Annual Report and Accounts

For the year ended 30 September 2018

Lonmin Plc

LONMIN

2018

A Solid Performance

ready for the next era

Lonmin is a primary producer of Platinum Group Metals (PGMs). These metals are essential for many industrial applications, especially catalytic converters for internal combustion engine emissions, as well as their widespread use in jewellery. Saleable by-products from our PGM mining include gold, copper, nickel and chrome.

Lonmin has an enviable mine-to-market business. Our core operations, consisting of eleven shafts and inclines, concentrators, a smelter complex and refineries are situated in the Bushveld Igneous Complex and Brakpan in South Africa, a country which hosts around 80% of the world's economically viable platinum-bearing deposits (reserves). We have a New Order Mining Licence granted by the South African government for our operations, which runs to 2037 and is renewable to 2067. We have resources of 161 million troy ounces (3PGE + Au) and 31 million ounces (3PGE + Au) of reserves.

See further information at www.lonmin.com

Contents

What we do

Lonmin explores, mines, refines and markets Platinum Group Metals (PGMs) – Platinum, Palladium, Rhodium, Iridium, Ruthenium and Gold.

Platinum is our principal product, and in 2018 was the source of 45% of our revenues and Palladium is our second biggest source of revenue, followed by Rhodium. By-products from PGM mining include Copper, Nickel and Chrome.

We generate value from our operations in eight stages:

Explore

Explore for potentially economic PGM mineralisation

Mine

Underground and openpit mining of two 'reefs', Merensky and UG2 each approximately 1m thick

Mill

Crushing ore brought to plants to the consistency of talc, circa 75 microns

Concentrate

Separation of metalliferous particles from silicate host rock using basic physical chemistry

Smelt

Further separation of metals ('matte') from silicate host rock ('slag') using electrically-generated heat

Refine Base Metals

Chemical and electro-chemical separation of base metals (for sale in finished or semi-finished form) from PGMs within the matte

Refine Precious Metals

Chemical separation of the individual PGMs contained in BMR matte and refining to purity of 99.95% or better for sale in various finished forms

Market

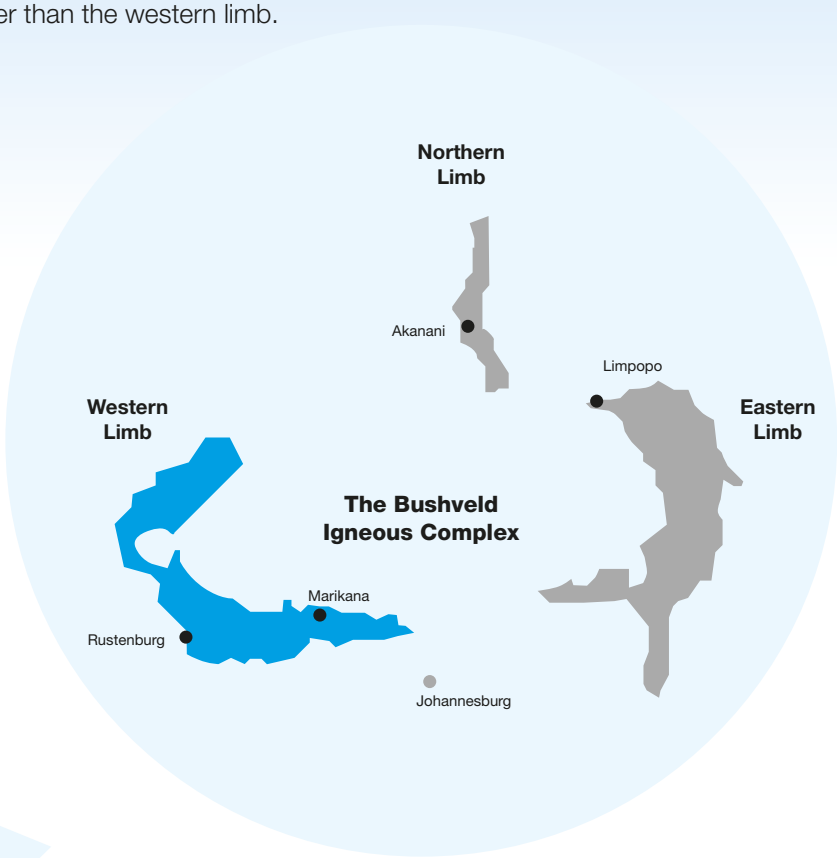
Three principal customers for PGMs, all global corporations. Six customers for base metals

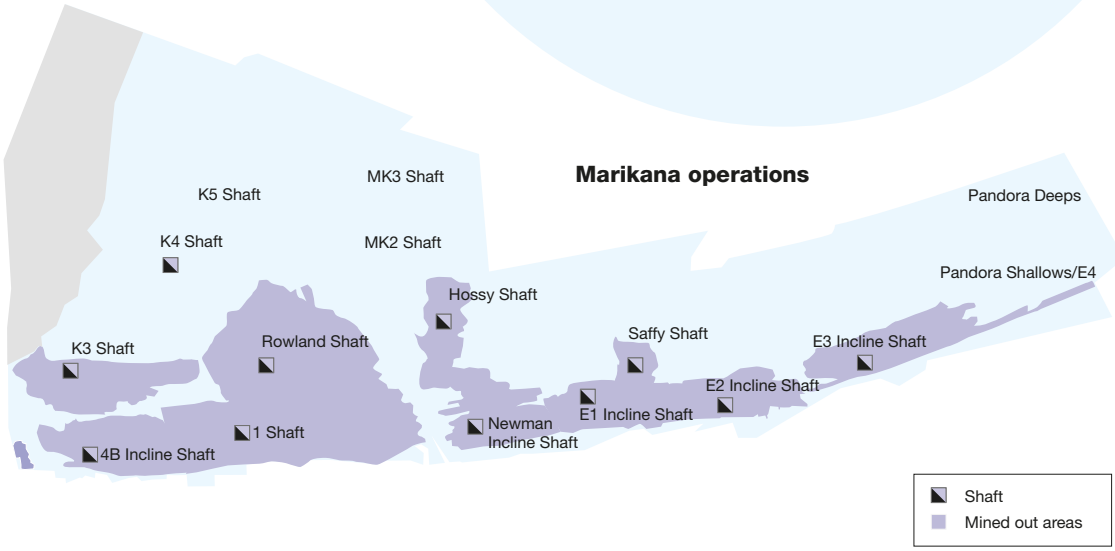
Where we operate

All our established mining operations are located on the Western Limb of the Bushveld Igneous Complex (BIC) in South Africa.

The BIC extends approximately 350 kilometers east to west and approximately 250 kilometers north to south.

The western limb of this basin is home to the more established, long-life PGM operations in South Africa in the provinces of Gauteng, Limpopo and North West. The eastern and northern limb of the BIC straddle both the Mpumalanga and Limpopo provinces. Mining activities on the eastern limb began more recently, and are generally smaller and shallower than the western limb.





Key Features

We continue seeking to reposition the business sustainably, not only to withstand the current low PGM price environment we have experienced in the last nine years, but to also seize opportunities to maximise value for shareholders and all our stakeholders.

Below we outline some key year-on-year achievements of 2018 vs 2017 and guidance for 2019.

- **Safety**
  - Our safety strategy is centred on the belief that Zero Harm is achievable
  - Rolling LTIFR to 30 September improved by 11.5% to 4.0 per million man hours year-on-year
  - Tragically one fatality on 30 September, ending a 15-month fatality free period at Lonmin operations
  - Improved safety performance and collaboration, resulting in Section 54 stoppages reduction, with tonnes lost decreasing by 93% year-on-year
  - Received the prestigious 'Best Safety Improvement Mining Company' award at the South African National MineSafe 2018 awards
  - K3 Shaft UG2 Section won the JT Ryan award

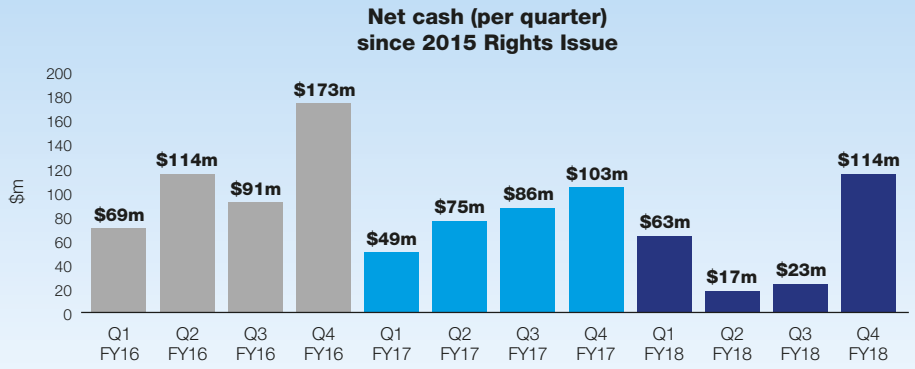
- **Operational Highlights**
  - Platinum sales of 681,580 ounces, exceeded our sales guidance of 650,000 to 680,000 ounces
  - Unit cost increase contained to 5.2% at R12,307 per PGM ounce, within our unit cost guidance of between R12,000 and R12,500 per PGM ounce
  - Improved our IAOR from 19 to 21 months, despite reduction in capital expenditure to R967 million
  - Average Rand full basket price (including base metals) up 19.7% on prior year, at R13,447 per PGM ounce
  - Generation 2 shafts production increased by 1.6% to 7.6 million tonnes
  - Reduced high cost production by 13.2% in line with strategy
  - Concentrators continue to deliver excellent underground mining recoveries of 87.3%

- **Financial Highlights**
  - Operating profit of $101 million (up from an operating loss of $1,079 million in 2017 following impairment)
  - Net cash improved to $114 million at 30 September 2018, up from $103 million at 30 September 2017
  - Revenue of $1,345 million up $179 million on the prior year driven by higher PGM prices
  - Earnings per share of 14.9 cents (up from loss per share of 352.7 cents in 2017)
  - First payment of Employee Profit Sharing Scheme
  - Improved the Company's liquidity and funding arrangement after year end through a new $200 million forward metal sale facility with pre-existing Rand and Dollar facilities consequently replaced

- **Strategic Highlights**
  - The all-share offer from Sibanye-Stillwater is expected to close in early 2019, subject to approval by shareholders and sanction by the courts of England and Wales
  - Disposal of our 50% interest in Petrozim for $14.75 million plus gross dividend of $8 million, nears completion
  - Lonmin sold its approximately 6.8% stake in Wallbridge Mining Company Limited, for a total consideration of $3 million

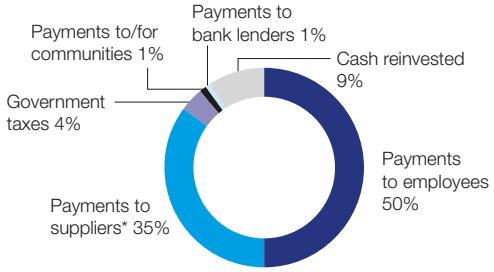
- **2019 Guidance**
  - Platinum sales between 640,000 and 670,000 ounces in line with removing high cost production in an oversupplied market
  - Unit costs expected to be in the range of R12,900 to R13,400 per PGM ounce
  - Capital expenditure anticipated to be limited to a range of R1.4 billion to R1.5 billion, excluding any external funding for the MK2 project

Balance Sheet Strength Preserved



How we spend the cash we earn

We recognise that our business requires inputs from and has an effect on our stakeholders. We see it as crucial that each group feels that their relationship with Lonmin is positive, and that they achieve some net gain, whether financial or otherwise. The analysis below shows how the $1,345 million of cash earned in the financial year was distributed:



* A significant proportion will be wages paid to contractors. We estimate around 60% of our costs are labour related.

Shareholders received no dividend during the year, and none is recommended for 2018. In 2018 we incurred costs of 89 cents for every US Dollar we earned, predominantly in South Africa and we retained another nine cents for future investment, again predominantly in South Africa. Payments for community projects amounted to one cent in every US Dollar earned and we spent one cent in every US Dollar on interest and fees to the banks who lent us money.

Chairman's Letter

Dear fellow shareholder,

Business fundamentals have remained challenging throughout our 2018 financial year, with the volatility in the PGM pricing and exchange rate combined with inflationary cost pressures. Your Board and Executive team have countered this consistently challenging environment by maintaining focus and strict management of controllable factors, cutting costs and driving efficiencies wherever possible.

Safety has remained our top operational priority. After a very pleasing 15 month fatality free period with improving safety indicators, we tragically had a fatal incident on 30 September 2018. The Board expresses condolences to the family, friends and colleagues of Mr Tembelani Manyana and reiterates Lonmin's continued commitment to achieve Zero Harm.

Good production, strict and disciplined control of working and capital costs have ensured that we ended the year in a net cash position of $114 million, up from $103 million at the end of last year, meeting our commitment to operate on at least a cash-neutral basis until PGM prices improve. This improved cash position, achieved in the tough operating environment referred to above, bears testimony to Ben Magara's strong leadership, the rigid discipline imposed by our Chief Financial Officer, Barrie van der Merwe, the efforts of our management team, and a willing and motivated workforce.

The challenges facing Lonmin and our industry are well known and have been documented in previous reports. The strategic direction, set down at the time of our 2015 Rights Issue, which underpinned our 2015 Business Plan to right-size the Company, cut costs and contain capital expenditure has proved to be effective and has enabled Lonmin to remain at least net cash positive. The improvement in Generation 2 shafts production has positioned Lonmin to best counter the current market environment. Regrettably, however, despite all of these initiatives and the solid progress we have made this year, we continue to be financially constrained and unable to fund the significant investment required to sustain our business and jobs in the future.

As previously reported in detail, following an extensive process, your Board reached agreement with Sibanye-Stillwater on the terms of an all-share offer for your Company in December 2017. It is our belief that this Transaction represents a comprehensive solution to the challenges facing Lonmin and offers Lonmin and its stakeholders a more certain future. Your Board believes that a combination of Sibanye-Stillwater and Lonmin will create a larger, more diversified and resilient company.

The Transaction will enable our shareholders and all our stakeholders to benefit from the synergies of the combination, participate in the potential growth and value creation opportunities of the enlarged group and any long-term recovery in the fundamentals of the PGM sector. We strongly believe that the Transaction is in the best interests of Lonmin shareholders and other Lonmin stakeholders and the Board unanimously recommends Lonmin shareholders vote in favour thereof.

On 28 June 2018, the UK's Competition and Markets Authority unconditionally cleared the all-share Offer for Lonmin by Sibanye-Stillwater. On 18 September 2018, the South African Competition Commission recommended that the South African Competition Tribunal approve the proposed transaction, subject to certain conditions, which were agreeable to both Sibanye-Stillwater and the Commission.

On 21 November, the South African Competition Tribunal cleared the all-share offer for Lonmin by Sibanye-Stillwater, subject to agreed conditions. General Meetings of the shareholders of Sibanye-Stillwater and Lonmin are scheduled for early 2019. These approvals and the sanction of the Courts of England and Wales remain the final substantive conditions required to complete the Transaction.

On 18 January 2018, Lonmin's lenders agreed to waivers of the consolidated tangible net worth (TNW) covenants for the period from 30 September 2017 to 28 February 2019, conditional upon, amongst other things, completion of the Sibanye-Stillwater Transaction. The TNW covenant was significantly beneath the waived covenant threshold at 30 September 2018. The withdrawal of the waiver, in the event the Transaction failed, would thereby trigger the potential withdrawal of the Lonmin Group's debt facilities.

Lonmin has now taken new and prudent measures to refinance the business, entering into a $200 million forward metal sale agreement with Pangaea Investments Management Limited (PIM) in October 2018. The new facility provides Lonmin with improved liquidity, and in the unlikely event the Sibanye-Stillwater Transaction does not complete, places the company in a stronger position, removing the restrictive conditions of the previous lenders (notably the TNW covenant). The new facility is not however a long term solution to the challenges faced by Lonmin.

In March 2018, Dr Len Konar decided to step down as a Non-Executive director on the Lonmin Board, thereby relinquishing his membership and chairmanship of various Board Committees. On behalf of my colleagues, I would like to thank Len for his contribution and commitment to the Board and the Company during his eight years at Lonmin and we wish Len every success for the future. Len's vacated position on the Board has not been filled due to the proposed Transaction with Sibanye-Stillwater. As a consequence of Len's departure, Jonathan Leslie was appointed Chairman of the Audit and Risk Committee, and Kennedy Bungane was appointed a member. In addition, Kennedy was appointed Chairman of the Social, Ethics and Transformation Committee.

Both I and my fellow Directors on the Nomination Committee consider very carefully the composition of the Board and its Committees. Diversity in the wider sense, which encompasses experience, knowledge, background, gender, ethnicity as well as personal attributes are all important considerations and I believe we have maintained a good balance in this regard, notwithstanding the decision not to replace Len.

I thank all the Non-Executive directors for their continued commitment to the Company and the Executive Directors for their unrelenting energy and focus.

The Board is ultimately responsible for establishing governance structures, systems and procedures that deliver effective internal controls and to do this in a way that supports decision making processes, yet with a minimum of bureaucracy.

This is particularly important when operating in challenging circumstances and facing difficult decisions, which, in the case of Lonmin in recent years, have been of a fundamentally strategic nature.

I believe we have achieved this balance of swift decision making with appropriate Board participation where required, but with little additional bureaucracy. The Board established a Strategic Review Committee which has met and continues to meet regularly to consider many of the strategic topics touched on above.

Other Committees not necessarily mandated by regulation, namely the Safety, Health & Environment Committee and the Social, Ethics & Transformation Committee were established by the Board voluntarily many years ago to enable the Board to focus on the many business critical imperatives inherent with operating in the mining sector and operating in South Africa. Further information on Lonmin's governance arrangements, including the activities of the Board and its Committees, internal controls and risk management and remuneration can be found in later sections of this Annual Report and Accounts. I hope the various reports provide a useful and interesting insight into how the Board has performed as steward of your Company during the year.

As expected, we are not in a position to be able to recommend a dividend for the year and our policy of prioritisation of capital allocation remains unchanged.

Thank you again for your continued support during the year.

Yours faithfully,

Brian Beamish
Chairman

Brian Beamish
Chairman

Chief Executive Officer's Letter

Dear fellow shareholder,

I am pleased to report that Lonmin delivered a solid performance this year, closing with an improved net cash position of $114 million, up from $103 million in the prior year. EBITDA also increased to $115 million, up from $40 million last year, on the back of continued and relentless implementation of our 2015 Business Plan. Platinum sales of 681,580 ounces exceeded our guidance and unit costs at R12,307 per PGM ounce were within our guidance. Our average Rand full-basket price (including base metals) for the year was up 19.7% for the year, at R13,447 per PGM ounce. As a result, we realised an operating profit of $101 million, compared to an operating loss of $1,079 million in the prior year. I am pleased that Lonmin is able to pay its first Employee Profit Sharing Scheme payment to qualifying employees.

Despite these positive results, I do, however, write this letter with mixed emotions. With the Sibanye-Stillwater Transaction progressing and substantive conditions continuing to be met, including the approval by the South African Competition Tribunal, this letter has the potential to be the last from me as CEO of your great Company. The Transaction would mean that, sadly, Lonmin Plc as a name will disappear, however, the business will form part of a stronger, resilient and more diversified group, better able to withstand short term market volatility or business disruption.

With that in mind, let me take this opportunity to reflect on your Company's journey since the Rights Issue in November 2015.

Being a single asset producer in a single geography, Lonmin is highly leveraged to the platinum price and exchange rate fluctuations. As such, our Business Plan since 2015 has been to focus on factors within our control in order to preserve cash and liquidity. We took decisive action to protect the Company, which included freezing recruitment and right-sizing the business, to match our production profile, regrettably resulting in over 8,000 job losses as we put high cost shafts on care and maintenance. We also closed and relocated our Head Office from Melrose Arch to Marikana. Furthermore, the acquisition of the Pandora JV enabled Lonmin to defer at least R1.6 billion of development capital at Saffy shaft.

In addition to our actions to preserve cash, we also sought key levers to generate cash, namely; the smelter clean-up project, the other precious metals (OPM) project, pipeline stock reduction and the theory of constraints and total cost of ownership projects, including securing innovative third party funding for the Bulk Tailings re-Treatment (BTT) project. Our goal was to do all we could within our control to remain at least cash neutral until prices improve. Pleasingly, Lonmin has remained net cash positive every quarter since December 2015 and we have achieved an operating profit.

The Business Plan is focused on Generation 2 shafts, and we have increased that part of our production by 9.7% to 7.6 million tonnes over the period since 2015. Our efforts and investment in Saffy shaft are worthy of particular note, with production increasing 25.8% over the same period, and achieving a record shaft hoisting utilisation of 92% for the year just ended.

We took decisive action to reduce high cost production in an oversupplied market. As a result, we have cut production from our Generation 1 shafts by 44.5% since 2015, from 4.1 million tonnes to 2.3 million tonnes and placed some of these shafts on care and maintenance.

To deliver the necessary restructuring and headcount reductions, relationships are vital and since my appointment as Chief Executive Officer in July 2013, building relationships with our key stakeholders, including employees, unions and communities, has been of primary importance.

We have made significant progress in this area and I believe the maturity in many of these relationships has been reflected through our achievements over the years, including managing to implement our restructuring productively without labour unrest or business disruption.

By removing two layers of management and making changes to our operational management structure, we have streamlined communication within the business. This has created a more responsive decision-making environment and increased accountability, which, in turn, has energized the business for high performance. The diversity in our executive management team has, I believe, been instrumental in driving our safety, operational performance and profitability initiatives.

Safety

Despite most of our safety indicators showing improvement, and after achieving a 15-month fatality free period at Lonmin, tragically one of our colleagues Mr Tembelani Manyana was fatally injured on 30 September 2018. We extend our deepest condolences to the family and friends of our colleague.

Our continued collaboration with key stakeholders, including employees, our majority union, the Association of Mineworkers and Construction Union (AMCU), and the Department of Mineral Resources (DMR) continues to yield good results. We have delivered improved safety performance and decreasing Section 54 stoppages. Tonnes lost due to Section 54 safety stoppages were significantly lower at 20,000 tonnes (equivalent to 1,000 Platinum ounces lost), compared to 276,000 tonnes in 2017 (equivalent to 17,000 Platinum ounces lost).

We apply the international OHSAS 18001 Occupational Health and Safety Management Systems at all our Generation 2 shafts including Processing and Shared Services to assist our operations to manage, control and improve our health and safety risks. Our safety strategy is centred on the belief that Zero Harm is achievable and important contributions are required from all stakeholders to achieve it.

Lonmin's safety achievements were recognised at the National MineSafe 2018 awards.

Operations and Capital Expenditure

Good operational performance has been seen across the business from mining, to concentrators, smelters and refineries. We have improved our immediately available ore reserves (IAOR) from 19 to 21 months year on year despite capital expenditure being limited to R967 million ($73 million). It also includes R74 million for the third party funded BTT project.

The ore reserve position of the Marikana mining operations is still at a level that provides the necessary flexibility required for efficient mining (the industry benchmark is around 12-15 months).

I am pleased that Rowland shaft's IAOR have been increased from 11 months to over 14 months during this year as a result of the innovative redesign and redevelopment of the MK2 project.

Ben Magara
Chief Executive Officer

Chief Executive Officer's Letter (continued)

Cash and liquidity, profitability and costs

Post the financial year end, we undertook a successful refinancing. Barrie van der Merwe will cover this more fully in his Financial Review, but the new facility improves Lonmin's short term liquidity and removes restrictive conditions, notably the tangible net worth covenants.

Disposal of non-core assets

During the year we continued with our programme to dispose of non-core assets. In June, we entered into a conditional Sale of Shares Agreement to sell Lonmin's 50% interest in Petrozim Line (Private) Limited (Petrozim) for a gross cash consideration of $14.75 million to the National Oil Infrastructure Company of Zimbabwe (Private) Limited. As part of the sale, Lonmin received $8 million in the form of gross special dividends from Petrozim. The sales proceeds and special dividends will be used for working capital management. After year end, we also sold our 6.8% portion of the outstanding shares of Wallbridge Mining Company Limited, for a total consideration of $3 million.

Both these disposals have enhanced Lonmin's liquidity.

The Market

During the financial year the platinum market remained depressed, while palladium improved strongly. The rhodium price continued to advance strongly, owing to strong buying in China and a decline in supply from South Africa. Given South Africa's dominance in rhodium and other precious metals supply, mine cuts have reduced primary production capacity.

Platinum's contribution to Lonmin's PGM basket revenues reduced from 58% to 45%, while palladium improved to 23% and Rhodium increased to 16% of the total revenue basket.

Although global platinum output is expected to drop in calendar year 2018, gross demand is also projected to decline, leaving the market in a surplus. This continues to prove that our strategy to remove high cost production is appropriate.

Communities

We have remained focused on our Social and Labour Plans and committed to investing in the needs of the Greater Lonmin Community by uplifting the infrastructure and quality of education. It is important for me to highlight that only a committed thriving and profitable business can contribute meaningfully to social development.

Our financial investment in housing since 2014 has exceeded R500 million which has made it possible to convert all the single-sex legacy hostels into 2,162 single units and 759 family units. A total of 793 infill apartments have been built and occupied. Delivery of the remaining 447 infill apartments is expected by December 2018 resulting in a total of 1,240 apartments.

We have continued to invest in the areas of community healthcare, education and social infrastructure and opened two schools this financial year. In March, we handed over the new Marikana Primary School in the North West Province and in April, the Sethwethwa High School, to the Limpopo Department of Education and the Makoeng village. The launch of the improved Sethwethwa High School augurs well for better educational opportunities and a brighter future for the young minds of our country. Lonmin currently supports high schools in the North West and Limpopo provinces via teacher training initiatives and learner development programmes. On education, I am also particularly proud of the work that the Sixteen-Eight Memorial Trust has done and we wish good fortune to the two beneficiaries who have so far graduated from their respective tertiary institutions as they pursue their future ambitions. It is tangible and meaningful improvements such as these that enhance the lives of those living in our communities and are testimony of Lonmin's dedication to create shared value.

In April, our new Grievance Handling System was launched, aptly named Buang Le Rona (meaning "talk to us"), which is aimed at further increasing ways in which we can communicate with our communities and all stakeholders.

Mining Charter III

Mining Charter III was gazetted in September 2018 and is a significant improvement on prior drafts. We welcome the "new dawn" as government has embarked on a path of true partnership and genuine engagement. As a business, we are committed to playing our part to create shared value through economic growth and transformation. Areas of ambiguity remain in the Charter and it is hoped that a Guideline document to be published in late-2018 will provide further clarity.

Transformation is more than just achieving numbers and BEE targets. Lonmin is pleased with the look and feel of the business and the high performance culture brought about by the strength of diversity across all levels of the company today.

Guidance

Given the continuing challenging operating environment, as a stand-alone company, we will continue to place high cost Generation 1 shafts on care and maintenance. We therefore expect Platinum sales to be between 640,000 and 670,000 ounces for the 2019 financial year.

Unit costs are expected to be in the range of R12,900 and R13,400 per PGM ounce for 2019. We remain vigilant on cost control and will continue to seek out cost savings where possible. Capital expenditure is anticipated to be limited to a range of R1.4 billion to R1.5 billion for the year ending 30 September 2019, net of external funding of approximately R150 million assumed for the MK2 project.

Conclusion

Despite tough market conditions, we have delivered more than we promised in the operational and financial areas of our business. These results demonstrate once again that despite these uncertain times, Lonmin has continued to use all the levers within its control to preserve the net cash position. I am pleased to have presided over the restructuring and turnaround of Lonmin over the past five years resulting this year in an operating profit of $101 million up from a loss of $1,079 million the previous year. As a consequence of the operating profit, I am also encouraged by the first payment of our Employee Profit Sharing Scheme to our qualifying employees.

I am humbled to have steered this Company for the last five years and am excited at the prospect of the Company embarking on a more certain new era as part of Sibanye-Stillwater. We remain focused on completing the Transaction with Sibanye-Stillwater where Lonmin will be part of a much stronger, and more resilient enlarged and diversified group. This will provide a stronger platform for Lonmin's shareholders and other stakeholders and allow them to benefit from the long-term upside potential of an enlarged and geographically diversified precious metals group.

I wish to thank my 30,000 colleagues, our stakeholders and our effective Board for their continued hard work and dedication. In particular, I also want to thank our Chairman Brian Beamish for his guidance and productive and honest friendship.

The docking of a great ship, ready for the next voyage.

Yours faithfully,

Ben Magara
Chief Executive Officer

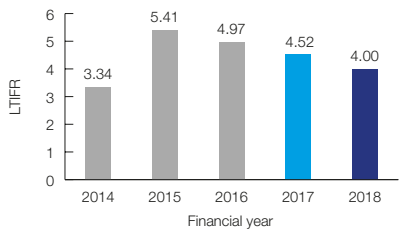
Relevance to Strategy:
1. Operational Excellence
2. Our People
3. Corporate Strategy
4. Corporate Citizenship

Remuneration:
Some KPIs are used as a measure in the incentive plans for the remuneration of executives. These are identified with the symbol

Key Performance Indicators (KPIs)

We use the following 12 Key Performance Indicators (KPIs) to measure our performance (2014 data is strike impacted)

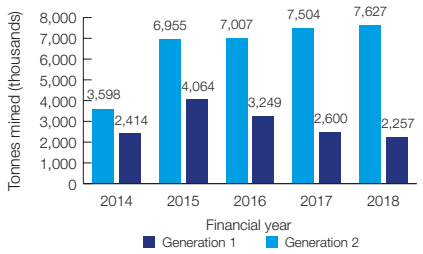
Safety 1



Definition
Lost Time Injury Frequency Rate (LTIFR) is measured per million man hours worked and reflects all injuries sustained by employees where the injured party is unable to return to work on the next shift.

Comment
The LTIFR improved by 11.5% compared to the previous year. This was due to our continued collaboration with key stakeholders, including employees, the Department of Mineral Resources (DMR) and our majority union, the Association of Mineworkers and Construction union (AMCU). Our safety strategy is centred on the belief that Zero Harm is achievable and important contributions are required from all stakeholders to achieve this.

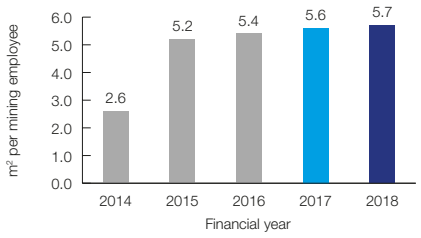
Mining Production (Generation 2 shafts and Generation 1 shafts) 1



Definition
Mining production is measured in tonnes.

Comment
Generation 2 shafts increased production by 9.7% over the period 2015 to 2018. High cost production from Generation 1 shafts reduced by 44% since 2015.

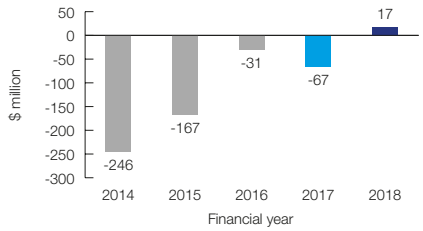
Productivity (Generation 2 shafts) 1



Definition
Square meters mined per total employee including contractors (up to shaft head excluding all central services). The KPI is focused on our Generation 2 shafts (K3, E3 combined, Rowland and Saffy). Historical information has been restated to exclude 4B shaft which is now classified as a Generation 1 shaft and to include E3 shaft.

Comment
Overall productivity increased from 5.2 square meters per employee in 2015 to 5.7 square meters in 2018 an increase of 9.6% with a significant improvement noted at both Saffy shaft (4.3%) and E3 shaft (14.9%). Productivity at K3 shaft and Rowland shaft remained broadly flat mainly due to ground conditions and time of available ore reserves especially at Rowland.

Free Cash Flow[1] 3 1

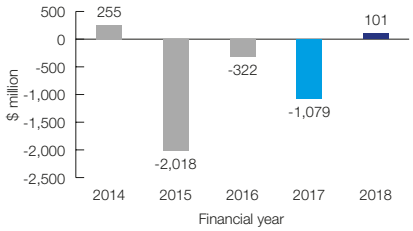


Definition
Trading cash flow after capital expenditure and minority dividend payments.

Comment
Improved free cash flow compared to the prior years driven by cost containment, frugal capital management and full basket prices increases.

1 See page 38.

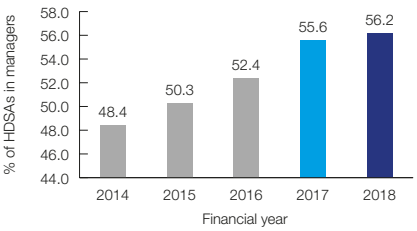
Operating Profit 3 1



Definition
For any business, the ultimate aim is to grow operating profit and deliver value to shareholders.

Comment
The Company is highly geared towards metal prices, rand dollar exchange rate and costs, which drives volatility in profitability. The higher profit realised in 2018 has been driven by an increased basket prices (USD basket prices increased by 20%) and contained unit cost increases to 5.2% which is lower than mining inflation in South Africa.

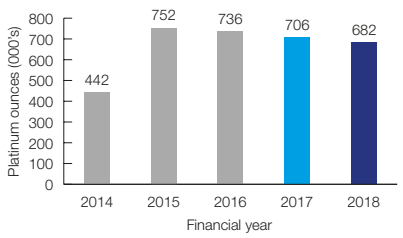
Transformation 4



Definition
This KPI measures the percentage of Historically Disadvantaged South Africans (HDSAs) in management as defined by the Mining Charter.

Comment
We remain committed to transformation and have increased our HDSA representation to 56.2%, despite recruitment being limited to the filling of critical vacancies only. Transformation is more than achieving numbers and BEE targets. Lonmin prides itself in the high performance and transformed culture within the business today.

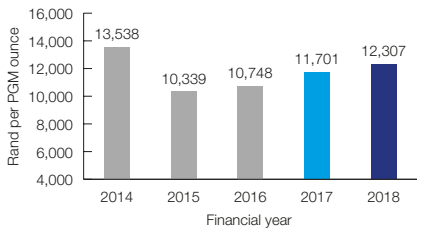
Sales 1 3



Definition
Platinum ounces sold are those ounces we produced either as refined ounces or recoverable ounces sold in concentrate, at 99.95% purity.

Comment
Platinum sales exceeded guidance of 650,000 to 680,000 ounces in 2018.

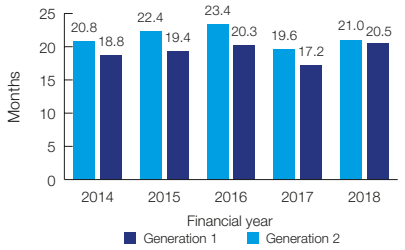
Unit Costs 1 3



Definition
Cost per unit is key to being able to operate profitably through down cycles. This measure includes direct mining, concentrating, smelting & refining costs as well as services cost including marketing cost associated with supporting the operations. Non-trading costs are excluded.

Comment
The unit costs achieved of R12,307 per PGM ounce reflects an increase of 5.2% compared to prior year and came in within guidance (R12,000 to R12,500 per PGM ounce). This was largely driven by the focus on safe production as well as continued focus on cost containment notwithstanding the above inflationary wage increases.

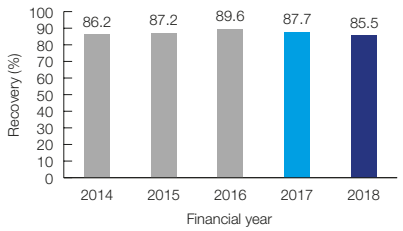
Ore Reserves 1



Definition
Immediately available ore reserves (IAOR), in months.

Comment
The IAOR at Rowland shaft increased to 14.3 months as at 30 September 2018 from 11.2 months as at 30 June 2018, mainly due to the first raise holings in the MK2 area which have established additional mining faces.

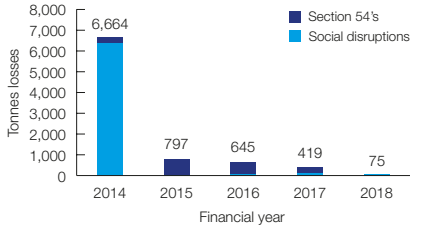
Underground Concentrating Recoveries 1



Definition
The instantaneous recovery rate is the product of the recoveries achieved at each step of the processing value chain and measures the efficiency of the recovery of metals.

Comment
The instantaneous recovery rate achieved in 2018 is lower than the prior year due to fewer ounces being available for processing as the smelter clean-up project reaches the end of life as well as PMR and BMR recoveries dropping. (The underground concentrator recovery rate was in-line with prior year achievements). Overall recoveries across the process division remain world class.

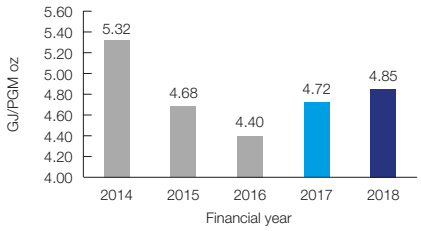
Business Continuity 2



Definition
Production tonnes missed due to Section 54 safety stoppages and social disruptions is considered to be an indicator of the employee and social relations climate including relations with regulators.

Comment
The losses decreased compared to 2017 and primarily reflect the improved safety performance across the business. There were also fewer community protest especially on the eastern side of the operations.

Energy Efficiency 1



Definition
Total gigajoules of direct (gas, petrol, diesel, coal) and indirect (electricity) energy consumption per ounce of PGMs produced including toll processed material.

Comment
A slight decrease in energy efficiency is recorded for 2018, this can be attributed to the high energy base load required for the mining operations against the decrease in tonnes hoisted and shafts been placed on care and maintenance for 2018.

Our Business Model

Lonmin is one of only three integrated primary platinum producers globally with an enviable mine-to-market business.

Our fundamental aim is to create long-term value for our shareholders and all our stakeholders as we move through the economic cycle.

The Company's business is based on mining, concentrating, smelting and refining and marketing of Platinum Group Metals (PGMs) – Platinum, Palladium, Rhodium, Iridium, Ruthenium and Gold.

Platinum is our principal product, and in 2018 was the source of 45% of our revenues. Palladium is our second biggest source of revenue. By-products from PGMs include Copper, Nickel, Chrome and Cobalt.

Our Approach

In the current environment, we continue to seek ways to maximise cash with new initiatives, such as underground ore vamping/sweepings, the smelter clean-up and the other precious metals plant, which have already resulted in the release of additional PGM ounces. Other initiatives underway include the Bulk Tailings re-Treatment Project and increasing volumes of chrome production. We are also utilising our excess processing capacity by sourcing new toll treatment or purchase of concentrate contracts. Key cash generating initiatives in mining include sweeping ore from old workings and productivity improvements through theory of constraints.

While there will inevitably be short-term volatility in the prices of one or more PGMs, we believe in the long-term fundamental economics of these metals. Our strategy is to preserve cash and be able to withstand the sustained low pricing environment so that all our stakeholders will benefit when the PGM pricing environment ultimately improves.

How we Deliver Value

We create value from our existing operations through safe mining, vertical integration and harnessing our industry-leading expertise in processing UG2 ore. We strongly believe Lonmin has great assets, an enviable mine-to-market business, resilient people and solid relationships with our key stakeholders, including employees, unions, the regulator and communities.

Our Strengths

Our mine-to-market business is endowed with good assets, which include:

- Shallow mining operations (average depth of 600 meters);
- Immediately Available Ore Reserves of 21 months, which is above industry average;
- Long life mining resources with good grades (4.50 g/t (3PGE + Au);
- Total mineral reserves of 161 million ounces and resources of 31 million ounces (3PGE + Au);
- UG2 ore is generally of a higher grade than Merensky ore, with a greater width, making this ore more economic to extract, with a lower risk of dilution; and
- Industry leading processing and smelting operations and an industry leader in overcoming the mineralogical and metallurgical challenges of processing UG2 ore; and
- Highly skilled, capable, committed and employees who deliver superior results.

Our resilient workforce, good mining assets, projects and leading processing technology combined make our successful mine-to-market Business Model.

Business Process

and Creating Value

People make the difference. In our employee relations we aim to develop and retain the best via our workplace relationships and the way we work and to ensure as safe and stable a workplace environment as possible.

Exploration

By securing prospecting and mining rights to areas which have PGM mineralisation. We hold mining rights to significant areas of the Bushveld Igneous Complex in South Africa, the world's largest deposit of PGMs and home to around 80% of the world's economically viable platinum-bearing deposits (reserves).

Mining

By developing these areas into resources and reserves and managing mining operations. With more than 40 years of experience in mining PGMs in South Africa, Lonmin has developed superior conventional mining methods.

Processing and Refining

By developing industry leading processing and refining techniques.

We were the first in our industry to commercialise the separate treatment of UG2 ore and to use our know-how and technology to create value by putting our ore through the full, vertically integrated processing chain, producing high purity refined metals for sale.

Marketing

By maintaining close relationships with key customers we acquire market intelligence and an understanding of market trends.

Governance

We have created and maintained a robust internal control and reporting environment, with strong processes for risk identification and mitigation, implemented by a dynamic management team and overseen by an experienced Board of Directors.

Culture

Our values based culture is exhibited through the way we work at Lonmin and the behaviour of all employees, managers, executives and Directors helps to promote an ethical, responsible and fair approach to how we do business.

Relationships

We work hard at establishing relationships with a wide range of stakeholders from employees and their trades unions, through to communities and local government, suppliers, contractors, customers and other business counterparties, to national government in its many guises and the providers of our funding – our lenders and our shareholders.

Transformation

We embrace transformation and empowerment as a business imperative. We endeavour to play our part in addressing historic inequalities and creating the conditions in which current and future generations can succeed in creating a shared purpose.

Sustainability

We believe that to sustain success, we need to take all critical known risks into account when we are planning ahead. Working safely, respecting those with whom we work and protecting the environment are all part of our core processes.

Our Strategic Approach

Our strategy since the November 2015 Rights Issue has been to remain at least cash neutral until PGM prices improve and do all within our control, including operational performance, and cost control and cash preservation to sustain the business.

Lonmin's strategic approach has been premised on a number of core strengths, including great assets, what we believe is an enviable mine to market business and a resilient and innovative workforce.

To achieve our strategy without disruption requires that we proactively engage to build productive and sustainable relationships with our employees, host communities, regulators and all our stakeholders.

Challenges for the Platinum Industry

The South African Platinum industry has faced a number of challenges in the last decade including oversupply and overstocking, a prolonged low PGM price environment, a five month strike in 2014, inflationary cost pressures, lower mining head grades, increasing depth and associated safety costs as the industry focused on working to achieve Zero Harm. All these factors, including labour and community disruptions, have strained already stretched balance sheets and liquidity. This has been exacerbated by the negative perceptions of diesel vehicles and the ever-increasing rates of recycling and Exchange Traded Funds as alternative investments.

These challenges indicate that, apart from the restructuring and right sizing efforts, the industry was ripe for consolidation.

Approach taken since 2015

Since 2015, Lonmin's strategy has been to focus on factors within its control in order to contain unit costs and remain at least cash neutral, with a particular focus on reducing fixed costs, removing high cost production from the Generation 1 shafts, reducing capital expenditure to levels required to satisfy regulatory and safety standards, and continuing to improve relationships with key stakeholders. The inflationary cost pressures have remained, exacerbated until recently by a strong ZAR:US$ exchange rate.

Lonmin's evolving business plan has resulted in headcount reductions associated with placing shafts on care and maintenance and the reductions are likely to continue in the future. The placing of the Generation 1 shafts on care and maintenance, together with the operational efficiency improvement program which commenced in 2015, impacted approximately 2,400 employees (including approximately 800 contractors) in 2018.

Placing further Generation 1 shafts on care and maintenance in 2019 could impact approximately a further 4,800 operational employees (including approximately 2,000 contractors). While the impact of possible job losses in the three years from 2018 to 2020 is primarily driven by placing high-cost Generation 1 shafts on care and maintenance, as well as the impact of capital expenditure constraints in the Generation 2 shafts, notably Rowland shaft, forecasting the potential impact on employment beyond a three year period is dependent on future commodity prices and business liquidity. However, depending on commodity prices in the next three years, an additional estimated 3,600 jobs could be at risk in 2020.

Lonmin's actions have been part of seeking to build a sustainable business. However, the Company continued to be hamstrung by its capital structure and liquidity constraints.

Operational Review

Lonmin continued with its strategy of placing its high cost Generation 1 shafts on care and maintenance and simultaneously removed the associated overhead costs in order to improve or contain unit costs. The Company also sought to identify other strategic options and on 7 August 2017, announced the initial conclusions of an ongoing operational review (the "Operational Review") with the primary objective of preserving value for shareholders and safeguarding the long-term interests of employees and all stakeholders. The immediate results of the Operational Review included initiatives to generate cash and reduce fixed costs further with the objective of remaining at least cash neutral. This included the potential disposal of selected assets and the reduction in fixed overhead costs.

Absent a material change in macro-economic conditions Lonmin's production profile is expected to continue to decline over time and we expect to continue to allocate capital to our Generation 2 shafts for stay in business capital expenditure with no allocation for expansion capital.

In parallel with the work on the Operational Review, the Board of Lonmin was also in discussions with Sibanye-Stillwater about a possible offer for Lonmin. The Board of Lonmin has concluded that the acquisition of Lonmin by Sibanye-Stillwater represents a comprehensive and more certain solution to the challenges facing Lonmin than could be achieved by any alternative route. The Board of Lonmin believes that a combination of Sibanye-Stillwater and Lonmin creates a larger and more resilient company, with greater geographical and commodity diversification, that is better able to withstand short-term commodity price and foreign exchange volatility.

Our once-off value optimisation initiatives, for example the smelter clean-up project, continue to make a notable contribution to the business' liquidity.

The Transaction will allow Lonmin shareholders to participate in:

- the growth and value creation opportunities of the enlarged Sibanye-Stillwater Group;
- the benefits from the realisation of synergies from the combination of Sibanye-Stillwater and Lonmin; and
- any long-term recovery in the fundamentals of the PGM sector.

In addition, the Board of Lonmin believes that the Offer delivers the best value for Lonmin shareholders.

As a stand-alone business, including during the offer period, our strategy continues to focus on operational performance in particular and control of all costs, remaining at least cash neutral and preserving cash.

On 21 November 2018 the South African Competition Tribunal cleared the all-share offer for Lonmin by Sibanye-Stillwater, subject to agreed conditions.

The remaining substantive conditions to the closure of the Transaction are the approvals of Lonmin and Sibanye-Stillwater shareholders and sanction by the courts of England and Wales.

Exploration and non-core assets

Our investment focus on exploration was curtailed in light of the capital constraints and importance of capital allocation. As a result, we have been rationalising our exploration portfolio. We also review non-core assets with a view to monetising them where possible.

Balance sheet

At the beginning of financial year 2016, we undertook a Rights Issue and entered into amended debt facilities to strengthen Lonmin's balance sheet.

Our stated aim remains to manage the business to be at least cash neutral whilst maintaining optionality to grow production over time when pricing improves.

On completion of the Rights Issue in December 2015, Lonmin had net cash of $69 million. The Company has managed to stay net cash positive every quarter since then, resulting in a net cash of $114 million as at 30 September 2018, as a result of implementing its strategy.

Our balance sheet will continue to be managed prudently and conservatively with future capital expenditure being funded from free cash generated by operations. Capital expenditure is spent to satisfy regulatory and safety standards, essential sustaining capital expenditure in the continuing shafts and ensuring that Immediately Available Ore Reserve positions are maintained at an acceptable level to sustain production at our Generation 2 shafts.

Since the announcement of the all share Offer by Sibanye-Stillwater on 14 December 2017, Lonmin has continued to experience financial constraints. On 18 January 2018, Lonmin's lenders agreed to a waiver of the TNW covenants for the period from 30 September 2017 to 28 February 2019, the long stop date of the Offer.

To mitigate the financial liquidity risk of the Company, in October 2018, Lonmin entered into a $200 million financing facility with Pangaea Investments Management Limited (PIM). Lonmin settled its pre-existing term loan of $150 million (the Term Loan) and cancelled all its other pre-existing undrawn facilities (together, the Existing Debt Facilities) with both its South African and US Dollar lender groups (the Existing Lenders). The New Facility provides Lonmin with improved liquidity and removes certain restrictive current lender conditions notably the TNW covenants contained in the Existing Debt Facilities which were waived by the Existing Lenders subject to Completion.

The New Facility enhances Lonmin's cash position as it requires only partial settlement of between $60 million to $80 million upon completion of the Transaction with Sibanye-Stillwater, compared to the Term Loan ($150 million) which required full settlement. The new facility will still not be sufficient to avoid retrenchments and shaft closures.

Lonmin's New Facility supports the anticipated successful completion (Completion) of the Offer. In the event that the Transaction does not complete, the New Facility allows for early settlement in full after one year, at Lonmin's discretion and subject to the funder achieving a return on investment of 16%.

Our People

Our environment is labour intensive and requires that we work with all our people to motive continuously, inspire and enable a high performance culture that delivers superior and innovative outcomes as outlined in our strategic plans.

Operating in an environment as challenging as ours forces us to focus on attracting, developing and retaining motivated, committed and contributing employees. Where we find instances of low morale, we review and invest in prioritised initiatives to ensure that our people have the skills they need to perform optimally in an environment characterised by open communication and guidance to align performance to organisational objectives. We recognise and reward superior performance, and review our retention risks and apply the necessary tools to retain our talent.

Our Strategic Approach (continued)

Employee well-being is at the core of what we do and we invest in initiatives like Employee Assistance Programmes to provide our employees and their families with support to be even more effective. Our focus on the provision of decent accommodation and living conditions for our employees continues in line with our values and strive to enhance the quality of life of our employees and their families.

During the year, the Company has experienced a net headcount reduction of 2,400 own employees and contractors from 32,544 at September 2017 to 30,144 at September 2018. This was a result of a section 189 process that was initiated towards the end of 2017, as well as the section 52 process in line with MPRDA. This resulted in a number of voluntary separations, redeployment of some employees and seven retrenchments. The headcount reductions were achieved with no dispute or work stoppage and the Company will continue to manage the process sensitively through engagements with its key stakeholders including its majority union AMCU and ensure that alternatives are explored to minimise impact on employees. These headcount declines are in line with the Company's declining production profile, which has an implication of headcount reductions of over 12 000 employees in the three-year period starting in 2018.

Safety

Lonmin views safety as a core value and a proxy for good performance. Our commitment to Zero Harm aims to ensure that the necessary controls and procedures are in place to support the safety and health of our employees and their environment.

Our safety strategy is based on our belief that we can operate without harm. Maintaining high safety standards is integral in demonstrating operational excellence. Our goal is for everyone to have a personal understanding of, and respect for, the importance of safety in our workplace. We adopt a proactive approach to safety management, entrenched via fatality prevention, injury prevention and a safe high-performance operational culture.

Health

Lonmin's Health Department, through its safety, health and environmental strategy, provides comprehensive healthcare services for employees, their families and the communities that surround us. Facilities include three clinics and a hospital at our Marikana operations and clinics at the Precious Metal Refinery and Limpopo operations.

Over the last ten years the incidence of tuberculosis at Lonmin halved from 1,580 per 100,000 employees in 2008 to 729 per 100,000 employees in 2018. In addition, our in-service AIDS related deaths decreased by 44% from 98 in 2017 to 55 in 2018.

Relations with Organised Labour

The mining environment in which we operate is highly unionised and the nature of relations that each organisation has with organised labour has a significant impact on its ability to execute its plans effectively. At Lonmin, we believe in, support and respect our employees' rights to freedom of association.

We accept that our employees may choose to join unions that will represent their interests, and we work towards healthy and mutually beneficial relationships with these unions guided by agreements that we negotiate with them, as well as the prevailing legal framework of the country in which we operate.

We interact with unions at different levels within the Company and engage on an ongoing basis through various organised labour and management structures to share information on Lonmin's performance and its evolving operating environment. We also deal with relevant issues within the guidelines of our agreements with labour.

We believe that informed and skilled shop stewards are good for effective and constructive relationships. In this regard, we provide training to shop stewards on legislative matters, business understanding, roles and responsibilities, as well as an understanding of different agreements that we have in place. Currently, the Association of Mineworkers and Construction Union (AMCU) is the majority union, representing 82.10% of employees as at Lonmin.

Black Economic Empowerment (BEE)

Our BEE equity ownership is at least 26%, in line with the requirements of the Mining Charter.

The New Mining Charter

Mining Charter III was gazetted in September 2018 and is a significant improvement on prior drafts. It is early days but it is pleasing to note government commitment to engagement. Areas of ambiguity remain in the Charter and it is hoped that a Guideline document to be published in late-2018 will provide further clarity.

Transformation

Lonmin embraces transformation as a business imperative and continues to make progress in this regard. We are committed to playing our part in addressing historic inequalities and creating conditions in which current and future generations can succeed in creating a shared purpose. The Mining Charter requires a focus on increasing the number of Historically Disadvantaged South Africans (HDSAs) in management and the number of Women in Mining. Transformation is monitored and overseen at Board level by the Social, Ethics and Transformation Committee.

Transformation considerations are incorporated into recruitment, succession, skills development and talent management functions to develop an internal pipeline of HDSAs, including women. Lonmin's bursary and graduate development programmes prioritise HDSAs in order to build a pipeline that reflects South Africa's demographics. Targets relating to transformation are included in the Corporate Balanced Scorecard that is used to reward performance as an incentive scheme.

Sustainability

Acknowledging all the social and labour challenges past and present Lonmin strives to conduct business in a sustainable, socially and environmentally responsible manner, openly and transparently going beyond compliance, to address the spirit of the Mining Charter. Sustainability is dependent on win-win solutions which support the vision for creating and sharing value.

Social and Labour Plans (SLPs)

Our commitment to corporate citizenship defines our duty to contribute to the wellbeing and development of the communities that host, and are interested and affected by, our operations. This duty is formalised in the SLP obligations under the terms of our mining rights. Investing in the long-term social, economic and infrastructural development of our host communities translates into an investment in our current and future employee base, and ultimately is a direct investment in the sustainability of our operations themselves.

Lonmin is concluding the current five-year SLP commitments which expire at the end of 2018, and will submit a close-out report to the DMR. Due to financial constraints, we were not able to implement all our current SLP commitments for the 2014 to 2018 time period. However, we have formulated a remedial plan to address the backlog, which was reviewed and approved by DMR. We are implementing our undertakings to address the back log, with extension for our SLP obligations 2014 to 2018, granted till 2020.

Lonmin is committed to fulfilling its SLP undertakings within the constraints of its financial circumstances.

Stakeholder Engagement

Lonmin's strategy is underpinned by proactive engagement to build and sustain genuine relationships. We commit in our Safety and Sustainable Development Policy to maintaining transparent and ongoing consultative relationships with all stakeholders and incorporating this engagement into the decision-making process.

The Stakeholder Engagement and Regulatory Affairs Department segments and prioritises stakeholder groups and individuals, and it formalises engagement policies and procedures for each group.

Our Stakeholder Engagement Framework is aligned with Government is and rigorously applied to build community collaboration and partnership, creating shared value and common purpose fostering win-win outcomes and mitigating the risks related to a poor relationships and engagement.

Stakeholder groups are identified and prioritised using a risk-based approach. This is supplemented by desktop reviews, analysis of media coverage, online sources, internal conversations and consultation sessions to improve our understanding of stakeholder views.

Our engagement approach is governed by our Stakeholder Engagement Framework. The Executive Vice-President of Stakeholder Engagement and Regulatory Affairs co-ordinates stakeholder engagement and reports to the Chief Executive Officer.

Environment

Mining and metal processing have direct impacts on the environment and are resource-intensive activities.

Our strategic commitment to operational excellence and ethical business practices drive our initiatives to minimise our environmental footprint and, where necessary, mitigate or remediate our impacts.

Lonmin's environmental requirements are implemented across the operations through certified ISO 14001 EMS. All operations maintained ISO 14001 certification in 2018.

Platinum is used in catalytic converters to reduce emissions. Lonmin's business strategy addresses climate change through various mitigation and adaptation initiatives, including energy efficiency and energy security projects, seizing opportunities in PGM marketing, investment in fuel cell technology, feasible renewable energy to reduce emissions and water conservation and demand management.

Lonmin is an active member of the International Council on Mines and Metals (ICMM) whose aim it is to raise standards and improve performance across the priority areas of environmental stewardship, the role of mining and metals in society and human well-being. Together we adopt a collaborative approach to support positive engagement with host communities, build trust in the mining and metals industry and catalyse social and economic development.

Market Review and Outlook

Market Overview 2018

During the financial year the platinum market remained depressed, while palladium improved strongly. The Rhodium price continued to advance strongly, owing to strong buying in China and a decline in supply from South Africa. Given South Africa's dominance in rhodium and other precious metals supply, mine cuts have reduced primary production capacity.

Although global Platinum output is expected to drop in the 2018 calendar year, gross demand is also projected to decline, leaving the market in a significant surplus. With jewellery demand little changed, a rebound in industrial usage is insufficient to offset a fall in automotive demand.

2018 Platinum Demand Review

Demand (Koz)	2017	**2018 (f)**	Variance
Automotive	3,195	**2,980**	(6.7)%
Jewellery	2,450	**2,440**	(0.4)%
Petroleum	100	**165**	65.0%
Chemical	590	**575**	(2.5)%
Electrical	195	**185**	(5.1)%
Glass	185	**200**	8.1%
Medical & Biomedical	235	**240**	2.1%
Investment	265	**250**	(5.7)%
Other	395	**425**	7.6%
Off-road	140	**145**	3.6%
Total Demand	7,745	**7,600**	(1.9)%

Source: SFA (Oxford) estimates. Note: Table figures may not be totally correct owing to independent rounding.

2018 Platinum Supply Review

Supply (Koz) Region	2017	**2018 (f)**	Variance
South Africa	4,380	**4,385**	0.04%
Zimbabwe	480	**465**	(2.8)%
North America	360	**355**	(1.6)%
Russia	720	**680**	(5.3)%
Other	195	**185**	(4.9)%
Primary Supply	6,135	**6,070**	(1.1)%
Recycling	1,895	**1,895**	0.1%
Total Supply	8,030	**7,970**	(0.8)%

Source: SFA (Oxford) estimates. Note: Table figures may not be totally correct owing to independent rounding.

Market Outlook 2019

Platinum

Mine depletion is expected to start to impact output from 2020. Gross demand is also estimated to be higher but the market remains in large surplus. Mine depletion will start to impact platinum output significantly from 2020. For 2019, output will remain at current levels, based on forecasts supplied by the PGM mining industry. In 2019 we see gross demand increasing marginally which suggests that the platinum market will continue to remain in surplus in the near term.

Automotive demand is expected to be marginally lower in 2019. The decline in diesel share in Western Europe is likely to continue, but at a slower pace than in 2018. Heavy-duty vehicles, offer some upside for autocatalyst platinum use, as more vehicles are needed to meet expanding freight volumes and tightening emissions standards, especially in Asia.

The hydrogen economy, using platinum catalysts in fuel cells, is developing rapidly. While the volumes of platinum required are still low, this sector has very promising growth prospects, driven by the need to decarbonise transport to reduce emissions.

Of note too are the significant numbers of PGM-catalysed electrolysers that are expected to be commissioned around the world in 2019 to build the hydrogen fuelling infrastructure to meet the needs of fuel-cell-powered buses and trucks.

Global demand for jewellery is estimated to grow next year as demand in China stabilises and growth continues in all other regions.

Industrial demand is projected to expand boosted by growth in net use in petroleum refining and other end users.

Palladium

Palladium demand is dominated by its use in gasoline autocatalysts. The two largest markets, China and the US, have seen light vehicle sales stall in 2018, but moderate growth is expected to return in 2019. A combination of increased vehicle production (China) and tighter emissions standards and bigger vehicles (US) should lift demand for palladium keeping the market in deficit.

Lonmin delivered solid results for the year and managed to improve its funding arrangements. To achieve this performance, the Lonmin team all pulled together. It is testimony to our people's focus and resilience.

Sale Prices

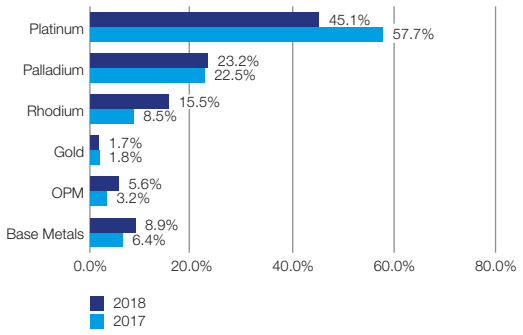
During the financial year the average rhodium price continued to advance strongly, more than doubling from $915 per ounce to $1,988 per ounce, owing to strong buying in China and a decline in supply from South Africa. Given South Africa's dominance in rhodium supply, mine cuts have reduced primary production capacity by over 30% since 2008. The average platinum price slipped by 7% to $890 per ounce, while palladium climbed by 22% to $986 per ounce.

The Rand was slightly stronger against the US dollar during 2018 than in 2017, averaging 13.07.

Lonmin's PGM Basket

Platinum's contribution to Lonmin's PGM basket revenues reduced to 45%, while Palladium improved to 23% and Rhodium increased to 16% of the total revenue basket as set out below in the chart of relative contribution to basket of each metal between 2017 and 2018.

Relative Contribution to Basket of each Metal between 2017 and 2018



Lonmin Beneficiation

- Thakadu Nickel Purification Plant

  Thakadu Battery Materials (Pvt) Ltd (Thakadu) is in the process of constructing a R250 million nickel purification plant at Lonmin's base metal refinery. The plant will convert Lonmin's existing crude nickel sulphate into high quality battery-grade nickel sulphate, which can be sold at a premium and thus create value for both Thakadu and Lonmin. The plant is able to produce 25,000 tonnes per year of high-purity nickel sulphate. All major equipment has been ordered and key contracts have been awarded by Thakadu. Commissioning of the plant is scheduled for 2019. The plant is expected to create over 60 permanent jobs once in operation.

- PMR Beneficiation – 3D Printing

  The Lonmin beneficiation strategy includes the Additive Manufacturing or 3D printing using pure platinum powder. The project was developed from concept by the Lonmin marketing and process technology teams. The platinum powder used in 3D printing has very particular specifications and the powder was developed in-house by Lonmin employees. A 3D printer is housed at Lonmin's Precious Metal Refinery and is unique in that it is the first to be used for 3D printing using pure platinum metal. Commissioning and optimisation of the 3D printer is ongoing, with assistance from members of Platforum, which is a collaboration between South Africa's Central University of Technology, Northwest University of Technology, Vaal University of Technology and Lonmin. This vehicle aims to provide prototype facilities to budding entrepreneurs to produce products containing PGMs via additive manufacturing or 3D printing.

Principal Risks and Viability

Lonmin's top nine principal risks are described on the following pages together with their potential impact, mitigating strategies and the perceived change in these risks since the previous financial year.

These risks are ranked considering the magnitude of potential impact, probability and taking into account the effectiveness of existing controls. The risks represent a snapshot of the Company's current risk profile. This is not an exhaustive list of all the risks that the Company faces. As the macro environment changes and country and industry circumstances evolve, new risks may arise or existing risks may recede or the rankings of these risks may change.

Ranked Risks

1. Failure to complete transaction with Sibanye-Stillwater

Description
In light of the challenges facing Lonmin and the PGM industry, the Company's strategic response in 2015 was to right-size the business, cut costs, enhance working capital management and contain capital expenditure. These initiatives have proved effective resulting in the Company remaining net cash positive. Notwithstanding these improvements and the good performance achieved during 2018, notably from solid production, higher PGM basket prices and weaker USD/ZAR exchange rate, Lonmin still remains financially constrained. Further mitigating measures undertaken during 2018 led to refinancing the business in October 2018 by concluding the $200 million forward metal sale agreement; however this financial measure only provides relief during the short-term and regrettably does not provide an opportunity to avoid retrenchments and shaft closures. In spite of the effectiveness of the measures undertaken, the viability of Lonmin on a stand-alone basis is more vulnerable when compared to being part of a larger group. Consequently, failure to complete the Sibanye-Stillwater transaction will significantly impede Lonmin in funding the significant investment required in sustaining the business in the future.

The outstanding conditions precedent to the Transaction is the approval by the shareholders of Lonmin and Sibanye-Stillwater and the UK courts sanctioning of the scheme of arrangement.

Impact
The potential impact of failure of the acquisition of the Group by Sibanye-Stillwater represents a threat to the Group's viability, in spite of the initiatives undertaken, including the refinancing arrangement. Consequently the pending approval by the shareholders of Lonmin and Sibanye-Stillwater in conjunction with the need for an alternative solution in mitigating the adverse longer term challenges faced by the Lonmin Group if the transaction does not complete represent a material uncertainty that may cast significant doubt on Lonmin's ability to continue as a going concern over the period in excess of 12 months. Should the Transaction not conclude by 28 February 2019, the feasibility of an asset sale to Sibanye-Stillwater, as contemplated in the 2.7 announcement, as well as any other alternative transactions will have to be assessed by the Board.

Should the acquisition conclude successfully, the consolidation of Lonmin into Sibanye-Stillwater will create a more diversified and resilient company, overcoming the prevailing financial constraints. In addition, Lonmin's lack of geographical and product diversification risks should decrease significantly. The decrease in product diversification risk is further attributable to the rise in prominence of palladium, rhodium and iridium contributing significantly to basket prices in comparison to the prior year.

Mitigation
UK Competition and Markets Authority cleared the Transaction, including formal recommendation of the Transaction by the Competition Commission SA to the Competition Tribunal SA. On 21 November 2018 the Competition Tribunal SA approved the transaction subject to agreed conditions, including:

- a six month moratorium placed on all forced retrenchments from the implementation date, pending the outcome of a detailed study by Sibanye-Stillwater.

2. Liquidity – The availability of funds to meet business needs can affect the Group's ability to continue as a going concern

Description
The availability of funds to meet business requirements can affect the Group's ability to continue as a going concern. Key factors affecting the Group's liquidity position are adverse market conditions, lower than planned production, escalation in operating costs and the successful completion of the all share Sibanye-Stillwater transaction.

Impact
The oversupply in the platinum market persisted during 2018, resulting in the platinum price declining by 12%. However, the price of rhodium almost doubled to $2,580/oz, followed by a 17% increase in the palladium price, as well as the positive increase in iridium prices resulting in an overall higher basket price. Strong production, including PGM sales exceeding initial market guidance, supplemented by higher basket prices and a weaker USD/ZAR exchange rate experienced during Q4 2018 contributed to an increase in the Group's net cash position to $114 million at 30 September 2018 ($103 million at 30 September 2017).

The pending approval by the shareholders of Lonmin and Sibanye-Stillwater including alternative solutions in mitigating the adverse longer term challenges faced by the Lonmin Group if the Transaction does not complete represent a material uncertainty that may cast significant doubt on Lonmin's ability to continue as a going concern over the period in excess of 12 months.

Mitigation
- The Group has refinanced the business which improved Group liquidity and secured tenure in the short-term and removed the Tangible Net Worth covenants from the Group's facilities;
- Disposal of 50% interest in Petrozim due to conclude in Q1 2019;
- Identification of impact of risks and opportunities on cash flow forecasted period;
- Regular review of supply and demand dynamics of key products and the factors that could affect metal price volatility and forecasting processes;
- Sensitivity testing based on exchange rate changes or production losses;
- Liquidity dashboard monitoring as part of the Price Risk Committee;
- Strict monitoring and tightening of controls over operating costs;
- Analysis of cash-flow variances to the prior forecast period;
- Customer engagement for early payment; and
- Cash-flow monitoring and management by ExCo through weekly cash forecasting reports.

Change
Exposure to this risk remains unchanged, however the weakening of the Rand in Q4 2018 and higher ZAR basket price has partly off-set liquidity challenges experienced by the Group.

KPI
Free Cash Flow

3. Operational execution – The ability to deliver required operational performance (production and efficiency) could add or destroy value for company shareholders and impact adversely on other stakeholders

Description
Failure to deliver against production and cost targets can result from a variety of reasons, including poor productivity, high absenteeism, safety stoppages, industrial action, difficult geological conditions as well as ineffective control of operational expenditure.

Impact
Poor operational delivery can lead to not achieving the Business Plan deliverables which include a decline in profitability and cash generation, ultimately impacting negatively on the company's liquidity position.

Mitigation
- Management focus on improving operational attendance levels which includes root cause analysis and management of absenteeism;
- Operations Steering Committee monitoring of sick leave and absent without official permission dashboards;
- Implementation of the Labour Management Programme;
- Implementation of an Operational Turn Around Plan and ongoing operational deep dive reviews;
- Rigorous performance monitoring against Business Plan targets (cost and production);
- A cost restructuring review process is continuing;
- Continued Department of Mineral Resources (DMR) engagement to address safety stoppages and increased operational focus to improve overall safety performance and culture; and
- Operational oversight was improved through rigorous tracking of crew performance by the Business Support Office.

Change
This risk has reduced relative to the prior year's ranking.

Robust, continuous safety initiatives amongst others, resulted in a significant reduction in the number of Section 54 safety stoppages (FY2017:42 vs. FY2018:24) as well as lost production days (FY2017:86 vs. FY2018:11). The DMR has issued localised Section 54 safety stoppages which mean only sections of a shaft or plant are stopped and not the whole operations.

Other factors which can affect production execution include community unrest, poor productivity, absenteeism, management induced safety stoppages, industrial action, difficult geological conditions and operational expenditure.

KPIs
Unit cost, refined Platinum ounces, 6E ounces & tonnes delivered

Principal Risks and Viability (continued)

Ranked Risks (continued)

4. Safety Performance – A poor safety performance can result in loss of life and serious injury to our employees. It can also negatively impact production, affect costs, cause reputational damage and result in unfavourable regulatory intervention

Description
Safety incidents can cause loss of life and injuries to employees resulting in work stoppages and regulatory stoppages that will impact the Company's ability to achieve production and financial targets.

Impact
A failure in following safe working processes could result in injury or loss of life, which have tragic implications for employees, their families and the communities. It would also severely disrupt operations and could result in safety stoppages which have a direct impact on the people, cost and reputation. The failures in following safe working procedures may be caused by non-compliance and/or poor management practices. Work stoppages and Section 54 safety stoppages have an impact on the working rhythm, cost, production at the operations and could result in suspension of Lonmin's operating licence.

Mitigation
- Focus by the operations on leading indicators that trigger risk awareness and proactive action;
- Proactive shaft by shaft cross audits, validating compliance with Lonmin Life Rules;
- Continuous monitoring and safety key performance indicators established per mine manager, including management interaction with employees through Visible Felt Leadership;
- OPSCO weekly engagement of overall organisation wide safety performance;
- Enforcement of contractor safety management protocols;
- Behaviour based intervention focussing on employee behaviour; and
- Implementation of Incident Cause Analysis Method findings post-investigation.

Change
The increased focus on proactive safety management, safety culture and consequence management resulted in the Group operating fatality free for 15 months. The Group also won four of seven categories at the 2018 MineSafe conference. While our safety initiatives improved, regrettably K3 shaft recorded a fatality on 30 September 2018.

Notwithstanding the fatality recorded, the Group achieved 15 months' fatality free, notably K3 and Saffy shafts, achieved 9.3 million and 6 million fatality free shifts respectively. The Assay Laboratory and Precious Metals Refinery achieved 12 years and 2 years LTI-free, respectively. Lost Time Injury Frequency Rate (LTIFR) improved by 11.5% from 4.52 in 2017 to 4.00 in 2018. There were 308 Lost Time Injuries (LTI) recorded in 2018 (FY2017: 373), while medical treatment cases decreased to 473 (FY2017: 509). The safety initiatives have further resulted in a steady decline of the Total Recordable Injury Frequency Rate (TRIFR) since 2015. Despite recording a decrease in 2018, the Group still remains focussed in reaching and/or exceeding the international industry average.

KPI
LTIFR, LTI, TRIFR

5. Employee and Union relations – Optimal relations can significantly enhance operational execution and improve employer–employee relationships, whilst a breakdown in relations could result in production stoppages as well as a breakdown of trust

Description
The industrial relations environment has stabilised from prior years which is attributed to continuous and improved dialogue between unions and Company management. Whilst this environment has remained stable, the potential for volatility remains, which could result in disruptions to operations and have a material adverse effect on the Company's financial position. A major concern is the perceived continuing rivalry between Association of Mineworkers Construction Union (AMCU) and National Union of Mineworkers (NUM).

Impact
Various internal as well as external factors could influence the employee relations, potentially leading to a breakdown of employer-union relations. The embarking of labour unrest potentially leading to production stoppages could negatively impact the Company financially.

Mitigation
- Structured engagement forums with unions across all levels e.g. Senior leadership, shaft forums and Future Forum;
- Engagement with AMCU at all levels, and with relevant authorities to enhance safety and security in the area; and
- As part of improving employer relations, the established relationship building programme and charter to govern relations between unions and the Company are also under review.

Change
Despite improvement experienced in terms of engagement processes with the major union, the industrial relations environment still remains a major focus area.

KPI
Industrial action/production stoppages

6. Utilities – Access to secure energy and water are critical for the Group's mining and processing operations

Description
The higher than inflation tariff based increases in electricity and water are set to continue. Near term uncertainty is set to continue with continued pressure for above inflationary increases. Water availability has also been challenging, due to ageing infrastructure and increased water demand from local communities, mining and agricultural sectors in the area. Rustenburg Municipality has notified all mines that it intends taking over water distribution from Rand Water Board (RWB). Reduced dependency on RWB supply, to the Lonmin operations, is set to be an ongoing strategic drive.

Impact
Supply constraints in respect of energy or water could impact our ability to operate effectively and meet our production targets. Furthermore, cost increases above inflation in respect of these utilities impact the Group's liquidity and ultimately margins.

Mitigation
Ongoing implementation of the electricity conservation programme as well as water optimisation through demand management. An integrated water management plan for Lonmin has been developed with the goal to reduce RWB reliance as far as possible, within the operations, and to maximise the recovery and re-use of all other sources of water. Longer term plans to treat some streams of these alternative sources to potable level to make the business more independent of RWB. Lonmin is exploring further opportunities to supply communities out of such streams. As part of ensuring optimal electricity usage, Lonmin is a member of the Eskom energy intensive user groups, as well as conducting monthly and daily monitoring of electricity consumption and reporting.

Additional initiatives to ensure optimal usage are the electricity conservation programme and load-shedding contractual agreements to manage supply side constraints. As part of ensuring appropriate continuity during an outage, the Company has implemented risk based scenario planning based on available Eskom capacity. From a water optimisation perspective, the Company has implemented water conservation and demand management initiatives. The process of water and power monitoring and management is fully aligned. Substitution of RWB with other water sources will remain an ongoing focus, in order to reduce reliance on this supply.

Change
The current increase in electricity tariffs of 4.1% and request for 15% by Eskom could have an impact on costs. From an energy perspective, the risk in this area remains unchanged due to ageing municipal infrastructure that could result in an increase in the amount of unplanned outages, however, from a water perspective the risk has increased due to lower precipitation levels and the ongoing impact of climate change. The expectations of surrounding communities especially on water supply and services are ever increasing and the inability of local and provincial government's structures to address the expectations will continue to transfer the pressure to mining operations to step into this gap and supply the requirements in various forms to communities around their operations. The Rustenburg Municipality's notification of taking over water distribution from RWB is being contested by the Mineral Council SA on behalf of mining companies to maintain the status quo with RWB.

KPI
Water and Electricity usage

7. Community relations – A sound relationship with surrounding communities will enhance relations and the Group's reputation whilst a failure to do so could result in community unrest, potentially disrupting operations

Description
There may be occasions where expectations by a host community cannot be met and may result in conflict, unrest and production stoppages. The relationship with host communities is particularly vulnerable due to expectation gaps between community leadership structures and the Company. This results in informal and unstructured engagement between different splinter groups engaging the Company on varying matters and at times results in unrealistic expectations by the communities.

Impact
Lack of consensus on the nature of Social and Labour Plan (SLP) projects and/or on-site disruption of projects in execution by local communities and splinter groups may result in delays and impacts adversely on the Group's ability to deliver on its SLP commitments, which ultimately impacts the Group's licence to operate. Lonmin acknowledges the important role of communities as a critical stakeholder and has implemented various engagement platforms and development initiatives to ensure appropriate upliftment. Procurement and employment have become focus areas as communities view them as opportunities to improve their livelihood through improved income. Lonmin has identified this need and has introduced procurement and employment opportunities for the communities.

Mitigation
- Standing meetings with Ward Councilors, Unemployment Groups, Bapo ba Mogale;
- A structured process for employment opportunities was made available to surrounding communities;
- Continuous engagement of Municipal leadership and capacitation (support on technical matters related to SLP);
- Community roadshows were rolled out to address infrastructure requirements and education requirements;
- Implementation of a 24 hour Community Grievance Hotline to address community grievances in a structured and timely manner;
- Implementation of revised project risk management process which incorporates stakeholder requirements; and
- Greater consultation with stakeholders which includes upliftment measures being initiated. This approach will increase community ownership of both the challenges facing communities and the solutions provided as part of the SLP implementation plan.

Change
Revised SLP approved by DMR Regional office directing the company to start implementing targets set out in Section 102 application, subject to approval of the application at National level. Relationships with local communities that surround our operations have improved from prior years. This is largely attributed to engagement with communities in a more structured and meaningful manner. The company also introduced Buang Le Rona/Thetha Nathi, a 24 hour Grievance Hotline to address community issues, which allows the company to respond and address grievances timeously.

KPI
SLP Expenditure: Health, Education and Social Infrastructure, Stakeholder Engagement and Management

Principal Risks and Viability (continued)

Ranked Risks (continued)

8. Changes to the political, legal, social and economic environment

Description
The Company is subject to the risks associated with conducting business in South Africa, including but not limited to, changes to the country's laws and regulations. A change in the ruling party's leadership and ultimately SA President during February 2018 has resulted in an announcement by the new DMR Minister of the potential withdrawal of the Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill. The initial release of Mining Charter III (MC III) in July 2017 created much controversy and concern for the mining industry at large, however, the initiation of the public engagement process and commentary and resultant promulgation of the revised charter during September 2018, has brought more certainty and clarity to the industry. The Mining Charter III in its current form seeks to create a balance between improving transformation and ensuring the industry's viability during volatile times.

Impact
The change in the ruling party's leadership continues to positively impact the country and economy. The DMR has demonstrated its intent in stabilizing policy and regulatory compliance within the mining industry, which is a positive development.

Key changes contained in MC III are:

- The continuing consequences of past empowerment transactions will be recognised i.e. the "once empowered, always empowered principle" has been partially recognised albeit subject to a mining company and the HDSA partner meeting certain criteria;
- Scrapping of the trickle down dividend payment of 1% of earnings before interest, tax, depreciation and amortisation to communities and employee empowerment partners;
- 10% ownership to communities and employees for free on issuance of a new mining right;
- Companies can offset up to 5% of their BEE entrepreneurship ownership requirement through local beneficiation. The 2010 Charter allowed them to offset 11%;
- Employment equity requirements have increased and further defined. Positions from board to management levels have risen from 40% (2010 Charter) to between 50% and 60% to be filled by black South Africans in line with provincial and national demographics. The definition changed from HDSAs to black South Africans to include white women filling HDSA positions; and
- Companies must obtain 70% of goods and 80% of services from BEE entities.

Mitigation
- Regular engagement directly with DMR and through the Minerals Councils SA, acting on behalf of the SA mining industry; and
- Appropriate governance structures in the form of Executive and Board Committees have been established to ensure ongoing reporting of progress against agreed Charter targets and potential factors impacting on the political, legal, social and economic environments.

Change
The risk in this area has remained unchanged from prior years notwithstanding an increase in policy and regulatory certainty. The increase in 30% black ownership for new mining rights applied prior to promulgation of MC III, including 10% employee and community interest for free, may prove costly for mining companies.

KPIs
Compliance with MPRDA, DMR review

9. Loss of critical skills

Description
The loss of critical skills remains a challenge for the Company. The uncertainties related to the Company's financing and viability remain, amplified by the continued uncertainty in the mining sector at large. Under these conditions, the loss of key skills is a significant risk to the organisation.

Impact
The loss of critical skills in key positions could play a significant role in our ability to deliver against production and financial targets. In order to retain our skilled labour, we continuously review our remuneration packages and the incentive and retention schemes. This allows our pay structures to remain in line with the packages offered by our peers. An inherent risk of attracting and retaining employees of the required calibre is that it can result in increased costs.

Mitigation
- Introduction of retention bonuses and Staggered Deferred Cash Plan;
- Individual Development Plans, succession planning and retention strategies for scarce skills have been established as part of ensuring the development and retention of critical skills;
- Ongoing monitoring of remuneration practices which match Lonmin peers;
- Retention programmes for key skills;
- Categorisation of skills, establishment of promotional pools and career paths reviews to remain relevant to the organisation have been established; and
- Graduate development, mentorship programmes and internship programmes have also been established to ensure development of existing and future human resources capacity.

Change
The retention of critical skills remains a key risk to the organisation. One of the key safeguards at the moment is the fact that a large part of the mining sector is experiencing similar challenges to the ones that Lonmin is experiencing which has limited the number of opportunities that are available. The risk for Lonmin is that it may not always be able to replace the critical skills understanding the business and the environment with resources available in the market.

KPIs
Turnover rates

Principal Risks and Viability (continued)

Viability

Principal risks facing the Group

The Board monitors the Group's risk management and internal control systems on an ongoing basis, and carries out a robust assessment of the principal strategic risks, their potential impact and the mitigating strategies in place as described on pages 22 to 27. The principal risks include those that would threaten the Group's strategic business model, future performance, liquidity and solvency.

For the purposes of assessing the Group's viability, the Directors considered in detail all of the principal risks in three groups. Some of these, for example changes in government policy, are not sensibly analysed numerically but could have serious repercussions (for example resource nationalisation and other threats to our licences). However, other elements such as PGM prices and exchange rates can be modelled to show the limits of our financing arrangements. The management presented to the Board an array of scenarios and stress tests to illustrate this. The Directors considered also the correlations between these parameters, which provide some natural offsets in some cases. The Directors further considered those elements that are essentially within our control, such as costs, safety and productivity drivers of our business. These matters are kept under constant review and are specifically considered as part of the Board Strategy Review.

Sufficiently adverse movements in these parameters, if not able to be countered by timeous management action, and if persisting for a lengthy period, can threaten the viability of the organisation, as can some of the non-measurable risks. The management has established regular cash flow forecasting tools, and the Board considers these matters as part of the budgeting and results oversight process to ensure that any such trends receive urgent attention.

How we assess the Group's prospects

The Directors have had detailed and ongoing discussions as a Board regarding the longer term viability of the Group. In 2017 the Board of Lonmin concluded that the acquisition of Lonmin by Sibanye-Stillwater represents a comprehensive and more certain solution to the challenges facing Lonmin than Lonmin could achieve by any alternative route. The Board of Lonmin believes that a combination of Sibanye-Stillwater and Lonmin creates a larger and more resilient company, with greater geographical and commodity diversification, that is better able to withstand short-term commodity price and foreign exchange volatility. By combining Sibanye-Stillwater's existing, and contiguous, South African PGM assets with Lonmin's operations, including Lonmin's processing facilities, Sibanye-Stillwater is expected to be able to unlock operational synergies and become a fully integrated PGM producer in South Africa, thereby creating value for all stakeholders. Sibanye-Stillwater has developed a conservative Lonmin operating plan, which is not contingent on the development of new major capital projects and therefore limits downside risk while providing upside optionality in a higher South African Rand PGM price environment. Lonmin's processing facilities will allow Sibanye-Stillwater in due course to smelt and refine ore from its existing Rustenburg Operations, enhancing and improving the economics of those operations, while simultaneously ensuring a sustainable source of material for these facilities, therefore maximising return on assets.

At 30 September 2018 covenant waivers were in place for the tangible net worth (TNW) covenants contingent on the completion of the acquisition of Lonmin by Sibanye-Stillwater. There was significant risk that Group could be in breach of its debt facilities in the event that the acquisition did not complete. To mitigate this risk, Lonmin entered into a $200 million metal sale agreement in October 2018 which amortizes over a period of three years (the Facility). Lonmin settled its pre-existing term loan of $150 million and cancelled all its other pre-existing undrawn facilities (together, the Existing Debt Facilities) with both its South African Rand and US Dollar lender groups (the Existing Lenders). The Facility will provide Lonmin with improved liquidity and removes certain restrictive current lender conditions notably the TNW covenants contained in the Existing Debt Facilities which were waived by the Existing Lenders subject to the anticipated successful completion of Sibanye-Stillwater's all share offer for Lonmin.

Executive Management annually prepares a Life of Business Plan (LoBP) which covers a period in excess of 40 years detailing operational plans to utilise the Group's long-life mineral resources. Focus has been given to the short to medium term with key consideration given to the ability of individual assets to generate cash and levers which can be pulled to ensure that those assets continue. The LoBP forecasts total mining production volumes and costs based on geological modelling and capital expenditure budgets. Capital allocation is determined based on portfolio optimisation models with the aim of ensuring that capital expenditure is invested only in the most valuable ore reserve development and expansion projects that are available to the Group.

Mining production and cost forecasts are then aggregated with concentrating, processing and overhead costs. Key financial assumptions including PGM prices, Rand / Dollar exchange rates and cost escalations are reviewed and incorporated into the LoBP. The LoBP output is incorporated into a Working Capital Model (WCM) which produces short and medium term financial forecasts. A detailed annual budget covering the following year is prepared and reviewed by the Board on an annual basis.

The key base case assumptions applied in the LoBP and WCM are disclosed in note 30 to the financial statements under impairment of non-financial assets. The Directors have interrogated the key assumptions and have satisfied themselves that they are appropriate. The financial forecasts from the WCM are then subjected to stress testing using the key downside risks of adverse PGM prices and exchange rates and lower than planned production.

The period over which we assess longer term viability

Mining is a long term business and time scales can run into decades. The capital investment required to fund the mine plan is dependent on the funding available and cash flows generated by the business which are underpinned by the key financial assumptions. Given the inherent uncertainty involved in setting key financial assumptions, specifically PGM prices and Rand / Dollar exchange rate, the period over which the Directors consider it possible to form a reasonable expectation as to the Group's longer term viability, based on the planning and the stress testing described above, is the three year period to November 2021.

In 2017 the period over which we assessed viability was the period to 28 February 2019 in-line with the long stop date of the Sibanye-Stillwater acquisition and the covenant waiver period. The debt refinancing has enabled an extension to the 2017 viability period due to the increased liquidity and removal of the restrictive TNW covenant.

Assessment of viability

Lonmin has experienced financial constraints for a number of years caused by a range of external factors such as a persistently low PGM pricing environment and the inflationary cost pressures of operating in the South African PGM mining industry, which have been further exacerbated by internal factors including operational, social and labour issues. As part of a larger entity, Lonmin's operations will be less constrained by significant fixed overhead costs which have in the past driven the need to fill processing capacity. The Board of Lonmin believes that a combination of Sibanye-Stillwater and Lonmin creates a larger and more resilient company, with greater geographical and commodity diversification, that is better able to withstand commodity price and foreign exchange volatility.

On completion of the acquisition of Lonmin by Sibanye-Stillwater the Facility requires a partial repayment of $60 to $80 million. Based on cash flow projections using assumptions that were duly considered by the Board, the partial repayment of the facilities at the closing of the deal is considered a reasonable expectation.

The refinancing and increased Rand basket price has improved the Group's liquidity. Whilst we believe that it is likely that the Transaction will complete, some level of uncertainty exists over its completion given that the statutory time period of 20 business days to file an appeal or apply for a review and that approval by both Lonmin and Sibanye-Stillwater shareholders is still outstanding. This combined with the need for an alternative solution to the adverse longer term challenges faced by the Lonmin Group if the deal does not complete represent a material uncertainty that may cast significant doubt on the Group's and parent Company's ability to continue as a going concern and viability such that they may be unable to realise their assets and meet their liabilities in the normal course of business.

Nevertheless based on the Group's expectations that the acquisition will be completed as expected and based on a robust assessment of the principal risks facing the Group, a well-developed strategic management Board process and stress testing of various drivers described above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to November 2021.

Performance

Operations

Key features

Momentum across all the business functions was maintained throughout the year in a challenging environment.

- Production of **7.6 million tonnes** from our Generation 2 shafts **increased by 1.6%** on prior year
- The average shaft utilisation capacity for our Generation 2 shafts was **83%**
- Productivity at our Generation 2 shafts **up at 5.7 square meters** per mining employee compared with 5.6 from the prior year
- Total tonnes milled from mining operations for the year of **9.8 million tonnes**
- The Bulk Tailings re-Treatment (BTT) project was commissioned in February 2018, producing Metals-in-concentrate of **7,423 Platinum ounces**
- Metals-in-concentrate produced at **653,792 Platinum ounces**
- Concentrators continue to deliver excellent underground recoveries of **87.3%**
- Saleable refined production of **678,588 Platinum ounces**

The recent short term reprieve on profitability is insufficient to curb shaft ore reserve depletion and we will continue to place high cost Generation 1 shafts on care and maintenance.

Safety

Despite most safety indicators showing improvement, tragically one of our colleagues was fatally injured on 30 September 2018. We extend our deepest condolences to the family and friends of our colleague Mr Tembelani Manyana.

Our continued collaboration with key stakeholders, including employees, the Department of Mineral Resources (DMR) and our majority union, the Association of Mineworkers and Construction Union (AMCU), continues to yield results, as we have experienced improved safety performance and decreasing Section 54 safety stoppages. We continue to improve our safety initiatives to meet our goal of Zero Harm.

Our twelve month rolling Lost Time Injury Frequency Rate (LTIFR) to 30 September 2018 improved by 11.5% to 4.00 per million man hours from 4.52 per million man hours in the prior year due to a 17.4% reduction in Lost Time Injuries. Hand and finger injuries still remain a priority focus area. Positively the number of hand injuries have decreased year on year by 27.2% from 254 in FY2017 to 185 in FY2018.

Our twelve month rolling Total Injury Frequency Rate (TIFR) to 30 September 2018 improved by 5.2% to 10.14 per million man hours from 10.70 in the prior year due to a 11.5% reduction in total injuries.

Lonmin achieved 15 months fatality free from 29 June 2017 to 29 September 2018.

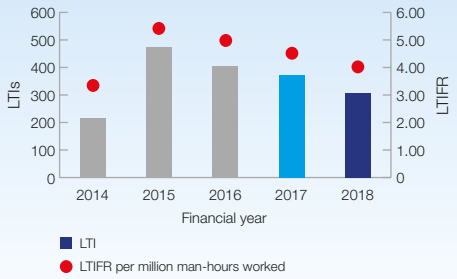
Lonmin received the most prestigious award at the South African National MineSafe 2018 – Best Safety Improvement Mining Company and our K3 shaft UG2 Section won the JT Ryan award (underground) with four other awards being received in two more categories.

Rowland shaft achieved three million Fatality Free Shifts, Saffy shaft on six million Fatality Free Shifts and 4B shaft and E3 shaft are both on one million Fatality Free Shifts. Some of the noteworthy achievements by the Processing Operations include the Assay laboratory achieving 12 years of operating without a lost-time injury and the PMR operating 12 months without any injury. Processing operations reported a significant reduction in injuries for FY2018; Lost time injuries reduced by 64% and total injuries by 46% compared to FY2017.

Our safety performance is only possible through our circa 30,000 employees and contractors remaining vigilant in order to work and return home safely.

We experienced a reduction in Section 54 safety stoppages, which have become fewer and with a shorter duration, and consequently, are having a much reduced impact on production.

Safety Statistics



Performance (continued)

Mining

The improvement in our mining production performance and the mining rhythm established following implementation of flatter management structures and other measures to improve performance has continued in the current year, with our key Generation 2 shafts producing 7.6 million tonnes (around 76% of total mining production), increasing production by 1.6%.

- Tonnes lost due to Section 54 safety stoppages was significantly lower at 20,000 tonnes compared to the prior year of 276,000 tonnes.

Generation 2 shafts

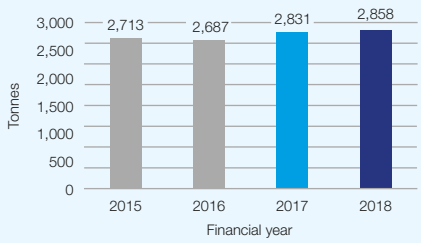
- Our Generation 2 shafts (which produced 76% of total mining production) increased production by 1.6% to 7.6 million tonnes. The average shaft utilisation capacity for our Generation 2 shafts is 83%, with Saffy achieving an average shaft utilisation of 92%.

K3 shaft

Shaft capacity	290 ktpm
Average production/month	238 ktpm
Shaft depth	809 meters
Ore reserves (Pt ounces)	1.4 Moz
IAOR (months)	21.9 months
Direct shaft head cost per tonne	968 R/t
Square meters per mining employee	5.6 m²/man

K3, our largest shaft, produced 2.9 million tonnes, an increase of 1.0% on the prior year.

K3 Production

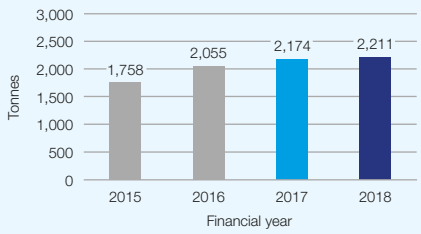


Saffy shaft

Shaft capacity	200 ktpm
Average production/month	184 ktpm
Shaft depth	804 meters
Ore reserves (Pt ounces)	7.9 Moz
IAOR (months)	22.9 months
Direct shaft head cost per tonne	914 R/t
Square meters per mining employee	5.9 m²/man

Saffy shaft produced 2.2 million tonnes, an increase of 1.7% on the prior year. This shaft continues to perform well and is operating at full production. Saffy production for the last quarter of 609,000 tonnes was the highest for the last 2 years. Saffy achieved an average shaft utilisation of 92%.

Saffy Production

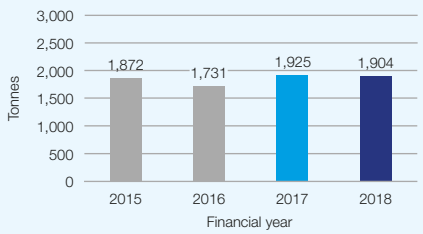


Rowland shaft

Shaft capacity	200 ktpm
Average production/month	159 ktpm
Shaft depth	949 meters
Ore reserves (Pt ounces)	1.1 Moz
IAOR (months)	14.3 months
Direct shaft head cost per tonne	994 R/t
Square meters per mining employee	5.8 m²/man

Rowland shaft produced 1.9 million tonnes, down 1.1% on the prior year, notwithstanding 4.6% year on year increase in the fourth quarter, achieved by opening new reserves, releasing backlog sweepings and equipping previously unavailable remnant "white" areas. The production for the fourth quarter was 544,000 tonnes which was the shaft's best quarterly production since 2011. Rowland shaft has put in extra ordinary measures to secure the monthly tonnage performance despite limited ore reserves by focussing on cleaning up old areas and sweepings. The MK2 project intersected reef at the end of FY2017, and this year the shaft achieved 1.2km of on reef development which resulted in the opening of the first mineable ore reserves of 78,000 m². The shafts ore reserve position improved from 11.2 months in FY2017 to 14.3 months in FY2018.

Rowland Production

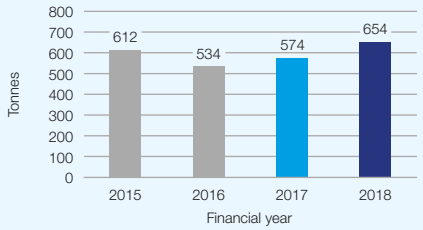


East 3 shaft

Shaft capacity	80 ktpm
Average production/month	54 ktpm
Shaft Depth (Current)	443 meters
Ore reserves (Pt ounces)	2.9 Moz
IAOR (months)	30.1 months
Direct shaft head cost per tonne	1,111 R/t
Square meters per mining employee	4.9 m²/man

The combined E3 unit (E3 shaft plus Pandora) produced 0.7 million tonnes (the best annual production since 2011) for FY2018, an increase of 13.8% on the prior year, on the back of safety performance and steadfast management and following the consolidation with and the unlocking of synergies after the full acquisition of Pandora.

E3 Combined Production



Performance (continued)

Generation 1 shafts

In line with the Group's rationalisation of high cost areas in an oversupplied market, production from our Generation 1 shafts (4B, Hossy, W1 and E1) at 2.3 million tonnes was 13.2% lower than the prior year as planned, as we optimised our remaining ore reserves in these shafts. Newman shaft was placed on care and maintenance in March 2017. E2 shaft was put on care and maintenance in November 2017.

4B shaft

4B shaft produced 1.3 million tonnes, a decrease of 3.7% as it was impacted by worse than anticipated geological conditions.

As previously reported, following a review of 4B's performance and reserve life, this shaft was reclassified as a Generation 1 shaft and comparative numbers adjusted accordingly.

Hossy shaft

Hossy shaft produced 0.6 million tonnes, 11.3% lower than the prior year. Hossy shaft is scheduled to be put on care and maintenance mid-year in 2019, subject to its financial performance which is closely monitored to ensure it continues to contribute positively.

W1, East 1 and East 2 shafts

As W1 and E1 shafts are at the end of their resource lives, mining is taking place in remnant areas. Consequently, contractors operate these shafts and are responsible for all the costs associated with them. Lonmin pays a predetermined rate per tonne of ore produced. We thus retain the flexibility to cease production if and when these shafts become unprofitable.

W1 and E1 together produced 0.4 million tonnes, 19.1% higher than the prior year. E2 shaft was put on care and maintenance at the end of November 2017, contributing only 32,000 tonnes to our annual production in 2018.

Immediately Available Ore Reserves (IAOR)

The IAOR position of our Generation 2 shafts at 30 September 2018 was equivalent to 21 months average production versus 19 months at 30 September 2017.

	(m^2 '000)		Months	
	2017	**2018**	2017	**2018**
K3	844	**806**	19	**22**
Rowland	309	**415**	11	**14**
Saffy	772	**738**	25	**23**
E3 Total	345	**348**	29	**30**
Generation 2	2,270	**2,307**	20	**21**
Generation 1	700	**448**	17	**21**
K4	188	**188**		
Total	3,158	**2,943**	19	**21**

- We closely monitor our IAOR position, in order to protect our operational flexibility.
- We have successfully increased Rowland shaft's IAOR to 14 months as at 30 September 2018 from 11 months as at 30 September 2017, mainly due to the first raise holings in the MK2 area which have established additional mining faces.
- Lonmin is progressing discussions to secure third party funding for the MK2 extension project.
- The ore reserve position of the Marikana mining operations is still at a level that provides the necessary flexibility required for efficient mining (industry benchmark of around 12-15 months).
- The planned decrease in the ore reserve position at the Generation 1 shafts can be largely attributed to the curtailment of development, as the mineral resource within the shaft boundaries are largely depleted and the closure of the E2 incline.
- The months reported for IAOR for Generation 1 is only based on 4B Incline.

Exploration

As part of Lonmin's programme to dispose of non-core assets, Lonmin (Northern Ireland) Limited was sold to Walkabout Resources in November 2017. Lonmin sold its 6.8% stake in Canada's Wallbridge Mining for $3 million after year end. By cleaning up the portfolio, Lonmin ensures and removes expenditure not directly related to producing assets.

Business Improvement Initiatives

We continually facilitate and monitor the implementation of business improvement initiatives by line management, to increase productivity and improve performance.

Initiatives implemented during the year to improve productivity are:

- The Theory of Constraints framework with a particular focus at E3 shaft is being rolled out. Bottlenecks have been identified, actioned and implementation is being monitored, with productivity increasing from 4.3 to 4.9 square meters per employee.
- A project launched last year identifying areas where backlog sweepings exist on the various shafts has been implemented. Action plans and schedules have been developed to remove these backlogs and these are being monitored and tracked. Rowland shaft total sweepings (current plus backlog) improved by 37% on the previous year to 158% sweepings extracted.

Productivity measured as square metres per mining employee at our Generation 2 shafts is up at 5.7 compared to 5.6 for the prior year. E3 shaft and Saffy shaft year on year improvement is at 15% and 4% respectively.

Performance (continued)

Processing

The efforts to improve the performance and reliability of the processing plants over recent years, based on on-going optimisation and improvement plans across the processing operations, continue to pay off, with the concentrators achieving levels of PGM recoveries amongst the highest in their history.

Concentrator production

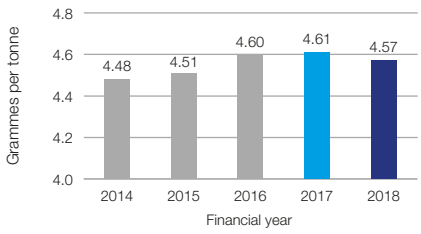
Total tonnes milled from mining operations for the year at 9.8 million tonnes decreased 2.0% on the prior year, with reduced output from depleting Generation 1 shafts.

Metals-in–concentrate produced at 653,792 Platinum ounces were broadly flat compared to the prior year, largely due to increased concentrate purchases and the contribution from the BTT plant.

Underground milled head grade at 4.57 grammes per tonne (5PGE+Au) decreased marginally by 0.9% when compared to the 4.61 grammes per tonne achieved in the prior year.

Concentrator recoveries from underground mining for the financial year increased marginally to 87.3% compared to 87.1% achieved in the prior year.

Underground Ore Milled Grade



Concentrator production – Bulk Tailings Re-Treatment Project ("BTT")

The BTT project was successfully commissioned in February. Total tonnes milled from the BTT project were 2.0 million tonnes for the year, with a head grade of 1.10 grammes per tonne and a recovery rate of 21.3%, producing metals-in-concentrate of 7,423 Platinum ounces and 14,593 PGM ounces.

Smelting and refining

The Number One furnace had an unplanned outage in December 2017 bringing forward its planned shutdown scheduled for the end of 2018. Number Two furnace was on a planned shut-down from April till May 2018. During these periods the three Pyromet furnaces were in operation.

Both the main furnaces have been stable after their individual shutdowns, continue to run normally and the metal that was previously locked up has been released.

Total saleable refined Platinum production at 678,588 ounces was 1.3% lower than the prior year production, in-line with the planned reduction of Generation 1 high cost production. Total saleable PGMs produced were 1,318,618 ounces, broadly flat on the prior year.

The smelter clean-up project and permanent release from the smelting and refining plants continued during the current year and released a total of 6,000 ounces of Platinum during the year, less than the 31,682 ounces released in the prior year as this project is coming to an end as expected.

Filling the pipeline

Several purchase of concentrate contracts are in place as part of the initiatives to fill the pipeline and utilise the excess processing capacity.

Concentrate purchases increased to 21,703 saleable Platinum ounces from 4,871 saleable Platinum ounces in the prior year, as we sought to maximise downstream processing utilisation and reduce unit costs.

Capital Expenditure

We have improved our IAOR from 19 to 21 months year on year despite the capital expenditure being limited to R967 million ($73 million) compared with R1,336 million ($100 million) in the prior year, including R74 million (2017 – R370 million) for the third party funded BTT project. This is in line with our strategy of limiting capital expenditure to levels required to satisfy regulatory and safety standards, to essential sustaining capital expenditure in the continuing shafts and ensuring that IAOR positions are maintained at an acceptable level to sustain production at our Generation 2 shafts, where applicable.

The capital expenditure was less than our revised guidance of R1.2 billion. The main deferrals were on K3, engineering, stay in business, design studies and compliance spending on smelting and refining, in line with our application for extension of compliance to the regulator.

Capital invested in the period included R121 million for the Rowland MK2 project.

	FY2017 Actual Rm	2018 Original Guidance Rm	2018 Revised Guidance Rm	FY2018 Actual Rm
K3	170	157	130	92
Saffy	21	29	21	25
Rowland	48	61	55	46
Rowland MK2	178	137	117	121
Generation 2 shafts	**417**	**385**	**323**	**283**
K4	7	2	–	–
Hossy	1	30	42	28
Generation 3 & 1 shafts	**8**	**32**	**42**	**28**
Central & Other Mining	93	139	120	76
Total Mining	**518**	**556**	**485**	**388**
Concentrators – excl BTT	158	159	130	128
BTT	370	59	74	74
Smelting & Refining	95	324	318	206
Total Process	**623**	**542**	**522**	**391**
Infill Apartments	151	191	161	150
Other	44	40	51	38
Total	**1,336**	**1,329**	**1,219**	**967**

Performance (continued)

Financial Review

Financial Highlights

	30 September 2018	30 September 2017
Revenue	**$1,345m**	$1,166m
EBITDA [i]	**$115m**	$40m
Operating profit / (loss) [ii]	**$101m**	$(1,079)m
Impairment to non-financial assets	**–**	$(1,053)m
Operating profit / (loss) [iii] excluding impairment to non-financial assets [iii]	**$101m**	$(26)m
Profit / (loss) before taxation	**$68m**	$(1,170)m
Earnings / (loss) per share	**14.9c**	(352.7)c
Unit cost of production per PGM ounce	**R12,307/oz**	R11,701/oz
Trading cash flow [iv]	**$90m**	$33m
Capital expenditure	**$73m**	$100m
Free cash flow [v]	**$17m**	$(67)m
Cash and cash equivalents	**$264m**	$253m
Interest bearing loans and borrowings	**$(150)m**	$(150)m
Net cash as defined by the Group [vi]	**$114m**	$103m

Footnotes:

The Group measures performance using a number of non-GAAP measures which better allow for understanding of the financial performance and position of the Group.

i EBITDA is operating profit before depreciation, amortisation and impairment of intangibles and property, plant and equipment.

ii Operating profit / (loss) is defined as revenue less operating expenses, before exchange arising on acquisition of Pandora, finance income and expenses and before share of profit / (loss) of equity accounted investments.

iii Operating loss excluding impairment – reflects the underlying performance of the business before impairment accounting charges.

iv Trading cash flow is defined as cash flow from operating activities.

v Free cash flow reflects the cash generation of the Group including the capital requirements of the group's operations and is defined as trading cash flow less capital expenditure on property, plant and equipment and intangibles, proceeds from disposal of assets held for sale and dividends paid to non-controlling interests.

vi Net cash as defined by the Group comprises cash and cash equivalents, bank overdrafts repayable on demand and interest bearing loans and borrowings less unamortised bank fees, unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

Overview

The full Dollar PGM basket price achieved in 2018 was 20% higher than 2017. Whilst the Platinum price was on average 7% lower than 2017 the prices for the other PGMs increased significantly. The average Palladium price achieved was 22% higher and the average Rhodium price achieved was 117% higher than 2017.

PGM volumes sold were 4% lower than 2017 driven by the planned reduction of high cost production from the Generation 1 shafts.

Costs in Rand terms increased by R1,381 million or 9% driven largely by structural changes to the business. These accounted for R1,125 million of the increase and are detailed later in this review. On a comparable basis, costs increased by R256 million or 2%, which was well below South African CPI at 4.9%. The Rand was on average 2% stronger against the Dollar and the increase in costs in Dollar terms was 12% or $129 million.

The cost of production per PGM ounce at R12,307 was 5% higher than 2017 as the 7% wage increase and other cost escalations were partly offset by the benefit of the reduction in high cost production. Further details on unit costs can be found in the Operating Statistics section of the Report.

The operating profit for 2018 was $101 million compared to the prior year loss of $1,079 million which included an impairment charge of $1,053 million. The depreciation charge was $52 million lower year on year due to the impact of the impairment in 2017 on the carrying amount of assets. Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2018 was $115 million, an increase of $75 million on 2017 as the increase in Dollar metal prices more than offset the strength of the Rand against the Dollar and cost escalations. Profit before tax was $68 million (2017 – loss before tax of $1,170 million) and earnings per share was 14.9 cents (2017 – loss per share of 352.7 cents).

The cash flow from operations for the year was $110 million, an increase of $57 million on 2017 driven by the improved profitability. Capital expenditure in the year was $73 million, a decrease of $27 million on 2017 due to limiting capital expenditure to the minimum required to uphold safety compliance; critical production by maintaining a healthy ore reserve position; and our license to operate.

Net cash at 30 September 2018 was $114 million being gross cash of $264 million offset by the drawn term loan of $150 million. Net cash was $11 million higher than 30 September 2017 and $97 million higher than March 2018. The $47 million of metal-in-process that was locked up at the smelter in the first half of the year was released fully during the second half as planned.

Subsequent to the year end, in October 2018, Lonmin entered into a $200 million financing facility with Pangaea Investment Management Limited (PIM), a wholly owned investment subsidiary of Jiangxi Copper Corporation to be amortised over the next three years (the New Facility). A condition of the New Facility was that the pre-existing facilities were cancelled to enable PIM to become the senior lender. The pre-existing term loan of $150 million was settled and all other pre-existing undrawn/draw-stopped facilities with both the South African and US Dollar lender groups were cancelled. The pre-existing facilities were due to expire in May 2019. All ancillary facilities of the pre-existing facilities needed to be cancelled which included financial guarantees and other trading and hedging facilities. Most of the DMR rehabilitation guarantees previously provided by the South African lenders were cancelled and replaced with an insurance product. The New Facility enhances Lonmin's liquidity as it requires only partial settlement of between $60 and $80 million upon completion of the Transaction with Sibanye-Stillwater compared to the term loan of $150 million which required full settlement upon completion. In the unlikely event that the Transaction does not close, no partial settlement is required and the three-year facility remains in place.

The refinancing and increased Rand basket price has improved the Group's liquidity. Whilst we believe that it is likely that the Transaction will complete, some level of uncertainty exists over its completion. This combined with the need for an alternative solution to the adverse longer term challenges faced by the Lonmin Group if the deal does not complete represent a material uncertainty that may cast significant doubt on the Group's and parent Company's ability to continue as a going concern over period in excess of 12 months. This is disclosed in note 1 to the financial statements and the external auditors in their audit report draw attention to this disclosure. The Directors consider that it remains appropriate to prepare the accounts on a going concern basis.

Barrie van der Merwe
Chief Financial Officer

Performance (continued)

Income Statement	Year ended 30 September	
	2018 $m	2017 $m
Revenue	**1,345**	1,166
South African operating cost of sales	**(1,209)**	(1,108)
Other operating costs	**(21)**	(18)
EBITDA	**115**	40
Depreciation	**(14)**	(66)
Impairment of Marikana & Akanani CGU	**–**	(1,053)
Operating profit / (loss)	**101**	(1,079)
Foreign exchange arising on the acquisition of Pandora	**(24)**	–
Net financing expense	**(30)**	(88)
Share of profit / (loss) of equity accounted investment	**21**	(3)
Profit / (loss) before tax	**68**	(1,170)
Income tax (charge) / credit	**(6)**	18
Profit /(loss) after tax	**62**	(1,152)

Revenue

Total revenue for the year of $1,345 million reflects an increase of $179 million compared to 2017. The PGM basket price achieved increased by 20% compared to 2017 resulting in an increase in revenue of $165 million.

		Year ended 30 September	
Average price achieved		2018	2017
Platinum	$/oz	**890**	953
Palladium	$/oz	**986**	808
Rhodium	$/oz	**1,988**	915
6E PGM basket (including by-product revenue)	$/oz	**1,016**	844
Sales volumes (including BMR concentrate sales)			
Platinum	koz	**682**	706
PGMs	koz	**1,324**	1,381
Revenue			
Platinum	$m	**607**	673
Palladium	$m	**312**	262
Rhodium	$m	**209**	99
Gold	$m	**23**	21
Ruthenium	$m	**35**	9
Iridium	$m	**40**	28
PGMs	$m	**1,226**	1,092
Base metals	$m	**119**	74
Total revenue	$m	**1,345**	1,166
Average FX rate for the year	ZAR/USD	**13.07**	13.37
Rand PGM basket (including by-product revenue)	R/oz	**R13,447**	R11,236

The PGM sales volume for 2018 was 4% lower compared to 2017, which had a negative impact on revenue of $46 million. This was mainly attributable to the planned decrease in production from the Generation 1 shafts.

The mix of metals sold increased revenue by $15 million. Base metal revenue increased by $45 million of which $40 million was revenue from the new K3 chrome plant contract. Previously the revenue from this plant had been recognised after deducting expenditure in accordance with the old contract. The accounting treatment in both cases was determined by the contract terms.

Costs

In Rand terms South African operating costs for 2018 at R16.2 billion were 9% or R1.4 billion higher than 2017. The impact of the stronger Rand against the Dollar meant that in Dollar terms costs increased by 12% to $1,238 million. There were structural changes to the business during the year which accounted for R1.1 billion or 8% of the cost increase. The table below analyses the cost increase between those that are comparable year on year and those that are not.

	$m	Rm
2017 – South African operating costs	**(1,108)**	**(14,787)**
(Increase) / decrease:		
Comparable items:		
Mining (excluding bulk tailings, E3 shaft and ore purchases)	(21)	(285)
Concentrating (excluding bulk tailings)	5	74
Smelting and refining	(10)	(145)
Other	8	100
	(18)	**(256)**
Items not comparable year on year due to structural changes:		
Mining – E3 shaft now 100% owned	(39)	(519)
Ore purchased from Pandora JV – E3 now 100% owned, previously purchased ore	25	339
Bulk tailings plant – new operation	(16)	(220)
K3 chrome plant – new contract	(21)	(275)
Concentrate purchases – new business	(26)	(347)
Increase in voluntary separation packages ($0.3 million or R4 million in 2017)	(13)	(172)
Increase in transaction costs ($1 million or R14 million in 2017)	(9)	(118)
Reduction in rehabilitation provision	16	220
Share based payments and Employee Profit Sharing Scheme	(2)	(33)
	(85)	**(1,125)**
2018 – South African operating costs	**(1,211)**	**(16,168)**
Foreign exchange impact	(27)	
2018 – South African operating costs	**(1,238)**	

Performance (continued)

Mining costs (excluding bulk tailings, E3 shaft and Pandora ore purchases) increased by R285 million or 3% year on year well below the wage increase of 7%. Concentrating costs (excluding bulk tailings) were R74 million or 4% lower than the prior year. Smelting and refining costs were R145 million or 9% higher than the prior year driven by escalation, the running of the higher cost pyromet furnaces during the outage at the Number One furnace and lower grade material due to the impact of the bulk tailings stream and an increase in the allocation of the Group's security costs.

E3 shaft costs increased by R519 million firstly due to the acquisition of the remaining 50% of Pandora in December 2017 which resulted in an increase in mining costs reported at E3 shaft. Previously these costs were part of the Pandora joint venture's operating expenditure. Secondly costs increased due to a 14% increase in tonnes mined by the combined E3 shaft (E3 and Pandora) on a like for like basis. These additional costs were offset by a reduction of R339 million in ore-purchases from the joint venture which ended in December 2017.

The bulk tailings re-treatment plant was commissioned and commenced ramp up in February 2018. The newly recognised costs associated with this amounted to R220 million.

An improved commercial contract for the K3 chrome plant commenced in September 2017. This was structured in a different manner to the previous contract with the costs included in Lonmin's cost base. Previously the costs had been deducted from revenue in accordance with the contract terms. As a result operating costs of R279 million were recognised in 2018 compared to R4 million 2017.

Concentrate purchases increased by R347 million year on year driven by increased volumes following the commencement of a new concentrate purchase agreement in H2 2017.

The cost of voluntary separation packages (VSPs) associated with the s189 process amounted to R176 million in 2018 (2017 – R4 million). Transaction costs relating to the Operational Review and refinancing; the Transaction with Sibanye-Stillwater to date; and the acquisition of Pandora amounted to R131 million in 2018 (2017 – R14 million). The rehabilitation provision reduced largely due to the revised timing of rehabilitation of the opencast pits at Karee from 2020 to 2025.

UK costs at $21 million were $7 million higher than the prior year due to $11 million transaction and refinancing costs incurred in 2018.

EBITDA

The $75 million increase in EBITDA year on year is analysed below:

	$m
2017 EBITDA	**40**
PGM price	165
PGM volume	(46)
PGM mix	15
Base metals	45
Revenue changes	179
South African operating cost increases excluding foreign exchange impact	(102)
Foreign exchange impact on Rand costs	(27)
Non-South African costs increases	(7)
Cost changes	(136)
Metal stock movement excluding foreign exchange impact	29
Foreign exchange impact on metal stock	(9)
Metal stock movement	19
Change in foreign exchange gain / (loss) on working capital	13
2018 EBITDA	**115**

Exchange rate impacts

The Rand was on average 2% stronger against the US Dollar during the year averaging R13.07/$ in 2018 compared to an average of R13.37/$ in 2017. The Rand was volatile during the year and ranged between ZAR:USD 11.54 and 15.43 (2017 a range of 12.42 to 14.47). The spot rate on the balance sheet date weakened by 4% from 13.55 at 30 September 2017 to 14.14 at 30 September 2018. The overall impact of exchange rates movements on cost of sales was a negative $23 million.

	Year ended 30 September	
	2018 R/$	2017 R/$
Average exchange rate	**13.07**	13.37
Closing exchange rate	**14.14**	13.55

	2018 $m
Year on year Dollar cost increase due to impact of stronger Rand	**(27)**
Foreign exchange impact on metal stock	**(9)**
Year on year increase in exchange gain / (loss) on working capital	**13**
Net impact of exchange rate movements on operating profit	**(23)**

Metal stock movement

Excluding the impact of exchange rate movements the increase in metal stock of $29 million comprised an increase in metal stock of $27 million in 2018 compared with a decrease of $2 million in 2017. The increase in the value of inventory in 2018 was driven by escalation whereas in 2017 the escalation was offset by a decrease in volumes held.

Depreciation and amortisation

Depreciation and amortisation decreased by $52 million year on year driven by the material impairment of assets in 2017.

Foreign exchange arising on the acquisition of Pandora

The stepped acquisition of Pandora from 50% to 100% resulted in a $24 million cumulative exchange loss on the translation of the Pandora JV balance sheet from Rand to Dollar. In prior periods the Rand strengthened significantly and this loss was previously recognised in the consolidated statement of comprehensive income. On acquiring control of this asset the original 50% held was deemed as sold, prior to the acquisition of 100%, and the $24 million loss was recognised in the income statement in accordance with IFRS.

Net finance costs

	Year ended 30 September	
	2018 $m	2017 $m
Net bank interest	**(7)**	(5)
Bank fees	**(3)**	(7)
Finance charge on BTT funding	**(2)**	–
Change in fair value of exchange rate hedge	**2**	–
Unwinding of discounting on environmental provisions	**(11)**	(10)
Foreign exchange (losses) / gains on net cash	**(9)**	3
Changes in carrying value of loan to Phembani	**–**	(69)
Net finance expense	**(30)**	(88)

Net finance expenses for the year of $30 million were lower than 2017 by $58 million driven largely by a decrease in the carrying value of the Phembani loan in the prior year following impairment.

Performance (continued)

The net bank interest charge for the year was $7 million (2017 – $5 million). Bank fees for the year amounted to $3 million some $4 million lower than the prior year due to a decrease in commitment fees on the draw stopped rolling credit facilities (RCFs). Exchange losses on net cash in 2018 amounted to $9 million (2017 – gain of $3 million) as the Rand weakened by 4% between 30 September 2017 and 30 September 2018 on a spot basis which impacted the translation of Rand balances compared with a strengthening of 1% of the Rand in the prior year.

The loan to Phembani is secured on Phembani's shareholding in Incwala, whose only asset of value is its underlying investment in WPL, EPL and Akanani and was impaired by $109 million to $nil at 30 September 2017 due to the decline in the valuation of the Marikana operations. The gross loan of $433 million (excluding impairments in prior years) accrued interest in the year amounting to $29 million (2017 – $26 million) and attracted an exchange loss for the year of $12 million (2017 – a gain of $14 million) due to the weakening of Sterling against the US Dollar. The loan was impaired by $17 million in the year to offset interest accrued and exchange gains in 2018 and bring the carrying value back to nil.

Share of profit / (loss) of equity accounted investment

In 2018 the share of profit from equity accounted investments related to Petrozim Line (Private) Limited (Petrozim). In June 2018 the Group entered into an agreement to sell its 50% interest in Petrozim for $21 million net of tax. This comprised gross cash consideration of $14.75 million and special dividends of $8 million. The Group's share of profits from this joint venture to date had been impaired due to uncertainty over receiving distributions from Zimbabwe. Impairments were reversed during the period up to the net amount to be received.

In 2017 the share of loss of equity accounted investments of $3 million related to the Pandora JV which was fully acquired in December 2017.

Taxation

The tax charge for 2018 was $6 million (2017 – a credit of $18 million) and comprised a current tax charge of $5 million (2017 – $15 million) and a deferred tax charge $1 million (2017 – a credit of $33 million).

Cash Generation and Net Cash

The following table summarises the main components of the cash flow during the year:

	Year ended 30 September	
	2018 $m	2017 $m
Operating profit / (loss)	**101**	(1,079)
Depreciation and amortisation	**14**	66
Impairment	**–**	1,053
Changes in working capital and provisions	**(9)**	(16)
Deferred revenue received	**7**	34
Other non-cash movements	**(3)**	(5)
Cash flow from operations	**110**	53
Net interest and finance costs	**(10)**	(12)
Tax paid	**(10)**	(8)
Trading cash flow	**90**	33
Capital expenditure	**(73)**	(100)
Free cash inflow / (outflow)	**17**	(67)
Distribution from / (contribution to) joint ventures	**7**	(2)
Acquisition of Pandora	**(4)**	–
Transfer to restricted funds for rehabilitation obligation	**–**	(4)
Cash inflow / (outflow)	**20**	(73)
Opening net cash	**103**	173
Foreign exchange movements	**(9)**	3
Closing net cash	**114**	103

Cash flow from operations in 2018 at $110 million represented an increase of $57 million compared with 2017 driven by the increase in profitability. The final $7 million tranche of third party funding for the bulk tailings re-treatment plant (BTT) was received in the year (2017 – $34 million funding received). The BTT funding was accounted for as deferred revenue.

The cash outflow on net interest and finance costs decreased by $2 million partly due to a decrease of commitment fees on the undrawn and draw stopped RCFs. Tax paid in the year of $10 million was $2 million higher than the prior year as the parent company Lonmin Plc had no carried forward assessed trading losses remaining to offset tax payable.

Trading cash flow for the year amounted to $90 million which was $57 million higher than 2017.

Capital expenditure at $73 million was $27 million lower than the prior year in-line with our strategy of limiting capital expenditure.

The Company continued to divest non-core assets during the year with the conditional sale of the 50% investment in Petrozim. $7 million of proceeds were received in the financial year (included in the table above). The sale of shares in Wallbridge Mining Company Limited was agreed in September 2018 and the cash consideration of $3 million was received in October 2018.

The acquisition of the remaining 50% of Pandora was completed in the year. The upfront payment made was $4 million. A deferred cash payment of 20% of the distributable free cash flows generated by the Pandora E3 operations is payable on an annual basis for a period of six years, subject to a minimum deferred consideration of R400 million. The completion of the Pandora transaction unlocks significant synergies including allowing Lonmin to extend mining at Saffy shaft without having to spend R2.6 billion of capital expenditure, of which R1.6 billion would have been required over the next four years.

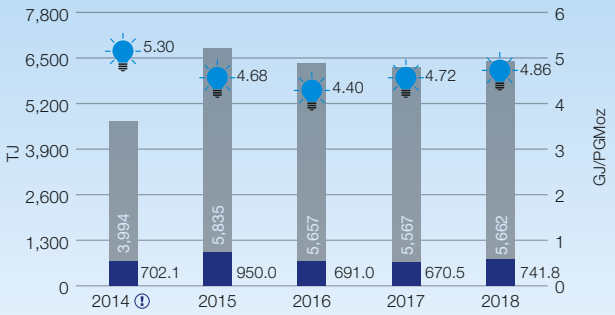
The improvement in profitability in 2018 was driven by higher Rhodium and Palladium prices which offset both the weaker Platinum price and cost increases. Whilst the Rand weakened against the Dollar in Q4 2018, costs year on year rose due to South African CPI of 4.9% and above inflationary wage increases. Financial performance in 2019 is highly geared to the PGM prices, Rand:Dollar exchange rates, the upcoming wage negotiations as well as operational performance.

Barrie van der Merwe
Chief Financial Officer

Performance (continued)

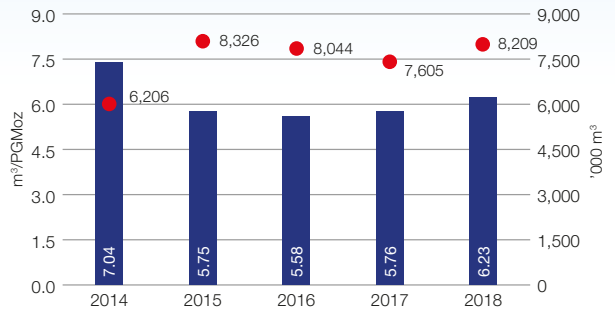
Environmental

Direct and indirect energy consumption (TJ) and energy efficiency (GJ/PGMoz)



■ Direct energy consumption
■ Indirect energy consumption
Total energy efficiency
Data impacted by the five-month strike across the platinum industry in 2014.

Total freshwater consumption ('000 m³) and fresh water intensity (m³/PGMoz)



Total freshwater boundary
■ Water intensity
● Freshwater consumption

Energy efficiency savings

R62.01 (2017: R34.9) **R million saved**

78,155 (2017: 32,322) **MWh saved**

75,791 (2017: 32,000) **tCO_2e savings**

Water

Anthropogenic aquifer systems

Lonmin uses backfilled opencast pits that can store large volumes of water, as a source of water to the operations, using anthropogenic aquifers to support the intake of freshwater.

All operations are **ISO 14001** certified (since 2003).

50% of general waste was diverted from landfill to be recycled, re-used and composted during the year.

35,271 hectares of land managed by Lonmin.

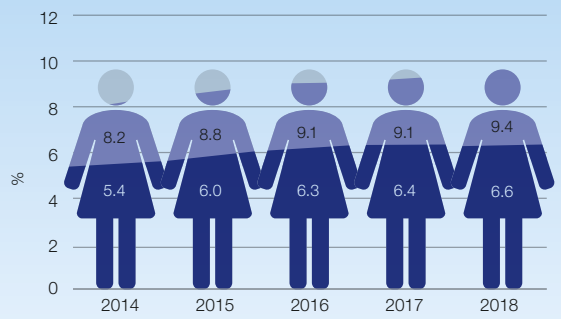
We recycled and re-used **14.1 million m³** of water through our reticulation system at the Marikana operations.

Scope 1 emissions (tCO_2e)

20,887	Mobile combustion
41,254	Stationary combustion
4,765	Explosives
133	Non-combustion product use
11,266	Disposal of waste to landfill (Lonmin operated and owned)
151.28	Waste water treatment works (Lonmin operated and owned)
10.44	Process emissions

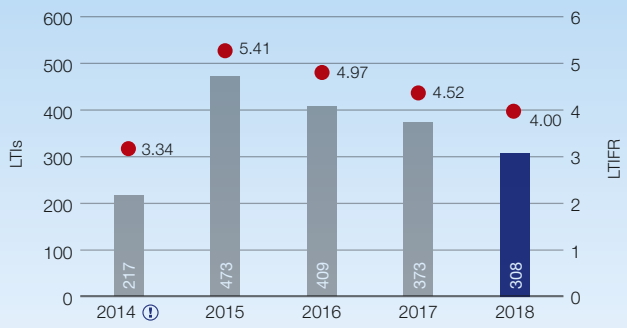
Social

Women employed



Women in core positions Women at Lonmin

Five-year performance: LTIFR



LTIs LTIFR Data impacted by the five-month strike across the platinum industry in 2014.

Lonmin invested **2 million** training hours at our training facilities this year.

66 formal mentorships in place (33% women).

82.99% of employees are unionised, AMCU represents 82.1%.

R18 million saved for employees through the inception of a financial counselling service.

81 community members receiving portable skills training.

Finished construction of a new primary school in Marikana serving 680 learners.

15 months' fatality-free; 10 million shifts without a fatality.

The JT Ryan Award – Lonmin (underground) K3 Shaft Upper Group 2 (UG2) section.

27.2% decrease in hand injuries.

Significant reduction in injuries at the processing division:

64% reduction in lost time injuries.
46% reduction in total injuries.

AIDS related deaths decreased year on year by **44%**.

The TB incidents halved over the last 10 years from 1,580 per 100,000 employees in 2008 to 729 in 2018.

Governance

28% women on the Board

Tax Policy:
www.lonmin.com/about-us/governance/tax

Human Rights Policy:
www.lonmin.com/component/jdownloads/send/3-business-conduct/137-lonmin-human-rights-policy

Business Conduct:
www.lonmin.com/about-us/business-conduct

Launched the Buang Le Rona grievance mechanism for the public, mainly the communities surrounding Lonmin, to raise concerns.

Performance (continued)

Sustainability

Safety and Sustainable Development Policy

The policy sets out how Lonmin creates sustainable value for our stakeholders, Lonmin is committed to improving the quality of life of current and future generations through the integration of economic prosperity, social development and environmental protection.

Environmental Standards

These objectives of these standards are to support the implementation of the Safety and Sustainable Development Policy. To provide a basis for mutual understanding and uniformity for environmental management as well as to provide auditable criteria. It also strives for continual improvement for environmental management.

Environment

Lonmin commissioned an independent audit opinion on the Company's environmental legal compliance. The audit reported no significant findings. The annual ISO 14001 surveillance audits reported only opportunities for improvement and no non-conformances in 2018. The four ISO 14001 certificates were successfully upgraded to the ISO 14001:2015 standard ahead of the transition cut-off date. As part of our self-regulatory framework, Lonmin undertakes six monthly internal environmental KPI audits to verify compliance against legal and ISO 14001 requirements as part of our self-regulatory framework to continually improve and comply with these requirements. Lonmin received no fines or directives in terms of environmental management.

Relationships with local communities have improved largely thanks to our more structured and meaningful engagement.

Water Management

Our Water Conservation and Demand Management Strategy aims to secure sufficient access to water, optimise fresh and process water consumption and use alternative water sources, and consider community water needs. This strategy is supported by our Water Policy and Integrated Water and Waste Management Plans.

Our water management programme includes groundwater modelling, water level, surface and groundwater monitoring, toxicity testing, and biomonitoring. Our operations have an extensive water monitoring programme in place. Sampling and analyses (by accredited laboratories) are conducted through an independent service provider.

Lonmin reports unplanned discharge incidents to the relevant regulatory authority. Corrective actions are implemented based on a root cause analysis and tracked through our management systems.

We participate in the water CDP programme accessible at www.cdp.net/en.

Water Policy

Lonmin recognises water as a basic human right and that it is a vital resource that must be used responsibly.

The bulk of our freshwater intake is at our Marikana operations, making up 89.4% of our total freshwater consumption (7,338,575 m^3). Mine dewatering is not included in the total freshwater number for 2018, however the volume of freshwater from dewatering activities is 1,123,594 m^3.

In 2018, we submitted an administrative amendment to the Marikana water use licence which is pending approval.

Our 2022 target is to reduce third party water consumption for Marikana and PMR operations by 10% from the 2017 baseline. We participated in the ICMM roundtable workshops for collective action in respect of water management.

Energy Management

Through our Energy Management Strategy (aligned with SANS 5001), we manage, track and report energy consumption, efficiency and management projects. A holistic web-based energy management system identifies new opportunities to improve energy efficiency and reductions. In this regard, we focus on compressed air and ventilation facilities, because these facilities comprise a significant component of our total energy footprint.

Electricity is Lonmin's most significant use of energy, followed by coal. We target a 5% reduction in electricity at the Marikana and PMR operations from the 2017 baseline to 2022. Our operations used 89% (5,662 TJ) of total energy on electrical energy. The smelter and base metal refinery (BMR) operations consumed 368 TJ of coal, and 267 TJ (4%) of diesel was consumed in the transportation of ore and concentrate. While not a direct component of the energy profile, 50 TJ of fuel was utilised in the transportation of our employees and community members through Lonmin's bussing services.

- Total energy consumed decreased to 6,404 TJ; from 6,238 TJ in 2017
- Average electricity efficiency per kWh/tonnes hoisted was 129 (2017: 149)
- Indirect energy (electricity) consumption was 1,572,827 MWh, or 5,662 TJ (2017: 5,567 TJ)
- Direct energy profile: 741 TJ (2017: 670 TJ)

Air Quality

An atmospheric emissions licence regulates Lonmin's various processing activities, for regulated pollutants, inclusive of sulphur dioxide (SO_2). Our processes are supported by Emission Reduction Management Plans. Total suspended particles (TSP) are generated by tailings facilities, transportation on paved and unpaved roads, mining activities such as drilling and blasting, materials handling, crushing and screening. Lonmin has TSP controls in place, including vegetation growth, surface sweeping and chemical and water suppression. 2018 marked the first mandatory reporting requirements for Greenhouse Gases through the NEMAQA2. Reporting was undertaken to the Department of Environmental Affairs (DEA).

Our processing facilities minimise their atmospheric emissions with air pollution control equipment. The cleaning and minimising of emissions results, in the generation of hazardous waste streams including calcium sulphite from the smelter and liquid acid and alkaline waste from the PMR.

Significant capital investment is required for the smelter and the PMR to meet NEMAQA emissions standards as required by 1 April 2020. During 2018 we spent approximately R100 million at our smelter operations to implement key projects aimed at reaching the NEMAQA minimum emission standard for sulphite dioxide. We have capitalised on opportunities to find a sustainable solution for the calcium sulphite waste stream and have identified the solution to reduce particulate matter emissions at the PMR by 1 April 2020 and are on track to meet this requirement.

We continue to manage air quality impacts from our tailings facilities using vegetative cover and suppression systems. In 2018 we utilised chemical suppression on the surface of identified tailings facilities.

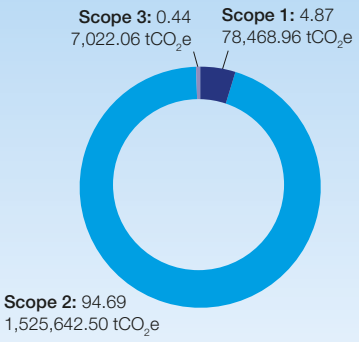
Performance (continued)

Climate Change

Lonmin addresses climate change primarily through water, energy and waste approaches, which are outlined in this section. Lonmin is engaging through the Minerals Council with government on carbon tax matters. Forecasts of the likely impact of carbon tax are built into the Life of Business Plan (LoBP) of Lonmin's Strategy. We participate in the climate change CDP programme, and in 2018 we submitted our 13th consecutive CDP report, available at www.cdp.net/en.

We set a new reduction target to reduce absolute scope 1 and 2 GHG emissions by 4% by 2022 from a 2017 baseline in alignment with the LoBP. Absolute GHG emissions increased by 1,892 tCO_2 (0.08% mainly an increase in scope 1 emissions due to the disposal to landfill, waste water treatment plants and stationary combustion) against the 2017 baseline for scope 1 and 2 emissions. Our carbon footprint is 1,604,111 tCO_2e (scope 1 and 2) (2017: 1,602,850 tCO_2e). Lonmin emitted a total of 1,611 $ktCO_2e$ (2017: 1,608.7 $ktCO_2e$) (scope 1, 2 and 3 emissions), 94.70% of which came from electricity consumption.

Carbon footprint 2018: scope 1, 2 and 3 contribution



Performance on GHG intensity (TCO_2e/PGMoz)

Year	Scope 1	Scope 2	Scope 3	Total intensity
2014	0.068	1.296	0.0032	1.367
2015	0.058	1.153	0.0027	1.214
2016	0.044	1.102	0.0033	1.156
2017	0.054	1.159	0.0044	1.218
2018	0.060	1.157	0.0053	1.221

	tCO_2e	
Source[1]	2017	**2018**
Scope 1: Direct emissions from operations that are owned or controlled by Lonmin		
Mobile combustion	18,065	**20,887**
Stationary combustion	38,466	**41,254**
Explosives	4,705	**4,765**
Non-combustion product waste	227	**133**
Disposal of waste to landfill (Lonmin operated and owned)	10,165	**11,266**
Waste water treatment works (Lonmin operated and owned)	116	**151**
Process emissions	10	**10**
Scope 2: Energy indirect emissions		
Electricity	1,531,096	**1,525,643**
Scope 3: Indirect emissions		
Category 1: Purchased goods and services	38	**43**
Category 4: Upstream transportation and distribution	1,508	**1,890**
Category 6: Business travel	1,368	**1,293**
Category 7: Employee commuting	2,944	**3,795**
Total carbon footprint	1,608,707	**1,611,133**

1 Scope 1 and 2 emissions are calculated using the GHG protocol: Corporate Accounting and Reporting Standard, and scope 3 emissions are calculated using GHG protocol: Corporate Value Chain Accounting and Reporting Standard for the reporting of scope 3 emissions.

Refer to the Sustainable Development Report 2018 for more information.

Corporate license to operate

Our commitment to developing and empowering our host communities remains one of the pillars of our transformation journey. The main objective beyond the required compliance is to ensure that members of our host communities are given opportunities to improve their lives in a meaningful way.

We invested R59 million in approved projects that form part of Western Platinum Limited ("WPL") and Eastern Platinum Limited ("EPL") SLPs for some health, education and local economic development projects. These projects are managed by the project management office.

Financial investment in communities[1]	2017 Rm	**2018 Rm**
Community education programme (in schools)	20.3	**5.0**
Skills development (mining skills, portable skills training, technical skills, and learnerships for communities)	10.1	**14.3**
Sports, arts and culture	1.0	**3.0**
Community health programmes (including school nutrition programme spend)	17.7	**7.2**
Basic community services	35.0	**29.9**
Supplier development	5.5	**5.1**
Other corporate social investment-related spend (career guidance, community transport , sanitation – refurbishing of ablution facilities and projects in Limpopo)	13.2	**38.9**
Total	102.8	**103.5**

1 This includes programmes over and above SLP projects for WPL and EPL, and excludes overheads and donations.

Lonmin is concluding the current five-year SLP commitments which expired on 30 September 2018 and will submit a close-out report to the DMR. Due to financial constraints, we were not able to implement all our current SLP commitments for the 2014 to 2018 time period. However, we have formulated a remedial plan to address the backlog, which was reviewed and approved by the DMR. We are implementing our undertakings to address the backlog, with extension for our SLP obligations 2014 to 2018, granted till 2020.

In July 2018, we submitted the new SLPs, commonly referred to as Generation III, for the period 2019 to 2023, to the DMR and approval is pending.

Stakeholder Engagement and Relationships

Relationships with local communities that surround our operations have improved largely attributed to more structured and meaningful engagement.

The Company has implemented a Grievance Mechanism, The Buang Le Rona Grievance Mechanism to ensure that community grievances are received and responded to in a timely manner and are tracked so that results can be analysed. This initiative provides all our operations with information about stakeholder issues and concerns and also serves as an early warning mechanism to address issues timely and effectively.

The focus for our Social and Labour Plans ("SLP"s) are:

- **Health** complemented by nutrition awareness and education.

Health infrastructure projects

Lonmin invests in health infrastructure projects that make basic healthcare more accessible to surrounding communities. Municipal approval and re-zoning processes are complex and affect our planned timelines of projects.

General health promotion

Lonmin runs various health promotion initiatives in the Marikana community to raise awareness among learners and out-of-school youth about issues such as sexual health, HIV/Aids, TB, substance abuse and teenage pregnancy. Programmes include support for school peer educators to raise awareness about these issues and encourage young people to access health facilities, where necessary.

Nutrition and food gardens

We recognise nutrition's role in physical and mental development, and support the Department of Basic Education's national school nutrition programme. Lonmin established five food centres in Marikana and two in Limpopo that feed 613 orphaned and vulnerable children. We train community members on how to cultivate food in their home gardens. Lonmin hosts an annual competition that encourages participating schools and households to establish the best and most productive gardens.

Performance (continued)

Community education and skills development

Lonmin community education programme provides support to 22,500 school going learners in the Greater Lonmin Community ("GLC") in a value chain of the key areas of education: infrastructure development; learner support; parent support; school nutrition and sports; arts and culture. Community skills development programmes include engineering and artisan training; portable skills; adult education and training; mining-related skills, mine technical skills, process technical skills, early childhood development training and community study assistance.

Community healthcare

Lonmin provides holistic healthcare to employees and the broader community comprising awareness, promotion, prevention and infrastructure development.

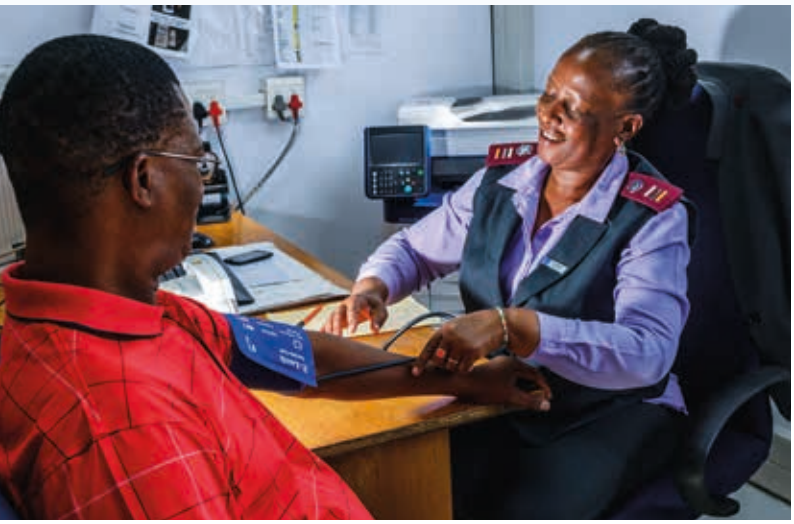
Infrastructure development

Lonmin's infrastructure development includes bulk water infrastructure, road upgrades, waste removal and lighting to improve public safety. We continue to work with all tiers of government to ensure coordination and alignment in the provision of social infrastructure.

Enterprise development

Lonmin is the anchor supporter of the Black Umbrellas' Mooinooi incubator established to scout, train, mentor and assist local entrepreneurs and emerging black businesses with support services that enable them to flourish.

Refer to the Sustainable Development Report 2018 for more information.



- **Education**, which ranges from early childhood development programmes up to supporting tertiary students both academically and in life skills.

  Community education

  Lonmin has several programmes to help learners in surrounding communities improve their education and pass rates. Our skills development programmes aim to equip school leavers with the skills to find work in the mining industry or to become entrepreneurs.

  Since 2007, Lonmin has supported the infrastructure needs of 28 schools in surrounding communities, including additional classrooms, mobile classrooms, electricity upgrades, sporting facilities, and ablution facilities. Since 2010, Lonmin has provided 82 classrooms to local schools, with upgraded ablution facilities.

- **Local economic development** to assist in basic necessity projects such as water, sanitation and roads. The local economic development programmes are implemented in partnership with the local municipalities, namely Madibeng local municipality and Rustenburg local municipality.

Preferential Procurement

Lonmin's preferential procurement strategy requires procurement adjudication to favourably weighted suppliers with broad-based black economic empowerment (B-BBEE) credentials, female representation, youth and, where possible, local community (GLC) companies. Certain procurement areas are ring-fenced for GLC and B-BBEE suppliers only.

The Mining Charter II set targets of procuring 70% of services, 50% of consumable goods and 40% of capital goods from HDSA owned suppliers. Lonmin recognises the importance of actively involving citizens who were previously excluded from the mainstream of the economy and has far exceeded these procurement targets.

Identifying suitable black youth and women-owned suppliers/manufacturers is our preferential procurement challenges going forward. We are working to address this issue through various enterprise development initiatives and projects.

Following the release of Mining Charter III on the 27 September 2018, Lonmin is aligning all procurement activities to at least comply with the targets within the next five years.

Preferential procurement performance

				Rand Value Payment – Rbn (Including VAT)				Spend on BEE Entities – Rbn (Including VAT)			
	Capital Goods	Consumable Goods	Services	Total Discretionary	Capital Goods	Consumable Goods	Services	Total	Capital Goods	Consumable Goods	Services
Target	40.00%	50.00%	70.00%								
FY2011	28.28%	40.97%	47.95%	R9.54	R0.44	R2.77	R6.34	R4.297	R0.123	R1.136	R3.038
FY2012	46.53%	50.30%	61.41%	R8.82	R0.33	R2.69	R5.80	R5.069	R0.154	R1.352	R3.563
FY2013	63.68%	60.25%	60.14%	R7.97	R0.20	R2.94	R4.99	R4.920	R0.128	R1.772	R3.000
FY2014	67.02%	65.68%	69.20%	R5.93	R0.19	R1.93	R3.82	R4.040	R0.126	R1.269	R2.645
FY2015	63.47%	73.96%	76.40%	R8.557	R0.323	R3.518	R4.716	R6.410	R0.205	R2.602	R3.603
FY2016	56.84%	72.85%	76.48%	R7.662	R0.190	R2.980	R4.452	R5.685	R0.108	R2.171	R3.405
FY2017	55.41%	70.01%	75.34%	R7.872	R0.157	R2.991	R4.724	R5.739	R0.087	R2.094	R3.559
FY2018	59.38%	63.50%	76.23%	R8.034	R0.096	R3.482	R4.456	R5.666	R0.057	R2.211	R3.397

Bapo ba Mogale Procurement

Lonmin has complied with and exceeded its procurement undertakings of R200 million given to the Bapo ba Mogale in terms of the 2014 BEE Transaction. Governance within the Bapo ba Mogale entities that managing these remains work in progress.

Community Trusts

2014 saw the establishment of two separate community Trusts as shareholders in the operating assets. Each Trust holds 0.9% of the ordinary shares in WPL and EPL, and is entitled to dividend payments. These have been mandated for upliftment projects in the respective communities. To the extent that no dividend is payable in a particular year, each community Trust is entitled to a minimum annual payment of R5 million escalating in line with consumer price inflation each year. All payments to the Trusts are up to date. Since inception, around R30 million has been disbursed to each Trust. The Trustees for both Trusts are controlled by community members who work with the community to identify poverty alleviation projects which the Trust funds.

Performance (continued)

Employee relationships

Human Resources

Of our 23,142 employees (2017: 24,713), 79.07% are historically disadvantaged South Africans (HDSAs) (2017: 79.22%) and 9.4% are women (2017: 9.1%). Our contractor headcount was 7,002 (2017: 7,831). Lonmin's total investment in employee development increased to R178.3 million, compared with R169.7 million in 2017. The Company is taking the necessary steps to ensure that the skills pipeline remains appropriate to meet our forecasted needs.

Gender Profile

As at 30 September 2018

	Male	Female	**Total**
Board	5	2	**7**
Executive Committee	3	2	**5**
Senior Managers (excl Exco)	17	4	**21**
Employees	20,967	2,175	**23,142**

Note

A senior manager is an employee of the Company who has responsibility for the planning, directing or controlling the activities of the Company, or a strategically significant part of the Company; or is a director of a subsidiary undertaking. This is in accordance with the definition of section 414C of the UK Companies Act 2006.

Women in Mining Policy

The purpose of the policy is to record Lonmin's commitment to manage the increased participation of women in mining. Supporting this policy is our Maternity Policy.

Lonmin fosters a working environment that welcomes the contribution of women in a traditionally male-dominated industry. This is supported through our Human Resources Strategy and the Women in Mining Committee, established in 2017. An engagement session determined the main concerns, consolidated the women-in-mining structures, and agreed an overarching strategy and related projects for the next three years. AMCU is set to appoint representatives to the Committee in due course.

In 2018, women made up 9.4% of the full-time and fixed-term workforce, and 6.6% of core mining positions.

HIV/Aids

HIV/Aids-related diseases remain the biggest cause of in-service deaths (55) at Lonmin, although this was 44% less than 2017. The prevalence of HIV/Aids is estimated at 25% in the country. In 2018 Lonmin tested 22,747 employees and contractors for HIV/Aids, of whom 10% tested positive (2017: 8%). ART is available to any patient who requires medical intervention and who is committed to taking the medication. Patients are treated, given consultations, and monitored.

Following encouragement to seek early treatment, the number of patients participating in the ART programme increased by 3.4% (from a restated baseline of 4,590 to exclude employees who took voluntary severance packages) in 2018 to 4,744, as early treatment is encouraged. At present the annual medical cost to the Company is estimated to be R7,829 per person.

HIV Policy: To provide a consistent and equitable approach to the management of HIV/Aids at Lonmin which focuses on creating awareness and promoting HIV/AIDS prevention strategies, management of the disease among those employees infected and to facilitate a means to provide support to employees infected with HIV/Aids.

Tuberculosis (TB)

We diagnosed and treated 227 new cases of TB, including six cases of multi-drug-resistant TB, while no cases of extreme drug-resistant TB were recorded. 75% of new TB cases were among HIV-positive employees. Our cure and treatment completion rate was 89.4% (2017: 87.6%), which exceeded our 2018 target of 87%.

To improve completion rates, medical facilities continuously communicate with patients to remind them of treatment collection and early diagnosis. As with ART, TB patients who do not collect treatment are prevented from clocking in at work until treatment is collected. Clinics proactively contact patients if they do not come to the clinic to take their treatment for three days in the intensive phase of treatment.

Noise-induced hearing loss (NIHL)

Lonmin implements its multi-disciplinary approach to NIHL through administrative controls, awareness training, engineering controls and hearing protection devices. The Hearing Conservation Committee continues to review and investigate opportunities to reduce noise exposure and prevent NIHL. Lonmin revised the audiometric testing procedure to include the measurement of standard threshold shifts in accordance with the Mine Health and Safety Council (MHSC) milestone for noise. We did not achieve our 2018 target reduction rate of 6%, as 78 new cases of NIHL were diagnosed (2017: 37). This upward trend followed an increase in the average age in our patient profile. Our target reduction rate will remain at 6%.

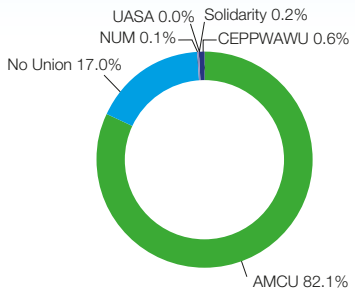
Union Relations

In terms of the Labour Relations Act of South Africa, No. 66 of 1995, as the majority union AMCU has collective bargaining rights, unrestricted access to the workplace and rights to deductions, full-time shop stewards and office facilities on the Company's premises.

The implementation of the terms of the Relationship Charter and regular and constructive engagements, such as Future Forums, continue to strengthen Lonmin's relationship with the trade union. This is evidenced by our superior safety performance and steady production rhythm despite the uncertain times brought about by the pending all-share offer by Sibanye-Stillwater.

Towards the end of 2017, Lonmin completed its reassessment of employee representatives outside the majority union. At the end of September 2018, 19,206 employees (82.1%) were members of trade unions AMCU and CEPPAWU.

Union Representation



Human Rights

Lonmin aspires to an ethical culture in the Company through its corporate values and by leading in a way that demonstrates sound ethics from the top of the organisation. Lonmin's Code of Ethics commits the Company to the highest standards of social and business practices, and requires that employees, contractors and stakeholders share this commitment, formalising Lonmin's ethical approach to conducting, managing and regulating all its business dealings.

Approach

The Code of Ethics defines Lonmin's stance on conflicts of interest, anti-competitive behaviour, lobbying and relationships with Government, bribery, insider trading, the receipt of gifts and donations, whistle-blowing and reporting corruption or unethical behaviour. All employees and service providers are required to commit to the principles contained in the Code of Ethics. Those found guilty of contravening the Code of Ethics will be penalised by dismissal, contract termination and/or legal action. An electronic declaration platform commissioned to support the Conflict of Interest and Anti-Bribery and Anti-Corruption policies to enable employees to make declarations of gifts made and received and other potential conflicts of interest.

Allegations of misconduct are logged and investigated, and disciplinary action is instituted where required. The main areas of concern investigated relate to fraud, bribery and corruption, and procedure violation. The Company refers to the policy on BEE fronting to address certain allegations in this regard. Furthermore, a cautionary statement is included in advertisements for job vacancies, which declares that Lonmin does not endorse or tolerate unethical or fraudulent behaviour, bribery, insider trading, corruption or job selling, and that such behaviour will be reported to the relevant authorities. Each case is investigated and internal controls reviewed; and corrective actions are developed and implemented should concerns been identified on failed internal controls.

90 cases of commercial fraud and unethical behaviour were investigated by the Lonmin Business Assurance Services and Group Security, comprising 16 cases carried forward from 2017, and 74 cases reported in 2018. All reported cases are investigated through a structured and formalised investigation process. Of these cases, 29 are still under review, 17 were undetected due to insufficient information or evidence, and 34 were concluded having either confirmed or refuted the allegation.

Performance (continued)

Respecting human rights

Respect for human rights is a fundamental part of Lonmin's culture and governance framework and this is demonstrated by our commitment to operate in accordance with the United Nations Guiding Principles on Business and Human Rights and the ten UN Global Compact principles. This commitment is reflected in our Human Rights Policy, a copy of which is available on our website, and in many other company policies such as our Code of Ethics and our Safety and Sustainable Development Policy.

We make a positive contribution to the realisation of human rights of our employees and those in the communities surrounding our operations in a range of ways through our rigorous approach to safety in the workplace, the health and wellbeing of our employees and the communities, minimising the impact of our operations on the environment and ensuring security is carefully managed in accordance with the Voluntary Principles on Security and Human Rights. Further information on Lonmin's activities in these areas is discussed in detail in other sections of this report.

The human rights pilot study completed last year which focused on women in mining identified a range of topics which concerned our female employees including, for example, gender equality, sexual harassment in the workplace and inadequate ablution facilities. As a result of the feedback from that study, a number of short, medium and long term actions were identified. In the year under review, an awareness campaign was launched using industrial theatre, leaflets and workshops to promote gender equality and raise awareness that there is zero tolerance within Lonmin for any kind of gender prejudice or harassment and reporting/escalation mechanisms were enhanced. Ablution facilities for women have been inspected and, where necessary, have been upgraded and new personal protective equipment specifically designed for women have been sourced and will be available at all shafts by the end of the 2018.

Human rights training is included in mandatory annual refresher training and the induction programme for all employees and contractors, including security personnel. The training aims to increase understanding of individuals' rights, standards of behaviour they should expect and reciprocate and the mechanisms to report grievances or incidents, which includes a toll-free ethics hotline service. The service provides for operators with different languages and female operators.

Advancing ethics within any organisation takes time and whilst Lonmin has a strong foundation, there is more to do. Lonmin is developing a human rights due diligence checklist which is expected to be rolled out next year. This will assist management to identify any breaches and any necessary remedial actions and will further embed human rights in the business by increasing awareness of human rights related risks. Further ethics training for managers and executives is expected to be rolled out in 2019.

Human rights and security

The Company focuses on understanding security threats to operations with a primary objective to mitigate interruption to operations. The Company subscribes to and implements the Framework for Peace and Stability in the Mining Industry (February 2013), and the Deputy- President's Framework Agreement for a Sustainable Mining Industry (July 2013). We continue to build on our relationships at all levels with stakeholders, surrounding communities and the South African Police Services.

The security risk management process aligns with the fundamentals of ISO 31000, the international risk management standard and the voluntary principles on security and human rights, which are human rights guidelines designed specifically for extractive sector companies.

Our focus remains on supporting the safety of our people and the protection of our property through training, education and vulnerability assessment processes. We also guarantee that employees have appropriate equipment with applicable logistics necessary for asset protection (for example crime prevention vehicles and thermographic cameras). Corporate operational procedures are in place, and there is a specialised corporate operational procedure on crowd management. Security personnel receive training on the legal and operational aspects of crowd management. By year-end 100% of our personnel were trained. Security employees and contractors all have Private Security Industry Regulatory Authority (PSIRA) training as a minimum, of which human rights forms part. Security employees receive refresher training on these aspects as part of the ongoing training plan and at year-end 75% of security employees and 80% of contractors received refresher training.

Modern Slavery Act

Lonmin's human rights commitment includes a prohibition on modern slavery in all its forms, including human trafficking and forced or compulsory labour. All new Lonmin employees are subject to vetting procedures, including age and identity verification, credit checks, criminal record checks and a medical fitness assessment. We have zero tolerance for child labour in the Company, and do not employ individuals or hire contractors aged less than 18 years old. The minimum legal working age in South Africa is 15.

We support the right to collective bargaining and freedom of association of all our employees and contractors, and are committed to building constructive relationships with recognised unions. Wages for our unionised employees are negotiated by collective agreements with the majority union, and in adherence to the South African Labour Relations Act (66 of 1995). We comply with South African legislation regarding working hours. Further details on the steps Lonmin takes to reduce the risk of modern slavery among its workforce are set out in the 2017 Modern Slavery and Human Trafficking Statement, available on our website at www.lonmin.com/ about-us/governance/modern-slavery-act.

Protecting human rights through the supply chain

Lonmin seeks to ensure that its counterparties conduct their own operations in line with Lonmin's standards on human rights and modern slavery. During 2017, Lonmin circulated a questionnaire to all existing vendors, requiring them to answer a set of questions relating specifically to modern slavery risks in their businesses and supply chains. The outcome of this survey was discussed with the top 600 suppliers during a supplier workshop held in September 2018 in an attempt to create awareness around modern slavery risks.

Lonmin's approval process for new vendors requires potential vendors to answer questions in relation to human rights, including whether the vendor has its own Human Rights Policy and whether it provides human rights training to its staff. We expanded this process to include specific questions regarding the New Vendor's Policy in respect of modern slavery and the due diligence processes in place in respect of their supply chains.

The standard terms and conditions applicable to contracts with all vendors required to adhere to a range of legislation relevant to human rights, including the South African Labour Relations Act (66 of 1995), the Basic Conditions of Employment Act (75 of 1997), the Compensation for Occupational Injuries and Diseases Act (130 of 1993), as well as Lonmin's own Sustainable Development Standards and Code of Business Ethics.

Accommodation and Living Conditions

Lonmin's Employee Accommodation and Living Conditions Strategy aims to address the housing requirements of employees, contractors and the broader community, and to integrate plans for schools, clinics, transport hubs and other municipal infrastructure. Collaborative partnerships with Government are central to the strategy.

Lonmin acknowledges that living conditions have a direct influence on its employees' and their families' general wellbeing and ability to focus and perform in their working environments.

Lonmin committed R500 million towards employee housing and living conditions for the period 2014 to 2018. Over and above this commitment, Lonmin incurs a cost of R475 million per annum in living-out allowances to category 4 to 9 employees and an operating cost for its current rental stock of R57 million per annum. A further R420 million has been committed towards the new Employee Accommodation and Living Conditions SLP commitments (2019 – 2023) despite the current financial challenges facing the industry.

See Lonmin's Sustainable Development Report 2018 for further information on employee accommodation.

Employee Profit Sharing Scheme

A first payment of $2 million was made to the Employee Profit Sharing Scheme, as Lonmin made a profit. Before 2018, the Employee Profit Sharing Scheme had not paid any benefits to employees because Lonmin had not been in a profitable position since the inception of the Scheme.

Performance (continued)

Non-financial information statement

We aim to comply with the new Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below, and the information it refers to, is intended to help stakeholders understand our position on key non-financial matters. This builds on existing reporting that we already do under the following frameworks:

Reporting requirement	Policies and standards which govern our approach	Risk management and additional information	Sustainable Development Report (SDR)
Environmental matters	• Environmental standards • Energy management strategy • Water policy	Environment, pages 19, 46, 48-50	Managing environmental impacts and opportunities, SDR pages 46-56
Employees	• Health and safety policy • Recruitment policy • Grievance mechanism procedure • Fatal risk control protocols • HIV/Aids and Tuberculosis policy	Lonmin's workforce, pages 17-19, 54 Safety, page 18 Health, page 18 Board diversity policy, page 68	Employee relationships, SDR pages 20-29 Safety and Health, pages 30-37
Human rights	• Human rights policy • Code of business ethics • Modern slavery statement • Women in mining policy	Human rights, pages 55-57, 76	Ethics and human rights, SDR pages 62-64
Social matters	• Preferential procurement strategy	Community relationships, pages 51-53	Community relationships and investment, SDR pages 38-44
Anti-corruption and anti-bribery	• Anti-bribery policy • Whistle-blowing policy • Conflict of interest policy • Risk policy • Security policy	Ethics and human rights, pages 55-57	Ethics and human rights, SDR pages 62-64
Policy embedding, due diligence and outcomes		Risk overview, pages 22-27 Risk management, pages 28-29	
Description of principal risk and impact of business activity		Principal risks, pages 22-27 Risk overview, pages 28-29 Market review and outlook, pages 20-21	
Description of the business model		Our business model, page 15 Our strategic approach, pages 16-19	Our sustainability approach, SDR pages 10-12
Non-financial key performance indicators		Key performance indicators, pages 12-13	

Only a committed, thriving and profitable business can contribute meaningfully to social development.

Board of Directors

Brian Beamish (61), Non-executive Chairman (British and South African)

Independent: No

Appointed to the Board:
1 November 2013

Experience:
- A former Group Director, Mining and Technology at Anglo American where he worked for 36 years.
- Non-executive director of JSE-listed Anglo American Platinum Limited from May 2010 to 30 September 2013.
- Executive roles included four years as Operations Director of Anglo Platinum as COO and subsequently CEO of Anglo American's global Base Metals business.
- Non-executive Director of Nord Gold SE.

Skills/qualifications:
- A graduate in mechanical engineering from Wits University and of the PMD programme at Harvard Business School.
- He has career long experience of the mining industry, largely gained in operational roles in South Africa and latterly in other parts of the world, particularly South America.

Committees:
Chairman – Nomination Committee
Member – Remuneration Committee
Member – SHE Committee

Ben Magara (51), Chief Executive Officer (Zimbabwean)

Independent: No

Appointed to the Board:
1 July 2013

Experience:
- The former Chief Executive Officer of Anglo Coal South Africa and the Executive Head responsible for Engineering and Capital Projects at Anglo Platinum.
- Director of Anglo American South Africa (2006-2013).
- Chairman of Richards Bay Coal Terminal and the Eskom 2008 Coal Working Group.

Skills/qualifications:
- A graduate Mining Engineer from the University of Zimbabwe.
- Has attended various management programmes including the Accelerated Development Programme at the London Business School, UK and the AMP at GIBS, SA.
- Extensive mining experience in both underground and surface mining as well as soft and hard rock mining.
- He also has experience in the energy and logistics industries.

Committees:
Member – SHE Committee
Member – SET Committee

Barrie van der Merwe (42), Chief Financial Officer (South African)

Independent: No

Appointed to the Board:
17 May 2016

Experience:
- CFO of Debswana Diamond Company, the world's leading producer of rough diamonds by value and a joint venture between the Botswana government and De Beers, between 2012 and 2015.
- Held several senior financial management positions with Anglo American Plc and Anglo Platinum, spanning 10 years between 2002 and 2012, the most recent being head of finance, reporting directly to Anglo Platinum's then finance director.
- Has held several non-executive directorships, including Morupule Coal Mine Limited between 2013 and 2015 and Wesizwe Platinum Limited between 2013 and 2015.

Skills/qualifications:
- A chartered accountant and holds a B Com (Hons) degree in accounting from the University of Pretoria.

Varda Shine (55), Non-executive Director (British)

Independent: Yes

Appointed to the Board:
16 February 2015

Experience:
- Over a period of 30 years she held several executive level and managerial positions within De Beers Trading Company and Diamdel Israel (De Beers' principal trading subsidiary).
- Served eight years as the CEO of De Beers Trading Company.
- Has held two non-executive positions chairing joint ventures between De Beers and the Botswanan and Namibian governments respectively.
- Non-executive Director of Petra Diamonds and Sarine Technologies.

Skills/qualifications:
- Completed the Business Management Programme at Technion, the Israel Institute of Technology and the Advanced Management Programme at Oxford University.

Committees:
Chair – Remuneration Committee
Member – Audit & Risk Committee
Member – Nomination Committee

We thank our 30,000 Lonminites for their continued hard work and dedication – it is a dynamic team and without each and every individual, these results would not have been delivered.

Gillian Fairfield (47), Non-executive Director (British)

Independent: Yes

Appointed to the Board:
1 August 2017

Experience:
- 20 years' experience in corporate finance, cross-border M&A and corporate law.
- Appointed Head of Corporate Knowledge at Slaughter and May LLP in November 2018.
- Career began as an associate solicitor at Freshfields LLP where she worked for five years before moving to Herbert Smith Freehills LLP for 13 years, spending 9 years as a corporate partner.
- Particular experience in the mining, consumer, technology and pharmaceutical sectors.

Skills/qualifications:
- Graduated from Edinburgh University with a Masters in Russian and spent a year of study in the former Soviet Union.
- Admitted to The Law Society in March 1999.

Committees:
Member – Remuneration Committee
Member – Nomination Committee
Member – SET Committee

Kennedy Bungane (44), Non-executive Director (South African)

Independent: No

Appointed to the Board:
1 March 2016

Experience:
- Appointed Chief Executive Officer of Phembani Group in August 2014. Led the conclusion of the merger of Phembani and the Shanduka effective 11 December 2015.
- Held executive positions at Barclays Africa, responsible for all Barclays and Absa operational and business activities outside South Africa covering thirteen countries in Africa.
- Former chairman of both the UK Incorporated Barclays Africa Limited board and the Barclays Africa Regional Management Executive Committee.

Skills/qualification:
- Graduate in Corporate Finance & Investment Finance from University of Natal.
- MBA from the University of Pretoria and of the Advanced Management programme at Harvard Business School.
- Extensive experience in financial services across Africa.

Committees:
Chairman – SET Committee
Member – SHE Committee
Member – Audit & Risk Committee

Jonathan Leslie (67), Non-executive Director and Senior Independent Director (British)

Independent: Yes

Appointed to the Board:
4 June 2009

Experience:
- 26 years with Rio Tinto, including nine years' service on its board. His roles at Rio Tinto included Mining Director and Chief Executive of the Copper and later the Diamonds & Gold Product Groups.
- CEO of Sappi, the executive chairman of Nikanor and CEO of Extract Resources Limited.

Skills/qualifications:
- Qualified barrister.

Committees:
Chairman – Audit & Risk Committee
Chairman – SHE Committee
Member – Nomination Committee
Member – Remuneration Committee

Executive Committee

Ben Magara (51), Chief Executive Officer (Zimbabwean)

Independent: No

Appointed to the Board:
1 July 2013

Experience:
- The former Chief Executive Officer of Anglo Coal South Africa and the Executive Head responsible for Engineering and Capital Projects at Anglo Platinum.
- Director of Anglo American South Africa (2006-2013).
- Chairman of Richards Bay Coal Terminal and the Eskom 2008 Coal Working Group.

Skills/qualifications:
- A graduate Mining Engineer from the University of Zimbabwe.
- Has attended various management programmes including the Accelerated Development Programme at the London Business School, UK and the AMP at GIBS, SA.
- Extensive mining experience in both underground and surface mining as well as soft and hard rock mining.
- He also has experience in the energy and logistics industries.

Committees:
Member – SHE Committee
Member – SET Committee

Barrie van der Merwe (42), Chief Financial Officer (South African)

Independent: No

Appointed to the Board:
17 May 2016

Experience:
- CFO of Debswana Diamond Company, the world's leading producer of rough diamonds by value and a joint venture between the Botswana government and De Beers, between 2012 and 2015.
- Held several senior financial management positions with Anglo American Plc and Anglo Platinum, spanning 10 years between 2002 and 2012, the most recent being head of finance, reporting directly to Anglo Platinum's then finance director.
- Has held several non-executive directorships, including Morupule Coal Mine Limited between 2013 and 2015 and Wesizwe Platinum Limited between 2013 and 2015.

Skills/qualifications:
- A chartered accountant and holds a B Com (Hons) degree in accounting from the University of Pretoria.

Tanya Chikanza (53), Executive Vice President, Corporate Strategy, Investor Relations and Corporate Communications (British/Zimbabwean)

Appointed to Exco:
18 January 2018

Experience:
- Lonmin Global Head of Investor Relations since April 2010, London and Johannesburg.
- Executive Director Smith's Corporate Advisory, London.
- Vice-President Corporate Finance at JP Morgan Cazenove, London and Johannesburg.
- Held senior management positions in a number of companies during her 25-year career in auditing and corporate finance.

Skills/qualifications:
- A chartered accountant and holds a Bachelor of Accountancy (Hons) degree from the University of Zimbabwe.

Thandeka Ncube (51), Executive Vice President, Stakeholder Engagement and Regulatory Affairs (South African)

Appointed to Exco:
1 August 2017

Experience:
- Nominated to the Lonmin Exco by Shanduka (now amalgamated into Phembani).
- Previously worked in various governmental institutions, developing strategy and policy for small and medium-sized enterprises, and also at the retail banking arm of Standard Bank.
- Currently works with Phembani's investee companies to advise on transformation and broad-based empowerment.

Skills/qualifications:
- Holds a social sciences degree from the City University of New York and an MBA from Henley Business School.

As a result of our return to profitability we are able to make our first payment to the Lonmin Employee Profit Sharing Scheme for qualifying employees.

Senior Management

Khaya Ngcwembe (51), Executive Vice President, Human Resources Human Resources Department (South African)

Appointed to Exco:
1 May 2017

Experience:
- Former HR Director, SAB Ltd, where he worked for 18 years.
- Other roles within SAB include HR Services Manager – SAB Ltd, OD Consultant and HR Consultant, Western Cape Region.
- Overall career-long experience of Human Resources in Food and Beverages Industry gained in Generalist and Specialist roles in South Africa.

Skills/qualifications:
- Masters in Business Administration – University of Cape Town Graduate School of Business.
- Bachelor of Arts – University of South Africa.
- Executive Development Programme – University of Michigan.

Corporate Governance Report

Compliance statement

Lonmin is subject to the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council (available on their website, www.frc.org.uk). During the year to 30 September 2018 (FY2018), the Company has complied with all relevant provisions of the Code published in 2016.

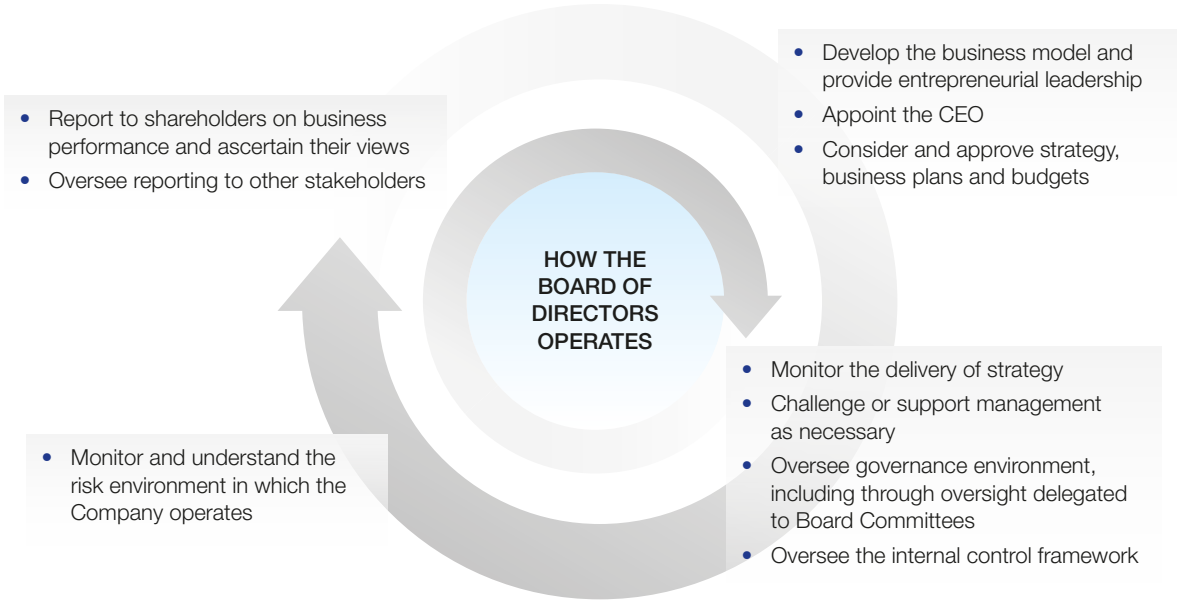
Jonathan Leslie was appointed to the Board as a Non-executive Director on 4 June 2009 and consequently reached his ninth anniversary on the Board during the year under review. The Nomination Committee assessed Mr Leslie's independence and concluded that he remains of independent character and judgement and his performance as a Non-executive Director and Senior Independent Director is not impaired having served over nine years on the Board. In view of the offer by Sibanye-Stillwater which has been recommended by the Board and in the interests of maintaining continuity during this period, the Board has decided that Mr Leslie will continue to serve as Senior Independent Director. It is noted that the Board comprises two additional independent Non-executive Directors.

The Board

The role of the Board

The Board is responsible for promoting the long term success of the Company and for setting the Group's vision, strategy and values. It assesses whether the necessary financial and human resources are, and will continue to be, in place to enable the Company to meet its objectives taking into account safety, environmental and social factors. The Board determines the Company's risk appetite (which we define as the risks we actively seek or accept in pursuit of our long term objectives), decides the Company's business strategy and then determines the risk tolerance (which we define as the limit of risk we are prepared to face in pursuit of those long term objectives). These must be supported by sound risk management and internal control systems, the design and maintenance of which is also the responsibility of the Board. The schedule of matters reserved to the Board is available on the Company's website.

In the early part of each financial year the Board sets a number of short-term objectives it intends to pursue in the year, aligned with the Company's long-term strategic goals. These objectives are used to drive the agenda-setting process for each scheduled meeting of the Board, so that we ensure that time is focussed on these key areas. The objectives also form a useful framework within which the effectiveness of the Board can be assessed.



Corporate Governance Report

The role of the Board (continued)

The table below shows the key areas of Board activity during the year under review. Every Board meeting is followed by a discussion without the Executive Directors present and, where necessary, by a meeting of the independent Non-executive Directors. The Directors also meet, without the Chairman being present, under the leadership of the Senior Independent Director at least once in each year.

Strategy

- Considered the Group's strategy in the light of the outcome of the Operational Review launched in FY2017 culminating in the Board's decision to recommend the all-share offer by Sibanye-Stillwater;
- Developed the refinancing strategy which, post year-end, culminated in the settlement of the Company's pre-existing $150 million term loan, cancellation of all other pre-existing undrawn facilities and subsequently entered into a new $200 million metal purchase agreement;
- Approved the short and long-term price deck and exchange rate assumptions together with the annual budget;
- Approved the various corporate and business development initiatives, including the disposal of the Company's 50% interest in Petrozim Pty Line Limited and its 6.8% interest in Wallbridge Mining Company;

Operational performance

- Reviewed the Group's operational performance relative to budget and forecasts;
- Considered and approved the quarterly production reports;
- Reviewed the Group's safety performance;
- Made several site visits and participated in deep dives on various strategic, operational and financial topics;

Financial performance

- Considered progress in the labour reduction programme and other cost control measures;
- Considered the financial performance of the business, including going concern and viability;
- Reviewed the half year and full year results and approved the annual report;

Stakeholder engagement, community and transformation

- Considered and approved the sustainable development report;
- Reviewed the Group's ongoing relationships with various stakeholders;
- Reviewed feedback from institutional shareholders, analysts and other engagement activities;

Governance, internal controls and risk

- Discussed the outcome of the Board and Committee effectiveness review;
- Considered progress against the Board's annual objectives;
- Reviewed the Group's risk register, including benchmarking against peers and industry;
- Reviewed the Group's further refined methodology to determine the Group's risk appetite and risk tolerance;
- Reviewed the effectiveness of the systems of internal control environment and risk management;
- Received regular updates from the chairs of the Audit & Risk Committee, Remuneration Committee, Nomination Committee, SHE Committee and SET Committee;

Leadership, management and employees

- Discussed the composition of the Board and its Committees, including Board succession; and
- Reviewed the development of people and potential talent in the Group, including succession planning for the senior management team.

Corporate Governance Report

Key Board roles

The division of responsibilities between the Chairman and the Chief Executive Officer is set out in writing and is summarised below, together with the primary responsibilities of the Senior Independent Director and Non-executive Directors, providing a system of checks and balances in which no individual has unfettered decision-making power. The Company Secretary is responsible for ensuring accurate, timely and appropriate information flows within the Board, the Board Committees and between the Directors and senior management.

Chairman – Brian Beamish (based in the United Kingdom)	Chief Executive Officer – Ben Magara (based in South Africa)
Lead and manage the Board	Provide leadership to the executive team in running the business
Lead the Board's consideration of strategy	Develop proposals for the Board to consider in all areas reserved for its judgement, particularly strategy
Promote the highest standards of corporate governance	Ensure effective internal controls and risk management systems are in place
Ensure effective communication with shareholders	Implement agreed strategy and all Board approved actions

Senior Independent Director – Jonathan Leslie (based in the United Kingdom)	Non-executive Directors
Act as an intermediary for the other Directors	Provide input to, review proposals for and then approve strategy when necessary
Be available to shareholders if they have concerns which contact with the Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve, or where such contact would be inappropriate	Scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance
Provide a sounding board for Chairman	Review the integrity of financial information and determine whether internal controls and systems of risk management are robust
	Determine appropriate levels of remuneration of Executive Directors, be involved in the appointment and, where necessary, the removal of Executive Directors and monitor succession planning

Appointments to the Board

The Nomination Committee is responsible for ensuring a formal, rigorous and transparent procedure is followed when appointing new Directors to the Board. The composition of the Nomination Committee, its responsibilities and the work it did during the year is described on pages 89 and 90.

In order for any board to discharge its duties and responsibilities effectively, it must comprise an appropriate blend of individuals, with a diverse range of knowledge, skills, experience and backgrounds. In the case of Lonmin, knowledge of the mining industry, in particular PGMs, and operating in South Africa are important factors, but above all the Directors must exhibit independence of mind, integrity and the appetite to challenge constructively when appropriate.

Appointments to the Board are based on personal merit assessed against objective criteria. In the case of candidates for non-executive directorships, care is taken to ascertain that individuals have sufficient time to fulfil their Board and, where relevant, Committee responsibilities. As part of this process, candidates disclose all other time commitments and, on appointment, undertake to inform the Board of any changes.

Corporate Governance Report

Appointments to the Board (continued)

The Non-executive Directors' letters of appointment are available for public inspection.

There were no new appointments to the Board during the year under review, however, usually on appointment each Director is provided with a tailored induction programme, and they are expected to develop and refresh their knowledge and skills on an on-going basis. The Company supports this by organising site visits and working sessions with a wide range of operational managers and external experts throughout the year and the Chairman agrees with each Director their training and development needs as and when required. The Non-executive Directors have regular opportunities to meet members of the Exco and the broader management team, both at the working sessions and at social occasions.

Phembani, the ultimate parent of our BEE partner Incwala Resources, has a contractual right to nominate one Director for membership of the Company's Board, subject to the recommendation of that individual by the Nomination Committee. No other party has any legal right to nominate Directors to the Board.

Once appointed, we require all Directors to submit themselves for re-election by shareholders on an annual basis.

The Board strongly supports the benefits of diversity, both at Board level and in the business. Lonmin's principal operating subsidiaries, based in South Africa, are subject to challenging transformation and employment equity targets. In order to prioritise these, we have not set further (for example, gender-based) targets at this time. Notwithstanding this, in all Non-Executive Director selection processes during the past several years we have encouraged applications from women and individuals of all backgrounds, subject to satisfying the objective candidate criteria in other respects. Ultimately, the Board believes it is in the best interests of the Company to appoint the best qualified candidate.

The Board of Directors

As at the date of this report, the Board has seven members all of whom served throughout the year: the Chairman, three independent Non-executive Directors, one non-independent Non-executive Director and two Executive Directors. The names of the Directors serving at the end of the year and their biographical details are set out on pages 60 and 61. Dr Len Konar stepped down as a Non-executive Director on 14 March 2018.

Balance and independence of the Board members

With input from the Nomination Committee, the Board keeps its membership, and that of its Committees, under regular review and it determines whether Non-executive Directors are independent.

The Board considers three of the four Non-executive Directors serving at the date of this report to be independent as discussed at the beginning of this report and in the Nomination Committee Report. Mr Leslie was judged to be independent notwithstanding that he has served on the Board for a period exceeding nine years. Ms Fairfield was a corporate partner at Herbert Smith Freehills LLP, one of the Company's legal advisers and, for a period of time during her employment at Herbert Smith Freehills, Ms Fairfield acted as a relationship partner to the Company. The Board did not consider Ms Fairfield's previous position at Herbert Smith Freehills an impediment to determining her independence on appointment to the Board. Mr Bungane, by virtue of being nominated by the Company's BEE partner, Phembani, is not considered to be independent.

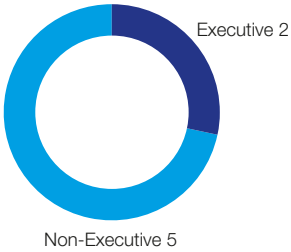
Whilst the Board is smaller than it has been in prior years, the Board has determined that it would not be appropriate to appoint any additional Directors to the Board in view of the recommended offer by Sibanye-Stillwater. Taking in to account the feedback from the FY2018 Board and Committee effectiveness review, the Board is satisfied that it and its Committees have an acceptable composition and blend of backgrounds, skills, experience and personal attributes to discharge their duties effectively, that all Directors have sufficient time to devote to their roles and undue reliance is not placed on any one individual.

Corporate Governance Report

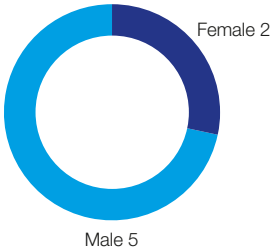
Balance and independence of the Board members (continued)

The graphs below show the diversity of the Board.

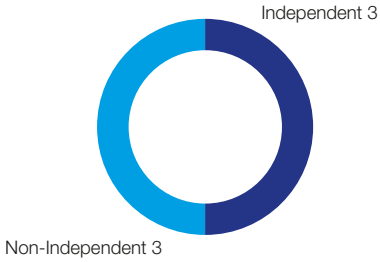
Composition of the Board



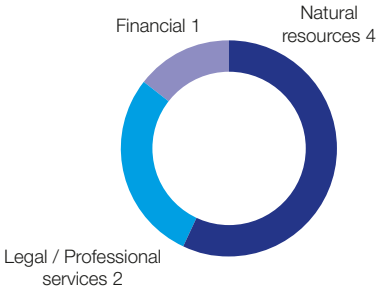
Gender



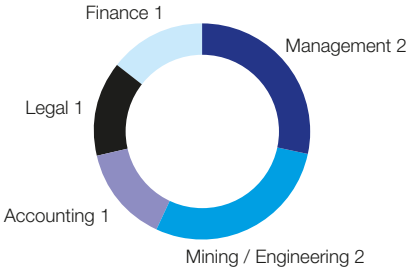
Independence (excluding the Chairman)



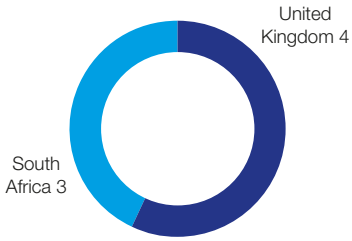
Industry sector



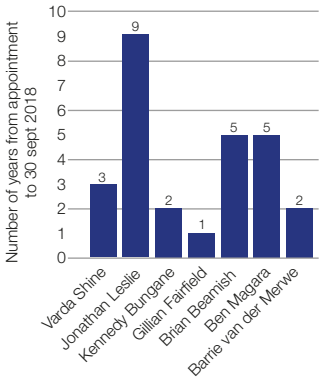
Professional background



Country of residence



Tenure of Board



Age

	Age
Varda Shine	55
Jonathan Leslie	67
Kennedy Bungane	44
Gillian Fairfield	47
Brian Beamish	61
Barrie van der Merwe	42
Ben Magara	51

Corporate Governance Report

How we assess and refresh the Board and its Committees

There are three ways in which we make sure that the Directors continue to provide suitable leadership and direction to the Company: effectiveness reviews, succession planning and annual re-election by shareholders.

1. *Effectiveness reviews*

   The Board believes that the effectiveness review process provides a valuable opportunity for improving effectiveness and gives the Board a mechanism for constructive group and peer feedback to help Directors individually to improve their ability to contribute to the work of the Board.

   Having last conducted an externally facilitated effectiveness review of the Board in 2016, the Board undertook an internal review this year which involved completion of two questionnaires that covered a range of key topics, including composition of the Board/Committees, balance of skills, knowledge and experience of the Board/Committees, quality of strategic and risk debate, the effectiveness and decisiveness of decision making, interactions with management, quality of information and support provided to the Board/Committees and areas of development or improvement, both individually and collectively as a Board or Committee. This will be supplemented with one to one discussion between the Chairman and each Director. Preliminary feedback from the review, including recommendations, was provided collectively to the Board and more detailed feedback will be provided privately to each Director. The review process identified the following key priorities in the immediate term and in the event the transaction with Sibanye-Stillwater does not complete, the longer term priorities listed below were agreed.

   Immediate term

   - Complete the transaction with Sibanye-Stillwater and facilitate an orderly handover;

   Longer term

   - Enhance the blend of skills and experience on the Board with the appointment of additional Non-executive Directors to the Board following the departure of Jim Sutcliffe in 2017 and Dr Konar in 2018 and increase the ratio of independent Directors;
   - Develop a Board succession plan and diversity policy;
   - Introduce more formal and informal opportunities for interaction between Directors and a wider range of stakeholders; and
   - Oversee development of succession plans and personal development plans for management and develop the pipeline across the business.

2. *Succession planning*

   The Board is ultimately responsible for succession planning for directorships and key management roles.

   The composition of the Board with reference to the skills, experience and knowledge of the individual Directors was reviewed by both the Chairman of the Board and the Nomination Committee in order to determine any material weaknesses following Dr Konar's decision to step down from the Board and again as part of the normal annual review process. The Nomination Committee and the Board concluded that the Board comprised an acceptable balance of skills, experience and knowledge and that all Directors were effective. It was recognised that the Board was smaller than in prior years and, in ordinary circumstances, consideration would be given to appointing additional Directors. This will be attended to in the event the transaction with Sibanye-Stillwater does not complete. A particularly rigorous review was performed in relation to Jonathan Leslie whose term in office exceeds nine years. Mr Leslie continues to demonstrate independent character and judgement. Further information is provided in the Nomination Committee Report.

3. *Re-election of Directors*

   All Directors are expected to retire from the Board at the Company's Annual General Meeting (AGM). An AGM has not yet been scheduled in view of the recommended offer by Sibanye-Stillwater discussed in detail earlier in the Annual Report and Accounts (pages 6, 8 and 28).

Board meetings

There were 12 Board meetings during the year, of which 6 were scheduled meetings. The other six Board meetings and numerous other Board Committee meetings were called in relation to specific matters or to issue approvals, often at short notice. Whilst these additional Board meetings did not necessarily require full attendance, all the Directors were in attendance at the vast majority of these meetings.

As in prior years, the Board visited the operations in South Africa twice during the year. The meetings in South Africa provide a useful opportunity to investigate operational and especially transformation issues in depth and to meet members of the Exco and other managers. In addition to their meeting commitments, the Non-executive Directors also make themselves available to management whenever required and there is regular contact outside the Board meeting schedule.

Corporate Governance Report

Board meetings (continued)

Attendance at Board meetings during each Director's period of service in FY2018 is set out in the table below.

Director	Scheduled meetings
Brian Beamish	6 of 6
Kennedy Bungane	5 of 6
Gillian Fairfield	6 of 6
Len Konar[1]	3 of 3
Jonathan Leslie	6 of 6
Ben Magara	6 of 6
Varda Shine	6 of 6
Barrie van der Merwe	6 of 6

1 Stepped down from the Board 14 March 2018.

When a Director is unable to participate in a meeting either in person or remotely, the Chairman will solicit their views on key items of business ahead of time, in order that these can be presented at the meeting and influence the debate.

Board Committees

In addition to the Committees recommended in the Code, the Board has established two other Committees to oversee business-specific issues: the Safety, Health & Environment Committee (SHE) and the Social, Ethics & Transformation Committee (SET). Each Committee and its members are provided with accurate, timely and clear information and sufficient resources to enable it to undertake its duties. Membership of the Committees during the year to 30 September 2018 is shown below, together with individual attendance at the Committee meetings held during each Director's period of service in FY2018.

Each Committee has written terms of reference, approved by the Board, summarising its objectives, remit and powers, which are available on the Company's website. All Committee members are provided with appropriate induction on joining their respective Committees, as well as on-going access to training. Minutes of all meetings of the Committees (save for the private sessions of Committee members) are made available to all Directors and feedback from each of the Committees is provided to the Board by the respective Committee Chairs at the next Board meeting. The Committee Chairs attend the AGM to answer any questions on their Committee's activities.

	Audit & Risk	Nomination	Remuneration	SHE	SET
Non-Executive Directors					
Brian Beamish	–	C 2/2	M 7/7	M 5/5	–
Kennedy Bungane[1]	M 3/3	–	–	M 3/5	C 5/6
Gillian Fairfield	–	M 2/2	M 7/7	–	M 6/6
Len Konar[2]	C 4/4	M 2/2	–	–	C 2/2
Jonathan Leslie[3]	C 7/7	M 2/2	M 7/7	C 5/5	–
Varda Shine	M 6/7	M 2/2	C 7/7	–	–
Executive Directors					
Ben Magara	–	–	–	M 5/5	M 6/6

1 Appointed member of the Audit & Risk Committee and Chairman of the SET Committee 15 March 2018.

2 Stepped down from the Board 14 March 2018.

3 Appointed Chairman of the Audit & Risk Committee 15 March 2018.

Corporate Governance Report

Board Committees (continued)

The interaction between the Board, its Committees and the management of the Company is shown below. A report from each of the main Board Committees explaining its composition, remit and principal activities during the year follow this report.

How the Board manages conflicts of interest

Directors have a statutory duty to avoid actual or potential conflicts of interest. Where these have occurred, or may occur, the non-conflicted members of the Board can 'authorise' conflicts, on such terms as they may decide, under a documented procedure, in accordance with the Company's articles of association. This requires that when a Director becomes aware that he or she is in a situation which does or could create a conflict of interest, or has an interest in an existing or proposed transaction in which the Company also has an interest, then they are required to notify the Board in writing of the situational or transactional conflict as soon as possible and, in any event, prior to any conflicted transaction being concluded. Directors have a continuing duty to update the Board on any changes to their external appointments which, by way of further check, are reviewed by the Board on an annual basis. The interests of new Directors are reviewed during the recruitment process and authorised (if appropriate) by the Board at the time of their appointment.

Kennedy Bungane is a director and CEO of Phembani. A subsidiary of Phembani, Incwala Resources, owns a 26% equity stake in the Lonmin Group company which controls the Akanani project and, indirectly, 18% equity stakes in Lonmin's two principal operating companies, EPL and WPL. Mr Bungane declared his interests to the Board, which were authorised in accordance with the Board's procedure.

No Director had a material interest in any contract of significance in relation to the Company's business at any time during the year or to the date of this report.

How we support the Board

The Board and its Committees are supplied with regular, comprehensive and timely information in a form and of a quality that enables them to discharge their duties effectively. All Directors are able to make further enquiries of the Executive Directors or management whenever necessary, and have access to the services of the Company Secretary. There is a procedure in place for Directors to take independent professional advice, if they judge this to be necessary, at the Company's expense.

Directors' remuneration

A report on Directors' remuneration is set out on pages 91 to 101. Interests in the Company's shares held by the Directors in office during the year, and to the date of this report, are shown in that report. No Director held any beneficial interest in the share capital of any other Lonmin Group company at any time during the year and to the date of this report.

Corporate Governance Report

Protection available to Directors

The Company maintains a Directors' & Officers' liability insurance policy for the benefit of Directors and officers of the Company and directors of Group subsidiaries in respect of certain liabilities and defence costs.

In addition, Deeds of Indemnity have been issued by the Company which, in general terms, protect all past, present and future Directors and officers of the Company to the extent permissible by law from all costs and expenses incurred in the defence of any civil or criminal proceedings in which judgement is given in their favour or the proceedings are otherwise disposed of without a finding of fault, or where there is a successful application to court for relief from liability. All these indemnities were in force throughout the financial year and to the date of this report. Neither the insurance nor the indemnities provide any protection where the individual has acted fraudulently or dishonestly.

Accountability to Shareholders

The Board's primary duty is to promote the long-term success of the Company for the benefit of its shareholders taken as a whole. Communicating with our shareholders is extremely important to the Board. We do this through a combination of reporting on what has been achieved, outlining our plans for the future and also assessing and reflecting on the views expressed by shareholders. Wherever possible, we hold open and frank discussions with our key shareholders, which can span a range of issues.

Owners of the Company

Lonmin Plc has a premium listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. We have approximately 15,000 shareholders on the UK register and SA branch register. We also have a sponsored Level I American Depositary Receipts programme, representing circa 1,000,000 shares held by approximately 90 ADR holders.

Like most listed companies, ownership of the Company's shares is concentrated in a number of institutional and other corporate shareholders. The Company had been notified of the following interests in 3% or more of the Company's total voting rights up to 30 September 2018:

	Holdings in the Company's shares and voting rights as at the date of notification			
	Date of notification	Number of shares and voting rights	%age holding	Nature of holding
Public Investment Corporation	6 January 2016	82,419,799	29.15	Direct

Save as disclosed in the Directors' Report on page 103, all Ordinary Shares of the Company carry the same rights, and no shareholder enjoys any preferential rights, regardless of the size of their holding.

How we communicate with our institutional shareholders

The Code encourages a dialogue with institutional shareholders based on the mutual understanding of objectives. The Executive Directors have regular discussions of operational trends and financial performance with institutional shareholders where they believe this to be in the Company's best interests, but no information is shared which is not available to shareholders generally. Detailed feedback from these visits is shared with the Board.

The Chairman is also available to meet with institutional investors to hear their views and discuss any issues or concerns, including in relation to Board composition, governance and strategy.

The Senior Independent Director, Jonathan Leslie, is available to shareholders if they have concerns which contact through the normal channels has failed to resolve or for which such contact would be inappropriate. In addition, Varda Shine, the Chair of the Remuneration Committee, is available to institutional shareholders and representative bodies to discuss any issues or concerns relating to remuneration.

The Chairman, CEO, CFO and EVP, Corporate Strategy, Investor Relations and Corporate Communications each met with representatives of the Company's largest shareholder, the Public Investment Corporation Limited during the year under review.

In addition to the above, the Board is provided with insight into the views of shareholders and their representative bodies on a more generalised basis. Copies of key sell-side analysts' notes on the Company are circulated to all Directors, as are summaries of their views collected anonymously by the Company's advisors. An independent review of the perceptions of the Company's major institutional shareholders is conducted every 18 months, and presented to the Board.

Corporate Governance Report

How we communicate with our private shareholders

The Code urges boards to use the AGM to communicate with private investors and to encourage their participation, and the Board has followed these principles for many years. The Chairman provides shareholders with an update on the Company's performance during the year under review and all Directors are available to answer questions, both formally at the meeting and informally afterwards. Shareholders vote on separate resolutions on substantially different issues, and we use electronic poll voting, with the results being announced to the markets and displayed on our website at the conclusion of the AGM. Voting on a poll recognises the geographical spread of our investor base and enables the votes of all shareholders to be taken into account whether they are able to attend the meeting or not. The use of electronic voting tools at the AGM provides a means of voting democratically. Lonmin's next AGM has yet to be scheduled.

Formal reporting to shareholders

We report formally in a number of ways:

- Regulatory news announcements or press releases are issued in response to events or routine reporting obligations.
- Quarterly production reports are published.
- We publish an unaudited interim statement in May of each year, outlining performance to 31 March. This is announced to the markets via a regulatory news service, with a live presentation in either London or Johannesburg, with a webcast available to all. The presentation slides, a transcript and the interim statement are all made available on the Company's website.
- We publish our audited financial statements, normally in November of each year, for the year ended 30 September, including a detailed management commentary. We follow the same publication process as the interims, with the same materials made available on our website.
- We normally publish the full Annual Report and Accounts, which comprises the audited financial statements and the narrative reporting with many other items of statutory, regulatory or voluntary reporting across a range of issues.

In line with best practice, our default means of communication with shareholders is online. This saves the expense, paper and other resources that would be entailed in printing and distributing large numbers of documents without knowing whether they are wanted. Shareholders can opt to receive paper documents at any time, should they so wish. Information is also provided on the Company's website, www.lonmin.com.

The Code requires that the Board provides a fair, balanced and understandable assessment of the Company's position and prospects in its external reporting. The Board considers that this Annual Report and Accounts, taken as a whole, meets that test and provides the information necessary for shareholders to assess the Directors' stewardship of the Company.

Formal reporting more widely

We also have a range of other key stakeholders whom we support with a flow of information and with whom we engage whenever appropriate. This includes regulators, both in the UK and South Africa, our employees and their representative trade unions, the communities who host our operations and a range of NGOs and external commentators including newswires and other media.

We publish annually a Sustainable Development Report which is made available through the Company's website, www.lonmin.com.

The AGM

The 2019 AGM has not yet been scheduled.

Dividend

As noted in the Chairman's Letter at the beginning of the Annual Report and Accounts, the Board is not recommending a final dividend for the year ended 30 September 2018. In addition, an interim dividend was not recommended or declared for the year under review.

Corporate Governance Report

Board Committees

Safety, Health & Environment (SHE) Committee

Lonmin is committed to managing its activities throughout the Group so as to minimise harm to the environment and to safeguard the health and safety of its employees, customers and the community. The SHE Committee was created by the Board to help it oversee the significant risks in these critical areas. The Committee routinely considers a mixture of legal obligations (most often arising from South African legislation or regulation) and other actions we believe are necessary to be a good corporate citizen and retain our social 'licence to operate'.

Role of the SHE Committee

The SHE Committee has delegated authority from the Board set out in its written terms of reference, available on the Company's website, which are reviewed annually and were last updated in September 2017.

The key responsibilities of the Committee are:

- to have oversight of and provide advice to the Board on SHE matters (including, where relevant, public safety and the impact of the Group's activities) and evaluating the risks in each of these areas;
- to assist the Board by ensuring that management sets aspirational standards for SHE matters and implements a culture in which these goals are promoted and enforced;
- to have oversight of and provide advice to the Board on the Group's compliance with applicable SHE related legal and regulatory requirements;
- to consider the major findings of internal and external investigations and management's response;
- to report to the Board developments, trends and / or forthcoming significant legislation in relation to SHE matters which may be relevant to the Group's operations, its assets or employees;
- to ensure a robust and independent assurance and / or audit process is implemented by management; and
- to review the Group's external SHE reporting and regulatory disclosures.

More detailed information concerning the Group's performance in SHE areas is set out in the Strategic Report, from page 31 onwards and will also be available in the Sustainable Development Report, which will be available on the Company's website, www.lonmin.com in early 2019.

Composition of the SHE Committee

The members of the Committee as at the date of this report are Jonathan Leslie (Chairman), Brian Beamish, Kennedy Bungane and Ben Magara, together giving the Committee a broad and balanced blend of skills, experience and detailed knowledge of the Company and its operations.

The Company Secretary attends all meetings and, at the request of the Committee Chairman, the Executive Manager responsible for Sustainability also attends all meetings of the Committee. Other managers attend as necessary when their specialist expertise is required or incidents have occurred in operations under their control.

Corporate Governance Report

Activities of the SHE Committee during the year

The Committee met four times during the year and attendance at those meetings is shown in the Corporate Governance Report on page 70.

The Committee has an annual work plan, developed from its terms of reference, with standing items that the Committee considers at each meeting in addition to matters of topical relevance or on which the Committee has otherwise chosen to focus.

The work of the Committee in FY2018 is summarised below.

Safety

- Received reports from accountable managers on the one fatality during FY2018 and all serious safety incidents, including a detailed analysis of factors contributing to the safety incident and the corrective and preventative measures taken to prevent recurrence;
- Reviewed reports on key safety indicators and trends;
- Received a presentation from senior representatives of the DMR in relation to safety within the mining industry both nationally and within the Rustenburg region;
- Reviewed progress and implementation of a strategic plan to improve safety and long-term safety initiatives;
- Reviewed material regulatory compliance and Lonmin's performance against its peers;

Health

- Reviewed reports on health and community indicators and trends;
- Received reports on the various medical schemes available to Lonmin employees and their families;

Environment

- Received reports from accountable managers on all serious environmental incidents, including a detailed analysis of factors contributing to the incident and the corrective and preventative measures taken to prevent recurrence;
- Reviewed reports on key environmental indicators and trends;
- Reviewed progress reports on various environmental initiatives;
- Reviewed the Company's environmental targets against regulatory requirements;
- Reviewed reports on complaints by regulators or third parties, including members of local communities;

Governance, regulatory and reporting

- Reviewed changes to local and international safety, health and environmental regulations;
- Reviewed the Committee's report within the 2017 Annual Report and recommended approval to the Board;
- Considered feedback from external auditors following their assurance review of selected data in the FY2017 annual report and reviewed the FY2017 Sustainable Development Report; and
- Reviewed the Committee objectives for FY2018.

Corporate Governance Report

Social, Ethics & Transformation (SET) Committee

The SET Committee was created by the Board in January 2011 to assist it to oversee the significant risks that the Company faces in the crucial area of transformation. Transformation refers to the over-arching aims of Black Economic Empowerment within South Africa. Lonmin has committed to certain objectives which are set out in its Social and Labour Plans and to certain other additional obligations intended to enable the Company to comply with the Mining Charter. The SET Committee's terms of reference were subsequently expanded to include oversight and management of social and ethical matters, which the Board considers to be essential in maintaining the ethical standards with which Lonmin conducts its business. The remit of the SET Committee also satisfies the obligation mandated by the South African Companies Act for Lonmin's principal operating subsidiaries, WPL and EPL, to each establish a social and ethics committee.

Role of the SET Committee

The SET Committee has delegated authority from the Board set out in its written terms of reference, available on the Company's website, which were last reviewed by the Board in September 2017.

The key responsibilities of the Committee are:

- to oversee the Company's strategy and actions in meeting its commitments and obligations in the areas of transformation and empowerment, and in those social and ethics matters prescribed in South African law, and that the interests of all stakeholders (including shareholders) are properly recognised when doing so;
- to develop strategies, policies and processes and to set goals and targets for transformation and empowerment and to assess the means by which such strategies are proposed to be implemented and goals achieved, with the goal of ensuring that there is a disciplined, co-ordinated and sustainable approach to transformation;
- to monitor, review and evaluate progress made by management in meeting the Company's obligations in respect of transformation and empowerment, including the Company's adherence to applicable legal and regulatory requirements and external commitments made in relation to the same;
- to oversee the Group's activities in relation to the prescribed social and ethics matters and in developing an appropriate corporate culture, including ethical matters (including anti-bribery and corruption actions) and the human rights of those involved in or affected by the Group's business;
- to ensure effective communication on SET issues between management, the Board and various stakeholders; and
- to guide and otherwise provide encouragement and counsel to management in relation to SET matters.

Composition of the SET Committee

The members of the Committee as at the date of this report are Kennedy Bungane (Chairman), Gillian Fairfield and Ben Magara. Dr Konar was Chairman of the Committee until he stepped down from the Board on 14 March 2018. The Company Secretary attends all meetings and, at the request of the Committee Chairman, the EVP of Stakeholder Engagement and Regulatory Affairs, the EVP of Human Resources and the EVP of Corporate Strategy, Investor Relations and Corporate Communications also attend the meetings, none of whom do so as of right. Other Board members and senior managers attend as needed, the latter when specialist input is required.

Corporate Governance Report

Activities of the SET Committee during the year

The Committee has an annual work plan, developed from its terms of reference, with standing items that the Committee considers at each meeting in addition to matters of topical relevance or on which the Committee has otherwise chosen to focus.

The Committee met formally six times during the year, of which two were ad hoc meetings to consider specific matters outside of the annual workplan. All other Board Directors were given a standing invitation to attend any of these meetings, and many did so. As well as routine monitoring activities, the material items considered by the Committee in FY2018 were:

Social & Transformation

- Reviewed progress reports on commitments made in the generation I and II Social and Labour Plans and the requirements of the Mining Charter and considered remedial actions;
- Considered and approved the submission of the generation III Social and Labour Plan;
- Considered the implications of the Mining Charter III and the MPRDA Amendment Bill;
- Reviewed progress reports on the implementation of Lonmin's employee accommodation programme;
- Received updates on the Bapo ba Mogale community;
- Received updates on the The Sixteen Eight Memorial Trust, including reviewing the trust management and progress of the students;
- Reviewed the community complaints register and, where relevant, actions taken to address any issues;
- Reviewed plans and stakeholder engagement strategy for a memorial park to the victims of the events of 2012;

Ethics

- Received a progress report on actions taken to verify that slavery and human trafficking are not taking place in the business and its supply chain;
- Received an update on the Minerals Council of South Africa workshop on "Industry's implementation of the UN's Guiding Principles on Business and Human Rights";
- Received a progress report on a range of initiatives introduced to promote awareness of gender equality, combatting sexual harassment in the workplace and reporting, escalation and management of any such incidents;

Governance, regulatory and reporting

- Reviewed changes to local and international regulations and new legislation, including Mining Charter III;
- Received feedback in relation to the BASF audit report;
- Considered feedback from external auditors following their assurance review of selected data in the FY2017 annual report and FY2017 Sustainable Development Report; and
- Reviewed progress against the Committee objectives for FY2018.

Corporate Governance Report

Management Committees

Executive Committee (Exco)

Power is delegated from the Board to the CEO, and through him to the management team via a documented Delegation of Authority, setting out the responsibilities, decision-making and approval powers of managers at different levels of the enterprise. To support the CEO in managing the business, three management Committees have been created, as explained below.

The members of the Exco are the two Executive Directors, Ben Magara and Barrie van der Merwe, and three senior executives: Thandeka Ncube, Khaya Ngcwembe and Tanya Chikanza. The CEO chairs the Exco, which meets monthly and has a weekly update call. It has formal terms of reference, which dovetail into the Schedule of Matters reserved for the Board's decision. Its responsibilities include the following key areas:

- develop strategy for submission to the Board;
- develop, implement and monitor operational plans, policies, procedures and budgets;
- review financial performance, forecasts and targets;
- prioritise initiatives and allocate resources;
- identify and drive efficiencies across the Group;
- approve capital expenditure proposals within the authority levels delegated by the Board and otherwise recommend to Board;
- develop and monitor the Group's policies and practices in respect of health, safety and environmental matters taking into account legal requirements, regulations and best practice;
- review findings for all serious incidents using Incident Cause Analysis Methodology;
- oversee risk management including identifying risks and developing and implementing risk mitigation plans;
- develop and monitor the internal control environment; and
- develop and implement Group-wide evaluation, training, reward and remuneration practices and manage wage negotiations / benefits with unions.

Operations Steering Committee

The members of the Operations Steering Committee are the members of the Exco, the operational General Managers and the Heads of Support & Shared Services. The CEO is Chairman of the Operations Steering Committee. The Committee meets weekly and its primary responsibilities are to:

- review operational and financial performance across the business including mining, processing and technical services;
- consider matters relating to human capital, safety, environment and health;
- monitor progress of various initiatives; and
- provide a forum for information sharing and debate business issues between various parts of the business value chain.

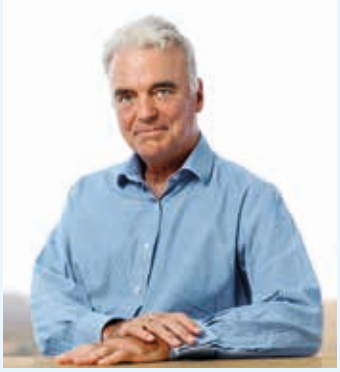
Price & Risk Committee

The Price & Risk Committee is chaired by the CEO and members include the CFO, Group Financial Controller, Head of Commercial & Marketing, Head of Treasury, Head of Finance (Operations) and the Senior Manager Business Planning. The primary purpose of this Committee is to review and agree proposals in relation to the forward sale of by-products, principally nickel, copper and gold. The Committee meets as and when required.

Audit & Risk Committee Report

for the year ended 30 September 2018

Jonathan Leslie
Chairman, Audit & Risk Committee



Dear fellow shareholder,

This year we have had a number of significant changes within the Audit & Risk Committee. Dr Len Konar stepped down earlier this year as a Non-executive Director of the Board and Chairman of the Audit & Risk Committee and I would like to take this opportunity to thank Len for his valuable input over the years. I replaced Len as Chairman of the Committee and my colleague on the Board, Kennedy Bungane, was appointed a member of the Committee. Kennedy brings with him relevant financial experience following his long career in banking. I am pleased to report that despite these changes the handover and transition has occurred seamlessly.

The Committee has continued to support the Board by ensuring the integrity of the Company's financial reporting by providing independent scrutiny and challenging the key judgments made by management. The work performed by the external auditors and internal auditors has been crucial in this regard. Significant issues considered by the Committee include going concern/ viability, impairment of non-financial assets and valuation of inventory, each of which are discussed later in this report.

The Board believes that it is likely the transaction with Sibanye-Stillwater will complete, however, naturally some level of uncertainty currently exists as approval from Lonmin's and Sibanye's shareholders is outstanding at the time of writing. This, coupled with the longer term adverse challenges that Lonmin would face in the event the transaction did not complete, represents a material uncertainty. This is also discussed on page 22.

Looking ahead, these topics will remain key focus areas in FY2019 and the Committee will continue to support the Board and management, as required, in relation to progressing the transaction with Sibanye-Stillwater.

Jonathan Leslie
Chairman, Audit & Risk Committee

Audit & Risk Committee Report

Role of the Audit & Risk Committee

The Audit & Risk Committee has delegated authority from the Board set out in its written terms of reference, available on the Company's website. The primary functions of the Audit & Risk Committee are:

- to monitor the integrity of the Company's financial statements and regulatory announcements relating to its financial performance and review significant financial reporting judgements;
- to keep under review the effectiveness of the Company's internal controls, including financial controls and risk management systems;
- to provide the Board with an independent assessment of the Group's accounting affairs and financial position;
- to monitor the effectiveness of the internal audit function and review its material findings;
- to oversee the relationship with the external auditors, including agreeing their remuneration and terms of engagement, monitoring their independence, objectivity and effectiveness, ensuring that the policy and regulations governing their engagement to provide non-audit services are appropriately applied, and making recommendations to the Board on their appointment, reappointment or removal, for it to put to the shareholders in a general meeting; and
- to report to the Board on how it has discharged its responsibilities.

Composition of the Audit & Risk Committee

The members of the Committee as at the date of the report are Jonathan Leslie (Chairman), Varda Shine and Kennedy Bungane, all of whom held office throughout the year and continue in office at the date of this report, save for Kennedy Bungane who joined the Committee on 15 March 2018. Dr Konar stepped down from the Board and consequently the Committee on 14 March 2018.

Mr Leslie is a barrister by qualification and has many years of experience in the mining industry, including at board level. Mr Bungane has a graduate degree in Corporate Finance & Investment Finance and has extensive experience in banking and financial services across Africa. The Board regards Mr Bungane as the member possessing recent and relevant financial experience, in accordance with the Code. Mrs Shine has had a long career in international business, holding several executive and managerial positions over 30 years, including serving as CEO of a large international business.

Mr Leslie and Mrs Shine are regarded by the Board as independent.

The varied backgrounds of the Committee's members and their collective skills, experience and knowledge of the Company allow them to fulfil the Committee's remit.

All meetings of the Committee are attended by the Chairman of the Board, CEO, CFO, Company Secretary and the Group Financial Controller, none of whom do so as of right. The Head of Assurance and Risk, Head of Treasury and the Head of Tax also join certain meetings of the Committee as required. The external auditors attend Committee meetings and a private meeting is routinely held with the internal and external auditors to afford them the opportunity of discussions without the presence of management.

Number of Audit & Risk Committee meetings and attendance

The Committee met seven times during the year and attendance at those meetings is shown on page 70 of the Corporate Governance Report.

Activities of the Audit & Risk Committee during the year

The Committee has an annual work plan, developed from its terms of reference, with standing items that the Committee considers at each meeting, in addition to any specific matters arising and topical items on which the Committee has chosen to focus. The work of the Audit & Risk Committee in FY2018 principally fell under five main areas and is summarised below.

Internal controls and risk

- Assessed the effectiveness of the Group's internal control environment, including reviewing reports from the internal and external auditors on their audits and assessment of the Group's mechanisms for identification, assessment and management of risks;
- Reviewed the methodology to assess risks and reviewed the output from the risk reviews which required managers and the Exco to identify risks and evaluate them before and after mitigating controls were agreed and implemented;
- Received risk management and security risk management updates;
- Received updates on the Company's strategy for fraud prevention and reviewed reports on fraud prevention and investigations;
- Reviewed matters reported to the external whistleblowing hotline and a report from the investigations department;
- Considered and approved the structure, scope of cover and renewal terms of the Group's insurance programme for FY2019;
- Considered a report on IT risk management and governance;
- Considered the Group's tax strategy and recommended Board approval of the same;

Audit & Risk Committee Report

Activities of the Audit & Risk Committee during the year (continued)

Governance

- Reviewed the effectiveness of the Committee;
- Received updates on GDPR;
- Approved the Committee's objectives for FY2018 and reviewed progress against the same;

External audit

- Considered and approved the scope, terms of engagement and fees of the external audit work to be undertaken in respect of FY2018;
- Reviewed reports on findings by the external auditors;
- Considered a schedule of non-audit services provided by the external auditors in respect of FY2017;
- Considered the independence of the auditors and the effectiveness of the external audit process, taking into account:
  (a) non-audit work undertaken by the external auditors and compliance with the policy and applicable regulations;
  (b) the Committee's own assessment; and
  (c) the external auditors' statement on objectivity and independence;
- Considered and approved letters of representation issued to the external auditors;

Internal audit

- Received updates on internal audit and the internal control environment;
- Reviewed the resources of the internal audit function, assessed the level of alignment between the Company's key risks and approved the internal audit programme;
- Considered and approved the scope of the internal audit programme for FY2019;
- Considered the effectiveness of the internal auditors;

Accounting, tax and financial reporting

- Reviewed and approved the half year and annual financial statements and the significant financial reporting judgements;
- Reviewed the liquidity risk and the basis for preparing the Group half year and full year accounts on a going concern basis with input from the external auditors, and reviewed the related disclosures in the half year financial results and in the FY2017 Annual Report and Accounts;
- Reviewed and recommended Board approval of the Directors' assessment of the Group's prospects and longer term viability contained in the FY2017 Annual Report and Accounts;
- Reviewed and approved disclosures in the FY2017 Annual Report and Accounts in relation to internal controls, risk management, principal risks and uncertainties and the work of the Committee; and
- Reviewed the status of the accounts and governance arrangements for subsidiaries and JV entities.

Significant issues considered by the Audit & Risk Committee

After discussion with both management and the external auditor, the Committee determined that the key risks of misstatement of the Group's financial statements related to:

1. Going concern;
2. Impairment of non-financial assets;
3. Physical quantities of inventory (excluding consumables) and net realisable value.

These issues were discussed with management during the year and with the auditor at the time the Committee reviewed and agreed the auditors' Group audit plan, when the auditor reviewed the half year interim financial statements in May 2018 and also at the conclusion of the audit of the financial statements for the year ended 30 September 2018.

Audit & Risk Committee Report

Significant issues considered by the Audit & Risk Committee (continued)

1. *Going concern*

As more fully explained in note 1 to the financial statements, in determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

In assessing the Group's ability to meet its obligations as they fall due, management prepared cash flow forecasts for a period in excess of 12 months and considered various scenarios to test the Group's resilience against operational risks, including:

- Adverse movements in the Rand / US Dollar exchange rate and PGM commodity prices or a combination thereof; and
- Failure to meet forecast production targets.

Management reported to the Committee the results of its going concern assessment, noting to the Committee that at 30 September 2018 the waived TNW debt covenant was significantly in breach. Waivers had been agreed with the lenders in January 2018, conditional on the acquisition of the Group by Sibanye-Stillwater. In October 2018 the TNW debt covenants had fallen away as Lonmin had entered into a $200 million financing facility with Pangaea Investment Management Limited (PIM) to be amortised over the next three years (the new facility). A condition of the new facility was that the pre-existing facilities were cancelled to enable PIM to become the senior lender. The pre-existing term loan of $150 million was settled in October 2018 and all other pre-existing undrawn/draw-stopped facilities with both the South African and US Dollar lender groups were cancelled. The pre-existing facilities were due to expire in May 2019. The new facility enhances Lonmin's liquidity as it requires only partial settlement of between $60 million and $80 million upon completion of the acquisition by Sibanye-Stillwater compared to the term loan of $150 million which required full settlement upon completion. Based on cash flow projections using assumptions that were duly considered by the Board, the partial repayment of the facilities at the closing of the deal is considered a reasonable expectation. In the unlikely event that the acquisition does not close, no partial settlement is required and the three-year facility remains in place.

The completion of the Sibanye-Stillwater acquisition is subject to the conditions precedent to the transaction. Additionally, the Directors anticipate that Sibanye-Stillwater shareholders would have a strong preference for Lonmin to be in a net cash position. We are not in full control of the approvals of the conditions precedent and their receipt is uncertain. Furthermore there is a risk that the Group's net cash position could be materially impacted by significant economic downturn or operational factors.

The Committee interrogated management's key assumptions for determining the cash flow forecasts used in the going concern assessment as well as the scenarios applied in testing the Group's resilience against downside risks. The Committee was satisfied that key assumptions had been appropriately scrutinised, stress-tested and were sufficiently robust. The factors highlighted included the uncertainty around completion of the Sibanye-Stillwater acquisition, given the statutory time period of 20 business days to file an appeal or apply for a review and that approval by both Lonmin and Sibanye-Stillwater shareholders is still outstanding. This, combined with the need for an alternative solution to the adverse longer term challenges faced by the Lonmin Group if the deal does not complete, represents a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, based on the Group's expectation of the acquisition completing by early 2019, the Directors believe that the Group will continue to have adequate financial resources to meet obligations as they fall due. The Committee was further satisfied with the going concern disclosures in the financial statements and that an appropriate basis of preparation of the financial statements had been arrived at.

The auditor explained their audit procedures to test management's assessment of going concern and considered the Group's disclosures on the subject. The Committee considered the conclusions reported by the auditor based on the finding of their work as set out in the audit report.

2. *Impairment of non-financial assets (excluding inventories and deferred tax)*

As more fully explained in note 30 to the financial statements, the Group's principal non-financial assets are grouped into cash generating units (CGUs) for the purpose of assessing the recoverable amount.

In assessing indicators of impairment or of a reversal of impairment for the Marikana CGU, management determined the recoverable amount of the CGU and compared this to the carrying amount at 30 September 2018. Management reported to the Committee the result of its impairment assessment, noting to the Committee that future cash flows for the CGU had been estimated based on the most up to date business forecasts and discounted using discount rates that reflected current market assessments of the time-value of money and risks specific to the assets. Management highlighted to the Committee how they arrived at the key assumptions to estimate future cash flows for the CGU, specifically PGM metal prices, foreign exchange rates and discount rates.

Audit & Risk Committee Report

Significant issues considered by the Audit & Risk Committee (continued)

The Committee interrogated management's key assumptions used for determining the recoverable amounts of non-financial assets to understand their impact on the CGU's recoverable amount and the Committee was satisfied that key assumptions had been appropriately scrutinised, challenged and were sufficiently robust. The Committee was further satisfied that there had been no significant change to the outlook for the business and therefore prior year impairment had not been reversed and no further impairment to non-financial financial assets were required.

Both the Akanani and Limpopo CGUs were fully impaired in prior years. Whilst any changes in assumptions could lead to a reversal of impairment, no indicators of a reversal in impairment were observed in 2018.

The auditor explained their audit procedures to test management's impairment and considered the Group's disclosures on the subject. On the basis of their audit work, the auditor considered that the carrying value of non-financial assets was materially appropriate in the context of the financial statements as a whole.

3. *Physical quantities of inventory (excluding consumables) and net realisable value*

As detailed in the "use of estimates and judgments" section in note 1 to the financial statements, inventory is held in a wide variety of forms across the value chain, and prior to production as a final metal, is always contained in a carrier material. As such inventory is typically sampled and assays taken to determine the metal content and how this is split by metal, the accuracy of which can vary quite significantly depending on the nature of the vessels and the state of the material. Furthermore, as detailed in the "Inventories" section in note 1 to the financial statements, inventory is valued at the lower of cost and net realisable value. PGM prices were volatile and subdued during the year and as such there is a risk that the cost of inventory exceeds its net realisable value.

In summary

Management reported to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported to the Committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted. The Committee confirmed that it was satisfied that the auditors had fulfilled their responsibilities with diligence and professional skepticism.

After reviewing the presentations and reports from management and consulting, where necessary, with the auditors, the Committee was satisfied that the financial statements appropriately addressed the critical judgments and key estimates (both in respect to the amounts reported and the disclosures). The Committee was also satisfied that the significant assumptions used for determining the value of assets and liabilities had been appropriately scrutinised, challenged and were sufficiently robust.

External audit

The external auditors are appointed by shareholders to provide an opinion on the financial statements and certain other disclosures prepared by the Directors. Following their re-election at the January 2018 AGM, KPMG LLP acted as the external auditors to the Lonmin Group throughout the year. The Senior Statutory Auditor is based in the United Kingdom and is supported by an audit partner based in South Africa.

Effectiveness of the external auditors

The Committee, other Board members, the Exco, senior management and the internal audit evaluated the performance, independence and objectivity of KPMG LLP during FY2018 and also reviewed the effectiveness of the external audit process.

The following factors were considered:

- the quality of the interactions between the audit team and the Committee, other Board members, management and those involved in the preparation of the accounts;
- the external auditors' progress achieved against the agreed audit plan and communication of any changes to the plan, including changes in perceived audit risks;
- the competence with which the external auditors handled the key accounting and audit judgements and communication of the same with management and the Committee;
- the external auditors' compliance with relevant regulatory, ethical and professional guidance on the rotation of partners;
- the external auditors' qualifications, expertise and resources and their own assessment of their internal quality procedures; and
- the stability and continuity that would be provided by continuing to use KPMG LLP.

During the year, the FRC's Audit Quality Review team carried out a review of KPMG LLP's audit work for FY2017. There were no findings in their report and consequently no changes were made to the FY2018 external audit process.

After taking into account all of the above factors and following detailed conversations with management, the Committee concluded that the external auditors were effective.

Audit & Risk Committee Report

External audit (continued)

Reappointment of the external auditors

A predecessor firm of KPMG LLP was first appointed in 1970. Following a robust tender process undertaken in 2015 involving proposals from four audit firms, the Board concluded that the Company's and shareholders' interests were best served by the reappointment of KPMG LLP. In accordance with the UK regulatory position, the Board will re-tender the external audit by January 2020 at the latest and KPMG LLP will not be invited to participate in this tender process.

The lead audit partner at Group level is rotated every five years in accordance with professional and regulatory standards designed to safeguard independence and objectivity. In addition, senior audit staff, who are located in the United Kingdom and South Africa, rotate periodically in accordance with KPMG LLP's internal policies on independence.

There are no contractual obligations which restrict the Committee's choice of statutory auditor. In addition, following a thorough review of its policy on non-audit services provided by the external auditors, the Committee was comfortable that the external auditors are free from any perceived conflict of interest.

External Auditor Engagement Policy

In accordance with EU audit reforms and related regulatory provisions, including the CMA Order 2014 and the FRC's 2016 Revised Ethical Standard, the External Auditor Engagement Policy provides for a:

(i) a cap on fees for non-audit work of 70% of the average of fees paid to the firm over the previous three years for audit services (beginning with FY2016);

(ii) a maximum engagement period of ten years (extendable to twenty years if a public tender process is carried out on expiry of the first ten years); and

(iii) an extended list of non-audit services the external auditors will not generally be able to provide to the Company, including various tax-related services.

The Company is prevented from using the external auditors to provide audit-related or non-audit services if the performance of such services, or the fees involved, would, in the view of a reasonable and informed third party, be likely to compromise the external auditors' independence. The Policy provides for the following annual authorisation limits:

	Audit-related services	Non-audit related services
Chief Financial Officer	$200,000	$100,000
Chairman of the Audit & Risk Committee	$500,000	$250,000

Any services which exceed these caps, and all statutory audit services, require prior approval of the Committee itself. These limits are unchanged from the prior policy.

Audit-related and non-audit fees

Fees paid to the external auditors for services other than for audit services during the year amounted to $0.2 million (2017 – $0.2 million and 2016 – $1 million) representing 12.5% of the audit fees and 11.1% of the total fees payable to the Group's auditor and associates (including assurance and non-audit advisory services). Non-audit services provided by the external auditors included assurance services in respect of the Mining Charter and tax compliance services and tax services outside of the EU. Further information can be found in note 3 to the financial statements.

A non-audit fee cap will apply from financial years commencing 1 October 2019 such that non-audit fees averaged over three years must not exceed 70% of audit fees for that year. The non-audit fees averaged over FY2016 to FY2018 is $0.4 million, which represents 23% of the FY2018 audit fees.

The Committee is satisfied that the overall levels of audit related and non-audit fees are not material relative to the income of the external audit offices and firm as a whole and therefore the objectivity and independence of the external auditors was not compromised as a result.

Audit & Risk Committee Report

Internal audit

Within Lonmin, the internal audit function, risk management, investigations and whistleblowing are organised under the umbrella of Lonmin Business Assurance Services (LBAS), the purpose of which is to bring a systematic and disciplined approach to evaluate and improve the effectiveness of Lonmin's governance and internal controls. To ensure independence, the Head of Assurance and Risk reports functionally to the Chairman of the Audit & Risk Committee and administratively to the CFO and he has unrestricted access to the Chairman of the Board.

Lonmin has adopted a partially co-sourced model for the internal audit function, supported by the South African arm of PwC. The internal audit plan, approved in September 2017 by the Committee, reflects a risk based approach targeting financial and operational processes. The main objective is to test the robustness of the mitigating controls and identify improvement opportunities. A total of 38 audits were undertaken during the year. The audits were conducted in accordance with International Standards for the Professional Practice of Internal Auditing focussing on business critical and high risk areas which were prioritised by the internal auditors with input from management and the Committee.

Audit findings and the related management actions are tracked by internal audit, and verified periodically after being reported by management as complete. The Committee is provided with reports on material findings and recommendations and regular updates on the progress made by management in addressing the findings are also provided. All action points are recorded on a Company-wide database to facilitate monitoring and accountability.

The effectiveness of the internal audit function was assessed through a variety of ways, including review of quality assurance questionnaires completed by auditees and a wider review involving senior management, the Exco, the Committee, other Board members and the external auditors. An independent external peer review is also carried out every five years. Having considered the results of the effectiveness review and a number of other factors, including the quality of reporting to the Committee and impartiality of the internal audit function, the Committee concluded that the internal audit function was effective.

Whistleblowing

The Company's Whistleblowing Policy, approved in 2017 and available on the Company's website, www.lonmin.com, encourages and protects legitimate whistleblowing. An independent third-party whistleblowing helpline allows employees and other stakeholders to report concerns about any suspected wrongdoing or unethical behaviour occurring within the business or about the behaviour of individuals. All calls are treated confidentially and anonymously, if preferred.

Any matters reported are initially reviewed by the Head of Assurance and Risk and investigated by the LBAS – fraud and investigations function. Cases are also referred, where appropriate, to Lonmin Security Management for investigation. Where necessary, certain matters are escalated to the CFO, CEO or Exco and reported regularly to the Committee.

The following table provides a summary of the calls that were reviewed in FY2018:

	FY2017	FY2018
Bribery	1	4
Company Procedure violations	25	10
Corruption	10	10
Forgery	5	5
Fraud	19	25
Theft	8	11
Unethical behaviour	25	21
Conflicts of interest	0	4

Audit & Risk Committee Report

Internal controls

The implementation of internal controls is intentionally designed to provide reasonable assurance regarding the achievement of company's objectives, in three particular areas:

- efficiency and effectiveness of operations;
- reliability of financial reporting; and
- compliance with applicable, laws, regulations and internal policies and procedures.

Key features of Lonmin's internal control framework include:

Clear delegation of power		Agreed objectives		Agreed ways of working		Transparency
Schedule of Matters reserved for the Board's decision Remit and terms of reference of Board Committees Delegation of authority to each level of management	→	Group Strategy, supported by Life of Business Plan, resource database and model Annual financial and technical budgets Risk tolerance / appetite clearly defined	→	Charter, values and Code of Business Conduct Documented policies, procedures, processes and standards Risk management policy and procedures Fraud Prevention, Fraud Investigation and Whistleblowing Policies Conflicts of Interest, Bribery and Anti-Corruption Policy Appropriate tools including SAP, mine planning, metallurgical tracking and accounting and risk systems	→	Clear accountability Management reporting against budgets, plans and forecasts Annual management confirmation letters Supported by annual audit and other external assurance providers Internal audit and other in-house review processes

Management is responsible for establishing and maintaining adequate internal controls over financial reporting, including over the Group's consolidation process. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

A comprehensive strategic planning, budgeting and forecasting system is in place. Monthly financial information, including trading results and cash flow statements, are reported to the Board and management. The Exco reviews performance against budget and forecast on a monthly basis and senior financial managers regularly carry out group consolidation reviews and analysis of material variances.

A separate investigations team is responsible for addressing the risk of theft of PGMs, which plays a significant role in helping counter copper cable theft and other criminal and unauthorised activities which could have a material impact on the business.

Responsibility for reviewing the effectiveness of the internal control environment has been delegated to the Committee. The Committee uses information drawn from a number of different sources to carry out this review:

- Internal Audit provides objective assurance - their annual work plan is developed in conjunction with management and focuses on key risks and key internal controls. In the light of Internal Audit's recommendations, management develops and implements corrective action plans, which are tracked to completion by Internal Audit, with the results reported to executive management and to the Committee;
- Annual self-assessments completed by circa 50 executive and senior managers in the Group – each manager confirms whether there have been any breaches of internal controls or their awareness of any weaknesses in the control environment within their area of the business. The principle of individual accountability and responsibility at operational level is an important component in the Group's overall risk and internal control philosophy. Managers are responsible for the identification and effective management of all risks in their areas of responsibility and these letters have a wide ranging scope; and
- Further objective assurance is provided by the external auditors and other external specialists.

Audit & Risk Committee Report

Risk Management

Lonmin has an integrated approach to risk management and internal controls to ensure that our reviews of risk are used to inform the design of internal controls and the internal audit process. The accountability for risk governance is shown below.

Risk governance – the three lines of defence

Management continues to enhance the existing risk management framework in order to improve governance across the Group. The risk management framework is reviewed periodically and risk workshops are held with key management to enhance the process of risk identification, analysis, evaluation and mitigation of risks.

The Board is ultimately responsible for the Group's system of internal controls and risk management, and it discharges its duties in this area by:

- Determining Lonmin's risk appetite (the risk we actively seek or accept in pursuit of our long-term objectives, in the expectation of an economic return) and risk tolerance (the risk we are prepared to face in achieving our strategic goals);
- Overseeing the risk management strategy;
- Ensuring management implements effective systems of risk identification, assessment and mitigation and internal controls;
- Embedding a risk based approach and awareness into the corporate culture so that risks are communicated and understood at all levels and functions within the Group; and
- Encouraging line management accountability for identifying and managing the risks within their area of the business;

The systems described above are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and cannot provide absolute assurance against material misstatement or loss.

The Committee regularly reviews the effectiveness of the risk identification process and the methodology used to evaluate and quantify the risks, in line with the guidance appended to the Code.

Audit & Risk Committee Report

Risk Management (continued)

Principal Risks

The risk register and the associated mitigating controls are reviewed quarterly by the Exco. A summary dashboard comprising the principal risks is reviewed at every Board meeting in conjunction with an annual deep dive risk review.

Review of Risks

"Top-down" and "bottom-up" risk reviews are carried out in each area of our business, involving the Exco, operational and middle managers respectively. All senior managers are responsible for managing and monitoring risks in their area of responsibility and recording these in the risk register. It is mandatory for this process to take place at least once a year, but in practice, reviews often take place more frequently. For each risk identified, management assesses the root causes, consequences of the unmitigated risks, probability of occurrence, effectiveness of the existing controls and the level of exposure after mitigation measures had been implemented.

Each of the business areas is supported by either a Risk Officer or an Operational Risk Champion who co-ordinates all risk management activity in that business area and ensures that actions are implemented appropriately. This process ensures all risks are measured, monitored and reported on a consistent basis.

Risks related to sustainability

Risks related to safety, labour and community relations, social development, transformation and environmental impacts makeup a significant portion of Lonmin's risk profile. Each business area is responsible for managing safety and environmental impact mitigation and for monitoring the relevant action plans in place. In this way, the Company ensures that focus on these areas is maintained and that accountability is embedded at operational management level. Reviews of these risks and their associated management plans are conducted by the SHE and SET Committees, the results of which are presented to the Board.

Nomination Committee Report

for the year ended 30 September 2018

Role of the Nomination Committee

The Nomination Committee has delegated authority from the Board set out in its written terms of reference, available on the Company's website, which are reviewed annually and were last updated by the Board in May 2015. The primary purposes of the Nomination Committee are:

- to ensure that a regular, rigorous and objective evaluation is undertaken of the structure, size, composition, balance of skills, knowledge and experience of the Board;
- to recommend any proposed changes to the composition of the Board and to instigate and manage the recruitment process;
- to ensure the Company's adherence to applicable legal and regulatory requirements in relation to the above; and
- to oversee compliance with the Code and other applicable corporate governance regulations.

The Committee Chairman reports material findings and recommendations at the next Board meeting and copies of the minutes of its meetings are circulated, where appropriate, to all Directors.

Composition of the Nomination Committee

The Chairman of the Board, Brian Beamish, chairs the Committee and the independent Non-executive Directors, Jonathan Leslie, Varda Shine and Gillian Fairfield are members. The Committee is supported by the services of the Company Secretary who acts as secretary to the Committee and it has full access to the CEO and CFO. It is empowered to appoint search consultants, legal, tax and other professional advisors as it sees fit to assist with its work.

No individual participates in discussion or decision-making when the matter under consideration relates to him or her.

Activities of the Nomination Committee during the year

The Committee met twice during the year and attendance at that meeting is shown on page 70.

Matters considered by the Committee in FY2018 included the following material items:

Board and Committee composition

- Considered the outcome of the Board effectiveness review and individual assessments in respect of the Non-executive Directors seeking re-election / election at the 2018 AGM;
- Considered the timing and termination arrangements in relation to Dr Konar's decision to not seek re-election at the 2018 AGM and concluded that no immediate replacement was necessary;
- Reviewed and approved the composition of the various Committees in response to the departure of Dr Konar;
- Assessed the composition of the Exco and considered the succession strategy in response to Mike da Costa's resignation;
- Considered and approved the appointment of Tanya Chikanza; and

Reporting

- Reviewed the Committee's report within the FY2017 annual report and accounts and recommended approval to the Board.

Policy on appointments to the Board

Our policy is also discussed on page 66 of the Corporate Governance Report and is summarised below.

The issue of diversity has frequently been debated by the Committee and the policy, initially adopted in 2011, has been reviewed on these occasions. The Board's view has been and continues to be that all appointments to the Board should be merit based, assessed against objective selection criteria. To avoid precluding any deserving candidate from consideration, executive search consultants are asked to provide candidates from a diverse range of backgrounds and that these lists are gender neutral. The Board maintains its practice of embracing diversity in the broadest sense and has therefore chosen not to set any measurable gender based targets. This position will however be reviewed in FY2019, as highlighted on page 69 Corporate Governance Report.

The process of identifying candidates for Board appointment commences with an analysis of the current Board composition taking in to account various factors such as qualifications, skills, experience, independence and diversity of the existing Directors in order to identify any weaknesses.

Nomination Committee Report

Policy on appointments to the Board (continued)

These factors are assessed by reference to 27 different criteria which are tabulated in a matrix, for example:

Knowledge

- Geology, mining engineering and processing technology
- South African law and regulation, especially BEE and labour law
- Corporate finance

Experience

- Driving safety, health and environment initiatives and performance
- Oversight of operational performance at c-suite level
- Commodity pricing and forex forecasting

Skills

- Strategic planning and execution
- Management of people (teams) and operations (preferably mines and processing plants)

A person specification is then prepared which includes, in the case of Non-executive Director appointments, an estimate of the time commitment required. Generally, the Committee will engage executive search consultants, or consider open advertising, to assist in ensuring a comprehensive list of potential candidates from a range of backgrounds for the Committee's consideration.

Board and management talent assessment and succession planning

The composition of the Board and its Committees together with the individual profiles of each of the Directors by reference to the matrix discussed above is reviewed by the Committee. The output from that process informs the Board succession plan and any changes to the composition of the Board and its Committees.

The decision by Dr Konar to not seek re-election at the 2018 AGM coupled with Jonathan Leslie's tenure, which exceeds the period recommended by the Code, would under ordinary circumstances warrant the appointment of additional Directors to the Board and this view was supported by the feedback received from the FY2018 effectiveness review. However, in view of the recommended offer by Sibanye-Stillwater, which is expected to close in early 2019, the Committee decided that appointing new Directors in these circumstances would not be appropriate. Notwithstanding this, the Committee and the Board were satisfied that the Board remained effective and committed.

A detailed succession plan at management level, together with an assessment of the talent pipeline in terms of those considered "emergency", "ready now", "ready in 1 -3 years", "ready within 5 years" and the longer term talent pipeline continues to be developed. Identifying, developing and retaining talent within the organisation is critical for the continued sustainability of the business and therefore this continues to be one of the key priorities for the Board.

Independence and re-election to the Board

The Committee assessed Mr Leslie's independence and, though he had served on the Board for longer than the nine years recommended by the Code, the Committee was satisfied that he remained of independent character and judgement and his performance was not in any way impaired by his tenure on the Board. In view of the recommended offer by Sibanye-Stillwater and in the interests of maintaining continuity during this period, the Committee and subsequently the Board decided that Mr Leslie would continue to serve as a Non-executive Director and Senior Independent Director.

Ms Fairfield was a corporate partner at Herbert Smith Freehills LLP, one of the Company's legal advisers and, for a period of time during her employment at Herbert Smith Freehills, Ms Fairfield acted as a relationship partner to the Company. The Board did not consider Ms Fairfield's previous position at Herbert Smith Freehills an impediment to determining her independence on appointment to the Board.

Mr Bungane, by virtue of being nominated by the Company's BEE partner, Phembani, is not considered to be independent.

The Board determines whether Non-executive Directors are independent. The Board considers three of the four Non-executive Directors, Jonathan Leslie, Varda Shine and Gillian Fairfield, serving at the date of this report to be independent.

It is noted that Lonmin falls within the definition of a "smaller company" as defined in the Code and satisfies the requirement for the Board to comprise at least two independent Non-executive Directors.

Directors' Remuneration Report

for the year ended 30 September 2018

Varda Shine
Chair of the Remuneration Committee

Dear fellow shareholder

As you will have read in earlier sections of this Annual Report and Accounts, the Board has recommended the all-share offer from Sibanye-Stillwater. The Board believes this transaction is in the best interests of our shareholders and other stakeholders as it offers the opportunity to benefit from the long-term upside potential from an enlarged group with greater geographical and commodity diversification.

It is against this backdrop that the Committee has sought to operate the remuneration arrangements for senior executives over the last year in a manner which continues to focus management on delivery of key operational goals as well as delivering a positive strategic outcome for our shareholders and stakeholders.

Performance in FY2018

Despite challenging market conditions and equally challenging business specific fundamentals, I am pleased to report that the business has delivered a strong operational and financial performance. Platinum sales of 681,580 ounces were achieved and unit costs of R12,307 per PGM ounce were also within guidance. One of our key objectives was to remain cash neutral and it is therefore particularly pleasing to report that we closed the year at $114 million, up from $103 million last year. More strategically, and reflecting many months of work on the part of the executive and management team, the Company entered in to a new $200 million metal purchase facility in October of this year which has significantly improved the Company's liquidity position. At the same time, very good progress has been made on the transaction with Sibanye-Stillwater with unconditional approval of the offer from the UK's Competition and Markets Authority in June of this year and, more recently, the South African Competition Tribunal cleared the offer subject to certain conditions which are discussed in more detail in other parts of this Annual Report and Accounts.

Whilst we have many positives to report this year, only some of which I have listed above, there is one tragic outcome that I regret to have to report and that is the fatal incident that occurred at K3 on 30 September. I extend my sincere condolences to the family and friends of the late Mr Tembelani Manyana.

Remuneration in FY2018

The BSC bonus outcome is primarily based on a balanced scorecard of corporate targets. These were set at the start of the financial year based on a combination of safety, production and social responsibility metrics. The Committee also sought to recognise and prioritise the financial and strategic risks and opportunities facing the Company and therefore 35% of the scorecard was allocated to these priorities with the remaining 65% focussed on operational delivery. More detailed information on the scorecard is provided on page 93.

No awards were granted to Executive Directors in FY2018 under the Long-Term Incentive Plan. Although the Executive Directors retain an interest in LTIP awards granted in 2017, the expectation is that these awards will lapse in full on completion of the transaction with Sibanye-Stillwater. While this outcome is disappointing, it demonstrates the alignment between pay and the experience of our shareholders.

Looking ahead

The Committee has been strongly focussed on ensuring the business runs as normal despite the distractions and uncertainties that inevitably come with a transaction such as the one underway with Sibanye-Stillwater. It is with this "business as usual" mindset that the Committee approved annual salary increases to management of 3% in the UK and 5.6% in South Africa, both largely in line with inflation. Salary increases were not awarded to the Executive Directors in view of the circumstances.

In the event that the transaction with Sibanye-Stillwater does not for any reason complete, the Committee will, as reported last year, undertake a more holistic review of pay arrangements to ensure alignment with the Group's evolving strategic priorities and we will engage with our major shareholders regarding any such proposals.

The business has continued to make progress and deliver on many key priorities despite the prolonged period of uncertainty due to the pending transaction with Sibanye-Stillwater. The Board would therefore like to thank all of our employees and the executive and management team for their continued resilience and for maintaining focus in this challenging context.

Varda Shine
Chair of the Remuneration Committee

Directors' Remuneration Report

Annual Remuneration Report

This section of the Directors' Remuneration Report sets out details of remuneration paid to Executive and Non-executive Directors during the financial year ended 30 September 2018 ("FY2018"). Our Remuneration Policy Report was approved at the AGM on 15 March 2018 and is available to view on our website, www.lonmin.com.

This report has been prepared on the basis prescribed in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations") and also includes the items required to be disclosed under Listing Rule 9.8.8 R. Where required, data has been audited by KPMG LLP and is flagged accordingly.

Executive Directors

Single figure totals for Directors' remuneration (audited)

		Ben Magara		Barrie van der Merwe[1]	
	Calculation notes	FY2017	**FY2018**	FY2017	**FY2018**
Fixed pay (£)					
Salary & fees		462,150	**475,552**	238,664	**242,510**
Taxable benefits	2	84,868	**55,155**	27,036	**31,121**
Pension related benefits	3	92,430	**95,110**	43,876	**44,838**
Sub-total		639,448	**625,817**	309,576	**318,469**
Performance pay (£)					
Short-term incentives	4	446,933	**825,133**	238,153	**418,799**
Long-term incentives	5	–	**–**	–	**–**
Sub-total		466,933	**825,133**	238,153	**418,799**
Total		1,106,381	**1,450,950**	547,729	**737,268**

1. Mr van der Merwe is paid in Rand. His salary and taxable benefits (excl. car allowance) have been converted to GBP using the monthly exchange rate (calculated using daily exchange rates). The annual bonus for Mr van der Merwe is also paid in Rand, the amount having been converted into GBP for this table (using the average exchange rate for the year: R:GBP 17.54).
2. Taxable benefits include the gross value of all benefits, whether provided in cash or in kind, that are (or would be if they were to be provided in the UK) chargeable to UK income tax. These comprise the cash-settled car allowance, private medical insurance (where the costs are borne by the employer), advice and support in relation to cross-border tax and exchange control obligations, and access to independent professional advice and necessary personal security protection.

   Taxable benefits paid to Mr van der Merwe in FY2017 have been restated to include additional security costs of £2,376 omitted in the 2017 Annual Report and Accounts.

   The decrease in taxable benefits paid to Mr Magara in FY2018 is as a result of a reduction in security costs.
3. The pension amount includes payments made by the employer to defined contribution plans or salary supplement provided in lieu of such contributions. Further information can be found below.
4. Bonuses are stated for the financial year in respect of which it is earned. The amounts shown for FY2018 are inclusive of Annual Share Award Plan (ASAP) awards that will be granted shortly after the year-end and reflective of performance in FY2018. These awards will vest after three years subject to continued employment.
5. The LTIP granted to Mr Magara in 2015 did not vest as the performance condition was not satisfied.

Annual base salaries

As disclosed last year, annualised base salaries for the Executive Directors in FY2018 were £475,552 for Mr Magara and R4,233,600 for Mr van der Merwe. Base salary is assumed to be equivalent to 80% of TCTC for Mr van der Merwe (FY2018: R5,292,000).

Normal annual salary increases for FY2019 were awarded to the workforce, including the Exco and wider management. The Committee concluded, however, that it would not be appropriate to award annual salary increases to the Executive Directors at this time in view of the expected transaction with Sibanye-Stillwater.

Directors' Remuneration Report

Executive Directors (continued)

Pension related-benefits (audited)

No Director who served during FY2018 has any prospective entitlement to a defined benefit pension or a cash benefit arrangement.

The Company provides a contractual life assurance benefit of four times annual salary to Mr Magara and Mr van der Merwe through an insured arrangement in the United Kingdom.

The Executive Directors are provided with a pension supplement, which may be taken either as a pension contribution to a defined contribution plan, or in cash. The Company operates a defined contribution pension scheme for the benefit of its UK employees.

In South Africa the Company and Group participate in an industry wide defined contribution pension plan. Mr Magara has opted to join the South African defined contribution plan. During FY2018, the following arrangements were in place:

- The pension allowance for FY2018 is 20% of base salary, a proportion of which has been paid as a cash supplement.
- Mr van der Merwe is not part of the South African defined contribution plan and instead elected to receive his full pension allowance as a cash supplement.

No element of any Director's remuneration other than base salary is pensionable.

Short-term incentives: BSC Bonus Plan and ASAP (audited)

The aim of the BSC Bonus Plan is to incentivise management towards the delivery of the key financial operational and strategic goals by providing targets that are both meaningful and achievable, whilst remaining challenging.

In the early part of FY2018, the Committee agreed that the basis of the award for FY2018 should be adapted to reflect the evolving priorities of the Company. It was agreed that 65% of the bonus should continue to be linked to the operational objectives in the corporate scorecard, with the balance of the bonus linked to specific financial and strategic priorities.

The results for the year ended 30 September 2018 are summarised in the table below. The majority of the metrics listed closely follow the KPIs shown on pages 12 and 13. Prior to the Committee's review of the scorecard, the outcomes under the corporate metrics are reviewed by the Company's external auditor, KPMG LLP.

Strategic Element	Metric	Target performance	Actual performance	Relative % weighting of bonus	Formulaic outcome for the year (% of maximum bonus opportunity)
Safety	LTIFR % improvement	4.10	4.00	5.0%	4.2%
	TIFR % improvement	10.17	10.14	5.0%	3.4%
	Fatalities (multiplier)	1	1	10.0%	6.7%
Transformation	Performance against SLP targets	2.0	2.6	10.0%	8.7%
	Living conditions	2.0	2.0	5.0%	3.3%
Production	Refined Platinum ounce produced	701	679	10.0%	4.3%
	Mined saleable Pt ounces	656	630	10.0%	0.0%
	Productivity (square meters per man – Gen 2 shafts)	6.6	5.7	5.0%	1.8%
	Instantaneous recoveries	83.0%	82.4%	5.0%	2.9%
Sub-total				65.0%	35.0%
Financial/strategic priorities	Delivery of refinancing to support future liquidity			15.0%	15.0%
	Progress towards delivery of Sibanye-Stillwater transaction			20.0%	19.0%
Sub-total				35.0%	34.0%
Total				**100.0%**	**69.0%**

Directors' Remuneration Report

Executive Directors (continued)

Short-term incentives: BSC Bonus Plan and ASAP (audited) (continued)

The Committee assessed performance in relation to the financial/strategic priorities and performance was consistent with the stretch objectives set. The Company entered into a new financing arrangement with PIM, which improved the Group's liquidity with the additional benefit of removing the covenants that were applicable under the previous facilities. The corporate strategy and various initiatives to address specific and industry challenges were developed and executed, including objectives related to the delivery of the Sibanye-Stillwater transaction.

As the detailed objectives under the BSC Bonus Plan are closely aligned to the Company's strategy, the detail of certain elements of the bonus scorecard, including the specific milestones relating to the financial/strategic priorities, are currently considered to be commercially sensitive. The Committee is continuing to review the approach to disclosure, and to the extent that information regarding targets is no longer considered to be sensitive, suitable disclosure will be provided.

It is intended that corresponding awards will be made under the ASAP in due course, with a face value equal to the cash bonus earned for FY2018. The economic effect of this structure is equivalent to the deferral of a bonus into shares.

For FY2019, it is currently intended that the bonus structure under the BSC Bonus Plan and the ASAP will remain consistent with prior years, with the majority of any bonus paid to Executive Directors linked to a corporate scorecard and the balance based on individual/strategic/financial objectives.

Long-term incentives: LTIP awards (audited)

The awards granted in FY2015 lapsed in FY2018 due to the performance conditions not being achieved. Shareholders will also note that no LTIP awards were granted to Executive Directors during FY2018, and in light of the offer from Sibanye-Stillwater, further awards in FY2019 are not currently planned.

Payments to former Directors (audited)

No payments of money or other assets were made during FY2018 to any former Director of the Company.

Payments for loss of office (audited)

No payments of money or other assets were made for loss of office during FY2018.

Non-executive Directors

Our Non-executive Directors are currently paid at levels we believe to be market competitive for a comparable London-listed company, while reflecting the international travel commitment expected. The basis of the fees is stated below and is made up of a base fee plus additional fees for Committee service or Chairmanship.

Fees payable to Non-executive Directors (audited)

The Non-executive Directors (except the Chairman) are offered a base fee of £55,000 per annum for acting as a Director and serving as a member of up to two Board Committees.

The Chairman is offered a fee of £210,000 per annum for acting as a Director, serving as a member of up to two Board Committees and chairing the Board.

Directors' Remuneration Report

Non-executive Directors (continued)

Additional fees payable for other duties to the Company (audited)

The Senior Independent Director receives a fee of £10,000 per annum, in addition to his base fee.

Where individuals chair a Board Committee, they receive a fee of £10,000 per annum, in addition to their base fee for each Committee that they chair.

Where individuals serve on more than two Board Committees, a fee of £5,000 per annum is offered for each additional Committee.

Where the Company holds Board and/or Committee meetings in addition to those scheduled, a fee of £2,000 per day is payable to every Non-executive Director for additional meeting attendance. To date, the Non-executive Directors have waived their entitlement to receive the additional fees relating to the additional meetings attended in the year.

	Chairman/NED fees and membership of Committees	Total fees for FY2017 (£)	Total fees for FY2018 (£)
Non-executive Director			
Brian Beamish[1]	Chairman of the Board, Nomination (Chairman), Remuneration, SHE	211,667	220,000
Kennedy Bungane[2]	SET (Chairman), SHE, Audit & Risk	55,000	63,192
Jonathan Leslie[3]	Audit & Risk (Chairman), SID, Nomination, Remuneration, SHE (Chairman)	72,500	90,462
Varda Shine	Remuneration (Chair), Nomination, Audit & Risk	61,667	70,000
Gillian Fairfield[4]	Nomination, Remuneration, SET	55,833	14,167
Former Non-executive Director			
Len Konar[5]	Audit & Risk (Chairman), Nomination, SET (Chairman)	80,000	36,410

1. Mr Beamish's annual fee covers his Chairmanship of the Board and membership of two Committees. Mr Beamish waived any fees for his membership of the SHE Committee for the year under review.
2. Mr Bungane is CEO of Phembani, the Company's BEE partner and was nominated to the Board by Phembani. The Company pays Mr Bungane's fees directly to him and such fees are subsequently recovered by Phembani. This arrangement allows the Company to make income tax and national insurance deductions in respect of these fees. Mr Bungane became Chairman of the SET Committee and a member of the Audit & Risk Committee on 15 March 2018.
3. Mr Leslie became Chairman of the Audit & Risk Committee effective 15 March 2018.
4. Pro rata base fees for the period 1 October 2017 to 31 July 2018 were paid to Ms Fairfield on appointment in FY2017.
5. Dr Konar stepped down from the Board on 14 March 2018 and therefore the FY2018 fees reflect the amount earned up until that date. In addition to the fees shown above, Dr Konar receives a Rand-denominated annual payment of R25,000 for his appointment to the boards of WPL and EPL, the Company's principal operational subsidiaries in South Africa.

Directors' Remuneration Report

Scheme interests awarded and held by Directors in FY2018 (audited)

The table below shows all 'scheme interests' held by the Executive Directors.

In FY2018, ASAP awards (relating to the FY2017 bonus year) were granted to the Executive Directors. As noted on page 94, the ASAP provides the Company's bonus deferral mechanism. The ASAP is granted in the form of a nil-cost option with the face value of the option equating to the deferred bonus that would otherwise have been payable. The face value of the ASAP award (relating to the FY2018 bonus year) is included in the single figure totals set out on page 92. No LTIP awards were granted to Executive Directors in FY2018.

During the year, no share awards of any kind were granted to the Non-executive Directors, nor do any of the Non-executive Directors currently hold scheme interests.

					During year						
Type of interest and basis of award[1]	Date of Grant	Performance condition[2]	Date to which performance condition measured	As at 30.09.17	Granted	Vested and released	Lapsed	As at 30.09.18	Exercise period (ASAP) or vesting date (LTIP)	Face value of award[3] (£)	Percentage of interests receivable if minimum performance achieved
Ben Magara											
LTIP	18.12.14	(a)	31.07.17	18,858	–	–	18,858	–	–	–	–
LTIP	13.04.17	(b)	13.04.20	597,015	–	–	–	597,015	13.04.22	577,690	10%
ASAP	09.12.13	(c)	n/a	2,622	–	–	–	2,622	09.12.16 to 09.12.23	100,737	n/a
ASAP	10.01.17	(c)	n/a	240,027	–	–	–	240,027	10.01.20 to 10.01.27	348,850	n/a
ASAP	27.03.18	(c)	n/a		370,994	–	–	370,994	27.03.21 to 27.03.28	233,467	n/a
	–	–	–	858,522	370,994	–	18,858	1,210,658	–	1,260,743	–
Barrie van der Merwe											
LTIP	13.04.17	(b)	13.04.20	317,792	–	–	–	317,792	13.04.22	307,505	10%
ASAP	10.01.17	(c)	n/a	51,932	–	–	–	51,932	10.01.20 to 10.01.27	75,477	n/a
ASAP	27.03.18	(c)	n/a	–	193,831	–	–	193,831	27.03.21 to 27.03.28	121,978	n/a
	–	–	–	369,724	193,831	–	–	563,555	–	504,960	–

1. Key to plans:
   - LTIP = nil cost restricted share awards granted under the Long Term Incentive Plan (see page 94);
   - ASAP = nil cost options granted under the Annual Share Award Plan (see page 94).
2. Key to performance conditions:
   a. Average of the corporate element of the BSC of three financial years and RTSR compared to PGM peers over same three year period. Awards vest in year 3;
   b. Two independently tested conditions comprising TSR relative to comparator group and CROIC tested over same three year period. Awards vest in year 3 and shares are released in tranches of one-third in years 3, 4 and 5;
   c. No performance condition and vesting subject to continued service during three year vesting period. Options can be exercised in years 3 to 10.
3. Face value has been calculated in GBP using the average of the closing mid-market share price of Lonmin shares trading on the LSE during the following periods (the price below is adjusted for the 2015 Rights Issue where relevant):

Date of Grant	Plan	Date range	Price (£)
18.12.14	LTIP	20 dealing days ending 08.12.14	21.9426
13.04.17	LTIP	20 dealing days ending 12.04.17	0.96763
09.12.13	ASAP	20 dealing days ending 06.12.13	38.4198
10.01.17	ASAP	20 dealing days ending 09.01.17	1.45338
27.03.18	ASAP	20 dealing days ending 26.03.18	0.62930

Directors' Remuneration Report

Scheme interests awarded and held by Directors in FY2018 (audited) (continued)

Personal shareholding requirements (audited)

All Directors are required to build over time a personal investment in Lonmin shares, linked to their base salary or fee:

- CEO: 300% of base salary
- Other Executive Directors: 200% of base salary
- Non-executive Directors: 100% of base fee

Save for Mr van der Merwe and Ms Fairfield, both of whom joined the Lonmin Board in 2016 and 2017 respectively and Mr Bungane, who is a nominated director of Phembani, the remaining Directors have made sizeable investments in shareholdings. The decline in the Company's share price has, however, impacted the current value of the Directors' shareholdings and, as a consequence, the Directors did not meet the relevant holding requirements based on the share price as at the year-end.

The interests of the Directors who served during FY2018 at the end of that year (or earlier date of retirement as a Director) in the shares of the Company are as follows:

			Not subject to performance conditions[3]		
	Shares[1]	Subject to performance conditions[2]	Vested but unexercised	Not vested	Total
Brian Beamish	14,100	–	–	–	–
Kennedy Bungane[4]	n/a	n/a	n/a	n/a	n/a
Gillian Fairfield	–	–	–	–	–
Jonathan Leslie	6,851	–	–	–	–
Varda Shine	17,037	–	–	–	–
Ben Magara	30,836	597,015	2,622	611,021	1,210,658
Barrie van der Merwe	–	317,792	–	245,763	563,555
Former Directors					
Len Konar	6,674	–	–	–	–

1. Includes shares owned by connected persons.
2. Relates to awards over shares under the LTIP. Please refer to page 96 for further details.
3. Relates to awards over shares under the ASAP. Please refer to page 96 for further details.
4. Phembani is entitled to nominate a Director to the Board as a result of its material investment in the Company's operating subsidiaries. Kennedy Bungane is the current nominee and, as such, is not subject to the minimum shareholding obligation.

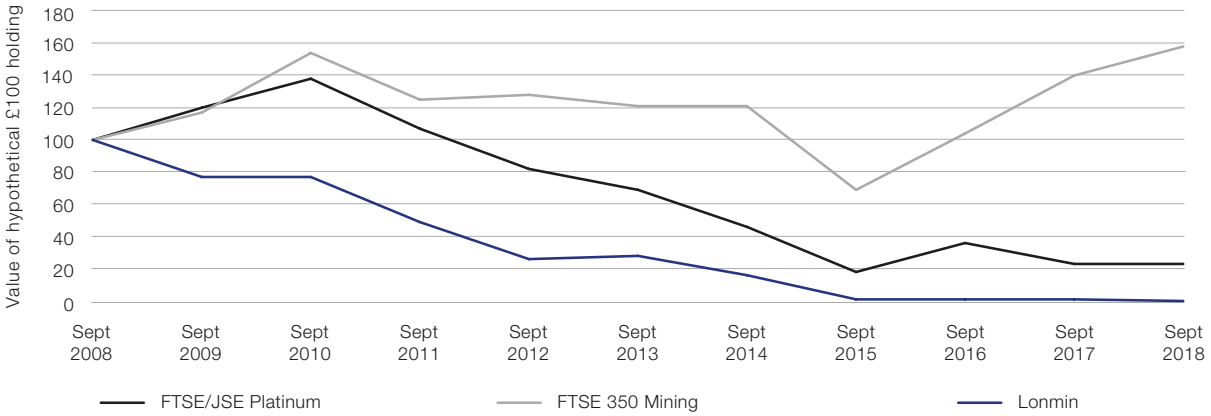
There have been no changes in the Directors' interests in the Company's shares from 30 September 2018 to the date of this report.

Directors' Remuneration Report

Performance and pay

The chart below shows how an investment in the Company's shares on 1 October 2008 has changed in value over the ten financial years ended on 30 September 2018 on a total shareholder return basis.

Our shares are listed and traded in the UK and South Africa, so for comparative purposes we also show how total shareholder return on the shares of companies comprising the FTSE UK Mining Index and the JSE Platinum Index has changed over the same period. These comparators have been chosen by the Committee as they comprise companies listed on the same markets and engaged in similar activities to the Company and, in the case of the JSE Platinum Index, producing the same commodities in the same location.



CEO remuneration during the relevant period

For ease of comparison, an aggregate of pay to the Director undertaking the role of CEO in each year is included.

Year	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
CEO 'single figure' of total remuneration (GBP)										
Ian Farmer[1]	1,601,502	1,834,335	1,517,387	855,805	n/a	n/a	n/a	n/a	n/a	n/a
Simon Scott[2]	n/a	n/a	n/a	63,847	995,729	n/a	n/a	n/a	n/a	n/a
Ben Magara[3]	n/a	n/a	n/a	n/a	703,167	565,387	579,758	1,288,453	1,106,381	1,450,950
Total[4]	1,601,502	1,834,335	1,517,387	919,652	1,698,896	565,387	579,758	1,288,453	1,106,381	1,450,950
Annual bonus paid against maximum opportunity (%)										
Ian Farmer	55%	66%	39%	0%	n/a	n/a	n/a	n/a	n/a	n/a
Simon Scott	n/a	n/a	n/a	37%	77%	n/a	n/a	n/a	n/a	n/a
Ben Magara	n/a	n/a	n/a	n/a	72%	0%	0%	60%	40%	69%
Long-term incentive vesting against maximum opportunity (%)										
Ian Farmer	33%	0%	8%	0%	n/a	n/a	n/a	n/a	n/a	n/a
Simon Scott[5]	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a	n/a
Ben Magara	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	0%	0%

1. Historic data for Ian Farmer is taken from the remuneration reports for the relevant years, but recast on the basis for the 'single figure' prescribed in the Regulations. His FY2012 CEO remuneration was for a period of 11 months, after which he ceased to act in that capacity as a result of serious ill health.
2. Historic data for Simon Scott is taken from the remuneration reports for the relevant years, but recast on the basis for the 'single figure' prescribed in the Regulations. FY2012 relates to one month serving as acting CEO, and FY2013 relates to nine months serving in that capacity.
3. Mr Magara served as CEO for the three months commencing 1 July 2013.
4. For ease of comparison, an aggregate of pay to the Director undertaking the role of CEO in each year is included.
5. Mr Scott joined the Company and Board in September 2010. As our long-term incentives have three-year vesting periods, only one tranche of awards reached their vesting date during the period covered by the table. Although Mr Scott had ceased to serve as acting CEO prior to that date, the outcome is included for completeness.

Directors' Remuneration Report

Percentage change in CEO remuneration

Item	Year-on-Year change CEO (%)	Year-on-Year change Group employees (%)[1]
Base salary	2.9	9.1%
Taxable benefits[2]	-38.6	6.0%
Short term incentives	84.6	16.9%

1. The year on year comparator relates to all employees of the Group (as required by the Regulations) and is on a per capita basis, expressed in local currency terms.
2. The decrease in taxable benefits for the CEO in FY2018 is principally due to a reduction in the costs incurred for the provision of security (FY2017: £58,888 and FY2018: £28,736).

Relative importance of spend on pay

To place the Directors' remuneration in the context with the Group's finances more generally, the Committee uses the following comparisons:

Item	Year ended 30 September 2018 ($m)	Year ended 30 September 2017 ($m)	Difference ($m)
Total remuneration of all Group employees:	**657**	615.0	42.0
• Remuneration of Executive Directors	**2.2**	1.8	0.4
• Remuneration of Non-executive Directors	**0.5**	0.6	(0.1)
Distributions to shareholders	**–**	–	–
Other significant distributions of profit or cash flow:			
Capital expenditure	**73**	100.0	(27.0)

Payments over this period were mainly made in Rand and then converted to US Dollars. The year average exchange rate was calculated using daily exchange rates.

There were no dividends declared or paid in the year, and no share buy-backs were undertaken.

Capital expenditure has been included in the table as the Board must choose whether to distribute profits and cash flows by way of dividend, or reinvest these in developing our assets to maintain or improve the operational health of the Company. In any mining business a minimum level of 'sustaining' capex is essential and may on occasion preclude the payment of dividends. All of these amounts are presented as shown in the Company's audited financial statements.

Consideration of Directors' remuneration

Composition of the Remuneration Committee

The Committee is chaired by Varda Shine and members of the Committee include Brian Beamish (Chairman of the Board), Jonathan Leslie and Gillian Fairfield, all of whom held office throughout the year. The collective business experience of the Committee members enables the Committee to offer a balanced, informed and independent view on remuneration.

Directors' Remuneration Report

Consideration of Directors' remuneration (continued)

Role of the Remuneration Committee

The Committee has delegated powers set out in its terms of reference, available on the Company's website. The Committee's main responsibilities, on behalf of the Board, are:

- determine and agree with the Board the Company's executive remuneration strategy and policy;
- determine individual remuneration packages and terms of employment within that policy for the Executive Directors, members of the Executive Committee other senior executives (collectively known as the Purview Group);
- oversee the operation of the Company's incentive schemes, including designing and setting performance measures and targets for annual bonus and long-term incentive schemes;
- consider major changes in employee remuneration in the Group;
- select and appoint consultants to advise the Committee;
- report to shareholders through annual remuneration reports; and
- make recommendations to the Board on the fees offered to the Non-executive Directors, after taking independent professional advice.

Activities of the Remuneration Committee

The Committee met seven times during FY2018. The attendance record of the Committee members is included in the table on page 70. As well as routine monitoring and approval activities, the material issues discussed are summarised below:

Purview Group

- Agreed changes to the membership of the Purview Group including remuneration packages;

Short term remuneration

- Agreed the outcome of the FY2017 BSC, including the external auditors' written opinion on the corporate metrics and the Executive Directors' performance against their personal objectives. Bonuses were approved for payments;
- Approved inflationary salary increases to management;
- Approved the bonus metrics of the FY2018 BSC Bonus Plan;

Long term remuneration

- Approved the grant of awards under the Staggered Deferred Cash Plan to management below the Executive Committee level;
- Approved the grant of ASAP awards;
- Approved the grant of retention awards;

Governance and reporting

- Considered reports from proxy advisory agencies;
- Agreed leaver treatment to be applied to the Staggered Deferred Cash Plan;
- Approved the Directors' Remuneration Report section of the FY2017 Annual Report and Accounts and the Remuneration Policy; and
- Considered impact of a change of control on incentives.

The Committee Chairman presents a summary of material matters to the Board and minutes of Committee meetings are circulated to all Directors. The Committee reports to shareholders annually in this report and the Committee Chairman attends the AGM to address any questions arising.

Meetings of the Committee commence with the members holding a private session. In FY2018 meetings were attended by the Company Secretary (who acts as secretary to the Committee), CEO and the EVP Human Resources, none of whom do so as of right. None of the attendees are present in the meeting when their own remuneration is being discussed.

Directors' Remuneration Report

Consideration of Directors' remuneration (continued)

Advisors to the Committee

During the year the Committee received support from external advisors on specific matters.

Deloitte LLP provided independent advice to the Committee on matters arising during the year. Deloitte were appointed after a competitive tender process. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants. Deloitte's total fees for the provision of remuneration services during the year were £47,835, all delivered on a time and expenses basis. During the year the wider Deloitte firm also provided company secretarial support to dormant companies domiciled in Gabon. Consistent with prior years, KPMG LLP also provided the Committee with assurance services related to their review of the outcomes under the BSC. Fees were included as part of the global audit fee. PwC provided independent measurements of the performance conditions for incentives. The fees were £2,000 and charged on a time and materials basis.

The Committee has not expressly considered whether the advice received from these professional firms was objective and independent, but reflects on the quality of the advice as part of its normal deliberations. The Committee is confident that none of these cross-relationships generate an unmanageable conflict of interest and that the sums payable in respect of each service do not compromise the objectivity and impartiality of the others.

Statement of voting on remuneration matters

At the AGM on 15 March 2018 shareholders passed the annual advisory vote on the Directors' Remuneration Report and the binding vote on the Remuneration Policy. The voting results were:

Resolution	Votes for (and percentage of votes cast)	Votes against (and percentage of votes cast)	Proportion of share capital voting	Shares on which votes were withheld
Remuneration report	172,052,899 (98.52%)	2,585,910 (1.48%)	61.76%	47,685
Policy report	149,546,810 (85.66%)	25,045,159 (14.34%)	61.76%	94,288

The Committee has reviewed the voting results and continues to regularly engage with shareholders to ensure their continued support.

Directors' Report

for the year ended 30 September 2018

The Company

Legal form of the Company

Lonmin Plc is a company incorporated in England & Wales, with company number 103002.

It conducts very limited business activities on its own account, and trades principally through its subsidiary undertakings in various jurisdictions. The material subsidiary undertakings are listed in note 34 to the financial statements on page 168. A branch of Lonmin Plc operates in South Africa, trading as Lonmin Management Services or 'LMS' and which is registered in that country as an external company with company number 1969/00015/10. The branch and the English company are legally indivisible.

Seema Kamboj
Company Secretary

Amendment of the Articles of Association

The Company's constitution, known as the Articles of Association, is essentially a contract between the Company and its shareholders, governing many aspects of the management of the corporation. It may only be amended by a special resolution at a general meeting of the shareholders.

Rules on Appointment and Removal of Directors

Subject to applicable law, a Director may be appointed by an ordinary resolution of shareholders in general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting, or following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next AGM. A Director may be removed by the Company as provided for by applicable law, in certain circumstances set out in the Company's Articles of Association (for example bankruptcy, or resignation), or by a special resolution of the Company. All Directors stand for re-election on an annual basis, in line with the recommendations of the Code. For a full description of the Company's policies in relation to the appointment and replacement of Directors see pages 68 and 89.

Statutory Disclosures

Employees

As at 30 September 2017, the Company's workforce comprised 24,713 employees and 7,831 contractors. As at 30 September 2018, the Company's workforce comprised 23,142 employees and 7,002 contractors.

Information on the Group's policies on employee recruitment and engagement can be found on pages 46 onwards and in the Sustainable Development Report, expected to be published in January 2019.

As the Group employs less than 250 employees in the UK, the Company is not subject to the statutory obligation to discuss its policies in relation to employee involvement or the employment of disabled persons. However, full and fair consideration will always be given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities, or continuing the employment of people who become disabled during their career.

Research and development

Group companies continue to focus on research and development in the areas of mineral extraction, processing and refining to unlock new technology opportunities and to extract optimal value from our assets.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are included in the Strategic Report, on page 50.

Political donations

No political donations were made during the year. Lonmin has an established policy of not making donations to any political party, representative or candidate in any part of the world.

Financial instruments

Full details can be found in note 19 to the financial statements on pages 150 to 155.

Directors' Report

Share capital and related matters

Share capital and reserves

The total share capital and reserves attributable to the Group amounted to $182 million at 30 September 2018. The structure of the issued share capital of the Company at 30 September 2018 is set out in note 23 to the financial statements.

In addition to the Ordinary Shares of $0.0001 each, the Company's share capital also comprises 50,000 Sterling Deferred Shares of £1 each, 586,906,900 and 2015 Deferred Shares of $0.999999 each.

Deferred Shares issued in 2002 were allotted to a nominee company to comply with the English statutory requirement that a public limited company must have a minimum share capital of £50,000. These shares do not rank equally with the Ordinary Shares of the Company, and have minimal rights. The holders' consent is not required for changes to the Company's share capital, and they are not entitled to receive notice of, or attend, speak or vote at, any general meeting. The holders are not entitled to participate in any distribution of income or capital save that, following the distribution of £100,000,000,000 plus the paid-up nominal value of every other share in the capital of the Company, they are entitled to receive an amount equal to the nominal value of their Sterling Deferred Shares.

The 2015 Deferred Shares were created in 2015 following the sub-division of the Company's ordinary share capital immediately prior to the 2015 Rights Issue, at which time each existing ordinary share was sub-divided into one Intermediate Ordinary Share of $0.000001 each and one 2015 Deferred Share of $0.999999 each. The 2015 Deferred Shares do not rank equally with the Ordinary Shares, and have minimal rights. The holders of such shares are not entitled to receive notice of, or attend, speak or vote at, any general meeting. The holders are not entitled to participate in any distribution of income and are only entitled to a payment on a return of capital or winding up of the company after payment of the capital paid up on any or all Ordinary Shares and Deferred Shares and the further distribution of $500,000,000,000.

Serious loss of capital

The Company's 2018 financial results show that the value of the Company's net assets continues to be less than half of its called up share capital. As required by the Companies Act 2006, the business of the 2018 AGM included considering whether any, and if so what, steps should be taken to deal with this serious loss of capital. The Board continues to believe that the recommended offer for the Company by Sibanye-Stillwater provides the Company with a comprehensive and sustainable solution to the adverse challenges it faces, including the serious loss of capital.

Shareholders' rights

Holders of Ordinary Shares are entitled to:

- receive all shareholder documents, including notice of any general meeting;
- attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- participate in any distribution of income or capital, subject to applicable law and the Company's Articles of Association.

In general there are no restrictions on the holder's ability to transfer their shares or exercise their voting rights, save in situations where the Company is legally entitled to impose such restrictions (usually where amounts remain unpaid on the shares after request, or the holder is otherwise in default of an obligation to the Company).

The Company is not aware of any agreements between its shareholders that may restrict the transfer of their shares or the exercise of the voting rights attaching to them, save in relation to:

- the employee benefit trust established by the Company, the Lonmin Employee Share Trust, to facilitate various employee share plans. The trustee, which is independent of the Company, does not seek to exercise voting rights on the Ordinary Shares held in trust, and a dividend waiver is in place in respect of shares which are the beneficial property of the trust. For details of the Company's employee share plans, see the Directors' Remuneration Report on pages 91 to 101; and
- the shares held by the Bapo are subject to a 10 year lock-in period as a result of which these shares may not be sold, transferred, assigned or encumbered.

No shareholder, or trust relating to an employee share plan, holds securities carrying special rights relating to the control of the Company.

Powers conferred on the Directors in relation to share capital

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company, including the power to authorise the issue and / or market purchase of the Company's shares (subject to an appropriate authority being given to the Directors by shareholders in general meeting and any conditions attaching to such authority).

The Directors were authorised at the AGM held on 15 March 2018 to issue and buy back share capital in the Company (in accordance with the terms of the relevant resolutions).

Directors' Report

Powers conferred on the Directors in relation to share capital (continued)

Authority	Utilisation during the year	Amount of authority outstanding at the end of the year
15 March 2018 – Power granted at AGM to allot equity securities up to an aggregate nominal value of $9,410	No shares were issued during the year pursuant to this authority	Authority remains outstanding in full until the next AGM (no later than 31 March 2019)
15 March 2018 – Power granted at AGM to make market purchases of its own shares, up to a maximum of 28,200,000 shares (being approximately 10% of the issued share capital) at prices not less than the nominal value of each share (being $0.0001) and not exceeding 105% of the average mid-market price for the preceding five business days)	The Company made no purchases of its own shares during the year	Authority remains outstanding in full until the next AGM (no later than 31 March 2019)

Transactions, contractual arrangements and post balance sheet events

Transactions with Related Parties

There have been no transactions with related parties of the Company during the financial year, other than those in the ordinary course of business.

Significant Agreements – change of control

A number of agreements take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as debt facilities and employee share plans. None of these are deemed to be significant except for the Group's metal purchase agreement with PIM, which prohibits a change of control of any of the Group entities without written agreement by PIM. The parties agreed that on completion of the transaction with Sibanye, the agreement shall be amended, restated and novated in substantially the same form.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control, except that certain provisions in the Company's long-term incentive schemes would be triggered. Awards under these share plans will vest on a change of control, save to the extent specified by the Remuneration Committee, who will generally take into account the extent to which the performance targets have been met and such other factors as they believe to be appropriate in line with the rules of the relevant plan. Further information on these plans and other long-term incentives is provided in the Directors' Remuneration Report on page 96.

Events after the reporting period

In September 2018 Lonmin entered into a sale agreement to sell 6.8% of the outstanding shares in Wallbridge Mining Company Limited for a total of $3 million cash consideration which was received in October 2018.

In 2018 Lonmin entered into a sale agreement to sell its 50% interest in Petrozim for cash consideration of $14.75m. $10 million was received in October 2018 and this transaction is expected to complete during FY2019 resulting in a profit on the sale of an associate of $14.75 million.

On 22 October 2018, the Group agreed to enter into a US$200 million metal purchase agreement with PIM following which the Company settled its existing $150 million term loan and cancelled all its other pre-existing undrawn facilities with both its South African Rand and US Dollar lenders.

On 23 November, the South African Competition Tribunal cleared the all-share offer for Lonmin by Sibanye-Stillwater, subject to certain conditions. General Meetings of the shareholders of Sibanye-Stillwater and Lonmin will be scheduled in 2019. These approvals and the sanction of the Courts of England and Wales remain final substantive conditions required to complete the transaction.

There were no other material events from 30 September 2018 to the date of this report.

Directors' Report

Reporting, Accountability and Audit

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

How the Directors discharged their responsibilities in this area

The Lonmin Group financial statements are presented in accordance with the IFRSs as adopted by the EU, using the US Dollar as its reporting currency.

Details of the Group's financial risk management are described in note 19 to the financial statements on pages 150 to 156 and in the discussion of Internal Controls and Risk Management in the Audit & Risk Committee Report.

Going Concern and viability

Directors are required to consider if it is appropriate to adopt the going concern basis of accounting. Disclosure of the Directors' deliberations to determine whether it is appropriate to adopt the going concern basis of accounting in addition to consideration of the material uncertainties which may affect the Group's ability to continue to adopt this basis can be found in the Audit and Risk Committee Report on page 81 and also in note 1 to the financial statements on pages 121 to 123. In summary, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Directors are also required to provide a broader assessment of viability over a longer period, which can be found on pages 28 and 29 of the Annual Report and Accounts.

Scope of the reporting in this Annual Report and Accounts

The Corporate Governance Report (including the Board and Exco biographies), which can be found on pages 60 to 63, the Audit & Risk Committee Report on pages 79 to 88, the Nomination Committee Report on pages 89 and 90 and the supplementary information contained in the section titled 'A Deeper Look' on pages 180 to 190 are incorporated by reference and form part of this Directors' Report.

Directors' Report

Scope of the reporting in this Annual Report and Accounts (continued)

The Board has prepared a Strategic Report (including the Chairman's Letter and the CEO's Letter) which provides an overview of the development and performance of the Company's business in the year ended 30 September 2018 and its position at the end of that year, and which covers likely future developments in the business of the Company and Group.

For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8 R, the required content of the 'Management Report' can be found in the Strategic Report and this Directors' Report, including the sections of the Annual Report and Accounts incorporated by reference.

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Financial Statements, page 139 note 5
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Not applicable
(5)	Waiver of emoluments by a director	Directors' Remuneration Report
(6)	Waiver of future emoluments by a director	As (5) above
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Directors' Report, page 104
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Directors' Report, page 103
(13)	Shareholder waivers of future dividends	Directors' Report, page 103
(14)	Agreements with controlling shareholders	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this Directors' Report.

We have been mindful of the best practice guidance published by DEFRA and other bodies in relation to environmental, community and social KPIs when drafting the Strategic Report. The Board has also considered social, environmental and ethical risks, in line with the best practice recommendations of the Association of British Insurers. Management, led by the CEO, has responsibility for identifying and managing such risks, which are discussed extensively in this Annual Report and Accounts and the online Sustainable Development Report, expected to be published in January 2019. References in this document to other documents on the Company's website, such as the Sustainable Development Report, are included as an aid to their location and are not incorporated by reference into any section of the Annual Report and Accounts.

External auditors

So far as each current Director is aware, there is no information relevant to the audit of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any such information and to ensure that the Company's auditors are aware of that information.

The Strategic Report, the Directors' Report (including all sections incorporated by reference) and the Directors' Remuneration Report were approved by the Board on 29 November 2018.

For and on behalf of the Board.

Seema Kamboj
Company Secretary

Independent Auditor's Report

to the Members of Lonmin Plc

1 Our opinion is unmodified

We have audited the financial statements of Lonmin Plc ("the Company") for the year ended 30 September 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor of Lonrho Plc in 1972 and we were re-appointed as auditor by the Company in 1999 when Lonrho Plc was renamed Lonmin Plc. The period of total uninterrupted engagement is for the 46 financial years ended 30 September 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group Financial statement as a whole	$4.5 million (2017: $9.0 million)
Coverage	100% (2017: 100%) of Group revenue 99% (2017: 99%) of Group total assets 95% (2017: 99%) of Group profit (2017: loss) before tax

Risk of Material Misstatement

Recurring Risks	Going Concern
	Impairment and carrying value of Marikana Assets
	Physical quantities of inventory (excluding consumables)
Parent Company only	Impairment of shares in subsidiary companies and intercompany loan receivables in the Company balance sheet

Independent Auditor's Report

to the Members of Lonmin Plc

2 Material uncertainty related to going concern

Key Audit Matter	The Risk	The Response
Going concern Risk vs 2017 ↓ We draw attention to note 1 to the financial statements which indicates that there is a material uncertainty relating to the Group's and the parent Company's ability to continue as a going concern. The Group has received an all share offer (the deal) from Sibanye Gold Limited (trading as Sibanye-Stillwater) which is contingent on various approvals and conditions, including waiting for the conclusion of the statutory time period for the filing of an appeal on a review as well as shareholder approvals from Sibanye-Stillwater and Lonmin and sanction of the Transaction by the courts of England and Wales. If the deal does not complete, the Group would be unable to fund the significant investment required to sustain the business. These events and conditions, along with the other matters explained in note 1, represent a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Accounting basis and disclosure quality:** In our report on the 2017 financial statements we referred to a material uncertainty about the Group and Company's ability to continue as a going concern, including whether the Group would be able to repay the $150 million term loan following a breach of its covenants. That situation still applied when we began our audit. However, the Group then entered into a $200 million metal sale agreement. The proceeds allowed Lonmin to repay the $150 million term loan. The new facility has no specific Income Statement or Balance Sheet covenants other than a requirement for liquidity of the Group to not be less than $20 million and approval for certain capital expenditure projects above a certain value. However, it is required to be repaid in metal over a three year period subject to an immediate part payment if the deal completes. As a result the previous covenants are no longer applicable for the going concern assessment. In addition many of the conditions precedent in the deal have also been met recently, leaving the main conditions being; waiting for the conclusion of the statutory time period for the filing of an appeal or a review as well as shareholder approvals from Sibanye-Stillwater and Lonmin and sanction of the Transaction by the courts of England and Wales. These factors, and the improvement in the macroeconomic environment, are the reason we consider the risk has reduced from 2017. Nevertheless, the matter still involves cash flow forecasts, and sensitivity analysis, to assess whether the Group will be able to meet its liabilities as they fall due both in the event of the deal failing to complete and completing successfully.	Our procedures included: • **Funding assessment:** Assessing the terms of the group financing agreements including the new $200 million metal sale agreement. • **Key dependency assessment:** assessing the Group's cash flow model to identify key inputs for further enquiry. The key inputs included: Platinum Group Metals (PGM) price forecasts, forecast production, forecast foreign exchange rates and forecast cash costs. Assessing the resultant cash flow projection as an indication of whether the group would have sufficient resources to continue to operate and repay the required cash amount if the deal completes. • **Historical comparisons:** evaluating historical forecasting accuracy of key inputs including production and cash forecasts. • **Benchmarking assumptions:** comparing the Group's assumptions to externally derived data in relation to key inputs such as PGM metal price forecasts and foreign exchange rates. • **Methodology implementation:** assistance of KPMG modelling specialists to assess the integrity of the Group's going concern model. • **Sensitivity analysis:** reviewing sensitivity analysis of the forecasts to a number of variable factors including PGM commodity prices, Rand / US Dollar exchange rates and production to identify whether reasonably plausible adverse scenarios could have an impact liquidity.

Independent Auditor's Report

to the Members of Lonmin Plc

2 Material uncertainty related to going concern (continued)

Key Audit Matter	The Risk	The Response
	The financial statements explain how the Directors have formed a judgement that it is appropriate to prepare the accounts of the Group and the parent Company on a going concern basis. However, the Directors have concluded that the completion of the planned transaction along with other factors discussed in note 1 represent a material uncertainty that may cast significant doubt regarding the Group's and parent Company's ability to continue as a going concern. As this assessment involves a consideration of future events there is a risk that the judgement is inappropriate. Furthermore, clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure. Auditing standards require such matters to be reported as a key audit matter. **Calculation risk:** The cash flow forecasts use a model which is detailed and complex and therefore may lead to calculation errors.	• **Key dependency assessment:** reviewing the public announcements on the Sibanye-Stillwater deal to assess whether evidence is available to indicate whether Lonmin Plc, and its significant subsidiaries are likely to continue to trade if the deal completes. Reviewing recommendations arising from the South Africa competition commission approval to assess whether there are any significant issues which would stop the deal completing. • **Key dependency assessment:** obtaining the counter due diligence performed by the Directors of Lonmin Plc on Sibanye-Stillwater to assess their financial viability; corroborating to publically available information on Sibanye-Stillwater's financing and other external evidence including broker forecasts and performing inquiries with Sibanye-Stillwater management. • **Assessing transparency:** evaluating the adequacy of the Group's disclosures in respect of going concern. **Our findings** • We found the disclosures included in note 1 made by the Directors', including the material uncertainty description, to be balanced (2017: balanced). No errors were identified in the calculations.

We are required to report to you if the Directors' going concern statement under the Listing Rules set out on page 105 is materially inconsistent with our audit knowledge. We have nothing to report in this respect.

3 Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is the most significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. All of the key audit matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

to the Members of Lonmin Plc

3 Other key audit matters: our assessment of risks of material misstatement (continued)

Key Audit Matter	The Risk	The Response
Impairment and Carrying Value of Marikana Assets (Impairment loss $nil, 2017: $1,050m) (Carrying amount of Marikana CGU $440m, 2017: $367m). Risk vs 2017 ←→ Refer to pages 82-83 (Audit Committee Report), pages 130-131 (accounting policy) and pages 164-165 (financial disclosures).	**Forecast based valuation:** The PGM industry has experienced rising costs, and subdued demand resulting in a depressed pricing environment. As a result, in the last four years, the Marikana Cash Generating Unit (CGU) has experienced a number of impairments down to recoverable amount including an impairment of $1,050m in the prior year. This, combined with the volatility in both commodity and foreign exchange markets, increases the sensitivity of the carrying value of the Marikana CGU to potential impairment and reversal. Certain key inputs into the discounted cash flow model specifically mineral reserves, inflation, PGM prices, capital and operating costs including production efficiencies, and the discount rate are subject to volatility and require significant estimation and judgement. As such, there is a significant risk that the carrying value of the Group's non-financial assets related to the Marikana CGU may need to be further impaired or previously recognised impairments may need to be reversed. **Calculation risk:** The cash flow forecasts use a model which is detailed and complex and therefore may lead to calculation errors.	Our procedures included: • **Key dependency assessment:** assessing the Marikana CGU impairment model to identify key inputs for further assessment. The key inputs included: PGM metal price forecasts, forecast production, mineral reserve reports and forecast cash costs and the discount rate applied in the impairment review. • **Historical comparisons:** evaluating historical forecasting accuracy of key inputs into the impairment model including production and unit cost forecasts. • **Benchmarking assumptions:** comparing the Group's assumptions used in the impairment model to externally derived data in relation to key inputs such as PGM metal price forecasts and discount rates including assistance from KPMG valuation specialists to challenge the discount rate used by the Group. • **Sensitivity analysis:** assessing the range of possible assumptions, such as pricing assumptions and operating cost assumptions, to identify any impairment indicators. • **Methodology implementation:** assistance of KPMG modelling specialists to assess the integrity of the Group's impairment model. • **Assessing transparency:** assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of the Marikana assets. **Our findings** • We found the Group' assumptions used in the impairment model for the Marikana Assets, when all factors are considered, to be balanced (2017: balanced). We found the Group's disclosures to be proportionate in their description of the assumptions and estimates made by the Group and the sensitivity to changes thereon. No errors were identified in the calculations.

Independent Auditor's Report

to the Members of Lonmin Plc

3 Other key audit matters: our assessment of risks of material misstatement (continued)

Key Audit Matter	The Risk	The Response
Physical quantity of inventory (excluding consumables) ($216m, 2017 $199m) Risk vs 2017 ←→ Refer to page 83 (Audit Committee Report), page 132 (accounting policy) and page 147 (financial disclosures).	**Subjective estimate:** Prior to production as a final metal, metal inventory is contained in a carrier material and it is not possible to determine the exact metal content contained in a carrier material. As such, physical quantities of metal inventory are determined by sampling, and assays are taken to determine the metal content and how this is split by type of metal. At each site the Group engaged independent metallurgists to assist with the sampling methodologies used and adhered to appropriate stock count processes. The accuracy of these samples and assays, as an estimate of the total metal inventory in the carrier metal, can vary quite significantly, and as such the quantum of metal inventory requires a significant amount of estimation and judgement.	Our procedures included: • **Inventory count attendance:** attending year end physical stock counts for all significant Lonmin locations. We obtained direct confirmations of stock quantities for inventory held at third parties. • **Assessing metallurgists' credentials:** we considered the competence of the metallurgists by reference to their qualifications and experience. • **Tests of detail:** We considered the results of the metallurgists' reports and the reasons for significant or unusual movements in inventory quantities between the accounting records and the results of the sampling and assays performed. • **Historical comparisons:** assessing the reasonableness of the downward adjustment to stock quantities to recognise the estimation uncertainty inherent in the sampling and assays and the fact that not all of the material will eventually be recovered as refined metal. We assessed this by reference to historical experience of the Group and obtained from the independent metallurgists an assessment of the average percentage sampling or calculation precision at each stage of the production process. • **Assessing transparency:** assessing the adequacy of the Group's disclosures about the metal inventory, including the description of the estimates and judgements around metal inventory. **Our findings** • We found that the estimates of physical quantities of metal inventory were balanced (2017: balanced). We found no concerns over the independent metallurgists' competence. We found the Group's disclosures concerning inventory estimates and valuation to be proportionate in their description.

Independent Auditor's Report

to the Members of Lonmin Plc

3 Other key audit matters: our assessment of risks of material misstatement (continued)

Key Audit Matter	The Risk	The Response
Parent Company risk area: Valuation of shares in subsidiary companies and intercompany loan receivables in the Company Balance Sheet. (Shares in subsidiaries $583 million; 2017: $583 million; intercompany loan receivables $413 million; 2017: $440 million). Risk vs 2017 ←→ Refer to page 174 (accounting policy) and pages 176-177 (financial disclosures).	**Forecast based valuation:** The parent Company has a significant investment in subsidiary companies in the Group. In addition the Group has significant intercompany loan receivables due from these subsidiaries, the largest being with Western Platinum Limited. These investment and intercompany receivable balances have been impaired in the past, including by $1,371 million in 2017, predominantly as a result of the impairment of the Marikana CGU which represented the underlying value of the investment(s). With the continued risk over the impairment of the Marikana CGU and the inherent uncertainty involved in forecasting and discounting future cash flows there is a significant risk that further impairment of the investment and receivables will be required.	Our procedures included: • **Test of detail:** Comparing significant investment and intercompany receivables carrying values to the net assets of the subsidiaries to identify whether the net asset values of the subsidiaries, being an approximation of their minimum recoverable amount, supported the recovery of the their carrying amounts. • **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. • **Our sector experience:** We relied on our work performed over the Marikana CGU, of which Western Platinum Limited forms the major component, to assess the recoverability of the investment in subsidiaries and intercompany loan receivables. Refer to the significant risk over the Marikana CGU for further details. **Our findings** • We found that the Group's estimate of the recoverable amount of shares in subsidiary companies and intercompany loan receivables to be balanced (2017: balanced).

4 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $4.5 million (2017: $9.0 million), determined with reference to a benchmark of Group total assets at 31 March 2018 of $905 million, of which it represents 0.5% (2017: 0.5%). We consider total assets to be the most appropriate benchmark as it provides a better representation of the size and value of the business than Group profit before tax which has been significantly volatile in recent years. We reassessed materiality at 30 September 2018 and determined that the materiality level remained appropriate.

Materiality for the parent Company financial statements as a whole was set at $4.3 million (2017: $8.6 million), determined with reference to a benchmark of Company total assets, of which it represents 0.4% (2017: 0.8%).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding $0.2 million (2017: $0.4 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 16 (2017: 16) reporting components, we subjected 4 (2017: 6) to full scope audits for group consolidation audit purposes. We conducted reviews of financial information (including enquiry) at a further 7 (2017: 5) non-significant components in order to provide further coverage of the Group results.

Independent Auditor's Report

to the Members of Lonmin Plc

4 Our application of materiality and an overview of the scope of our audit (continued)

The components within the scope of our work accounted for the percentages detailed in the table below.

	Number of components	Group revenue	Group profit (2017: loss) before tax	Group total assets
Audits for group reporting purposes	4	100%	83%	98%
Reviews of financial information	7	0%	12%	1%
Total	**11**	**100%**	**95%**	**99%**
Total (2017)	11	100%	100%	99%

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these. The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component's materiality, which ranged from $2 million to $4.3 million (2017: $0.2 million to $8.6 million), having regard to the mix of size and risk profile of the Group across the components. The work on 8 of the 11 components (2017: 8 of the 11 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group Team.

Whilst Lonmin Plc is a UK company, all of the Group's significant operations are located in South Africa. The Group audit team comprised team members based in London and South Africa. The Group audit team conducted planning meetings with the component auditors around the audit approach to significant risk areas such as Inventory. The Group audit team, including those team members based in London, was physically present in South Africa for a significant portion of the substantive testing phase of the South African audit and review engagements. Adrian Wilcox, Senior Statutory Auditor, visited South Africa four (2017: 4) times during the year. In doing so the Group audit team was actively involved in the direction of the audit and review engagements performed by the component auditors for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn. The Group audit team was responsible for substantially all the audit work relating to going concern and risk of impairment of Marikana as well as the parent Company key audit matter.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent Auditor's Report

to the Members of Lonmin Plc

5 We have nothing to report on the other information in the Annual Report (continued)

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, other than the material uncertainty over going concern referred to above we have nothing further material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement pages 28-29 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 105, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report

to the Members of Lonmin Plc

7 Respective responsibilities (continued)

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of mining license compliance, health and safety, anti-bribery, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Adrian Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
29 November 2018

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Brian Beamish
Chairman

Barrie van der Merwe
Chief Financial Officer

29 November 2018

Consolidated Income Statement

for the year ended 30 September

	Notes	2018 Total $m	2017 Total $m
Revenue	2	**1,345**	1,166
EBITDA [i]		**115**	40
Depreciation and amortisation		**(14)**	(66)
Impairment of non-financial assets		**–**	(1,053)
Operating profit / (loss) [ii]	3	**101**	(1,079)
Foreign exchange arising on acquisition of Pandora	31	**(24)**	–
Finance income	5	**37**	49
Finance expenses	5	**(67)**	(137)
Share of profit / (loss) of equity accounted investments	11	**21**	(3)
Profit / (loss) before taxation		**68**	(1,170)
Income tax (charge) / credit	6	**(6)**	18
Profit / (loss) for the year		**62**	(1,152)
Attributable to:			
– Equity shareholders of Lonmin Plc		**42**	(996)
– Non-controlling interests		**20**	(156)
Earnings / (loss) per share	7	**14.9c**	(352.7)c
Diluted earnings / (loss) per share [iii]	7	**14.8c**	(352.7)c

Consolidated Statement of Comprehensive Income

for the year ended 30 September

	2018 Total $m	2017 Total $m
Profit / (loss) for the year	**62**	(1,152)
Items that may be reclassified subsequently to the income statement:		
– Change in fair value of available for sale financial assets	**8**	8
– Foregn exchange loss on retranslation of equity accounted investment transferred to the income statement	**24**	1
– Deferred tax on items taken directly to the statement of comprehensive income	**–**	2
Total other comprehensive income for the year	**32**	11
Total comprehensive income / (loss) for the year	**94**	(1,141)
Attributable to:		
– Equity shareholders of Lonmin Plc	**71**	(985)
– Non-controlling interests	**23**	(156)
	94	(1,141)

Footnotes:

i EBITDA is operating profit before depreciation, amortisation and impairment of intangibles and property, plant and equipment.

ii Operating profit / (loss) is defined as revenue less operating expenses before foreign exchange arising on acquisition of Pandora, finance income and expenses and share of profit / (loss) of equity accounted investments.

iii Diluted earnings / (loss) per share is based on the weighted average number of ordinary shares in issue adjusted by dilutive outstanding share options.

Consolidated Statement of Financial Position

as at 30 September

	Notes	2018 $m	2017 $m
Non-current assets			
Intangible assets	9	**12**	11
Property, plant and equipment	10	**300**	194
Equity accounted investment	11	**–**	24
Royalty prepayment	29	**35**	36
Other financial assets	12	**40**	34
Deferred tax assets	20	**–**	1
		387	300
Current assets			
Inventories	13	**263**	245
Trade and other receivables	14	**68**	73
Assets held for sale	15	**17**	–
Cash and cash equivalents	28	**264**	253
		612	571
Current liabilities			
Trade and other payables	16	**(204)**	(178)
Interest bearing loans and borrowings	17	**(150)**	(150)
Deferred revenue	18	**(8)**	(13)
Tax payable		**(3)**	(7)
		(365)	(348)
Net current assets		**247**	223
Non-current liabilities			
Deferred revenue	18	**(40)**	(27)
Contingent consideration	31	**(18)**	–
Provisions	21	**(119)**	(134)
		(177)	(161)
Net assets		**457**	362
Capital and reserves			
Share capital	23	**586**	586
Share premium		**1,816**	1,816
Other reserves		**88**	88
Accumulated loss		**(1,733)**	(1,805)
Attributable to equity shareholders of Lonmin Plc		**757**	685
Attributable to non-controlling interests		**(300)**	(323)
Total equity		**457**	362

The financial statements of Lonmin Plc, registered number 103002, were approved by the Board of Directors on 29 November 2018 and were signed on its behalf by:

Brian Beamish
Chairman

Barrie van der Merwe
Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended 30 September

	Equity interest						
	Called up share capital $m	Share premium account $m	Other reserves[i] $m	Accumulated loss[ii] $m	Total $m	Non-controlling interests[iii] $m	Total equity $m
At 1 October 2017	586	1,816	88	(1,805)	685	(323)	362
Profit for the year	–	–	–	42	42	20	62
Total other comprehensive income:	–	–	–	29	29	3	32
– Change in fair value of available for sale financial assets	–	–	–	8	8	–	8
– Foreign exchange loss on retranslation of equity accounted investments	–	–	–	21	21	3	24
Transactions with owners, recognised directly in equity:	–	–	–	1	1	–	1
– Share-based payments	–	–	–	1	1	–	1
At 30 September 2018	**586**	**1,816**	**88**	**(1,733)**	**757**	**(300)**	**457**

	Equity interest						
	Called up share capital $m	Share premium account $m	Other reserves[i] $m	Accumulated loss[ii] $m	Total $m	Non-controlling interests[iii] $m	Total equity $m
At 1 October 2016	586	1,816	88	(821)	1,669	(167)	1,502
Loss for the year	–	–	–	(996)	(996)	(156)	(1,152)
Total other comprehensive income:	–	–	–	11	11	–	11
– Change in fair value of available for sale financial assets	–	–	–	8	8	–	8
– Foreign exchange gain on retranslation of equity accounted investment	–	–	–	1	1	–	1
– Deferred tax on items taken directly to the statement of comprehensive income	–	–	–	2	2	–	2
Transactions with owners, recognised directly in equity:	–	–	–	1	1	–	1
– Share-based payments	–	–	–	1	1	–	1
At 30 September 2017	586	1,816	88	(1,805)	685	(323)	362

Footnotes:

i Other reserves at 30 September 2018 represent the capital redemption reserve of $88 million (2017 – $88 million).

ii Accumulated loss include a $16 million of accumulated credit in respect of fair value movements on available for sale financial assets (2017 – $8 million) and $nil accumulated exchange on retranslation of equity accounted investments (2017 – $24 million loss).

iii Non-controlling interests represent a 13.76% effective shareholding in each of Eastern Platinum Limited, Western Platinum Limited and Messina Limited and a 19.87% effective shareholding in Akanani Mining (Proprietary) Limited.

iv During the year 349,050 share options were exercised (2017 – 34,202) on which $34 of cash was received (2017 – $3).

Consolidated Statement of Cash Flows

for the year ended 30 September

	Notes	2018 $m	2017 $m
Profit / (loss) for the year		**62**	(1,152)
Taxation	6	**6**	(18)
Share of profit / (loss) of equity accounted investments	11	**(21)**	3
Finance income	5	**(37)**	(49)
Finance expenses	5	**67**	137
Foreign exchange arising on acquisition of Pandora		**24**	–
Non-cash movement on deferred revenue	18	**(1)**	(3)
Depreciation and amortisation		**14**	66
Impairment of non-financial assets		**–**	1,053
Change in inventories		**(18)**	–
Change in trade and other receivables		**6**	(6)
Change in trade and other payables		**26**	(15)
Change in provisions		**(23)**	5
Deferred revenue received	18	**7**	34
Share-based payments		**1**	1
Fair value adjustment of financial assets		**(1)**	–
Profit on disposal of property, plant and equipment		**–**	(1)
Foreign exchange gain on contingent consideration		**(3)**	–
Prepaid royalties		**1**	(2)
Cash inflow from operations		**110**	53
Interest received		**6**	6
Interest and bank fees paid		**(16)**	(18)
Tax paid		**(10)**	(8)
Cash inflow from operating activities		**90**	33
Cash flow from investing activities			
Distribution from / (contribution to) joint ventures	11	**7**	(2)
Acquisition of Pandora		**(4)**	–
Additions to other financial assets	12	**(3)**	(4)
Disposal of other financial assets	12	**3**	–
Purchase of property, plant and equipment	10	**(72)**	(99)
Purchase of intangible assets	9	**(1)**	(1)
Cash used in investing activities		**(70)**	(106)
Increase / (decrease) in cash and cash equivalents	28	**20**	(73)
Opening cash and cash equivalents	28	**253**	323
Effect of foreign exchange rate changes	28	**(9)**	3
Closing cash and cash equivalents	28	**264**	253

Notes to the Accounts

1 Statement on accounting policies

Reporting entity

Lonmin Plc (the "Company") is a company incorporated in the UK. The address of the Company's registered office is Connaught House, 5th Floor, 1-3 Mount Street, London, W1K 3NB. The consolidated financial statements of the Company as at and for the year ended 30 September comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investments.

Basis of preparation

Statement of compliance

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRSs) and approved by the Directors on this basis. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements were approved by the Board of Directors on 29 November 2018.

Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Available for sale assets are measured at fair value.
- Liabilities for cash settled share-based payment arrangements are measured at fair value.
- Non-current assets held for sale are stated at the lower of their carrying amount and fair value less cost to sell.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Background
At 30 September 2018 the term loan of $150 million was fully drawn and the Group had gross cash of $264 million. The term loan included several covenants the Group was required to comply with. A waiver was in place, subject to the timeous completion of the Sibanye-Stillwater transaction, over the two covenants related to the Group's tangible net worth (TNW). At 30 September 2018 the Group's TNW was lower than the waived covenant threshold.

After year end, in October 2018 Lonmin completed a $200 million forward metal sale agreement, settled the term loan of $150 million and cancelled all its other pre-existing undrawn, draw-stopped facilities with its South African Rand and US Dollar lender groups. As part of this agreement $200 million in cash was received, which will be repaid in Platinum and Palladium over a three year period. The new facility provides Lonmin with improved liquidity; tenure of financing; and removed the TNW covenants. Further details are provided in note 17. This refinancing therefore removes the risk of a material loan repayment if the transaction with Sibanye-Stillwater does not complete timeously or at all.

On 14 December 2017 the Board of Lonmin Plc unanimously recommended Sibanye Gold Limited's (trading as Sibanye-Stillwater's) offer until 28 February 2019 to buy the Group ("the Offer"). The Board of Lonmin believes that the Offer is in the best interests of Lonmin shareholders and all other stakeholders of Lonmin and provides Lonmin with a comprehensive and sustainable solution to the adverse longer term challenges it faces. The combination of Sibanye-Stillwater and Lonmin creates a larger and more resilient company, with greater geographical and commodity diversification, that is better able to withstand short-term commodity price and foreign exchange volatility.

Since December 2017 progress has been made on the key conditions precedent to the Offer including, most recently, South African tribunal competition approval on 21 November 2018. The statutory time period to file an appeal or apply for a review of the tribunal ruling is 20 business days. The key remaining conditions precedent which are expected to take place in early 2019 are approvals by the shareholders of Lonmin and Sibanye-Stillwater and sanction of the Transaction by the courts of England and Wales. The completion of the Offer requires consideration alongside the Company's prospects on a stand-alone basis in assessing the appropriateness of the going concern basis of preparation and as such has also been considered by the Directors in reaching a conclusion.

If the Offer completes, a portion of the $200 million metal purchase agreement (between $60 to $80 million) would be required to be repaid on completion of acquisition. If the deal does not complete, the facility will be repaid in Platinum and Palladium over a three year period in monthly minimum instalments of $6.993 million.

Notes to the Accounts

1 Statement on accounting policies (continued)

The financial performance of the Group is highly dependent on the wider economic environment in which the Group operates. Factors exist which are outside the control of management which can have a significant impact on the business, specifically, volatility in PGM commodity prices and the Rand / US Dollar exchange rate, material adverse movements in which are unlikely to be offset by controllable management actions.

Going concern assessment

In assessing the Group's ability to continue as a going concern, the Directors have first of all prepared cash flow forecasts for a period in excess of 12 months considering the finance facilities available to the Group as noted above and disclosed in note 17. The base case assumptions used in the model are disclosed in note 30.

Various scenarios, up to a 10% downside impact on revenue, have been considered to test the Group's resilience against known risks including:

- adverse movements in PGM commodity prices from current spot prices and combinations of the latest price outlooks of various brokers and experts and Rand / US Dollar exchange rate or a combination thereof;
- failure to meet forecast production targets having regard to current and historical performance; and
- failure to achieve cost projections having regard to historical performance.

As the Offer is still subject to conditions, principally shareholder approval, the outcome of which is not controlled by the Group, the finance facilities have been stress tested for adverse movements in the above variables both in the event of the acquisition completing successfully and failing to complete.

i The Offer completes

In the event the acquisition does complete, the Group has modelled the impact of repaying, between $60 to 80 million of the metal sale agreement on completion of the acquisition as well as transaction related success fees.

Secondly, the Directors have considered any conditions, including any restrictions on redundancies, of the acquisition agreed between Sibanye-Stillwater and the Competition Commission of South Africa in relation to Sibanye-Stillwater's plans for Lonmin for a period in excess of 12 months.

Thirdly, before announcing the Transaction in 2017, the Directors had performed a due diligence over the Sibanye-Stillwater business to consider whether, if required, it could financially support Lonmin. The due diligence performed included inquiry with Sibanye-Stillwater management, review of private and public financial information and consideration of longer term trends as well as the financing facilities available to Sibanye-Stillwater. For purposes of the preparation of these accounts, the due diligence outcomes were updated with the latest available public information including press releases, analyst reports and the company's latest interim report for the year ended 30 June 2018. The absolute quantum of Sibanye-Stillwater's debt facilities as reported in their interim results to 30 June 2018 and the headroom in debt covenants have been stress tested. There has been continuous engagement between senior management of Lonmin and Sibanye-Stillwater regarding progress of the Transaction and operational business updates.

The Directors have concluded that the combined group will have adequate resources to meet obligations as they fall due and comply with its financial covenants whilst complying with acquisition conditions.

ii The Offer fails to complete

If the Offer fails to complete the Group would continue to repay the $200 million metal repayment in Platinum and Palladium over a three year period. The Directors have considered various cash flow forecast scenarios for a period in excess of 12 months as explained above and believe that the Group and Company have adequate resources to meet such obligations if they fell due and comply with its financial covenants. While the metal sale agreement is not a long term solution to the challenges faced by Lonmin whereby the Group would be financially constrained and unable to fund the significant investment required to sustain the business, it removes the risk of a material loan repayment if the Offer does not complete and it therefore improves the Group's status as going concern. While there are certain downside cash-flow scenarios under which the Group runs out of cash after approximately three years, in many of the scenarios the Group is able to continue operating and meeting its obligations as they fall due.

Conclusion

Whilst the Directors believe that it is likely that the Transaction will complete, there remains continuing uncertainty over its completion given the statutory time period of 20 business days to file an appeal or apply for a review and that approval by both Lonmin and Sibanye-Stillwater shareholders is still outstanding. This combined with the need for an alternative solution to the adverse longer term challenges faced by the Lonmin Group if the deal does not complete represent a material uncertainty that may cast significant doubt on the Group's and parent Company's ability to continue as a going concern such that the Group and parent Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Notes to the Accounts

1 Statement on accounting policies (continued)

Nevertheless, based on the Group's expectation of the acquisition completing in early 2019, the Directors believe that the Group will continue to have adequate financial resources to meet obligations as they fall due. Accordingly, the Directors have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation were inappropriate.

Functional and presentation currency

The consolidated financial statements are presented in US Dollars (rounded to the nearest million), which is the functional currency of the Company and its principal operations.

Use of estimates and judgements

The preparation of financial statements in conformity with adopted IFRSs requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies other than those involving estimates. The estimates made have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Impairment of non-financial assets

In determining the recoverable amount of intangible assets and property, plant and equipment, judgement is required in determining key inputs into valuation models. The key assumptions, and the Directors approach for determining these, are described in the policy on Impairment: Non-financial assets. The impact of movements in key base case assumption is disclosed in note 30.

Recoverability of the HDSA receivable

As described in the policy on Impairment – financial assets, an assessment is made at each reporting period to determine whether there is objective evidence that the HDSA receivable is impaired. This assessment for indicators of a loss event, involves a high degree of judgement.

The assessment is based on the value of the security which is primarily driven by the value of Incwala's underlying investments in WPL, EPL and Akanani. The same valuation models for the Marikana and Akanani CGU's that are prepared to assess "Impairment of non-financial assets" above are used as the basis for determining the value of Incwala's investments. Thus similar judgements apply around the determination of key assumptions in those valuation models.

Physical quantities of inventory (excluding consumables)

Inventory is held in a wide variety of forms across the value chain reflecting the stage of refinement. Prior to production as final metal the inventory is always contained within a carrier material. As such inventory is typically sampled and assays taken to determine the metal content and how this is split by metal. Measurement and sampling accuracy can vary quite significantly depending on the nature of the vessels and the state of the material. An allowance for estimation uncertainty is applied to the various categories of inventory and is dependent on the degree to which the nature and state of material allows for accurate measurement and sampling.

The estimation allowance was $10 million at 30 September 2018. The range used for the estimation allowance was between 2% and 5%. Stock in the earlier stages of refinement is adjusted with a higher percentage (5%). The percentage reduces to 2% for stock in the later stages of refinement where uncertainty is less. The range is based on independent metallurgists' level of confidence obtained from the outcome of the stocktake. Those results are applied in arriving at the appropriate quantities of inventory. The carrying value of inventory is disclosed in note 13. A change in the estimation allowance of +/-1% points would have an estimated impact of $(2)/2 million on the valuation of inventory.

Environmental rehabilitation obligations

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligation in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulation, life of mine estimates and discount rate could affect the carrying amount of this provision.

The rehabilitation provision is most sensitive to the closure date assumption of near term planned closures. The rehabilitation of the K3 UG2 open cast pit is assumed to occur in 2024. A change of +/-1 year could impact the rehabilitation provision by around $1/$(1) million.

Notes to the Accounts

1 Statement on accounting policies (continued)

Net realisable value of inventory (excluding consumables)

Inventory is measured at the lower of cost and estimated net realisable value. Metal stock that has a cost that is more than the net realisable value is written down to its net realisable value. Market listed PGM prices adjusted for downstream recovery losses and processing costs (based on the latest cumulative unit cost per ounce) are used as the basis of determining the net realisable value.

The net realisable value adjustment was $nil million at 30 September 2018. The range used for the net realisable value calculation varies between 87% and 99% depending on the type of material and the stage of refinement of the material. The net realisable value of stock in the earlier stages of refinement is calculated with a lower recovery percentage (87%) due to higher uncertainty. The recovery percentage increases to 99% for stock in the later stages of refinement where uncertainty is less. The range is based on independent metallurgists' level of confidence obtained from the outcome of the stocktake.

New standards and amendments in the year

The following revised IFRSs have been adopted in these financial statements. The application of these IFRSs did not have any material impact on the amounts reported for the current and prior years:

- Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses.

The amendments to IAS 12 clarify the accounting treatment for deferred tax assets related to debt instruments measured at fair value. The adoption of the amendment has had no material impact on the Group.

- Amendments to IAS 7 – Statement of cash flows: Disclosure initiative.

The amendments to IAS 7 requires entities to provide disclosures about changes in their liabilities arising from financing activities, including changes arising from financing cash flows and non-cash changes (such as foreign exchange movements).

EU endorsed IFRS not yet applied by the Group

The Group has not early adopted any standard, interpretation or amendment that was issued, but not yet effective.

New standards which are relevant to the Group but not yet effective:

Title of standard	Summary of impact on the Financial Statements	Application date of standard	Application date for the financial year commencing
IFRS 9 Financial Instruments	The Group will adopt IFRS 9 from 1 October 2018. The Group has minimal financial assets (other than trade debtors and certain equity investments) and the new standard does not have a material impact on the recognition and measurement of the Group's financial assets. The standard will result in changes in presentation in some disclosures of the Group's financial assets.	1 January 2018	1 October 2018

Notes to the Accounts

1 Statement on accounting policies (continued)

Title of standard	Summary of impact on the Financial Statements	Application date of standard	Application date for the financial year commencing
IFRS 15 Revenue from Contracts with Customers	The Group's revenue is derived from commodity sales, for which the point of recognition is dependent on the contract sales terms. The transfer of risks and rewards generally coincides with the transfer of control at a point in time under the contract sales term. Whilst the impact of IFRS 15 is still being assessed in detail with respect of some sales arrangements, the Group expects IFRS 15 to have an impact on the presentation of revenue but no impact on net profit. Revenues from the sale of significant by-products, such as Nickel, Copper and Chrome are within the scope of IFRS 15 and will continue to be included in consolidated sales revenue. Deferred revenue, amounting to $48 million at 30 September 2018, is anticipated to be reclassified as loan from 1 October 2019 under IFRS 15.	1 January 2018	1 October 2018
IFRS 16 Leases	Lonmin has no material lease agreements so this standard is not expected to have a significant impact on its statement of financial position. The Company does not intend to adopt IFRS 16 before the effective date.	1 January 2019	1 October 2019

Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements, and have been applied consistently by Group entities.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to bring the accounting policies used in line with those used by the Group.

Notes to the Accounts

1 Statement on accounting policies (continued)

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Application of the equity method to associates and joint ventures

Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Where an associate owns an equity interest in a Group entity an adjustment is made to the equity accounting and the non-controlling interest to avoid double counting. Any difference between the adjustment to the investment in the associate and non-controlling interest is taken direct to equity.

Joint Arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Transactions denominated in foreign currencies are translated into the respective functional currencies of the Group entities using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are retranslated into the functional currency at the rates of exchange ruling at the financial reporting date. Non-monetary assets and liabilities are translated at the historic rate.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available for sale financial assets and equity accounted investments which are recognised directly in equity.

Foreign currency gains and losses are reported on a net basis.

Revenue

Revenue is derived from the sale of metal inventories and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when: the significant risks and rewards of ownership have passed to the buyer (this is generally when title and insurance risk have passed to the customer, and the goods have been delivered to a contractually agreed location); recovery of the consideration is probable; the associated costs and possible return of goods can be estimated reliably; there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. In certain circumstances, for example sometimes in the sale of part-processed material, metal prices at the point of sale may be provisional. The impact of changes in metal prices to the point of settlement are reflected through revenue and receivables.

Notes to the Accounts

1 Statement on accounting policies (continued)

All third party metal sales are recognised as revenue. The Group does not credit capitalised development costs with income arising from production in development phases but rather recognises such metal as inventory (see Inventories policy).

Finance income and expenses

Finance income comprises interest on funds invested (including available for sale financial assets), dividend income, gains on the disposal of available for sale financial assets net of costs of disposal and gains on hedging instruments that are recognised in the income statement.

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Finance expenses comprise interest expense on borrowings, bank fees (including bank fees which are capitalised and amortised over the life of the facility), unwinding of discount on provisions and losses on hedging instruments that are recognised in the income statement.

All borrowing costs are recognised in the income statement using the effective interest method except for borrowing costs which are directly attributable to the acquisition, or construction of an asset. Such costs are capitalised to property, plant and equipment or intangible assets during the period of construction or development provided that future economic benefit is considered probable. Capitalised interest is shown as interest paid in the consolidated statement of cash flows.

The Company's accounting policies in respect of the hybrid financial instrument issued to it by Phembani, its BEE partner, are detailed in the financial instruments section.

Expenditure

Expenditure is recognised in respect of goods and services received.

Research and development

Research expenditure is charged to the income statement in the period in which it is incurred.

Development expenditure which meets the recognition criteria for an intangible asset under IAS 38 – Intangible Assets, is capitalised and then amortised over the useful economic life of the developed asset, otherwise it is charged to the income statement as incurred. Borrowing costs related to the development of qualifying assets are capitalised.

Capitalised development expenditure is recognised at cost, and subsequently carried at cost less any accumulated impairment losses, where it can be demonstrated that the expenditure will result in completion of an asset which, when available for use or sale, will result in future economic benefit arising for the Group.

Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred on the exploration for and evaluation of potential mineral reserves and includes costs relating to the following: acquisition of exploration rights; conducting geological studies; exploratory drilling and sampling and evaluating the technical feasibility and commercial viability of extracting a mineral resource as well as capitalised interest.

Expenditure incurred on activities that precede exploration for and evaluation of mineral resources, being all expenditure incurred prior to securing the legal rights to explore an area, is expensed immediately.

Expenditure towards in-house exploration for and evaluation of potential mineral reserves for each area of interest is expensed until it is considered probable that future economic benefit will arise through further exploration and subsequent development of the area of interest or, alternatively, by its sale.

Pre-feasibility studies involve the review of one or more potential development options with the aim of moving forward to the more detailed feasibility study stage. Expenditure related to such studies is expensed in full as there is insufficient certainty that future economic benefit will be generated at this stage of a project.

Expenditure relating to feasibility studies which support the technical feasibility and commercial viability of an area is capitalised under exploration and evaluation assets.

Where a feasibility study reaches a favourable conclusion, accumulated exploration and evaluation costs are transferred to mineral rights within intangibles or capital work in progress within property, plant and equipment as appropriate on commencement of the development phase of the related project. Where the feasibility study reaches an adverse conclusion, any previously capitalised exploration and evaluation expenditure is written off immediately.

Notes to the Accounts

1 Statement on accounting policies (continued)

Expenditure on purchased exploration and evaluation assets is capitalised at cost at the time of purchase. Subsequent expenditure may be capitalised at cost. Carrying values are subject to impairment reviews as per the Group's policy. Exploration and evaluation expenditure is classified as property, plant and equipment or intangible depending on the nature of the expenditure.

Capitalised exploration and evaluation expenditure is a class of assets which are not available for use. Therefore amortisation is not provided on such assets.

Mineral mining rights, which are obtained following the completion of a feasibility study, are not included within exploration and evaluation expenditure. They are capitalised at cost under IAS 38 – Intangible Assets and are amortised on a units of production basis over the life of the mine.

Share-based payments

From the grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the shares.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as a personnel expense in the income statement.

The fair value of each option or share appreciation right is determined using either a Black-Scholes option pricing model or a Monte Carlo projection model, depending on the type of the award. Market related performance conditions are reflected in the fair value of the share. Non-market related performance conditions are allowed for using a separate assumption about the number of awards expected to vest; the final charge made reflects the numbers actually vested on the basis that non-market conditions are met.

Pensions and other post-retirement benefits

The Group operates a number of defined contribution schemes in accordance with local regulations. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate legal entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due.

Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax to be paid or recovered on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date during the periods being reported upon, and any adjustments to tax payable in respect of previous years.

Deferred tax as directed by IAS 12 – Income Taxes is recognised in respect of certain temporary differences identified at the financial reporting date. Temporary differences are differences between the carrying amount of the Group's assets and liabilities and their tax base.

A deferred tax liability is recognised in a business combination in respect of any identified fair value adjustments representing the difference between the fair value of the acquired asset and its tax base. Recognition of a deferred tax liability in respect of such a difference gives rise to a corresponding increase in goodwill recognised in the consolidated statement of financial position.

Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group where the entities have the right to settle current tax liabilities net. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is provided on temporary differences arising in relation to investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Accounts

1 Statement on accounting policies (continued)

Business combinations and goodwill

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date.

Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Intangible assets

Intangible assets, other than goodwill, acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Where amortisation is charged on these assets, the expense is taken to the income statement through operating costs.

Amortisation of mineral rights is provided on a ‘units of production’ basis over the remaining life of mine to residual value (20 to 40 years).

All other intangible assets are amortised over their useful economic lives subject to a maximum of 20 years and are tested for impairment at each reporting date when there is an indication of a possible impairment.

Property, plant and equipment

Recognition

Property, plant and equipment is included in the statement of financial position at cost and subsequently less accumulated depreciation and any accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and any other costs of dismantling and removing the items and restoring the site on which they are located. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Borrowing costs incurred on the acquisition or construction of qualifying assets are capitalised to the cost of the asset.

Gains and losses on disposals of an item of property, plant and equipment are determined by comparing the proceeds on disposal with the carrying value of property, plant and equipment and are recognised net in the income statement.

Notes to the Accounts

1 Statement on accounting policies (continued)

Componentisation

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised upon replacement. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Capital work in progress

Development costs are capitalised and transferred to the appropriate category of property, plant and equipment when available for use.

Capitalised development costs include expenditure incurred to develop new operations and to expand existing capacity. Costs include interest capitalised during the period up to the level that the qualifying assets permit.

Depreciation

Depreciation is provided on a straight-line or units of production basis as appropriate over their expected useful lives or the remaining life of mine, if shorter, to residual value. The life of mine is based on proven and probable reserves. The expected useful lives of the major categories of property, plant and equipment are as follows:

	Method	Rate	
Shafts and underground	Units of production	2.5% – 5.0% per annum	20 – 40 years
Metallurgical	Straight line	2.5% – 7.1% per annum	14 – 40 years
Infrastructure	Straight line	2.5% – 2.9% per annum	35 – 40 years
Other plant and equipment	Straight line	2.5% – 50.0% per annum	2 – 40 years

No depreciation is provided on surface mining land which has a continuing value and capital work in progress.

Residual values and useful lives are re-assessed annually and if necessary changes are accounted for prospectively.

Impairment – Non-financial assets (excluding inventories and deferred tax)

The Group's principal non-financial assets (excluding inventories and deferred tax assets) are property, plant and equipment, intangibles and goodwill associated with mining and processing activities. For the purpose of assessing recoverable amounts, these assets are grouped into cash generating units (CGUs). The Group's two key CGU's are:

- Marikana, which includes Western Platinum Limited (WPL) and Eastern Platinum Limited (EPL). The Marikana CGU mines and processes substantially all of the ore produced by the Group; and
- Akanani Mining (Proprietary) Limited (Akanani), an exploration and evaluation asset located on the Northern Limb of the Bushveld Complex in South Africa.

The Group also includes the Limpopo CGU which is currently on care and maintenance.

Recoverable amount is the higher of fair value less costs to sell and value in use. At each financial reporting date, the Group assesses whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment (if any).

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, regardless of whether an indication of impairment exists.

Items of property, plant and equipment that are not in use are reviewed annually for impairment on a fair value less costs to sell basis.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. Any impairment is recognised immediately as an expense.

Notes to the Accounts

1 Statement on accounting policies (continued)

Value in use

In assessing value in use, the estimated future cash flows, based on the most up to date business forecasts or studies for exploration and evaluation assets, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which estimates of future cash flows have not been adjusted.

Management uses past experience and assessment of future conditions, together with external sources of information in order to assign values to the key assumptions.

Management projects cash flows over the life of the relevant mining operation which is significantly greater than 5 years. Projecting cash flows over a period longer than 5 years is in line with industry practice and is supported by the Group's history of the resources expected to be found being proven to exist. Management does not apply a growth rate because a detailed life of mine plan is used to forecast future production volumes.

For each CGU, a risk-adjusted discount rate is used for impairment testing. The key factors affecting the risk premium applied are the relevant stage of the development of the asset in the CGU (extensions to existing operations having significantly lower risk than evaluation projects for example), the level of knowledge and consistency of the ore body and sovereign risk.

Fair value less costs to sell

Fair value less costs to sell is determined by reference to the best information available to reflect the amount that the Group could receive for the CGU in an arm's length transaction.

When comparable market transactions or public valuations of similar assets exist these are used as a source of evidence. However, the Group believes that mining CGUs tend to be unique and have their value determined largely by the nature of the underlying ore body. The fair value therefore is typically determined by calculating the value of the CGU using an appropriate valuation methodology such as calculating the post-tax net present value using a discounted cash flow forecast (as described in value in use).

The fair value less costs to sell for Limpopo has been calculated using resource multiples from comparable market transactions.

Exploration and evaluation assets

Under IFRS 6 exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount. When this occurs, any impairment loss is immediately charged to the income statement.

Impairment – Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Reversal of impairment

At each financial reporting date, the Group assesses whether there is any indication that a previously recognised impairment loss has reversed. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had the impairment not been made. A reversal of impairment is recognised as income immediately except for previously impaired goodwill which is never reversed.

Leases

Rentals under operating leases are charged to the income statement on a straight-line basis.

Notes to the Accounts

1 Statement on accounting policies (continued)

Assets held for sale

When an asset's carrying value will be recovered principally through a sale transaction, to take place within twelve months of the financial reporting date, rather than through continuing use it is classified as held for sale and stated at the lower of carrying value and fair value less costs to sell. No depreciation is charged in respect of non-current assets classified as held for sale. Immediately prior to sale the assets are re-measured in accordance with the Group's accounting policies.

Inventories

Inventories are valued at the lower of cost (which includes the applicable proportion of production overheads) and net realisable value.

PGMs inventory is valued by allocating costs, based on the joint cost of production, apportioned according to the relative sales value of each of the PGMs produced.

By-product metals are valued at the incremental cost of production from the point of split-off from the PGM processing stream.

In the process of initially developing the ore reserve it is common that metal is produced, although not at normal operating levels. Development is split into different phases according to the mining method used with differing levels of production expected in each phase. The Group recognises the metal produced in each development phase in inventory with an appropriate proportion of cost as operating costs. This allocation is calculated by reference to the produced volumes in relation to the total volumes expected from the development.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts as the bank overdraft is repayable on demand and forms an integral part of the Group's cash management.

Rehabilitation costs

Rehabilitation costs are provided in full based on estimates of the future costs to be incurred, calculated on a discounted basis. These estimates are reviewed annually.

As the provision is recognised, it is either capitalised as part of the cost of the related mine or written off to the income statement if utilised within one year. Where costs are capitalised the impact of such costs on the income statement is spread over the life of mine through the accretion of the discount of the provision and the depreciation over a units of production basis of the increased costs of the mining assets.

Changes in estimates are capitalised or reversed against the relevant asset to the extent that it meets the definition of dismantling and removing the item and restoring the site on which it is located. If a reversal exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.

Provisions

Provision is made when a present or legal obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes to the Accounts

1 Statement on accounting policies (continued)

Financial instruments

The Group's principal financial instruments (other than derivatives) comprise bank loans, available for sale financial assets, trade and other receivables, cash and cash equivalents, trade and other payables and short-term deposits.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. These also comprise bank overdrafts that are repayable on demand, for the purpose of the statement of cash flows only.

Investments are classified into loans and receivables, held-to-maturity and available for sale. The classification depends on the purpose for which the investments were acquired, the nature of the investments and whether the investment is quoted or not. The classification of investments is determined at initial recognition.

Loans and receivables

Loans and receivables and investments classified as held-to-maturity are carried at amortised cost and gains or losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

The Company is the holder of a financial instrument issued by its BEE partner, Phembani. The loan component of the hybrid instrument was recognised initially at fair value and thereafter will be held at amortised cost. The loan is denominated in Sterling. The financial instrument was translated to preference shares on 31 March 2011. The related dividends accumulate on a month to month basis based on the same rates as the interest rates of the original financial instrument.

An assessment will be performed on the day of repayment of the preference share debt to assess the value of the investment that Phembani has acquired through this transaction. This value is then compared to the consideration paid and the difference is considered to be an 'equity upside' which is recognised as a derivative financial instrument in the financial statements. Due to the fall in value of the investment the derivative financial instrument is valued at $nil at 30 September 2018 (2017 – $nil).

Available for sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available for sale financial assets. Subsequent to initial recognition they are measured at fair value and any changes are recognised directly in equity except for impairment losses and, in the case of monetary items, foreign exchange gains and losses. When an investment is written off or sold, any cumulative gains or losses in equity are recycled into the income statement. Fair value is determined by using the market price at the financial reporting date where this is available. Where market price is not available the Directors' best estimates of market value are used.

Bank loans

Bank loans are recorded at amortised cost, net of transaction costs incurred, and are adjusted to amortise transaction costs over the term of the loan.

Notes to the Accounts

1 Statement on accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are principally used by the Group to manage exposure to market risks from treasury operations and commodity price risks on by-products. The principal derivative instruments used are foreign currency swaps, interest rate swaps, forward foreign exchange contracts and forward price agreements on by-products. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are initially recognised in the statement of financial position at fair value and then re-measured to fair value at subsequent reporting dates. Attributable costs are recognised in profit or loss when incurred. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Hedging derivatives are classified on inception as fair value hedges or cash flow hedges.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The fair value gains and losses accumulated in equity are reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is revoked prospectively.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, for example, the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (for example without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on a straight line basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Segmental reporting

The core principle of IFRS 8 – Operating Segments is that an entity shall disclose information to enable users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. On this basis, Lonmin has one reportable operating segment being:

- PGM Operations – which comprise operational mines and processing facilities which are located in South Africa. This segment also includes exploration and evaluation activities involved in the discovery or identification of new PGM deposits and the evaluation through pre-feasibility of the economic viability of newly discovered PGM deposits.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill, and any capitalised interest.

Notes to the Accounts

2 Segmental analysis

The PGM Operations segment comprises the activities involved in the mining and processing of PGMs, together with associated base metals, which are carried out entirely in South Africa. These operations are integrated and designed to support the process for extracting and refining PGMs from underground. PGMs move through each stage of the process and undergo successive levels of refinement which result in fully refined metals. This segment also includes exploration and evaluation activities involved in the discovery or identification of new PGM deposits and the evaluation through pre-feasibility of the economic viability of newly discovered PGM deposits. Currently exploration activities occur on a worldwide basis and evaluation projects are based in South Africa. The Chief Executive Officer, who performs the role of Chief Operating Decision Maker (CODM), views the PGM Operations segment as a single whole for the purposes of financial performance monitoring and assessment and does not make resource allocations based on margin, costs or cash flows incurred at each separate stage of the process. In addition, the CODM makes his decisions for running the business on a day to day basis using the physical operating statistics generated by the business as these summarise the operating performance of the entire segment.

Other covers mainly the results and investment activities of the corporate Head Office. The only intersegment transactions involve the provision of funding between segments and any associated interest.

No operating segments have been aggregated. Operating segments have consistently adopted the consolidated basis of accounting and there are no differences in measurement applied.

	2018			
	PGM Operations Segment $m	Other $m	Intersegment Adjustments $m	Total $m
Revenue (external sales by product):				
Platinum	607	–	–	607
Palladium	312	–	–	312
Gold	23	–	–	23
Rhodium	209	–	–	209
Ruthenium	35	–	–	35
Iridium	40	–	–	40
PGMs	1,226	–	–	1,226
Nickel	38	–	–	38
Copper	15	–	–	15
Chrome	66	–	–	66
	1,345	–	–	1,345
EBITDA / (LBITDA) [i]	135	(20)	–	115
Depreciation and amortisation	(14)	–	–	(14)
Operating profit / (loss) [i]	121	(20)	–	101
Foreign exchange arising on acquisition of Pandora	(24)	–	–	(24)
Finance income	10	55	(28)	37
Finance expenses [ii]	(41)	(54)	28	(67)
Share of profit of equity accounted investments	–	21	–	21
Profit before taxation	66	2	–	68
Income tax charge	(2)	(4)	–	(6)
Profit / (loss) after taxation	64	(2)	–	62
Total assets [iii]	1,010	1,776	(1,787)	999
Total liabilities	(2,143)	(186)	1,787	(542)
Net assets / (liabilities)	(1,133)	1,590	–	457
Additions to property, plant, equipment and intangibles	73	–	–	73

Notes to the Accounts

2 Segmental analysis (continued)

	2017			
	PGM Operations Segment $m	Other $m	Intersegment Adjustments $m	Total $m
Revenue (external sales by product):				
Platinum	673	–	–	673
Palladium	262	–	–	262
Gold	21	–	–	21
Rhodium	99	–	–	99
Ruthenium	9	–	–	9
Iridium	28	–	–	28
PGMs	1,092	–	–	1,092
Nickel	31	–	–	31
Copper	11	–	–	11
Chrome	32	–	–	32
	1,166	–	–	1,166
EBITDA / (LBITDA) [i]	42	(2)	–	40
Depreciation and amortisation	(66)	–	–	(66)
Impairment of non-financial assets	(1,053)	–	–	(1,053)
Operating loss [i]	(1,077)	(2)	–	(1,079)
Finance income	14	94	(59)	49
Finance expenses [ii]	(74)	(122)	59	(137)
Share of loss of equity accounted investments	(3)	–	–	(3)
Loss before taxation	(1,140)	(30)	–	(1,170)
Income tax credit / (charge)	26	(8)	–	18
Loss after taxation	(1,114)	(38)	–	(1,152)
Total assets [iii]	912	1,773	(1,814)	871
Total liabilities	(2,134)	(189)	1,814	(509)
Net assets / (liabilities)	(1,222)	1,584	–	362
Share of net assets of equity accounted investment	24	–	–	24
Additions to property, plant, equipment and intangibles	93	–	–	93

Footnotes:

i EBITDA / (LBITDA) and operating profit / (loss) are the key profit measures used by management.

ii The impairment of the HDSA receivable of $17 million (2017 – $109 million) and of non-financial assets of $nil (2017 – $1,053 million) are included under finance expenses and impairment respectively. The HDSA receivable forms part of the “Other” segment. The impairment of non-financial assets is all allocated to the PGM Operations segment.

iii The assets under “Other” include intercompany receivables of $1,710 million (2017 – $1,739 million). Available for sale financial assets of $22 million (2017 – $16 million) forms part of the “Other” segment and the balance of $3 million (2017 – $3 million) forms part of the PGM Operations segment.

Notes to the Accounts

2 Segmental analysis (continued)

Revenue by destination is analysed by geographical area below:

	2018 $m	2017 $m
The Americas	**328**	245
Asia	**189**	295
Europe	**491**	355
South Africa	**337**	271
	1,345	1,166

The Group's revenue is all derived from the PGM Operations segment. This segment has three major customers who respectively contributed 33% ($442 million), 20% ($273 million) and 18% ($239 million) of revenue in the 2018 financial year (2017 – 38% ($443 million), 21% ($239 million) and 20% ($234 million)).

Metal sales prices are based on market prices which are denominated in US Dollars. The majority of sales are also invoiced in US Dollars with the exception of certain sales in South Africa which are invoiced in South African Rand based on exchange rates determined in accordance with the contractual arrangements.

Non-current assets (excluding financial instruments and deferred tax assets) of $348 million (2017 – $265 million) are all situated in South Africa.

3 Group operating profit / (loss)

Group operating profit / (loss) is stated after charging / (crediting):

	2018 $m	2017 $m
Cost of sales	**1,153**	1,065
Other costs	**84**	56
Depreciation charge – property, plant and equipment	**14**	64
Amortisation charge – intangible assets	**–**	2
Impairment of intangibles	**–**	62
Impairment of property, plant and equipment	**–**	991
Employee benefits of key management excluding share-based payments and attraction bonuses [i]	**3**	3
Share-based payments	**1**	1
Foreign exchange (gains) / losses	**(11)**	2
Profit on disposal of property, plant and equipment	**–**	(1)

Footnote:

i Employee benefits of key management excluding share-based payments and attraction bonuses includes $2 million (2017 – $1 million) in respect of Directors.

Notes to the Accounts

3 Group operating profit / (loss) (continued)

Fees payable to the Group's auditor and its associates included in operating costs:

	2018 $m	2017 $m
Audit fee		
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**0.9**	0.7
Fees payable to the Group's auditor for the audit of the Group's interim accounts	**0.3**	0.3
Fees payable to the Group's auditor for the audit of the Group's subsidiary companies	**0.4**	0.5
Other assurance services		
Assurance services in respect of the Mining Charter	**0.1**	0.1
Non-audit services		
Tax compliance services	**0.1**	0.1
	1.8	1.7

Fees paid to KPMG LLP and its associates for non-audit services to the Company are not disclosed in the individual accounts of Lonmin Plc because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

4 Employees

The average number of employees and Directors during the year was as follows:

	2018 No.	2017 No.
South Africa	**23,566**	24,048
Europe	**6**	7
Rest of world	**4**	5
	23,576	24,060

The aggregate payroll costs of employees, key management and Directors were as follows:

Employee costs	2018 $m	2017 $m
Wages and salaries	**574**	539
Social security costs	**40**	35
Pension costs	**43**	41
Share-based payments	**1**	1
Employee profit share scheme	**2**	–
Restructuring and reorganisation costs	**17**	3
	677	619

The vast majority of employee costs are denominated in Rand and reported Dollar costs are therefore subject to foreign exchange movements.

Notes to the Accounts

4 Employees (continued)

Key management compensation	2018 $m	2017 $m
Short-term employee benefits excluding share-based payments and attraction bonuses	**3**	3

The key management compensation analysed above represents amounts in respect of the Exco which comprised the two executive Directors and four other senior managers (2017 – two executive Directors and three other senior managers).

The Sterling equivalents of total Directors' emoluments and emoluments of the highest paid Director together with full details of Directors' remuneration, pensions and benefits in kind are given in the Remuneration Committee Report.

The Group operates defined contribution schemes in the UK and South Africa. There were no accrued obligations under defined contribution plans at 30 September 2018 and 2017.

The total pension cost for the Group was $43 million (2017 – $41 million), $43 million of which related to South African schemes (2017 – $41 million).

5 Net finance expenses

	2018 $m	2017 $m
Finance income:	**37**	49
– Interest receivable on cash and cash equivalents	**5**	6
– Foreign exchange gains on net cash / (debt) [i]	**–**	3
– Interest accrued from HDSA receivable (note 12)	**29**	26
– Foreign exchange gain on HDSA receivable (note 12)	**–**	14
– Other finance income	**3**	–
Finance expenses:	**(67)**	(137)
– Interest payable on bank loans and overdrafts	**(12)**	(11)
– Bank fees	**(3)**	(7)
– Unwinding of discount on environmental provisions (note 21)	**(11)**	(10)
– Foreign exchange loss on HDSA receivable (note 12)	**(12)**	–
– Impairment of HDSA receivable (note 12)	**(17)**	(109)
– Finance charge on BTT funding	**(2)**	–
– Other finance expenses	**(1)**	–
– Foreign exchange losses on net cash / (debt) [i]	**(9)**	–
Net finance expenses	**(30)**	(88)

Footnote:

i Net cash / (debt) as defined by the Group comprises cash and cash equivalents, bank overdrafts repayable on demand and interest bearing loans and borrowings less unamortised bank fees, unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

Interest expenses incurred are capitalised on a Group basis to the extent that there is an appropriate qualifying asset. No interest has been capitalised for the years to 30 September 2018 and 2017.

Notes to the Accounts

6 Taxation

	2018 $m	2017 $m
Current tax charge:		
United Kingdom tax expense	4	6
Current tax expense at 20% (2017 – 21%) [i]	4	6
Overseas current tax expense at 28% (2017 – 28%)	1	9
Corporate tax expense – current year	1	9
Adjustment in respect of prior years	1	–
Foreign exchange revaluation on company tax [ii]	(1)	–
Total current tax charge	5	15
Deferred tax (credit) / charge:		
Deferred tax (credit) / charge – UK and overseas	1	(33)
Origination and reversal of temporary differences	–	(44)
Adjustment in respect of prior years	–	8
Reversal of utilisation of losses from prior years to offset deferred tax liability	1	2
Foreign exchange revaluation on deferred tax [ii]	–	1
Total deferred tax charge / (credit)	1	(33)
Total tax charge / (credit)	6	(18)
Effective tax rate	9%	2%

A reconciliation of the standard tax credit to the actual tax charge / (credit) was as follows:

	2018 %	2018 $m	2017 %	2017 $m
Tax charge / (credit) on gain / (loss) at standard tax rate	28	19	28	(327)
Tax effect of:				
– Transfer of losses	–	–	–	(1)
– Unutilised losses [iii]	(12)	(8)	2	(9)
– Foreign exchange impacts on taxable profits [ii]	(15)	(10)	(2)	24
– Adjustment in respect of prior years	1	1	(1)	8
– Disallowed expenditure	9	6	(25)	287
– (Income) / expenses not subject to tax	(1)	(1)	–	(1)
Foreign exchange revaluation on company tax [ii]	(1)	(1)	–	1
Actual tax charge / (credit)	9	6	2	(18)

Footnotes:

i Effective from 1 April 2020 the United Kingdom tax rate will change from 19% to 17%. This does not materially impact the Group's recognised deferred tax liabilities.

ii Overseas tax charges are predominantly calculated based in Rand as required by the local authorities. As these subsidiaries' functional currency is US Dollar this leads to a variety of foreign exchange impacts being the retranslation of current and deferred tax balances and monetary assets, as well as other translation differences. The Rand denominated deferred tax balance in US Dollars at 30 September 2018 is $nil (30 September 2017 – $1 million).

iii Unutilised losses reflect losses generated in entities for which no deferred tax asset is provided as it is not thought probable that future profits can be generated against which a deferred tax asset could be offset or previously unrecognised losses utilised.

Notes to the Accounts

6 Taxation (continued)

The Group's primary operations are based in South Africa. The South African statutory tax rate is 28% (2017 – 28%). Lonmin Plc operates a branch in South Africa which is also subject to a tax rate of 28% on branch profits (2017 – 28%). The aggregated standard tax rate for the Group is 28% (2017 – 28%). The dividend withholding tax rate is 15% (2017 – 15%).

Dividends payable by the South African companies to Lonmin Plc are subject to a 5% withholding tax benefitting from double taxation agreements. As at 30 September 2018 the transfer pricing audits for 2010-2012 were still open for review with the South African Revenue Service and no material payment is anticipated.

7 Earnings / (loss) per share

Earnings / (loss) per share EPS / (LPS) has been calculated on the earnings / (loss) attributable to equity shareholders amounting to $42 million (2017 – $996 million loss) using a weighted average number of 282,781,603 ordinary shares in issue (2017 – 282,428,397 ordinary shares).

Diluted earnings / (loss) per share is based on the weighted average number of ordinary shares in issue adjusted by dilutive outstanding share options in accordance with IAS 33 – *Earnings Per Share.*

	2018			2017		
	Profit for the year $m	**Number of shares**	**Per share amount cents**	Loss for the year $m	Number of shares	Per share amount cents
Basic EPS / (LPS)	**42**	**282,781,603**	**14.9**	(996)	282,428,397	(352.7)
Share option schemes	**–**	**628,111**	**(0.1)**	–	–	–
Diluted EPS / (LPS)	**42**	**283,409,714**	**14.8**	(996)	282,428,397	(352.7)

Headline earnings / (loss) and the resultant headline earnings / (loss) per share are specific disclosures defined and required by the Johannesburg Stock Exchange. These are calculated as follows:

	2018 $m	2017 $m
Earnings / (loss) attributable to ordinary shareholders (IAS 33 earnings)	**42**	(996)
Add back profit on disposal of property, plant and equipment (note 3)	**–**	(1)
Add back foreign exchange arising on acquisition of Pandora (note 2)	**24**	–
Add back impairment of non-financial assets (note 3)	**–**	1,053
Tax related to the above items	**–**	(16)
Non-controlling interests	**(3)**	(143)
Headline earnings / (loss)	**63**	(103)

	2018			2017		
	Profit for the year $m	**Number of shares**	**Per share amount cents**	Loss for the year $m	Number of shares	Per share amount cents
Headline EPS / (LPS)	**63**	**282,781,603**	**22.2**	(103)	282,428,397	(36.5)
Share option schemes	**–**	**628,111**	**–**	–	–	–
Diluted EPS / (LPS)	**63**	**283,409,714**	**22.2**	(103)	282,428,397	(36.5)

Notes to the Accounts

8 Dividends

No dividends were declared by Lonmin Plc for the financial years ended 30 September 2018 and 2017.

No advance dividends were made by WPL, a subsidiary of Lonmin Plc, to Incwala Platinum (Proprietary) Limited (IP) during the year (2017 – $nil (Rnil)). IP is a substantial shareholder in the Company's principal operating subsidiaries. Total advance dividends made between 2009 and 2015 amount to $135 million (R1,309 million). IP has authorised WPL to recover these amounts by reducing future dividends that would otherwise be payable to all shareholders.

These advance dividends are adjusted for in the non-controlling interest of the Group.

9 Intangible assets

	2018				2017			
	Exploration and evaluation $m	**Mineral rights $m**	**Other $m**	**Total $m**	Exploration and evaluation $m	Mineral rights $m	Other $m	Total $m
Cost:								
At 1 October	**751**	**344**	**37**	**1,132**	750	344	37	1,131
Additions	**1**	**–**	**–**	**1**	1	–	–	1
Transfers	**4**	**–**	**–**	**4**	–	–	–	–
At 30 September	**756**	**344**	**37**	**1,137**	751	344	37	1,132
Amortisation and impairment:								
At 1 October	**751**	**333**	**37**	**1,121**	748	272	37	1,057
Amortisation charge	**–**	**–**	**–**	**–**	–	2	–	2
Impairment charge	**–**	**–**	**–**	**–**	3	59	–	62
Transfer of impairment	**4**	**–**	**–**	**4**	–	–	–	–
At 30 September	**755**	**333**	**37**	**1,125**	751	333	37	1,121
Net book value:								
At 30 September	**1**	**11**	**–**	**12**	–	11	–	11

The Group's exploration and evaluation assets relate to Akanani. These assets were fully impaired in 2017, however since the project is still in progress, costs were incurred during the financial year.

The intangible assets of the Marikana CGU were impaired by $nil and Akanani CGU by $nil (2017 – Marikana CGU $59 million and Akanani CGU by $3 million) as disclosed in note 30.

The Group has no indefinite life intangible assets.

Notes to the Accounts

10 Property, plant and equipment

	Capital work in progress $m	Shafts and underground $m	Metallurgical $m	Infrastructure $m	Other plant and equipment $m	Total $m
Cost or deemed cost:						
At 1 October 2017	470	2,053	978	856	198	4,555
Additions [i]	42	1	12	20	(3)	72
Fair value of assets acquired on acquisition of Pandora	3	38	–	7	–	48
Transfers	(92)	5	28	66	(3)	4
Disposals	–	(1)	–	(1)	–	(2)
At 30 September 2018	423	2,096	1,018	948	192	4,677
Depreciation and impairment:						
At 1 October 2017	452	1,935	950	835	189	4,361
Depreciation charge	–	8	3	3	–	14
Transfer of impairment	(148)	122	5	29	(4)	4
Disposals	–	(1)	–	(1)	–	(2)
At 30 September 2018	304	2,064	958	866	185	4,377
Net book value:						
At 30 September 2018	119	32	60	82	7	300
At 30 September 2017	18	118	28	21	9	194

	Capital work in progress $m	Shafts and underground $m	Metallurgical $m	Infrastructure $m	Other plant and equipment $m	Total $m
Cost or deemed cost:						
At 1 October 2016	715	1,779	964	836	174	4,468
Additions [i]	88	5	1	6	(8)	92
Transfers	(333)	269	13	18	33	–
Disposals	–	–	–	(4)	(1)	(5)
At 30 September 2017	470	2,053	978	856	198	4,555
Depreciation and impairment:						
At 1 October 2017	374	1,337	767	699	133	3,310
Depreciation charge	–	18	23	22	1	64
Transfer of impairment	78	580	160	118	55	991
Disposals	–	–	–	(4)	–	(4)
At 30 September 2017	452	1,935	950	835	189	4,361
Net book value:						
At 30 September 2017	18	118	28	21	9	194
At 30 September 2016	341	442	197	137	41	1,158

Footnote:

i The negative additions to Other plant and equipment is due to the write back of rehabilitation assets due to changes in rates and estimations made (see note 21).

Notes to the Accounts

10 Property, plant and equipment (continued)

No interest was capitalised during the year (2017 – $nil).

In accordance with the Group accounting policies, no depreciation has been provided on surface mining land having a book value of $7 million after impairment (2017 – book value of $5 million).

Property, plant and equipment at Marikana was impaired by $nil (2017 – $991 million) as disclosed in note 30.

11 Equity accounted investment

Incwala

The Group owns 23.56% of the ordinary shares of its associate, Incwala Resources (Proprietary) Limited which is incorporated in South Africa (see footnote i).

Pandora

On 6 December 2017 Eastern Platinum Limited acquired 50% of the Pandora Joint Venture (Pandora JV) bringing Eastern Platinum Limited's ownership to 100%. Previously the 50% held as a joint venture had been equity accounted (see note 31). In accordance with accounting standards, on acquiring the remaining 50% the original 50% was treated as a disposal and then 100% was acquired. The carrying value of the 50% investment in the joint venture was $24 million at 30 September 2017 resulting in a loss on disposal of the 50% joint venture of $1 million. Refer to note 31 for the fair values of the net assets acquired and the fair value of the consideration paid.

Petrozim

In June 2018 the Group entered into agreement to sell its 50% interest in Petrozim Line (Private) Limited ("Petrozim") for $21 million net of tax. This comprised gross cash consideration of $14.75 million and special dividends of $8 million. The Group's share of profits from this joint venture to date had been impaired due to uncertainty over receiving distributions from Zimbabwe. Impairments were reversed during the period up to the amount in the sale agreement. The asset has been reclassified as held for sale.

	2018 $m	2017 $m
Pandora joint venture:	**–**	24
Group's interest in net assets of investee at 1 October	**24**	24
Share of total comprehensive loss	**–**	(3)
Foreign exchange loss on retranslation of equity accounted investments transferred to the income statement	**(24)**	–
Capital contributions	**–**	2
Foreign exchange gain on retranslation of equity accounted investment	**–**	1
Petrozim joint venture:	**–**	–
Group's interest in net assets of investee at 1 October	**–**	–
Reversal of impairment	**21**	–
Dividend received	**(7)**	–
Transferred to assets held for sale	**(14)**	–
Carrying amount of interest in investee at 30 September	**–**	24

Notes to the Accounts

11 Equity accounted investment (continued)

The Group's share of the profit / (loss) of equity accounted investment comprises the following:

	2018			2017		
	Joint venture			Joint venture		
	Equity interest $m	Non-controlling interests $m	Total $m	Equity interest $m	Non-controlling interests $m	Total $m
Revenue	3	1	4	14	2	16
Profit / (loss) from continuing operations [ii]	21	–	21	(3)	–	(3)
Total comprehensive income / (loss)	**21**	**–**	**21**	(3)	–	(3)

The Group's share of the net assets of equity accounted investment comprises the following:

	2018			2017		
	Joint venture			Joint venture		
	Equity interest $m	Non-controlling interests $m	Total $m	Equity interest $m	Non-controlling interests $m	Total $m
Current assets [iii]	–	–	–	2	–	2
Non-current assets	–	–	–	30	5	35
Current liabilities [iv]	–	–	–	(11)	(2)	(13)
Non-current liabilities [v]	–	–	–	–	–	–
Net assets	**–**	**–**	**–**	21	3	24

Footnotes:

i Where an associate owns an equity interest in a Group entity, an adjustment is made to the equity accounting and the non-controlling interest to avoid double counting. Any difference between the adjustment to the investment in the associate and non-controlling interest is taken directly to equity. Since Incwala only holds interests in WPL, EPL and Akanani, which are all subsidiaries of Lonmin Plc, the adjustment resulted in the investment in the associate being reduced to $nil.

ii Includes:

- Depreciation and amortisation of $nil (2017 – $1.8 million). Non-controlling interest in depreciation consists of $nil (2017 – $0.2 million).
- Interest expense of $nil (2017 – $nil). Non-controlling interest in the interest expense consists of $nil (2017 – $nil).
- Income tax credit of $nil (2017 – $3.1 million tax credit). Non-controlling interest in income tax consists of $nil (2017 – $0.4 million).
- Reversal of impairment of $21 million from Petrozim joint venture (2017 – $nil). Non-controlling interest in reversal of impairment consists of $nil (2017 – $nil).

iii Includes cash and cash equivalents of $nil (2017 – $0.2 million). Non-controlling interest in cash and cash equivalents consists of $nil (2017 – $0.03 million).

iv Includes current financial liabilities (excluding trade and other payables and provisions) of $nil (2017 – $9.7 million). Non-controlling interest in current financial liabilities consists of $nil (2017 – $1.4 million).

v Includes non-current financial liabilities (excluding trade and other payables and provisions) of $nil (2017 – $0.4 million). Non-controlling interest in non-current financial liabilities consists of $nil (2017 – $0.1 million).

Notes to the Accounts

12 Other financial assets

	Restricted cash $m	Available for sale $m	HDSA receivable $m	Total $m
At 1 October 2017	15	19	–	34
Additions	3	–	–	3
Disposal of investment	(3)	–	–	(3)
Transferred to assets held for sale	–	(3)	–	(3)
Interest accrued	1	–	29	30
Movement in fair value	–	9	–	9
Foreign exchange losses	(1)	–	(12)	(13)
Impairment loss	–	–	(17)	(17)
At 30 September 2018	15	25	–	40

	Restricted cash $m	Available for sale $m	HDSA receivable $m	Total $m
At 1 October 2016	10	11	69	90
Additions	4	–	–	4
Interest accrued	1	–	26	27
Movement in fair value	–	8	–	8
Foreign exchange gains	–	–	14	14
Impairment loss	–	–	(109)	(109)
At 30 September 2017	15	19	–	34

Non-current assets	2018 $m	2017 $m
Other financial assets	40	34

Restricted cash deposits are in respect of mine rehabilitation obligations.

Available for sale financial assets include listed investments of $22 million (2017 – $16 million) held at fair value using the market price on 30 September 2018.

On 8 July 2010, Lonmin entered into an agreement to provide financing of £200 million to Lexshell 806 Investments (Proprietary) Limited, a subsidiary of Phembani Group (Proprietary) Limited, to facilitate the acquisition, at fair value, of 50.03% of shares in Incwala Resources (Proprietary) Limited from the original HDSA shareholders. The terms of the financing provided by Lonmin Plc to the Phembani subsidiary include the accrual of interest on the HDSA receivable at a fixed rate based on a principal value of £200 million which is repayable on demand, including accrued interest.

The Company holds the HDSA receivable at amortised cost. The receivable is secured on shares in the HDSA borrower, Lexshell 806 Investments (Proprietary) Limited, whose only asset of value is its holding in Incwala Resources (Proprietary) Limited (Incwala). Incwala's principal assets are investments in WPL, EPL and Akanani Mining (Proprietary) Limited (Akanani), all subsidiaries of Lonmin Plc. One of the sources of income to fund the settlement of the receivable is the dividend flow from these underlying investments. Given the continued subdued PGM pricing environment, there have not been any substantial dividends declared by these Lonmin subsidiaries in recent years.

The HDSA receivable is disclosed as a current asset as it was redeemable at any time on or after 8 July 2015 at Lonmin's request. It is not our current intention to request redemption as Phembani could forfeit the loan and the 50.03% that Phembani hold in Incwala would revert to Lonmin. There is ongoing engagement with Phembani around this.

An impairment assessment was performed on the balance of the loan at 30 September 2018. This assessment has been made based on the value of the security, which is primarily driven by the value of Incwala's underlying investments in WPL, EPL and Akanani. The same valuation model for the Marikana CGU that was prepared to assess impairment of non-financial assets was used as the basis for determining the value of Incwala's investments. Thus, similar judgements apply around the determination of key assumptions in those valuation models. Based on the assessment, the value of the HDSA receivable was determined to be $nil which has resulted in an impairment charge of $17 million as at 30 September 2018 (2017 – impairment of $109 million).

Notes to the Accounts

13 Inventories

	2018 $m	2017 $m
Consumables	47	46
Work in progress	205	185
Finished goods	11	14
	263	245

The cost of inventories recognised as an expense and included in cost of sales amounted to $1,153 million (2017 – $1,065 million).

No downward adjustment was made to bring the value of inventory to its net realisable value (2017 – $5 million).

14 Trade and other receivables

	2018 $m	2017 $m
Amounts falling due within one year:		
Trade receivables	37	31
Other receivables	15	34
Prepayments and accrued income	12	5
Derivative instrument	2	–
Unamortised bank fees	2	3
	68	73

15 Assets held for sale

	2018 $m	2017 $m
At 1 October	–	–
Transferred from other financial assets [i]	3	–
Transferred from equity accounted investments [ii]	14	–
At 30 September	17	–

Footnotes:

i In September 2018 Lonmin entered into a sale agreement to sell 6.8% of the outstanding shares in Wallbridge Mining Company Limited for a total of $3 million cash consideration which was received in October 2018.

ii In June 2018 Lonmin entered into a sale agreement to sell its 50% interest in Petrozim for cash consideration of $14.75 million before applying tax at 5%. See note 32.

16 Trade and other payables

	2018 $m	2017 $m
Trade payables	58	47
Accruals and other payables	139	124
Indirect taxation and social security	7	7
	204	178

Notes to the Accounts

17 Interest bearing loans and borrowings

	2018 $m	2017 $m
Short-term loans and borrowings:		
Bank loans – secured	**150**	150

The fully drawn $150 million term loan, at the Lonmin Plc level, was committed until May 2019 but was subject to financial covenants as detailed below. This loan was repaid and cancelled in October 2018.

The Group also had two revolving credit facilities, committed until May 2019 and subject to financial covenants, but the Company had agreed to leave these undrawn during the waiver period. They were cancelled in October 2018.

- $25 million, at the Lonmin Plc level
- R1,697 million, at the Western Platinum Limited level

The consolidated tangible net worth (TNW) as defined by the debt facilities was net assets less intangible assets, deferred tax assets and non-controlling interests. Conditional waivers for the TNW covenants from 30 September 2017 to 28 February 2019 were agreed with the lenders in January 2018. The TNW of the Group at 30 September 2018 was less than the waived covenant threshold of $1,100 million.

A condition of the waivers was that $66 million of the revolving credit facilities were cancelled and that the Group leaves undrawn the remaining revolving credit facilities during the waiver period. The waivers were conditional on the completion of the acquisition of the Group by Sibanye-Stillwater. In the event that the deal did not complete the covenant waivers allowed for a 20 day grace period whilst other options were pursued. During the 20 day grace period the Group will not be required to repay the loan. On completion of the acquisition the term loan of $150 million would be repaid and debt facilities cancelled.

The following financial covenants will apply to these facilities except for during the waiver period of 30 September 2017 to 28 February 2019 when the TNW covenants were conditionally waived:

- The consolidated TNW of the Group will not be at any time less than $1,100 million. At 30 September 2018 consolidated TNW was $746 million (30 September 2017 – $674 million);
- The consolidated debt of the Group will not at any time exceed an amount equal to 35% of consolidated TNW of the Group. At 30 September 2018 consolidated debt/consolidated TNW was 20% (30 September 2017 – 22%);
- The liquidity for the Group will not, for any week from 1 January 2016, be less than $20 million. Cash and cash equivalents as at 30 September 2018 was $264 million (30 September 2017 – $253 million);
- The capital expenditure of the Group (excluding the Bulk Tailings Agreement) shall not exceed the limits set out in the table below. The revised capital guidance of R1.4 billion – R1.5 billion for the financial year ending 30 September 2018 is less than the capex limits detailed below. The Company shall also have the option to carry forward or back up to 10% of the limits set out in the table below:

Financial Year	Capex Limit
1 October 2015 – 30 September 2016 (inclusive)	ZAR 1,338 million
1 October 2016 – 30 September 2017 (inclusive)	ZAR 1,242 million
1 October 2017 – 30 September 2018 (inclusive)	ZAR 2,511 million
1 October 2018 – 30 September 2019 (inclusive)	ZAR 3,194 million
1 October 2019 – 31 May 2020 (inclusive)	ZAR 4,049 million

There is also an additional limit on capital expenditure in relation to the Bulk Tailings Agreement as set out below:

Financial Year	Capex Limit
1 October 2015 – 30 September 2016 (inclusive)	ZAR 103 million
1 October 2016 – 30 September 2017 (inclusive)	ZAR 414 million
1 October 2017 – 30 September 2018 (inclusive)	ZAR 31 million

Notes to the Accounts

17 Interest bearing loans and borrowings (continued)

The limit on capital expenditure in relation to any Bulk Tailings Agreement after 30 September 2018 will be zero.

As at 30 September 2018, Lonmin had net cash of $114 million, comprising of cash and cash equivalents of $264 million less borrowings of $150 million (30 September 2017 – net cash of $103 million). Undrawn facilities of $145 million were suspended from 30 September 2017 until 28 February 2019 subject to the terms noted above (2017 – $151 million undrawn facilities).

As at 30 September 2018 unamortised bank fees of $2 million relating to undrawn facilities were treated as other receivables (30 September 2017 – $3 million of unamortised bank fees relating to undrawn facilities were treated as other receivables).

In October 2018, Lonmin entered into a $200 million financing facility, at the Western Platinum Limited level, with Pangaea Investments Management Limited (PIM) an associate company of Jiangxi Copper Company Limited (JCC). The facility amortises over three years through monthly delivery of Platinum and Palladium ounces in the ratio 69:31, providing PIM with a minimum annual return on investment of 15% on the upfront payment which will be reduced by the deliveries over the term of the agreement. The upfront payment is expected to accounted for as a loan under IFRS 15. The facility allows for early settlement in full after one year, at Lonmin's discretion and subject to JCC achieving a return on investment of 16%. The facility requires partial settlement of between $60 and $80 million upon completion of the acquisition of the Group by Sibanye-Stillwater.

The following financial covenants will apply to these facilities:

- The liquidity for the Group will not be less than $20 million.
- Approval from PIM required for any project capital >$50 million.

18 Deferred revenue

In 2016 Lonmin secured competitive funding of $50 million to build the Bulk Tailings re-Treatment plant (BTT), through a finance metal streaming arrangement receivable in instalments. The $50 million has been accounted for as deferred revenue as it will be repaid by way of discounted value of metal sales. Contractual deliveries will be at a discounted price and the value of the discount over and above the $50 million upfront payment will be prorated over the project lifetime and charged to the income statement as a finance expense. Project funding of $7 million was received for the year ended 30 September 2018 (30 September 2017 – $34 million). The plant was commissioned in February 2018.

	2018 $m	2017 $m
Opening balance	**40**	9
Deferred revenue received	**7**	34
Finance expense	**2**	–
Less: Contractual deliveries	**(1)**	(3)
Closing balance	**48**	40
Current liabilities		
Deferred revenue	**8**	13
Non-current liabilities		
Deferred revenue	**40**	27

Notes to the Accounts

19 Financial risk management

The main financial risks faced by the Group relate to the availability of funds to meet business needs (liquidity risk), the risk of default by counterparties to financial transactions (credit risk), fluctuations in interest and foreign exchange rates and commodity prices (market risk).

19a Credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	2018 $m	2017 $m
Non-current assets:		
Other financial assets	**40**	34
Current assets:		
Trade receivables	**37**	31
Other receivables	**15**	34
Derivative instrument	**2**	–
Assets held for sale	**17**	–
Cash and cash equivalents	**264**	253
	375	352

Trade receivables

The Group is exposed to significant trade receivable credit risk through the sale of PGM metals to a limited group of customers.

This risk is managed as follows:

- aged analysis is performed on trade receivable balances and reviewed on a monthly basis;
- credit ratings are obtained on any new customers and the credit ratings of existing customers are monitored on an ongoing basis;
- credit limits are set for customers; and
- trigger points and escalation procedures are clearly defined.

It should be noted that a significant portion of Lonmin's revenue is from three key customers. These customers have strong investment grade ratings and their payment terms are very short, thereby reducing trade receivable credit risk significantly.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic location was:

	2018 $m	2017 $m
The Americas	**1**	2
Asia	**10**	5
Europe	**11**	17
South Africa	**15**	7
	37	31

Notes to the Accounts

19 Financial risk management (continued)

19a Credit risk (continued)

The ageing of trade receivables at the reporting date was as follows:

	2018			2017		
	Gross $m	Provision $m	Net $m	Gross $m	Provision $m	Net $m
Not past due	37	–	37	31	–	31

Banking counterparties

Banking counterparty credit risk is managed by spreading financial transactions across an approved list of counterparties of high credit quality. Banking counterparties are approved by the Board and consist of four global banks.

19b Liquidity risk and capital management

Liquidity risk

The policy on overall liquidity is to ensure that the Group has sufficient funds to facilitate all ongoing operations.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

30 September 2018	Carrying amount $m	Contractual cash flows $m	< 1 year $m	1 to 2 years $m	2 to 5 years $m	> 5 years $m
Financial liabilities:						
Secured bank loans [i]	150	(150)	(150)	–	–	–
Trade and other payables	204	(204)	(204)	–	–	–
Contingent consideration	18	(18)	–	–	(18)	–

30 September 2017	Carrying amount $m	Contractual cash flows $m	< 1 year $m	1 to 2 years $m	2 to 5 years $m	> 5 years $m
Financial liabilities:						
Secured bank loans	150	(150)	(150)	–	–	–
Trade and other payables	178	(178)	(178)	–	–	–

As at 30 September 2018 unamortised bank fees of $2 million relating to undrawn facilities were included in other receivables (30 September 2017 – $3 million of unamortised bank fees related to undrawn facilities were included in other receivables).

Capital management

The Group's philosophy on capital management is to maintain a low level of financial gearing given the exposure of the business to fluctuations in PGM commodity prices and the Rand / US Dollar exchange rate. The Group funds its operations through a mixture of equity funding and bank borrowings.

The table below presents quantitative data for the components the Group manages as capital:

	2018 $m	2017 $m
Equity shareholders' funds	757	685
Loans and borrowings [i]	150	150
Cash and cash equivalents	(264)	(253)
At 30 September	643	582

Footnote:

i The $150 million term loan was repaid in October 2018. See notes 17 and 32 for further details.

Notes to the Accounts

19 Financial risk management (continued)

19b Liquidity risk and capital management (continued)

Capital management (continued)

As part of the annual budgeting and long term planning process, the Group's cash flow forecast is reviewed and approved by the Board. The cash flow forecast is amended on an ongoing basis for any significant changes in the key assumptions identified during the year. Where funding requirements are identified from the cash flow forecast, appropriate measures are taken to ensure these requirements can be satisfied. Factors taken into consideration are:

- the size and nature of the requirement;
- preferred sources of finance applying key criteria of cost, commitment, availability, security / covenant conditions;
- recommended counterparties, fees and market conditions; and
- covenants, guarantees and other financial commitments.

19c Foreign currency risk

The Group's operations are essentially based in South Africa and the majority of the revenue stream is in US Dollars. However, the bulk of the Group's operating costs and taxes are paid in Rand. Most of the cash received in South Africa is in US Dollars. Most of the Group's funding sources are in US Dollars.

The Group is exposed to foreign currency risk on monetary items that are denominated in currencies other than the functional currency of the relevant Group entity.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than the functional currency of the relevant Group entity. Foreign exchange differences on retranslation of such assets and liabilities are recognised in the income statement.

	2018				2017			
	Rand $m	**Sterling $m**	**Other $m**	**Total $m**	Rand $m	Sterling $m	Other $m	Total $m
Non-current assets:								
Other financial assets	**14**	**–**	**26**	**40**	18	–	16	34
Current assets:								
Trade and other receivables	**33**	**–**	**–**	**33**	41	–	–	41
Derivative instrument	**2**	**–**	**–**	**2**				
Assets held for sale	**–**	**–**	**3**	**3**	–	–	–	–
Cash and cash equivalents	**104**	**6**	**–**	**110**	59	–	1	60
Current liabilities:								
Trade and other payables	**(191)**	**(8)**	**–**	**(199)**	(170)	(7)	–	(177)
Contingent consideration	**(18)**	**–**	**–**	**(18)**				
Tax payable	**(1)**	**(2)**	**–**	**(3)**	–	(6)	–	(6)
	(57)	**(4)**	**29**	**(32)**	(52)	(13)	17	(48)

The principal exchange rates impacting the Group's results are Rand / Dollar and Sterling / Dollar. Details of average exchange rates and closing exchange rates can be found in the Operating Statistics.

The Group also carries a $nil Rand denominated deferred tax asset on the statement of financial position which is exposed to currency risk (2017 – $1 million asset).

A strengthening of the Rand against the US Dollar has an adverse effect on profits due to the majority of operating costs being paid in Rand. The hedging policy allows for short term hedging of Rand / US Dollar currency exposures for period of less than 3 months.

Notes to the Accounts

19 Financial risk management (continued)

19c Foreign currency risk (continued)

The approximate effects on the Group's results of a 10% movement in the Rand to US Dollar 2018 average and closing exchange rate would be as follows:

	2018 $m	2017 $m
Operating profit / (loss)	**±$110m**	±$101m
Profit / (loss) for the year	**±$68m**	±$63m
Equity	**±$68m**	±$63m
EPS (cents)	**±24.2c**	±22.1c

These sensitivities are based on 2018 prices, costs and volumes and assume all other variables remain constant.

19d Interest rate risk

The bulk of our outstanding borrowings are in US Dollars and at floating rates of interest. The interest position is kept under constant review in conjunction with the liquidity policy outlined in note 19b and the future funding requirements of the business.

	Non-interest bearing		At floating interest rates		At fixed interest rates	
	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m
Financial assets:						
US Dollar	**36**	24	**153**	193	**–**	–
Rand	**47**	59	**104**	59	**–**	–
Sterling	**–**	–	**6**	–	**–**	–
Other	**14**	1	**15**	16	**–**	–
	97	84	**278**	268	**–**	–

	Non-interest bearing		At floating interest rates		At fixed interest rates	
	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m
Financial assets:						
US Dollar	**5**	2	**150**	150	**–**	–
Rand	**210**	170	**–**	–	**–**	–
Sterling	**10**	13	**–**	–	**–**	–
Other	**–**	–	**–**	–	**–**	–
	225	185	**150**	150	**–**	–

Notes to the Accounts

19 Financial risk management (continued)

19e Commodity price risk

Our policy is not to hedge commodity price exposure on PGMs, except Gold, and therefore any change in prices will have a direct effect on the Group's trading results.

For base metals and Gold, hedging is undertaken where the Board determines that it is in the Group's interest to hedge a proportion of future cash flows. The policy is to hedge up to a maximum of 75% of the future cash flows from the sale of these products looking forward over the next 12 to 24 months. The Group did not undertake any hedging of base metals under this authority in the financial year and no forward contracts were in place in respect of base metals at the end of the year.

The approximate effects on the Group's results of a 10% movement in the 2018 average metal prices achieved for Platinum (Pt) ($978 per ounce), Palladium (Pd) ($589 per ounce) and Rhodium (Rh) ($671 per ounce) would be as follows:

	2018			2017		
	Pt	**Pd**	**Rh**	Pt	Pd	Pd
Operating profit / (loss)	**±$61m**	**±$31m**	**±$21m**	±$67m	±$26m	±$10m
Profit / (loss) for the year	**±$38m**	**±$19m**	**±$13m**	±$42m	±$16m	±$6m
Equity	**±$38m**	**±$19m**	**±$13m**	±$42m	±$16m	±$6m
EPS (cents)	**±13.3c**	**±6.9c**	**±4.6c**	±14.8c	±5.8c	±2.2c

These sensitivities are based on 2018 prices, costs and volumes and assume all other variables remain constant.

19f Fair values

The fair value of financial assets and liabilities were equivalent to their carrying amounts and are as follows:

	2018 Carrying amount $m	2017 Carrying amount $m
Other financial assets	**40**	34
Trade and other receivables	**52**	65
Derivative instrument	**2**	–
Assets held for sale	**17**	–
Cash and cash equivalents	**264**	253
Financial assets	**375**	352
Trade and other payables	**(204)**	(178)
Bank loans	**(150)**	(150)
Contingent consideration	**(18)**	–
Tax payable	**(3)**	(7)
Financial liabilities	**(375)**	(335)
Net financial assets	**–**	17

Notes to the Accounts

19 Financial risk management (continued)

19f Fair values (continued)

Other financial assets represent available for sale financial assets and restricted cash (see note 12). Available for sale financial assets include listed investments which are marked to market and on unlisted investment carried at Directors' valuation. The residual balances relate to cash deposits held in respect of rehabilitation obligations for which carrying values are at fair value.

The HDSA receivable represents loans held at amortised cost.

Trade and other receivables (excluding prepayments and accrued income) and trade and other payables are typically due within one month and therefore the carrying amount is fair value.

For cash and cash equivalents the carrying value is equal to fair value.

For bank loans, there is considered to be no material difference between the carrying amount and fair value. Amounts are shown gross of unamortised bank fees unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

19g Fair value hierarchy

The following is an analysis of the financial instruments that are measured at fair value.

They are grouped into levels 1 to 3 based on the extent to which the fair value is observable.

The levels are classified as follows:

Level 1 – fair value is based on quoted prices in active markets for identical financial assets or liabilities;

Level 2 – fair value is determined using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – fair value is determined on inputs not based on observable market data.

	2018			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Other financial assets	22	–	3	25
Derivative financial instruments	–	2	–	2
Contingent consideration [i]	–	–	(18)	(18)
	22	2	(15)	9

	2017			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Other financial assets	16	–	3	19

Footnote:

i See note 31 regarding the valuation technique and inputs used in the fair value measurement of the contingent consideration.

Notes to the Accounts

20 Deferred tax assets / (liabilities)

Deferred tax assets / (liabilities) in respect of:	2018 Deferred tax assets $m	2018 Deferred tax liabilities $m	2018 Net balance $m	2017 Deferred tax assets $m	2017 Deferred tax liabilities $m	2017 Net balance $m
Non-current assets	–	–	–	–	(54)	(54)
Provisions	–	–	–	55	–	55
Text	–	–	–	55	(54)	1

Movement in temporary differences during the year

	At 1 October 2017 $m	Recognised in income $m	Recognised in comprehensive income $m	At 30 September 2018 $m
Non-current assets	(54)	54	–	–
Provisions	55	(55)	–	–
	1	(1)	–	–

	At 1 October 2016 $m	Recognised in income $m	Recognised in comprehensive income $m	At 30 September 2017 $m
Non-current assets	(88)	32	2	(54)
Provisions	54	1	–	55
	(34)	33	2	1

Unrecognised deferred tax assets / (liabilities)

Deferred tax assets / (liabilities) have not been recognised in respect of the following items:

	2018 Temporary differences $m	2018 Unrecognised deferred tax assets $m	2017 Temporary differences $m	2017 Unrecognised deferred tax assets $m
Capital losses carried forward	162	45	134	28
Trading and other losses carried forward	441	123	490	136
Unredeemed capital expenditure	674	189	757	212
Share-based payments	–	–	2	–
Provisions	243	68	–	–
Unremitted profits of overseas subsidiaries	–	–	10	1
	1,520	425	1,393	377

Notes to the Accounts

20 Deferred tax assets / (liabilities) (continued)

Unrecognised deferred tax assets / (liabilities) (continued)

The temporary differences above, except for the unremitted profits from overseas subsidiaries, are subject to the local tax rate in the United Kingdom at 21% (2017 – 21%), South Africa at 28% (2017 – 28%) and Canada at 18% (2017 – 18%). The dividend withholding tax rate is 15% (2017 – 15%). Dividends payable by the South African companies to Lonmin Plc will be subject to a 5% withholding tax benefitting from double taxation agreements. Therefore unrecognised deferred tax liabilities generated by the timing difference relating to unremitted profits of overseas subsidiaries in 2017 only apply to Plc for dividends receivable from WPL and EPL at a rate of 5%.

At 30 September 2018, the Group had an amount of $114 million (2017 – $114 million) of surplus Advanced Corporation Tax (ACT) available, subject to certain restrictions, for set-off against future United Kingdom corporation tax liabilities. 'Shadow ACT' amounted to $274 million (2017 – $274 million) and must be set-off prior to the utilisation of surplus ACT.

No deferred tax assets have been recognised in respect of the trading and other losses and the capital losses for subsidiaries where management believe the chances of recovery are low.

21 Provisions

	2018 $m	2017 $m
Opening balance	**134**	127
Change in estimate [i]	**(20)**	(8)
Unwinding of discount (note 5)	**11**	10
Foreign exchange (gains) / losses	**(6)**	5
Closing balance	**119**	134
Current liabilities		
Provisions	**–**	–
Non-current liabilities		
Provisions	**119**	134

Footnote:

i The change in estimate driven by changes in the estimates of the life of mine and changes in the planned closure dates caused by metal price movements. This resulted in a credit to non-current assets of $3 million (2017 – $8 million) and a credit to cost of $17 million (2017 – $nil). Due to the impairment of non-financial assets in prior years, the carrying values of some rehabilitation assets are less than the reversal of rehabilitation estimate which resulted in the excess being recognised in profit or loss.

Non-current provisions represent site rehabilitation liabilities as required by law and generally assume the cash flows occur at the end of the life of the mine. The Group provided third party guarantees to the Department of Mineral Resources amounting to $63 million (2017 – $66 million) in connection with these rehabilitation obligations which the Group has to fund in order to restore the environment once all mining operations have ceased. The movement in the value of the guarantees is mainly caused by foreign exchange movements.

The write back of non-current assets is driven by changes in the estimates of the life of mine and changes in the planned closure dates caused by metal price movements.

Unwinding of discount is calculated using a risk free rate of 8.04% (2017 – 7.64%). The present value of the provision is calculated using a real rate of 2.99% (2017 – 2.35%).

Current cash and cash equivalents to the value of $nil (2017 – $nil) is treated as restricted cash to be utilised for rehabilitation obligations.

Notes to the Accounts

22 Contingent liabilities

	2018 $m	2017 $m
Third party guarantees		
– Eskom [i]	7	7
– Department of Mineral Resources [ii]	63	66
– Other [iii]	–	1
	70	74

Footnotes:

i The Group provided third party guarantees to Eskom as security to cover estimated electricity accounts for three months.

ii Refer to notes 21 and 32 for more detail.

iii Other contingent liabilities relate to guarantees to various entities including the medical aid scheme, Transnet and Telkom.

23 Called up share capital

	Number	$
Ordinary Shares of $0.0001 each:		
– Issued and fully paid – 2018	282,784,288	28,278
– Issued and fully paid – 2017	282,435,238	28,244
Deferred Shares of £1 each:		
– Issued and fully paid – 2018	50,000	71,650
– Issued and fully paid – 2017	50,000	71,650
2015 Deferred Shares of $0.999999 each:		
– Issued and fully paid – 2018	586,906,900	586,906,313
– Issued and fully paid – 2017	586,906,900	586,906,313

	Ordinary Shares Number	Deferred Shares Number	Ordinary Shares $	Deferred Shares $	Total share capital $
At 1 October 2017	282,435,238	586,956,900	28,244	586,977,963	587,006,207
The issue of shares pursuant to:					
– Issue of shares to the Lonmin Employee Benefit Trust (Share Plans)	349,050	–	34	–	34
At 30 September 2018	282,784,288	586,956,900	28,278	586,977,963	587,006,241

The rights and obligations attaching to the Company's Ordinary Shares and the provisions relating to the transfer of the Ordinary Shares are governed by law and the Company's Articles of Association. See the Directors' Report for more detail regarding rights attaching to the deferred shares.

The holders of Ordinary Shares are entitled to receive all shareholder documents, to receive notice of any general meeting, to attend, speak and exercise voting rights, either in person or by proxy and are entitled to participate in any distribution of income or capital.

There are no restrictions on the transfer of shares or on the exercise of voting rights attached to them, except where the Company has exercised its rights to suspend voting rights or to prohibit transfer.

Notes to the Accounts

24 Share plans

At 30 September 2018, the following options and awards were outstanding:

Share Plans	Number of shares	Weighted average exercise price of outstanding options (pence)	Weighted average remaining contracted life (years)	Weighted average fair value of options granted in the year (£)
Long Term Incentive Plan				
Outstanding at 1 October 2017	1,142,710	–	–	–
Exercised during the year	(18,882)	–	–	–
Lapsed during the year	(25,900)	–	–	–
Outstanding at 30 September 2018	1,097,928	–	3.58	–
Exercisable at the end of the year	–	–	–	–
Stay & Prosper Plan				
Outstanding at 1 October 2017 and 30 September 2018	2,807	–	–	–
Exercisable at the end of the year	–	–	–	–
ASAP				
Outstanding at 1 October 2017	1,087,049	–	–	–
Granted during the year	2,196,100	–	–	–
Exercised during the year	(1,301)	–	–	–
Lapsed during the year	(40,534)	–	–	–
Outstanding at 30 September 2018	3,241,314	–	9.11	0.65
Exercisable at the end of the year	–	–	–	–

Further information about each of the above plans, including the performance conditions, can be found in the Remuneration Committee Report.

Lonmin Employee Benefit Trust (the "Trust")

At 30 September 2018 the Trust held 28,303 shares (beneficially and as bare trustee) (2017 – 48,853 shares). The market value of these shares at the year end was $12,431. Where not waived, dividends payable on these shares are held by the Trust on behalf of the participants. The executive Directors are deemed to have a non-beneficial interest in the shares held in trust.

Notes to the Accounts

24 Share plans (continued)

Details of options granted during the year

The fair value of equity settled options granted during the year have been measured using the market price on the date of issue. Market price was used rather than the valuation models due to the volatility of the share price. The fair value of equity settled options granted during previous years have been measured using the weighted average inputs below and the following valuation models:

LTIP	Monte Carlo
Stay & Prosper	Monte Carlo

	2018	2017
Range of share price at date of grant (£)	**0.65**	1.15 – 1.74
Range of share price at date of exercise (£)	**0.59 – 0.81**	0.71 – 1.43
Exercise price (£)	**–**	–
Expected option life (years)	**3**	3

25 Related parties

The Group has a related party relationship with its Directors and key management (as disclosed in the Remuneration Report and in note 4) and its equity accounted investment (note 11).

The Group's related party transactions in the year and balances at 30 September are summarised below:

	2018 $m	2017 $m
Transactions in the year:		
Purchases from joint venture – Pandora [i]	**7**	33
Amounts due from joint venture – Pandora [i]	**–**	6
Amounts due from associate – Incwala	**1**	1
Interest accrued from HDSA investors in Incwala	**29**	26
Subscription paid to the Platinum Jewellery Development Association [ii]	**3**	5
Balances at 30 September:		
Amounts due from HDSA investors in Incwala [iii]	**433**	416

All related party transactions are priced on an arm's length basis.

Footnotes:

i The ore purchases relate to October and November 2017. On 6 December 2017 Eastern Platinum Limited acquired 50% of the Pandora Joint Venture (Pandora JV) bringing Eastern Platinum Limited's ownership to 100%, therefore the joint venture is no longer a related party at 30 September 2018.

ii The subscription paid by Lonmin is material to the Platinum Jewellery Development Association of which Lonmin is a member.

iii Refer to note 12 for details regarding the amounts due from HDSA investors in Incwala. This amount is before deducting the accumulated impairment charge of $433 million.

Notes to the Accounts

26 Capital commitments

	2018 $m	2017 $m
Contracted for but not yet provided	**14**	12

27 Operating and finance leases

	2018 $m	2017 $m
Operating leases which fall due for payment:		
Within one year	**–**	–
Between one and five years	**1**	1
	1	1

Lonmin Plc is contracted in a lease agreement which expires on February 2022. The contract is renewable at the date of expiry and no escalation rate is applicable for the duration of the contract.

28 Net cash as defined by the Group

	As at 1 October 2017 $m	Cash flow $m	Foreign exchange and non-cash movements $m	As at 30 September 2018 $m
Cash and cash equivalents [ii]	**253**	**20**	**(9)**	**264**
Current borrowings	**(150)**	**–**	**–**	**(150)**
Net cash as defined by the Group [i]	**103**	**20**	**(9)**	**114**

	As at 1 October 2016 $m	Cash flow $m	Foreign exchange and non-cash movements $m	As at 30 September 2017 $m
Cash and cash equivalents [ii]	323	(73)	3	253
Current borrowings	–	–	(150)	(150)
Non-current borrowings	(150)	–	150	–
Net cash as defined by the Group [i]	173	(73)	3	103

Footnotes:

i Net cash / (debt) as defined by the Group comprises cash and cash equivalents, bank overdrafts repayable on demand and interest bearing loans and borrowings less unamortised bank fees, unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

ii No current cash and cash equivalents will be treated as restricted cash to be utilised for rehabilitation obligations (2017 – $nil).

Notes to the Accounts

29 BEE transactions

Overview of the BEE transactions

In December 2014, Lonmin concluded a series of shareholding agreements with the Bapo ba Mogale Traditional Community (the Bapo). Lonmin also implemented an Employee Share Ownership Plan (ESOP) and a Community Share Ownership Trust (CSOT) for the benefit of the local communities on the western portion of our Marikana operations. All three transactions collectively provided the additional equity empowerment which Lonmin required to achieve the 26% effective BEE equity ownership target as required under the Mining Charter.

The transactions were accounted for as follows:

Details of the transaction	Accounting treatment
Bapo transaction	
Under the arrangement:	
(a) The Bapo waived their statutory right to receive royalties from EPL and WPL (together referred to as "Lonplats") for:	The total of R620 million included:
(i) a lump sum cash royalty payment of R520 million settled in shares (refer to (c) below);	The fair value of the prepayment for the future royalties was calculated at R450 million ($40 million). This was accounted for as a prepayment for royalties which is amortised over a period of 40 years under the terms of the agreement. The balance was R447 million ($40 million) of which R429 million ($38 million) was a non-current asset and R11 million ($1 million) was current. Costs to the value of R7 million ($1 million) were amortised for the nine months to September 2015. The current portion is included under trade and other receivables. See disclosure below for movements during the current financial year.
(ii) a deferred royalty payment of R100 million, payable in five instalments of R20 million per annum in each of the five years following completion of the transaction. This amount will be used by the Bapo to pay the administrative costs of running, controlling and directing the affairs of Bapo.	The deferred payment of R100 million is payable in annual instalments of R20 million over 5 years and was discounted to R79 million ($7 million). The discounted liability will be unwound over the 5 year period. The outstanding balance was R63 million ($4 million), of which R47 million ($3 million) was non-current and R16 million ($1 million) was current. The current portion is included in Trade and other payables whilst the non-current portion is in Deferred royalty payment. See disclosure below for movements during the current financial year. The shares include a lock in period. As the lock in period represents a post vesting condition the difference between the fair value of the shares and the fair value of the consideration received was expensed to the income statement in 2015 representing a cost of entering into the BEE arrangement. This totalled R149 million ($13 million). This premium was included as cost in 2015 in the income statement.
(b) Lonplats acquired 100% of the Bapo's shares in Bapo ba Mogale Mining Company (Proprietary) Limited, whose only asset of value was the 7.5% participation interest in the Pandora JV, for its fair value of R44 million.	The equity accounted investments increased by R44 million ($4 million) in 2015 (note 12). On 6 December 2017 Eastern Platinum Limited acquired 50% of the Pandora Joint Venture (Pandora JV) bringing Eastern Platinum Limited's ownership to 100%, therefore Pandora is no longer accounted for as an equity accounted investment (see note 31).
(c) Lonmin settled the lump sum cash royalty payment of R520 million ($46 million) (under (a)(i) above) and the consideration of R44 million ($4 million) (under (b) above) through the issue of 13.1 million new ordinary shares (2.25%) in Lonmin Plc to the Bapo to the value of R564 million ($50 million) (the "Placing Shares"). To preserve the BEE credentials that this transaction confers on the relevant Lonmin companies, the Placing Shares are subject to a lock-in period of ten years from the effective date of this transaction. During the lock-in period, the Placing Shares may not be sold or encumbered by the Bapo. The total amount paid to the Bapo under (a) and (b) above includes a premium of R149 million ($13 million), in recognition of the benefit to Lonmin of the ten year lock-in period.	Share capital and share premium increased by R564 million ($50 million) in 2015 as a result of the issue of 13.1 million Lonmin Plc shares at a premium.

Notes to the Accounts

29 BEE transactions (continued)

Overview of the BEE transactions (continued)

Details of the transaction	Accounting treatment
Bapo transaction (continued)	
In addition to the above, Lonmin and the Bapo jointly formed a community development trust for the benefit of the members of the Bapo community (The Bapo Community Local Economic Development Trust (the "Bapo Trust")).	Refer to the Community Trusts below.
Employee Shareholding Ownership Plan (ESOP)	
Lonmin formed an ESOP, called Lonplats Siyakhula Employee Profit Share Scheme, for the benefit of all Lonmin employees who were not participating in any of the share option schemes which existed when the transaction was concluded. LSA (U.K.) Limited ("LSA") (a Lonmin subsidiary) transferred 3.8% of its shareholding in Lonplats (being Western Platinum Limited and Eastern Platinum Limited) to the ESOP, and the ESOP is entitled to the higher of 3.8% of Lonplats' net profit after tax or dividend declared, with effect from the 2015 financial year. The annual distributions made to the ESOP will be distributed to the beneficiaries of the ESOP.	The ESOP has been consolidated into the Group accounts as it is regarded as being controlled by the Group for accounting purposes. The annual distributions from the ESOP to its beneficiaries will be treated as an expense for services rendered to Lonmin by the employees who are the scheme's beneficiaries. 2018 Employee profit share amounted to $2 million (2017 – $nil as WPL and EPL incurred losses).
Community Trusts	
Two separate Community Trusts were established – one for the Bapo Community, as explained above, and the other for the Marikana community on the western side of our Marikana operations. Each of the Community Trusts was issued with 0.9% of the issued share capital of Lonplats which was transferred from Lonmin's subsidiary, LSA (U.K.) Limited ("LSA"). In addition, the Trusts will receive annual distributions which will equal their share of dividends declared by Lonplats, with a minimum of R5 million payable to the Trust. If dividends declared are less than R5 million, Lonplats will make a top-up payment to bring the total distribution for that year to R5 million. The Trusts will distribute the annual distributions to the communities to fund community projects.	The Community Trusts have been consolidated into the Group accounts. The distributions from the Community Trusts to the community projects will be treated as an expense when the payment is made to the communities.

Royalty Prepayment	2018 $m	2017 $m
Non-current assets		
Opening balance	**36**	37
Less: transferred to short term royalty asset	**(1)**	(1)
Closing balance	**35**	36
Non-current liabilities		
Opening balance	**–**	(3)
Less: transferred to short term royalty liability	**–**	3
Closing balance	**–**	–

Notes to the Accounts

30 Impairment of non-financial assets

There has been no significant change to the outlook for the business and therefore prior year impairments have not been reversed and no further impairments to non-financial assets have been made (2017 – impairment of $1,053 million).

At each financial reporting date, the Group assesses whether there is any indication that non-financial assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment (if any). The recoverable amount is the higher of fair value less costs to sell and value in use.

For impairment assessment, the Group's net assets are grouped into CGUs being the Marikana CGU, Akanani CGU, Limpopo CGU and Other. The Marikana, Limpopo and Akanani CGUs relate to the PGM segment.

The Marikana CGU is located in the Marikana district to the east of the town of Rustenburg in the North West province of South Africa. It contains a number of producing underground mines, various development properties, concentrators and tailings storage.

The Akanani CGU is located on the Northern Limb of the Bushveld Igneous Complex in the Limpopo province of South Africa. A pre-feasibility study was completed in 2012.

The Limpopo CGU is located on the Northern Sector of the Eastern Limb of the Bushveld Igneous Complex in the Limpopo province of South Africa and comprises two resource blocks (Boabab and Boabab east). The CGU includes mines which were placed on care and maintenance in 2009 and a concentrator complex.

For Marikana, the recoverable amount was calculated using a value-in-use valuation. The key base case assumptions contained within the business forecast and management's approach to determine appropriate values in use are set out below:

Details of the transaction	Accounting treatment
PGM prices	Projections are determined through a combination of the views of the Directors, market estimates and forecasts and other sector information. The Platinum price is projected to be in the range of $801 to $1,319 per ounce in real terms over the life of the mine. Palladium and Rhodium prices are expected to range between $899 to $1,553 and $2,281 to $3,738 respectively per ounce in real terms over the same period.
Production volume	Projections are based on the capacity and expected operational capabilities of the mines, the grade of the ore and the efficiencies of processing and refining operations.
Production costs	Projections are based on current cost adjusted for expected cost changes as well as giving consideration to specific issues such as the difficulty in mining particular sections of the reef and the mining method employed.
Capital expenditure requirements	Projections are based on the operational plan, which sets out the long-term plan of the business and is approved by the Board and includes capital expenditure to access reported reserves from existing mining operations as well as maintenance expenditure.
Foreign currency exchange rates	Spot rates as at the end of the reporting period are applied.
Reserves and resources of the CGU	Projections are determined through surveys performed by Competent Persons and the views of the Directors of the Company.
Discount rate	The discount rate is based on a Weighted Average Cost of Capital (WACC) calculation using the Capital Asset Pricing Model grossed up to a pre-tax rate. The Group uses external consultants to calculate an appropriate WACC.

For impairment testing, management projects cash flows over the life of the relevant mining operations which is significantly greater than five years. For the Marikana CGU a life of mine spanning until 2070 was applied. Whilst the majority of mining licences are currently valid until 2037 the Director's expect the licences will be renewed until beyond 2070.

In arriving at the VIU for the Marikana CGU, post-tax cash flows expressed in real terms have been estimated and discounted using a post-tax discount rate of 14.2% (2017 – 14.2%), giving consideration to the specific amount and timing of future cash flows as well as the risks specific to the Marikana CGU. This equates to a pre-tax discount rate of 17.5% real (2017 – 17.5% real).

The Akanani asset was fully impaired at 30 September 2017. There have been no significant changes since that date to lead us to believe that the valuation of this asset is different. Therefore no full assessment has been performed at 30 September 2018 as we do not expect a reversal of impairment at this stage.

Notes to the Accounts

30 Impairment of non-financial assets (continued)

The non-financial assets of the Limpopo CGU were fully impaired at 30 September 2015.

In preparing the financial statements, management has considered whether a reasonably possible change in the key assumptions on which management has based its determination of the recoverable amounts of the CGUs would cause the units' carrying amounts to exceed their recoverable amounts. A reasonably possible change in any of the assumptions used to value the Marikana CGU will lead to a reduction or increase in the impairment charge as follows:

Assumption	Movement in assumption	Reversal of impairment/(Further impairment)
Metal prices [i]	+/-5%	$276m / ($326m)
ZAR:US Dollar exchange rate [ii]	-/+5%	$238m / ($315m)
Discount rate [ii]	-/+100 basis points	$46m / ($38m)
Production [i]	+/-5%	$254m / ($304m)

Footnotes:

i Over the period of the discounted cash flow model.

ii As at the reporting date.

31 Business combinations

Pandora acquisition

On 6 December 2017 Eastern Platinum Limited acquired 50% of the Pandora Joint Venture (Pandora JV) bringing Eastern Platinum Limited's ownership to 100%. Previously the 50% of Pandora held by EPL was classified as a joint venture and had been equity accounted (see note 11). EPL's acquisition of the remaining 50% of Pandora is treated as a step acquisition. Under the accounting standards for a step acquisition, EPL's previously held interest in Pandora before obtaining full control is disposed of. The consideration was determined to be the fair value (see note 19g) . The carrying amount at the date of acquisition was $24 million and the fair value of the 50% was $23 million leading to a loss on disposal of $1m. In addition, the accumulated foreign currency translation reserve of $24 million was recycled to the income statement. Under a step acquisition, following the disposal of the previous 50%, EPL is then assume to reacquire 100% with all assets and liabilities recognised at fair value. The difference between the fair value of consideration and the fair value of assets is then either treated as goodwill or a gain on a bargain purchase. The groups fair value of the Pandora business did not result in any material movements from the previous books values, nor was there a difference between the fair value of the assets and liabilities and the fair value of the consideration. As such no goodwill was recognised nor a gain on a bargain purchase and there was no significant change in the previously recognised assets or liabilities.

Purchase consideration	2018 $m
Cash	4
Contingent consideration	19
Total for 50%	23
Total for 100%	47

Fair value of net assets acquired	$m
Non-current assets	48
Current assets	1
Net payable deemed settled on consolidation	(1)
Non-current liabilities	(1)
Net assets acquired	47
Consideration	47
Goodwill	–

Notes to the Accounts

31 Business combinations (continued)

The purchase price for the 50% of Pandora acquired amounted to $23 million comprising cash consideration of $4 million and contingent consideration with a present value of $19 million. The contingent consideration represents the present value of deferred cash payments of 20% of the distributable free cash flows generated by the Pandora E3 operations on an annual basis for a period of six years, subject to a minimum deferred consideration of R400 million (in nominal terms). The fair value was determined using the present values of future cash flows have been determined using an estimated post-tax cost of debt of 8.2%. Pandora held both accounts payable and accounts receivable balances with Lonmin at the acquisition date. A net $1 million payable balance was deemed settled on consideration.

In the income statement there is a $24 million cumulative foreign exchange loss on the translation of the Pandora JV balance sheet from Rand to Dollar. In prior periods the Rand strengthened significantly and this loss was previously recognised in the consolidated statement of comprehensive income. On acquiring control of this asset the original 50% held was deemed as sold, prior to the acquisition of 100%, and the 24 million loss was recognised in the income statement in accordance with IFRS.

32 Events after the financial reporting period

Recommended All-Share Offer for Lonmin Plc by Sibanye-Stillwater

On 21 November, the South African Competition Tribunal cleared the all-share offer for Lonmin by Sibanye-Stillwater, subject to agreed conditions. General Meetings of the shareholders of Sibanye-Stillwater and Lonmin are expected to take place in early 2019. These approvals and the sanction of the courts of England and Wales remain final substantive conditions required to complete the Transaction.

Finance facilities

As disclosed in the Financial Review and note 17 Lonmin entered into a $200 million financing facility in October 2018 to be amortised over three years. The pre-existing term loan of $150 million was settled and all other pre-existing undrawn / draw-stopped facilities with both the South African and US Dollar lender groups were cancelled. All ancillary facilities of the pre-existing facilities needed to be cancelled which included financial guarantees and others trading facilities. Most of the DMR rehabilitation guarantees, as disclosed in note 22, previously provided by the South African lenders were cancelled and replaced with an insurance product or cash collateralised together with other guarantees.

Acquisitions and Disposals

Petrozim disposal

In 2018 Lonmin entered into a sale agreement to sell its 50% interest in Petrozim for cash consideration of $14.75 million. $10 million was received in October 2018 and this transaction is expected to complete during FY2019.

Wallbridge disposal

In September 2018 Lonmin entered into a sale agreement to sell 6.8% of the outstanding shares in Wallbridge Mining Company Limited for a total of $3 million cash consideration which was received in October 2018.

33 Principal subsidiaries with material non-controlling interests

Non-controlling interest is comprised of the following:

	2018 $m	2017 $m
Western Platinum Limited	**(202)**	(208)
Eastern Platinum Limited	**(39)**	(39)
Other	**(59)**	(75)
Total	**(300)**	(323)

Notes to the Accounts

33 Principal subsidiaries with material non-controlling interests (continued)

Summarised financial information relating to subsidiaries that have material non-controlling interest as at 30 September 2018, reflecting 100% of the underlying subsidiary's relevant figures, is set out below.

	Western Platinum Limited $m	Eastern Platinum Limited $m
Non-current assets	264	108
Current assets	570	9
Total assets	834	117
Non-current liabilities	(137)	(37)
Current liabilities	(1,320)	(367)
Total liabilities	(1,457)	(404)
Net liabilities	(623)	(287)
Attributable to equity shareholders of the Company	(421)	(248)
Attributable to non-controlling interests	(202)	(39)
Effective non-controlling interest %	13.8%	13.8%
Revenue	1,335	10
Expenses	(1,282)	(9)
Profit / (loss) for the year	53	1
Attributable to equity shareholders of the Company	46	1
Attributable to non-controlling interests	7	–
Other comprehensive income	–	–
Attributable to equity shareholders of the Company	–	–
Attributable to non-controlling interests	–	–
Total comprehensive income	53	1
Attributable to equity shareholders of the Company	46	1
Attributable to non-controlling interests	7	–
Cash inflow from operating activities	61	45
Cash used in investing activities	(58)	(19)
Cash inflow / (outflow) from financing activities	8	(26)
Total net cash inflow	11	–

Notes to the Accounts

34 Related undertaking of the Group

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, the registered office address and the percentage of equity owned as at 30 September 2018 is disclosed below.

Company	Principal place of business	Effective interest in ordinary share capital %		Principal activities
Material subsidiaries				
South Africa				
Middlekraal Farm, LPD Building, Marikana, North West Province, South Africa				
Eastern Platinum Limited	South Africa	86.2%	Subsidiary	Platinum mining
Western Platinum Limited	South Africa	86.2%	Subsidiary	Platinum mining and refining
Other subsidiaries				
Barbados				
Hampton Chambers, Hampton House, Erdiston Hill, St Michael, BB11113, Barbados				
AfriOre International (Barbados) Limited	Barbados	100.0%	Subsidiary	Investment holdings
Kwagga Gold (Barbados) Limited	Barbados	65.0%	Subsidiary	Dormant
Bermuda				
Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda				
Western Metal Sales Limited	Bermuda	100.0%	Subsidiary	Dormant
British Virgin Islands				
Craigmuir Chambers, P.O. Box 11, Road Town, Tortola, British Virgin Islands				
AfriOre Limited	British Virgin Islands	100.0%	Subsidiary	Dormant
Geneva Place, 2nd Floor, 333 Waterfront Drive, P.O. Box 3339, Road Town, Tortola, British Virgin Islands				
AfriOre Precious Metals Holdings Inc	British Virgin Islands	100.0%	Subsidiary	Dormant
Metals Technology Inc	British Virgin Islands	100.0%	Subsidiary	Dormant
Canada				
199 Bay Street,Ste. 4000, Commerce Court West, Toronto ON M5L 1A9, Canada				
4321677 Canada Inc	Canada	100.0%	Subsidiary	Investment holdings
6529241 Canada Inc	Canada	100.0%	Subsidiary	Investment holdings
Lonmin Canada Inc	Canada	100.0%	Subsidiary	Mineral exploration
Cayman Islands				
Aston Corporate Managers, P.O. BOX 1981GT, The Charles Building, North Church Street, George Town, Cayman Islands				
Southern Platinum (Cayman Islands) Corporation	Cayman Islands	100.0%	Subsidiary	Dormant
England				
Connaught House, 5th Floor, 1-3 Mount Street, London, W1K 3NB				
ACGE Investments Limited	England	100.0%	Subsidiary	Dormant
Greataward Limited	England	100.0%	Subsidiary	Investment holdings
London Australian & General Property Company Limited	England	100.0%	Subsidiary	Dormant
London City & Westcliff Properties Limited	England	100.0%	Subsidiary	Dormant
Lonmin Bahamas Hotels Limited	England	100.0%	Subsidiary	Dormant
Lonmin Finance Limited	England	100.0%	Subsidiary	Dormant
Lonmin Mining Company Limited	England	100.0%	Subsidiary	Dormant
Lonmin Mining Supplies Limited	England	100.0%	Subsidiary	Dormant
Lonmin Mozambique Oil Holdings Limited	England	100.0%	Subsidiary	Dormant
Lonmin Textiles Limited	England	100.0%	Subsidiary	Dormant
Lonwest Properties Limited	England	100.0%	Subsidiary	Dormant
LSA (U.K.) Limited	England	100.0%	Subsidiary	Investment holdings
MNG Investments Limited	England	100.0%	Subsidiary	Dormant
The African Investment Trust Limited	England	100.0%	Subsidiary	Dormant
Tobs Limited	England	100.0%	Subsidiary	Dormant
Topmast Estates Limited	England	100.0%	Subsidiary	Dormant

Notes to the Accounts

34 Related undertaking of the Group (continued)

Company	Principal place of business	Effective interest in ordinary share capital %		Principal activities
Gabon				
Quartier Aeroport, Libreville, BP 8834, Gabon				
Gabon Mining Corporation	Gabon	100.0%	Subsidiary	Dormant
Societe Gabonaise de Developpement Minier	Gabon	100.0%	Subsidiary	Dormant
Guernsey				
P.O. Box 384, The Albany, St Peter Port, GY1 4NF, Guernsey				
Lonmin Insurance Limited	Guernsey	100.0%	Subsidiary	Insurance
Kenya				
Plot No LR 209/7155, 20th Floor, Lonrho House, P.O. Box 3085, 00100 GPO, Nairobi				
AfriOre Kenya Limited	Kenya	100.0%	Subsidiary	Mineral exploration
Scotland				
Capella Building, 60 York Street, Glasgow, Scotland, G2 8JX				
Scottish and Universal Investments Limited	Scotland	100.0%	Subsidiary	Dormant
South Africa				
21 – 7th Avenue, Parktown North, 2193				
BAPO Mining Company (Proprietary) Limited	South Africa	100.0%	Subsidiary	Investment holdings
Middlekraal Farm, LPD Building, Marikana, North West Province, South Africa				
AfriOre (Proprietary) Limited	South Africa	100.0%	Subsidiary	Dormant
Akanani Mining (Proprietary) Limited	South Africa	80.1%	Subsidiary	Mineral exploration and evaluation
Burchell Gold (Proprietary) Limited	South Africa	100.0%	Subsidiary	Dormant
Kwagga Gold (Proprietary) Limited	South Africa	100.0%	Subsidiary	Mineral exploration
Lonmin Management Services	South Africa	100.0%	Branch	Management of strategic activities of South African operations
Messina Limited	South Africa	100.0%	Subsidiary	Dormant
Messina Platinum Mines Limited	South Africa	86.2%	Subsidiary	Platinum mining
Vlakfontein Nickel (Proprietary) Limited	South Africa	100.0%	Subsidiary	Dormant

Other entities

South Africa				
85 Grayston Drive, Sandton, Johannesburg, 2196				
Incwala Platinum (Proprietary) Limited	South Africa	23.56%	Associate	Investment holdings
Incwala Resources (Proprietary) Limited	South Africa	23.56%	Associate	Investment holdings
Middlekraal Farm, LPD Building, Marikana, North West Province, South Africa				
Marikana Housing Development Company	South Africa	100.0%	Special purpose entity	Housing development
Not registered				
The Lonmin Platinum Pollution Control and Rehabilitation Trust	South Africa	100.0%	Special purpose entity	Restricted cash
Akanani Pollution Control and Rehabilitation Trust	South Africa	100.0%	Special purpose entity	Restricted cash
Lonmin Platinum Limpopo Mining Area Pollution Control and Rehabilitation Trust	South Africa	100.0%	Special purpose entity	Restricted cash
The Lonplats Marikana Community Development Trust	South Africa	Control of Trust	Special purpose entity	Community development
The Bapo ba Mogale Local Economic Development Trust	South Africa	Control of Trust	Special purpose entity	Community development
Lonplats Siyakhula Employee Profit Share Scheme	South Africa	Control of Trust	Special purpose entity	Community development
Petrozim Line (Private) Limited	Zimbabwe	50.0%	Joint Venture	Petroleum transport

The following entities are minority shareholders in the Group companies listed above:

– Incwala Platinum (Proprietary) Limited
– Lonplats Siyakhula Employee Profit Share Scheme
– The Lonplats Marikana Community Development Trust
– The Bapo ba Mogale Local Economic Development Trust

Statement of Financial Position

as at 30 September

	Notes	2018 $m	2017 $m
Non-current assets			
Shares in subsidiary companies	38	**583**	583
Trade and other receivables	39	**413**	440
		996	1,023
Current assets			
Deferred tax assets	42	**–**	1
Assets held for sale	32	**14**	–
Cash and cash equivalents	44	**18**	13
		32	14
Current liabilities			
Trade and other payables	40	**(703)**	(702)
Interest bearing loans and borrowings	41	**(148)**	(148)
Tax payable		**(2)**	(5)
		(853)	(855)
Net current assets		**(821)**	(841)
Net assets		**175**	182
Capital and reserves			
Share capital	23	**586**	586
Share premium		**1,816**	1,816
Other reserves		**88**	88
Accumulated loss		**(2,315)**	(2,308)
Total equity		**175**	182

The financial statements of Lonmin Plc, registered number 103002, were approved by the Board of Directors on 29 November 2018 and were signed on its behalf by:

Brian Beamish
Chairman

Barrie van der Merwe
Chief Financial Officer

Statement of Changes in Equity

for the year ended 30 September

	Called up share capital $m	Share premium account $m	Other reserves[i] $m	Accumulated loss $m	Total equity $m
At 1 October 2017	586	1,816	88	(2,308)	182
Loss for the year	–	–	–	(8)	(8)
Transactions with owners, recognised directly in equity:	–	–	–	1	1
– Share-based payments	–	–	–	1	1
At 30 September 2018	**586**	**1,816**	**88**	**(2,315)**	**175**

	Called up share capital $m	Share premium account $m	Other reserves[i] $m	Accumulated loss $m	Total equity $m
At 1 October 2016	586	1,816	88	(927)	1,563
Loss for the year	–	–	–	(1,382)	(1,382)
Transactions with owners, recognised directly in equity:	–	–	–	1	1
– Share-based payments	–	–	–	1	1
At 30 September 2017	586	1,816	88	(2,308)	182

Footnotes:

i Other reserves at 30 September 2018 represent the capital redemption reserve of $88 million (2017 – $88 million).

Notes to the Company Accounts

35 Accounting Policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 – *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IFRS 13 – *Fair Value Measurement* and the disclosures required by IFRS 7 – *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement Convention

The financial information has been prepared on a historic cost basis as modified by the revaluation of certain financial instruments.

Going Concern

The accounts have been prepared on a going concern basis, as detailed in note 1 of the Group financial statements.

Foreign Currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of available for sale financial assets, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-Derivative Financial Instruments

The Company's principal financial instruments (other than derivatives) comprise bank loans, investments in subsidiaries, trade and other receivables, cash and cash equivalents, trade and other payables and short-term deposits.

Bank loans

Bank loans are recorded at amortised cost, net of transaction costs incurred, and are adjusted to amortise transaction costs over the term of the loan.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Notes to the Company Accounts

35 Accounting Policies (continued)

Non-Derivative Financial Instruments (continued)

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. These also comprise bank overdrafts that are repayable on demand, for the purpose of the statement of cash flows only.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

	Method	Useful economic life	Rate
Short term leasehold property	Straight line	Over the life of the lease	3 – 5 years
Fixtures and Fittings	Straight line	10% – 33% per annum	3 – 10 years

Operating Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Employee Benefits

Pension costs and other post-retirement benefits

For current employees, the Company either makes payments on behalf of employees into a defined contribution scheme which the Company has set up, or makes direct payments to employees who may then make their own arrangements.

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share-based payment transactions

For detail regarding share-based payments, refer to the Group accounting policy on share-based payments in note 1 to the Group accounts.

Notes to the Company Accounts

35 Accounting Policies (continued)

Financing expenses

Financing expenses comprise interest payable on borrowings, bank fees, interest costs of pension scheme liabilities, and losses on hedging instruments that are recognised in the income statement.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

36 Employees

The average number of employees and Directors during the year was as follows:

	2018 No.	2017 No.
South Africa	**33**	36
Europe	**6**	7
	39	43

The aggregate payroll costs of employees, key management and Directors were as follows:

Employee costs	**2018 $m**	2017 $m
Wages and salaries	**9**	8
Social security costs	**1**	1
Termination payments	**–**	3
	10	12

The vast majority of employee costs are denominated in Rand and reported US Dollar costs are therefore subject to foreign exchange movements.

The key management compensation analysed above represents amounts in respect of the Exco which comprised the two executive Directors and four other senior managers (2017 – two executive Directors and three other senior managers).

The Sterling equivalents of total Directors' emoluments and emoluments of the highest paid Director together with full details of Directors' remuneration, pensions and benefits in kind are given in the Remuneration Committee Report. No emoluments related specifically to their work in the Company.

The Company operates defined contribution schemes in the UK and South Africa. There were no accrued obligations under defined contribution plans at 30 September 2018 and 2017.

For details of the Company's share plan and share option schemes, refer to note 24 of the Group accounts.

Notes to the Company Accounts

37 Net finance income / (expenses)

	2018 $m	2017 $m
Finance income:	**57**	101
– Interest receivable from loans with subsidiaries	**28**	58
– Interest accrued from HDSA receivable (note 12)	**29**	26
– Foreign exchange gain on HDSA receivable (note 12)	**–**	14
– Dividend received from investment [i]	**–**	3
Finance expenses:	**(51)**	(1,350)
– Interest payable on bank loans and overdrafts	**(12)**	(11)
– Bank fees	**(2)**	(3)
– Foreign exchange loss on HDSA receivable (note 12)	**(12)**	–
– Impairment of HDSA receivable (note 12)	**(17)**	(109)
– Impairment of loans with subsidiaries [iii]	**(7)**	(1,227)
– Foreign exchange losses on net cash / (debt) [ii]	**(1)**	–
Net finance income / (expenses)	**6**	(1,249)

Footnotes:

i The prior year dividends were received from a fellow subsidiary.

ii Net cash / (debt) as defined by the Group and Company comprises cash and cash equivalents, bank overdrafts repayable on demand and interest bearing loans and borrowings less unamortised bank fees, unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

iii The impairment of loans in subsidiaries relates to the fall in the recoverable amount of the loans following the impairments of the underlying assets in the subsidiary companies as disclosed in note 30 to the consolidated financial statements and note 39.

Notes to the Company Accounts

38 Shares in subsidiary undertakings

	2018 $m	2017 $m
Cost:		
At 1 October and 30 September	**1,538**	1,538
Provisions:		
At 1 October	**955**	812
Impairment charge [i]	**–**	143
At 30 September	**955**	955
Net book value:		
At 30 September	**583**	583

Footnote:

i The impairment of shares in subsidiary undertakings in 2017 relates to the fall in recoverable amount of the investment following the impairment of the underlying assets as disclosed in note 30 of the consolidated financial statements.

A list of subsidiary undertakings is included in Note 34 to the consolidated financial statements.

39 Trade and other receivables

Non-current assets	2018 $m	2017 $m
Intercompany loans receivable	**413**	440

During the year the balance of intercompany loans to Lonmin (Northern Ireland) Limited to fund exploration, amounting to $10 million was written off. This had previously been impaired by $3 million. In 2017 a provision of $1,227 million was recognised against intercompany loans due to the fall in value of the underlying net assets of the counterparty following the impatient of the underlying assets as disclosed in note 30. The intercompany loans were classified as non-current as it is anticipated that these will not be realised within 12 months.

Notes to the Company Accounts

40 Trade and other payables

	2018 $m	2017 $m
Accruals and other payables	**14**	11
Intercompany loans payable	**689**	691
	703	702

41 Interest bearing loans and borrowings

	2018 $m	2017 $m
Short-term loans and borrowings:		
Bank loans – secured	**148**	148

The maturity profile of interest bearing loans and borrowings is disclosed in note 19b.

As at 30 September 2018 unamortised bank fees of $2 million relating to drawn facilities were offset against loans (30 September 2017 – $2 million of unamortised bank fees relating to drawn facilities were offset against loans).

The Company's debt facilities are summarised as follows:

- Revolving credit facilities (RCF) totalling $25 million and a $150 million term loan, at the Lonmin Plc level, which are committed until May 2019 (Lonmin can exercise its option to extend the term up until May 2020). The Company has agreed to leave the RCF undrawn until 28 February 2019 subject to the terms in note 17.

These facilities were cancelled in October 2018.

As at 30 September 2018, the Company had net debt of $130 million, comprising of cash and cash equivalents of $18 million less borrowings of $148 million (30 September 2017 – net debt of $135 million). Undrawn facilities of $25 million were draw-stopped until 28 February 2019 subject to the terms in note 17 (30 September 2017 – $25 million undrawn facilities).

Notes to the Company Accounts

42 Deferred tax assets

Deferred tax assets in respect of:	2018 $m	2017 $m
Provisions	–	1.0

Movement in temporary differences during the year

	At 1 October 2017 $m	Recognised in income $m	Recognised in comprehensive income $m	At 30 September 2018 $m
Provisions	1.0	(1.0)	–	–

	At 1 October 2016 $m	Recognised in income $m	Recognised in comprehensive income $m	At 30 September 2017 $m
Provisions	0.8	0.2	–	1.0

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2018		2017	
	Temporary differences $m	Unrecognised deferred tax assets $m	Temporary differences $m	Unrecognised deferred tax assets $m
Capital losses carried forward	128	24	134	28
Trading and other losses carried forward	–	–	13	3
Other	4	1	–	–
	132	25	147	31

The Company had a deferred tax asset of $nil (2017 – $1 million) relating to the South African branch.

The Company had an unrecognised deferred tax asset of $25 million at 30 September 2018 based on temporary differences of $132 million (2017 – $31 million based on temporary differences of $147 million). No unrecognised deferred tax assets have been disclosed in respect of United Kingdom operations as management believe the chances of utilising future United Kingdom taxable profits are low. The Company had $114 million of unrecognised surplus ACT at 30 September 2018 (2017 – $114 million). The Company had $274 million of unrecognised shadow ACT at 30 September 2018 (2017 – $274 million).

Notes to the Company Accounts

43 Operating and finance leases

The full aggregate lease payments of the Company under non-cancellable operating leases are set out below:

	Land and buildings	
	2018 $m	2017 $m
Operating leases which fall due for payment:		
Within one year	**–**	–
Between one and five years	**1**	1
	1	1

Lonmin Plc is contracted in a lease agreement which expires on February 2022. The contract is renewable at the date of expiry and no escalation rate is applicable for the duration of the contract.

44 Net debt as defined by the Company

	As at 1 October 2017 $m	**Cash flow $m**	**Foreign exchange and non-cash movements $m**	**As at 30 September 2018 $m**
Cash and cash equivalents	**13**	**6**	**(1)**	**18**
Current borrowings	**(150)**	**–**	**–**	**(150)**
Unamortised bank fees	**2**	**–**	**–**	**2**
Net debt as defined by the Company [i]	**(135)**	**6**	**(1)**	**(130)**

	As at 1 October 2016 $m	Cash flow $m	Foreign exchange and non-cash movements $m	As at 30 September 2017 $m
Cash and cash equivalents	54	(41)	–	13
Current borrowings	–	(150)	–	(150)
Non-current borrowings	(150)	150	–	–
Unamortised bank fees	2	–	–	2
Net debt as defined by the Company [i]	(94)	(41)	–	(135)

Footnotes:

i Net debt as defined by the Group and Company comprises cash and cash equivalents, bank overdrafts repayable on demand and interest bearing loans and borrowings less unamortised bank fees, unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

Consolidated Group Five Year Financial Record

for the year ended 30 September

Continuing operations		2018	2017	2016	2015	2014
Consolidated income statement:						
Revenue	$m	**1,345**	1,166	1,118	1,293	965
Operating profit / (loss)	$m	**101**	(1,079)	(322)	(2,018)	(255)
Profit / (loss) before taxation	$m	**68**	(1,170)	(355)	(2,262)	(326)
Attributable profit / (loss) for the year	$m	**42**	(996)	(342)	(1,661)	(188)
Basic profit / (loss) per share [i]	cents	**14.9**	(352.7)	(137.0)	(3,437.6)	(398.1)
Consolidated statement of financial position:						
Non-current assets – property, plant and equipment	$m	**300**	194	1,158	1,477	2,882
Non-current assets – other	$m	**87**	106	156	177	552
Net current assets	$m	**247**	223	511	–	574
Net cash / (debt)	$m	**114**	103	173	(185)	(29)
Equity shareholders' funds	$m	**757**	685	1,669	1,629	3,233
Equity shareholders' funds per share [i]	cents	**268**	243	591	3,349	6,835
Consolidated statement of cash flows:						
Cash inflow / (outflow) from operating activities	$m	**90**	33	58	(12)	(116)
Free cash inflow / (outflow)	$m	**17**	(67)	(31)	(167)	(246)
Trading cash inflow / (outflow) per share [i]	cents	**31.8**	11.7	23.2	(24.8)	(245.7)
Free cash inflow / (outflow) per share [i]	cents	**5.9**	(23.7)	(12.4)	(345.6)	(521.0)

Footnote:

i The number of shares held prior to 12 December 2015 has been adjusted by a factor of 0.08 to reflect the Rights Issue.

Operating Statistics – Five Year Review

			Units	2018	2017	2016	2015	2014
Tonnes mined[1]	Generation 2	K3 Shaft	kt	**2,858**	2,831	2,687	2,713	1,484
		Rowland Shaft	kt	**1,904**	1,925	1,731	1,872	1,005
		Saffy Shaft	kt	**2,211**	2,174	2,055	1,758	782
		East 3 Shaft Combined [2]	kt	**654**	574	534	612	327
		East 3 Shaft	*kt*	***553***	*71*	*63*	*68*	*28*
		Pandora (100%)	*kt*	***101***	*503*	*471*	*544*	*299*
		Generation 2	kt	**7,627**	7,504	7,007	6,955	3,598
	Generation 1	1B Shaft	kt	**–**	–	6	219	123
		4B Shaft	kt	**1,272**	1,320	1,588	1,409	768
		Hossy Shaft	kt	**581**	655	712	953	609
		Newman Shaft	kt	**0**	51	346	765	428
		W1 Shaft	kt	**185**	145	162	180	102
		East 1 Shaft	kt	**187**	168	141	148	104
		East 2 Shaft	kt	**32**	262	293	390	279
		Generation 1	kt	**2,257**	2,600	3,249	4,064	2,414
		K4 shaft	kt	**0**	0	0	49	–
		Total Underground	kt	**9,884**	10,104	10,256	11,067	6,012
		Opencast	kt	**93**	45	49	230	333
		Total Underground & Opencast	kt	**9,977**	10,148	10,305	11,297	6,345
	Limpopo[3]	Underground	kt	**–**	–	–	–	6
	Lonmin (100%)	**Total Tonnes mined**	kt	**9,977**	10,148	10,305	11,297	6,351
		% tonnes mined from UG2 reef (100%)	%	**71.9%**	73.1%	75.3%	75.1%	74.1
	Lonmin (attributable)	Underground & Opencast	kt	**9,927**	9,897	10,070	11,016	6,180
Ounces mined[4]	Lonmin excl Pandora	Platinum	oz	**622,374**	616,422	627,245	668,319	371,651
	BTT[5]	Platinum	oz	**7,423**	–	–	–	–
	Lonmin excl Pandora incl BTT	**Platinum**	oz	**629,796**	616,422	627,245	668,319	371,651
	Pandora (100%)	Platinum	oz	**7,557**	34,886	32,509	36,458	20,327
	Limpopo	Platinum	oz	**–**	–	–	–	255
	Lonmin	**Platinum**	oz	**637,353**	651,307	659,754	704,776	392,233
	Lonmin excl Pandora	Total PGMs	oz	**1,200,139**	1,182,793	1,200,244	1,280,964	707,913
	BTT[5]	Total PGMs	oz	**14,593**	–	–	–	–
	Lonmin excl Pandora incl BTT	**Total PGMs**	oz	**1,214,732**	1,182,793	1,200,244	1,280,964	707,913
	Pandora (100%)	Total PGMs	oz	**14,962**	69,362	63,857	71,861	40,044
	Limpopo	Total PGMs	oz	**–**	–	–	–	572
	Lonmin	**Total PGMs**	oz	**1,229,695**	1,252,155	1,264,101	1,352,825	748,529
Tonnes milled[6]	Marikana	Underground	kt	**9,663**	9,486	9,806	10,930	5,389
		Opencast	kt	**70**	49	98	318	422
		Total before BTT Plant	kt	**9,732**	9,535	9,904	11,248	5,810
		BTT Plant[5]	kt	**2,038**	–	–	–	–
	Pandora[7]	Underground	kt	**101**	503	471	562	281
	Limpopo[8]	Underground	kt	**–**	–	–	–	27
	Lonmin Platinum	Underground	kt	**9,764**	9,989	10,277	11,491	5,696
		Opencast	kt	**70**	49	98	318	422
		BTT Plant[5]	kt	**2,038**	–	–	–	–
		Total	kt	**11,871**	10,039	10,375	11,810	6,118

Operating Statistics – Five Year Review

			Units	2018	2017	2016	2015	2014
Milled head grade[9]	Lonmin Platinum	Underground	g/t	**4.57**	4.61	4.60	4.51	4.48
		Opencast	g/t	**4.65**	4.42	3.59	3.08	3.20
		BTT Plant[5]	g/t	**1.10**	–	–	–	–
		Total	g/t	**3.97**	4.61	4.59	4.47	4.39
Concentrator recovery rate[10]	Lonmin Platinum	Underground	%	**87.3**	87.1	86.7	86.8	87.0
		Opencast	%	**81.1**	68.3	73.6	85.1	84.5
		BTT Plant[5]	%	**21.3**	–	–	–	–
		Total	%	**84.1**	87.0	86.6	86.7	86.9
Metals-in-concentrate[11]	Marikana	Platinum	oz	**617,110**	609,354	631,066	696,489	355,926
		Palladium	oz	**288,416**	282,246	292,315	323,177	164,960
		Gold	oz	**14,936**	15,171	15,206	16,503	9,879
		Rhodium	oz	**88,770**	86,254	90,151	101,435	49,908
		Ruthenium	oz	**149,755**	144,996	147,740	165,689	81,693
		Iridium	oz	**31,127**	30,303	29,845	32,416	16,143
		Total PGMs	oz	**1,190,113**	1,168,324	1,206,322	1,335,710	678,508
	Limpopo	Platinum	oz	**–**	–	–	–	1,121
		Palladium	oz	**–**	–	–	–	974
		Gold	oz	**–**	–	–	–	93
		Rhodium	oz	**–**	–	–	–	114
		Ruthenium	oz	**–**	–	–	–	161
		Iridium	oz	**–**	–	–	–	44
		Total PGMs	oz	**–**	–	–	–	2,508
	Pandora	Platinum	oz	**7,557**	34,886	32,509	37,553	18,913
		Palladium	oz	**3,573**	16,509	15,231	17,496	8,960
		Gold	oz	**52**	243	95	131	54
		Rhodium	oz	**1,261**	5,928	5,360	6,383	3,226
		Ruthenium	oz	**2,105**	9,750	8,852	10,466	5,168
		Iridium	oz	**414**	2,047	1,811	1,988	916
		Total PGMs	oz	**14,962**	69,362	63,857	74,019	37,237
	BTT Plant[5]	Platinum	oz	**7,423**	–	–	–	–
		Palladium	oz	**3,097**	–	–	–	–
		Gold	oz	**69**	–	–	–	–
		Rhodium	oz	**1,052**	–	–	–	–
		Ruthenium	oz	**2,443**	–	–	–	–
		Iridium	oz	**510**	–	–	–	–
		Total PGMs	oz	**14,593**	–	–	–	–
	Lonmin Platinum before Concentrate Purchases	Platinum	oz	**632,089**	644,240	663,575	734,042	375,960
		Palladium	oz	**295,086**	298,756	307,545	340,673	174,894
		Gold	oz	**15,058**	15,414	15,301	16,635	10,026
		Rhodium	oz	**91,082**	92,182	95,511	107,818	53,248
		Ruthenium	oz	**154,303**	154,746	156,591	176,156	87,022
		Iridium	oz	**32,051**	32,350	31,655	34,405	17,103
		Total PGMs	oz	**1,219,669**	1,237,686	1,270,179	1,409,729	718,253
	Concentrate Purchases	Platinum	oz	**21,703**	4,871	5,129	6,273	4,398
		Palladium	oz	**7,164**	1,550	1,555	1,869	1,242
		Gold	oz	**78**	21	18	18	14
		Rhodium	oz	**2,991**	597	565	816	531
		Ruthenium	oz	**4,588**	935	919	1,079	546
		Iridium	oz	**1,127**	263	242	338	224
		Total PGMs	oz	**37,651**	8,237	8,429	10,394	6,955
	Lonmin Platinum	Platinum	oz	**653,792**	649,111	668,704	740,315	380,359
		Palladium	oz	**302,250**	300,305	309,101	342,542	176,136
		Gold	oz	**15,136**	15,435	15,319	16,653	10,040
		Rhodium	oz	**94,073**	92,779	96,076	108,634	53,779
		Ruthenium	oz	**158,891**	155,680	157,510	177,235	87,567
		Iridium	oz	**33,178**	32,614	31,898	34,743	17,327
		Total PGMs	oz	**1,257,320**	1,245,923	1,278,607	1,420,122	725,208
		Nickel[12]	MT	**3,051**	3,215	3,265	3,669	2,092
		Copper[12]	MT	**1,953**	1,998	1,983	2,250	1,314

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			Units	2018	2017	2016	2015	2014
Refined production	Lonmin refined metal production	Platinum	oz	**664,603**	685,028	739,315	759,005	431,683
		Palladium	oz	**309,340**	316,517	334,470	350,040	208,756
		Gold	oz	**17,324**	18,017	19,596	18,232	12,299
		Rhodium	oz	**100,136**	100,677	121,149	102,372	76,940
		Ruthenium	oz	**163,564**	162,141	177,006	181,803	107,166
		Iridium	oz	**34,634**	33,654	44,855	32,180	27,991
		Total PGMs	oz	**1,289,601**	1,316,034	1,436,390	1,443,633	864,835
	Toll refined metal production	Platinum	oz	**1,081**	2,501	2,575	689	4,501
		Palladium	oz	**389**	789	713	280	1,765
		Gold	oz	**18**	35	30	14	116
		Rhodium	oz	**1,743**	310	207	95	1,546
		Ruthenium	oz	**623**	926	698	2,093	7,417
		Iridium	oz	**593**	207	110	560	1,914
		Total PGMs	oz	**4,448**	4,768	4,333	3,731	17,259
	Total refined production	Platinum	oz	**665,685**	687,529	741,890	759,695	436,184
		Palladium	oz	**309,729**	317,306	335,183	350,320	210,521
		Gold	oz	**17,342**	18,052	19,626	18,246	12,415
		Rhodium	oz	**101,879**	100,987	121,356	102,467	78,486
		Ruthenium	oz	**164,187**	163,067	177,704	183,896	114,583
		Iridium	oz	**35,227**	33,861	44,965	32,740	29,905
		Total PGMs	oz	**1,294,049**	1,320,802	1,440,724	1,447,364	882,094
	BMR Concentrate Sales (Saleable Refined production)	Platinum	oz	**12,904**	–	–	–	–
		Palladium	oz	**5,756**	–	–	–	–
		Gold	oz	**321**	–	–	–	–
		Rhodium	oz	**1,903**	–	–	–	–
		Ruthenium	oz	**3,034**	–	–	–	–
		Iridium	oz	**653**	–	–	–	–
		Total PGMs	oz	**24,570**	–	–	–	–
	Total Saleable Refined PGMs[13]	Platinum	oz	**678,588**	687,529	741,890	759,695	436,184
		Palladium	oz	**315,486**	317,306	335,183	350,320	210,521
		Gold	oz	**17,663**	18,052	19,626	18,246	12,415
		Rhodium	oz	**103,782**	100,987	121,356	102,467	78,486
		Ruthenium	oz	**167,221**	163,067	177,704	183,896	114,583
		Iridium	oz	**35,879**	33,861	44,965	32,740	29,905
		Total PGMs	oz	**1,318,618**	1,320,802	1,440,724	1,447,364	882,094
		Nickel[12]	MT	**3,605**	3,502	3,769	3,720	2,387
		Copper[12]	MT	**2,148**	2,126	2,227	2,276	1,480
Sales	Refined metal sales	Platinum	oz	**668,676**	706,030	735,747	751,560	441,684
		Palladium	oz	**311,019**	324,273	334,319	347,942	212,500
		Gold	oz	**17,580**	16,675	20,735	19,199	13,100
		Rhodium	oz	**103,128**	107,742	121,604	92,520	81,120
		Ruthenium	oz	**165,250**	193,479	145,306	192,549	121,904
		Iridium	oz	**33,485**	33,212	47,392	30,114	29,778
		Total PGMs	oz	**1,299,139**	1,381,413	1,405,103	1,433,883	900,087
	BMR Concentrate Sales[14]	Platinum	oz	**12,904**	–	–	–	–
		Palladium	oz	**5,756**	–	–	–	–
		Gold	oz	**321**	–	–	–	–
		Rhodium	oz	**1,903**	–	–	–	–
		Ruthenium	oz	**3,034**	–	–	–	–
		Iridium	oz	**653**	–	–	–	–
		Total PGMs	oz	**24,570**	–	–	–	–
	Lonmin Platinum	Platinum	oz	**681,580**	706,030	735,747	751,560	441,684
		Palladium	oz	**316,775**	324,273	334,319	347,942	212,500
		Gold	oz	**17,901**	16,675	20,735	19,199	13,100
		Rhodium	oz	**105,031**	107,742	121,604	92,520	81,120
		Ruthenium	oz	**168,284**	193,479	145,306	192,549	121,904
		Iridium	oz	**34,137**	33,212	47,392	30,114	29,778
		Total PGMs	oz	**1,323,708**	1,381,413	1,405,103	1,433,883	900,087
		Nickel[15]	MT	**3,558**	3,770	3,773	3,656	2,251
		Copper[15]	MT	**2,398**	1,874	2,265	2,131	1,448
		Chrome[15]	MT	**1,558,689**	1,402,697	1,563,236	1,440,901	747,881

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			Units	2018	2017	2016	2015	2014
Average prices		Platinum	$/oz	**890**	953	978	1,095	1,403
		Palladium	$/oz	**986**	808	589	718	775
		Gold	$/oz	**1,272**	1,244	1,425	1,487	1,509
		Rhodium	$/oz	**1,988**	915	671	998	1,050
		Basket price of PGMs[16]	$/oz	**926**	790	753	849	1,013
		Full Basket price of PGMs[17]	$/oz	**1,016**	844	796	902	1,072
		Basket price of PGMs[16]	R/oz	**12,245**	10,526	11,030	10,207	10,654
		Full Basket price of PGMs[17]	R/oz	**13,447**	11,236	11,637	10,829	11,277
		Nickel[15]	$/MT	**10,875**	8,274	7,357	10,512	13,053
		Copper[15]	$/MT	**6,208**	5,661	4,508	5,584	6,810
Capital expenditure[18]			Rm	**967**	1,336	1,268	1,641	992
			$m	**73**	100	89	136	93
Employees and contractors	as at 30 September	Employees	#	**23,142**	24,713	25,296	26,968	28,276
	as at 30 September	Contractors	#	**7,002**	7,831	7,497	8,701	10,016
	as at 30 September	Total	#	**30,144**	32,544	32,793	35,669	38,292
Productivity (Generation 2)	m^2 per mining employee (shaft head)	K3 Shaft	m^2/person	**5.6**	5.6	5.6	5.5	2.9
		Rowland Shaft	m^2/person	**5.8**	5.9	5.6	5.9	3.1
		Saffy Shaft	m^2/person	**5.9**	5.6	5.5	4.6	2.1
		E3 Shaft Combined	m^2/person	**4.9**	4.3	3.9	3.9	2.1
		Generation 2	m^2/person	**5.7**	5.6	5.4	5.2	2.6
	m^2 per stoping, ledging & white area crews[19]	K3 Shaft	m^2/crew	**311.7**	273.8	284.5	285.4	151.4
		Rowland Shaft	m^2/crew	**410.7**	365.4	340.7	335.1	200.2
		Saffy Shaft	m^2/crew	**337.2**	300.8	292.6	243.5	121.7
		E3 Shaft Combined	m^2/crew	**298.4**	240.9	210.2	195.2	108.1
		Generation 2	m^2/crew	**337.8**	298.0	291.1	274.9	149.4
Exchange rates[20]		Average rate for period	R/$	**13.07**	13.37	14.77	12.01	10.55
			£/$	**0.74**	0.79	0.70	0.65	0.60
		Closing rate	R/$	**14.14**	13.55	13.71	13.83	11.29
			£/$	**0.77**	0.75	0.77	0.66	0.62

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			Units	2018	2017	2016	2015	2014
Cost of sales	PGM operations segment	Mining	$m	**(797)**	(716)	(625)	(785)	(622)
		Concentrating	$m	**(137)**	(129)	(114)	(145)	(107)
		Smelting and refining[21]	$m	**(134)**	(119)	(102)	(120)	(106)
		Shared services	$m	**(73)**	(78)	(49)	(71)	(74)
		Management and marketing services	$m	**(17)**	(19)	(21)	(25)	(24)
		Ore, Concentrate and other purchases	$m	**(37)**	(37)	(34)	(48)	(38)
		Limpopo mining	$m	**(1)**	(1)	(2)	(2)	(3)
		Community trusts donations	$m	**(1)**	(1)	(1)	(1)	–
		K3 Chrome Plant	$m	**(21)**	(0)			
		Royalties	$m	**(8)**	(7)	(7)	(9)	(5)
		Share based payments & ESOP	$m	**(3)**	(1)	(11)	(14)	(15)
		Other[22]	$m	**(10)**	(1)	16	149	(21)
		Inventory movement	$m	**17**	(2)	(34)	(84)	(79)
		FX and Group Charges	$m	**11**	(8)	(1)	51	25
	Total PGM operations segment		$m	**(1,210)**	(1,120)	(983)	(1,104)	(1,069)
		Exploration – excluding FX	$m	**(2)**	(4)	(5)	(7)	(6)
		Corporate – excluding FX	$m	**(19)**	(4)	(3)	(2)	(2)
		FX	$m	**1**	2	(2)	(10)	(1)
	Total cost of sales		$m	**(1,230)**	(1,126)	(993)	(1,123)	(1,079)
	PGM operations segment	Mining	Rm	**(10,412)**	(9,548)	(9,155)	(9,414)	(6,556)
		Concentrating	Rm	**(1,815)**	(1,729)	(1,650)	(1,731)	(1,121)
		Smelting and refining[21]	Rm	**(1,732)**	(1,586)	(1,470)	(1,426)	(1,119)
		Shared services	Rm	**(953)**	(1,033)	(721)	(810)	(786)
		Management and marketing services	Rm	**(222)**	(250)	(304)	(294)	(256)
		Ore, Concentrate and other purchases	Rm	**(498)**	(490)	(494)	(574)	(402)
		Limpopo mining	Rm	**(7)**	(12)	(23)	(25)	(31)
		Community trusts donations	Rm	**(15)**	(11)	(15)	(10)	–
		K3 Chrome Plant	Rm	**(279)**	(4)	–	–	–
		Royalties	Rm	**(101)**	(90)	(94)	(103)	(52)
		Share based payments & ESOP	Rm	**(47)**	(14)	(158)	(164)	(148)
		Other[22]	Rm	**(88)**	(18)	235	1,789	(220)
		Inventory movement	Rm	**297**	(88)	(510)	6	(480)
		FX and Group Charges	Rm	**14**	80	265	(2,659)	(1,117)
	Total PGM operations segment		Rm	**(15,856)**	(14,795)	(14,093)	(15,414)	(12,288)

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			Units	2018	2017	2016	2015	2014
Shaft head unit cost – underground operations excluding K4	Rand per tonne	K3 Shaft	R/T	**(968)**	(920)	(890)	(840)	(990)
		Rowland Shaft	R/T	**(994)**	(929)	(936)	(825)	(992)
		Saffy Shaft	R/T	**(914)**	(863)	(858)	(886)	(1,164)
		E3 Combined	R/T	**(1,111)**	(953)	(927)	(872)	(964)
		East 3 Shaft	*R/T*	***(1,131)***	*(1,496)*	*(1,154)*	*(769)*	*(1,143)*
		Pandora (100%)	*R/T*	***(1,003)***	*(876)*	*(896)*	*(885)*	*(947)*
		Generation 2	R/T	**(971)**	(908)	(895)	(850)	(1,026)
		4B Shaft[23]	R/T	**(945)**	(895)	(714)	(760)	(859)
		Hossy Shaft	R/T	**(1,290)**	(1,017)	(915)	(927)	(1,002)
		Newman Shaft	R/T	**0**	(2,859)	(1,008)	(738)	(907)
		W1 Shaft	R/T	**(834)**	(808)	(920)	(902)	(987)
		East 1 Shaft	R/T	**(893)**	(874)	(1,041)	(1,025)	(1,162)
		East 2 Shaft	R/T	**(3,024)**	(1,232)	(1,033)	(824)	(831)
		Generation 1	R/T	**(1,061)**	(992)	(843)	(817)	(919)
		Total Underground	R/T	**(992)**	(930)	(878)	(838)	(983)
	Rand per PGM oz	K3 Shaft	R/oz	**(8,314)**	(7,862)	(7,409)	(7,171)	(8,683)
		Rowland Shaft	R/oz	**(8,099)**	(7,346)	(7,359)	(6,428)	(7,727)
		Saffy Shaft	R/oz	**(6,768)**	(6,631)	(6,755)	(7,143)	(9,702)
		E3 Combined	R/oz	**(8,282)**	(7,042)	(6,960)	(6,522)	(7,201)
		East 3 Shaft	*R/oz*	***(8,590)***	*(12,747)*	*(10,050)*	*(5,295)*	*(8,604)*
		Pandora (100%)	*R/oz*	***(6,786)***	*(6,356)*	*(6,608)*	*(6,691)*	*(7,069)*
		Generation 2	R/oz	**(7,774)**	(7,287)	(7,165)	(6,894)	(8,470)
		4B Shaft[23]	R/oz	**(9,462)**	(8,379)	(6,806)	(7,442)	(8,231)
		Hossy Shaft	R/oz	**(10,456)**	(7,610)	(6,961)	(8,375)	(8,472)
		Newman Shaft	R/oz	**0**	(21,183)	(7,568)	(5,412)	(6,741)
		W1 Shaft	R/oz	**(6,187)**	(6,415)	(7,565)	(7,362)	(6,969)
		East 1 Shaft	R/oz	**(7,023)**	(6,633)	(7,949)	(7,406)	(8,233)
		East 2 Shaft	R/oz	**(20,014)**	(8,837)	(7,654)	(6,163)	(6,924)
		Generation 1	R/oz	**(9,494)**	(8,262)	(7,116)	(7,053)	(7,774)
		Total Underground	R/oz	**(8,134)**	(7,530)	(7,150)	(6,950)	(8,195)
Cost of production (PGM operations segment)[24]	Cost	Mining	Rm	**(10,412)**	(9,548)	(9,155)	(9,414)	(6,556)
		Concentrating	Rm	**(1,815)**	(1,729)	(1,650)	(1,731)	(1,121)
		Smelting and refining[21]	Rm	**(1,732)**	(1,586)	(1,470)	(1,426)	(1,119)
		Shared services	Rm	**(953)**	(1,033)	(721)	(810)	(786)
		Management and marketing services	Rm	**(222)**	(250)	(304)	(294)	(256)
			Rm	**(15,133)**	(14,148)	(13,299)	(13,674)	(9,838)
	PGM Saleable ounces	Mined ounces excluding ore purchases	oz	**1,214,732**	1,182,793	1,200,244	1,280,964	707,913
		Metals-in-concentrate before concentrate purchases	oz	**1,219,669**	1,237,686	1,270,178	1,409,729	715,746
		Refined ounces	oz	**1,318,618**	1,320,802	1,440,724	1,447,364	882,094
		Metals in concentrate including concentrate purchases	oz	**1,257,320**	1,245,923	1,278,607	1,420,122	722,701

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			Units	2018	2017	2016	2015	2014
	Cost of production	Mining	R/oz	**(8,572)**	(8,073)	(7,627)	(7,349)	(9,261)
		Concentrating	R/oz	**(1,488)**	(1,397)	(1,299)	(1,228)	(1,567)
		Smelting and refining[21]	R/oz	**(1,313)**	(1,201)	(1,020)	(985)	(1,269)
		Shared services	R/oz	**(758)**	(829)	(564)	(570)	(1,087)
		Management and marketing services	R/oz	**(176)**	(201)	(237)	(207)	(355)
			R/oz	**(12,307)**	(11,701)	(10,748)	(10,339)	(13,538)
	% increase in cost of production	Mining	%	**(6.2)%**	(5.8)%	(3.8)%	20.6%	(45.3)%
		Concentrating	%	**(6.5)%**	(7.6)%	(5.8)%	21.6%	(49.2)%
		Smelting and refining[21]	%	**(9.3)%**	(17.7)%	(3.6)%	22.4%	(37.3)%
		Shared services	%	**8.6%**	(47.1)%	1.1%	47.5%	(64.5)%
		Management and marketing services	%	**12.2%**	15.3%	(14.8)%	41.7%	(104.9)%
			%	**(5.2)%**	(8.9)%	(4.0)%	23.6%	(47.4)%
Average prices		Platinum	$/oz	**890**	953	978	1,095	1,403
		Palladium	$/oz	**986**	808	589	718	775
		Gold	$/oz	**1,272**	1,244	1,425	1,487	1,509
		Rhodium	$/oz	**1,988**	915	671	998	1,050
		Basket price of PGMs[16]	$/oz	**926**	790	753	849	1,013
		Full Basket price of PGMs[17]	$/oz	**1,016**	844	796	902	1,072
		Basket price of PGMs[16]	R/oz	**12,245**	10,526	11,030	10,207	10,654
		Full Basket price of PGMs[17]	R/oz	**13,447**	11,236	11,637	10,829	11,277
		Nickel[15]	$/MT	**10,875**	8,274	7,357	10,512	13,053
		Copper[15]	$/MT	**6,208**	5,661	4,508	5,584	6,810

Footnotes:

1 Reporting of shafts are in line with our operating strategy for Generation 1 and Generation 2 shafts (Historical information is restated if shafts are re-classified).
2 E3 Shaft and Pandora underground tonnes mined will be reported as E3 Shaft Combined from 1 December 2017 when Lonmin acquired 100% of Pandora.
3 Limpopo underground tonnes mined represents low grade development tonnes mined whilst on care and maintenance.
4 Ounces mined have been calculated at achieved concentrator recoveries and with Lonmin standard downstream processing recoveries to present produced saleable ounces.
5 The BTT (Bulk Tailings Treatment) project was commissioned in February 2018.
6 Tonnes milled excludes slag milling.
7 As from 1 December 2017 Lonmin owns 100% of Pandora joint venture and there will be no ore purchases thereafter.
8 Limpopo tonnes milled represents low grade development tonnes milled.
9 Head Grade is the grammes per tonne (5PGE + Au) value contained in the tonnes milled and fed into the concentrator from the mines (excludes slag milled).
10 Recovery rate in the concentrators is the total content produced divided by the total content milled (excluding slag).
11 Metals-in-concentrate have been calculated at Lonmin standard downstream processing recoveries to present produced saleable ounces.
12 Corresponds to contained base metals in concentrate.
13 Total saleable refined production includes production associated with BMR concentrate sales.
14 Includes saleable refined production associated with BMR concentrate sales
15 Nickel is produced and sold as nickel sulphate crystals or solution and the volumes shown correspond to contained metal. Copper is produced as refined product but typically at LME grade C. Chrome is produced in the form of chromite concentrate and volumes shown are in the form of chromite.
16 Basket price of PGMs is based on the revenue generated in Rand and Dollar from the actual PGMs (5PGE + Au) sold in the period based on the appropriate Rand / Dollar exchange rate applicable for each sales transaction.
17 As per note 16 but including revenue from base metals.
18 Capital expenditure is the aggregate of the purchase of property, plant and equipment and intangible assets (includes capital accruals and excludes capitalised interest).
19 2017 Crew Productivity re-stated to exclude buffer crews.
20 Exchange rates are calculated using the market average daily closing rate over the course of the period.
21 Comprises of Smelting and Refining costs as well as direct Process Operations shared costs and group security costs.
22 Other includes costs such as Restructuring and reorganisation costs, Debt refinancing costs, Accelerated vesting of Share Based payment expenses per IFRS 2, etc. (Previously reported as "Special costs").
23 Includes 1B Shaft.
24 It should be noted that with the implementation of the revised operating model, the cost allocation between business units has been changed and, therefore, whilst the total is on a like-for-like basis, individual line items are not totally comparable.
* Minor changes has been made to mining and concentrating production numbers following the annual stocktake process compared to the published Q4 Production Report (2018).

Mineral Resource and Mineral Reserve Statement

2018 Mineral Resource

Main features of the Lonmin mineral resources as at 30 September 2018:

Attributable mineral resources were 160.8 Moz of 3PGE+Au in 2018, a decrease of 17.5 Moz from 2017.

Revisions to the South African mineral resource estimates were confined to the Marikana and Pandora properties. The Akanani and Limpopo mineral resources were unchanged during 2018.

The changes to the Marikana and Pandora mineral resource this year include:

Inclusions – *Leading to an increase in mineral resources:*

- As at 1 December 2017, Lonmin completed the acquisition of the Pandora JV and now owns 100% of Pandora. The Pandora mineral resources were previously reported at 41% attributable. Full ownership of Pandora, at 82% attributable, contributes an additional 11.6 Moz of 3PGE+Au in UG2 mineral resource.

Exclusions – *Leading to a decrease in mineral resources:*

- The Schaapkraal prospecting right covers the western down-dip area at Marikana and expired in April 2018. An application for renewal of the prospecting right has been submitted to the DMR and the decision to grant Lonmin the prospecting right is pending. Due to this, the Schaapkraal prospecting right area has been removed out of the Marikana total attributable mineral resource and mineral reserve while we await the grant of the new Prospecting right. On the grant of the new Prospecting right, these mineral resources and mineral reserves will be included back into the total Marikana figure. The removal of the Schaapkraal prospecting right areas from the UG2 and Merensky mineral resources causes an overall drop in the 4E grade of 3.4%. This is due to the removal of high grade Merensky mineral resources in the K5 and K6 project areas (6.7% drop in overall Merensky grade) and similarly higher grade UG2 mineral resources in the K5 project area (2.5% drop in overall UG2 grade).
- The mineral resources at Marikana (excluding tailings) decreased by 5.8 Moz 3PGE+Au in 2018. This is attributed to the nett effect of a decrease in the Merensky mineral resources (10.9 Moz) and an increase of the UG2 mineral resources (5.1 Moz).
  - The Merensky Measured and Indicated mineral resources decreased by 1.5 Moz, the nett effect of re-evaluation after consideration of depletions and the removal of 1.5 Moz from the Schaapkraal prospecting right. The Merensky Inferred mineral resources decreased by 9.4 Moz, due to re-evaluation and the removal of 9.5 Moz from the Schaapkraal prospecting right.
  - The UG2 Measured and Indicated mineral resources increased by 15.5 Moz due to the nett effect of consideration of depletions, the removal of 3.8 Moz from the Schaapkraal prospecting right and the addition of 10.3 Moz from Pandora. The UG2 Inferred mineral resource decreased by 10.4 Moz due to reassessment of mineral resource confidence, the removal of 13.1 Moz from the Schaapkraal prospecting right and the addition of 1.3 Moz from Pandora.
- The remining of the Marikana Tailings commenced in February 2018 and as at 30 September 2018 the mineral resource has been depleted by 0.1 Moz.

The changes to the international mineral resource this year include:

Inclusions – *Leading to an increase in mineral resources:*

- During 2018, Lonmin explored Sudbury for PGMs with joint venture partners Wallbridge Mining and Vale. Subsequently, the joint venture with Vale was terminated in July 2018. In exchange for relinquishing Lonmin's rights to 50% participation on five of the Vale Joint Venture properties, Lonmin was granted 100% of the mineral rights for all metals and minerals on the portion of Denison that includes the Denison 109 FW mineral resource, the 9400 Zone PGM-Ni-Cu mineralisation and Ni-Cu massive sulphide remnants on the old Crean Hill Mine.

Mineral Resource and Mineral Reserve Statement

	30 September 2018 3PGE+Au				30 September 2017 3PGE+Au			
Ore source	Mt	g/t	Moz	Pt Moz	Mt	g/t	Moz	Pt Moz
Marikana	700.6	4.75	106.9	64.5	714.7	4.91	112.7	67.8
Limpopo	128.8	4.07	16.8	8.4	128.8	4.07	16.8	8.4
Limpopo Baobab	46.1	3.91	5.8	3.0	46.1	3.91	5.8	3.0
Akanani	233.1	3.90	29.2	12.0	233.1	3.90	29.2	12.0
Pandora JV	0.0	0.00	0.0	0.0	78.1	4.64	11.7	7.0
Loskop JV	9.7	4.05	1.3	0.8	9.7	4.05	1.3	0.8
Sudbury PGM JV	0.4	5.86	0.07	0.04	0.2	5.86	0.04	0.02
Tailings Dams	20.9	1.10	0.75	0.5	22.5	1.10	0.80	0.5
Total	**1,139.5**	**4.39**	**160.8**	**89.2**	**1,233.1**	**4.50**	**178.3**	**99.5**

Notes on Mineral Resources

1) All figures are reported on a Lonmin Plc attributable basis, the relative proportions of ownership per project being shown in the Key Assumptions section of the Mineral Resource and Reserve Statement for 2018.

2) Limpopo excludes Baobab shaft.

3) Loskop and Sudbury PGM JV exclude Rh, due to insufficient assays, and therefore 2PGE+Au are reported.

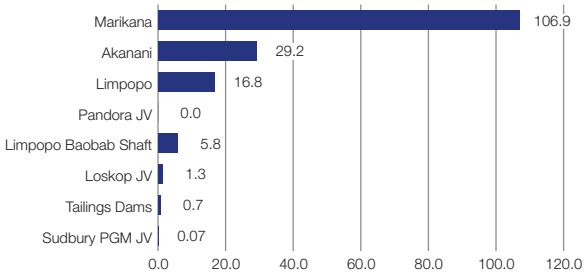
4) Tailings Dam exclude Au, due to assay values below laboratory detection limit, and therefore are reported as 3PGE.

5) Mineral Resources are reported Inclusive of Mineral Reserves.

6) Quantities and grades have been rounded to one or two decimal places, therefore minor computational errors may occur.

7) For a full analysis on the Lonmin Mineral Resources and Reserves please refer to the Mineral Resource and Mineral Reserve Statement for 2018.

Attributable 3PGE+Au in Mineral Resource Moz



Mineral Resource and Mineral Reserve Statement

2018 Mineral Reserves

Main features of the Lonmin mineral reserves as at 30 September 2018:

Mineral reserves for 2018 are broadly in line with the 2017 Reserves Statement with only a minor decrease in Total mineral reserves bottom-line to 31.2 Moz (from 31.8 Moz in 2017).

Minor year on year variances in mineral reserves are to be expected as a result of depletions during the year as well as changes in mine design and modifying factors. Material changes were mainly be due to reclassification of ore reserves or changes in the long term commodity price outlook. Remining of the Marikana Tailings commenced in February 2018 and as at 30 September 2018, 0.07 Moz of the mineral reserve has been depleted.

The minor decrease in total mineral reserves this year hides the fact that a number of changes in the detail by shaft simply nets off to a small decrease in reserves.

Some of these changes included this year:

Inclusions – *Leading to an increase in reserves:*

- Increase in Marikana reserves due to "transfer in" from Pandora due to the purchase, with these reserves now stated at 82% attributable (41% in 2017);
- Resultant increase in scheduling in Pandora ground, impacting Saffy and East 3 (both shaft boundaries extended deeper into Pandora ground);
- MK2 Merensky mining brought in to reserves at Rowland for the first time;
- Net effect of changes is an increase in the UG2 reserves by 12.0Mt.

Exclusions – *Leading to a decrease in reserves:*

- Removal of certain projects that form part of the life of mine plan, but no longer fulfils the SAMREC requirement of being the subject of a recent pre-feasibility study (PFS) (Newman Merensky & Rowland/MK2 sub-incline UG2 & K4 sub-inclines);
- Schaapkraal removed from resource and therefore reserves, impacting the K4 sub-incline which was previously also not subject of a PFS, but formed part of the life of mine plan;
- Net effect of changes is a decrease of 15.6Mt in the Merensky reserve.

No mineral reserves continue to be declared for Limpopo, and there were no revisions thereof in 2018.

	30 September 2018 3PGE+Au				30 September 2017 3PGE+Au			
Ore source	Mt	g/t	Moz	Pt Moz	Mt	g/t	Moz	Pt Moz
Marikana	232.5	4.08	30.5	18.5	227.2	4.09	29.9	18.1
Pandora JV	0.0	0.00	0.0	0.0	9.0	4.09	1.2	0.7
Tailings Dams	19.5	1.10	0.69	0.42	21.1	1.10	0.7	0.5
Total	**252.0**	**3.85**	**31.2**	**18.9**	**257.3**	**3.84**	**31.8**	**19.3**

Notes on Mineral Reserves

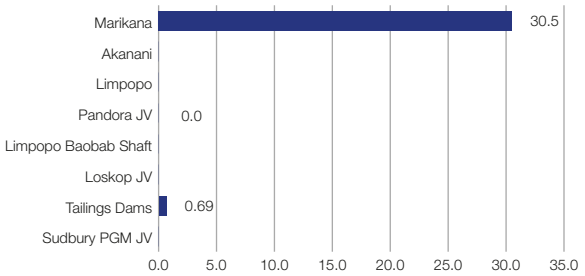
1) All figures are reported on a Lonmin Plc attributable basis, the relative proportions of ownership per project being shown in the Key Assumptions section of Mineral Resource and Reserve Statement for 2018.

2) Tailings Dam exclude Au, due to assay values below laboratory detection limit, and therefore are reported as 3PGE.

3) Quantities and grades have been rounded to one or two decimal places, therefore minor computational errors may occur.

4) For a full analysis on the Lonmin Mineral Resources and Reserves please refer to the Mineral Resource and Mineral Reserve Statement for 2018.

Attributable 3PGE+Au in Mineral Reserve Moz



Shareholder Information

Lonmin's shares are quoted on the London and Johannesburg stock exchanges and American Depositary Receipts (ADRs) representing Lonmin shares are also traded in an OTC market in the USA.

UK share register information

All holdings of the Company's shares are maintained on the Company's UK share register, with the exception of those held on the South African branch register. The register is administered by Equiniti Registrars (formerly known as Lloyds TSB Registrars).

You can access information about your shareholding including balance movements and dividend payments on Shareview, an electronic communications service provided by Equiniti. It also allows you to change your registered address details, set up a dividend mandate, vote at general meetings and register to receive Company communications electronically.

To register for this free service, visit www.shareview.co.uk and follow the simple instructions. You will need your shareholder reference number, which can be found on your share certificate, dividend tax voucher or proxy card.

South African branch register information

The South African branch register is administered by Link Market Services South Africa (Pty) Ltd.

Contact details for both the UK and South African registrars can be found in Corporate Information on page 193.

Dividends

No dividends will have been recommended or declared for the year ended 30 September 2016.

The following information regarding UK Capital Gains Tax and Individual Savings Accounts is relevant for UK resident, ordinarily resident and domiciled individual shareholders. None of this information constitutes financial or tax advice and is intended as a general guide only.

UK Capital Gains Tax

For UK Capital Gains Tax purposes, shareholders disposing of shares in either Lonmin Plc or Lonrho Africa Plc after 7 May 1998, who held shares prior to that date, should apportion the base cost of their original Lonmin Plc shares between the two companies. Based on the closing share prices on 7 May 1998 of Lonmin Plc and Lonrho Africa Plc, this apportionment would be 80.498% for Lonmin Plc and 19.502% for Lonrho Africa Plc.

The Company's capital reduction was completed on 22 February 2002. For the purposes of assessing any liability to capital gains tax, UK shareholders should apportion 13.33% of the base cost of their original shareholding to the capital reduction and the balance to their new holding of ordinary shares of $1 each.

The base cost of Lonmin Plc ordinary shares, for shareholders who held shares prior to that date:

- as at 31 March 1982 was 38.9 pence (as adjusted for subsequent capitalisation issues)
- as adjusted for the consolidation of the Company's shares on 24 April 1998 was 155.6 pence
- as adjusted for the de-merger of Lonrho Africa Plc on 7 May 1998 was 125.3 pence
- as adjusted for shareholders who took up their full entitlement of ordinary shares in the Rights Issue in June 2009 was 266.1 pence
- as adjusted for shareholders who took up their full entitlement of ordinary shares in the Rights Issue in November 2012 was 185 pence
- as adjusted for shareholders who took up their full entitlement of ordinary shares in the Rights Issue in November 2015 was 4.9 pence, and
- as adjusted for the consolidation of the Company's shares on 19 November 2015 was 491.5 pence assuming in each case that shares have been held continuously by the relevant shareholder throughout the period.

The precise tax analysis for each shareholder may depend on the shareholder's own position, for example, shareholders who did not take up their full entitlement in the Rights Issues but who instead sold some or all of their rights may be required to adjust their base cost in their Lonmin Plc ordinary shares and the base costs provided above are indicative only. Shareholders should seek independent tax advice as to their liability for capital gains tax in the event that they sell their Lonmin Plc Ordinary Shares.

Shareholder Information

Lonmin Corporate Individual Savings Account (ISAs)

Investec Wealth & Investment Limited offers the Lonmin Corporate Stocks & Shares ISA for investment in Lonmin Plc shares.

UK registered shareholders may subscribe to the Lonmin Corporate ISA up to a maximum of £20,000 for the current tax year 2017/18 in cash to purchase Lonmin Plc shares or by direct transfer of eligible employees shares within 90 days of the release from an eligible Sharesave Scheme up to a maximum value of £20,000 for the current tax year 2017/18.

Contact details can be found in Corporate Information on page 193. Investec Wealth & Investment Limited is regulated by the FCA. This is not a recommendation that shareholders should subscribe to the ISA. The advantages of holding shares in an ISA vary according to individual circumstances and shareholders who are in any doubt should consult their financial adviser.

ShareGift

Lonmin is proud to support ShareGift, an independent charity share donation scheme administered by the Orr Mackintosh Foundation (registered charity number 1052686). Those shareholders who hold only a small number of shares, the value of which make them uneconomic to sell, can donate the shares to ShareGift who will sell them and donate the proceeds to a wide range of charities. Further information about ShareGift can be obtained from their website at www.ShareGift.org and a ShareGift transfer form can be downloaded from the Company's website.

Beware of share fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams.

They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. Remember: if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Corporate Information

Lonmin Plc
Registered in England and Wales
Company number 103002

Registered in the Republic of South Africa as an external company
Registration number 1969/000015/10

TIDM for Lonmin Ordinary Shares traded on the LSE: LMI
ISIN: GB00BYSRJ698
JSE code: LON

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Website: www.lonmin.com

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Fax: +27 (0)11 218 8310
E-mail: contact@lonmin.com
Website: www.lonmin.com

Company Secretary
Seema Kamboj

EVP, Corporate Strategy, Investor Relations and Corporate Communications
Tanya Chikanza

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Tel: +44 (0)20 7311 1000

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United Kingdom
Tel: +44 (0)20 7198 7400
Fax: +44 (0)20 7198 7500

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E14 5JP
Tel: +44 (0)20 7742 1000

South Africa (and JSE Sponsor):
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South Africa
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Fax: +27 (0)11 507 0503

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Fax: +44 (0)1903 883 113

International Callers:
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Fax: +44 (0)1903 883113
Website: www.shareview.co.uk

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South Africa

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PO Box 4844
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Tel: +27 (0)11 713 0800
Fax: +27 (0)866 742450
Website: www.linkmarketservices.co.za

ADR Depository
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Website: www.mybnymdr.com

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Investec Wealth & Investment Limited
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L3 9AB
United Kingdom
Tel: +44 (0)151 237 2160
Fax: +44 (0)151 227 1730

1 Lines are open 8.30am to 5.30pm, Monday to Friday.

Acronyms and Abbreviations

ACT	Advanced Corporation Tax
AGM	Annual General Meeting
Akanani	Akanani Mining (Pty) Limited
AMCU	Association of Mineworkers and Construction Union
ASAP	Annual Shareholder Award Plan
Au	Gold
Bapo	Bapo Ba Mogale Traditional Community
BEE	Black Economic Empowerment
BMR	Base metal refinery
BSC	Balanced Scorecard
BTT	Bulk Tailings Retreatment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash generating unit
CODM	Chief Operating Decision Maker
COO	Chief Operating Officer
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
Code	The UK Corporate Governance Code published by the Financial Reporting Council in June 2010
CPI	Consumer Price Index
DMR	Department of Mineral Resources
DTR	The Disclosure Rules and Transparency Rules issued by the FSA
EBIT	Earnings Before Interest and Taxation
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation and Impairment
EPL	Eastern Platinum Limited
EPS	Earnings Per Share
EPSS	Employee profit sharing scheme
ETF	Exchange Traded Fund
EU	European Union
EVP	Executive Vice President
Exco	Executive Committee
GHG	Greenhouse gases
GJ	Gigajoules
GLC	Greater Lonmin Community
g/t	Grammes per tonne
HDSA	Historically Disadvantaged South African
HIV / AIDS	Human immuno-deficiency virus / acquired immune deficiency syndrome
IAOR	Immediately available ore reserves
IFRS	International Financial Reporting Standard
Incwala	Incwala Resources (Pty) Limited
IP	Incwala Platinum (Proprietary) Limited
ISA	Individual Savings Account
ISO	International Standards Organisation
JSE	Johannesburg Stock Exchange
JV	Joint Venture
KPI	Key Performance Indicator
LBITDA	Loss Before Interest, Tax, Depreciation and Amortisation and Impairment
LPS	Loss per share
LoBP	Life of Business Plan
LR	Listing Rules
LSE	London Stock Exchange
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
LTIP	Long-Term Incentive Plan
MISS	Management induced safety stoppages
MK2	Middelkraal resource (to be extracted via Rowland shaft)
Mt	Million tonnes
MT	Metric tonnes
Moz	Million ounces
MPRDA	Mineral and Petroleum Resources Development Act
NED	Non-executive Director
NRV	Net Realisable Value
Oz	Ounce
Pd	Palladium
PGE	Platinum Group Elements
Phembani	Phembani Group (Proprietary) Limited
PGM	Platinum Group Metal
PMR	Precious metal refinery
Pt	Platinum
PwC	PricewaterhouseCoopers Ltd
R	South African Rand
Rh	Rhodium
RIMS	Risk Information Management System
RTSR	Relative Total Shareholder Return
SET	Social, Ethics and Transformation
Shanduka	Shanduka Group (Proprietary) Limited
SHE	Safety, Health and Environment
SLP	Social and Labour Plan
TB	Tuberculosis
UG2	Upper Group 2
UK	United Kingdom
WCM	Working Capital Model
WPL	Western Platinum Limited
ZAR	South African Rand
$	US Dollar
£	Great British Pound

The Sixteen-Eight Memorial Trust

The Memorial Trust was founded in 2012 by Lonmin and its partner Shanduka Phembani Group Resources to fund the education needs of the dependent children of the Lonmin employees who died during the violence of 10-16 August 2012. The Memorial Trust which was registered by the Master High Court in South Africa on 11 January 2013. To date the Memorial Trust has disbursed R14 million to the education of beneficiaries. Beneficiary-related decisions and engagements are managed through the Independent Board of Trustees.

Beneficiary Analysis per Gender and Age

Number of beneficiaries	Female	Male	Age 1-10	Age 11-20	Age 21+	Graduates
141	67	74	39	66	36	2

The Memorial Trust Fund provides for the payment of education costs relating to:

- The cost of attending a government public school or other education facility. Assistance offered includes registration fees, costs of books, uniform, transport allowance and other direct education costs which the Trustees may consider relevant;
- Extramural activities such as sport and excursions; and
- Boarding fees.

The Bank account to which donations can be made is:

Branch Name:	The Standard Bank of South Africa Limited (Sandton Branch, Johannesburg, South Africa)
Branch Code:	01-9205
Trust Current Account:	42 099 362 2
A/C name:	Sixteen Eight Memorial
Swift code:	SBZAZAJJ

Disclaimer

The Strategic Report has been prepared to provide the Company's shareholders with a fair review of the business of the Group and a description of the principal risks and uncertainties it faces. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose. The Strategic Report is designed to provide shareholders with an understanding of the Company's business and the environment in which it operates, and, of necessity, only focuses on material issues and facts. The omission of reporting on any specific topic should not be taken as implying that it is not being addressed.

It should be read in conjunction with the section titled 'A Deeper Look' and the Directors' Report which contain other more information which cannot be included in the Strategic Report, on the grounds of materiality.

The Strategic Report and other sections of the Annual Report and Accounts contain forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and future assumptions because they relate to events and / or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. No assurance can be given that the forward-looking statements will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Company's control. The information contained in the Annual Report and Accounts has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise the Annual Report and Accounts during the financial year ahead (other than as required by law or regulation). It is believed that the expectations set out in these forward-looking statements are reasonable, but they may be affected by a wide range of variables which could cause actual results or trends to differ materially. The forward-looking statements should be read in particular in the context of the specific risk factors for the Company, including those identified in the Strategic Report. The Company's shareholders are cautioned not to place undue reliance on the forward-looking statements. Shareholders should note that certain parts of this Annual Report and Accounts have not been audited or otherwise independently verified.

Credits

The paper used in this report is produced using virgin wood fibre from well managed forests in Brazil, Sweden and Germany with FSC® certification. All pulps used are Elemental Chlorine Free (ECF) and manufactured at a mill that has been awarded the ISO14001 and EMAS certificates for environmental management. The use of the FSC logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council.

Printed by Pureprint Group Limited, a Carbon Neutral Printing Company. Pureprint Group Limited is FSC certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy. We aim to reduce at source the effect our operations have on the environment, and are committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

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Lonmin Charter

We are Lonmin, a primary producer of Platinum Group Metals. We create value by the discovery, acquisition, development and marketing of minerals and metals.

We respect the communities and nations that host our operations and conduct business in a sustainable, socially and environmentally responsible way.

Our Mission

To grow and build our portfolio of high quality assets.

To deliver the requirements of the South African broad-based socio-economic Mining Charter and we welcome the opportunity to transform our business.

To build a value-based culture, which is founded on safe work, continuous improvement, common standards and procedures, community involvement and one that rewards employees for high performance.

We are successful when

Our employees live and work safely and experience the personal satisfaction that comes with high performance and recognition.

Our shareholders can be in a position to support our corporate sustainability values.

The communities in which we operate value our relationships.

We are meeting our commitments to all business partners and our suppliers, contractors, partners and customers support our Charter.

Our Values

Zero Harm
We are committed to Zero Harm to people and the environment.

Integrity, Honesty & Trust
We are committed ethical people who do what we say we will do.

Transparency
Open, honest communication and free sharing of information.

Respect For Each Other
Embracing our diversity enriched by openness, sharing, trust, teamwork and involvement.

High Performance
Stretching our individual and team capabilities to achieve innovative and superior outcomes.

Employee Self-Worth
To enhance the quality of life for our employees and their families and promote self-esteem.

Brian Beamish
Chairman

May 2014

Ben Magara
Chief Executive Officer

www.lonmin.com

Lonmin Plc

Registered in England, Company Number 103002
Registered Office: Connaught House, 1-3 Mount Street, London W1K 3NB