



# Chinalco Yunnan Copper Resources

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## 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.*

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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.



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