

# Lonmin hammered by resignation

Lonmin shares fell more than 10%, when it told the market its chief operating officer, Ben Moolman, had resigned for "personal reasons".

On the JSE, the share price closed 8,5% down at R16,14, its lowest level in 2017, marking it out as the weakest of SA's platinum companies since the start of the year. Lonmin has dropped more than 31% so far in 2017 and 50% in the past 52 weeks.

Analysts said Moolman, a figure with the operational experience necessary to turn the embattled company's mines back to profit, appeared to have had enough.



Source: Lonmin

"You can't replace him with anyone else in the hope they can fix the operational problems. The real problem is the capital structure of the company - that and the labour and social issues," said Nedbank analyst Leon Esterhuizen.

The lack of capital, stemming in large part from a 2016 rights issue that was too small, meant there was not enough money to invest in the mines and, in particular, to bring the suspended and partially built K4 mine into production as the company's lowest-cost mine, he said.

The London- and JSE-listed shares fell to a level that was not far off the equivalent 1p per share at which Lonmin conducted

a heavily discounted rights issue in December 2015 to raise a total \$407m. It subsequently consolidated its shares on a 100:1 basis to reduce its 28billion shares in issue to a more manageable level.

Meeting Moolman during an analysts' visit to Lonmin's mines near Brits in North West earlier in 2017, analysts said he believed the operational setbacks could be overcome.

"He's been made the fall guy for everything that's gone wrong and will go wrong in coming months. Lonmin won't make its production targets and the blame will be directed at Ben. Lonmin is losing one of its best people," said an analyst.

Lonmin's biggest shaft, K3, had a poor first quarter, with output falling 14%. "Overall, the relationship between operational management and unions at this shaft is not working as effectively as we expected and the yielding of results from the implementation of business improvement initiatives at this shaft is taking longer than we would have liked to see," Lonmin said in January.

**Source:** *Business Day*

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