

ASX ANNOUNCEMENT

13 February 2019

Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

ORE PURCHASE AGREEMENTS ENTERED INTO FOR DRC COBALT JOINT VENTURE



Figure 1: Cobalt mining operations near Tilwezembe, one of several that is proposed to provide high grade cobalt and copper ores to the Luapula Processing Facility located in Likasi in the Democratic Republic of Congo

- **Several binding Ore Purchase Agreements executed for the supply of high-grade cobalt and copper ores to the Luapula Processing Facility**
- **Ore Purchase Agreements executed with seven established and Congolese owned mining operations with proven records of high-grade cobalt and copper ores deliveries to operating cobalt and copper processing plants located in the DRC Copperbelt**
- **Minimum contracted monthly ore deliveries to the Luapula Processing Facility of 53,000 tonnes per month, at minimum acid soluble cobalt grades of 1% and minimum acid soluble copper grades of 2.5%**
- **Ore Purchase Agreements in place for an initial period of 12 months, with an option for the Company's recently established joint venture company, Winmar Lufira Mining Company SA, to extend by a further 24 months**
- **The Ore Purchase Agreements are proposed to supply 100% of run-of-mine feed to the Luapula Processing Facility until the Company has completed mine planning and**

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feasibility study work on the several exploration licenses that it is also acquiring in close proximity to the Luapula Processing Facility and which are considered suitable to supply longer term run-of-mine feed

- Deliveries under the Ore Purchase Agreements to commence the later of (i) 1 March 2019, or (ii) when Winmar has completed its purchase of 50% of the Luapula Processing Facility and when Winmar has received all necessary shareholder and regulatory approvals in Australia (including, amongst other things its re-compliance with Chapters 1 and 2 of the Listing Rules and resumption of trading on the ASX) and received all operating permits in the DRC
- All mining operations, that are the subject of the Ore Purchase Agreements and that are proposed to supply the Luapula Processing Facility, will be the subject of an audit, by the Company's consultants, to demonstrate that it's operating practices are aligned with the relevant international standards, in particular, the *OECD Due Diligence Guidance for Responsible Mineral Supply Chains in Conflict-Affected and High-Risk Areas* (the OECD Guidance) and further meet Winmar's minimum standards in respect to responsible and ethical cobalt mining and production criteria
- The Company's technical consultants and its in-country advisors are commencing bulk sampling and further site inspections to optimise the proposed run-of-mine feed to the Luapula Processing Facility and high grade cobalt hydroxide and copper hydroxide concentrate specifications

Winmar Resources Limited (**Winmar** or the **Company**) (ASX: WFE) is pleased to advise that it has executed several Ore Purchase Agreements for the supply of high grade cobalt and copper ores to the Luapula Processing Facility located near the town of Likasi in the Democratic Republic of Congo (**DRC**).

Winmar has secured a 50% interest in the Luapula Cobalt Processing Facility under the terms of a Heads of Agreements executed in July 2018 (refer ASX Announcement dated 23 July 2018) with African Holding Investment Company Limited (**AHIC**), the completion of which is subject to Winmar's re-compliance with Chapters 1 and 2 of the ASX Listing Rules and Winmar re-listing on ASX.

The execution of these Ore Purchase Agreements, follows the incorporation of a new joint venture company, Winmar Lufira Mining Company S.A. (**WLMC**) which is held 50% by Winmar and 50% by AHIC and which is the DRC incorporated legal entity that, subject to Winmar satisfying ASX in terms of its re-listing on ASX, will hold the title to, and operate and manage the Luapula Processing Facility.

WLMC has received all necessary permits, approvals and licenses to operate as a company in the DRC and is currently awaiting the issuance of the "L'Arrêté Ministériel portant agrément d'une entité de traitement de l'hétérogénite catégorie B" (referred to as "Category B License"), allowing WLMC to commence stockpiling of run-of-mine feed and processing operations at the Luapula Processing Facility (refer ASX Announcement dated 3 December 2018).

With WLMC now incorporated and receipt of the Category B License anticipated, Winmar and its in country advisors, have now moved to secure the supply of high-grade cobalt and copper ores for the Luapula Processing Facility and executed Ore Purchase Agreements with seven established and Congolese owned mining operations.

Ore Purchase Agreements

Under the terms of the Heads of Agreement with AHIC, Winmar is proposed to be the operator and manager of WLMC and is responsible for securing the run-of-mine feed to the Facility.

The run-of-mine feed is proposed to be sourced from Winmar’s wholly owned exploration licenses - to be converted into mining licenses upon completion of further exploration and feasibility studies - and prior to that from tailings material or from high-grade cobalt and copper ore supplied by local Congolese and other established mining companies operating in the DRC.

Over the past months, the Company and its advisors in the DRC have completed due diligence on a number of established Congolese and foreign owned mining companies that have expressed their interest and indicated their ability to mine and deliver high grade cobalt and copper ores to the Luapula Processing Facility. As part of this due diligence, the Company and its advisors have completed preliminary site inspections of the operations, and completed detailed legal reviews of the various counterparties, management and shareholders.

In addition, the Company and its advisors have also completed a review of the current and previous ore supply and purchase contracts that these companies have held and maintain with other cobalt and copper processing plants located in the DRC Copperbelt for the delivery high-grade cobalt and copper ores.



Figures 2 and 3: Mining and haulage operation near Likasi; proposed to provide high grade cobalt and copper ores to the Luapula Processing Facility

Based on these reviews, the Company and its advisors have now executed Ore Purchase Agreements with seven selected Congolese companies, from which it is proposed that WLMC will purchase high grade cobalt and copper ores as feed to the Luapula Processing Facility.

The Ore Purchase Agreement is a standardised document that has been prepared by the Company’s in-country advisors and lawyers and reviewed by the Company’s Australian lawyers.

A summary of the companies and the contracted monthly ore deliveries is provided below.

Company	Operations	Monthly Ore Deliveries	Grade of Product
Ormega Limited SA	Likasi/Kolwezi	5,000 - 10,000 wmt	min 1% Co, min 2.5% Cu
Bleu Sky SARL	Likasi/Lubumbashi/Fungurume	5,000 wmt	min 1% Co, min 2.5% Cu
ETS Macarons SA	Likasi	5,000 - 10,000 wmt	min 1% Co, min 2.5% Cu
Gaetan Moloko Musamaka	Kambove/Kolwezi/Likasi	20,000 wmt	min 1% Co, min 2.5% Cu
Cooperaitive Union de JC	Kolwezi/Likasi	3,000 wmt	min 1% Co, min 2.5% Cu
Hanaf T & C Limited	Kambove/Likasi/Lubumbashi	7,500 - 10,000 wmt	min 1% Co, min 2.5% Cu
Multimat SARL	Kambove/Kolwezi/Likasi	7,500 wmt	min 1% Co, min 2.5% Cu

Table 1: Summary of contracted Congolese companies to supply high grade cobalt and copper ores

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The monthly deliveries proposed under the Ore Purchase Agreements are sufficient to supply more than 100% of the run-of-mine feed to the 250,000tpa nameplate capacity Luapula Processing Facility until the Company has completed mine planning and feasibility study work on the several exploration licenses that it is also acquiring in close proximity to the Luapula Processing Facility and which are considered suitable to supply longer term run-of-mine feed.

Under the terms of the Ore Purchase Agreements, the minimum contracted monthly ore deliveries to the Luapula Processing Facility of 53,000 wet metric tonnes per month have been secured at minimum acid soluble cobalt grades of 1% and minimum acid soluble copper grades of 2.5%

The Ore Purchase Agreements have been entered into for an initial period of 12 months. WLMC has at its election an option to extend each Ore Purchase Agreement by a further 24 months.

Deliveries under the Ore Purchase Agreements are proposed to commence upon the later of:

- (a) 1 March 2019; or
- (b) the date when Winmar has completed its purchase of 50% of the Luapula Processing Facility and when Winmar has received all necessary shareholder and regulatory approvals in Australia including, amongst other things its re-compliance with Chapters 1 and 2 of the Listing Rules and resumption of trading on the ASX) and when WLMC has received all necessary operating permits in the DRC.

Deliveries to the Luapula Processing Facility will be at the at the mining companies own cost and expense.



Figure 4, 5 and 6: The Luapula Processing Facility Milling and Slurry Storage Sections



Figure 7, 8 and 9: The Luapula Processing Facility Leaching and Leach Filter Sections



Figure 10, 11 and 12: The Luapula Processing Facility Precipitation Section

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The mining companies contracted under the Ore Purchase Agreements, may at their election commence deliveries to the Luapula Processing Facility Ores at any time prior to satisfaction of these conditions, however payments will only be made upon the commencement of processing operations.

Weighing, sampling and moisture determination and assaying of samples will be carried out at WLMC laboratory established at the Luapula Processing Facility.

Payable prices for the contained acid soluble cobalt and acid soluble copper in the ores will be determined based on the assay results and against an agreed pricing matrix and as a percentage of the quoted monthly average LME price for cobalt and copper during the month of deliveries. Penalties will apply based on impurities of iron, manganese and zinc.

The Company's technical consultants and in-country advisors are now commencing bulk sampling and further site inspections. These are being conducted in order to optimise the proposed run-of-mine feed to the Luapula Processing Facility and for completion of further metallurgical testwork to finalise the high-grade cobalt hydroxide and copper hydroxide concentrate specifications that will assist in the Company's ongoing discussions on offtake agreements for the proposed sale of cobalt and copper concentrates produced from the Luapula Processing Facility.

Responsible and Ethical Mining and Processing

It is further a requirement under the Ore Purchase Agreements that all mining operations, that are proposed to supply the Luapula Processing Facility, will be the subject of an audit to be carried out by the Company and its consultants, Kumi Consulting Ltd (**Kumi**), to demonstrate that the operating practices are aligned with the relevant international standards, in particular, the *OECD Due Diligence Guidance for Responsible Mineral Supply Chains in Conflict-Affected and High-Risk Areas* (the OECD Guidance) and further meet Winmar's minimum standards in respect to responsible and ethical cobalt mining.

Kumi has been retained by the Company (refer ASX Announcement dated 3 December 2018) to develop and implement a responsible and ethical cobalt mining and production strategy for Winmar's proposed DRC's operations to be aligned with the IFC Performance Standards and the OECD Guidance for Responsible Mineral Supply Chains. Kumi will commence work with the Company upon Winmar's successful completion of re-compliance under ASX Listing Rules Chapters 1 and 2 and the resumption of trading of the Company's shares on the ASX.

Reinstatement of the Company's Securities to Trading

The Company has previously received advice from ASX that the proposed acquisitions of a 50% interest in the Luapula Processing Facility and a 100% interest in a portfolio of several exploration licenses will amount to a significant change in the nature and scale of Winmar's current activities and that Winmar is required to satisfy Listing Rules 11.1.2 and 11.1.3 and obtain approval from its shareholders in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules. The Company notes that admission to the official list is in ASX's absolute discretion and ASX may grant or refuse admission without giving any reasons.

Following submission to ASX of an Application for In-Principle Advice, ASX advised the Company that it had various concerns (refer ASX Announcement dated 3 December 2018).

ASX had raised concerns that it considered that it was unlikely that the new joint venture company would hold the necessary permits, approvals and licenses to operate the Luapula Processing Plant before reinstatement to official quotation.

The Company has previously confirmed that the joint venture company WLMC has been incorporated and was in receipt of all of the necessary permits, approvals and licenses to operate as

a company in the DRC and that the application for the issuance of the Category B license to operate the Luapula Processing Facility had been submitted.

ASX was further concerned that *“the joint venture company currently will not have any ore supply agreements to provide feed to the Luapala Processing Facility and no offtake agreements to sell product from the Luapala Processing Facility in place prior to reinstatement of the Company’s securities to official quotation”*.

The Company is of the view that the Ore Purchase Agreements now executed will provide high grade cobalt and copper ores to meet in excess of 100% of the nameplate capacity of the Luapula Processing Facility.

The Company continues to work with its Strategic Advisor, Airguide and AHIC in order to identify potential offtake parties for the future sale of cobalt and copper concentrates produced from the Luapula Processing Facility.

The Company notes that the DRC remains the world’s largest producer and exporter of high cobalt concentrates and accounts for over 60% of world production of cobalt.

The Company further notes the increased level of interest in the DRC from the world’s major automobile and battery manufacturers to secure a direct source of cobalt supply. As such the Company is confident that it will enter into appropriate offtake agreements for the sale of cobalt and copper concentrates produced from the Luapula Processing Facility at the appropriate time.

The Company is of the view that it has adequately addressed these areas of concern and will address the other items of concern raised by ASX (audited financial accounts of AHIC in accordance with International Financial Reporting Standards and concerns over the history of the Luapula Processing Facility) and for this reason it will continue to seek reinstatement of its securities to official quotation.

The Company will provide further updates on these matters shortly.

Please contact the undersigned if you require any further information in relation to this matter.

Mr Jason Brewer

Chairman

Winmar Resources Limited