



# Resources

## Stocks Down Under

🗨️ *Trying to figure out what your fellow man might do in a crisis is like predicting the weather in Florida.* 🗨️

- Joseph Talluto, Author of the White Flag of the Dead series

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### BEACON MINERALS

Leave your superstitions about cats at the mine gate

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### PREDICTIVE DISCOVERY

Increasing the odds of a win

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### DEVEX RESOURCES

Three hotspots are better than one

# BEACON MINERALS

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Stocks Down Under rating: ★★★★★

**ASX: BCN**  
**Market cap: A\$122M**

**52-week range: A\$0.032 / A\$0.043**  
**Share price: A\$0.035**

Beacon Minerals has had an excellent start to production at its Jaurdi Gold Project in WA, with a swift commissioning process and better than expected quarterly production numbers. That success has also translated into actual dividends, which is unusual for a junior miner. The task for Beacon now is to make the most out of a small, but sturdy starter project while it searches for an ore reserve boost.

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**ASX: PDI**  
**Market cap: A\$121M**

**52-week range: A\$0.054 / A\$0.12**  
**Share price: A\$0.095**

Predictive Discovery is an oddly named West African gold explorer with a portfolio of projects in Guinea, Burkina Faso and the Ivory Coast. Although many of its assets have provided encouraging results, it's the company's flagship Bankan Gold Project in Guinea that deserves the most attention. Described as a major gold discovery, Bankan is nearing its maiden resource as PDI makes a name for itself in the current West African gold rush.

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# DEVEX RESOURCES

Three hotspots are better than one

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Stocks Down Under rating: ★★★★★

**ASX: DEV**  
**Market cap: A\$92.4M**

**52-week range: A\$0.099 / A\$0.53**  
**Share price: A\$0.29**

Perth-based explorer Devex Resources is banking on its growing portfolio of uranium, copper-gold and nickel-copper-PGE projects to create value. And with the help of Chairman Tim Goyder's experience, the company is suddenly turning heads with the acquisition of the Sovereign Project near Chalice Mining's Julimar discovery. As most of Devex's ground is untouched or underexplored, a significant discovery in any one of these commodities could be a high-impact event.

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## Share price chart



Source: Tradingview

## Leaping over guidance

Since initial drilling began in January 2017, Beacon has managed a smooth and swift 30-month development at Jaurdi, producing first gold in late 2019 and subsequently delivering record gold production by late 2020. Jaurdi, which is 35 km northwest of Coolgardie and 10 km south of Evolution Mining's Castle Hill Project, is made up of the Lost Dog, Black Cat and Panther deposits. Lost Dog and Black Cat provide a combined mineral resource of 3.3 million tonnes at 1.75g/t gold and Panther holding 224,000 tonnes at 1.36g/t gold.

The company leapt over its production guidance for the December quarter, producing nearly 8,000 ounces of gold worth in excess of \$21m for the quarter on 139,530 Dry Metric Tonnes (DMT) of ore milled. Repeating the feat during the March quarter, Beacon milled 145,278 DMT of ore, although this time around revenue was only \$17m on 7,926oz of gold produced and 7,296 sold. The June quarter saw a sharp decline in gold produced after milling 158,861 DMT of ore saw only 6,846oz of gold produced. Despite this drop in gold produced, management guidance remains as upbeat as ever.

Jaurdi started out as a small mine with a modest five-year life and a Net Present Value of A\$70.9m (before tax, at a 10% discount rate). However, an Internal Rate of Return of 75% tells you that Beacon has invested well. And going forward, the company hopes that exploration through 2021 and beyond can increase the mine's life.

## **Today's theme is cats**

The yellow metal bottomed in March after a sell-off that started in August 2020. It has since made up most of the ground that was lost and we expect further strength in the price of gold. That puts Beacon in a good position with Jaurdi. The fact that Beacon is producing above guidance has allowed the company to both pay off its debts and provide shareholders with a March dividend of \$0.007 (to the tune of \$25.4m). It also gives the company time and extra money to explore high-priority gold targets in and around Jaurdi. As Beacon currently has no other Australian gold prospects in the pipeline, the focus now is on making the most of Jaurdi's potential while gold remains strong, particularly as open pit mining at the project is expected to cease by 2023 and stockpiles will be depleted by 2024 (with four remaining years at 540,000 per year).

As the company now faces the pressure of keeping up its production streak, Beacon has ramped up exploration activities at all three deposits to extend that 5-year mine life. During the last quarter, further aircore drilling continued at Lost Dog, Black Cat, Panther as well as first-pass drilling at the Trans-line PGE prospect further east of Kalgoorlie.

The company has acquired an option to purchase two mining licenses at the Min Min Light tenements north of Panther for \$400,000, further increasing the available resource. Although the list of cat-themed deposits is confusing, Beacon has managed to grow its market cap from \$10m to \$122m on the back of Jaurdi and management believes there is still more gold to find.

## **We hope the luck holds, but it's early days**

Although gold remains almost indestructible, Beacon's primary focus is making the most of gold's high prices with Jaurdi's scalability. The company's current cash position has been strengthened to around \$20m as of May as a result of its March capital raising of \$13.7m (at 2.5 cents per share), helping to push Beacon's share price to 40 cents. Without any concerns about debt, the strong performance at Jaurdi has enabled Beacon to look further afield to potential gold tenements in Timor-Leste. Although it's not the safest mining jurisdiction around, Timor-Leste is working on a mining code similar to WA's, meaning there could be some new exploration opportunities in the coming years.

While the company has high hopes for the drilling season, it's also remaining humble about the future by focussing on a review of those Jaurdi ore reserves in June, with results to be released in July. Although Jaurdi looks like a small and short project, the fact that the company has wiped its debt and paid a dividend underscores Beacon's attitude that shareholders own the business and should benefit from it while Jaurdi's long-term viability is still unknown.

From our point of view, Beacon's team has worked hard to make increase Jaurdi's resource to ensure a smooth operation, but a big resource increase is not certain. Four stars.

# PREDICTIVE DISCOVERY

Increasing the odds of a win

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## Winner at Guinea

PDI is one step closer to its maiden resource estimate (MRE) at Bankan after the March quarter's aggressive reconnaissance and diamond drilling, with 70,000 metres completed to date. Bankan, located within the Siguri Basin in southwest Guinea, is split by two greenfield discoveries: NE Bankan, a 1.6 km long zone of shallow oxide gold mineralisation, which remains open at depth and along strike, and Bankan Creek, a second gold mineralisation 3 km west of NE Bankan, which could significantly contribute to the MRE in its own right.

Because the wider Bankan project area remains relatively unexplored, Predictive Discovery completed a raise of \$26.5m at 8 cents per share in May. Of particular interest is the high-grade Argo target (AG1), 17 km north of NE Bankan. Recent auger drilling results have shown promising intercepts at Argo, including 12m at 9.8g/t Au. Argo is one of nine high-priority drill targets situated along an newly-recognised 35 km-long gold corridor flowing through NE Bankan and Bankan Creek, which the company hopes will hold NE Bankan style discoveries. Beyond Bankan PDI has an ever-growing list of projects in Guinea, including the Koundian, Nonta and Boroto Projects.

## **We do the groundwork, you provide the funds**

With only 6% of auger drilling performed over the project's 358 square kilometre zone, PDI believes there is much wider resource potential to be found, especially now that the 35 km gold corridor has emerged straight through the two greenfield zones. As many of the new targets along the corridor show limited artisanal workings, auger drilling has been a cheap and effective way for the company to highlight areas of anomalous gold before any deeper drilling at Bankan and its other Guinea projects. The same auger method is currently proving to be successful 115 km northeast at the Koundian Project with its similar lateritic cover. High-grade gold intercepts have been confirmed including 6 metres at 32 g/t gold. As the Siguri Basin is both underexplored and prospective (forming, as it does, part of the world-famous and richly mineralised Birimian gold belt), we believe there's a lot to be gained from continued auger drilling.

PDI's approach to gold exploration has been underpinned by its 'Prospect Generation model', where the company has a stake in several projects across West Africa in order to find the next big gold discovery. Apart from its assets in Guinea, the company controls the Bongou and Tempetou permits in Burkina Faso. It also maintains two joint ventures with Resolute Mining (ASX: RSG | [see 21 January 2020 report](#)) and Tanga Resources (ASX: TRL) for several projects in the Ivory Coast. As it has done with Bankan, PDI's strategy is to fulfil the initial, less expensive exploration work before acquiring a joint venture partner or similar to supply the funding, which seems like a solid strategy given the company's share price history.

Since the Bankan acquisition in April 2020, the company's share price has moved from 0.7 cents to 8 cents. Now that PDI has made, what it believes to be, 'the' gold discovery at Bankan, the company is looking to divest some of its assets and concentrate on Guinea's long-term potential.

## **Why not 'Prospect Generation' for a name change?**

The proceeds from May's share placement will go to about 112,000 metres of those near-regional drill targets (including AG1) over the next 12 months as well as project development and environmental & social governance (ESG) studies as the company aggressively advances its plans. In the meantime, PDI is expected to begin metallurgical test-work in Perth as it incorporates the 70,000 metres for the MRE, which is due in the third quarter.

Although the development of the Bankan project is the primary goal, the benefit of the ongoing systematic auger program is the ability to uncover further greenfield discoveries in the wider area. If the share price increase is anything to go by, that seems to be enough for investors to get excited about the unknown gold potential in Guinea. Given PDI's working model, there is also room for further joint ventures to create more value out of its existing Guinean portfolio. While we believe the company could do with a snappier name, we feel that the company's exploration strategy has begun to pay off. Four stars from us.



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## Three is a lucky number

Since Uranium Equities became Devex the company has widened its exploration strategy with a focus on three regions – WA's Julimar Province, NSW's Lachlan Ford Belt and NT's Alligator Rivers Uranium Province (ARUP). During the March quarter the company reported encouraging exploration results at its Sovereign Project, 70 km north-east of Perth, following the completion of its maiden air-core drill program on the western side of the Sovereign Magnetic Complex. The results confirmed elevated Palladium-Platinum (Pd-Pt) and copper (Cu) levels associated with a thick differentiated mafic-ultramafic intrusion, with the company identifying a 3 km area of anomalous Pd-Pt and Cu mineralisation (known as the Mackenzie target) to the south. Additionally, Devex found a 1 km-long Pd-Pt soil anomaly on the eastern side of the complex. The company is currently exploring the western complex with Australian Silica Quartz Group (ASX: ASQ) under an earn-in agreement for 50%. The newly granted eastern complex has no prior Ni-Cu-PGE exploration.

Over in NSW, Devex is a step closer to discovering a large porphyry gold-copper system in the Junee Project after identifying several Cu-Au targets, including the 2 km-long Nangus Road target. Junee sits within the Macquarie Arc (Australia's biggest copper-gold terrane), giving the company hope for a Cadia-Ridgeway (Newcrest Mining) style porphyry. Just to add to the excitement, the company has another copper-gold

opportunity at its Wilga Downs Project in the Cobar Basin, where another Cobar-type magnetic anomaly (Conductor A) has been discovered 40 metres east of first diamond drill hole 20WD001. This target is similar to other gold-polymetallic deposits in the Cobar region, so further diamond drilling is in the pipeline.

## **Leveraged for upside**

If maximum growth impact is what the company is looking for, then it's easy to see why Devex would go back to the Julimar complex for the next big nickel discovery. Like Chalice Mining's truly fabulous Julimar discovery, Sovereign is another greenfield target, but that's where the benefit of experience comes in: Devex Chairman Tim Goyder is the former chairman of Chalice and of the lithium hopeful Liontown Resources (ASX: LTR | [see 14 January 2021 report](#)). He is also the former director of oil junior Strike Energy (ASX: STX | [see 15 October 2020 report](#)).

Chalice's work has provided renewed insight into a region not previously explored for Ni-Cu-PGE elements. Under Goyder, Devex has now strengthened the perspectivity at Sovereign by re-assaying historical drill samples. Those samples, combined with the company's rock chip sampling, identified elevated nickel, copper, chromium and Palladium-Platinum elements, further indicating the presence of host geology similar to that of Julimar. The farm-in agreement with Australian Silica Quartz Group has sped up Devex's process and led to the new priority exploration target at Mackenzie. Now that it has 100% control of the eastern tenements, the company is in a much more dominant position, something Goyder should be used to by now.

While the Julimar region remains a hot spot, another sudden surge in uranium stocks may improve the company's prospects in the NT. Despite ongoing uncertainty, optimism around uranium is growing again as governments look to integrate uranium energy in the shift away from fossil fuels, helping to bring the uranium spot price up to US\$30 per lb. In light of the improving market, the company is continuing improvements at Nabarlek, including a review of exploration data from the historical Nabarlek Uranium Mine, which goes back to the '60s. As ARUP contains an estimated 500 million pounds uranium (both mined and current resources), there is significant ground for the company to cover with its 4,700 km square land package with several near-mine extensions already on the cards. The opportunity is also good value with proven gold-copper and PGE deposits in the area. The uranium rebound helped drive up Devex's share price to 43 cents in early June, although it has trended back since then.

## **Crossing fingers for a trifecta**

The company's drill program for the remainder of 2021 is a big one. With the aircore/RC drilling program at Junee (Nangus Road) and the dual expanded air-core and maiden drill programs at the west and eastern sides of the Sovereign already in progress, Devex's immediate plan is to commence follow up diamond drilling at Wilga Downs in the Cobar Basin. With a cash balance of just \$10m at the end of the March quarter, the company's recent share placement of \$8m at 32 cents a share will give a much-needed boost to the schedule, with a little left over for field exploration at Nabarlek.

With high-priority exploration underway on two important fronts in WA and NSW, Devex is clearly leaving nothing to chance and the odds of success could get better if it does find the potential it's looking for at Nabarlek. In the case of Sovereign, the chance of success is increased as a result of previous experience combined with minimal exploration, which could have a greater impact.

With enough cash to sustain activities in all areas in the short term, it will be interesting to see Devex's position at the end of the year. We rate this one four stars, although knowledgeable investors may want to see the stock stabilise first.



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