

28 January 2010

Lonmin Plc

Q1 2010 Production Report & Interim Management Statement

Lonmin Plc ("Lonmin" or the "Company") today announces its production report and Interim Management Statement for the quarter to 31 December 2009 (unaudited).

Overview

Our performance in the first quarter of 2010 exemplified management's focus on operational stability and delivering on its commitments, with metals in concentrate production from our underground operations at Marikana being equivalent to the prior year period. Tonnes mined from Marikana underground operations fell slightly, partly as a result of the planned closure of uneconomic production units in 2009. However, this volume reduction was compensated for by improvements in grade and concentrator recoveries during the period and was achieved with a significantly reduced workforce. Following its successful re-build during October, the Number One furnace performed well.

Mining

Our underground mining operations at Marikana produced 2.6 million tonnes during the first quarter of 2010, a like for like decline of 3.9%, equivalent to around 100,000 mined tonnes, from the same period in 2009.

There were two reasons for this shortfall. Firstly, as expected, production was impacted by the previously announced closure of an uneconomic decline shaft and a number of half levels at Marikana during the third quarter of 2009. These unprofitable operations contributed around 35,000 mined tonnes during the first quarter of 2009.

Secondly, whilst the frequency of Section 54 safety stoppages at Marikana during the first quarter of 2010 declined from the prior year period, the volume impact was worse with tonnes lost during the quarter being around 60,000 tonnes higher than the prior year period. This was predominantly due to production at our largest shaft, K3, being impacted by a 7 day Section 54 safety shutdown following a fatal incident at the shaft on 10 December 2009.

Production at Saffy and Hossy shafts continued to perform well, delivering a combined tonnage increase of 46% from the prior year period.

Pandora underground production increased slightly during the first quarter of 2010 from the prior year period.

Total tonnes mined declined by 15.3% from the same period in 2009 to 2.6 million, following the planned closure of non-value adding production at our Limpopo operations and the opencast operations at Marikana and the Pandora joint venture during the 2009 financial year.

Concentrators

As a result of the above factors, total tonnes milled for the quarter declined by 15.6% from the first quarter of 2009 to 2.6 million tonnes. However, total metals in concentrate production declined by just 6.6% to 161,845 saleable ounces of Platinum, with metals in concentrate production from our Marikana operations remaining flat at 156,025 saleable ounces of Platinum. This was due to improvements in grade and concentrator recoveries during the first quarter of 2010. Underground milled head grade during the period increased by 6.3% to 4.74 grammes per tonnes, as a result of a number of factors including cleaner mining across the property, a better ratio of stoping ore to development ore at Hossy and Saffy as well as an improved ore mix. This also helped underground concentrator recoveries, which improved significantly during the quarter to 84.5%, from 80.2% during the prior year period. The improvement in concentrator recoveries was also the result of continued benefits from our concentrator optimisation programme, excellent plant availability and a rigorous focus on batch milling the right ore through the right concentrators. It should also be noted that the performance in quarter one last year was impacted by an intensive maintenance programme which reduced recoveries.

These improvements in grade and recoveries are pleasing. However, we need to see these sustained before being confident that we have made a step change in our performance.

Smelter and Refineries

The planned 30 day re-build of the Number One furnace was completed successfully and the furnace has been operating consistently since matte was tapped on 9 November 2009. A furnace re-build was also conducted during the prior year period and total refined PGM production was flat at 243,114 ounces. However, refined Platinum production for the first quarter of 2010 declined 16.7% to 110,786 ounces mainly as a result of metal-in-process inventory timing differences.

Sales & Pricing

Consequently, Platinum sales for the first quarter of 2010 declined 13.6% from the prior year period to 109,044 ounces, whilst sales of total PGM's increased 4.8% to 239,685 ounces.

The US dollar PGM pricing environment improved considerably during the first quarter of the 2010 financial year from the prior year period, with the basket price improving 35%, but our South African Rand PGM basket price was flat due to a much stronger South African Rand against the US dollar during the quarter.

Incwala Resources

Discussions regarding the future of Incwala Resources (Pty) Ltd, our Black Economic Empowerment partner, are ongoing. We will update the market on these discussions, once they have been concluded.

As anticipated, on 18 December 2009, R147 million (\$20 million) was paid to Impala Platinum Holdings Limited (Impala), as part of the vendor financing indemnity given by Lonmin to Impala at the time of the creation of Incwala. Following an earlier payment in October 2009, a total of R441 million (\$59 million) has been paid to Impala in relation to this vendor financing indemnity. Further details of these and other indemnity agreements can be found in Note 25 on page 121 of the 2009 Annual Report.

Wage Settlements

As announced on 4 December 2009, we completed a two year wage agreement with the National Union of Mine Workers in respect of our Marikana operations. Employees will receive a 10% wage increase during the first year of the agreement, which has been backdated to 1 October 2009. In the second year of the wage agreement, employees will be eligible to receive a CPI (Consumer Price Index) plus 2% wage increase. In addition, certain minimum rates of pay will be increased over the life of the wage agreement. In November 2009, we also concluded a one year wage agreement with Solidarity, under the terms of which employees will receive a 9.5% wage increase for the 2010 financial year.

Outlook

Our production performance during the first quarter of 2010 represents a solid start to the year and supports our 2010 sales guidance of 700,000 ounces of Platinum, as published on 16 November 2009. Our cost guidance for the increase in South African Rand gross operating costs to be below local inflation, still stands despite the above inflation wage increases agreed. We therefore reiterate our sales and cost guidance for the year.

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				3 months to 31st December 2009	3 months to 31st December 2008	
Tonnes mined	Marikana	Underground - total	000	2,571	2,674	
		Underground - conventional	000	2,148	2,385	
		Underground - Hossy & Saffy ¹	000	422	289	
		Opencast	000	-	216	
		Total	000	2,571	2,890	
	Limpopo	Underground	000	-	87	
		Opencast	000	-	-	
		Total	000	-	87	
	Pandora attributable ²	Underground	000	38	34	
		Opencast	000	-	68	
Total		000	38	103		
Lonmin Platinum	Underground	000	2,609	2,796		
	Opencast	000	-	285		
	Total	000	2,609	3,080		
Tonnes milled³	Marikana	Underground	000	2,447	2,662	
		Opencast	000	61	116	
		Total	000	2,508	2,778	
	Limpopo	Underground	000	-	92	
	Pandora ⁴	Underground	000	89	80	
		Opencast	000	-	124	
		Total	000	89	205	
	Lonmin Platinum	Underground	000	2,535	2,835	
			<i>Head grade⁵</i>	<i>g/t</i>	<i>4.74</i>	<i>4.46</i>
			<i>Recovery rate⁶</i>	<i>%</i>	<i>84.5%</i>	<i>80.2%</i>
		Opencast	000	61	240	
			<i>Head grade⁵</i>	<i>g/t</i>	<i>1.96</i>	<i>4.74</i>
			<i>Recovery rate⁶</i>	<i>%</i>	<i>42.3%</i>	<i>69.9%</i>
		Total	000	2,596	3,075	
		<i>Head grade⁵</i>	<i>g/t</i>	<i>4.68</i>	<i>4.48</i>	
	<i>Recovery rate⁶</i>	<i>%</i>	<i>84.0%</i>	<i>79.4%</i>		

				3 months to 31st December 2009	3 months to 31st December 2008
Metals in concentrate⁷	Marikana	Platinum	OZ	156,025	157,450
		Palladium	OZ	72,596	72,825
		Gold	OZ	3,361	3,613
		Rhodium	OZ	21,678	21,809
		Ruthenium	OZ	33,350	33,836
		Iridium	OZ	7,281	7,410
		Total PGMs	OZ	294,291	296,944
		Nickel ⁸	MT	661	679
		Copper ⁸	MT	417	421
	Limpopo	Platinum	OZ	-	3,770
		Palladium	OZ	-	3,331
		Gold	OZ	-	243
		Rhodium	OZ	-	487
		Ruthenium	OZ	-	688
		Iridium	OZ	-	159
		Total PGMs	OZ	-	8,679
		Nickel ⁸	MT	-	76
		Copper ⁸	MT	-	54
	Pandora ³	Platinum	OZ	5,820	12,013
		Palladium	OZ	2,745	5,406
		Gold	OZ	40	93
		Rhodium	OZ	911	1,657
		Ruthenium	OZ	1,403	2,427
		Iridium	OZ	231	456
		Total PGMs	OZ	11,151	22,051
		Nickel ⁸	MT	9	12
		Copper ⁸	MT	5	7
	Lonmin Platinum	Platinum	OZ	161,845	173,232
		Palladium	OZ	75,341	81,563
		Gold	OZ	3,401	3,949
		Rhodium	OZ	22,589	23,953
		Ruthenium	OZ	34,754	36,952
		Iridium	OZ	7,512	8,025
		Total PGMs	OZ	305,442	327,674
		Nickel⁸	MT	669	767
		Copper⁸	MT	422	481

				3 months to 31st December 2009	3 months to 31st December 2008
Metallurgy¹²	Lonmin refined metal Production	Platinum	OZ	110,786	132,935
		Palladium	OZ	70,967	60,756
		Gold	OZ	3,408	3,496
		Rhodium	OZ	21,564	18,749
		Ruthenium	OZ	25,632	25,338
		Iridium	OZ	9,921	2,544
		Total PGMs	OZ	242,278	243,818
	Toll refined metal production	Platinum	OZ	-	-
		Palladium	OZ	-	-
		Gold	OZ	-	-
		Rhodium	OZ	324	-
		Ruthenium	OZ	512	-
		Iridium	OZ	-	-
	Total PGMs	OZ	835	-	
	Total refined PGMs	Platinum	OZ	110,786	132,935
		Palladium	OZ	70,967	60,756
		Gold	OZ	3,408	3,496
		Rhodium	OZ	21,888	18,749
		Ruthenium	OZ	26,144	25,338
		Iridium	OZ	9,921	2,544
		Total PGMs	OZ	243,114	243,818
	Base metals	Nickel⁹	MT	668	764
Copper⁹		MT	378	499	
Sales	Refined Metal Sales	Platinum	OZ	109,044	126,202
		Palladium	OZ	68,572	53,345
		Gold	OZ	2,020	3,379
		Rhodium	OZ	25,262	17,102
		Ruthenium	OZ	25,511	25,668
		Iridium	OZ	9,277	3,108
		Total PGMs	OZ	239,685	228,805
	Concentrate and other ¹⁰	Platinum	OZ	-	-
		Palladium	OZ	-	-
		Gold	OZ	-	-
		Rhodium	OZ	-	-
		Ruthenium	OZ	-	-
		Iridium	OZ	-	-
	Total PGMs	OZ	-	-	
	Lonmin Platinum	Platinum	OZ	109,044	126,202
		Palladium	OZ	68,572	53,345
		Gold	OZ	2,020	3,379
		Rhodium	OZ	25,262	17,102
		Ruthenium	OZ	25,511	25,668
		Iridium	OZ	9,277	3,108
Total PGMs		OZ	239,685	228,805	
	Nickel⁹	MT	572	676	
	Copper⁹	MT	483	403	

				3 months to 31st December 2009	3 months to 31st December 2008
Prices	Average	Platinum	\$/oz	1,411	882
		Palladium	\$/oz	363	187
		Gold	\$/oz	1,163	819
		Rhodium	\$/oz	2,214	2,347
		Ruthenium	\$/oz	118	248
		Iridium	\$/oz	386	421
		Basket price of PGMs ¹¹	\$/oz	1,017	751
		Nickel ⁹	\$/MT	16,606	15,143
		Copper ⁹	\$/MT	6,431	4,950
Exchange Rates	Average rate for period		R/\$	7.46	9.92
	Closing rate		R/\$	7.37	9.45

Notes:

- 1 Hossy and Saffy are replacement/growth shafts in ramp up. Hossy is fully mechanised whilst Saffy has conventional stoping but mechanised development. In previous production reports this section showed all M&A/Hybrid mining. All comparatives have been restated.
- 2 Pandora attributable tonnes mined includes 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 slag and have been calculated at industry standard downstream processing losses.
- 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.
- 10 Concentrate and others sales essentially relates to BMR concentrate and BMR/PMR residues.
- 11 Basket price of PGMs is based on the revenue generated from the actual PGMs (5PGE + Au) sold in the period.
- 12 Lonmin refined metal production and sales include an estimated 3koz saleable ounces of Platinum produced from toll refining third party concentrate (Q1 2009 - nil).