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Barry FitzGerald: Suddenly, Cassini Resources is riding the battery boom

Mining

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The stars are aligning for **Cassini Resources (ASX: CZI)** as it sets out to navigate its way to becoming a nickel and copper producer in partnership with OZ Minerals while advancing promising gold and nickel/copper projects in its own right.

The last time Garimpeiro had a look at Cassini was in January last year when it was trading at an unchallenging 7.6c a share. It has since moved higher to 10c for a market value of $41 million as interest builds in its flagship West Musgrave nickel/copper project in Western Australia.

Acquired from BHP in 2014 for the knockdown price of $250,000, West Musgrave is now the subject of a joint venture with OZ under which OZ has just earned a 70% stake by spending $36m advancing the project towards first production by 2022.

No one talked about “battery” metals back in 2014, or in 2016 when Cassini introduced OZ as a joint venture partner in to what is Australia’s biggest undeveloped nickel-copper deposit.

But West Musgrave’s battery metals credentials have come in to sharp focus in the last couple of years as the world’s auto industry sets about unleashing the electric vehicle (EV) revolution, and as battery storage of renewable energy takes off.

Sulphide nickel like that to be produced at West Musgrave is a key component of the lithium-ion technology underpinning the EV and battery storage revolution, while copper demand also benefits from a greater intensity of use in EVs.

West Musgrave’s battery metal credentials were on show in Cassini’s recent $7m placement at 10c a share, with Chinese battery materials producer Tinci taking up enough shares to give it a 6% Cassini stake.

Tinci’s take up followed last August’s placement under which Tinci chairman Xu Jing Fu emerged with a personally held 4.7% (now diluted) stake. Like all lithium-ion battery groups, Tinci is keen on sourcing long-term supplies.

An update on the development plan for West Musgrave is due early in the September quarter. It can be expected to optimise previous work that pointed to a development costing $730-$800m (Cassini is free-carried until a decision to mine is made).

Confidence in the West Musgrave resource has increased thanks to a massive 53km infill drilling program in 2018, with the indicated resource component now accounting for 59% of the total resource of 828,000t of nickel and 908,000t of copper.

A suggested 10mtpa operation would produce up to 25,000t of nickel and 30,000t of copper (100% basis) annually with handy cobalt credits. The project will have a relatively quick payback period of 3-4 years given its expected bottom quartile copper costs (after nickel credits).

Cassini’s $7m placement ensures that it is fully funded while West Musgrave goes through the full feasibility study stage.

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But just as important, the placement provided funds for Cassini to increase its “capabilities’’ for the task of securing its share of West Musgrave’s development funding requirements, with its 30% share of the project’s future production giving it a range of options to consider.

Cassini also wants to step up exploration for new projects in its own right. The main focus is the Mount Squires gold project which is adjacent to the West Musgrave joint venture with OZ, and the Yarawindah Brook nickel-copper-cobalt project (80% owned), 130km northeast of Perth.

WMC – it discovered the West Musgrave deposit and was taken over by BHP in 2005 – identified gold at Mount Squires in the late 1990s, with drilling returning a 15m intersection grading 2.3g/t gold from 31m at the Handpump prospect.

Past exploration at Yarawindah Brook focussed on platinum group metals which Cassini considers as “pathfinder” metals for its planned targeting of nickel-copper-cobalt mineralisation.