

**COMMODITIES / SHARES**

November 21, 2019

## Is Copper Due For A Run?

By Tim Boreham



**The bellwether of global economic activity, 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 \$US5770 (\$8500) a tonne, the red metal is trading at middling levels: the spot price peaked at \$US9530/t in January 2011, having been as low as \$US1380/t in March 1999.

The spot price has declined around one percent over the last 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.

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

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

The biggest pure-play ASX listed pure-play producer, **OZ Minerals (OZL, \$10.71)** owns the ageing Prominent Hill operation, but dwindling output is being supplemented by its new, 5.2 million tonne Carrapateena start-up mine in SA.

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 \$2.7 billion cost blow out and looks like being delayed for up to two and a half years.

But on the demand side, the ductile metal is just as integral to the renewables transition as lithium or graphite. A dinosaur petrol vehicle needs between nine and 22 kilograms of copper, but an electric car needs as much as 80kg.

If electric vehicles don't whirr into the mainstream as expected, there's always the continuing urbanisation in China and India and the concomitant demand for copper in power cables and appliances.

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

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 getting too deep and are getting to the end of their lives," he says.

The **Perth based Virgo (proposed ASX code VIR)** is relying on these dynamics as it tries to get its modest million IPO away before the yuletide madness descends. Bigger IPOs, notably that of Latitude Financial, have been pulled because of nervous investor sentiment.

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 percent owned Hope copper-gold ground in southern Namibia has an official (JORC) resource of 10.2 million tonnes, grading an average 1.9 percent copper with a bonus 0.3 percent gold (copper equivalent of 2.2 percent).

Permits are in place to start drilling immediately after listing.

Virgo also has 15,000 square kilometres of tenements in the Kalahari copper belt in Botswana and there's a bit of 'nearism' to this one. That's because Cupric Canyon recently finalised a \$650m funding package for its nearby Khoemacau copper-silver mine, which is a 92 million tonne resource grading 2.1 percent copper.

The ASX-listed **Sandfire Resources (SFR, \$5.61)** 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 chairman Ian Murray is the former head of Gold Road, which has started production of the lustrous metal at its Gruyere mine in WA. CEO Dr. Quinton Hills is the former exploration manager of the now-defunct Discovery Metals, where he can claim credit for discovering the 100 million tonne Boseto Copper Project in Botswana.

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 ten years ago," Hills says.