



Resources Stocks Down Under

📖 *Gold shines like fire blazing in the night, supreme of lordly wealth.* 📖

- Pindar (518 BC – 438 BC), Ancient Greek philosopher

ANTILLES GOLD

Taking shareholders to the Isle of Youth

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Stocks Down Under rating: ★★☆☆

ASX: AAU
Market cap: A\$22.5M

52-week range: A\$0.06 / A\$0.11
Share price: A\$0.074

In Resources Stocks Down Under this week we go to a place you wouldn't expect to find an ASX-listed company working: Cuba. That's right. The Caribbean country that gave us Fidel Castro has still managed to attract Antilles Gold as a joint venture partner in a potential new gold mine called La Demajagua.

Share price chart



Source: Tradingview

Okay, we admit it. An ASX-listed company that wants to develop a gold mine in Cuba may not sound all that investment grade. After all, in this year's Index of Economic Freedom from America's Heritage Foundation, Cuba came in at No. 175 out of 177 countries on the list, with an economic freedom score of only 29.5. Yeah, that's not too far above Venezuela's 24.8, but hear us out. The La Demajagua Gold Project, if it works, could be a company-maker for Antilles Gold. And we think there's a good chance it can work.

DFS at La Demajagua coming soon

If you can find Havana on the map it's easy to find La Demajagua. Just to the south of the Cuban capital, about 60 km from the south coast of the main island of Cuba, is the Isla de la Juventud. La Demajagua is a village on the northwest of this island. A gold mine here called Delita was worked by Canada's Transcontinental Resource Company from 1947 to 1950 and there have been sporadic attempts to revive it since, including efforts from the 1990s by some Canadian companies. Some years ago the Cuban state-owned mining company, GeoMinera SA, went looking for new partners to develop La Demajagua and in October 2018 selected Antilles Gold, then called PanTerra Gold, as its preferred candidate. A formal joint venture called Minera La Victoria SA, in which Antilles Gold has a 49% interest, was set up in August 2020 where the Australian company could earn its stake by spending US\$13m. Antilles Gold recently completed a favourable Scoping Study on La Demajagua, and hopes to have a Definitive Feasibility Study completed late this year.

Antilles had a lot of data to work with when it got involved in La Demajagua. There was 50,000 metres of drill core from the Canadians, and Antilles will have done another 25,000 before too long. In January 2021 Antilles declared a maiden JORC 2012 resource for La Demajagua of 7.7 million tonnes at 2.9 g/t gold and 38.6 g/t silver, for 720,000 ounces of gold and 9.6 million ounces. That resource is only in the Indicated and Inferred category, but more drill data is coming so there is potential for some decent upgrades. Antilles reckons there's potential for a deposit to be outlined of 1.2-1.7 million ounces of gold and 8.7-14.8 million ounces of silver.

In on the ground floor

The reason La Demajagua can potentially work for Antilles Gold is because the project economics look good. The Scoping Study, published on 24 February, modelled a six year open-pit operation that would produce just over 100,000 ounces of gold equivalent. US\$75m in capital costs then yielded an NPV of US\$218m at an 8% discount rate, for an Internal Rate of Return of 32.7%. Just under half is Antilles' share of the potential upside, which was estimated at a gold price of only US\$1,650 an ounce and a silver price of only US\$22 an ounce.

La Demajagua is a good start. What's more important for Antilles is the opportunity to be part of the reopening of the Cuban resources sector to outside investors. Cuba is a mineral-rich country in anyone's book. Before '59 it had a long mining history. It's still a globally significant producer of nickel and cobalt and there are notable deposits of iron ore, chromium, copper and oil. Since 2014 Cuba has been offering to waive a 15% corporate tax rate for eight years to get foreigners to invest in the development of these resources. GeoMinera is, in effect, the gatekeeper of this potential cornucopia, and for Antilles Gold the upside is significant because the Minera La Victoria vehicle has been offered a range of copper/gold projects it is currently evaluating. Success with La Demajagua can lead, we suspect, to bigger and better things. Antilles recently formed a project called 'Los Llanos' to look closely at projects of interest.

What's next?

One of the Next Big Things for Antilles could be what looks like a large porphyry copper-gold system near Ciego de Ávila in central Cuba, which was included in Los Llanos earlier this month. Or it could be the Florencia and Maclama gold deposits in Cuba's central Camaguey Province. Or how about Golden Hills, which covers a large volcanogenic massive sulphide (VMS) deposit near Florencia and Maclama potentially very rich in copper and gold? Golden Hills was identified by a Canadian company in the 1990s at the site of an old mining operation but never evaluated in any serious way.

Antilles Gold's Executive Chairman and major shareholder is Brian Johnson, whose previous companies were Portman and Mount Gibson in the iron ore space, and Austral Coal in the coal space. So, he's got form in terms of creating successful mining operations. As recently as 4 February 2022, Johnson has been a consistent on-market buyer of the stock of his latest creation. Cuba is a little more left field than Mt Gibson, but the upside could be significant, and not just in gold. Four stars.

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