

ASX ANNOUNCEMENT

7 February 2023

Zambian High Court Orders Minister to Decide Appeal

Argonaut Resources NL (*Argonaut* or *the Company*) (ASX:ARE) announces that the Zambian High Court has ordered the Minister for Mines to decide an appeal by an Argonaut subsidiary, Mwombezhi Resources Ltd. The appeal is against the purported cancellation of the Lumwana West licence and the hasty and illegal re-grant to a newly registered company. The Minister must decide the appeal within 30 days.

This order comes two months after the same court suspended both the cancellation of the Lumwana West licence, and the grant of a new licence over the same area¹.

Legal action by Argonaut is aimed at the prompt reinstatement of the Lumwana West licence in North-western Zambia to the Company's 90% held subsidiary, Mwombezhi.

Highlights

- In January 2022, Mwombezhi filed an appeal to the Zambian Minister for Mines and Mineral Development, Hon. Paul Kabuswe MP, against the illegal grant of a new licence over the Lumwana West area.
- On 12 October 2022, Argonaut filed an application to the Zambian High Court for judicial review of the Minister's inordinate delay in deciding this appeal.
- The judicial review application sought orders to have the appeal decided promptly.
- On 6 February 2023, the High Court issued a writ of mandamus² compelling the Minister to decide the appeal within 30 days.
- Argonaut believes that maladministration and illegal actions on the part of the Ministry of Mines and Mineral Development have been demonstrated in its appeal submissions.

"The order made this week is a testimony to the independence of the Zambian courts and to the government's commitment to the separation of powers.

This order speaks to three of the central tenets of President Hakainde Hichilema's UPND government, specifically: the rule of law; anti-corruption; and Zambian prosperity via increased copper production.

Argonaut's licence difficulties have justifiably gained an international profile as a test case. The court's order provides the Minister and the broader UPND government with an excellent opportunity to demonstrate the attractiveness of Zambia as a foreign investment destination."

Lindsay Owler, Director and CEO.

¹ High Court order (stay of execution) dated 8 December 2022 and received by Argonaut on 14 December 2022.

² Mandamus is a judicial remedy in the form of an order from a court to any government, subordinate court, corporation, or public authority, to do some specific act which that body is obliged under law to do.

Implications

The mandamus order by the High Court is a judicial ruling against the Minister for Mines. The court was compelled to intervene to ensure that the Minister meets his obligations under the Zambian Mines and Minerals Act.

An order of this nature is rare and creates a spotlight of attention on the Minister's actions in deciding the Lumwana West appeal.

Argonaut will bring relevant criminal proceedings in the event the Minister ignores the court's order.

Considerations

Appeal documents filed by Mwombezhi include details of wrong-doings, maladministration and illegal actions, some of which are summarised below.

1. The Lumwana West licence involves an advanced project that benefited from over 10 years of significant investment by Argonaut. Such a project warrants the highest levels of diligence in considering matters of licence validity.
2. Argonaut was served a default notice after the statutory period for response had apparently lapsed.
3. A letter by Mwombezhi outlining the invalid service of the notice, the mistaken allegations of licence breaches, plus a request for an extension of time to respond went unanswered by the Ministry.
4. The author of the notice failed to search the government's records prior to alleging breaches. Breaches of licence conditions alleged in the notice were generic in nature and were not applicable to the Lumwana West licence.
5. Evidence of licence compliance provided by Mwombezhi was not considered by the Ministry.
6. An application by a third party for a new licence over the Lumwana West area was illegally registered by the Ministry whilst the original licence was in place.
7. This illegal licence application was by a newly registered company the without the requisite technical or financial capacity to advance a mining project.
8. The new licence received Ministerial endorsement within 48 hours.
9. When lawyers for Mwombezhi viewed the government's hardcopy file for the original licence, it was found to contain only the licence application. Some 15 quarterly technical reports, all expenditure reports, all payment receipts and all correspondence were missing, a situation that could only have occurred as a result of fraud or gross negligence on the part of the Ministry.

The Minister was engaged by Argonaut in writing, personally and via Ministerial staff throughout the appeal process.

Argonaut is aware³ that Ministerial officers duly investigated matters raised by the appeal between January and October 2022, and that recommendations were made to the Minister to cancel the new licence and reinstate the original licence to Mwombezhi.

Judicial Review

Argonaut's subsidiary, Mwombezhi, filed an application in the Zambian High Court for judicial review⁴ of the Minister's apparent inaction in deciding an appeal dated January 2022.

³ Via personal communications, not hardcopy documentation.

⁴ High Court for Zambia, Holden Registry, Lusaka, file number 2022/HP/1613.

The appeal of January 2022 is against the cancellation of large-scale exploration licence 22399-HQ-LEL, Lumwana West, and the hasty and illegal grant of a new licence over the same area.

The judicial review proceeded through the Zambian High Court, firstly via an order to extend the time available to Mwombezi to apply for judicial review and secondly by the grant of leave for judicial review.

The court has further ordered that the grant of leave for judicial review operates as a stay of execution of the decisions by the Zambian Government to both cancel 22399-HQ-LEL, Lumwana West, and grant a new licence over the same area to a different entity.

The stay suspends the purported cancellation of the Lumwana west licence. The stay is in operation until the determination of the judicial review or further order of the court.

The Attorney General's chambers submitted that it attempted to broker an out of court settlement with the Minister. These attempts did not result in a settlement. Argonaut notes that no filings were made in response to the judicial review application and that the Attorney General's chambers put the matter in the hands of the court, save for a reference to Zambian case law regarding unopposed applications.

Argonaut notes that it has sworn and filed a substantial affidavit in the judicial review proceedings that contains relevant contextual materials for the benefit of the court.

Stalled Feasibility Study

The court order comes as the Zambian government is working to restore investor confidence in the Zambian mining sector. It is also relevant that the UPND government aims to increase the country's annual copper production to 3 million tons within 10 years, an outcome that can only be achieved if several new copper mines are opened.

Argonaut's work on the Lumwana West project involved various studies which were aimed at demonstrating the commercial viability of copper-cobalt production from the Nyungu deposit.

Feasibility work by Argonaut included programs of metallurgical test work, process engineering studies, mineral resource drilling, resource estimation, and mining engineering studies.

This work was being undertaken earnestly and expediently by Argonaut in the spirit of and in full compliance with the Zambian Mining Act. It is exactly the type of work required of foreign investors if Zambia is to realise its goal of greatly increased copper production.

Argonaut is ready to continue a fast-tracked feasibility study in the event the Lumwana West licence is reinstated.

Authorised for release by the Board of Argonaut Resources NL.

Lindsay Owler

Director and CEO

ARGONAUT RESOURCES NL