



# Resources Stocks Down Under

📖 *Anyone who stops learning is old. Anyone who keeps learning stays young.* 📖

- Henry Ford (1863-1947), Ford Motor Company founder

**92 ENERGY**

Welcome to the GMZ

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Stocks Down Under rating: ★★☆☆

ASX: 92E  
Market cap: A\$35.6M

52-week range: A\$0.22 / A\$1.15  
Share price: A\$0.44

It's not hard to figure out what the Perth-based 92 Energy is searching for - Element No. 92, a.k.a. uranium. The company has staked out some pretty interesting projects in the Athabasca Basin, the heartland of the Canadian uranium industry, and has secured its first discovery at a project called Gemini.

## Share price chart



Source: Tradingview

If you want to find a new uranium mine in a Tier 1 jurisdiction where the grades are potentially very high, pack your bags and book a flight to the Canadian city of Saskatoon. That's where you'll find Cameco (TSX: CCO), the world's second largest uranium miner, and the reason it's there is because of the province it's in. Go 800 km or so to northern Saskatchewan and you'll not just find Lake Athabasca, but a massive Paleo-to-Mesoproterozoic sedimentary basin named after the lake and home to some of the richest uranium deposits on earth. How rich? Not long ago around a fifth of the world's supply of uranium was coming from the Athabasca Basin.

## Elephant country

The legendary McArthur River mine and its associated Key Lake mill is the main reason why Cameco is a C\$13bn company right now. McArthur River's reserve position is 394 million pounds with a very nice average ore grade of 6.58% U3O8. Cameco is also the proud operator of the Cigar Lake uranium mine, which contains 152 million pounds at an average ore grade of – get this – 15.41% U3O8. Find a good deposit in the Athabasca and you're set.

Admittedly this was a while ago, but Rio Tinto paid US\$550m around 2011/2012 to get hold of Hathor Exploration, which had discovered the Roughrider uranium deposit. Roughrider was only a 60-or-so million pound uranium deposit, but parts of the resource graded in excess of 11% U3O8.

Mines here can have long shelf lives. Roughrider wasn't far from Cameco's currently idle Rabbit Lake mine, which produced 203 million pounds (at average grades of 0.3% U3O8) before it was shuttered in 2016 after

41 years. But don't knock the 62 million pounds which France's Orano got from Cluff Lake between 1981 and 2002, nor the 50 million pounds from McLean Lake between 1999 and 2010. In short, if you're looking for uranium, the Athabasca is elephant country.

The reason the elephants exist is because of a combination of specific geological conditions (e.g. presence of a uranium enriched fluid, major faulting and fracturing, appropriate chemical conditions to precipitate uranium) at or near the unconformity between the overlying Athabasca Basin sediments and older, metamorphosed crystalline basement rocks.

## **The Next Gen after NexGen**

92 Energy wants to find one of these high-grade unconformity associated uranium deposits and to fund the search over five projects it did an ASX IPO in April 2021, raising \$7m at 20 cents. The backers got an early payday with an apparent basement-hosted discovery at the Gemini Project in September, which took 92 Energy stock up to 94 cents.

Gemini covers 445 sq km in the south-eastern part of the Athabasca Basin, around 27 km southeast of the McArthur River uranium mine. Historical surface sampling at Gemini identified radioactive boulders and muskeg (bog) sediment samples with anomalous uranium concentrations. 92 Energy's geologists knew that the unconformity is shallow in the project area, ranging from 0 to 170 m depth, suggesting a nearby source for the radioactive boulders and anomalous uranium concentrations in surface sediment samples.

Sometimes in the Athabasca you've got to schlepp through hundreds and hundreds of metres of the Athabasca Basin sediments before you get to the unconformity and then the good stuff in the crystalline basement beyond. Not all the time, however. Back in 2014 a Vancouver-based company called NexGen Energy (TSX: NXG) made a major discovery not far from Cluff Lake, called Arrow. NexGen is now a C\$2.5bn company off the back of a 256.7 million pound measured and indicated resource where that resource, like Rabbit Lake, is basement-hosted uranium that is near surface.

## **Early days, but exciting early days**

Diamond drilling to evaluate targets singled out by the airborne electromagnetic surveys at Gemini started in July 2021. When 92 Energy reported in September that drillhole GEM-004 had intersected 5.5 metres of 0.12% U3O8 after hitting the mineralised zone at about 190 metres vertically below surface, the market got excited.

92 Energy's people called the mineralisation they'd found the GMZ, short for – you guessed it – Gemini Mineralised Zone. What they were impressed by initially was that fact that from the moment the drillhole hit bedrock there was a lot of intense and pervasive hydrothermal alteration and brittle structures indicative of abundant fluid movement and faulting, respectively. The alteration footprint is widespread and it'll take more drillholes to figure out how large the overall system is.

92 Energy has now completed and received all assays from the winter drilling program at the GMZ and expanded the summer program following up on multiple encouraging results – grades of up to 2% U3O8 have been returned and the radioactivity at the GMZ is now defined over an area of 230 metres by 80 metres. The company is now in its summer program and the good results have continued – it reported near surface mineralisation starting at 60m below surface. It all sounds exciting.

Now, it's still early days for 92 Energy with Gemini and then there are the Tower, Clover, Powerline and Cypress River projects yet to be tested by 92 Energy with a drill rig. Tower is only 10 km from Cigar Lake and has its maiden drill program scheduled for September. However, we think the GMZ work so far is promising and in an environment where uranium stabilising at US\$46-50 a pound, there could be considerable upside from the coming news flow. For investors cognisant of the risks that go with exploration and fluctuations in commodity prices, this one is four stars.

## Pitt Street Research Pty Ltd

3 Spring Street, Sydney, NSW 2000, Australia

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