



LONMIN

FACT SHEET

BAPO BA MOGALE

Lonmin is a primary producer of Platinum Group Metals (PGMs), which are essential for many industrial applications. Lonmin's operations, consisting of 11 shafts, are situated on the Western Limb of South Africa's Bushveld Complex. At the end of 2016, Lonmin employed 32,793 people (including contractors), and produced 741,890 refined platinum ounces in the 2016 financial year (ended Sept 2016).

Lonmin's New Order Mining License for its primary Eastern and Western Platinum operations at Marikana, runs to 2037, renewable to 2067. Lonmin has an expected life of mine of 20 – 40 years.

Lonmin invests a great amount of time and money into the Greater Lonmin Community (GLC). We target some of the most pressing socio-economic challenges facing the GLC. We believe that through ongoing engagement we can collaborate with our communities assist in fulfilling their socio-economic aspirations, and at the same time meet Lonmin's needs.

Daily interaction between management, employees and communities is vitally important to strengthen stakeholder relations for the greater good of all.

In November 2014, Lonmin successfully completed three black economic empowerment (BEE) transactions, which cumulatively give us an additional 8% equity empowerment. As a result, we achieved the target of 26% BEE ownership by 31 December 2014, as required by the Mining Charter. These transactions support the improvement and development of local communities and align the interests of communities, employees and shareholders.

The Bapo ba Mogale Traditional Community is a key shareholder in Lonmin. The intention of this BEE deal with the community is to share the value created by Lonmin and to assist in building our host community. The value that accrues to the Bapo community over the long term should make a significant difference to their lives and will help improve living conditions while providing Lonmin with a stable and peaceful operating environment, which is important for the successful operation of the business.

Committed to the development of our employees and communities

Lonmin's focus remains on cementing relationships – based on trust – with all stakeholders.

MESSAGE FROM BEN MAGARA

Ben Magara, Lonmin's Chief Executive Officer, noted that, "Our ventures with the Bapo are a central part of Lonmin's commitment to ensuring that at least R200 million a year of our procurement spending takes place in the GLC. That is a sizeable proportion of local economic activity. It is also a very practical illustration of how a mining operation can make a real difference to a local economy.

"It adds significantly to the development of entrepreneurship. Economic growth in South Africa and in this region depends on many things. Much of it hinges on the ingenuity of those who develop the ideas to build businesses and create jobs"



Details on the Bapo transaction

The Bapo transaction involved a royalty for equity swap and the sale of the Bapo 7.5% stake in the Pandora joint venture to a Lonmin subsidiary. This transaction provided the Bapo community with equity participation of around 2.24% at plc level and a deferred royalty payment of R20 million per annum payable by Lonplats (Eastern and Western Platinum combined) in each of the five years following the completion of the transaction. The BEE accreditation arising from this royalty for equity swap transaction amounted to 2.4%.

The transaction includes a commitment from Lonmin to provide procurement opportunities to members of the Bapo community of at least R200 million over an initial 18-month period. The first such contract was finalised in March 2015, involving the supply of equipment to move ore between shafts, and plans are in place to award further contracts in 2017, such as the supply of personal protective equipment (PPE), stockpile management and passenger transport, resulting in the target of R200 million likely being far exceeded.

Other long-term opportunities are currently being identified that will not only achieve the committed amount during the stipulated period, but will also bring additional benefits to the community through job creation and other multiplier effects.

During 2014, two separate community trusts were established. Each trust holds 0.9% of the ordinary shares in Lonplats, and is entitled to dividend payments, which were mandated for upliftment projects in the respective communities. To the extent that no dividend is payable in a particular year, each community trust will be entitled to a minimum annual payment of R5 million, escalating in line with the consumer price index each year.

While these transactions have been successfully concluded, there has been a challenge to the transaction by a group within the Bapo community. Lonmin continues to engage with all stakeholders to resolve the issues of concern.



FACT BOX

BapoTrans fleet launch



On the 29th of November 2016 the R800 million joint venture between the Bapo Ba Mogale Traditional Community and Unitrans launched a fleet of new buses to transport Lonmin employees in the North West Province.

“The BapoTrans develops the transport infrastructure for the people of the GLC. We hope Bapotrans will enable people to get to work easier, and to get back home to their families. To get to shops. To visit friends. It connects people. And all this is such an important feature of how a community develops and, simply, helps a town or region become a nicer place to live.”

Lonmin CEO, Ben Magara