

# Walkabout stands tall

Changes to Tanzania's Mining Act have failed to take the gloss off an impressive first half for graphite hopeful Walkabout Resources Ltd.

After teasing the market with the long-awaited release of a scoping study on its Lindi Jumbo project in January, Walkabout announced its arrival as a serious player in the graphite space with confirmation of a robust DFS a month later.

Walkabout has continued to build momentum in the graphite world, recently securing sales and purchase agreements for 75% of planned annual production and signing a landmark EPCM contract with a private mid-sized, China-based engineering group.

An environmental certificate was also awarded to the company before Tanzania's parliament stunned the global resources sector by passing three supplemental bills amending the Mining Act.

Walkabout executive chairman Trevor Benson said the company was conducting its business as per normal despite a cloud now hanging over future mining investment in Tanzania.

"We don't know how these changes are going to pan out, but we're not going to stop moving," Benson told **Paydirt**.

"The market is obviously nervous about the whole situation, but we're just working through our model and seeing how it will affect our overall returns. It's material, but we have a robust project that's very economic and we know the pricing mechanism in China for our product, so it's going to remain profitable."

In the week prior to the changes being implemented, Walkabout appeared on Cloud Nine after first announcing it had reached agreement with trading houses from China and Europe to sell at least 30,000 tpa of natural flake graphite products from Lindi Jumbo.

This was soon followed by confirmation Yantai Jinpeng Mining Machinery Co Ltd will engineer, manage and build the process plant and shared project infrastructure via a deferred payment option.

Walkabout's progress over the first half of 2017 has come as no surprise to company founder and executive director Allan Mulligan, the architect of a fast-



Allan Mulligan

many years. This industry is not new to them. It may be new to the rest of the world, but it's certainly not new to China."

Walkabout had flagged its intentions to avoid traditional banking methods to finance development of the project, with the company fast-tracking an application to access funds from the Chinese Government's \$US1 trillion Silk Road – One Belt, One Road initiative.

The company was expecting to receive initial approval for funding at the time of print, with final approval targeted by October.

"We were able to fast-track that application because of the interest from our EPCM contractor," Mulligan said.

"It's perfect for a project of our scale. It's a soft loan, it's low interest and repayable two or three years after the project has commenced. Importantly, we've come to an arrangement with the EPCM contractor for 20% of the design costs so they can start the engineering and planning process."

Walkabout's DFS found a 40,000 tpa operation could be developed for a low upfront capex of \$US38.7 million (plus a sustaining capex of \$US5.6 million), with on-mine cash costs of \$US292/t in concentrate.

Other key highlights from the DFS included a pre-tax NPV of \$US323 million, IRR of 97%, average annual free cash flow of \$US35.8 million, payback within 22 months and revenue of \$US1.26 billion, based on a 20-year mine life.

Benson visited China during the first half and left confident Walkabout's products will fill a key void in the growing expandable graphite market.

"Most people we spoke to indicated the growth rate was probably 20% per annum in the expandables," Benson said.

"Our products are recognised in China and there is actually a pricing mechanism for grades of product, which is something way beyond my expertise. It's actually a very open market."

– Michael Washbourne

tracked strategy to production at Lindi Jumbo.

"It comes back to the strategy and the things you put in place, those tactical moves, to make that all happen," Mulligan said.

"We've been very fortunate it has been the directors dealing directly with the decision makers on the other side of the operation and therefore we're able to make important decisions on the run and form relationships."

Negotiations for sales of the remaining 10,000 tpa of production from Lindi Jumbo are continuing after Walkabout signed heads of agreements with Jixi Puxiang New Material Co Ltd and Qingdao Adtech Technical Consulting and Engineering Co Ltd for the sale of 7,500 tpa and 10,000 tpa respectively. A MoU has also been signed for the sale of 12,500 tpa to a German-based trading house with access to European expandable markets.

The agreements were struck after Walkabout technical director Andrew Cunningham visited China and provided product samples to potential end-users, with test work at the state-owned BGRIMM laboratory in Beijing proving to be the major fillip for the deals which followed.

"They said it was undoubtedly the highest quality graphite they had ever tested in terms of grade," Benson said.

"We are dealing with people in China who have dealt in graphite for many,