



Resources Stocks Down Under

🗨️ *Why did the Soviet Communist Party collapse? An important reason was that their ideals and beliefs had been shaken.* 🗨️

- Xi Jinping (b. 1953), President of the People's Republic of China

BOAB METALS

A lead and silver play

TRITON MINERALS

Large flake, bigger premiums

CASTILE RESOURCES

Buried treasure in the Territory

BOAB METALS

A lead and silver play

Stocks Down Under rating: ★★★★★

ASX: BML
Market cap: A\$50.7M

52-week range: A\$0.28 / A\$0.54
Share price: A\$0.315

The boab tree, found in the northern part of Western Australia, has strong cultural significance in Australia's history. So, it's no surprise that Boab Metals pays homage for its striking similarities. The Sorby Hills Joint Venture project holds a vast silver and lead deposit, similar to the vast resources the boab tree can offer for those who seek. With 75% ownership, shared with China's Henan Yuguang Gold Lead Co., Boab's flagship project is past the Pre-Feasibility Study stage showing an impressive lead resource with an added bonus of silver. We've seen the recent drillings and think there may be a resource upgrade for the upcoming Definitive Feasibility Study.

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TRITON MINERALS

Large flake, bigger premiums

Stocks Down Under rating: ★★★★★

ASX: TON
Market cap: A\$42.3M

52-week range: A\$0.03 / A\$0.061
Share price: A\$0.035

Triton Minerals is a graphite and vanadium project developer with three high value graphite plays in Mozambique. Buoyant about the pricing outlook for its large flake graphite at its flagship Ancuabe Project, the company has already attracted interest from several Chinese investors and manufacturers in line with the expandable graphite market's high demand and diminishing supply. With mining approvals and many binding offtake deals in place, Triton aims for a quicker production start through a smaller pilot operation.

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CASTILE RESOURCES

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Stocks Down Under rating: ★★★★★

ASX: CST
Market cap: A\$37.9M

52-week range: A\$0.16 / A\$0.325
Share price: A\$0.175

As an offshoot of Westgold, Castile Resources is weighing up its options for two projects in the Northern Territory, including the flagship Rover project and its polymetallic potential. With plenty of potential avenues to go down, thanks to all the extra metal credits, Castile has made significant headway during its first official infill drilling program, hitting broad gold and copper zones in time for a new resource estimate and mining plan.

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Share price chart



Source: Tradingview

The Bonaparte Campaign

The Sorby Hills Joint Venture Project lies about 50km from the regional centre of Kununurra, in the Bonaparte Basin, a large sedimentary basin in the northwestern part of Western Australia. For a long time people suspected that you'd find a decent lead-zinc mine up here in the basin's mostly late Devonian and Carboniferous rocks. Boab Metals got to work on its ground in 2018 drilling 251 holes for just under 20,000 metres in over four drilling campaigns. Eventually the company reported a mineral resource estimate in April 2021 of 44.9Mt at 4.3% Pb equivalent (3.2% Pb, 37g/t Ag) as well as 0.5% Zn. Translate that to metric units and you get a 494kt lead and 17.6Moz silver reserve. In early December 2021, the total resource was updated to 47.3Mt at 4.1% Pb equivalent (3.1% Pb, 35g/t Ag) and 0.4% Zn containing 1.47Mt Pb, 53Moz Ag and 0.21kt Zn. Not bad for just three years' worth of work.

The Bonaparte Basin is rather remote and unexplored, but Boab's drilling results consistently show strong figures of lead mineralisation and decent silver mineralisation. Shallow and medium depth intercepts found the mineralisation body occurred between an upper layer of Knox siltstone and a lower layer of Sorby dolomite. Boab's geology team's hypothesis is that the dolomitisation had something to do with the mineral resources they found. What this means, in plain English, is that over millions of years, a layer of hard carbonate rock (dolomite) formed, creating the by-products of lead and silver. Lucky for us, the lead and silver is covered by an upper layer of mud rock (siltstone), which makes the mining process far easier and cheaper.

Leads for lead

You always need to know who you're getting in business with and for Henan Yuguang Gold Lead Co. Ltd. (SHA: 600531), there's no exception. Though only having a 25% stake in the JV, having strong relationships with Chinese companies is the opportunity for Boab to get a head start, beating the competition. A deep dive in Henan Yuguang's 2020 annual reports showed a 0.29 EPS (Yuan/share), a ¥20.2bn operating income and a net profit of ¥312.5m. Henan Yuguang is the largest lead smelter and silver producer in China, producing over 415,100 tonnes of electrolyte lead and 958 tonnes of silver in 2017. It has confirmed funding for its end for the DFS and development of the Sorby Hills Joint Venture. We think this is a sign of good things to come.

The August 2020 Pre-Feasibility study showed some promising economic outcomes as well. With over a ten-year mine life and 1.5mt of processed ore, the pre-tax NPV8 figure comes to A\$303m. The pre-production expenditure cost is \$183M, though with a low payback period of 1.6 years. The feedstock will be drawn from three open pits, employing conventional milling and floatation techniques that can process both lead and silver. The annual production of each ends up being around 50kpta lead and 1.5Mozpa silver, with a C1 direct cash cost of production for lead being \$0.40/lb including silver by-product credits. Add it all up and we get a net operating cash flow of \$747m.

DFS upgrade coming soon?

Boab Metal's fifth phase of drilling started after the PFS was published, meaning these results will be incorporated in the upcoming DFS. 59 diamond drill holes were completed as part of the campaign and the assays showed some good intercepts, all mostly within 100m of the surface. The north-west section, which was previously quite underexplored by Boab, put in an impressive result of 4.5m @ 2.39% Pb and 101g/t Ag from 31m.

With around \$8.4m in the bank at the end of December 2021 and funding from their JV company, Boab Metals is well supported. With the good relationship with Yuguang Gold and lead and silver prices both holding up nicely, we're going to give this one four stars.



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Source: Tradingview

Prime position

Located in the proven graphite region of Cabo Delgado in northeastern Mozambique, 80km from the container port at Pemba, Ancuabe has an ore reserve of 24.9m tonnes at 6.2% total graphitic content (TGC). After some delays in expected development and production (the Definitive Feasibility Study was completed in 2017), the company has tweaked its original 60,000 tonnes per annum (tpa) graphite concentrate plan, preferring to start with a smaller, cost effective 10,000 tpa beginner operation.

Ancuabe looks likely to become east Africa's next big graphite development now that Triton has signed an offtake agreement with the Yichang Xincheng Graphite Company (YXGC) for 50,000 tonnes of graphite concentrate over five years. The plan is meant to further de-risk future financing for a commercial pilot plant on top of the existing strategic alliance with Chinese investor Jinan Hi Tech (JHT), which holds a 34% interest. The deal is expected to net the company US\$50m (A\$67m) at a minimum sale price of A\$1,350 per tonne.

Not all graphite is equal

Due to Ancuabe's large flake graphite, Triton plans to sell its product into the refractory and expandable graphite markets, which are largely responsible for making flame retardant materials. According to the company, large flake graphite makes up less than 10% of the global graphite supply chain, meaning that Triton will be chasing premium pricing (around US\$1,700 – 2,200 per tonne), especially now that China has a

shortage of large flake graphite. And since the graphite price is still climbing and the cost of development is high (US\$99m plus), Triton has opted for a smaller 10,000 tonne-per-year operation, a necessary starting point to help validate its long-term production goal of 60,000 tonnes per year. The market dynamics for graphite's future look bright with a CAGR of 6% – lithium-ion batteries being a key driver – and new graphite players moving into the scene.

In the 2017 Definitive Feasibility Study (DFS), Ancuabe had an estimated 27-year life and strong returns, including a Net Present Value (NPV) of US\$298m (A\$408m) at a 10% discount and an Internal Rate of Return of 37% over four years. But now that a smaller operation looks more commercially viable, Triton has started a strategic review of the project primarily focussing on near-term issues, like capital expenditure and operating costs, contract and offtake agreements and alternative funding routes as well as the potential of scaling up operations later on. Much of the September 2021 quarter was spent working with shareholders and independent traders and marketers in China to assist with offtake initiatives and debt funding for the pilot plant to move the production date forward.

The sticking point

Based on its resource, Nicanda Hill is arguably more exciting than Ancuabe with a possible mining life of 100+ years. Thanks to the large resource size at Ancuabe and the company's two other graphite projects at Balama North (which includes the world's largest graphite-vanadium deposit with a resource estimate of 1.4bn billion tonnes at 11.1 TGC and 4.2m million tonnes vanadium at Nicanda Hill) and Balama South, Triton is a step closer to becoming a producer now it has already received its mining concession in a mining-friendly country with only two other graphite mines. In fact, route to the expandable graphite market through Ancuabe is just one option as the Nicanda Hill graphite appears to be ideally suited to Electric Vehicle and battery markets, with added vanadium making a nice by-product.

As usual, much of Ancuabe's market advantage comes down to Chinese demand – as evidenced by the interest and offtake deals with Chinese manufacturers – where the country has mandated the use of flame retardant materials in all new buildings. All up, China needs 40 million tonne of flame retardant materials as construction returns to pre-COVID levels. With over 50% of Ancuabe's annual production secured, Triton ended the December quarter with \$4m in cash and a more or less steady share price. Given the current recovery of graphite, we think it's headed higher. Four stars.



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Source: Tradingview

Not your usual land of castles

It beats the heck out of us why Westgold chose the name of that region in northwestern Spain for its spinout since there's no Spanish angle to the story, but we admit the name sounds cool. Fully demerged from Westgold since February 2020, Castile owns two projects in the Northern Territory, including the flagship Rover 1 Project within the Rover Mineral Field, 80km southwest of Tennant Creek, and the Warumpi Project in the West Arunta, 300km west of Alice Springs. A high-grade iron oxide gold and copper (IOGC) polymetallic deposit, Rover 1 has a current mineral resource of 386,000 ounces gold and 83,000 tonnes of copper with additional silver, cobalt and bismuth credits. Westgold's original Scoping Study in 2010 adumbrated a 60,000 ounce per year underground mining development for over 1m ounces of gold.

The Warumpi Project has received limited exploration attention before Castile due to its relative inaccessibility and remoteness and the harsh climate. Still, previous mapping led to the discovery of the Huron prospect, a high-grade copper, zinc and silver deposit with multiple anomalies. Despite the hurdles at both projects, Rover 1 and Warumpi show potential with similar style characteristics to the old Warrego copper-gold deposit near Tennant Creek and the legendary Broken Hill deposits in western NSW.

The hits keep coming

Rover 1 sat idle in Westgold's portfolio for some time as a result of low gold prices and competition with other projects. But as Castile's most advanced project, there appears to be much more to find, specifically at the Jupiter Deeps zone with its extended gold mineralisation (which wasn't initially included in the resource). In April 2021, the company began a fully-funded 10,000-metre resource definition program at Rover 1, which has delivered countless high-grade results over the September 2021 quarter, including 7.4 g/t Au and 0.4% Cu at 38 metres. As of November, Castile has drilled a total of 14 targets and expects a new mineral resource estimate in the coming months, pending the remaining assays. The discovery of high-quality magnetite ore through the company's large scale metallurgical testing has also floated the idea of an additional revenue stream.

While Castile intends to begin a new Prefeasibility Study (PFS) and Scoping Study for Rover 1 in the not-too-distant future, the company has also turned its attention to several regional prospects at Explorer 108 and Explorer 142 to the west and Rover 3 to the east as part of its bigger hub and spoke strategy.

Electromagnetic surveys at Explorer 142 have identified a deeper conductor directly below the already defined copper mineralisation, making the anomaly a priority target. Elsewhere, Castile intends to test Explorer 108's zinc and lead mineralisation continuity, which may be related to another IOGC type deposit. As Rover 3 shows similarities to Rover 1, Rover 4 could serve as an extra mining area (its only 3 km away) with the emphasis on improving the longevity of a standalone processing hub at Rover 1.

The hidden potential of Tennant Creek

At this stage, high-grade bulk flotation recoveries achieved from metallurgical testwork highlight that Rover 1 can produce five mineral streams: gold, a gold-rich copper concentrate, a bismuth concentrate, a fine magnetite industrial mineral and cobalt concentrate. Rover magnetite ore can be concentrated and used in the beneficiation processes in the coal industry and as a heavy metal additive, which receives a premium price to standard magnetite ore and doesn't require high grinding or crushing costs. Naturally, further work is needed to assess the economics of this as well as copper, cobalt and bismuth concentrate.

Despite having \$6.7m in cash at the end of the December quarter, Castile has no immediate plans for exploration work at Warumpi, preferring to hit as many milestones at Rover as possible. And despite the long delay between discovery and the present day, Westgold's original work at Rover appears to suggest that there are still plenty of untapped opportunities in the Tennant Creek mineral field, which has historically produced 5.5m ounces of gold and 345,000 tonnes of copper.

While Castile's share price lingers between \$0.20 and \$0.30, the December quarter should deliver another round of news soon with preliminary mining studies and PFS results. Four stars.

Pitt Street Research Pty Ltd

95 Pitt Street, Sydney, NSW 2000, Australia

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