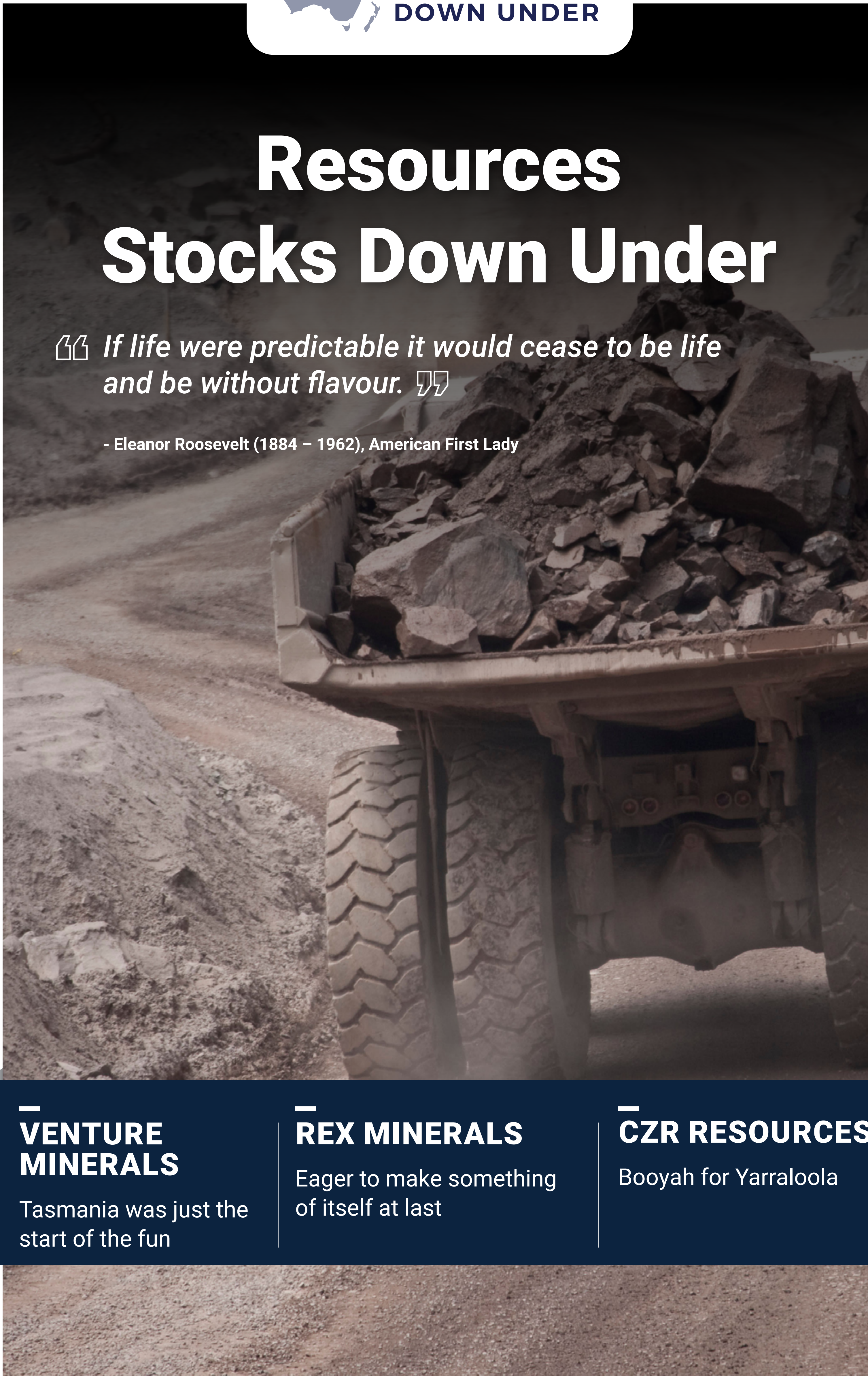
29 JULY 2021



Resources Stocks Down Under

> *If life were predictable it would cease to be life and be without flavour.*

- Eleanor Roosevelt (1884 – 1962), American First Lady

VENTURE MINERALS

Tasmania was just the start of the fun

REX MINERALS

Eager to make something of itself at last

CZR RESOURCES

Booyah for Yarraloola

VENTURE MINERALS

Tasmania was just the start of the fun

Stocks Down Under rating: ★★★★

ASX: VMS
Market cap: A$173M

52-week range: A$0.029 / A$0.16
Share price: A$0.13

Venture Minerals is a mineral exploration company moving swiftly from explorer to producer with first production at its Tasmanian iron ore and tin-tungsten projects, but in the continuing theme of Julimar mania, the company's South West Ni-Cu-PGE project is garnering much of the attention. With a multi-mineral portfolio of works, Venture is concentrating on bringing out the best of each project at the right time.

READ MORE

REX MINERALS

Eager to make something of itself at last

Stocks Down Under rating: ★★★★

ASX: RXM
Market cap: A$152M

52-week range: A$0.12 / A$0.47
Share price: A$0.35

Long-suffering Rex Minerals has something to crow about now that its flagship Hillside Copper-Gold Project on South Australia's Yorke Peninsula may actually become a real live mine. Having finally gained all the necessary permits, Hillside is a step closer to being funded. Phased success at the project could also make way for another surprise achievement at Rex's Company-Maker No. 2, a gold project in America.

READ MORE

CZR RESOURCES

Booyah for Yarraloola

Stocks Down Under rating: ★★★

ASX: CZR
Market cap: A$41.8M

52-week range: A$0.010 / A$0.021
Share price: A$0.011

Emerging iron ore and gold producer CZR Resources, formerly Corizon, is moving to develop its flagship Yarraloola Iron Ore Project, with a Prefeasibility Study highlighting a small, but profitable operation, although there appears to be a few upsides to improve the current metrics. Yarraloola is one of three promising iron ore projects and the company is making headway into its gold-copper nickel assets on the side.

READ MORE

VENTURE MINERALS

Tasmania was just the start of the fun

Stocks Down Under rating: ★★★★

ASX: VMS
Market cap: A$173M

52-week range: A$0.029 / A$0.16
Share price: A$0.13

Venture Minerals is a mineral exploration company moving swiftly from explorer to producer with first production at its Tasmanian iron ore and tin-tungsten projects, but in the continuing theme of Julimar mania, the company's South West Ni-Cu-PGE project is garnering much of the attention. With a multi-mineral portfolio of works, Venture is concentrating on bringing out the best of each project at the right time.

Share price chart

Source: Tradingview

Thundering results so far

Venture continues to define new electromagnetic anomalies at its South West project, 240 km south of Perth. Joint venture partner Chalice Mining – that's right, the Chalice that brought you Julimar last year – discovered these anomalies at selected areas of the Thor prospect target, a 20 km-long Julimar-lookalike magnetic anomaly. The new EM anomalies are similar in strength to previous palladium intervals found in early drilling, but one anomaly is of particular interest because of its proximity (within 10 metres) to drill hole TOR04, which intersected 86 metres of disseminated sulphides with PGE mineralisation. The 42 km EM program is ongoing where Chalice has committed to spend up to $3.7m to earn 70% of the project.

It was Thor that caused Venture's share price to leap in 2021 from the 4 cent level of January to over 15 cents by mid-June. However, the South West project is at a comparatively early stage compared to other projects in Venture's portfolio, including the Riley Iron Ore mine and Mount Lindsay Tin-Tungsten projects in north-west Tasmania. Riley, which sits 10 km south-east of Mount Lindsay, is a small iron project comprising 1.6 million tonnes at 57% Fe with a production timeline of 800,000 tonnes per annum. Combined, this comes out to a post-tax Net Present Value of $27m and an Internal Rate of Return of 303% at an assumed price of US$90 per tonne. The company expects first iron ore shipments through the Port of Burnie very soon. Neighbouring Mount Lindsay is undergoing further assessments, but post-2012 Feasibility Study test work has highlighted very high grade (75%) tin concentrate and at least a 10-year operating life.

The glue which connects all things

While the name 'mineral producer' covers a lot of bases, it's difficult to define Venture's long list of assets in order of importance. While the company decided to go ahead with the Riley iron ore project on the back of much more conservative iron ore prices – around US$90 per tonne at the time of the August 2019 Prefeasibility Study – the near-term outlook for iron ore pricing has suddenly made the original economic outlook for the project a whole lot better. And this is largely what underpins Venture's other projects in terms of trends and simply good timing, with rising tin prices necessitating a reassessment at Mount Lindsay and the company's choice of JV partner, making South West an obvious long-term choice.

In fact, you could pick and choose the reasons for the company's share price with so many ventures on the go: with Riley starting to provide a profitable iron ore avenue, other investors are interested in Venture's access to the Electric Vehicle and battery metals markets. The famous words of Louis Pasteur come to mind when thinking about Venture Minerals: Le hasard ne favorise que les esprits prepares – chance favours only the prepared mind.

With over 80,000 metres of diamond drilling completed at Mount Lindsay so far, the company is exploring new strategies to optimise resources at what is one of the world's largest undeveloped tin projects, with that high-grade tin concentrate likely to attract high premiums. The price of tin has reached US$31,000 per tonne (an increase of 135% since 2016) thanks to its use in green technologies. A critical mineral, but undersupplied like tungsten, has improved 60% to US$270 MTU (metric ton units). While Riley's short mine life and quick production is a great opportunity to capitalise on iron ore as it is now, that cash flow may have greater value at Mount Lindsay's hugely untapped tenement area or one of the many other pipeline projects. Apart from offtake agreements for first ore, the company's January $10m share placement at 5.5 cents a share has funded the final stages of plant construction and commissioning, with some funds leftover for work at the Golden Grove Copper and Kulin Gold projects in WA.

Time to shine

In line with Venture's strategy of picking up mineral projects all over Australia, the company has the same high hope for a significant mineralised gold system at the Kulin project in the Yilgarn and high-grade zinc and copper VMS mineralisation at Golden Grove, with drilling and reserve updates ongoing. But as usual, targets like these are overshadowed by the excitement over South West's Julimar-style potential with its excellently chosen Norse God names. Both Thor and neighbouring Odin hold the prospect of Ni-Cu-PGE mineralisation, but Odin also has demonstrated lithium targets.

As soon as the company starts generating cashflow from Riley (with the current cash balance around $3m), we see Venture's point that Mount Lindsay's strong exploration history combined with today's demand could make it a winner in the fourth industrial revolution. As stated, it's all about timing and Mount Lindsay might finally have its time to shine. Four stars.

REX MINERALS

Eager to make something of itself at last

Stocks Down Under rating: ★★★★

ASX: RXM
Market cap: A$152M

52-week range: A$0.12 / A$0.47
Share price: A$0.35

Long-suffering Rex Minerals has something to crow about now that its flagship Hillside Copper-Gold Project on South Australia's Yorke Peninsula may actually become a real live mine. Having finally gained all the necessary permits, Hillside is a step closer to being funded. Phased success at the project could also make way for another surprise achievement at Rex's Company-Maker No. 2, a gold project in America.

Share price chart

Source: Tradingview

Joining the copper coast

If you look on a map of South Australia, the boot-like landmass you can see just north of Adelaide is the Yorke Peninsula. Part of that Peninsula is called the 'Copper Coast' because the top west side was where a number of rich copper mines were developed in the late 19th and early 20th centuries. Rex Mineral's company maker, a large, shallow iron oxide copper gold (IOCG) deposit called Hillside, isn't far away from the Copper Coast, but is on the other side of the Peninsula, about 12 km south of the old mining town of Ardrossan.

Hillside, when it finally develops, will be a big deal, covering a resource of 2 million tonnes Cu and 1.4 million ounces Au. Now fully permitted, Rex is touting a Phase 1 production program of 35,000 tonnes copper and 24,000 ounces of gold annually over the first 12 years of operations. The Feasibility Study was based on a copper price of US$3.00/lb with C1 cash costs (after by-product) of US$1.38/lb with a post-tax Net Present Value of A$504m at a 5% discount rate and an Internal Rate of Return of 16%. Now all Rex has to do is fund the mine.

Although this company has walked a long road in the development of Hillside – the deposit was discovered in 2008 – it's already working on another would-be company maker. In 2019 Rex made the unusual step of acquiring the notorious Hog Ranch Gold project in Nevada, USA, 270 km north of Reno, for A$1.2m. Last mined in the late '80s, but modest in scope at the time, Hog Ranch is host to a large epithermal gold system with a mineral resource of 2.26 million ounces of gold. Rex is focussing on two standout gold deposits at Bells and Krista, with Bells the most likely setting for a new standalone heap leach operation at the southern end. The company's 2020 Scoping Study outlines a very small operation producing just 39,000 a year, but at a low US$902 per ounce All-In Sustaining Cost (AISC). As of the March 2021 quarter, Bells has a mineral resource of 560,000 ounces Au.

The long trek back to basics

With its Feasibility Study for Hillside complete, Rex has highlighted an ore-to-market development timeframe of just three years. That plan has already found the support of the SA government, which gave Program for Environmental Protection and Rehabilitation (PEPR) approval in July 2020. The approval was a major milestone for both Hillside and Rex Minerals as just a few years ago the company was busy rethinking its take on the project after a first failed attempt to extract copper, gold and iron ore. By focussing its efforts solely on copper and gold, Hillside is poised to generate a much sounder profit with a smaller operation with room to grow in phases. As the Feasibility Study only covers the first 12 years, Rex is already considering plans for a Phase 2 open pit expansion, which could potentially add an additional 500,000 tonnes and effectively double the current ore reserve and mine life. Hillside has only been drill-tested down to a depth of 750 metres, ostensibly leaving some further underground potential.

The difficult process with strategy and permitting at Hillside should be a particularly good lesson for Rex's work at Hog Ranch, which has had a turbulent history of its own. The project was last mined by Western Mining from 1988 to 1992 as a simplified heap leach operation, which only managed to produce 200,000 ounces of gold when gold prices were around US$350 per ounce before depleting the resource. This time around, Rex believes there is a bigger opportunity using the historical drilling data to find a larger gold system (underground and at surface) backed by a higher gold price, with early-stage development work focussing on the regional Bells, Krista and Gillam gold prospects. Although the company's mid-2020 Scoping Study at Bells excluded Krista, Krista itself amounts to 1,580,000 ounces.

Does slow and steady win the copper race?

While Rex now has the challenge of next phase drilling at Hog Ranch as a precursor to environmental permitting for that project, the frustrating experience at Hillside is a reminder that simple may be better at the outset, especially when the potential of expansion is already there. Although it took ages, Hillside now has the advantage of being Australia's only fully permitted copper project with a mine life of more than ten years and a CAPEX of less than US$500m.

Assuming Hillside enters production, and even gets to a Phase 2 pit expansion, Rex still can't help but think ahead to a Phase 3 underground program or a potential iron ore bonus phase because of the amount of haematite and magnetite ore. Rather than get ahead of ourselves, we're concentrating instead on Hillside's ore reserve review and Hog Ranch's drill results, expected sometime this quarter. As ever, the company's next major milestone is the completion of financing and/or joint venture agreements for Hillside's start. Ahead of that event, and with copper and gold both looking good right now, Rex Minerals is four stars.

CZR RESOURCES

Booyah for Yarraloola

Stocks Down Under rating: ★★★

ASX: CZR
Market cap: A$41.8M

52-week range: A$0.010 / A$0.021
Share price: A$0.011

Emerging iron ore and gold producer CZR Resources, formerly Corizon, is moving to develop its flagship Yarraloola Iron Ore Project, with a Prefeasibility Study highlighting a small, but profitable operation, although there appears to be a few upsides to improve the current metrics. Yarraloola is one of three promising iron ore projects and the company is making headway into its gold-copper nickel assets on the side.

Share price chart

Source: Tradingview

Mesa high

CZR holds the majority stake in joint ventures over the Yarraloola, Yarrie, Croydon and Shepherd's Well projects in the Pilbara and the Buddadoo project in the Yilgarn. If you look on a map of the Pilbara, you'll find Yarraloola roughly midway between Rio Tinto's Mesa-A and Mesa-J iron ore mines, about 140 km southwest of Karratha. CZR wants to build Yarraloola from a probable ore reserve of 8.2 million tonnes at a deposit called Robe Mesa deposit. The grade here is only 56% Fe, but the December 2020 Prefeasibility Study (PFS) has highlighted this as a potential low direct-shipping iron ore that can ship out of either Port Hedland or Onslow. In an important further step towards production, on 29 June 2021 management announced it had approved a budget of $5m for a definitive feasibility study, funded by the capital raise announced on 7 June 2021. The current resource at Yarraloola is 89.1 million tonnes at 53.7% Fe (50% cut-off). CZR is looking at a LOM of 5 years with production of 2 million tonnes per annum and a pre-production CAPEX of $51m.

Elsewhere in the region, CZR's other iron ore projects have direct ties to established miners: the Yarrie tenure is northeast of BHP's Yarrie Mining Centre, where BHP has mined many high-grade Fe deposits. CZR's underexplored tenure extends 20 km north of the centre. Yarrie's Cabbage Tree prospect has been selected as a priority target after finding historical intercepts of up to 19m at 63% Fe. Assays for the Croydon and Shepherd's Well projects are ongoing, indicating opportunities for follow-up drilling, with Shepherd's Well providing nickel targets. A 5000m RC drilling campaign is also underway at the Buddadoo Gold Project, which covers seven gold targets in the popular Gullewa Greenstone Belt.

Major project proximity

Even with the current positive PFS financials for Yarraloola, there are options for CZR to make its long-term outlook better. Yarraloola is 430 km distance by road-train to Port Hedland, but it's only 260 km to Onslow, another port town to the west of Hedland. CZR now has a Memorandum of Understanding (MoU) with the Onslow Marine Support Base (OMSB) for shipment out of Onslow and it reckons that can save around A$50m per year. You may know Onslow for its role in supporting oil and gas operations, but there's no reason why iron ore can't export from here as well.

In addition to the alternative or second route, there is the potential upside for CZR and its partners to move beyond Robe Mesa with further exploration providing a longer life of mine and improved nameplate capacity, as well as higher grade ore. CZR's next priority target is the Ashburton Magnetite prospect 15 km north of Robe Mesa. Magnetite ore produces higher quality steel than DSO with a lower carbon footprint and recent air core drilling and Davis tube tests – lab tests for the assessment of strongly and weakly magnetic ores – indicate favourable steel-making standards (66%+ Fe). Although these strategies are aimed at unlocking maximum value at the project, the current projections are still positive at a LOM free cashflow of $94m at the conservative Fe price of US$90 per dmt. With these concerns in mind, the company is now completing a two-tranche capital raise of $7m (at $1.15 a share) as well as an additional share purchase plan to raise a further $500,000 with the majority set aside for environmental studies, mining approvals and the upcoming Definitive Feasibility Study (DFS).

So much for CZR and iron ore. CZR is also a gold-copper hopeful. It follows in the footsteps of successful producers like De Grey Mining by joining the hordes of juniors flowing into the Pilbara's current gold rush. In the case of Croydon Project, healthy drill hits at the Top Camp prospect, about 90 km north-west-north of De Grey's Hemi discovery, have propelled the company to examine the shared characteristics of each project. Similarly, down in the Yilgarn, Buddadoo lies within the western portion of underexplored Younami Terrane, just east of Silver Lake Resources' Deflector Copper-Gold mine. With Deflector's estimated resource base of more than 1 million ounces, CZR is motivated to base down several gold anomalies in the search for the next Deflector.

View from the plateau

With Yarraloola taking the majority of the company's (and its shareholders) focus, CZR is now tasked with a lengthy program of heritage clearance, native title negotiations and drilling and assay work at Yarrie, Croydon and Buddadoo. In the case of the Ashburton magnetite system, there is significant focus on three specific prospects (Spinifex Hill, Rossi and Walrus), which represent the strongest anomalies for the system's long-term inclusion.

After the abovementioned capital raise, CZR now has enough cash to progress the JORC-ore reserve update at Yarraloola, while it waits for increasingly wet conditions (including a cyclone) to pass at Buddadoo. CZR has given a long-winded timeframe for planning at Yarraloola up to June CY22. Although currently a small project, Yarraloola's potential to produce lower costs and sustain increased production of high-grade ore could light a fire under the company's share price, which has been on a consistent downward trajectory since September 2020 from 20 cents to 10 cents.

The one downside is the iron ore price, which we believe will not be above US$200 a tonne for long. Three stars for now.

Pitt Street Research Pty Ltd

95 Pitt Street, Sydney, NSW 2000, Australia