



Resources

Stocks Down Under

📖 *The desire of gold is not for gold. It is for the means of freedom and benefit.* 📖

- Ralph Waldo Emerson (1803 - 1882), American poet

— **MAGNETIC RESOURCES**

They just keep finding
gold

— **ALPHA HPA**

There's alumina and then
there's the high purity stuff

— **NOVA MINERALS**

Exploring the Land of the
Midnight Sun

MAGNETIC RESOURCES

They just keep finding gold

Stocks Down Under rating: ★★★★★

ASX: MAU
Market cap: A\$ 298M

52-week range: A\$0.35 / A\$1.71
Share price: A\$ 1.41

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ASX: A4N
Market cap: A\$ 277M

52-week range: A\$0.086 / A\$0.435
Share price: A\$ 0.425

At Stocks Down Under, we know when a big new trend in the resources space comes up and it's fair to say that High Purity Alumina (HPA) is more than just a trend. Alpha HPA is one of a small crowd of HPA plays looking for the best way to source and produce the product cost-effectively. While other companies are involved in long-term mining development, Alpha HPA believes it has found a more efficient solution to support the next resource boom.

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NOVA MINERALS

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Share price chart



Source: Tradingview

Below the surface

Formerly an iron ore project developer, Magnetic Resources has expanded its focus to gold exploration in the Eastern Goldfields in the space between Leonara and Laverton, and for a good reason: the company spent a successful calendar 2019 finding gold mineralisation at its Hawks Nest, Lady Julie and Homeward Bound South Projects. But it's the Hawks Nest Project (located 20km south-west of Laverton and adjacent to Lady Julie) where the company is most focussed. The project's key deposit at Hawks Nest 9 has so far provided high-grade intersections (including 20 m at 2.2 g/t gold from 95 m), but the three km-long boomerang-shaped mineralisation continues to throw-out surprises, including last September's drill campaign reveal of a thick porphyry containing four 'stacked' mineralised lodes, which indicates the potential for much deeper mineralisation than previously thought.

Although Magnetic Resources' tenements are greenfield, the company was bullish on Hawk Nests' early potential from the start as it verges on the boundary of existing major gold deposits, including Gold Fields' Wallaby, Dacian Gold's Westralia and AngloGold Ashanti's Sunrise Dam. These deposits are similar in that they contain multiple horizontal gold lodes, which are multi-stacked on top of each other. As drilling at Hawks Nest has barely surpassed 55 metres, Magnetic Resources is concentrating on what lies far beneath the surface. September's results helped drive the company's stock above \$1.60 in early September, up from its previous low of 42 cents in March.

Sometimes it helps to take a second look

Magnetic's biggest asset might just be the optimism of its Managing Director, George Sakalidis, who believes the shallow mineralisation is just the tip of the iceberg at Hawks Nest, where further exploration has uncovered four stacked porphyries. Sakalidis, a geophysicist, already has a track record of finding big-time deposits, including the Plutonic mine in WA, which could account for the rising excitement around Hawks Nest and the company's rising share price, which has jumped from 13 cents since the beginning of 2019. Sakalidis' process is to not rely on existing geological models, instead preferring to map new areas with ground and aero-magnetics, a decision which has turned the otherwise overlooked pastoral land around Magnetic's tenements into something much more viable.

Since that first significant discovery at Hawks Nest in October 2018, the company has kept the multi-lode 'template' of Wallaby and others in mind as it continues to look for deeper structures and intrusions – including December's new intersection of 90m at 0.37 g/t gold at the southern part of Hawks Nest. This southern part is now split into three northeast-trending mineralised zones, with four distinct mineralised lodes across the project. That exploration success combined with positive investor sentiment also enabled Magnetic Resources to raise \$7.1m via a share placement to fast-track exploration, including extending the 3 km project to 4.5 km and diamond drilling the porphyry lodes, in the lead-up to a Prefeasibility Study.

The proof is in the pudding

The new year of 2021 has started with major drill programmes at Hawks Nest and Lady Julie (with a total of 205 RC drill holes) to define an indicated resource at both sites. Because of Hawks Nest's close proximity to Lady Julie, Magnetic Resources is already focussed on a combined mining centre opportunity and the toll treatment potential in an infrastructure-rich area. The company is currently waiting on seismic survey results from late 2020 to determine further intrusions and targets.

Sakalidis' taking of the unwanted land around Laverton-Leonora has given Magnetic Resources a potential 1 million+ ounce resource in Hawks Nest and a growing list of potential prospects around Leonora, with programmes around Christmas Well and Mertondale. Further south, near the town of Northam, Magnetic has applied for tenements believed to host Julimar lookalikes. Julimar, you'll recall, is Chalice Mining's high-grade copper-nickel-PGE project and Magnetic's tenements are only 90 km away from where all that red-hot action has been generated.

But to return to Laverton-Leonora: Any production at Hawks Nest and Lady Julie may be some time away. However, sceptics of this story would be well advised to look at Sakalidis' previous triumph, which was Image Resources (ASX: IMA) and the discovery of the 13 km long high-grade zircon Boonanarring deposit, which is now in full operation. The upcoming drill results will shed more light on what lies beneath Hawks Nest 9, but we're encouraged by what we've seen to date. Four stars.

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Source: Tradingview

The next battery gold rush

Alpha HPA is one of a few High Purity Alumina players planning to benefit from the sudden uplift in demand. Having established its Gladstone pilot plant in Queensland earlier this year, the company has begun formulating its refining process to make 4N – a very refined form of aluminium oxide (99.99%) – through its agreement with the chemical company Orica (ASX: ORI). Most HPA is derived from a synthetisation process using aluminium metal feedstock or kaolin clay in rare cases. By contrast, Alpha's approach involves extracting HPA from aluminium chemicals. By moving in next door to Orica's headquarters, Alpha is effectively streamlining its testing process with no mining operation needed, with some added cost benefits.

High Purity Alumina has a range of industrial uses and is often used as an additive in ceramics and LEDs. But 4N's sudden popularity stems from its use in lithium batteries, specifically the space between the cathode and anode. Alpha's Pre-Feasibility Study back in March 2020 revealed that the company could generate cash flows of A\$280m annually by producing 10,000 tonnes of HPA per year. 2020 has been a turning point for the company. Alpha successfully manufactured its first batch of High Purity Alumina coating material (at a 5N

grading of 99.999%) for lithium batteries under its first US offtake agreement. It might be the quiet excitement around High Purity Alumina, but Alpha's quick transition to developer has seen the company's share price rise to 37 cents on 12 October.

Creative solutions in a complex market

While High Purity Alumina may seem like a niche market, the excitement around Electric Vehicles (which use up to 5 kg of the stuff) means that demand for High Purity Alumina is expected to grow to 120,000 tonnes by 2025. That's a very small window, which is why the company is ramping up market interest in its product. But despite the obvious drawback of the impending High Purity Alumina deficit, there aren't many High Purity Alumina-specific companies, and those which are producing it all have varying methods. Part of this is because of the cost of production, where producing High Purity Alumina through synthetisation costs US\$15,000 per tonne. Equally, the pay-off for High Purity Alumina is huge, with 4N product securing around US\$25,000-30,000 per tonne and 4N-plus over US\$50,000 per tonne.

And then there is the other matter of securing quality feedstock. While Alpha doesn't actually know where its feedstock is coming from – because it's a secret – the idea to make use of aluminium chemicals is not a bad one considering these industries are closely connected, making it easier to get its hands on Orica's chemicals. This differs from the direction other High Purity Alumina producers, like Altech Chemicals, FYI Resources and Andromeda Metals (which Stocks Down Under readers may remember from the 24 September 2020 edition). They have taken High Purity Alumina leached from aluminium-based kaolin clay. That presents its own risk in that these companies have the necessity of developing new kaolin projects with one source of feedstock and often with a specific market in mind. A good contrast is Andromeda's halloysite-kaolin brand used in glass and ceramics compared with Altech Chemical's eye on synthetic sapphire glass used in electronics.

Alpha had originally planned to use feedstock from its Collerina Cobalt-Nickel Project, but is now keeping both its feedstock and market options open. As operating costs for such a valued product seem to be the common denominator for these companies, Alpha is banking on its low US\$6,000 per tonne estimate through its patented solvent extraction process.

Versatility is key

It's not hard to see why the company is sprinting head-first into as many offtake agreements as it can: a \$7m capital raise in the second quarter of 2020 enabled Alpha to finance the project at its pilot plant in Queensland, with a little leftover for permitting and market outreach. With \$2.5m in cash gained during the September quarter, that outreach is beginning to spark interest in markets other than lithium batteries; the company has already supplied test orders to Japan and Taiwan for sapphire glass and LEDs.

It might be Alpha's versatility towards stock and individual markets which could give it an edge over its competitors. Still, as the High Purity Alumina trend has appeared so quickly, it's difficult not to see Alpha's trajectory as part of a larger effort to get Australia's High Purity Alumina market established.

Alpha still has a lot of work ahead of it in terms of first project development, including procuring more financing for larger test orders, but its unique approach will be an interesting comparison to others in the High Purity Alumina space. So four stars from us.

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Source: Tradingview

Striking gold at Korbel North

Nova Minerals spent 2020 upgrading the mineral resource at its Estelle Project, situated 177km northwest of Anchorage in the Tintina Gold Belt of southwestern Alaska. Estelle continues to increase in size and scale, with the company reporting a resource of 290 million tonnes at 0.4 grams per tonne gold for 3.3 million ounces in October. That solid resource base is something which Nova plans to build on in 2021 following its December share placement of \$21m. However, the project comprises 324 square kilometres of mining claims, that 3.3 million ounce resource is only attached to the Korbel North deposit, with the current resource representing only a small portion of the strike. Funds from the placement will go towards drilling at Korbel North as well as a list of 15 deposits as the company heads further south.

Nova has been consistently lifted by outlining broad gold zones since the beginning of the 40,000 metre diamond drilling program, with assays covering 35 holes designed to find the boundary to Korbel North, which continues to elude Nova. The company expects a busy 2021 with the next 80,000 metre campaign incorporating other targets with Korbel North (including the south-eastern extension) to deliver a global resource upgrade and begin the Prefeasibility Study. At the same time, Nova is seeking to complete its Preliminary Economic Assessment for a possible mine supported by a bulk mining and leach operation at Estelle.

Why Alaska?

When it comes to gold exploration, Alaska may not immediately come to mind as a popular hotspot. Sure, the area has seen gold rushes before in places like Fairbanks and Nome during the early 20th century. Indeed, gold was so abundant on Nome's beaches that prospectors only need to search without staking a claim. The early 20th century rushes were short-lived and difficult to orchestrate during the winter. Still, they did start to trigger further exploration over the decades, particularly around Fairbanks, which has always been a gold town.

Depending on where you are in the Last Frontier, infrastructure can be an issue. Consider Nova's description of access infrastructure around the Estelle Project, which is limited to aircraft (from Anchorage), helicopters (from the Whiskey Bravo airstrip next door) and one winter access road out of Amber Lake. While the lack of infrastructure presents some hurdles for Nova, the company still has the advantage of being outside of the Yukon region, which is grappling with incoming competition. The company is already planning for this by joining with the Alaska Industrial Development Export Authority (AIDEA) to establish the new West Susitna access road, which will add an additional connection to Port MacKenzie, just north across the so-called 'Knik Arm' (a narrow branch of the Cook Inlet), from Anchorage. AIDEA is an important tool in the remaking of this growing region as it helps exploration get closer to the most isolated deposits.

Alaska provides juniors like Nova with the promise of underexplored resources and a government which is all for greater exploration, albeit with environment and native title considerations in mind. Given the crowded state of Canadian and Australian exploration, it makes sense for hungry Australian juniors to try somewhere much more vacant. So far Nova's main Australian competition is Northern Star (ASX: NST) with its 4.1 million ounce Pogo Mine, 145 km southeast of Fairbanks.

Presumably, incoming activity also represents something of a boon for Alaska given the size of projects like Estelle, Pogo and NovaGold Resources' (TSE: NG) Donlin Gold, with its 45 million ounce resource. The Tintina Gold Belt represents 40% of US gold resources at 220-plus million ounces (with only 47 million ounces produced), meaning continuing success could transform the region. As we know, success seems to beget success with explorers following other explorers.

Weighing up all options

Nova's preliminary ore sorting and leach test work should yield several benefits for the company, both in terms of financial gain and reduced mineral loss. Nova's practice could involve either bulk or particle ore sorting (or a combination of both). The latter was shown to deliver upgraded feed at around six grams per tonne gold. While the decision to mine is still a way off (think 2023/24), Nova's work will create additional value for Estelle by reducing haulage, energy and water costs and increasing the overall mine life.

Looking at the bigger picture, Estelle's new momentum is giving Nova visions of an upgraded mineral resource beyond Korbel North. It helps to remember that the 3.3 million ounces are based on Korbel (Block A and B) and don't include Blocks C and D (including the Cathedral, Sweet Jenny and You Beauty deposits). The 80,000 metre drilling program in 2021 plans to address the latter. Given the elephant size projects found in the belt and Estelle's growth in the space of two years, investors can be happy with the positive news flow until a decision to mine is made. Four stars.

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Pitt Street Research Pty Ltd is founded on more than 40 years of combined experience researching companies in a range of different sectors.

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