

Dealing Desk Note

DRC Copper Project with Significant Cobalt Upside

- Nzuri Copper Limited (NZC) is focussed on developing Stage 1 of its 85% owned Kalongwe copper-cobalt project located in the Democratic Republic of Congo (DRC). The Company recently released a feasibility study on the project which demonstrated a robust and relatively low-cost copper-cobalt project. In Stage 1, oxide material will be mined and then upgraded using a simple crush and Dense Media Separation (DMS) plant before the concentrate is expected to be sent to a nearby SX/EW plant for further refining and processing. There are significant opportunities to improve the project economics and increase mine-life through a Stage 2 expansion and the processing of a high grade cobalt stockpile (1Mt at 0.64% Co) located at site. In addition, the project has world class potential and is located 15km from Ivanhoe's giant Kakula-Kamoa copper deposit which has a resource of >1bt of +2.5% Cu.**
- Located in World Class Copper District:** NZC's Kalongwe copper-cobalt project is located in the Central African Copper Belt which has a total endowment of >160Mt of Cu. Globally, the region produces c.50% of the world's cobalt and 10% of global copper supply. The region is the world's largest sediment hosted copper province and generally deposits are relatively higher grade (2.5-5% Cu). The district is vastly under-explored.
- Kalongwe Stage 1 Feasibility:** The Kalongwe Stage 1 Feasibility outlines a robust, low cost copper project. The project has an Ore Reserve of 6.98Mt at 3.03% Cu, 0.37% Co for 211,494t Cu and 25,826t Co. The project is fully permitted with a 12-month timeframe to production from financing. The deposit is to be exploited using open-pit methods and has a 7-year mine life producing on average 19.3ktpa Cu, 1.5ktpa Co at a cash cost of US\$1.35/lb. Upfront capital is estimated at US\$53.12m with a 21-month payback. An NPV (10%) was determined at US\$116m and 71% IRR (pre-tax) based on the following prices: \$3/lb Cu, \$18.14/lb Co. The project is fully permitted with a 12-month timeline to production.
- Potential Upside:** Within the Stage 1 feasibility study there is potential for costs savings. For example, the feasibility assumes that material is trucked to Lubumbashi, however, there are two new SX-EW-cobalt extraction plants in the Kolwezi region which could take the concentrate. This could potentially reduce C1 costs by c.US\$0.30/lb. There is potential upside from a larger Resource/Reserve based on 334km² exploration tenements being actively explored contiguous with the Kalongwe mine lease, the connection of the DMS plant to grid power and tank leaching of the cobalt only ore.
- Significant Cobalt Opportunity (Stage 2):** We see significant opportunities in Stage 2. NZC are investigating the viability of processing the on-site cobalt-only stockpile which has a \$0.4bn contained metal value. In order to achieve this NZC would likely have to establish an on-site SX-EW plant. The advantage here is that it can achieve higher cobalt recoveries and payability when compared to processing at an off-site SX-EW processing facility or a smelter (where there is no payment for cobalt).
- Funding the Key:** The Company is focussed on progressing off-take and funding negotiations hence optimising the transport and advancing the project towards development. Importantly, the Company has a strong share registry including Private Equity (PE) group Tembo Capital as a cornerstone that could assist in funding part of the low-capital project. The Company is also in negotiations to secure offtake arrangements.
- Catalysts:** 1) Offtake or Funding Agreement 2) Exploration Success 3) First Production

13 November 2017

Price	A\$	0.21
ASX		NZC.ASX
Shares o/s	m	230.3
Free Float	%	31.7
Market Cap.	A\$m	48.4
Net Cash	A\$m	1.98
Net Debt/Equity	%	NA
3mth Av. D. T'over	A\$m	0.04
52wk High/Low	A\$	0.42/0.16

DIRECTORS & MANAGEMENT

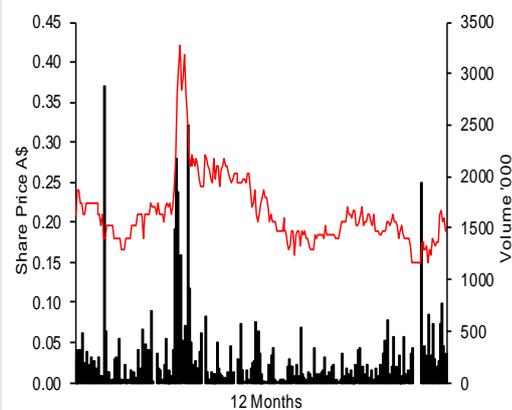
Name	Role
Dr Peter Ruxton	Non-Executive Chairman
Mark Arnesen	CEO & Executive Director
Adam Smits	COO & Executive Director

TOP SHAREHOLDERS

Name	Shares	%
Tembo Capital	132.1	57.4
Traxys	14.0	6.1
GICC	11.1	4.8

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12 Month Share Price Performance

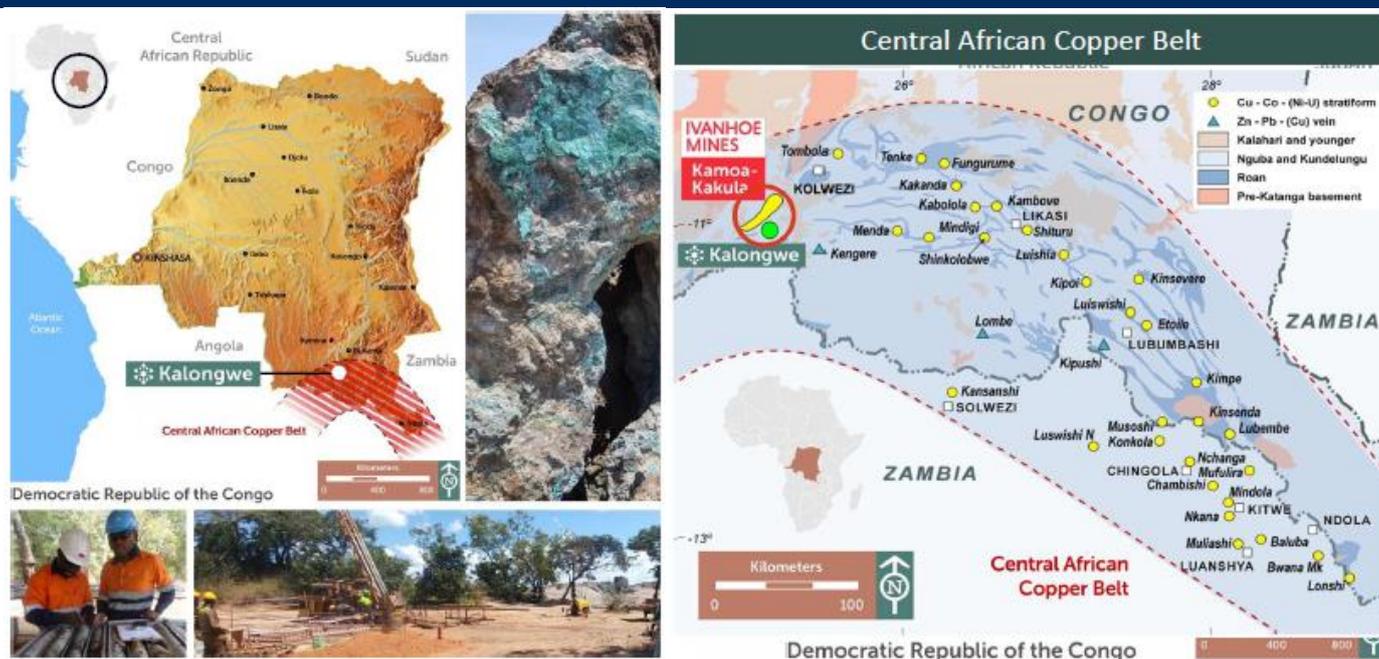


Performance %	1mth	3mth	12mth
Absolute	40	-2	0
Rel. S&P/ASX 300	32	-14	-25

KALONGWE COPPER-COBALT PROJECT

The Kalongwe Copper Cobalt Project is owned by Kalongwe Mining SA (KMSA) under a joint venture agreement between Nzuri Copper Limited (NZC) (85%), La Generale Industrielle et Commerciale au Congo (GICC) (10%) and the Democratic Republic of the Congo Government (5%). GICC is a Congolese company which is 90%-owned by Theo Mahuku, a respected Congolese businessman who works with multiple listed companies. KMSA holds the Exploitation Permit required to mine and process the Kalongwe ore and to sell concentrate product. NZC, has successfully completed a feasibility study confirming the technical and financial viability of the Project. The Kalongwe deposit is situated within an Exploitation Permit which covers an area of c.8km² and includes the entire area proposed for mining and Project infrastructure. This permit allows for mining and processing on site and for the transport and sale of copper / cobalt concentrate product. In March 2015, KMSA filed an application for the conversion of the Exploration Permit to an Exploitation Permit based on a technical study and an approved environmental/social assessment (EIE). Ministerial approval was received in October 2015 with an initial term of 30 years and renewal periods of 15 years.

Figure 1 – Location of the Kalongwe Copper-Cobalt Project (left); Central African Copper Belt (right)



Source: Nzuri Copper Limited

Stage 1 Feasibility Study

The Feasibility Study was completed to +/-15% accuracy and confirmed the technical and financial viability of an open pit mining operation utilising an on-site 1Mtpa Dense Media Separation (DMS) processing plant to produce two high-quality dry saleable concentrate products suitable as a feedstock for off-site SX-EW processing.

The project has a maiden Ore Reserve estimate for Kalongwe of 6.98Mt at 3.03% Cu and 0.36% cobalt for 211,494t of contained copper and 25,128t of contained cobalt. All production targets and forecast financial information in this announcement are underpinned 100% by Ore Reserves.

The Project is forecast to produce 143,000tpa of DMS & Spiral concentrate products, equivalent to annual average metal production of 19,360t of copper and 1,507t of cobalt. C1 operating costs are forecast at US\$1.35/lb of payable copper production, including by-product credits.

Key financial highlights include a relatively low capital cost outlay of US\$53.12m, a rapid project construction timeline of just 12 months and attractive economics and financial returns including a pre-tax NPV (10%) of US\$116m, a post-tax NPV10% of US\$82m and a pre-tax/post-tax Internal Rate of Return of 71% / 55%.

In Stage 2, the Company is looking at the potential to process an on-site cobalt-only stockpile. In order to achieve this, it will likely need to build its own SX/EW plant inclusive of a Cobalt circuit.



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