03/

116 Independent Auditor's Report
124 Responsibility Statement of the Directors in Respect of the Annual Report and Accounts
119 Consolidated Income Statement
119 Consolidated Statement of Comprehensive Income
120 Consolidated Statement of Financial Position
121 Consolidated Statement of Changes in Equity
122 Consolidated Statement of Cash Flows
123 Notes to the Accounts
173 Lonmin Plc Company Statement of Financial Position
174 Lonmin Plc Company Statement of Changes in Equity
175 Notes to the Company Accounts

Financial Statements

The statutory financial statements of both the Group and the Company and associated audit reports.

INDEPENDENT AUDITOR'S REPORT

to the Members of Lonmin Plc

1 Our opinion is unmodified

We have audited the financial statements of Lonmin Plc ("the Company") for the year ended 30 September 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor of Lonrho plc in 1972 and we were re-appointed as auditor by the company in 1999 when Lonrho plc was renamed Lonmin plc. The period of total uninterrupted engagement is for more than 45 years. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	$9.0 million (2016: $11.5 million) 1.0% (2016: 0.5%) of Group total assets
Coverage	99% (2016: 100%) of group total assets 97% (2016: 99%) of group loss before tax

Risks of Material Misstatement		**vs 2016**
Recurring risks	Going concern	↑
	Impairment of Marikana assets	↑
	Physical quantities and net realisable value of inventory (excluding consumables)	↔
Parent company only	Impairment of shares in subsidiary companies and intercompany loan receivables in the Company Balance Sheet.	↑

INDEPENDENT AUDITOR'S REPORT

to the Members of Lonmin Plc

2 Material uncertainty related to going concern

	The risk	Our response
Going concern We draw attention to note 1 to the financial statements which indicates that there is a material uncertainty relating to the Group's and the parent Company's ability to continue as a going concern. The Group has received and recommended an all-share offer from Sibanye-Stillwater which is contingent on various approvals and conditions, including shareholder approval from Sibanye-Stillwater. Whether approval is obtained will be influenced by the net cash position of Lonmin plc at the time of the vote amongst other factors. Significant economic or operational results may negatively impact the net cash position which could result in approval not being obtained. If the Sibanye-Stillwater deal does not complete, the Group would be required to repay its $150 million term loan and is unlikely to have sufficient financial resources to be able to continue trading without additional financing or asset sales which are not guaranteed. These events and conditions, along with the other matters explained in note 1, represent a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter	**Accounting basis and disclosure quality:** The Group has a $150 million term loan. The Group's banking covenants include a requirement to have tangible net worth as defined by the banking covenants of over $1.1 billion. As a result of the continued challenging PGM environment the Group suffered a further impairment of the Marikana CGU during the year which reduced the Group's tangible net worth to below the covenant level. The Group announced the proposed sale of the entire Group's share capital to Sibanye Gold Limited (trading as Sibanye-Stillwater) on 14 December 2017. On 18 January 2018 the Group obtained a waiver for the tangible net worth covenant valid until either the completion of the Sibanye-Stillwater deal or the deal falls through up to the long stop date of 28 February 2018. Under both scenarios, the Group is required to repay the $150 million loan. In addition, the completion of the deal is dependent on a number of approvals as disclosed in note 1. The Directors have prepared cash flow forecasts, and sensitivity analysis, to assess whether the Group is able to repay the $150 million loan on or prior to the completion of the deal. In the event that shareholder approval from both sets of shareholders for the transaction or regulatory approval is not obtained, there is a significant risk that the Group will be unable to meet its liabilities as they fall due following the expiry of the covenant waiver period or the withdrawal of the loan facilities by the Group's bankers unless the Group is able to obtain alternative funding or achieve asset sales which are, themselves uncertain.	Our procedures included: • **Funding assessment:** Assessing the terms of the Group financing agreements and covenant waivers to understand the different scenarios that may lead to the repayment of the $150 million term loan and the potential timing of these scenarios. • **Assessment of cash flow model:** assessing Group's cash flow model to identify key inputs for further enquiry. The key inputs included: PGM metal price forecasts, forecast production, forecast foreign exchange rates and forecast cash costs. Assessing the resultant cash flow projection as an indication of whether the Group would have sufficient resources to continue to operate and when necessary repay the $150 million term loan. • **Historical comparisons:** evaluating historical forecasting accuracy of key inputs including production and cash forecasts. • **Benchmarking assumptions:** comparing the Group's assumptions to externally derived data in relation to key inputs such as PGM metal price forecasts and foreign exchange rates. • **Methodology implementation:** Using KPMG modelling specialists to assess the integrity of the Group's going concern model. • **Sensitivity analysis:** Reviewing sensitivity analysis of the forecasts to a number of variable factors including PGM commodity prices, Rand / US Dollar exchange rates and production to identify whether reasonably plausible scenarios could have an impact on the going concern assumption.

INDEPENDENT AUDITOR'S REPORT

to the Members of Lonmin Plc

2 Material uncertainty related to going concern (continued)

	The risk	Our response
	The financial statements explain how the Directors have formed a judgement that it is appropriate to prepare the accounts of the Group and the parent Company on a going concern basis. However, the Directors have concluded that the completion of the planned transaction, and the uncertainty of whether the Group will have sufficient resources to repay the $150 million, along with the other factors discussed in note 1 represent a material uncertainty that may cast significant doubt regarding the Group's and parent Company's ability to continue as a going concern. As this assessment involves a consideration of future events there is a risk that the judgement is inappropriate. Furthermore, clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure. Auditing standards require such matters to be reported as a key audit matter.	• **All share offer:** Reviewing the section 2.7 announcement on the Sibanye-Stillwater deal to assess whether evidence is available to indicate whether Lonmin plc, and its significant subsidiaries are likely to continue to trade if the deal completes. • **Counter due diligence:** Obtaining the counter due diligence performed by the Directors of Lonmin plc on Sibanye-Stillwater to assess their financial viability. Corroborate where possible to publically available information on Sibanye-Stillwater's financing and other external evidence including broker forecasts. • **Assessing transparency:** evaluating the adequacy of the Group's disclosures in respect of going concern. **Our findings** • We found the disclosures included in note 1 made by the Directors, including the material uncertainty description to be balanced (2016: Balanced)

We are required to report to you if the Directors' going concern statement under the Listing Rules set out on page 112 is materially inconsistent with our audit knowledge. We have nothing to report in this respect.

3 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is the most significant key audit matter and is described in section 2 above. We summarise below the other key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. All of the key audit matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters. We have removed the risk relating to the Recoverability of the HDSA receivable following its impairment to $nil during the financial year. All other risks remain unchanged from 2016.

INDEPENDENT AUDITOR'S REPORT

to the Members of Lonmin Plc

3 Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Impairment of Marikana Assets ($1,050 million; 2016: $335 million) *Refer to pages 76-77 (Audit Committee Report), pages 136-137 (accounting policy) and pages 166-167 (financial disclosures).*	**Forecast-based valuation:** The PGM industry has experienced rising costs, and subdued demand resulting in a depressed pricing environment. In addition the Group is experiencing unit cost inflation. The Board and executive management have conducted a review of the Group's operations including closing non-profitable shafts. The Marikana CGU, which is the remaining CGU with a material carrying value was partially impaired in 2016. The discounted cash flow model used to determine the recoverable amount of the CGU is detailed and complex. Certain key inputs specifically mineral reserves, foreign exchange rates, inflation, PGM prices, capital and operating costs including production efficiencies, and the discount rate are subject to volatility and require significant estimation and judgement. As such, there is a significant risk that the carrying value of the Group's non-financial assets related to the Marikana CGU may need to be further impaired since the prior period.	Our procedures included: • **Review of impairment model:** assessing the Marikana CGU impairment model to identify key inputs for further assessment. The key inputs included: PGM metal price forecasts, forecast production, mineral reserve reports and forecast cash costs and the discount rate applied in the impairment review • **Historical comparisons:** evaluating historical forecasting accuracy of key inputs including production and unit cost forecasts. • **Benchmarking assumptions:** comparing the Group's assumptions to externally derived data in relation to key inputs such as PGM metal price forecasts and discount rates including using KPMG valuation specialists to challenge the discount rate used by the Group. • **Methodology implementation:** use of KPMG modelling specialists to assess the integrity of the Group's impairment model. • **Comparing valuations:** comparing the recoverable amount of the Marikana CGU against the Group's market capitalisation, recent corporate PGM transactions and the recent Sibanye-Stillwater recommended all-share offer to assess the reasonableness of the value in use calculations. • **Assessing transparency:** assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of the Marikana assets. **Our findings** • We found the Group' assumptions used in the discounted cash flow model for the Marikana assets, when all factors are considered, to be balanced (2016: mildly optimistic). Whilst the assumptions about long term PGM prices continue to be mildly optimistic we note this is balanced by other assumptions including the discount rate giving an overall balanced recoverable amount. We found the Group's disclosures to be proportionate in their description of the assumptions and estimates made by the Group and the sensitivity to changes thereon.

INDEPENDENT AUDITOR'S REPORT

to the Members of Lonmin Plc

3 Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Physical quantities and net realisable value of inventory (excluding consumables) ($199 million; 2016: $201 million) *Refer to page 78 (Audit Committee Report), page 137 (accounting policy) and page 150 (financial disclosures).*	**Subjective estimate:** Prior to production as a final metal, metal inventory is contained in a carrier material and it is not possible to determine the exact metal content contained in a carrier material. As such, physical quantities of metal inventory are determined by sampling, and assays are taken to determine the metal content and how this is split by type of metal. The accuracy of these samples and assays can vary quite significantly, and as such the quantum of metal inventory requires a significant amount of estimation and judgement. **Subjective valuation:** In relation to the net realisable value ("NRV") of the inventory quantity, the PGM industry has experienced rising costs, and subdued demand resulting in a depressed pricing environment and there is a risk that inventory is not carried at the lower of cost and NRV.	Our procedures included: • **Inventory count attendance:** attending year end physical stock counts for all significant Lonmin locations. At each site the Group engaged independent metallurgists to assist with the sampling methodologies used and adhered to appropriate stock count processes. We obtained direct confirmations of stock quantities for inventory held at third parties. • **Assessing metallurgists credentials:** We considered the competence of the metallurgists, the results of their report and the reasons for significant or unusual movements in inventory quantities between the accounting records and the results of the sampling and assays performed in the physical inventory count. • **Historical comparisons:** assessing the reasonableness of the downward adjustment to stock quantities to recognise the estimation uncertainty inherent in the sampling and assays and the fact that not all of the material will eventually be recovered as refined metal. We assessed this by reference to historical experience of the Group and obtained from the independent metallurgists an assessment of the average percentage sampling or calculation error at each stage of the production process. • **Benchmarking assumptions:** obtaining the NRV calculations and testing prices used in the calculations by reference to externally available data. • **Assessing transparency:** assessing the adequacy of the Group's disclosures about the metal inventory, including the description of the estimates and judgements around metal inventory. **Our findings** • We found that the estimates of physical quantities of metal inventory were balanced (2016: balanced). We found no concerns over the independent metallurgists' competence. We found no errors (2016: no errors) in the prices applied in the NRV calculation. We found the Group's disclosures concerning inventory estimates and valuation to be proportionate in their description.

INDEPENDENT AUDITOR'S REPORT

to the Members of Lonmin Plc

3 Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Parent company risk area: Valuation of shares in subsidiary companies and intercompany loan receivables in the Company Balance Sheet. (Shares in subsidiaries $583 million; 2016: $726 million; intercompany loan receivables $440 million; 2016: $1,563 million). *Refer to page 77 (Audit Committee Report), page 177 (accounting policy) and pages 180-181 (financial disclosures).*	**Forecast-based valuation:** The parent Company has a significant investment in subsidiary companies in the Group. In addition the Group has significant intercompany loan receivables to these subsidiaries. These investment and intercompany receivable balances have been impaired in the past, including by $196 million in 2016, predominantly as a result of the impairment of the Marikana CGU which represented the underlying value of the investment(s). With the continued risk over the impairment of the Marikana CGU there is a significant risk that further impairment of the investment and receivables will be required.	Our procedures included: • **Test of detail:** Comparing significant investment and intercompany receivables carrying values to the net assets of the subsidiaries to identify whether the net asset values of the subsidiaries, being an approximation of their minimum recoverable amount, supported the recovery of the their carrying amounts. • **Our sector experience:** We reviewed the net asset value of the subsidiaries to ensure that the impairment of Marikana and the Phembani loan had been appropriately reflected. In particular for those relating to Western Platinum Limited, we relied on our work performed over the Marikana CGU, of which Western Platinum Limited forms the major component. Refer to the significant risk over the Marikana CGU for further details. **Our findings** • We found that the Group's methodology to calculate the impairment of the recoverable amount of shares in subsidiary companies and intercompany loan receivables to be balanced.

4 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $9.0 million (2016: $11.5 million), determined with reference to a benchmark of Group total assets before impairment at 31 March 2017 of $1,809 million, of which it represents 0.5% (2016: 0.5%). We consider total assets to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax. We reassessed materiality after the impairment of the Marikana CGU on the 30 September 2017 final total assets of $871 million and determined that the materiality level remained appropriate.

Materiality for the parent Company financial statements as a whole was set at $8.6 million (2016: $10.9 million), determined with reference to a benchmark of Company total assets, of which it represents 0.8% (2016: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $0.4 million (2016: $1 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 16 (2016: 16) reporting components, we subjected 6 (2016: 7) to full scope audits for Group consolidation audit purposes. We conducted reviews of financial information (including enquiry) at a further 5 (2016: 6) non-significant components in order to provide further coverage of the Group results.

The components within the scope of our work accounted for the percentages detailed in the table below.

	Number of components	Group revenue	Group loss before tax	Group total assets
Audits for group reporting purposes	6	100%	99%	99%
Reviews of financial information	5	0%	1%	0%
Total	**11**	**100%**	**100%**	**99%**
Total (2016)	**13**	**100%**	**99%**	**100%**

INDEPENDENT AUDITOR'S REPORT

to the Members of Lonmin Plc

4 Our application of materiality and an overview of the scope of our audit (continued)

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from $0.2 million to $8.6 million (2016: $0.3 million to $11.1 million), having regard to the mix of size and risk profile of the Group across the components. The work on 8 of the 16 components (2016: 9 of the 16 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

Whilst Lonmin Plc is a UK company, all of the Group's significant operations are located in South Africa. The Group audit team comprised team members based in London and South Africa. The Group audit team conducted planning meetings with the component auditors around the audit approach to significant risk areas such as inventory. The Group audit team, including those team members based in London, was physically present in South Africa for a significant portion of the substantive testing phase of the South African audit and review engagements. Adrian Wilcox, Senior Statutory auditor, visited South Africa 4 times during the year. In doing so the Group audit team was actively involved in the direction of the audits and review engagements performed by the component auditors for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn. The Group audit team was responsible for substantially all the audit work relating to Going concern and Impairment of Marikana as well as the parent company key audit matter.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing further material to add or draw attention to, other than the material uncertainty over going concern referred to above, in relation to:

- the Directors' confirmation within the Viability statement pages 28-29 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability statement. We have nothing to report in this respect.

INDEPENDENT AUDITOR'S REPORT

to the Members of Lonmin Plc

5 We have nothing to report on the other information in the Annual Report (continued)

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 112, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit, we considered the impact of laws and regulations in the specific areas of compliance with South African mining licensing regulations given non-compliance can lead to the Group losing their licence to operate. We identified these areas through discussion with the Directors and other management (as required by auditing standards), from our sector and country experience, and from inspection of the Group's regulatory, licensing and legal correspondence. In addition we had regard to laws and regulations in other areas including financial reporting, and company and taxation legislation.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being compliance with South African mining license regulations, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of Directors and other management (as required by auditing standards), and inspected correspondence with regulatory and licensing authorities, as well as legal correspondence. In respect of compliance with South African mining licensing regulations we also inquired with Group legal counsel and inspected correspondence with the Department of Mineral Resources.

INDEPENDENT AUDITOR'S REPORT

to the Members of Lonmin Plc

7 Respective responsibilities (continued)

Irregularities – ability to detect (continued)

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the company and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Adrian Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

21 January 2018

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report required by DTR 4.1.8R (contained in the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Brian Beamish
Chairman
21 January 2018

Barrie van der Merwe
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September

	Notes	2017 Total $m	2016 Total $m
Revenue	2	**1,166**	1,118
EBITDA [i]		**40**	115
Depreciation and amortisation		**(66)**	(102)
Impairment of non-financial assets		**(1,053)**	(335)
Operating loss [ii]	3	**(1,079)**	(322)
Profit on disposal of joint venture		**–**	5
Finance income	5	**49**	55
Finance expenses	5	**(137)**	(88)
Share of loss of equity accounted investment	11	**(3)**	(5)
Loss before taxation		**(1,170)**	(355)
Income tax credit / (charge) [iii]	6	**18**	(45)
Loss for the year		**(1,152)**	(400)
Attributable to:			
– Equity shareholders of Lonmin Plc		**(996)**	(342)
– Non-controlling interests		**(156)**	(58)
Basic and diluted loss per share [iv]	7	**(352.7)c**	(137.0)c

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September

	2017 Total $m	2016 Total $m
Loss for the year	**(1,152)**	(400)
Items that may be reclassified subsequently to the income statement:		
– Change in fair value of available for sale financial assets	**8**	–
– Foreign exchange gain on retranslation of equity accounted investment	**1**	–
– Deferred tax on items taken directly to the statement of comprehensive income	**2**	(1)
Total other comprehensive income / (loss) for the year	**11**	(1)
Total comprehensive loss for the year	**(1,141)**	(401)
Attributable to:		
– Equity shareholders of Lonmin Plc	**(985)**	(343)
– Non-controlling interests	**(156)**	(58)
	(1,141)	(401)

Footnotes:

i EBITDA / (LBITDA) is operating profit / (loss) before depreciation, amortisation and impairment of goodwill, intangibles and property, plant and equipment.

ii Operating profit / (loss) is defined as revenue less operating expenses before finance income and expenses and share of loss of equity accounted investment.

iii The income tax credit / (charge) substantially relates to overseas taxation and includes exchange losses of $1 million (2016 – gains of $5 million) as disclosed in note 6.

iv Diluted (loss) / earnings per share is based on the weighted average number of ordinary shares in issue adjusted by dilutive outstanding share options.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September

	Notes	2017 $m	2016 $m
Non-current assets			
Intangible assets	9	**11**	74
Property, plant and equipment	10	**194**	1,158
Equity accounted investment	11	**24**	24
Royalty prepayment	28	**36**	37
Other financial assets	12	**34**	21
Deferred tax assets	19	**1**	–
		300	1,314
Current assets			
Inventories	13	**245**	245
Trade and other receivables	14	**73**	67
Other financial assets	12	**–**	69
Cash and cash equivalents	27	**253**	323
		571	704
Current liabilities			
Trade and other payables	15	**(178)**	(193)
Interest bearing loans and borrowings	16	**(150)**	–
Deferred revenue	17	**(13)**	–
Tax payable		**(7)**	–
		(348)	(193)
Net current assets		**223**	511
Non-current liabilities			
Interest bearing loans and borrowings	16	**–**	(150)
Deferred tax liabilities	19	**–**	(34)
Deferred royalty payment	28	**–**	(3)
Deferred revenue	17	**(27)**	(9)
Provisions	20	**(134)**	(127)
		(161)	(323)
Net assets		**362**	1,502
Capital and reserves			
Share capital	22	**586**	586
Share premium		**1,816**	1,816
Other reserves		**88**	88
Accumulated loss		**(1,805)**	(821)
Attributable to equity shareholders of Lonmin Plc		**685**	1,669
Attributable to non-controlling interests		**(323)**	(167)
Total equity		**362**	1,502

The financial statements of Lonmin Plc, registered number 103002, were approved by the Board of Directors on 21 January 2018 and were signed on its behalf by:

Brian Beamish *Chairman*

Barrie van der Merwe *Chief Financial Officer*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September

	Equity interest						
	Called up share capital $m	Share premium account $m	Other reserves [i] $m	Accumulated loss [ii] $m	Total $m	Non-controlling interests [iii] $m	Total equity $m
At 1 October 2016	586	1,816	88	(821)	1,669	(167)	1,502
Loss for the year	–	–	–	(996)	(996)	(156)	(1,152)
Total other comprehensive income:	–	–	–	11	11	–	11
– Change in fair value of available for sale financial assets	–	–	–	8	8	–	8
– Foreign exchange gain on retranslation of equity accounted investment	–	–	–	1	1	–	1
– Deferred tax on items taken directly to the statement of comprehensive income	–	–	–	2	2	–	2
Transactions with owners, recognised directly in equity:	–	–	–	1	1	–	1
– Share-based payments	–	–	–	1	1	–	1
At 30 September 2017	**586**	**1,816**	**88**	**(1,805)**	**685**	**(323)**	**362**

	Equity interest						
	Called up share capital $m	Share premium account $m	Other reserves [i] $m	Accumulated loss [ii] $m	Total $m	Non-controlling interests [iii] $m	Total equity $m
At 1 October 2015	586	1,448	88	(493)	1,629	(109)	1,520
Loss for the year	–	–	–	(342)	(342)	(58)	(400)
Total other comprehensive expenses:	–	–	–	(1)	(1)	–	(1)
– Deferred tax on items taken directly to the statement of comprehensive income	–	–	–	(1)	(1)	–	(1)
Transactions with owners, recognised directly in equity:	–	368	–	15	383	–	383
– Share-based payments	–	–	–	15	15	–	15
– Share capital and share premium recognised on equity issuance [v]	–	395	–	–	395	–	395
– Equity issue costs charged to share premium [v]	–	(27)	–	–	(27)	–	(27)
At 30 September 2016	586	1,816	88	(821)	1,669	(167)	1,502

Footnotes:

i Other reserves at 30 September 2017 represent the capital redemption reserve of $88 million (2016 – $88 million).

ii Accumulated loss include a $8 million of accumulated credit in respect of fair value movements on available for sale financial assets (2016 – $nil) and a $16 million debit of accumulated exchange on retranslation of equity accounted investment (2016 – $17 million debit).

iii Non-controlling interests represent a 13.76% effective shareholding in each of Eastern Platinum Limited, Western Platinum Limited and Messina Limited and a 19.87% effective shareholding in Akanani Mining (Proprietary) Limited.

iv During the year 34,202 share options were exercised (2016 – 378,978) on which $3 of cash was received (2016 – $38).

v See note 30 for more details regarding the Rights Issue.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September

	Notes	2017 $m	2016 $m
Loss for the year		**(1,152)**	(400)
Taxation	6	**(18)**	45
Share of loss of equity accounted investment	11	**3**	5
Finance income	5	**(49)**	(55)
Finance expenses	5	**137**	88
Profit on disposal of joint venture		**–**	(5)
Non-cash movement on deferred revenue	17	**(3)**	(23)
Depreciation and amortisation		**66**	102
Impairment of non-financial assets		**1,053**	335
Change in inventories		**–**	36
Change in trade and other receivables		**(6)**	(4)
Change in trade and other payables		**(15)**	(15)
Change in provisions		**5**	(51)
Deferred revenue received	17	**34**	9
Share-based payments		**1**	15
Profit on disposal of property, plant and equipment		**(1)**	–
Prepaid royalties		**(2)**	–
Cash inflow from operations		**53**	82
Interest received		**6**	6
Interest and bank fees paid		**(18)**	(20)
Tax paid		**(8)**	(10)
Cash inflow from operating activities		**33**	58
Cash flow from investing activities			
Contributions to joint venture	11	**(2)**	(3)
Proceeds on disposal of joint venture		**–**	5
Additions to other financial assets	12	**(4)**	–
Purchase of property, plant and equipment	10	**(99)**	(87)
Purchase of intangible assets	9	**(1)**	(2)
Cash used in investing activities		**(106)**	(87)
Cash flow from financing activities			
Repayment of current borrowings	27	**–**	(506)
Proceeds from non-current borrowings	27	**–**	150
Proceeds from equity issuance	30	**–**	395
Costs of issuing shares	30	**–**	(27)
Profit on forward exchange contracts on equity issuance	30	**–**	5
Cash inflow from financing activities		**–**	17
Decrease in cash and cash equivalents	27	**(73)**	(12)
Opening cash and cash equivalents	27	**323**	320
Effect of foreign exchange rate changes	27	**3**	15
Closing cash and cash equivalents	27	**253**	323

NOTES TO THE ACCOUNTS

1 Statement on accounting policies

Reporting entity

Lonmin Plc (the "Company") is a company incorporated in the UK. The address of the Company's registered office is Connaught House, 5th Floor, 1-3 Mount Street, London, W1K 3NB. The consolidated financial statements of the Company as at and for the year ended 30 September 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investments.

Basis of preparation

Statement of compliance

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRSs) and approved by the Directors on this basis. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements were approved by the Board of Directors on 21 January 2018.

Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Available for sale assets are measured at fair value.
- Liabilities for cash settled share-based payment arrangements are measured at fair value.
- Non-current assets held for sale are stated at the lower of their carrying amount and fair value less cost to sell.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Lonmin's business has experienced ongoing financial constraints for a number of years caused by a range of external factors such as a persistently low PGM pricing environment and the inflationary cost pressures of operating in the South African PGM industry. These have been further exacerbated by internal factors including operational, social and labour issues.

In assessing the Group's ability to continue as a going concern, the Directors have prepared cash flow forecasts for a period in excess of 12 months. The assumptions used in the model are disclosed in note 29. The Directors have also considered the debt facilities available to the Group which are disclosed in note 16.

At 30 September 2017 the term loan of $150 million was fully drawn and the Group had gross cash of $253 million.

The Group's loan facility agreements require it to test two covenants related to its tangible net worth (TNW) every six months. At 30 September 2017 the TNW of the Group, after recognising an impairment charge of $1,053 million to non-financial assets in the year was $674 million some $426 million below the TNW covenant threshold of $1,100 million.

After the year end Sibanye Gold Limited trading as Sibanye-Stillwater made an offer to buy the Group which was unanimously recommended by the Board of Lonmin Plc. The Board of Lonmin believes that the offer is in the best interests of Lonmin shareholders and all other stakeholders of Lonmin and provides Lonmin with a comprehensive and sustainable solution to the adverse challenges it faces. The combination of Sibanye-Stillwater and Lonmin creates a larger and more resilient company, with greater geographical and commodity diversification, that is better able to withstand short-term commodity price and foreign exchange volatility. The long stop date of this acquisition is 28 February 2019.

As a result of the Sibanye-Stillwater offer, the Company's lenders have agreed to a waiver of the Tangible Net Worth covenants for the period from 30 September 2017 to 28 February 2019 on the condition that the Company cancels $66 million of its revolving credit facilities and leaves undrawn the remaining revolving credit facilities during the waiver period. The waiver is conditional on the completion of the acquisition and will lapse if the acquisition does not complete, lapses or is withdrawn, subject to a four week grace period which will apply if the Company is engaging with the lenders.

The key conditions precedent to the acquisition are receipt of relevant clearances from the competition authorities in South Africa and the UK and approval from Lonmin Plc and Sibanye-Stillwater shareholders. The Directors anticipate that Sibanye-Stillwater shareholders would have a strong preference for Lonmin to be in a net cash position after repaying the $150 million term loan. We are not in full control of the approvals and their receipt is uncertain. Furthermore there is a risk that the Group net cash position could be materially impacted by a substantial economic downturn or operational factors.

On, or immediately prior to completion of the acquisition the term loan of $150 million is required to be repaid and debt facilities cancelled. Based on cash flow projections using assumptions that were duly considered by the Board, the repayment of the facilities at the closing of the deal is considered a reasonable expectation. In addition, based on discussions with Sibanye-Stillwater to date the Directors consider that there is no indication that Lonmin Plc and its significant subsidiaries will not continue to operate after the acquisition for a period of at least 12 months.

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Basis of preparation (continued)

Going concern (continued)
In the event that the deal does not complete, the waiver will cease to apply and the TNW covenants will be reinstated. If the TNW covenants are breached, the $150 million may be required to be repaid. The covenant waivers allow for a four week grace period whilst other options are pursued provided that the Company is engaging with the lenders. During the four week grace period the Group will not be required to repay the loan. During this period, the feasibility of an asset sale to Sibanye-Stillwater, as contemplated in the 2.7 announcement as well as any other alternative transactions will be assessed by the Board. If alternative transactions turn out not to provide a feasible alternative, sufficient to repay the Group's borrowings, or the Group does not have sufficient cash to repay the borrowings itself, then the lenders are likely to withdraw their facilities and the Group is likely to be unable to meet its liabilities.

In assessing whether the Group is likely to have cash to repay the term loan of $150 million either on completion of the acquisition or in the event the acquisition fails and no feasible alternatives are found, the Directors have considered various scenarios to test the Group's resilience against operational risks including:

- Adverse movements in PGM commodity prices and ZAR/USD exchange rate or a combination thereof;
- Failure to meet forecast production targets.

Under reasonably possible downside scenarios this results in gross cash for the Group falling below $150 million meaning the Group would be unable to repay the loan or it would fall into a net debt position.

The factors highlighted including the uncertainty around the completion of the Sibanye-Stillwater transaction given the possible scenarios which may result in the deal falling through, and the uncertainty that the Group will be able to repay the $150 million loan represent a material uncertainty that may cast significant doubt about the Group's and parent Company's ability to continue as a going concern such that the Group and parent company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, based on the Group's expectation of the acquisition completing by the long stop date of 28 February 2019, the Directors believe that the Group will continue to have adequate financial resources to meet obligations as they fall due. Accordingly, the Directors have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

Functional and presentation currency
The consolidated financial statements are presented in US Dollars (rounded to the nearest million), which is the functional currency of the Company and its principal operations.

Use of estimates and judgements
The preparation of financial statements in conformity with adopted IFRSs requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies other than those involving estimates. The estimates made have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Impairment of non-financial assets
In determining the recoverable amount of intangible assets and property, plant and equipment, judgement is required in determining key inputs into valuation models. The key assumptions, and the Directors approach for determining these, are described in the policy on Impairment – Non-financial assets.

Recoverability of the HDSA receivable
As described in the policy on Impairment – Financial assets, an assessment is made at each reporting period to determine whether there is objective evidence that the HDSA receivable is impaired. This assessment for indicators of a loss event, involves a high degree of judgement.

The assessment is based on the value of the security which is primarily driven by the value of Incwala's underlying investments in WPL, EPL and Akanani. The same valuation models for the Marikana and Akanani CGU's that are prepared to assess "Impairment of non-financial assets" above are used as the basis for determining the value of Incwala's investments. Thus similar judgements apply around the determination of key assumptions in those valuation models.

The results of this assessment are described in note 18a.

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Basis of preparation (continued)

Physical quantities of inventory (excluding consumables)
Inventory is held in a wide variety of forms across the value chain reflecting the stage of refinement. Prior to production as final metal the inventory is always contained within a carrier material. As such inventory is typically sampled and assays taken to determine the metal content and how this is split by metal. Measurement and sampling accuracy can vary quite significantly depending on the nature of the vessels and the state of the material. An allowance for estimation uncertainty is applied to the various categories of inventory and is dependent on the degree to which the nature and state of material allows for accurate measurement and sampling.

The estimation allowance was $7 million at 30 September 2017 (2016 – $7 million). The range used for the estimation allowance was between 2% and 5% (2016 – 2% and 5%). Inventory in the earlier stages of refinement is adjusted with a higher percentage (5%). The percentage reduces to 2% for inventory in the later stages of refinement where uncertainty is less. The range is based on independent metallurgists' level of confidence obtained from the outcome of the stock take. Those results are applied in arriving at the appropriate quantities of inventory. Whilst management consider the estimates used to be appropriate, because of inherent uncertainties involved in the measurement and sampling the measurement of inventory may differ from the actual quantities of inventory.

Net realisable value of inventory (excluding consumables)
Inventory is measured at the lower of cost and estimated net realisable value. Metal stock that has a cost that is more than the net realisable value is written down to its net realisable value. Market listed PGM prices adjusted for downstream recovery losses and processing costs (based on the latest cumulative unit cost per ounce) are used as the basis of determining the net realisable value.

The net realisable value adjustment was $5 million at 30 September 2017 (2016 – $25 million). The estimated downstream recovery range used for the net realisable value calculation varies between 87% and 99% depending on the type of material and the stage of refinement of the material. The net realisable value of inventory in the earlier stages of refinement is calculated with a lower recovery percentage (87%) due to higher uncertainty. The recovery percentage increases to 99% for inventory in the later stages of refinement where uncertainty is less. The estimated downstream recovery range is based on independent metallurgists' level of confidence obtained from the outcome of the stock take.

New standards and amendments in the year

The following revised IFRSs have been adopted in these financial statements. The application of these IFRSs did not have any material impact on the amounts reported for the current and prior years:

- Annual Improvements to IFRSs 2012-2014 cycle – amendments to IFRS 5 and 7 and IAS 19 and 34.
- Joint Arrangements – amendments to IFRS 11
- Presentation of financial statements – amendments to IAS 1
- Property, Plant and Equipment – amendments to IAS 16
- Investment in Associates and Joint Ventures – amendments to IAS 28
- Intangible assets – amendments to IAS 38

EU endorsed IFRS not yet applied by the Group

The Group has not early adopted any standard, interpretation or amendment that was issued, but not yet effective. The Group will consider the impact on the financial statements of relevant forthcoming standards during the coming year, including IFRS 15 – Revenue from Contracts with Customers, IFRS 16 – Leases and IFRS 9 – Financial Instruments. IFRS 15 and IFRS 9 are applicable for the 30 September 2019 year end and IFRS 16 for the 30 September 2020 year end.

Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements, and have been applied consistently by Group entities.

Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to bring the accounting policies used in line with those used by the Group.

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Basis of consolidation (continued)

Change in subsidiary ownership and loss of control
Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Application of the equity method to associates and joint ventures
Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Where an associate owns an equity interest in a Group entity an adjustment is made to the equity accounting and the non-controlling interest to avoid double counting. Any difference between the adjustment to the investment in the associate and non-controlling interest is taken direct to equity.

Joint Arrangements
A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Transactions eliminated on consolidation
Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Transactions denominated in foreign currencies are translated into the respective functional currencies of the Group entities using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are retranslated into the functional currency at the rates of exchange ruling at the financial reporting date. Non-monetary assets and liabilities are translated at the historic rate.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available for sale financial assets and equity accounted investments which are recognised directly in equity.

Foreign currency gains and losses are reported on a net basis.

Revenue

Revenue is derived from the sale of metal inventories and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when: the significant risks and rewards of ownership have passed to the buyer (this is generally when title and insurance risk have passed to the customer, and the goods have been delivered to a contractually agreed location); recovery of the consideration is probable; the associated costs and possible return of goods can be estimated reliably; there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. In certain circumstances, for example sometimes in the sale of part-processed material, metal prices at the point of sale may be provisional. The impact of changes in metal prices to the point of settlement are reflected through revenue and receivables.

All third party metal sales are recognised as revenue. The Group does not credit capitalised development costs with income arising from production in development phases but rather recognises such metal as inventory (see Inventories policy).

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Finance income and expenses

Finance income comprises interest on funds invested (including available for sale financial assets), dividend income, gains on the disposal of available for sale financial assets net of costs of disposal and gains on hedging instruments that are recognised in the income statement.

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Finance expenses comprise interest expense on borrowings, bank fees (including bank fees which are capitalised and amortised over the life of the facility), unwinding of discount on provisions and losses on hedging instruments that are recognised in the income statement.

All borrowing costs are recognised in the income statement using the effective interest method except for borrowing costs which are directly attributable to the acquisition, or construction of an asset. Such costs are capitalised to property, plant and equipment or intangible assets during the period of construction or development provided that future economic benefit is considered probable. Capitalised interest is shown as interest paid in the consolidated statement of cash flows.

The Company's accounting policies in respect of the hybrid financial instrument issued to it by Phembani, its BEE partner, are detailed in the financial instruments section.

Expenditure

Expenditure is recognised in respect of goods and services received.

Research and development

Research expenditure is charged to the income statement in the period in which it is incurred.

Development expenditure which meets the recognition criteria for an intangible asset under IAS 38 – *Intangible Assets*, is capitalised and then amortised over the useful economic life of the developed asset, otherwise it is charged to the income statement as incurred. Borrowing costs related to the development of qualifying assets are capitalised.

Capitalised development expenditure is recognised at cost, and subsequently carried at cost less any accumulated impairment losses, where it can be demonstrated that the expenditure will result in completion of an asset which, when available for use or sale, will result in future economic benefit arising for the Group.

Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred on the exploration for and evaluation of potential mineral reserves and includes costs relating to the following: acquisition of exploration rights; conducting geological studies; exploratory drilling and sampling and evaluating the technical feasibility and commercial viability of extracting a mineral resource as well as capitalised interest.

Expenditure incurred on activities that precede exploration for and evaluation of mineral resources, being all expenditure incurred prior to securing the legal rights to explore an area, is expensed immediately.

Expenditure towards in-house exploration for and evaluation of potential mineral reserves for each area of interest is expensed until it is considered probable that future economic benefit will arise through further exploration and subsequent development of the area of interest or, alternatively, by its sale.

Pre-feasibility studies involve the review of one or more potential development options with the aim of moving forward to the more detailed feasibility study stage. Expenditure related to such studies is expensed in full as there is insufficient certainty that future economic benefit will be generated at this stage of a project.

Expenditure relating to feasibility studies which support the technical feasibility and commercial viability of an area is capitalised under exploration and evaluation assets.

Where a feasibility study reaches a favourable conclusion, accumulated exploration and evaluation costs are transferred to mineral rights within intangibles or capital work in progress within property, plant and equipment as appropriate on commencement of the development phase of the related project. Where the feasibility study reaches an adverse conclusion, any previously capitalised exploration and evaluation expenditure is written off immediately.

Expenditure on purchased exploration and evaluation assets is capitalised at cost at the time of purchase. Subsequent expenditure may be capitalised at cost. Carrying values are subject to impairment reviews as per the Group's policy. Exploration and evaluation expenditure is classified as property, plant and equipment or intangible depending on the nature of the expenditure.

Capitalised exploration and evaluation expenditure is a class of assets which are not available for use. Therefore amortisation is not provided on such assets.

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Exploration and evaluation expenditure (continued)

Mineral mining rights, which are obtained following the completion of a feasibility study, are not included within exploration and evaluation expenditure. They are capitalised at cost under IAS 38 – *Intangible Assets* and are amortised on a units of production basis over the life of the mine.

Share-based payments

From the grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the shares.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as a personnel expense in the income statement.

The fair value of each option or share appreciation right is determined using either a Black-Scholes option pricing model or a Monte Carlo projection model, depending on the type of the award. Market related performance conditions are reflected in the fair value of the share. Non-market related performance conditions are allowed for using a separate assumption about the number of awards expected to vest; the final charge made reflects the numbers actually vested on the basis that non-market conditions are met.

Pensions and other post-retirement benefits

The Group operates a number of defined contribution schemes in accordance with local regulations. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate legal entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due.

Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax to be paid or recovered on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date during the periods being reported upon, and any adjustments to tax payable in respect of previous years.

Deferred tax as directed by IAS 12 – *Income Taxes* is recognised in respect of certain temporary differences identified at the financial reporting date. Temporary differences are differences between the carrying amount of the Group's assets and liabilities and their tax base.

A deferred tax liability is recognised in a business combination in respect of any identified fair value adjustments representing the difference between the fair value of the acquired asset and its tax base. Recognition of a deferred tax liability in respect of such a difference gives rise to a corresponding increase in goodwill recognised in the consolidated statement of financial position.

Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group where the entities have the right to settle current tax liabilities net. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is provided on temporary differences arising in relation to investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Business combinations and goodwill

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Business combinations and goodwill (continued)

Acquisitions on or after 1 January 2010 (continued)
When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date.

Acquisitions and disposals of non-controlling interests
Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Intangible assets

Intangible assets, other than goodwill, acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Where amortisation is charged on these assets, the expense is taken to the income statement through operating costs.

Amortisation of mineral rights is provided on a ‘units of production’ basis over the remaining life of mine to residual value (20 to 40 years).

All other intangible assets are amortised over their useful economic lives subject to a maximum of 20 years and are tested for impairment at each reporting date when there is an indication of a possible impairment.

Property, plant and equipment

Recognition
Property, plant and equipment is included in the statement of financial position at cost and subsequently less accumulated depreciation and any accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and any other costs of dismantling and removing the items and restoring the site on which they are located. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Borrowing costs incurred on the acquisition or construction of qualifying assets are capitalised to the cost of the asset.

Gains and losses on disposals of an item of property, plant and equipment are determined by comparing the proceeds on disposal with the carrying value of property, plant and equipment and are recognised net in the income statement.

Componentisation
When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised upon replacement. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Capital work in progress
Development costs are capitalised and transferred to the appropriate category of property, plant and equipment when available for use.

Capitalised development costs include expenditure incurred to develop new operations and to expand existing capacity. Costs include interest capitalised during the period up to the level that the qualifying assets permit.

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Property, plant and equipment (continued)

Depreciation
Depreciation is provided on a straight-line or units of production basis as appropriate over their expected useful lives or the remaining life of mine, if shorter, to residual value. The life of mine is based on proven and probable reserves. The expected useful lives of the major categories of property, plant and equipment are as follows:

	Method	Rate	
Shafts and underground	Units of production	2.5% – 5.0% per annum	20 – 40 years
Metallurgical	Straight line	2.5% – 7.1% per annum	14 – 40 years
Infrastructure	Straight line	2.5% – 2.9% per annum	35 – 40 years
Other plant and equipment	Straight line	2.5% – 50.0% per annum	2 – 40 years

No depreciation is provided on surface mining land which has a continuing value and capital work in progress.

Residual values and useful lives are re-assessed annually and if necessary changes are accounted for prospectively.

Impairment – Non-financial assets (excluding inventories and deferred tax)

The Group's principal non-financial assets (excluding inventories and deferred tax assets) are property, plant and equipment, intangibles and goodwill associated with mining and processing activities. For the purpose of assessing recoverable amounts, these assets are grouped into cash generating units (CGUs). The Group's two key CGU's are:

- Marikana, which includes Western Platinum Limited (WPL) and Eastern Platinum Limited (EPL). The Marikana CGU mines and processes substantially all of the ore produced by the Group; and
- Akanani Mining (Proprietary) Limited (Akanani), an exploration and evaluation asset located on the Northern Limb of the Bushveld Complex in South Africa.

The Group also includes the Limpopo CGU which is currently on care and maintenance.

Recoverable amount is the higher of fair value less costs to sell and value in use. At each financial reporting date, the Group assesses whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment (if any).

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, regardless of whether an indication of impairment exists.

Items of property, plant and equipment that are not in use are reviewed annually for impairment on a fair value less costs to sell basis.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. Any impairment is recognised immediately as an expense.

Value in use
In assessing value in use, the estimated future cash flows, based on the most up to date business forecasts or studies for exploration and evaluation assets, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which estimates of future cash flows have not been adjusted.

Management uses past experience and assessment of future conditions, together with external sources of information in order to assign values to the key assumptions.

Management projects cash flows over the life of the relevant mining operation which is significantly greater than five years. Projecting cash flows over a period longer than five years is in line with industry practice and is supported by the Group's history of the resources expected to be found being proven to exist. Management does not apply a growth rate because a detailed life of mine plan is used to forecast future production volumes.

For each CGU, a risk-adjusted discount rate is used for impairment testing. The key factors affecting the risk premium applied are the relevant stage of the development of the asset in the CGU (extensions to existing operations having significantly lower risk than evaluation projects for example), the level of knowledge and consistency of the ore body and sovereign risk.

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Impairment – Non-financial assets (excluding inventories and deferred tax) (continued)

Fair value less costs to sell

Fair value less costs to sell is determined by reference to the best information available to reflect the amount that the Group could receive for the CGU in an arm's length transaction.

When comparable market transactions or public valuations of similar assets exist these are used as a source of evidence. However, the Group believes that mining CGUs tend to be unique and have their value determined largely by the nature of the underlying ore body. The fair value therefore is typically determined by calculating the value of the CGU using an appropriate valuation methodology such as calculating the post-tax net present value using a discounted cash flow forecast (as described in value in use).

The fair value less costs to sell for Limpopo has been calculated using resource multiples from comparable market transactions.

Exploration and evaluation assets

Under IFRS 6 exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount. When this occurs, any impairment loss is immediately charged to the income statement.

Impairment – Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Reversal of impairment

At each financial reporting date, the Group assesses whether there is any indication that a previously recognised impairment loss has reversed. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had the impairment not been made. A reversal of impairment is recognised as income immediately except for previously impaired goodwill which is never reversed.

Leases

Rentals under operating leases are charged to the income statement on a straight-line basis.

Assets held for sale

When an asset's carrying value will be recovered principally through a sale transaction, to take place within twelve months of the financial reporting date, rather than through continuing use it is classified as held for sale and stated at the lower of carrying value and fair value less costs to sell. No depreciation is charged in respect of non-current assets classified as held for sale. Immediately prior to sale the assets are remeasured in accordance with the Group's accounting policies.

Inventories

Inventories are valued at the lower of cost (which includes the applicable proportion of production overheads) and net realisable value.

PGMs inventory is valued by allocating costs, based on the joint cost of production, apportioned according to the relative sales value of each of the PGMs produced.

By-product metals are valued at the incremental cost of production from the point of split-off from the PGM processing stream.

In the process of initially developing the ore reserve it is common that metal is produced, although not at normal operating levels. Development is split into different phases according to the mining method used with differing levels of production expected in each phase. The Group recognises the metal produced in each development phase in inventory with an appropriate proportion of cost as operating costs. This allocation is calculated by reference to the produced volumes in relation to the total volumes expected from the development.

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts as the bank overdraft is repayable on demand and forms an integral part of the Group's cash management.

Rehabilitation costs

Rehabilitation costs are provided in full based on estimates of the future costs to be incurred, calculated on a discounted basis. As the provision is recognised, it is either capitalised as part of the cost of the related mine or written off to the income statement if utilised within one year. Where costs are capitalised the impact of such costs on the income statement is spread over the life of mine through the accretion of the discount of the provision and the depreciation over a units of production basis of the increased costs of the mining assets.

Provisions

Provision is made when a present or legal obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Financial instruments

The Group's principal financial instruments (other than derivatives) comprise bank loans, available for sale financial assets, trade and other receivables, cash and cash equivalents, trade and other payables and short-term deposits.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. These also comprise bank overdrafts that are repayable on demand, for the purpose of the statement of cash flows only.

Investments are classified into loans and receivables, held-to-maturity and available for sale. The classification depends on the purpose for which the investments were acquired, the nature of the investments and whether the investment is quoted or not. The classification of investments is determined at initial recognition.

Loans and receivables

Loans and receivables and investments classified as held-to-maturity are carried at amortised cost and gains or losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

The Company is the holder of a financial instrument issued by its BEE partner, Phembani. The loan component of the hybrid instrument was recognised initially at fair value and thereafter will be held at amortised cost. The loan is denominated in Sterling. The financial instrument was translated to preference shares on 31 March 2011. The related dividends accumulate on a month to month basis based on the same rates as the interest rates of the original financial instrument.

An assessment will be performed on the day of repayment of the preference share debt to assess the value of the investment that Phembani has acquired through this transaction. This value is then compared to the consideration paid and the difference is considered to be an 'equity upside' which is recognised as a derivative financial instrument in the financial statements. Due to the fall in value of the investment the derivative financial instrument is valued at $nil at 30 September 2017 (2016 – $nil).

Available for sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available for sale financial assets. Subsequent to initial recognition they are measured at fair value and any changes are recognised directly in equity except for impairment losses and, in the case of monetary items, foreign exchange gains and losses. When an investment is written off or sold, any cumulative gains or losses in equity are recycled into the income statement. Fair value is determined by using the market price at the financial reporting date where this is available. Where market price is not available the Directors' best estimates of market value are used.

Bank loans

Bank loans are recorded at amortised cost, net of transaction costs incurred, and are adjusted to amortise transaction costs over the term of the loan.

NOTES TO THE ACCOUNTS

1 Statement on accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments

Derivative financial instruments are principally used by the Group to manage exposure to market risks from treasury operations and commodity price risks on by-products. The principal derivative instruments used are foreign currency swaps, interest rate swaps, forward foreign exchange contracts and forward price agreements on by-products. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are initially recognised in the statement of financial position at fair value and then remeasured to fair value at subsequent reporting dates. Attributable costs are recognised in profit or loss when incurred. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Hedging derivatives are classified on inception as fair value hedges or cash flow hedges.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The fair value gains and losses accumulated in equity are reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is revoked prospectively.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, for example, the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (for example without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on a straight line basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Segmental reporting

The core principle of IFRS 8 – *Operating Segments* is that an entity shall disclose information to enable users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. On this basis, Lonmin has one reportable operating segment being:

- PGM Operations – which comprise operational mines and processing facilities which are located in South Africa. This segment also includes exploration and evaluation activities involved in the discovery or identification of new PGM deposits and the evaluation through pre-feasibility of the economic viability of newly discovered PGM deposits.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill, and any capitalised interest.

NOTES TO THE ACCOUNTS

2 Segmental analysis

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. These operations are integrated and designed to support the process for extracting and refining PGMs from underground. PGMs move through each stage of the process and undergo successive levels of refinement which result in fully refined metals. This segment also includes exploration and evaluation activities involved in the discovery or identification of new PGM deposits and the evaluation through pre-feasibility of the economic viability of newly discovered PGM deposits. Currently exploration activities occur on a worldwide basis and evaluation projects are based in South Africa. The Chief Executive Officer, who performs the role of Chief Operating Decision Maker (CODM), views the PGM Operations segment as a single whole for the purposes of financial performance monitoring and assessment and does not make resource allocations based on margin, costs or cash flows incurred at each separate stage of the process. In addition, the CODM makes his decisions for running the business on a day to day basis using the physical operating statistics generated by the business as these summarise the operating performance of the entire segment.

Other covers mainly the results and investment activities of the corporate Head Office. The only intersegment transactions involve the provision of funding between segments and any associated interest.

No operating segments have been aggregated. Operating segments have consistently adopted the consolidated basis of accounting and there are no differences in measurement applied.

	2017			
	PGM Operations Segment $m	Other $m	Intersegment Adjustments $m	Total $m
Revenue (external sales by product):				
Platinum	673	–	–	673
Palladium	262	–	–	262
Gold	21	–	–	21
Rhodium	99	–	–	99
Ruthenium	9	–	–	9
Iridium	28	–	–	28
PGMs	1,092	–	–	1,092
Nickel	31	–	–	31
Copper	11	–	–	11
Chrome	32	–	–	32
	1,166	–	–	1,166
EBITDA / (LBITDA) [i]	42	(2)	–	40
Depreciation and amortisation	(66)	–	–	(66)
Impairment	(1,053)	–	–	(1,053)
Operating loss [i]	(1,077)	(2)	–	(1,079)
Finance income	14	94	(59)	49
Finance expenses [ii]	(74)	(122)	59	(137)
Share of loss of equity accounted investment	(3)	–	–	(3)
Loss before taxation	(1,140)	(30)	–	(1,170)
Income tax credit / (charge)	26	(8)	–	18
Loss after taxation	(1,114)	(38)	–	(1,152)
Total assets [iii]	912	1,773	(1,814)	871
Total liabilities	(2,134)	(189)	1,814	(509)
Net assets / (liabilities)	(1,222)	1,584	–	362
Share of net assets of equity accounted investment	24	–	–	24
Additions to property, plant, equipment and intangibles	93	–	–	93
Material non-cash items – share-based payments	1	–	–	1

NOTES TO THE ACCOUNTS

2 Segmental analysis (continued)

	2016			
	PGM Operations Segment $m	Other $m	Intersegment Adjustments $m	Total $m
Revenue (external sales by product):				
Platinum	720	–	–	720
Palladium	197	–	–	197
Gold	30	–	–	30
Rhodium	82	–	–	82
Ruthenium	5	–	–	5
Iridium	25	–	–	25
PGMs	1,059	–	–	1,059
Nickel	28	–	–	28
Copper	10	–	–	10
Chrome	21	–	–	21
	1,118	–	–	1,118
EBITDA / (LBITDA) [i]	130	(15)	–	115
Depreciation and amortisation	(102)	–	–	(102)
Impairment of non-financial assets	(335)	–	–	(335)
Operating loss [i]	(307)	(15)	–	(322)
Profit on disposal of joint venture	5	–	–	5
Finance income	25	81	(51)	55
Finance expenses [ii]	(66)	(73)	51	(88)
Share of loss of equity accounted investment	(5)	–	–	(5)
Loss before taxation	(348)	(7)	–	(355)
Income tax charge	(45)	–	–	(45)
Loss after taxation	(393)	(7)	–	(400)
Total assets [iii]	1,952	1,796	(1,730)	2,018
Total liabilities	(2,062)	(184)	1,730	(516)
Net assets / (liabilities)	(110)	1,612	–	1,502
Share of net assets of equity accounted investment	24	–	–	24
Additions to property, plant, equipment and intangibles	98	–	–	98
Material non-cash items – share-based payments	15	–	–	15

Footnotes:

i EBITDA / (LBITDA) and operating profit / (loss) are the key profit measures used by management.

ii The impairments of the HDSA receivable of $109 million (2016 – $nil) and of non-financial assets of $1,053 million (2016 – $335 million) are included under finance expenses and impairment respectively. The HDSA receivable forms part of the "Other" segment. The impairment of non-financial assets is all allocated to the PGM Operations segment.

iii The assets under "Other" include the HDSA receivable of $nil (2016 – $69 million) and intercompany receivables of $1,739 million (2016 – $1,658 million). Available for sale financial assets of $16 million (2016 – $7 million) forms part of the "Other" segment and the balance of $3 million (2016 – $4 million) forms part of the PGM Operations segment.

NOTES TO THE ACCOUNTS

2 Segmental analysis (continued)

Revenue by destination is analysed by geographical area below:

	2017 $m	2016 $m
The Americas	**245**	508
Asia	**295**	215
Europe	**355**	338
South Africa	**271**	57
	1,166	1,118

The Group's revenue is all derived from the PGM Operations segment. This segment has three major customers who respectively contributed 38% ($443 million), 21% ($239 million) and 20% ($234 million) of revenue in the 2017 financial year (2016 – 41% ($455 million), 19% ($211 million) and 19% ($209 million)).

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 and deferred tax assets) of $265 million (2016 – $1,291 million) are all situated in South Africa.

3 Group operating loss

Group operating loss is stated after charging / (crediting):

	2017 $m	2016 $m
Cost of sales	**1,065**	942
Other costs	**56**	46
Depreciation charge – property, plant and equipment	**64**	99
Amortisation charge – intangible assets	**2**	3
Impairment of intangibles	**62**	19
Impairment of property, plant and equipment	**991**	316
Employee benefits of key management excluding share-based payments and attraction bonuses [i]	**3**	2
Share-based payments	**1**	15
Foreign exchange losses / (gains)	**2**	(2)
Profit on disposal of property, plant and equipment	**(1)**	–

Footnote:

i Employee benefits of key management excluding share-based payments and attraction bonuses includes $1 million (2016 – $1 million) in respect of Directors.

Fees payable to the Group's auditor and its associates included in operating costs:

	2017 $m	2016 $m
Audit fee		
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**0.7**	0.5
Fees payable to the Group's auditor for the audit of the Group's interim accounts	**0.3**	0.2
Fees payable to the Group's auditor for the audit of the Group's subsidiary companies	**0.5**	0.4
Other assurance services		
Assurance services in respect of the Mining Charter	**0.1**	0.2
Non-audit services		
Advisory services	**–**	0.7
Tax compliance services	**0.1**	0.1
	1.7	2.1

Fees paid to KPMG LLP and its associates for non-audit services to the Company are not disclosed in the individual accounts of Lonmin Plc because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

NOTES TO THE ACCOUNTS

4 Employees

The average number of employees and Directors during the year was as follows:

	2017 No.	2016 No.
South Africa	**24,048**	24,540
Europe	**7**	8
Rest of world	**5**	4
	24,060	24,552

The aggregate payroll costs of employees, key management and Directors were as follows:

Employee costs	2017 $m	2016 $m
Wages and salaries	**539**	476
Social security costs	**35**	17
Pension costs	**41**	35
Share-based payments	**1**	10
Restructuring and reorganisation costs	**3**	(21)
	619	517

The vast majority of employee costs are denominated in Rand and reported Dollar costs are therefore subject to foreign exchange movements.

Key management compensation	2017 $m	2016 $m
Short-term employee benefits excluding share-based payments and attraction bonuses	**3**	2

The key management compensation analysed above represents amounts in respect of the Exco which comprised the two executive Directors and three other senior managers (2016 – three executive Directors and four other senior managers).

The Sterling equivalents of total Directors' emoluments and emoluments of the highest paid Director together with full details of Directors' remuneration, pensions and benefits in kind are given in the Remuneration Committee Report.

The Group operates defined contribution schemes in the UK and South Africa. There were no accrued obligations under defined contribution plans at 30 September 2017 and 2016.

The total pension cost for the Group was $41 million (2016 – $35 million), $41 million of which related to South African schemes (2016 – $35 million).

NOTES TO THE ACCOUNTS

5 Net finance expenses

	2017 $m	2016 $m
Finance income:	49	55
– Interest receivable on cash and cash equivalents	6	7
– Foreign exchange gains on net cash / (debt) [ii]	3	15
– Interest accrued from HDSA receivable (note 12)	26	27
– Foreign exchange gain on HDSA receivable (note 12)	14	–
– Gain on retranslation and forward exchange contracts in respect of the Rights Issue (note 30)	–	5
– Dividend received from investment [i]	–	1
Finance expenses:	(137)	(88)
– Interest payable on bank loans and overdrafts	(11)	(14)
– Bank fees	(7)	(4)
– Unwinding of discount on environmental provisions (note 20)	(10)	(9)
– Foreign exchange loss on HDSA receivable (note 12)	–	(60)
– Impairment of HDSA receivable (note 12)	(109)	–
– Unamortised bank fees realised on settlement of loan facility	–	(1)
– Capitalised interest [iii]	–	1
– Other finance expenses	–	(1)
Net finance expenses	(88)	(33)

Footnotes:

i Dividends received relate to dividends from our investment in Petrozim Line (Private) Limited. The investment in Petrozim Line (Private) Limited has a carrying value of $nil as it has been fully impaired.

ii Net cash / (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, unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

iii Interest expenses incurred are capitalised on a Group basis to the extent that there is an appropriate qualifying asset. No interest has been capitalised for the year to 30 September 2017. The weighted average interest rate used by the Group for capitalisation was 4% for the year ended 30 September 2016.

6 Taxation

	2017 $m	2016 $m
Current tax charge:		
United Kingdom tax expense	6	–
Current tax expense at 20% (2016 – 21%) [i]	6	–
Less amount of the benefit arising from double tax relief available	–	–
Overseas current tax expense at 28% (2016 – 28%)	9	19
Corporate tax expense – current year	9	8
Adjustment in respect of prior years	–	11
Total current tax charge	15	19
Deferred tax (credit) / charge:		
Deferred tax (credit) / charge – UK and overseas	(33)	26
Origination and reversal of temporary differences	(44)	13
Adjustment in respect of prior years	8	18
Reversal of utilisation of losses from prior years to offset deferred tax liability	2	–
Foreign exchange revaluation on deferred tax [ii]	1	(5)
Total deferred tax (credit) / charge	(33)	26
Total tax (credit) / charge	(18)	45
Effective tax rate	2%	(13%)

NOTES TO THE ACCOUNTS

6 Taxation **(continued)**

A reconciliation of the standard tax credit to the actual tax (credit) / charge was as follows:

	2017 %	**2017 $m**	2016 %	2016 $m
Tax credit on loss at standard tax rate	**28**	**(327)**	28	(99)
Tax effect of:				
– Transfer of losses	**–**	**(1)**	–	–
– Unutilised losses [iii]	**2**	**(9)**	(18)	65
– Foreign exchange impacts on taxable profits [ii]	**(2)**	**24**	(10)	34
– Adjustment in respect of prior years	**(1)**	**8**	(8)	29
– Disallowed expenditure	**(25)**	**287**	(6)	23
– (Income) / expenses not subject to tax	**–**	**(1)**	–	(2)
Foreign exchange revaluation on deferred tax [ii]	**–**	**1**	1	(5)
Actual tax (credit) / charge	**2**	**(18)**	(13)	45

The Group's primary operations are based in South Africa. The South African statutory tax rate is 28% (2016 – 28%). Lonmin Plc operates a branch in South Africa which is also subject to a tax rate of 28% on branch profits (2016 – 28%). The aggregated standard tax rate for the Group is 28% (2016 – 28%). The dividend withholding tax rate is 15% (2016 – 15%). Dividends payable by the South African companies to Lonmin Plc are subject to a 5% withholding tax benefitting from double taxation agreements.

Footnotes:

i Effective from 1 April 2017 the United Kingdom tax rate changed from 20% to 19% and will change from 19% to 18% from 1 April 2020. This does not materially impact the Group's recognised deferred tax liabilities.

ii Overseas tax charges are predominantly calculated based in Rand as required by the local authorities. As these subsidiaries' 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 2017 is $1 million (30 September 2016 – $62 million).

iii Unutilised losses reflect losses generated in entities for which no deferred tax asset 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.

7 Loss per share

Loss per share (LPS) has been calculated on the loss attributable to equity shareholders amounting to $996 million (2016 – $342 million) using a weighted average number of 282,428,397 ordinary shares in issue (2016 – 249,656,150 ordinary shares).

Diluted 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*. As at 30 September 2017 outstanding share options were anti-dilutive and so were excluded from diluted loss per share.

	2017			2016		
	Loss for the year $m	**Number of shares**	**Per share amount cents**	Loss for the year $m	Number of shares	Per share amount cents
Basic and diluted LPS	**(996)**	**282,428,397**	**(352.7)**	(342)	249,656,150	(137.0)

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

	2017 $m	2016 $m
Loss attributable to ordinary shareholders (IAS 33 earnings)	**(996)**	(342)
Add back profit on disposal of property, plant and equipment (note 3)	**(1)**	–
Add back profit on disposal of joint venture (note 2)	**–**	(5)
Add back impairment of assets (note 3)	**1,053**	335
Tax related to the above items	**(16)**	(64)
Non-controlling interests	**(143)**	(37)
Headline loss	**(103)**	(113)

NOTES TO THE ACCOUNTS

7 Loss per share (continued)

	2017			2016		
	Loss for the year $m	Number of shares	Per share amount cents	Loss for the year $m	Number of shares	Per share amount cents
Headline and diluted LPS	**(103)**	**282,428,397**	**(36.5)**	(113)	249,656,150	(45.3)

8 Dividends

No dividends were declared by Lonmin Plc for the financial years ended 30 September 2017 and 2016.

No advance dividends were made by WPL, a subsidiary of Lonmin Plc, to Incwala Platinum (Proprietary) Limited (IP) during the year (2016 – $nil (Rnil)). IP is a substantial shareholder in the Company's principal operating subsidiaries. Total advance dividends made between 2009 and 2015 amount to $135 million (R1,309 million). IP has authorised WPL to recover these amounts by reducing future dividends that would otherwise be payable to all shareholders.

These advance dividends are adjusted for in the non-controlling interest of the Group.

9 Intangible assets

	2017				2016			
	Exploration and evaluation $m	Mineral rights $m	Other $m	Total $m	Exploration and evaluation $m	Mineral rights $m	Other $m	Total $m
Cost:								
At 1 October	**750**	**344**	**37**	**1,131**	748	344	37	1,129
Additions	**1**	**–**	**–**	**1**	2	–	–	2
At 30 September	**751**	**344**	**37**	**1,132**	750	344	37	1,131
Amortisation and impairment:								
At 1 October	**748**	**272**	**37**	**1,057**	748	250	37	1,035
Amortisation charge	**–**	**2**	**–**	**2**	–	3	–	3
Impairment charge	**3**	**59**	**–**	**62**	–	19	–	19
At 30 September	**751**	**333**	**37**	**1,121**	748	272	37	1,057
Net book value:								
At 30 September	**–**	**11**	**–**	**11**	2	72	–	74

The Group's exploration and evaluation assets relate to Akanani. These assets were fully impaired in 2015, however since the project is still in progress, costs were incurred during the financial year.

The intangible assets of Marikana were impaired by $59 million and Akanani by $3 million (2016 – Marikana $19 million) as disclosed in note 29.

The Group has no indefinite life intangible assets.

NOTES TO THE ACCOUNTS

10 Property, plant and equipment

	Capital work in progress $m	Shafts and underground $m	Metallurgical $m	Infrastructure $m	Other plant and equipment $m	Total $m
Cost or deemed cost:						
At 1 October 2016	**715**	**1,779**	**964**	**836**	**174**	**4,468**
Additions [i]	**88**	**5**	**1**	**6**	**(8)**	**92**
Transfers	**(333)**	**269**	**13**	**18**	**33**	**–**
Disposals	**–**	**–**	**–**	**(4)**	**(1)**	**(5)**
At 30 September 2017	**470**	**2,053**	**978**	**856**	**198**	**4,555**
Depreciation and impairment:						
At 1 October 2016	**374**	**1,337**	**767**	**699**	**133**	**3,310**
Depreciation charge	**–**	**18**	**23**	**22**	**1**	**64**
Impairment charge	**78**	**580**	**160**	**118**	**55**	**991**
Disposals	**–**	**–**	**–**	**(4)**	**–**	**(4)**
At 30 September 2017	**452**	**1,935**	**950**	**835**	**189**	**4,361**
Net book value:						
At 30 September 2017	**18**	**118**	**28**	**21**	**9**	**194**
At 30 September 2016	**341**	**442**	**197**	**137**	**41**	**1,158**

	Capital work in progress $m	Shafts and underground $m	Metallurgical $m	Infrastructure $m	Other plant and equipment $m	Total $m
Cost or deemed cost:						
At 1 October 2015	781	1,728	926	782	166	4,383
Additions	79	–	3	6	8	96
Transfers	(145)	62	35	48	–	–
Disposals	–	(11)	–	–	–	(11)
At 30 September 2016	715	1,779	964	836	174	4,468
Depreciation and impairment:						
At 1 October 2015	374	1,183	640	601	108	2,906
Depreciation charge	–	25	33	39	2	99
Impairment charge	–	140	94	59	23	316
Disposals	–	(11)	–	–	–	(11)
At 30 September 2016	374	1,337	767	699	133	3,310
Net book value:						
At 30 September 2016	341	442	197	137	41	1,158
At 30 September 2015	407	545	286	181	58	1,477

Footnote:

i The negative additions to Other plant and equipment is due to the write back of rehabilitation assets due to changes in rates and estimations made (see note 20).

No interest was capitalised during the year (2016 – $1 million) (see note 5).

In accordance with the Group accounting policies, no depreciation has been provided on surface mining land having a book value of $5 million after impairment (2016 – book value of $13 million).

Property, plant and equipment at Marikana was impaired by $991 million (2016 – $316 million) as disclosed in note 29.

NOTES TO THE ACCOUNTS

11 Equity accounted investment

The Group owns 23.56% of the ordinary shares of its associate, Incwala Resources (Proprietary) Limited which is incorporated in South Africa (see footnote i).

The Group also owns 50% (2016 – 50%) of the Pandora joint venture whose operations are in South Africa. The Group equity accounts for the joint venture. The functional currency of the Pandora joint venture is the South African Rand. As a result, any foreign exchange translation gains or losses on the net assets of the entity are recognised in the consolidated statement of comprehensive income.

	2017 $m	2016 $m
Group's interest in net assets of investee at 1 October	**24**	26
Share of total comprehensive loss	**(3)**	(5)
Capital contributions	**2**	3
Foreign exchange gain on retranslation of equity accounted investment	**1**	–
Carrying amount of interest in investee at 30 September	**24**	24

Amounts recognised by the Group in respect of the equity accounted investment comprise:

	2017 Joint venture $m	2016 Joint venture $m
Share of net assets	**24**	24

The Group's share of the loss of equity accounted investment comprises the following:

	2017			2016		
	Joint venture			Joint venture		
	Equity interest $m	**Non-controlling interests $m**	**Total $m**	Equity interest $m	Non-controlling interests $m	Total $m
Revenue	**14**	**2**	**16**	13	2	15
Loss from continuing operations [ii]	**(3)**	**–**	**(3)**	(4)	(1)	(5)
Total comprehensive loss	**(3)**	**–**	**(3)**	(4)	(1)	(5)

NOTES TO THE ACCOUNTS

11 Equity accounted investment (continued)

The Group's share of the net assets of equity accounted investment comprises the following:

	2017			2016		
	Joint venture			Joint venture		
	Equity interest $m	Non-controlling interests $m	Total $m	Equity interest $m	Non-controlling interests $m	Total $m
Current assets [iii]	2	–	2	3	1	4
Non-current assets	30	5	35	32	5	37
Current liabilities [iv]	(11)	(2)	(13)	(14)	(2)	(16)
Non-current liabilities [v]	–	–	–	(1)	–	(1)
Net assets	**21**	**3**	**24**	20	4	24

Footnotes:

i Where an associate owns an equity interest in a Group entity, an adjustment is made to the equity accounting and the non-controlling interest to avoid double counting. Any difference between the adjustment to the investment in the associate and non-controlling interest is taken directly to equity. Since Incwala only holds interests in WPL, EPL and Akanani, which are all subsidiaries of Lonmin Plc, the adjustment resulted in the investment in the associate being reduced to $nil.

ii Includes:

- Depreciation and amortisation of $1.8 million (2016 – $1.7 million). Non-controlling interest in depreciation consists of $0.2 million (2016 – $0.2 million).
- Interest expense of $nil (2016 – $nil). Non-controlling interest in the interest expense consists of $nil (2016 – $nil).
- Income tax credit of $3.1 million (2016 – $0.4 million tax credit). Non-controlling interest in income tax consists of $0.4 million (2016 – $0.1 million).

iii Includes cash and cash equivalents of $0.2 million (2016 – $0.6 million). Non-controlling interest in cash and cash equivalents consists of $0.03 million (2016 – $0.1 million).

iv Includes current financial liabilities (excluding trade and other payables and provisions) of $9.7 million (2016 – $13 million). Non-controlling interest in current financial liabilities consists of $1.4 million (2016 – $1.8 million).

v Includes non-current financial liabilities (excluding trade and other payables and provisions) of $0.4 million (2016 – $0.5 million). Non-controlling interest in non-current financial liabilities consists of $0.1 million (2016 – $0.1 million).

12 Other financial assets

	Restricted cash $m	Available for sale $m	HDSA receivable $m	Total $m
At 1 October 2016	10	11	69	90
Additions	4	–	–	4
Interest accrued	1	–	26	27
Movement in fair value	–	8	–	8
Foreign exchange gains	–	–	14	14
Impairment loss	–	–	(109)	(109)
At 30 September 2017	**15**	**19**	**–**	**34**

	Restricted cash $m	Available for sale $m	HDSA receivable $m	Total $m
At 1 October 2015	8	11	102	121
Interest accrued	2	–	27	29
Foreign exchange losses	–	–	(60)	(60)
At 30 September 2016	10	11	69	90

NOTES TO THE ACCOUNTS

12 Other financial assets (continued)

	2017 $m	2016 $m
Current assets		
Other financial assets	–	69
Non-current assets		
Other financial assets	34	21

Restricted cash deposits are in respect of mine rehabilitation obligations.

Available for sale financial assets include listed investments of $16 million (2016 – $7 million) held at fair value using the market price on 30 September 2017.

On 8 July 2010, Lonmin entered into an agreement to provide financing of £200 million to Lexshell 806 Investments (Proprietary) Limited, a subsidiary of Phembani Group (Proprietary) Limited, to facilitate the acquisition, at fair value, of 50.03% of shares in Incwala Resources (Proprietary) Limited from the original HDSA shareholders. The terms of the financing provided by Lonmin Plc to the Phembani subsidiary include the accrual of interest on the HDSA receivable at a fixed rate based on a principal value of £200 million which is repayable on demand, including accrued interest.

The Company holds the HDSA receivable at amortised cost. The receivable is secured on shares in the HDSA borrower, Lexshell 806 Investments (Proprietary) Limited, whose only asset of value is its holding in Incwala Resources (Proprietary) Limited (Incwala). Incwala's principal assets are investments in WPL, EPL and Akanani Mining (Proprietary) Limited (Akanani), all subsidiaries of Lonmin Plc. One of the sources of income to fund the settlement of the receivable is the dividend flow from these underlying investments. Given the continued subdued PGM pricing environment, there have not been any substantial dividends declared by these Lonmin subsidiaries in recent years.

The HDSA receivable is disclosed as a current asset as it was redeemable at any time on or after 8 July 2015 at Lonmin's request. It is not our current intention to request redemption as Phembani could forfeit the loan and the 50.03% that Phembani hold in Incwala would revert to Lonmin. There is ongoing engagement with Phembani around this.

An impairment assessment was performed on the balance of the loan at 30 September 2017. This assessment has been made based on the value of the security, which is primarily driven by the value of Incwala's underlying investments in WPL, EPL and Akanani. The same valuation model for the Marikana CGU that was prepared to assess impairment of non-financial assets was used as the basis for determining the value of Incwala's investments. Thus, similar judgements apply around the determination of key assumptions in those valuation models. Based on the assessment, the value of the HDSA receivable was determined to be $nil which has resulted in an impairment charge of $109 million as at 30 September 2017 (2016 – impairment of $nil).

13 Inventories

	2017 $m	2016 $m
Consumables	46	44
Work in progress	185	159
Finished goods	14	42
	245	245

The cost of inventories recognised as an expense and included in cost of sales amounted to $1,065 million (2016 – $942 million).

A downward adjustment was made of $5 million (2016 – $25 million) to bring the value of inventory to its net realisable value.

NOTES TO THE ACCOUNTS

14 Trade and other receivables

	2017 $m	2016 $m
Amounts falling due within one year:		
Trade receivables	31	24
Other receivables	34	26
Prepayments and accrued income	5	13
Unamortised bank fees	3	4
	73	67

15 Trade and other payables

	2017 $m	2016 $m
Trade payables	47	61
Accruals and other payables	124	127
Indirect taxation and social security	7	5
	178	193

16 Interest bearing loans and borrowings

	2017 $m	2016 $m
Short-term loans and borrowings:		
Bank loans – secured	150	–
Long-term loans and borrowings:		
Bank loans – secured	–	150
	150	150

The debt facilities available to the Group are subject to financial covenants as detailed below. Post year end a covenant waiver was agreed with the lenders. The waiver period runs from 30 September 2017 to 28 February 2019 which is the long-stop date for the acquisition of the Group by Sibanye-Stillwater. A condition of the waiver was that $66 million of the revolving credit facilities was cancelled and that the Group leaves undrawn the remaining revolving credit facilities during the waiver period. The waiver is conditional on the completion of the acquisition of the Group by Sibanye-Stillwater. In the event that the deal does not complete the covenant waiver allows for a four week grace period whilst other options are pursued. During the four week grace period the Group will not be required to repay the loan. On completion of the acquisition the term loan of $150 million would be repaid and debt facilities cancelled.

The TNW as defined by the debt facilities is net assets less intangible assets, deferred tax assets and non-controlling interests. Post finalisation of the impairment it was determined that the TNW of the Group at 30 September 2017 was less than $1,100 million and the debt covenant was in breach as at the reporting date as the waiver was agreed after the reporting date. Accordingly the drawn term loan of $150 million is shown as short-term rather than long-term.

The maturity profile of interest bearing loans and borrowings is disclosed in note 18b.

As at 30 September 2017 unamortised bank fees of $3 million relating to undrawn facilities were treated as other receivables (30 September 2016 – $4 million of unamortised bank fees relating to undrawn facilities were treated as other receivables).

The Group's debt facilities are summarised as follows:

- Revolving credit facilities (RCF) totalling $25 million and a $150 million term loan, at the Lonmin Plc level, which are committed until May 2019 (Lonmin can exercise its option to extend the term up until May 2020). The Company has agreed to leave the RCF undrawn until 28 February 2019 subject to the terms noted above.
- Revolving credit facility totalling R1,709 million, at the Western Platinum Limited level, which are committed until May 2019 (and likewise Lonmin can exercise its option to extend the term up until May 2020). The Company has agreed to leave these undrawn until 28 February 2019 subject to the terms noted above.

NOTES TO THE ACCOUNTS

16 Interest bearing loans and borrowings **(continued)**

The following financial covenants will apply to these facilities except for during the waiver period of 30 September 2017 to 28 February 2019:

- The consolidated tangible net worth of the Group will not be at any time less than US$1,100 million. At 30 September 2017 consolidated tangible net worth was $674 million (30 September 2016 – $1,608 million);
- The consolidated debt of the Group will not at any time exceed an amount equal to 35% of consolidated tangible net worth of the Group. At 30 September 2017 consolidated debt:consolidated tangible net worth was 22% (30 September 2016 – 9%);
- The liquidity for the Group will not, for any week from 1 January 2016, be less than $20 million. Cash and cash equivalents as at 30 September 2017 was $253 million (30 September 2016 – $323 million);
- The capital expenditure of the Group (excluding the Bulk Tailings Agreement) shall not exceed the limits set out in the table below. The revised capital guidance of R1.4 billion – R1.5 billion for the financial year ending 30 September 2017 is less than the capex limits detailed below. The Company shall also have the option to carry forward or back up to 10% of the limits set out in the table below:

Financial Year	Capex Limit
1 October 2015 – 30 September 2016 (inclusive)	ZAR 1,338 million
1 October 2016 – 30 September 2017 (inclusive)	ZAR 1,242 million
1 October 2017 – 30 September 2018 (inclusive)	ZAR 2,511 million
1 October 2018 – 30 September 2019 (inclusive)	ZAR 3,194 million
1 October 2019 – 31 May 2020 (inclusive)	ZAR 4,049 million

There is also an additional limit on capital expenditure in relation to the Bulk Tailings Agreement as set out below.

Financial Year	Bulk Tailings Capex Limit
1 October 2015 – 30 September 2016 (inclusive)	ZAR 103 million
1 October 2016 – 30 September 2017 (inclusive)	ZAR 414 million
1 October 2017 – 30 September 2018 (inclusive)	ZAR 31 million

The limit on capital expenditure in relation to the Bulk Tailings Agreement after 30 September 2018 will be zero.

As at 30 September 2017, Lonmin had net cash of $103 million, comprising of cash and cash equivalents of $253 million less borrowings of $150 million (30 September 2016 – net cash of $173 million). Undrawn facilities of $151 million were suspended from 30 September 2017 until 28 February 2019 subject to the terms noted above (2016 – $215 million undrawn facilities).

17 Deferred revenue

In the prior year Lonmin secured competitive funding of $50 million for the Bulk Tailings Treatment project ("the BTT project") through a finance metal streaming arrangement. The $50 million will be treated as deferred revenue. Contractual deliveries will be at a discounted price which will be treated as normal sales. The deferred revenue of $50 million will be amortised by the discount value of the deliveries. Project funding of $34 million was received for the year ended 30 September 2017 (30 September 2016 – $9 million). Commissioning and ramp up to full production is expected during the 2018 financial year.

In March 2012 Lonmin entered into a pre-paid sale of 75% of its current gold production for the next 54 months. Under this contract Lonmin delivered 70,700 ounces of gold over the period with delivery of fixed quantities on a quarterly basis and in return received an upfront payment of $107 million. Proceeds of the pre-paid sale were treated as deferred revenue and amortised to profit as deliveries occur. All gold deliveries were completed by 30 September 2016.

	2017 $m	2016 $m
Opening balance	**9**	23
Deferred revenue received	**34**	9
Less: Contractual deliveries	**(3)**	(23)
Closing balance	**40**	9
Current liabilities		
Deferred revenue	**13**	–
Non-current liabilities		
Deferred revenue	**27**	9

NOTES TO THE ACCOUNTS

18 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 (market risk).

18a Credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	2017 $m	2016 $m
Non-current assets:		
Other financial assets	**34**	21
Current assets:		
Trade receivables	**31**	24
Other receivables	**34**	26
HDSA receivable	**–**	69
Cash and cash equivalents	**253**	323
	352	463

HDSA receivables

Refer to note 12 for details of the HDSA receivable.

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.

It should be noted that a significant portion of Lonmin's revenue is from three key customers. These customers have strong investment grade ratings and their payment terms are very short, thereby reducing trade receivable credit risk significantly.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic location was:

	2017 $m	2016 $m
The Americas	**2**	4
Asia	**5**	5
Europe	**17**	7
South Africa	**7**	8
	31	24

NOTES TO THE ACCOUNTS

18 Financial risk management (continued)

18a Credit risk (continued)

The ageing of trade receivables at the reporting date was as follows:

	2017			2016		
	Gross $m	**Provision $m**	**Net $m**	Gross $m	Provision $m	Net $m
Not past due	**31**	**–**	**31**	24	–	24

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 and consist of the ten banks and one global investment fund that have participated in Lonmin's existing bank debt facilities as described in note 16.

18b Liquidity risk and capital management

Liquidity risk

The policy on overall liquidity is to ensure that the Group has sufficient funds to facilitate all ongoing operations.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

30 September 2017	**Carrying amount $m**	**Contractual cash flows $m**	**< 1 year $m**	**1 to 2 years $m**	**2 to 5 years $m**	**> 5 years $m**
Financial liabilities:						
Secured bank loans	**150**	**(150)**	**(150)**	**–**	**–**	**–**
Trade and other payables	**178**	**(178)**	**(178)**	**–**	**–**	**–**

30 September 2016	Carrying amount $m	Contractual cash flows $m	< 1 year $m	1 to 2 years $m	2 to 5 years $m	> 5 years $m
Financial liabilities:						
Secured bank loans	150	(185)	(11)	(11)	(163)	–
Trade and other payables	193	(193)	(193)	–	–	–

Post year end a covenant wavier was obtained and details of the terms and conditions are disclosed in note 16. On the reporting date of 30 September 2017 the TNW covenant on the $150 million term loan was in breach and accordingly the loan is shown as current rather than due in 2-5 years.

As at 30 September 2017 unamortised bank fees of $3 million relating to undrawn facilities were included in other receivables (30 September 2016 – $4 million of unamortised bank fees related to undrawn facilities were included in other receivables).

Capital management

The Group's philosophy on capital management is to maintain a low level of financial gearing given the exposure of the business to fluctuations in PGM commodity prices and the Rand / US Dollar exchange rate. The Group funds its operations through a mixture of equity funding and bank borrowings.

The table below presents quantitative data for the components the Group manages as capital:

	2017 $m	2016 $m
Equity shareholders' funds	**685**	1,669
Loans and borrowings	**150**	150
Cash and cash equivalents	**(253)**	(323)
At 30 September	**582**	1,496

NOTES TO THE ACCOUNTS

18 Financial risk management **(continued)**

18b Liquidity risk and capital management (continued)

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 on an ongoing basis for any significant changes in the key assumptions identified during the year. 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.

18c 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 is exposed to foreign currency risk on monetary items that are denominated in currencies other than the functional currency of the relevant Group entity.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than the functional currency of the relevant Group entity. Foreign exchange differences on retranslation of such assets and liabilities are recognised in the income statement.

	2017				2016			
	Rand $m	Sterling $m	Other $m	Total $m	Rand $m	Sterling $m	Other $m	Total $m
Non-current assets:								
Other financial assets	**18**	**–**	**16**	**34**	14	–	7	21
Current assets:								
Trade and other receivables	**41**	**–**	**–**	**41**	48	–	–	48
Cash and cash equivalents	**59**	**–**	**1**	**60**	78	3	1	82
HDSA receivable	**–**	**–**	**–**	**–**	–	69	–	69
Current liabilities:								
Trade and other payables	**(170)**	**(7)**	**–**	**(177)**	(183)	(7)	(1)	(191)
Tax payable	**–**	**(6)**	**–**	**(6)**	–	–	–	–
	(52)	**(13)**	**17**	**(48)**	(43)	65	7	29

The principal exchange rates impacting the Group's results are Rand / Dollar and Sterling / Dollar. Details of average exchange rates and closing exchange rates can be found in the Operating Statistics.

The Group also carries a $1 million Rand denominated deferred tax asset on the statement of financial position which is exposed to currency risk (2016 – $62 million liability).

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.

NOTES TO THE ACCOUNTS

18 Financial risk management **(continued)**

18c Foreign currency risk (continued)

The approximate effects on the Group's results of a 10% movement in the Rand to US Dollar 2017 average and closing exchange rate would be as follows:

	2017	2016
Operating profit / (loss)	**±$101m**	±$88m
Profit / (loss) for the year	**±$63m**	±$54m
Equity	**±$63m**	±$54m
EPS (cents)	**±22.1c**	±21.8c

These sensitivities are based on 2017 prices, costs and volumes and assume all other variables remain constant.

18d Interest rate risk

The bulk of our outstanding borrowings are in US Dollars and at floating rates of interest. The interest position is kept under constant review in conjunction with the liquidity policy outlined in note 18b and the future funding requirements of the business.

	Non-interest bearing		At floating interest rates		At fixed interest rates	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Financial assets:						
US Dollar	**24**	19	**193**	241	**–**	–
Rand	**59**	52	**59**	88	**–**	–
Sterling	**–**	–	**–**	3	**–**	69
Other	**1**	7	**16**	1	**–**	–
	84	78	**268**	333	**–**	69

	Non-interest bearing		At floating interest rates		At fixed interest rates	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Financial liabilities:						
US Dollar	**2**	2	**150**	150	**–**	–
Rand	**170**	183	**–**	–	**–**	–
Sterling	**13**	7	**–**	–	**–**	–
Other	**–**	1	**–**	–	**–**	–
	185	193	**150**	150	**–**	–

Footnote:

i Figures are based on facilities outstanding at the financial reporting date (refer to note 27).

NOTES TO THE ACCOUNTS

18 Financial risk management (continued)

18e 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 did not undertake any hedging of base metals under this authority in the financial year and no forward contracts were in place in respect of base metals at the end of the year. In 2012 the Group undertook a prepaid sale of Gold. Refer to note 17 for details.

The approximate effects on the Group's results of a 10% movement in the 2017 average metal prices achieved for Platinum (Pt) ($953 per ounce), Palladium (Pd) ($808 per ounce) and Rhodium (Rh) ($915 per ounce) would be as follows:

	2017			2016		
	Pt	Pd	Rh	Pt	Pd	Rh
Operating profit / (loss)	±$67m	±$26m	±$10m	±$72m	±$20m	±$8m
Profit / (loss) for the year	±$42m	±$16m	±$6m	±$45m	±$12m	±$5m
Equity	±$42m	±$16m	±$6m	±$45m	±$12m	±$5m
EPS (cents)	±14.8c	±5.8c	±2.2c	±17.9c	±4.9c	±2.1c

These sensitivities are based on 2017 prices, costs and volumes and assume all other variables remain constant.

18f Fair values

The fair value of financial assets and liabilities were equivalent to their carrying amounts and are as follows:

	2017 Carrying amount $m	2016 Carrying amount $m
Other financial assets	34	21
HDSA receivable	–	69
Trade and other receivables	65	50
Cash and cash equivalents	253	323
Financial assets	**352**	463
Trade and other payables	(178)	(193)
Bank loans	(150)	(150)
Tax payable	(7)	–
Financial liabilities	**(335)**	(343)
Net financial assets	**17**	120

Other financial assets represent available for sale financial assets and restricted cash (see note 12). Available for sale financial assets include listed investments which are marked to market and on unlisted investment carried at Directors' valuation. The residual balances relate to cash deposits held in respect of rehabilitation obligations for which carrying values are at fair value.

The HDSA receivable represents loans held at amortised cost.

Trade and other receivables (excluding prepayments and accrued income) and trade and other payables are typically due within one month and therefore the carrying amount is fair value.

For cash and cash equivalents the carrying value is equal to fair value.

For bank loans, there is considered to be no material difference between the carrying amount and fair value. Amounts are shown gross of unamortised bank fees unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

NOTES TO THE ACCOUNTS

18 Financial risk management (continued)

18g Fair value hierarchy

The following is an analysis of the financial instruments that are measured at fair value.

They are grouped into levels 1 to 3 based on the extent to which the fair value is observable.

The levels are classified as follows:

Level 1 – fair value is based on quoted prices in active markets for identical financial assets or liabilities;

Level 2 – fair value is determined using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – fair value is determined on inputs not based on observable market data.

	2017			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**
Other financial assets	**16**	**–**	**3**	**19**

	2016			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Other financial assets	7	–	4	11

19 Deferred tax assets / (liabilities)

	2017			2016		
Deferred tax assets / (liabilities) in respect of:	**Deferred tax assets $m**	**Deferred tax liabilities $m**	**Net balance $m**	Deferred tax assets $m	Deferred tax liabilities $m	Net balance $m
Non-current assets	**–**	**(54)**	**(54)**	–	(88)	(88)
Provisions	**55**	**–**	**55**	54	–	54
	55	**(54)**	**1**	54	(88)	(34)

Movement in temporary differences during the year

	At 1 October 2016 $m	**Recognised in income $m**	**Recognised in comprehensive income $m**	**At 30 September 2017 $m**
Non-current assets	**(88)**	**32**	**2**	**(54)**
Provisions	**54**	**1**	**–**	**55**
	(34)	**33**	**2**	**1**

	At 1 October 2016 $m	Recognised in income $m	Recognised in comprehensive income $m	At 30 September 2016 $m
Non-current assets	(222)	134	–	(88)
Provisions	118	(64)	–	54
Trading losses	89	(89)	–	–
Share-based payments	6	(7)	1	–
	(9)	(26)	1	(34)

NOTES TO THE ACCOUNTS

19 Deferred tax assets / (liabilities) (continued)

Unrecognised deferred tax assets / (liabilities)

Deferred tax assets / (liabilities) have not been recognised in respect of the following items:

	2017		2016	
	Temporary differences $m	Unrecognised deferred tax assets / (liabilities) $m	Temporary differences $m	Unrecognised deferred tax assets / (liabilities) $m
Capital losses carried forward	134	28	162	34
Trading and other losses carried forward	490	136	470	128
Unredeemed capital expenditure	757	212	200	56
Share-based payments	2	–	3	1
Unremitted profits of overseas subsidiaries	10	1	(197)	(10)
	1,393	377	638	209

The temporary differences above, except for the unremitted profits from overseas subsidiaries, are subject to the local tax rate in the United Kingdom at 21% (2016 – 21%), South Africa at 28% (2016 – 28%) and Canada at 18% (2016 – 18%). The dividend withholding tax rate is 15% (2016 – 15%). Dividends payable by the South African companies to Lonmin Plc will be subject to a 5% withholding tax benefitting from double taxation agreements. Therefore unrecognised deferred tax liabilities generated by the timing difference relating to unremitted profits of overseas subsidiaries in 2017 only apply to Plc for dividends receivable from WPL and EPL at a rate of 5%.

At 30 September 2017, the Group had an amount of $114 million (2016 – $114 million) of surplus Advanced Corporation Tax (ACT) available, subject to certain restrictions, for set-off against future United Kingdom corporation tax liabilities. 'Shadow ACT' amounted to $274 million (2016 – $274 million) and must be set-off prior to the utilisation of surplus ACT.

No deferred tax assets have been recognised in respect of the trading and other losses and the capital losses for subsidiaries where management believe the chances of recovery are low.

20 Provisions

	2017 $m	2016 $m
Opening balance	127	161
Capitalised on non-current assets	(8)	8
Established in the year	–	(13)
Unwinding of discount (note 5)	10	9
Foreign exchange losses / (gains)	5	(4)
Restructuring and reorganisation costs released	–	(13)
Reversal of restructuring and reorganisation provision	–	(21)
Closing balance	134	127
Current liabilities		
Provisions	–	–
Non-current liabilities		
Provisions	134	127

Non-current provisions represent site rehabilitation liabilities and generally assume the cash flows occur at the end of the life of the mine. The Group provided third party guarantees to the Department of Mineral Resources amounting to $66 million (2016 – $45 million) in connection with these rehabilitation obligations which the Group has to fund in order to restore the environment once all mining operations have ceased.

Current cash and cash equivalents to the value of $nil (2016 – $6 million) is treated as restricted cash to be utilised for rehabilitation obligations.

NOTES TO THE ACCOUNTS

21 Contingent liabilities

	2017 $m	2016 $m
Third party guarantees		
– Eskom [i]	**7**	7
– Department of Mineral Resources [ii]	**66**	45
– Other [iii]	**1**	1
	74	53

Footnotes:

i The Group provided third party guarantees to Eskom as security to cover estimated electricity accounts for three months.

ii Refer to note 20 for more detail.

iii Other contingent liabilities relate to guarantees to various entities including the medical aid scheme, Transnet and Telkom.

22 Called up share capital

	Number	$
Ordinary Shares of (post 2015 Rights Issue and consolidation):		
– Issued and fully paid – 2017 (of $0.0001 each)	**282,435,238**	**28,244**
– Issued and fully paid – 2016 (of $0.0001 each)	**282,401,036**	**28,241**
Deferred Shares of £1 each:		
– Issued and fully paid – 2017	**50,000**	**71,650**
– Issued and fully paid – 2016	**50,000**	**71,650**
2015 Deferred Shares of $0.999999 each:		
– Issued and fully paid – 2017	**586,906,900**	**586,906,313**
– Issued and fully paid – 2016	**586,906,900**	**586,906,313**

	Issued and fully paid – ordinary number	Issued and fully paid of $0.999999 – deferred number	Ordinary Shares – paid up amount $	Deferred Shares – paid up amount $	Total share capital $
At 1 October 2016: Ordinary Shares of $1 each	282,401,036	586,906,900	28,241	586,977,963	587,006,204
The issue of shares pursuant to: – Issue of shares to the Lonmin Employee Benefit Trust (Share Plans)	34,202	–	3	–	3
At 30 September 2017: Ordinary Shares of $0.0001 each	282,435,238	586,906,900	28,244	586,977,963	587,006,207

The rights and obligations attaching to the Company's Ordinary Shares and the provisions relating to the transfer of the Ordinary Shares are governed by law and the Company's Articles of Association. See the Directors' Report for more detail regarding rights attaching to the deferred shares.

The holders of Ordinary Shares are entitled to receive all shareholder documents, to receive notice of any general meeting, to attend, speak and exercise voting rights, either in person or by proxy and are entitled to participate in any distribution of income or capital.

There are no restrictions on the transfer of shares or on the exercise of voting rights attached to them, except where the Company has exercised its rights to suspend voting rights or to prohibit transfer.

NOTES TO THE ACCOUNTS

23 Share plans

At 30 September 2017, the following options and awards were outstanding:

	Number of shares	Weighted average exercise price of outstanding options (pence)	Weighted average remaining contracted life (years)	Weighted average fair value of options granted in the year (£)
Share Plans				
Long Term Incentive Plan				
Outstanding at 1 October 2016	171,282	–	–	–
Granted during the year	1,096,733	–	–	–
Exercised during the year	(89,755)	–	–	–
Lapsed during the year	(35,550)	–	–	–
Outstanding at 30 September 2017	1,142,710	–	2.40	1.15
Exercisable at the end of the year	–	–	–	–
Stay & Prosper Plan				
Outstanding at 1 October 2016	321,406	–	–	–
Granted during the year	3,900	–	–	–
Exercised during the year	(269,342)	–	–	–
Lapsed during the year	(53,157)	–	–	–
Outstanding at 30 September 2017	2,807	–	–	–
Exercisable at the end of the year	–	–	–	–
ASAP				
Outstanding at 1 October 2016	67,367	–	–	–
Granted during the year	1,246,713	–	–	–
Exercised during the year	(40,008)	–	–	–
Lapsed during the year	(187,023)	–	–	–
Outstanding at 30 September 2017	1,087,049	–	9.20	1.74
Exercisable at the end of the year	–	–	–	–

Further information about each of the above plans, including the performance conditions, can be found in the Remuneration Committee Report.

Lonmin Employee Benefit Trust (the "Trust")

At 30 September 2017 the Trust held 48,853 shares (beneficially and as bare trustee) (2016 – 55,172 shares). The market value of these shares at the year end was $46,137. Where not waived, dividends payable on these shares are held by the Trust on behalf of the participants. The executive Directors are deemed to have a non-beneficial interest in the shares held in trust.

01 / Strategic Report
02 / Governance
03 / Financial Statements
04 / A Deeper Look
05 / Shareholder Information

NOTES TO THE ACCOUNTS

23 Share plans (continued)

Details of options granted during the year

The fair value of equity settled options granted during the year have been measured using the market price on the date of issue. Market price was used rather than the valuation models due to the volatility of the share price. The fair value of equity settled options granted during previous years have been measured using the weighted average inputs below and the following valuation models:

LTIP	Monte Carlo
Stay & Prosper	Monte Carlo

	2017	2016
Range of share price at date of grant (£)	**1.15 – 1.74**	n/a
Range of share price at date of exercise (£)	**0.71 – 1.43**	n/a
Exercise price (£)	**–**	n/a
Expected option life (years)	**3**	n/a
Volatility	**n/a**	n/a
Dividend yield	**n/a**	n/a
Risk free interest rate	**n/a**	n/a

Volatility was calculated with reference to the Group's historic share price volatility up to the grant date. The number of years of historic data used is equal to the term of each option.

24 Related parties

The Group has a related party relationship with its Directors and key management (as disclosed in the Remuneration Report and in note 4) and its equity accounted investment (note 11).

The Group's related party transactions in the year and balances at 30 September are summarised below:

	2017 $m	2016 $m
Transactions in the year:		
Purchases from joint venture – Pandora	**33**	30
Amounts due from joint venture – Pandora	**6**	5
Amounts due from associate – Incwala	**1**	1
Interest accrued from HDSA investors in Incwala	**26**	27
Subscription paid to the Platinum Jewellery Development Association [i]	**5**	7
Balances at 30 September:		
Amounts due from HDSA investors in Incwala [ii]	**416**	376

All related party transactions are priced on an arm's length basis.

Footnotes:

i The subscription paid by Lonmin is material to the Platinum Jewellery Development Association of which Lonmin is a member.

ii Refer to note 12 for details regarding the amounts due from HDSA investors in Incwala. This amount is before deducting the accumulated impairment charge of $416 million.

NOTES TO THE ACCOUNTS

25 Capital commitments

	2017 $m	2016 $m
Contracted for but not yet provided	12	29

26 Operating and finance leases

The full aggregate lease payments of the Group under non-cancellable operating leases are set out below:

	Land and buildings	
	2017 $m	2016 $m
Operating leases which fall due for payment:		
Within one year	–	–
Between one and five years	1	1
	1	1

Lonmin Management Services gave notice on its lease agreement during the year. The contract will expire on 31 January 2018.

Lonmin Plc is contracted in a lease agreement which expires on February 2022. The contract is renewable at the date of expiry and no escalation rate is applicable for the duration of the contract.

27 Net cash / (debt) as defined by the Group

	As at 1 October 2016 $m	Cash flow $m	Foreign exchange and non-cash movements $m	Transfer of unamortised bank fees to other receivables $m	As at 30 September 2017 $m
Cash and cash equivalents [ii]	323	(73)	3	–	253
Current borrowings [iii]	–	–	(150)	–	(150)
Non-current borrowings [iii]	(150)	–	150	–	–
Net cash as defined by the Group [i]	173	(73)	3	–	103

	As at 1 October 2015 $m	Cash flow $m	Foreign exchange and non-cash movements $m	Transfer of unamortised bank fees to other receivables $m	As at 30 September 2016 $m
Cash and cash equivalents [ii]	320	(12)	15	–	323
Current borrowings	(506)	506	–	–	–
Non-current borrowings	–	(150)	–	–	(150)
Unamortised bank fees [iv]	1	–	–	(1)	–
Net (debt) / cash as defined by the Group [i]	(185)	344	15	(1)	173

Footnotes:

i Net cash / (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, unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

ii Current cash and cash equivalents to the value of $nil will be treated as restricted cash to be utilised for rehabilitation obligations (2016 – $6 million).

iii See note 16 for details regarding the reclassification of the non-current borrowings to current borrowings.

iv As at 30 September 2017 unamortised bank fees of $3 million relating to undrawn facilities were included in other receivables (2016 – $4 million of unamortised bank fees relating to undrawn facilities were included in other receivables).

NOTES TO THE ACCOUNTS

28 BEE transactions

Overview of the BEE transactions

In December 2014, Lonmin concluded a series of shareholding agreements with the Bapo ba Mogale Traditional Community (the Bapo). Lonmin also implemented an Employee Profit Share Scheme (EPSS) (previously incorrectly reported as an Employee Share Ownership Plan (ESOP)) and a Community Share Ownership Trust (CSOT) for the benefit of the local communities on the western portion of our Marikana operations. All three transactions collectively provided the additional equity empowerment which Lonmin required to achieve the 26% effective BEE equity ownership target as required under the Mining Charter.

The transactions were accounted for as follows:

Details of the transaction	Accounting treatment
Bapo transaction	
Under the arrangement:	
(a) The Bapo waived their statutory right to receive royalties from EPL and WPL (together referred to as "Lonplats") for:	The total of R620 million included:
(i) a lump sum cash royalty payment of R520 million settled in shares (refer to (c) below);	The fair value of the prepayment for the future royalties was calculated at R450 million ($40 million). This was accounted for as a prepayment for royalties which is amortised over a period of 40 years under the terms of the agreement. The balance was R447 million ($40 million) of which R429 million ($38 million) was a non-current asset and R11 million ($1 million) was current. Costs to the value of R7 million ($1 million) were amortised for the nine months to September 2015. The current portion is included under trade and other receivables. See disclosure below for movements during the current financial year.
(ii) a deferred royalty payment of R100 million, payable in five instalments of R20 million per annum in each of the five years following completion of the transaction. This amount will be used by the Bapo to pay the administrative costs of running, controlling and directing the affairs of Bapo.	The deferred payment of R100 million is payable in annual instalments of R20 million over 5 years and was discounted to R79 million ($7 million). The discounted liability will be unwound over the 5 year period. The outstanding balance was R63 million ($4 million), of which R47 million ($3 million) was non-current and R16 million ($1 million) was current. The current portion is included in Trade and other payables whilst the non-current portion is in Deferred royalty payment. See disclosure below for movements during the current financial year. The shares include a lock-in period. As the lock-in period represents a post vesting condition the difference between the fair value of the shares and the fair value of the consideration received was expensed to the income statement in 2015 representing a cost of entering into the BEE arrangement. This totalled R149 million ($13 million). This premium was included as a cost in 2015 in the income statement.
(b) Lonplats acquired 100% of the Bapo's shares in Bapo ba Mogale Mining Company (Proprietary) Limited, whose only asset of value was the 7.5% participation interest in the Pandora JV, for its fair value of R44 million.	The equity accounted investments increased by R44 million ($4 million) in 2015 (note 12). Lonmin will continue to equity account for the joint venture.
(c) Lonmin settled the lump sum cash royalty payment of R520 million ($46 million) (under (a)(i) above) and the consideration of R44 million ($4 million) (under (b) above) through the issue of 13.1 million new ordinary shares (2.25%) in Lonmin Plc to the Bapo to the value of R564 million ($50 million) (the "Placing Shares"). To preserve the BEE credentials that this transaction confers on the relevant Lonmin companies, the Placing Shares are subject to a lock-in period of ten years from the effective date of this transaction. During the lock-in period, the Placing Shares may not be sold or encumbered by the Bapo. The total amount paid to the Bapo under (a) and (b) above includes a premium of R149 million ($13 million), in recognition of the benefit to Lonmin of the ten year lock-in period.	Share capital and share premium increased by R564 million ($50 million) in 2015 as a result of the issue of 13.1 million Lonmin Plc shares at a premium.

NOTES TO THE ACCOUNTS

28 BEE transactions **(continued)**

Details of the transaction	Accounting treatment
Bapo transaction (continued)	
In addition to the above, Lonmin and the Bapo jointly formed a community development trust for the benefit of the members of the Bapo community (The Bapo Community Local Economic Development Trust (the "Bapo Trust")).	Refer to the Community Trusts below.
Employee Profit Share Scheme (EPSS)	
Lonmin formed an EPSS, called Lonplats Siyakhula Employee Profit Share Scheme, for the benefit of all Lonmin employees who were not participating in any of the share option schemes which existed when the transaction was concluded. LSA (U.K.) Limited ("LSA") (a Lonmin subsidiary) transferred 3.8% of its shareholding in Lonplats (being Western Platinum Limited and Eastern Platinum Limited) to the EPSS, and the EPSS is entitled to the higher of 3.8% of Lonplats' net profit after tax or dividend declared, with effect from the 2016 financial year. The annual distributions made to the EPSS will be distributed to the beneficiaries of the EPSS.	The EPSS has been consolidated into the Group accounts as it is regarded as being controlled by the Group for accounting purposes. The annual distributions from the EPSS to its beneficiaries will be treated as an expense for services rendered to Lonmin by the employees who are the scheme's beneficiaries. WPL and EPL incurred losses for the 2017 financial year therefore there will not be any distribution to the beneficiaries of the trust.
Community Trusts	
Two separate Community Trusts were established – one for the Bapo Community, as explained above, and the other for the Marikana Community on the western side of our Marikana operations. Each of the Community Trusts was issued with 0.9% of the issued share capital of Lonplats which was transferred from Lonmin's subsidiary, LSA (U.K.) Limited ("LSA"). In addition, the Trusts will receive annual distributions which will equal their share of dividends declared by Lonplats, with a minimum of R5 million payable to the Trust. If dividends declared are less than R5 million, Lonplats will make a top-up payment to bring the total distribution for that year to R5 million. The Trusts will distribute the annual distributions to the communities to fund community projects.	The Community Trusts have been consolidated into the Group accounts. The distributions from the Community Trusts to the community projects will be treated as an expense when the payment is made to the communities.

	2017 $m	2016 $m
Non-current assets		
Opening balance	**37**	38
Less: transferred to short term royalty asset	**(1)**	(1)
Closing balance	**36**	37
Non-current liabilities		
Opening balance	**(3)**	(3)
Foreign exchange losses	**–**	(1)
Less: transferred to short term royalty liability	**3**	1
Closing balance	**–**	(3)

NOTES TO THE ACCOUNTS

29 Impairment of non-financial assets

At each financial reporting date, the Group assesses whether there is any indication that non-financial assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment (if any). The recoverable amount is the higher of fair value less costs to sell and value in use.

For impairment assessment, the Group's net assets are grouped into CGUs being the Marikana CGU, Akanani CGU, Limpopo CGU and Other. The Marikana, Limpopo and Akanani CGUs relate to the PGM segment.

The Marikana CGU is located in the Marikana district to the east of the town of Rustenburg in the North West province of South Africa. It contains a number of producing underground mines, various development properties, concentrators and tailings storage.

The Akanani CGU is located on the Northern Limb of the Bushveld Igneous Complex in the Limpopo province of South Africa. A pre-feasibility study was completed in 2012.

The Limpopo CGU is located on the Northern Sector of the Eastern Limb of the Bushveld Igneous Complex in the Limpopo province of South Africa and comprises two resource blocks (Boabab and Boabab east). The CGU includes mines which were placed on care and maintenance in 2009 and a concentrator complex.

For the Marikana CGU the recoverable amount was calculated using a value-in-use valuation. The key assumptions contained within the business forecast and management's approach to determine appropriate values in use are set out below:

Key assumption	Management approach
PGM prices	Projections are determined through a combination of the views of the Directors, market estimates and forecasts and other sector information. The Platinum price is projected to be in the range of $1,023 to $1,546 per ounce in real terms over the life of the mine. Palladium and Rhodium prices are expected to range between $849 to $1,015 and $1,077 to $1,521 respectively per ounce in real terms over the same period.
Production volume	Projections are based on the capacity and expected operational capabilities of the mines, the grade of the ore and the efficiencies of processing and refining operations.
Production costs	Projections are based on current cost adjusted for expected cost changes as well as giving consideration to specific issues such as the difficulty in mining particular sections of the reef and the mining method employed.
Capital expenditure requirements	Projections are based on the operational plan, which sets out the long-term plan of the business and is approved by the Board, and includes capital expenditure to access reported reserves from existing mining operations as well as maintenance expenditure.
Foreign currency exchange rates	Spot rates as at the end of the reporting period are applied.
Reserves and resources of the CGU	Projections are determined through surveys performed by Competent Persons and the views of the Directors of the Company.
Discount rate	The discount rate is based on a Weighted Average Cost of Capital (WACC) calculation using the Capital Asset Pricing Model grossed up to a pre-tax rate. The Group uses external consultants to calculate an appropriate WACC.

For impairment testing, management projects cashflows over the life of the relevant mining operations which is significantly greater than five years. For the Marikana CGU a life of mine spanning until 2070 was applied. Whilst the majority of mining licences are currently valid until 2037 the Director's expect the licences will be renewed until beyond 2070.

In arriving at the VIU for the Marikana CGU, post-tax cash flows expressed in real terms have been estimated and discounted using a post-tax discount rate of 14.2% (2016 – 12.0%), giving consideration to the specific amount and timing of future cash flows as well as the risks specific to the Marikana CGU. This equates to a pre-tax discount rate of 17.5% real (2016 – 15.6% real).

The Akanani asset was fully impaired at 30 September 2015. There have been no significant changes since that date to lead us to believe that the valuation of this asset is different. Therefore expenditure capitalised since 30 September 2015 has been fully impaired.

The non-financial assets of the Limpopo CGU were also fully impaired at 30 September 2015.

NOTES TO THE ACCOUNTS

29 Impairment of non-financial assets (continued)

For the 2017 financial year, the Group's non-financial assets were impaired by $1,053 million (2016 – $335 million) primarily due to changes to the Business Plan and revisions to underlying assumptions. Whilst we have made a downward revision to our Platinum price outlook this was more than offset by an upward revision on price for the other PGMs and base metals, especially Palladium. The net impact of the change in these assumptions led to the value in use declining below the carrying amount of the non-financial assets of the operations.

The impairment charge was allocated as follows:

	Marikana CGU $m	Akanani CGU $m	2017 Total CGU $m	2016 Marikana CGU $m
Carrying amount pre-impairment:				
Other intangibles	**70**	**3**	**73**	91
Property, plant and equipment	**1,185**	**–**	**1,185**	1,473
Equity accounted investment	**24**	**–**	**24**	24
Royalty prepayment	**36**	**–**	**36**	37
Total	**1,315**	**3**	**1,318**	1,625
Recoverable amount:				
Other intangibles	**11**	**–**	**11**	72
Property, plant and equipment	**194**	**–**	**194**	1,157
Equity accounted investment	**24**	**–**	**24**	24
Royalty prepayment	**36**	**–**	**36**	37
Total	**265**	**–**	**265**	1,290
Impairment:				
Other intangibles	**(59)**	**(3)**	**(62)**	(19)
Property, plant and equipment	**(991)**	**–**	**(991)**	(316)
Equity accounted investment	**–**	**–**	**–**	–
Royalty prepayment	**–**	**–**	**–**	–
Total	**(1,050)**	**(3)**	**(1,053)**	(335)

For the Marikana CGU, the impairment charge was allocated pro-rata to intangibles and property, plant and equipment, but limited to the assets' recoverable amounts.

In preparing the financial statements, management has considered whether a reasonably possible change in the key assumptions on which management has based its determination of the recoverable amounts of the CGUs would cause the units' carrying amounts to exceed their recoverable amounts. A reasonably possible change in any of the assumptions used to value the Marikana CGU will lead to a reduction or increase in the impairment charge as follows:

Assumption	Movement in assumption	Reversal of impairment / (Further impairment)
Metal prices [i]	+/-5%	$267m/($283m)
ZAR:US Dollar exchange rate [ii]	–/+5%	$217m/($255m)
Discount rate [ii]	–/+100 basis points	$58m/($48m)
Production [i]	+/-5%	$235m/($225m)

Footnotes:

i Over the period of the discounted cash flow model.

ii As at the reporting date.

NOTES TO THE ACCOUNTS

30 Rights Issue

Overview of the Rights Issue offer

On 9 November 2015, Lonmin announced a fully underwritten 46 for 1 Rights Issue of 26,997,717,400 new shares at £0.01 per new share for shareholders on the London Stock Exchange and at ZAR0.214 per new share for shareholders on the Johannesburg Stock Exchange. In the prospectus, Lonmin anticipated raising $407 million of total proceeds which, net of fees and expenses relating to the Rights Issue of $26 million would raise funds of $381 million.

The offer period commenced on 20 November 2015 and closed for acceptance on 10 December 2015. The issue was successful with a take up of just below 71% and the remaining 29% raised through a rump placement. All new shares issued were paid for. The Company raised total net proceeds of $368 million which was slightly below expectations given in the prospectus as a result of exchange differences between the prospectus exchange rate and that achieved ($11 million) as well as fees and expenses being $1 million more than anticipated.

Accounting for the Rights Issue

The Rights Issue proceeds were received over the offer period and initially credited to a “shares to be issued” account at the prevailing spot exchange rates on the dates of receipt resulting in the recognition of cash inflow of $396 million before the impact of hedging arrangements. The retranslation of these receipts at the spot rate on closing resulted in a $1 million exchange gain recognised through finance income.

Share capital and share premium of $26,998 and $395 million respectively were recognised on the statement of financial position using the spot exchange rate on the date of issuance being 10 December 2015. Share issue costs of $27 million were also recognised and charged against share premium. Therefore the total net increase in share capital and share premium was $368 million.

In order to minimise the risk of the exposure to currency fluctuations on the Rand and Pound Sterling proceeds expected, the Group entered into forward exchange contracts in synchronisation with the Rights Issue process. The Rand weakened while the Pound Sterling strengthened against the Dollar over the offer period resulting in the net proceeds received and translated at forward exchange rate being more than those accounted for at spot rate. This resulted in the recognition of exchange gains of $4 million. This $4 million forward exchange gain cannot be accounted for in equity (which it was effectively hedging for economic purposes) as, under IFRS, hedge accounting can only be applied to cash flows which ultimately affect profit and loss. The gain on forward exchange contracts has therefore been reported as finance income in the income statement.

A summary of the above transaction is shown below:

	$m
Cash proceeds received at spot rates	**396**
Foreign exchange gain on retranslation of advance cash proceeds	**(1)**
Gross increase in share capital and share premium	**395**
Costs of issue charged to share premium	**(27)**
Net increase in share capital and share premium	**368**
Gain on settlement of forward exchange contracts	**4**
Total	**372**

NOTES TO THE ACCOUNTS

31 Events after the financial reporting period

Pandora acquisition

On 6 December 2017 the Group acquired 50% of the Pandora Joint Venture (Pandora JV) bringing the Group's ownership to 100%. Previously the 50% held as a joint venture had been equity accounted (see note 11). In accordance with accounting standards, on acquiring the remaining 50% the original 50% was treated as a disposal and then 100% was acquired. Due to the timing of the acquisition the determination of the fair values of the net assets acquired is provisional and will be subject to further review during the 12 months from the acquisition date. The carrying value of the 50% investment in the joint venture was $24 million at 30 September 2017 (see note 11) resulting in a provisional gain on disposal of the 50% joint venture of $2 million. The provisional fair values of the net assets acquired and the fair value of the consideration paid were as follows.

	Provisional Fair Value $m
Property, plant and equipment	53
Trade and other receivables	4
Current liabilities	(5)
Rehabilitation provisions	(1)
100% of assets acquired	51
Goodwill	–
Purchase price for 100%	51
Purchase price for 50%	26

The purchase price for the 50% of Pandora acquired amounted to $26 million comprising cash consideration of $4 million, deferred consideration with a present value of $19 million, rehabilitation liabilities with a present value of $3 million and contingent consideration estimated at $nil. The deferred consideration represents the present value of deferred cash payments of 20% of the distributable free cash flows generated by the Pandora E3 operations on an annual basis for a period of six years, subject to a minimum deferred consideration of R400 million (in nominal terms). The contingent consideration represents the scenario where 20% of the distributable free cash flows generated by the Pandora E3 operations on an annual basis for a period of six years amounts to more than R400 million. This is not considered to be likely and accordingly contingent consideration has been valued at nil. Present values of future cash flows have been determined using an estimated post-tax cost of debt of 8.2%.

Recommended All-Share Offer for Lonmin Plc by Sibanye-Stillwater

As announced on 14 December 2017 an all-share offer for the entire share capital of Lonmin Plc by Sibanye Gold Limited trading as Sibanye-Stillwater has been recommended by the Board of Lonmin Plc. It is proposed that the Offer will be effected by means of a scheme of arrangement between Lonmin and the Lonmin Shareholders under Part 26 of the UK Companies Act. Full details are available on Lonmin's website.

NOTES TO THE ACCOUNTS

32 Group companies and other entities

The following companies have been consolidated in the Group accounts and contributed to the assets and / or results of the Group and are classified according to their main activity.

Company	Principal place of business	Effective interest in ordinary share capital %		Principal activities
Material subsidiaries				
South Africa				
34 Melrose Boulevard, Melrose North, Johannesburg, 2196				
Eastern Platinum Limited	South Africa	86.2%	Subsidiary	Platinum mining
Western Platinum Limited	South Africa	86.2%	Subsidiary	Platinum mining and refining
Other subsidiaries				
Barbados				
Hampton Chambers, Hampton House, Erdiston Hill, St Michael, BB11113, Barbados				
AfriOre International (Barbados) Limited	Barbados	100.0%	Subsidiary	Investment holdings
Kwagga Gold (Barbados) Limited	Barbados	65.0%	Subsidiary	Dormant
Bermuda				
Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda				
Western Metal Sales Limited	Bermuda	100.0%	Subsidiary	Dormant
British Virgin Islands				
Craigmuir Chambers, P.O. Box 11, Road Town, Tortola, British Virgin Islands				
AfriOre Limited	British Virgin Islands	100.0%	Subsidiary	Dormant
Geneva Place, 2nd Floor, 333 Waterfront Drive, P.O. Box 3339, Road Town, Tortola, British Virgin Islands				
AfriOre Precious Metals Holdings Inc	British Virgin Islands	100.0%	Subsidiary	Dormant
Metals Technology Inc	British Virgin Islands	100.0%	Subsidiary	Dormant
Canada				
199 Bay Street,Ste. 4000, Commerce Court West, Toronto ON M5L 1A9, Canada				
4321677 Canada Inc	Canada	100.0%	Subsidiary	Investment holdings
6529241 Canada Inc	Canada	100.0%	Subsidiary	Investment holdings
Lonmin Canada Inc	Canada	100.0%	Subsidiary	Mineral exploration
Cayman Islands				
Aston Corporate Managers, P.O. BOX 1981GT, The Charles Building, North Church Street, George Town, Cayman Islands				
Southern Platinum (Cayman Islands) Corporation	Cayman Islands	100.0%	Subsidiary	Dormant
England				
Connaught House, 5th Floor, 1-3 Mount Street, London, W1K 3NB				
ACGE Investments Limited	England	100.0%	Subsidiary	Dormant
Greataward Limited	England	100.0%	Subsidiary	Investment holdings
London Australian & General Property Company Limited	England	100.0%	Subsidiary	Dormant
London City & Westcliff Properties Limited	England	100.0%	Subsidiary	Dormant
Lonmin Bahamas Hotels Limited	England	100.0%	Subsidiary	Dormant
Lonmin Finance Limited	England	100.0%	Subsidiary	Dormant
Lonmin Mining Company Limited	England	100.0%	Subsidiary	Dormant
Lonmin Mining Supplies Limited	England	100.0%	Subsidiary	Dormant
Lonmin Mozambique Oil Holdings Limited	England	100.0%	Subsidiary	Dormant
Lonmin Textiles Limited	England	100.0%	Subsidiary	Dormant
Lonwest Properties Limited	England	100.0%	Subsidiary	Dormant
LSA (U.K.) Limited	England	100.0%	Subsidiary	Investment holdings
MNG Investments Limited	England	100.0%	Subsidiary	Dormant
The African Investment Trust Limited	England	100.0%	Subsidiary	Dormant
Tobs Limited	England	100.0%	Subsidiary	Dormant
Topmast Estates Limited	England	100.0%	Subsidiary	Dormant

NOTES TO THE ACCOUNTS

32 Group companies and other entities **(continued)**

Company	Principal place of business	Effective interest in ordinary share capital %		Principal activities
Gabon				
Quartier Aeroport, Libreville, BP 8834, Gabon				
Gabon Mining Corporation	Gabon	100.0%	Subsidiary	Dormant
Societe Gabonaise de Development Miner	Gabon	100.0%	Subsidiary	Dormant
Guernsey				
P.O. Box 384, The Albany, St Peter Port, GY1 4NF, Guernsey				
Lonmin Insurance Limited	Guernsey	100.0%	Subsidiary	Insurance
Kenya				
Plot No LR 209/7155, 20th Floor, Lonrho House, P.O. Box 3085, 00100 GPO, Nairobi				
AfriOre Kenya Limited	Kenya	100.0%	Subsidiary	Mineral exploration
Northern Ireland				
Forsyth House, Cromac Square, Belfast, County Antrim, Northern Ireland, BT2 8LA				
Lonmin (Northern Ireland) Limited	Ireland	100.0%	Subsidiary	Early stage exploration for PGMs, gold and associated metals
Scotland				
Capella Building, 60 York Street, Glasgow, Scotland, G2 8JX				
Scottish and Universal Investments Limited	Scotland	100.0%	Subsidiary	Dormant
South Africa				
21 – 7th Avenue, Parktown North, 2193				
BAPO Mining Company (Proprietary) Limited	South Africa	100.0%	Subsidiary	Investment holdings
34 Melrose Boulevard, Melrose North, Johannesburg, 2196				
AfriOre (Proprietary) Limited	South Africa	100.0%	Subsidiary	Dormant
Akanani Mining (Proprietary) Limited	South Africa	80.1%	Subsidiary	Mineral exploration and evaluation
Burchell Gold (Proprietary) Limited	South Africa	100.0%	Subsidiary	Dormant
Kwagga Gold (Proprietary) Limited	South Africa	100.0%	Subsidiary	Mineral exploration
Lonmin Management Services	South Africa	100.0%	Branch	Management of strategic activities of South African operations
Messina Limited	South Africa	100.0%	Subsidiary	Dormant
Messina Platinum Mines Limited	South Africa	86.2%	Subsidiary	Platinum mining
Vlakfontein Nickel (Proprietary) Limited	South Africa	100.0%	Subsidiary	Dormant

NOTES TO THE ACCOUNTS

32 Group companies and other entities **(continued)**

Company	Principal place of business	Effective interest in ordinary share capital %		Principal activities
Other entities				
South Africa				
85 Grayston Drive, Sandton, Johannesburg, 2196				
Incwala Platinum (Proprietary) Limited	South Africa	23.56%	Associate	Investment holdings
Incwala Resources (Proprietary) Limited	South Africa	23.56%	Associate	Investment holdings
34 Melrose Boulevard, Melrose North, Johannesburg, 2196				
Marikana Housing Development Company	South Africa	100.0%	Special purpose entity	Housing development
Not registered				
The Lonmin Platinum Pollution Control and Rehabilitation Trust	South Africa	100.0%	Special purpose entity	Restricted cash
Akanani Pollution Control and Rehabilitation Trust	South Africa	100.0%	Special purpose entity	Restricted cash
Lonmin Platinum Limpopo Mining Area Pollution Control and Rehabilitation Trust	South Africa	100.0%	Special purpose entity	Restricted cash
The Lonplats Marikana Community Development Trust	South Africa	Control of Trust	Special purpose entity	Community development
The Bapo ba Mogale Local Economic Development Trust	South Africa	Control of Trust	Special purpose entity	Community development
Lonplats Siyakhula Employee Profit Share Scheme	South Africa	Control of Trust	Special purpose entity	Community development
Pandora Joint Venture	South Africa	50.0%	Joint Venture	Platinum mining
Northern Ireland				
Connaught House, 5th Floor, 1-3 Mount Street, London, W1K 3NB				
Antrim Metals Limited	Northern Ireland	100.0%	Special purpose entity	Early stage exploration for PGMs, gold and associated metals

The following entities are minority shareholders in the Group companies listed above:

– Incwala Platinum (Proprietary) Limited (IP)

– Lonplats Siyakhula Employee Profit Share Scheme

– The Lonplats Marikana Community Development Trust

– The Bapo ba Mogale Local Economic Development Trust

STATEMENT OF FINANCIAL POSITION

as at 30 September

	Notes	2017 $m	2016 $m
Non-current assets			
Shares in subsidiary companies	36	**583**	726
Trade and other receivables	37	**440**	–
		1,023	726
Current assets			
Deferred tax assets	40	**1**	1
Trade and other receivables	37	**–**	1,563
Other financial assets	12	**–**	69
Cash and cash equivalents	42	**13**	54
		14	1,687
Current liabilities			
Trade and other payables	38	**(702)**	(702)
Interest bearing loans and borrowings	39	**(148)**	–
Tax payable		**(5)**	–
		(855)	(702)
Net current assets		**(841)**	985
Non-current liabilities			
Interest bearing loans and borrowings	39	**–**	(148)
		–	(148)
Net assets		**182**	1,563
Capital and reserves			
Share capital	22	**586**	586
Share premium		**1,816**	1,816
Other reserves		**88**	88
Accumulated loss		**(2,308)**	(927)
Total equity		**182**	1,563

The financial statements of Lonmin Plc, registered number 103002, were approved by the Board of Directors on 21 January 2018 and were signed on its behalf by:

Brian Beamish *Chairman*

Barrie van der Merwe *Chief Financial Officer*

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September

	Called up share capital $m	Share premium account $m	Other reserves [i] $m	Accumulated loss $m	Total equity $m
At 1 October 2016	**586**	**1,816**	**88**	**(927)**	**1,563**
Loss for the year	**–**	**–**	**–**	**(1,382)**	**(1,382)**
Transactions with owners, recognised directly in equity:	**–**	**–**	**–**	**1**	**1**
– Share-based payments	**–**	**–**	**–**	**1**	**1**
At 30 September 2017	**586**	**1,816**	**88**	**(2,308)**	**182**

	Called up share capital $m	Share premium account $m	Other reserves [i] $m	Accumulated loss $m	Total equity $m
At 1 October 2015	586	1,448	88	(759)	1,363
Loss for the year	–	–	–	(183)	(183)
Transactions with owners, recognised directly in equity:	–	368	–	15	383
– Share-based payments	–	–	–	15	15
– Share capital and share premium recognised on equity issuance [ii]	–	395	–	–	395
– Equity issue costs charged to share premium [ii]	–	(27)	–	–	(27)
At 30 September 2016	586	1,816	88	(927)	1,563

Footnotes:

i Other reserves at 30 September 2017 represent the capital redemption reserve of $88 million (2016 – $88 million).

ii See note 30 for more details regarding the Rights Issue.

NOTES TO THE COMPANY ACCOUNTS

33 Accounting Policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the transition to FRS 101 from Adopted IFRS, the Company has made no measurement and recognition adjustments. The date of transition to FRS 101 was 1 October 2016.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 – *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IFRS 13 – *Fair Value Measurement* and the disclosures required by IFRS 7 – *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement Convention

The financial information has been prepared on a historic cost basis as modified by the revaluation of certain financial instruments.

Going Concern

The accounts have been prepared on a going concern basis, as detailed in note 1 of the Group financial statements.

Foreign Currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of available for sale financial assets, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

NOTES TO THE COMPANY ACCOUNTS

33 Accounting Policies (continued)

Non-Derivative Financial Instruments

The Company's principal financial instruments (other than derivatives) comprise bank loans, investments in subsidiaries, trade and other receivables, cash and cash equivalents, trade and other payables and short-term deposits.

Bank loans

Bank loans are recorded at amortised cost, net of transaction costs incurred, and are adjusted to amortise transaction costs over the term of the loan.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. These also comprise bank overdrafts that are repayable on demand, for the purpose of the statement of cash flows only.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

	Method	Useful economic life	Rate
Short term leasehold property	Straight line	Over the life of the lease	3 - 5 years
Fixtures and Fittings	Straight line	10% - 33% per annum	3 - 10 years

Operating Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

NOTES TO THE COMPANY ACCOUNTS

33 Accounting Policies (continued)

Employee Benefits

Pension costs and other post-retirement benefits
For current employees, the Company either makes payments on behalf of employees into a defined contribution scheme which the Company has set up, or makes direct payments to employees who may then make their own arrangements.

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share-based payment transactions
For detail regarding share-based payments, refer to the Group accounting policy on share-based payments in note 1 to the Group accounts.

Financing expenses

Financing expenses comprise interest payable on borrowings, bank fees, interest costs of pension scheme liabilities, and losses on hedging instruments that are recognised in the income statement.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Impairment

Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTES TO THE COMPANY ACCOUNTS

34 Employees

The average number of employees and Directors during the year was as follows:

	2017 No.	2016 No.
South Africa	36	32
Europe	7	8
	43	40

The aggregate payroll costs of employees, key management and Directors were as follows:

Employee costs	2017 $m	2016 $m
Wages and salaries	8	9
Social security costs	1	1
Pension costs	–	1
Share-based payments	–	1
Termination payments	3	11
	12	23

The vast majority of employee costs are denominated in Rand and reported US Dollar costs are therefore subject to foreign exchange movements.

The key management compensation analysed above represents amounts in respect of the Exco which comprised the two executive Directors and three other senior managers (2016 – three executive Directors and four other senior managers).

The Sterling equivalents of total Directors' emoluments and emoluments of the highest paid Director together with full details of Directors' remuneration, pensions and benefits in kind are given in the Remuneration Committee Report. No emoluments related specifically to their work in the Company.

The Company operates defined contribution schemes in the UK and South Africa. There were no accrued obligations under defined contribution plans at 30 September 2017 and 2016.

For details of the Company's share plan and share option schemes, refer to note 23 of the Group accounts.

NOTES TO THE COMPANY ACCOUNTS

35 Net finance (expenses) / income

	2017 $m	2016 $m
Finance income:	101	91
– Interest receivable on cash and cash equivalents	–	2
– Interest receivable from loans with subsidiaries	58	51
– Interest accrued from HDSA receivable (note 12)	26	27
– Foreign exchange loss on HDSA receivable (note 12)	14	–
– Gain on retranslation and forward exchange contracts in respect of the Rights Issue	–	5
– Foreign exchange gains on loans with subsidiaries	–	5
– Dividend received from investment [i]	3	1
Finance expenses:	(1,350)	(75)
– Interest payable on bank loans and overdrafts	(11)	(12)
– Bank fees	(3)	(2)
– Foreign exchange loss on HDSA receivable (note 12)	–	(60)
– Impairment of HDSA receivable (note 12)	(109)	–
– Impairment of loans with subsidiaries [iii]	(1,227)	–
– Foreign exchange losses on net cash / (debt) [ii]	–	(1)
Net finance (expenses) / income	(1,249)	16

Footnotes:

i During 2017 dividends were received from a fellow subsidiary. Dividends received in 2016 relate to dividends from our investment in Petrozim Line (Private) Limited. The investment in Petrozim Line (Private) Limited has a $nil carrying value as it has been fully impaired.

ii Net (debt) / cash as defined by the Group and Company comprises cash and cash equivalents, bank overdrafts repayable on demand and interest bearing loans and borrowings less unamortised bank fees, unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

iii The impairment of loans in subsidiaries relates to the fall in the recoverable amount of the loans following the impairment of the underlying assets in the subsidiary companies as disclosed in note 29 to the consolidated financial statements.

NOTES TO THE COMPANY ACCOUNTS

36 Shares in subsidiary undertakings

	2017 $m
Cost:	
At 1 October 2016 and 30 September 2017	**1,538**
Provisions:	
At 1 October 2016	**812**
Impairment charge [i]	**143**
At 30 September 2017	**955**
Net book value:	
At 30 September 2017	**583**
At 30 September 2016	726

	2016 $m
Cost:	
At 1 October 2015 and 30 September 2016	1,538
Provisions:	
At 1 October 2015	616
Impairment charge	196
At 30 September 2016	812
Net book value:	
At 30 September 2016	726
At 30 September 2015	922

Footnote:
i The impairment of shares in subsidiary undertakings relates to the fall in recoverable amount of the investment following the impairment of the underlying assets as disclosed in note 29 of the consolidated financial statements.

A list of subsidiary undertakings is included in Note 32 to the consolidated financial statements.

NOTES TO THE COMPANY ACCOUNTS

37 Trade and other receivables

Current assets	2017 $m	2016 $m
Intercompany loans receivable	–	1,563
Non-current assets		
Intercompany loans receivable	440	–

A provision of $1,227 million was recognised against intercompany loans receivable due to the fall in value of the underlying net assets of the counterparty following the impairment of the underlying assets as disclosed in note 29. The intercompany loans have been reclassified as non-current as it is anticipated that these would not be realised within 12 months.

38 Trade and other payables

	2017 $m	2016 $m
Accruals and other payables	11	12
Intercompany loans payable	691	690
Indirect taxation and social security	–	–
	702	702

39 Interest bearing loans and borrowings

	2017 $m	2016 $m
Short-term loans and borrowings:		
Bank loans – secured	148	–
Long-term loans and borrowings:		
Bank loans – secured	–	148
	148	148

The maturity profile of interest bearing loans and borrowings is disclosed in note 18b.

As at 30 September 2017 unamortised bank fees of $2 million relating to drawn facilities were offset against loans (30 September 2016 – $2 million of unamortised bank fees relating to drawn facilities were offset against loans).

The Company's debt facilities are summarised as follows:

- Revolving credit facilities (RCF) totalling $25 million and a $150 million term loan, at the Lonmin Plc level, which are committed until May 2019 (Lonmin can exercise its option to extend the term up until May 2020). The Company has agreed to leave the RCF undrawn until 28 February 2019 subject to the terms in note 16.

As at 30 September 2017, the Company had net debt of $135 million, comprising of cash and cash equivalents of $13 million less borrowings of $148 million (30 September 2016 – net debt of $94 million). Undrawn facilities of $25 million were suspended from 30 September 2017 until 28 February 2019 subject to the terms in note 16 (30 September 2016 – $70.8 million undrawn facilities).

NOTES TO THE COMPANY ACCOUNTS

40 Deferred tax assets

Deferred tax assets in respect of:	**2017 $m**	2016 $m
Provisions	**1.0**	0.8
Share-based payments	**–**	–
	1.0	0.8

Movement in temporary differences during the year

	At 1 October 2016 $m	**Recognised in income $m**	**Recognised in comprehensive income $m**	**At 30 September 2017 $m**
Provisions	**0.8**	**0.2**	**–**	**1.0**
Share-based payments	**–**	**–**	**–**	**–**
	0.8	**0.2**	**–**	**1.0**

	At 1 October 2015 $m	Recognised in income $m	Recognised in comprehensive income $m	At 30 September 2016 $m
Provisions	0.4	0.4	–	0.8
Share-based payments	0.2	(0.2)	–	–
	0.6	0.2	–	0.8

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2017		2016	
	Temporary differences $m	**Unrecognised deferred tax assets $m**	Temporary differences $m	Unrecognised deferred tax assets $m
Capital losses carried forward	**134**	**28**	159	33
Trading and other losses carried forward	**13**	**3**	49	11
Share-based payments	**–**	**–**	2	–
	147	**31**	210	44

The Company had a deferred tax asset of $1 million (2016 – $1 million) relating to the South African branch, from which management believes that there will be sufficient future taxable profits to justify carrying the asset.

The Company had an unrecognised deferred tax asset of $31 million at 30 September 2017 based on timing differences of $147 million (2016 – $44 million based on timing differences of $210 million). No unrecognised deferred tax assets have been disclosed in respect of United Kingdom operations as management believe the chances of utilising future United Kingdom taxable profits are low. The Company had $114 million of unrecognised surplus ACT at 30 September 2017 (2016 – $114 million). The Company had $274 million of unrecognised shadow ACT at 30 September 2017 (2016 – $274 million).

NOTES TO THE COMPANY ACCOUNTS

41 Operating and finance leases

The full aggregate lease payments of the Company under non-cancellable operating leases are set out below:

	Land and buildings	
	2017 $m	2016 $m
Operating leases which fall due for payment:		
Within one year	**–**	–
Between one and five years	**1**	1
	1	1

Lonmin Management Services gave notice on its lease agreement during the year. The contract will expire on 31 January 2018.

Lonmin Plc is contracted in a lease agreement which expires on February 2022. The contract is renewable at the date of expiry and no escalation rate is applicable for the duration of the contract.

42 Net debt as defined by the Company

	As at 1 October 2016 $m	**Cash flow $m**	**Foreign exchange and non-cash movements $m**	**Transfer of unamortised bank fees to other receivables $m**	**As at 30 September 2017 $m**
Cash and cash equivalents	**54**	**(41)**	**–**	**–**	**13**
Current borrowings	**–**	**(150)**	**–**	**–**	**(150)**
Non-current borrowings [ii]	**(150)**	**150**	**–**	**–**	**–**
Unamortised bank fees	**2**	**–**	**–**	**–**	**2**
Net debt as defined by the Company [i]	**(94)**	**(41)**	**–**	**–**	**(135)**

	As at 1 October 2015 $m	Cash flow $m	Foreign exchange and non-cash movements $m	Transfer of unamortised bank fees to other receivables $m	As at 30 September 2016 $m
Cash and cash equivalents	224	(169)	–	(1)	54
Current borrowings	(362)	362	–	–	–
Non-current borrowings	–	(150)	–	–	(150)
Unamortised bank fees	1	–	1	–	2
Net cash / (debt) as defined by the Company [i]	(137)	43	1	(1)	(94)

Footnotes:

i Net (debt) / cash as defined by the Group and Company comprises cash and cash equivalents, bank overdrafts repayable on demand and interest bearing loans and borrowings less unamortised bank fees, unless the unamortised bank fees relate to undrawn facilities in which case they are treated as other receivables.

ii See note 16 of the consolidated financial statements for details regarding the reclassification of the non-current borrowings to current borrowings.