

VERITY RESOURCES LTD (ASX: VRL) - A diversified explorer with strong leverage across gold, base metals, and the global energy transition



Key Takeaways:

We've added Verity Resources Ltd (ASX: VRL) to our radar as part of a select group of Australian micro caps we believe have genuine "ten-bagger" potential, early-stage companies with strong assets, credible management, and visible catalysts for exponential growth. Verity stands out as one of the most intriguing plays in this group, combining gold stability with high-growth exposure to nickel, copper, silver and rare earths. Its cornerstone Monument Gold Project in WA accounts for 76.6% of our \$71.8 million valuation, supported by impressive drill results, including 1m @ 38 g/t Au and a fully funded \$4 million exploration program through 2026. With 100%-owned projects in Tier-1 jurisdictions, minimal debt, and a market cap of just \$7 million versus our \$0.205 intrinsic value, we see VRL as a deeply undervalued, asymmetric opportunity, a potential future 10X return story as it moves from discovery to development.

We see Verity Resources Ltd (ASX: VRL) as one of the most intriguing early-stage explorers on the ASX, combining gold stability with exposure to high-growth energy-transition metals. The company's cornerstone asset, the Monument Gold Project in Western Australia's Laverton Goldfields, accounts for roughly 76.6% of our total valuation estimate, with an rNPV of \$55.0 million, or \$0.1572 per share. Further, Verity's 100%-owned Nickel-Copper-Silver-PGE assets in Botswana and its 70% joint venture Rare Earth and Lithium licenses in Brazil provide a well-balanced exploration portfolio that aligns with long-term structural demand trends in decarbonization and electrification. What stands out to us is the company's strategic focus on 100%-owned projects in Tier-1 jurisdictions, giving Verity full operational control, lower political risk, and a clear path to scaling its asset base. This combination of geographic and commodity diversification positions the company uniquely among Australian micro caps, offering asymmetric upside potential at a fraction of replacement cost.

Share Price Activity (ASX)

Last (Price)	\$0.018
Change	0.001 (5.88%)
Bid / Ask	\$0.017 - \$0.019
Volume	88,785
Volume (4w avg)	4,103,184
Turnover	\$1,633
Open	\$0.0185
Day Range	\$0.018 - \$0.0185
VWAP	\$0.018
Prev Close	\$0.017

Performance

1 Week	0.00
1 Month	-25.00%
2025 YTD	-7.64%
1 Year	-38.42%
vs Sector (1yr)	-51.67%
vs ASX 200 (1yr)	-45.03%

Size

Market Cap [®]	\$6,300,114
ASX Rank	2,070 of 2,304
Sector Rank	926 of 1,083

Steady de-risking through drilling progress, funding strength, and technical resource expansion

We believe Verity’s FY25 operational and financial results underscore the company’s growing maturity and ability to execute. The company ended FY25 with \$900,000 in cash and secured an additional \$3 million placement, ensuring it is fully funded for the ongoing 10,000-metre drilling campaign at its Flagship Monument project through 2026. Early results have been impressive, Verity is executing a staged 10,000m resource upgrade and expansion drill program. Phase 1 (3,630m completed October 2025) consisted of RC infill drilling at Korong, which returned strong high-grade intercepts (7.7m @ 6.37g/t Au from 78m, including 1m @ 38.0g/t; 3.9m @ 6.35g/t Au from 96m) - confirming robust grade continuity in the main lode. The focus now is on upgrading more of that resource to Indicated status, which would allow us to reduce the current 50% risk adjustment in our rNPV model and lift our valuation closer to \$0.22 per share. Verity is methodically moving through the classic value-creation phases-discovery, definition, and derisking, while maintaining financial flexibility and avoiding the dilution traps common to early-stage explorers. The company’s disciplined approach to capital allocation and consistent technical progress add to our confidence in its long-term development potential.

Building our position early in a high-conviction Buy opportunity within the Australian micro-cap space

At a current market capitalization of just \$7.0 million versus our total intrinsic valuation of \$71.8 million (\$0.205 per share), we view Verity Resources as deeply undervalued and strategically mispriced. We have begun building our position in VRL at these early stages because we see exceptional value in its diversified resource base and meaningful near-term catalysts. This investment fits within our broader strategy of targeting select Australian micro caps with credible “ten-bagger” potential, companies with strong assets, visible technical milestones, and management teams capable of creating exponential shareholder value. We believe Verity is well on its way to becoming a re-rated name in the sector as drilling results continue to expand the resource base and project economics firm up. With a clear development pathway, stable funding, and exposure to both gold and critical minerals, we maintain a BUY recommendation on Verity Resources Ltd with a target price above \$0.20 per share, viewing it as one of the most compelling early-stage growth stories in our portfolio.

Key Fundamentals

Shares Issued	350,006,335
Sector	Basic Materials
EPS	\$0.009
DPS	\$0.00
Book Value Per Share	\$0.005

Industry Analysis: Gold Resilience and Energy Transition Tailwinds Reinforce the Thesis

We decided to begin building our position in Verity Resources Ltd (ASX: VRL) as we see an unusually asymmetric opportunity in a company sitting at the confluence of two powerful global trends, the enduring strength of gold and the accelerating demand for energy transition metals. Gold continues to act as the stabilising anchor for the company’s valuation, supported by persistent central bank buying and geopolitical uncertainty. We expect gold prices to average over USD\$4,000/oz in the near term, and conservative modelling at AUD\$5,000/oz, (or USD\$3250/oz) in the medium to long-term provides ample margin of safety for our rNPV assumptions.



Gold vs Copper (2025)

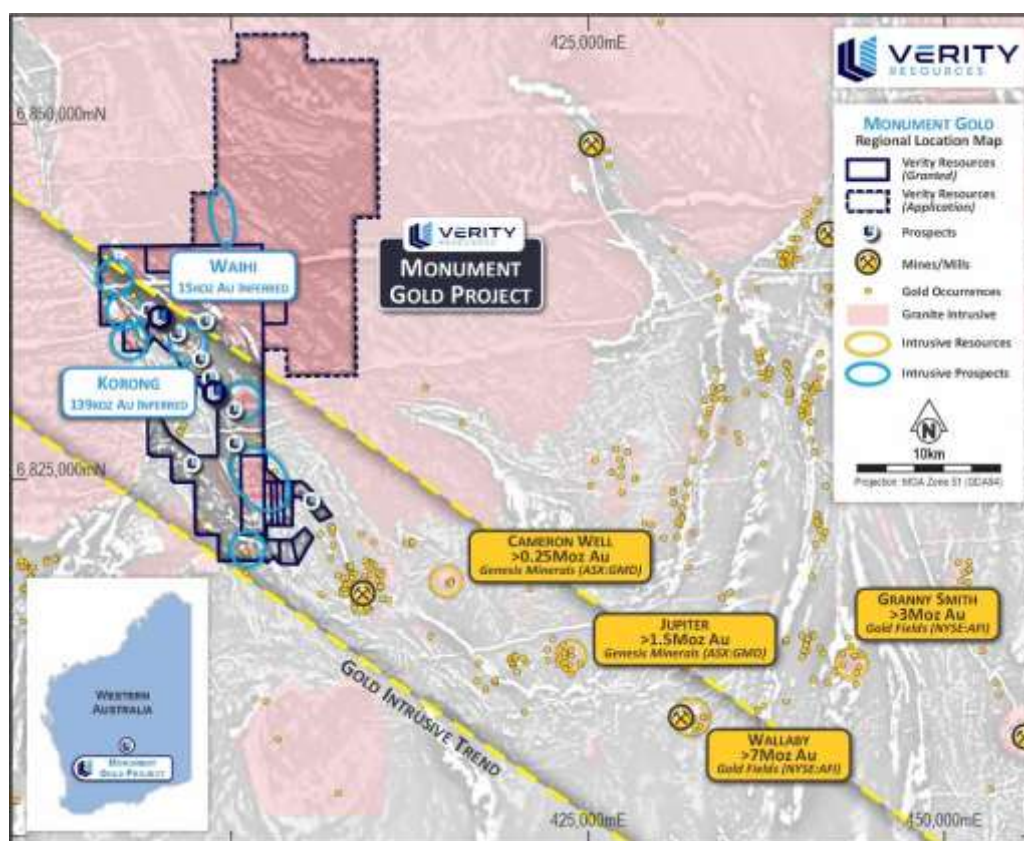
Meanwhile, copper, silver and nickel exposure through the Botswana assets offers a strategic hedge against inflation and the coming supply deficits in key base metals. The copper market is forecast to swing into a structural deficit of 150,000 tonnes by 2026, driven by electrification and constrained mine supply. This timing aligns perfectly with VRL’s development pathway for its high-grade Botswana copper-silver projects, positioning the company to capture early-cycle upside. The Brazil rare earth and lithium assets, though still at the exploration stage, provide valuable optionality as the global critical minerals market experiences increased demand from electric vehicles and renewable technologies. Collectively, this diversified commodity exposure makes VRL’s portfolio anti-fragile, able to thrive across multiple macroeconomic scenarios.

Earnings, Profitability, and Margin: Exploration Spending Anchored to Long-Term Value Creation

As a pre-revenue explorer, Verity Resources’ value creation is not yet driven by traditional earnings but by the disciplined transformation of geological potential into measurable resources. The company’s operational and spending profile demonstrates strong capital efficiency, ensuring that exploration activities are directly value-accretive rather than speculative.

Monument Gold project, WA - Exploration Expenditure: \$955,758 (latest quarter) – Of this figure, \$640,000 underscores the aggressive and purposeful execution of the ongoing 10,000-metre drill program at the Monument Gold Project. Each phase of drilling aims to convert the existing 3.3 Mt @ 1.4 g/t Au for 154koz of contained gold JORC Inferred Resource into Indicated status. The balance, \$301,848 was spent across the Brazil and Botswana assets. Phase 2 of The Monument Gold project (ongoing) includes ~6,400m of deeper RC and diamond drilling at Korong (139 koz) and Waihi (15koz), targeting down-plunge extensions of the high-grade shoots. Initial diamond holes (completed Oct 2025) intersected the targeted BIF units at depth in both deposits, indicating the potential to extend mineralisation below the current resource (results pending). The purpose of this program is to delineate additional ounces at depth and upgrade resource classification to support mining studies.

The company’s management has adopted a deliberate capital recycling strategy where all available funds are channelled toward drilling, geological modelling, and feasibility studies. This ensures a consistent compounding effect on Net Asset Value (NAV) rather than short-term financial performance. Monument has district-scale upside. Only ~2km of a 20km prospective BIF corridor is thoroughly drill-tested (~10%). Approximately, 60% untested targets span BIF-hosted, basalt-hosted, and intrusion-related systems, many with syenite/granitoid associations.



Balance Sheet and Cash Flows: Strong Funding Base and Reduced Dilution Risk

One of the most compelling aspects of VRL's investment case lies in its strengthened balance sheet and proactive funding strategy. The company has effectively mitigated the primary risk that often hinders early-stage explorers, the need for near-term capital raises under distress conditions.

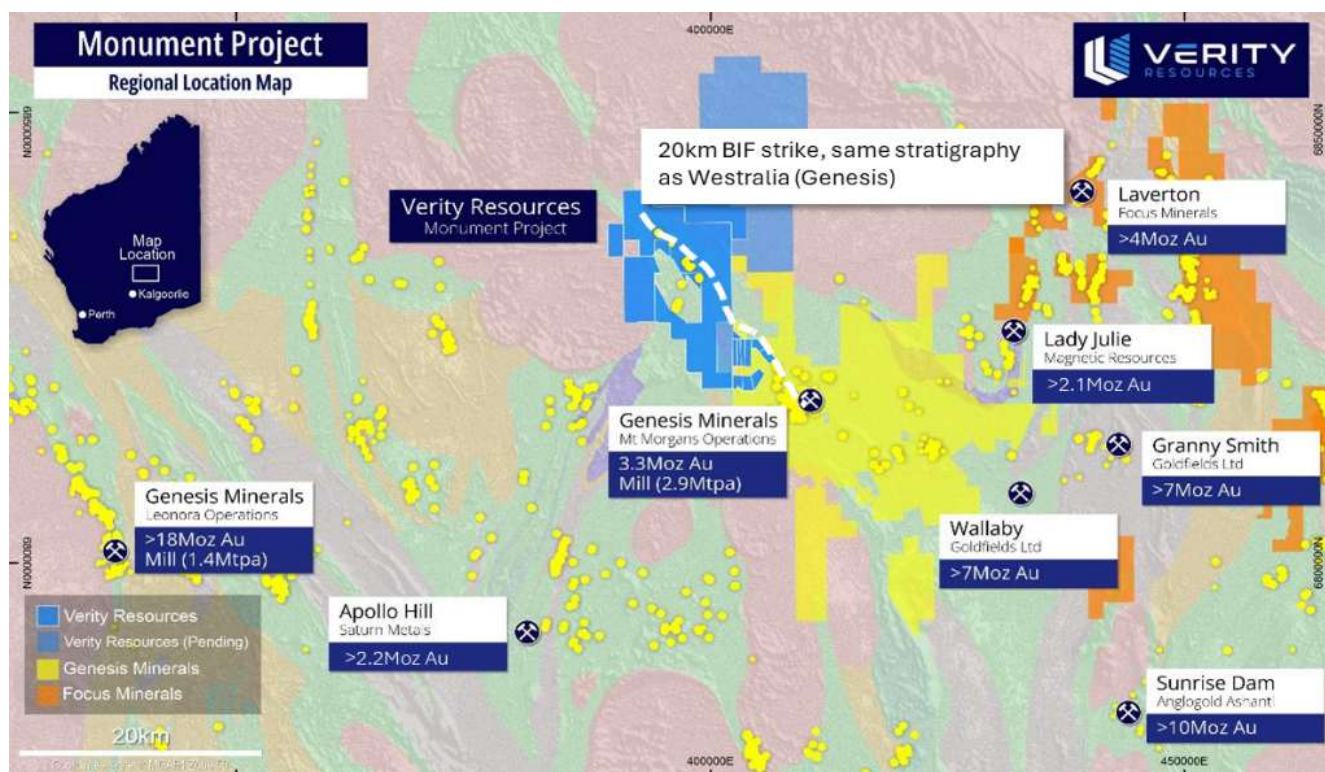
- **Cash Balance: \$1.34 million (latest period)** - This provides a solid liquidity base, supporting ongoing exploration programs and corporate obligations. The company has demonstrated prudent cash management, ensuring that operating costs remain in line with the progression of its project pipeline.
- **Capital Raising Commitment: \$3 million secured placement** - The recent placement commitment is a key de-risking milestone. It extends VRL's cash runway well into 2026, enabling uninterrupted completion of the Monument drill campaign and associated pit optimisation work. This ensures the company's most value-creating milestones are fully funded without reliance on uncertain market timing.
- **Debt Profile: Minimal leverage** - VRL operates with little to no debt on its balance sheet, a strategic choice that provides flexibility in future financing. The absence of significant debt obligations preserves shareholder equity and positions the company to negotiate better terms in future project-level funding rounds.
- **Cash Burn Rate: Moderate and controlled** - The recent quarterly exploration expenditure of approximately \$955,758 implies an elevated cash burn rate but is aligned with a secured capital position and aggressive drilling schedule. With total funding exceeding \$4 million, VRL maintains sufficient headroom to execute its exploration agenda without immediate dilution risk.
- **Dividends are not expected** in the foreseeable future, the capital reinvestment into drilling and resource conversion supports the long-term goal of NAV expansion. This measured approach, prioritising geological advancement over accounting profit, is the hallmark of disciplined value creation in the junior mining sector.

This combination of prudent financial stewardship and timely capital raising sharply reduces the funding overhang common in micro-cap explorers. It allows management to concentrate on geological execution - the key determinant of value - rather than capital survival. The balance sheet strength also enhances market credibility, which is crucial when transitioning from exploration to feasibility phases.

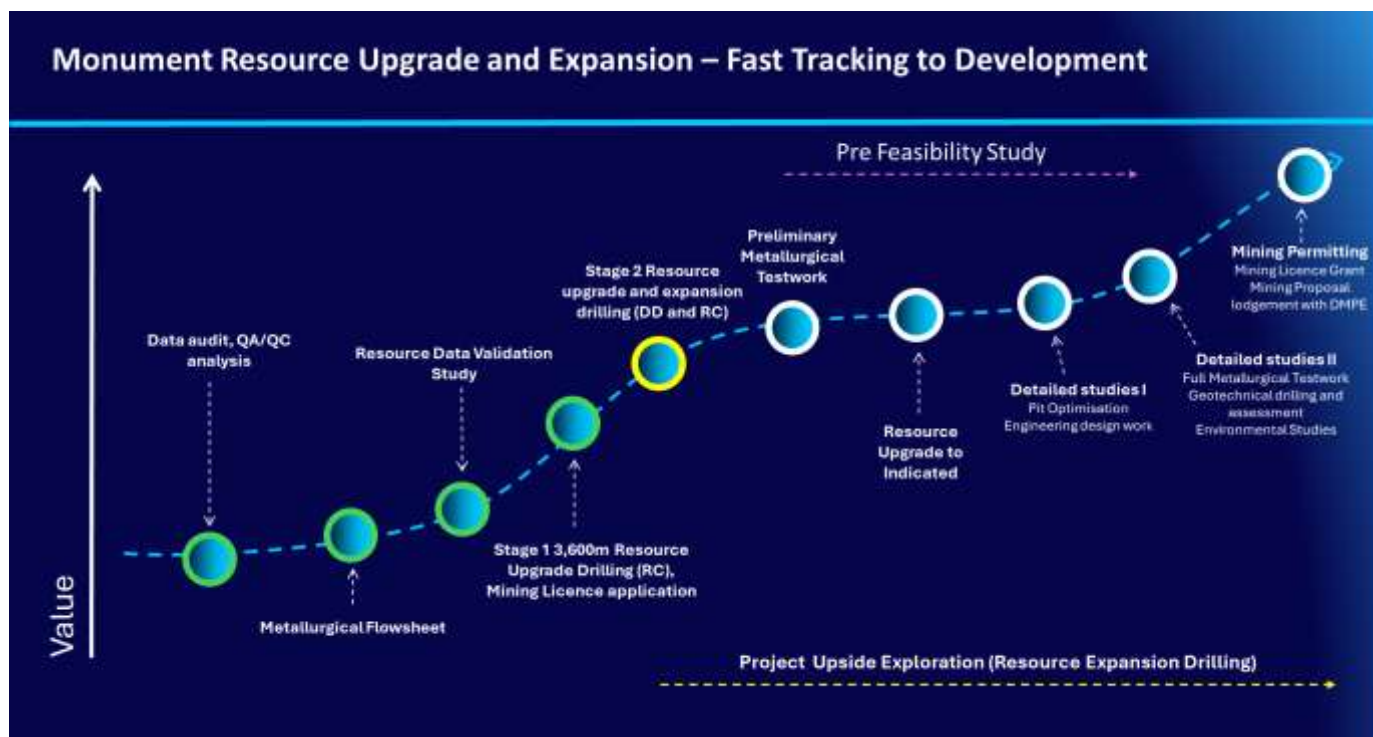
Outlook FY26 and Beyond – Monument Golf Project: Discovery to Development

As we look ahead beyond FY26, we see Verity Resources (ASX: VRL) entering a decisive stage in its evolution, shifting from exploration to near-term development. Our focus is on the Monument Gold Project, which we believe remains the company's key value driver. The ongoing Phase 2 drilling program, followed by an updated Mineral Resource and scoping-level study targeted for early 2026, should form the foundation for a development decision. With gold prices up more than 117% since 2021 and strong drill intercepts confirming high-grade continuity, the economics continue to improve. What excites us most is Monument's location advantage, surrounded by multiple established processing plants. Rather than building a standalone plant for a moderate-scale resource, Verity can potentially partner with nearby operators to fast-track production. Monument is strategically located near multiple established gold processing plants including but not limited to:

- Genesis Minerals (ASX:GMD) Laverton Processing Hub (3.3Mtpa)
- Brightstar (ASX:BTR) processing plant (1.0Mtpa)
- Goldfields (NYSE:GFI) Granny Smith plant (3.5Mtpa)
- AngloGold Ashanti (NYSE:AU) Sunrise Dam Plant (4.1Mtpa)
- Vault (ASX:VAU) Sons of Gwalia processing plant (7.5Mtpa)



Verity has the flexibility to pursue toll-treatment or strategic partnerships rather than bearing full plant capital expenditure, which provides a low-cost pathway to first production while making Monument an attractive asset in a region already seeing consolidation among mid-tier producers.



Source: VRL (2025)

Pimenta REE Project (Minas Gerais, Brazil)

Looking further out, we view Verity’s diversification into critical and base metals as a powerful secondary growth engine. The Pimenta Project is a 70%-owned joint venture in Minas Gerais state, Brazil, targeting Rare Earth Elements (REE). Shallow REE Discovery Recent first-pass auger drilling at Pimenta has outlined broad, near-surface REE mineralisation across residual soil and weathered granite.

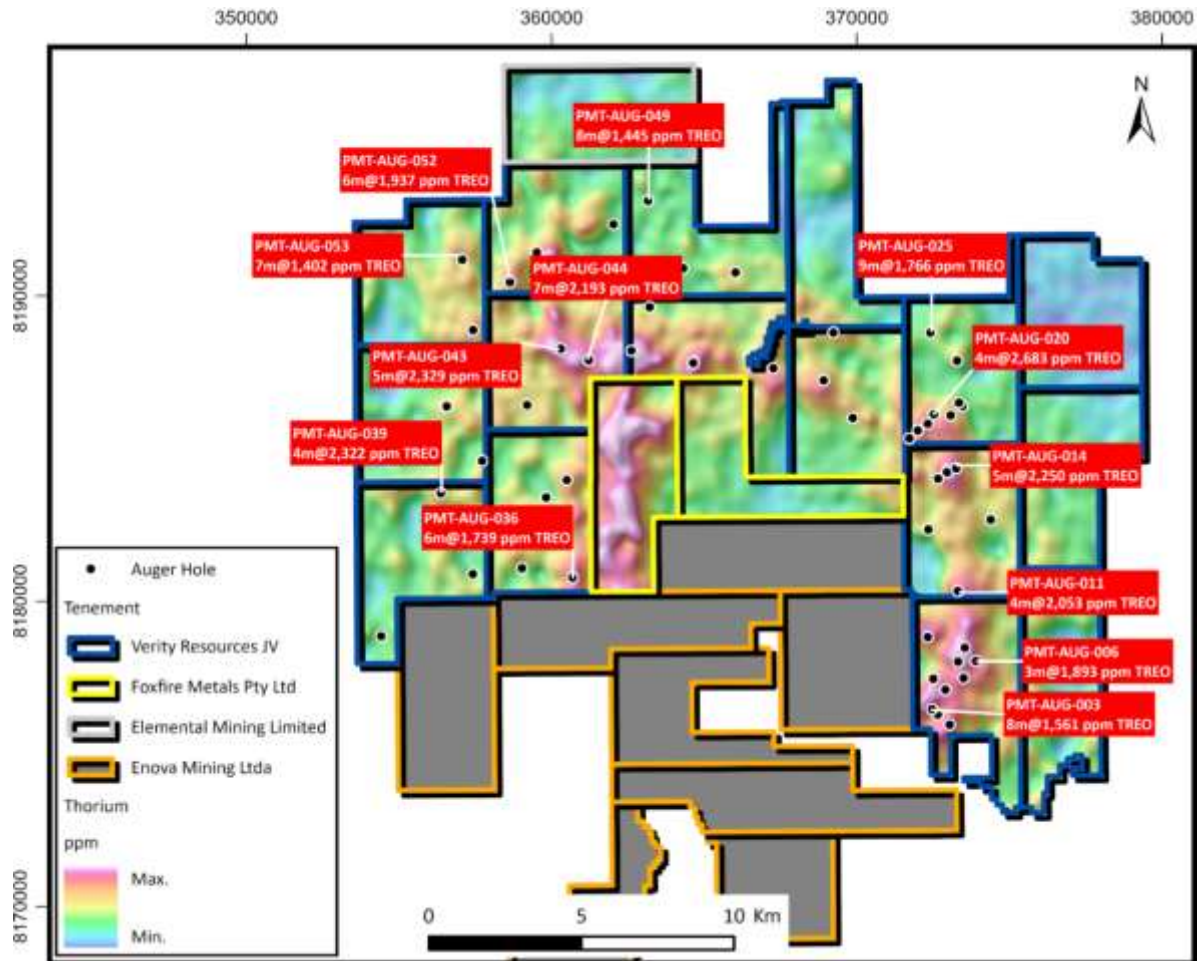
Notable intercepts include **4 m @ 2,683 ppm TREO** (Total Rare Earth Oxides, with ~26% being magnet rare earths) and **5 m @ 2,250 ppm TREO** (26% magnet REO), indicating significant REE enrichment in the regolith. Average magnet REO proportions (Nd, Pr, etc.) of ~25% are encouraging for potential economic value. An extended >20 km airborne thorium anomaly coincident with the target area, and surface samples up to 25,817 ppm TREO (~2.5% TREO), underscore the scale of the REE-bearing system identified. These results suggest a laterally extensive mineralised footprint at surface.

Pimenta’s mineralisation is dominated by Light REEs (Ce, La, Nd, Pr) hosted in allanite, geologically analogous to large granite-hosted REE systems. For context, the mineralogy and grade distribution are comparable to American Rare Earths’ Halleck Creek deposit (Wyoming, USA), which hosts **2.63Bt @ 3,292ppm TREO**.

Outlook and Next Steps:

Verity plans to advance Pimenta methodically to unlock its value, including metallurgical testing on the mineralised material to determine the optimal extraction process and confirm that REEs can be economically recovered. Following this, the Company would conduct a larger-scale drilling program to test the continuity and depth extent of the REE mineralisation, with the aim of defining a maiden JORC resource if results remain positive.

Verity views Pimenta as a high-upside, second growth pillar - success could position the Company in the high-demand critical minerals space.



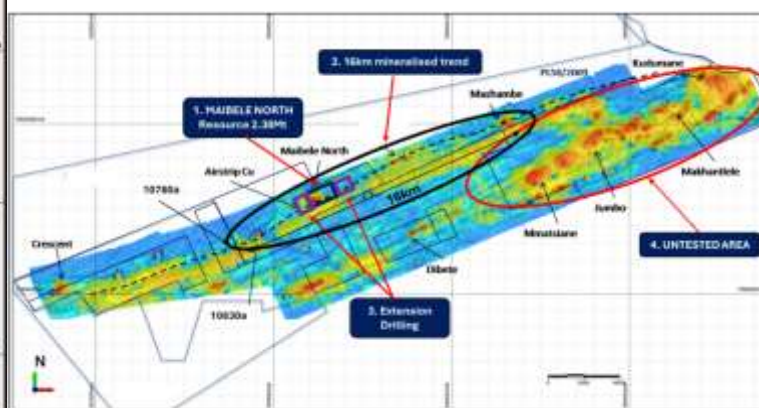
Source: VRL (2025)

Botswana Copper-Silver Portfolio (Limpopo Belt, Botswana)

The now 100% owned Botswana copper-silver assets provide strategic optionality, as they could be advanced internally, joint ventured, or monetised to recycle capital into core projects. In our view, FY26–27 marks the period when Verity could re-rate significantly, as the market begins to price in both the gold development pathway at Monument and the broader optionality from its REE and copper-silver portfolio.

Strategic Importance of Consolidation

With a simplified ownership structure, Verity can now explore and develop the Botswana assets on its own terms or pursue strategic transactions without JV restrictions. The Company views these Cu-Ag projects as a strategic option - they can either be advanced internally or leveraged through a partnership or sale to realise value. The Airstrip and Dibete prospects are known for exceptionally high-grade copper and silver mineralisation from historical exploration. These targets feature near-surface copper sulfide mineralisation with locally bonanza grades (as indicated by past drilling and surface sampling). Complete control increases Verity’s ability to negotiate joint ventures, secure project-level funding, or even spin out the Botswana assets as a separate vehicle if that would maximize shareholder returns. This flexibility is valuable, as it allows Verity to monetize the Botswana portfolio at the right time while staying focused on its Monument Gold Project.



Valuation: Deep Discount to Intrinsic Value

Our conviction stems from the striking undervaluation relative to Verity’s asset base. The Sum-of-the-Parts (SOTP) valuation yields a total intrinsic value of \$71.8 million, equivalent to \$0.205 per share, about +900% premium to the company’s current market capitalization of roughly \$7.0 million. The Monument Gold Project alone contributes \$55.0 million (76.6% of total value), while the Botswana Nickel-Copper portfolio adds \$9.4 million (13.1%), and the Brazil REE/Lithium assets a further \$6.1 million (8.5%).

Even with conservative assumptions, such as a 50% risk adjustment on the Monument project, the derived valuation supports a \$0.20 target price within 12–18 months. Furthermore, comparative ratios reinforce the arbitrage opportunity: VRL’s Price-to-Book multiple of 3.5x, versus the sector average of 1.7x, reflects investor recognition of its exceptional exploration quality rather than overvaluation.

Asset Component	Valuation Method	Total Asset Value (A\$)	Value Per Share (A\$)
Monument Gold Project	rNPV (50% Risk-Adjusted)	\$55,018,218	0.1572
Botswana Ni/Cu Project	DSO Stub (20% Risk-Adjusted)	\$9,400,000	0.0269
Brazil REE/Li Project	Relative EV (50% JV Interest)	\$6,115,000	0.0175
Cash (Net)	Balance Sheet Cash (approx.)	\$1,300,000	0.0037
Total SOTP Value	Sum of Components	\$71,833,218	0.2053

Source: Investor Pulse, Research (2025)

Technical and Sentiment Analysis: Establishing a Base Ahead of a Re-Rating

Technically, VRL appears to be consolidating within a well-defined support zone. Key support sits at \$0.019, with a deeper base near \$0.016, while resistance levels emerge at \$0.021 and \$0.023. The Moving Average Convergence Divergence (MACD) indicator suggests a potential bullish crossover, and the RSI at 51.77 indicates neutral momentum, a setup often preceding breakouts in low-liquidity micro caps.



Market sentiment remains dominated by algorithmic “Sell” ratings due to negative net income, but this quantitative bias ignores the qualitative shift in the company’s fundamentals, full ownership of its key assets, secured funding, and ongoing de-risking through exploration. These elements together establish a firm floor for revaluation.

That said, Verity Resources stands as one of the more compelling early-stage stories on the ASX. Backed by diversified asset exposure, prudent funding, and solid intrinsic value, it presents a rare opportunity to capture the upside through disciplined execution. We are issuing a speculative long-term BUY rating with a target price of 20.50 cents per share.

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