

EXECUTIVE CHAIRMAN'S LETTER TO SHAREHOLDERS

Patrice Motsepe Executive Chairman



Growing during challenging times

During the past financial year ARM displayed exceptional resilience despite the prevailing global economic crisis.

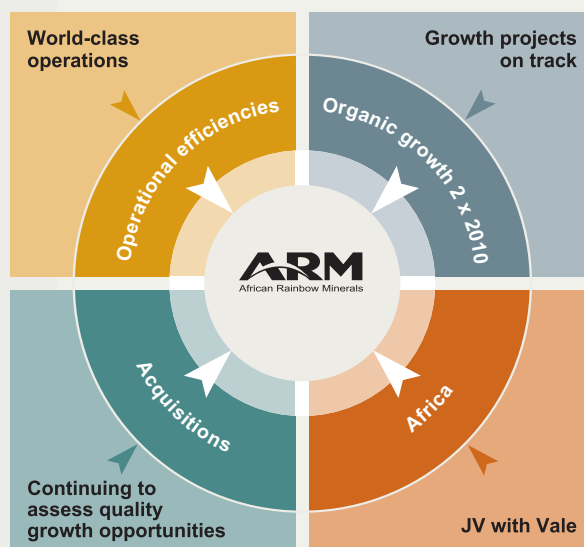
Our world class management teams and long-life quality assets, as well as the proven skills and expertise of our partners were the primary contributors to our satisfactory performance in F2009.

While the global economic crisis had a negative impact on demand and profitability, the swift and effective measures that were taken by our management to;

- ▶ preserve cash;
- ▶ cut costs; and
- ▶ reduce or reschedule some of our capital expenditure without compromising our commitment to our growth projects

enabled us to continue to be profitable and well positioned for long-term growth.

ARM strategy: firing on all cylinders

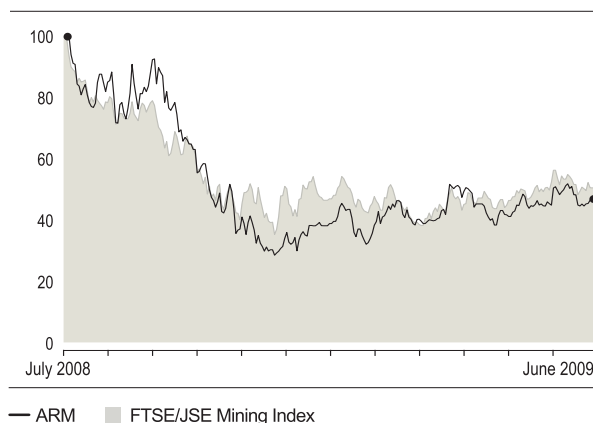


We have reassessed and reconfirmed our commitment to our 2 x 2010 growth strategy which was initiated in 2005. In terms of this strategy we undertook to double our production by 2010. We are not only on track to fulfil this objective but have significantly surpassed the target set in 2005 in respect of certain key commodities.

The major contributor to ARM's results for F2009 was the Ferrous Division where the contribution increased relative to other divisions. This was the only division to reflect an increase in earnings compared to F2008. The results in F2009 were driven by a strong contribution from iron ore while manganese ore performed well up to October 2008. However the increased costs that were incurred at ARM Exploration and the negative contribution from ARM Platinum reduced our headline earnings.

In 2008, ARM declared a record dividend of 400 cents per share. We are pleased to declare a dividend in respect of F2009, albeit a more modest one, of 175 cents. This was made possible by the overall satisfactory performance of ARM and the strength of our balance sheet, which we enhanced despite the difficulties of the past year.

ARM share price performance relative to the FTSE/JSE Mining Index (rebased at 1 July 2008)



A safer workplace

The safety of our employees and those who work at our mines is a crucial priority for ARM. As such, it is with profound regret that we report five fatalities during the year under review. I extend my deepest condolences to the families, friends and colleagues of the deceased.

These tragic deaths undermined a safety performance that was, in other respects, most encouraging. Since F2006, the number of full-time ARM employees increased by some 60%, and this continued to rise over the year with the addition of 896 people in F2009. Even with the increased headcount, the Lost Time

Injury Frequency Rate declined from 6.08 per million man hours worked in the previous year to 3.68 in F2009. In particular, the management and staff at Modikwa made us proud by achieving 5 million fatality free shifts in March 2009 being the second South African mining industry operation to have achieved this recognition. The team at Two Rivers also passed the 1 million mark in fatality free shifts in the same month.

ARM became a member of the International Council on Mining and Metals (ICMM) during F2009. This will further expose and enhance our adherence to global best practices.

ARM has made significant progress on our sustainable development initiatives. This is reflected in our abridged Sustainable Development Report on pages 89 to 114.

Commitment to transformation and upliftment

Our broad-based black economic empowerment (BBBEE) and employment equity initiatives, demonstrates our commitment to contribute to the transformation and inclusivity of the mining industry. We are working with many of our stakeholders to make the mining industry truly reflective of all South Africans and to give all our people a stake in the country's mineral wealth.

Many of the geographic areas in which ARM operates are rural and historically poor regions. Apart from job creation, we are committed to improving the living conditions of the communities neighbouring our mines. During F2009, in excess of R90 million was spent (on a 100% basis) under ARM's Social and Labour Plans and Local Economic Development and Corporate Social Investment Strategies.

The above amount includes the R24.5 million which we paid in dividends to our various provincial upliftment trusts, communities, church groups, trade union companies, women's group and other beneficiaries of the ARM BBEE Trust. These funds are being used to build schools, clinics and to assist with the provision of water and to fund other community upliftment projects.

As we continue to weather the current global economic crisis we are committed to ensuring that ARM is well positioned to exploit the expected upturn in demand. It is also critical that we continue to retain and develop the skills of our workforce. We are also proud of our record of creating jobs in South Africa as ARM has created two full time jobs every day since 2006.

Achieving and surpassing our targets

In 2005 we set out to:

- ▶ double our production volumes in key commodities by 2010;
- ▶ focus on cost control;
- ▶ grow the Company through targeted acquisitions and partnerships; and
- ▶ expand into Africa.

We are well on track to successfully deliver on these objectives despite deferring some 30% of our total planned capital expenditure in certain businesses because of the global economic crises.

Most of these growth projects are approaching a steady state of production. A chart showing the various stages of development of our respective investments, and details of our key growth projects and project pipeline, is provided on page 9. Our continuing investment in ARM's strategic growth projects is discussed further in the Chief Executive Officer's report.

ARM has been able to fund organic growth from internal funding although external funding has also been employed.

It is important to note that ARM has avoided paying exorbitant prices or inflated premiums for acquisitions and takeovers.

Partnering with the best

We remain committed to being a partner of choice for mining in Africa. A highlight of F2009 was the creation of the Vale/ARM joint venture, which has enabled us to reduce the negative impact on earnings and cash flow of our significant and strategic investments into Africa. The new joint venture brings with it specialised mining skills and a financially strong partner that will mitigate our risk exposure on these greenfields copper projects.

Other corporate highlights for the year included the renegotiation of the Modikwa off-take contract which entails higher margins for our Platinum Group Metals (PGMs), as well as returning R132 million to ARM for community funding support which we previously provided.

At Two Rivers, we have entered into an agreement with our partner, Impala Platinum to incorporate adjacent prospecting properties that will extend the life-of-mine by six years. ARM's management control of Two Rivers will be maintained while its shareholding will reduce to 51% at the closing of this transaction.

Board and management changes

The ARM Board reflects the diversity of our Company and our country. Further detail on the composition and functioning of the Board is available in the Corporate Governance Report on page 115.

I am pleased to welcome Michael Arnold to the Board; he replaces Frank Abbott as Financial Director. Frank will stay on as a Non-executive Director of ARM. He has served ARM with great distinction for five years. During the last two years he was under secondment to Harmony where he successfully assisted with building a strong balance sheet. I thank him for his dedication to ARM and Harmony and wish him well in his future endeavours.

I would also like to thank Max Sisulu who resigned from the Board in August 2009 after he was appointed, Speaker of the South African Parliament. Rick Menell retired in November 2008 and we are grateful for the dedication and commitment which he and his family displayed to ARM and its predecessor (Anglovaal) over many years. I am also pleased to welcome Anton Botha who will serve as an Independent Non-executive Director on our Board.

Alyson D'Oyley has joined us as our new Company Secretary. Dan Simelane has been appointed as Chief Executive of ARM Exploration and assumes responsibility for driving our African growth strategy, including the Vale/ARM JV growth projects.

Looking ahead

The year under review, as envisaged, has proven to be extremely challenging and F2010 promises to be equally demanding.

While there are early indications of an economic recovery, ARM will retain its critical focus on cash preservation and cutting cost while continuing with our growth projects. We will also continue to develop our unique management and entrepreneurial culture which has stood us in great stead since ARM's inception.

The diversified nature of our portfolio has cushioned and assisted us to weather the global downturn. Our interest in Harmony seems poised to grow as Harmony is now debt-free, and has paid its first dividend in five years.

ARM Exploration's joint venture with Vale is important to our long term growth strategy in Africa. During the next financial year we expect the joint venture to make positive progress, especially at Konkola North in Zambia.

We have learned from the challenges of F2009 and are better prepared to deal with the challenges of the new financial year.

Facing the future with optimism

My sincere thanks go to my fellow Board members, the management and employees of ARM for the commitment and enterprise with which they have all addressed the challenges of the past year.

It is thanks to their sacrifices and diligence that we can state with confidence that while we have endured exceptionally testing times, we have preserved shareholder value and positioned ARM favourably to grow and continue to be profitable.

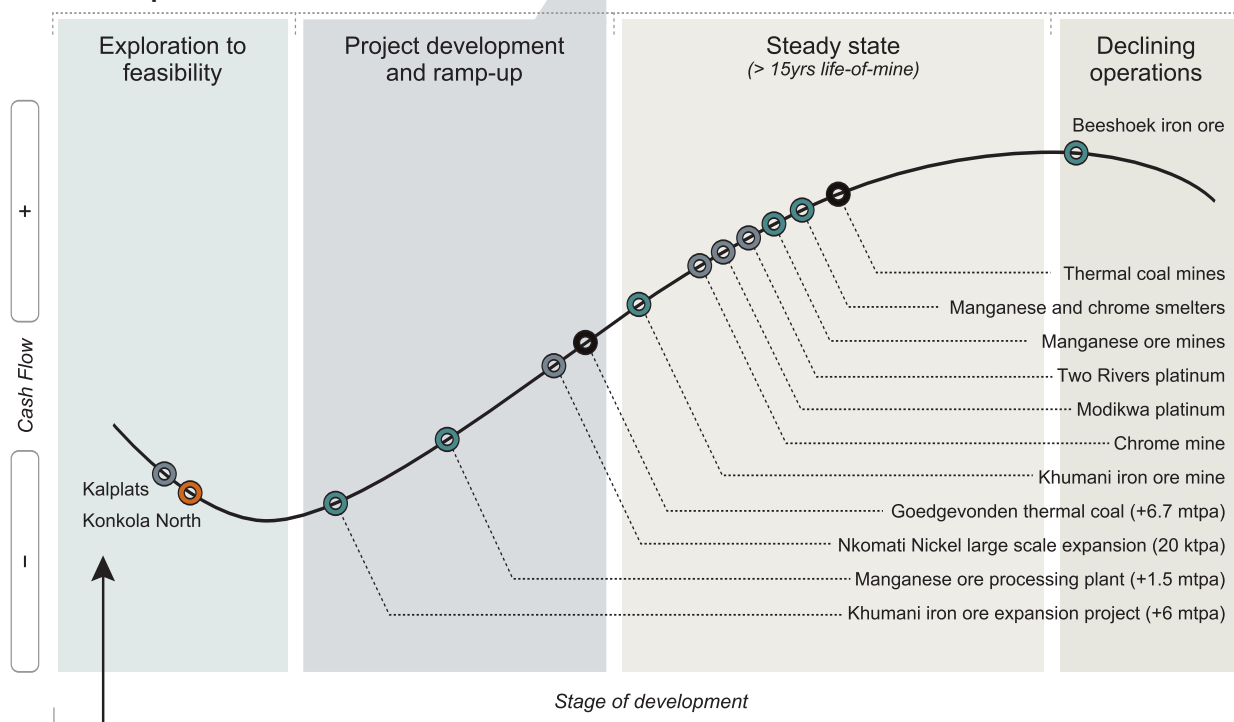
Patrice Motsepe
Executive Chairman
7 October 2009



Key growth projects

	Khumani Iron Ore (10 – 16 mtpa)	Goedgevonden Thermal Coal	Nkomati Nickel Large Scale Expansion
Steady state	10 mtpa (+6 mtpa)	3.5 mt local; 3.2 mt export	20 000 t nickel
Capex committed	95% (20%)	90%	75%
Stage	Ramp-up (building)	Commissioning	375 000 tpm plant commissioning
Position on cost curve	40 th percentile	25 th percentile	40 th percentile
Commissioning (calendar year)	2008 (2012)	2009	2009
Full production (financial year)	2010 (2013)	2012	2012
Comment	More efficient, low unit cost	Dragline opencast operation	C1 cash cost net of by-products of US\$3.50/lb

Project pipeline and operations



A balanced, growing portfolio

- Konkola North copper – feasibility under review
- Kalplats platinum – feasibility underway
- Furnace expansion feasibilities completed – on hold pending more favourable market and regulatory environment
- Modikwa platinum expansion – pre-feasibility underway
- Thermal coal – various coal properties under consideration with our partners
- Zambia copper – drilling continues at Konkola North Area A and Area A extension
- DRC copper – drilling continues at Kalumines; Kasonta and Lupoto
- Nkomati nickel – Doornhoek exploration