

RMB invests in Zambian copper mines

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Zambia is expected to produce more than one-million tonnes of copper this year, which bodes well for the economy, considering the mineral comprises around 60% of the country's total exports.



The outlook for copper has not always been so positive with the sector experiencing prices as low as \$2/lb in 2016, compared to a peak spot price of \$3.30/lb in 2018 so far. The copper price rose by 30% in 2017, however, the price has softened somewhat of late alongside a strengthening US dollar.

The longer-term outlook is buoyed by lower mining costs, and global undersupply caused to a large extent by demand from China's power and infrastructure sectors and increasingly by rising electric vehicle production globally. The engine used in conventional cars usually contains about 20kg of copper while engines in an electric car contain copper weighing about 80kg. Some forecasts expect refined copper to register a deficit of 251,000 tonnes in 2018 and remain undersupplied until 2023.

Debt funding

Rand Merchant Bank (RMB) identified an opportunity to offer Canadian mining company, First Quantum Minerals (FQM) debt funding by co-arranging a \$400m term facility for its subsidiary Kalumbila Minerals. RMB participated for \$100m in the facility which is repayable over three years, with the option to extend for another two years.

The facility, finalised at the beginning of this year, was structured to fit within the group's corporate capital structure which includes \$6bn of bonds with various maturities and was tailored to dovetail with the FQM corporate facility provided in 2017. The facility provides the group with additional cash as it grows its business further, taking into consideration the positive long-term growth outlook for the copper market.

FQM operates two copper mines in Zambia, Kansanshi and Sentinel, with Kansanshi being the largest copper mine in Africa with production of around 240 000 tonnes/year. However, Sentinel, which was developed by Kalumbila Minerals, is expected to ramp up its production to 255,000 tonnes/year by 2020, overtaking Kansanshi as Africa's largest copper mine. FQM's \$2.1bn investment in developing the Sentinel mine is the second largest foreign investment in Zambia to date.

Sentinel, located in the north-west region of Zambia, utilises the world's largest excavators, haul trucks and mills to economically mine the relatively low-grade copper resource in the Kalumbila region. The mine development also entails the development of a purpose-built town of Kalumbila, which was planned and funded by FQM. Kalumbila is not a typical mining town as it is designed to outlast the mine with sophisticated infrastructure and incentives to attract other businesses to the region. So, while the mine may produce copper for 20-plus years, the town is designed to continue for far longer.

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