Insto stampede for Chalice raising shows strong exploration stories still have pulling power despite fragile markets

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Plus, Rex's strategy to diversify from tardy crow eaters pays dividends and Covid creates opportunities for counter-cyclical investors in the likes of potash explorer Trigg and lithium developer Liontown.

Miners and explorers have adapted smoothly to the world of virtual investor presentations in a COVID-19 world.

Only problem with that though is there isn't a chance to share a couple of beers afterwards with like-minded souls once the computer in the home office has gone back to screensaver mode and the cat wants a pat.

The first of the ongoing series of Resources Rising Stars Virtual Investor Luncheons on Wednesday was no different on that score. But at least it can be said one of the presenters, Chalice Gold Mines (ASX:CHN) boss Alex Dorsch, got a beer in a big way come Thursday.

The beer came in the form of the $30m Chalice pulled in from a placement at $1.05 a share to step up the pace of exploration at the exciting Julimar nickel-copper-PGE metals discovery, 70km north-east of Perth.

Chalice could have pulled in more than $75m in what was its first capital raising since 2011, such is the interest in the province-in-the-making potential of Julimar. The overs also confirm that despite the fragile state of equity markets, funding is there for the right exploration story.

Chalice was a 16c stock before the discovery hole in March – the first drilled at the project (19m at 2.59% nickel, 1.04% copper and 8.37g/t palladium at shallow depth) - and is now $1.18 after a 7 per cent gain in Thursday's market.

Dorsch told the RRS forum that the placement was to ensure a position of financial strength to take Julimar forward in a rapid manner. It must be going to be rapid all right, as Chalice already had $23m in cash and investments.

"It is in a brand new province so the upside looks absolutely fantastic. It is a very exciting project," Dorsch said.

Julimar was staked in 2018 on the conceptual basis that it was prospective for magmatic sulphides, which has proven to be the case, prompting Chalice to secure the regional upside by taking out another 2000sqkm of coverage.

The dimensions of the system identified to date are substantial – about 1.6km long, 700m wide and 650m deep, with anomalies identified up to 10km along strike.

“The most enticing thing is that there is a further 24km of the complex that we haven’t yet explored,” Dorsch said.

Part of the demand for stock in the placement was met by Chalice founder and executive chairman Tim Goyder selling 10m shares at the same price, reducing his holding from 17% to 12% of the expanded capital base. It was his first-ever sale.

It was nice reward for Goyder’s long-term backing.

But it also serves to open up the register, something that could become of real interest should Julimar continue to shape up as something special, attracting the interest of the big mining groups looking for a province-scale growth opportunity on Perth’s door step.

REX MINERALS:

It doesn’t seem all that long ago that Rex Minerals (ASX:RXM) was a $300m company on the strength of its Hillside copper/gold project in South Australia.

Hillside comes with 2mt of copper and 1.4m oz of gold and by rights, it should be in production at a previously flagged annual rate of 35,000tpa of copper and 24,000oz of gold at an all in sustaining cost of $1.88/lb after gold credits.

But the project has got bogged down something shocking in SA’s approvals process, which is not as switched on as successive governments have claimed.

The approval process for the project’s so-called key Program for Environment Protection and Rehabilitation (PEPR) has taken more than five years at a cost of more than $15m, but still no cigar.

Rex’s Harley-riding boss Richard Laufmann aired his frustration recently, which is unusual in itself as most companies walk scared of upsetting the bureaucrats who get to cause inordinate delays without recourse.

“We cannot deny that the delays in receiving the approved PEPR from the SA government for Hillside have been frustrating. Rex finalised all outstanding matters raised by the Department for Energy and Mining of our PEPR submission on 18 September last year. We had expected clear resolution to the PEPR process and have been requesting as much from the SA Government’s Department,” Laufmann said.

But still no cigar. Maybe the need for governments to muster up job creating and big lick investments in a post-COVID-19 world will give the SA the hurry up. It’s not as if the State is spoilt for choice.

Laufmann has been living with his Hillside frustrations for some time, as has the market in the stock. It is now back to 6.7c for a market cap of $22m as the wait for some action from the SA government continues.

But Laufmann has had the smartz to add a second leg to the Rex story – heap leach gold in Nevada, a counter to SA’s frustrations if there ever was one.

Rex has just increased the resource base at its Hog Ranch project – it’s an old WMC project from the 1980s – to 97.6mt grading 0.45g/t for 1.4Moz.

The grade will not satisfy the high-grade fixation of the market in ASX gold explorers. But the reality is it doesn't have to. Comparable heap leach projects in Nevada produce their gold for around $US800oz.

WMC produced 200,000oz back in the late 1980s/early 1990s and did OK, in a $US330oz gold price environment no less.

Rex is not done with growing the shallow resource base where the near-term production potential of what is already on the books has succeeded in putting a wriggle in Rex's share price. It has come up from 2.9c since late March. Now for Hillside.

Trigg & Liontown:

Fertilisers to help feed the world and lithium for electric vehicles/renewable energy storage are two big investment thematics set to endure COVID-19, and then flourish on the other side of the crisis.

It might not look that way judging by the beaten up state of ASX-listed stocks that have made either of the thematics their reason for existing.

But therein lies the opportunity for investors that prefer securing low-cost positions to what a big thematic could deliver five years out, rather than jostling for positions in what might be the current flavour of the month.

COVID-19 is manna for the long-term and thematic driven investors.

In the fertiliser space, last October's 20c-a-share float Trigg Mining (ASX:TMG) is a case in point. Trigg shares got as low as 2.4c in the early April market sell-off.

In the intervening period, the need-to-feed world thematic of greater use of fertilisers to improve crop yields of the world's dwindling supply of arable land did not go away.

No surprise then that the long-term backers of the thematic have chased Trigg from that early April low back up to 8c for a market cap of $4.6m.

Trigg is an early stage sulphate of potash (SOP) explorer, with SOP a premium potash product valued because it is particularly useful for increasing yields of high-value and chloride sensitive crops like veggies, nuts, fruit and coffee.

Trigg's sweet gain since early April – the 20c float price obviously remains painful for early backers – is all the more remarkable because it has occurred against a background of troubles at some of the more advanced ASX-listed SOP players.

But think of that being a benefit for Trigg as it will be able to learn from the trials and tribulations of those that have come before it in what remains as a new import-replacement opportunity for Australia.

Trigg established a 6mt drainable SOP resource at its Lake Rason project early on. But given the issues at some other projects owned by others, what the market really wants to see from Trigg is high-grade SOP mineralisation, with strong flow rates.

Trigg could just have that at its Lake Throssell project, north-east of Laverton, and not far from the Tjukayirla roadhouse on WA's the Great Central road.

Once COVID-19 restrictions are out of the way, Trigg plans an air-core program to follow up high-grade surface samples in the sub-surface aquifer. Given its modest market cap, and the enduring nature of the feed-the-world thematic, it could be one to watch.

The same goes for the bunch of ASX-listed lithium stocks looking to become second-generation producers in the middle of the decade, if not before.

It is by then that demand from the EV and renewables energy sector for lithium-ion batteries is expected to swamp existing production.

That will require incentive price for additional spodumene/lithium supplies, something the greener than green world that emerges from COVID-19 is set to deliver as the push away from ICE vehicles – and a reliance on China for batteries – accelerates in all of the major economies.

Again, the EV thematic has not gone away during COVID-19, nor has the recognition that second-generation mines will be needed come 2025.

That was why thematic followers couldn't believe their luck when a stock like Liontown (ASX:LTR) got as low as 5.6c during the March sell off in equities markets. It is now back at 10c for a market cap of $180m.

The scale of the market cap reflects the scale of Liontown's Kathleen Valley lithium project in WA which is now right up there with the Mt Holland deposit down south where the smarties at Wesfarmers (WES:ASX) paid $776m for a 50% share last year.

Despite Liontown's price recovery from the March low, it continues to trade at under half the value of its ASX-peers, let alone the implied valuation in the Mt Holland deal.

No particular reason for that and something that could be rectified as the company rolls out a series of key updates and project revisions later in the year. That comes through in the 18c valuation on the stock by Chris Baker at Bridge Street Capital.