

SULPHUR SPRINGS COPPER-ZINC PROJECT – PERMITTING AND DEVELOPMENT UPDATE

Optimised mining and processing schedules and capital cost review further de-risk the construction pathway and pave the way for a seamless transition to mine development.

Highlights:

- ▶ **No objections or appeals lodged on the Western Australian Environmental Protection Authority (EPA) assessment report following the public appeal period. Approval from the Minister for Environment is anticipated by June 2020;**
 - ▶ **Significant operating cost savings identified, and capital cost review completed;**
 - ▶ **Operating cost savings and optimisation of the mining and processing schedules include:**
 - **Adoption of a Build-Own-Operate (BOO) gas power strategy in lieu of diesel fuel, to reduce operating costs and emissions; and**
 - **Re-optimisation of the mining schedule to improve process plant performance;**
 - ▶ **Site capital cost estimates revised to reflect additional site and implementation capital budgeted for key execution items including Owner’s Construction Management Team, Site Access, and Operational Readiness to de-risk the project execution;**
 - ▶ **Operating cost savings over the life of mine substantially net out the revised capital cost such that there is no material change to the project value, which remains robust under the 2018 DFS assumptions; and**
 - ▶ **Confirmation received of the ability to use previous tax losses, with a positive impact on project cash-flow and post-tax NPV expected as a result.**
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Australian base-metal developer Venturex Resources Ltd (“**Venturex**” or “**the Company**”) (ASX:VXR) is pleased to provide an update on a number of positive recent developments with its 100%-owned Sulphur Springs Copper-Zinc Project (“**Sulphur Springs**” or the “**Project**”), located 112km south-east of Port Hedland in Western Australia’s Pilbara region.

In light of the recent approval recommendation by the Western Australian Environmental Protection Authority (“**EPA**”), which is expected to result in approval from the WA Minister for Environment in coming weeks, Venturex has reviewed key aspects of the Sulphur Springs development to reduce construction execution risk and improve the operating performance of the Project.

Environmental Approval Update

No appeals on the EPA Report were submitted in the statutory two-week period following publication of the report on the 30th March 2020. The EPA Report and recommendation has now progressed to final consultation and consideration by the Minister for Environment, with notification of approval at the conclusion of this process anticipated by June 2020.

Operating Cost Savings

Gas Power Strategy

The Company has substituted diesel power generation (proposed in the 2018 Definitive Feasibility Study (2018 DFS), (refer to ASX release, 10 October 2018) with natural gas, which will involve Liquefied Natural Gas (“LNG”) being trucked to site under a build-own-operate (“BOO”) arrangement. The gas power strategy is forecast to deliver significant operating cost savings over the life of mine whilst also reducing emissions to the environment.

Mining Schedule

The Mining Schedule has been re-optimised to accelerate access to ore with more favourable metallurgical properties and reduce mining costs over the initial four years of mining the Sulphur Springs open pit. The re-optimised mining schedule will reduce mining costs for the open cut phase by **A\$14** million.

Combined, the adoption of a BOO gas power strategy and re-optimisation of the mining schedule is expected to reduce operating costs by A\$4.8/t ROM or **A\$60** million (nominal) over the current 10-year Life of Mine (“LOM”) of the Project.

Updated Capital Cost Estimate

Site Capital Expenditure

An internal review and update of the site capital expenditure has been undertaken by the Company and independently reviewed by a leading industry specialist. Where appropriate, additional capital has been allocated for key items against those outlined in the 2018 DFS to ensure that execution risk during the 18-month project construction and ramp-up phase is minimised.

Key items include:

- Owners costs for an EPC model as opposed to EPCM
- Site access and haul road acquisition cost; and
- Re-location of the Tailings Storage Facility and access.

The review of site capital estimates was overseen by Venturex’s Project Manager, Mr Brad Walker. Mr Walker has extensive engineering and management experience in mineral processing, site construction, commissioning and operations. His recent engagements include overseeing the construction of Gruyere Gold Mine in Western Australia under joint venture between Gold Fields and Gold Road Ltd, Perseus Mining’s Sissingue development and Resolute’s Syama expansion project.

Table 1: Comparison of Capital Cost Estimates

Item (A\$M - Nominal)	2018 DFS	Updated CAPEX	Change
Process Plant EPC	116.6	122.3	5.7
Infrastructure	13.4	22.6	9.2
Tailings Dam (new location as a result of EPA approval)	4.1	11.4	7.3
Owners Costs	5.4	19.7	14.3
Operational Readiness	6.6	12.0	5.4
Sub Total	146.1	188.0	41.9
Mining	20.9	20.9	-
Haul Road Acquisition	2.3	2.7	0.4
Subtotal	23.2	23.6	0.4
Total	169.3	211.6	42.3

Whilst the review led to additional capital to reflect site and configuration changes, the operating cost savings over the life of mine substantially net out the revised capital costs, such that there is no material change to the project value, which remains robust under the 2018 DFS assumptions.

Clarification of Tax Position

Venturex has received independent tax advice confirming that approximately **A\$76 million** of carried-forward income tax losses (as at 30 June 2018) can be used to offset against future taxable income (subject to continued satisfaction of the relevant tax loss tests). Previous financial modelling of the post-tax financial outcomes of the Project which were published as part of the Company's 2018 DFS, did not utilise the available tax losses, and as result, there is a positive cash flow impact to the project.

Summary

Currently the life-of-mine operational saving from the gas power strategy and optimised mining schedule largely mitigate the impact of the increased upfront capital estimate. Additionally, the use of the Company's carried-forward tax losses will increase free cash flow in the early years of operation compared with the financial models used in the 2018 DFS.

Commenting on these changes, Venturex Executive Director, Mr Anthony Reilly, said: *"In anticipation of the final approval by the Minister for Environment we have focused on bedding down the steps and structures that will reduce construction execution risk and improve the operating performance of the Sulphur Springs Project.*

The work that has gone into this update represents an investment in de-risking the Project's construction phase and operational ramp-up. We are now very confident in our capital cost estimates for the Sulphur Springs Project and are pleased the lower operating costs resulting from the re-optimised mine plan and decision to utilise gas power, has resulted in no material change to project value. Together, these measures confirm Sulphur Springs as a robust Project, capable of delivering strong returns to shareholders.

Our aim is to be able to exit the current COVID – 19 period with a permitted and shovel ready project. The Company's focus in the short term will be to preserve the value of the Sulphur Springs Project for shareholders until such time as the equity and commodity price environment normalises and the Company is in a position to finalise project financing and move towards a final investment decision. In the interim, we are confident that a shovel-ready Sulphur Springs will provide investors with significant leverage to the expected recovery in base metals prices."

Authorised for release to the ASX by Anthony Reilly, Executive Director.

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About Venturex Resources Limited

Venturex Resources Limited (ASX: VXR) is an exploration and development company with two advanced copper-zinc projects near Port Hedland in the Pilbara region of Western Australia. The two projects are the Sulphur Springs Project which includes the Sulphur Springs and Kangaroos Caves deposits, plus 27km of prospective tenements on the Panorama trend; and the Whim Creek Project, which includes the Resources at the

Whim Creek, Mons Cupri and Salt Creek mines together with the Evelyn project and 18,100 ha of prospective tenements over the Whim Creek basin. The Company's focus is on securing environmental approvals and project finance for its flagship Sulphur Springs Project, paving the way for its transformation into a new mid-tier ASX-listed base metal producer in the near term. This will position it to be a long-term supplier of copper and zinc to global markets at a time when significant shortfalls are expected for both metals, especially copper.

The Company confirms that:

- a) The form and context of the material in this release has not been materially modified from any previous announcements;
- b) It is aware of new information or data (Included in the is announcement) that may affect the information included in the DFS announcement made on the 10 October 2018 and that Compony with update any JORC requirements when it appropriate to do so; and
- c) That all other material assumptions and technical parameters underpinning the announcements continue to apply and have not materially changed other than stated above.