



Mining

Barry FitzGerald: Copper's 'golden years' are coming and these 2 small caps are in prime position

10 hours ago | [Barry FitzGerald](#)

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As a near \$200bn company, [BHP \(ASX:BHP\)](#) needs to be on the mark with its commodities forecasting.

That's why its annual commodities outlook, now available online at its "Prospects" site, is a handy bit of free reading for the average punter.

There is nothing in there on gold and silver, but pretty much all of the other commodities of interest to ASX mining and exploration investors are covered.

BHP is a cautious type, so a search for the commodity it is most bullish about requires a bit of reading between the lines.

On that score, it is copper that excites the world's biggest miner. As it is, copper has performed strongly in recent weeks on COVID-related supply concerns out of Latin America which accounts for close to half of global exports.

The price is now knocking on the door of \$US3/lb (\$4.19/lb), up on the June-half average of \$US2.50/lb.

BHP reckons that the COVID issues will pass and that new supply slated to come online between 2021-24 could temporarily tilt the market into modest supply surplus.

But then it is game on.

“Grade decline, resource depletion, increased input costs, water constraints and a scarcity of high-quality future development opportunities are likely to result in the higher prices needed to attract sufficient investment to balance the market,” BHP says.

Garimpeiro's interest in all that is what it means for the junior ASX copper stocks. It's OK to produce copper in a \$3/lb copper price environment, but much better to do so when copper is substantially higher come 2024.

That dovetails nicely with the production ambitions of the more advanced junior copper stocks.

The 'golden years' are coming for these ASX-listed hopefuls

Garimpeiro has scanned the lists for a couple of junior copper stocks that could be worth watching as they progress their developments towards what BHP suggests could be copper's golden years come 2024.

Orion Minerals (ORN):

Orion is one to watch on the strength of its shovel-ready Prieska copper-zinc project in South Africa's Northern Cape.

It has now got all of the permits and approvals for annual production of 22,000 tonnes of copper and 70,000 tonnes of zinc.

Shovel ready projects in the space are rare and a likely three-year development timetable once financing is secured puts it in that 2024 sweet spot for copper, with zinc's outlook pretty much the same.

It is seen as a project of significance in South Africa because Orion is coming at it with a "clean sheet of paper" on how a modern mine should be built and operated, hopefully pointing the way forward for an industry renaissance.

That was reflected in SA's financial daily, the *BusinessDay*, bannering Orion's receipt of its final approvals at Johannesburg bus tops: "Orion nails down final right in Prieska."

Orion has come up from 1.8c to 3.2c in the last couple of weeks on the final approvals, as well as speculation that a takeover bid could emerge from SA interests.

As mentioned earlier, there just isn't many ready-to-go copper projects out there.

Caravel Minerals (CVV):

Caravel was mentioned here on July 13 on the strength of its namesake project, 150km northeast of Perth in WA's central wheatbelt.

Its shares have come up from 4.7c to 4.9c as a rising copper price can work wonders on its big (1.86-million-tonne) but low-grade copper resource.

A scoping study in May last year — it had to be withdrawn from the ASX platform after a crackdown on such documents — pointed to the project being capable of producing 45,000 tonnes per annum (tpa) of copper in the first five years, rising to 65,000tpa in years six to 23.

Cash costs were placed at a competitive \$US1.45/lb. Assuming a \$US2.70/lb copper price, the net present value was estimated at \$616m, trebling to \$1.49bn at \$US3.30/lb copper.

From that it can be assumed things will start to get interesting for the stock once copper pushes through \$3/lb. And to amp things up, there is an exploration push underway to add some higher-grade copper to the story.