

Barry FitzGerald: This copper junior's pooling the bulk tonnage that gets the big end of town buying

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Experts › Copper



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Two months ago Garimpeiro said he was taken by BHP's assessment at the time that the supply deficit in copper previously expected to emerge in the final third of the 2020s could well come earlier.

What's more, the supply deficit could be "pronounced" in the medium-term (five years).

Supply deficits force higher prices, and if they are pronounced, so too is the price response. As it is, we're getting a taste of what that could mean for copper as the price of the red has taken off to \$US4.40/lb mid-week.

That is 14% higher than last (calendar) years' average of \$US3.86/lb. That is a meaningful increase, even for BHP with a (sustained) 10% increase on its 2023 average price adding more than \$US500m to its earnings.

The beauty about copper's recent take-off is that it is driven by the supply deficit thematic, not economic activity.

Add in the prospect of cohesive global economic growth emerging and the forecasts out there of \$US5/lb or \$US6/lb copper on the horizon, if you don't mind, is naturally enough causing a buzz around the copper stocks.

That goes for the copper explorers as well. Investor interest in what they are up to is moderate at best at \$US3.50/lb copper. At \$US4/lb copper, it's as if the lights have been turned on.

That is particularly so for the junior explorers in the hunt for the sort of large scale deposits that the big boys of the industry are also chasing – bulk tonnage porphyry/skarns.

They account for most of the world's copper production. They come with a big upfront capex requirement and modest grades compared with the stuff the oldtimers used to mine.

But their economies of scale can deliver large-scale and long-lived production at first quartile industry costs.

Garimpeiro went looking during the week for juniors in the copper porphyry space and got frothy when it came to a little thing he covered years ago – Canterbury Resources (ASX:CBY).

It was trading mid-week at a princely 2.8c a share for a market cap of \$4.8 million.

If it was scratching around the back blocks of Mt Isa for a small but high-grade copper discovery, Garimpeiro would suggest its modest market cap gave it lots of leverage to the upside for exploration success.

But it has bigger ambitions. Its focus is on its shares with the big end of town – the discovery of Tier 1 copper-gold porphyry deposits.

It has stuck to its task over the years and has some 1.8Mt of copper and 3.16M ounces of gold in resources spread across projects in Queensland and PNG, all of which are the subject of joint ventures with deep-pocket partners.

The strategy for the company has been to generate potential Tier 1 exploration opportunities and then form earn-in partnerships with others to mitigate the risk and cost of playing in the high risk-high reward deep end of the pool.

Canterbury has exposure to two upcoming drilling programs funded by others seeking to convert the early promise reflected in that copper and gold resource base mentioned above in to genuine Tier 1 development opportunities.

Should the Tier 1 potential pan out – and potential is all that it is at this stage – Canterbury would end up holding 20-30% of the project depending on which joint venture we're talking about.

Nothing wrong with that given the value of Tier 1 discoveries are measured in multi billions of dollars.

The two drilling programs to watch out for are at Bismarck (copper-gold porphyry/skarn) project on Manus Island in PNG, and the Briggs (copper/molybdenum) project in Queensland.

Bismarck is a long standing joint venture with Rio Tinto no less under which Rio has earned a 60% interest, potentially on its way to 80%. Canterbury is the operator.

The joint venture tried to get a drilling program going back in 2018 but all sorts of non-geology issues frustrated their plans, so it was parked up. But now they are back, with a minimum 8-hole program testing high-priority targets to start next month.

Next month also sees the start of a drilling program at the Briggs porphyry project, a joint venture with Alma Metals (ASX:ALM) under which Alma can earn up to a 70% interest.

Briggs already has an (inferred) resource estimate of 415Mt at 0.25% copper and 31ppm molybdenum. That in itself is interesting in a \$4.40/lb copper market.

There is a much bigger compliant exploration target estimate on the project but the real interest in the drilling program will be if the partners can confirm higher grade material in a zone straddling the intrusion and surrounding volcanic sediments.

Success doing that would raise the potential for a higher-grade starter pit to ease the pathway to production. To that end, data from the drilling program will be plugged in to a scoping study planned to start in the second half of the year.

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