

Copper juniors get early Christmas present from China and US

Plus: Stavely cracks the code with new Junction copper discovery and SCP Research tips Ausgold upside with \$1.35 price target.

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For a while, it looked as if the junior copper explorers were headed for a miserable year.

They were riding high in the opening months of the year thanks to copper's move to a record LME price of \$US4.92/lb on May 20, stoking investor interest in explorers, developers and producers alike.

But then came the sell-off caused by Chinese economic woes and dallying in US interest cuts, with prices diving to below \$US4/lb in early August. As a sector, the junior stocks became friendless.



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But Beijing's recent economic stimulus and a jumbo rate cut in the US has put copper on the up again. It was last quoted at \$US4.57/lb and the juniors are not as friendless as they were.

Sentiment in the local market was also helped by a copper study by BHP, which found the global industry will need to grow by one million tonnes a year to 2035 if demand growth for the red

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It is a seemingly impossible task and goes to BHP's expectation that copper prices will have to "fly-up" at some point to encourage a supply response to the coming supply deficits in the metal.

No wonder the world's biggest miner has spent \$12.5 billion in the last 16 months expanding its copper footprint through acquisitions (OZ Minerals and Filo Corp).

For the junior copper stocks the combination of the rising copper price and the broader copper thematic outlined by BHP means that investors are no longer looking the other way, and that good exploration results will be rewarded, in a leveraged fashion to boot.

Stavelly Minerals (ASX:SVY):

Copper (and nickel) junior Stavelly is one of the juniors to benefit from being able to match up decent exploration results to a rising copper market.

Its shares marched 17% higher during the week to 3.4c for a market cap of \$16.3 million after reporting high-grade copper and silver hits (including 14m at 3.24% copper and 34.5g/t silver from 34m) at the Junction prospect, 2km from its Cayley Lode deposit, itself part of the broader namesake Stavelly project in western Victoria.

Junction has yielded high-grade results for previous explorers on and off over the last 50 years. But the excitement this time around is that Stavelly reckons it is the first to understand the structural controls on the shallow mineralisation.

It seems that the mineralisation is hosted in a series of sigmoidal tension gash arrays sitting between shears which could repeat en echelon, with high grade rock-chip float samples to the north pointing the way on where to explore next.

The forward program is to get in a diamond rig to drill beneath the exciting air core drill results, as well as come in with an AC rig to flesh out the potential to the north indicated by the high-grade rock chip samples.

In addition, the biggest copper-in-soil anomaly in the Stavelly project area, a couple of hundred metres to the east of Junction, will be prepared for testing with the drill bit given the new structural understanding.

Now it has to be said that Stavelly the company, and the project, has generated serious excitement in the past. Back in 2019 the company's market cap peaked at \$290m on excitement over the potential for a big porphyry copper-gold discovery at depth.

yielded the Cayley Lode discovery (9.3Mt at 1.23% copper and 0.23g/t gold).

Cayley Lode is not big enough to justify a standalone development.

But success at Junction – say another 10Mt of near surface material at a decent grade – could swing that around. A diamond rig will be on the ground for a drilling program in November and given the company's modest market cap, it could be one to watch.

Given the emerging upside presented by Junction (it has implications for exploration across the Stavelly volcanic belt), it could be argued that the Victorian hunt by Stavelly fully covers the company's current market cap.

But as it is, Stavelly is about to start a drilling program at its Hawkstone project in the west Kimberley region of WA and adjacent to the Merlin/Dogleg nickel-copper discoveries by an IGO/Buxton Resources joint venture which is also drilling.

The hope is that the west Kimberley is a new high-grade nickel province in the making in the style of IGO's fabulously profitable – despite weak nickel prices – Nova-Bollinger magmatic operation down south in the Fraser Range.

At the IGO-Buxton joint venture's Merlin prospect, 1km northwest of the boundary with Hawkstone, assays of up to 8% nickel and 5% copper have been reported. Equally impressive results have been reported at Dogleg 13km northwest of Merlin.

Magmatic nickel deposits dominate the bottom half of the global cost curve and like IGO's fast depleting Nova-Bollinger has demonstrated, they make serious money compared with the Indonesian laterite projects swamping the global market, but which sit in the third and fourth quarter of the cost curve.

Drilling in the west Kimberley is best completed by November 1 because of the potential to be locked in by heavy rains. So assay results from Stavelly's program are likely before the Melbourne Cup.

It can be argued that there is nothing in Stavelly's current market cap for its Hawkstone project. It won't be long now before its known if that is selling the project short. The IGO/Buxton program could well provide some nearology upside if Stavelly's drilling is inconclusive in the first instance.

Ausgold (ASX:AUC):

As much as the copper juniors are enjoying some love, the gold explorers/developers are receiving it by the truckload.

Makes complete sense too given the fantastic Aussie dollar gold price which is delivering what really should be seen as boom time prices, minus hedging gone bad.

In an ideal world, projects like Ausgold's 3Moz Katanning gold project in wheatbelt country in WA's south-west Yilgarn would be one of the gold operations creaming it.

But the road to first production since the project was picked up with a 400,000oz resource in 2010 has proved to have been a long one for one reason or another.

But as mentioned here on June 7, the arrival of John Dorward as executive chairman has delivered a massive dose of momentum.

Dorward is the former president and CEO of Roxgold, a West African gold group acquired by fellow Canadian Fortuna Silver Mines in an all-scrip deal worth \$US884 million in 2021.

If Dorward says Katanning is on track to become Australia's next mid-tier gold producer with Capricorn Metals-type credentials, no one doubts that is the case.

That has been reflected in the stock edging up since June 7 from an adjusted 33c a share to 45.2c in Thursday's market.

SCP Research reckons there is more upside to come, initiating coverage of the stock with a \$1.35 price target.

"Dorward brings critical development experience and the network to steer Ausgold through development and production."

The firm added that it too sees strong similarities between Katanning and the early days of Karlawinda, the project that has underpinned the growth in Capricorn's market cap to \$2.2 billion.

"Ausgold's Katanning project is larger and higher grade and has satellite potential in the Yilgarn versus the 'old and cold' Pilbara," SCP said.

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