Resources Rising Stars
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OZ Minerals chief talks up West Musgrave JV with Cassini

27th April 2018 **Barry FitzGerald**

OZ Minerals' managing director Andrew Cole had some positive things to say about the group's West Musgrave nickel-copper-cobalt joint venture in Western Australia with Cassini Resources (CZI) at OZ's annual meeting this week.

He said the project was currently in pre-feasibility off the back of a robust scoping study and that OZ was looking to develop the Nebo-Babel deposit there into a "low-cost, scalable, long-life operation.

"It is a project we think has a lot of potential, not just in the original scope outlined but also in the surrounding area that has attractive near-mine and district opportunities," Cole told shareholders.

You would have thought his positivity around a project involving the metals with the best outlook might have rubbed off on little Cassini with its 6.8c share price and market cap of $19 million. But it didn't.

Whichever way it's cut, Cassini's market cap is pretty skinny for a company which is being funded to the point of a development decision on a $730-$800 million mine development of which it will hold 30%.

The recently released scoping study into the development pointed to a 10 million tonne-a-year project producing up to 25,000tpa of nickel, 30,000tpa of copper, and 1,000tpa of cobalt from mid-2022 at robust cash costs of $US2-$US2.30/lb nickel (after by-product credits).

The positive findings prompted OZ to commit to spend $19 million within 18 months to earn a 51% stake under the arrangement where an eventual development would proceed on a 70:30 per cent basis.

There are some possible explanations for Cassini's harsh treatment. Is it the scale of its future funding requirement for a West Musgrave development, or is it because its current cash position of about $2.5m is on the skinny side of things?

Or is it because the initial mine life has been put at just 8 years?

None of those are of any real concern. OZ has flicked the switch on a pre-full feasibility study into the development and assuming it passes muster, Cassini's funding requirement – in a market where nickel, copper and cobalt are the "it" metals and costs are in the lowest 30% - should be a snack.

The lowly share price makes the prospect of having to have a dilutive share issue to top up its immediate cash needs a bit of concern. But its 30% stake in a quality project with a quality partner could well flush out cornerstone investors of various descriptions.

And as for the 8-year mine life, the benefit of a two-year exploration program on existing deposits and regional targets and resource conversion drilling has expectations running high that the initial mine life will probably start out at 15 years.

Cassini is not fretting about its current share price malaise. But it is trying to turn things around by getting back to exploring its own projects outside of the West Musgrave joint venture.

In the past 12 months, Cassini's responsibility to complete the West Musgrave scoping study meant exploration on its other projects was sidelined. They all have merit and it won't take much at any of them to alone justify Cassini's low market cap.

First action will be seen at the West Arunta zinc target, with a drilling program planned before June 30. It is frontier stuff but it is a large scale opportunity in a region that has had very little historical exploration.

Cassini is also getting active at the Yarawindah Brook nickel-copper-cobalt project, 130km north-east of Perth, where it is earning an 80% interest. Drilling is planned for later this year and will follow up historical hits of up to 2.5% nickel that were never pursued.

Gold is also part of the new exploration push at the Mount Squires project next to the West Musgrave project area. There is a 50km regional structure where multiple gold prospects are crying out to be tested.