

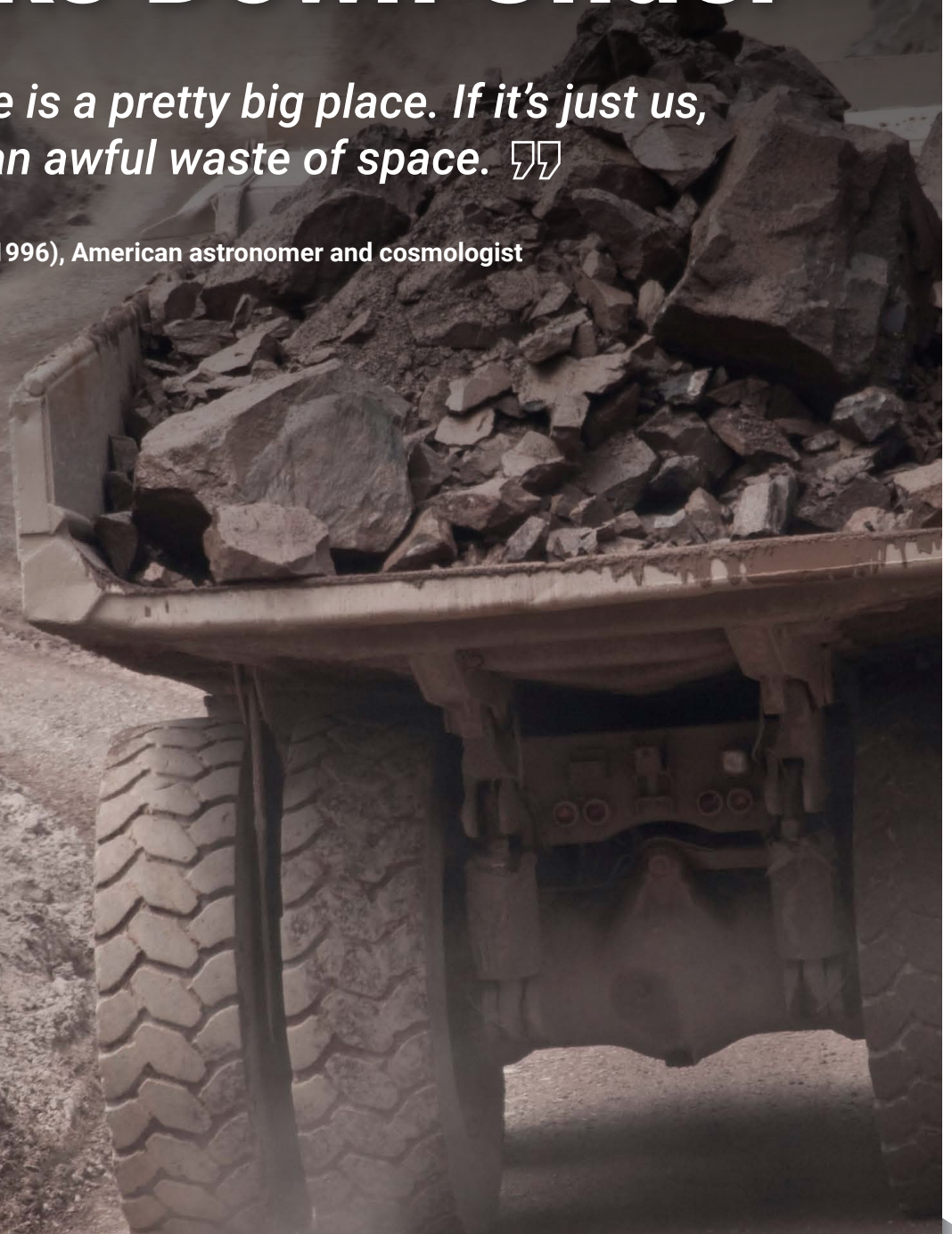


Resources

Stocks Down Under

🗉 *The universe is a pretty big place. If it's just us, seems like an awful waste of space.* 🗉

- Carl Sagan (1934 - 1996), American astronomer and cosmologist



**ARGOSY
MINERALS**

Sailing into the unknown

**TUNGSTEN
MINING**

Mt. Mulgine looking good

ANOVA METALS

Finally a Nevada bet worth taking

ARGOSY MINERALS

Sailing into the unknown

Stocks Down Under rating: ★★★★★

ASX: AGY
Market cap: A\$ 219M

52-week range: A\$0.046 / A\$0.215
Share price: A\$ 0.175

With its flagship Rincon Lithium Project situated in the famous 'Lithium Triangle', Argosy Minerals is close to being a lithium producer, but still some time away from its goal of 10,000 tonnes per annum of lithium carbonate product. With some very Argentine-specific issues in mind, Argosy is determined to become the next lithium brine producer in South America, while also looking further afield to America's friendly lithium sector for some extra reward.

[READ MORE](#)

TUNGSTEN MINING

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Market cap: A\$ 106M

52-week range: A\$0.11 / A\$0.26
Share price: A\$ 0.14

It's not hard to figure out which commodity Tungsten Mining is focused on as it has a fair bit of Element No. 74 at its Mt. Mulgine Project in the Murchison Region of Western Australia. The January 2021 Pre-Feasibility Study at Mt. Mulgine has it at a pre-tax NPV of A\$422m. Now all Tungsten Mining needs to do is get some offtake agreements in place, transition the PFS to a fully DFS and then get Mt. Mulgine funded.

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It's one of the least expensive gold developers you'll find on ASX right now. Anova Metals's Big Springs Gold Project in the US state of Nevada has an existing Mineral Resource estimate of 16 million tonnes at 2.0 g/t gold for 1.03 million ounces. At the current Enterprise Value of Anova Metals, that million or so ounces is currently trading at a mere A\$25 per ounce. Yes, you read that right. And we believe there's likely more ounces where that first million came from.

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Share price chart



Source: Tradingview

Adding a favourable US asset to Rincon

Argosy's all-important Rincon Project can be found at the southern edge of the Rincon Salar (dry salt flat) in the Salta Province of northern Argentina. As a joint venture with Argentinian explorer Puna Mining S.A., Argosy currently holds a 77.5% interest, which could expand to 90% at the development of a 10,000 tonne per annum (tpa) operation with a resource of 245,120 tonnes lithium carbonate equivalent (LCE). 10,000 tpa, however, is still some time away. Argosy is currently only executing 'Stage 2', for 2,000 tpa, but that's not to be sneezed at. After the company's successful pilot operation in Stage 1, construction is now underway on the Stage 2 industrial plant with 38 hectares of brine ponds now operational. At Stage 3, the big money really starts to flow, with a base case for 16.5 years of project life worth US\$399m (A\$542m) in NPV on an Internal Rate of Return of 53%.

Alongside Rincon, Argosy has also increased its North American lithium foothold with a second brine lithium project, called Tonopah, based in Nevada's 'Lithium Battery Valley' about 336 km from Las Vegas. Directly analogous to Abermarle's Silver Peak lithium mine, Tonopah is in its very early stages, only announcing the completion of its magneto telluric resistivity field survey work on 6 August 2021. Still, Argosy sees an

opportunity to take its approach from Rincon and secure some desired LCE offtake opportunities in the growing US market. As Argosy crawled ever closer to production at Rincon, first shipments of battery-quality product to South Korea in January raised the share price to \$0.21.

Almost the second lithium brine producer

Argosy has already done much of the groundwork at Rincon, having sold around 25,000 tonnes of high purity lithium carbonate to date as a result of its Stage 1 pilot plant operations. That effectively enabled the company to head straight to the Stage 2 development phase. Although Argosy ultimately envisions 10,000 tpa, it has tweaked the plan to produce lithium carbonate through direct brine extraction. This will allow for a faster process and is, therefore, more likely to attract investors – the most pressing task given the project's price tag of US\$141m and the time it has taken to get to this point. The company's rationale for finished lithium carbonate is supported by the demand from cathode manufacturers and a higher number of offtake destinations across Asia, the US and Europe. This is underscored by Argosy's first offtake deal with Mitsubishi for its high-grade (99.94%) product.

Although Argosy is still waiting on final permit approvals to start development – the Preliminary Economic Assessment (PEA, or Rincon's version of a Feasibility Study) for 10,000 tpa was submitted back in 2018 – the company is currently betting on its demonstrated LCE process, long-term payback and environmental credentials to find funding. 'Credentials' in this context refers to Rincon's high-grade infrastructure, including a 208-megawatt solar power park and an LCE process that plans to recycle 90% of raw water through the salars. In order to support 10,000 or even 15,000 tpa of lithium carbonate production, Argosy recognises that there is room to add an additional 262,000 tonnes in an effort to increase Rincon's life materially.

Walking and then running

Despite its amazing location, Rincon's situation is unusual in that it theoretically has government support for lithium production while the government continues to wade through its own economic crisis in the middle of a pandemic. With some barriers to investments, like export limits, still in place for foreign companies, Rincon is turning into a much harder venture in comparison to Tonopah, which, while at a very early stage, could have huge support and additional proximity to actual battery producers in Nevada. That said, Argosy is pushing hard on the Rincon financing on the back of its first deal with Mitsubishi.

As of July, Argosy has constructed 26% of Rincon under its \$29.9m budget and expects full permitting approvals in the second quarter of the year. Now that the scale-up is finally taking place and the window for first official production is mid-2022, it's reasonable to expect the full funding package to fall into place sooner rather than later for Stage 3. With lithium continuing to look good as 2021 progresses, we expect a few more positive updates even in the face of Argentina's current Covid challenges. Four stars.

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Share price chart



Source: Tradingview

What the heck is Ammonium Paratungstate?

Tungsten, element symbol W, is one of those metals you don't hear much about. It's probably been a while since you went to a barbeque and overheard people talk about the price of APT in USD per MTU of WO₃. When you do hear such a conversation, however, you'll be too late because the mob will have figured out what we're telling you today - that companies focused on tungsten in 2021 are going to be worth a whole lot more in the future. APT, by the way, isn't referring to AfterPay. It's 'Ammonium Paratungstate', the main traded product of tungsten. MTU is just 'Metric Ton Unit' and WO₃ is the tungsten trioxide in the APT.

Tungsten is important to know about because this metal, best known for its use in making cutting applications and wear-resistant materials, is a 'critical mineral' in the EU, the UK and the US. Without it you can't make drill bits and light bulbs, electrical switch gear, the vibrating mechanism of mobile phones, turbine blades and...well, the list goes on and on. Now throw in the fact that China accounts for more than 80% of current supply and you'll understand why not having it is something Western economic policy makers have to worry about these days.

A true tungsten believer

Tungsten Mining is a true believer in this metal, having done its IPO in late 2012 with tungsten riches in mind. The stock did its IPO at \$0.20, but it hasn't gotten much beyond that except on one occasion in early 2018 when it spiked to \$0.80 on the back of very strong prices for APT. Tungsten Mining has, however, stuck to its thesis on Element No. 74. The company now has five tungsten projects right here in Australia. There's the aforementioned Mt. Mulgine Project in WA, alongside Big Hill and Kilba, Watershed in Queensland and Hatches Creek in the Northern Territory. Add up the resources in that portfolio and Tungsten Mining has 41 million MTU of WO₃ and 72,000 tonnes of molybdenum, not to mention a million ounces of gold, 44 million ounces of silver and 92,000 tonnes of copper.

In January 2021, Tungsten Mining published a Pre-Feasibility Study on Mt. Mulgine, which lies about 350km north-northeast of Perth near a town called Rothsay in Perenjori Shire. Development of Mt. Mulgine has been a long time coming – Tungsten Mining having owned this flagship project since it bought it in 2015 – but we believe the PFS suggests that the wait will ultimately be worthwhile.

Tungsten Mining can now show that mining and processing 6 million tonnes of ore per annum at Mt. Mulgine is highly economical. It's talking about an All-In Sustaining Cost of US\$111 per MTU WO₃ over 23 years, as against a long-run price of US\$300. That US\$300 is roughly where the commodity trades at right now. Helped by credits from molybdenum, copper, silver and gold, the 460,000 MTU gave Mt. Mulgine an NPV of A\$422m pre-tax and A\$265m after tax. Tungsten Mining stock was trading at \$0.24 at the time of the Mt. Mulgine PFS, but has since retreated, possibly because the capital costs in the PFS, a hefty A\$669m, look a little prohibitive to some.

Offtake agreements likely coming

We don't think that A\$669m will matter so much a year from now. The last two years have only seen tensions increase between the US and China as well as between China and other countries, including Australia. That's got to be good for discussions with potential offtake partners from Mt. Mulgine and once you have offtake, the project financing becomes relatively easy. Tungsten Mining is well funded, with \$19.4m in cash as at June 2021, so it doesn't have to rush those discussions. And the APT price has been recovering along with the world economy.

The great thing about Tungsten Mining is that Mt. Mulgine is merely the first cab off the rank. The Watershed Project up near Cairns in far north Queensland has already had a Definitive Feasibility Study published by a previous owner, Vital Metals, in mid-2018, so it should be a straightforward exercise to move forward with that 49 million tonnes at 0.14% WO₃. And Hatches Creek in the Northern Territory covers an old tungsten mining centre where GWR Group (ASX: GWR) has already done a fair bit of exploration. Tungsten Mining farmed in two years ago.

Mt. Mulgine, however, is where the key value-creation steps will have to happen in the near term. Drill core samples have been collected in order to do more metallurgical test work that will de-risk the flow sheet. The company is now looking for a water source for the project. And environmental evaluation work is ongoing in order to secure all the necessary approvals for a mine. Once the first offtake agreements have been negotiated, Tungsten Mining can move to a DFS and then onwards and upwards to project financing to go after that A\$265m NPV. That's a story worth four stars, in our view.

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Share price chart



Source: Tradingview

If you've been around the gold space long enough, you will doubtless have heard of the 'Carlin Trend'. What that refers to is a 50-mile long, 5-mile wide, belt of gold-rich territory in north eastern Nevada near the town of Carlin, in Elko County. It's a long way from the fun parts of Nevada – Las Vegas is 660 km south – while the Nevada state capital of Reno is 430 miles to the southwest. However, it's pretty rich in the yellow metal. Newmont discovered gold near Carlin in 1961 and started mining in 1965. As new deposits have been discovered and developed up and down the Trend in the decades since, it has yielded something like 80 or 90 million ounces. If you've got a Carlin-type deposit, your gold is hosted in carbonate-rich sediments and disseminated where the gold occurs as auriferous pyrite. Carlin-type deposits generally have straightforward metallurgy and therefore, potentially, low costs

Big hopes for Big Springs

Anova Metals isn't a Carlin Trend player, but in Big Springs it has the next best thing – a Carlin-type deposit in the neighbouring Independence Trend, so called because of the Independence Mountains in northern Elko County. The project area lies 80 km north of the town of Elko, but only 20 km north of the Jerritt Canyon Gold Mine, owned as of earlier this year by the major Canadian miner First Majestic (TSX: FR). The Independence

Trend has only done 13 million ounces over the years, but 10 million of those ounces have been accounted for by Jerritt Canyon. That near neighbour is likely to be useful to Anova down the track.

Big Springs was actually mined between 1987 and 1993 by Freeport McMoRan (NYSE: FCX), who got 386,000 ounces from a number of open pits before low gold prices shut the operation down. Anova picked up the project in late 2012, which was not a great time to be going into gold project development because the 2012-2016 gold bear market was just getting started. At the time, the NI-43-101 resource estimate was about million ounces, about the same as the current JORC 2012 resource, and that apparent lack of progress may partly explain why Anova is trading at only A\$25 per resource ounce.

10,000 metres of RC coming soon

We're happy to cut Anova some slack. The reason this company is not further down the road with Big Springs is because gold has only started coming back to life in the last two years. And under Managing Director Dr Mingyan Wang, who joined the company in March 2020, Anova is now making up for lost time. The exploration upside at Big Springs remains strong because there's been relatively little drilling below 300 metres, even near the mine sites, and there are plenty of undrilled targets further afield identified from soil sampling. Last year Wang and his team ran the first decent geophysical survey of the project area in a long time, did a thorough review of all the available drill area and even got around to 10 diamond drill holes in two of the Big Springs deposits called North Sammy and South Sammy.

They did well with this programme, scoring intersections, like 5.5 metres at 15.2 g/t and 10.9 metres at 4 g/t, and getting a sense of how much bigger the Sammy deposits could be. The geophysical work was important because at Big Springs mineralisation seems to show up where gravity highs are wedged up against structural intersections. That made it fairly easy to pick 18 targets close to the mine and another 40 or so in the district for a planned 10,000 metre RC drilling programme. The potential of that campaign is strong and part of the drilling has allowed for upgrades. On 16 August 2021, Anova announced that on the basis of the geophysics survey done in 2020 and other more targeted studies, the company has expanded the total prospecting land package at Big Springs Gold Project to 81 km as a result of 240 new mining claims.

Once the exploration work at Big Springs gets a head of steam, we imagine it won't be too many seasons before Anova can start to work towards a re-start of mining. That's where Jerritt Canyon under its new owner comes in. This mine is a shadow of its former self and as a result the ore currently mined underground doesn't even use up half the capacity of the plant. So, it's reasonable to expect Big Springs ore to go to the Jerritt Canyon plant in the not-too-distant future. This means, in turn, that if all goes to plan, Anova can probably get a low-cost mining operation up and running without hefty capital costs and with all the benefits of operating in the world's No. 1 pro-mining jurisdiction.

The first RC hole for the 10,000-metre campaign we noted above goes down sometime in September 2021. With Anova management having worked systematically to realise value from its long-standing investment in Big Springs over the last couple of years, we expect the new flow will be rewarding. Four stars from us.

Pitt Street Research Pty Ltd

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