

WEATHERLY PLC

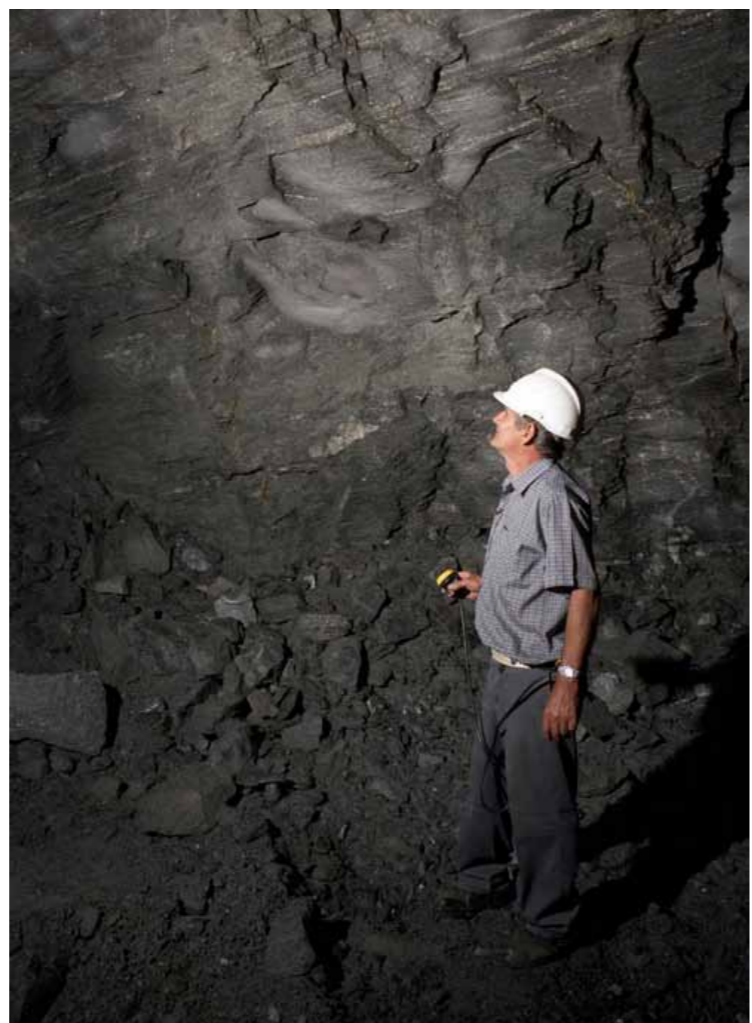
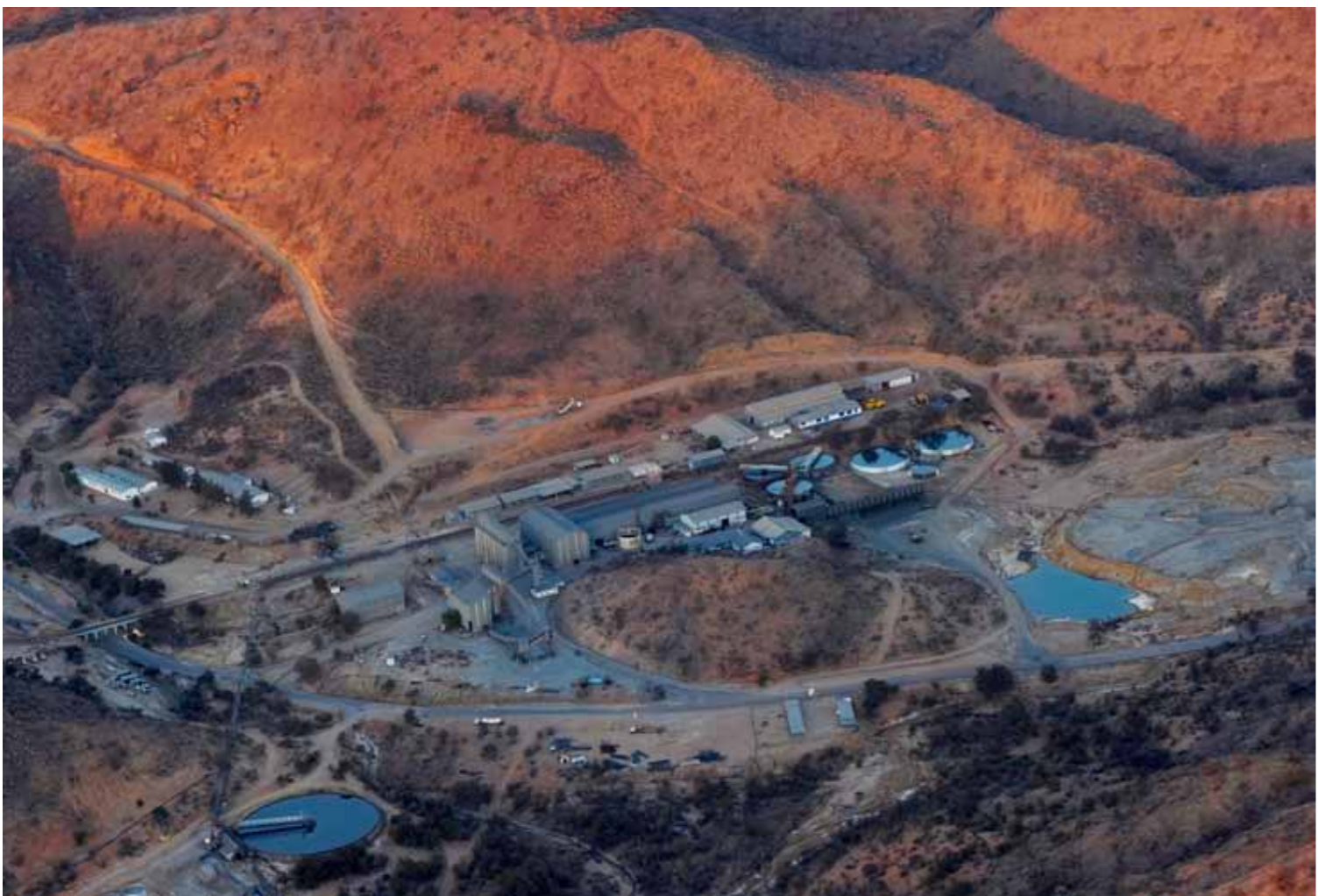
THE MAKING OF A COPPER COMPANY



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Weatherly plc's Tschudi open pit project producing pure copper cathodes on site in Namibia is the focus of its next stage of growth: the project will produce 17,000 tonnes of copper per year over an eleven year mine life, and will take Weatherly from a small to a medium sized mining company

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When Rod Webster established his company Weatherly in 2005 he and his partners had been casting around for that elusive beast, a company-making project. When some assets he had acquired in Zambia turned out not to be it he shifted his attention to Namibia, acquiring the assets of a struggling local copper producer called Ongopolo in 2006. In July that year Weatherly plc was admitted to London's AIM market, and since then has been focused on Namibia.

Ongopolo had four small underground mines and a smelter that it had acquired out of liquidation from Goldfields, but this was a financially unstable company in urgent need of recapitalisation, something Weatherly provided, to the tune of \$20 million. It got the mines going, achieving record production levels by 2008 when a rethink was prompted by the collapse of copper prices to under \$3,000 a tonne. By the end of the year action had been taken to cease mining at all four underground operations, only keeping the smelter at Tsumeb, 450 kilometres to the north of the capital Windhoek, operating on a tolling basis.

In 2010, wishing to raise the funds needed to reopen the two most viable underground pits, Otjihase and Matchless both located close to Windhoek, Weatherly sold the smelter to Dundee Precious Metals for \$55 million and raised a further \$7 million. "That gave us the funds to recapitalise the company and pay

a substantial dividend to our long suffering shareholders!" says Webster.

That was the turning point for Weatherly. Copper had rallied to more than \$9,000 and since then Otjihase and Matchless have been the core of the company, though they were never going to be the company maker he was looking for. "They made a lot of money in 2011, and though the price of copper meant they did not generate as much the second year it was still enough cash to allow us to develop the next step." These assets, he explains are a means to an end: they will continue to produce for perhaps another decade, generating cash as long as copper prices hold, but they are not Weatherly's main game anymore.

That lies further north at Tschudi, not the old underground pit but a surface asset that will be transformational for the company. A bankable feasibility study carried out in 2012 returned an expected net present value (ENPV) at well over \$100 million even at a price of \$5,800, well below today's price level on the metal exchanges in the region of \$7,000 a tonne. "What we like about Tschudi is that it is a straightforward open pit," enthuses Webster. "At this moment it has a bottom at 200 metres depth, and in that we have a reserve of two million tonnes at just under one percent copper."

This is a relatively modest grade for an open pit, he explains, but it is very high grade when you take in to account that the processing is via heap leach solvent extraction

500
Operational workforce
at Tschudi



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Shali Mining (Pty) Ltd was established in 2010 and is a contract mining company. Since inception we have grown and diversified our client base and provide surface and underground mining services to a number of clients in the mining industry. We currently employ 277 people and have build up sound experience as a mining contractor; experience that we believe will propel us to the next level.

The sole shareholder Wilhelm Shali founded Shali Mining (Pty) Ltd. Wilhelm Shali has a strong entrepreneurial background and is continuously looking into new developments in the mining industry to ensure that we give our clients an experienced, equipped and innovative service. Our aim is to deliver underground and surface mining services that are safe, cost effective and performance-oriented. We invest in developing

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Our fellow subsidiary, Shali Drilling provides a full range of drilling and related services through two key divisions, mineral and water well exploration. Diamond drilling, RC drilling is also part of our portfolio.

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Our efforts to implement and drive sustainable local economic development have allowed us to fulfill our corporate social responsibilities within our communities through positive participation. The project that we support involves agriculture development within the local community.



We provide product, tools and training to the communities where we operate.

Our team:

Wilhelm Shali, a Mechanical Engineer is the Managing Director of the Shali Group Holdings (Pty) Ltd. Wilhelm Shali has started a number of companies and has a proven track record as an entrepreneur.

Jenny Comalie the CEO has joined the Shali Group Holdings (Pty) Ltd recently. Ms Comalie is an entrepreneurial professional with more than fourteen years of experience in strategy development and implementation and Financial Management.

Lawrence Madziwa is the Group Mining Engineer and holds a Masters in Mining Engineering, Mr Madziwa has 17 years experience in the industry and work in various fields in the mining industry.

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and electrowinning (SW-EX), a method that accounts for 20 percent of world production. This type of processing plant is not one that calls for the acquisition of any long-lead capital equipment. "It is nearly all a matter of earthworks, piping and pumps. 95 percent of the materials needed for it are going to be purchased from South Africa."

From being something of an uphill slog, the project looks set fair for rapid development since securing full development funding of \$91 million from Orion Mine Finance. "We are up and running now," says Webster, "and should see the first copper produced by the Tschudi mine in the second quarter of 2015." That means a busy 16 months ahead, he admits, while stressing that the project has not stood idle in the year since the feasibility study was completed.

All of the major contracts have been agreed, and the schedule agreed whereby the mining contractor Basil Read will start work in the first quarter of next year. The crushing and agglomeration plant and the first leach pads to be built by B&E International using \$18 million of its own funds will be commissioned in the fourth quarter. Power supply has been agreed with NamPower and a long-term acid supply agreement with Protea Chemicals. The SW-EX plant will be the last major element to be completed ahead of production in 2015.

BASIL READ

Basil Read continues to prove its opencast mining capabilities through a range of medium and long term key projects across Africa.

Basil Read offers clients innovative yet practical solutions to the most challenging contracts and has left its mark on projects such as the Debswana Jwaneng Mine in Botswana, the De Beers Venetia Diamond Mine in South Africa and Rossing Uranium Mine in Namibia.

The Mining division has become the mining specialist of choice for projects across Southern Africa. Through its subsidiary B&E (Blasting & Excavating), it offers clients an innovative, yet practical approach to even the most challenging projects and has developed an unblemished safety record and a well-earned reputation for meeting the most stringent requirements.

Basil Read Mining boasts an exceptional safety record, specialist technical skills and a solid civil engineering background.

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The fact that this is a depressed time for the mining industry in general has played to Weatherly's advantage, he points out: "All the big overruns occurred when the market was bullish. People had so much work that projects usually ran over in time and money. Now we have the opposite, a situation where we are finding that the smaller packages are coming in cheaper and under time because people are short of work."

The market conditions have enabled Weatherly to strike deals that reduce the project risk significantly. The main contract, a \$61.5 million EPC arrangement with Logiman, is of especial interest. It is a fixed-price arrangement that is something of a hybrid that allows the mining company to approve all design elements and key sub-contracts in exchange for a deal whereby Logiman can rake back 60 percent of any saving it is able to make on the headline cost. "I would be very surprised given the way we have structured this huge incentive if it does not come in under time and under money!"

"We have laid off a lot of the risk to people who have enormous horsepower and capability in the industry," Rod Webster concludes. "We are really just left with running the process plant, and in that respect we are in quite good shape in terms of the



skills we need. Namibia already has three or four similar processes running in its uranium mines, and Scorpion Zinc is a SX-EW plant for zinc, where the process is not dissimilar."

The mine will have a life of eleven years, with the process plant carrying on for a further four to deal with copper remaining in the heap. Additionally there is sound potential for extension and even going underground

if copper prices permit. The Namibian government and the Chamber of Mines have been particularly helpful, he adds. But then this is a big project even for this mining-friendly administration. 500 people will be employed at Tschudi during the operational phase, 800 during construction, and the economy will benefit mightily.

Weatherly will stick to its last, eschewing fancy social projects. "We are in the business of making a profitable mine, employing people and delivering value to shareholders and the government. Copper creates a lot of value downstream too. It is a stimulus to the whole fabric of the country. So we won't be involved in farming projects – they are a total distraction and mining

companies usually make a mess of them!"

Tschudi presents quite enough challenge for the moment. Rod Webster sums up the present state of his company thus: "We successfully secured our position with the underground mines: Tschudi takes us to being a 20-25,000 tonne copper producer, so we are now a medium size company with the momentum to move up yet further." He will be keeping his eye on the many copper projects with potential for turnaround being divested by the majors. **BE**

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