

Media Release

LONMIN DISMISSES AIDC ALLEGATIONS

16 October 2014

The Alternative Information Development Centre (AIDC) held a press conference today where they released their report entitled “The Bermuda connection: profit shifting and unaffordability at Lonmin 1999-2012”.

AIDC admits it is not expert in tax and that it regards South Africa’s tax laws as irrelevant for the purposes of its paper¹. Nevertheless it continues to produce documents and press statements containing false accusations, misleading generalisations, ignorant conjecture and destructive innuendo.

Lonmin pays tax fully and properly in all jurisdictions in which it operates. Our financial statements and structures are audited by KPMG and South African Revenue Services. In fact, Lonmin’s financial statements are prepared in accordance with the International Financial Reporting Standards and assured by independent external auditors. If the AIDC believes there is any impropriety it should report this to the relevant authorities. We are not aware that AIDC has done so.

The AIDC consistently implies there are hidden profits within the Company which would have allowed it to meet the wage demands of the 2012 strike. This is false. To sustain its operations and save jobs, Lonmin had to raise \$749m (about R8 billion²) from its shareholders in the four years to 2012. In 2013 it once again had to raise a further \$823m (about R9 billion) from its shareholders to keep the mine operational. The idea that Lonmin hid profits from shareholders while asking them for a total of R17bn is not credible.

Regarding the payment of wages: Lonmin’s wage settlements since 2007 have consistently outstripped inflation and profit growth.

- Fact - The compound growth of Lonmin’s wage bill (Cat 4-9 employees) over the past five years ending 2013 is c74% in spite of total losses of \$232 million (about R2.5 billion) incurred during the period.
- Fact – The South Africa operations labour cost (Wages & Salaries) have consistently represented around 45% to 48% of the South African operating costs.
- Fact - Lonmin’s social capital spend (excluding wages) totalled \$42 million (about R0.5 billion) over the past five years.

Lonmin has provided the Farlam Commission (and more recently the media) with detailed explanations of its published financial statements and its financial structures. We will continue to assist the Commission and believe this is the correct forum to interrogate all the relevant facts. By conducting its own parallel commission of inquiry the AIDC has undermined the work of the Farlam Commission and misled the public.

¹ The Bermuda Connection: Profit shifting and unaffordability at Lonmin 1999-2012.

² Calculated using October 2014 R/\$ exchange rate of 11/1

Lonmin has chosen not to prevent AIDC from holding the press conference today as we are of the view that although releasing this report undermines the working of the Commission, the Commission evidence leaders themselves have deemed it fit not to oppose the AIDC on this matter.

The report is misleading and false and Lonmin reserves all its rights with regard to legal recourse.

For further information:

[http://www.lonmin.com/downloads/QA Allegations of Tax Evasion Lonmin Plc 101014 FINAL 3 .pdf](http://www.lonmin.com/downloads/QA_Allegations_of_Tax_Evasion_Lonmin_Plc_101014_FINAL_3.pdf).

- ENDS -

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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 Complex in South Africa, where nearly 80% 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. Lonmin's mining operations extract ore from which the Process Division produces refined PGMs for delivery to customers. 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>