WORLD TELEVISON

Lonmin

Results Presentation
14th November 2011

Ian Farmer: Good morning ladies and gentlemen, welcome to the Lonmin Plc Results Presentation for September 2011. Today I'm joined by Simon Scott, our Chief Financial Officer, and Natascha Viljoen, our Executive Vice President for Processing. We also have Roger Phillimore, our Chairman, here at the front, and Tanya Chikanza over there on the side, who you all know very well.

I'll open with a few introductory comments, followed by Simon who'll go through the financial results, Natascha will then go through the operational highlights, and I'll come back and conclude on the market and the future outlook.

I'm pleased to be able to report a solid performance in what ultimately proved to be an encouraging year. Where we've built on the turnaround achieved over the last few years. Before we start the presentation proper I'd like to tell you right up front how we intend to navigate the uncertain times we live in, where metal prices are volatile, costs under immense pressure, and the cash to invest in growth is a scarce resource.

There are two matters I need to address, firstly; we now have the capacity to produce around 800,000 ounces of platinum, however given the high risk of business disruption, particularly from Section 54 safety stoppages our guidance for next year's sales is 750,000 platinum ounces.

Secondly, we've decided to continue to invest towards our goal of 950,000 ounces by 2015. However, we'll proactively moderate our spend if market circumstances dictate. And our cash flow will be looked at and monitored closely throughout the year.

As you've come to expect from Lonmin our planning is based on profitable ounces, prudent balance sheet management, and an appropriate approach to corporate responsibility. We strive to balance these requirements and deliver attractive returns for our shareholders.

Let's now take a look at how we performed in 2011. We achieved our revised platinum sales guidance of 720,000 and the revised unit cost guidance came in at annual increase of around 11%. These results reflect the safety issues and the illegal strike we experienced mid year and the inflationary environment we operate in.

Importantly the business saw its second year of profitability and underlying profit before tax increased by 32.9% to $315 million on the back of a 26% increase in our revenues to $2 billion.

Balance sheet management has been a key feature of the year and our capital spend was $410 million, slightly above the $400 million we spoke about at the interim. Most of this spend was on new shafts, the Number Two furnace, and the tailings treatment plants.

Simon and his team successfully refinanced our debt, replacing the $875 million of facilities with $945 million of new and longer term ones. As a result we have the flexibility in our balance sheet to support our growth strategy and to manage reasonable market volatility. Simon will go into more detail on these under his section.

Consistent with the dividend policy established last year the board has recommended a basic final dividend of 15 cents a share in line with last year and at a level we would always aim to pay.

This year we sought to build on the foundation of, what I believe, is now a healthy business. For ten of the twelve months of the year our business delivered according to plan. In the two months where it did not we saw factors around safety and illegal industrial action at Karee affect performance.

Those ten months of deliver demonstrate that when these events do not affect us we are a fundamentally sound operation. It's pleasing to note that despite the illegal strike momentum at Karee it was safely and rapidly restored, this is evident in the Q4 numbers we reported this morning.

In context the Mining division's production performance of 11.7 million tonnes, up 3.7% from last year is commendable. Immediately available ore reserves were 2.9 million centares as at the end of 2011, up 8.8% on last year. This is an important measure as it allows us to plan our future production growth with confidence.

The Process division delivered solid results and I'm delighted to say the upward trend in recoveries has been sustained throughout 2011. This consistent performance is testimony to the professionalism of our processing team. I'm pleased to report the modifications made to the Number One furnace during the year were successful and the furnaces operated satisfactorily through the year. For those of you that know Lonmin well you'll understand the significance of that statement.

This year we revised our Social and Labour plan to align it with the revised Mining Charter and we made steady progress towards achieving our targets, and I'll cover this important area in more detail later in the presentation.

At the interims I spoke about an increase in confidence in our ability to increase production capacity, our Life of Business plan is now sufficiently developed to support capacity growth to 950,000. Having capacity flexibility will enable us to take advantage of the inevitable market recovery.

After many years of improving safety we lost six colleagues in separate fatal incidents in Marikana in the first seven months of 2011. The shock of losing colleagues never changes and the loss was felt across the entire business.

Whilst our safety performance is unacceptable, I believe our fundamental approach to safety management has been sound and our commitment to zero harm and safe production remains undiminished. We carried out a root and branch review of all our safety procedures; this review reaffirmed our basic safety strategy.

In the last five months of the year, at a time when we sought to increase our throughput, we achieved four million fatality free shifts across all of Lonmin's operations. And I'm particularly pleased to report that our Rowland shaft safety record now leads the industry, having achieved 12 million fall of ground fatal free shifts over a ten year period. As of last week our operations had achieved five million fatality free shifts a significant achievement by an industry standards.

The journey to zero harm will take time, and will require the continuing commitment and dedication from both management and employees.

I'll now hand you over to Simon who'll take you through a review of the financial performance in more detail.

Simon Scott: Thanks Ian, good morning everyone. We saw a good financial performance compared to 2010 assisted by better metal prices, cash flow was strengthened as a consequence, which together with the expected reduction in working capital led to a reduction in our closing debt level. Costs were in line with expectations but remain a focus for the coming year.

Revenue for the year has increased by 26% over the comparative period, by $407 million to $1.992 billion on the back of higher PGM prices and base metal prices, as well as on higher sales volumes. Driven largely by increased revenues, underlying EBITDA has increased by 24% to $433 million. Underlying EBIT has increased by 36% to $311 million and earnings before interest and tax has increased by 51% to $307 million.

The effect of increased earnings, assisted by an effective tax rate including special items of 18% sees the underlying earnings per share for the year up by 59% from last year to 111.6 cents. And the basic earnings per share up by 137% to 134.8 cents per share.

The underlying EBIT for the year ended September 2011 has increased from $228 million in 2010 to $311 million, an increase of $83 million.

During most of 2011 the PGM pricing environment has been better than in 2010, although the last six weeks of the year were characterised by higher volatility and substantially weakened metal prices, resulting from the uncertainty in global markets. Overall the increased PGM pricing has contributed an additional $290 million to underlying EBIT in 2011, over and above that contributed in 2010.

PGM sales volumes for the year were 8.3% up on the prior year, and have contributed an additional $126 million in underlying EBIT. These increases were offset by $60 million due to a change in the mix of PGMs sold during the period. Positive base metal prices as well as higher volumes of base metals sold contributed a further $51 million.

Total underlying costs increased by $324 million, mainly due to increased production, the impact of cost escalations, as well as the impact of a stronger average Rand/Dollar exchange rate during the year.

Whilst the South Africa gross Rand based costs increased by 13% in 2011 to 11 billion Rand, when translated into Dollars the increase amounted to 21% over 2010 due to the stronger average Rand / US Dollar exchange rate for costs of 7.01 Rands to the Dollar in 2011, against the 7.48 Rands to the Dollar experienced in 2010.

The impact of the stronger Rand / US Dollar exchange rate was to increase cost by $86 million. As a result of higher production however, cash costs per PGM ounce produced increased by 11.2% from 6,773 Rand per ounce, to 7,534 Rand per ounce.

The increase in unit cost per PGM ounce of 11.2% has arisen due to higher than inflationary increases in the wage bill of 8% and electricity tariff increases of 24%. Increased opencast production arising from mining opencast ounces for twelve months in full year 2011 against only six months in full year 2010 and lower underground grade.

The increased volumes, recovery improvements and focus on cost control had a favourable impact on unit costs, despite the lost production due to the illegal strike at the Karee operations as well as the management induced safety stoppages.

If the impacts of the legal strike at Karee as well as the management induced safety stoppages in the middle of the year are excluded, unit costs for the year would have been in line with our original guidance of around 8%.

Cost pressures in the South African mining environment remaining challenging. Net debt has reduced by a pleasing $141 million from $375 million at the end of September 2010 to $234 million at the end of September 2011. EBITDA generated for the period amounted to $431 million and the expected reduction in working capital added to the positive position by $245 million.

The cash flow impact of capital expenditure amounts to an outflow of $410 million, net financing to $36 million, and the 2010 final dividend payment amounted to $30 million. Other includes $16 million which was paid by way of taxes. As a result gearing was 7% at September 2011, compared to the 10% at September 2010, whilst the ratio of consolidated net debt to underlying EBITDA improved from 1.07 times at September 2010 to 0.54 times at the end of September 2011.

The reorganisation of our bank debt facilities was completed in July and the existing $875 million were replaced with new facilities totally approximately $945 million. The new facilities extend the maturity profile with $823 million of the new facilities being committed for five years to May and June 2016. Whilst the remaining facilities are renewable annually.

The new facilities consist of a $700 million syndicated US Dollar facility and three South African Rand bilateral facilities of 660 million Rand each. During the year we entered into an interest rate swap to fix the base rate on the $300 million term loan, which matures in 2016 at 2.17%. The new facilities have improved pricing and have redefined the relationship banking group. Together with the reduction in net debt, the reorganisation of bank debt facilities has seen the Group's balance sheet strengthen considerably.

That's all from me, I'll now hand you over to Natascha who will take you through the operational review.

Natascha Viljoen: Thank you Simon, good morning ladies and gentlemen. I'm going to start by summarising our performance for the past year. Overall our operations achieved a steady and consistent performance.

Starting with safety. We've learnt many lessons from the fatalities we've experienced in the first seven months of this year and we are implementing numerous initiatives to improve this performance. Sustainability is a key component of how we do business and we are focusing on embedding this as part of our core values.

Marikana mining operations have demonstrated that it can continue to mine consistently at higher levels and the momentum developed in this area is a product of the excellent ore reserve position that we filled up over the last three years.

The Process division performed strongly with improved recoveries and I'm able to say a stable smelter and the completion of chrome and tailings treatment projects.

I'm pleased to say that following the mid year cluster of fatalities our safety performance improved and our lost time injury frequency rate for 2011 at 4.71 per million hours showed a 19.8%

improvement over the past three years - apologies, over the past year, with a 33% improvement over the past three years. This is the seventh year that we've had a year on year improvement.

In the last year we've lost 285,000 tonnes from Section 54 stoppages. I must caution however that even though this is marginally better than 2010 we've seen a marked increase in DMR activity since the recent advent of the new Rustenburg Inspectorate. This activity also now extends to all areas of the business.

Since year end we've seen five stoppages, with an adverse impact of 64,000 tonnes, hopefully the collaborative relationship we've always sought to develop with the DMR will stand us in good stead in the future and the attention will abate somewhat.

During the 2011 financial year the Mining division demonstrated continued growth, despite the impact of the illegal industrial action encountered at Karee operations during May, as well as the DMR and management induced safety stoppages. Our total tonnes mined for the year was 11.7 million, a 0.4 million tonne increase from 2010.

We've illustrated in this chart the impact of production disruptions in quarter three that were largely at our Karee mining division.

Looking at the contribution from the different mining units Karee operations mined 4.4 million tonnes an increase of 300,000 tonnes from 2010. This was possible as a result of the flexibility created by an improvement in ore reserves at K3, which together with the hard work of the team led to better than anticipated ramp up following the illegal action.

Production from our Westerns operations Rowland and Newman shaft at 3.4 million tonnes declined by 300,000 tonnes on 2010 as expected with the depletion of Newman shaft. The production of our mechanised and hybrid shafts at Middelkraal, Saffy and Hossy was largely flat at 1.9 million tonnes per year.

Although Easterns is a fairly small area of our business they performed exceptionally well with a production increase of 8.4% in comparison to 2010 to 1.2 million tonnes. This was also supported by the healthy position in ore reserve. The Merensky opencast operation at Marikana had its first full year of production in 2011 compared to around six months in 2010 and produced 600,000 tonnes. Lastly Pandora's attributable portion was largely flat at 168,000 tonnes.

We continue to make good progress with a number of initiatives launched to ensure improved delivery and increased productivity at the Marikana division. The inflationary cost pressures being experienced by the industry are of great concern to all of us and various productivity improvement programmes such as team effectiveness development, technical upskilling of employees, face advance and blast frequency improvement projects, have been identified and are scheduled for being implemented in 2012 to help mitigate these pressures.

It's pleasing to note that the ore reserve position has increased by 8.8% from the level reported in 2010 to 2.9 million centares. This represents around nineteen months of production. The ore reserve increase for Karee of 25%, Middelkraal of 9% and Easterns of 19% support Lonmin's growth build up. The Western operations decreased, as was planned.

Overall mining grades reduced in comparison to 2010, mainly due to three reasons. Firstly an increase in the production of both underground and opencast Merensky ore. Secondly an increased development to support the ramp up and production and poor ground conditions at K3. And lastly increased dilution necessitated for safety reasons while mining through geologically disturbed ground conditions. Grades however, as you can see in this chart, remain overall within the acceptable range.

Let's have a look at the various mining areas in a little bit more detail and I'll start off with our star performer K3. Output from K3 has increased by 10% from 2010. Improved safety performance, underground conditions, and compliance with standards has resulted in less management and DMR induced stoppages. We invested further capital in the development of ore reserves and we expect this shaft to contribute 26% of our underground production in 2012.

Saffy's production was significantly impacted during 2011 by its layout constraints, as well as adverse ground conditions. The production delays experienced during the year have largely now been addressed by means of changes in layout design as well as a revision to the support strategy. And this shaft now has the necessary flexibility to achieve its planned production increase of 18% in 2012.

Progress was made at Hossy during the year, however the biggest challenge faced by the mechanised mining teams centre around machine reliability, the availability of replacement parts and the supply of trained artisans. Whilst we have ongoing programmes to address these issues a decision has been taken to introduce hybrid mining in some upper quadrants, a decision that has been taken to reduce the risk to our production profile.

Consequently we are converting the top levels of the shaft to hybrid, while the middle part will remain on XLP. The bottom levels will now be developed conventionally and production is expected to increase by 40% from Hossy in 2012.

Moving on from the mining operations into our processing operations. The concentrators had had another exceptional performance as recovery rates improved from 84.7% to 85.3%. This improvement was based on enhancements in process design, operational discipline, asset management and the development of our teams.

As the concentrator optimisation programme enters a second phase our focus will be on process stability and further process design improvements.

There have been some notable achievements with extracting value from the treatment of our tailings. The construction of chrome plants was completed on schedule, both the Rowland and the K4 chrome plants are part of an agreement with Xstrata and the Karee chrome plant is part of a similar agreement we have with ChromTech. The chrome plants have contributed to the chrome sales of around 730,000 tonnes in 2011, and an overall chrome revenue amounting to US $15 million, compared to US $3 million in the previous year. Chrome's contribution is anticipated to increase substantially in 2012 as these plants will be online for the full year.

Of the three originally planned tailings treatment plants which retreat the tailings from the chrome plants to recover additional PGMs, the Rowland tailing treatment plant was commissioned in August 2011 and the Easterns tailing treatment plants are due to be commissioned in early 2012, the PGM recovery in 2012 from these specific plants is anticipated to improve by up to 2%.

I'm pleased to say that the planned rebuild and modification of our Number One furnace was well executed and successfully re-commissioned on schedule in December 2010. Over the past year the new design and operational discipline of the Number One furnace had proven to be robust with no operational disruptions to report on. The furnace has been ramped up to operate consistently at the desired power for operational requirements.

Progress continues with the building of the Number Two furnace on the site of the old Merensky furnace, all the main equipment has been delivered to site and we are on schedule for the furnace to be fully commissioned and operational by May 2012.

We are looking here at instantaneous recoveries, which by definition is the product of recovering each step of the processing cycle. It remains a key focus and we continue to see sustained improvements in efficiencies for the recovery of all metals, as can be seen in this graph with an 11.8 percentage point increase since 2007. Further recovery improvements however will be marginal compared to the big step change seen in 2010.

The total ounce output for this year benefited from the continued recovery improvements across each of the operations and improved availability of our smelter operations as the redesign of the Number One furnace resulted in better reliability.

I will lastly, briefly have a look at sustainability. The health of our employees remains a key focus area and success was evident in the increase in the participation our patients in our Wellness programme. The number of employees on ART has increased by 25%; with default rates lower than 1%. We also have a 12.5% reduction in new cases of noise induced hearing loss.

We've also made some good progress in achieving our environmental targets. However our total energy consumption increased by 5.1% and we acknowledge we need to do more here.

Our fresh water consumption has reduced by 33% since 2007, we've started implementing our SO2 emission reduction plan and we've developed a strong response strategy to climate change.

Notwithstanding all of these initiatives, the PGMs that we produce are a vital component in auto catalytic converters and therefore play a significant role in reduction air pollution and contributing positively to the climate. As an ICMM member we will be attending and contributing to the climate change conference in December this year.

I will now hand back to Ian to take us through the markets and the outlook.

Ian Farmer: Thanks Natascha. Turning to the markets. Continued weaker global economic data points to an increased risk of recession. Consensus however is still forecasting a net global growth for 2012 albeit being revised downwards pending the outcome of the Eurozone discussions.

The PGM industry will not be insulated from this short-term slowdown, we've therefore adjusted our own view accordingly. Our outlook for 2012 has changed from a deepening deficit to a market that will probably be in balance or marginally over supplied. We now expect the industrial demand recovery to occur in 2013. However, it may now be stronger than previously expected as a result of it coinciding with pre-emptive buying orders in the auto market in anticipation of Euro Six emission legislation coming into force in 2014.

In essence we anticipate the cycle has been delayed by approximately a year compared to our previous view. Auto sales growth rates have slowed in recent months, but importantly global growth is anticipated to remain positive year on year. Auto production is still recovering from the Japanese earthquake in March and inventory levels remain lean.

J.D Power have revised their latest auto production estimate for 2012 downward from about 86 million units to 82 million. This still however represents a significant growth on the 77 million expected for 2011 and the 74 million units recorded in 2010. Sales history reveals that the auto industry experiences relatively short periods of decline followed by long periods of expansion, suggesting there is significant pent up demand in this market. Auto companies are also in much better shape than they were in 2008 and 2009 during the credit crunch. They are cash flush, they are profitable and their industry levels are generally low and manageable.

Apart from unit growth PGM demand from the auto sector continues to be driven by a number of factors. The most important of these is tightening admission legislation. This has resulted in non-road vehicles, such as tractors, bulldozers, harvesters, etc being covered by emission legislation for the first time in 2011.

This market is expected to add up to 400,000 of platinum demand annually beyond 2015, but more importantly it only includes the US, Europe and Japan at this stage, which accounts for a mere 20% of the global non-road market. China, India, and other emerging countries are expected to follow suit later in the decade.

We're also seeing diesel cars regaining market share to over 50% in Europe, which was lost during the brief period of scrappage schemes, which favoured small gasoline engine. In addition diesel cars are starting to record strong sales growth in India, as well as the US, where they may prove to be the cheapest and easiest avenue to meet the new Fuel Economy Standards.

The long term outlook for PGM use in the auto sector is very positive, despite even the threat of electric cars as most studies indicate that electric cars are unlikely to exceed single digit market share for the foreseeable future.

The market is more likely dominated by more efficient gasoline, diesel, or hybrid engines in the medium and longer term. We may also see the emergence of fuel cell, or fuel cell hybrid vehicles and that could be very positive for the platinum market.

After several years of strong growth in the investment market, this year saw demand stalling, platinum ETF holdings are up for the year by about 80,000 ounces, but are substantially lower than the increases of 400,000 ounces we saw in 2009 and 2010. Palladium has seen redemptions of around 200,000 ounces this year following consistent strong growth since they were introduced in 2007. It's a reminder this market is not one-way traffic and is subject to volatile investor sentiment.

Platinum supply remains constrained with prices not conducive to expansion, to date most producers have lowered or held their production guidance and established producers are struggling to deliver economical growth. Global platinum production is forecast to increase by 2.4% to 6.6 million ounces in 2012. This is still some 200,000 ounces short of the supply peak of 6.8 million ounces we saw in 2006.

Aside from the usual cost control and operational challenges the effects of Section 54 safety closures, as well as increased labour and community unrest in South Africa have all had a negative influence on supply.

In summary, 2011 has presented more severe challenges to the industry than was expected and there's a strong possibility that 2012 will be more of the same. However, industrial demand should pick up in 2013 if only due to the pre-emptive buying ahead of the Euro Six emission legislation.

We also believe that pent up demand in the auto market could surprise on the upside once consumer confidence starts to return. We expect supply to remain constrained with prices at insufficient levels to induce meaningful expansion and this will keep the market balanced in the short term and will result in deficits when it recovers, especially if the recovery is earlier, or more vigorous than expected.

We remain positive about the medium and longer term prospects for the PGM market, with non-road diesel catalyst demand and stationary fuel cell demand already starting to register and likely to provide significant growth in the future.

In short ladies and gentlemen we believe the PGM price recovery is a matter of when and not if.

The long-term outlook for PGMs is strong and the rewards will be there. Our policy of building flexibility into our business model will position us to benefit when markets do recover. The world will require stable and increasing quantities of PGMs for decades to come. We have the asset quality, experience and the know how to safely and sustainably meet a significant portion of this demand.

We have built a team that understands how to operate and deliver in the South African mining industry. We have a strategy to navigate these uncertain times and we have the ability to deliver our growth and cost control ambitions underpinned by sound technical planning.

We are building Lonmin into a robust company that will be both resilient and effective through the cycle. This requires we grow moderately down the cost curve each year, simultaneously addressing all the various attributes and qualities required to ensure our success.

The mining industry worldwide has experienced a growing number of external challenges in recent months. Specific to South Africa the industry faces operational as well as regulatory challenges that have an impact on competitiveness.

Operationally there continues to be a deteriorating trend in productivity which has added to the industry significant cost pressures. In terms of labour our peers have reached wage settlements with unions which are well above inflation at around 8 to 10%. We remain in negotiations with our unions and will update the market accordingly once these have been concluded.

Resource constraints in the form of availability of reliable power supply and water will remain a feature for some time to come. Power tariffs will increase by 26% in 2012 for the third year running as expected.

Another major challenge for the industry is the shortage of skills; we have developed a comprehensive human resource development strategy that concentrates on building our skills requirement over time. And finally whilst the Rand has eased in recent times, its strength has the effect of eroding margins and free cash flow.

Looking at the regulatory factors specifically, resource nationalism is being publicly debated in its many forms and this creates and element of uncertainty for investors. We participate in various forums in an attempt to influence thinking, to ensure the decision makers understand the need for a balance between fairness and competitiveness.

Resolution of the Keysha matter remains outstanding and this leaves an overhang of uncertainty around security of tenure.

Issues around transformation are core to the continued success and growth of our business and there are a fundamental element of our licence to operate. We are committed to transformation; it is the right thing to do.

During the year we reviewed and aligned our Social and Labour plan to the new charter and we've made steady progress. And importantly HGSA's including women in our management team are now almost 47%. We have spent some 309 million Rands in 2011 on the delivery of community projects, hostel conversions, healthcare and education. We will accelerate our investment in these areas by some 39% in 2012.

In August this year we experienced unrest in the form of public protest within the Bapo community. This highlights the need for better engagement with our communities and we established a stakeholder forum which provides the opportunity to engage with one another. We also established a development team with the Bapo specifically to identify job creation opportunities.

We have entered into an agreement with Shanduka on our Limpopo asset and this potentially gives Shanduka the option to gain a control equity interest in Limpopo and become an operating PGM mining in line with the DMR objectives. We are required to achieve 26% empowerment credits by 2014 and we have shared our thoughts with the DMR in this regard. Our next steps will include employee and community schemes.

We will continue to focus on maximising the value of the Marikana asset which has a long life, high quality ore body. Now K3, K4, Saffy and Hossy shafts are key to our ability to deliver. There are new sub declines at K3 that will enable us to maintain the efficiency of this shaft and K4 is a new generation shaft that commences production for the first time in 2012 with the ramp up over the next few years. Saffy and Hossy will also continue to ramp up.

Combined these shafts are the platform for us to reach what we believe to be Marikana's operating optimal level of around 950,000 platinum ounces.

As previously stated we expect the platinum market in 2012 to remain broadly in balance with a small bias to surplus. We aim to safely and profitably achieve sales of around 750,000 platinum ounces in 2012. We also expect our unit cost per PGM ounce to increase in line with wage settlements.

We continue to believe that investing in production capacity is the right thing to do, to enable us to take advantage of the attractive long-term fundamentals for PGM markets. Our guidance for 2012's capex spend is US $450 million. However, in light of the current economic uncertainty and maintaining balance sheet prudence we will retain flexibility around our capital expenditure plans and moderate the pace of investment if the economic environment dictates. Our capex guidance keeps us on track for delivery of the 950,000; however, ultimately delivery of timing will be dependent on our ability to maintain this investment rate.

In 2012 and beyond we will continue to focus on safety initiatives and on delivery of our transformation and sustainability targets. Marikana remains our core focus and we'll continue with our momentum to drive productivity through enhanced efficiency and strong controls in what we believe will remain a very difficult inflationary environment.

Right, thanks ladies and gentlemen that concludes the formal part of the presentation this morning. We'll now take any questions you may have, as usual firstly from the room and then from the webcast and the call. As always it's helpful if you could state your name at the start of your question. Thank you.

Grant Sporre, Deutsche Bank: Just a question on your guidance for next year, just to understand you seem to intimate that if things go well, you don't have Section 54 stoppages, or unplanned strikes then you would be able to reach the 800,000 ounces, is that the correct understanding or is it a case that you will manage your production to maximise profitability? And a follow on question is how does that play work with your unit costs?

Ian Farmer: That's the crux of the issue facing us isn't it. I think that if you look at the year we've just finished our refining production was 730,000 ounces and our original guidance you'll recall was 750,000 ounces. But during this last year we lost 18,000 ounces to Section 54s directly, we lost 20,000 due to the Karee strike, and we lost 5,000 ounces due to the one-day stoppages that we ourselves called. If you add that all up we would have quite easily exceeded our original target for the year the 770,000 ounces versus the 750,000 ounces we guided.

So we're very conscious that the impact of these disruptive factors is key to performance. As was mentioned by Natascha earlier we've had five Section 54s issued already this year in the month of October alone. Last year we had 27 for the year. So the run rate for Section 54 interventions has doubled since the intervention of the Rustenburg office. So naturally, you know we want to be cautious in terms of how we guide and clearly we're very cognisant of the need to deliver on promises. So we think 750,000 ounces, as a sales number for next year is the prudent number.

We have the ore reserves to produce higher than that and clearly if the opportunity arises to do so we can, and you're absolutely right, you know the guidance on unit cost at around, you know, 8, 9, 10% is in line with our labour rates is premised on 750 number. If we manage to achieve more units through the same overhead then clearly that's helpful from a unit cost perspective as well. But hopefully the guidance we're giving this year is sensible and well grounded in terms of the landscape as we see it, the operating landscape.

Jason Fairclough, Bank of America, Merrill Lynch: Morning Ian. Just a question on the investment programme and the balance sheet and you've kind of touched on this a little bit. Could you talk about your willingness to draw down the credit facilities to fund the growth? And if I take that to its ultimate limitation, would you stop short of actually needing to call on more equity to fund that growth? In other words, if it got to the point of needing to do a rights issue to keep growing, would you just turn things off altogether at that point?

Ian Farmer: Simon do you want to take that one?

Simon Scott: At the year end our debt levels were strong, so we put in place new debt and we have a tenure of five years, debt levels decrease substantially from the 375 to $234 million. As Ian mentioned we will look to cash flows essentially and that'll drive our view of the debt levels that we - you know we're willing to go to. I mean at the moment we're well within covenants, the ratio of consolidated net earnings to EBITDA at the end of the year was at 0.54 times and so the levels of debt are very comfortable at the moment.

Clearly we have a lot of headroom in that debt and you know the premise will be what we see in the markets and how we see those developing going forward. So that will drive our view of cash management going forward and at the moment we are comfortable to spend $450 million in the current year on capital based on what we see in the markets. But clearly if circumstances change and we see the reduction in profitability of some of those ounces we will reduce our debt levels. Sorry we will reduce our capital expenditure.

Jason Fairclough, Bank of America, Merrill Lynch: If I could just push you a little bit on this. So if we look at $450 million in capex, that's growth capex?

Simon Scott: $450 million is our total capex.

Jason Fairclough, Bank of America, Merrill Lynch: Total capex and in the sort of environment we're in today, the company is probably not close to free cash flow positive?

Simon Scott: We expect debt levels to increase based on the current Rand basket we are facing at the moment in the year, but still to be well within the both the debt covenants and the overall level of debt over the course of the year.

Jason Fairclough, Bank of America, Merrill Lynch: Okay, thank you.

Ian Farmer: I think I'd just like to add that both the first two questions are the big questions of the day quite frankly. And we believe the right thing to do is to manage the situation dynamically based on what we see ahead of us and if the markets change radically in ways we can't currently predict we will have to react to that and you should expect us to do so and we'll obviously inform you if we get to the juncture.

But as it stands now we believe that we can continue to run the business, invest for the long term because this is a long-term business and keep that within the various tolerance levels that Simon has outlined. But you know it is an uncertain world and we're not just going to soldier ahead with one plan, you know you've got to - when facts change you change your mind and you do something different and that's what we'll do. But as it stands today we have decided it's the right thing to do to continue with our current course of action.

Ian Farmer: Any more questions from the floor, at the back there and one at the front.

Ben Davis, UBS: Just on the evaluation studies pre-feasibility at Pandora, Akanani and Limpopo, can we have any indication progress there and also maybe a timeline where you might think they might be finished?

Ian Farmer: Yeah, on the three projects first of all Limpopo, as you know we announced a transaction with Shanduka, they will be conducting a feasibility study which should be complete towards the end of the next calendar year and obviously we're working with them on that to the extent that it's sensible.

On Pandora, the expansion plan on the eastern portion of that ground, it's 180,000 tonne a month shaft that's being evaluated there and again that's probably somewhat - like a year away before we have that finalised and ready for action. But the extensions of E3 shaft which is obviously a closer project is already happening and it's progressing well and it's on track and it's on budget and that's extending the life of that shaft, and obviously moving into the Pandora block quite nicely.

Akanani is clearly a longer term project, it's a bigger capital bet, as we all know. We are spending a little money in that 450 million number that we've given you to continue with the study around Akanani. Once we've got to the point where we have sufficient data we'll take a view as to what the next steps are and I think the next major decision point for that is probably about March next year. So at the interims we can tell you more about Akanani and how we intend turn that asset to account for our shareholders.

Dominic O'Kane, Liberum Capital: Just two quick questions. First on the $450 million capex, could you just clarify how much of that is stay in business capex? Then secondly on the Marikana mined grade, you saw declines through the year, what's the flexibility and outlook for mined grade going forward at Marikana?

Ian Farmer: Okay, I'm going to ask Simon to take the first one, Natascha maybe you could take the second one about the grade?

Simon Scott: On the capital it's always very difficult, as you know Dominic, to split it between in stay in business and growth. But on the number we talked - to keep production round about the 750,000 ounces is around about $250 million of that.

Natascha Viljoen: From a grade perspective I think there's three main reasons why we've seen a marginal decrease in grade also going forward, the first reason would be the Merensky UG2 mix that we've been seeing. At Karee and specifically K3 shaft we are mining into an area that's got an internal waste band, so that we will continue to see. And then the third reason would be some of the areas that we are mining through are difficult geological mining areas, we need to take down some additional dilution to make the area safe to work in. But as you've seen in the presentation it's still within the band that we allow ourselves to operate in.

Over and above that there's a number of improvement projects that are underway in the Mining division to make sure that we limit dilution to the minimum.

Dominic O'Kane, Liberum Capital: Just another quick question. With the recovery rates about 85%, should we consider this steady state going forward, and what sort of ceiling would you put on recovery rates that we're moving to?

Ian Farmer: Your question Natascha.

Natascha Viljoen: Well I guess the ceiling always would be to recover 100% of the metal, however it depends on what's financially feasible. We will not see the kind of step change we've seen in the past, I think we came from a fairly low base because we had a different approach in terms of our operating philosophy. There are however a number of projects underway as we speak and we will continue to see marginal improvements on that number.

Ian Farmer: I think the Processing division has been one of our huge success stories over the last few years, and that instantaneous recovery graph which shows the - not only the concentrator recoveries, but also the recoveries through the entire refining process is a great piece of work that that's Natascha's team that's done all that.

Any more questions, from the webcast or from the call?

Telephone Operator: Thank you, ladies and gentlemen if you do have a question please press 01 on your telephone keypad now.

Our first question comes from Anna Mulholland from Deutsche Bank. Please go ahead your line is now open.

Anna Mulholland, Deutsche Bank: Hi, thanks, good morning, everybody. Could I ask how your wage negotiations are going and in general how your industrial relations are after the illegal strike, and the internal in fighting with the NUM?

Ian Farmer: Our relationship with the NUM has generally been, I think, on the better side of average, one doesn't want to be complacent about these things, but if you look back at the level of industrial action Lonmin has experienced over the last three, four, five years it's actually been less probably than many others in the industry.

The incident that occurred earlier this year in May was very unfortunate, it was a dispute between the branch leadership and the regional leadership of the NUM where the regional leadership were seeking to impose their governance standards on the branch who were becoming a little bit out of control and declaring UDI. And that power struggle manifested itself in the branch leadership taking the entire Karee mine out on strike, which affected K3, four belt, etc. So it was not a dispute with us and indeed we obviously maintained regular dialogue with both the regional office and national office throughout that period.

Following the strike, as you've seen we have been successful in getting Karee back up to full production, in fact much better than we ourselves expected, because these incidents can leave a legacy of trouble if you like, not trouble but difficulties in managing the relationship thereafter. And we've been extremely pleased with the turnaround speed at K3.

As we stand at the moment Karee is still largely un-unionised the NUM have not been able to get the recruitment levels back up as quickly as they'd have liked. So I think that the - and there was fallout for the NUM from this episode. But as we stand right now the wage negotiations are progressing in the normal fashion, they're cordial and they're just weaving their normal way. Last year we only concluded them in January, I would like to get them done by Christmas because that means that guys can all get their increase in pay and get that all banked before they go off for their Christmas break, so that's our ambition.

Anna Mulholland: Great thank you.

Telephone Operator: Thank you and we have another question from Andrew Baum from Barclays Capital. Please go ahead your line is now open.

Andrew Byrne, Barclays Capital: Hi, Ian. Congrats on a good set of results today. Two quick questions if I may. The first one is pretty straightforward I hope. I was wondering if you could remind us of the ramp up schedule for K4 in terms of volumes and unit costs. And then the second one is regards the Limpopo transaction, you know obviously subject to a feasibility study by Shanduka. When I look back at the unit cost at that asset they've roughly been around twice what we've seen at Marikana through the life of that asset. Do you have any idea what Shanduka are planning on doing differently that will be able to bring that back into profitability? If you can give us a little bit of colour around that. And if there's a plan B with regards BE?

Ian Farmer: K4 will start to contribute to production for the first time in 2012, I think it's around 12,000 ounces, is that the right number from memory? It's 12,000 ounces out of the 750 will come from the K4 shaft, but clearly with so few ounces and the normal accounting start up issues will apply so they'll be very high cost ounces until we start to get volume up. So that's something you should be prepared for this time next year when we talk about the numbers. It ramps up gradually to full production by I think 2017, so it's a normal vertical deep shaft ramp up period over three or four years, five years.

As regards Limpopo, yes the existing shaft on the Limpopo piece of ground, the Baobab shaft as we call it, is not particularly efficient and it has got an inherent high cost structure. But I think the feasibility study that we are conducting is actually looking at not only the Baobab shaft but also the continuous pieces of ground in Dwaalkop and Doornvlei. Because one of Limpopo's problems has always been economies of scale and volumes. So I believe that if we look at the ground on a combined basis and we start to run this as a slightly higher volume operation we'll get better economies of scale and that will help the cost profile.

But nevertheless that's the task ahead of us and that we'll look at together with Shanduka and if the answers don't work then it will get pushed out further until such time as we can find a solution. Clearly there are possibly ways for a small start up operation to run with a tighter purse than with a bigger operation like ourselves. So we'll see how that all gels out, but clearly we have to cross the bridge when we get to it and that will take us 12 to 15 months to get there.

Andrew Byrne, Barclays Capital: Just two follow-up questions on Limpopo there if I may. Do you have any idea what the capital requirements would be for the greater scale? And then also secondly, if you've got a plan B with regards meeting the Mining Charter requirements by 2014?

Ian Farmer: The transaction with Limpopo requires them to inject 1.1 billion Rands of cash for their 50% share in the business. So that would cover the immediate requirements for capital to get the thing up and running and started. But clearly the results of the feasibility study will tell us what the capital as a whole is, I don't yet have those answers.

Is there a plan B? Not that I can talk about at this time.

Andrew Byrne, Barclays Capital: No worries, thanks very much Ian.

Ian Farmer: Thank you.

Telephone Operator: Thank you, just a reminder ladies and gentlemen if you do have a question please press 01 on your telephone keypad now.

Our next question comes from Nic Dinham. Please go ahead your line is now open.

Nic Dinham, Cadiz: Hi, Ian. One of the comments you raised was about - in your notes about the Keysha conflict still not being resolved and DMR is in the middle of this. Could you give us an update what your feelings are about how things are going with the DMR?

Ian Farmer: As I mentioned we've not yet had the result of the appeal and there's no reason to expect that won't be coming up very shortly, it's been some time now since the whole episode first broke. And really I don’t really have a great deal more I can add to that Nic, it's in their hands, they've got to apply their minds to it and think it through.

I mean clearly a security of tenure is of paramount importance and it's something that is starting to come out in a number of fora as you know in terms of politicians talking about it, the National

Planning Commission spoke about it, the mining companies have been going down to the parliamentary sessions in Cape Town and spoken about it. So I think that it's gaining a higher profile as a subject and I think there's a strong realisation coming through gradually that the environment in South Africa needs to be conducive if we're to achieve the job creation that the country needs. So hopefully ultimately a solution will be found. But as it stands right now I have no new news whatsoever.

Nic Dinham, Cadiz: Thanks. One final question, the community issues you referred to are with the Bapo, I assume, could you just elaborate a little bit about what's going on there?

Ian Farmer: Yes, I think that the community around our operations is like many others in South Africa and mines are a magnet, if you like, of wealth in a country that has a high level of poverty. So you see the influx of people and you see people in the communities around the area being quite frustrated and obviously looking to improve their lives.

The Bapo ba Mogale tribe are the indigenous people in the areas where we operate and I think the frustration they feel is simply that they have a lot of youth who don't have prospects and that's spilled out into the streets in the local community and we're not the only company to have experienced that situation.

I think that we have used that situation to try and call them in for a closer relationship and for better dialogue. There's been a relationship between the company and between the Bapo ba Mogale that hasn't been particularly - hasn't worked well over the years is the best way to describe it. And we're now using that forum to try and improve that relationship because ultimately we want to include our communities in our equity solution.

So they need to have a working structure that can make decisions in a business like fashion and can partner a business. And I'm trying to show them that if they manage to find that solution internally within their community leadership structures there could be an opportunity for them.

So I'm hoping that that relationship will go from a very low level to perhaps a stronger and more pragmatic and hopefully potentially rewarding relationship for them in the long run. But that's work that's ongoing and that is something I'm putting some personal time into to try and get right.

Nic Dinham, Cadiz: Thanks Ian.

Telephone Operator: Thank you. We have no further questions on the audio so I'll return the conference back to you Sir.

Ian Farmer: Thank you very much, any more questions from the floor? Okay, well thank you all very much.

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