

Final Results Announcement

Lonmin Plc, (Lonmin or the Company), the world's third largest primary Platinum producer, today announces its Final Results for the year ended 30 September 2010.

HIGHLIGHTS

- **A strong performance across all operations:**
 - Sales of 706,000 ounces of Platinum – meeting November 2009 guidance
 - Cost per ounce increase held at 2%
 - Mining – quarter by quarter performance improvement
 - significant progress with available ore reserves up 32%
 - Process Division – excellent concentrator recovery rates achieved
 - Safety - performance continues to improve but more to do
 - Business returned to profit – underlying PBT up \$348 million to \$237 million
 - Dividend recommenced (15.0 cents per share) with new policy

- **Management actions taken in 2010:**
 - Lonmin's operational health restored
 - Future of Incwala Resources secure
 - Number One Furnace run out
 - managed the risk of dependence on single furnace
 - Relocation of executive management to South Africa completed

- **Outlook for 2011:**
 - PGM markets are likely to improve
 - Platinum sales guidance of around 750,000 Platinum ounces
 - Industry wide challenges to continue
 - skills shortage
 - inflationary pressures particularly in labour and power
 - Rand cost per ounce increase to be less than 8% – subject to wage settlement
 - Capital expenditure expected to be around \$380 million
 - to support medium term growth profile

- **Key focus areas for 2011 and beyond:**
 - Build on the strong operational performance
 - drive productivity improvements
 - Improving our position on the cost curve
 - Achieving BEE ownership and transformation targets by 2014
 - Delivering on the target of 850,000 Platinum ounces by 2013 for Marikana and Pandora
 - benefitting from expected strong PGM demand
 - Evaluate longer term options for Limpopo and Akanani

Ian Farmer, Chief Executive Officer, commented:

“I am delighted that the actions that we have taken to rebuild the Company's operational health are so clearly demonstrated in these results. We have delivered sales figures in line with guidance, and performance improvements have been seen across our business. We have met our key operational targets and this performance reflects the successful turnaround of our business.

We intend to build on this strong operational performance and anticipate that Platinum sales will grow to around 750,000 ounces in 2011. While there are challenges facing our industry, we believe that the fundamentals of the PGM markets remain robust and that Lonmin is well placed as these markets improve in 2011 and beyond.”

FINANCIAL HIGHLIGHTS

Year to 30 September		2010	2009
Revenue	\$m	1,585	1,062
Underlying operating profit / (loss) (i), (ii)	\$m	228	(93)
Operating profit / (loss) (ii)	\$m	203	(142)
Underlying profit / (loss) before taxation (i)	\$m	237	(111)
Profit / (loss) before taxation	\$m	240	(272)
Underlying earnings / (loss) per share (i)	cents	70.2	(59.2)
Earnings / (loss) per share	cents	56.9	(163.7)
Net debt (iii)	\$m	375	113
Gearing (iii)	%	10	2

NOTES ON FINANCIAL HIGHLIGHTS

- (i) Underlying results and earnings per share are based on reported results and earnings per share excluding the effect of special items as defined in Note 3 to the Accounts.
- (ii) Operating profit / (loss) is defined as revenue less operating expenses before impairment of available for sale financial assets, finance income and expenses and share of profit of equity accounted investments.
- (iii) Gearing is calculated on the net debt attributable to the equity shareholders of the Group divided by the total of the net debt attributable to the Group and equity shareholders' funds.

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This press release is available on www.lonmin.com. A live webcast of the Final Results presentation starting at 09.30hrs (London) on 15 November 2010 can be accessed through the Lonmin website. There will also be a web question facility available during the presentation. An archived version of the presentation, together with the presentation slides, will be available on the Lonmin website.

Chairman's Statement

Overview of the year

I am delighted to report that our business performed well in 2010. The Company met its production and sales forecasts, returned to profitability and reinstated the payment of dividends. While our mining and concentrating activities performed extremely well, problems encountered with the Number One furnace were again disappointing and contributed to higher than expected costs and significant working capital movements with negative cash flow implications.

We operate in a challenging inflationary environment in South Africa compounded by a further strengthening of the Rand against the US Dollar. The negative effects on our margins, however, have been outweighed by higher dollar Platinum Group Metal (PGM) prices throughout the year.

The PGM market fundamentals have effectively remained in balance during the year although with a modestly stronger underpinning. Recovery has been slow but steady in the automotive market supported by continuing strong investment demand through Exchange Traded Funds (ETF) and relatively steady platinum jewellery demand. Jewellery demand is historically more price elastic but is increasingly driven by demand in China, much boosted by the rapidly expanding middle class. Supply side growth has remained limited given both the constraints on capital and the pressure on margins that the industry has experienced over the last two years.

We have met our key operational targets and this performance reflects the progressive turnaround in our business:

- Safety: Performance continues to improve, but there is much still to be achieved;
- Higher output from underground operations: Metal in concentrate is up from 2009's level of 618,000 to 691,000 Platinum ounces due to an increase in tonnes mined, grade improvements and much improved recoveries in the concentrators – up from 81.0% to 84.8%;
- Ore reserve development: A significant increase – up 32% to 2.7 million centares;
- Platinum sales: Sales were 6,000 ounces above our market guidance of 700,000 Platinum sales ounces;
- Costs: Rand gross operating costs were impacted by the unexpected toll refining charges and furnace rebuild costs, and the inflationary environment we work in. Despite this our unit costs only increased by 2%, a pleasing result; and
- Capital Expenditure: Guidance of investing up to US\$270 million was achieved with significant spend being allocated to development at K4, Saffy and Hossy.

The Number One Furnace however experienced fresh difficulties again this year, with a matte run out at the end of the first half which was exacerbated by a further run out on restart. Considerable attention is being given to reconfiguring the furnace in its current re-build and to managing the inherent risk of having a single furnace to meet all our current production needs. Earlier this year, we announced that we would build additional smelting capacity and this is intended to reduce significantly, if not eliminate, this risk. In the meantime we were able to meet our customer needs by using our pyromet furnaces and by toll refining some concentrate.

Ian Farmer, our Chief Executive, moved his base to South Africa in January 2010 and as the year comes to a close I can report that we have successfully completed the transfer of all London based operational and management roles to Johannesburg. We are already seeing benefits from this decision.

Much has been achieved in the past two years. The health of our operations has been largely restored and we can now look forward to improving on the work practices and disciplines that have been introduced into our operations, in order to drive efficiency and productivity. We will also continue to give concerted attention to our safety performance which must be further improved.

The imperatives of growth and transformation in South Africa

Virtually all Lonmin's operating assets reside in South Africa while only some 7.4% of our shares are held there, with the balance held internationally. Lonmin has a primary listing in London, with a secondary listing in Johannesburg.

Our commitment to ensuring that Lonmin's South African operations meet the highest standards of good corporate citizenship remains undimmed despite the emergence of new challenges during the year. As the South African Government seeks to reverse the wrongs of the apartheid system, and normalise wealth distribution in the country, it has introduced legislation designed to accelerate transformation. Given the mining industry's historic dominance and its economic and social impact, it has understandably been a focal point for change initiatives. During the year the Government promulgated a revised Mining Charter which, together with a Balanced Scorecard, defines the actions required by companies wishing to retain their licence to operate. The Board has constituted a Transformation Committee under the chairmanship of Cyril

Ramaphosa to support the many, complex and sometimes costly initiatives which management must drive in order to achieve acceptable progress towards meeting these transformational requirements. These range across every aspect of our operations, from Historically Disadvantaged South African (HDSA) equity ownership levels through to procurement and training. We will report each year on our progress towards these goals which, for the most part, must be achieved by 2014. It is to be hoped that the sheer scale of these changes for the mining industry as a whole, at a time when operating margins, at least in the platinum sector, are less than generous, will not stifle the growth imperative on which the longer term economic prosperity of South Africa crucially depends. It is an uncomfortable fact that recently South Africa's mining industry has experienced virtually no growth whilst internationally the mining industry has grown annually. Recognition of the need to restore South Africa's attractiveness to international mining investors was fundamental to the conclusions which emerged from the work of the tripartite Mining Industry Growth, Development and Employment Task Team (MIGDETT) exercise which concluded its work during the year.

Mention must also be made of the rather vocal calls for nationalisation of the mining industry. These do little for investor confidence, but we are encouraged by the steadfast position that key government ministers, senior leaders within the ANC, and other industry participants such as the National Union of Mineworkers, have taken in arguing the weaknesses and dangers for South Africa's economy of a policy of nationalisation.

Mining has always been a highly capital intensive business, and our operations are no exception. Access to equity, and indeed the international debt markets, is of fundamental importance to the achievement of Lonmin's potential. The \$458 million rights issue last year, and the \$229 million equity placement earlier in the year under review effectively represented a large foreign direct investment in South Africa. Our shareholders' and bankers' willingness to support Lonmin in its capital expenditure programmes and in helping Shanduka Resources (Proprietary) Limited (Shanduka) fund its investment in Incwala Resources (Pty) Ltd (Incwala), depend on their confidence in our security of tenure, primarily of our New Order Mining Licences but, underlying that, of our mineral rights. I am happy to report that a measure of uncertainty in the latter regard was speedily resolved during the year with the active co-operation of the Department of Mineral Resources. There remains only a private challenge to our right to mine associated minerals over a small part of our property, and we are determined to do everything possible to preserve that right.

Incwala and Shanduka

During the year we provided significant funding for Shanduka to acquire Incwala shares from a number of counterparties, including certain of the original HDSA shareholders. Shanduka now holds interests directly and indirectly which represent in aggregate 50.03% of the shares of Incwala, an outcome which simplifies the ownership structure.

Operating successfully in South Africa today requires a Black Economic Partner (BEE) partner that can actively add value. Meeting South Africa's transformational aspirations, addressing productivity challenges in partnership with unions and investing in growth with assurance of mining right security, all require that the relationships with our many stakeholders operate effectively. The Board believes that Shanduka as the majority shareholder in Incwala has a proven track record of investing in the natural resources sector, strong leadership qualities, and has demonstrated the financial capacity to participate in transactions together with Lonmin. The Board therefore considers that a strong partnership with Shanduka will serve Lonmin well. Our commitment to the importance of this partnership is evidenced by Cyril Ramaphosa joining the Lonmin Board and by Shanduka's representatives attending the Lonmin Executive Committee meetings.

Against this background the Board decided that robust funding would be required for the new BEE structure, in order to secure the long term future and stability of Incwala. It became clear that the best way of this being achieved would be with funding from Lonmin and we agreed to provide Shanduka with a \$304 million five year loan, secured on Shanduka's interest in Incwala, with Shanduka making an equity contribution of R300 million. In line with the Board's policy to maintain an appropriate capital structure Lonmin financed this funding through a combination of the net proceeds from a Placing to institutional investors which raised £160 million (\$229 million), and from Lonmin's own financial resources. I place on record Lonmin's appreciation of the support provided in this placing by our larger shareholders, including Xstrata.

The South African Minister of Mineral Resources and the Department of Mineral Resources (DMR) acknowledged Lonmin's support for the transaction and endorsed it as a constructive contribution to the long term financial stability of our BEE structure.

Board changes

I am delighted to welcome to the Board Dr Len Konar and Cyril Ramaphosa who joined us during the year as Non-executive Directors of the Company. Len is a highly respected businessman in South Africa and his professional contribution to the development of Lonmin will be important. Cyril's breadth of experience and wise counsel will be vital in helping Lonmin build on its operational capacity in South Africa and to fulfil its strategic transformational objectives.

I also look forward to Mahomed Seedat, currently our Chief Operating Officer, joining the Board as a Non-executive Director on 1 January 2011. Mahomed's judgement and leadership have been invaluable as we have restored the operational health of the business and he will remain in his executive position until the end of 2010.

I am also pleased to welcome Simon Scott who was appointed to the Board as an Executive Director on 27 September 2010 and will assume his role as Chief Financial Officer on 15 November 2010. Simon brings both local knowledge and relevant experience of financial management gained at senior levels of the South African platinum mining industry. We look forward to the substantial contribution he will make to the continuing development of Lonmin in years to come.

The Board would also like to acknowledge the significant role which Alan Ferguson has played and will continue to play until his departure on 31 December 2010. This is a very different Company from the one he joined three and a half years ago and a large part of the credit for this transformation should go to him. He will leave with our gratitude and best wishes.

Outlook

We are confident that PGM markets will sustain the improvements already seen, and have the potential to advance further. Recovery in western automotive markets and rapid growth in China will underpin auto catalyst demand. A new factor of considerable potential is the demand for catalysts for off-road vehicles. Platinum jewellery demand, increasingly favoured in the Far East, will be supported inter alia by the recent narrowing of the spread between the gold and platinum prices. We remain of the view that production increases by the South African PGM industry over the next few years will remain modest.

We intend to build on the strong operational performance of 2010 and anticipate that production at Marikana including our share of the Pandora joint venture will grow to enable us to achieve Platinum sales of around 750,000 ounces in 2011. Our main challenge will be containing costs in the face of inflationary pressures in the mining industry and the largest component of our cost is labour. Given this, we anticipate unit cost will increase by less than 8% on the assumption that we achieve a settlement with the National Union of Mineworkers (NUM) in line with that achieved by our two larger competitors.

Our capital spend will rise this year to some \$380 million. This is higher than our previous guidance of \$300-350 million due to a decision to invest in the new furnace (\$38 million in 2011) and tailings treatment plants (\$24 million in 2011), neither of which were within the original guidance. The furnace spend is essential as a risk mitigation in the short term and to ensure there is adequate capacity in the longer term. The tailings treatment project is an exciting one as these new plants will recover PGMs from our chrome depleted UG2 tailings. Over the next three years we expect to spend c. \$75 million on these plants, and as a result to improve our concentrator recoveries from 2012 onwards at our UG2 plants by around 2%, which based on today's volumes represents around 25,000 PGM ounces per annum.

We remain on track to produce around 850,000 Platinum ounces by 2013 from our Marikana operations, including our share of the Pandora joint venture, with growth coming from Hossy, Saffy and K4. In addition to Marikana, we still have options for growth at Limpopo and Akanani and we will be turning our attention to these matters in the coming year. The pace at which investment into growth projects can be applied will be impacted by the capital requirements and cash generating capabilities of our existing operating assets as well as long term demand trends for our products.

Dividend

Given the improved financial performance of the business, its projected cash requirements and current trading conditions the Board has decided to resume the payment of dividends. In coming to this decision the Board has revised its dividend policy.

Our new policy is to recommend each year an ordinary final dividend at a rate which the Board expects can at least be maintained in subsequent years. This annual dividend would be announced after the year end and would be supplemented by a special final dividend in years when our reported earnings for the previous year, and our projected cash requirements, allow. Dividends will therefore be paid only once a year.

In implementing this new policy in a year which produced net earnings (after minorities) of \$112 million (equivalent to 56.9 cents per share), the Board has given consideration to the fact that operating margins are currently still relatively low, our net debt at year end was \$375 million and that the capital expenditure requirements of the business are considerable.

The dividend of 15 US cents per share is recommended as the ordinary final dividend for the year, to be paid to shareholders on the registers at the close of business on 14 January 2011, is subject to approval by shareholders at the Annual General Meeting on 27 January 2011.

Employees

Finally, I extend warm thanks to all Lonmin employees and contractors. Their continued hard work and commitment has enabled us to deliver a rewarding set of operational and financial results, and the prospect of continuing improvement.

Roger Phillimore

Chairman

Chief Executive's Review

1. Delivering Today

I am pleased to report that we have produced a very encouraging set of results whilst continuing to improve on our safety record. These results mark the end of the two year period we set ourselves in 2008 to restore the operational health of our business and demonstrate the significant progress we have made in that time.

We achieved Platinum sales of 706,000 ounces from our Marikana operations, ahead of sales guidance of 700,000 ounces. The problems we encountered with the Number One furnace again this year were disappointing and meant that we had to toll refine and sell some part processed material. This was the best commercial option for the business.

Encouragingly metal in concentrate was 694,000 Platinum ounces, well ahead of 663,000 Platinum ounces delivered last year, whilst the mines hoisted some 700,000 Platinum ounces as ore stocks were built up. This improvement came about through an increase in underground tonnes hoisted, better grades and significantly improved recoveries, all of which more than offset the impact of closing Limpopo and our UG2 opencast pits in 2009.

At the same time, we continued to make significant progress with our development of ore reserves, a crucial indicator of the health of our mining operations.

Although we operated in an environment with inflationary pressures on key inputs such as wages and electricity, our Rand unit costs per PGM ounce produced only increased by 2%, much lower than South African PPI reflecting productivity improvements

I believe we can now put behind us the notion that Lonmin is not on top of its operational game. Of course we will still have issues as this is, and will always be, a very challenging business. These results however, could not have been delivered without a management team, and an emerging culture, in which matters are identified and dealt with in a timely, constructive and professional manner and where Key Performance Indicators are tracked and monitored on a regular basis.

We have reiterated our production target of 850,000 Platinum ounces by 2013 from our Marikana operations including our share of Pandora joint venture, with replacement and growth ounces being generated from Hossy, Saffy and K4.

Safety

Progress with our LTIFR

Safety is fundamental in everything we do and it will always be at the forefront of our minds. We have worked hard at addressing the behavioural and cultural issues which are fundamental to a good safety performance. This includes focusing on upgrading our safe production training programmes and increasing safe behaviour observations. We have also improved our procedures for compiling safety data.

Our Lost Time Injury Frequency Rate (LTIFR) improved marginally, from the end of the 2009 financial year to 5.87 per million man hours worked, but sadly we suffered three fatalities, two as a result of fall-of-ground incidents and one from a tramping incident. We extend our sincere condolences to the families and friends of our late colleagues Miss Betty Moekwa, Mr Bavuyise Bala and Mr Siyabonga Tomose.

We lost fewer tonnes this year from Section 54 stoppages as the frequency and length of the stoppages decreased and the manner in which they are applied became more pragmatic. This reflects the collaborative relationship we have developed with our employees and the Department of Mineral Resources (DMR) on safety matters, and the emphasis we have been placing on consistent application of high safety standards in all our operations.

Mining

Our Mining Division's performance continued to improve throughout the year, with quarter four being very strong. The results reflect the division's commendable turnaround. Mining management throughout the year placed a strong emphasis on quality of mining and improving mining discipline and it has achieved this by introducing processes, procedures and training to support these initiatives.

The success of these programmes is reflected in the gradual increase in momentum we have seen throughout the year. Indeed, whilst production in the first half of the year was adversely impacted by the Christmas holidays and a fatal accident Section 54 related stoppage at K3, the second half showed a marked increase with underground production reaching 5.8 million tonnes compared to 5.2 million tonnes in the first half.

We have agreed a new working calendar with our employees and unions for the forthcoming holiday season which should help improve productivity and provide for a good Christmas break for our mining employees.

We have also streamlined the reporting in the Mining Division into a four unit structure and removed excess reporting levels, to enable management to be as close to the operations as possible. We will now report the output from these four mines separately in our Production Report.

Ore reserves

The Marikana operations have immediately available ore reserves of 2.7 million centares as at the end of the 2010 financial year. This is a 32% increase from the 2.0 million centares that were available at the end of 2009 and it allows us to support future production and forecast our short term output with greater confidence.

If there is one statistic which for me best illustrates the scale of the turnaround that has been achieved in the last two years it's the fact that available ore reserves are over 61% higher than they were at the end of 2008.

Progress made with Hossy

Hossy's production profile and grade has improved during the year and we have decided to continue with the fully mechanised proof of concept project. The average monthly production has ramped up to 67,000 tonnes per month in 2010, a significant increase from 2009 when it averaged 56,000, whilst the grade has improved from 4.38 to 4.60 grammes per tonne. Two new mining half levels, defined as quadrants in a mechanised shaft, came on stream in the first half of this year bringing the total number of quadrants being mined to six.

The key drivers to Hossy's improvements have been enhancements to the mining layout and infrastructure and equipment upgrades. We have also kept up our development and training initiatives in core areas. This is important as there is a general shortage of people with mechanised experience in the industry and this will remain a key area of focus.

We retain our target of achieving productivity of 2,200 square metres per month per suite of equipment by the end of 2011 financial year in fully developed quadrants.

Mining capital projects

We have continued to make good progress with the capital development at Hossy, Saffy, K4, and the declines at K3 and Rowland shafts, all of which are essential to our medium term production. While the key focus for the team is delivery on time and budget, the Capital team, under the leadership of Frank Russo-Bello, are examining ways of reducing capital costs and improving project productivity. Frank is also leading a team that is looking at further opportunities to optimise our life of mine extraction strategy.

Processing

The Process Division produced excellent results during the year with significant recovery improvements being recorded.

Of particular note were the much improved recoveries at the concentrators which averaged 84.7% throughout the year. This represents a significant 4.9% points improvement over 2009. The success of our concentrator optimisation programme could only have been achieved through the excellent teamwork and commitment of the employees in this part of our operations led by Natascha Viljoen.

The refineries also performed very well this year, again reflecting the discipline exercised by the teams at these plants in following strict processes aided by excellent technical support and plant maintenance programmes.

Number One furnace

In 2010 the Number One furnace was down for almost fourteen weeks due to scheduled maintenance and as a result of the double run out experienced in March and May this year. This necessitated toll refining and selling part processed material as the backlog was too big to hold in stock. The quantum refined by third parties amounted to some 75,000 Platinum ounces and this had an impact on costs as discussed elsewhere.

The Number One furnace was taken down again at the end of October 2010 for a scheduled rebuild. This is running to plan and we expect it to be re-commissioned in December 2010. Whilst the Number One furnace is down, the three pyromet furnaces will operate as usual and we will continue to toll refine a limited amount of metal-in-concentrate until the furnace is fully operational again. We recognise and share the concerns of our investors about the reliability of this vessel, but I believe we have a team who understand the issues very well. We continue to make modifications to the furnace designed to reduce disruption risk and this gives us confidence, tempered with realism, for the future.

The decision was taken to add more back up capacity and work has commenced on building the new 10MW pyromet furnace which is planned to come into production in quarter three 2012 at a capital cost of some R350 million.

Whilst any disruption to the Number One furnace is always disappointing, the value impact of such an event is not material to the long term value of Lonmin. As a result, we do not intend to announce any future furnace incidents unless they impact our market guidance.

Tailings projects

Earlier in the year, we entered into arrangements with Xstrata-Merafe Chrome Venture and ChromTech to construct chrome recovery plants which will treat tailings from our UG2 concentrators. This initiative will generate additional revenue of some \$20–30m per annum with effect from 2012, dependant on the chrome price. The impact on 2011 will be approximately \$10 million. In addition, we have commenced an investment programme of around some \$75 million to build tailings treatment plants which when fully operational will improve our UG2 concentrator recoveries by some 2% from 2012 onwards, equivalent when fully commissioned to approximately 25,000 PGM ounces annually.

People focus

Motivating and developing our people is a key contributor to achieving consistent production. We continued to introduce a number of employee relations initiatives designed to promote a safe performance driven culture. These are supported by regular and improved communication between management and employees. We have also rolled out a programme to standardise and align the production reward system across all our operations.

BEE partnership restructured

We are delighted to have played our part in helping secure the future of Incwala, our BEE partner. It is important that we have a strong BEE partner, and we welcome Shanduka as Incwala's majority shareholder.

The terms of the funding provided to Shanduka, to help facilitate this transaction, provide for Lonmin to receive a fair commercial return. In addition, in the event that there is significant future value created for Shanduka through its Incwala shareholding, the terms of the funding provide that a proportion of such incremental value uplift will be shared with Lonmin. This was not available to Lonmin under the original Incwala transaction in 2004.

Shanduka has representation on our Executive Committee which meets every month to consider operational and strategic issues, and Cyril Ramaphosa has joined the Lonmin Board. This partnership will enable us to work closely together as we explore new initiatives and execute our transformational objectives.

We raised £160 million of fresh capital to part fund the loan to Shanduka and I would like to thank our shareholders for their support.

Social and Labour Plans

Our communities and our employees are very important stakeholders. This year we have spent R35 million on community projects and R15 million on converting five hostel blocks into married and single room accommodation for our employees. There is still much more work to be done in both these areas and we have budgeted to invest some R42 million in 2011 on community projects and R100 million per annum for the next three years on our hostel conversion programme.

The education and training of our employees is another key area and we continue to have employees enrolling in the Adult Based Education Training (ABET) adult learning scheme. Our total training budget for 2011 amounts to some R208 million, which includes the provision of bursaries to some 43 full time university students of which 37 are Historically Disadvantaged South Africans (HDSAs) and 21 are female.

Our management payroll now includes 43% HDSAs and these are all merit based appointments.

Sustainability

Transformation is an essential area of business in South Africa today and we are making steady progress. More of the work that we have done in this area will be reported on in detail in our Annual Report and in our web based Sustainability Report.

Seamless transfer of London operations to Johannesburg

The move of all London based operational and management roles to South Africa is now largely complete. The transfer of these operations has run smoothly under the leadership of Alan Ferguson and we go into 2011 with all these functions based in South Africa. We will be sad to bid farewell to many of our London colleagues who will not be relocating, but we welcome our new team members. It is already clear that placing the Executive Directors closer to the operations will generate many benefits some of which have already started to come through.

2. Industry wide challenges and successes

There are a number of challenges faced by the South African mining industry, some of which received significant publicity during the year.

The Revised Mining Charter

It was pleasing to note that a collaborative approach was adopted with the review of the Mining Charter which was released in early September 2010. Lonmin, along with other participants in the mining industry, was involved through the South African Chamber of Mines. The Revised Mining Charter has brought clarity in some areas and has re-oriented 2014 goals to take into account the experience of the last five years. Concern has however been expressed by industry participants and international investors regarding the degree of subjectivity that still remains, as well as the powers granted to the Minister of Mineral Resources to unilaterally amend the Charter. In this context, concern has been expressed that companies' security of tenure over their operations may be unfairly compromised.

We cannot understate the challenge the industry generally, and certainly Lonmin, faces in achieving some of the 2014 goals within the timeframe provided. Whilst investors have factored in the imperative for transformation there is a cost in terms of time, effort and money associated with implementing social transformation which is not easily quantifiable but nonetheless exists. As South Africa positions itself to become globally competitive, and an attractive destination for inward investment, these are issues which cannot be ignored especially if the industry is to contribute to South Africa's well being to the full extent of its potential.

During 2011 we will be reviewing our Social and Labour Plans in the light of the revised Mining Charter and we will report annually on progress against these plans.

Associated Minerals

In May 2009 we discovered that we had an issue regarding our right to dispose of associated minerals (i.e. non PGM metals which are found in our ore body and which must be mined and processed together with the PGMs) when Keysha Investments 220 (Proprietary) Limited (Keysha) applied for a prospecting right over a small part of our property. In our view it is illogical and wrong that a prospecting right can be granted over an ore body where mining is already taking place, and where that company has in good faith converted its old order rights into new order mining rights. The spirit and intention of the conversion process was intended to leave title holders in the same position after conversion as before.

After taking comprehensive legal advice we appealed against both the application for and the subsequent award of the prospecting right. We also filed section 102 applications to regularise the position in respect of the balance of our property that was unaffected by the Keysha prospecting right. On 4 August 2010 the DMR issued us with a notice suspending our ability to sell all associated minerals across our business. We announced these facts to the market which generated significant media attention for both Lonmin and the wider South African mining industry. Shortly thereafter the Section 102s were all approved confirming Lonmin's right to extract and sell all associated minerals. The issue with regard to the Keysha prospecting right remains outstanding. We await the outcome of our appeal and we will take the matter to judicial review if necessary.

Skills Shortage

Skills shortages remain an issue. The scarcity of experienced people nationally and globally means that the industry is always chasing talent and there is an insufficient skills pipeline to address this. This impacts mainly on our mining operations, particularly at our mechanised Hossy shaft. We have developed a new training strategy for the business whereby we will refocus our training budget on better value adding initiatives that will help to address these challenges.

Inflationary Pressures and Rand Strength

While South Africa has reported declining consumer price inflation during 2010, down to levels of around 3.5%, the mining sector has experienced significant inflationary pressures, driven by the high cost of inputs such as labour (up c. 8-10%) and power (up c26%). As well as impacting on working cost, this also impacts on capital investment.

These pressures allied to the strength of the Rand has meant that margins and the resulting free cash flow have been held back. This means as a business we have to strive to deliver more output from the same input and this will be a major area of focus as we go into 2011.

3. Anticipating tomorrow: the key areas of focus

Safety

We will maintain our focus on safety particularly around training and employee behaviour as we continue our journey to zero harm.

Productivity

We have worked hard to restore the health of our Marikana operations in the past two years and we will continue to monitor vigilantly the key operational metrics of this business. Our focus on available ore reserve development will remain undiminished.

Our challenge for next year is however subtly different from that faced in 2009 and 2010. Whilst we have been effective in 2010, we are not producing as efficiently as we can and 2011 will be a year when we will seek to drive productivity in our operations. This is vitally important given the inflationary pressures we will face as we go into 2011 and our objective of moving back down the relative cost curve. Our key focus will therefore be on driving productivity.

We will look at a number of areas:

Day to day productivity

We are turning our attention to areas where we can improve our daily productivity. This is the one area where we can see immediate flow through to our production. We have also suffered historically from a shortage of developed ore reserves, but we are now well positioned. We will focus on mining our shafts efficiently, considering optimisation of half levels as well as improving metrics such as advance per blast. Importantly, we will build on the momentum we have achieved in 2010 and the partnership we have built with our employees to support us in this challenge. This will be done through a range of measures including appropriate bonus arrangements and a new working calendar.

Structural issues

There are some areas which are more difficult to change immediately as they are structural in nature. These include declining production from our small older shafts as they approach the end of their working lives, the pace at which Hossy and Saffy will move towards full capacity and the timing of K4 coming on stream. Initially of course the new ounces from K4 will be relatively expensive but the cost per ounce will decrease as production ramps up.

Rebuilding the Number One furnace and bringing the new furnace into production on time and on budget are the other major areas of focus.

Investing in the future

2011

Capital expenditure at around \$380 million is above our previous guidance due to the inclusion of the new furnace as well as the tailings treatment initiatives. We will, however, continue to monitor affordability and development capital will always take priority. The majority of our capital spend will be predominantly Rand based and will therefore be impacted by exchange rate movements.

2011 and beyond

We will start to focus on how we wish to achieve 26% BEE ownership in our operations by 2014. Currently we have 18% BEE ownership for Marikana and Limpopo and 26% for Akanani. We see a broad based structure as optimal, but we will be reviewing our options and ensuring we protect our shareholders' interests.

Whilst Limpopo remains on care and maintenance, we are exploring opportunities available to us to resume operations as well as working with other parties to examine what possibilities we have to develop this asset further.

4. Outlook

Guidance

Our operations have turned a corner and 2011 will be the next important step towards achieving our sales target of 850,000 Platinum ounces by 2013. We expect to continue to gain momentum whilst maintaining the quality of our production. We anticipate sales of 750,000 Platinum ounces in 2011 with additional production coming from Hossy, Saffy, K3 and opencast whilst output from our Newman shaft is starting to decline.

Despite the significant inflationary pressures our operations will face, we expect to maintain cost control by driving productivity and limiting the increase in cost per ounce. Given this we anticipate that unit cost will increase by less than 8% on the assumption that we achieve a settlement with the National Union of Mineworkers (NUM) in line with that achieved by our two larger competitors.

As already reported, our capex guidance is c\$380 million. Most of the mining capital spend will be on bringing K4 into production, finalising the capital footprints in Hossy and Saffy and extending the mine lives of K3 and Rowland.

Beyond 2013

We also have to start turning our minds to our other assets and profitable growth, as a business, beyond 850,000 Platinum ounces. Our initial focus for growth beyond 2013 will be on the assets we already have in our portfolio such as Akanani, Limpopo and Pandora, and of course Marikana. We will provide direction on the outcome of our review of these assets and any other potential options we may identify as appropriate.

5. Employees' contribution

Our business relies on the dedication and support of our employees, contractors and community members. In a year when we have completed the restoration of our operations back to good health I would like to thank each and every one of them, for their contribution and hard work.

Ian Farmer

Chief Executive Officer

Operational Review

Market Overview

Last year we said 2010 would be a year of steady recovery as automotive and industrial demand increased from the very low levels of 2009 and that demand would improve further from mid 2011 onwards. While short term market visibility remains somewhat opaque, we still believe this to hold true. The recovery of the global economy in 2010 was reflected in PGM pricing, with the prices of all metals rising during our financial year as the fiscal and monetary stimulus injected into the global economy encouraged the replenishment of inventories which had been depleted during 2008 and 2009.

In the short to medium term Platinum demand will be driven by a number of factors. The continued recovery in the automotive sector in general as well as the introduction of legislation for off road vehicles, dominated by diesel engines, will stimulate demand. Jewellery sales continue to play a valuable role as the elastic demand element and this segment is helped by the increasing number of Chinese consumers being able to afford platinum jewellery as well as the narrowing price differential between Platinum and Gold. ETF purchases have assisted Platinum price recovery although more recently trading volumes appear to have stabilised.

During the first half of the 2010 financial year, Platinum prices rose 28% from \$1,280 per ounce to \$1,644 per ounce averaging \$1,481 per ounce. Platinum prices averaged \$1,596 per ounce in the second half of the financial year, a rise of 8% on the first half average.

Palladium outperformed platinum on the back of firm supply and demand fundamentals, with palladium dominating the gasoline engine auto catalyst market recovery in North America and the unabated growth in China. In addition ETFs have been another source of demand in the period whilst rumours persist that the Russian stock piles are close to depletion. Prices have risen 95% from \$290 per ounce at the end of the 2009 financial year to \$565 per ounce at the end of the 2010 financial year.

Rhodium pricing has shown a steady recovery on the back of the automotive industry restocking although it has been somewhat range bound lately largely as a consequence of rhodium's more limited product application. Despite this it has maintained a price above the \$2,000 per ounce level since early November 2009.

Longer term, the impact of environmental legislation as a driver of demand continues unabated and indeed existing legislation will drive increased demand for our products out through 2015. In addition, there remain other forms of transportation which we expect will eventually fall into the legislative net. Other areas of potential growth such as fuel cells, both stationary and those used in vehicles, continue to gather momentum. Electric cars which do not use PGMs will continue to attract headlines, but from all the research seen they are highly unlikely to become a significant market segment in terms of vehicle units in the next decade.

Supply side challenges remain for all producers with the lack of free cash flow significantly reducing mining capital investment over the last two years. This allied to deeper mines, lower grades, skill shortages and long term power and water supply challenges all mean the supply side response to increasing demand is likely to be muted. The strength of the South African Rand, and the inflationary pressures in the country, will also continue to squeeze operating margins and cash flows whilst they persist. All of these factors will provide an underpin to metal prices in the medium to long term, especially if demand picks up more strongly than anticipated.

Consequently we will continue to carefully balance the need to invest in growth ahead of the continued, and maybe stronger, upturn in demand whilst at the same time remaining focused on maintaining strong financial discipline.

Safety

It is with regret that we report the death of three of our employees during 2010 however continued focus on safety has resulted in the LTIFR reducing to 5.87 per million hours. This is the sixth year in a row that we have achieved a year on year rate improvement. Various milestones were reached during the year. Saffy shaft has from the outset, ten years ago, never reported a fatality which is an excellent achievement in the South African mining industry. Several of our other shafts (six in total) have achieved in excess of 1 million fatality free shifts with 4B and E1 shafts currently standing on 4.0 million and 3.4 million fatality free shifts respectively.

We have focused our drive for improved safety on six areas; mindset, culture, safety leadership, governance, risk assessment management and compliance. In each of these areas tactical measures were rolled out across the business and the individual elements were driven down through the organisation. The road to zero harm is a journey and there is always more we can and will do.

Our continuous focus on safety, and a more pragmatic approach from the Department of Mineral Resource (DMR), is reflected in the fact that tonnes lost as a result Section 54 safety shut downs were 0.2 million lower than in 2009. This was the result of fewer and less severe Section 54s issued.

Managing organisational risk exposure is paramount to Lonmin and an extensive review of all shaft baseline risk assessments was completed this year, which has resulted in an improvement of all shaft based risk registers.

Mining Division

In our 2010 financial year, the Mining Division demonstrated continuous improvement, culminating in very strong production results for the last quarter. Total tonnes mined during the 2010 financial year were 11.3 million, a 0.5 million tonne increase from 2009. This is largely attributable to the ramp up in production from our Middelkraal (Hossy and Saffy) operation. Marikana opencast operations resumed production in March 2010 having been closed during the first half of 2009. However, the increase in Marikana opencast was more than offset by the decrease in Pandora opencast production as this was mined out during 2009. There was no production from the Baobab shaft at Limpopo during the year and this shaft continues on care and maintenance while we evaluate potential options to restart operations.

A primary area of focus for the Mining management team continued to be ore reserve development. At the end of September 2010, immediately available underground ore reserves at Marikana reached 2.7 million square metres. The year on year increase of 32% is a very positive indicator and it demonstrates that the health of the ore body has been largely restored. Our two deep shafts, K3 and Rowland, increased ore reserves by 59% and 49% respectively, although K3 UG2 is still not where we want it to be. The two shafts in ramp up, Hossy and Saffy, also increased ore reserves by 41% and 14% respectively. Of course higher extraction rates will continue to require even greater levels of development to maintain a satisfactory ore reserve position and our plans in this regard are well in hand.

Our continued focus on delivering quality tonnes resulted in an improvement in the milled head grade for underground ore of 2.2%, which equates to around an additional 29,000 PGM ounces.

A number of the productivity programmes that were initiated by the Mining team are starting to show benefits in 2010. These include:

- New incentive programmes for our productive employees to increase the element of variable pay. These have delivered significant efficiency improvements most noticeably towards the end of the financial year.
- The removal of technical bottlenecks and the implementation of improved operating systems at each shaft have contributed somewhat to the increased output; however, this still remains an area of further opportunity.
- The implementation of several initiatives to assist us in better managing inspections by the DMR, including a review of relevant procedures and the roll out of a union consultation and communication plan relating to Section 54 stoppages.
- The implementation of a new working calendar for the year should improve productivity as well as providing our mining employees with a well earned Christmas break.

Management attention is directed on achieving productivity improvements to mitigate the inflationary cost pressures being experienced by the industry. Issues such as absenteeism remain problematic and will be receiving further attention during the course of 2011. Further work will also be carried out on improving our mining operating and cost management reporting systems.

Marikana Mining

The total underground production at 10.8 million tonnes was the highest achieved since 2007. This represented an increase of 6% from the 10.2 million tonnes produced in 2009. It was encouraging to see momentum building over the course of the year, with tonnes mined in quarter four being 20% above the same period last year, and 19% above quarter three 2010.

The Merensky opencast operations at Marikana started production towards the end of the second quarter of the 2010 financial year and is well on track. The current production of around 80,000 tonnes per month from opencast operations should be maintained during 2011.

During the year we revised the management structure into four discrete business units which will improve accountability and help drive performance. We will report against these units from now onwards.

In 2010 we mined 4.1 million tonnes from our Karee operations (currently K3,1B/4B but will include K4 when it comes into production), an increase of 0.2 million tonnes from 2009. This is a result of the improvement in ore reserves and reduction in the year on year impact of tonnes lost due to Section 54 shut downs. Cost per tonne increased year on year by 13% to R537 per tonne largely due to the wage increase and a 24% increase in development costs. The challenge here is to improve the performance of K3 and we are starting to see encouraging results.

Production from our Westerns operations (Rowland and Newman) at 3.7 million tonnes declined by 0.2 million tonnes on 2009. This was all due to the closure of two mined out shafts, W1 and B3 during 2009 which produced 0.4 million tonnes. Unit costs were well contained with cost per tonne increasing by just 4% to R474 per tonne.

The build up in production from our mechanised and hybrid shafts at Middelkraal (Saffy and Hossy) is progressing well and increased by 0.5 million tonnes, or 39% to 1.9 million. Cost per tonne reduced by 1% to R629 per tonne with the ramp up in production and productivity measures improving efficiencies.

Saffy continued to perform extremely well, despite the multiple challenges faced by shaft management in converting from fully mechanised to hybrid mining during the year, with the shaft exceeding its September month target, the highest in the year, by 14%. The transition to full hybrid mining was completed on schedule. Saffy also exceeded its ounce production target for 2010 through a combination of the quality tonnes delivered and a shaft head grade above the planned grade. Saffy's growth rate will be much lower in 2011 as development work to open up lower levels is completed. Growth rates should accelerate again in 2012.

Hossy also recorded a good year, reflecting improved productivity on centares per month per suite of mechanised equipment during the 2010 financial year. Over the course of the year, production at Hossy continued to ramp up with the average in 2010 of 67,000 tonnes per month growing by almost 20%. The biggest challenge being faced by the mechanised mining team centres around machine reliability, the availability of replacement parts and the supply of trained artisans and we have ongoing programmes to address these issues. The target of 2,200/m² per suite of equipment from fully developed quadrants is still expected to be achieved by the end of the 2011 financial year.

Our Easterns operations (E1, E2, and E3) also showed an improvement due to the focus on development and productivity improvements. Tonnes mined at 1.1 million were up 0.1 million or some 16% on 2009. Cost per tonne was up 7% to R544 per tonne.

Costs for the 2010 financial year at our core underground conventional operations at Marikana Mining were R532 per tonne, up 8% from 2009. It should be noted that this was achieved despite the continued cost pressures with wage increases of 10% and electricity rate increases of 26%, both well in excess of the published PPI data. Development costs have also increased 13% resulting in increased ore reserves. Additionally extra costs were incurred during the year to increase the roof support in some of the mines to improve safety, as well as to extract ore from previously abandoned areas. Therefore, whilst this performance demonstrated some underlying productivity improvements, including the full year benefits of the March 2009 restructuring programme, more needs to be done to continue to mitigate the inflationary increases expected for 2011.

Despite the increase in cost per tonne improvements in grade and recoveries mean that the C1 cost per saleable PGM ounce produced for Mining increased by just 2%.

Capital expenditure during 2010 at our Marikana Mining division was \$205 million, the majority of which was allocated to Hossy, Saffy, K3 and K4.

Pandora joint venture

Our share of production from the Pandora joint venture underground operation during the financial year was 166,000 tonnes mined, up 17% over 2009. Opencast production at the joint venture came to an end during 2009 giving a year on year decrease of 156,000 tonnes. Total production was, therefore, down 132,000 tonnes on 2009.

Lonmin purchases 100% of the ore from the Pandora joint venture and this ore contributed 49,345 saleable ounces of PGMs in concentrate to our production. Pandora joint venture activities made a profit of \$5 million after tax for our account in the financial year.

The extension of the current Pandora underground operation which will give access to two additional levels, extending the life of the shaft, has commenced and completion is planned for 2011. The feasibility study on the 180,000 tonnes per month project was concluded during 2010 and various components of the study continue to be reviewed in order to extract the optimal value for the joint venture. This includes an option to extend the current decline project resulting in access to four additional levels.

Process Division

The Process Division's focus over the last two years on improving efficiencies was rewarded with overall recovery increases. The most significant increase was in underground recovery rates at the concentrators which increased year on year by 3.8% points to 84.8%. This is the highest since 2005 and is a significant achievement. This, combined with the reduction of opencast ore in the mix resulted in an improvement of 4.9% points in the overall concentrator recovery rate.

C1 unit costs for the year in the Process Division were R809 per saleable PGM ounce produced which represents an increase of 17% over 2009. If toll treatment and smelter re-build costs are removed from the calculation, but not the associated ounces, the unit cost for the division would have actually decreased by 1%. This was achieved despite wage increases of 10%, increased expenditure on plant maintenance at the concentrators of 44% and a 26% price rise for electricity.

Capital expenditure was \$54 million with the main areas of spend being the concentrator optimisation project, upgrade of the PMR security system and tailings and storm water upgrades.

Concentrators

The concentrators produced a total of 694,376 saleable ounces of Platinum in concentrate during the 2010 financial year, a 4.7% year on year increase, mainly as a result of more Marikana underground tonnes, higher concentrator recovery rates and improved head grade. Indeed the saleable ounces of Platinum in concentrate from underground mining (including Pandora) rose by 11.8% in the year. This significant increase outweighed the impact of the shafts and pits closed in 2009.

Overall concentrator recoveries improved during the 2010 financial year to 84.7%, from 79.8% in 2009, and the underground recoveries increased to 84.8% in 2010, from 81.0% in 2009, mainly as a result of the extensive concentrator optimisation programme undertaken over the last two years, which has focused on plant availability and reliability, milling the right ores at the right concentrator and excellent management disciplines. Performance against our internal plant recovery models, which take account of ore mix issues, also showed a significant improvement during the year and we are now operating close to the optimal level.

Given this, we are now considering how to take our performance to higher levels and our main focus is on extracting value from the treatment of our tailings. Contracts for the extraction of chrome have been signed with Xstrata-Merafe Chrome Venture and ChromTech and construction on three new plants has commenced. These are to be commissioned in the second half of the 2011 financial year. This will result in around \$10 million additional revenue in 2011 and there will be a further increase in 2012 as the plants will be on line for a full year. Tailings treatment plants which re-treat tailings from the chrome plants to recover additional PGMs are also to be constructed and commissioned. The first is currently under construction, with commissioning scheduled towards the end of 2011. When all three treatment plants are operational the recoveries from our UG2 Concentrators should increase by up to 2%.

Underground milled head grade was 2.2% higher year on year at 4.67 grammes per tonne (5PGE+Au) mainly as a result of better mining grade control allied to reduced dilution at Saffy as the mining method changed assisted by increased production from the stoping horizon, and at Hossy as a result of a revised mine layout. Overall milled head grade increased significantly year on year from 4.50 to 4.65 grammes per tonne (5PGE+Au) due to less open cast ore being processed. The bulk of the open cast ore mined this year has been stockpiled and will be milled during the Christmas break.

Smelter

The Smelter processed 136,818 tonnes of concentrate during 2010, an 8% year on year decline, mainly as a result of lower Number One furnace availability. In November 2009 the Number One furnace was taken down for a scheduled rebuild whilst on 30 March 2010 a matte run out occurred when matte came into contact with two lower waffle coolers after the heat up phase following a mickey block repair. During recommissioning a leak occurred on the slag side which delayed the restart of the furnace.

In total the availability of the Number One furnace in 2010 was only 74%. As a consequence the back up Pyromet furnaces and external toll smelting / refining were also used to process the excess concentrate produced in the second half of the financial year.

A risk mitigation programme at the Number One furnace was put in place which included reviewing the vessel's original specification, with a view to making it more robust. As a result, the furnace was taken down at the end of October when modifications will be made to reduce the risk of further matte run outs. These modifications include increasing the safety margin, in terms of matte levels and replacing the lower waffle coolers with refractory bricks and plate coolers.

In order to mitigate the impact of future Number One furnace disruptions the Lonmin Board approved capital expenditure for a new 10MW furnace and it is expected that this new vessel will be commissioned in May 2012.

Refineries

The continuous focus on recoveries is showing through and efficiencies and recoveries have improved year on year supported by robust plant maintenance programmes.

The BMR and PMR produced a total of 607,794 saleable ounces of Platinum and a total of 1,205,443 saleable ounces of PGMs during the 2010 financial year, down 7% and 3% respectively from the same period in 2009 due to the impact of the Number One furnace downtime.

Final metal sales for 2010, including the toll refining of 77,571 Platinum ounces and the sale of 24,850 Platinum ounces in concentrate in the fourth quarter of the year, was slightly ahead of our sales guidance at 706,274 ounces of Platinum and 1,325,390 of total PGMs.

Unit costs

In line with our peers in the South African mining industry, Lonmin has experienced continued inflationary cost pressures. Gross costs rose from R8.8 billion in 2009 to R9.7 billion in 2010, an increase of just under 10% driven by wage increases of 10%, 26% electricity price rise, toll refining costs, furnace rebuild cost, additional development costs which resulted in improved ore reserves, increases in royalties and share based payment costs. In addition maintenance costs increased as we drove improved recoveries and of course variable costs rose to support the 6% increase in production.

It should be noted that toll costs will still impact on profits in 2011. There will be some toll refining carried out in quarter one as part of a risk mitigation plan, given the planned down time at the Number One furnace. In addition there are still ounces in stock which are being toll refined. When sold their carrying cost will include a toll fee.

Excluding the unexpected costs of R106 million for toll refining concentrate and R52 million for rebuilding the Number One Furnace, as well as excluding the new state royalty of R40 million and the increase in share based payments of R30 million, the drivers of which are not linked to South African inflation, gross costs increased by 7%. This is slightly higher than the latest published PPI figure of 6.8%.

Despite these gross cost increases, unit costs per PGM ounce only increased by 2% to R6,773. Excluding just the toll refining and smelter rebuild costs would mean that underlying unit costs would have increased by less than 1%. Lonmin remains committed to move down the cost curve with continuous focus on productivity improvements planned for 2011.

Further details of unit cost analysis can be found in the operating statistics table. It should be noted that with the further restructuring of the business that occurred in the year the cost allocation between business units has been changed to a degree and therefore whilst the total is on a like for like basis individual line items are not totally comparable.

Reserves & Resources

During 2010, Lonmin has reviewed its Mineral Resource and Reserves and certain areas have been re-estimated where necessary. The more notable changes are as follows:

- The Mineral Resources at Marikana were largely unchanged. The tonnage depletion through mining was offset by slightly more Inferred Resources as a result of additional data acquired through surface drilling. Exploration drilling at Marikana in FY10 was focused on infill drilling rather than Mineral Resource extension.
- A revision of the relative proportions of the individual precious metals resulted in slight adjustments to the Platinum quantities at Marikana and Pandora.
- The Nickel and Copper grades of the Marikana Mineral Resource were reviewed and the average Nickel and Copper percentages are reported in the main Resource and Reserve report for each ore type.
- The Marikana Mineral Reserve grade increased by 3% (0.12 g/t). As a result the 3PGE+Au content of the reserve was slightly higher (0.6 Moz). This was largely due to several areas of Probable Reserves being removed from the reserve and replaced by new higher grade reserves.

- The Proved Reserves increased by 24%, reflecting the Company's focus on Ore Reserve Development in 2010.
- The down-dip extension to the Pandora Plan 4 area was included in the Mineral Reserve in 2010, resulting in approximately 0.3 Moz of 3PGE+Au being added to in the Probable Reserve category attributable to Lonmin.
- Modelling of the assay results received from the prior year's diamond drilling at Akanani further increased the confidence in the P2 portion of the Mineral Resource. Over 80% of the P2 Resource is now declared as an Indicated Resource. The quantity of P2 Mineral Resource increased by 3% and 3PGE+Au grades remained largely unchanged, confirming the robustness of the grade of this portion of the Akanani Mineral Resource. In addition, the volume and grade of the underlying P1 Mineral Resource was increased, albeit in the lower confidence category (Inferred Resources).
- An Inferred Resource has been declared on the Denison Property, near Sudbury Ontario, Canada which is subject to a JV that was formed with INCO (now Vale) in 2005. This is the first Mineral Resource declared for the JV and although the initial resource is relatively small it demonstrates the economic potential for this style of mineralisation in the area.
- The total 3PGE+Au content of the overall Lonmin Mineral Resource increased by 2% and the grade decreased marginally. This was primarily a result of the increase in the Inferred P1 Resource at Akanani.

A summary of the changes in both the Lonmin Mineral Resources and Reserves is shown in the following tables and should be read in conjunction with the Key Assumptions outlined below. The complete 2010 Mineral Resources and Reserves statement can be found on our website: www.lonmin.com.

Mineral Resources (Total Measured, Indicated & Inferred)^{1,4,5}

Area	30-Sep-2010				30-Sep-2009			
	Mt ⁵	3PGE+Au		Pt	Mt ⁵	3PGE+Au		Pt
		g/t	Moz	Moz		g/t	Moz	Moz
Marikana	740.1	5.05	120.1	71.7	750.7	5.01	120.8	71.2
Limpopo ²	144.7	4.23	19.7	10.0	144.7	4.22	19.6	10.0
Limpopo Baobab shaft	46.1	3.91	5.8	3.0	46.1	3.91	5.8	3.0
Akanani	216.0	3.84	26.7	10.9	176.6	3.96	22.5	9.4
Pandora JV	54.8	4.30	7.6	4.5	54.9	4.29	7.6	4.7
Loskop JV ³	10.1	4.04	1.3	0.8	10.1	4.04	1.3	0.8
Sudbury PGM JV ³	0.35	6.23	0.07	0.04	-	-	-	-
Total Resource	1,212.0	4.65	181.1	100.9	1,183.1	4.67	177.6	99.0

Mineral Reserves (Total Proved & Probable)^{1,5}

Area	30-Sep-2010				30-Sep-2009			
	Mt ³	3PGE+Au		Pt	Mt ³	3PGE+Au		Pt
		g/t	Moz	Moz		g/t	Moz	Moz
Marikana	293.9	4.22	39.9	24.1	297.5	4.11	39.3	23.8
Limpopo ²	42.4	3.20	4.4	2.2	40.1	3.23	4.2	2.1
Limpopo Baobab shaft	9.4	3.16	1.0	0.5	9.4	3.16	1.0	0.5
Pandora JV	5.2	3.92	0.66	0.39	3.1	4.25	0.42	0.27
Total Reserve	350.8	4.07	45.9	27.1	350.1	3.98	44.8	26.6

Notes

- 1) All figures are reported on a Lonmin Plc attributable basis, the relative proportions of ownership per project being shown in the Key Assumptions outlined below.
- 2) Limpopo excludes Baobab shaft.
- 3) Loskop JV and Sudbury PGM JV excludes Rh, due to insufficient assays, and therefore 2PGE+Au is reported.
- 4) Resources are reported Inclusive of Reserves.
- 5) Quantities and grades have been rounded to one or two decimal places, therefore minor computational errors may occur.

Key assumptions regarding the 2010 Lonmin Mineral Resource and Reserve Statement

- Mineral Resources are reported inclusive of Mineral Reserves. Resources that are converted to Reserves are also included in the Mineral Resource statement.
- All quoted Resources and Reserves includes Lonmin's attributable portion only. There have been no changes in the percentage attributable to Lonmin during the year, aside from including the Sudbury resource. The following percentages were applied to the total Mineral Resource and Reserve for each property:

	Marikana	Limpopo – Dwaalkop JV	Limpopo – Baobab, Doornvlei, Zebediela	Akanani	Pandora	Loskop	Sudbury PGM
Lonmin Attributable	82%	41%	82%	74%	34.85%	41%	50%

- Incwala Resources, Lonmin's BEE partner, owns 18% of both Western Platinum Limited and Eastern Platinum Limited, and 26% of Akanani.
- Limpopo includes Dwaalkop JV which is a Lonmin managed JV between Mvelaphanda Resources (50%) and Western Platinum (50%).
- Pandora JV: Eastern Platinum Limited has an attributable interest of 42.5% in the Pandora JV together with Anglo Platinum (42.5%), Mvelaphanda Resources (7.5%) and the Bapo Ba Mogale Mining Company (7.5%).
- Loskop JV: Western Platinum Limited has an attributable interest of 50% in the Loskop JV with Boynton Investments.
- Sudbury PGM JV - PGE grades are stated as Pt+Pd+Au (3E). Through the JV, Lonmin acquires its pro rata share, currently a nominal 50%, of the product from any PGE deposit developed on the participating properties. The agreement is that Lonmin will be allocated its pro-rata share in PGE's and Vale will be allocated its pro-rata share in Nickel, Copper, Cobalt, Gold and Silver. The exchange of metals will be governed by prevailing metal prices at the time of the refined metal production.
- Where grades are reported as 3PGE+Au these are a summation of the Platinum, Palladium, Rhodium and Gold grades. Modelling of available assay information, obtained from drillhole core, indicates that the proportion of 3PGE+Au contained in 5PGE+Au, which includes Ruthenium and Iridium, is approximately as follows:

	UG2	Merensky	Platreef
Marikana	0.81	0.92	-
Limpopo	0.86	0.93	-
Akanani	-	-	0.95
Pandora	0.81	-	-

- Where Nickel (Ni) and Copper (Cu) grade estimates are derived from sufficient reliable information for the various Mineral Resources, they are reported as average grades in percent. These grades represent acid soluble proportions. Acid soluble percentages of Ni and Cu are closely correlated to the metals present as sulphide minerals.
- Mineral Resources are reported as "in-situ" tonnes and grade and allow for geological losses such as faults, dykes, potholes and Iron Rich Ultramafic Pegmatite (IRUP).
- Mineral Resources are estimated using a minimum true width of at least 90 cm and therefore may include some diluting material.
- Proved and Probable Mineral Reserves are reported as tonnes and grade expected to be delivered to the mill, are inclusive of diluting materials and allow for losses that may occur when the material is mined.
- Mine tailings dams are excluded from the above Mineral Resource summary.
- For economic studies and the determination of pay limits, consideration was made of both short and long term revenue drivers. The following long term global assumptions were used:
- Precious Metals (per Troy Ounce): Pt \$1,800, Pd \$500, Rh \$3,000, Ru \$200, Ir \$450, Au \$800.
- Base Metals (per metric tonne): Ni \$15,000, Cu \$5,000.
- Average exchange rate of US\$1 to R8.28.
- Dilutions are quoted as waste tonnes / waste + ore tonnes in percent.

Unless otherwise stated, the Lonmin Mineral Resources and Reserves estimates were prepared or supervised by various persons employed by Lonmin.

Financial Review

Basis of preparation

The financial information presented has been prepared on the same basis and using the same accounting policies as those which were used to prepare the financial statements for the year ended 30 September 2009. There have been no changes in accounting policy or new standards applied which have had an effect on reported performance in comparison to the prior year.

Overview

The 2010 financial year has been characterised by significant recovery both in terms of the operational performance of the business and the financial results.

A major feature of Lonmin's performance has been the increase in saleable metal-in-concentrate produced from Marikana and Pandora's underground ore. The production of 691,447 Platinum ounces is 73,162 ounces or 11.8% ahead of the prior year and has been achieved by growth of 6.3% in underground tonnes mined, essentially from Hossy and Saffy shafts, together with a 4.7% improvement in concentrator recovery rates and better grades. The only operational disappointment was the performance of the Number One furnace, which suffered two unplanned shut downs. As a result of these, and a rebuild earlier in the year, the Number One furnace was down for 95 days during the year. This resulted in sales being back end loaded and the necessity for some toll refining and sales of concentrate. This gave rise to increased costs and working capital, the latter being much higher at year end than previously anticipated.

From a market perspective the year can be considered in two halves. For the first half of 2010 the recovery in metal prices continued the strong growth rates experienced in the second half of 2009. In the second half of 2010, however, pricing stabilised. Nonetheless, pricing has been strong in comparison to the prior year and this has contributed \$471 million to operating profit.

Foreign exchange has had a material impact on the results for the year with the Rand strengthening from R9.00/\$ to R7.45/\$ in 2010. This has given rise to a net adverse exchange impact of \$185 million.

When looking at costs, the period can also be considered in two halves. For the first half of 2010 Lonmin benefited from the restructuring programme which was implemented in March 2009. This resulted in savings of \$41 million in the ongoing business and \$27 million from the closure of opencast and Limpopo operations. The second half of 2010 has seen an increase in South African operating costs of \$123 million versus the first half of the year. This is driven in part by the increase in tonnes hoisted and milled in the second half with costs increasing by \$64 million in these areas. However, costs were also impacted by the resumption of opencast mining at Marikana costing \$21 million, and processing cost increases of \$27 million (with \$15 million relating to additional toll fees and \$7 million on furnace repair costs).

Turning to the full year, as well as the toll refining and smelter costs, the introduction of the new Mining Royalty at \$5 million and increased share based payments of \$5 million were also factors in the year on year increase. Adjusting for the unexpected costs associated with the Number One furnace and the incremental royalty and share based payment costs means underlying costs rose by 7%. This is marginally above the latest published South African PPI figure of 6.8%.

During 2010 the Group provided a loan of £200 million (\$304 million) to Shanduka to facilitate its acquisition of a majority holding in Incwala buying out all previous HDSA shareholders with the exception of the Bapo Ba Mogale who continue to hold 2.85%. This resulted in a cash outflow of \$285 million in the year. To support this transaction an equity placing was carried out which raised \$229 million net of costs. The Group therefore funded \$56 million from its own resources as well as rolling over some loans. This, together with the adverse working capital effects of the extended Number One furnace downtime, has led to net debt of \$375 million which is higher than planned at the outset of the year.

Analysis of results

Income Statement

The \$321 million movement between the underlying operating profit of \$228 million for the year ended 30 September 2010 and the underlying operating loss of \$93 million for the year ended 30 September 2009 is given below. This substantial increase in profitability reflects a high proportion of price increases flowing through to the bottom line as a result of good cost control and is despite the significant adverse impact of a stronger Rand.

	\$m
Year to 30 September 2009 reported operating loss	(142)
Year to 30 September 2009 special items	49
Year to 30 September 2009 underlying operating loss	(93)
PGM price	471
PGM volume	45
PGM mix	(8)
Base metals	15
Revenue changes	523
Cost changes (including foreign exchange impact of \$185m)	(202)
Year to 30 September 2010 underlying operating profit	228
Year to 30 September 2010 special items	(25)
Year to 30 September 2010 reported operating profit	203

Revenue

As noted in the introduction the PGM pricing environment has improved significantly since this time last year and the average prices achieved on the key metals sold is shown below.

	Year ended 30.09.10	Year ended 30.09.09
	\$/oz	\$/oz
Platinum	1,525	1,086
Palladium	448	224
Rhodium	2,308	1,571
PGM basket	1,139	786

Price gains added \$471 million in revenue. Average Platinum and Palladium prices increased by 40% and 100% over the previous year, respectively contributing \$301 million and \$70 million to the PGM price gain. The improvement in these metals has been driven by a recovery of automotive and industrial demand, as well as new ETFs which were launched in the US early in 2010. The Rhodium price increased by 47% mainly due to automotive demand and added \$78 million to revenue with the remaining \$22 million of price gain coming from other PGMs. The price improvement for all the key metals occurred mainly in the first half of 2010 and since March prices remained relatively directionless with the overall PGM basket price achieved ranging from \$1,100 per ounce to \$1,250 per ounce. This was largely due to the consistency of Platinum with prices achieved ranging from \$1,500 to \$1,675 per ounce in the second half. Rhodium, which peaked at circa \$2,700 per ounce in April and May, fell back to \$2,200 per ounce by September.

It should be noted that whilst the US Dollar basket price has increased by 45% over 2009 in Rand terms the basket price increased by only 22% due to the stronger Rand.

PGM sales volume for the year to 30 September 2010 at 1,325,390 ounces was 56,472 PGM ounces or 4.5% up on 2009 despite the loss of some 79,000 PGM ounces from the suspension of mining at Limpopo and closure of opencast operations. The increase has been achieved largely through the ramp up of activity at Middelkraal (Hossy and Saffy) and good improvements in grade and recovery.

Revenue fell by an estimated \$62 million due to the reduction in volumes at Limpopo and opencast however this was offset by a \$107 million revenue improvement from underground operations resulting in a net revenue improvement of \$45 million. The mix of metals sold resulted in an adverse impact to revenue of \$8 million mainly due to a lower proportion of Platinum due to metal-in-process inventory timing differences. Base metal revenue was up \$15 million due to a 24% increase in Nickel prices. Total revenue for 2010 of \$1,585 million is \$523 million higher than 2009.

Cost changes

Total underlying costs in US Dollar terms increased by \$202 million mainly due to an adverse foreign exchange movement of \$185 million due to the strengthening of the Rand compared to the prior year. A track of the cost changes is shown in the table below:

	\$m
Year ended 30 September 2009 – underlying costs	1,155
Increase / (decrease)	
Marikana underground mining	96
Concentrating and processing	34
Limpopo operations	(8)
Overheads	(11)
Operating costs	111
Pandora ore purchases	(4)
Metal stock movement	(118)
Foreign exchange	185
Depreciation and amortisation	28
Cost changes (including foreign exchange impact)	202
Year ended 30 September 2010 – underlying costs	1,357

Marikana underground mining costs increased in the period by \$96 million or 14%, as a result of increased production, the 10% wage increase incurred in the year, increased development costs and a 26% escalation in electricity costs due to an increase in tariffs. Cost per tonne was up 8%, whilst cost per saleable PGM produced was only up 2% due to better grades and recoveries. Marikana opencast volumes increased by 41% over 2009, however, due to new contractual arrangements, and the fact we are now mining different pits, costs did not increase.

Concentrator and processing costs were adverse by \$34 million. This was due to incremental toll fees and rebuild costs (\$22 million in total) following the furnace leaks, together with increased maintenance spend and escalation effects, in particular electricity costs as described above.

Mining was suspended at Limpopo at the end of December 2008, and thus normal operating costs were only incurred in the first quarter of financial year 2009. Costs in 2010 are \$8 million lower with only care and maintenance costs incurred.

Overheads were \$11 million favourable year on year with savings from restructuring, training, and pre-feasibility studies offsetting salary escalation, increased share based payments and costs of the new Mining Royalty which added \$5 million to the cost base and came into effect on 1 March 2010.

There was a \$118 million favourable impact on operating profit, excluding exchange impacts, of metal stock movements. Due to the furnace issues in 2010 stock levels are higher at the year end than previously anticipated, up 16% on the prior year, and, together with cost escalation and mix, the Rand stock value has increased 34% as a result.

Foreign exchange has been a very significant factor with a \$185 million adverse impact. This mainly arose from the translation of costs into US Dollars with the effective Rand exchange rate strengthening by 18.5% to give an adverse variance of \$192 million. In addition the translation of Rand monetary working capital balances gave rise to an adverse impact of \$32 million. The strengthening Rand, however, increased the US Dollar value of stocks held generating a favourable \$39 million which partially offset the above.

Depreciation and amortisation in 2010 is \$28 million higher than 2009. Depreciation is calculated on a units of production basis, spreading costs in relation to proved and probable reserves and so the increase in production in the year resulted in higher depreciation. Furthermore, during 2010 the depreciation of assets was calculated using the reserves identified in the 2009 Accounts, being the latest known position, and as these were lower than the previous year this resulted in an increase in the depreciation rate per unit of production. It is worth noting that the 2010 reserves have increased marginally over 2009.

Cost per PGM ounce

The cost per PGM ounce produced for 2010 was R6,773. This was an increase of only 2.2% compared to 2009 and has essentially been achieved by containing cost escalations, increasing underground production and through improvements in head grade and recovery. If we adjust for the toll and furnace rebuild costs incurred in the year and assume the related ounces were processed through the process division then it is estimated that the C1 cost per ounce produced would have risen by less than 1%. This clearly demonstrates the benefits of the many operational improvements and cost reduction programmes initiated during the last two years.

Further details of unit costs analysis can be found in the Operating Statistics.

Special operating costs

In 2010 special operating costs of \$25 million were charged. The move of the operational headquarters from London to South Africa cost \$9 million. This move will be completed in the last quarter of this calendar year. Fees of \$5 million were incurred in relation to the transaction under which Shanduka acquired a controlling interest in Incwala Resources and became Lonmin's BEE partner. The strategic decision to decommission the Merensky furnace in order to leverage certain of its infrastructure for the new pyromet furnace has resulted in a \$10 million impairment charge and, in addition, a \$2 million charge was taken on the write-down of houses. These costs were offset, to a limited extent, by a \$1 million credit on the final winding up of defined benefit scheme pension obligations.

In the year ended 30 September 2009 \$49 million of special costs were incurred on restructuring together with the abnormal operating costs for Limpopo operations subsequent to the announcement of closure, and the cost of the restructuring programme itself.

Impairment of available for sale financial assets

The Group holds listed investments which are marked to market. In the six months to 31 March 2009, given the depressed financial markets, the value of these investments fell below original acquisition cost and this resulted in a \$39 million impairment which was taken to the income statement, effectively rebasing the cost of acquisition. In the second half of 2009 there was a \$9 million recovery in value and this gain was recorded in the statement of comprehensive income. In the year to 30 September 2010 the value of investments declined by \$6 million, largely reversing the gain made in the second half of 2009, and this loss was also recognised in the statement of comprehensive income.

Summary of net finance income / (costs)

	Year ended 30 September	
	2010	2009
	\$m	\$m
Net bank interest and fees	(43)	(20)
Capitalised interest payable and fees	43	23
Exchange	1	(20)
Other	-	(2)
Underlying net finance income / (costs)	<u>1</u>	<u>(19)</u>
Impact of raising share capital	2	(73)
HDSA receivable	14	0
HDSA derivative	<u>12</u>	<u>0</u>
Net finance income / (costs)	<u>29</u>	<u>(92)</u>

Net bank interest and fees is \$23 million higher than the comparative period. The key reasons for the increase were a \$10 million increase in bank interest expense, mainly reflecting the higher margins charged in the more challenging credit environment, and higher pricing on Rand debt, together with incremental amortisation of fees of \$12 million subsequent to the refinancing and waiver of covenants agreed at the end of financial year 2009.

In 2010 exchange on net debt was broadly neutral with a loss of \$7 million on the revolving credit facility in South Africa, which is now Rand denominated and supports South African working capital requirements, offsetting an \$8 million gain on Sterling cash held temporarily after the equity placement pending completion of the loan facility for Shanduka. The volatility and significant weakening of the Rand against the US Dollar at times during 2009 had a marked impact on Rand cash balances held for operational and funding purposes. This resulted in \$23 million of exchange losses on net debt which was the main component of the \$20 million charge in the prior year.

In 2009 the Group carried out a Rights Issue which resulted in \$73 million of finance costs being charged. This comprised \$33 million arising from taking forward currency hedges to fix the US Dollar value from the Sterling receipts, \$4m foreign exchange losses on proceeds received in advance and a \$36m loss which arose because the Rights Issue had to be treated as a derivative under IAS 32. Whilst an amendment to the Standard changed the position for companies raising capital in currencies other than their functional currency, this was not adopted in time for the 2009 Accounts. In 2010 Lonmin Plc carried out an equity placing. This is not covered by the amendment to IAS 32 which is only applicable to Rights Issues. This transaction, therefore, again gave rise to a derivative under IFRS and this resulted in the recognition of a \$2m gain which is offset in reserves.

The HDSA receivable, being the Sterling loan to Shanduka, increased by \$14 million with \$11 million of foreign exchange gains recognised in addition to \$3 million of accrued interest. The fair value of the associated HDSA derivative increased by \$12 million largely due to changes in Lonmin's share price.

The total net finance income of \$29 million for the year ended 30 September 2010 was therefore \$121 million favourable compared to the year ended 30 September 2009.

Share of profit of equity accounted investments

The share of profit from the associate and joint venture has increased by \$7 million to \$8 million for the year ended 30 September 2010. This was mainly due to improved profitability at Pandora.

Profit / (loss) before tax and earnings

Reported profit before tax for the year ended 30 September 2010 at \$240 million is \$512 million better than the prior year. This increase consists of a \$321 million improvement in underlying operating profit, a reduction of \$24m in special operating costs, a \$39 million favourable variance on impairment of available for sale assets, a \$121 million benefit on net finance costs and a \$7 million improvement in the Group's share of profit from the associate and joint venture.

Reported tax for the current period was a charge of \$118 million although this is after exchange losses on the translation of Rand denominated tax balances of \$37 million and a \$1 million charge on special costs. Therefore, the underlying tax charge is \$80 million with an effective rate of 34%. The underlying charge reflects deferred tax charges of \$78 million, largely due to accelerated capital allowances with only \$2 million current tax in the period. The current tax related to secondary tax charges in the year due to the dividends paid to non-controlling interests. Corporation tax was offset by losses and unredeemed capital allowances brought forward.

Profit for the year ended 30 September 2010 attributable to equity shareholders amounted to \$112 million (2009 – loss \$285 million) and the earnings per share was 56.9 cents compared with a loss per share of 163.7 cents in 2009. Underlying earnings per share, being earnings excluding special items, amounted to 70.2 cents (2009 – underlying loss per share 59.2 cents).

Balance sheet

A reconciliation of the movement in equity shareholders' funds for the year ended 30 September 2010 is given below.

	\$m
Equity shareholders' funds as at 1 October 2009 as reported	2,417
Prior year adjustment on deferred tax	(61)
Equity shareholders' funds as at 1 October 2009 as restated	<u>2,356</u>
Total comprehensive income and expense	107
Net proceeds from equity placing and on shares issued under option schemes	229
Movement on derivative liability on equity placing	(2)
Transfer to reserve for own shares	14
Share based payments and shares issued	5
Equity shareholders' funds as at 30 September 2010	<u><u>2,709</u></u>

The prior year adjustment on deferred tax represents the equity shareholder's share of deferred tax liabilities on non-current assets which were not recognised on transition to IFRS in 2006. There are no cash implications of this adjustment.

Equity shareholders' funds during the period increased by \$107 million due to the recognition of \$112 million attributable profit offset by a \$5 million loss from other movements in comprehensive income, which was mainly the marking to market of available for sale financial assets. The equity placing raised a net \$229 million which increased share capital and share premium. The derivative gain on the income statement (covered under net finance income / (costs) above) reversed through reserves creating a \$2 million charge resulting in no impact on reserves at the end of the year. A transfer of \$14 million occurred during 2010 from share based payment accruals to the reserve for own shares as the Directors opted to satisfy all future award schemes with equity which included a \$5 million charge to this point. A further \$4 million of share based payment charges were subsequently recognised directly in equity increasing the reserve for own shares and \$1 million was recognised on the issuance of shares for share schemes.

Net debt at \$375 million has increased by \$262 million since the 2009 year end. Issues with the smelter led to a significant back end loading of sales, toll refining and the sale of concentrate together with a stock build-up. This has had a significant impact on working capital. Debtors and stock are estimated to be \$180 million higher than would have been the case under normal operations, a large portion of which has already been converted into cash as at the date of this report.

Gearing, calculated on net borrowings attributable to the Group divided by those attributable net borrowings and the equity interests outstanding at the balance sheet date, was 10% at September 2010 and 2% at 30 September 2009.

Cash flow

The following table summarises the main components of the cash flow during the year:

	Year ended 30 September	
	2010	2009
	\$m	\$m
Operating profit / (loss)	203	(142)
Depreciation, amortisation and impairment	134	94
Changes in working capital	(218)	110
Other	14	1
Cash flow generated from operations	133	63
Interest and finance costs	(41)	(31)
Tax	(12)	(48)
Trading cash inflow / (outflow)	80	(16)
Capital expenditure	(261)	(234)
Dividends paid to non-controlling interests	(22)	(21)
Free cash outflow	(203)	(271)
Investment in joint venture	(3)	(5)
Net proceeds from equity issuance	229	462
HDSA financing	(285)	-
Other shares issued	1	16
Equity dividends received	-	3
Cash outflow	(261)	205
Opening net debt	(113)	(303)
Foreign exchange	1	(27)
Unamortised fees	(2)	12
Closing net debt	(375)	(113)
Trading cash inflow / (outflow) (cents per share)	40.7c	(9.2)c
Free cash outflow (cents per share)	(103.2)c	(155.6)c

Cash flow generated from operations in the year ended 30 September 2010 was positive, at \$133 million, despite being impacted by working capital outflows of \$218 million. Debtors increased by \$138 million in 2010 as a result of a back end loaded sales profile due to the issues at the smelter. This also led to a higher year end inventory of \$125 million. In total it is estimated the smelter problems have resulted in increased stocks and debtors of some \$180 million. Compared to the prior year, cash flow generated from operations was up \$70 million. Whilst there was a \$345 million improvement in reported operating profit, this was offset by a \$328 million turnaround in the working capital position. Operating profit was also impacted by \$40 million higher depreciation, amortisation and impairment and a \$10 million movement in relation to share based payments.

Trading cash inflow for 2010 amounted to \$80 million against a \$16 million outflow in 2009. The cash flow on interest and finance costs increased due to the agreement, at the end of the 2009 financial year, to pay arrangement fees on the renegotiation of bank facilities. The tax payment in 2009 represented the final payment in respect of 2008 profits and a limited outflow of secondary taxes in respect of the dividend. Following the difficult trading conditions in 2009 tax payments in 2010 have been de-minimis and relate to secondary taxes on minority dividends and limited payments for corporation tax, partly relating to earlier years. The trading cash inflow per share was 40.7 cents for the year ended 30 September 2010 against a 9.2 cents outflow in the prior year.

Capital expenditure cash flow at \$261 million was \$27 million above the prior period and is within market guidance despite the significant strengthening of the Rand in the second half. In Mining the expenditure incurred was focused on development of the operations at Hossy and Saffy, equipping and development at K4, investment in sub-declines at K3 and Rowland and developing Newman Merensky opencast. In the Process Division spend was focused at the concentrators. We continue to monitor the balance between the need to invest for future production with the requirement to maintain a strong balance sheet and provide a return to shareholders.

Dividends paid to non-controlling interests in the year at \$22 million were essentially the same as in 2009 and reflect the minimum payment required to enable Incwala to service its loan facilities.

Free cash outflow at \$203 million was \$68 million favourable to the prior year with the free cash outflow per share of 103.2 cents improving by 52.4 cents. Whilst the reported free cash flow was negative at \$203 million, it is estimated that this was impacted by circa \$195 million of timing differences due to the smelter, including the payment of toll fees, and in addition there was a net outflow, after equity placing proceeds, of \$56 million in connection with the provision of finance to Shanduka.

Dividends

The Board's new policy on dividends is to recommend each year a final ordinary dividend at a rate which the Board expects to at least be maintained in subsequent years, or possibly increased over time. This final dividend will be supplemented by special dividends when our reported earnings and projected cash requirements allow. Clearly the combination of metal prices, the Rand to US Dollar exchange rate and capital expenditure plans will be key factors to be considered when making this decision. Given this new policy, the Directors believe it is appropriate to resume the payment of dividends and propose a dividend of 15.0 cents per share for the year.

Financial risk management

The main financial risks faced by the Group relate to the availability of funds to meet business needs (liquidity risk), the risk of default by counterparties to financial transactions (credit risk), fluctuations in interest and foreign exchange rates and commodity prices. The Group also has a number of contingent liabilities.

These factors are the critical ones to take into consideration when addressing Going Concern. As is clear from the following paragraphs, we are in a strong position. There are, however, factors which are outside the control of management, specifically, volatility in the Rand / US Dollar exchange rate and PGM commodity prices, which can have a significant impact on the business.

Liquidity risk

The policy on overall liquidity is to ensure that the Group has sufficient funds to facilitate all ongoing operations. The Group funds its operations through a mixture of equity funding and bank borrowings. The Group's philosophy on this is to maintain a low level of financial gearing given the exposure the business has to fluctuations in PGM commodity prices and the Rand to US Dollar exchange rate.

As part of the annual budgeting and long term planning process, the Group's cash flow forecast is reviewed and approved by the Board. The cash flow forecast is amended for any material changes identified during the year, for example material acquisitions and disposals. Where funding requirements are identified from the cash flow forecast, appropriate measures are taken to ensure these requirements can be satisfied. Factors taken into consideration are:

- the size and nature of the requirement;
- preferred sources of finance applying key criteria of cost, commitment, availability, security / covenant conditions;
- recommended counterparties, fees and market conditions; and
- covenants, guarantees and other financial commitments.

During the course of the year, we extended the R1.75 billion revolving credit facility which now matures in November 2011 (previously this was a multi-currency \$175 million facility which matured in November 2010). In addition, as previously noted, all EBITDA covenants at March 2010 were waived as well as the net debt to EBITDA covenant at September 2010. Our relationship banks continue to show confidence in our business and we expect this support to continue.

As at 30 September 2009, we had net debt of \$113 million. At 30 September 2010, net debt had increased to \$375 million, comprising \$533 million of drawn down facilities net of \$148 million of cash and equivalents and \$10 million of unamortised bank fees.

Lonmin has \$888 million of committed facilities in place. The main elements of these facilities can be summarised as follows:

- A \$250 million revolving credit facility in the UK, which will expire in November 2012;
- A \$130 million amortising loan facility in the UK, which will expire in November 2012. The amortisation of this facility consists of \$20 million payable every six months, which started in July 2010, with a final repayment of \$50 million in November 2012;
- The margin on both these facilities is 400 basis points up to 31 March 2011, and will thereafter be determined by reference to net debt / EBITDA and will be in the range 250bps to 400bps;
- The key covenants in these facilities include a maximum net debt / EBITDA ratio of 4.0 times, the next test being in March 2011; a minimum EBITDA/net interest ratio of 4.0 times, tested in September 2010; and a maximum net debt/tangible net worth ratio 0.7 times;
- In South Africa, we have secured an extension to the maturity of the existing R1.75 billion revolving credit facility to November 2011;
- In addition, in South Africa, we have a \$255 million term loan (previously a \$300m term loan which amortised by \$45m during the financial year) which expires in mid 2013; and
- Key covenants in both these South African facilities are consistent and are tested at the WPL / EPL level. These include a minimum EBITDA / net interest ratio of 3.5 times, and a maximum net debt / EBITDA ratio of 2.75 times; these covenants are to be tested on a rolling 12 month basis every 6 months on 31 March and 30 September. We successfully secured a covenant waiver for the net debt / EBITDA ratio at 31 March 2010 and 30 September 2010 and the EBITDA / net interest ratio at 31 March 2010 in both the R1.75 billion revolving credit facility and the \$255 million term loan.

The effective funding rate was circa 6% for the financial year.

Credit risk

Banking counterparties

Banking counterparty credit risk is managed by spreading financial transactions across an approved list of counterparties of high credit quality. Banking counterparties are approved by the Board.

Trade receivables

The Group is exposed to significant trade receivable credit risk through the sale of PGM metals to a limited group of customers.

This risk is managed as follows:

- aged analysis is performed on trade receivable balances and reviewed on a monthly basis;
- credit ratings are obtained on any new customers and the credit ratings of existing customers are monitored on an ongoing basis;
- credit limits are set for customers; and
- trigger points and escalation procedures are clearly defined.

HDSA receivables

HDSA receivables are secured on the HDSAs shareholding in Incwala.

Interest rate risk

Currently, the bulk of our outstanding borrowings are in US Dollars and South African Rand and at floating rates of interest. Given current market rates, this position is not considered to be high risk at this point in time. This position is kept under constant review in conjunction with the liquidity policy outlined above and the future funding requirements of the business.

Foreign currency risk

The Group's operations are essentially based in South Africa and the majority of the revenue stream is in US Dollars. However, the bulk of the Group's operating costs and taxes are paid in Rand. Most of the cash received in South Africa is in US Dollars. Most of the Group's funding sources are in US Dollars.

The Group's reporting currency remains the US Dollar and the share capital of the Company is based in US Dollars.

Our current policy is not to hedge Rand / US Dollar currency exposures and, therefore, fluctuations in the Rand to US Dollar exchange rate can have a significant impact on the Group's results. A strengthening of the Rand against the US Dollar has an adverse effect on profits due to the majority of operating costs being paid in Rand.

The approximate effects on the Group's results of a 10% movement in the Rand to US Dollar 2010 financial year average exchange rate would be as follows:

EBIT	+/- \$118m
Profit for the year	+/- \$70m
EPS (cents)	+/- 35.4c

These sensitivities are based on 2010 prices, costs and volumes and assume all other variables remain constant. They are estimated calculations only.

Commodity price risk

Our policy is not to hedge commodity price exposure on PGMs, except gold, and therefore any change in prices will have a direct effect on the Group's trading results.

For base metals and gold, hedging is undertaken where the Board determines that it is in the Group's interest to hedge a proportion of future cash flows. The policy is to hedge up to a maximum of 75% of the future cash flows from the sale of these products looking forward over the next 12 to 24 months. The Group has undertaken a number of hedging contracts on Nickel, Copper and Gold sales using forward contracts.

The approximate effects on the Group's results of a 10% movement in the 2010 financial year average metal prices achieved for Platinum (Pt) (\$1,525 per ounce) and Rhodium (Rh) (\$2,308 per ounce) would be as follows:

	Pt	Rh
EBIT	+/- \$108m	+/- \$23m
Profit for the year	+/- \$64m	+/- \$13m
EPS (cents)	+/- 32.3	+/- 6.8c

These sensitivities are based on 2010 costs and volumes and assume all other variables remain constant. They are estimated calculations only.

Fiscal risk

The South African Government introduced a new Mining Royalty on 1 March 2010. The Royalty is calculated based on a percentage of Gross Sales. The percentage is calculated using a formula depending on whether the Company sells concentrate, ore or refined products. The Royalty percentage is subject to a minimum rate of 0.5%.

The formula for refined products is:

$$\% \text{ of Gross Sales} = \left(\frac{\text{Adjusted EBIT}^*}{\text{Gross Sales} \times 12.5} \times 100 \right) + 0.5$$

* Adjusted EBIT for the purpose of the Royalty calculation is statutory EBIT adjusted for, amongst other things, depreciation and a capital deduction based on Mining Tax rules.

The mining royalty charge for this financial year amounted to \$5 million.

Contingent liabilities

As a result of Shanduka acquiring the majority of the shares held in Incwala Resources (Pty) Limited, guarantees provided by Lonmin in respect of the former shareholders have now largely been extinguished and contingent liabilities have fallen to \$25 million.

Principal risks and uncertainties

The Group faces many risks in the operation of its business. The Group's strategy takes into account known risks, but risks will exist of which we are currently unaware.

Alan Ferguson

Chief Financial Officer

Operating Statistics – 5 Year Review

		Units	2010	2009	2008	2007	2006
Tonnes mined							
Marikana	Karee ¹	kt	4,115	3,950	3,962	4,609	4,662
	Westerns ¹	kt	3,694	3,912	4,343	4,931	5,503
	Middelkraal ¹	kt	1,918	1,385	884	461	63
	Easterns ¹	kt	1,082	935	1,036	1,212	1,256
	Underground	kt	10,809	10,182	10,226	11,212	11,484
	Opencast	kt	329	234	1,300	1,597	1,583
Limpopo	Underground	kt	-	87	523	757	870
Pandora attributable ²	Underground	kt	166	142	124	128	100
	Opencast	kt	-	156	275	286	176
Lonmin Platinum	Underground	kt	10,975	10,411	10,875	12,096	12,454
	Opencast	kt	329	389	1,575	1,883	1,759
	Total	kt	11,304	10,801	12,449	13,979	14,213
% tonnes mined from UG2 reef		%	75.6	77.7	73.1	72.0	71.2
Tonnes milled³							
Marikana	Underground	kt	10,655	10,148	10,206	11,216	11,502
	Opencast	kt	129	622	1,163	1,469	1,854
Limpopo	Underground	kt	-	92	534	781	901
Pandora ⁴	Underground	kt	391	335	293	301	236
	Opencast	kt	-	430	595	649	394
Ore Purchases ⁵	Underground	kt	-	-	-	75	14
	Opencast	kt	-	-	30	20	18
Lonmin Platinum	Underground	kt	11,046	10,576	11,033	12,373	12,653
	Opencast	kt	129	1,053	1,788	2,138	2,266
	Total	kt	11,176	11,628	12,821	14,511	14,919
Lonmin Platinum – head grade ⁶	Underground	g/t	4.67	4.57	4.66	4.88	4.94
	Opencast	g/t	2.25	3.70	3.70	4.39	4.36
	Total	g/t	4.65	4.50	4.52	4.80	4.85
Lonmin Platinum – recovery rate ⁷	Underground	%	84.8	81.0	81.7	80.7	84.0
	Opencast	%	63.8	65.1	59.4	55.4	60.9
	Total	%	84.7	79.8	79.2	77.3	80.8

		Units	2010	2009	2008	2007	2006
Metals in concentrate ⁸							
Marikana	Platinum	OZ	668,620	612,910	660,429	778,049	881,068
	Palladium	OZ	313,590	284,561	303,530	354,037	395,180
	Gold	OZ	14,969	14,419	17,221	21,578	28,284
	Rhodium	OZ	93,043	85,008	90,096	102,906	113,411
	Ruthenium	OZ	144,913	130,080	139,158	164,826	182,078
	Iridium	OZ	31,432	28,389	29,654	37,317	37,676
	Total PGMs	OZ	1,266,566	1,155,367	1,240,088	1,458,713	1,637,697
Limpopo	Platinum	OZ	-	3,770	22,017	35,567	48,640
	Palladium	OZ	-	3,331	16,477	24,351	36,834
	Gold	OZ	-	243	1,265	2,945	3,355
	Rhodium	OZ	-	487	2,660	3,723	6,904
	Ruthenium	OZ	-	688	4,128	5,769	8,704
	Iridium	OZ	-	159	121	1,245	1,973
	Total PGMs	OZ	-	8,679	46,667	73,600	106,410
Pandora	Platinum	OZ	25,756	46,421	48,743	52,479	34,125
	Palladium	OZ	12,108	20,866	21,282	24,417	15,463
	Gold	OZ	176	350	371	461	302
	Rhodium	OZ	4,036	6,425	6,334	7,439	4,949
	Ruthenium	OZ	6,228	9,338	9,379	10,922	7,507
	Iridium	OZ	1,041	1,767	1,762	2,415	1,595
	Total PGMs	OZ	49,345	85,168	87,872	98,133	63,941
Ore Purchases ⁵	Platinum	OZ	-	-	937	3,737	1,125
	Palladium	OZ	-	-	793	1,730	417
	Gold	OZ	-	-	74	46	32
	Rhodium	OZ	-	-	83	533	115
	Ruthenium	OZ	-	-	107	809	202
	Iridium	OZ	-	-	25	180	40
	Total PGMs	OZ	-	-	2,019	7,035	1,931
Lonmin Platinum	Platinum	OZ	694,376	663,101	732,125	869,832	964,958
	Palladium	OZ	325,697	308,758	342,081	404,535	447,894
	Gold	OZ	15,144	15,013	18,932	25,030	31,973
	Rhodium	OZ	97,079	91,920	99,173	114,601	125,379
	Ruthenium	OZ	151,141	140,106	152,772	182,326	198,491
	Iridium	OZ	32,473	30,315	31,562	41,157	41,284
	Total PGMs	OZ	1,315,911	1,249,214	1,376,645	1,637,481	1,809,979
	Nickel ⁹	MT	2,972	2,794	3,549	4,636	5,120
Copper ⁹	MT	1,824	1,763	2,216	2,814	3,104	

	Units	2010	2009	2008	2007	2006
Refined production						
Lonmin refined metal production ¹⁰						
Platinum	OZ	607,794	655,291	699,942	695,842	799,070
Palladium	OZ	303,748	297,415	330,209	318,758	369,859
Gold	OZ	15,284	18,277	20,257	20,485	20,955
Rhodium	OZ	94,690	95,596	91,063	88,469	115,453
Ruthenium	OZ	147,854	146,506	158,424	135,873	174,639
Iridium	OZ	36,073	23,908	31,599	30,430	40,836
Total PGMs	OZ	1,205,443	1,236,992	1,331,493	1,289,857	1,520,812
Toll refined metal production						
Platinum	OZ	77,571	2,025	-	93,609	-
Palladium	OZ	15,274	941	-	43,274	-
Gold	OZ	1,100	58	-	-	-
Rhodium	OZ	5,411	1,532	-	12,966	-
Ruthenium	OZ	8,278	2,647	-	20,439	-
Iridium	OZ	1,695	513	-	4,090	-
Total PGMs	OZ	109,328	7,717	-	174,378	-
Total refined PGMs						
Platinum	OZ	685,365	657,317	699,942	789,451	799,070
Palladium	OZ	319,022	298,356	330,209	362,032	369,859
Gold	OZ	16,383	18,335	20,257	20,485	20,955
Rhodium	OZ	100,100	97,128	91,063	101,435	115,453
Ruthenium	OZ	156,133	149,153	158,424	156,312	174,639
Iridium	OZ	37,768	24,420	31,599	34,520	40,836
Total PGMs	OZ	1,314,772	1,244,709	1,331,493	1,464,235	1,520,812
Base metals						
Nickel ¹¹	MT	3,475	3,244	3,483	4,522	4,342
Copper ¹¹	MT	2,091	1,988	2,009	2,466	2,452

	Units	2010	2009	2008	2007	2006
Sales						
Refined metal sales ¹⁰						
Platinum	oz	681,424	659,703	706,492	786,552	803,471
Palladium	oz	315,515	305,332	329,460	362,077	373,303
Gold	oz	16,289	18,910	20,151	24,449	22,133
Rhodium	oz	98,657	94,160	93,337	102,916	116,281
Ruthenium	oz	153,865	146,009	158,477	162,853	179,557
Iridium	oz	34,790	23,522	32,140	37,858	38,092
Total PGMs	oz	1,300,540	1,247,636	1,340,057	1,476,705	1,532,837
Concentrate and other ¹²						
Platinum	oz	24,850	23,253	20,425	7,032	136,183
Palladium	oz	-	(2,848)	11,888	3,232	61,110
Gold	oz	-	13	117	201	4,641
Rhodium	oz	-	175	889	1,008	15,965
Ruthenium	oz	-	303	26,205	1,942	26,137
Iridium	oz	-	387	1,789	64	5,291
Total PGMs	oz	24,850	21,282	61,313	13,479	249,327
Lonmin Platinum						
Platinum	oz	706,274	682,955	726,918	793,584	939,654
Palladium	oz	315,515	302,485	341,348	365,309	434,413
Gold	oz	16,289	18,922	20,268	24,650	26,774
Rhodium	oz	98,657	94,335	94,227	103,924	132,246
Ruthenium	oz	153,865	146,312	184,682	164,795	205,694
Iridium	oz	34,790	23,909	33,929	37,922	43,384
Total PGMs	oz	1,325,390	1,268,918	1,401,371	1,490,184	1,782,164
Nickel ¹¹	MT	3,033	3,318	3,338	5,308	4,604
Copper ¹¹	MT	2,169	2,045	1,978	2,474	2,974
Average Prices						
Platinum	\$/oz	1,525	1,086	1,655	1,213	1,091
Palladium	\$/oz	448	224	372	339	300
Gold	\$/oz	1,153	912	867	647	571
Rhodium	\$/oz	2,308	1,571	7,614	5,757	3,971
Ruthenium	\$/oz	173	97	340	404	134
Iridium	\$/oz	520	388	414	402	233
Basket price of PGMs ¹³	\$/oz	1,139	786	1,529	1,196	972
Basket price of PGMs ¹³	R/oz	8,375	6,873	11,543	8,533	6,518
Nickel ¹¹	\$/MT	18,569	15,006	22,556	26,461	17,975
Copper ¹¹	\$/MT	6,623	6,291	7,212	6,971	7,882

Footnotes:

- 1 During the year we revised the management structure in mining into four business units and we will report against these from now onwards. Karee includes the shafts K3, 1B and 4B and will also include K4 once production commences. Westerns comprises Rowland, Newman and the now closed W1 and B3. Middelkraal represents Hossy and Saffy. Easterns includes E1, E2 and E3.
- 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 Tonnes milled and derived metal in concentrate from third-party ore purchases.
- 6 Head grade is the grammes per tonne (5PGE+Au) value contained in the tonnes milled and fed into the concentrator from the mines (excluding 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 includes slag and has been calculated using industry standard downstream processing losses.
- 9 Corresponds to contained base metals in concentrate.
- 10 Lonmin refined metal production and sales include saleable ounces of Platinum produced from toll refining third party concentrate estimated at 8koz in 2010 and 4koz in 2009.
- 11 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.
- 12 Concentrate and others sales have been adjusted to a saleable ounce basis using industry standard recovery rates.
- 13 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.

	Units	2010	2009	2008	2007	2006
Capital expenditure ¹	Rm	1,989	2,106	2,816	1,923	1,207
	\$m	267	234	378	276	182

Cost per PGM ounce sold²

Group:						
Mining – Marikana	R/oz	4,575	4,468	3,880	2,306	1,700
Mining – Limpopo	R/oz	-	7,404	6,363	4,463	3,740
Mining (weighted average)	R/oz	4,575	4,490	3,979	2,430	1,827
Concentrating – Marikana	R/oz	862	808	724	470	330
Concentrating – Limpopo	R/oz	-	1,820	1,743	1,506	847
Concentrating (weighted average)	R/oz	862	815	761	526	361
Process division	R/oz	809	693	686	600	406
Shared business services	R/oz	527	632	845	612	463
C1 cost per PGM ounce produced	R/oz	6,773	6,630	6,271	4,168	3,057
Stock movement	R/oz	(358)	112	(863)	28	(9)
C1 cost per PGM ounce sold before base metal credits	R/oz	6,415	6,742	5,408	4,196	3,048
Base metal credits	R/oz	(415)	(440)	(482)	(762)	(400)
C1 cost per PGM ounce sold after base metal credits	R/oz	6,000	6,302	4,926	3,434	2,648
Amortisation	R/oz	571	516	420	360	272
C2 cost per PGM ounce sold	R/oz	6,571	6,818	5,346	3,794	2,920
Pandora Mining cost:						
C1 Pandora mining cost (in joint venture)	R/oz	4,727	3,371	3,223	2,453	1,795
Pandora JV cost/ounce to Lonmin (adjusting Lonmin share of profit)	R/oz	7,253	5,956	6,200	4,225	3,110

Exchange Rates

Average rate for period ³						
	R/\$	7.45	9.00	7.45	7.14	6.63
	£/\$	0.64	0.64	0.51	0.51	0.55
Closing rate						
	R/\$	6.92	7.47	8.27	6.83	7.77
	£/\$	0.64	0.62	0.56	0.50	0.53

Footnotes:

- Capital expenditure is the aggregate of the purchase of property, plant and equipment and intangible assets (includes capital accruals and excludes capitalised interest).
- It should be noted that with the restructuring of the business in both 2010 and 2009 the cost allocation between business units has been changed and, therefore, whilst the total is on a like-for-like basis, individual line items are not totally comparable.
- Exchange rates are calculated using the market average daily closing rate over the course of the period.

Consolidated income statement
for the year ended 30 September

	Note	2010 Underlying ⁱ \$m	Special items (note 3) \$m	2010 Total \$m	2009 Underlying ⁱ \$m	Special items (note 3) \$m	2009 Total \$m
Continuing operations							
Revenue	2	1,585	-	1,585	1,062	-	1,062
EBITDA / (LBITDA)ⁱⁱ		350	(13)	337	1	(49)	(48)
Depreciation, amortisation and impairment		(122)	(12)	(134)	(94)	-	(94)
Operating profit / (loss)ⁱⁱⁱ		228	(25)	203	(93)	(49)	(142)
Impairment of available for sale financial assets		-	-	-	-	(39)	(39)
Finance income	4	10	28	38	9	-	9
Finance expenses	4	(9)	-	(9)	(28)	(73)	(101)
Share of profit of equity accounted investments		8	-	8	1	-	1
Profit / (loss) before taxation		237	3	240	(111)	(161)	(272)
Income tax expense ^{iv}	5	(80)	(38)	(118)	(18)	(33)	(51)
Profit / (loss) for the year		157	(35)	122	(129)	(194)	(323)
Attributable to:							
- Equity shareholders of Lonmin Plc		138	(26)	112	(103)	(182)	(285)
- Non-controlling interests		19	(9)	10	(26)	(12)	(38)
Earnings / (loss) per share	6	70.2c		56.9c	(59.2)c		(163.7)c
Diluted earnings / (loss) per share ^v	6	70.0c		56.8c	(59.2)c		(163.7)c

Consolidated statement of comprehensive income
for the year ended 30 September

	2010 Total \$m	2009 Total \$m
Profit / (loss) for the year	122	(323)
Other comprehensive income / (expense):		
- Change in fair value of available for sale financial assets	(6)	9
- Net change in fair value of cash flow hedges	1	5
- Gains on settled cash flow hedges released to the income statement	(3)	(24)
- Foreign exchange on retranslation of equity accounted investments	3	6
- Deferred tax on items taken directly to the statement of comprehensive income	1	6
Total comprehensive income / (expense) for the year	118	(321)
Attributable to:		
- Equity shareholders of Lonmin Plc	107	(280)
- Non-controlling interests	11	(41)
	118	(321)

Footnotes:

- i Underlying results and earnings per share are based on reported results and earnings per share excluding the effect of special items as defined in note 3.
- ii EBITDA / (LBITDA) is operating profit / (loss) before depreciation, amortisation and impairment of goodwill, intangibles and property, plant and equipment.
- iii Operating profit / (loss) is defined as revenue less operating expenses before impairment of available for sale financial assets, finance income and expenses and share of profit of equity accounted investments.
- iv The income tax expense substantially relates to overseas taxation and includes net exchange losses of \$37 million (2009 - exchange losses of \$38 million) as disclosed in note 5.
- v Diluted earnings / (loss) per share is based on the weighted average number of ordinary shares in issue adjusted by dilutive outstanding share options. For the year ended 30 September 2009 outstanding share options were anti-dilutive and so have been excluded from diluted loss per share in accordance with IAS 33 - *Earnings Per Share*.

Consolidated statement of financial position

as at 30 September

	Note	2010 \$m	2009 \$m
Non-current assets			
Goodwill		113	113
Intangible assets		978	964
Property, plant and equipment		2,199	2,036
Equity accounted investments		172	159
Other financial assets		404	93
		3,866	3,365
Current assets			
Inventories		396	271
Trade and other receivables		414	287
Assets held for sale		-	6
Tax recoverable		-	1
Derivative financial instruments		-	1
Cash and cash equivalents	8	148	282
		958	848
Current liabilities			
Trade and other payables		(381)	(337)
Interest bearing loans and borrowings	8	(66)	(58)
Derivative financial instruments		(1)	-
Tax payable		(6)	(10)
		(454)	(405)
Net current assets		504	443
Non-current liabilities			
Employee benefits		-	(11)
Interest bearing loans and borrowings	8	(457)	(349)
Deferred tax liabilities ⁱ		(751)	(643)
Provisions		(80)	(67)
		(1,288)	(1,070)
Net assetsⁱ		3,082	2,738
Capital and reserves			
Share capital		202	193
Share premium		997	776
Other reserves		88	89
Retained earnings ⁱ		1,422	1,298
Attributable to equity shareholders of Lonmin Plcⁱ		2,709	2,356
Attributable to non-controlling interestsⁱ		373	382
Total equityⁱ		3,082	2,738

Footnotes:

ⁱ 2009 deferred tax liabilities were restated as disclosed in note 1 impacting net assets accordingly. This has also impacted retained earnings, including the split between equity shareholders and non-controlling interests, and total equity as shown in the consolidated statement of changes in equity.

Consolidated statement of changes in equity
for the year ended 30 September

	Equity interest				Total \$m	Non- controlling interests ⁱⁱⁱ \$m	Total equity \$m
	Called up share capital \$m	Share premium account \$m	Other reserves ⁱ \$m	Retained earnings ⁱⁱ \$m			
At 1 October 2008 as previously reported	156	305	100	1,586	2,147	447	2,594
Correction	-	-	-	(61)	(61)	(3)	(64)
At 1 October 2008 (restated ^{iv})	156	305	100	1,525	2,086	444	2,530
Loss for the year	-	-	-	(285)	(285)	(38)	(323)
Total other comprehensive (expense) / income:	-	-	(11)	16	5	(3)	2
- Change in fair value of available for sale financial assets	-	-	-	9	9	-	9
- Net change in fair value of cash flow hedges	-	-	4	-	4	1	5
- Gains on settled cash flow hedges released to the income statement	-	-	(20)	-	(20)	(4)	(24)
- Foreign exchange gain on retranslation of equity accounted investments	-	-	-	6	6	-	6
- Deferred tax on items taken directly to the statement of comprehensive income	-	-	5	1	6	-	6
Items recognised directly in equity:	37	471	-	42	550	(21)	529
- Share-based payments	-	-	-	2	2	-	2
- Share capital and share premium recognised on equity issuance ^v	35	477	-	-	512	-	512
- Equity issue costs charged to share premium ^v	-	(21)	-	-	(21)	-	(21)
- Exchange gain on shares to be issued ^v	-	-	-	4	4	-	4
- Reversal of fair value movements on derivative liability recognised on equity issuance ^v	-	-	-	36	36	-	36
- Shares issued on exercise of share options ^{vi}	1	-	-	-	1	-	1
- Shares issued under the IFC option agreement ^{vii}	1	15	-	-	16	-	16
- Dividends	-	-	-	-	-	(21)	(21)
At 30 September 2009 (restated ^{iv})	193	776	89	1,298	2,356	382	2,738

	Equity interest					Non-controlling interests ⁱⁱⁱ	Total equity
	Called up share capital	Share premium account	Other reserves ⁱ	Retained earnings ⁱⁱ	Total		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 October 2009 as previously reported	193	776	89	1,359	2,417	385	2,802
Correction	-	-	-	(61)	(61)	(3)	(64)
At 1 October 2009 (restated ^{iv})	193	776	89	1,298	2,356	382	2,738
Profit for the year	-	-	-	112	112	10	122
Total other comprehensive (expense) / income:	-	-	(1)	(4)	(5)	1	(4)
- Change in fair value of available for sale financial assets	-	-	-	(6)	(6)	-	(6)
- Net change in fair value of cash flow hedges	-	-	1	-	1	-	1
- Gains on settled cash flow hedges released to the income statement	-	-	(3)	-	(3)	-	(3)
- Foreign exchange gain on retranslation of equity accounted investments	-	-	-	2	2	1	3
- Deferred tax on items taken directly to the statement of comprehensive income	-	-	1	-	1	-	1
Items recognised directly in equity:	9	221	-	16	246	(20)	226
- Share-based payments	-	-	-	4	4	1	5
- Transfer from liability for own shares ^{viii}	-	-	-	14	14	1	15
- Share capital and share premium recognised on equity issuance ^{ix}	9	224	-	-	233	-	233
- Equity issue costs charged to share premium ^{ix}	-	(4)	-	-	(4)	-	(4)
- Reversal of fair value movements on derivative liability recognised on equity issuance ^{ix}	-	-	-	(2)	(2)	-	(2)
- Shares issued on exercise of share options ^{vi}	-	1	-	-	1	-	1
- Dividends	-	-	-	-	-	(22)	(22)
At 30 September 2010	202	997	88	1,422	2,709	373	3,082

Footnotes:

- i Other reserves at 30 September 2010 represent the capital redemption reserve of \$88 million (2009 - \$88 million) and a \$nil hedging reserve net of deferred tax (30 September 2009 - \$1 million credit hedging reserve net of deferred tax). The movement in the current year represents the movement on the hedging reserve.
- ii Retained earnings include \$16 million of accumulated credits in respect of fair value movements on available for sale financial assets (2009 - \$22 million accumulated credits) and a \$14 million credit of accumulated exchange on retranslation of equity accounted investments (2009 - \$11 million credit).
- iii Non-controlling interests represent an 18% shareholding in Eastern Platinum Limited, Western Platinum Limited and Messina Limited and a 26% shareholding in Akanani Mining (Pty) Limited.
- iv Retained earnings as at 1 October 2008 and 30 September 2009 have been restated as disclosed in note 1.
- v During the prior year the Group undertook a Rights Issue in which 35,072,129 shares were issued.
- vi During the year 173,936 share options were exercised (2009 - 426,315) on which \$1 million of cash was received (2009 - \$1 million).
- vii In the prior year 1,172,583 shares were issued under the International Finance Corporation option agreement. As the shares were issued at a discount only \$15 million of cash was received.
- viii During the year the Directors took the policy decision that all award schemes will be satisfied by equity shares for the foreseeable future. As a result the balance on the liability for own shares relating to previously cash settled schemes was transferred to the reserve for own shares.
- ix During the year the Group completed an equity placing of 9,064,249 shares for net proceeds of \$229 million. As disclosed in note 3, under IAS 32 this resulted in the recognition of a derivative liability with fair value movements taken through the income statement until settlement. On settlement movements in fair value were reversed through equity.

Consolidated statement of cash flows
for the year ended 30 September

	Note	2010 \$m	2009 \$m
Profit / (loss) for the year		122	(323)
Taxation	5	118	51
Share of profit of equity accounted investments		(8)	(1)
Finance income	4	(38)	(9)
Finance expenses	4	9	101
Impairment of available for sale financial assets	3	-	39
Depreciation, amortisation and impairment		134	94
Change in inventories		(125)	48
Change in trade and other receivables		(138)	59
Change in trade and other payables		40	(9)
Change in provisions		5	12
Share-based payments		9	(1)
Loss on disposal of property, plant and equipment		5	4
Other non cash expenses		-	(2)
Cash flow from operations		133	63
Interest received		3	3
Interest and bank fees paid		(44)	(34)
Tax paid		(12)	(48)
Cash inflow / (outflow) from operating activities		80	(16)
Cash flow from investing activities			
Investment in joint venture		(3)	(5)
HDSA financing	9	(285)	-
Dividend received from associate		-	3
Purchase of property, plant and equipment		(259)	(221)
Purchase of intangible assets		(2)	(13)
Cash used in investing activities		(549)	(236)
Cash flow from financing activities			
Dividends paid to non-controlling interests		(22)	(21)
Proceeds from current borrowings	8	60	58
Repayment of current borrowings	8	(47)	-
Proceeds from non-current borrowings	8	113	225
Repayment of non-current borrowings	8	-	(405)
Proceeds from equity issuance		233	516
Costs of issuing shares		(4)	(21)
Loss on forward exchange contracts on equity issuance		-	(33)
Issue of other ordinary share capital		1	16
Cash from financing activities		334	335
(Decrease) / increase in cash and cash equivalents	8	(135)	83
Opening cash and cash equivalents	8	282	226
Effect of exchange rate changes	8	1	(27)
Closing cash and cash equivalents	8	148	282

Notes

1. Basis of preparation

The financial information presented has been prepared on the basis of International Financial Reporting Standards (IFRSs) as adopted by the EU.

The 2008 and 2009 deferred tax liabilities in respect of non-current assets have been restated to reflect an additional liability of \$64 million which should have been recorded on transition to IFRS in 2006. The deferred tax liability will unwind over the life of the non-current assets. The income statement impact in any given year is not material and therefore prior year income statements have not been restated. There are no cash implications of this adjustment.

	Deferred tax liability \$m	Reserves \$m
Balance as reported at 1 October 2008	(540)	2,594
Correction	(64)	(64)
Restated balance at 1 October 2008	(604)	2,530
Balance as reported at 30 September 2009	(579)	2,802
Correction	(64)	(64)
Restated balance at 30 September 2009	(643)	2,738

2. Segmental analysis

The Group distinguishes between 3 reportable operating segments being the Platinum Group Metals (PGM) Operations segment, the Evaluation segment and the Exploration segment. The PGM Operations segment comprises the activities involved in the mining and processing of PGMs, together with associated base metals, which are carried out entirely in South Africa. The Evaluation segment covers the evaluation through pre-feasibility of the economic viability of newly discovered PGM deposits. Currently all of the evaluation projects are based in South Africa. The Exploration segment covers the activities involved in the discovery or identification of new PGM deposits. This activity occurs on a worldwide basis. No operating segments have been aggregated. Operating segments have consistently adopted the consolidated basis of accounting and there are no differences in measurement applied. Other covers mainly the results and investment activities of the corporate Head Office in London. The only intersegment transactions involve the provision of funding between segments and any associated interest.

	Year ended 30 September 2010					
	PGM	Evaluation	Exploration	Other	Inter-segment	Total
	Operations					
	Segment	Segment	Segment	Segment	Segment	Segment
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue (external sales by product)						
Platinum	1,078	-	-	-	-	1,078
Palladium	141	-	-	-	-	141
Gold	19	-	-	-	-	19
Rhodium	229	-	-	-	-	229
Ruthenium	27	-	-	-	-	27
Iridium	18	-	-	-	-	18
PGMs	1,512	-	-	-	-	1,512
Nickel	56	-	-	-	-	56
Copper	14	-	-	-	-	14
Chrome	3	-	-	-	-	3
	1,585	-	-	-	-	1,585
Underlying ⁱ :						
EBITDA / (LBITDA) ⁱⁱ	359	(3)	(6)	-	-	350
Depreciation and amortisation	(122)	-	-	-	-	(122)
Operating profit / (loss) ⁱⁱ	237	(3)	(6)	-	-	228
Finance income	3	-	-	36	(29)	10
Finance expenses	(23)	-	-	(15)	29	(9)
Share of profit of equity accounted investments	5	-	-	3	-	8
Profit / (loss) before taxation	222	(3)	(6)	24	-	237
Income tax (expense) / credit	(82)	(4)	-	6	-	(80)
Profit / (loss) after taxation	140	(7)	(6)	30	-	157
Total assets	3,537	843	4	963	(523)	4,824
Total liabilities	(1,888)	(294)	(46)	(37)	523	(1,742)
Net assets	1,649	549	(42)	926	-	3,082
Share of net assets of equity accounted investments	47	-	-	125	-	172
Additions to property, plant, equipment and intangibles	293	17	-	-	-	310
Material non cash items – share-based payments	9	-	-	-	-	9

Year ended 30 September 2009

	PGM Operations Segment \$m	Evaluation Segment \$m	Exploration Segment \$m	Other \$m	Inter- segment Adjustments \$m	Total \$m
Revenue (external sales by product)						
Platinum	742	-	-	-	-	742
Palladium	68	-	-	-	-	68
Gold	17	-	-	-	-	17
Rhodium	148	-	-	-	-	148
Ruthenium	14	-	-	-	-	14
Iridium	10	-	-	-	-	10
PGMs	999	-	-	-	-	999
Nickel	50	-	-	-	-	50
Copper	13	-	-	-	-	13
	1,062	-	-	-	-	1,062
Underlying ⁱ :						
EBITDA / (LBITDA) ⁱⁱ	11	(6)	(11)	7	-	1
Depreciation and amortisation	(94)	-	-	-	-	(94)
Operating (loss) / profit ⁱⁱ	(83)	(6)	(11)	7	-	(93)
Finance income	3	-	-	9	(3)	9
Finance expenses	(31)	-	-	-	3	(28)
Share of (loss) / profit of equity accounted investments	(1)	-	-	2	-	1
(Loss) / profit before taxation	(112)	(6)	(11)	18	-	(111)
Income tax expense	(18)	-	-	-	-	(18)
(Loss) / profit after taxation	(130)	(6)	(11)	18	-	(129)
Total assets	3,089	831	-	625	(332)	4,213
Total liabilities ⁱⁱⁱ	(1,483)	(257)	(35)	(32)	332	(1,475)
Net assets ⁱⁱⁱ	1,606	574	(35)	593	-	2,738
Share of net assets of equity accounted investments	39	-	-	120	-	159
Additions to property, plant, equipment and intangibles	229	29	-	-	-	258
Material non cash items – share- based payments	4	-	-	-	-	4

Revenue by destination is analysed by geographical area below:

	Year ended 30 September 2010 \$m	Year ended 30 September 2009 \$m
The Americas	453	227
Asia	373	296
Europe	529	417
South Africa	230	122
	1,585	1,062

The Group's revenues are all derived from the PGM Operations segment. This segment has 2 major customers who contributed 69% and 23% of revenue in the year (2009 - 66% and 27%).

Metal sales prices are based on market prices which are denominated in US Dollars. The majority of sales are also invoiced in US Dollars with the exception of certain sales in South Africa which are invoiced in South African Rand based on exchange rates determined in accordance with the contractual arrangements.

Non-current assets, excluding financial instruments, by geographical area are shown below:

	Year ended 30 September 2010 \$m	Year ended 30 September 2009 \$m
South Africa	3,461	3,271
Europe	1	1
	3,462	3,272

Footnotes:

- i Underlying results are based on reported results excluding the effect of special items as defined in note 3.
- ii EBITDA / (LBITDA) and operating profit / (loss) are the key profit measures used by management.
- iii Total liabilities and net assets are restated as disclosed in note 1.

3. Special Items

'Special items' are those items of financial performance that the Group believes should be separately disclosed on the face of the income statement to assist in the understanding of the financial performance achieved by the Group and for consistency with prior years.

	2010 \$m	2009 \$m
Operating loss:	(25)	(49)
- Costs relating to HDSA financing ⁱ	(5)	-
- Impairment of property, plant and equipment ⁱⁱ	(12)	-
- Restructuring and reorganisation costs ⁱⁱⁱ	(9)	(49)
- Pension refund	1	-
Impairment of available for sale financial assets ^{iv}	-	(39)
Net finance income / (expense):	28	(73)
- Interest accrued from HDSA receivable ⁱ	3	-
- Exchange gains on HDSA receivable ⁱ	11	-
- Movement in fair value of HDSA derivative asset	12	-
- Loss on forward exchange contracts in respect of equity issuance	-	(33)
- Exchange difference on holding Rights Issue proceeds received in advance	-	(4)
- Movement in fair value of derivative liability in respect of equity issuance ^v	2	(36)
Profit / (loss) on special items before taxation	3	(161)
Taxation related to special items (note 5)	(38)	(33)
Special loss before non-controlling interest	(35)	(194)
Non-controlling interests	9	12
Special loss for the year attributable to equity shareholders of Lonmin Plc	(26)	(182)

Footnotes:

- i As explained in note 9 the Group provided financing to assist Shanduka to acquire a majority shareholding in Incwala, Lonmin's Black Economic Empowerment partner. This financing has given rise to foreign exchange movements and the accrual of interest in the year. The Group also incurred fees from advisors in relation to the transaction.
- ii During the year the Group took a strategic decision to enhance its smelting capacity by initiating the development of an additional pyromet furnace. The most cost effective approach was to decommission the existing Merensky furnace and leverage the existing infrastructure. To the extent the Merensky furnace assets could not be reutilised these have been written off. In addition, \$2 million was written off with respect to houses for sale.
- iii During the year the Group incurred \$9 million in transition costs in relocating corporate functions from the London office to South Africa. In 2009 the Group incurred \$49 million restructuring costs together with abnormal non-productive operating costs at Limpopo following announcement of its closure.
- iv During the prior year certain available for sale financial assets were marked to market and fell below original acquisition costs resulting in \$39 million of impairment charges being taken to the income statement.
- v During the year the Group completed an equity placing of 9,064,249 ordinary shares. Since the equity was raised in Sterling and the functional currency of the Group is US Dollars, the fair value of the derivative recognised under IAS 32 - *Financial Instruments: Presentation* increased by \$2 million during the settlement period due to variations in the share price and foreign exchange. The transaction could not be treated as an equity instrument, rather than a derivative, under the amendment to IAS 32 as it was not a Rights Issue. In the prior year a charge of \$36 million arose on the Rights Issue.

4. Net finance costs

	2010 \$m	2009 \$m
Finance income:	10	9
- Interest receivable on cash and cash equivalents	2	3
- Other interest receivable	7	-
- Movement in fair value of HDSA receivables	-	3
- Exchange gains on HDSA receivables	-	3
- Exchange gains on net debt ⁱ	1	-
Finance expenses:	(9)	(28)
- Interest payable on bank loans and overdrafts	(25)	(15)
- Bank fees	(20)	(8)
- Capitalised interest ⁱⁱ	43	23
- Other finance expenses	(1)	-
- Unwind of discounting on provisions	(6)	(5)
- Exchange losses on net debt ⁱ	-	(23)
Special items (note 3):	28	(73)
- Interest on HDSA receivable ⁱⁱⁱ	3	-
- Exchange gain on HDSA receivable ⁱⁱⁱ	11	-
- Movement in fair value of HDSA derivative ⁱⁱⁱ	12	-
- Loss on forward exchange contracts in respect of equity issuance	-	(33)
- Exchange difference on holding Rights Issue proceeds received in advance	-	(4)
- Movement in fair value of derivative liability in respect of equity issuance	2	(36)
Net finance income / (expense)	29	(92)

Footnotes:

- i Net debt is defined by the Group as cash and cash equivalents, bank overdrafts repayable on demand and interest bearing loans and borrowings less unamortised bank fees.
- ii Interest expenses incurred have been capitalised on a Group basis to the extent that there is an appropriate qualifying asset. The weighted average interest rate used by the Group for capitalisation is 5.7% (2009 - 4.8%).
- iii During the year Shanduka purchased a majority shareholding in Incwala, Lonmin's Black Economic Empowerment partner. Lonmin provided a Sterling loan to assist Shanduka in funding the transaction and this has therefore given rise to foreign exchange movements and accrued interest in the period since the Sterling loan was drawn. This facility also included an embedded derivative. See note 9 for further details.

5. Taxation

	2010 \$m	2009 \$m
Current tax charge (excluding special items):		
United Kingdom tax credit	(6)	-
Current tax (credit) / expense at 28% (2009 – 28%)	(6)	33
Less amount of the benefit arising from double tax relief available	-	(33)
Overseas current tax expense at 28% (2009 – 28%)	8	11
Corporate tax expense – current year	9	1
Adjustment in respect of prior years	(3)	-
Tax on dividends remitted	2	10
Deferred tax expense - UK and overseas	78	7
Origination and reversal of temporary differences	79	7
Adjustment in respect of prior years	(1)	12
Tax on dividends unremitted	-	(12)
Special items – UK and overseas (note 3):	38	33
Reversal of utilisation of losses from prior years to offset deferred tax liability ⁱ	-	1
Exchange on current taxation ⁱ	1	(5)
Exchange on deferred taxation ⁱ	36	43
Tax on special items impacting profit before tax	1	(6)
Actual tax charge	118	51
Tax charge excluding special items (note 3)	80	18
Effective tax rate	49%	(19%)
Effective tax rate excluding special items (note 3)	34%	(16%)

A reconciliation of the standard tax charge to the actual tax charge was as follows:

	2010 %	2010 \$m	2009 %	2009 \$m
Tax charge / (credit) on profit / (loss) at standard tax rate	29	70	28	(76)
Tax effect of:				
- Overseas taxes on dividends remitted by subsidiary companies	1	2	-	-
- Unutilised losses ⁱⁱ	(2)	(5)	(7)	18
- Foreign exchange impacts on taxable profits	6	14	(13)	35
- Adjustment in respect of prior years	(2)	(4)	(4)	10
- Impairment of available for sale financial assets	-	-	(4)	11
- Losses in respect of Rights Issue	-	-	(7)	20
- Other	2	4	-	-
Special items as defined above	15	37	(12)	33
Actual tax charge	49	118	(19)	51

The Group's primary operations are based in South Africa. Therefore, the relevant standard tax rate for the Group is the South African statutory tax rate of 28% (2009 - 28%). Lonmin Plc operates a branch in South Africa which is subject to a tax rate of 33% on branch profits (2009 - 33%). The secondary tax rate on dividends remitted by South African companies is 10% (2009 - 10%).

Footnotes:

- i Overseas tax charges are predominantly calculated based on Rand financial statements. As the Group's functional currency is US Dollar this leads to a variety of foreign exchange impacts being the retranslation of current and deferred tax balances and monetary assets, as well as other translation differences. The Rand denominated deferred tax balance in US Dollars at 30 September 2010 is \$524 million (30 September 2009 - \$412 million).
- ii Unutilised losses reflect losses generated in entities for which no deferred tax is provided as it is not thought probable that future profits can be generated against which a deferred tax asset could be offset or previously unrecognised losses utilised.

6. Earnings / (loss) per share

Earnings / (loss) per share (EPS / (LPS)) have been calculated on the earnings attributable to equity shareholders amounting to \$112 million (2009 - loss \$285 million) using a weighted average number of 196,684,833 ordinary shares in issue (2009 - 174,116,102 ordinary shares).

Diluted earnings / (loss) per share is based on the weighted average number of ordinary shares in issue adjusted by dilutive outstanding share options in accordance with IAS 33 - *Earnings Per Share*. In the 12 months to 30 September 2009 outstanding share options were anti-dilutive and so were excluded from diluted loss per share in accordance with IAS 33 - *Earnings Per Share*.

	2010			2009		
	Profit for the year \$m	Number of shares	Per share amount cents	Loss for the year \$m	Number of shares	Per share amount cents
Basic EPS / (LPS)	112	196,684,833	56.9	(285)	174,116,102	(163.7)
Share option schemes	-	489,302	(0.1)	-	-	-
Diluted EPS / (LPS)	112	197,174,135	56.8	(285)	174,116,102	(163.7)

	2010			2009		
	Profit for the year \$m	Number of shares	Per share amount cents	Loss for the year \$m	Number of shares	Per share amount cents
Underlying EPS / (LPS)	138	196,684,833	70.2	(103)	174,116,102	(59.2)
Share option schemes	-	489,302	(0.2)	-	-	-
Diluted underlying EPS / (LPS)	138	197,174,135	70.0	(103)	174,116,102	(59.2)

Underlying earnings / (loss) per share has been presented as the Directors consider it important to present the underlying results of the business. Underlying earnings / (loss) per share is based on the earnings / (loss) attributable to equity shareholders adjusted to exclude special items (as defined in note 3) as follows:

	2010			2009		
	Profit for the year \$m	Number of shares	Per share amount cents	(Loss) / profit for the year \$m	Number of shares	Per share amount cents
Basic EPS / (LPS)	112	196,684,833	56.9	(285)	174,116,102	(163.7)
Special items (note 3)	26	-	13.3	182	-	104.5
Underlying EPS / (LPS)	138	196,684,833	70.2	(103)	174,116,102	(59.2)

Headline earnings / (loss) and the resultant headline earnings / (loss) per share are specific disclosures defined and required by the Johannesburg Stock Exchange. These are calculated as follows:

	Year ended 30 September 2010 \$m	Year ended 30 September 2009 \$m
Earnings / (loss) attributable to ordinary shareholders (IAS 33 earnings)	112	(285)
Add back loss on disposal of property, plant and equipment	5	4
Add back impairment of assets (note 3)	12	39
Tax related to the above items	(5)	-
Non-controlling interests	(2)	-
Headline earnings / (loss)	122	(242)

	2010			2009		
	Profit for the year \$m	Number of shares	Per share amount cents	Loss for the year \$m	Number of shares	Per share amount cents
Headline EPS / (LPS)	122	196,684,833	62.0	(242)	174,116,102	(139.0)
Share option schemes	-	489,302	(0.1)	-	-	-
Diluted Headline EPS / (LPS)	122	197,174,135	61.9	(242)	174,116,102	(139.0)

7. Dividends

No dividends were paid in the year (2009 - \$nil).

	2010		2009	
	\$m	Cents per share	\$m	Cents per share
Prior year final dividend paid in the year	-	-	-	-
Interim dividend paid in the year	-	-	-	-
Total dividend paid in the year	-	-	-	-
Interim dividend paid in the year	-	-	-	-
Proposed final dividend for the year	30	15.0	-	-
Total dividend in respect of the year	30	15.0	-	-

8. Net debt as defined by the Group

	As at 1 October 2009 \$m	Cash flow \$m	Foreign exchange and non cash movements \$m	As at 30 September 2010 \$m
Cash and cash equivalents	282	(135)	1	148
Current borrowings	(58)	(13)	-	(71)
Non-current borrowings	(349)	(113)	-	(462)
Unamortised bank fees	12	-	(2)	10
Net debt as defined by the Group	(113)	(261)	(1)	(375)

	As at 1 October 2008 \$m	Cash flow \$m	Foreign exchange and non cash movements \$m	As at 30 September 2009 \$m
Cash and cash equivalents	226	83	(27)	282
Current borrowings	-	(58)	-	(58)
Non-current borrowings	(529)	180	-	(349)
Unamortised bank fees	-	-	12	12
Net debt as defined by the Group	(303)	205	(15)	(113)

Net debt as defined by the Group comprises cash and cash equivalents, bank overdrafts repayable on demand and interest bearing loans and borrowings less unamortised bank fees.

9. HDSA financing

Lonmin fulfils its Black Economic Empowerment (BEE) ownership requirements through its relationship with its BEE partner, Incwala Resources (Pty) Ltd (Incwala). Incwala holds all of the non-controlling interests in Lonmin's principal subsidiaries.

At 1 October 2009 Lonmin was owed \$25 million vendor financing from the original HDSA investors in Incwala. In the year a further \$59 million was paid in respect of guarantees on behalf of the original HDSA investors, as disclosed in the 2010 interim financial statements, in exchange for additional HDSA receivables of this value.

On 8 July 2010, Lonmin entered into an agreement to provide financing for Shanduka's acquisition, at fair value, of 50.03% of shares in Incwala from the original HDSA shareholders. Lonmin advanced a loan ("HDSA receivable") of \$304 million (or £200 million) denominated in Sterling which included the roll-forward of receivables from the original HDSA investors and accrued interest.

The terms of the financing provided by Lonmin to Shanduka include the accrual of interest on the HDSA receivable at market rates based on a principal value of £200 million (\$304 million) which is repayable after 5 years including accrued interest, or earlier at Shanduka's discretion, and a mechanism for returning additional value to Lonmin's shareholders in the event of Shanduka realising value through its investment in Lonmin. In presenting these financial statements, the Directors specifically reviewed the balance of risk and reward accruing to each of Lonmin and Shanduka as a result of this mechanism.

These financing arrangements constitute, for accounting purposes under IAS 39, a hybrid financial instrument.

As permitted under IAS 39, the Directors have determined that it is appropriate to account for this financial instrument by splitting it into two components – the HDSA receivable being an amortised cost asset and a financial derivative. The Directors have commissioned an independent valuation of the hybrid instrument and its components to arrive at the appropriate figures for fair value on initial recognition and subsequently for the derivative at 30 September 2010.

10. Statutory Disclosure

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2010 and 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.