

# Pilbara Copper Zinc Project Update

October 2015



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## Competency Statement

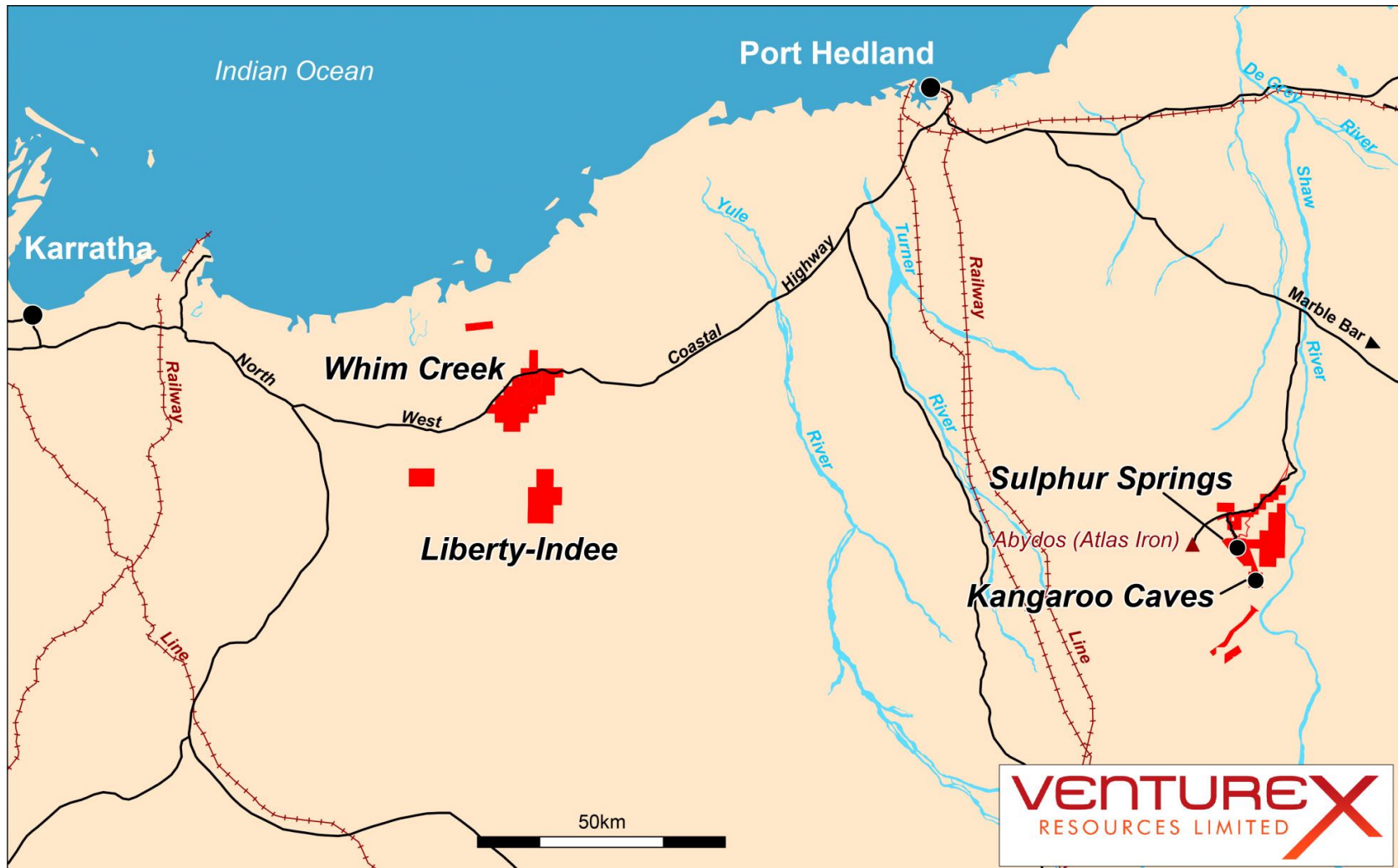
The information in this presentation that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled or reviewed by James Guy who is a Member of the Australasian Institute of Mining and Metallurgy. The information contained in this presentation was previously released in announcements "Company Resource and Reserve Statement – Revised" released 8th October 2013, and "Kangaroo Caves Resource Upgrade" issued 22 September 2015.

. The Company confirms that:

- a. The form and context of the material in this presentation has not been materially modified from the above previous announcements
- b. It is not aware of any new information or data that materially affects the information included in the 8 October 2013 announcement and that all material assumptions and technical parameters underpinning the estimate in the 8 October 2013 and 22 September 2015 announcement's continue to apply and have not materially changed; and
- c. It is uncertain that following further exploration and evaluation that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC 2012 Code.

# Project Location

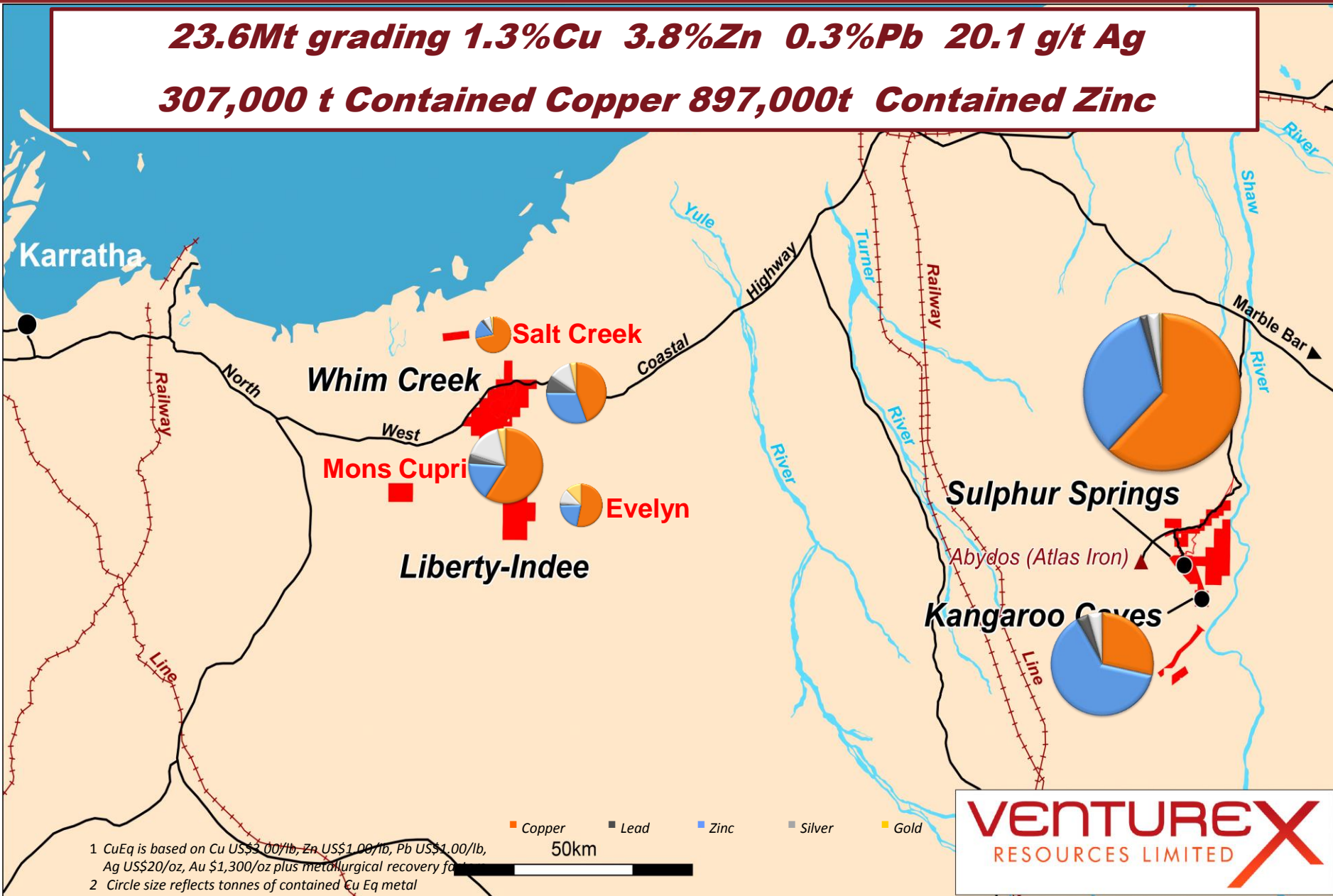
*Adjacent to existing mines, near infrastructure, mining services and skilled labour*



# Large Resource Inventory ~ 590,000t CuEq<sup>1</sup>

**23.6Mt grading 1.3%Cu 3.8%Zn 0.3%Pb 20.1 g/t Ag**

**307,000 t Contained Copper 897,000t Contained Zinc**



# 2012 Feasibility Study Outcomes

<b>Metric</b>	<b>2012 DFS Case</b>	<b>October 2015</b>
Underground Mine & Process Rate	1.0 million tpa	1.0 million tpa
Average annual <u>payable</u> metal production	16,500t Cu 30,000t Zn 200,000ozs Ag	16,500t Cu 30,000t Zn 200,000ozs Ag
Payable Metal Produced	136,400t Cu, 245,700t Zn, 1.7Mozs Ag	136,400t Cu, 245,700t Zn, 1.7Mozs Ag
Mine Life	8.5 years +	8.5 years +
Life of Mine C1 Operating Cost <sup>1</sup>	A\$1.57/lb payable Cu	A\$1.07 lb payable Cu
Pre-Production Capital Cost	A\$279 million (incl. EPCM and contingency)	Optimising
Forecast EBITDA	A\$548 million	A\$825m
Forecast EBIT	A\$234 million	A\$475m
Forecast Pre-tax NPV <sub>10 real</sub>	A\$49 million	A\$178m
IRR	12%	25%
Price Assumptions (average)	Cu-US\$7,716/t Zn-US\$2,094/t Ag-US\$25/oz A\$/US\$ 0.95	Cu-US\$6,700/t Zn-US\$2,400/t Ag-US\$20/oz A\$/US\$ 0.74

<sup>1</sup> C1 Operating Costs = projected cash costs including mining, processing, site administration and concentrate transport and shipping, TC/RC charges less byproduct credits (Zn, Pb, Ag, Au) using price assumptions quoted.



# Optimisation Study ..... well advanced

Upper part of Sulphur Springs deposit can be mined by open cut

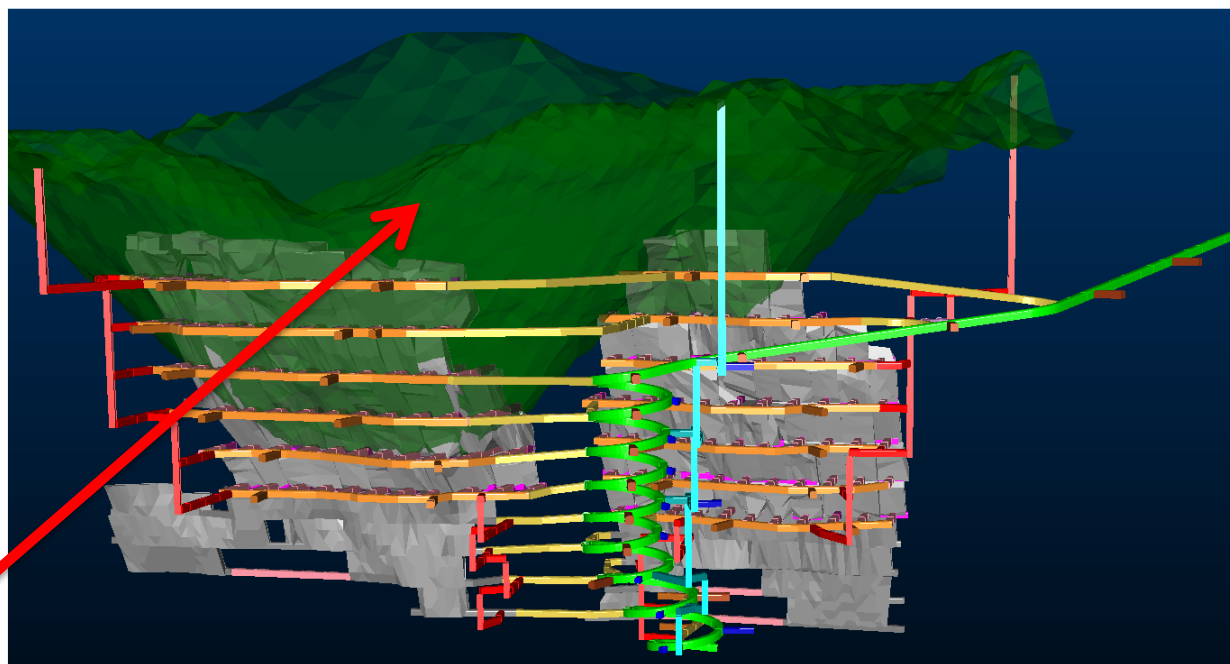
## ***This represents a paradigm shift in the Project***

- Greatly simplifies project and reduces implementation and start up risk
- Capital costs of underground mine reduced and deferred until year 5 of project
- Increased recovery of Resource extends mine life

## **Kangaroo Caves**

- Resource updated
- To be included in Mining Inventory
- Project life extended well beyond 8.5 years

50 Mt open pit containing  
4 to 5 years production



*Sulphur Springs Underground Mine*

# Optimisation Study .....Completion October 2015

## Processing plant and infrastructure design reviewed

- live ore stockpile
- SAG/Ball mill for grinding
- Tighten up design criteria for flotation
- Simplify handling of concentrates
- Deferral of high cost paste fill plant for underground and lead flotation circuit for Whim Creek ores

## Consolidation of tailings disposal and evaporation pond

- Filtration, trucking and stacking of tailings eliminated
- Lower capital and operating costs
- Improved operability

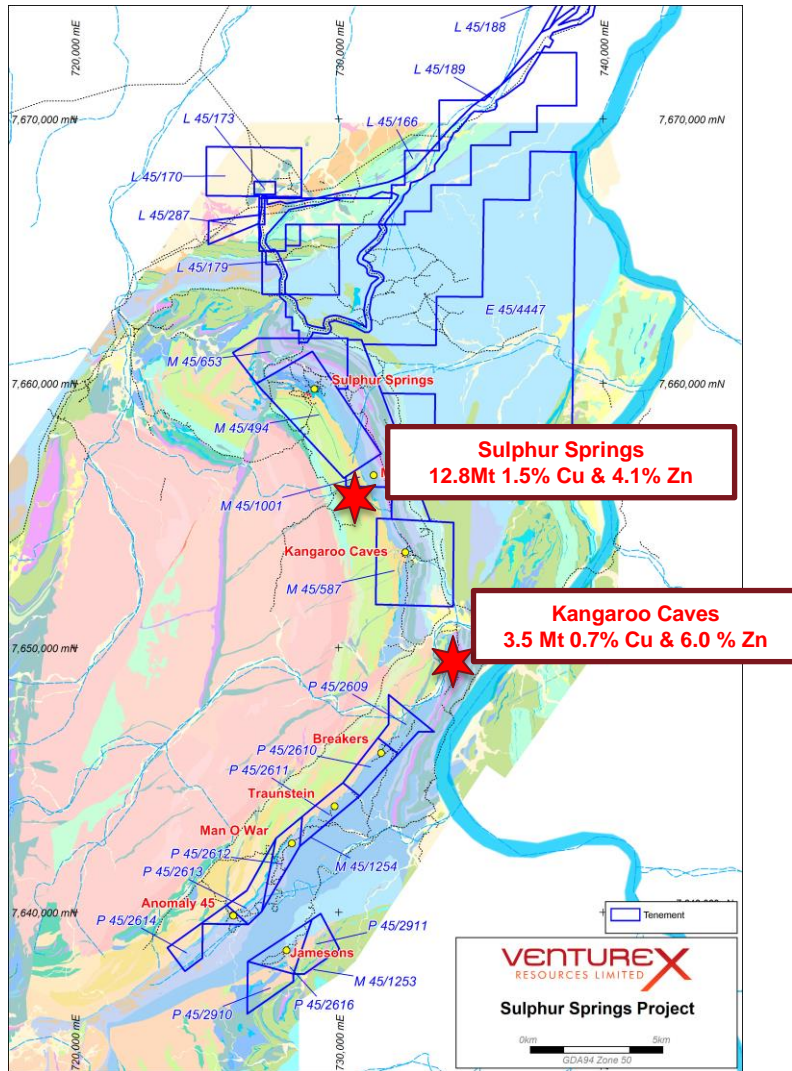
***Significant savings in up front capital anticipated***



*Site Infrastructure Layout*



# Sulphur Springs Exploration Potential

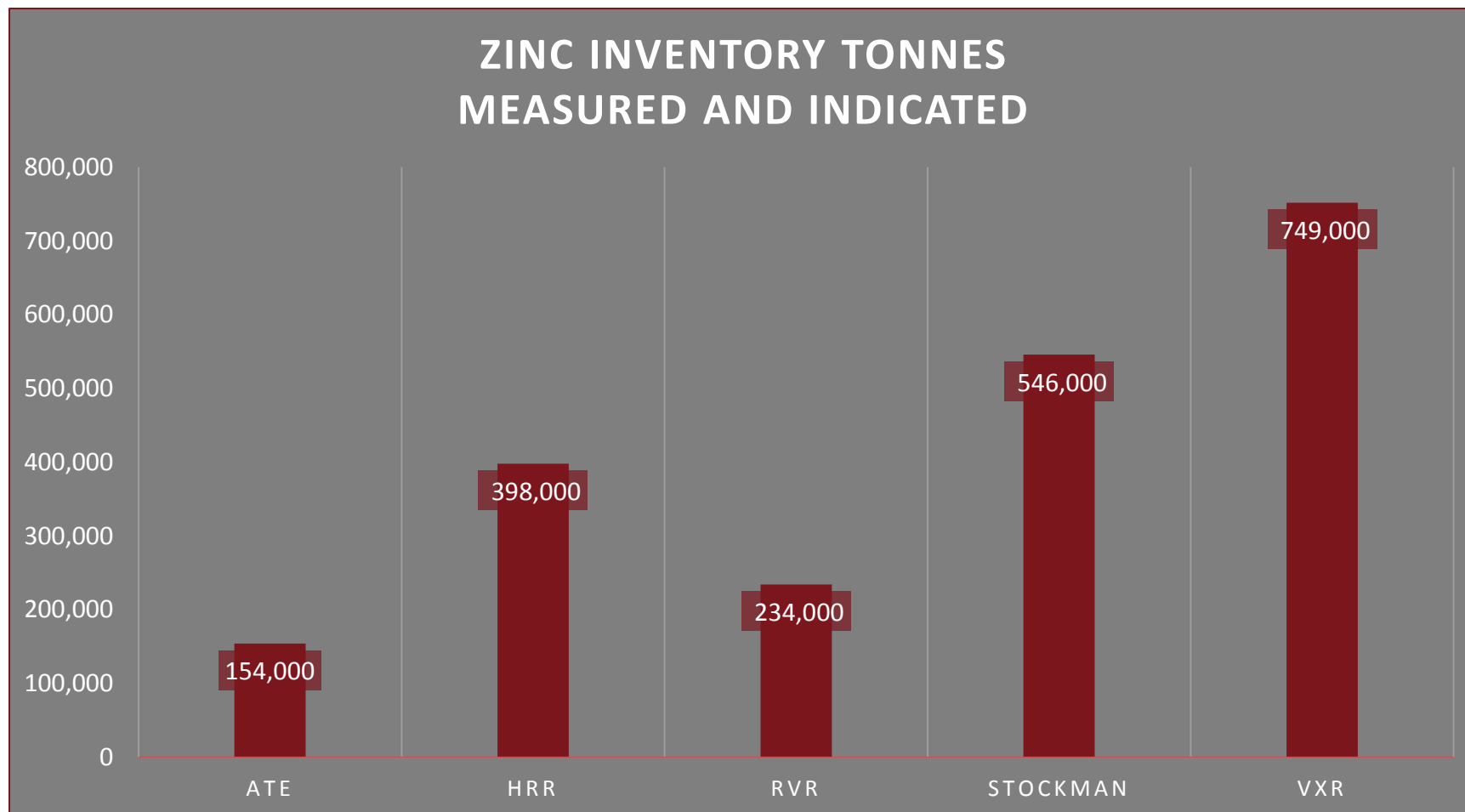


- VMS Deposits occur as clusters
- VXR holds 27 km prospective stratigraphy containing two deposits and six advanced prospects
- Recent work on Kangaroo Caves and Sulphur Springs has identified gaps in the current drill coverage.
- Program under way to use latest modelling technology to reprocess existing DHTeM data on both deposits to define conductors outside current resource areas .
- 6 Advanced prospects have all returned ore grade drill intersections. All prospects remain open along strike and down dip. Review of past exploration underway to plan additional drilling .
- All targets remain open along strike and down dip



# Looking at the Zinc Component

## Zinc Only Component of Australian Zinc Developments



# ***Zinc price squeeze is coming***

## **Zinc concentrate market deficit expected from 2016**

### **Restricted supply, declining stocks will lead to a paradigm shift in prices**

- Low Zinc price has led to an underdeveloped global project pipeline
- Urbanisation and industrialisation will drive demand for refined zinc
- The zinc market will undergo a structural shift from 2017 as supply constraints lead the concentrate market into deficit
- Forecasts of the Zinc price escalating to \$2,600 - \$4,000pt 2017-2019
- The future will be characterised by a roughly balanced market tending towards deficit rather than previous surplus
- Resulting in a long term price above the historic average of \$2000
- New long term average of \$2,800 from 2020 (Wood McKenzie)

# Pilbara Project Highlights

- Optimisation Study will deliver a major improvement to the Project
  - Open cut mining for first 4 years of Project
  - Significant reduction in up front capital cost
  - Simpler more robust Project with lower risk profile
  - Mine life of 10 years targeted
- Infrastructure on door step, 162 km's by road to Port Hedland
- Project is shovel ready- approved Mining Leases, Environmental approvals (will require amendment) and Native Title Agreements
- Large tenure package covering the largest known Cu-Zn VMS<sup>1</sup> deposits in the Pilbara region of NW Australia
- Significant exploration potential.

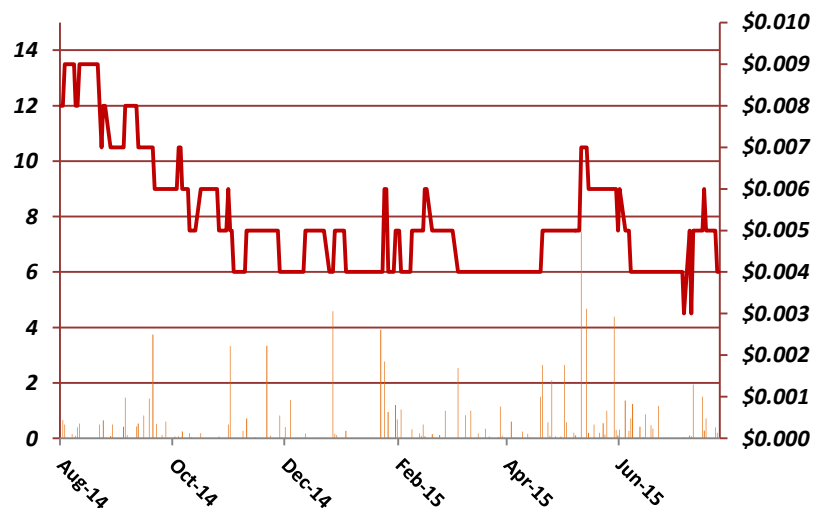
<sup>1</sup> VMS = Volcanogenic Massive Sulphide

# Corporate Overview

## Capital Structure

ASX Code	VXR
Issued Shares	1,548m
Market Capitalisation	\$7.5m
Cash and receivables	\$0.7m

## Share Price



## Experienced Board

**Anthony Kiernan LLB - Non-Executive Chairman**

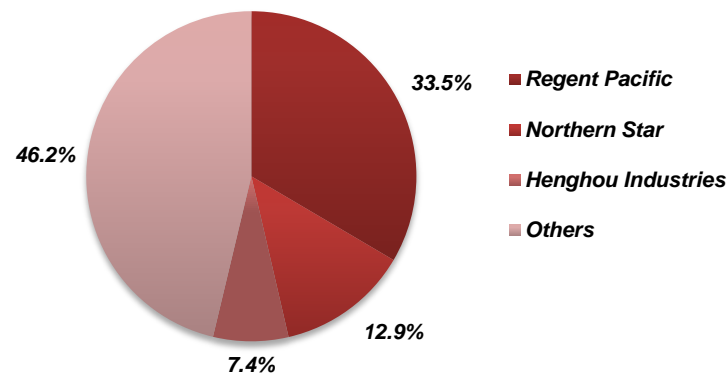
**Anthony Reilly BEc – Non- Executive Director**

**John Nitschke BEng(Hons), MSc - Non-Executive Director**

**Darren Stralow BEng, GAICD, GCAF - Non-Executive Director**



## Key Shareholders





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**ASX Code: VXR**



# Appendix - Mineral Resource Summary

	Mt	Cu%	Zn%	Pb%	Ag g/t	Au g/t
<b>Combined Sulphur Springs Region</b>						
<i>Indicated</i>	10.6	1.7	5.5	0.3	20.5	0.2
<i>Inferred</i>	5.8	0.6	2.6	0.2	10.9	0.2
<b>Total</b>	<b>16.4</b>	<b>1.3</b>	<b>4.5</b>	<b>0.2</b>	<b>17.1</b>	<b>0.2</b>
<b>Combined Whim Creek Region</b>						
<i>Measured</i>	1.3	1.5	1.7	0.8	41.1	0.28
<i>Indicated</i>	5.1	1.2	2.3	0.7	23.3	0.13
<i>Inferred</i>	0.2	2.6	0.3	0.1	4.1	0.03
<b>Total</b>	<b>6.6</b>	<b>1.3</b>	<b>2.1</b>	<b>0.7</b>	<b>26.3</b>	<b>0.15</b>
<b>Liberty Indee Joint Venture (70%)</b>						
<i>Indicated</i>	0.45	2.2	4.5	0.4	42.0	0.9
<i>Inferred</i>	0.20	1.0	1.8	0.2	22.4	0.4
<b>Total</b>	<b>0.7</b>	<b>1.8</b>	<b>3.7</b>	<b>0.3</b>	<b>35.9</b>	<b>0.8</b>
<b>TOTAL</b>	<b>23.6</b>	<b>1.3</b>	<b>3.8</b>	<b>0.3</b>	<b>20.1</b>	<b>0.1</b>

# Defined Ore Reserves

*Three other deposits yet to be upgraded to ore reserve status*

ORE RESERVE							
	Classification	Tonnes (‘000t)	Cu %	Zn %	Pb %	Ag g/t	Au g/t
<b><i>Whim Creek</i></b>	Probable	221	2.7	0.9	0.1	8.5	0.1
<b><i>Mons Cupri</i></b>	Probable	951	1.7	2.2	1.0	47.1	0.3
<b><i>Sulphur Springs</i></b>	Probable	7,200	1.8	4.3	0.1	18.5	0.0
<b><i>Total</i></b>		<b><i>8,372</i></b>	<b><i>1.8</i></b>	<b><i>4.0</i></b>	<b><i>0.3</i></b>	<b><i>21.4</i></b>	<b><i>0.1</i></b>