



Resources

Stocks Down Under

📖 *Writing laws is easy, but governing is difficult.* 📖

- Leo Tolstoy (1828 - 1910), Russian writer and author of War and Peace



**VENTUREX
RESOURCES**

Thank you, next

**EAGLE MOUNTAIN
MINING**

The Oracle of
Arizonawant...

**IMAGE
RESOURCES**

One down, eleven to go

VENTUREX RESOURCES

Thank you, next

Stocks Down Under rating: ★★★★★

ASX: VXR
Market cap: A\$ 332M

52-week range: A\$0.045 / A\$0.895
Share price: A\$ 0.825

Venturex Resources seems to be one of the many emerging juniors looking to exploit the oncoming copper super-cycle, but as new companies go, Venturex comes with a few extra advantages. Now that the red metal is going gangbusters, the company is making the most of current pricing and strong investor sentiment – as well as some life experience from a former Northern Star founder – to become the next supplier of new-generation minerals, with WA's Sulphur Sands as the foundation project.

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EAGLE MOUNTAIN MINING

The Oracle of Arizona

Stocks Down Under rating: ★★★★★

ASX: EM2
Market cap: A\$ 200M

52-week range: A\$0.13 / A\$1.39
Share price: A\$ 1.01

Eagle Mountain Mining is a gold-copper explorer focussed on revitalising one of Arizona's oldest copper mines at its flagship Oracle Ridge Project. Despite its rich history, Oracle Ridge continues to provide the company with rich copper hits, indicating that there may be more to the high-grade skarn than previously thought.

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Market cap: A\$ 165M

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After a short but successful operation at its flagship Boonanarring mineral sands project, Image Resources has called time on the project for a myriad list of operational and infrastructural reasons. Instead of being a downer, this development enables the company to move its focus to another rapidly evolving prospect. After two years, the company is also building its own image as it identifies the most promising parts of its portfolio.

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Share price chart



Source: Tradingview

Adding a new star to the ASX

Set up by Northern Star Resources (ASX: NST | [see 14 August 2020 report](#)) founder Bill Beament, Venturex Resources is basically a copper play hoping to make the most of the copper 'super cycle.' The company's copper-zinc project, which is located 144 km southeast of Port Hedland in WA, is expected to produce 15,000 tonnes of copper metal and 35,000 tonnes of zinc per annum for at least ten years. Although a Feasibility Study was completed back in 2018 with A\$100m spent on the project to date, it's taken some time to get Sulphur Sands online as a result of high start-up costs and volatile copper prices.

The Sulphur Sands resource currently weighs in at 17.4 million tonnes grading a juicy 1.3% copper, 4.2% zinc and 17 g/t gold, but that remains open at depth and along strike. There is potential for further exploration with multiple untested near-mine targets, including the nearby Kangaroo Caves deposit and six other targets along the 27 km Panorama Trend, all of which have returned intersection of copper and zinc. The project is also construction-ready, with the company eyeing an open pit and underground mine design with a 1.2 Mtpa processing plant. It has a pre-tax Net Present Value of A\$472m (8% discount rate) and an Internal Rate of Return of 51%.

Go for gold, settle for copper

Venturex's share price history has been a rollercoaster – back in February it was only 12 cents versus 80 cents yesterday. The company puts its recent re-rating down to its exploration campaign, which began in October 2020 and, to be fair, there is a lot to explore – most of those untested targets in the Panorama Trend appear as Volcanogenic Massive Sulphide (VMS) deposits occurring in clusters. Although under-explored, these targets underscore the scale of what the Sulphur Sands Project could become - and the value which could be unlocked - if high-grade intercepts continue to be found.

For a not-so-junior play like Venturex, a lot of the appeal has to do with Beament himself – the same person who led Northern Star to become one of Australia's biggest gold producers with a market cap in the billions. Beament has already flexed his muscles, with a funding agreement with Anglo American to develop the company's Whim Creek Copper-Zinc Project (as a joint venture with Anax Metals, ASX: ANX) and Mineral Resources (ASX: MIN | see 10 September 2020 report) taking Northern Star's place as a substantial shareholder.

When Beament leaves Northern Star and takes the helm at Venturex in July, a new board and Strategic Funding Package worth \$58m will enable the company to move toward a Final Investment Decision (FID), but it will also provide a chance for investors to score off a new copper development as the red metal stays above the US\$10,000 per tonne mark. As of May 2021, Whim Creek covers a 'global' copper resource (that is, the ground joint ventured with Anax) of 8.25 million tonnes at 1.03% Cu and a global zinc resource of 1.28 million tonnes at 6.63% Zn.

Waiting for the next reaction

The Strategic Funding Package, which includes a \$51m capital raise, is now done and dusted. Venturex has set a pre-construction schedule to get its work programs completed before the 2021 wet season and that includes a final Tailings Storage Facility design. In-fill drilling is also underway to convert 1.0-1.5 million tonnes of inferred open pit resources to indicated. The expectation for the FID result is the first half of 2022, with commissioning sometime in late FY23.

As there seems to be only a select handful of junior copper plays close to construction, Venturex does represent something of a downsized opportunity with a lot of upside potential. Although the company (and Beament) will undoubtedly take many of the business strategies and lessons from Northern Star, this is an entirely new venture and given the promising start, investors will be looking to next month for those positive updates. Four stars.



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Share price chart



Source: Tradingview

There have been some cowboys in here

We definitely get why Eagle Mountain picked Arizona: as the heart of America's mining industry, the 'copper' state is home to some of the world's largest copper discoveries, notably the country's largest copper mine, Morenci. Eagle Mountain holds two prodigious projects in Oracle Ridge and Silver Mountain, both of which can be found within the Laramie Arc, which hosts many copper porphyry deposits. Located just two hour's drive northeast of Tuscon, Oracle Ridge's history as a copper mine goes back to 1873. Consequently, there is a dormant existing mine and enough infrastructure (sans operating plant) to support a full revival. The latest JORC mineral resource estimate came in at only 12.3m tonnes grading 1.51% copper, but that's before Eagle Mountain incorporates its own substantial work.

Ongoing drilling, including new high-grade hits like 12m at 3.47% copper in February, and further strong assays point to a strong resource update in the near future. As a junior explorer itself, Eagle Mountain is making the best of Arizona's expertise through the introduction of its new US CEO, Manual Ramos (formerly of big-time copper-producer Asarco) to provide some on-the-ground experience. That knowledge and network will help Eagle Mountain in both its brownfield Oracle Ridge as well as its greenfield Silver Mountain Project, which has very little modern-day exploration. Ramped-up exploration activity at Oracle Ridge has propelled a significant share price re-rating in 2021.

King of the hill

Even with Oracle Ridge's long, advanced history, some of the more recent positive drill results have been cause enough for Eagle Mountain to describe the project as 'underdone,' leaving questions on how great the scale of the mineralisation could be. Oracle Ridge has more than 700 historic drill holes, but none have ever been studied through three-dimensional models, which from the company's point of view means that the source of the mineralisation has never been found. Determining the potential scale of the copper system is more than just having a bigger, better mineral resource estimate, i.e. the company is looking to restart Oracle Ridge as a modern, environmentally conscious project using greener energy and transport options, including EVs. The company's recent \$11m placement is integral to evaluating new zones in the immediate site, but also studying the depth potential of the porphyry against some regional targets, notably Red Hawk and OREX.

Given the abundance of copper in Australia, we've got to ask: what is it about Arizona's copper potential? Arizona's copper mining industry produces around 60% of the world's copper supply and now this pattern is set to flourish because of the massive demand for 'green' metals and minerals for those energy needs across America and beyond. And now that major players, like Rio Tinto, are in limbo after the Resolution Copper Project has once again been put on hold, it seems Eagle Mountain could leverage its mountain of contained copper on the state's need for copper (and some gold and molybdenum by-products). And also on the back of rising copper prices, which are now about \$4,000 per lb. Arizona has its own stake in copper production – such as making the switch to Electric Vehicle technology over traditional cars – but its copper reserves continue to be integral to global copper demand.

Sticking with the bird theme

Of course, the extended drilling program Eagle Mountain has now will help to evaluate the design of the project as well as the potential of the near-mine area. The company's greater exploration focus at OREX, Red Hawk and now Golden Eagle is likely to produce another resource update at some point, but the second and third quarters of 2021 look largely the same: expand resource, test depth potential, repeat.

Because of the pandemic there was no work done at Silver Mountain in 2020, but that is largely immaterial, at least in the short-term. The benefit of adding local experience in the form of Ramos should add that extra layer of certainty in addressing a greenfield project with little exploration when the company gets around to it. The immediate function is to make that mine on the side of the hill fly higher as a much more sustainable operation and get local support on side. Four stars from us.



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Source: Tradingview

Good while it lasted

Boonanarring is a zircon-rich, open-pit project located 80 km north of Perth and 16 km north of the small town of Gingin within the North Perth Basin. With a mineral resource of 30.3 million tonnes at 6.0% heavy mineral concentrate (HMC) – including 20.4% zircon – Boonanarring is arguably one of the highest-grade mineral sands projects in the country. The project is also noteworthy for its quick transition from project idea to full production. Construction of the project began in May 2018, with Image Resources managing to stick to a strict six-month development schedule (and \$52m budget) before production began in earnest in December 2018. The result has been two full years of record sales, better than expected guidance and low operating costs from a relatively simple HMC operation.

Despite the achievement and new mineral resource potential at the Boonanarring North, Boonanarring Northwest and Gingin North extensions, the operation is set to end by the September quarter 2022. Infrastructure challenges (including the intrusion of the Brand Highway), permitting requirements and higher design costs mean that Image will relocate its wet concentrate plant (WCP) 90 km north to its Atlas Project. Both Boonanarring and Atlas come under the umbrella of 'Project MORE,' which seeks to identify life-adding reserves to both projects.

This portfolio looks like pyramid scheme in reverse

Image had hoped to identify additional reserves at Boonanarring to extend the life of the project a little longer, but time constraints combined with the cost of transporting ore to the WCP means that the company will move forward with its original 2017 Feasibility Study plan to focus mining at Atlas. Given that the project was targeted as the first of many mineral sands opportunities, Boonanarring was an ideal starter for a first time producer: the high quality deposit combined with existing infrastructure and a simple open-mine plan gave Image two full years of profitable operation, maintaining HMC production guidance in CY20 despite COVID-19-inspired uncertainties. Revenue in CY20 was A\$176m (A\$146m in CY19), but subdued sales in the second half coincided with higher operating costs. Despite the downturn, the company hit its stride at Boonanarring, paying off its debts of US\$13.8m with a remaining cash balance of \$32m.

As Project MORE shows, the long-term aim of evaluating deposits is about generating growth for other mineral sands projects down the track while making the most of the resources at hand and Atlas is just the next step in the company's trajectory of twelve projects. At present, Atlas has a three-year mine life, but comes with potential ore reserves at the nearby Helene and Hyperion deposits, which will hopefully add to a longer project. While the company's list of dry mining projects are ranked by zircon and rutile contained (with Boonanarring at the top), Image looks at its combined 45-million-tonne resource as one big operation, with ore reserves at Red Gully (north of Boonanarring) another potential WCP location.

Interestingly, the company has three dredge mining prospects, Bidamina, Calypso and Titan-Telesto, which could provide a secondary operation to offset some of that short mine-life risk. JORC mineral resources are currently being updated for all three.

Building an image

The relocation of the WCP and the dry mining fleet to Atlas is anticipated to take three months at the end of operations at Boonanarring, which will be around the third quarter of 2022. This will cost the company approximately \$25m, while there will be no HMC production during that period. The company can easily sub that from its cash reserves, but there may be some final HMC sales from the Boonanarring inventory. Although the company's sales dropped at the height of COVID-19, demand and prices for zircon continue to rebound, further strengthening the kind of pricing expected from HMC concentrate.

In many ways, this makes Atlas' profitability much more dependent on Image's ability to find value in the existing ore reserves, which would add much needed longevity to the project. Apart from another potential project at Red Gully/Regan's Ford, where early-stage planning is already underway, other projects in Image's portfolio are high-grade in HMC, but not as rich in zircon as Boonanarring, which presents some risk if Atlas' life can't be substantially improved. As the company knows, longer-lived ore reserves or even some secondary operating opportunities in its dredge projects will be key to identifying more growth. Image gets three stars on a great start with room to develop.



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