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Stavely Minerals

COMPANY SNAPSHOT

Reuters/Bloomberg:	SVY.AX / SVY AU
Market cap:	US\$129.1m A\$182.7m
Current price:	A\$0.80
Average daily turnover:	US\$0.43m A\$0.61m
Current shares o/s	62m
Free float:	50%

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Analyst(s) own shares in the following stock(s) mentioned in this report:

– Stavely Minerals

Does Cayley Lode go to depth?

SVY is drilling out the shallow section of the Cayley copper-gold lode over a strike length of 800m to a depth of 200m below surface, with down-hole intersections typically in the 20-50m range, to define a resource largely to Indicated standards or better.

Recent drill results include SMD104 with 144m @ 1.04% Cu, 0.15g/t Au and 3.4g/t Ag, and SMD106 with 48m @ 1.39% Cu, 6.33g/t Au and 12g/t Ag. Both holes reported intersections (28m and 16.7m respectively) of +3.0% Cu with precious metals, at open-pit depths.

Our expectation is that continued drilling of the shallow mineralisation may confirm the deposit extends to substantial depth, with potential for underground operations.

Drilling for a deeper copper-gold porphyry, the presumed deep source of this structurally controlled mineralisation, is scheduled to commence with two rigs on site in November.

Our assessment is that current drilling will confirm Cayley Lode is amenable to open pit mining. Successful deeper drilling would be expected to add substantially to SVY value.

Cayley Lode open pit scoping study

The current drill program is to define a shallow resource on the copper-gold Cayley Lode, with drill traverses 40m apart and intersections at 40m vertical intervals down to 200m below surface. Coupled with metallurgical and geotechnical studies, this should support a scoping study into open pit development of this section of the mineralisation.

How deep, and how big?

When the drill-out of this current 800m strike of the shallow resource is complete, the northwestern continuation will be tested, and then the depth extent. Ore grade and width copper-gold intersections at 450m and 700m below surface give us the expectation of continuation to depth. Land access issues limit testing the strike to the southeast.

Share price catalysts

Definition of a high grade open-pit Cu-Au resource is expected to prove a catalyst. Ore grade and width intersections from drilling beneath this could prove more significant for shareholder value. Exploration success for the Cu-Au porphyry, hypothesized as the source of the structurally controlled deposit, may also prove to be a catalyst.

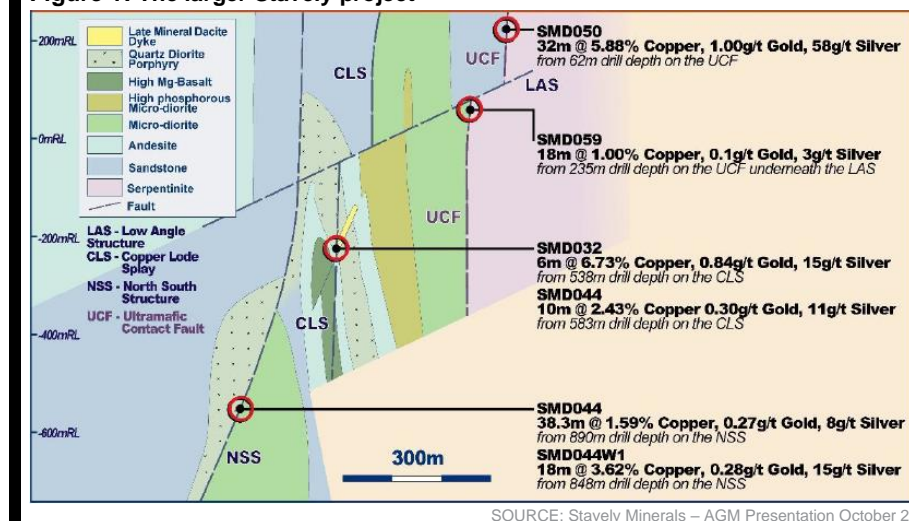
Well-funded for scoping study and deeper drilling

At 30 September 2020, SVY reported cash of A\$32m, and a quarterly burn rate of A\$5m. SVY is well-funded to complete the scoping study and test the deeper targets.

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Figure 1: The larger Stavely project



SOURCE: Stavely Minerals – AGM Presentation October 2020

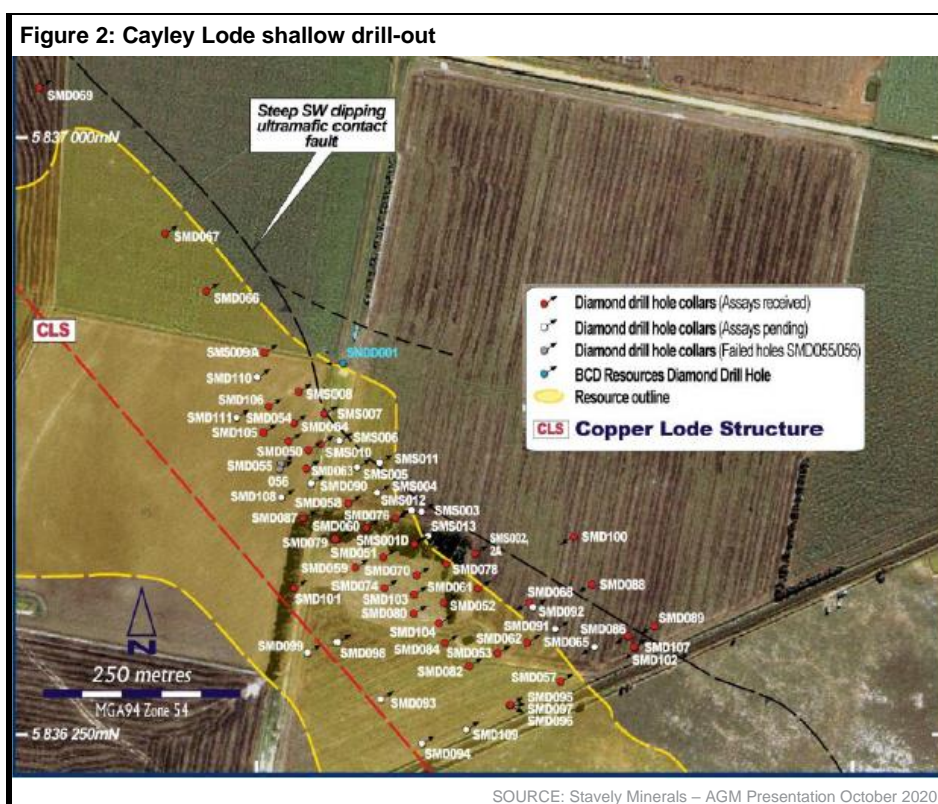
Stavely's focus

Overview

Stavely has a 100% interest in exploration tenements covering 1,461 square kilometres of ground in western Victoria, southwest of Ararat. The *Ararat project* covers known volcanogenic massive sulphide (VMS) polymetallic deposits. The primary exploration target(s) for the *Stavely project* areas are large copper-gold porphyries. The Thursday's Gossan copper deposit which contains 110,000t of contained copper in a shallow (within 80m of the surface) chalcocite blanket lies within the *Stavely project* area, and is interpreted as not just a copper deposit but also as a large geochemical anomaly, with the potential source being a copper-gold porphyry at depth.

Drilling to test for a porphyry source beneath the Thursday's Gossan deposit intersected alteration and elevated copper-gold mineralisation, and also intersected structurally controlled copper mineralisation down to 700m below surface (SMD032, #044 and #044W1).

In September 2019 hole SMD050 intersected 32m @ 5.88% copper, 1.0g/t gold and 58g/t silver at a drill depth of 62m (the "discovery hole"). Since the discovery hole Stavely has mobilised 4 diamond drill rigs (hole prefixes SMD) to drill out the Cayley Lode to 200m below surface, and two sonic rigs (prefix SMS) to better test shallow, more friable mineralisation, where recovery in diamond core may not have satisfied conditions for inclusion in defining a resource to JORC Code (2012) standards. The drilling on lines 40m apart, with intersections at 40m vertical intervals, coupled with metallurgical and geotechnical testing, is designed to enable Stavely to complete a preliminary feasibility study into development of this section of the shallow Cayley Lode and the adjacent part of Thursday's Gossan.



The 800m length tested is not closed off along strike, although there is evidence that it weakens 500m to the northwest, with more distal style mineralisation. Testing to the southeast is restricted by ground access issues. Testing at depth will commence once the shallow program is complete. Drill testing for deep porphyry targets is scheduled to commence this month (November 2020).

The Cayley Lode

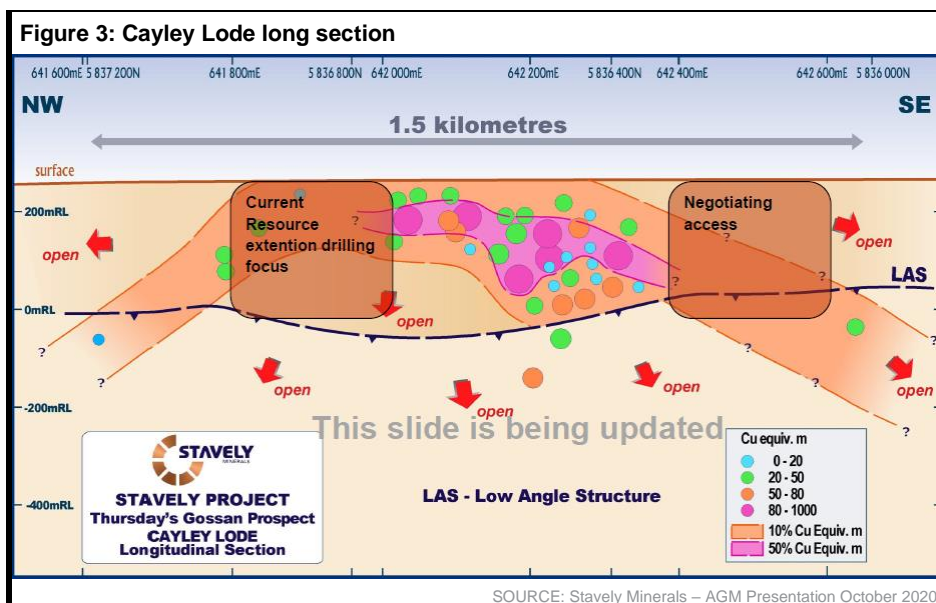
The Long Section below – a vertical slice through the earth in the plane of the mineralisation – shows the current status of the drill program. This section is to be updated. The shallow mineralisation to the northwest is currently being drilled to define the northwest limit of economic mineralisation. To the southeast, Stavely has yet to negotiate access. The boundary to the current drilling is the location of the rail line from Ararat to the bulk shipping port at Portland.

The extent of the mineralisation shown is an artefact of the drill pattern to date. The interpreted Low Angle Structure (LAS) is interpreted as a late-stage structure which has displaced the lode below it to the southwest, relative to the shallow lode. Note the untested potential shown.

The legend shows “Cu equiv. m”. *Cu equiv.* is *Copper equivalent*, where the precious metals are converted to an equivalent copper percentage and added to the copper grade. It’s common - and appropriate - to do this with this style of mineralisation. This grade is then multiplied by the length of the drill hole intersection. For example, 50 (the top limit of green and the lower limit of orange) would be a 10m down hole intersection of 5% copper equivalent, or 20m @ 2.5% copper.

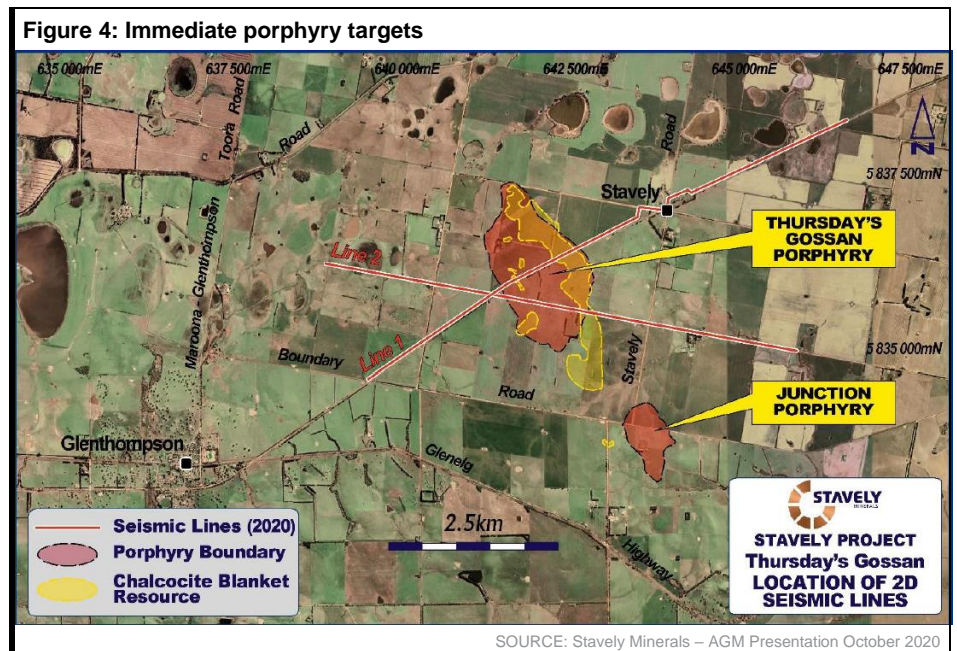
Note that to the southeast there is a “green” intersection. This is to the southeast of the wedge of land for which Stavely has yet to gain access. Not only does it indicate that the Cayley Lode continues in that direction, but that it also continues below the interpreted LAS.

Our expectation is that the current drill program to test the shallow Cayley Lode to the northwest, and subsequently to test it between 200m and 500m below surface will prove positive. At this stage extending the drill program to the southeast is not envisaged due to land access issues. We remain optimistic.



Deep porphyry exploration

The initial target beneath Thursday’s Gossan was the interpreted copper-gold mineralised porphyry. Drilling intersected the structurally controlled high grade Cayley Lode, and diverted the exploration focus. Figure 4 below shows the relationship between the interpreted porphyries and the Thursday’s Gossan deposit. Note that the drilled section of the Cayley Lode extends along the northeastern side of Thursday’s Gossan, from Seismic Line 1 to the northwest. Seismic Line 1 is aligned with the Ararat-to-Portland rail line right of way. Two drill rigs are due on site in November. It is currently estimated that the rigs will be towards their target depths in early 2021.



Funding drilling, the scoping study and exploration

Stavely reported cash of A\$32m at 30 September 2020, and a quarterly “burn rate” of A\$5.0m per quarter. With 4 rigs continuing on the shallow Cayley Lode drilling, then moving to deeper drilling, with the metallurgical and geotechnical testing continuing, and with the ongoing heritage and environmental studies towards delivering the scoping study we anticipate that the burn rate will continue at the September quarter level. The addition of two drill rigs to explore for deeper porphyries could add to expenditure.

Risks, valuation and target price

Stavely is a copper-gold exploration company. Market sentiment towards copper and gold companies and to ASX-listed investments will likely be influenced by copper and gold prices and the expectation of trends for commodity prices. Specifically, positive sentiment to the SVY share price could be expected with exploration success, either from drilling deeper, structurally-controlled high grade copper-gold mineralisation, or with success in exploration for deeper, larger, lower grade copper-gold porphyries. The question for investors is what the news flow will be from drilling, and the effect on the share price.

We set no valuation or target price.

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