



3 October 2011

## **Lonmin Plc**

### **Lonmin's BEE Partner Shanduka Moves a Step Closer to Becoming a PGMs Operator**

Lonmin Plc (Lonmin) is pleased to announce that Lonmin, Western Platinum Limited (WPL), Messina Limited (Messina) and Messina Platinum Mines Limited (MPML) have entered into a conditional share subscription agreement (SSA) with Shanduka Group (Proprietary) Limited (Shanduka) offering Shanduka the opportunity of carrying out a Feasibility Review to assess the viability of it operating and developing Lonmin's Limpopo Division. Assuming a successful outcome of the Feasibility Review, Shanduka will raise the necessary funds and will be entitled to subscribe for 50% plus one share in the issued share capital of MPML which is currently a wholly owned subsidiary of Messina (wholly owned by WPL), thereby acquiring control and operational management of Lonmin's Limpopo Division (the Transaction).

#### **Rationale for the Transaction**

The purpose of the Transaction is to enable Lonmin to work with its Black Economic Empowerment (BEE) partner to develop Limpopo on a manageable scale. Lonmin believes that this Transaction will contribute to it meeting the Mining Charter Phase 2 equity target of 26% by 2015, as well as furthering Shanduka's strategy of operating mining assets in chosen commodities. The provision of capital by Shanduka will enable Lonmin to retain its balance sheet capacity and management focus on growth from its Marikana operations. The Transaction further strengthens Lonmin's partnership with Shanduka and if completed will transform MPML into a BEE controlled and operated Platinum Group Metals (PGMs) mining company.

#### **Transaction Details**

Subject to the fulfilment of the conditions precedent, Shanduka will subscribe for 50% plus one share in the issued share capital of MPML in return for a contribution of R1.1 billion to MPML. Prior to the subscription, WPL will procure that the Limpopo Division corporate structure is rationalised such that WPL directly holds 100% of the issued share capital in MPML, that its 50% share in the Dwaalkop Joint Venture is sold to MPML in return for shares in MPML and that the historical Lonmin Group shareholder loans to MPML, which have been fully provided for by WPL, are capitalised. Shanduka is an associate of Cyril Ramaphosa, a director of Lonmin, and Shanduka also controls Incwala Resources (Pty) Limited and its subsidiary Incwala Platinum (Pty) Limited, which is a material shareholder in Lonmin's principal operating subsidiaries. Shanduka is therefore a related party of Lonmin and as such the Transaction may require Lonmin shareholder approval.

On completion of the Transaction, Shanduka will hold a controlling interest of 50% plus one share, and WPL the balance of shares, in the enlarged issued share capital of MPML. As a result, Shanduka will be in a position to develop, operate and manage a viable mine. Lonmin and its subsidiaries will continue to hold an 82% interest in WPL. In addition, post completion, WPL will be entitled to receive an amount of R400 million from MPML by way of preference shares to be issued by MPML to WPL or such other mechanism as may be agreed.

If at some point in the future the Limpopo Division operations are expanded beyond a production level of 250,000 ounces of PGMs per annum (the initial 90,000 tonnes per month producing c.100,000 to 120,000 ounces of PGMs per annum) WPL will have an option to sole equity fund the expansion with a commensurate increase in WPL's shareholding in MPML.

#### **Lonmin's Limpopo Division**

Lonmin's Limpopo Division currently comprises:

- The Baobab Mine including the Baobab Shaft and infrastructure and a 90,000 tonnes per month concentrator held by MPML – limited development activities have recently been restarted at Baobab;
- A 50% share in the Dwaalkop Joint Venture held by WPL. The other 50% of the Dwaalkop Joint Venture is held by Mvelaphanda Resources Limited;
- The Doornvlei Project held by MPML; and

- A prospecting area known as "Zebediela's Location", held by MPML, in respect of the area down dip and along strike from the Baobab Shaft.

Lonmin's published attributable reserves and resources in respect of its Limpopo Division as at 30 September 2010 are as follows:

Mineral Resource (Total Measured, Indicated and Inferred)			
Area	Mt	g/t	3PGE + Au Moz
Limpopo*	144.7	4.23	19.7
Limpopo Baobab Shaft	46.1	3.91	5.8
Mineral Reserves (Total Proved and Probable)			
Area	Mt	g/t	3PGE + Au Moz
Limpopo*	42.4	3.2	4.4
Limpopo Baobab Shaft	9.4	3.16	1.0

\* Excludes Baobab Shaft

Due to the prevailing market conditions the Baobab Shaft was placed on care and maintenance during 2009 and accordingly no profits were generated during the 2010 or 2011 financial years. Published historical production statistics from the Baobab Shaft are set out below.

	Units	2010	2009	2008	2007	2006
Tonnes Mined	kt	0	87	523	757	870
Tonnes Milled	kt	0	92	534	781	901
PGMs (6E) in Concentrate	Oz	0	8,679	46,667	73,600	106,410

The value of the assets which are the subject of the Transaction, as reflected on Lonmin's balance sheet as at 31 August 2011, is US\$143 million (unaudited). The R1.1 billion Shanduka contribution will be used to develop and increase production from the Baobab Shaft and to develop the projects at Dwaalkop and Doornvlei.

### Conditions Precedent

The Transaction is subject to several conditions precedent, the most material being:

- Completion of limited legal and financial due diligence by Shanduka to its satisfaction;
- Shanduka completing a Feasibility Review, at its own cost, based on a 90,000 tonnes per month operation and the approval of the Feasibility Review by WPL;
- WPL's 50% interest in Dwaalkop being sold to MPML in return for shares in MPML;
- Shanduka raising R1.1 billion including the conclusion of definitive funding agreements;
- Lonmin and Shanduka agreeing the capital structure of MPML, failing which the amount of R1.1 billion will be contributed by Shanduka as equity and WPL will subscribe for preference shares in MPML, as set out above;
- WPL and MPML entering into a concentrate off-take agreement for the Limpopo Division concentrate;
- Any approvals by the shareholders of Lonmin or undertakings to the Financial Services Authority which may be required under the Listing Rules of the United Kingdom Listing Authority in respect of related party transactions being received;
- South African Competition Authorities approval; and
- The consent of the Department of Mineral Resources of South Africa.

The parties to the SSA will co-operate with the objective of fulfilling the conditions precedent as soon as practicably possible and anticipate it will take between 12 and 15 months to close the Transaction. Should all conditions not be met by 31 January 2013, the SSA will terminate unless extended by agreement between the parties.

Commenting on the Transaction, Ian Farmer, CEO of Lonmin, said:  
“This transaction has the potential to extend our relationship with Shanduka and provides a clear roadmap for the development and future expansion of our Limpopo Division. It gives Shanduka the opportunity to become a BEE controlled PGMs mining and operating company in line with the DMR’s empowerment objectives and is a further demonstration of our strong and ongoing commitment to achieving 26% empowerment in terms of the Mining Charter.”

Commenting on the Transaction, Phuti Malabie, Chief Executive Officer of Shanduka Group, said:  
“This transaction evidences Shanduka’s progress from a BEE investment company to an owner and operator of a substantial mining asset, in line with our country’s transformation objectives. Our partnership with Lonmin, as well as our track record of sustainable investment in the South African mining industry, now enables us to conduct this Feasibility Review on the very prospective Limpopo orebody, mine and other existing infrastructure”.

**Contact**

For further information please contact:

**Lonmin** +44 (0)20 7201 6007  
Tanya Chikanza (Head of Investor Relations)

**Citi (Joint Broker)** +44 (0)20 7986 4000  
Tom Reid  
Alex Carter

**J.P. Morgan Cazenove (Joint Broker)** +44 (0)20 7588 2828  
Michael Wentworth-Stanley  
Nik Kloepfer

**Cardew Group (Financial PR Adviser)** +44 (0)20 7930 0777  
Anthony Cardew  
James Clark

**Financial Dynamics (Financial PR Adviser)** +27 (0)11 214 2402  
Sue Vey