



One for the bulls: 5 ASX near-term copper producers as the red metal stampedes into 2023

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In mid January, copper prices touched levels not seen since late June 2022 – hitting US\$8900/t against the backdrop of China’s emergence from COVID-19 lockdowns.

This economic rebound, as well as expectations that the Federal Reserve will move to a less hawkish monetary policy, will be of the two biggest tailwinds driving firmer copper prices in 2023, Fastmarkets head of metals research and strategy Boris Mikanikreza told Stockhead.

“As significant player in the copper market, China currently accounts for 42 per cent of the global refined output produced and 55 per cent of the global refined output consumed,” he said.

“The end of the ‘zero COVID’ policy will be a great tailwind for copper prices as it will drive copper consumption in China, but we might also see the Chinese government set to provide policy support to its property sector, which could further boost demand for copper again.”

While most economists envisage a swift rebound in China’s GDP growth to 5pc, up from 3pc in 2022 (the lowest point since 1976), Mikanikreza believes the reopening of China’s economy will be gradual, with setbacks expected down the road, just as we saw for the reopening of the West.

“The fundamental impact on real demand for commodities is most likely to be felt in the second half of this year,” he said.

“Factors such as geopolitical tensions, political uncertainty in mining-producing countries, and tax incentives for the green transition can all affect the price of copper through supply and demand.

“On the supply side, we will be closely monitoring political developments in Chile and Peru whereas on the demand side, we will be closely keeping an eye on EV tax incentives in the West (especially Europe and the US) as well as in China.”

‘The Green Transition’: copper’s next big leg up

Meanwhile, the long-term outlook for copper – an economic bellwether and a key material for the energy transition – is a particularly rosy one with experts tipping everything EV-linked to be where the opportunities lie in 2023.

As the world moves towards a more sustainable future, Fastmarkets predicts demand growth to be exponentially stronger over the next 10 years due to the electrification of the world.

“The Green Transition is a mega-trend that will take time but it will mean more copper demand across the globe,” Mikanikreza explains.

“Copper demand from the green economy is expected to be boosted by initiatives such as tax incentives and regulations that encourage the use of clean energy and electric vehicles although the rate of adoption of these technologies may vary across countries.”

The tipping point for copper will come in 2023 when the increase in demand from the green economy outpaces that from the brown economy (based on fossil fuels) in tonnage terms.

“For 2023, we see a 24 percent growth in green demand versus a 1.8 per cent growth in brown demand in the copper market.

“Copper demand from the green economy is expected to represent 7.5 per cent of the total demand, up from 6.3 per cent in 2022 while copper demand from the brown economy is set to account for 92.5 per cent of total demand, down from 93.7 per cent in 2022,” Mikanikreza says.

“In 2025, we expect copper demand from the green economy to represent about 11 percent of total demand while demand from the brown economy reduces to 89 per cent of the total.

“This increased demand from the green economy is expected to outpace demand from the brown economy by 2025.”

The challenge, however, remains on the supply side with insufficient capex in the mining sector resulting in the highly likely chance of deficits – starting as soon as 2025.

“While supply should be enough in 2023-24, we could see deficits starting in 2025,” Mikanikreza says.

“We expect to see large deficits over the next 10 years because there is not enough supply (and even less given the current copper price) to meet demand which should lead to a higher equilibrium copper price to rebalance the market.”

Who are the near-term ASX copper producers?

HILLGROVE RESOURCES (ASX:HGO)

Market cap: \$79.85m

Production date: Seven months away from production

A feasibility study released in December 2021 demonstrated that the Kanmantoo underground operations in South Australia could be brought into production within seven months for a capital investment of just \$26m.

This would deliver cashflow of about \$200m over the first three years, which neatly reflects the advantages of having existing infrastructure including a processing plant and fully permitted tailings storage dating back to its time as an open pit producer.

CYPRIMUM METALS (ASX:CYM)

Market cap: \$113.18m

Production date: H1 2024

CYM is working towards a restart of the mothballed 940,000t Nifty copper project in northern WA.

As part of a \$240m to \$260m debt funding package to finance the restart, the company recently signed a prepaid \$US35m copper cathode offtake deal with Transamine SA late last month.

“The restart project economics remain very robust, and we have continued to make further improvements to the Nifty Copper Project during the financing process,” managing director Barry Cahill says.

“As all of the required regulatory approvals able to be completed prior to finance have been received, we are looking forward to completing our total funding package so that we can commence executing our Nifty Copper Project restart development plans.”

Phase 1 of the project would produce 25,000tpa of copper over an initial 6.3 years, and would cost \$134m to build.

Commissioning is pencilled in for the second half of 2023.

NEW WORLD RESOURCES (ASX:NWC)

Market cap: \$82.10m

Production date: Targeting construction in 2025 and first production in 2026.

NWC is targeting an update to its scoping study of a recently announced 48pc increase in resource base at the Antler Copper Project in Arizona this quarter, before submitting mine applications and wrapping up a feasibility study in the second half of the year.

Exploration activities will continue throughout the year, comprising initial testing of new geophysical targets along strike from Antler.

QMINES (ASX:QML)

Market cap: \$24.41m

Production date: CY2025 subject to a final investment decision.

In just 18 month, QMines has delivered four resource updates demonstrating the management team’s ability to rapidly deliver its growth strategy.

The company has a further two resources that it plans to deliver in the near term at the Mt Warminster and Botos prospects.

QMines’ focus in 2023 is on transitioning its Mt Chalmers deposit towards production whilst continuing to undertake further regional exploration.

Exploration efforts will focus on making new discoveries, growing known resources and adding to the economics and potential mine life of the project.

CARAVEL MINERALS (ASX:CVV)

Market cap: \$117.27m

Production date: 2026

Caravel is developing its namesake copper project (of the same name) in WA, which hosts a resource of 1.18 billion tonnes at 0.24% copper and 48ppm molybdenum for 2.84 million tonnes of contained copper.

Having completed several pre-feasibility studies during 2022 which have improved project economics, Caravel is advancing a Definitive Feasibility Study (DFS) for the project in 2023.

Main priorities this year include securing land tenure, carrying out resource infill drilling, developing mine and site layouts, undertaking metallurgy and process test work as well as power supply studies and securing environmental permitting and approvals.

CVV also hopes to complete near-mine exploration as it aims to build its resource inventory with a construction decision expected in 2023.

The company is on track to reach production by 2026.

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