

# Metal prices and high-grade hits combine to show Venturex's time has come

## Plus, strong drilling results for Zinc of Ireland worthy of more investor attention

Finding some upside in the ASX-listed zinc stocks has become a big ask of late.

Pretty much all of them have had a mighty run on the back of zinc's massive price recovery in response to the closure of some big-name mines after they were mined out, Glencore's pulling of 500,000 tonnes of annual production from the market pending the return of higher price and China's environmental crackdown on its domestic industry.

Zinc is now fetching \$US1.46/lb. The 54% price gain on last (calendar) year's average of US95c/lb puts the metal at 10-year highs.

Add in the prospect that rechargeable zinc-based battery technologies will throw out a challenge to lithium-ion batteries in the electric vehicle revolution at some point in the future, and it is little wonder that investors have been all over the zinc producers and explorers this year.

To a point anyway. Some have been over-looked for one reason or another. Venturex (VXR) is a case in point.

Having 3.37 billion bits of paper on issue hasn't helped the company's cause. It's not a pure zinc play either. But there is nothing wrong with having high-grade copper as part of the mix at its Sulphur Springs zinc-copper project, 145km south-east of Port Hedland in the Pilbara.

Sulphur Springs ranks as an advanced development opportunity whose time has come. The surge in zinc prices, and copper's climb back over \$US3/lb, meant that was already the case.

But the real game-changer has been the thick and high-grade copper hits returned from a current infill drilling program of the inferred supergene resource sitting directly above the main volcanogenic massive sulphide lenses at Sulphur Springs.

Recent results included 38.2m at 3.5% copper from 97m downhole and 40.3m at 3.35% copper from 93.7m. In addition, visual inspection of the most recently completed hole (assays pending) indicated a potential thickening of the supergene zone to the west.

Results from the drilling campaign – drilling is also targeting the underlying VMS system – will be fed into an upgraded resource estimate early in the new year, with a decision expected to follow on moving Sulphur Springs into a definitive feasibility study.

The supergene drill results suggest that Sulphur Springs will shape up as a better project than the already good one outlined in a so-called value engineering study (VES) completed by Venturex in February.

The VES built on previous studies and outlined a \$166m project with average annual production of 32,000 tonnes of zinc and 12,000 tonnes of copper (in concentrates). It was found to be capable of

producing zinc at a cash cost of 14c/lb (with the help of the high-grade copper) for an initial 12 years. Capital payback was put at 1.6 years.

Venturex estimated a pre-tax NPV of \$338m and a 52% IRR based on a zinc price of \$US1.15/lb and a copper price of \$US2.93/lb. While the VES included the mining of the supergene early on, it was obviously completed ahead of the upside indicated from the current infill program.

And on the subject of upside, if current zinc and copper prices were applied, Sulphur Springs becomes a much more valuable proposition. No one is saying zinc or copper will stick at these prices, but it is worth knowing what the upside is if they did.

Euroz has just initiated covered of Venturex. It estimates that if current metal prices were applied, and all other assumptions remained the same, the NPV would increase to more than \$500m. That's interesting stuff for a company trading at 2c for a market cap of \$70m.

Euroz called Venturex a speculative buy on November 6 when it was trading at 1.5c. There is still some implied upside given Euroz has a 4c price target on the stock. Sulphur Springs accounted for a risk-adjusted 2.9c or \$100m of the valuation.

Venturex's other Pilbara project, its Whim Creek copper-zinc-lead project some 115km south-west of Port Hedland, was valued at 0.5c or \$20m.

Whim Creek is well down the pecking order in terms of Venturex's priorities. But it does inject some Pilbara conglomerate gold nuggets sex appeal into the company, notwithstanding Euroz's \$20m valuation.

Venturex's tenements are hard up against De Grey Mining's (DEG) Loudens conglomerate nuggets discovery. De Grey is now an \$88m company.

Venturex has assessed that it has a 12km stretch of prospective conglomerate on its own ground which we are likely to hear more about if the Pilbara conglomerate rush shapes up into something meaningful.

No one is sure about that. Not even Northern Star executive Bill Beament (NST). Northern Star is a 20% shareholder in Venturex and was on the register long before the Pilbara conglomerate rush took off.

Beament was asked if the conglomerate story had legs at the recent presentation of Northern Star's September quarter production report. First up he confessed he was a mining engineer, not a geologist.

"(But) what I will emphasise is that we have a 20% interest in Venturex which probably has some of the best potential (conglomerate) horizons . . . much bigger than some of the names that are getting out there in the mainstream media," Beament said.

## **Zinc of Ireland**

Talking about things zinc, a little ASX-listed thing called Zinc of Ireland (ZMI) put out some impressive exploration results during the week from its Kildare project, 40km south-west of Dublin.

And by little, we mean little. It is trading at 0.6c for a market cap of \$11m. That was fair enough until the latest results which have discovered thick and high-grade zinc mineralisation within a couple of hundred metres of the surface at Kildare's McGregor and Celtic Tiger prospects.

Before the latest results, interest levels in the Kildare project were pretty low because the previous zinc hits were on the narrow side of things and at depth.

The latest results change that perception, even if it is yet to be reflected in the share price. At the newly discovered Celtic Tiger, about 1km from the main resource at McGregor, best results included 5.45m at 13.4% combined zinc/lead, and 8.7m of 12.6% combined zinc/lead.

The company itself said the results were a game-changer. Drilling for more mineralisation at the shallower depths would be quicker and cheaper. And more accessible mineralisation will obviously translate into improved economics when the time comes to be thinking about a mine development in the heart of the Emerald isle's rich zinc province.