



Viridis Mining and Minerals Ltd (VMM.ASX)

Colossal Resource just tip of the iceberg

Event:

- We initiate research coverage on Viridis Mining and Minerals (VMM).

Investment Highlights:

- Ionic clay REE with superior grades.** VMM owns 100% of Colossus, a tier-1 REE project with a growing land bank of 23.9kha in Minas Gerais, Brazil. It has recently released a maiden JORC Resource of 201Mt @ 2,590ppm TREO, 31% of it Indicated. Importantly, the tenements that make up the Resource are situated outside the environmental buffer zone in the Municipality of Caldas.
- Both TREO and NdPr grades are higher than those of peers.** It has attractive MREO/TREO of 26%. Recent greenfield auger drilling adds allure with best hit of 12m @ 8,221ppm TREO outside of the Resource, implying further upside.
- Enormous potential ahead to hit >1bt Resource,** given the Resource is based on only 7% of project area. The majority of Resource remains open at depth into transitional horizon, which may be included into future upgrades. We believe the Resource could be doubled to ~400Mt in the upgrade in 4Q2024.
- Nature of mineralisation engenders low cost mining.** The Colossus resource is shallow from surface and flat-lying, which should facilitate low strip, together without need for drill and blast given its ionic clay setting.
- Metallurgy tops that of peers.** Recent metallurgical tests yielded high average recoveries of Nd, Pr, Dy, and Tb (68%, 65%, 63%, 67%) using low-cost, benign conditions - ammonium sulfate, pH 4, ambient temperature, and short residence time. We note the recoveries are higher than other ionic clay REE peers, some of which even use acid and longer residence times, with room for further improvement as the company looks to optimise the operating conditions.
- We value Colossus at US\$1.1b (NPV₁₀, nominal).** We assume 201Mt of Resources mined, processing 5Mtpa to produce average ~2.5ktpa NdPr at AISC of US\$14/kg TREO life of mine. For initial capex, we assume US\$350M funded 50:50 debt:equity with start of production in 4Q2027.
- Supportive local partner and government.** VMM has signed two vital non-binding MOUs with the Minas Gerais state government and Pocos De Caldas local municipality. The MOUs, along with no environmental hindrances, will expedite approvals in the permitting process.

Earnings and Valuation:

- We forecast first production and earnings in FY28,** with real 2024 Colossus EBITDA of US\$200M at 2.5ktpa NdPr.
- We value VMM at \$3.53/share based on 0.4x NPV₁₀ nominal.** Our valuation is based on our Colossus valuation, discounted by 50%, and assumes equity:debt funding of 50:50 totalling US\$350M for capex and working capital.
- Still profitable at lower prices.** At spot prices, our valuation of VMM is \$1.52/share, the company generating average EBITDA of ~US\$74M pa.

Recommendation:

- We initiate on VMM with a Buy recommendation and 12-month price target of \$3.53/share.** We expect major short-term catalysts to be: 1) Drill results; 2) Metallurgical results; 3) Resource upgrade; and 4) scoping study.

Disclosures

Foster Stockbroking, staff, and Cranport own 1.2% of VMM's shares on issue.
Foster Stockbroking received fees from its participation in the \$3M placement of VMM shares at \$0.95 in October 2023, \$4.5M placement at \$1.15 in February 2024 and from its role as Joint Lead Manager to the \$8M placement at \$1.25 in April 2024, and a special crossing at \$1.25 in April 2024.

Recommendation	Buy
Previous	n/a
Risk	High
Price Target	\$3.53
Previous	n/a
Share price (A\$)	\$1.04
ASX code	VMM
52 week low-high	\$0.19-2.41
Valuation - risked (A\$/share)	\$3.53
Methodology	NPV10
Capital structure	
Shares on Issue (M)	64
Market cap (A\$M)	67
Estimated current net cash (debt) (A\$M)	9
Diluted EV (A\$M)	58
Ave daily volume ('000)	365
Substantial shareholders	%
Sufian Ahmad	9.2%
Bilal Ahmad	7.2%
Agha Pervez	6.1%
Ionic Rare Earths Ltd	3.8%

Board

Agha Pervez	Executive Chairman
Rafael Moreno	CEO
Jose Guedes	Non-Executive Director
Christopher Gerteisen	Non-Executive Director
Timothy Harrison	Non-Executive Director
Faheem Ahmed	Non-Executive Director

Share price graph



Analyst: Hazmy Hazin

+612 9993 8130

hazmy.hazin@fostock.com.au