

Leading Sydney broker says this 21c base metal junior is its ‘Top Pick’

Mining

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Special Report: Sydney-based institutional broker Blue Ocean Equities has upgraded its recommendation on copper-zinc developer Venturex Resources to “Top Pick”.

Blue Ocean analyst Stuart McIntyre – who made some big early calls on stocks like **Pilbara Minerals (ASX: PLS)** and **Dacian Gold (DCN)** – said in a new research note released last week that **Venturex (ASX: VXR)** is pursuing two key opportunities which could “materially enhance” its value proposition.

Venturex is developing the Sulphur Springs copper-zinc project in WA which, on Blue Ocean’s forecasts, it says has a “compelling post-tax IRR of almost 50% at spot prices.”

The company first attracted McIntyre’s attention at the *Diggers & Dealers* Mining Forum last year, and it has already rallied around 30 per cent since he initiated coverage.

“Over the next few months we expect to see (1) exploration results at both the Sulphur Springs project and regionally and (2) results of the gas-power opportunity which

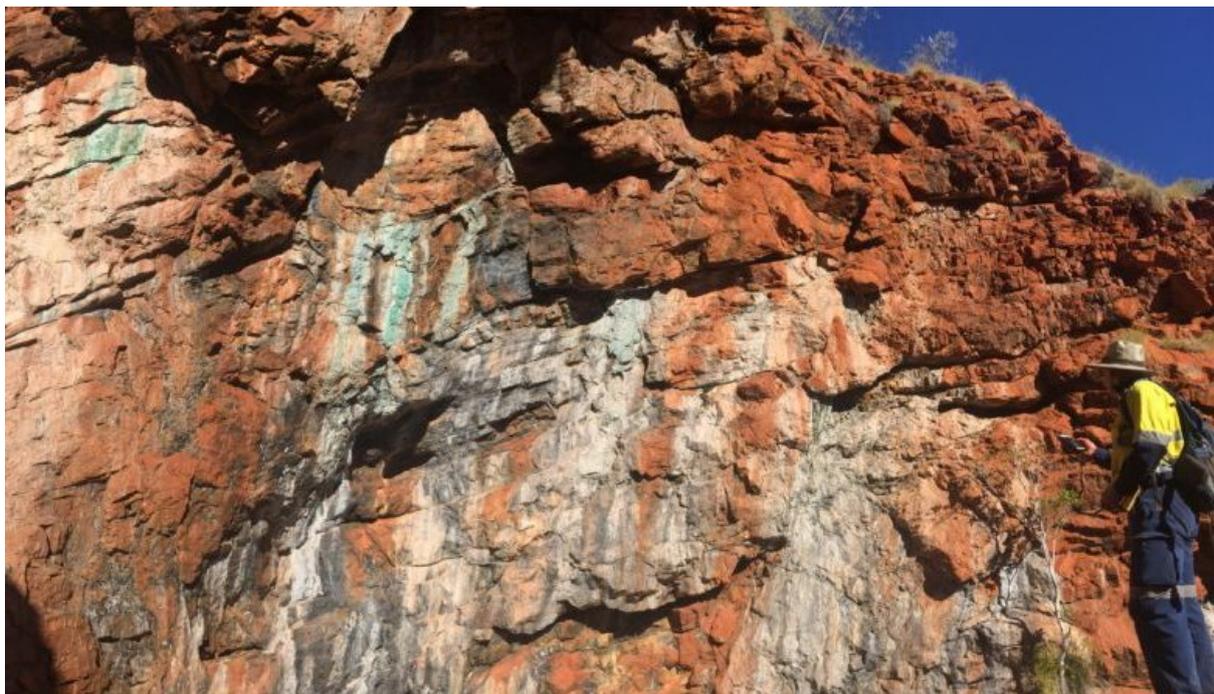
could reduce costs and further enhance economics,” McIntyre wrote in the new research report.

He says other key upcoming price catalysts include sign-off from WA’s Environmental Protection Authority (EPA) and Mining Licence amendment to allow open pit mining, confirmation that project debt is in place, a potential deal on off-take and a potential deal to sell a stake in the project.

“With a post-tax NPV of ~A\$435 million at spot prices versus a market cap of only ~A\$65 million, it’s safe to say we see substantial upside potential for Venturex’s share price,” McIntyre said.

“Given the company’s high-calibre team, supportive major shareholder in Northern Star, which holds 19 per cent, and undemanding valuation, we upgrade Venturex to Top Pick and lift out target to 70c.

“Our forecasts assume the copper price rallies from ~US\$2.94/lb to US\$3.20/lb over the next ~12 months. Sulphur Springs’ key advantage is its superior ~3 per cent CuEq grade.”



A look from the Venturex Sulphur Springs copper-zinc project – Supplied

Excellent exploration upside

Blue Ocean also cites the significant exploration potential across the broader VMS district at Sulphur Springs, known as the Panorama Trend, as being a key attribute of the story.

“Venturex believes a renewed focus on exploration, making use of modern exploration techniques, could potentially unlock the potential of this prospective district,” McIntyre says.

“Venturex sees excellent potential to discover additional resources through ongoing systematic and focused exploration.”

The company is currently gearing up for a new phase of exploration at Sulphur Springs following its recently completed \$3.65 million institutional placement and will deploy drilling rigs as soon as access and weather conditions permit, following the recent cyclonic weather activity in WA’s far north.



Activity at the Venturex Sulphur Springs copper-zinc project in WA (Supplied)

Strategic target

Blue Ocean uses key assumptions from the company’s Definitive Feasibility Study, published late last year, and has increased its price target by 17 per cent to 70c (from 60c previously) based on a reduced 50 per cent discount to NPV to accommodate development risks and reduced potential dilution, and an unchanged NPV using DFS operating assumptions.

McIntyre says that the discount to NPV will be reduced further as the company ticks the remaining “de-risking milestones”, including approval of the amended Mining Lease, securing debt funding and if the share price rallies to “materially higher levels” – resulting in a less dilutive major raising.

Blue Ocean has also published a “Strategic Target” of \$1.10 per share for Venturex, assuming the share price rallies to ~45c or higher over the next few months and the company is able to undertake its major raising at ~40c or higher.

“It is important to note that our Strategic Target does not account for higher copper or zinc prices or for further exploration success at Sulphur Springs (which could lead to a longer mine life and a higher price target!).”

This story was developed in collaboration with Venturex Resources, a Stockhead advertiser at the time of publishing.

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