

Castillo Copper Ltd

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Copper demand is rising, while inventory and supply are falling, creating a burgeoning red metal bull market

Early this month the three-month copper price on the London Metal Exchange (LME) reached US\$7,034 per tonne (t), its highest level in two and a half years (Figure 1).

This is a sharp rise, 50% in seven months, from US\$4,684/t in late March-2020, when the break-out of the COVID-19 Pandemic sent investors fleeing from the red metal.

Price: 0.066

Market Cap: \$66.93 m

1 Year Share Price Graph



Share Information

Code: CCZ

Listing: ASX

52 week High Low
0.083 0.006

Sector: General mining & base metals

Website: www.castillocopper.com

Company Synopsis:

Castillo Copper Ltd (ASX:CCZ) has formulated a three-tier strategy to achieve its aim of becoming a mid-tier copper producer.

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LME COPPER HISTORICAL PRICE GRAPH

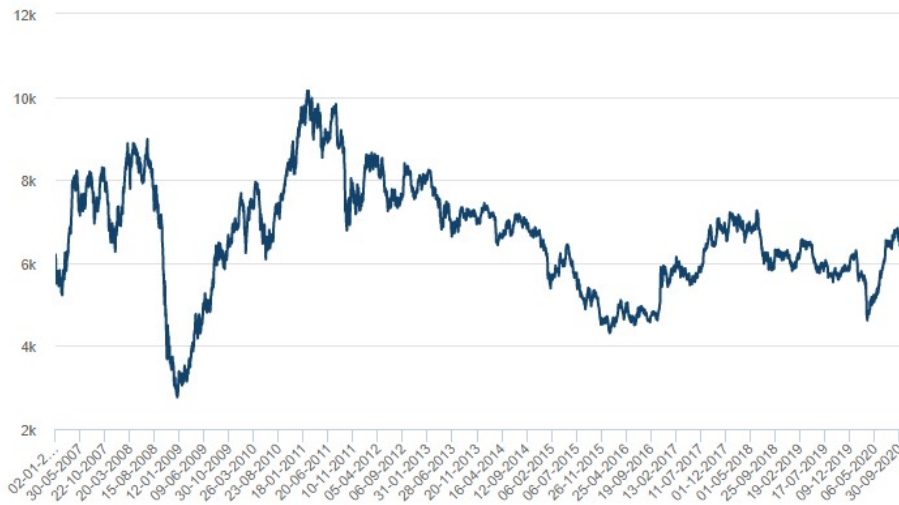


Figure 1: LME Copper Price

The combination of Joe Biden's US election victory and the progress made towards the creation of a vaccine for the coronavirus vaccine buoyed investor optimism for copper in the short-term leading to this month's rise. However, this short-term price rise is just a part of much longer-term up-trend in the copper price.

Mid-Term

During September, copper inventory at the London Metals Exchange (LME) reached a five-year low, a massive 85% reduction from its peak inventory in April 2018 (Figure 2). The LME is the largest repository of copper stocks globally so this substantial reduction in inventory is an important indicator for the health of the global copper market.

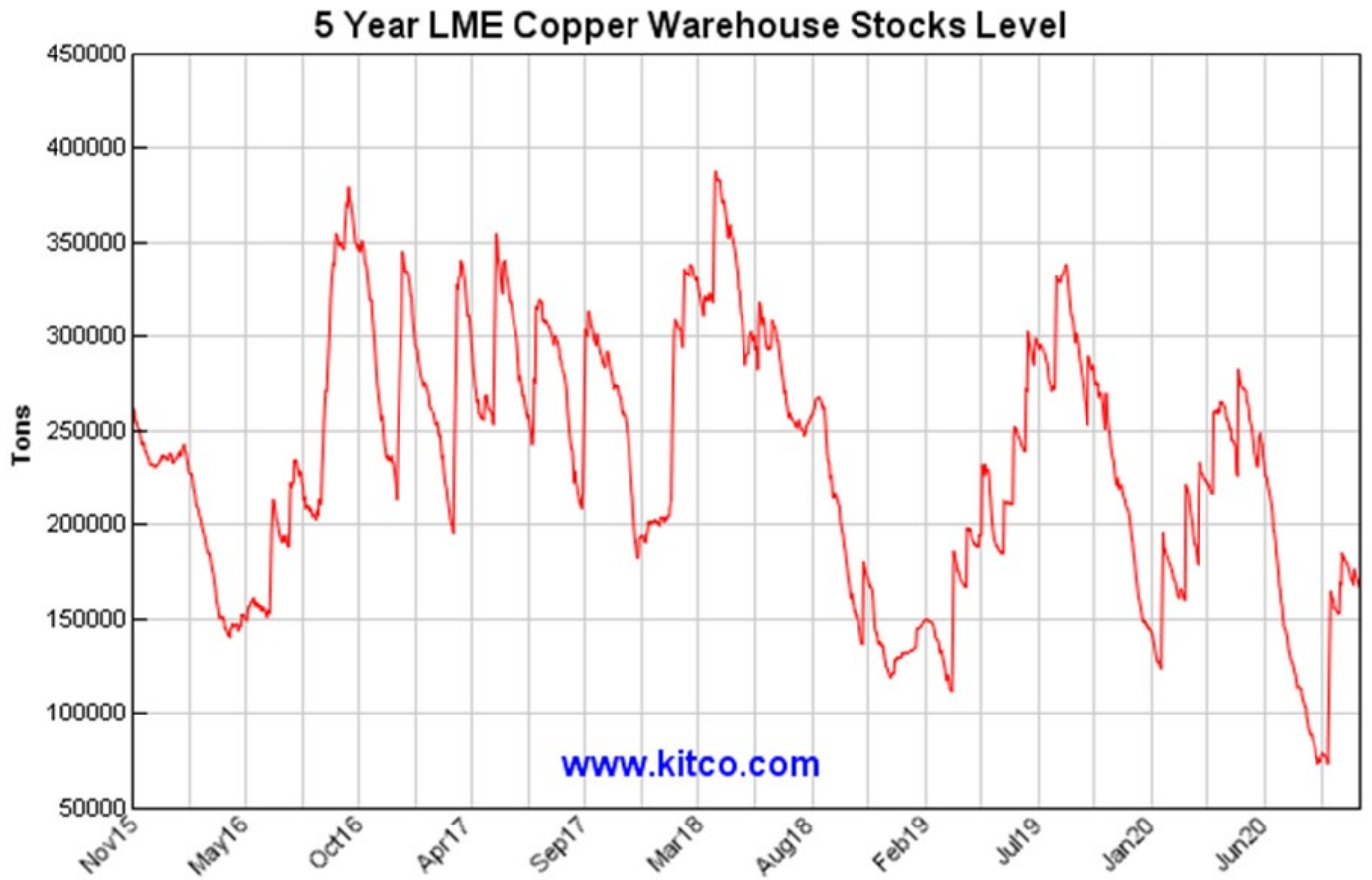


Figure 2: LME Copper Stocks Level

On the mine supply side, we could see mid-term disruption from copper supply powerhouse, South America, which has seen an uptick in COVID-19 cases. South America supplies around 40% of the world's primary copper metal, so its influence on the copper market is significant.

On the mid-term demand side of the copper equation, China consumes around half of the global supply of copper (51% 2019), about 24 million tonnes. China has rapidly recovered from the pandemic, growing at the fastest pace in 19 months during October 2020, driving increased demand.

The Chinese government is actively encouraging the construction industry to further bolster its recovery, which will continue to boost demand for copper. Many industry bodies are expecting to see a significant increase in copper demand during 2021, as other countries follow China's lead by increasing spending on infrastructural projects.

Longer-Term

In the longer-term, the supply side of the copper market continues to suffer from a lack of new large-scale copper discoveries, which in-turn means fewer new copper projects are being advanced into production. Older large-scale operations are making the transition to mining deeper portions of orebodies and consequently are becoming more expensive to operate and less productive as they approach the end of their lives.

Long-term demand is expected to be driven by the electrification of motive transport. Battery-powered electric vehicles (EVs) contain around 83kg of copper, which is 260% more copper than is used in an internal combustion engine. The number of EVs in use globally is expected to grow by 780% from c. 5mln in 2018 to c. 44 million vehicles per year by 2030, driving long-term demand for copper.

Companies that Could Benefit

Pembridge Resources PLC (LON:PERE) operates the underground Minto Copper-Gold-Silver Mine located in the central Yukon, Canada. The operations at Minto are switching from the Minto East Orebody to the higher-grade Copper Keel Orebody, which should result in increased production levels and improved project economics.

The latest drill results from Castillo Copper Ltd's (ASX:CCZ, LON:CCZ, FRA:7OR) Mt Oxide Project, located in the Mt Isa Copper-Belt in northwest Queensland are very interesting. While the assay results have yet to be published, visual observations of the recent drilling have identified copper oxide and sulphide mineralisation at shallow depths from the first seven drill holes at Big One Deposit. These intersections range from nine metres to 13 metres.

Phoenix Copper Ltd (LON:PXC, OTCQX:PXCLF), recently completed an updated NI 43-101 compliant resource for its Empire Copper-Gold-Silver-Zinc Project, located in Idaho, USA. This upgrade resulted in a 19% increase in the measured & indicated resource to 22.9 million tonnes with 87,543 tonnes of contained copper, 238,406 ounces of contained gold, 7.59 million ounces of contained silver and 43,871 tonnes of contained zinc. Phoenix is now completing an updated preliminary economic assessment at the project.

SolGold PLC's (LON:SOLG, TSX:SOLG) initial drilling at its Porvenir Copper-Gold Project, located in Zamora Chinchipe province, Southern Ecuador, has returned some exciting assay results from the first 580m of the hole. While assay results from 580m to end of hole at 909.3m remain pending, initial assays returned 570m at a grade of 0.69% CuEq or copper equivalent (0.49% Cu, 0.27 grams per tonne gold) from 10m (PDH-20-001), demonstrating that the company has made another impressive discovery.

Thor Mining (LON:THR, ASX:THR) increased its equity interest in EnviroCopper Limited to 30% early this month. EnviroCopper is planning an active period of field activities over the next six months at the Kapunda In-Situ Recovery Copper-Gold Project, located in South Australia. This work is expected to include additional borehole hydrogeological testing, gold potential testing and site environmental lixiviant tests.

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