



## ASX ANNOUNCEMENT

3<sup>rd</sup> December 2014

### Key Client Update

ADG Global Supply (ASX: ADQ) wishes to advise that one of its key clients, African Minerals Limited and associated companies (AML), has placed their Tonkolili mine operations on care and maintenance. An extract from AML's market release is included below.

As it stands, AML currently owes ADG Global Supply and companies within the ADG Group USD1.5m with USD1.2m beyond standard payment terms. ADG is currently in negotiations to resolve this overdue debt with AML.

African Minerals Limited is listed on AIM on the London stock exchange and has significant assets in West Africa.

Extract from African Minerals' most recent market announcement on 1<sup>st</sup> December 2014:

#### African Minerals Limited

("African Minerals", "AML", or "the Company")

#### Financing and Operations Update

African Minerals Limited, the developer, operator and 75% owner of the Tonkolili Iron Ore Project (the "Project") in Sierra Leone, today provides a financing and operations update.

#### Summary

Operations to be put on care and maintenance until such time as \$102m restricted cash is released and/or, AML secures additional short term funding.

Controlled shut down initiated at operations in Sierra Leone due to insufficient working capital, severely impacted by low iron ore prices, which has prevented implementation of cost reduction strategies.

The Company's ordinary shares will remain suspended while there remains a fundamental uncertainty in the financial position of the Company.

Q3 export sales of 4.4Mt (Q2 2014: 4.3Mt); average direct cash costs of \$36/t (Q2 2014: \$38/t) and all-in cash costs of \$45/t (Q2 2014: \$47/t).

Further to the announcement on 20 November 2014, the Company announces that the \$102m of restricted cash has yet to be released due to continued disagreements between AML and Shandong Iron and Steel Group ("SISG"). AML continues to use its best efforts to obtain SISG's authorisation to release these funds, however there remains no certainty of this, or of its timing.

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Sierra Leone

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As previously announced AML commenced a process to sell down a partial interest in its stake in the Tonkolili mine. AML is talking to several groups who have expressed strong interest, and discussions are being progressed as quickly as possible, though there is no certainty a transaction will be forthcoming.

In the absence of sufficient working capital AML has commenced a temporary controlled shut down of its operations in Sierra Leone. Without a significant injection of working capital, AML is unable to initiate the cost reduction strategies which would return the operations to cash flow positive status even at recent low iron ore prices.

The receipt of funds from shipments in recent weeks, including from SISG, provides the operating companies with sufficient funds to meet critical payments necessary to maintain the security, safety, and, to the extent necessary, evacuation of staff and contractors in Sierra Leone, and to maintain salary payments in the short term. This plan allows for the continued safeguarding of the Company's assets and will allow for a rapid ramp up and resumption of operations when a financial solution is achieved.

With all available funds being used for the security and safety of personnel and assets during this temporary shutdown, the Company's subsidiaries have not been able to make in full the repayment under the PXF Facility due at the end of November. The Company is in discussions with its Lenders about this and future obligations under the PXF Facility, however these discussions are only likely to progress successfully once AML and SISG as shareholders of the Project have agreed a financial solution.

Alan Watling, Chief Executive Officer of African Minerals, said:

"Initiating a temporary shutdown of operations towards care and maintenance in Sierra Leone, while extremely regrettable, is a necessity given the Company's financial status and uncertainty over the timing of the release of the restricted funds. While the operating performance of the Project has been impressive during 2014, with Q3 exports of 4.4Mt at an average direct cash cost of \$36/t, in spite of the wet season, the fall in iron ore prices and the operational challenges caused by the Ebola disease outbreak has meant the Project has continued to operate at a loss. While management is convinced Tonkolili remains a world class low operating cost asset, the absence of sufficient working capital has prevented the Company from implementing the cost cutting strategies required to return the Project back to a cash flow positive status even in the current depressed iron ore price environment.

Management is doing everything possible to procure the agreement of a funding solution between AML and SISG. The Company greatly appreciates the support shown by the Government of Sierra Leone, our local suppliers and communities, and all our contractors during what we hope is only a temporary suspension of operations."

Frank Timis, Executive Chairman of African Minerals, said:

"Following my visit to Sierra Leone last week I wish to thank the Government of Sierra Leone and all our local suppliers and communities in which we operate for their continued support and understanding of the situation. We are very grateful that the Government has pledged its assistance to help secure the safety and security of our people and assets in these difficult times. We have allocated all available funds to these critical activities and to keeping the operating assets in a condition that operations can be quickly restarted, which is of fundamental interest to all stakeholders. As part of this, local staff will continue to be employed on normal wages and will be allocated to care and maintenance activities."

Please see <http://www.londonstockexchange.com/exchange/news/market-news/market-news-detail/12168445.html> for full announcement details.



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**About ADG Global Supply** ADG Global Supply (ASX:ADQ) is an industrial products, global procurement and supply chain services company. Headquartered in Perth, Western Australia, ADG has a presence in South Africa, West Africa and the United Kingdom.

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