

## Update on Berg Aukas and Kitumba Acquisitions

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This announcement includes release of inside information

**Weatherly International plc**  
**("Weatherly" or the "Company")**

### **Update on Berg Aukas and Kitumba Acquisitions**

#### **Summary**

- The 2014 Berg Aukas Pre-Feasibility Study ("PFS") has been updated for improved metal prices and for revised operating and capital cost estimates
- Updated financial metrics include post-tax NPV of US\$74 million, post-tax IRR of 35% and total capital cost of US\$54.1 million
- An application has been submitted for approval by the Namibian Competition Commission of the Company's purchase of 65% of China Africa Resources Namibia Limited ("CARN"), and applications have been submitted for renewal of the two Berg Aukas mining licenses which expire in March 2019
- Orion has not granted permission for the Company to extend the Backstop Date (being 4 April 2018) in respect of the acquisition of Kitumba, but will allow the Company to seek alternative funding to pursue the transaction

#### **Berg Aukas Update**

On 5 February 2018, the Company announced that it had entered into a binding agreement to increase its ownership of CARN from 25% to 90% by purchasing shares from Hong Kong East China Non-Ferrous Mineral Resources Co Ltd ("ECE").

CARN is a private Namibian company which owns 100% of the high-grade Berg Aukas underground zinc-lead-vanadium project ("Berg Aukas"). Berg Aukas is located approximately 19km east of the town of Grootfontein in northern Namibia. The Berg Aukas mine operated as a low tonnage, high grade producer of zinc, lead and vanadium between 1958 and 1978, and hosted an estimated 2.3Mt at an average grade of 15% Zn, 3.9% Pb and 0.85% V<sub>2</sub>O<sub>5</sub> over this period. The mine ceased operations in 1978 due to depressed zinc prices and significant resources remain in situ. The majority of the remaining resource is located between the 14 and 19 levels (approximately 400m to 590m below surface) where extensive development is already in place providing good access to the orebodies.

Weatherly and ECE entered into a binding agreement whereby Weatherly will purchase all of ECE's shares in CARN for cash consideration of US\$600,000, increasing Weatherly's ownership of CARN from 25% to 90%.

The transaction is subject to regulatory approval in Namibia from the Namibian Competition Commission. The application for that approval was submitted in March 2018. If that approval is not received by 22 June 2018, the share purchase agreement can be terminated by ECE. Weatherly currently expects that the approval will be received before 22 June 2018, but cannot offer any assurance that this will occur.

#### **Pre-Feasibility Study Update**

In 2014, the previous owners of Berg Aukas published a PFS which was based on the following resources and reserves:

- JORC-compliant Mineral Resource Estimate of 1.23Mt @ 15.47% Zn, 3.84% Pb and 0.33% V<sub>2</sub>O<sub>5</sub> (Indicated classification) using a cut-off grade of 3.0% Zn
- JORC-compliant Ore Reserve Estimate of 1.7Mt @ 11.16% Zn, 2.76% Pb and 0.23% V<sub>2</sub>O<sub>5</sub> (Probable classification) at a 5% Zn

equivalent cut-off

On 5 February 2018, Weatherly announced that it had initiated an update of the PFS for Berg Aukas, which has now been completed by independent South African consultants, Minxcon (Pty) Ltd ("Minxcon"), being the same consulting firm which prepared the original PFS report, in 2014. This update examined the impact of improved metal prices and an update of capital and operating costs for the project. The mining, processing and product marketing assumptions were not revised for this update, and the resource and reserve estimates also remain unchanged.

The updated study estimates that the overall project NPV (for 100% of Berg Aukas and using a discount rate of 10%) has increased to US\$74 million post-tax and that the post-tax IRR has increased to 35%. These outcomes were estimated using a zinc price of US\$3260 per tonne, a lead price of US\$2,490 per tonne and an exchange rate of 12.9 NAD/USD, which were prevailing six month average spot values in mid-March 2018. No value was attributed to the vanadium content. The total capital cost estimated by Minxcon is US\$54.1 million.

The PFS published in 2014 assumed prices of US\$2,000 per tonne for zinc and lead and also assumed no credit was received for the vanadium content. Detailed results from the 2014 PFS were announced by the previous owners on 27 May 2014 and can be found at the following link.

[https://polaris.brighterir.com/public/china\\_africa\\_resources/news/rns/story/rdm708r](https://polaris.brighterir.com/public/china_africa_resources/news/rns/story/rdm708r)

CARN holds two mining licenses covering the Berg Aukas project, which are due to expire on 31 March 2019. CARN has duly applied for renewal of those licenses one year prior to their expiry, as is required under Namibian mining legislation.

#### **Kitumba Update**

On 3 April 2018, Weatherly announced that it had entered into an amendment and restatement agreement (the "Amendment and Restatement Agreement") in relation to its existing debt facility with Orion Mine Finance (Master) Fund I LP ("Orion"), which included certain changes resulting in the Company having reduced flexibility on the use of cash generated from the mine and provided Orion with certain approval rights on Weatherly's expenditure. These amendments include explicit requirements for Orion's approval of any actions taken or not taken in relation to the agreements for the acquisition of the Kitumba project in Zambia ("Kitumba") announced on 12 December 2017 and the acquisition of Berg Aukas.

On 12 December 2017, the Company announced that it had entered into a binding agreement to purchase 100% of Kitumba from ASX-listed Intrepid Mines Limited ("Intrepid"). As Intrepid had not received the requisite Zambian regulatory approvals for the transaction to proceed by the backstop date for the transaction, being the next working day after 31 March 2018 (the "Backstop Date"), on 4 April 2018, the Company announced that the Backstop Date in the binding agreement for the acquisition of Kitumba had passed and that Intrepid had requested an extension from the Company.

Discussions continued with Intrepid regarding the extension of the loan whilst, in line with the Amendment and Restatement Agreement, Weatherly duly requested approval from Orion to extend the Backstop Date. Orion subsequently informed the Company that it will not grant such approval and, on 24 April 2018, both Weatherly and Intrepid announced that the agreement for the acquisition of Kitumba had lapsed because the Company was unable to agree to an extension to the Backstop Date.

However, Orion have agreed to allow the Company to seek alternative financing for the Kitumba transaction and the Company is engaged in discussions with Intrepid in this regard. Further announcements will be made as and when appropriate.

Intrepid has notified the Company that the requisite consents for the transfer of Kitumba's shares to Weatherly have now been received from the Ministry of Mines and Minerals Development in Zambia and from the Zambian Competition and Consumer Protection Commission. The consent from the Ministry of Mines and Minerals Development remains conditional upon payment by Intrepid of Property Transfer Tax on the transaction.

#### **Orion Loan Repayments**

Further to the Company's confirmation on 3 April 2018 that it had rescheduled debt repayments that were due on 31 March 2018, Weatherly confirms that remains unlikely to generate sufficient surplus cash to meet all loan repayments when due, particularly in the near term, and continues to be involved in negotiations with Orion to agree a long-term restructuring of the Company's secured debt facilities, which includes instigating the strategic review announced by the Company today.

For further information please contact:

**Weatherly International Plc** +44 (0)1707 800 774  
Craig Thomas, CEO  
Kevin Ellis, CFO & Company Secretary

Strand Hanson Limited +44 (0) 20 7409 3494  
(Nominated Adviser & Broker)  
Rory Murphy / James Dance / Jack Botros

#### **About Weatherly**

Weatherly is an AIM listed copper mining company operating in Namibia in southern Africa. Its principal assets are the Tschudi Mine and the Otjihase Project. The Tschudi Mine is an operating open pit mine producing refined copper cathode on site. The key assets of

the Otjihase Project are the Otjihase underground copper mine and concentrator and the Matchless West underground copper mine. The Otjihase Project assets are currently under care & maintenance while in the Project Development stage. Weatherly also owns 25% of China Africa Resources Namibia (CARN), a private Namibian company which owns the high-grade Berg Aukas underground zinc-lead-vanadium project. On 5 February 2018, the Company announced that it had signed an agreement to purchase a further 65% of CARN subject to regulatory approval.

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