

## **Kincora Copper well-positioned, as interest in Mongolia reawakens Share**

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*Oyu Tolgoi has sparked renewed interest in Mongolia's copper assets*

Copper porphyries like Oyu Tolgoi tend to occur in clusters focused on key geological structures within established belts.

One of the rub-offs Rio Tinto's (LON:RIO) planned expansion of the giant Oyu Tolgoi copper mine in Mongolia was a short run on the shares of Kincora Copper Ltd (CVE:KCC).

Kincora holds large tracts of land not far away from where Rio's operations are now moving up a gear.

And the thinking is that copper porphyries like Oyu Tolgoi tend to occur in clusters focused on key geological structures within established belts.

This is true in the Southwest Pacific, Arizona and the wider south-western United States and the Andes, particularly in Northern Chile.

That's where the world's largest mine is located and the progressive discovery of copper porphyries was central in transforming the country's economy from the 1970s onwards.

Within a comparable scale landmass, and similar important arc-parallel/transverse geological structures to Northern Chile, the expectation is that the same could now happen in the South Gobi region of Mongolia.

Oyu Tolgoi will be the world's third largest copper project when the underground expansion does come on stream.

It won't necessarily be a smooth ride though.

After the initial boost from phase one production at Rio Tinto, the Mongolian government then got into a spat with its key inward investor.

Cue one or two other arguments, including one involving Kincora as part of a dispute regarding 106 exploration licenses. The Kincora dispute, which was over title to the Tourmaline Hills license, finally got resolved last year.

And, more significantly for the overall investment climate, Rio Tinto's decision to go ahead with the US\$7.2bn further development of Oyu Tolgoi represents a clear statement that its argument with the government is over too.

So what does this all mean for Kincora?

“Hopefully,” says chief executive Sam Spring, “it will focus a few people back into the space.”

Over the past few years, like many other companies, Kincora has suffered the slings and arrows of outrageous markets.

There was the evaporation of sentiment towards mining.

There was the increased perception of political risk in Mongolia. And then latterly, there was the decline in the copper price.

“When we drilled one hole in 2012, which had over 1,000 metres of over 0.4% copper equivalent, we had 13 confidentiality agreements signed and resulted in a period we provided one group exclusivity,” says Spring.

“However, various Mongolia specific factors impeded new groups getting involved then, including our Tourmaline Hills license being revoked, the dispute over OT, and no new exploration licenses getting issued. These country specific factors have since been addressed only to be overshadowed by the global commodities cycle”.

And the broader interest may not now be long in coming back with these positive developments noted. Rio has lit a fire once again under the Mongolian mining space, and other companies have not been slow to respond.

There was the 100% upward movement in Kincora’s price across late April/early May, now up 25% year to date.

Erdene (TSE:ERD) has doubled over the past two weeks and is over 200% higher year to date. Xanadu Mines (ASX:XAM) has also doubled from the middle of April, benefiting from some positive exploration results.

Speculation is also rife that Oyu Tolgoi’s immediate neighbour and joint venture partner Entrée Gold will be taken out some time soon, maybe also within a larger deal for Turquoise Hill Resources.

Talk at a recent Bank of America-hosted conference in Miami was speculation of “when” not “if”.

All of which adds up for a favourable environment in which Kincora’s operations could garner significant interest.

So is there news in the offing?

On that score, Spring will not be drawn in any depth as he is getting his “ducks in a row” with the field season also now opening up in Mongolia and further plans expected to soon be presented.

But asked if he thinks that the new momentum at Oyu Tolgoi will stimulate further deals in the mining sector, his answer is an unequivocal “yes”.

The amount of M&A that has been taking place in the wider copper space driven by a favourable outlook for pricing and lack of good new projects will drive this.

And in its last official communication to market, Kincora stated that it is “actively pursuing a number of more advanced opportunities that would not otherwise be available at other points of the commodity cycle.”

A strong and supportive shareholder base does at least mean that Spring has reasonable room for manoeuvre when it comes to deciding on deals or the resumption of more intensive exploration work on the ground.

“The good thing is that the rocks haven’t changed in Mongolia,” he says. “It’s probably the right time to grow again as an industry.

“And for the exploration targets we’re looking at here, spot commodity prices look good. If you have success it’ll get rewarded as the recent performance of Erdene and Xanadu illustrate with C\$55mln and A\$100mln market caps respectively.”

Alastair Ford

<http://www.proactiveinvestors.co.uk/companies/news/125912/kincora-copper-well-positioned-as-interest-in-mongolia-reawakens-125912.html>