



Chinalco Yunnan Copper Resources

action@proactiveinvestors.com.au
www.proactiveinvestors.com.au

Sep 8th 2015

Chinalco Yunnan Copper in DRC game changer with Yunnan Copper

Chinalco Yunnan Copper Resources (ASX:CYU) has taken a major step toward becoming a mid-tier mining group, teaming with major shareholder Yunnan Copper Industry (Group) Co Ltd to make acquisitions of copper mining projects in the Democratic Republic of Congo.

In fact, negotiations are advanced which could see CYU, as Yunnan Copper's lead company in the DRC announce a transaction with 4-6 weeks.

Interestingly, given China's Yunnan Copper Industry's (YCI) presence in the DRC is significant, CYU could be presented with a smaller scale processing and smelting operation that could generate cash flow generating returns for CYU.

It goes without saying that for a junior with a current market cap of circa \$7 million this is a step change and highly value accretive development.

YCI is the 63% shareholder of CYU and is one of China's largest producers of refined copper metal. YCI is a wholly owned subsidiary of Yunnan Copper Industry (Group) Co Ltd, which is the third largest producers of refined copper product in China.

Negotiations are advanced as CYU has advised that discussions on these opportunities are taking place and that it intends to bring about agreed transaction terms in the coming weeks.

It is believed the opportunity will centre on copper processing facilities in the DRC's Katanga Region and CYU will lead these negotiations.

The Katanga Region in south-eastern DRC is the host of some of the highest quality copper reserves globally, with large mining companies, such as Freeport McMoran and Glencore already conducting operations in the DRC.

It is home to Freeport McMoran's Tenke-Fungurume mine, Glencore's Katanga Mining and Mutanda Mining and China Nonferrous Metal Mining's Likasi and Mabende leaching facilities - to name a few.

The DRC is the fifth largest copper metal producer in the world larger than Australia and Zambia with over 1 million tonnes of copper metal produced in 2014.

All of which lifts the stakes for CYU from its promising exploration operation in Mount Isa in Queensland to that of a potential near term copper producer/operator.

YCI is known to have dedicated significant time and resources to assessing opportunities in the DRC over the past 5 years.

YCI in advanced negotiations

Negotiations are well advanced with YCI in the preparation of a feasibility study for the construction and operation of a 10,000tpa SX-EW (solvent extraction electro winning) copper cathode production facility in the Katanga Region.

This is designed to process certain copper ores that are currently being stockpiled.

Price: A\$0.015

Market Cap: A\$7.095M

1 Year Share Price Graph



Share Information

Code: CYU

Listing: ASX

Sector: General Mining

Website: www.cycal.com.au

Company Synopsis:

Chinalco Yunnan Copper Resources (ASX:CYU) is a resource exploration and development company with project interests in the Mount Isa region of north Queensland.

Author:

Proactive Investors +61 2 9299 5001

action@proactiveinvestors.com.au



The feasibility study is based on similar facilities that have previously been established in the DRC and the feasibility study process will be finalised over the coming 2-3 months, with copper ore supply agreements intended to be negotiated and concluded in the meantime.

CYU would participate in these opportunities with a view to CYU undertaking the negotiations and obtaining the necessary approvals associated with these proposed activities.

Even better, YCI will not charge CYU any fee for the provision of these opportunities, with the intention that it benefits CYU shareholders of which YCI is a large one.

Subject to binding agreements being reached on terms which are acceptable to the CYU Board (independently of YCI), CYU intends to implement these transactions as soon as is practically possible.

DRC Transaction Timeline

Due diligence and negotiations are continuing and CYU hopes to announce agreed transaction terms within a 4-6 week period.

Full details of those approvals will be included in the CYU announcements, but it can be anticipated there will be a period of 8-10 weeks within which to complete those approvals.

Yunnan Copper involvement in Africa

YCI already holds a significant joint venture interest in the successful copper smelter at Chambesi, in nearby Zambia and is clearly familiar with operating conditions in this region of Africa.

Having now established a bullish view of the long-term viability of copper opportunities in the DRC, YCI (at no cost to CYU) has invited CYU to enter the negotiations for these opportunities and, if binding agreements are achieved, seek to commence operations over the next few months.

Nearly 3% of the world's estimated copper reserves are situated in the Katanga Region in the south-eastern corner of the DRC.

Estimated DRC production for 2015 is in the order of 1.5 million tonnes.

CYU Managing Director, Paul Williams said: "While CYU may have itself identified the significant potential that appears to exist in the DRC, we simply did not have the resources in terms of personnel, financial and general local/logistical knowhow to pursue them in a meaningful way.

"This will put CYU among some very large mining companies in a highly prospective region for future copper production. It is the intention of the CYU Board to take full advantage of this opportunity for the benefit of all its shareholders.

"I look forward to bringing news of completed negotiations over the coming weeks."

Analysis

China Yunnan Copper has set sail for Africa leveraging the size and scale of parent company Yunnan Copper Industry and the advanced level of its project acquisition opportunities to significant effect.

With further news of negotiations over coming weeks, CYU has been delivered a company transforming opportunity to potentially gain a cash flow generating asset, at no apparent up front cost to CYU.

For a company with a market cap of circa \$7 million this is gold.



Proactive Investors Australia is the market leader in producing news, articles and research reports on ASX emerging companies with distribution in Australia, UK, North America and Hong Kong / China.

You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made.

However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The contributors make every effort to ensure that the information and material contained in this report is accurate and correct and has been obtained from reliable sources. However, no representation is made about the accuracy or completeness of the information and material and it should not be relied upon as a substitute for the exercise of independent judgment. Proactive Investors does not accept any liability, including negligence, for any loss or damage arising from the use of, or reliance on, the material contained in this report. There are general risks associated with any investment in securities. Investors should be aware that these risks might result in loss of income and capital invested.

WARNING: No recipients should rely on any recommendation (whether express or implied) contained in this document without obtaining specific advice from their advisers. All investors should therefore consider the appropriateness, in light of their own objectives, financial situation and/or needs, before acting on the advice.

DISCLOSURE: The Company, its directors, associates, employees or representatives may not effect a transaction upon its or their own account in the investments referred to in this report or any related investment until the expiry of 24 hours after the report has been published.