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MINING INDABA: Shalina expects to sign more offtakes for DRC copper - Ansel

February 12, 2015 - 16:37 GMT **Location:** Cape Town

Shalina Resources is likely to sign more copper cathode offtake deals for its operations in the Democratic Republic of Congo (DRC), the company's cfo Sebastien Ansel told Metal Bulletin on the sidelines of Mining Indaba in Cape Town.

Metal Bulletin previously reported that the company, which owns Chemicals of Africa (Chemaf), had raised \$110 million to fund expansion of its Etoile project.

It secured \$90 million from FNB Bank (UK) Ltd, part of the First National Bank of Nigeria, and \$20 million from Noble Resources against an offtake. The deal was signed in December 2014.

Shalina produces 20,000 tpy of copper cathode and 2,000 tpy of cobalt contained in hydroxide at Usoke, the existing plant at the Etoile copper-cobalt mine.

The existing copper cathode production is marketed by Trafigura and the cobalt is sold directly to consumers by Shalina.

"We are now building a new processing plant at Etoile which will essentially process all the tailings and produce an additional 20,000 tpy of copper and an additional 3,000 tpy of cobalt," Ansel said.

"Noble Resources Ltd will market the copper cathode from the new Etoile plant," he added.

"Trafigura still has a copper cathode offtake from the current leach SXEW [solvent extraction and electro-winning] plant at Usoke but for a limited tonnage. We will be in a position to offer the market a new copper cathode offtake from the existing leach SXEW plant once the committed tonnage has been fully delivered," he said.

The company expects to start producing from the new plant in June-July 2016.

It is likely that the offtake with Trafigura for the existing material will be complete before the new plant starts, Ansel said.

The company could repeat the structure of the December deal to finance another project.

"Once we are ready to proceed with a further planned project at Etoile, we will be seeking further financing. We are working on a new copper-cobalt project in Kolwezi and we will need to raise additional financing for this. We have three mines in the Kolwezi area where we've defined a copper-cobalt resource. We aim to finalise the technical studies of the processing plant which we plan to build," he said.

"It is likely we will repeat the same structure of a bank providing the bulk of financing and an offtaker also providing a contribution alongside a copper cathode offtake contract," he added.

If Shalina were to sign a cobalt offtake, it would be with a consumer rather than a trading house, according to Ansel.

"Historically, we've sold copper cathodes to international traders but sold our own cobalt, as we believe we are better placed to do this. We sell an intermediate product and it makes sense to be close to consumers. We tend to be pragmatic and we can be flexible in our approach but we are unlikely to do a cobalt offtake with a trading firm. If we did an offtake then the preferred option would be with a consumer, which is something we could potentially look at," he said.

Noble was selected from six international trading firms competing for the offtake that was signed in December.

"This facility was arranged by the FBN Bank (UK) Ltd, the UK subsidiary of First Bank of Nigeria Ltd. The bank put in \$90 million and worked with us to secure a further \$20 million from a trader against an offtake contract. Six international trading firms came forward for the offtake and we selected the one that offered the best value, which was Noble Resources Ltd," Ansel said.

The deal is a milestone for all the companies involved, for different reasons.

"We are excited. We have had a very good experience of dealing with the FBN Bank (UK) Ltd, which delivered the transaction within the required timeframe. We are also very happy with Noble Resources Ltd," Ansel said.

"This is a very significant transaction in African mining. It's significant for us because we will be able to build our next project; for FBN Bank (UK) Ltd it is significant because they have been looking for a significant DRC transaction, this will be flagship deal and they will be able to leverage further business on that," he added.

"Also for Noble, it is important for its growth in Africa. First Bank of Nigeria Ltd has been in existence since 1894 and it has only in the last four years expanded outside of Nigeria apart from its UK presence – it is of note that its first African acquisition was in the DRC so this makes our partnership especially relevant," he said.

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