

Venturex a “high conviction Buy” with a \$1-a-share strategic price target, says Blue Ocean

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Resources Rising Stars

The recently released Definitive Feasibility Study on Venturex Resources' (ASX: VXR) Sulphur Springs copper-zinc project in WA has prompted highly-regarded Blue Ocean Equities resource analyst Stuart McIntyre to issue an upbeat assessment of the stock's potential.

Following a spate of recent desk notes on the \$41 million company, McIntyre formally initiated research coverage this week with an eye-catching 60c-a-share price target and a “strategic target” of \$1-a-share.

“We initiate with a high conviction Buy and 60c target,” he wrote.

McIntyre derives his target price by applying a “large” 60 per cent discount to the un-risked NPV of \$383 million to account for development risks and potential dilution, while adopting “most” of the company's recently reported DFS assumptions.

“With a post-tax NPV of ~\$310 million at spot prices vs. a market cap of only ~\$40m, it's safe to say we see substantial upside potential for Venturex's share price,” he said.

“Our forecasts assume the copper price recovers from ~US\$2.87/lb to US\$3.20/lb over the next 12 months, yielding a higher post-tax NPV of \$393 million.

“Sulphur Springs' key advantage is its superior ~3% CuEq grade.”

McIntyre says he believes that Venturex has “all the classic hallmarks” of a junior mining developer shaping up to become “one of the top performing mining stocks on the ASX over the next 6-12 months.”

Some of the attributes he picks out include its “compelling project metrics”, its grade, its “considerable exploration potential” and the fact that final permits are due in Q4 CY2018.

“Sulphur Springs' strong project returns are predominantly driven by its high grades which are ~50/50 copper/zinc by revenue over the mine life, with a higher weighting to copper in the early years.”

McIntyre is also impressed by the pedigree of Venturex's management team and the quality of its share register.

"In our view, Venturex is led by its high-quality new MD, AJ Saverimutto, who was appointed in April 2016, and who has extensive operating experience and who was formerly the mine manager of Freeport's Grasber operation – the world's largest gold mine and second largest copper mine," he says.

"Venturex is also backed by its major shareholder Northern Star, which holds a 19% stake and has board seat," he said.

Blue Ocean maintains its view in what McIntyre says is a "compelling outlook" for copper and zinc despite the recent pullback in prices. This is reflected in declining copper and zinc inventories and stockpiles, which in the case of zinc recently dropped to 10-year lows.

Ref: <https://resourcesrisingstars.com.au/news-article/venturex-%E2%80%9Chigh-conviction-buy%E2%80%9D-1-share-strategic-price-target-says-blue-ocean>