

Ardea Resources CEO Andrew Penkethman Talks With Matt Bohlsen Of Trend Investing

Apr. 24, 2019 6:48 AM ET

|

About: [Ardea Resources Limited \(ARRRF\)](#)

Summary

Mr Penkethman shares his views on cobalt supply and demand, as well as his thoughts on the cobalt and nickel sectors as a whole.

Mr Penkethman gives an update on Ardea Resources as well as his outlook for the company.

The Company's primary focus is on their flagship Goongarrie Nickel Project in Western Australia.

Added to this are several promising WA gold and nickel sulphide assets and NSW base and precious metals projects.

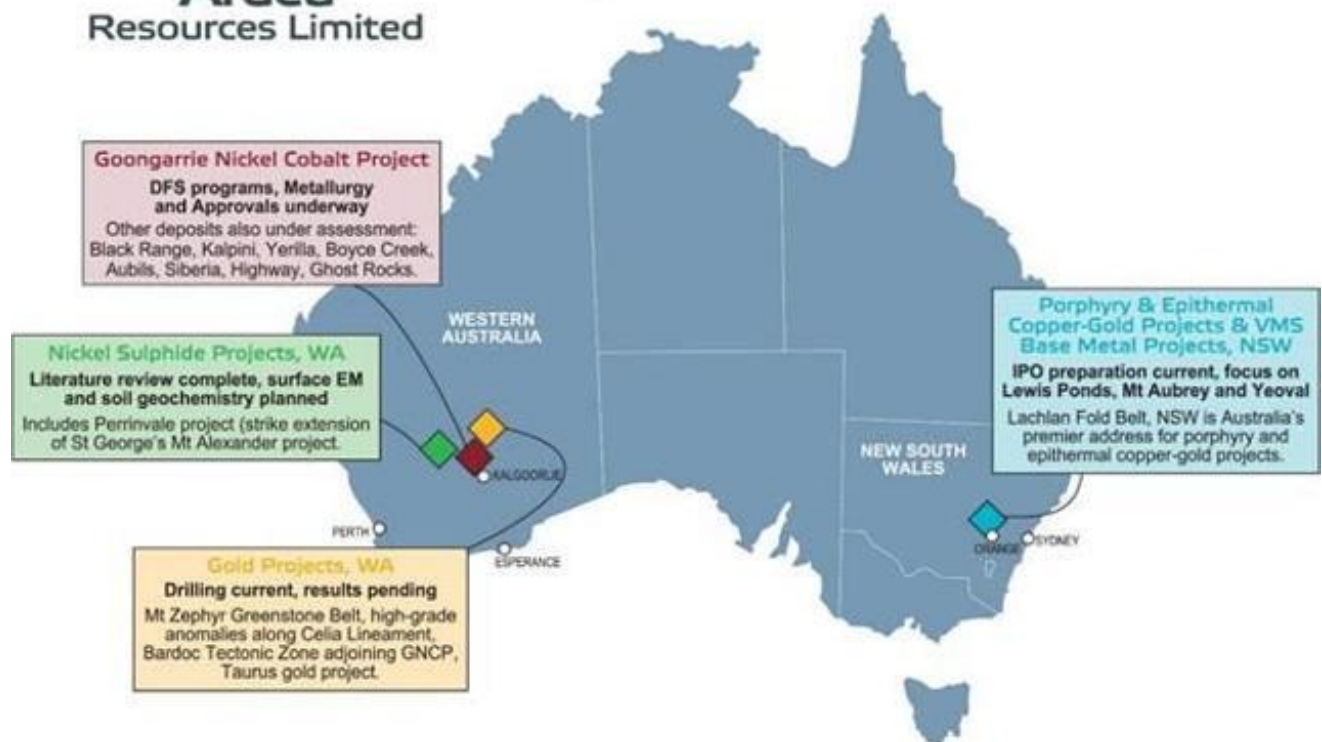
Ardea Resources brief summary

Ardea Resources Limited is a focused developer and explorer. The company has a high quality suite of development and exploration assets, including their flagship Goongarrie Nickel Cobalt Project [GNCP] in Western Australia. The Goongarrie Nickel Cobalt Project is part of the broader Kalgoorlie Nickel Project [KNP]. KNP has a globally significant nickel and cobalt resource of 773Mt at 0.7% Ni and 0.05% Co, resulting in 5.6 million tonnes contained Nickel 405,000 tonnes contained Cobalt. The 100% owned Goongarrie Project is part of the largest Cobalt Resource in the developed world. Ardea are currently working on a Definitive Feasibility Study [DFS] for the project.

Ardea's current strategy has 3 components:

1. Develop the Goongarrie Nickel Cobalt Project.
2. Explore their WA gold and nickel sulphide assets.
3. Divest their NSW gold and base metal assets.

Project Portfolio



Source: Company CEO

Andrew Penkethman is Chief Executive Officer [CEO] of Ardea Resources [ASX:ARL] ([OTCPK:ARRRF](#))

Andrew Penkethman is a resources sector executive and geologist with 25 years' experience in the resources industry. His technical skills include project evaluation, early stage and near mine exploration, resource development, feasibility study management, permitting, stake holder engagement and mine development across open pit and underground operations within Australia and overseas. Commodities experience includes gold, base metals, battery minerals and energy commodities over a range of geological settings. Mr Penkethman's technical expertise is complimented by over 13 years in executive roles with a strong corporate focus including strategic partner processes, joint venture management, financial modelling, and project acquisition and divestment. Mr Penkethman has ASX, AIM and TSX equity markets experience.

Mr Penkethman holds a Bachelor of Science degree from the University of Wollongong, is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists.

Andrew Penkethman BSc, FAusIMM, MAIG – Ardea Resources



What are your current views on the cobalt and nickel sectors? Can you please give your views on supply and demand issues, industry consolidation, and on current and future cobalt and nickel pricing?

Cobalt and nickel demand are expected to continue to appreciate, in-line with the rapidly growing Electric Vehicle [EV] and Static Storage Battery [SSB] markets. Of the critical battery metals, lithium, graphite, aluminium, cobalt, copper and nickel, the growth of nickel reserves has been the lowest in recent years, followed by copper and then cobalt. Also, according to Bernstein and United States Geological Survey research, over the period 2017 to 2018, nickel reserves were the only critical battery metal to drop and cobalt increased by the least. These facts reinforce that cobalt and nickel are the two most important EV and SSB metals.

Ardea Resources Limited (“Ardea” or “the Company”) believe that the EV and SSB market is a growing sector where end users will need to continue to develop relationships with potential producers of cobalt and other critical battery minerals such as nickel. Ardea, working with KPMG, is continuing to work in this sector to further develop relationships and secure a project Strategic Partner.

Sourcing cobalt and nickel supply from Australia (and Canada) is expected to be a priority for end users wanting to secure an ethical product from a stable country with a record of responsible resource project development. I believe that large scale, strategic projects such as the Goongarrie Nickel Cobalt Project [GNCP] are going to be of most interest to end users, as secure ethical supply of critical battery metals can be locked in over a time-frame of decades. Such a time-frame allows for longer term strategic planning to underpin investment decisions.

With most cobalt produced as a by-product from existing nickel operations, supply and demand fundamentals are interlinked. Cobalt and nickel pricing will move in response to supply and demand. We should note that at current metal prices, the GNCP pit designs and optimizations are mainly based upon nickel optimizations.

There is room for industry consolidation, particularly for smaller projects, proximal to a central processing hub. But large-scale projects, such as the GNCP, offer maximum flexibility due to the large resource size and potential to be a large-scale cobalt source in a sector expected to continue to grow as society continues to embrace battery technology.

What is Ardea Resources currently working on in regards to your projects and what stage are you at?

The Company is prioritising a three-pronged value creation strategy which is:

1. Development of the advanced, feasibility stage Goongarrie Nickel Cobalt Project, part of the Kalgoorlie Nickel Project, a globally significant series of nickel-cobalt deposits which host the largest cobalt resource in the developed world.
2. Advanced-stage exploration at West Australian gold and nickel sulphide targets.
3. The demerger of the New South Wales gold and base metal assets with planned in-specie share distribution to Ardea shareholders registered as at the in-specie Record Date.

The flagship and priority GNCP is undergoing feasibility work and a Strategic Partner process. Exploration for base and precious metals is being undertaken on a combination of early stage and more advanced targets in Western Australia and New South Wales to help add additional value to the extensive tenement package controlled by Ardea (~3,500km² in Western Australia and ~2,000km² in New South Wales).

What do you see as the main catalysts for Ardea Resources going forward, and where do you see your company being in one year?

For the priority GNCP the main catalyst is securing a Strategic Partner. Interest in off-take from the GNCP remains high, with requirement by Ardea that offtake must include a concomitant project funding capacity. With each potential strategic partner having specific requirements, final project scale will be determined as part of the Strategic Partner process, ensuring that the GNCP Definitive Feasibility Study inputs are optimised.

GNCP value enhancement work such as on-site neutraliser results, an updated resource and detailed mine scheduling and open pit optimisation is in progress. Once completed, the results from the above work streams will help refine the key inputs to be carried forward into the Definitive Feasibility Study, notably production scale and type of nickel-cobalt sale product produced.

In one year's time I would like to see Ardea working closely with a Strategic Partner on completing a Definitive Feasibility Study that continues to advance the GNCP towards development. The Strategic Partner will help provide the technical and financial support for Ardea to realise the full potential of the GNCP and ensure project development of this large scale, long-life strategic project.

In unison with the priority GNCP work streams, Ardea continues to advance exploration efforts for base and precious metals on its extensive Western Australian and New South Wales tenure. In 12 months' time the mineral exploration potential of these projects will be better understood, and further value added.

The New South Wales projects will have been vended into a new Company and in-specie share distribution completed to Ardea shareholders. This will enable Ardea to concentrate efforts on the flagship GNCP, continue exploration efforts in Western Australia and have a dedicated management team and funding in-place, to help advance the highly prospective New South Wales projects.

Do you think Ardea Resources is currently fairly valued, undervalued or overvalued by the market? Where do you see your company and the stock price being in 5 years?

Ardea is currently undervalued, given the quality of its project portfolio, work completed to date, work planned, strong cash position (\$10.7M as at 31 March 2019) and highly experienced and dedicated management team. In five years time I expect a combination of the quality work completed by Ardea on advancing the GNCP towards production, increased demand for nickel and cobalt and greater market awareness to contribute to share price appreciation.

Further value is expected to be added by exploration success for base and precious metals from the Western Australian and New South Wales projects.

I can see analogies between Ardea and their flagship GNCP and one of my former employers, ASX listed Extract Resources Limited [ASX:EXT] and their Husab Uranium Project in Namibia. The GNCP hosts the largest cobalt resource in the developed world and Husab is one of the three largest uranium deposits in the world.

The GNCP is a large scale, strategic low-grade project, requiring a hydrometallurgical process plant as does Husab. Both projects offer the opportunity to provide secure supply of critical commodities over a time frame of decades. Such large-scale projects are uncommon and attractive to end users who want to guarantee supply over strategic time frames.

I consider myself fortunate to have the EXT experience and to have been part of the team to help take the Company from a junior explorer to an ASX top 100 stock which was taken over by Chinese interests for \$2.2 billion. Leading up to this point I was intimately involved in the technical work streams feeding into the feasibility study work which included an extensive pilot plant program for a hydrometallurgical plant.

I was also involved in corporate roles at EXT, such as Company promotion and the Strategic Partnership process, working with a wide range of stake holders and a quality executive management team.

All of the EXT experience is highly relevant to Ardea and will be applied to help build upon the significant work already completed by the Ardea team, with the aim of continuing to add further value.

One of the key advantages that Ardea have over other projects is that the GNCP is in the infrastructure rich Eastern Goldfields of Western Australian, one of the most supportive resource development states in the world, with a world class reputation for safety, health and environmental standards.

Could you please comment on Ardea Resources difference to other cobalt companies?

Ardea is in the enviable position of having the world-class Goongarrie Nickel Cobalt Project [GNCP], which is part of the Kalgoorlie Nickel Project, a globally significant series of nickel-cobalt deposits which host the largest cobalt resource in the developed world. Importantly, the GNCP is located in a prime location, relative to goldfields infrastructure and logistics, on granted mining leases.

So, the main differentiators for the KNP/GNCP are the large, strategic size and location within the heart of the infrastructure-rich Eastern Goldfields of Western Australia, which is consistently rated as one of the best global jurisdictions to operate in. I know of no other globally significant cobalt and nickel project that shares this quality mix of scale and location.

In terms of potential tropical nickel-cobalt laterite producers in the sector, GNCP is favoured by a benign environmental setting, with no requirement for submarine tailings disposal. The GNCP tails is in fact amenable to filtration and thus dry-stacking within exhausted open-cuts. The absence of valley-fill tailings dam is of considerable advantage to GNCP.

Ardea is also maintaining an open mind on the mineral prospectivity of its large tenure position for other commodities. The time and cost to complete exploration work is being minimised by leveraging off GNCP work streams, such as the extensive geophysical datasets available and sterilisation drilling. I am not aware of another cobalt and nickel company that has the quality mix of projects available to Ardea.

Can you please comment on the potential of Ardea's other projects.

Ardea has an extensive tenure position in the heart of the Western Australian goldfields, covering approximately 3,500 km², with some 2,000km² in NSW. Whilst the main focus is on the flag ship GNCP, many of these tenements are also prospective for orogenic gold and base metals. To help ensure the value of these tenements is recognised, Ardea have also been undertaking some regional exploration, incorporating this work with activities such as GNCP sterilisation drilling to save on logistics and direct costs. Some encouraging initial results from the Gale Prospect, located in the Mount Zephyr Greenstone Belt were [reported](#) to the ASX on 11 April 2019 and confirm the prospectivity of this project for hosting gold mineralisation.

In New South Wales, Ardea has an extensive project portfolio within the highly prospective Lachlan Fold Belt, which is known to host epithermal gold and silver deposits, porphyry copper-gold deposits and polymetallic volcanic hosted massive sulphide deposits. Ardea believes these tenements have significant potential for new mineral discoveries to be made, in addition to the mineralisation at known deposits such as the Lewis Ponds zinc, gold, copper and silver project. To help realise the full potential of these quality projects, a demerger is planned with in-specie

share distribution to Ardea shareholders. This will allow a dedicated management team and significant funding to be available to further these projects, whilst the Ardea team concentrate on their flag-ship Western Australian projects. The spin-out company will be based at Orange in the heart of the exploration province.

Would you like to add anything that you think investors should know about Ardea Resources?

Ardea has a quality project portfolio and a well-defined, fully funded strategy for advancing their projects. The Board of Directors and staff at Ardea are highly experienced resources professionals who operate with integrity and are also significant shareholders in the Company. The combination of quality projects, a dedicated management team with relevant experience and “skin in the game” provides the right mix of attributes to help ensure maximum shareholder value is added.

Further Reading

- [Ardea Resources Is Now Very Oversold](#)
- [Cobalt Miners News For The Month Of April 2019](#)

Investors can view the February 2019 company presentation [here](#).

Conclusion

I would sincerely like to thank CEO Andrew Penkethman for giving freely of his time and for sharing his views on the cobalt/nickel sectors and on Ardea Resources. It is always great to get some insight from an industry insider.

As usual all comments are welcome.

Disclosure: I am/we are long Ardea Resources [ASX:ARL].

I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it. I have no business relationship with any company whose stock is mentioned in this article.

Additional disclosure: The information in this article is general in nature and should not be relied upon as personal financial advice.