

NZURI COPPER LIMITED

Equity Research

27th February 2018

SPECULATIVE BUY

Bid Price **\$0.37**

Share Price (pre-bid) **\$0.26**

52-Week Range	\$0.15 - \$0.415
Market Capitalisation	\$76.9m
Shares Outstanding	295.9m
NZCAA Options (90¢, 6 July 2021)	2.0m
Other Options (20¢ to 34¢, Sep-26-> Jul-28)	10.3m
Cash (31 st Dec 2018)	\$2.5m
Enterprise Value	\$74.5m
Director/Major Shareholders:	
Tembo Capital	48.5%
Huayou Cobalt	14.7%
GICC	3.8%
Afrimines	3.3%
Traxys	3.0%
Board & Management	1.9%
Free Float	22.5%



Nzuri Copper Limited is an exploration and development company focused on the identification, acquisition, development and operation of high grade copper and cobalt projects in the Katangan Copperbelt of the Democratic Republic of the Congo.

Research Analyst: J-François Bertincourt

Flash Note: \$0.37 Cash Offer from Chengtun Mining Group Co. Ltd

Nzuri Copper Ltd announced today it has received from Chengtun Mining Group Co. Ltd (a Chinese metals mining, trading and industrial group) a cash offer to buy all shares of the company at a price of A\$0.37 per share valuing the company at A\$109.5m.

Chengtun is a major player in the Kolwezi region of the DRC, having recently completed a major new US\$150 million SX-EW processing facility with a cobalt hydroxide circuit, which will have many synergies with Nzuri's flagship Kalongwe Copper-Cobalt Project.

The offer price represents the following premium:

- A 42% premium to the closing price of Nzuri shares on 26 Feb 2019;
- A 93% premium to the 30-day VWAP of Nzuri shares; and
- A 64% premium to the 3-month VWAP of Nzuri shares.

The bid price of A\$0.37 fits above the valuations of A\$0.30 and A\$0.35 for the Kalongwe Stage 1 (85% interest) derived respectively from the base case and NZC scenarios envisaged in our research report published 30th July 2018, but below the A\$0.50 price target set for NZC as a whole (Stage 1 + Stage 2 + Exploration Upside and inclusive of assumed capital raising for project development).

Kalongwe Stage 1 project returns using different metal prices scenarios

Scenario	GTW	Base	NZC	Current Prices
Initial Capex	\$52.5m	\$52.5m	\$52.5m	\$52.5m
Copper Price	\$2->3/lb	\$3.0/lb	\$3.0/lb	\$2.93/lb
Copper Price		\$6,614/t	\$6,614/t	\$6,460/t
Cobalt Price	\$15->23	\$23.3/lb	\$36.9/lb	\$15/lb
Cobalt Price		\$51,345/t	\$81,417/t	\$33,000/t
NPV (post tax)	\$75m	\$116m	\$133m	\$100m
IRR (post tax)	40%	69%	77%	60%
NPV (post tax)	A\$100m	A\$155m	A\$177m	A\$139m
Initial Capex	A\$71m	A\$71m	A\$71m	A\$71m
Stage 1 Value /sh post financing	A\$0.23	A\$0.35	A\$0.41	A\$0.32
85% interest	A\$0.19	A\$0.30	A\$0.35	A\$0.27
Bid Price	A\$0.37	A\$0.37	A\$0.37	A\$0.37
Premium/ (Discount)	90%	23%	7%	36%

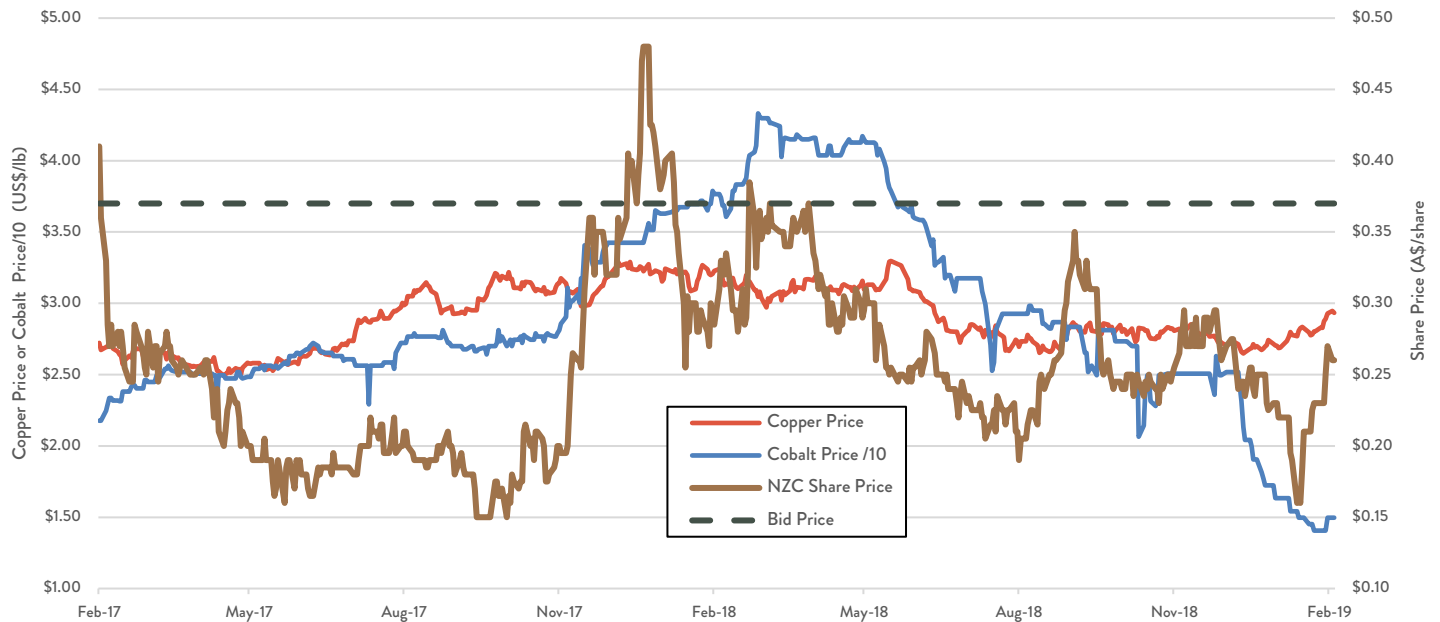
Source: Terra Studio, in US\$ unless otherwise stated. GTW = Global Trade War
GTW scenario: copper \$2/lb during 2019-22, then \$3/lb; cobalt \$15/lb for 2019-22, then \$23/lb
The financing assumed at the time was composed of \$35m debt and \$35m equity raised at \$0.25

At yesterday's close price [\$0.26/share], NZC was basically trading at the NPV value [0.27/share] of the Stage 1 project post assumed financing and based on current metal prices, i.e. no market value for Stage 2 and exploration upside.

The bid price represents a premium of 36% above the NPV value of the Kalongwe Stage 1 project based on the yesterday's copper and cobalt metal prices.

The following chart places the bid price in context of the NZC share price performance and historical copper and cobalt prices over the last two years. Note that the cobalt prices have been divided by 10.

NZC Share Price Performance vs Copper and Cobalt Metal Prices



Source: Terra Studio

Analyst
Jean-François Bertincourt
Director

Terra Studio Pty Ltd for Hunter Capital Advisors

Sydney, NSW 2000
Tel +61 406 998 779
jf@terrastudio.biz

Contact
Stephen Silver
Managing Director

Hunter Capital Advisors, Sydney

Level 10, 23-25 Hunter Street
Sydney, NSW 2000
Tel: +61 2 8379 2958
www.huntercap.com.au

IMPORTANT DISCLOSURES

Disclosure of Economic Interests

The views expressed in this research report accurately reflect the personal views of Jean-François Bertincourt about the subject issuer and its securities. No part of the analyst's compensation was, is or will be directly or indirectly related to any recommendation or view expressed in this report.

The following person(s) do not hold an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence this report:

- the author of this report; or
- a member of the immediate family of the author of this report.

Disclaimer

Hunter Capital Advisors Pty Ltd ACN 603 930 418 ("Hunter Capital" or "Hunter") is a Corporate Authorised Representative of Fiducia Asset Management Pty Ltd ACN 146 025 498 holder of an Australian Financial Services Licence (AFSL No. 387963).

The information contained in this report is provided by Hunter Capital to Wholesale Investors only. Retail investors and third party recipients should not rely, directly or indirectly, on this report. Users of this research report should not act on any content or recommendation without first seeking professional advice. Whilst the report has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Hunter Capital, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. This report is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

This publication contains general securities advice. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user. Access of this report does not create a client relationship between Hunter Capital and the user. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice in this publication is appropriate in light of your particular investment needs, objectives and financial situation. Hunter and its associates within the meaning of the Corporations Act may hold securities in the companies referred to in this publication. Hunter believes that the advice and information herein is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by Hunter or any of its directors, employees or agents. Any content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Hunter Capital.

Disclosure of Corporate Involvement

Hunter Capital has in the previous 12 months carried out work on behalf of the Company described in this report and has received fees on commercial terms for its services from the Company described in this report.

Hunter Capital and/or their associates may own securities of the Company described in this report. Hunter Capital does and seeks to do business with companies covered in the research. Hunter may receive commissions from dealing in securities. As a result, investors should be aware that Hunter Capital may have a conflict of interest that could affect the objectivity of this report.