



Prospect Resources Ltd (PSC.ASX)

In copper elephant country

Event:

- Acquisition of **Zambian copper project**; PT change.

Investment Highlights:

- Mumbezhi Copper Project in world class region.** It is located in the Zambian copper belt – a Tier 1 geological copper jurisdiction which includes Barrick Gold's Lumwana and First Quantum Minerals' Sentinel and Kansanshi copper mines. Mumbezhi licence covers 356km² and its major deposit Nyungu located only 30km south west of Lumwana.
- Acquisition terms.** PSC will acquire 85% of Mumbezhi from the current 100% owner Global Development Cooperation Consulting Zambia Ltd for US\$6.5M (US\$5.5M cash and US\$1M shares) on CPs. PSC also issued 8.3M shares at \$0.12 and 6.25M options to Orpheus Uranium Ltd (ORP, previously Argonaut Resources NL) - the prior owner of Mumbezhi, for reimbursement of select exploration costs, all exploration data, and withdrawing all legal claims.
- Exploration Target: 130-180Mt at 0.45-0.65% Cu for 580-1,150kt contained Cu.** Mumbezhi was explored by ORP with the focus on Nyungu deposits, including 9,330m of drilling. Near surface intercepts suggests open-pit mining potential. There is also an exploration target of 15-20Mt for 12-25kt of cobalt.
- Not just size - metallurgy also attractive.** Historic met tests show average 78% Cu recovery in the transition ore and 87% in the primary sulfide zone using flotation, and producing saleable concentrate of 25.6% Cu.
- Licence background.** ORP had the licence from 2011 until its cancellation in 2021, the Minister citing non-compliance and ORP disputing the claim. Eventually ORP - with new CEO, desire to focus on its Australian projects, and wish to avoid lengthy appeal - decided to divest Mumbezhi, which anyway had fluctuated in priorities vs other ORP projects, including not being drilled for period of four years between 2017 and 2021.
- Where PSC can make a difference.** PSC key management have experience in sub-Saharan Africa, spend considerable time in the region - including MD Sam Hosack five years in Zambia. This contributed to successfully commercialising the Arcadia lithium project in Zimbabwe. PSC is also acutely focused on managing portfolio of projects, quickly identifying what has strongest potential, and ensuring priority. We expect similar will occur for Mumbezhi.
- Maiden Resource targeted 3Q 2024.** PSC has begun analysing acquired data, and is targeting a maiden JORC Resource 3Q 2024.

Earnings and Valuation:

- Comparable valuation implies A\$128M for Mumbezhi.** We attempt an implied first pass look-through at Zambian Cu projects when they were at near similar stage to Mumbezhi – including when Equinox Minerals owned Lumwana, Kiwara plc owned Trident (later Sentinel) and currently Midnight Sun Mining's Solwezi. We derive a weighted average valuation of \$128M (100%).

Recommendation:

- We maintain our Buy and raise our 12-month price target to \$0.29 from \$0.14,** based on valuation. Catalysts include 1) Closure of acquisition 2) Maiden JORC Resource; 3) Further drill and met results; 4) Progress of lithium projects.

Disclosures

The analyst owns 60,400 PSC shares. Foster Stockbroking and other staff own 50,000 PSC shares. Carnport owns 1,000,000 PSC shares.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$0.290
Previous	\$0.14
Share price (A\$)	\$0.205
ASX code	PSC
52 week low-high	\$0.063-0.21
Valuation - (A\$/share)	\$ 0.290
Methodology	peer comparable

Capital structure

Shares on Issue (M)	463
Market cap (A\$M)	95
Performance rights (M)	5
Options (M)	32
Net cash (debt) (A\$M)	21
Diluted EV (A\$M)	82
Ave daily volume ('000)	604

Substantial shareholders

	%
Eagle Eye Asset Holdings Pte Ltd	15.3%
Mitsubishi UFJ Financial Group Inc	6.8%
Morgan Stanley and subsidiaries	6.8%
JP Morgan Chase & Co and its affiliates	5.4%

Board

Mark Wheatley	Non-Executive Chairman
Sam Hosack	Managing Director
Gerry Fahey	Non-Executive Director
Zivanayi (Zed) Rusike	Non-Executive Director
Gaurav Gupta	Non-Executive Director
HeNian Chen	Non-Executive Director

Share price graph



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