Lonmin Plc (Incorporated in England and Wales)
(Registered in the Republic of South Africa under registration number 1969/000015/10)
JSE code: LON
Issuer Code: LOLMI & ISIN : GB00BYSRJ698 ("Lonmin")

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REGULATORY RELEASE

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25 March 2019

AGM Statement

In his address to shareholders at the Annual Meeting of Lonmin Plc today, Chairman Brian Beamish reported that:

“The 2018 financial year saw Lonmin return to profit with an improved net cash position. Underpinning these positive numbers, was a solid operational performance, improved collaboration with all stakeholders and improved metal prices.

“Our key Generation 2 shafts contributed around 76% of total mining production in 2018 and increased production by 1.6%. In line with our strategy to reduce high cost production in an oversupplied market, production from our Generation 1 shafts was 13.2% lower than 2017. Processing plants continued to perform well, with the concentrators achieving levels of PGM recoveries amongst the highest in their history. The performance of the smelter and refineries was also pleasing.

“Capital expenditure for the year was contained to less than one billion Rands. We improved our immediately available ore reserves to an equivalent of 21 months.

“Total revenue for the year was $1,345 million, up $179 million on 2017. The Dollar PGM basket price achieved in 2018 was 20% higher than 2017 although the platinum price was on average 7% lower than 2017. The prices for other PGMs increased significantly. The Rand was on average 2% stronger against the US Dollar in 2018 compared to 2017, averaging R13.07 per Dollar. This resulted in an operating profit of $101 million.

“As a result of our return to profitability, we were able to make our first payment to the Lonmin Employee Profit Sharing Scheme, an important and motivating milestone for our workforce.

“We committed R500 million towards employee housing and living conditions for the period 2014 to 2018. Over and above this commitment, Lonmin pays R475 million per annum in living-out allowances to Category 4 to 9 employees and incurs an operating cost for its current accommodation rental stock of R57 million per annum. We continue to deliver accommodation units and are particularly excited about the launch of the Lonmin Facilitated Employee Home Ownership Programme commencing in 2019.

“We took new and prudent measures to refinance the business with a $200 million facility which we announced in October 2018. This refinancing resulted in full settlement of the $150 million term loan that was fully drawn at the year-end, provided additional liquidity and importantly, removed the problematic tangible net worth covenant associated with the previous financing. While the new facility has improved the Company's liquidity in the short-term, it is amortized over a three-year period and cannot be regarded as the solution to the liquidity challenges faced by your company. Our liquidity is still insufficient to drive the new projects necessary to avoid shaft closures and job losses.

"Year on year performance for the first quarter of the current financial year was down for several reasons. Poor production and correspondingly high unit costs have continued in our second quarter, largely offsetting the benefits of improved PGM prices.

"We have improved the LTIFR by 26% in the period 2015 to 2018; we have taken decisive actions; right-sized the business by reducing over 8,000 positions; improved productivity, applied rigorous cost containment measures and kept unit cost increases below mining inflation. We have imposed strict capital discipline and cash preservation while maintaining operational flexibility and returned the business to profitability. We have also achieved our key objective of remaining net cash positive at the end of every quarter.

"Despite these achievements we continue to be financially constrained and unable to fund the significant investment required to sustain our business and associated employment in the future. The challenges facing Lonmin and the industry persist. The Company is a single asset producer in a single geography and remains exposed to inflationary cost pressures as well as volatility in PGM pricing and exchange rates.

"This, together with our current year performance, continues to underscore the vulnerability of our business and the importance of a sustainable long-term solution for the Company. This is why your Board, recommends the all-share offer from Sibanye-Stillwater, as announced in December 2017.

"We continue to believe that this transaction represents a comprehensive solution to the challenges facing Lonmin, offering the Company and its stakeholders a more certain future. We believe that a combination of Sibanye-Stillwater and Lonmin will create a larger, more diversified and resilient company better able to withstand market volatility and business disruptions.

"Since our Annual Report was published, AMCU filed an appeal with the Competition Appeal Court of South Africa against the South African Competition Tribunal's decision of 21 November 2018. On 25 January 2019, we announced that 2 April 2019 had been set down as the date for the hearing of this appeal.

"The refinancing is expected to help support the business until the successful completion of the Offer. Because of the appeal by AMCU against the transaction, we announced on 15 January 2019 an extension to the Longstop Date for the Scheme to become unconditional and effective from 28 February 2019 to 30 June 2019. This delay is detrimental to all stakeholders.

"Shareholders will have an opportunity to vote on the transaction once the AMCU appeal process has been concluded."

- ENDS –

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Notes to editors

Lonmin, which is listed on both the London Stock Exchange and the Johannesburg Stock Exchange, is one of the world's largest primary producers of 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.

Lonmin's operations are situated in the Bushveld Igneous Complex in South Africa, where more than 70% of known global PGM resources are located.

The Company creates value through mining, refining and marketing PGMs and has a vertically integrated operational structure - from mine to market. Underpinning the operations is the Shared Services function which provides high quality levels of support and infrastructure across the operations.

For further information please visit our website: http://www.lonmin.com

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