

Media Release

23 September 2014

Letter to the Editor - Mail and Guardian

The M&G's story on Lonmin's historic tax affairs published on Friday 19 September 2014 contained significant inaccuracies and material omissions. Disappointingly, the lengthy answers provided to the M&G's detailed questions were not reported. Any suggestion of potential illegality around Lonmin's historic tax affairs is seriously damaging to the Company's reputation, not least because such allegations are wholly and absolutely false.

The following facts and context, missing from the published article, are vital in judging its accuracy.

1. The Western Metal Sales (WMS) structure referred to was a structure not uncommon to old world conglomerates. The structure was in no way illegal and did not benefit Lonmin from a tax perspective as Lonmin remained liable for the payment of taxes in the UK arising from legitimate and reasonable commissions paid to Western Metal Sales.
2. This structure was changed in 2007 when Lonmin took a decision to move its marketing services to South Africa.
3. The move was based on cost concerns (having a company registered in Bermuda and operating out of London was expensive) and resulted in marketing personnel being based closer to Lonmin's operations.
4. A transitional arrangement was put in place for 18 months and thereafter, from 1 October 2008, the marketing commission paid to Lonmin Management Services (LMS) was entirely taxable in South Africa.
5. No payments have been made by a Lonmin Group company to Western Metal Sales since the end of the 2008 Financial Year. It is worth highlighting in this regard that Shanduka only became an investor in Incwala in 2010.
6. It is incorrect to state that from 1 October 2008 to 2012 Western Platinum Limited booked sales commission payments to Western Metal Sales in Bermuda. A reference in the Farlam Commission to the 2012 financial statements of Western Platinum Limited and a payment to Western Metal Sales was a clear error in the Notes to the Financial Statements of Western Platinum Limited and was explained as such.
7. The new agreement with LMS, based in South Africa and Western Platinum Limited, which superseded the previous agreement with Western Metal Sales, was given effect to in 2008, but only ratified by Incwala in 2012. Western Platinum Limited therefore proceeded to pay LMS (as opposed to Western Metal Sales) the full commission from 1 October 2008. It is important to note that Shanduka only became the majority shareholder in Incwala in 2010.
8. The Western Metal Sales structure and the current structure, which involves LMS as the marketer, have been discussed regularly and in the ordinary course of business with the South African Revenue Services (SARS) regarding transfer pricing. SARS has always accepted the treatment as legitimate and therefore insinuations that there are transfer pricing issues are entirely without merit.

These facts clearly demonstrate that Lonmin's tax affairs during the period in question were entirely legal and in no way unusual. The Company pays tax fully and properly in all jurisdictions in which it operates as a matter of policy.

- ENDS -

ENQUIRIES

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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>