WORLD TELEVISION

Lonmin

Final Results Presentation 2008

Ian Farmer: Good morning ladies and gentlemen and welcome to our Final Results Presentation for 2008.

I'm joined today by Alan Ferguson our Chief Financial Officer, Mohamed Seedat our Chief Operating Officer and Chris Sheppard on the far side there our Executive Vice President of Mining. I'm afraid John Craven our Chairman is unable to join us this morning as he is recovering from a recent operation. I'm sure you'll join me in wishing him a speedy recovery.

I took over as Chief Executive of Lonmin just six weeks ago and I'm pleased to be giving my first results presentation in my new role. Lonmin is a company with high quality long life assets. And in recent years we've struggled to deliver operationally and production has fallen short of targets. I'm very conscious therefore that Lonmin needs to rebuild credibility and I must ensure that we deliver on our commitments going forward.

We live in unprecedented times, the rules of the PGM game have changed in a matter of months and we also need to change course if we're to ensure that we are best positioned to weather these difficult times and exploit the rebound when it comes.

We are prepared to be radical in our approach, in fact we have no choice and we're announcing today major changes to refocus Lonmin and entrench our low cost position.

Our objectives are straightforward. 1) We will stop chasing volume for volume sake and focus only on producing value adding ounces. 2) We will maximise output from our invested capital through productivity and recovery improvements. 3) We will simplify our organisational structure and provide clear lines of authority and accountability. 4) It's paramount that we're much better at controlling costs, managing cash and keeping our balance sheet strong. And lastly we'll preserve our growth options so we're best positioned to take advantage of the longer term fundamentals of PGMs.

I'll take you through all these in more detail later, we thought we'd start with Alan and Mohamed they will take you through our financial and operating results for the 2008 year, then I'll come back. I'll now hand you over to Alan.

Alan Ferguson: Thank you Ian and good morning everyone. Looking at the income statement for 2008 you can see revenue increased by around 15%, as stronger PGM prices offset the fall in volumes. Underlying EBIT rose 21% to 963 million and underlying EPS rose 19% to 352 cents per share. The reasons for which are covered on the next slide.

EBIT was impacted by special items of 199 million of which 169 million reflects the impairment of our Baobab shaft at Limpopo. This has arisen as a result of a reduction in mineral reserves following a review of the Life of Mine Plan and the recent economic outlook which has depressed short term cash flows.

In the light of the current pricing environment and the challenges this presents for all PGM producers in 2009 we believe it appropriate to pass the final dividend, leaving a dividend for the year of 59 cents per share. We will resume dividends as soon as conditions allow, based on reported earnings but taking account of the projected cash requirements of the business.

Underlying operating profit for 2007 was 796 million. As you know PGM prices strengthened for most of 2008 and the average price realised per PGM ounce increased 28% to $1529, resulting in an additional 500 million of profit.

PGM sales however were down 6% versus last year and operating profit decreased by 107 million as a result. After cost increases of 123 million which I'll explain on the next slide, the resulting underlying EBIT was 963 million.

This slide analyses the 123 million cost increase in the year. Core productive costs increased by 118 million or 15% in the period. In common with the rest of the South African mining industry we've experienced substantial increases in the cost of power, steel, explosives and other key consumables.

Our mechanised mining costs increased by 62 million as we significantly increased production from these shafts. This production however came at an unacceptable cost per tonne of 615 rand, some 58% higher than the average for our conventional shafts. Ian will outline the actions we're taking to address this later.

Opencast costs also rose significantly as the pits get deeper. And again Ian will outline the actions we're taking to address this.

Stock increased partly due to more ounces in the pipeline and partly due to cost increases. FX was beneficial in the period with the rank weakening some 4%. It has of course weakened much further since year end.

Looking now at C1 costs. The Group C1 costs increased significantly, the key driver of this was in mining where factors such as mechanised and opencast increases allied to lower ounces drove cost per ounce significantly higher to 3880 rand per ounce. It's worth noting that the C1 costs for mechanised operations was almost 6500 rand per ounce, whilst opencast was around 7500 rand per PGM ounce.

C1 costs per PGM ounce before base metal credits rose 29% to 5408 rand. We are not comfortable with this level of increase and the actions we're announcing this morning are all focussed on addressing this issue.

Cash generation was strong with cash flow from operations of 947 million down on last year due to outflow of working capital compared with an inflow last year. The outflow was mainly the result of increasing stocks.

Our gross capital expenditure for the year was 378 million up 102 million on the prior year. the main areas of spend were K4, Hossy, Saffy and Akanani.

Minority dividends at 65 million were high in the year, representing some element of catch up from 2007. Free cash flow amounted to 264 million.

Finally I'd like to address the issue of liquidity. The balance sheet at year end was strong with a net debt of 303 million and gearing at just 12%. Our committed facilities are around 1 billion giving us substantial headroom. Our relationships with our key banks are strong and they have supported us recently in refinancing 425 million of committed facilities. We have some further refinancing to do in 2009 and 2010 but we are confident that we will achieve what is necessary to keep significant headroom in our facilities despite the difficult credit markets.

The balance sheet is strong and the actions you will hear about today are being taken to ensure it stays that way. That's all from me, I'll now hand over to Mohamed who will take you through the operational performance.

Mohamed Seedat: Thanks Alan, good morning. Sales for 2008 were inline with our 6th of August guidance at just under 727,000 ounces of platinum. We saw some initial indications of improvements in operational performance during the year. On the mining side the initiatives introduced by Chris and his team to increase efficiency, reliability and productivity began to bear fruit.

We have also done a lot of work to understand our ore reserve position. And we are today reporting on our immediately available ore reserves which stand at 11.4 months. Our target is to reach 13 months of immediately available ore reserves over the next 12 months.

In the Process Division we increased our recoveries across the spectrum. Our safety performance this year was excellent and we recorded a reduction of 42% of our lost time injury frequency rate.

Moving first to our mining performance. In total we mined 12.4 million tonnes of ore in 2008 a reduction of 11% on the prior year. The Marikana operations contributed 11.5 million tonnes a 10% decrease on the same period in 2007 with underground operations contributing 10.2 million tonnes.

Underground production was principally impacted by safety related stoppages, the Eskom four day power outage in late January, available phase land constraints which we are addressing through our focus on accelerating ore reserve development and high levels of absenteeism, particularly in the first half of the financial year.

Another key factor was the slower then anticipated ramp up of our mechanised shafts. With our mechanised operations producing some 1.2 million tonnes in the year, significantly behind budget.

As planned opencast tonnages were down year on year with 1.3 million tonnes mined in 2008 versus 1.6 million tonnes in 2007. you will note that underground production is on an upward trajectory in the last two quarters of the last financial year. This momentum must be maintained in 2009.

The performance of our mechanised shafts has been disappointing with both shafts performing well below the budgets they had prepared. Chris and his team have identified a number of reasons including the mismatch of phase configuration and design to the equipment capabilities, equipment availability and a lack of good maintenance practices. The ore reserve position in common with the rest of Marikana with a lack of focus on development, logistics and cycle planning and operator confidence.

These issues have contributed to a lack of productivity in these shafts and consequently higher unit costs. The graph shows the current productivity levels on average of an XLP suite in Hossy. Our short term planning target of 1500 square metres per month and the longer term objective of 2400 square metres per month. It is clear there is still some distance to go to get to the productivity levels we need and Ian will talk about our plans for these shafts a little later.

Moving onto the concentrators. The concentrators produce a total of 732,000 saleable ounces of platinum in concentrate for the year, down 16% on 2007. This reflected the lower levels of throughput from the mines and the lower opencast grades.

We saw some encouraging improvements in the concentrators during the year. We have reduced the ore mixing that was a feature of recent years and focussed on ensuring consistent ore feed to the individual concentrators. We also introduced a concentrator optimisation project. And this has shown some very good initial results to date.

Overall recoveries improved to 79.2% from 77.3% in 2007. And underground recoveries were up to 81.7% from 80.7% in the prior year.

Underground milled head grade was 4.66 grams per tonne, 4.5% lower than the prior year, partly as a result of the ore mix issues including the increased percentage of lower grade development ore from the mechanised shafts. In 2009 we expect to see further recovery improvements as we continue with our optimisation projects.

The smelter ran relatively well during the year with availability increasing to 86% from 61% in 2007. We had two unplanned outages one in relation to the Number One furnace and the other to the Merensky furnace. Both were minor issues which were well managed.

The smelter also improved its recoveries during the year. We took down the Number One furnace on the 1st of November for a planned rebuild and redesign. The rebuild is progressing well and two weeks into the programme we have completed the demolition phase on schedule.

The rebuild will take until early January to be completed. The new design will allow us to do hot repairs of the tap holes and quicker repairs of the coolers. This will further increase availability and give a long potential campaign life for the furnace between rebuilds. The down time of the Number One furnace will be mitigated by the running of the Merensky and the Pyromets, but will still have an impact on throughput for the first two quarters of the year.

This will weight our production to the second half giving us as a broad guidance about a 40/60 split.

The refineries are running well with recoveries generally improving and as always there remains scope for better inventory management.

Moving now to our safety performance. We continue to improve our safety performance with our lost time injury frequency rate falling by 42% to 6.27 per million man hours worked. We believe this to be the lowest in the industry. We regrettably however suffered three industrial fatalities during the year at our Marikana operations.

Looking now at sustainability. Our focus in 2008 has been on supporting our workforce through training and development, helping to alleviate sickness and improve health, better managing energy and water resources and enhancing our community engagement and development programmes.

Some of the highlights are set out in this slide. I am proud to say that at the end of the year we were recognised for our sustainability efforts when we won two awards at the Nedbank Green Mining Awards. One in respect of the Lonmin IFC Supplier Development Programme and one for our rehabilitation efforts at the Vlakfontein Mine.

Moving on now to look at power and water in more detail. You are all well aware of the Eskom power crisis in January of this year. Our current position is that we are allowed to use up to 95% of our normal consumption. We are monitoring our consumption on a real time basis. By improving the efficiency of our internal power network we have reduced usage by around 5%. In addition business wide we have been exploring ways to conserve power from looking at the leaks in our compressed air system to installing more energy efficient lighting systems and solar water heaters. These initiatives continue and to date we have managed to save around an additional 5% through these types of measures.

Since January we have had no further power disruptions and the issue seems to have dropped off many people's radar. Eskom has made great stride with improving their maintenance and increasing coal stocks but there still some risks and counter intuitively these risks increase as we move into the South African summer months when Eskom takes out about 15% of its capacity for annual maintenance.

The water situation also needs to be watched very closely. Water resources are scarce, in the Rustenberg area the growth in population and in mining has put significant stress on the existing resources.

Internally we have started the process of conserving water and looking at ways to better manage our consumption. The water issue is high on our agenda and we continue to talk with government and other industry players to find ways to ensure that this is managed effectively.

I will now hand over to Ian.

Ian Farmer:

Thanks Mohamed. Before I launch into details of our new approach I want to set some context by talking about the PGM markets.

The chart on the right of this slide shows how dramatically things changed in recent months. We started the year with a spike in platinum prices following the power outages in South Africa. Supply side issues impacted all the South African producers with safety stoppages, electricity constraints and the continuing skills shortage keeping prices high.

All this changed however in the last quarter of our financial year as signs began to emerge of a slowdown in the world economy with metal prices falling sharply.

The roles of the motor industry have played a major part in the fall of platinum prices as has the general negative sentiment across the globe generally. We've also seen sales of inventories and investments which have amplified the impact of the global slowdown. In the short term we don't see any respite to the challenging dynamics of this market. More than 50% of platinum today is used in auto-catalysts and with the world entering a recession we're seeing car sales falling dramatically.

Global car sales have fallen by 1 million units or 6% to 16 million units in the third quarter of 2008 alone. We currently believe that there is a sizeable reduction in PGM demand from the car industry in 2008 and in our planning we're not assuming in material pickup in the auto-catalyst demand in the forthcoming year.

The response of the jewellery market demands to weaker prices has been mixed so far. Most markets seem to have adopted a wait and see approach. Price weakness traditionally encourages jewellery demand, but this is likely to be tempered in the current recessionary environment where many people are feeling less well off.

We're also seeing a slowing in the electronics and industrials sectors as the demand for consumer goods softens.

In short ladies and gentlemen PGMs are principally found in high end products that are classified as discretionary spend. In the context of a global recession particularly in developed markets we expect total platinum demand in 2009 to be below that of 2008.

Moving on, what's the likely supplier side response to this weak demand outlook? The chart on this slide shows the impact of current prices for PGM on the various producers. It clearly shows the quality of Marikana in the industry context and the high cost nature of Limpopo which we'll discuss in more detail in a moment.

Another recent analyst comment from JP Morgan estimated that some 45% of the platinum industry is currently cash flow negative. The current pricing environment also makes many new projects uneconomic and quite frankly unfinancable. Generally PGM mines are getting deeper and we're moving into lower grade areas, geologically complex and with a lower quality revenue mix.

We have also seen continued mining cost inflation. Cost pressures may ease as we head into 2009 and oil prices and the price of other raw materials come down, however we've seen no signs of this easing as yet. And one needs to bear in mind that around 60% of our costs are labour related.

In the summer we agreed a wage increase for our 2009 financial year of 12.5% effective 1st of October.

The industry has yet to react to these pressures by scaling back on supply. We've already seen signs of this with the closure of North American Palladium and the announcements by other major mining houses that they are reviewing projects. But we are taking the lead today by scaling back our unprofitable ounces and our capital commitments as well. I would expect other producers also to exercise discipline and constraint.

The short term outlook is challenging as I've outlined, but let's move on now to look at what the longer term might hold.

The longer term fundamentals of platinum and the PGM markets in our view remain attractive. As suppliers inevitably defer investment in new projects prices will strengthen again as soon as the recessionary fears abate. Demand for motor vehicles will recover. In the developed markets delay in replacing vehicles during the downturn will increase the average age of the automotive fleet increasing the number of vehicles that need replacing as markets recover. Demand for vehicles in emerging markets is expected to continue growing at a disproportionately higher rate, taking up some of the slack from developed markets and ensuring long term growth.

Emission legislation has not gone away. Clean air legislation continues to rollout globally and we see the continued extension of emissions standards. In 2009 we have the introduction of Tier 2 for heavy duty vehicles in the US. In 2010 Euro 5 comes in and in 2014 Euro 6.

In addition we believe the lower oil price will favour the combustion engine over other drive train technologies. And the lower PGM prices will discourage investment in research and development to thrift and substitute PGMs in catalysts.

On the jewellery side we believe the Chinese market will remain important. And evidence of buying on price weakness is shown on the graph on the right. All of these factors combined with the inevitable curtailing of near term investment and supplier response to lower prices give us confidence in the medium and the longer term.

Let's move on now to look at the results of my six week review. In my opinion Lonmin has been overloaded with change management initiatives over the last three or four years. These include changes to the structural business model, enterprise wide management systems, mining method, culture and the list goes on. As a result of these changes we've had a churn of people during a time when the industry was suffering from a scarcity of skills. And ultimately Lonmin has proven incapable of absorbing this quantum of change. And instead of delivering new growth and cost efficiency we've delivered the reverse.

We have consequently initiated four actions to refocus Lonmin. We believe these changes will entrench our low cost position and ensure we hold onto this competitive advantage. Firstly we will stop chasing volume for volume sake and focus on ensuring we only produce value adding ounces. Secondly we must ensure we maximise output from our invested capital through productivity and recovery improvements. A key area of concern has been the ramp up of our new shafts Hossy and Saffy which have not delivered. And today we're announcing a change in the mechanisation strategy.

Thirdly, the management structure of Lonmin has become over complicated and too wieldy for the size of the business. To address this I've simplified the structure. This will increase accountability and ensure that we have the right emphasis in South Africa where our assets are located.

Fourthly we've instigated a number of measures to better control cash and manage costs. We have made a substantial reduction in our planned capital spend this year to $250 million and as part of these measures we believe it's appropriate to pass the 2008 final dividend. In order to position Lonmin to exploit the upturn in markets when the prices recover we will also ensure we have preserved our growth options for the future.

I'd like to move on now to look at each one of these areas in more detail. Over recent years with record PGM prices any ounce you could mine was likely to be profitable and we have therefore chased volume, including extending the life of many of our open pits well beyond their original plan. The current pricing environment has changed however and ultimately we're in the business of making money not mining ounces at any cost. We will therefore exercise producer leadership and discipline and we have suspended all our opencast operations with effect from the end of the 2008 calendar year.

Opencast ore generates much lower recoveries and it complicated processing. Removing this ore stream will have the added benefit of enabling us to improve recoveries. Reduced throughput will also enable us to mothball one of our older concentrators giving us some fixed cost saving.

Our Limpopo Baobab shaft operations have always been high cost. in recent years the mine has not delivered and the situation cannot continue. We believe the mine is uneconomic and we intend to start discussions with the workforce and unions regarding the future of this operation. Until a decision is made production from Limpopo remains in our 2009 guidance.

The second focus is maximising output from invested capital. Our commitment is to maximising value and we're not wedded to any particular mining method. We are therefore announcing a change in approach today. Saffy will be reconfigured as a hybrid mine with mechanised development and conventional stoping on a breast layout system. This change will allow us to increasing stoping productivity and achieve the 240,000 tonnes per month shaft capacity in the shortest possible time.

The changed mine design is well advanced and I'm confident that we can complete the reconfiguration during the 2009 financial year.

Saffy was originally designed as a conventional shaft and the necessary infrastructure to support the conventional method is to a large extent already in place. Such transitions are never without their problems and this does present a risk to our targeted production for the year.

At K4 further work has indicated that the initial payback area of the ore body is not suitable for XLP mechanisation. And we will develop K4 as a hybrid option. We now plan to deliver first reef tonnes from this shaft towards the end of 2010.

We have made a substantial investment in XLP mechanised equipment over the last few years. If we can reach and sustain the required levels of productivity per suite of machines it can provide a cost effective and safe mining method in certain mines. We therefore intend to continue to run Hossy as a standalone project, to address the issues of the mining method and productivity. However this is not a blank cheque. The continuation of this project will be reviewed at the end of the 2009 financial year. If it becomes apparent the targeted productivity rate of 1500 square metres per month per suite of equipment cannot be achieved.

The third area has been to address the complex and top heavy nature of our organisational structure. This has clouded lines of responsibility and accountability, it has also added cost - I have therefore simplified the executive management structure considerably.

A key change in the new structure is that appointment of Mohamed as our Chief Operating Officer. Mohamed now has the ultimate responsibility for our operations and is accountable for delivery across both the mining and the processing areas. This role had been missing. It pulls together and integrates all our operational activities.

Alan Ferguson, Chris Sheppard, Theuns de Bruyn and Albert Jamieson they are all names that are familiar to you. Their focus in 2009 will be on delivery within each of their areas of responsibility.

In the last few years the London office has grown in size and I feel it's time to rebalance our management back to South Africa which is indeed the heart of the business. I have therefore committed to spend about half of my time in South Africa and I will be keeping a permanent office in Johannesburg.

We are disbanding the current shared business services function and moving back into line the majority of these service areas. This will improve effectiveness and eliminate cost duplication. These changes have already been affected and we are working through the implications. They will create a simplified and more streamlined Lonmin and help us ensure delivery.

The fourth imperative is to re-establish Lonmin's low cost position. We have looked at quick wins and have already taken action in the following areas. We have reduced authority limits and tightened up all release controls across the business so all orders placed are tracked by the cost accountants in the relevant business units. Our procurement team has been strengthened with the appointments of commodity specialists and through central buying we will release negotiated savings.

We have imposed a recruitment freeze across the business. Inline with the de-emphasising of the London office we have transferred certain functions to South African and reduced the London head office headcount by one third.

We have also reduced our exploration budget to less than half the 2008 spend level. In addition the relocation of our shared services functions has allowed us to rationalise the senior positions with a reduction of 30% in the number of Vice President roles. In 2009 we believe these steps together with other measures announced this morning will enable us to target gross cost increases for the full year at well below South African inflation.

Beyond these quick wins I see further scope of cost cutting across the business. We have seen substantial rises in the overall headcount up from 21,000 employees in 2004 to 25,400 last year. Our management payroll headcount has more than doubled over the same period. We now have some 7000 contractors onsite versus just 5000 in 2004. While I'm not suggesting we can revert exactly to these levels these kind of figures give you a clear sense for the potential size of the prize in terms of the significant levels of costs we can take out of this business.

To address this next phase we have established a restructuring team tasked with the structural reorganisation looking at every single part of our business. We will provide you with an update on our progress with this exercise at the interims.

I want to leave you today with a clear message. That there is a real sense of urgency and drive around completing this process as quickly as possible to ensure we can deliver on tangible cost savings.

Finally we intend to preserve our growth options for the future at both Marikana and our other properties. We have slowed down capital spend on new projects other than Pandora and we have put these on a care and maintenance basis. At Pandora the project continues on a self funded basis and we are at the feasibility study stage.

At Akanani and Limpopo we have slowed down our capital spend, however we will continue with a small amount of drilling and maintaining positions for power and water on both these properties.

So what do these changes mean for 2009? As I have said in the short term we believe the market outlook will continue to be challenging and we are not planning for a material recovery in metal prices before 2010 at the earliest. We are focussed on delivering profitable ounces not chasing volume. And I have guided that platinum sales for 2009 should be broadly flat with those achieved in 2008. This will require growth in our underground operations at Marikana to compensate for the suspension of our opencast operations.

We are cutting costs across the business and our target is to manage those gross costs well within South African inflation. Savings from structural changes will take longer but these go to the heart of repairing the health of Lonmin.

Given the current pricing environment managing cash is king. We have passed the 2008 final dividend and substantially reduced our capital spend to $250 million for the year. This spend is primarily focussed on the capital footprints at Hossy, Saffy and K4. We continue to believe the medium and long term fundamentals for the platinum and PGM markets are extremely attractive and I hope we have given you today a clear idea of our commitment to entrench our low cost position and eliminate the non-value adding ounces, simplification of the structure of the business and aggressive cost cutting.

We believe these actions will position us to weather the current markets and exploit the inevitable rebound when the time comes.

Thank you ladies and gentlemen that concludes the formal part of the presentation. We are now happy to take any questions you might have. We'll take some from the room and some from the webcast and the call, but as always please state who you are and the nature of your question.

Jason Fairclough, Merrill Lynch:

Two questions if I may? Both are production related so maybe for you and maybe for Mohamed. First of all you mentioned that your production target for this year includes the ounces from Limpopo so is it a fair assumption to say that those will go away if you are actually shutting that operation down?

Secondly, you talked about the productivity targets on the XLP suites, at the moment it looks like they are doing half your target. Could you talk about what the budget is based on in terms of productivity from those suites?

Ian Farmer: Firstly a question about Limpopo it is in the 725 guidance number we've given, the broadly flat sort of guideline we've given.

Jason Fairclough, Merrill Lynch: So how much of that is Limpopo, is it about 30?

Ian Farmer: I'm coming to that - it is about - 25 was our number, so it's fairly dominimus (?) in context. Clearly we believe the mine is uneconomic at today's prices. We need to enter dialogue with our employees on that issue. So timing of any change is something that's fairly fluid as you'd expect. So it's difficult for us to quantify how much of that 25 will be in the current year and how much might not be.

As regards to your second question on the XLP equipment perhaps Chris is best placed to answer that one.

Chris Sheppard: Certainly Ian. As far as the XLP productivity story is concerned we actually initiated some three months ago a clear defined comprehensive programme to actually ramp up the production levels from what you've seen up to the 1500 by the middle of next year. In actual fact as Ian said we would report by the end of September as to whether we've achieved that or not. On a positive note we are currently seeing some emerging positive signs.

Jason Fairclough,

Merrill Lynch:	Let me push you a little bit on this Chris if you don't mind. So in terms of your budget what level of productivity have you assumed for the year? 1500 for the whole year, something between the current level and 1500?
Chris Sheppard:	No you take it from current levels and we've taken a conservative ramp up profile per suite up to 1500 only.
Jason Fairclough, Merrill Lynch:	So you do assume some improvement from this year's levels?
Chris Sheppard:	Absolutely.
Jason Fairclough, Merrill Lynch:	Okay, thank you.
Ian Farmer:	I'd perhaps like to make one more point about Limpopo. Clearly of the 25,000 ounces some might be in some might not be in. I'd be very disappointed if we could make any shortfall up from elsewhere in the properly as you'd expect. But clearly we have put that little sort of rider in that it does include Limpopo because we don't want to over promise. So we just wanted to put that flag in the sand.
Alison Turner, Blue Oar Securities:	I wanted to ask a question about longer term production levels or growth guidance. At the time of the interims we were given the impression that we would be given longer term guidance now and I know you're new on the jobs so that complicates that a bit. But you did make a comment in the announcement that the 900,000 level is still within sight and I just wanted to get some idea of when and how?

Ian Farmer: We were expecting that question. Clearly the assets have the potential to produce at around the 900,000 ounce level, they have in the past and they will again in the future. We have deliberately not put that in at this stage because we have cut back the capital profile as you've seen and increasing or accelerating that capital spend will be required to ramp production up to those numbers. And clearly with the current cash flow outlook being what it is we've been cautious in not giving a time frame for that. So what I would urge you to do is look at your own price assumptions and your own models and if you've got an aggressive outlook you can put the capital up and you can put the 900,000 ounce number in but that's your call.

Rebecca O'Dwyer, Investec: A question on Pandora, how much of your 2009 target comes from Pandora? And also on the longer term it has been indicated in the past that you wanted to withdraw from the project is that still true or are you reassessing your position?

Ian Farmer: Pandora is an attractive project, it's an extension of our Eastern Platinum mind effectively, it's an ore body we know very well, the pre-feasibility study that was signed off by all the partners showed positive results and we do intend to continue with the project. We're in the fortunate position where Pandora is already generating some cash. It's already being mined through our Number Three shaft on our property into the Pandora ore block and there has historically been an opencast operation also on that property. So that cash that is accumulated will continue to see the project through during this difficult period.

As regards the quantum of ounces it contributes, do you have a view on that? I can't recall the number off the top of my head. Chris do you perhaps know?

Chris Sheppard: Yeah I think it's about 40 thou …

Ian Farmer: Yeah I had 50 in my head so it's of that order of magnitude, 40 or 50,000 ounces. A question from Alex?

Alex: If we can just hand over to the conference call we've got two people waiting with questions on the call, Mark?

Telephone Operator: Okay our first question comes from Emma Townsend from BJM.

Emma Townsend, Barnard Jacobs Mellet: Hi good morning a couple of questions if I may? The first is whether you could just talk about what you think are the costs of the changes you're planning to make in terms of downsizing? I understand that if you have the ability to cut your fixed costs that are going to give the benefit which you believe you will have had to spend some pretty big one off costs in terms of the rather far ranging changes that you're proposing to make, in particular terminating your opencast. Is that primarily contractors? Could you talk a little bit about that?

And then secondly your kind of 900,000 ounces does that include the continued contribution of about 60,000 from Pandora - and does that [inaudible bad telephone line] from Limpopo at all?

And then finally again in terms of the changes you are proposing - well pushing Akanani out, limiting production from Limpopo can you talk a little bit about your investment in Incwala and the position of that business and the impact it might have for you in the next 12 to 24 months? I mean my understanding is there is some debt there that is due quite soon. They obviously don't have a huge cash flow coming from the operations in the next couple of months.

Ian Farmer: Thanks Emma. If I recall there are four elements to that question. First one being Opencast. Opencast is run by contractors so it's been a fairly simple decision to give notice under those contracts and they will terminate end of December.

Second question if I recall was around Limpopo, sorry the cost of retrenchments and things or the costs of the restructuring that we're looking at. And I haven't got an answer for you on that one yet. Clearly it's still very much work in progress, this is still early days Emma and we do need to negotiate with our counter parties prior to coming to final conclusions so we'll update the market as that progresses.

Third question I think was around the ounce profile. The 900,000 ounce number that we think is the potential of the Marikana property, does that include Pandora? I think the answer, the safe answer, from my side is yes.

And I think the fourth part of the question was the investment in Limpopo. We have written down the investment this year as you've probably seen from the numbers. I think $174 million or so was the impairment adjustment downwards. That primarily relates to the underground assets and the mining assets at Baobab Shaft. Clearly what we call the Limpopo II project has not been written down. That we still believe is a good value.

Alan do you have anything to add?

Alan Ferguson: There was one last question on Incwala.

Ian Farmer: Ah yes Incwala. Clearly our share price has fallen back probably to about the same levels as when we actually concluded the Incwala transaction back in 2004 and the cash flow output of the group is very different looking forward to looking back. Incwala has a refinancing event that has to contemplate in September '09.

Emma Townsend: Right and then just one final question if I may on the markets. You've obviously made some material revisions to your production outlook. In terms of how that impacts your contractual obligations, have you had any requests from customers to lower the amount of metal that you deliver them next year? And obviously I think the key element of that is probably your auto customers. Or effectively are you cutting to a level that still allows you to meet the contractual obligations?

Ian Farmer: Our primary customers as you probably are aware are BASF Engelhard and Mitsubishi. They by far take the lion's share of our material. And they are volume based contracts and there has been no indication of a request to cut back on those volumes.

Emma Townsend: And effectively your revised production target allows you to cover that, so effectively your cut in production is really a cut in the metal you would have supplied to the spot market.

Ian Farmer: Yes traditionally we haven't fully contracted all our volume and as volume has shrank over the last year or so that has made us very, very tight in terms of headroom in delivering against those contracts. Clearly as we go forward we’re adjusting slightly to reflect these revised production levels going forward.

Emma Townsend: Thanks very much.

Ian Farmer: Thanks Emma.

Alex: I think we also have Steve Shepherd on the line as well.

Steve Shepherd: Thanks Alex. Good morning gentlemen, good morning Ian. May I just congratulate you on a really action packed first six weeks. If I didn't know any better I'd say you were prepared for it but anyway to my question. Prices in the industry are very low at the moment and the question is would Lonmin consider a merger and acquisition activity or be part of a natural consolidation process? And what would your opinion be of local geographic consolidation if you think that could bring economies through other efficiencies?

Ian Farmer: Thanks Steve, good question. I think our primary focus at this time is on getting the changes in the business we need to see through this next 12 to 18 month period. I believe there's lots of shareholder value to be released, recognised and delivered through getting these actions I've outlined today entrenched in the business. So that's our number one priority. But of course my background is business development as you know and we'll keep our eyes open for opportunities as we go along. But that's not the primary focus.

Steve Shepherd: Okay thank you. And then a financing question if I may for Alan. Alan could you give us a sense of what you think the cost of refinancing is looking like at this time?

Alan Ferguson: I've got some bankers in the room Steve so I'm not sure I want to quote you actual numbers but...

Laughter

Steve Shepherd: You have my sympathy.

Alan Ferguson: More expensive I suspect Steve is the answer.

Steve Shepherd: Okay that's a difficult one. Well thank you very much and I hope we can look forward to more of what we have in the past which is over delivering and under promising. Thanks very much.

Ian Farmer: Keeping my fingers crossed with you Steve on that one.

Any more questions from the room? Yes one at the front here.

M.....,
AXA Investment Managers: One question on the dividend just to understand a bit more clearly. It has been said today that the final dividend has been passed and that is very clear. What is not fully clear to me is that when for example Alan was saying that you will assume dividends as soon as conditions allow. Does this imply that the new dividend policy going forward will be to have the dividend suspended until something changes in the current industrial conditions and therefore for example next year we'll see zero dividend maybe even the following year, or I'm reading too much into that?

Ian Farmer: The dividend policy actually, those exact words that you've read out to us were actually a policy we set back in 2002 I believe but I'll hand that question to Alan and he can take that.

Alan Ferguson: Yes I mean fundamentally the dividend issue is one of looking at our historic earnings and looking at our projected cash flow position. And that's really what's brought us to the point now to pass the final dividend. In terms of restarting again it will be restarted around those two factors and that's an important point. And obviously the markets, both the credit markets and the PGM markets are fundamental to driving both earnings and cash flow.

Ian Farmer: I'd just like to underline a couple of things on the dividend. We believe our decision was responsible quite frankly. We've had a record financial year behind us, the balance sheet's in good shape. But clearly looking forward the world's very different and we think the responsible thing to do right now was to take the action we've taken.

We'll do Peter and then we'll come back to the webcast.

Peter: Thank you Ian. I've got two questions here. You said the Opencast has been suspended now and they're all contractors so they're easy to cut. That contributed to 1.3 million tonnes which is what 50,000 ounces? Have you got the places to run to underground at Marikana to replace those ounces?

And the second one is given we've talked about cutting costs here the biggest costs in the platinum operations are labour, conventional is about 55% of total cash costs, 45% of mechanised. You mentioned where your employee levels are now and in fact the last time you produced 700,000 ounces your labour force was probably down to about 18,000. So that means you're going to cut about 25% of the labour force. I know that's not easy but perhaps you could outline some of the difficulties you face in that process?

Ian Farmer: First of all on the Opencast, I'll ask perhaps Mohamed to add a word or two on that. I think 60,000 ounces last year came from Opencast and clearly we'll have one quarter of this year where we'll still have a contribution. So about 45,000 ounces or so we have to make up from other sources and perhaps Mohamed you could take that question.

Mohamed Seedat: Yeah it's certainly going to come from the other areas, conventional as well as improvements we have built into the plan for the mechanised and Saffy into a hybrid. Do you want to add any more to that?

Chris Sheppard: No I just think that there is a significant ramp up in production at our Hossy and Saffy shafts which will offset partially that reduction in output from our Opencast operations.

Peter: I suppose the point I was getting at, you're dropping off contractors you need to replace them with conventional miners. Do you have those in stock or are you going to move them down from Limpopo? Is that all part of the plan?

Mohamed Seedat: Well the Opencast is really for the contractors so we're doing away with Opencast so we don't need, you know those are people really predominantly employed in operating machinery. What you need underground is a different skill set so certainly there we will - we believe we have more labour in some cases than we should have so we should be able to make up for that.

In terms of engaging with the unions and people moving from Marikana to Limpopo - sorry from Limpopo to Marikana we will engage with the unions on that. I can't predict how people will respond to that. Certainly there's an opportunity there that if we can get people to move down, you bring down skilled people fairly quickly but there are other issues related to where people would prefer to live and work that we need to consider when we approach the unions.

Ian Farmer: I think generally on cost cutting Peter, yes labour issues are a material element but they're not the only element. We've started at the top. We have not - we've only got two directors rather than three. We're taking a third out of our London office. We're reduced the VP level by 30% as you've heard and as we move forward with our restructuring projects we're going to look at each area of the business. And the management payroll has doubled in terms of headcounts and clearly it's just not sustainable.

So this is across the board, it's not just at the bottom levels we're looking at the future of the business. But yes we have put our unions on notice - that's not the right word, not put them on notice, we have advised that this restructuring exercise is going to take place. We have invited them to work with us from January onwards to work our way through that and see what the best way of attacking the issue is. And clearly we have to look at the health of the business as a whole and we have to position it to weather this time period and more jobs will be affected in the long run if don't take a very pragmatic view in the short term. So we're entering as one day at a time at the moment Peter, it's going to be a tricky road to navigate.

Peter: Best of luck.

Ian Farmer: Thank you. And Alex perhaps you've got some calls still.

Alex: I've got one question from the webcast from Cara Geffen at Investec. What are potential job loss numbers from Limpopo closure, growth projects being put on care and maintenance and Marikana Opencast being halted?

Ian Farmer: Firstly let me say at Limpopo there has not been a decision taken at this stage. We believe the mine is not economic at today's prices and we've indicated to the unions we'd like to discuss that matter with them. So a decision has not been taken. And Limpopo employs about 2,000 people.

The Opencast we have given notice to our contractors and they employ around 1,000 people. The rest of the Marikana operations is subject to a review which has been started and it’s going to be a long road to travel before we know the answer to the rest of that question.

Okay any more question from the room or are we all exhausted. One more there, Mick are your allowed to ask a question.

Mick Oliver: Not sure.

Ian farmer: Go ahead.

Mick Oliver, CIBC: I'm a little bit surprised actually that no reference has been made of your new largest shareholder on the register. Of course Lonmin has a history having quite large shareholders on its register. I wonder if you could perhaps comment on what you see for the next 12 months and whether any of the changes that you've announced here this morning are impacted in any way by Xstrata's presence.

Ian Farmer: This room has been very polite and not asked the question so far - not to say you’re being impolite. But it has been asked by the journalists this morning so you’re not the first out of the starting blocks. I think that it’s fair to say that there's only been one conversation really between Mick Davis and John Craven. That was just after they withdrew their bid or the preconditional bid didn’t materialise and it was a very polite, straightforward question to say they intend to be a supportive shareholder. And there's been no dialogue around the relationship between the two companies since that time.

As far as I'm concerned it’s business as usual, we’ll treat them like any other shareholder and take one step at a time. And if you want to know what their intentions are outside of that then you need to put that question to Mick.

Are we done? Well thank you ladies and gentlemen. It's going to be a very tricky period ahead and thank you for your support.

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