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HD **COPPER HINGES ON STIMULUS**

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COPPER is ready for a turnaround — apparently — and producer stocks are (also apparently) looking cheap.

True, the red metal (the so-called bellwether commodity) has taken a dreadful pasting this year, down 12.1 per cent since January. The Friday close of $US6450 a tonne is hardly the trigger for churches across the land to ring their bells in jubilation.

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So we must defer to ANZ and Deutsche banks. And to Copenhagen's Danske Bank, too, which is now expecting a liquidity injection of $US1.5 trillion from the European and Japanese central banks, something that might help commodity confidence.

ANZ's Daniel Hynes and Rosey Kaur believe the copper sell-off is overdone, with low inventories and further supply disruptions providing a base for a rally in 2015 as global growth improves. World mine output growth has failed to materialise: mine supply this year has been lower than forecast with disruptions in Indonesia (Grasberg), Zambia and Chile. It's been a combination of pit wall failures, strikes, technical problems, lower than expected head grades, bad weather and slow project ramp-ups.

ANZ sees world GDP growth at 3.9 per cent in 2015 and 4.1 per cent in 2016, supportive of copper demand.

Deutsche argues the heavy sell-off in key copper stocks makes a compelling value opportunity. The team sees Sandfire Resources (SFR) and PanAust (PNA) as the go-to stocks. Sandfire's price has dropped 30 per cent in the past three months but the water problem at the DeGrussa mine is seen as well in hand. Mining should resume this week. As far as PanAust is concerned, Deutsche sees cashflow ramping up in 2015 and 2016. The present lower share price "offers an entry point to the only copper stock offering organic production growth and new project development", the analysts add.

Even though the US looks likely to lift interest rates, Danske sees the Europeans and Japanese each injecting about $US700 billion next year, leading to synchronised global growth even with the historic divergence in monetary policy between Washington, Tokyo and Brussels. Fingers crossed the Danes are right.

While junior activity generally is subdued, some copper hopefuls are getting on with it. Platypus Minerals (PLP) says Pilbara drilling has confirmed the presence of copper and molybdenum. Rox Resources (RXL) reports good grades from the Northern Territory including 8m at 7.6 per cent while Regal Resources (RER) keeps striking copper in the DR Congo, including 103.3m at 4.25 per cent, along with cobalt.

Graphite doubts ANOTHER miner has found deals with Chinese entities can fall over at any stage of the negotiating process. Back in July graphite hopeful Lamboo Resources (LMB) revealed it would merge with China Sciences Hengda Graphite Co. It sounded so promising: Hengda was said to operate three graphite mines in China and a plant making anodes for lithium-ion batteries and had invested heavily in producing graphene.

But Lamboo has discovered that the ownership of Hengda was “materially different” from what it thought and there were other loans held by the **Chinese company** of which it was previously unaware. So the deal is off, and LMB shares took a 44 per cent hit on the news. The junior is now trying to get back its $US2 **million** deposit. Regular readers will know that Pure Speculation has become a little less than enthusiastic about the graphite story — not through any doubts about graphite itself, but rather concerns about the entry of so many players into what is a relatively small market.

Oh, argue the proponents of the graphite surge, just wait until graphene finds its feet, that will open up a whole new world for graphite. After all, as Cambridge Nanosystems, an advance materials spin-out from the university of the same name, puts it, “graphene is both stronger than diamond and more conductive than **copper**, yet can be transparent in its appearance and weighs almost nothing. It has the potential to improve the strength and performance of materials in nearly every industry”.

We mention this because Cambridge Nanosystems now claims to have been able to manufacture graphene without — wait for it — graphite. Instead, they use their patented plasma system to turn methane gas into graphene.

“No metals catalysts, solvents or surfactants are required as the process relies solely on advanced plasma chemistry,” the **company** says. They are building a plant that will make five tonnes a year of graphene, with the potential to expand to 500 tonnes. This, as they say, could be a game-changer.

Meanwhile, the local graphite space continues to expand. Oakdale Resources (OAR), the former listed property management **company** Teys, has just relisted under its new name after raising $3.78m to explore Eyre Peninsula, where it hopes to prove up as much as 15 **million** tonnes of graphite mineralisation. And Green Rock **Energy** (GRK) — soon to be known as Black Rock **Energy** — is rattling the tin for $2.5m at 5c a share for its graphite hopes in Tanzania. Nearby in the same country IMX Resources (IXR) reports more intersections at its Chilalo graphite prospect.

Saving grace MEANWHILE, belt-tightening continues in the junior sector. Newera Resources (NRU) had $1.02m at the end of the September quarter and wants to keep its powder dry. The need to pay more hefty Mongolian fees and the winter close-down in said country has led to the decision to drop its Ulaan Tolgoi **coal** project and save its money for a new venture.

Cabral Resources (CBS) has called in the voluntary administrators but says its Brazilian **iron ore** interests are carrying on.

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