



Profit

Our mission is to create direct and indirect value for our stakeholders. We believe that mining plays an important, positive role in national and regional economies, particularly in developing nations, and this sector contributes to broad economic development and poverty reduction.

Focus areas

Our areas of focus, identified through both an internal risk analysis and through the engagement of stakeholders, are:

- Lack of certainty and inconsistency in policy and its application within the South African regulatory regime, combined with increasing levels of regulatory requirements resulting in greater administrative and cost burdens to the Company.
- Securing Lonmin's status as a BEE company.
- Supply and demand dynamics in the market which affect actual prices and revenue, general investment sentiment and perceived risk of the sector, as well as the Company's ability to sustain and raise capital.
- Ensuring the security of products and by-products.
- The effective development, adoption, implementation and management of technology to conserve resources, optimise yields, reduce costs and produce to capacity.

Our context

South Africa remains the world leader in Platinum production, and host to the world's largest known Platinum resource. There are fewer than 10 primary Platinum producers in the world.

SFA estimates that in 2012, 72.7% (4.2 million ounces) of global primary Platinum production of 5.8 million ounces will come from South Africa; this figure is lower than the 2011 figure of 6.1 million ounces (Source: SFA September 2012). Lonmin's production of 679,821 ounces of saleable Platinum in our 2012 financial year is expected to be around 11.8% of forecast 2012 primary supply. This is about 15.6% of South Africa's forecast Platinum production in 2012.

The bulk of our production is exported for use in autocatalysts, industrial application and investment. Around 9.4% of our Platinum production (2011: 14%) and 55.2% of our Palladium production (2011: 36%) was beneficiated in South Africa in the production of autocatalyst converters for the automotive industry.

Counting the cost

The cost of the loss of human life and the loss of confidence in the sector cannot be quantified.

However, our estimate of the production and financial impact of the strike on Lonmin was significant, amounting to:

- production loss of some 1.79 million tonnes mined
- loss of 110,000 ounces of saleable Platinum

The settlement reached with employees to end the strike on 18 September 2012, provided for an average rise in wages of between 11 and 22% for all employees falling within the Category 3 – 9 bargaining units, effective from 1 October 2012. This includes the previously agreed 9-10% rises for these employees due to come into effect in October 2012, and which had been factored into company planning. It also addresses issues of promotion for some categories of workers as well as other allowances.