THE AUSTRALIAN

Tim Boreham
The New Criterion

THE AUSTRALIAN | DECEMBER 3, 2019

Dr Copper ready to see you now: demand for red metal tipped to rise

TIM BOREHAM

The bellwether of global economic activity, "Dr Copper" has pretty much marked time over the last 12 months price-wise, a fair reflection of the sluggish conditions.

The longer-term copper price graph also shows that at around $US5850 a tonne, the red metal is trading at middling levels: the spot price peaked at $US9530 a tonne in January 2011, having been as low as $US1380 a tonne in March 1999.

The spot price has changed little over the past 12 months.

But many pundits are tipping that copper won't maintain its "Mr In Between" status for too much longer.

On the supply side, there are few new mega-projects scheduled to come on stream and new deposits simply are becoming harder to find.

"They are not sticking out of the ground like they used to," says Magmatic Resources CEO David Richardson.

With mines including the BHP and Rio Tinto-owned Escondida, Chile produces 25 per cent of the world's copper.

Australia accounts for a further 13 per cent, the key deposits being BHP's Olympic Dam and Glencore's Mount Isa assets.

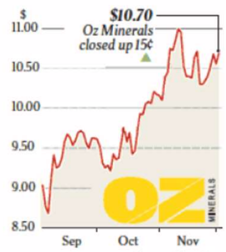
The biggest pure play ASX listed producer, **OZ Minerals (OZL, $10.57)** owns the ageing Prominent Hill operation, but dwindling output is being supplemented by its new, 5.2 million tonne Carrapateena start-up mine in South Australia.

Chilean miners are facing problems with water access and labour unrest, while in Ecuador political and social upheavals could derail the development of Solgold's Cascabel, one of the biggest copper-gold deposits ever found.

Even further afield, Rio's troubled Oyu Tolgoi project in Mongolia's Gobi Desert faces a $2.7bn cost blowout and looks like being delayed for up to 2½ years.

But on the demand side, the ductile metal is just as integral to the renewables transition as lithium or graphite.

Commodity research house CRU Group forecasts a supply gap of 8 million tonnes by 2030 — and that's in the context of the world producing about 20 million tonnes currently.



Source: Bloomberg

Virgo Resources CEO Quinton Hills describes copper as being in the "stasis zone" when little exploration takes place.

But at the same time, the copper supply-demand gap means the equivalent of two Olympic Dams are required every year.

"A lot of older mines are getting too deep and getting to the end of their lives," Hills says.

The Perth-based **Virgo (proposed ASX code VIR)** is relying on these dynamics as it tries to get its modest IPO away before the yuletide madness descends.

Virgo's focus is on its copper-ground tenements in the "safe and friendly" mining jurisdictions of Botswana and Namibia.

The company's lead project, its 70 per cent-owned Hope copper-gold ground in southern Namibia, has an official (JORC) resource of 10.2 million tonnes, grading an average 1.9 per cent copper with a bonus 0.3 per cent gold (copper equivalent of 2.2 per cent).

Permits are in place to start drilling immediately after listing.

The ASX-listed **Sandfire Resources (SFR, $5.57)** owns the Botswana Copper Project, by way of its $167m takeover of MOD Resources. The AIM-listed Metal Tiger has also unearthed a new discovery "on strike and adjacent to" Virgo's ground.

Virgo is seeking to raise a modest $5.5m at 20c apiece, with a view to listing on December 20. The raising would imbue the company with an overall tight market cap of $10.5m.

If anything, Virgo is a play on the pedigree of management.

Virgo plans aeromagnetic surveys of both the Namibian and Botswanan turf to get a bird's eye view of the prospectivity.

"If a similar (volcanogenic massive sulphide) deposit was in Australia or Sweden it would have been surveyed five to 10 years ago," Hills says. He adds that exploration is "hard and risky", but we all know that don't we?