



Resources Stocks Down Under

🗨️ *Risk and time are the opposite sides of the same coin, for if there were no tomorrow, there would be no risk.* 🗨️

- Peter L. Bernstein (1919-2009), economist & historian

SOUTHERN CROSS GOLD

Another Eureka moment

SOUTHERN CROSS GOLD

Another Eureka moment

Stocks Down Under rating: ★★☆☆

ASX: SXG
Market cap: A\$78.5M

52-week range: A\$0.19 / A\$0.78
Share price: A\$0.475

Southern Cross Gold, which is looking for the yellow metal mainly in Victoria, recently raised \$9.1m at 20 cents a share. The stock, which commenced trading on ASX on 16 May, is off to a good start. It is now about triple its IPO price, helped by some great drilling at a place called Sunday Creek.

Share price chart



Source: Tradingview

A few years ago, a mineral explorer publicly traded in Canada, named Mawson Gold (TSX: MAW), had a problem. This company's Rajapalot gold-cobalt project in Finland was enjoying a lot of exploration success, but there were certain times of the year where the news flow would dry up. You see, Rajapalot is way up in Lapland, at the edge of the Arctic Circle. In really cold climates you can't drill in the springtime because the ground turns to mush as the ice thaws. For Mawson Gold that meant no exploration results for a while, which was bad for the share price. Mawson broke that drought in 2020 when it started to work on some projects in a more temperate zone, namely, the Australian state of Victoria.

Welcome to Highgradeville

What Mawson laid its hands on were three projects where the geology is 'Fosterville-style', of which more in a moment. The exploration work of the last two years has been so promising that Mawson has spun these projects out into Southern Cross Gold, of which it retains 60%. How promising? Well, how'd you like 3 metres at 41.4 g/t gold and 12.0% antimony from 364 metres? Or 21.7 metres at 4.7 g/t gold and 1.0% antimony from 274.7 metres? Investors who backed Southern Cross Gold at 20 cents are hoping for the next Fosterville at a place called Sunday Creek, which is only about 60 km, or so, up the Hume Highway from Melbourne, near the town of Kilmore.

Say 'Fosterville' to anyone knowledgeable about the Victorian gold fields and they can get very excited. What they are talking about is a very profitable gold mine about 20 km east of Bendigo, now owned by Canada's Agnico Eagle Mines (TSX: AEM) after its recent acquisition of Kirkland Lake Gold. Fosterville in its present form had been producing since 2005, but in 2015 and 2016 Kirkland Lake made major discoveries there in two

zones called 'Eagle' and 'Swan' that contained not just high grade, but visible gold. These discoveries helped turn Fosterville into one of the world's highest grade and lowest cost gold mines. The reserve there at the end of 2020 was only 1.79 million ounces, but at a grade of – get this – 15.4 grammes a tonne.

Thank God its Sunday Creek

This bounty has to do with the shallow epizonal orogenic nature of the mineralisation – as gold came up from the earth's core during the process of mountain building, the metamorphosis of the surrounding rocks close to the surface and at low temperatures (the 'epizonal' bit) led to the metal being laid down in Ordovician to Devonian sediments at high grades.

Fosterville isn't the only place where these kinds of rocks can be found. The nearby Costerfield mine of Mandalay Resources (TSX: MND) is also epizonal. And Southern Cross Gold owns them at its 100%-owned Sunday Creek project and is earning 70% in two more, one called Redcastle and another called Whroo. Basically, it's got three of the nine Victorian fields where epizonal gold has been worked since the 19th century.

Sunday Creek has generated the most action to date. On 30 May, just two weeks after the Southern Cross Gold IPO, the company was able to report a 119.2 metre intersection grading 3.9 g/t gold equivalent. That included 39 metres from 179 metres grading 5.2 g/t gold and 1% antimony, which is 6.8 g/t gold equivalent. Ordinarily in Victoria you trade off high grade with thin width. From all we've seen at Sunday Creek there's no trade off. And there's likely to be more where that came from – so far only about 1 km of a 10 km strike length has been tested with drill bits.

Living next door to Agnico

Redcastle and Whroo, where Southern Cross Gold is farming in from Nagambie Resources (ASX: NAG), are the potential next wave of excitement. The Redcastle permits sit on top of 17 km of veins that have never been tested as to their depth potential, right next door to the Costerfield mine. At Whroo, about 70 km east of Bendigo, near the ghost town of that name in Strathbogie Shire, Southern Cross Gold has identified new gold mineralisation under an old open pit called Balaclava. The discovery hole, which went to 200 metres, whereas before then no-one had gone lower than 100 metres, wasn't as rich as what has turned up at Sunday Creek, but who's complaining about 0.6 metres at 49.7 g/t gold when it's only the first hole to touch a 14 km mineralised trend? And the best drill result ever at the field?

We think there's a good year ahead for Southern Cross Gold. There will be active drilling programmes on all three projects, so plenty of results coming back. And then there's the potential for the company to pick up another 3,300 square km of ground thanks to a right-of-first-refusal with Nagambie Resources, of which Southern Cross Gold owns 10%.

Obviously, it's early days for Southern Cross Gold and sentiment on gold explorers isn't as strong in mid-2022 as it was in 2020. For investors cognisant of that risk, this one is four stars.

Pitt Street Research Pty Ltd

3 Spring Street, Sydney, NSW 2000, Australia

Stocks Down Under gives you an information advantage to better invest and trade in ASX-listed stocks!

Stocks Down Under (Pitt Street Research AFSL 1265112) provides actionable investment ideas on ASX-listed stocks. The Content is financial advice but is not (and cannot be construed or relied upon as) personal financial advice. No investment objectives, financial circumstances or needs of any individual have been taken into consideration in the preparation of the Content. Please make sure that investing in such products is suitable for your circumstances, and ensure you obtain, read and understand any applicable offer document.

Financial products are complex, entail risk of loss, may rise and fall, and are impacted by a range of unpredictable market and economic factors.

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/ Stocks Down Under unless otherwise noted.

Stocks Down Under/Pitt Street Research directors and staff may own shares in the companies mentioned in our articles, videos, reports and analyses.

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

