

Stock Focus

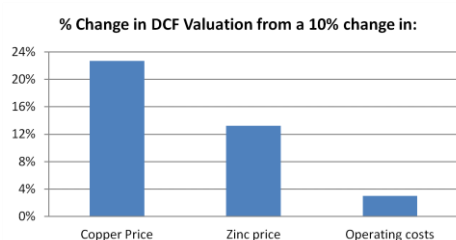
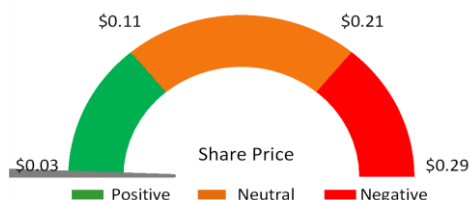
Venturex Resources (VXR)



EVANS & PARTNERS

SITE VISIT TO PILBARA VMS PROJECT

RECOMMENDATION : POSITIVE



Trading Data

Last Price	\$0.04
12 month range	\$0.03 - \$0.08
Market cap.	\$51m
Free Float	\$39m (76%)
Avg. daily volume	0.7M
Avg. daily value	\$0.0m
12m return (historical)	(54.8)%

Earnings Forecasts

Yr to June	11A	12E	13E	14E
NPAT pre ab (\$m)	(3)	(3)	(2)	(6)
EBITDA (\$m)	(4)	(5)	(4)	(3)
EPS (¢)	(0.3)	(0.3)	(0.2)	(0.4)
EPS Gth (%)	N/A	N/A	N/A	N/A
PER (x)		Na	Na	Na
Production (kt cu)	0	0	0	0
Cost (US\$ lb)	0	0	0	0
DPS (¢)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%
NetDebt/EBITDA (x)	2.8	2.1	3.4	(52.2)

Valuation (DCF - \$ps)

0.16

Share Price History



We visited the key areas of this project including the Whim Creek and Mons Cupri pits, Sulphur springs underground project and Salt Creek project. With the BFS due out this month, and project parameters robust excluding recent additions like Kangaroo Caves, we retain our POSITIVE recommendation.

Initial project parameters appear conservative. Whilst final numbers are not yet to hand, we expect copper equivalent costs sub \$US1.50/lb copper equivalent, with total capital expenditure expected in the vicinity of \$US250-\$US270m. Based on our current cost parameters of circa \$US1.75/lb, and upgrading our capital from our previous estimate of \$US236m generates a highly attractive NPV on the project. However, this "base case" assumes a conservative 1mtpa throughput, and excludes high grade deposits such as Salt Creek, Evelyn and recent acquisitions including Kangaroo Caves.

Base case 7+ year mine life likely to be bettered. Given the base case excludes a number of deposits, with the key deposit, Sulphur Springs not fully drilled out, we see considerable upside to mine life and/or annual production rates here.

Project centred on Sulphur Springs, but the Whim Creek deposits may provide significant additional feed. Current thinking is for early production to be sourced via a cut-back on the existing Whim Creek pit, whilst development of a single decline underground at Sulphur Springs is completed. For the majority of the mine life, Sulphur Springs is envisaged as the sole ore source, with Mons Cupri and other satellite deposits around Whim Creek such as Salt Creek anticipated as feed towards the end of the project life. The Whim Creek ore is to be trucked approximately 250km to the plant at Sulphur Springs at a cost of circa \$30-\$35/t. Processing is via conventional flotation initially producing a zinc and a copper concentrate; with a lead concentrate also likely later in the mine life. Venturex is confident it will be able to ship the concentrate out of Port Hedland via "roto boxes".



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PROJECTS

Whim Creek Pit



- This is the source of early ore, with a cut back on the old pit, and dewatering potentially into the Mons Cupri pit

Sulphur Springs



- Sulphur Springs is the key project, with a single decline underground mine planned here. The picture shows the landscape to be more rugged than that of the Whim Creek area, with ore accessed via a box cut. Tailings is either going to be dry stacked, or significantly dewatering to a thick residual significantly reducing the footprint of the proposed tailings facility.

Mons Cupri



- Mons Cupri is a small, relatively high grade deposit, however it is high in zinc, and the reactive nature of the zinc makes it more difficult to suppress in the two stage flotation process planned. Accordingly this deposit is scheduled for mining very late in the project life.



FINANCIAL SUMMARY

Venturex Resources VXR Recommendation: Positive
 As at: 31/10/12 DCF Valuation \$0.16

Year end	Dec	2012F	2013F	2014F	2015F	2016F
INCOME STATEMENT						
Total Revenue	\$m	0.3	0.4	1.0	8.1	212.1
Operating Costs	\$m	0.0	0.0	0.0	-4.1	-107.0
Royalty	\$m	0.0	0.0	0.0	-0.3	-7.8
Exploration W/off	\$m	-2.4	-0.8	-0.4	-0.7	-0.7
Total Op. Costs	\$m	-2.4	-0.8	-0.4	-5.0	-115.5
D&A	\$m	0.0	0.0	0.0	-2.0	-32.0
Interest Exp.	\$m	0.0	0.0	-5.9	-12.7	-12.7
Corporate	\$m	-2.9	-2.9	-2.9	-2.9	-2.9
Other	\$m	0.0	0.0	0.0	0.0	0.0
Total Costs	\$m	-5.2	-3.7	-9.1	-22.6	-163.1
Pre+Tax Profit	\$m	-5.0	-3.3	-8.1	-14.5	49.0
Tax Provision	\$m	1.5	1.0	2.4	4.4	-14.7
Net Profit	\$m	-3.5	-2.3	-5.7	-10.2	34.3
Minorities	\$m	0.0	0.0	0.0	0.0	0.0
Attrib Net Profit	\$m	-3.5	-2.3	-5.7	-10.2	34.3
Abnormal/Discontinued Operations	\$m	0.0	0.0	0.0	0.0	0.0
Reported profit	\$m	-3.5	-2.3	-5.7	-10.2	34.3

Year end	Dec	2012F	2013F	2014F	2015F	2016F
CASH FLOW						
Operating Cashflow	\$m	-2.1	-2.5	-7.7	-14.2	77.3
-Capex	\$m	0.0	-64.0	-172.0	-4.0	-4.0
-Exploration	\$m	-6.8	-2.3	-1.0	-2.0	-2.0
Free Cashflow	\$m	-8.9	-68.8	-180.7	-20.2	71.3
-dividends	\$m	0.0	0.0	0.0	0.0	0.0
+Equity Raised	\$m	10.6	70.0	0.0	0.0	0.0
+Debt Drawdown	\$m	0.0	30.0	165.0	0.0	0.0
-Other (incl asset sales)	\$m	-1.1	0.0	0.0	0.0	0.0
Net Change in Cash	\$m	0.7	31.2	-15.7	-20.2	71.3
Cash at End Period	\$m	11.2	42.4	26.6	6.4	77.8

Year end	Dec	2012F	2013F	2014F	2015F	2016F
BALANCE SHEET						
Cash	\$m	11.2	42.4	26.6	6.4	77.8
Total Assets	\$m	71.1	167.8	324.7	307.8	352.4
Total Debt	\$m	0.0	30.0	195.0	195.0	195.0
Total Liabilities	\$m	7.4	37.4	202.4	202.4	202.4
Shareholders Equity	\$m	63.7	130.4	122.3	105.4	150.0

Production	12E	13E	14E	15E	16E
Pilbara VMS Project					
Ore Milled (kt)	(kt)	-	-	35	1,000
Head Grade - cu (%)	(%)	-	-	0.0%	1.9%
Head Grade - Au (g/t)	(g/t)	-	-	0.0	0.1
Recovery - cu (%)	(%)	-	-	0.0%	94.6%
Production - cu (kt)	(kt)	-	-	1	18
Production - Au (k oz)	(k oz)	-	-	0	2
Profit and Loss Cash Cost					
Cash Cost	(\$US/t)	-	-	48	39
Cash Cost	(\$US/lb)	-	-	0.00	1.20
Total Cost	(\$US/lb)	-	-	0.00	2.82

Assumptions	12E	13E	14E	15E	16E	
Gold Price	(US\$/oz)	1673	1635	1725	1738	1759
Silver Price	(US\$/A\$)	34	32	32	32	32
Average Exchange Rate	(US\$/A\$)	1.03	0.98	0.95	0.95	0.95
Copper	(US\$/lb)	3.64	3.55	3.55	3.55	3.54
Zinc	(US\$/t)	1936	1848	1923	1994	2044

Year end	Dec	2012F	2013F	2014F	2015F	2016F
VALUATION METRICS						
PER	x	Na	Na	Na	Na	1.6
EV/EBITDA	x	-20.7	-98.9	341.7	80.2	1.8
Dividend Yield	%	0.0	0.0	0.0	0.0	0.0
P/FCF	x	Na	Na	Na	Na	0.7
ROA	%	-5%	-1%	-2%	-3%	10%
ROE	%	-5%	-2%	-5%	-10%	23%
Net Debt to Equity	%	0%	0%	138%	179%	78%

Directors	
Chairman	Mr Anthony Kiernan
Managing Director	Mr Michael Mulrone
Non Executive Director	Mr Allan Trench
Executive Director	Mr Anthony Reilly
Non Executive Director	Mr John Nitschke
Non Executive Director	Mr Ray Parry

Substantial Shareholders	Shares (m)	%
Nefco Nominees	356.5	25.9%
Northern Star*	163.1	11.9%
Straits Mineral Investments	77.7	5.6%

* Assuming the current entitlement issue is succesful

	BASE CASE	
	\$AM	A\$/share
Operations		
Pilbara VMS Project	203	0.15
Exploration	25	0.02
Sub Total - Operations	228	0.17
Investments		
	0	0.00
Financial		
Forward sales	0	0.00
Cash	11	0.01
Total Borrowings	0	0.00
Corporate/Other	-25	-0.02
Total	-14	-0.01
Total Valuation	214	0.16

RESOURCES	T (m)	Cu %	Zn %	Pb %	Silver g/t	Gold g/t
Whim Ck/Salt Ck	7.6	1.2%	2.2%	0.7%	26	0.2
Panorama	19.3	1.2%	3.1%	0.2%	16	
Attributable share	26.9	1.2%	2.8%	0.3%	19	0.1
Venturex's Attributable Copper (mt)					0.3	
Venturex's Attributable Gold (m oz)						0.0

RESERVES (Contained Metal)	T (m)	Cu %	Zn %	Pb %	Silver g/t	Gold g/t
Whim Ck/Salt Ck	4.5	1.4%	2.8%	0.9%	35	0.3
Panorama	5.7	1.9%	4.3%	0.3%	23	
Attributable share	10.1	1.7%	3.6%	0.6%	28	0.1



RESEARCH RECOMMENDATION DEFINITIONS

Positive	Stock is expected to outperform the S&P/ASX 200 over the coming 24 months
Neutral	Stock expected to perform in line with the S&P/ASX 200 over the coming 24 months
Negative	Stock is expected to underperform the S&P/ASX 200 over the coming 24 months
Speculative	Stock has limited history from which to derive a fundamental investment view or its prospects are highly dependent on event risk, <i>eg.</i> Successful exploration, scientific breakthrough, high commodity prices, regulatory change, etc.
Suspended	Stock is temporarily suspended due to compliance with applicable regulatory and/or Evans & Partners policies in circumstances where Evans & Partners is acting in an advisory capacity.
Not Rated	Stock is not included in our investment research universe.

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Valuation	Rolling 12 month prospective multiples (composite of Price-to-Earnings Ratio, Dividend Yield and EV/EBITDA), or long-term NPV for resource stocks.
Earnings Outlook	Forecast 2 year EPS growth.
Earnings Momentum	Percentage change in the current consensus EPS estimate for the stock (rolling 1 year forward basis) over the consensus EPS estimate for the stock 3 months ago.
Shareholder Returns	Composite of forecast ROE (rolling 1 year forward basis) and the percentage change in ROE over 2 years.
Debt Servicing Capacity	Rolling 12 month EBIT Interest Cover ratio.
Cyclical Risk	Qualitative assessment of the 2 year outlook for a stock/industry's profit cycle.
Industry Quality	Qualitative assessment of an industry's growth/returns potential and company specific management capability.
Financial Transparency	If we don't understand it, we won't recommend it.

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