



# Resources Stocks Down Under

🗨️ *I don't like violence, Tom. I'm a businessman.  
Blood is a big expense.* 🗨️

- Virgil 'The Turk' Sollozzo (The Godfather), American movie

## 29METALS

Copper reigns king

## ELEVATE URANIUM

Acquire, explore,  
U-pgrade

## DREADNOUGHT RESOURCES

Firing on all cylinders

# 29METALS

Copper reigns king

---

Stocks Down Under rating: ★★★★★

**ASX: 29M**  
**Market cap: A\$1.5BN**

**52-week range: A\$1.90 / A\$3.23**  
**Share price: A\$3.09**

Have a guess what metal Melbourne-based 29Metals is going after...yes, you're right, it's Element No. 29 (copper). With high copper prices boosted by strong sentiment due to its necessity in the new tech game, 29M had a great ASX debut in July 2021 at \$2.00 per share. The best part of this story is that two of the company's three projects are already producing.

[READ MORE](#)

# ELEVATE URANIUM

Acquire, explore, U-pgrade

---

Stocks Down Under rating: ★★★★★

**ASX: EL8**  
**Market cap: A\$133M**

**52-week range: A\$0.12 / A\$0.785**  
**Share price: A\$0.525**

When West Perth-based Elevate Uranium decided to change its name from Marenica Energy, it wasn't kidding about the sentiment – the company sees nuclear power as central to clean energy transition and has a growing list of uranium assets in Australia and Namibia to offset the coming supply deficit. Management likes to refer to itself as the least talked-about uranium explorer with the most potential. This bold statement is backed by the company's unique spin on adding value to potential developments – a definite necessity if new uranium projects are ever going to come online.

[READ MORE](#)

# DREADNOUGHT RESOURCES

Firing on all cylinders

---

Stocks Down Under rating: ★★★★★

**ASX: DRE**  
**Market cap: A\$111M**

**52-week range: A\$0.015 / A\$0.062**  
**Share price: A\$0.04**

Too many choices! Perth-based Dreadnought Resources has three drill-ready projects in Western Australia, making it difficult to cover all the highlights in one paragraph. Instead, the focus is on the discovery potential of three very underexplored assets with minimal exploration. The polymetallic prospects are best exemplified by the flagship Tarraji-Yampi Project, with new drilling set to uncover historic gold mineralisation combined with new nickel, 'PGE' (Platinum Group Elements) and copper sulphides.

[READ MORE](#)

# 29METALS

## Copper reigns king

Stocks Down Under rating: ★★★★★

**ASX: 29M**  
**Market cap: A\$1.5BN**

**52-week range: A\$1.90 / A\$3.23**  
**Share price: A\$3.09**

Have a guess what metal Melbourne-based 29Metals is going after...yes, you're right, it's Element No. 29 (copper). With high copper prices boosted by strong sentiment due to its necessity in the new tech game, 29M had a great ASX debut in July 2021 at \$2.00 per share. The best part of this story is that two of the company's three projects are already producing.

### Share price chart



## And the others...

29Metals owns 100% of the Capricorn Copper project (Northwest Queensland), with 2021 forecasts showing a 21kt Cu-eq and an EBITDA of A\$70m. The C1 cost is estimated to be US\$2.95/lb and the AISC is estimated at US\$3.79/lb. The resource here is 62.5Mt @ 1.8% Cu-eq; 1.1Mt Cu-eq. We see Capricorn Copper as a secondary project to Golden Grove, mainly due to the relatively high AISC and lower grade orebodies. That said, we do think it still makes for a valuable asset in the current copper market, especially considering the 11g/t silver in its reserve (13Mt). The mining lease covers 1,858km<sup>2</sup>, so there is the possibility for expansion in the long term.

Whilst Golden Grove and Capricorn Copper are located Down Under, 29Metals' third project, Redhill, lies in Chile. Still in its exploration phase, the Mineral Resources Estimate (MRE) show 4.3Mt @ 1.9% Cu-eq; 82kt Cu-eq for the Cutters Cove mine. There hasn't been too much news around this project, probably due to the focus on the company's main producers, Golden Grove and Capricorn Copper.

## Need for expansion

Even though 29Metals' EBITDA guidance for 2021 stands at \$221m, we haven't seen linear growth over the past few years. In fact, 2021's production is considerably lower than three years ago (2018 80kt Cu-eq versus 2021 forecasted 67kt Cu-eq) as is the operating free cash flow (2018 \$195m to 2021 \$145m). However, a rising copper price has boosted net revenue from 2018's \$525m to an estimated \$665m for 2021 and EBITDA has increased from 2018, where it was only \$181m.

Flush with IPO money, a rising share price and the ability to capital raise publicly, it seems that 29Metals' IPO was the right play at the right time. We believe this will make it easier to continue the development of its three mines.

Golden Grove forms the heart of 29Metal's expansion plan. The company is planning to increase capacity whilst implementing a triple sequential flotation process to simultaneously produce all three mineral concentrates (copper, zinc, and silver). It is also working on developing the Xantho Extended mineralisation zone, which makes up a large portion of the current mineral resource. Additionally, the Gossan Valley project is planned to be developed as part of Golden Grove, with feasibility studies expected to have been completed in 2021 (no word yet, though).

29Metals has impressed us at Stocks Down Under for its on-point IPO timing. It came at a time of high copper prices and a need for capital to develop its projects into higher-margin producers. We like what we're seeing so far, making this a four-star stock in our eyes.

# ELEVATE URANIUM

Acquire, explore, U-pgrade

Stocks Down Under rating: ★★★★★

**ASX: EL8**  
**Market cap: A\$133M**

**52-week range: A\$0.12 / A\$0.785**  
**Share price: A\$0.525**

When West Perth-based Elevate Uranium decided to change its name from Marenica Energy, it wasn't kidding about the sentiment – the company sees nuclear power as central to clean energy transition and has a growing list of uranium assets in Australia and Namibia to offset the coming supply deficit. Management likes to refer to itself as the least talked-about uranium explorer with the most potential. This bold statement is backed by the company's unique spin on adding value to potential developments – a definite necessity if new uranium projects are ever going to come online.

## Share price chart



Source: Tradingview

## Dreaming of carbon-free energy

Elevate Uranium has a strategic combination of established uranium projects and new acquisitions throughout Namibia and Australia. The company's Namibian projects are located in the Erongo region, a globally recognised uranium mining jurisdiction, including the 75%-owned Marenica Uranium Project. Marenica covers 321km<sup>2</sup> and contains a 61-million-pound uranium resource (at 91 parts per million, ppm) across two deposits.

As the largest tenement holder in the country, the company has found uranium deposited in near-surface 'paleochannels' (ancient river-systems) in three areas and most recently made a new uranium discovery at Namib IV in the Namib area. 'Reverse Circulation' (RC) drilling in the September quarter intersected mineralisation stretching over 17km, adding another significant find to the Namib area alongside the 6.4km paleochannel at the Koppies Project to the north and the 36km paleochannel at Hirabeb to the southeast.

If you are not familiar with the differences between RC and diamond drilling, both are used to analyse the resource available at the site. RC drilling is quicker and cheaper (as much as 40% cheaper), as it simply creates a hole with the resulting chips bagged for analysis. RC drilling does have a few drawbacks though and diamond drilling is considerably more accurate. Unlike RC drilling, diamond drilling is useful after 300m. No two drilling jobs are the same and the expense of diamond drilling is not always necessary as is the case with Elevate's projects.

Not to be outdone overseas, Elevate has strengthened its Australian asset profile, with 48m pounds of high-grade uranium resources (at an average grade of 859 ppm) stacked at its 100%-owned Angela, Minerva, Thatcher Soak and Oobagooma Projects in the Northern Territory and Western Australia. With a host of joint ventures in both countries, much of the company's current attention is focused on exploration and definition. As Elevate works towards the production stage, it continues to test its patented beneficiation process with an eye towards making those projects increasingly profitable as uranium returns to favour.

## **Disrupting the process**

While Elevate is focused on growing its uranium holdings, its three-pronged strategy is to make the best of its projects through substantial exploration and adding value to those projects through the application of its own patented U-pgrade uranium beneficiation process. Elevate calls U-pgrade a 'disruptive' process because it works by concentrating the uranium and reduces ore mass before leaching by 50%. In turn, this results in higher grades and materially reduces capital and development costs for its calcrete-hosted projects. Testing at the Marenica Project demonstrably boosted grades from 93 ppm to 5,000 ppm (scrapping 98% of ore), while another go at Angela led to a reduction in acid leach consumption. Apart from the obvious benefit of higher grades, the main benefit of U-pgrade is the chance to develop those much need uranium projects cheaper.

Following on from the September quarter's encouraging mineralisation findings in Namibia, the company has brought in Dr. Andy Wilde as exploration manager. We believe this hire was a fairly good catch considering Wilde already has experience with the same geological settings found in Elevate projects under Paladin Energy (ASX: PDN | [see 10 November 2020 report](#)) and Deep Yellow (ASX: DYL | [see 29 October 2020 report](#)) in Namibia and Australia. That expertise will come to good use at Namib, where there is significant upside potential for additional mineralisation alongside the identified paleochannels. While more testing is needed at Namib to determine the next phase of drilling, neighbouring channels in the greater Namib area, including the Koppies Project, are drill-ready for a mineral resource estimate. However, the company is still waiting on the uranium price to move higher before committing to the programme.

## **The greatest potential still remains to be seen**

Now that Marenica is being used to highlight U-pgrade's potential – the project has an estimated capital developmental cost of US\$90m for a 7m tonne per annum processing plant – work at the company's other projects in uranium-friendly Namibia is taking precedence, but there is still a lot of excitement over its Australian assets. Elevate continues to look at ways to improve Angela's value at the same time as reducing the environmental footprint through calcite and acid leach removal, and there are new deposits with minimal historic exploration to uncover. This is especially true of the Oobagooma sandstone deposit near Broome, which hasn't been drilled since 1983 and hasn't experienced modern exploration techniques.

The company's core logic about the importance of lower cost and higher-grade uranium projects is underpinned by the growing supply constraints and nuclear energy's potential role in the clean energy transition. But management is well aware that the uranium price must rise significantly to incentive these developments. By disrupting the process through U-pgrade, we believe Elevate is improving its chances at becoming a low-cost uranium producer – and its share price seems to suggest that investors agree.

The company's share price reached \$0.67 at the end of September. With uranium now in the process of re-rating, we believe Elevate has further to elevate, especially after it raised \$11.5m at \$0.45 per share on 25 November 2021, bringing its total cash to \$16.5m. Four stars.

# DREADNOUGHT RESOURCES

Firing on all cylinders

Stocks Down Under rating: ★★★★★

**ASX: DRE**  
**Market cap: A\$111M**

**52-week range: A\$0.015 / A\$0.062**  
**Share price: A\$0.04**

Too many choices! Perth-based Dreadnought Resources has three drill-ready projects in Western Australia, making it difficult to cover all the highlights in one paragraph. Instead, the focus is on the discovery potential of three very underexplored assets with minimal exploration. The polymetallic prospects are best exemplified by the flagship Tarraji-Yampi Project, with new drilling set to uncover historic gold mineralisation combined with new nickel, 'PGE' (Platinum Group Elements) and copper sulphides.

## Share price chart



Source: Tradingview

## Take your pick of the elements

Coming off the back of its second 18-hole RC drill program in September, Dreadnought Resources (ASX: DRE) commenced its third RC drilling at the Tarraji-Yampi 'Ni' (nickel)-'Cu' (copper)-'Au' (gold) Project in the West Kimberley, 85km from the Port of Derby. Earlier 'Reverse Circulation' (RC) drilling returned significant copper and gold results from the Orion, Fuso and Grant's Find prospects. These results prompted the company to move to 30 holes over 4,000 metres targeting massive sulphides. With the project locked up as a defence reserve since 1978, DRE is presented with a first-mover opportunity with known mineralisation and historic workings from the early 1900s with no modern exploration. Tarraji-Yampi is composed of three styles of mineralisation: VMS, IOCG and magnetic sulphide Ni-Cu-'PGE' (Platinum Group Elements).

DRE's Mangaroon Ni-Cu-PGE Project, 250km southeast of Exmouth in the Gascoyne region, is equally prospective for magmatic PGE, nickel, copper, Rare Earth Elements (REE) and high-grade gold mineralisation. The prospects of REE mineralisation were heightened on 29 November 2021 when the company confirmed the identification of five "potentially RRE bearing carbonatite intrusions".

Lastly, the Illara Project takes the cake for variety, offering Au-Cu-'Ta' (tantalum)-'Fe' (iron). Illara is situated 160km northwest of Kalgoorlie in the Yilgarn and despite being surrounded by iron ore explorers the project has seen minimal gold and base metal exploration in the past. Since the Illara Project is right by the region's greenstone belt, we are confident the project has strong mineralisation.

## Hunting for some complicated elephants

As the space for exploration in Western Australia becomes smaller and smaller, DRE has a unique exploration opportunity at Tarraji-Yampi and Mangaroon because of their complimentary under exploration and DRE's first mover advantage. That is especially true in the West Kimberley, a region controlled by three companies (DRE, IGO [ASX: IGO | [see 9 April 2020 report](#)] and Chalice Mining [ASX: CHN | [see 1 October 2020 report](#)].) with the last significant exploration at Tarraji undertaken by Western Mining way back in 1959. Although the project has been off-limits for a long period, some of the oldest deposits at Grant's Find (discovered in 1906) and Rough Triangle (discovered in 1958, never assayed) remain the most prospective for copper and gold mineralisation under shallow cover. The northern portion of Grant's Fund has produced encouraging results, including 10 metres at 2.3% Cu. While the company attempts to explain the anomaly at Grant's Find and continues rock chip analysis at Rough Triangle, there are equally prospective Ni-Cu-PGE targets at Texas and Orion and Cu-'Zn' (zinc)-'Ag' (silver) targets at Chianti-Rufina.

While the Kimberley and Mangaroon projects have similar potential for major gold, copper, nickel and REE discoveries, the Illara Project has an added opportunity in iron ore. In fact, the project has the same geology (high iron, low phosphorus grades) as Mineral Resources' (ASX: MIN | [see 10 September 2020 report](#)) Mt. Richardson development. There may be a case for commercialising that iron ore given the many advanced prospects. Still, the project's consolidation over 75km of unexplored greenstone gives DRE plenty of options to pursue, including the high-grade gold resource at Metzke's Find, the 1.4km VMS target at Nelson and outcropping lithium caesium tantalum pegmatites at Peggy Sue. This is largely the same issue at Mangaroon (minus the iron) after 40-years of no exploration at this project either. We believe the most interesting mineralisation could lie in the Yin prospect, with its high NdPr values, and at the delightfully named 'Money Intrusion' – a long 50km mafic/ultramafic intrusion with Cu-Ni-PGE bearing sulphides.

## Take away message

With the small number of significant results so far at Tarraji-Yampi, the broader exploration focus at all three projects should generate a lot of news flow over the next 12 months. DRE is particularly highlighting upcoming resource drilling and evaluation work from March to December 2022 at Metzke's Find, Kings Iron Ore, Yin, and Orion. But the best results are already to be found at Orion, with DRE recently confirming the presence of extended zones of copper and cobalt mineralisation from supergene (chalcocite) and oxide (gossanous) intercepts at Halloween.

The variety inherent in each project has provided a few upward kicks to DRE's share price in the last calendar year, reaching \$0.60 in July after those pleasing results at Orion. Now that its back below that level, the company is working on its future funding, having completed its last share placement in September, raising \$8m at \$0.35 per share. Most of the funds will go to those massive sulphides at Tarraji-Yampi, while Mangaroon's joint venture agreement with First Quantum Metals will see the latter fully fund the project through to a decision to mine, but DRE retains the rights to gold discoveries. Needless to say, expectations are high on all metal fronts. Four stars.



## 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.

