LONMIN

Lonmin Plc
4 Grosvenor Place
London SW1X 7YL
United Kingdom
T: +44 (0)20 7201 6000
F: +44 (0)20 7201 6100
www.lonmin.com

REGULATORY RELEASE

---

26 January 2017

First Quarter 2017 Production Report and Update

Lonmin Plc ("Lonmin" or "the Company"), one of the world's largest primary Platinum producers, today announces its unaudited production results for the three months to 31 December 2016 and provides an operational update.

Safety

Our safety strategy is centred on the belief that Zero Harm is achievable and important contributions are required from all stakeholders to achieve it.

- We achieved significant milestones in the journey towards Zero Harm at the following operations:
    - Saffy shaft achieved 4 million fatality free shifts on 14 December 2016;
    - Newman shaft achieved 3 million fatality free shifts on 28 October 2016;
    - Rowland shaft exceeded 1 million fatality free shifts on 13 January 2017; and
    - The Precious Metal Refinery achieved one year without a lost time injury as of 30 December 2016 and one year without a medical treatment as of 27 October 2016.
- The twelve month rolling LTIFR to 31 December 2016 was 4.99 per million man hours, a marginal increase of 0.4% on September 2016 at 4.97.
- Regrettably, and as announced at the time, one of our colleagues, Mr Joao Fernando Macamo, a Production Team Leader at E1 Shaft, was fatally injured following a tramming incident on Thursday 10 November 2016. We extend our deepest condolences to his family and friends.
- We are addressing the root causes of safety incidents, and ensuring that the lessons learnt from each incident are implemented and shared across operations.

Mining Operations

The Marikana mining operations including Pandora produced 2.3 million tonnes during the quarter, down 7.8% or 0.2 million tonnes on the comparative period partly due to the planned decline from the closing of our high cost shafts. While the first quarter of our financial year is historically our lowest producing quarter, the mining performance was disappointing with production at our Generation 2 shafts down 5.2% from the prior year period. The implementation of initiatives to improve productivity is taking longer than we planned, particularly in respect to improving absenteeism; however we remain committed to delivering sustained productivity improvements at our operations to ensure the long-term viability of the business.

The reduction in Section 54 stoppages has continued, with tonnes lost due to Section 54 safety stoppages down by 71% in the quarter.

Generation 2

Tonnes mined from our Generation 2 shafts were 1.8 million tonnes, a decrease of 5.2%, or 0.1 million tonnes on the comparative period as K3's underperformance predominantly weighed down the overall performance.

- K3, our biggest shaft, produced 590,000 tonnes, a disappointing decrease of 13.8% on the prior period. This shaft was most impacted by the reorganisation from 2016 and during the quarter experienced high management induced safety stoppages resulting in 60,000 tonnes of lost production. Overall, the relationship between operational management and unions at this shaft is not working as effectively as we expected and the yielding of results from the implementation of business improvement initiatives at this shaft is taking longer than we would have liked to see. As a result, we are deploying additional stoping and vamping crews to the shaft to take advantage of the immediately available ore reserves and improve production. This may have an adverse impact on the shaft head cost per tonne which we would seek to mitigate by further reducing our overhead costs.
- Rowland shaft produced 424,000 tonnes, an increase of 9.6% on the prior year period as this shaft is now starting to gain the production benefits from improved safety performance.
- Saffy shaft produced 493,000 tonnes, broadly in line with prior year period, demonstrating that the shaft is maintaining its steady state performance.
- 4B produced 336,000 tonnes, a decrease of 10.7% on the prior year period as a result of higher than planned frequency of intersecting geological features and changes in middle management.

Generation 1

The performance at the Generation 1 shafts is in line with our plan and we are executing successfully the strategy to reduce high cost production in a low price environment. Tonnes mined from our Generation 1 shafts (1 B, Hossy, Newman, W1, E1, E2, E3 and Pandora (100%)) were 0.5 million tonnes, a decrease of 21.8%, or 0.1 million tonnes on the prior year period, reflecting the planned decline in production. Most of these shafts are run by contractors, which provide better flexibility to retain or close them.

Hossy shaft remains on track for planned care and maintenance closure by the end of this financial year and, as reported, at Newman, contract mining is being used to extract the remaining ore reserves.

Production Losses

We have been encouraged that the number and duration of Section 54 stoppages has continued to improve, as experienced during the final quarter of FY2016. This resulted in a 71% improvement in lost production due to Section 54 safety stoppages of 139,000 tonnes. This was partially offset by an increase in management induced safety stoppages which illustrate our non-negotiable stance on safety. Most of these stoppages were at K3 shaft where 60,000 tonnes were lost. Overall total tonnes lost in the quarter reduced to 147,000 tonnes, compared to 204,000 tonnes lost in Quarter 1 2016.

	Q1 2017 Tonnes	**Q1 2016 Tonnes**
Section 54 safety stoppages	58,000	197,000
Management induced safety stoppages and other	89,000	7,000
Total tonnes lost	**147,000**	**204,000**

Update on Business Improvement Initiatives

In light of the Quarter 1 performance, we are deploying additional stoping and vamping crews to Generation 2 shafts during Quarter 2 in order to provide support for the achievement of planned output, enabled by our healthy ore reserve position.

In addition, we continue our drive to implement the initiatives announced at the time of our 2016 full year results to improve productivity and these include:

- Establishing a labour skills buffer;
    - Following a successful trial of the labour skills buffer concept during the first quarter of FY2017, a decision has been made to introduce labour buffers to all high producing half levels on Generation 2 shafts during Quarter 2.
- Addressing employee absenteeism;
    - This project continues with dedicated teams assigned to each operation to analyse absenteeism trends and to ensure that appropriate action is taken to address the behaviour of employees who repeatedly absent themselves from work.
- Introducing a programme aimed at the empowerment of frontline supervisors; and
    - All planning and preparatory work has been completed during Quarter 1 and the roll out of the programme will start at the beginning of February at K3 and Saffy shafts.
- Implementing the Theory of Constraints framework in order to improve the optimisation of half levels at Generation 2 shafts.
    - With the de-bottlenecking exercises mostly completed, the implementation of theory of constraints started during December 2016 with an optimisation crew being deployed to underperforming half level at each Generation 2 shaft.

Processing Operations

Underground milling production in the quarter of 2.4 million tonnes was affected by lower than planned ore availability from the mining operations and was 10.0% lower than in the prior year period.

Underground milled head grade at 4.56 grammes per tonnes (5PGE+Au) increased by 2.0% when compared to the 4.47 grammes per tonne achieved in the prior year period and the overall milled head grade was also 4.56 grammes per tonne, up 2.4% on the prior year period, due to improved ore mix and also better mining head grades.

Concentrator recoveries in the quarter remained excellent at 87.0%, marginally up from 86.8% in the prior year period.

Platinum production (Metals-in-Concentrate) was 152,925 ounces, which was 8.4% lower than the prior year period and PGM production (Metals-in-Concentrate) was 292,726, which was 8.6% lower than the prior year period as relatively, we milled more than we mined in the prior year period.

Total refined Platinum production of 137,123 ounces in the first quarter, was 20.0% lower than the prior year period. There were no refined platinum ounces from the smelter clean-up project in both periods. Total PGMs produced were 263,283 ounces, a decrease of 20.5% on the prior year period.

Sales and Pricing

Platinum sales for the quarter were 134,954 ounces, 10.3% lower than the prior year period sales of 150,420 ounces as a result of the lower mined tonnes. PGM sales were 289,962 ounces, marginally down (0.2%) on the prior year period sales of 290,475; there was a release of built up stocks of Ruthenium, as a result of a change in the Ruthenium refining process. In addition, converse to Q1 2016, the Palladium to other metal sales ratio was brought in line with the normal production ratio which cushioned the impact of the decrease on PGM sales down.

The increased sales of Ruthenium in the quarter had an adverse impact on the basket price. As such, the US Dollar basket price (including base metal revenue) at $739 per ounce during the quarter was down 3.8% on Q1 2016 while the corresponding Rand basket price of R10,372 per ounce was 4.5% lower than the Q1 2016. Since the period end, Ruthenium sales have returned to normalised levels.

The average Rand to US Dollar exchange rate was 2.3% stronger at 13.90 compared to 14.22 in Q1 2016.

Business and Operating Environment Update

The operating environment has remained challenging as the Company strives to balance the economic, social and environmental imperatives. Management continues to participate in strategic multi-stakeholder engagements to address these challenges.

Unit Costs

The distorting impact of the holidays in December typically results in unit costs peaking in the first quarter of the financial year. An additional public holiday declared in December by the President of The Republic of South Africa extended the Christmas break period in the quarter and impacted production and costs.

Unit costs of R12,296 per PGM ounce were 12.3% higher on the prior year period, in part reflecting the increase in labour costs as set in the multi-year agreement, signed at the end of October 2016, but also reflecting the weak mining performance. As stated at the time of the 2016 Final Results in November 2016, unit costs will remain under pressure until we see a sustained improvement in production throughput from mining. We remain vigilant in containing our costs and continue to work to reduce our operating costs in order to preserve the achievement of our unit cost guidance in the range of R10,800 to R11,300 per PGM ounce for the full financial year.

Capital Expenditure

We are maintaining our focus on Generation 2 shafts but we are reviewing the capital expenditure profile and expect to provide an update in due course.

Balance Sheet and Liquidity

Lonmin is highly geared to PGM prices and at current levels, would not be cash neutral. We continue to proactively manage our cashflows and balance sheet through initiatives such as seeking ways of containing our capital spend.

Net cash at 31 December 2016 was $49 million, after working capital and capital expenditure investment of $106 million during the quarter. The working capital impact is typically greater in the first quarter of our financial year due to the December holidays and the nature of our sales profile, which is weighted towards the second half of our financial year. Total liquidity at 31 December 2016 was $414 million.

Ore Reserves

Operational flexibility was preserved with the immediately available ore reserve position of 3.7 million square metres at the end of the quarter, or 22 months average production.

Excess Processing Facility Initiatives

Our processing facilities have excess capacity and we are continuing with various initiatives to fill the pipeline and utilise the excess capacity.

Pandora Acquisition Update

On 11 November 2016, we announced that Lonmin had reached agreement to acquire Anglo American Platinum's 42.5% interest in the Pandora Joint Venture. Since then we have received Northam's consent for this transaction and have submitted the Merger Notification to the Competition Authorities and requisite application for section 11 consent to the DMR. We expect the transaction to complete in late 2017.

FTSE4Good Index Series

Lonmin is pleased to advise that it has been confirmed a constituent of the FTSE4Good Index Series and FTSE Russell ESG Rating following the review of our strong environmental, social and governance practices.

Outlook and Guidance

We have been disappointed by the Quarter 1 production at our Generation 2 shafts. With the initiative of deploying additional stoping and vamping crews, as well as the expected Platinum ounces from the smelter clean-up project, our sales guidance for the 2017 full year is maintained at between 650,000 and 680,000 Platinum ounces. At this stage we still expect unit costs to remain in the range of R10,800 to R11,300 per PGM ounce for the full year subject to seeing sustained improvement in production during the year. We will be reviewing our capital expenditure and will provide an update on guidance in due course.

- **ENDS** -

ENQUIRIES

Investors / Analysts:

Tanya Chikanza (Head of Investor Relations)	+27 11 218 8358 / +44 207 201 6007
Andrew Mari (Investor Relations Manager)	+27 11 218 8420

Media:

Wendy Tlou	+27 83 301 9663
Anthony Cardew / Emma Crawshaw, Cardew Group	+44 207 930 0777

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 found.

The Company creates value for shareholders 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

				3 months to 31 Dec 2016	3 months to 31 Dec 2015
Tonnes mined[1]	Generation 2	K3 Shaft	kt	590	684
		Rowland Shaft	kt	424	387
		Saffy Shaft	kt	493	497
		4B Shaft	kt	336	376
		Generation 2	**kt**	**1 842**	**1 944**
	Generation 1	1B Shaft	kt		6
		Hossy Shaft	kt	171	159
		Newman Shaft	kt	23	132
		W1 Shaft	kt	39	47
		East 1 Shaft	kt	31	30
		East 2 Shaft	kt	67	77
		East 3 Shaft	kt	17	6
		Pandora (100%)[2]	kt	102	118
		Generation 1	**kt**	**450**	**575**
		Total underground	kt	2 292	2 519
		Opencast	kt	38	7
	Lonmin (100%)	**Total Tonnes Mined (100%)**	**kt**	**2 330**	**2 526**
		% tonnes mined from UG2 reef (100%)	%	74.9%	76.0%
	Lonmin (attributable)	**Underground & Opencast**	**kt**	**2 279**	**2 467**
Ounces Mined[3]	Lonmin excluding Pandora	Pt Ounces	oz	141 476	149 658
	Pandora (100%)	Pt Ounces	oz	7 112	7 921
	Lonmin	**Pt Ounces**	**oz**	**148 588**	**157 579**
	Lonmin excluding Pandora	PGM Ounces	oz	270 638	287 744
	Pandora (100%)	PGM Ounces	oz	14 067	15 558
	Lonmin	**PGM Ounces**	**oz**	**284 705**	**303 303**
Tonnes milled[4]	Marikana	Underground	kt	2 277	2 524
		Opencast	kt	11	31
		Total	kt	2 288	2 555
	Pandora[5]	Underground	kt	102	118
	Lonmin Platinum	Underground	kt	2 378	2 642
		Milled head grade[6]	g/t	4.56	4.47
		Recovery rate[7]	%	87.1%	86.8%
		Opencast	kt	11	31
		Milled head grade[6]	g/t	4.47	2.71
		Recovery rate[7]	%	62.5%	84.2%
		Total	kt	2 390	2 673
		Milled head grade[6]	g/t	4.56	4.45
		Recovery rate[7]	%	87.0%	86.8%

				3 months to 31 Dec 2016	3 months to 31 Dec 2015
Metals-in-concentrate[8]	Marikana	Platinum	oz	145 211	157 873
		Palladium	oz	66 662	73 936
		Gold	oz	3 695	3 718
		Rhodium	oz	20 477	22 912
		Ruthenium	oz	34 567	37 021
		Iridium	oz	7 098	7 157
		Total PGMs	oz	277 709	302 616
		Nickel[9]	MT	739	822
		Copper[9]	MT	461	501
	Pandora	Platinum	oz	7 112	7 921
		Palladium	oz	3 358	3 704
		Gold	oz	50	22
		Rhodium	oz	1 196	1 328
		Ruthenium	oz	1 947	2 164
		Iridium	oz	404	420
		Total PGMs	oz	14 067	15 558
		Nickel[9]	MT	14	22
		Copper[9]	MT	6	8
	Concentrate Purchases	Platinum	oz	603	1 160
		Palladium	oz	164	376
		Gold	oz	2	3
		Rhodium	oz	58	149
		Ruthenium	oz	99	215
		Iridium	oz	24	60
		Total PGMs	oz	950	1 962
		Nickel[9]	MT	0	1
		Copper[9]	MT	0	1
	Lonmin Platinum	Platinum	oz	152 925	166 953
		Palladium	oz	70 184	78 016
		Gold	oz	3 746	3 743
		Rhodium	oz	21 731	24 389
		Ruthenium	oz	36 613	39 399
		Iridium	oz	7 526	7 637
		Total PGMs	oz	292 726	320 137
		Nickel[9]	MT	753	844
		Copper[9]	MT	467	511

				3 months to 31 Dec 2016	3 months to 31 Dec 2015
Refined Production	Lonmin refined metal production	Platinum	oz	136 102	170 931
		Palladium	oz	61 721	77 782
		Gold	oz	3 190	4 859
		Rhodium	oz	21 646	30 303
		Ruthenium	oz	31 892	35 450
		Iridium	oz	7 199	10 936
		Total PGMs	oz	261 751	330 261
	Toll refined metal production	Platinum	oz	1 021	510
		Palladium	oz	189	197
		Gold	oz	7	9
		Rhodium	oz	68	60
		Ruthenium	oz	234	222
		Iridium	oz	14	36
		Total PGMs	oz	1 532	1 033
	Total refined PGMs	Platinum	oz	137 123	171 441
		Palladium	oz	61 910	77 978
		Gold	oz	3 197	4 868
		Rhodium	oz	21 714	30 364
		Ruthenium	oz	32 126	35 672
		Iridium	oz	7 212	10 972
		Total PGMs	oz	263 283	331 294
	Base metals	Nickel[10]	MT	715	990
		Copper[10]	MT	354	549
Sales	Refined metal sales	Platinum	oz	134 954	150 420
		Palladium	oz	60 060	62 332
		Gold	oz	2 889	4 714
		Rhodium	oz	26 130	35 195
		Ruthenium	oz	59 016	29 157
		Iridium	oz	6 913	8 656
		Total PGMs	oz	289 962	290 475
		Nickel[10]	MT	928	1 071
		Copper[10]	MT	215	406
		Chrome[10]	MT	385 496	438 717

			3 months to 31 Dec 2016	3 months to 31 Dec 2015
Average prices	Platinum	$/oz	945	886
	Palladium	$/oz	687	586
	Gold	$/oz	1 154	1 323
	Rhodium	$/oz	730	715
	$ basket excl. by-product revenue[11]	$/oz	683	711
	$ basket incl. by-product revenue[12]	$/oz	739	769
	R basket excl. by-product revenue[11]	R/oz	9 624	10 055
	R basket incl. by-product revenue[12]	R/oz	10 372	10 859
	Nickel[10]	$/MT	8 989	7 292
	Copper[10]	$/MT	5 411	4 700
Unit Costs	Cost of production per PGM ounce	ZAR/oz	12 296	10 948
Exchange Rates	Average rate for period[13]	R/$	13.90	14.22
	Closing rate	R/$	13.73	15.46

Notes

1. Reporting of shafts are in line with our operating strategy for Generation 1 and Generation 2 shafts.
2. Pandora underground tonnes mined represents 100% of the total tonnes mined on the Pandora joint venture of which 42.5% for October and November 2014 and 50% thereafter is attributable to Lonmin.
3. Ounces mined have been calculated at achieved concentrator recoveries and with Lonmin standard downstream processing recoveries to present produced saleable ounces.
4. Tonnes milled exclude slag milling.
5. Lonmin purchases 100% of the ore produced by the Pandora joint venture for onward processing which is included in downstream operating statistics.
6. 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).
7. Recovery rate in the concentrators is the total content produced divided by the total content milled (excluding slag).
8. Metals-in-concentrate have been calculated at Lonmin standard downstream processing recoveries to present produced saleable ounces.
9. Corresponds to contained base metals in concentrate.
10. 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.
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.