



Emerging Stocks Down Under

🗨️ *Divorce is expensive. I used to joke they were going to call it 'all the money' but they changed it to alimony.* 🗨️

- Robin Williams (1951-2014), American actor and comedian



ANTEOTECH

An immense capacity to charge forward

BIONOMICS

Make or Break

SUNRISE ENERGY METALS

Hello sunshine

ANTEOTECH

An immense capacity to charge forward

Stocks Down Under rating: ★★☆☆

ASX: ADO
Market cap: A\$508M

52-week range: A\$0.021 / A\$0.495
Share price: A\$0.25

AnteoTech is a Brisbane-based technological solutions company. While it operates in multiple sectors, its main focus is on increasing the capacity of modern Lithium-ion batteries. Currently, it provides everything from kits that improve the conjugation process in medical testing to COVID-19 test kits. However, it plans to grow by targeting the energy sector. It aims to do this through AnteoCoat, a technology containing compounds that enable control over material properties and silicon interactions in battery anodes.

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BIONOMICS

Make or Break

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ASX: BNO
Market cap: A\$197M

52-week range: A\$0.052 / A\$0.45
Share price: A\$0.20

Based in Adelaide, Bionomics is a clinical-stage biopharmaceutical company. The primary aim of Bionomics is to develop drugs to combat disorders in the Central Nervous System (CNS) and initial tumour formation. The company has already conducted numerous clinical trials and is on a path to conduct more. Bionomics has a well-diversified portfolio of candidates, but whether any of these candidates are suitable enough to be released to the market remains to be seen.

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SUNRISE ENERGY METALS

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Share price chart



Source: Tradingview

A versatile technology

AnteoTech was founded as Anteo Diagnostics Limited in 1995. Initially, the company was mainly focused on providing products and chemicals for use during In Vitro Diagnostics (IVD) and R&D. IVD uses biological samples to test a person's health, thereby avoiding contact with the patient.

Anteo has always been a company that uses its innovative technologies in collaboration with labs and other pharmaceutical companies. For example, its proprietary Mix&Go technology has been in use for over a decade by companies like Merck, the US pharmaceutical giant. Mix&Go is a reactivation agent that can be used to bind biomolecules onto surfaces. Simply put, it is used in the immunoassay space to perform numerous on-site tests.

Mix&Go was the company's main product for its first few years. Anteo signed agreements for Mix&Go products with various companies, both in and outside of Australia. Anteo also launched a few of its own products, such as a coupling kit for 200 nm magnetic particles. Throughout this early period, the company continued to raise funds through institutional placements to fund R&D. Through this research, Anteo realised that its nanoglue technology (used in Mix&Go) could also be used in batteries, medical devices and bio separations.

In April 2016, the company began filing patents in the energy sector, specifically for battery compositions

using nanoglue technology. Little did anybody know at the time that battery technology would be the future of the company.

Finding the capacity

When AnteoTech was researching Lithium-ion battery improvements a few years ago, Electric Vehicles (EVs) were just beginning to take off. Today, we know just how immense the growth potential in the EV space is. Currently, many believe that the next breakthrough in EV will have to be in battery technology. Any technology that can extend the range and decrease the charging times for an EV battery will likely give that company a huge competitive advantage. As such, hundreds of companies around the world are trying to come up with better battery solutions, such as solid-state batteries.

While Anteo is not trying to come up with a completely new battery, it is trying to improve the current Lithium-ion battery that is used in everything from EVs to consumer electronics. Using silicon in the battery anodes can increase the capacity of the battery and reduce its charge times. However, silicon can only be a small part of the anode as its chemical properties are difficult to manage at a high density.

Anteo solves this using AnteoCoat, a proprietary technology that coats the silicon with compounds that change its properties and the way it interacts. Through AnteoCoat, the amount of silicon in an anode can increase sevenfold. According to the company, the relative capacity of a battery using AnteoCoat can be 6-7x higher than that of a regular battery without AnteoCoat, creating a 5x increase in the relative charge/discharge rate.

The company signed a confidentiality agreement with a major battery end-user in March 2018, just a few months after initiating its battery development program. In November 2018, the company signed an agreement with a global battery supplier and has been developing its batteries ever since. However, this has not proven to be profitable for AnteoTech, yet.

Apart from this, AnteoTech's Mix&Go technology is still available in the market and is being used in AnteoTech's kits and by numerous partners, providing valuable revenues. In November 2019, the company changed its name to AnteoTech from Anteo Diagnostics to reflect the company's more diverse approach to technology.

Charging into the future

With the way the EV space is expanding, it is clear to us that AnteoTech's technology could have a massive impact on vehicles in a few years' time. If the company can develop a battery that can substantially increase Lithium-ion battery capacity, the impact would be very substantial even if it's just twice as high.

On top of this, consumer electronics, drones and energy storage systems are all viable applications for the company's technology. We have covered many companies in Stocks Down Under that make use of or profit from Lithium-ion batteries, and they only add to AnteoTech's addressable market.

AnteoTech currently has a diversified portfolio of products, including a COVID-19 antigen rapid test. However, we believe that its battery technology is the only way it can achieve exponential growth. AnteoTech is currently losing money, but that is mainly due to the massive R&D spend. It will be a few years before the company will benefit from its new battery technology, but we believe it is charging in the right direction.

With over \$6m in cash plus the \$12m the company raised from institutional investors at 26 cents recently, AnteoTech has enough resources to power its operations for at least two years, in our view. In that time, we should have a lot of information and data to decide whether it can potentially be a big player in the battery space.

Despite some small revenues in FY20, AnteoTech is essentially still a pre-revenue company. But we believe the company's battery technology holds some serious promise. So, it's a four-star opportunity for us, especially after the recent share price drop that was triggered by the capital raise and a subsequent \$4m share purchase plan.

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Share price chart



Source: Tradingview

A quiver full of arrows

Bionomics was founded in 1996. Since then, it has been researching and developing drugs to combat depression, anxiety, PTSD and tumours. Today, the company has four drugs in trials to treat numerous diseases.

BNC210 is the company's lead candidate. Bionomics believes that BNC210 could be a significantly better treatment for people with a Generalised Anxiety Disorder (GAD), PTSD and depression than what the market currently offers. It is currently being tested in various clinical trials, all at different stages of completion. On 10 May 2021, the company reported that, as part of its overall pipeline expansion strategy, it has decided to put BNC210 forward for evaluation as a possible treatment for Social Anxiety Disorder (SAD). This is not expected to negatively impact its Phase 2b trial for PTSD expected to start during mid-2021. The major advantage of BNC210 is the lack of side effects.

Compared to benzodiazepines, BNC210 has a significantly lower chance of abuse and it does not sedate or cause motor and memory impairment in the patient. Benzodiazepines are commonly known as tranquilisers and are used to treat depression and anxiety. Their addictive nature and capacity for abuse have led many biopharmaceutical companies to try and develop a better alternative and BNC210 may be the answer.

Bionomics is also developing BNC375, a drug that can be used to treat cognitive impairment in patients with

Alzheimer's and other neurodegenerative diseases. The drug is being developed in collaboration with Merck, the US-based pharmaceutical giant currently worth close to US\$200bn.

On the Oncology side, BNC is currently in the preclinical Phase for BNC101, a drug that has been shown to target cancer stem cells that are said to play a role in cancer occurrence and spread. The major advantage of BNC101 compared to its competitors is its large therapeutic window (the window between a drug being effective and toxic).

The last drug under development is BNC105. It is a Vascular Disrupting Agent (VDA) that can potentially disrupt blood vessels that nourish tumours. Bionomics has a proprietary MultiCore technology that utilises novel compounds to shut down specific blood vessels without affecting any of the patient's vital organs. The company is currently running six clinical trials for BNC105.

Hit and miss

BNC210 completed its safety studies in December 2008 and launched its first Phase 1 clinical trial in June 2009. By this time, Bionomics had already completed a Phase 1 trial for BNC105. During Phase 1 trials, the drug is tested on humans for the first time to ensure safety during subsequent trials and determine the appropriate dosage.

Bionomics raised \$15m at the end of 2009 through a mixture of VC money, institutional placement, and a share-purchase program to further its research. In December, a Phase 2 trial began to treat malignant pleural mesothelioma, followed by a Phase 1 trial for renal cancer in January 2010. During a Phase 2 trial, the drug is checked to see its efficacy. It is essentially the make-or-break point for a drug.

Due to the nature of BNC105 (it targets blood vessels and not specific cells), it can potentially be used to treat a plethora of cancers. As such, trials for numerous different types of cancers have been performed using BNC105, e.g. a trial for ovarian cancer was initiated in May 2012, which showed that BNC105 had a high response rate to ovarian cancer.

BNC105 was Bionomic's lead candidate until November 2014, when BNC210 replaced it. From January 2012 to November 2014, BNC210 was licensed to Ironwood Pharmaceuticals, a US-based pharmaceutical company. Since then, Bionomics has assumed control once again and has been developing the drug on its own. Apart from BNC210, all of the other drugs are in the early research stage. A total of 8 clinical trials are in the pipeline for BNC210 and this is the drug that is the closest to market introduction. BNC210 has shown very positive results in treating anxiety, depression and even PTSD once adequate exposure levels were achieved during Phase 2 trials. Bionomics is currently looking for a partner to conduct Phase 3 trials (Phase 3 is when a drug's marketability and costs are tested along with its effects on a large sample of patients) and eventually move the drug to market.

Are the spoils worth it?

All four drugs in the Bionomics portfolio show significant potential. However, BNC210 is the only one that could be used to bring the company revenue in the near future.

Phase 3 trials have a very large number of patients. As such, they are expensive endeavours that cannot be undertaken without considerable financial planning. Therefore, in February 2021, Bionomics raised approximately \$16m at \$0.145 to conduct the 2b trial for PTSD patients using BNC210, which is an extension of the initial trial and aims to use the information from the first trial to better test the drug.

We believe that Bionomics is looking for a partner for Phase 3 because the company might not be able to raise enough money to complete Phase 3 on its own. With no other drugs even close to a Phase 3 initiation at the moment, the results of Phase 2b will make or break Bionomics as it will be crucial in convincing potential partners to come on board for further development.

The company is debt-free and has enough runway to conduct the Phase 2b trials beginning in the middle of 2021. Success in this trial would mean that we could see BNC210 on the market within the next 3-5 years. However, a failure would confirm that any market rollout of BNC210 or any other drug by Bionomics is not possible for at least a few more years beyond that.

The risks attached with investing in a company whose entire hopes are pinned on one drug make this a two-star opportunity for us.

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Share price chart



Source: Tradingview

A breakthrough technology

Sunrise was founded in 1990 as Clean TeQ. The company's original purpose was to provide a better way to recover metals in mining processes and to purify and recycle water on a large scale. With a special focus on efficiency and conservation, the company won governmental grants, such as the Climate Ready Grant (capped at \$1m), in April 2009. Sunrise took on various types of contracts at that time, ranging from an odour control contract from the Gosford City Council to supplying a pilot plant for Japanese chemical manufacturer Ishihara Sangyo Kaisha.

While Sunrise's original money-maker was providing process solutions, the company had always taken an interest in mining facilities. In 2013 it intended to purchase Leigh Creek Copper Mine from Phoenix Copper Limited, the Australian mining company. However, the acquisition was abandoned after Sunrise conducted due diligence and decided that the mine did not cover its investment hurdles. Despite the collapse of the acquisition, the due diligence process did validate the Clean-iX technology, which was successfully used to extract copper from low-grade copper oxide ore. After that, Sunrise increasingly focused on mining using its Clean-iX technology and began to look for mines it could acquire. In 2014, the company found one.

A huge shift

In 2014, Sunrise discovered exceptional scandium deposits at Syerston in NSW. Cobalt and nickel mineralisation had already been discovered at this site, leading Sunrise to believe that this mine could be the future of the company. Sunrise acquired the Syerston facility in April 2015. In July of that, the company raised \$6.6m at \$0.18 per share. The company raised a further \$15m at \$0.39 per share in November 2016 to complete the feasibility study. By 2017, the estimated cobalt in the project was 132,000 tonnes and the estimated scandium was 19,222 tonnes.

The Syerston Project was eventually renamed the Sunrise Project and mining leases were granted to the company in February 2018. After that, a further \$150m was raised through an institutional placement at \$1.15 per share to accelerate the development of the Sunrise project. Due to the massive deposits of nickel and cobalt, Sunrise believes that it will be able to mine these metals profitably as they are used in high quantities in EV batteries. The EV industry is expected to have a CAGR of 29% from 2021 to 2026, providing significant demand for the mine's deposits.

Sunrise's other projects were still going on as the company progressed the Sunrise Project, but the company's focus was now largely on this new project. Relatively unhindered by COVID due to the nature of the work, Sunrise pressed on and released a project execution plan in 2020. Sunrise believes that the mine has a life of at least 50 years. The expected revenue from the project is US\$16bn over the first 25 years and over US\$300m in cash flow per annum during that time. With returns like this, investors may be thinking that Sunrise is a slam dunk. However, construction is still years away from completion, which is why we believe the market is still a bit wary.

To show its commitment to the project, the company's name was changed from Clean TeQ to Sunrise Energy Metals in March 2021. Currently, Sunrise is in the process of finding additional partners and more capital to expedite the construction of the Sunrise project.

A look into the future

Part of Sunrise's future was finalised on 1 July 2021 when Sunrise demerging Clean TeQ Water (ASX: CNQ). We believe splitting off the water purification technology portfolio was a strong choice by management. The choice could not have been an easy one, the company has developed a strong portfolio of water purification technology and we believe the new company is set up for success. However, Sunrise is clearly going in a different direction and shareholders were better serviced by splitting off the portfolio than letting it rot with half attention.

It will be a while before the Sunrise project starts generating a profit. The estimated costs are roughly \$2.37bn. While Sunrise managed to raise a further \$35m in January 2021, the company will still need to raise the required debt and equity to fund the entire project. However, after all the research that has been done there is no doubt that the Sunrise project presents a multi-billion-dollar opportunity for the company. If Sunrise can find the necessary capital, it will be set for many years to come.

Considering the massive potential of the Sunrise project, we expect Sunrise to be able to easily raise the required project funding and sign the partnerships necessary to get construction going and to start mining. Consequently, we think Sunrise is a four-star opportunity for patient investors willing to wait a few years to see exponential returns on their investment.



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