goodwill represents the value paid in excess of the fair value of the net assets acquired (refer note 4.2.1).	

		Reviewed 2019 Rm	Audited 2018 Rm
9.	**SPECIAL ITEMS**		
	Impairment loss of goodwill – Machadodorp Works (refer note 4)	**(146)**	–
	Loss on sale of property, plant and equipment – ARM Coal	**(1)**	(3)
	Impairment loss of property, plant and equipment – Kalplats	**–**	(40)
	(Impairment)/reversal of impairment of property, plant and equipment – Nkomati	**(1 344)**	1
	Special items per statement of profit or loss before taxation effect	**(1 491)**	(42)
	Impairment reversal/(loss) on property, plant and equipment accounted for directly in associate – ARM Coal (refer to note 4)	**3**	(19)
	Impairment loss on investment in Sakura accounted for directly in joint venture – Assmang (refer to note 4)	**(194)**	–
	Impairment loss on property, plant and equipment accounted for directly in joint venture – Assmang (refer to note 4)	**(21)**	(26)
	Impairment loss on property, plant and equipment on Sakura accounted for directly in joint venture – Assmang (refer to note 4)	**(313)**	–
	Pretax loss on sale of Lubambe (refer to note 19)	**–**	(117)
	Profit on sale of property, plant and equipment accounted for directly in joint venture – Assmang	**–**	1
	Profit on sale of Machadodorp Works accounted directly in joint venture – Assmang (refer to note 7)	**91**	–
	Loss on sale of property, plant and equipment accounted for directly in joint venture – Assmang	**(2)**	–
	Special items before taxation effect	**(1 927)**	(203)
	Taxation accounted for in joint venture – impairment loss at Assmang	**6**	–
	Taxation accounted for in joint venture – profit on disposal of Machadodorp works at Assmang	**(26)**	–
	Taxation accounted for in joint venture – loss on disposal of fixed assets at Assmang	**1**	7
	Taxation accounted for in associate – impairment (reversal)/loss at ARM Coal	**(1)**	5
	Taxation loss on sale of property ARM Coal	**1**	1
	Taxation – impairment loss of Nkomati assets	**274**	–
	Taxation – sale of Lubambe	**–**	(62)
	Total	**(1 672)**	(252)

Notes to the financial statements

for the year ended 30 June 2019

		Reviewed F2019 Rm	Audited F2018 Rm
10.	**EARNINGS PER SHARE**		
	Headline earnings (R million)	**5 226**	4 814
	Headline earnings from continuing operations (R million)	**5 226**	4 820
	Headline loss from discontinued operation (R million)	**–**	(6)
	Headline earnings per share (cents)	**2 718**	2 526
	Headline earnings per share from continuing operations (cents)	**2 718**	2 529
	Headline loss per share from discontinued operation (cents)	**–**	(3)
	Basic earnings per share (cents)	**1 848**	2 393
	Basic earnings from continuing operations per share (cents)	**1 848**	2 490
	Basic loss from discontinued operation per share (cents)	**–**	(97)
	Diluted headline earnings per share (cents)	**2 669**	2 453
	Diluted headline earnings per share from continuing operations (cents)	**2 669**	2 456
	Diluted headline loss per share from discontinued operation (cents)	**–**	(3)
	Diluted basic earnings per share (cents)	**1 815**	2 325
	Diluted basic earnings from continuing operations per share (cents)	**1 815**	2 419
	Diluted basic loss from discontinued operation per share (cents)	**–**	(94)
	Number of shares in issue at end of year (thousands)	**222 008**	219 709
	Weighted average number of shares (thousands)	**192 269**	190 622
	Weighted average number of shares used in calculating diluted earnings per share (thousands)	**195 800**	196 217
	Net asset value per share (cents)	**12 690**	11 792
	EBITDA (R million)	**1 476**	2 443
	EBITDA from continuing operations (R million)	**1 476**	2 451
	Interim dividend declared (cents per share)	**400**	250
	Dividend declared after year-end (cents per share)	**900**	750
	Reconciliation to headline earnings (R million)		
	Basic earnings attributable to equity holders of ARM	**3 554**	4 562
	– Impairment loss on property, plant and equipment – Kalplats	**–**	40
	– Impairment loss/reversal on property, plant and equipment – Nkomati	**1 344**	(1)
	– Impairments loss of property, plant and equipment in associate– ARM Coal	**(3)**	19
	– Impairments loss of property, plant and equipment in joint venture – Assmang	**21**	26
	– Impairments loss of property, plant and equipment in Sakura in joint venture – Assmang	**313**	–
	– Loss/(profit) on sale of property, plant and equipment in joint venture Assmang	**2**	(1)
	– Impairment on Goodwill – Machadodorp Works	**146**	
	– Impairment on investment in Sakura in joint venture – Assmang	**194**	–
	– Profit on sale of Machadodorp Works – Assmang	**(91)**	
	– Pretax loss on sale of Lubambe	**–**	117
	– Loss on disposal of property, plant and equipment – ARM Coal	**1**	3
		5 481	4 765
	– Taxation accounted for in joint venture – impairment loss at Assmang	**(6)**	–
	– Taxation accounted for in joint venture – loss/(profit) on disposal of fixed assets at Assmang	**25**	(7)
	– Taxation accounted for in associate ARM Coal – impairment loss at ARM Coal	**1**	(5)
	– Taxation loss on sale of property ARM Coal	**(1)**	(1)
	– Taxation sale of Lubambe	**–**	62
	– Taxation – impairment loss of Nkomati assets	**(274)**	–
	Headline earnings	**5 226**	4 814

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for the year ended 30 June 2019

		Reviewed 2019 Rm	Audited 2018 Rm
11.	**OTHER INVESTMENTS**		
	Harmony[1]	**2 370**	1 351
	Opening balance	**1 351**	1 380
	Fair value in other comprehensive income	**808**	(29)
	Additional shares aquired refer statement of cash flow	**211**	–
	Guardrisk[2]	**26**	33
	Preference shares	**1**	1
	Richard Bay Coal Terminal (refer note 1)	**251**	176
	Closing balance	**2 648**	1 561

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

		Reviewed 2019 Rm	Audited 2018 Rm
12.	**CASH AND CASH EQUIVALENTS**		
	Total unrestricted	**3 397**	2 160
	– African Rainbow Minerals Limited	**2 562**	1 634
	– ARM BBEE Trust	**1**	1
	– ARM Finance Company SA	**236**	228
	– ARM Platinum Proprietary Limited	**519**	123
	– ARM Treasury Investments Proprietary Limited	**40**	39
	– Nkomati	**–**	88
	– Two Rivers Platinum Proprietary Limited	**11**	14
	– Other non-restricted cash	**28**	33
	Total restricted	**1 235**	1 131
	– Mannequin Captive Cell (Cell AVL 18)	**891**	819
	– Other restricted cash[1]	**344**	312
	Total as per statement of financial position	**4 632**	3 291
	Less: Overdrafts (refer to note 13)	**(393)**	(381)
	Total as per Group Statement of Cash Flows	**4 239**	2 910

[1] *This is made up of guarantees to the Department of Minerals Resources (DMR) in respect of rehabilitation and guarantees to ESKOM.*

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for the year ended 30 June 2019

		Reviewed 2019 Rm	Audited 2018 Rm
13.	**BORROWINGS**		
	Long-term borrowings are held as follows:		
	ARM BBEE Trust	**–**	470
	ARM Coal Proprietary Limited (partner loan)	**1 023**	1 231
	Nkomati Mine	**–**	6
	Two Rivers Platinum Proprietary Limited	**72**	37
		1 095	1 744
	Short-term borrowings		
	ARM BBEE Trust	**368**	–
	Anglo Platinum Limited (partner loan)	**101**	114
	Nkomati Mine	**6**	7
	Two Rivers Platinum Proprietary Limited	**68**	50
		543	171
	Overdrafts (refer note 12)		
	Nkomati Mine	**16**	21
	Two Rivers Platinum Proprietary Limited	**357**	336
	Other	**20**	24
		393	381
	Overdrafts and short-term borrowings	**936**	552
	Total borrowings	**2 031**	2 296

14. LOAN RE-MEASUREMENT AND RESTRUCTURING

ARM Coal

Included in other operating expenses and profit from associate for F2019 is a re-measurement loss attributable to ARM of R25 million (tax nil) and a R55 million (tax nil) re-measurement gain relating to the recognition of the Goedgevonden (GGV) and PCB loans, respectively. The gain and loss is as a result of a re-measurement of debt between ARM and Glencore Operations South Africa Proprietary Limited (GOSA) and ARM Coal Proprietary Limited.

Included in other operating income and profit from associate for F2018 are fair value gains attributable to ARM of R652 million (tax nil) and R325 million (tax nil) respectively relating to the recognition of the GGV and PCB loans following the successful conclusion of the restructuring of debt between ARM and Glencore Operations South Africa Proprietary Limited (GOSA) and ARM Coal Proprietary Limited.

	Reviewed F2019 Rm	Audited F2018 Rm
The re-measurement/fair value adjustments are as follows:		
Other operating income increase (re-measurement/fair value gain on loans) – ARM coal segment	**190**	885
ARM Corporate (re-measurement/fair value loss)	**(215)**	(233)
Re-measurement/fair value (loss)/gain in operating (expenses)/income	**(25)**	652
Income from associate (re-measurement/fair value gain on loans) – refer note 6	**55**	325
Group re-measurement/fair value gain	**30**	977

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14. **LOAN RE-MEASUREMENT AND RESTRUCTURING** (continued)

The fair value gains and subsequent re-measurement thereof are as a result of changes in the future repayment cash flows applied to the net present value calculations. The changes emanate mainly from the timing applicable to cash flows as a result of the extension of the loan repayment period under the re-structuring. The fair value losses and gains are in accordance with IFRS 9 which states that a modified debt is considered substantially different if the net present value of the cash flows under the new loan terms discounted at the original interest rate, differs by more than 10% from the discounted present value of the remaining cash flows of the original debt instrument. Where a financial liability is considered substantially different, the existing loan is derecognised and the new loan is recognised, the net effect of the modification is recognised immediately in the statement of profit or loss. The discount rate used in the calculation of the re-measurement was 10%.

Modikwa

Included in other operating expenses for F2019 is a re-measurement loss attributable to ARM of R12 million (tax nil). The re-measurement loss in Modikwa of R187 million is partially eliminated against a re-measurement gain in ARM Company of R175 million.

	Reviewed F2019 Rm	Audited F2018 Rm
The re-measurement adjustments are as follows:		
Other operating expense increase (re-measurement loss on loans)		
ARM platinum segment	**(156)**	–
Re-measurement	**(187)**	–
Non-controlling interest	**31**	–
ARM Corporate (re-measurement gain)	**175**	–
Group re-measurement gain	**19**	–
15. OTHER OPERATING INCOME		
Management fees	**762**	630
Other	**212**	245
Fair value gain (refer note 14)	**–**	652
Total	**974**	1 527
16. INCOME FROM ASSOCIATE		
Profit (before re-measurement/fair value on loans)	**221**	294
Re-measurement/Fair value gain (refer note 14)	**55**	325
Total	**276**	619
17. TAXATION		
South African normal taxation		
– current year	**384**	295
– mining	**228**	141
– non-mining	**156**	154
– prior year	**4**	(102)
Deferred taxation	**(146)**	380
Total tax from continuing operations	**242**	573
Tax from discontinued operation	**–**	62
Total tax	**242**	635

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for the year ended 30 June 2019

		Reviewed F2019 Rm	Audited F2018 Rm
18.	**CASH GENERATED FROM OPERATIONS PER CASHFLOW (INCLUDING DISCONTINUED OPERATION) BEFORE WORKING CAPITAL MOVEMENTS**		
	Cash generated from operations before working capital movement	**2 678**	2 451
	Working capital changes	**(555)**	(517)
	Movement in inventories	**(64)**	48
	Movement in receivables	**(197)**	(299)
	Movement in payables and provisions	**(294)**	(266)
	Cash generated from operations (per cash flow)	**2 123**	1 934
19.	**DISCONTINUED OPERERATIONS**		
	The sale of Lubambe Copper Mine in Zambia was completed on 22 December 2017 (refer note 2). Details of this sale are included in the financial results for the year ended 30 June 2018 and the interim results for the six-months results ended 31 December 2017 which can be found on www.arm.co.za.		
20.	**COMMITMENTS**		
	Commitments in respect of future capital expenditure, which will be funded from operating cash flows and by utilising available cash and borrowing resources, are summarised below:		
	Commitments		
	Commitments in respect of capital expenditure:		
	Approved by directors		
	– contracted for	**188**	108
	– not contracted for	**4**	16
	Total commitments	**192**	124
21.	**PROVISIONS**		
	Long -term provisions		
	Opening balance	**1 135**	1 166
	Machadodorp Works restoration and decommissioning provision	**214**	–
	Nkomati restoration and decommissioning provision	**86**	–
	Two Rivers restoration and sterilisation provision	**70**	(43)
	ARM Coal restoration provision	**27**	–
	Other (including Silicosis)	**67**	12
	Closing balance	**1 599**	1 135
	Short-term provisions		
	Opening balance	**374**	393
	Machadodorp Works restructuring provision	**44**	–
	Two Rivers restoration and sterilisation provision	**98**	–
	Other	**132**	(19)
	Closing balance	**648**	374

21. **PROVISIONS** (continued)

Silicosis and tuberculosis class action provision

In additional to what has previously been disclosed in the financial statements for the year ended 30 June 2018 and for the half year ended 31 December 2018 and further to the silicosis settlement agreement concluded between certain mining companies (including ARM), (the Gold Working Group (GWG)) and the representatives, and attorneys of the claimants, the settlement was conditional on approval by the High Court. On 26 July 2019, the High Court delivered its judgement. The High Court approved the silicosis settlement agreement as being fair, reasonable and equitable, and the High Court commended the parties for reaching the settlement.

ARM and the other GWG companies are required as part of the settlement, to provide guarantees for their respective estimated exposure.

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

The silicosis settlement agreement further requires a trust to be registered, out of which the proven claims shall be settled.

ARM accounts for its interest in the Guardrisk cell captive as a financial asset measured at fair value through profit or loss under IFRS9 Financial Instruments in both the ARM Company and ARM Group financial statements. All insurance premiums paid to Guardrisk are expensed when incurred.

ARM accounts for its interest in the Mannequin cell captive as an interest in a subsidiary, which is carried at cost in the ARM Company financial statements, and is consolidated in the ARM Group financial statements.

No formal silicosis claims have yet been submitted to Guardrisk under the insurance policy.

Defence costs to date have been reimbursed by the insurance policy.

With regard to the ARM Group financial statements, any reimbursement is already reflected in the net assets of the Group by virtue of the Mannequin cell captive being consolidated.

	Reviewed F2019 Rm	**Audited F2018 Rm**
The provision movement is as follows:		
Opening balance	**330**	330
Settlement term changes	**(27)**	(21)
Interest unwinding	**26**	13
Demographic assumptions changes	**(10)**	(5)
Administration costs	**–**	6
Additional special purpose vehicle trust	**–**	7
Closing balance	**319**	330

Notes to the financial statements

for the year ended 30 June 2019

		Reviewed F2019 Rm	Audited F2018 Rm
22.	**RELATED PARTIES**		
	The Company in the ordinary course of business enters into various sale, purchase, service and lease transactions with subsidiaries, associated companies, joint ventures and joint operations.		
	Transactions between the Company, its subsidiaries and joint operations relate to fees, insurances, dividends, rentals and interest and are regarded as intra-Group transactions and eliminated on consolidation.		
	Amounts accounted in the statement of profit or loss relating to transactions with related parties		
	Subsidiaries		
	Sales		
	Anglo American Platinum	**2 067**	1 796
	Impala Platinum	**3 994**	3 883
	Joint venture		
	Assmang Proprietary Limited		
	– Provision of management services	**762**	627
	– Dividends received	**3 315**	3 000
	Amounts outstanding at year-end (owing to)/receivable by ARM on current account		
	Joint venture		
	Assmang – debtor	**38**	101
	Joint operations		
	Anglo American Platinum – debtor	**644**	610
	Norilsk Nickel – creditor	**(3)**	(2)
	Norilsk Nickel – debtor	**97**	134
	Anglo American Platinum – short-term borrowing	**(101)**	(114)
	Glencore Operations SA – long-term borrowing	**(1 023)**	(1 231)
	Glencore Operations SA – debtor	**224**	387
	Subsidiary		
	Impala Platinum – debtor	**1 289**	1 146
	Impala Platinum – dividend paid	**241**	253

23. **CONTINGENT LIABILITIES**

AEL Mining Limited has instituted arbitration proceedings against Assmang, claiming an amount of R381 million. Assmang has defended this matter.
This arbitration has been heard, and an Award was made by the Arbitrator during the course of June 2019, in which the Arbitrator did not favour either of the parties.

Subsequently the parties have appealed the Arbitrator's award and are currently negotiating the appeal. Once the appeal Arbitrator has been appointed a request from Counsel on an opinion regarding the parties prospects of success for the appeal will be sort.

24. **EVENTS AFTER REPORTING DATE**

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

NOTES

NOTES

Contact details and administration

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Incorporated in the Republic of South Africa
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Investec Bank Limited

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 and Aids epidemic 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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