



Resources Stocks Down Under

🗨️ *Have what Jim Henson liked to call 'ridiculous optimism'. Without it, we wouldn't have this amazing world we live in.* 🗨️

- Kermit The Frog (b. 1955)

— PODIUM MINERALS

Rare exposure for
significant potential gain

— TESORO RESOURCES

Golden fox

— THOMSON RESOURCES

Silver with extras on the
side

PODIUM MINERALS

Rare exposure for significant potential gain

Stocks Down Under rating: ★★★★★

ASX: POD
Market cap: A\$98.1M

52-week range: A\$0.069 / A\$0.86
Share price: A\$0.315

As one of the few Precious Group Metal (PGM) explorers in Australia, Podium Metals is banking on the meteoric rise of PGM prices combined with dwindling supply to dig up support for its flagship Parks Reef Project near Mt. Weld in Western Australia. The company has had a successful 12 months as it improved its inferred mineral resource and uncovered some high-grade palladium, platinum and rhodium. Despite these successes, Podium is adamant the best is yet to come with further exploration planned to define the full value of the project.

[READ MORE](#)

TESORO RESOURCES

Golden fox

Stocks Down Under rating: ★★★★★

ASX: TSO
Market cap: A\$60.3M

52-week range: A\$0.094 / A\$0.525
Share price: A\$0.10

Gold explorer Tesoro Resources believes it has only scratched the surface at its El Zorro Gold Project in Chile, having returned its maiden mineral resource estimate at the ever-expanding Ternera deposit in July. With new gold zones emerging to the east, south and north of Ternera, Tesoro is wisely using its existing cash supply to fast track its exploration programs at Ternera's surrounding prospects to finalise a mine-plan as quickly as possible.

[READ MORE](#)

THOMSON RESOURCES

Silver with extras on the side

Stocks Down Under rating: ★★★★★

ASX: TMZ
Market cap: A\$42.5M

52-week range: A\$0.046 / A\$0.255
Share price: A\$0.094

Emerging explorer Thomson Resources is building a suite of silver-rich projects that it believes can eventually host 100 million ounces of that precious metal. While the New England Fold Belt Projects are where most of the action is right now, it hasn't stopped the company from making progress with a broad range gold, tin and base metal projects elsewhere in eastern Australia.

[READ MORE](#)

PODIUM MINERALS

Rare exposure for significant potential gain

Stocks Down Under rating: ★★★★★

ASX: POD

Market cap: A\$98.1M

52-week range: A\$0.069 / A\$0.86

Share price: A\$0.315

As one of the few Precious Group Metal (PGM) explorers in Australia, Podium Metals is banking on the meteoric rise of PGM prices combined with dwindling supply to dig up support for its flagship Parks Reef Project near Mt. Weld in Western Australia. The company has had a successful 12 months as it improved its inferred mineral resource and uncovered some high-grade palladium, platinum and rhodium. Despite these successes, Podium is adamant the best is yet to come with further exploration planned to define the full value of the project.

Share price chart



Source: Tradingview

7 stages and counting

Podium Minerals dug up a lot of core at Parks Reef during the June 2021 quarter, with new assay results from the latest 7,000 metre RC drill program confirming the continuity of PGM mineralisation, including 17m at 0.57 g/t 3E PGM and 0.21% copper from 83m. In this context, '3E' refers to platinum, palladium and rhodium as the dominant (and most in demand) platinum group metals. The latest campaign is Stage 7 of a larger program to upgrade the mineral resource at Parks Reef over the 15 km strike length of thick, continuous and near-surface PGM mineralisation. The company is also completing an extra 4,000 metre RC drill program (2,000 x 2,000 split) at the western and central-eastern sectors, with initial assay results expected soon. So, we think it's a reasonable bet that the Parks Reef resource - currently around 2.2 million ounces of combined platinum, palladium and gold, plus base metal credits of 79,000 tonnes copper - will be upgraded sooner rather than later.

Previously, Podium identified high value rhodium (at a grade of 0.16 g/t) after a re-assay (still to be added to the mineral resource), which indicatively adds 40% to the 3E PGM price. Located north of the Western Australian town of Cue and covering 77 square kilometres, the company sees potential at Parks Reef for 3.1 million to 5.8 million ounces 3E PGM within 200m of surface across the full strike length. Podium's 27 September 2021 increase in 3E PGM of 57% to 2.2m ounces makes this expectation all the more realistic, in our view.

Unique exposure to rare minerals

Previous mineral resource updates combined with the almost continuous drill campaign have strengthened Podium's share price over the last financial year, facilitating an increase from 5 cents to 72 cents at the end of May. The further definition of rhodium (and iridium) brings greater confidence to the company's 3E PGM price outlook, which is estimated to be around A\$2,586 per ounce PGM (according to the February 2021 average pricing of US\$1,737 per ounce and the project's resource grade of 1.52 g/t PGM). The bullish growth in PGM basket prices is underpinned by the joint imbalance of supply and increasing demand for palladium as well as platinum's use in a diversity of applications, including emission control and zero emission hydrogen fuel cells. However, rhodium continues to be the all-star in this relationship. While platinum and palladium go for US\$1,207 (A\$1,639) and US\$2,955 (A\$4,013) per ounce respectively, rhodium's continued supply decline and use in the automotive catalyst sector has resulted in a meteoric price rise to US\$18,000 (A\$24,000) per ounce.

Although Podium's share price did drop slightly to 50 cents in June because of delays to another resource update, Podium's accelerated exploration program and initial mining inventory pave the way for a full scoping study to identify a suitable low cost open-pit operation. The company only listed in 2018, but it has managed to define around 8.5 km of the 15 km strike length at Parks Reef and has found time to get ahead on its metallurgical test work. That was encouraging as well – it turns out that conventional flotation and leaching will work quite well on the Parks Reef oxidised zones.

As Podium is about to commence testing of two diamond drill holes (at a depth of 750 metres), the long-term focus is to improve its understanding of the stratigraphy of the project and uncover parallel reefs in the Mt. Weld Complex, which could further improve Parks Reefs resource potential.

A podium of its own

Under Western Australia's Exploration Incentive Scheme, Podium has secured co-funding from the state government to the tune of \$150,000 to cover half of the coming diamond drilling costs, but otherwise the company will rely on its cash budget of \$3.6m. The timeline from scoping to feasibility depends on the theoretical completion of test work by year's end (under the leadership of expert metallurgical tester Core Resources), which could see scoping work begin in early in 2022.

A factor that makes Podium almost unique on the ASX is its ability to go after PGMs. As Australia's annual supply of platinum and palladium is minuscule – around 0.2% globally – compared to output in PGM-heavy jurisdictions like South Africa or Russia, the latest finding of such high-grade material puts the company in a strong position considering it has much more exploring to do. We're giving Podium four stars.



TESORO RESOURCES

Golden fox

Stocks Down Under rating: ★★★★★

ASX: TSO
Market cap: A\$60.3M

52-week range: A\$0.094 / A\$0.525
Share price: A\$0.10

Gold explorer Tesoro Resources believes it has only scratched the surface at its El Zorro Gold Project in Chile, having returned its maiden mineral resource estimate at the ever-expanding Ternera deposit in July. With new gold zones emerging to the east, south and north of Ternera, Tesoro is wisely using its existing cash supply to fast track its exploration programs at Ternera's surrounding prospects to finalise a mine-plan as quickly as possible.

Share price chart



Source: Tradingview

Unmasking a new asset

With a strategy of developing gold projects along northern Chile's coastal Cordillera region, Tesoro's flagship El Zorro Gold Project is located near established infrastructure including the Port of Caldera and the Pan American Highway. No, El Zorro wasn't named after that masked vigilante from those early 20th century pulps – the word is Spanish for 'the fox' – but the exploration campaign has proved to be just as exciting.

Historically worked by artisanal gold miners, El Zorro has shown consistent gold mineralisation under Tesoro's rigorous exploration campaigns with a number of holes delivering over 100 metre g/t intercepts. As El Zorro covers multiple mineralised zones in 555 square kilometres, Tesoro has worked around COVID-19 conditions to double its drilling campaign to 30,000 metres in 2021.

The work has paid off, with the company's first maiden mineral resource estimate for the project's main Ternera deposit coming in at 25.1 million tonnes at 0.8 g/t Au for 660,000 ounces of gold. Ternera now has a proven gold mineralisation over a 1,000 metre strike up to 550 metres of width and 400 metres of depth and remains open in all directions. Despite the positive maiden resource announcement and the highlighted 15.4 million tonnes at a higher grade 1.09 g/t Au for 540,000 ounces, Tesoro's share price is still way below last year's high of nearly 50 cents. You can blame that on the suddenness of last year's re-rating but you can't say that El Zorro hasn't delivered the goods.

Another well-hidden gold system

The progress made in months represents a small part of what Tesoro wants to do at El Zorro. Having been listed on ASX for less than two years, the company has been continually expanding gold mineralisation at Ternera, while concentrating on major extensions at Ternera South and Ternera East, which Tesoro hopes will be included in the next resource. Although it's a long way off, the company is confident of more valuable additions down the track with greater material exploration outside of Ternera at six adjacent high-grade prospects, including Drone Hill, Toro Blanco and Ternera North.

Recently Tesoro spent some money on geophysical work, including Gradient Array Induced Polarisation or GAIP, to identify new systems beyond Ternera. Following the last share placement in December 2020 – raising \$21m at 27 cents per share - the company still had \$13.7m in cash leftover as of June. Thanks to Chile's very friendly attitude toward mining and foreign investment, Tesoro's exploration costs continue to be at the lower end of the scale, i.e. below A\$200 per metre diamond drill. With multiple drill rigs performing 24/7, those financials have allowed the company to fast-track its sampling program at Ternera East as the first stage of Ternera's expansion eastward.

More on the way

Tesoro's drilling success and efficient use of funds has led to a closer look at permitting and the commencement of an initial scoping study to study the potential feasibility of an open pit at Ternera. New high-grade discoveries at Ternera East could significantly change the open pit plan depending on pending assay results. Tesoro sees significant resource upgrades to the current resource estimate once major extensions in Ternera East, Toro Gordo and Drone Hill are defined. The company has also fast-tracked its metallurgical test work with initial testing suggesting El Zorro could be amenable to conventional carbon-in-leach (CIL) processing.

We won't know the outlook for viable mining at this greenfield project until the scoping study gives some parameters, but at least Tesoro is fixed with enough cash for a few more quarters. Although El Zorro's location in the Atacama Desert is well-known for its copper – think monsters like BHP's Escondida – the high-grade discoveries to date have netted this greenfield project some early attention from gold-focused investors. For a while in 2021 the market was getting over last year's sudden spike. Now that the stock is base build again, the excitement at El Zorro allows us to call Tesoro four stars.

THOMSON RESOURCES

Silver with extras on the side

Stocks Down Under rating: ★★☆☆

ASX: TMZ
Market cap: A\$42.5M

52-week range: A\$0.046 / A\$0.255
Share price: A\$0.094

Emerging explorer Thomson Resources is building a suite of silver-rich projects that it believes can eventually host 100 million ounces of that precious metal. While the New England Fold Belt Projects are where most of the action is right now, it hasn't stopped the company from making progress with a broad range gold, tin and base metal projects elsewhere in eastern Australia.

Share price chart



Source: Tradingview

A portfolio with scale

Thomson has a number of precious and base metal assets up-and-down Queensland and New South Wales, with its flagship group of silver and gold projects in the New England Ford Belt and tin and gold projects in the Lachlan Ford Belt. The company hopes to build a 100-million-ounce resource base in the New England Ford Belt for its hub and spoke concept at the Texas Silver, Hortons Gold, Webbs, Mt. Carrington and Conrad Projects. Together, this suite of silver-rich projects is probably three-quarters of the way towards that target now. Our friends at Pitt Street Research recently published [issuer-sponsored research on Thomson](#), which evaluates the current scale of this project.

Thomson's other projects, including the Cannington Silver and Chillagoe Gold Projects in Northern Queensland, are at early stages of development. Outside of the company's silver focus, Thomson has produced positive gold intercepts at its Harry Smith and Yalgogrin Gold projects (located near Ardlethan in central NSW), showing open-pit potential. But the Bygoo Tin Project might be the company's most promising non-silver asset with the 2021 drill program uncovering a new mineralised greisen (intrusive igneous rock containing tin oxide). While silver, gold and tin all hold strong, Thomson's share price is slightly lower at 11 cents from its January high of 13 cents.

Combining the old with the new

Those silver assets in the New England Ford Belt come with established histories of their own: Texas Silver incorporates the Silver Spur underground mine (which produced 2 million ounces of silver in its lifetime) and the Twin Hills deposit, which produced 1.4 million ounces under previous owners Alycone Resources and Macmin Silver. Even so, there is plenty of exploration opportunity at Texas and the other New England Ford Belt projects with multiple drill targets identified, but never assessed by previous owners. With so many acquisitions at hand, Thomson believes it has a large enough silver resource to feed into its hub and spoke processing strategy with Texas as the central location.

With silver back to more normal in terms of its relationship with gold as of last year, Thomson's silver project collection couldn't have been better timed. And it's not just silver in the mix – there's gold and base metal credits as well. Thomson's June quarter farm-in at Mt. Carrington through base metal explorer White Rock Minerals (ASX: WRM | see [9 September 2021 report](#)) provides an extra long-term source of silver and gold with a PFS highlighting a five-year operation at the site. Although it won't come cheap, with the company agreeing to spend up to \$12m to a final investment decision, that decision would net Thomson up to 70% of the project (with the possibility of 100%). As the Texas/Silver Spur, Webbs and Conrad projects in particular have such stop-start histories, it's likely that the company will provide some modern resource updates at JORC-standards to account for other base metal credits and new potential targets.

What's next in the queue?

Thomson is currently evaluating processing pathways from the Texas Project, with a new facility proposed to process concentrates at Texas and the other New England Ford Belt projects via open-pit mining. As Texas has an existing leach circuit and plant, the company is also considering a quick restart to the circuit to recover silver from four leach pads and generate some fast cash.

An evaluation of existing metallurgical studies will also help confirm optimal processing for base metals and minerals like zinc and tin. While Thomson (with the aid of Core Resources) works to upgrade the mineral resource for the hub and spoke projects, it will continue with its drilling program in the Lachlan Ford Belt.

While silver's rise has been the impetus for the company's work on the border, tin's price momentum may also drive growth at Bygoo and other mining projects at Ardlethan in light of recent drilling results. And while those projects in the Lachlan Ford Belt don't have the same scale, the proximity of its Queensland gold projects could support another hub and spoke strategy, although that's some time off. Thomson had \$6m in cash at the end of July to help it continue its silver and gold run. Four stars from us.



Pitt Street Research Pty Ltd

95 Pitt Street, Sydney, NSW 2000, Australia

Pitt Street Research Pty Ltd provides issuer-sponsored research for Small & Mid Cap companies and is founded on more than 40 years of combined experience researching companies in a range of different sectors.

You are receiving this email because you subscribed to our Stocks Down Under newsletter.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission from Pitt Street Research Ltd Pty. All intellectual property relating to the Content vests with Pitt Street Research unless otherwise noted.

Stocks Down Under (Pitt Street Research AFSL 1265112) provides actionable investment ideas on ASX-listed stocks. The Content has been prepared for general information purposes only and is not (and cannot be construed or relied upon as) personal advice nor as an offer to buy/sell/subscribe to any of the financial products mentioned herein. No investment objectives, financial circumstances or needs of any individual have been taken into consideration in the preparation of the Content. Financial products are complex, entail risk of loss, may rise and fall, and are impacted by a range of market and economic factors, and you should always obtain professional advice to ensure trading or investing in such products is suitable for your circumstances, and ensure you obtain, read and understand any applicable offer document.

