

20 March 2019

## UPDATE ON MALAWI INJUNCTION GRANTED TO LINDIAN and BAUXITE PROJECTS

Lindian Resources Limited (“**Lindian**” or “**Company**”) has previously announced the following key matters in respect of an exclusive option agreement (“**Agreement**”) entered into with Michael Saner (“**Saner**”) and Rift Valley Resource Developments Limited (“**RVR**”) regarding the Kangankunde Rare Earths Project in Malawi (“**Project**”) which has previously been reported as one of the world’s largest Rare Earth projects outside of China:

- a) Payment to RVR (or its nominee) of US \$100,000 for a 120 day exclusive due diligence period, extendable by agreement between the parties. Payment was made in accordance with the Agreement.
- b) Subject to satisfaction of certain conditions precedent, Lindian has the right to acquire an initial 30% shareholding interest in RVR (Stage 1 Interest) by way of the following payments:
  - a. US \$500,000 to be used by RVR pursuant to a 6 - 12 month exploration and development work program on the Project in accordance with an agreed work program, budget and management plan; and
  - b. US \$500,000 payment to Mr. Saner.
- c) After completion of Lindian obtaining the Stage 1 30% Interest, the Company has an exclusive 12 month option (from the date it makes the payments for the Stage 1 Interest) to acquire an additional 45% shareholding interest in RVR by way of the following payments:
  - a. US \$2,500,000 to be used by RVR pursuant to a 12–18 month exploration and development work program on the Project in accordance with an agreed work program, budget and management plan; and
  - b. US \$2,500,000 cash payment to Mr. Saner or the issue of US \$2,500,000 of fully paid ordinary shares in the capital of the Company based on a deemed issue price per Share equal to the 10-day VWAP prior to the Company electing to proceed with the acquisition of the Stage 2 Interest.
- d) Upon completion of the acquisition of the Stage 2 Interest, Lindian (as 75% interest holder) will fund 100% of the Project.

Level 5 216  
St Georges Terrace  
Perth WA 6000  
Australia

PO Box 7581  
Cloisters Square PO  
WA 6850

T: +61 8 9486 7799  
E: info@lindianresources.com.au

**Non-Executive Chairman**  
Asimwe Kabunga

**Non-Executive Directors**  
Matt Bull  
Steve Formica

**Company Secretary**  
Geoff James



ASX Code : LIN.AX

Enquiries regarding this  
announcement can be  
directed to :

Geoff James  
T: +61 439 915 297



- e) The 25% residual interest in RVR held by Saner would be finance carried (and non-dilutive) at all times.
- f) In the event of any application of Malawi law and the requirement for a government interest in the Project, both parties would dilute pro rata.
- g) Material conditions precedent included payment of the US\$100,000 exclusivity fee (which was paid), completion by Lindian to its satisfaction (in its sole discretion) of all necessary due diligence investigations in respect of RVR and the Project and Lindian obtaining shareholder approval for the transaction.
- h) During the exclusivity period, a consent order was executed between the Malawi Ministry of Natural Resources and Environmental Affairs and Saner ("Consent Order"). The Consent Order settled all matters between the parties and, more importantly, provided for the issuing of a new EPL (25km<sup>2</sup>) over all the ground that comprises the Kangankunde Rare Earths Project. The EPL was issued in accordance with current Malawi regulations and is for an initial period of 3 years renewable twice for periods of 2 years each. The Consent Order also provided for the Malawi Ministry of Natural Resources and Environmental Affairs to support the conversion of the EPL into a Mining License (in accordance with the application of all valid regulations) as well as assistance with any financing parties introduced to develop the Project.

#### **Injunction granted against Saner and RVR**

Following the Consent Order being granted and the relevant EPL being issued to RVR, Saner and RVR wrote to Lindian purporting to unilaterally cancel the Agreement on the basis of what were said to be changed circumstances in Malawi that had arisen following the execution of the Agreement that made the Agreement unenforceable. In the correspondence, Saner and RVR offered to enter into a separate agreement in relation to the sale of the Project on entirely different terms, being the sale of a 100% interest in the Project for US\$70m and a 5% revenue royalty to the RVR shareholders.

The Company and its legal advisors did not accept that Saner or RVR had any grounds on which to refuse to perform the Agreement and commenced legal proceedings in the High Court of Malawi seeking specific performance and/or damages as well as obtaining an injunction to prevent RVR or Saner from dealing with the Project and / or shares in RVR ("**Injunction**"). Since the granting of the Injunction in November 2018 the parties have been in regular communication and have also met several times in order to resolve and settle the matter but to no avail. As a result, Lindian is proceeding with its High Court action in Malawi and a formal mediation process is set down to commence on 16 April 2019.

The Company has also filed a criminal complaint in South Africa (the jurisdiction Saner resides) in relation to the conduct of Saner and RVR asserting that Lindian was defrauded by means of misrepresentation. Lindian will be proceeding with the matter as well as the action in Malawi.

Whilst the current situation is frustrating for Lindian, the Company is extremely confident of its legal position and will continue to ensure that its contractual position is protected in all relevant jurisdictions whilst it pursues Saner and RVR for appropriate remedies, including specific performance of the Agreement (eg. legally force Saner and RVR to proceed with the Agreement) or financial damages which will include actual and consequential losses. Legal costs to date have been kept to a minimum and pursuit of the claim will not be a significant drain on the Company's ongoing cash requirements.



## Bauxite Projects

Lindian advises that it has formally completed its 51% stage 1 acquisition of the entity that owns 100% of the Tanzanian bauxite interests (East African Bauxite Limited). The Company notes that the stage 1 shares (10m) previously approved will be issued on or before 31 December 2019 subject to any shareholder "re approvals" required. Importantly and as alluded to in Lindian's 12 March 2019 announcement, mobilisation for the drilling program is underway on the Tanzanian bauxite Lushoto and Pare Projects with the team mobilised to site. The Company is also in advanced negotiations regarding another synergistic bauxite project and looks forward to progressing with its Bauxite projects which can be rapidly advanced with mobilisation now underway.

## Suspension

The Company will remain in suspension whilst it assesses the funding requirements to develop its current projects in Tanzania. The Company expects to lift the suspension of its securities on ASX and resume trading on Monday the 25<sup>th</sup> of March 2019.

### **For further information, please contact:**

**Asimwe Kabunga**

**Chairman**

**Phone: 08 9486 7799**

**Email: [asimwe@lindianresources.com.au](mailto:asimwe@lindianresources.com.au)**

**[www.lindianresources.com.au](http://www.lindianresources.com.au)**

## About Lushoto Bauxite

The Lushoto Bauxite deposit was formed by deep weathering of metamorphic rocks of the Mozambique belt that are exposed in Eastern Tanzania. The mineralization is situated on plateaus with the Usambara Mountains that have been preserved from a time when mineralization was more extensive in the area. Limited exploration has been conducted in the region to date however, in addition to the known deposit, bauxite has been noted in other plateaus in the area. These occurrences are currently being investigated for the potential to host additional mineralization.

Assay results to date show low levels of deleterious elements including iron, silica and titanium. Test work for reactive silica and available alumina confirmed the potential suitability of the bauxite for export.

The presence of the Lushoto Bauxite deposit was the subject of the University of Dar es Salam report in 2003 which confirmed bauxite mineralization of between 40-60% Al<sub>2</sub>O<sub>3</sub> based on historical drilling data and surface geological mapping.

Samples collected during the site visits returned grades up to 58% Al<sub>2</sub>O<sub>3</sub> with an average of 46% Al<sub>2</sub>O<sub>3</sub> and very low silica content averaging to 1.6% SiO<sub>2</sub>. The results for the sampling have been in line with conclusion of the 2003 report and greatly assist Lindian in obtaining its maiden JORC resource for the Project.

## Competent Person Statement

The information in this announcement that relates to exploration results is based on information compiled or reviewed by Mr Matt Bull, who is a director of Lindian Resources Limited. Mr Bull is a member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results,



---

Mineral Resources and Ore Reserves. Mr Bull consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

For personal use only