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HD **Red metal down but not out**

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There are good times ahead if Wetar can live up to expectations

Finders Resources (FND) COPPER was off some 8 per cent last calendar year, averaging $US3.33 a pound. And it is down another 9.6 per cent since, to $US3.01 a pound, the weakness reflecting the growth in supply.

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The electrification of China and other fast-emerging economies, and the challenge of keeping up supply in the long term due to the lower grades of existing and future mines, mean that prices for the red metal are pretty much tipped to have bottomed.

Prices are generally forecast to trade in the range of $US3-$US3.40 a pound for the foreseeable future. Any lower than that and the incentive to build the next round of multi-billion-dollar mines just won't be there.

But there is no doubting that the weakness in copper prices has knocked the earnings of the copper producers, including the likes of BHP Billiton and Rio Tinto. Produce more than 2.2 billion pounds of copper like BHP does and $US3-a-pound copper gives you an annual revenue hit of $US740 million when compared with last year's average.

There is still value, found among the juniors looking for company-making projects. That is certainly the case with Finders Resources, out to make a name for itself as a copper producer from its Wetar project beneath the craggy peaks of Indonesia's Wetar Island in the Banda Sea north of Timor Leste.

It's across the strait and not as far-flung as it might seem. Apart from the mainstays of subsistence sago farming and the culturally OK practice of tortoise- shell collection, the island has a goldmining history.

Most recently, it was Billiton that produced the yellow stuff here. It stopped the goldmining operations in 1997, four years ahead of its merger with our own BHP.

The Billiton operation left behind infrastructure, which is making Finders' copper ambitions all that much easier to achieve. More to the point, the shallow goldmining undertaken by Billiton was effectively a pre-stripping operation to the underlying copper mineralisation that is the focus of Finders' plans.

There is interest in the plans, too. The equities desk at Commonwealth Bank this month said Finders was its preferred small-cap copper exposure thanks to the expected project cash cost at the Wetar project of $US1.05 a pound (life of mine).

The CBA team set a price target on Finders of 23c a share. That compares with its last sale price of 17c, which gets back to the point that there is still value in copper stocks, notwithstanding the retreat in prices. The Wetar project is based on easily mined open-cut reserve of more than 200,000 tonnes of copper mineralisation grading a very handy 2.4 per cent copper.

A heap-leach operation is to feed a solvent extraction and electrowinning (SX-EW) plant, with the production of **copper** cathodes meaning Indonesia's clampdown on the export of unprocessed metal ores is a non-issue.

Eventual annual capacity is 28,000 tonnes of **copper** cathode. It is "eventual" because Finders has gone for a staged development. Production has restarted at an upgraded 3000-tonnes-a-year demonstration plant. It is to be followed by the refurbishment of a 25,000-tonnes-a-year SX-EW plant brought across from Western Australia, giving total annual **copper** cathode capacity of 28,000 tonnes.

There is the issue of financing the $US132m push, but because of the robust economics that is not seen as much of an issue. Finders said recently that senior debt being sought from key institutions was in the final stages of approval, and mezzanine-**equity** finance for some or all of the balance was being considered.

Underpinning that sort of confidence is the presence of three resource-focused funds on the Finders share register — Taurus (14.2 per cent), Resources Capital Fund (12.9 per cent) and Acorn (7.5 per cent).

The Indonesian shareholder **equity** is represented by Provident Capital Partners (13 per cent) and Saratoga Capital (9.2 per cent).

Potentially, at least, that grouping could make for some interesting times ahead, particularly if Wetar lives up to its expectations of becoming something of a cash cow in quick order.

Blackthorn Resources (BTR) THE curtain has come down on Blackthorn Resources' (BTR) unhappy experience with the Perkoa zinc mine in Burkina Faso, a joint venture with Glencore Xstrata. Perkoa was once Blackthorn's flagship asset and its residual 27.3 per cent **stake** in the troubled operation still accounted for a big chunk of its market valuation.

Faced with the pressing need to contribute some $US9m in working capital to a project that might well close, Blackthorn has decided it is best to take an offer from Glencore of $US12m. Add that $US12m to the now absent need for a $US9m working capital contribution, and Blackthorn is some $21m better off. Kind of interesting for a **company** with a $28m market cap at its last **sale** price of 17.5c a share.

More than that is the situation where the project inside Blackthorn the market has long preferred — the Kitumba **copper** project in Zambia — becomes the sole focus. Kitumba is the subject of an optimisation study, due any day now. It is expected to improve on last year's pre-feasibility study that noted potential for a 39,000 tonne-a-year underground **copper** mine with cash costs of $US2.04 a pound.

UBS for one is on board with the potential for some upside at Kitumba to swamp the impact of the Perkoa exit on Blackthorn's valuation.Last week, it set a 12-month target price of 34c.


**CO** bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC

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