

The background of the page is a dark, industrial scene. It features a complex network of metal beams, pipes, and structural supports. In the lower right corner, a worker wearing a yellow hard hat and a green safety vest is visible, looking towards the machinery. The lighting is dramatic, with some areas illuminated by a warm, orange glow, possibly from a fire or a large furnace, while the rest is in deep shadow.

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# Corporate Profile

# Our Business Model

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

Lonmin is a primary producer of Platinum Group Metals (PGMs) (platinum, palladium, rhodium, iridium, ruthenium and gold), which are principally used in the automotive and jewellery industries.

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

The Company's business is based on exploration, mining, smelting and refining and marketing of PGMs.

Platinum is our principal product, and in a typical year is the source of 60-70% of our revenues and Palladium is our second biggest source of revenue. By-products from PGM mining include copper, nickel and chrome.

## Our approach

We continue to seek ways to maximise value with new initiatives in the processing such as the smelter clean-up and the other precious metals plant, which have already resulted in the release of additional PGMs. Other projects underway, such as the bulk tailings treatment project, will improve PGM recovery rates and increase volumes of chrome production, and we are utilising our excess processing capacity by sourcing new toll treatment contracts.

While there will inevitably be short-term volatility in the prices of one or more of the PGMs, we believe that the long-term fundamental economics of these metals remain highly attractive. Our strategy is to preserve cash and be able to sustainably withstand current low price environment for the next few years.

## 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.

## 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 (IAOR) of 19 months, which is above industry average
- Long-life mining resources with good grades (4.50 g/t) (4E)
- Total mineral reserves of 31.8 million and resources of 178.3 million (4E)
- UG2 ore 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
- World-class processing and smelting operations and an industry leader in overcoming the mineralogical and metallurgical challenges of processing UG2 ore

## Business process

Our resilient workforce, great mining assets, projects and leading processing technology combined make our successful mine-to-market business model.

## Exploration

Securing prospecting and mining rights to areas which have PGM mineralisation. We hold 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 known platinum resources.

## Mining

Developing these areas into resources and reserves and managing mining operations. With more than 40 years' experience in mining PGMs in South Africa, Lonmin has developed superior conventional mining methods and relevant process technologies.

## Processing and refining

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.

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## Marketing

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

## Governance

We have created and maintain 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, Directors and others 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 trade union, through communities and local government, suppliers, contractors, customers and other business counterparties, to national government in its many roles and the providers of our funding – lending banks and our shareholders.

## Transformation

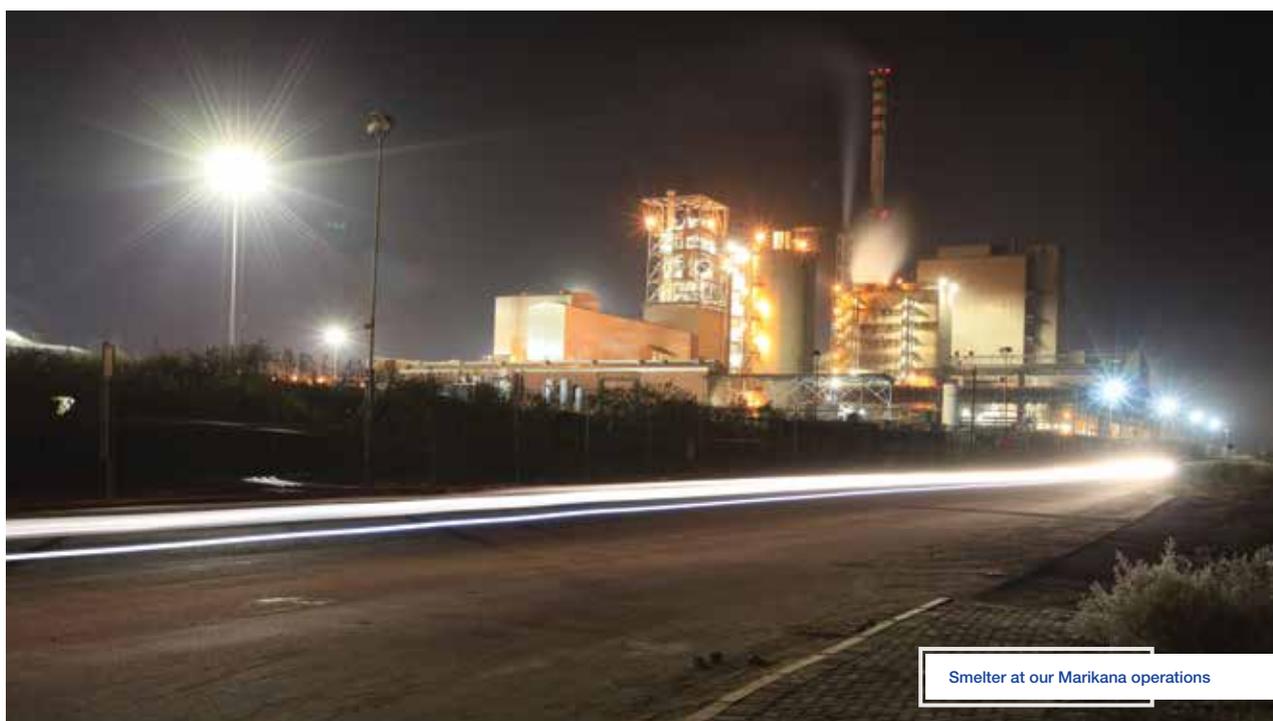
We embrace transformation as a business imperative. We endeavour to play our full part in addressing historic inequalities and creating the conditions in which current and future generations can succeed in creating a shared purpose.

## Sustainability

We believe that there is only one way to sustain success – by taking all critical 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.

## 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.



Smelter at our Marikana operations

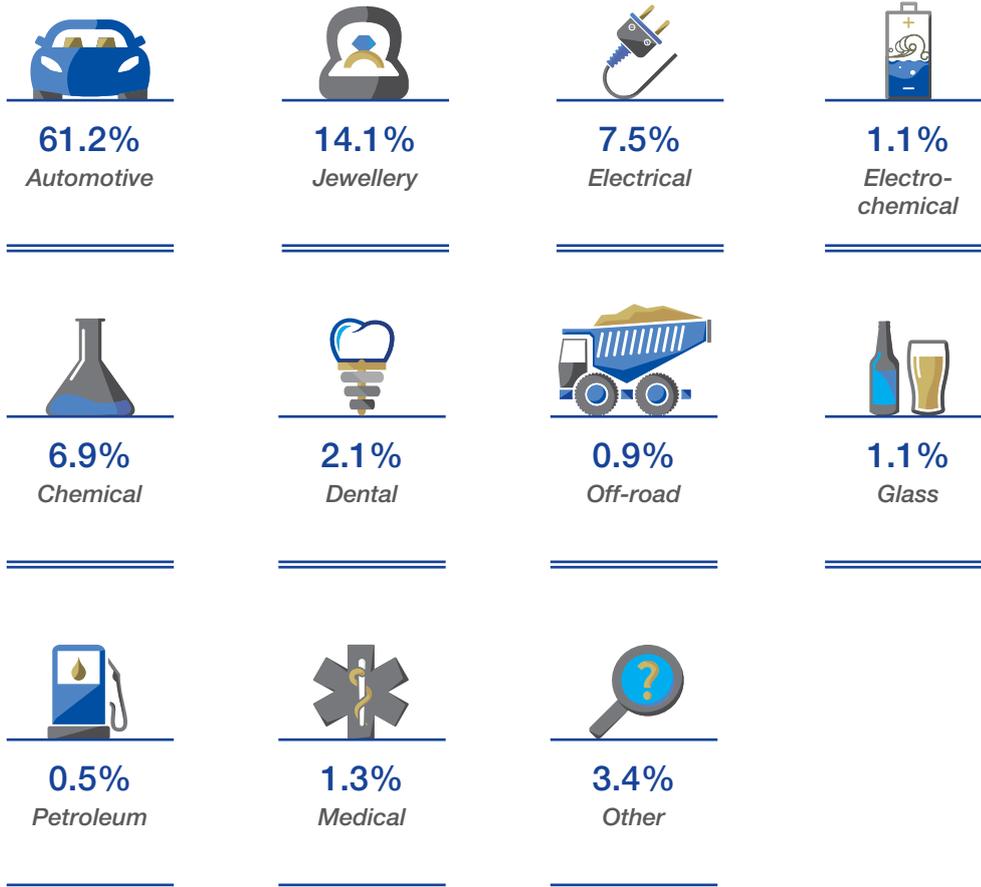
# Our Output

PGMs are used in many industrial applications and the jewellery industry, and play important roles in reducing pollutants from the combustion of fuel through technologies like catalytic converters. Platinum is the principal product in the PGMs mined by Lonmin. The value of these durable precious metals derives from their robust catalytic and electrical properties, long life cycle and high recyclability. Autocatalytic

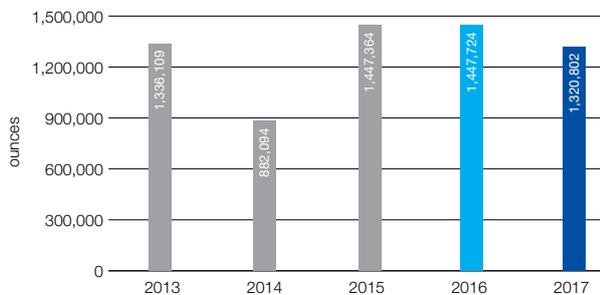
converters used in the average car contain between three and five grams of platinum.

Mining brings a range of socio-economic benefits, which include creating employment, socio-economic development investment, tax contributions, and helping to develop local and national economies.

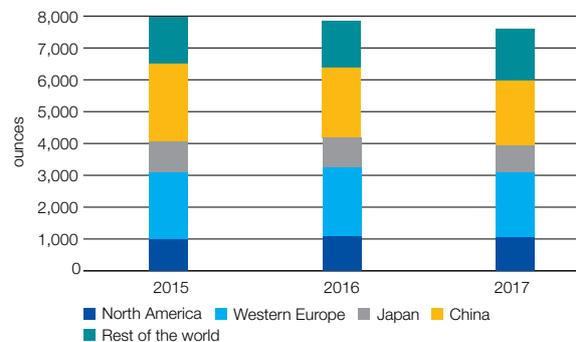
## Global demand for PGMs<sup>1</sup>



## Lonmin's PGMs refined production



## Global platinum demand by region



<sup>1</sup> SFA (Oxford) estimates. Data reported in 2016 restated by SFA (Oxford).

# Financial Value and Cash Distribution

## How we spend the cash we earn

We recognise that our business requires inputs from, and affects, a number of stakeholders. We see it as crucial that each stakeholder group feels that its relationship with Lonmin is positive, and that it achieves net gain, whether financial or otherwise. The analysis below shows how the US\$1,165 million of net cash earned in the financial year was distributed.

Shareholders received no dividend during the year, and none was recommended for 2017. In 2017 we met costs of 96 cents

for every US Dollar we earned, predominantly in South Africa and we kept 1 cent for future investment. Payments for community projects and donations amounted to 1 US cent per US Dollar earned and we spent 2 cents per US Dollar earned on interest and fees to the banks who lent to us. Further information on payments to communities is available on page 67.

### Distribution of cash inclusive of other taxes

| Distribution area           | 2017<br>US cents/US\$ |
|-----------------------------|-----------------------|
| Payments to employees       | 53                    |
| Payments to suppliers       | 39                    |
| Payments to/for communities | 1                     |
| Payments to bank lenders    | 2                     |
| Government taxes            | 4                     |
| Cash reinvested             | 1                     |

## Financial value added statement

Through business operations, shareholdings, investments, procurement contracts and development projects, Lonmin distributes financial value to a variety of stakeholders<sup>1</sup>.

|  | 2016<br>US\$ million | 2017<br>US\$ million |
|--|----------------------|----------------------|
| <b>Net cash generated</b>                          |                      |                      |
| <i>Customers, consumers and investment income</i>  |                      |                      |
| Cash received for products                         | 1,114                | 1,159                |
| Cash returns on investment                         | 6                    | 6                    |
| <i>Suppliers<sup>2</sup></i>                       |                      |                      |
| Cash payments for materials and services purchased | (460)                | (460)                |
| Cost of borrowings                                 | (20)                 | (18)                 |
| <b>Net cash flows</b>                              | 640                  | 687                  |
| <b>Cash distributed</b>                            |                      |                      |
| Human capital (salaries and benefits)              | (517)                | (619)                |
| Social capital <sup>3</sup>                        | (9)                  | (10)                 |
| Donations  | (4)                  | (1)                  |
| Other community projects                           | (5)                  | (9)                  |
| Government taxes                                   | (21)                 | (45)                 |
| Shareholders' distribution                         | -                    | -                    |
| Cash retained for growth                           | (93)                 | (13)                 |
| <b>Net cash distributed</b>                        | (640)                | (687)                |

<sup>1</sup> Prepared in US Dollars, which is the Group's reporting currency and aligns to its financial statements.

<sup>2</sup> Lonmin has a 30-day payment policy on services and procurement.

<sup>3</sup> Includes expenses related to the Social and Labour Plan community projects, donations and other community investments, inclusive of salary and administration costs.