



# Resources Stocks Down Under

🗨️ *No one owes you a great career, you need to earn it— and the process won't be easy.* 🗨️

- Cal Newport (b. 1982), Author of Deep Work

## **ELEMENTOS**

From baked beans to EV's

## **ALTO METALS**

Singing a familiar tune

## **METALSTECH**

Tonight's theme is renewal

# ELEMENTOS

From baked beans to EV's

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Stocks Down Under rating: ★★★

**ASX: ELT**  
**Market cap: A\$86.4M**

**52-week range: A\$0.175 / A\$0.775**  
**Share price: A\$0.575**

Elementos is on Stocks Down Under's radar as a way to make a buck off rising tin prices. With spot tin holding close to the US\$40,000 level, Elementos has high hopes for two big projects with a long history of Element No. 50. The first of these projects is Oropesa in southern Spain. It was acquired in 2019 and is currently in its Definitive Feasibility Study stage. Elementos' second project is called the Cleveland Tin Project and is a little closer to home, located in Down Under's down under, northwestern Tasmania.

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**Share price: A\$0.095**

Alto Metals is singing a song that we've heard before; a junior gold explorer looking to strike it big in the Sandstone Goldfield of Western Australia. Historically, the Sandstone region has produced more than 1.5m ounces of gold since the old-timers kicked it off in the 1890s. With a few companies coming in and out of the Mid-West with full pockets, Alto Metals is next in line with a single project called the Sandstone Gold Project... maybe a little unimaginatively.

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## Share price chart



Source: Tradingview

## From baked beans to EV's

In 2018, Rio Tinto (ASX: RIO | [see 17 May 2021 report](#)) commissioned the Massachusetts Institute of Technology (MIT) to rank which elements and metals were best positioned to benefit from the emergence of new technologies. MIT's report found that humble tin would likely beat out lithium, cobalt and graphite when it comes to demand being impacted by autonomous and electric vehicles, advanced robotics, renewable energy, and computer advancements. If you don't understand how this is possible, consider the fact that almost half of all tin is used in the soldering process, acting as an electric glue connecting key components in circuit boards and semiconductors. If you've been following Stocks Down Under for a while, you'll know we think there's a big future ahead for semiconductors (ex. Top Pick 4DS Memory, ASX: 4DS | [see 15 September 2020 report](#)).

Tin looks like it's here to stay, and the ensuing scramble has squeezed the prices up to all-time highs. With China looking to stock up on tin, and the London Metal Exchange (LME) warehouses near empty, there's a big premium on the market for anyone that can produce it. Elementos might be the guy for the job with its two projects and a forecast 2025 production date.

## Esto podría enriquecer a los accionistas

When Elementos completed the acquisition of Oropesa on 14 January 2020, the project had already had US\$26m invested in it historically. Oropesa sits 75km Northwest of Cordoba in the Andalucía region of southern Spain. The previous owner, Eurotin (TSX-V: LIM.H), had already done the hard yards, completing 259 drill holes for a total of 53,726 metres. Only a few months later, on 7 May 2020, Elementos released a positive Economic Study showing a pre-tax NPV8 of \$U94.3m with a 67.5kt tin deposit. Now, this figure doesn't look like much compared to some more prominent players, but this was done using a tin price of US\$19,750 per tonne. If we use 5 January 2022 tin price of US\$38,860 per tonne we get a pre-tax NPV8 higher than US\$450m. This is quite an astonishing figure, though this does mean the success of Elementos is heavily dependent on the tin price not collapsing.

Other figures in the Economic Study showed a low CAPEX of only US\$52.2m for a 14-year mine life and a prospective 2,440 tonnes of tin metal per year. The All-In Sustaining Cost (AISC) per tonne of tin metal was shown to be US\$11,800/t, giving an annual operating cost of US\$28m for a total life-of-mine EBITDA of \$US281m. The low capital cost and low AISC per tonne are due to the soft sandstone formation with near-surface mineralisation that allows for a simple open pit. Pilot scale metallurgical test work has been completed for this project, and Elementos is skipping the usual Pre-Feasibility Study stage, going straight to a Definitive Feasibility Study with a completion date of 4Q 2022.

As if the story could not get more exciting, on 8 November 2021 management announced the results of a 46-hole drill campaign that not only saw the Total Mineral Resource Estimate increased by 50% from 12.5m tonnes (Mt) to 18.86m tonnes (3.6m tonnes of shallow tonnes (<100m RL) was also added). This now means 88% of Oropesa's Mineral Resource is currently classified as Measured and Indicated, making the investment case that much stronger.

## Down Under's down under

Elementos also has full ownership of the Cleveland Tin Project, located in mineral-rich northwest Tasmania just 60km southwest of the port city of Burnie. The Cleveland Project has plenty of existing mining infrastructure from a long history of underground mining. Aberfoyle Resources was the most recent operator, working Cleveland from 1968 until the fateful collapse in tin prices in 1986. Just a stone's throw away, 15 or so km east, you find Mount Bischoff, previously one of the world's largest tin mines and most recently in the portfolio of Metals X (ASX: MLX | [see 15 April 2021 report](#)).

The Cleveland Tin Project holds a total JORC resource of 7.5m tonnes, at 0.75% tin and 0.3% copper. This translates to about 56,100 tonnes of tin, and about 22,000 tonnes of copper, but there's more. Elementos is touting an inferred 4m tonnes mineral resource of tungsten at a grade of 0.30%. Even though Elementos secured the project back in 2013, progress has been slow, presumably due to a lower tin price and greater focus on Oropesa. Still, management drilled four diamond drill holes took place in 4Q 2021, partly funded by an AU\$70,000 grant from the Tasmanian Government's Exploration Drilling Grant Initiative. The project looks promising, but we're going to wait for some numbers from the Strategic Review to form our opinion.

## Final thoughts on the humble tin

So, where do we sit? It's really all about the tin prices now, and the metals future demand. It is estimated there will be a tin deficit between 30 kilo tonnes and 40 kilo tonnes by 2025, in large part due to the role the metal has in the advanced technology game. With the current tin prices, Elementos looks very strong, but it is very reliant on tin prices, as seen in the drastic changes in NPV8 for the Oropesa Tin Project.

It's a tough call, but we believe tin will see some strong volatility over the mid-term. Since Elementos is so heavily dependent on tin prices, and production is a while away (2025), we'll give it a strong three stars for now until the company gets closer to production.

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## Share price chart



Source: Tradingview

## Gimme some of that Sandstone

Sandstone is a small town about 660 km from Perth. When we say small town, we mean it. With a population of less than 100, it lies about 150km from Mount Magnet, the Mid West's longest surviving gold settlement town. Still, this hasn't stopped the Sandstone region from being an impressive gold producer in recent years. Troy Resources (ASX: TRY) was pushing out one of the lowest-cost gold production lines on Sandstone dirt between 2005 and 2010. In the period between 2005 and 2006, Troy managed to produce 67,934 ounces of gold at 4.52 g/t at a cost per ounce price of only A\$240.

Other companies are also looking to get a fair share of gold from the Sandstone region. Another example is Wiluna Mining (ASX: WMC | [see 8 July 2021 report](#)) which has 1,600 sq km covering 1.3m ounces only about 150km north of Alto's Sandstone Gold Project. It is our belief that Alto Metals is next in line, with its 100% ownership of 900 sq km covering the lion's share of the Sandstone Greenstone Belt. Still well within its drilling phase, Alto's current Mineral Resource Estimate is 2m tonnes @ 1.7 g/t gold for 331,000 ounces, as at a 17 December 2021 update. It is important to note that these resources are shallow and defined to a depth of less than 200m. The company is well positioned to keep up the momentum, after a November 2021 raising of \$7m at \$0.09. This will fund, among other things, an update on Sandstone's mineral resources expected in March 2022.

## Diving into the depths

What lies under this Greenstone Belt that Alto has secured? Gold miners and explorers are long-time fans of greenstone belts, which hold volcanic and sedimentary rock sandwiched between granitoid and gneiss dominate terrain. The volcanic and sedimentary rock are exposed to the force of nature over millions of years, with constant heat and pressure bringing the rock close to the surface. Geologists have long hypothesised why greenstone belts are prime land for gold deposits. One leading theory is that a greenstone belt sucks gold from its neighbouring shear zones because of the heat, dehydration, and pressure the belt undergoes. In the case of the Sandstone Gold Project this theory certainly checks out. The Sandstone Greenstone belt is wedged between the Edale and Youanmi Shear Zones, helping explain the relatively low historical average drill depth.

So, how's Alto doing, diving into the uncharted depths? The company's 'Lords Corridor' zone covers a 3km length of granodiorite and previously hosted two shallow, high-grade oxide mines. Within the north of this zone, lies the Lord Nelson open pit, approximately 100m deep, with historical production of 207koz gold at 4.6 g/t. Alto has gone deep, with big intercepts around the 200m depth (48m @ 3.4 g/t from 214m, 45m @ 3.2 g/t from 161m). The deep drilling indicates a mineral resource estimate shows 109koz gold at 1.9g/t for Lord Nelson. Alto reckons the Lord Nelson Granodiorite has some similarities to Red 5's (ASX: RED) King of The Hill Mine (90.7Mt @ 1.4g/t for 4.1Moz). Alto argues that its granodiorite has similar properties and that its ground holds 'fracture zones' like RED5. The fracture zones in RED5's KOTH mine has shown higher grades veins when compared to non-damaged granodiorite. For now it's a waiting game to see if Alto can live up to the comparison.

## The slow build

Alto Metals also has a few other areas where its looking. The Orion lode lies in the centre of the Lords Corridor, and it provides some promise as a shallow open pit operation. Alto's drilling on the untouched Orion lode area has provided intercepts with 134m @ 1.9g/t gold from 24m and 60m @ 1.9g/t gold from 44m. Alto also recently released an announcement outlining a discovery named Juno. Significant deep intersects include 13m @ 5.1g/t gold from 162m including 3m @ 17.0 g/t gold from 168m, and 23m @ 1.7 g/t gold from 141m including 5m @ 5.4 g/t gold from 154m. This is very good news for the Alto team's exploration and expansion goals, reflected in the recent spike in share price.

It'll be a while until Alto Metals will be able to start its production phase. Alto has set a goal to reach before then, hoping to achieve over 1m ounces of gold reserve through its exploration program. The company's making progress, with the Juno discovery recently announced, assays for ten diamond drilling holes and >100 RC holes pending, and an eye-catching 96% gold recovery rate. For now, the geology of Sandstone and the drilling results are promising, so we're expecting a strong news flow over the medium term. Four stars.

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## A revamp for an old mine and a new company

The Sturec Gold Mine is an advanced gold project located in central Slovakia. As of June, Metalstech's updated JORC resource of the project stood at 38.5m tonnes grading 1.2 g/t Au and 8.8 g/t Ag for 1.5m ounces of gold and 10.9m ounces of silver using a 0.3g/t Au cut off. The resource also contains a higher-grade subset of 6.3m million tonnes at 3.3 g/t Au and 19.4% Ag for 658,000 ounces of gold and 3.9m ounces of silver. As Sturec has historically produced 1.5m ounces of gold and 6.7m ounces of silver mostly from underground workings, the company is investigating the potential of a high-grade, low-impact underground mine, focusing on the higher-grade tonnes.

Pleasingly for investors, Metalstech has uncovered visible gold from the main deposit (called Adrej Adit) and high-grade results from multiple drillholes since its second diamond drill program began in July. These results included a record of 1m at 584 g/t Au and 333 g/t Ag from 41 metres at drillhole UGA-16. The company has all but forgotten its old lithium assets with a 44% increase to the resource and 93% of the mineral resource in the measured and indicated categories, as it continues to make extensions to Adrej Adit, which remains open to the north and south along strike as well as dip-down, indicating there is plenty of exploration upside.

## **Is this technically recycling?**

The Sturec acquisition is starting to look like a very good deal for Metalstech, considering the company only paid \$720,000 at the end of 2019 for a project with an already long-winded exploration history going back to the 8th century. Previous operations focused on open-pit mining, but Metalstech's strategy is to develop an initial underground mine with a reduced environmental impact – an important consideration given that Sturec is only 1 km away from the nearest township. If there is a challenge for the company, it's that Slovakia recently banned the use of cyanide in the leaching process. Still, Metalstech can easily opt for a simple gravity and flotation plan and sell its concentrate for processing elsewhere. Sure, the recovery rate is not as high with cyanide leaching, but the immediate benefit would be a lower initial CAPEX.

After the resource upgrade in June, the company will concentrate on that higher grade subset of 658,000 ounces of gold at 3.27 g/t Au. After finding those high-grade intervals, there is even more reason to follow south-trending mineralisation along strike. With the underground scoping study ongoing for its simplified flowsheet in Phase 2, Metalstech expects to provide another resource upgrade later in the year while considering six additional targets outside the main deposit. In October, the company's flotation test work on the UGA-14 sample produced a final concentrate grading 31 g/t Au and 80 g/t Ag, with a corresponding gold and silver recovery of 91% and 88%, respectively. This appears to demonstrate support for its simplified gravity separation and flotation processing strategy.

## **One bold move with, potentially, a big payday**

Since Metalstech announced its binding agreement for a US\$18m deal with battery metals investor Lithium Royalty Corp (LRC) to spin-off its Canadian lithium assets into a new company (Winsome Resources, ASX: WR1), the company ended the June quarter with a well-timed cash injection of \$6m to add to its \$277,000 cash balance, leading to a \$5.9m cash balance at the end of September 2021. Metalstech also received \$9m shares in Winsome, equating to 45m shares. The company's share price at the time of the agreement in May was \$0.15; continued gold updates subsequently lifted that price to \$0.64 by October.

Going forward, the company plans to use half of the \$6m to continue its diamond drill campaign (including wildcat (exploratory) and step-out (extension) drilling) in conjunction with a full scoping study. Since the main deposit is only a small part of the overall land area, Metalstech has some preliminary information on those six targets, but more detailed work will likely come after Phase 2 and the extra resource update. Needless to say, the company expects to report numerous assay updates until the scoping study's expected completion in the first three months of 2022, well timed for when the company is currently expected to dual list on the London Stock Exchange (LSE). Four stars.



## Pitt Street Research Pty Ltd

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