African Rainbow Minerals Limited
(Incorporated in the Republic of South Africa)
(Registration number 1933/004580/06)
JSE Share code: ARI
ISIN: ZAE000054045
("ARM" or the "Company")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (1H F2021) AND INTERIM DIVIDEND DECLARATION

This short form announcement is the responsibility of the board of directors of ARM (the "Board") who acknowledge their responsibility to ensure the integrity of the interim results.

The details contained in this announcement are only a summary of the information in the full announcement and do not contain full details of the company's financial performance and position or other relevant information about the business for the six months under review. Any investment decisions by investors and/or shareholders should therefore be based on the full announcement published on the Company's website at www.arm.co.za and is available on the following link:

https://senspdf.jse.co.za/documents/2021/jse/isse/ARIM/HY2021.pdf

The full announcement is also available for inspection free of charge during business hours (excluding weekends and public holidays) from Wednesday, 03 March 2021 at the registered office of ARM at ARM House, 29 Impala Road, Chislehurston, Johannesburg. In addition, copies of the full announcement may be requested by emailing the Company's investor relations department on jade.kunstler@arm.co.za

Salient features

- Headline earnings for the six months ended 31 December 2020 (1H F2021) increased by 134% to R5 039 million or R25.87 per share (1H F2020: R2 155 million or R11.14 per share).
- Segmental earnings before interest, tax, depreciation and amortisation (EBITDA) increased by R3 569 million to R5 089 million (1H F2020: R1 520 million).
- An interim dividend of R10.00 per share was declared (1H F2020: R5.00 per share).
- ARM Platinum headline earnings increased by R1 532 million to R2 021 million (1H F2020: R489 million) underpinned by higher US dollar prices for platinum group metals (PGMs).

- ARM Ferrous headline earnings were 60% higher at R2 955 million (1H F2020: R1 848 million) mainly due to increased US dollar iron ore prices.
- Basic earnings were R4 868 million or R24.99 per share, and included an attributable impairment (after tax) of the Assmang investment in Sakura Ferroalloys of R169 million.
- Net cash improved by R1 075 million to R4 812 million at 31 December 2020 (30 June 2020: R3 737 million restated).
- Production unit costs at most operations increased above inflation due to operational challenges which were exacerbated by the Covid-19 lockdown and related restrictions.
- Strict measures and protocols to prevent the spread of Covid-19 are ongoing at all operations.
- The group net asset value per share increased by 10% to R158.00 per share (at 30 June 2020: R143.65 per share).

Safety performance

Regrettably, two colleagues were fatally injured in separate accidents at Modikwa Mine during the period under review.

On 13 September 2020, Mr Dennis Hlengani Mdaka, a rock drill operator at Modikwa Mine, was fatally injured when he entered an unventilated development end at South 2 Shaft.

On 7 October 2020, Mr Johannes Mahlalela, a team leader at Modikwa Mine, sustained an injury to his right arm during a shift. Mr Mahlalela was stable post an operation, however, he passed away in hospital on 11 October 2020 following medical complications.

We extend our sincere condolences to the families of Mr Mdaka and Mr Mahlalela and to their colleagues and friends.
Remedial actions as agreed with the Department of Minerals Resources and Energy (DMRE), were implemented at Modikwa Mine following the two incidents. Initiatives are ongoing at all operations to ensure that safety training continues and that safety standards are strictly upheld.

The group lost-time injury frequency rate (LTIFR) per 200 000 man-hours improved to 0.40 (1H F2020: 0.48). There were 40 lost-time injuries (LTIs) reported in 1H F2021 compared to 52 in the corresponding period (1H F2020). Of these, 24 were reportable injuries (1H F2020: 41).

Note: LTIs and LTIFR are presented on a 100% basis and are reported for those operations where ARM has direct or joint management and exclude the ARM Coal, Sakura and Harmony operations.

Financial performance

Headline earnings

Despite Covid-19-related global economic challenges and uncertainty, ARM is pleased to report record headline earnings of R5 039 million (or R25.87 per share) for 1H F2021. The 134% increase in headline earnings compared to the corresponding six months ended 31 December 2019 (1H F2020) was underpinned by higher US dollar iron ore and PGM prices, coupled with increased export iron ore and manganese ore sales volumes.
Our operations navigated these turbulent times well, responding in an agile and responsible manner.

We declared an interim dividend of R10.00 per share for 1H F2021 (1H F2020: R5.00 per share) and improved our financial position which affords ARM flexibility to opportunistically pursue value-enhancing growth prospects.

The 11% weakening of the rand against the US dollar also contributed positively to headline earnings as the average realised rand versus US dollar exchange rate weakened from R14.69/US$ in 1H F2020 to R16.26/US$ in 1H F2021. For reporting purposes, the closing exchange rate was R14.65/US$ (31 December 2019: R14.00/US$).

The 1H F2021 headline earnings include re-measurement gains on the partner loans of R15 million (1H F2020: R112 million).

ARM Ferrous headline earnings were 60% higher at R2 955 million (1H F2020: R1 848 million) driven by a 99% increase in headline earnings in the iron ore division. This was partially offset by a 69% decrease in headline earnings in the manganese division.

Headline earnings in the iron ore division were positively impacted by an increase in the average US dollar iron ore prices, higher export sales volumes and a weaker average exchange rate, which were partially offset by a 16% increase in unit cost of sales.

The ARM Ferrous headline earnings include an attributable R919 million positive unrealised fair value adjustment to revenue related to open iron ore sales which are expected to be realised at higher prices compared to the initial prices recorded.

Lower headline earnings in the manganese division were driven by a decrease in the average realized US dollar manganese ore and alloy prices as global manganese markets remained under pressure.

Headline earnings for the manganese ore operations were R429 million (1H F2020: R960 million) while the manganese alloys operations (including Sakura) reported an attributable headline loss of R155 million for the period (1H F2020: R80 million).

ARM Platinum attributable headline earnings increased by R1 532 million to R2 021 million (1H F2020: R489 million). The Two Rivers and Modikwa mines benefited from a 35% and 162% increase in average realised US dollar palladium and rhodium prices, respectively. Rhodium comprised 45% and 47% of Modikwa and Two Rivers basket prices respectively.

Two Rivers Mine production volumes increased by 9% while production unit costs on a rand per 6E ounce basis were 6% lower. Modikwa Mine, on the other hand, reported a 29% decrease in production volumes owing to safety-related stoppages following the two fatal accidents (discussed above) as well as 12 days of industrial action. Commensurate with the lower production volumes, production unit costs at Modikwa Mine were 39% higher. The mine is ramping up volumes as more production stopes are being opened and is expected to return to normalized production rates in 2H F2021. Production unit costs are expected to improve as the mine ramps up production. The ARM Mining Consortium headline earnings includes a re-measurement loss of R107 million on partner loans (1H F2020: R51 million).

Nkomati Mine reported attributable headline earnings of R280 million for the period under review (1H F2020: R211 million headline loss). Production volumes are scaling down to place the open-pit mine on care and maintenance in preparation for closure. Production is expected to cease in March 2021 (previously September 2020).

ARM Coal reported an attributable headline loss of R222 million (1H F2020: R101 million) which includes a re-measurement gain of R2 million (1H F2020: R104 million re-measurement gain) on partner loans.
The headline loss was mainly as a result of the sharp decline in export thermal coal prices, lower sales volumes (due to reduced Eskom offtake and logistics and mining challenges) and above-inflation production unit cost increases.

ARM Corporate and other headline earnings were R345 million compared to an R8 million headline loss in 1H F2020. The higher headline earnings were mainly due to increased re-measurement gains of R120 million in the current period (1H F2020: R59 million) and higher management fees received which increased to R779 million (1H F2020: R351 million). The Machadodorp Works headline loss was R60 million as research into the development of energy-efficient smelting technology progressed.

Basic earnings and impairments

Basic earnings were R4 868 million or R24.99 per share (1H F2020: R2 132 million or R11.02 per share) and include an impairment of the Sakura Ferroalloys investment recognised on Assmang's equity-accounted investment of R337 million. ARM's attributable share of the impairment loss amounted to R169 million after tax.

This impairment was largely due to:

- A decline in forecast long-term manganese alloys prices.
- Lower sales volumes at Sakura Ferroalloys compared to the prior year forecast.

In terms of International Financial Reporting Standards, a discounted cash flow valuation was performed to determine the fair value less cost of disposal of the investment. The recoverable amount of Assmang's investment in Sakura Ferroalloys amounted to R401 million at 31 December 2020 (ARM attributable portion: R200 million).

Financial position

At 31 December 2020, ARM was in a net cash position of R4 812 million (30 June 2020: R3 737 million restated), an improvement of R1 075 million compared to the net cash at the end of the 2020 financial year.

This amount excludes attributable cash and cash equivalents held at ARM Ferrous (50% of Assmang) of R3 338 million (30 June 2020: R3 208 million and 30 December 2019: R3 107 million). There was no debt at ARM Ferrous in any of these reporting periods.

There was a R20 million negative mark-to-market movement on the Harmony investment following the decrease in Harmony's share price from R71.86 per share at 30 June 2020 to R71.60 at 31 December 2020.

Cash flow

Cash generated from operations increased by R1 105 million to R2 026 million (1H F2020: R921 million) despite a R3 587 million outflow in working capital requirements (1H F2020: R1 280 million) which was mainly due to an increase in debtors at the PGM operations and ARM Corporate, commensurate with increased sales revenue.

The dividends received from Two Rivers and Assmang amounted to R432 million and R1 500 million, respectively (1H F2020: R90 million from Two Rivers and R2 000 million from Assmang).

In 1H F2021, R1 364 million in dividends was paid to ARM shareholders (representing the final dividend of R7.00 per share declared for F2020 (1H F2020: R1 741 million representing the R9.00 final dividend declared for F2019).

Net cash inflow from investing activities was R13 million (1H F2020: R492 million outflow) and includes net proceeds from financial assets matured of R856 million.

Borrowings of R177 million (1H F2020: R147 million) were repaid during the period, resulting in gross debt of R2 003 million as at 31 December 2020 (30 June 2020: R1 978 million restated). Modikwa Mine repaid R686 million of its partner loans.

Capital expenditure

Segmental capital expenditure was R1 877 million (1H F2020: R1 573 million) and included R271 million of capitalised waste stripping at the iron ore operations (1H F2020: R215 million). Capital expenditure by division is shown below and is discussed in detail in each division's operational performance review.

ARM Coal receivable

ARM Coal in prior periods recorded an amount payable by Glencore Operations South Africa (GOSA) to ARM Coal of R452 million (ARM's attributable portion: R230 million) as a long-term receivable (receivable).

At the date of ARM's previous report (which was for the financial year ended 30 June 2020), GOSA had not agreed to the outstanding balance of the receivable and ARM Coal was unable at that time to provide sufficient evidence to validate this receivable in its accounting records. Details of this and the resulting qualification were included in the audited annual financial statements for the financial year ended 30 June 2020, which can be found on www.arm.co.za.

ARM has since completed an investigation and the entries which gave rise to the long-term receivable have been identified and agreed between ARM Coal, GGV Mine and GOSA. The results of the investigation concluded that all the items included in the ARM Coal long-term receivable were confirmed to be valid receivables, however R283 million should have been classified as trade and other receivables and R53 million should have been included in the long-term borrowings rather than being accounted for as long-term receivables in the statement of financial position.

Management has accounted for the above as a prior period error in terms of IAS 8. The error was corrected by restating each of the affected line items in the statement of financial position and therefore had no impact on the statement of profit or loss, the statement of comprehensive income and the statement of cash flows. Refer to note 5 to the financial statements for further details.

Dividend declaration

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

For 1H F2021, the board approved and declared an interim dividend of 1 000 cents per share (gross) (1H F2020: 500 cents per share). The amount to be paid is approximately R2 244 million.

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

- The dividend has been declared out of income reserves.
- The South African dividends tax rate is 20%.
- The gross local dividend is 1 000 cents per ordinary share for shareholders exempt from dividends tax.
- The net local dividend is 800 cents per share for shareholders liable to pay dividends tax.
- At the date of this declaration, ARM has 224 409 073 ordinary shares in issue.
- ARM's income tax reference number is 9030/018/60/1.

A gross dividend of 1 000 cents per ordinary share, being the dividend for the six months ended 31 December 2020, has been declared payable on Monday, 29 March 2021 to those shareholders recorded in the books of the company at the close of business on Friday, 26 March 2021. The dividend is declared in the currency of South Africa. Any change in address or dividend instruction applying to this dividend must be received by the company's transfer secretaries or registrar not later than Wednesday, 24 March 2021. The last day to trade ordinary shares cum dividend is Tuesday, 23 March 2021. Ordinary shares trade ex-dividend from Wednesday, 24 March 2021. The record date is Friday, 26 March 2021 while the payment date is Monday, 29 March 2021.

No dematerialisation or rematerialisation of share certificates may occur between Wednesday, 24 March 2021 and Friday, 26 March 2021, both dates inclusive, nor may any transfers between registers take place during this period.

Review by independent auditor

The financial results for the six months ended 31 December 2020 have been reviewed by the company's registered auditor, Ernst & Young Inc. (the partner in charge is PD Grobbelaar CA(SA)), who expressed an unmodified conclusion with an emphasis of matter thereon. The full review report can be found on the ARM website on www.arm.co.za.

Basis of preparation

The condensed group interim financial statements for the six months ended 31 December 2020 have been prepared on the historical cost basis, except for certain financial instruments, which include listed investments and unlisted investments that are fair valued.

The accounting policies used are consistent with those in the most recent annual financial statements except for those listed in the notes to the condensed group interim financial statements and comply with IFRS. The condensed group interim financial statements for the period have been prepared under the supervision of the Finance Director, Miss TTA Mhlanga CA(SA).

The presentation and functional currency is the South African rand and the condensed group interim financial statements are rounded to the nearest R million.

ENDS

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