

Venture's Big Tasmanian Adventure

By Our Man In Oz

Ever gone shopping for shoes and returned home with a shirt? Transfer that image to mineral exploration and you will understand how a company, which went looking for iron ore, discovered tin and tungsten. Venture Minerals is the company which had high hopes for its iron ore on ground adjacent to the Savage River iron ore mine on the west coast of Australia's island state, Tasmania. It succeeded modestly with its original aim, but the real discovery has been in unlocking the geological secret of a series of structures closely associated with iron ore but rich in tin and tungsten. In theory, Venture might even have bowled a hat-trick with all three minerals eventually proving to be economic, though the high financial returns available from the tin and tungsten should see them dominate mine design.

Interest in the potential of Venture's Mt Lindsay project has been slow to build despite excellent recent drill results. Last week the company reported a 10 metre intersection assaying 1.1 per cent tin, and 30 metres at 0.64 per cent. Given that tin sells for roughly 2.5 times the price of copper, and is 30-times more rare than copper, that result is considered to be a high-class drill hit. Venture's managing director, Hamish Halliday, rated the result from the MacDonald Zone at Mt Lindsay so highly that he said a diamond drilling rig would be dedicated to drilling out the discovery over the next few weeks. "In addition to the drilling on the MacDonald Zone, there are another four diamond rigs at Mt Lindsay targeting multiple tin and tungsten zones," he said. "Drilling is scheduled to continue well into next year."

Unfortunately, for Halliday he might as well have been whistling in the wind. Investors absorbed the MacDonald news with barely a murmur. Venture lost A1 cent on December 9, the day of the announcement, and remain there, a price which values a particularly promising explorer at an untaxing A\$44 million. A reason for that low capitalisation figure could be the problem Venture has in explaining the complex geology at its Mt Lindsay project, coupled with the fact that Tasmania itself is a sort of out-of-sight, out-of-mind place despite a history of prolific mineral production.

Halliday, a former managing director of Adamus Resources, which is developing the Southern Ashanti gold project in Ghana, acknowledged the complexity of Mt Lindsay over lunch with Minesite's Man in Oz. He also said the global financial crisis had curtailed exploration last year but in a deft piece of spin taken straight from Shane Warnes's box of tricks (or should that be Tony Blair?) Halliday described the GFC as having one advantage: "It gave our geologists time to get back into the field to do some old-fashioned mapping."

What the geologists found, and what has been confirmed by drilling, is that the best targets in Venture's tenement package lie in the far south-east, about 20 kilometres from the Savage River magnetite mine and associated processing plant owned by the Chinese-controlled Shagang Group. It is close to the famous mining centres of Rosebery and Renison Bell that Venture has identified a series of skarns, a type of rock formed by volcanic activity which, in this case, has reacted with a surrounding granite to leave channel-like structures which contain a cocktail of magnetite (iron ore), cassiterite (tin) and scheelite (wolfram/tungsten).

Minesite readers who get excited about rocks will learn most about Mt Lindsay by linking to the most recent Venture technical report, titled "Three Deposits in One" at <http://www.asx.com.au/asxpdf/20091026/pdf/31110xs1j7hpnz.pdf>. More important than the geology is a desk-top study Venture released in late June which points to the potential for a project producing all three minerals. That preliminary report was based on very early assumptions, including a capital cost of A\$255 million, to mine 4.4 million tonnes of ore, generating A\$241 million a year in revenue, for a net annual margin of A\$109 million. Halliday said about 50 per cent of revenue would come from the tin, 30 per cent from tungsten, and 20 per cent from the iron ore.

But, as the latest, and on-going drilling appears to be indicating, there is much more to come. Halliday said work to date had tested less than 10 per cent of identified targets. "We have built a substantial polymetallic resource in a very short time," he said. "That June scoping study confirmed that we already have Australia's third biggest JORC-compliant tin resource. We can see an enormous opportunity to expand the resource base through additional drilling which is why we have five rigs on site."

Watching Venture unravel the geology of the Mt Lindsay area, and assemble a viable mining development, is one reason to open a file on Venture. Another is the intense interest of Chinese companies in securing supplies of tin and tungsten which have been enjoying increased demand and strong prices thanks to their multiple uses -solder and corrosion resistance in the case of tin and high tensile steels for tungsten. Chinese companies such as Jinchuan, and the enigmatically-named Smiling Sun have been investors in Australian tin/tungsten stocks with Venture acquiring one of its own, Hong Kong-based City Glory which is sitting on 16 per cent of the stock.

News flow and a well thought out communications strategy will be Venture's drivers next year. A five rig drilling programme which aims to deliver 10,000 metres of diamond core will be the first step with more results such as that from the MacDonald Zone almost certain to follow. A second step will be to extend field work on the untested skarns, and a third will be a fresh resource/reserve calculation scheduled for early in 2010. "We're currently sitting on about 50,000 tonnes of tin," Halliday said. "It would be good to get to 80,000 tonnes." Indeed, and that might even cause a few investors to take a closer look at a Tasmanian sleeper.