

Leadership Overview

**OUR COMMITMENT
TO MEETING OUR
SUSTAINABILITY GOALS
REMAINS STEADFAST**



We adopted a mantra of “safe, profitable, happy tonnes daily” which focused our teams on maintaining momentum across the business, and delivered an impressive turnaround performance in all areas.

Ben Magara
Chief Executive Officer

Letter from the Chief Executive Officer

The South African economy has faced another challenging year which has impacted our cost, production and sustainability performance. Continued low global Platinum Group Metals (PGMs) prices and rising costs have put pressure on industry margins. This, coupled with social and environmental pressures of rising wage demands, labour and community unrest and above-inflation utility price increases have continued to drive our focus on financial sustainability.

In response, our principal strategic focus for 2017 was to remain cash neutral to be able to effectively deal with the persistent low PGM pricing environment. I am pleased to report that, after a challenging first four months of the financial year, we succeeded in making progress in this tough operating environment. We achieved this by improving our production performance at key shafts and removing high-cost ounces, reducing capital expenditure to the minimum required for safe and efficient operations, and maintaining operational and strategic flexibility.

Following a disappointing first four months, we leveraged our relationship with the unions and the DMR inspectorate. Together we drove the message to our employees that improved, safe production is critical for the continued sustainability of the Company and the jobs it provides, which resulted in a step change in production at all shafts. A mantra of “safe, profitable, happy tonnes daily” was adopted, which focused our teams on maintaining momentum across the business, and delivered an impressive turnaround performance in all areas.

We are pleased with the operational performance of our mining operations over the remaining eight months. The Marikana mining operations (including Pandora) produced 10 million tonnes, flat on the 10.1 million tonnes of the prior year. This reflects a strong performance from our core Generation 2 shafts given the planned decrease in production from the Generation 1 shafts, in line with our strategy to reduce high-cost production in a low-price environment.

The Company announced the implementation of an ongoing review of operations on 7 August 2017. This was aimed at ensuring they generate sufficient cash to support a sustainable business, as we expect the low pricing environment to persist in the short to medium term. Post our 30 September year-end, the potential transaction outcomes from the Operational Review have been superseded by an all-share offer to acquire Lonmin from Sibanye-Stillwater.

Our lending banks gave Lonmin consent for the acquisition of the Pandora joint venture from Anglo American Platinum and Northam Platinum. This transaction enables us to unlock significant synergies, by allowing Lonmin to extend mining at its 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.

Our employee relationships

The Company values the contribution made by all employees and contractors. We recognise that morale and retention remain under pressure as a result of the re-organisation and continuing cost constraints, which have limited salary increases and development opportunities.

In August 2017, to commemorate ‘the week that changed our lives’, Lonmin unveiled its proposed design for a Marikana Memorial Park and announced the occupation of its infill apartments. The Marikana Memorial Park project is in its early stages, and an independent company will consult all key stakeholders on their views to ensure full participation of the park.

We have made progress on our employee housing programme. We have completed the development of phases 1 and 2 of the infill apartments and, of the 493 apartments completed, 403 units are occupied by category 4 to 9 employees. A further 300 units are under construction (phase 3) and 447 units (phase 4) will commence as scheduled. Once the infill apartments are completed by December 2018, Lonmin’s full portfolio of units for rental to employees will comprise 5,006 units located in the Marikana and Mooiooi areas.

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Safety and health

Our commitment to our employees and contractors goes beyond compliance. 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 workforce.

Regrettably, Messrs Joao Fernando Macamo, Giji Mxesibe, Letlhogonolo Ciciron Rakotsoane, Simon Joseph Sibitane and Mangi Bunga were fatally injured during the year. Our condolences go to their families and loved ones.

I am encouraged that our overall lost-time injury frequency rate (LTIFR) improved by 9%. I still firmly believe that Zero Harm is achievable, and Lonmin remains determined to improve our overall safety performance.

Health and wellness are critical factors in improving quality of life, morale, productivity and safety performance. We understand that the overall health and wellness of an employee rest on a range of factors, many of which arise outside the workplace. Our health and wellness programmes continue to promote the health and wellbeing of our employees and their families, contractors and the communities where we operate.

In 2017 the number of people participating in the anti-retroviral treatment (ART) programme increased by 8% due to the early start of treatment and there was a continual reduction in Aids-related deaths. The impact of Lonmin's HIV/Aids interventions undertaken in 2017 was projected to prevent 271 deaths and 39 ill-health disabilities and to save the Company R124.3 million in the year. Our tuberculosis (TB) cure and treatment completion rate exceeded our 2017 target. We remain focused on reducing our noise-induced hearing loss (NIHL), which is a significant occupational health risk at our operations.

Community relationships and investment

We are committed to contributing to the development of the communities that host our operations, and therefore view social spend as a business imperative and investment. In the year R99.9 million was spent on community development, and we met and in some cases exceeded our commitments to our host community, Bapo Ba Mogale, in terms of the 2014 black economic empowerment transaction. Governance within the Bapo entities that manage the contracts remains a work in progress. During 2017 the Board visited the Bapo leadership to gain first-hand insight into their progress and challenges.

We have received correspondence from the Department of Mineral and Resources (DMR) that highlights areas that have been identified as non-compliant and/or are behind scheduled implementation in terms of our Social and Labour Plan (SLP). We continue to engage with the DMR in an attempt to reach a constructive solution.

Environmental management

The Company's ISO 14001 environmental management system is well managed, and we maintained our certification through annual third-party verification across all operations. Five-year targets were set in 2012, and were achieved and exceeded for

waste management. Although improvements were realised, we did not achieve our targets related to freshwater intake, energy use per unit of production and greenhouse gas emissions.

Constructive engagement with stakeholders

Our business begins and ends with relationships, and the quality of those relationships is central to our success and that of our stakeholders. Constructive engagements with regulators and other government entities are essential for the sustainability of our business. To a large degree, Lonmin's priorities align with safety, community investment and commitment to the broader development goals of the South African government.

Governance

Managing the business in tough economic conditions requires focus on strategy, structure and risks. In order to achieve our production turnaround in the year, decisive action was required. This included senior management changes and a more level management structure. General managers now report directly to the Chief Executive Officer.

In line with our sustainability approach we continue to support legislation and initiatives that drive our sustainable development, including the United Nations Global Compact, the United Nations Sustainable Development Goals and the International Council for Mining and Metals.

Outlook

Despite the successful operational turnaround and positive results over the 2017 financial year, Lonmin is concerned about the persistent adverse macro-economic conditions and the inflationary cost pressures confronting the platinum mining industry in South Africa. We are planning on the basis that it will remain so for the foreseeable future.

We expect platinum sales for 2018 to be between 650,000 and 680,000 ounces even though the smelter clean-up will end. This will be replaced by the bulk tailings treatment project, which we expect to reach full production during 2018. We remain vigilant in our cost control and expect our overheads and support services structures to align with our sales profile. Unit costs will remain under pressure and are expected to be in the range of R12,000 to R12,500 per PGM ounce.

Capital expenditure will be maintained at the minimum level required for running our operations safely and efficiently. We will continue to focus on our aim of being cash neutral after capital expenditure. We continue with our strategy of minimising capital expenditure, but we are ensuring that the immediately available ore reserve position is maintained at the level necessary to support planned production at the Generation 2 shafts and minimise the near-term impact on production. As in previous years, capital expenditure is weighted towards the second half of the financial year.

Letter From the Chief Executive Officer (continued)

Conclusion

The actions we have taken are all part of maintaining at least a cash neutral business focusing on liquidity, and safeguarding the welfare of the majority of our employees, all of whom I must thank for their support and hard work. Notwithstanding this, Lonmin continues to be hamstrung by its capital structure and liquidity constraints. Our corporate strategy has resulted in the proposed combination with Sibanye-Stillwater, which will provide a stronger platform and allow our shareholders and our stakeholders to benefit from the long-term upside potential of an enlarged and geographically diversified precious metals group.



Ben Magara
Chief Executive Officer

Joint Chair Statement

Lonmin is committed to going beyond compliance in its vision for sustainable communities post the life of mine, despite the tough economic conditions that continue to plague our industry. This was another challenging year for the Company and we continue to review Lonmin's operation with the aim of preserving value for shareholders and safeguarding the long-term interests of employees and all key stakeholders. Our commitment to meeting our sustainability targets remains steadfast, notwithstanding the slower-than-anticipated progress.

A key objective of the Company is keeping Lonmin employees safe, and we remain committed to Zero Harm. With immense regret we report the loss of five colleagues during this reporting period, and we send our sincere condolences to the family and friends of Messrs Joao Fernando Macamo, Giji Mxesibe, Letlhogonolo Ciciono Rakotsoane, Simon Joseph Sibitane and Mangi Bunga. We are determined to improve on this performance.

We are particularly proud of the progress we made with our employee housing programme. We officially launched our infill apartment project on 15 August 2017, celebrating the completion of the single-sex hostel conversion and building of the first two phases of the modern infill apartments. Completion is planned for December 2018. The Human Settlements Strategy and Implementation Plan was approved by the Board following extensive engagement with all affected parties to ensure that their needs and inputs were considered every step of the way. Phases 1 and 2 are complete, phase 3 will yield another 300 units, and ground works are underway for phase 4. We are looking at a revised strategy for employees who prefer home ownership, which depends heavily on partnership arrangements with government and the availability of funding.

The estimated cost of development is R410 million, which is part of the R500 million SLP commitment to be allocated by December 2018. Construction contracts were awarded to two local companies with 100% black ownership, and we estimate that circa 1,150 local jobs were created through this project.

We continue to invest in the upliftment of communities surrounding our operations, with particular focus on community health, education, skills development and social infrastructure.

In South Africa, there is growing frustration and community activism in many of our neighbouring communities, particularly among the unemployed youth. We were impacted by the slow pace of service delivery, reduced employment opportunities, and a rising cost of living, we faced a crisis of expectations during the period under review in terms of providing jobs, infrastructure, service delivery and procurement opportunities. Community protests affected our operations this year, particularly on the eastern side of the property. We are committed to playing our part in addressing unemployment.

Successfully addressing what is essentially a national problem will require a collaborative multi-stakeholder effort. Lonmin and the leadership of the DMR, the Madibeng municipality and the North West Premier's office, created formal structures to engage with various stakeholders to attend to the issues raised. The engagement process is ongoing.

Employee indebtedness at our South African operations is an ongoing concern. It affects employee wellbeing and raises stress-related health and safety risks. We continued to implement initiatives aimed at helping employees reduce their debt and better manage their financial affairs.

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 an environment in which current and future generations can succeed in creating a shared purpose. The Mining Charter requires us to focus on increasing the number of Historically Disadvantaged South Africans in management and the number of women in mining.

Our health and wellbeing programmes continue to show good results, with an increased number of employees receiving anti-retroviral treatment, and a reduction in Aids-related deaths. Lonmin remains focused on improving controls to prevent noise-induced hearing loss, a continuing area of concern for the Company.

The Company continues to improve its environmental performance, and remains committed to meeting changing environmental requirements and regulations. Plans are in place to improve the efficient use of water, and Lonmin monitors developments regarding carbon tax legislation to ensure continued compliance.

In closing, we express our thanks to management, our colleagues on the Social, Ethics and Transformation and Safety, Health and Environment committees, and all employees for their work towards delivering on Lonmin's sustainability commitments. Social and economic sustainability provide the Company with its licence to operate. Working together with all stakeholders, particularly community leaders and government, in the spirit of true collaboration will help us build a positive legacy for our children and their children.

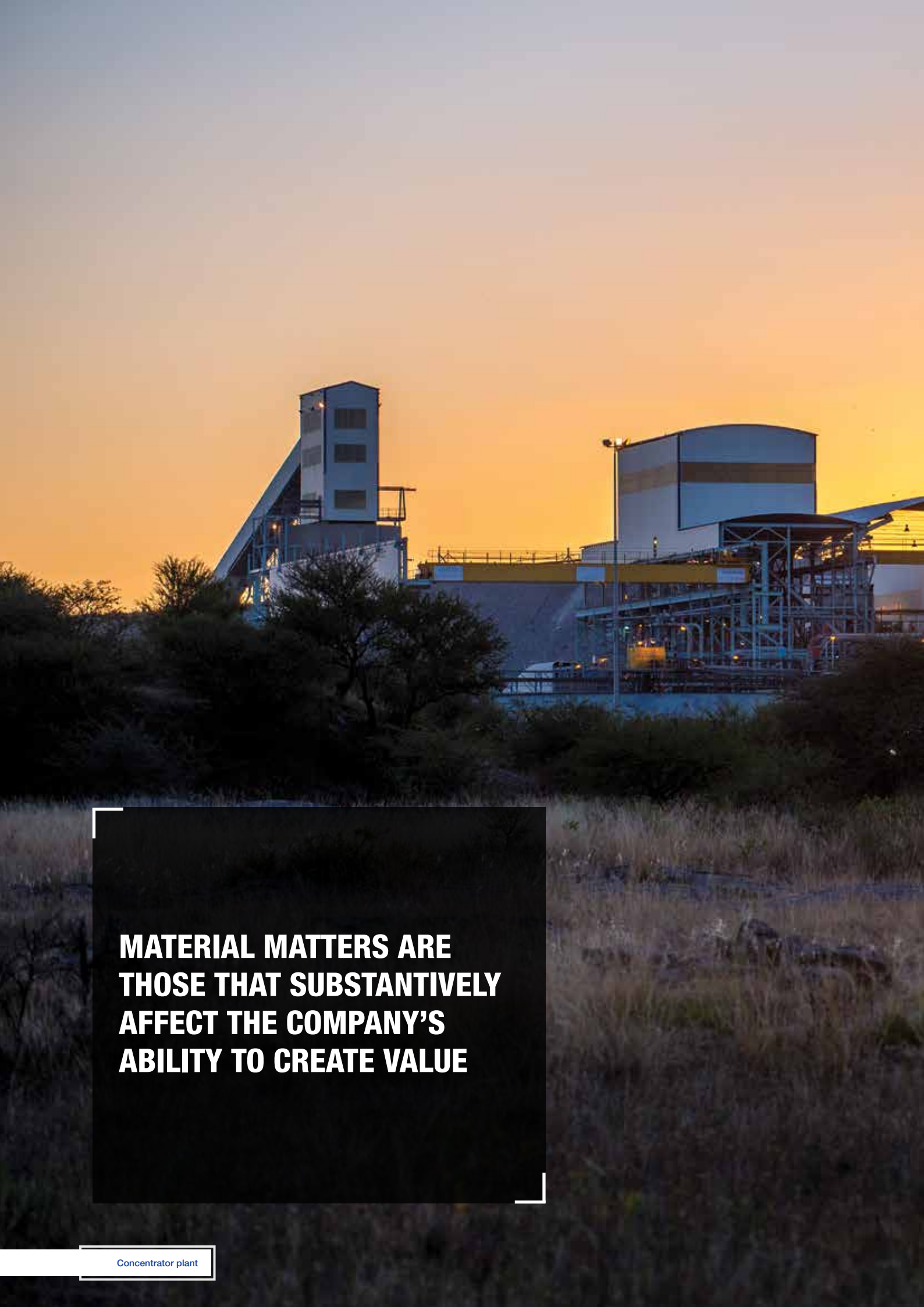
We encourage all stakeholders to read this report and to give honest feedback on our performance and our disclosure. Greater stakeholder accountability and engagement are critical in helping Lonmin deliver effectively on its sustainability goals.



Len Konar
Chairman of the
SET Committee



Jonathan Leslie
Chairman of the
SHE Committee



**MATERIAL MATTERS ARE
THOSE THAT SUBSTANTIVELY
AFFECT THE COMPANY'S
ABILITY TO CREATE VALUE**