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Copper's greatest



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est comeback



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Back on safe footing after near-annihilation during the GFC, copper producer Weatherly International (AIM: WTI) has a new project in Namibia set to take the miner to new heights.

THE UK-BASED, NAMIBIA-FOCUSED company came out of the economic downturn with two of its underground copper mines, Otjihase and Matchless, still intact. These Namibian mines have JORC-compliant proven and probable reserves of 3,253,400 tonnes and 710,000 tonnes respectively. Since reopening the mines in early 2011, Weatherly has been ramping up their production to reach a current production rate of between 5,000-6,000tpa. Weatherly is a small copper producer, but – as the only one on the AIM market – significant nonetheless.

But Weatherly's profile is soon to change. Commencement of production at the major Tschudi project is set to make the company much larger and more significant in just a few years' time. Weatherly Chief Executive Rod Webster says the copper project will be "transformational" for the company.

"The old underground mines do have quite a bit of life still in them, [but] they are what they'll always be," he remarks. "Tschudi is an open-pit mine utilising a SX-EW [Solvent Extraction, Electro-Winning] processing method that is very cost effective. It will produce 17,000 tonnes of copper a year, compared with our current maximum of 6,000. So it's a massive step forward for us – it takes us from being a minnow to being on the radar."

Developing Tschudi

Tschudi has 50.1Mt of resource at 0.86% Cu and 22.7Mt at 0.95% Cu, with a stripping ratio of 7.45:1. Weatherly forecasts a mine life of 11 years, over which 17Mt will be mined and 17,000t produced each year. The company expects to recover 184,275t of copper over the course of the mine's life.

Feasibility results present relatively low costs for the prospective mine. Initial capital is estimated at approximately US\$81 million; life of mine capital at \$109 million; and life of mine cash cost at \$1.94 per tonne. Using industry consensus forecasts for exchange rates and copper prices, the after-tax Net Present Value (NPV) is \$105 million and the Internal Rate of Return (IRR) 32.1%, resulting in a payback time from the start of production of 2.43 years. These figures improve dramatically when calculated using exchange rates and copper prices from December 2012, rising to \$238 million, 50.8% and 1.98 years, respectively.

Webster points to Tschudi's "low cost" as one of the project's greatest strengths. "If you take both overall capital and operating costs into account, we're probably in the bottom quartile of new copper projects in the world," he comments. He sees the simplicity of the operation as a further advantage and explains that the skills and technologies required to mine the open pit and operate the heap-leach SX-EW plant are locally available in Namibia.

After almost nine months of due diligence and negotiations, Weatherly secured the funding

for Tschudi just last month. Orion Mine Finance agreed to provide a US\$91 million loan facility to fully fund the copper project to production, subject to the usual transactional conditions.

"Fulfilling the preconditions to draw it out should take us just a few weeks, and then we'll hit the ground running because we've done most of the work," says Webster. "Most of the engineering packages have gone out – we have a turnkey EPCM contract with specialist South African engineering firm LogiMan, who is building the entire plant and infrastructure for around \$64 million; we have the mining being carried out by Basil Read Mining Namibia, who brings with it six decades of expertise; and we have the crushing undertaken by B & E International, which is a strong and focused crushing, mining and mineral processing company. We feel we've got a very experienced group of people working on the project, who know what they're doing."

Weatherly expects the Tschudi project to be in place and producing in approximately 16 months from drawdown.

The next level

Although completely focused on Tschudi for the time being, Weatherly isn't leaving its current mines behind. The company is looking to expand Otjihase and Matchless, collectively known as its Central Operations, over the course of a six-and-a-half-year mine plan. "There is ample opportunity to extend the mine life of those mines going forward; we could easily extend it over 10 years





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based on some of the resources in that area,” says Webster.

“The next stage will be looking into bringing in another satellite ore body, so that we can fill up the central concentrator plant. At the moment, we’re only utilising the concentrator by about 40% of 50%, so it’s a no-brainer that if we can fill that plant up, it increases our production while decreasing the unit costs significantly.”

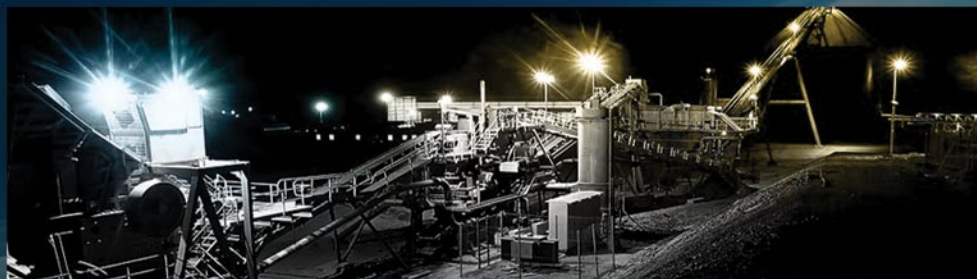
Weatherly has mining licences granted on another two copper projects, Tsumeb West and Tsumeb Tailings, as well as a further prospect area. Both projects are in the exploration phase, but a stroke of luck recently made Tsumeb Tailings a lot more interesting. “We now have an acid plant, built by Dundee

Precious Metals, right next door to Tailings,” Webster comments. “That changes everything, as plans we were doing before were on the basis of acid not being available. We’ve gone back to the drawing board on that one.”

Also “interesting” in Webster’s eyes is the current copper market, about which he is optimistic. “There’s a lot of short-term gloom because there is a slight surplus in the market, and that’s the result of many projects rooted back in the early 2000s, which are now just coming on stream,” he explains. “This means we’re seeing a surge of production from those projects from six to seven years ago. But what we’re seeing at the same time is that people are tightening their purse strings, and many of the

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projects that were due to come on stream in the next five years are now either being canned or delayed. I just feel we're setting ourselves up for the next boom."

Whatever happens on the market, Weatherly is on its way up and in no doubt over how to get there. "It's all about Tschudi – getting it built on time and under budget," Webster adds. "That's the key, and if we achieve that I think

we'll get a big upgrade in the market – take us to the next level." **IRJ**

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