BARRY FITZGERALD *Indepent Journalist*

Disruption fires up copper bulls

Unlike iron ore, the bulls are out in force when it comes to copper. But predictions that iron ore prices will fall sharply in response to rising supply have been so wrong for so long that it has got to be wondered what confidence should be given to the predictions of copper price strength, particularly as we're essentially talking about the same bunch of price-picking pundits. It's an important consideration when it comes to stock picking because iron ore equities are currently being priced as if $US50 a tonne prices are around the corner ($US82 a tonne currently), while the copper equities are getting the free-carry of expectations that the copper price has $US3 a pound written all over it ($US2.70 a pound currently).

Having said all that, there does seem to more good reasons for copper to march higher than thereare for iron ore to hold on to price strength in the year ahead. The growing copper optimism is based on a rash of supply disruptions.

UBS picked up the theme during the week. "Disruption is affecting production at some of the world's major copper mines which account for 10 percent of global supply," UBS said in support of its forecast for copper prices to average $US3 a pound in 2017.

Permit issues at Grasberg in Indonesia, the threat of strike action at Escondida in Chile and the impact of floods in Peru are "painting a picture of a disrupted start to copper supply in 2017".

"This is starkly different to 2016 where disruptions were very low at about 3 percent (600,000 tonnes of global mine supply) against a historical average of 5 percent (one million tonnes)."

Assuming a return to "normal" disruption in 2017 offsets incremental supply growth of about one million tonnes, UBS arrives at a forecast 500,000 tonne supply deficit after adding in demand growth. In this market, OZ Minerals (ASX:OZL) is its preferred exposure.

Avanco Resources (ASX:AVB)

Fair enough too. But greater leverage to the copper thematic could well be found amongst the juniors, particularly those with established production, little or no debt and a well mapped-out plan for strong growth.

It is on those points that Brazil-focussed copper/gold group Avanco Resources has been kicking goals, with the market responding by pushing it up from 6 cents a share back in November to the 9.1 cents a share level this week.

Avanco commissioned what is planned to be its first mine in Brazil's northern reaches, the Antas open-cut, in April last year.

That things have been going well was confirmed in the recently released December quarter report of record production for the period of 4,010 tonnes of copper and 2,839 ounces of gold. All-in sustaining costs at a competitive $US1.53 a pound after gold credits underpinned record free cashflow from operations of $US7.5 million.

Impressive stuff and something of a novelty given the poor commissioning track record of most other new developments in recent times, be they here in Australia or overseas. But as might be expected from a company now sporting a market capitalisation of $220 million (Avanco is debt-free and is holding $US23 million cash), there is both near and longer-term growth in the pipeline.

At Antas, the aim is to increase annual production to 15,000 tonnes of copper by 2018, with the additional ore feed to come from an initial development of the nearby Pedra Branca project. Add in the Pedra Branca West project, and Avanco reckons it could be on its way to becoming a 50,000 tonne-a-year copper producer (after gold credits).

That sort of outlook is interesting enough for a company with Avanco's market capitalisation. But it has gone a step further by securing an earn-in agreement on the 1.28 million ounce CentroGold deposit, also in northern Brazil. And it has got to be assumed that because of its seamless development of Antas, Avanco will increasingly be seen as a developer of choice among the many foreign players in what is a highly mineralised part of the world.

Investigator Resources (ASX:IVR)

More so than any other sector of the market, investing in the junior space is about investing in the people involved.

So it was no surprise that junior watchers sat up and took notice when Adelaide-based Investigator Resources (ASX:IVR) appointed David Ransom as the non-executive chairman of the $25 million (4.2 cents a share) explorer/developer.

A geologist who spent the last 17 years of his 45-year career as an analyst/portfolio manager at Acorn Capital specialising in the juniors, Ransom pulled stumps at Acorn back in September last year and would have had board invitations aplenty. A Collins Street dabbler in the junior end summed up neatly his reputation during the week.

> "*He is a one man due diligence team, and if a stock is good enough for him to be involved with, then it is good enough for me.*"

As it is, Investigator has become more interesting anyway thanks to its Paris silver project in the southern section of South Australia's Gawler Craton, where it also has an early stage copper/gold play called Nankivel.

Given Paris-of-the-outback has a 2015 inferred mineral resource estimate of 8.8 million tonnes grading 116 grams of silver a tonne for 33 million ounces of contained metal, it already had some sparkle to it.

Now the silver price is working in its favour. At $US17.50 an ounce, silver is up some 22 percent in the last 12 months and 10 per cent in the last 30 days.

But Paris is a breccia deposit, and Investigator has been open enough to admit that complex geology and grade distribution makes it a challenge when it comes to resource estimations.

A comfortably funded (group cash at December 31 was $4.09 million) infill drilling program is set to sort that out and assuming concurrent metallurgical test work ticks all the boxes; the plan is get going with a pre-feasibility study into a development in the June quarter.