

Lonmin Plc

Third Quarter 2012 Production Report & Interim Management Statement

Lonmin Plc (“Lonmin or the Company”), the world’s third largest Platinum producer, today announces its production results for the three and nine months to 30 June 2012 and interim management statement (unaudited).

Overview

Our operational performance in the quarter under review improved against the prior year period. Our record safety performance was negatively impacted by a fatal incident at the Rowland shaft in which our colleague Thobisani Didi lost his life on 22 June. We extend our deepest sympathies to his family and friends.

Safety remains our number one priority and our Lost Time Injury Frequency Rate (LTIFR) for the quarter was 4.47 incidents per million man hours versus 4.69 for quarter two 2012.

Mining Division

Our Marikana underground operations produced 2.9 million tonnes during the third quarter of 2012, an increase of 447,000 tonnes, or 18.5% from the prior year period. This increase partly reflects the unprotected industrial action experienced at the Karee operations in the prior year period, which resulted in 258,000 tonnes of lost production, and improved operational performance at each of our mining divisions with the exception of Westerns. Production at Karee increased by 370,000 tonnes up 41.1% on the prior year period, and excluding the prior year industrial action mentioned above, improved by 9.7%, as it benefitted from improved ore reserves. Production at Westerns was down 39,000 tonnes or 4.9% against the prior year period as the planned decline at Newman continued. Middelkraal increased production by 52,000 tonnes or 12.0% on the prior year as we continued to operate in the challenging ground conditions at Saffy. Production at Easterns increased by 45,000 tonnes or 18.4% buoyed by the flexibility afforded by a better ore reserve position. Underground production increased against the backdrop of moderating Section 54 stoppages.

Production from our Merensky opencast operations increased by 3.5% from the prior year period and we continued to focus on grade improvement. Pandora production increased by 46.2% on the prior year period to 55,000 tonnes as a consequence of our ramp up plan.

Overall, the 3.0 million tonnes mined was 452,000 tonnes (+17.8%) higher than in the prior year period.

The total impact of production lost as a result of Section 54 stoppages was 40,000 tonnes, compared to 132,000 tonnes lost in the prior year period, of which 30,000 tonnes were lost at Rowland where we experienced a fatality, with the balance lost at Hossy. Quarter on quarter, lost production from Section 54 safety stoppages fell by 76.6%, a welcome trend.

Process Division

Total tonnes milled increased by 12.7% year on year in the third quarter to 3.1 million, with the contribution from underground and opencast being 3.0 million tonnes and 109,000 tonnes respectively.

Underground milled head grade improved by 0.16 grammes per tonne to 4.63 grammes per tonne (5PGE+Au) when compared to 4.48 grammes per tonne in the prior year period as we are progressively accessing areas of higher grade Merensky ore. The overall milled head grade was 4.58 grammes per tonne, an increase of 0.21 grammes per tonne or 4.8% on the prior year period due to the contribution of a lower proportion of higher grade opencast ore which improved to 3.24 from 2.07 grammes per tonne in the prior year period.

Underground and overall concentrator recoveries improved by 2.0 percentage points to 87.0% when compared to the prior year and 1.30 and 1.40 percentage points respectively quarter on quarter, buoyed by better than anticipated recoveries at the Eastern Tailings Treatment Plant which dispatched its first concentrate in April 2012.

Platinum in concentrate from the Marikana operations was 191,877 saleable ounces, a 21.1% increase on the prior year period, whilst total Platinum in concentrate at 202,851 ounces was 23.5% higher than the prior year period. These improvements were a function of an increase in tonnes milled, improved grades and recoveries.

Total refined production for the third quarter was up 12.0% to 186,864 ounces of saleable Platinum when compared against the prior year period. The increase was supported by the planned unwinding of inventory from the preceding quarter. Total Platinum Group Metals ("PGMs") produced in the third quarter were 351,935 ounces, an increase of 16.7% on the prior year period.

Our new Number Two Furnace was successfully commissioned, with the first matte tap in mid-July. Its performance will continue to be monitored. The backup capacity and optionality is a welcome addition to our smelting process.

Sales & Pricing

Platinum sales were down 6.3% or 10,123 ounces to 150,376 ounces. The lower sales were a consequence of the delivery schedule agreed with a major customer which will unwind in the fourth quarter. Total PGM sales were up 1.8% or 5,154 ounces to 299,292 ounces when compared to the prior year period.

The US dollar basket price (excluding base metal credit) at \$1,037 per ounce during the quarter was 20.4% less than the prior year period while the corresponding Rand basket price (excluding base metal credit) was 4.4% lower than the prior year period and 6.0% lower than the preceding quarter.

Nine Month Production

Total tonnes mined during the first nine months of the 2012 financial year were 8.8 million tonnes, up 4.1% or 349,000 tonnes from the corresponding prior year period. The increase was tapered by the 387,000 tonnes of production lost to Section 54 stoppages in the first nine months of the 2012 financial year. These stoppages moderated in the third quarter which also benefitted from the absence of the illegal industrial action experienced at Karee in the corresponding prior year period. Production at Karee was up 19.8% against the prior year to 3.7 million tonnes. In a similar trend Middelkraal increased production by 7.3% to 1.5 million tonnes, whilst Westerns and Easterns were down 10.1% and 1.5% respectively for the nine month period. Production at Westerns reflected the planned decline at Newman. Easterns was affected by the Section 54 stoppages issued at E2 and E3, following the fatality that occurred in the first quarter as well as the occurrence of community unrest which eroded productivity in the period.

Total tonnes milled during the nine months of the 2012 financial year increased by 4.0% to 9.1 million tonnes against the corresponding prior year period. The increase in mined production contributed positively to the improvement. The total milled head grade improved to 4.47 grammes per tonne or a 2.8% increase on the prior year period with some benefit coming from the targeted improvement in opencast grade. Underground and overall recoveries improved in the nine month period to 86.0% compared to 85.4% and 85.2% respectively in the prior year period, aided by yields from the Eastern Tailings Treatment Plant. Platinum in concentrate increased by 10.0% when compared against the prior year period, ending the nine months under review at 571,026 saleable ounces of Platinum.

Total refined production in the nine months of the 2012 financial year was 491,193 Platinum ounces and 953,475 PGM ounces, an increase of 1.6% and a decrease of 2.9% respectively, when compared to the prior year period. Refined production was tapered by a stock build up in the second quarter which is unwinding in the second half as planned.

Sales for the nine months were 2.1% lower than the prior year period at 468,777 ounces of Platinum and 907,871 PGM ounces were down 6.8% on the comparable period.

The US dollar basket price at \$1,155 during the nine months of the 2012 financial year was 10.7% lower than the prior year period. The corresponding Rand basket price including base metal revenue was in line with the prior year period at R9, 638 per ounce.

Outlook and Guidance

The momentum in underground mining combined with good concentrator recoveries gives us confidence to maintain our full year sales guidance of 750,000 Platinum ounces for the current year, absent any material safety or industrial relations stoppages. We anticipate the increase in unit costs to be contained at 8.5%, in line with the wage increases as previously guided.

In our interim results announcement on 14 May, we stated that given our intention to manage our balance sheet prudently and produce profitable ounces, we would, if market conditions dictate, defer capital investment to the extent deemed necessary.

Whilst we believe that the long term industry fundamentals for PGMs demand remain sound, the current lacklustre demand for PGMs and the weak pricing environment, may persist for longer than we had previously anticipated. As a result, we embarked on a thorough review of our growth strategy, future production profile and consequent capital investment programme. This review is ongoing and we are examining all cash conservation and cost saving measures available to us. Given the stage we are at in the financial year, savings for FY12 will be modest, however we have thrifted some capital expenditure to reduce our capex guidance for the year by \$20 million to around \$430 million. We have also taken the decision to reduce the capital spend in the 2013 and 2014 Financial Years to around \$250 million per annum. This will be achieved mainly by deferring capital spend on our Hossy, K4 and Saffy shafts as well as optimising some of the processing projects. We continue to identify and implement other cost saving measures that can be taken while retaining sufficient flexibility to enable us to respond to improved market conditions when these occur.

The consequence of the decision to reduce capital expenditure is that the increase in production capacity previously announced will now take place more slowly and, in light of the current surplus market, the Company will cut production growth and contain Platinum sales in 2013 to the current 750,000 Platinum ounces level. Cost improvement remains a key management priority, and the Company remains committed to improving its unit costs relative to the industry.

As anticipated, the Company's level of net debt remains well within the limits and terms of the existing bank debt facilities. As part of its ongoing capital planning, the Company is also reviewing certain financing options, including accessing the international debt capital markets. The Company will update its shareholders if it decides to access the international debt capital markets or undertake alternative financing options.

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				3 months to 30 June 2012	3 months to 30 June 2011	9 months to 30 June 2012	9 months to 30 June 2011
Tonnes mined	Marikana	Karee ¹	kt	1 271	901	3 731	3 115
		Westerns ¹	kt	755	794	2 264	2 519
		Middelkraal ¹	kt	489	436	1 453	1 355
		Easterns ¹	kt	291	246	847	860
		Underground	kt	2 806	2 376	8 295	7 849
		Opencast	kt	133	129	330	465
	Total	kt	2 939	2 505	8 624	8 314	
	Pandora attributable ²	Underground	kt	55	38	160	121
	Lonmin Platinum	Underground	kt	2 861	2 414	8 454	7 970
		Opencast	kt	133	129	330	465
		Total	kt	2 995	2 543	8 784	8 434
		% UG2	%	70.9%	74.1%	71.0%	72.9%
	Tonnes milled³	Marikana	Underground	kt	2 879	2 560	8 412
Opencast			kt	109	118	348	668
Total			kt	2 988	2 678	8 760	8 503
Pandora ⁴		Underground	kt	133	92	359	268
Lonmin Platinum		Underground	kt	3 012	2 652	8 771	8 103
		<i>Head grade⁵</i>	<i>g/t</i>	<i>4.63</i>	<i>4.48</i>	<i>4.53</i>	<i>4.53</i>
		<i>Recovery rate⁶</i>	<i>%</i>	<i>87.0%</i>	<i>85.0%</i>	<i>86.0%</i>	<i>85.4%</i>
		Opencast	kt	109	118	348	668
		<i>Head grade⁵</i>	<i>g/t</i>	<i>3.24</i>	<i>2.07</i>	<i>3.00</i>	<i>2.17</i>
		<i>Recovery rate⁶</i>	<i>%</i>	<i>86.9%</i>	<i>80.9%</i>	<i>85.6%</i>	<i>81.6%</i>
		Total	kt	3 121	2 770	9 120	8 771
		<i>Head grade⁵</i>	<i>g/t</i>	<i>4.58</i>	<i>4.37</i>	<i>4.47</i>	<i>4.35</i>
<i>Recovery rate⁶</i>		<i>%</i>	<i>87.0%</i>	<i>84.9%</i>	<i>86.0%</i>	<i>85.2%</i>	

				3 months to 30 June 2012	3 months to 30 June 2011	9 months to 30 June 2012	9 months to 30 June 2011
Metals in concentrate ⁷	Marikana	Platinum	oz	191 877	158 490	543 572	502 279
		Palladium	oz	87 920	73 553	247 724	234 971
		Gold	oz	4 613	3 875	14 195	13 008
		Rhodium	oz	25 541	20 940	69 879	65 923
		Ruthenium	oz	36 714	33 164	105 738	104 255
		Iridium	oz	7 912	7 088	22 921	22 652
		Total PGMs	oz	354 577	297 110	1 004 029	943 088
		Nickel ⁸	MT	948	762	2 886	2 567
		Copper ⁸	MT	602	479	1 847	1 626
	Pandora ⁴	Platinum	oz	9 949	5 722	25 557	16 796
		Palladium	oz	4 661	2 683	11 893	7 862
		Gold	oz	72	39	190	115
		Rhodium	oz	1 575	868	3 965	2 557
		Ruthenium	oz	2 252	1 386	5 907	4 040
		Iridium	oz	373	226	988	664
		Total PGMs	oz	18 883	10 924	48 501	32 035
		Nickel ⁸	MT	15	9	38	27
		Copper ⁸	MT	8	5	20	15
	Concentrate purchases	Platinum	oz	1 025	-	1 897	-
		Palladium	oz	334	-	644	-
		Gold	oz	3	-	6	-
		Rhodium	oz	122	-	226	-
		Ruthenium	oz	144	-	271	-
		Iridium	oz	47	-	90	-
		Total PGMs	oz	1 676	-	3 134	-
		Nickel	MT	0	-	1	-
		Copper	MT	0	-	1	-
	Lonmin Platinum	Platinum	oz	202 851	164 212	571 026	519 075
		Palladium	oz	92 915	76 236	260 262	242 833
		Gold	oz	4 688	3 913	14 391	13 123
		Rhodium	oz	27 239	21 808	74 070	68 480
		Ruthenium	oz	39 111	34 551	111 916	108 295
		Iridium	oz	8 333	7 314	24 000	23 316
		Total PGMs	oz	375 136	308 034	1 055 664	975 123
		Nickel ⁸	MT	963	771	2 926	2 594
		Copper ⁸	MT	610	485	1 868	1 641

				3 months to 30 June 2012	3 months to 30 June 2011	9 months to 30 June 2012	9 months to 30 June 2011
Refined production	Lonmin refined metal production	Platinum	oz	185 946	166 021	470 255	446 999
		Palladium	oz	84 199	76 086	220 701	214 473
		Gold	oz	4 856	4 291	13 392	10 955
		Rhodium	oz	15 040	14 560	66 799	53 084
		Ruthenium	oz	41 749	37 183	114 718	109 589
		Iridium	oz	7 663	1 641	24 369	15 052
		Total PGMs	oz	339 453	299 782	910 235	850 153
	Toll refined metal production	Platinum	oz	918	812	20 937	36 665
		Palladium	oz	8 290	449	12 479	49 084
		Gold	oz	481	13	681	2 879
		Rhodium	oz	2 793	130	4 455	14 022
		Ruthenium	oz	-	408	3 682	24 408
		Iridium	oz	-	86	1 006	5 177
		Total PGMs	oz	12 482	1 898	43 241	132 235
	Total refined PGMs	Platinum	oz	186 864	166 832	491 193	483 665
		Palladium	oz	92 489	76 535	233 180	263 557
		Gold	oz	5 337	4 303	14 074	13 833
		Rhodium	oz	17 833	14 690	71 254	67 106
		Ruthenium	oz	41 749	37 591	118 401	133 997
		Iridium	oz	7 663	1 727	25 374	20 229
Total PGMs		oz	351 935	301 679	953 475	982 387	
Base metals	Nickel ⁹	MT	1 220	914	2 865	3 027	
	Copper ⁹	MT	723	560	1 623	1 775	
Sales	Refined metal sales	Platinum	oz	150 376	160 499	468 777	478 804
		Palladium	oz	79 200	64 573	214 753	254 104
		Gold	oz	4 707	3 812	14 040	12 449
		Rhodium	oz	16 500	14 547	65 520	69 353
		Ruthenium	oz	40 953	43 008	118 864	134 781
		Iridium	oz	7 557	7 700	25 916	24 203
		Total PGMs	oz	299 292	294 138	907 871	973 695
		Nickel ⁹	MT	976	890	2 769	3 001
		Copper ⁹	MT	603	486	1 473	1 563
		Chrome ⁹	MT	326 446	173 608	922 478	415 354

			3 months to 30 June 2012	3 months to 30 June 2011	9 months to 30 June 2012	9 months to 30 June 2011
Average prices	Platinum	\$/oz	1 468	1 764	1 568	1 772
	Palladium	\$/oz	622	754	660	755
	Gold	\$/oz	1 518	1 524	1 673	1 247
	Rhodium	\$/oz	1 265	2 082	1 462	2 290
	Ruthenium	\$/oz	108	172	103	170
	Iridium	\$/oz	1 058	1 023	1 041	898
	\$ basket excl. by-product revenue ¹¹	\$/oz	1 037	1 303	1 155	1 294
	\$ basket incl. by-product revenue ¹²	\$/oz	1 108	1 400	1 228	1 386
	R basket excl. by-product revenue ¹¹	R/oz	8 481	8 872	9 070	8 954
	R basket incl. by-product revenue ¹²	R/oz	9 057	9 533	9 638	9 593
	Nickel ⁹	\$/MT	13 815	21 677	16 087	22 074
Copper ⁹	\$/MT	7 345	8 927	7 321	8 784	
Chrome ⁹	\$/MT	22	36	18	30	
Exchange rates	Average rate for period ¹³	R/\$	8.12	6.77	7.98	6.85
	Closing rate	R/\$	8.16	6.76	8.16	6.76

Notes:

- 1 Karee includes the shafts K3, 1B and 4B and K4. Westerns comprises Rowland, Newman and ore purchases from W1. Middelkraal represents Hossy and Saffy. Easterns includes E1, E2 and E3.
- 2 Pandora attributable tonnes mined represents Lonmin's share (42.5%) of the total tonnes mined on the Pandora joint venture.
- 3 Tonnes milled excludes slag milling.
- 4 Lonmin purchases 100% of the ore produced by the Pandora joint venture for onward processing which is included in downstream operating statistics.
- 5 Head grade is the grammes per tonne (5PGE + Au) value contained in the tonnes milled and fed into the concentrator from the mines (excludes slag milled).
- 6 Recovery rate in the concentrators is the total content produced divided by the total content milled (excluding slag).
- 7 Metals in concentrate include metal derived from slag processing and have been calculated at industry standard downstream processing losses to present produced saleable ounces.
- 8 Corresponds to contained base metals in concentrate.
- 9 Nickel is produced and sold as nickel sulphate crystals or solution and the volumes shown correspond to contained metal. Copper is produced as refined product but typically at LME grade C. Chrome is produced in the form of chromite concentrate and volumes shown are in the form of chromite.
- 10 Concentrate and other sales have been adjusted to a saleable ounce basis using industry standard recovery rates.
- 11 Basket price of PGMs is based on the revenue generated in Rand and Dollar from the actual PGMs (5PGE + Au) sold in the period based on the appropriate Rand / Dollar exchange rate applicable for each sales transaction.
- 12 As per note 11 but including revenue from base metals.
- 13 Exchange rates are calculated using the market average daily closing rate over the course of the period.