QMines Ltd (QML)

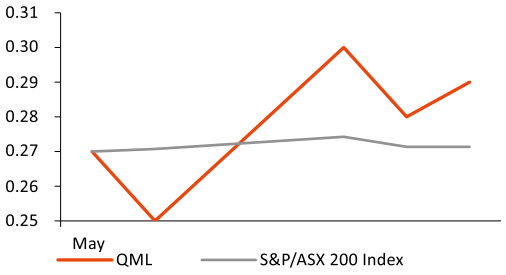
Not Rated

QMines IPO – copper exploration at Mount Chalmers

Key Information	
Current Price ($ps)	0.29
Reporting Currency	AUD
Market Cap ($m)	32
Sector	Materials
Avg Daily Volume (m)	0.6
ASX 200 Weight (%)	0%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	n/a	n/a	n/a	n/a
Absolute (%)	n/a	n/a	n/a	n/a
Benchmark (%)	1.8%	4.9%	4.3%	31.4%



Price performance indexed to 100 *Source:*

Major Shareholders	
Andrew Sparke	33.6%
James Andeson	12.6%
Daniel Lanskey	7.4%
Elissa Hansen	2.1%

SHAW AND PARTNERS ACTED AS LEAD MANAGER FOR THE RECENT IPO FOR WHICH IT RECEIVED A FEE.

Event

QMines IPO'd on the ASX on May 6th, raising $11.55m at $0.30ps to fund exploration at its flagship Mount Chalmers copper project in Queensland.

Highlights

- QMines holds a 100% interest in the Mount Chalmers project, located approximately 17km north-east of Rockhampton in Queensland. It is a historic copper/gold mine that operated sporadically between 1898 and 1982. Historical production totalled 1.24Mt @2.0% Cu, 3.6g/t Au and 19g/t Ag. The mine had both underground and open pit operations, with 810kt produced from open pit and 430kt from underground operations.
- Mount Chalmers currently has an inferred resource of 3.9Mt @ 1.15% CU, 0.81g/t Au and 8.4g/t Ag.
- Exploration has re-commenced at Mount Chalmers, with the company recently completing an 11 hole 1,575m diamond drilling program. The company is expecting to receive assay results prior to the end of the June quarter.
- QMines is also intending to explore for additional mineralisation near the existing Mount Chalmers open pit, particularly along strike and down-dip of the existing resource. A 3,000m RC drilling program is commencing in the next two weeks. This program is designed to test extensions to the known resource below, and adjacent to, the historical open pits. The company has advanced exploration targets at Woods Shaft, Botos and Mt Warminster.
- The Company also holds a 100% interest in the Silverwood, Warroo and Herries Range projects located south west of Brisbane in Queensland. These projects are at an earlier stage than Mount Chalmers.
- The copper price recently hit an all-time high of US$10,710/t and so the IPO of QMines appears well timed. There are very few ways for investors on the ASX to gain exposure to copper outside of companies such Oz Minerals and Sandfire.
- QMines is trading at EV/t of copper resource of A$306/t, which compares to a basket of peers trading at an average of A$580/t. QMines is trading at a 47% discount.

Mount Chalmers

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QMines

QMines IPO'd on the ASX on May 6th, raising $11.55m at $0.30ps to fund exploration at its flagship Mount Chalmers copper project in Queensland.

QMines holds a 100% interest in the Mount Chalmers project, located east of Rockhampton in Queensland. The Mount Chalmers copper and gold mine produced 1.24 Mt @ 2.0% Cu, 3.6g/t Au and 19g/t Ag during periodic mining between 1898 and 1982.

Mount Chalmers currently has an inferred resource of 3.9Mt @ 1.15% CU, 0.81g/t Au and 8.4g/t Ag.

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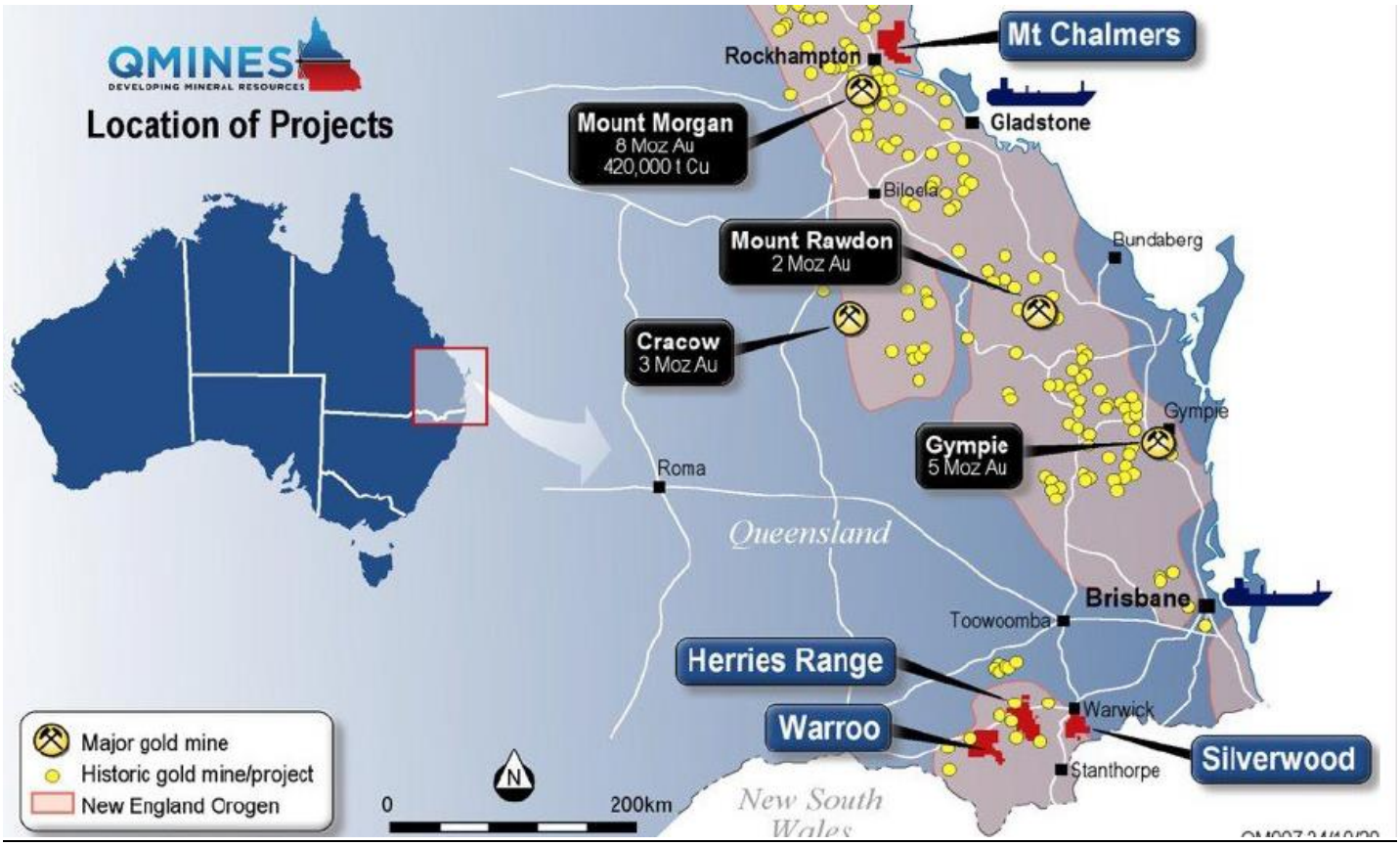
The copper price recently hit an all-time high of US$10,710/t and so the IPO of QMines appears well timed. There are very few ways for investors on the ASX to gain exposure to copper outside of the major diversified miners and larger companies such Oz Minerals and Sandfire.

Figure 1: QMines project locations



Source: QMines presentation

Mount Chalmers Copper Project

Mount Chalmers is located approximately 17km north-east of Rockhampton in Queensland. It is a historic copper/gold mine that operated sporadically between 1898 and 1982. Historical production totalled 1.24Mt @2.0% Cu, 3.6g/t Au and 19g/t Ag. The mine had both underground and open pit operations, with 810kt produced from open pit and 430kt from underground operations.

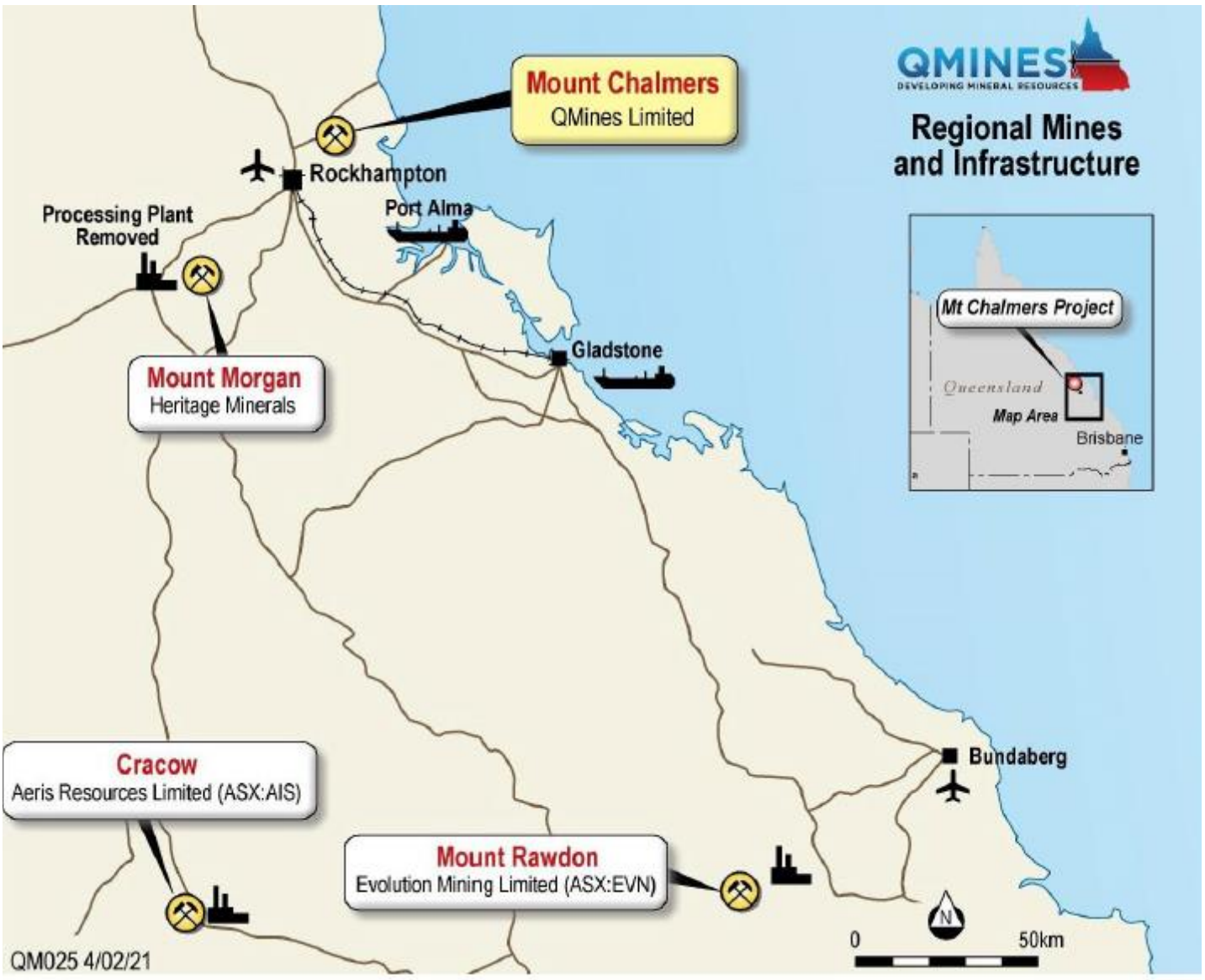
The mine was last operated by Mount Morgan between 1979 and 1982 before closing because of low commodity prices.

The deposit is a volcanic hosted massive sulphide deposit (VHMS) and the system contains copper, gold, silver, lead and zinc mineralisation. The mineralisation is near surface and open in all directions.

Mount Chalmers currently has an inferred resource of 3.9Mt @ 1.15% CU, 0.81g/t Au and 8.4g/t Ag.

QMines is intending to rapidly expand and upgrade the existing Mount Chalmers resource and return the mine to production. To that end, the company recently completed an 11-hole diamond drill program with the objective of converting inferred resource to the indicated category.

Figure 2: Mount Chalmers project location



Source: QMines presentation

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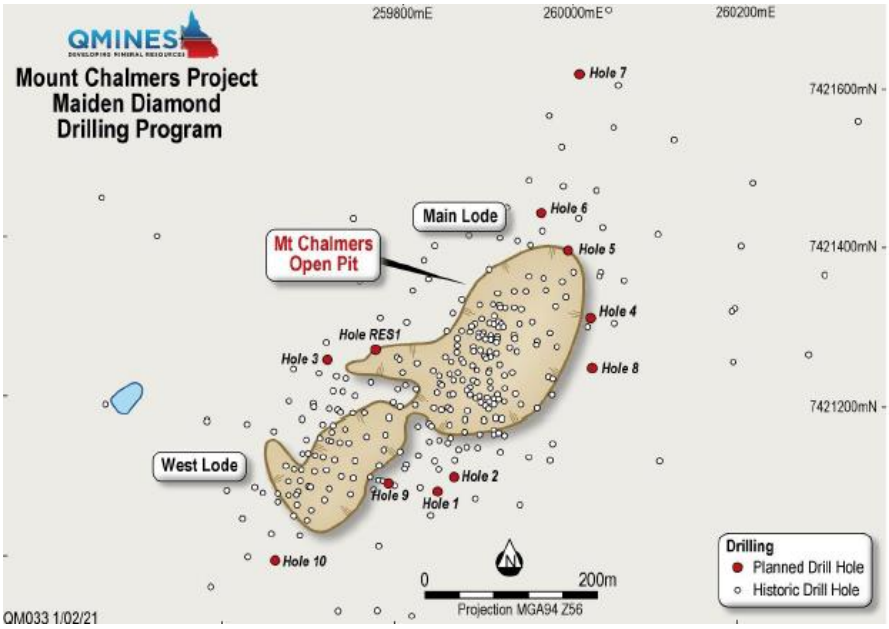
Figure 3: Mount Chalmers exploration targets

PROJECT	PROSPECT	Mt	Au (g/t)	Cu (%)	Zn (%)	CUT OFF
Mt Chalmers	Woods Shaft	1.0 to 1.5	0.6 to 1.0	0.2 to 0.3	n/a	0.5g/t Au
Mt Chalmers	Botos	1.5 to 2.5	0.5 to 0.8	0.1 to 0.2	1.1 to 1.4	0.5g/t Au
Mt Chalmers	Mt Warminster	1.5 to 1.8	n/a	0.1 to 0.2	0.5 to 0.7	1% Zn Eq

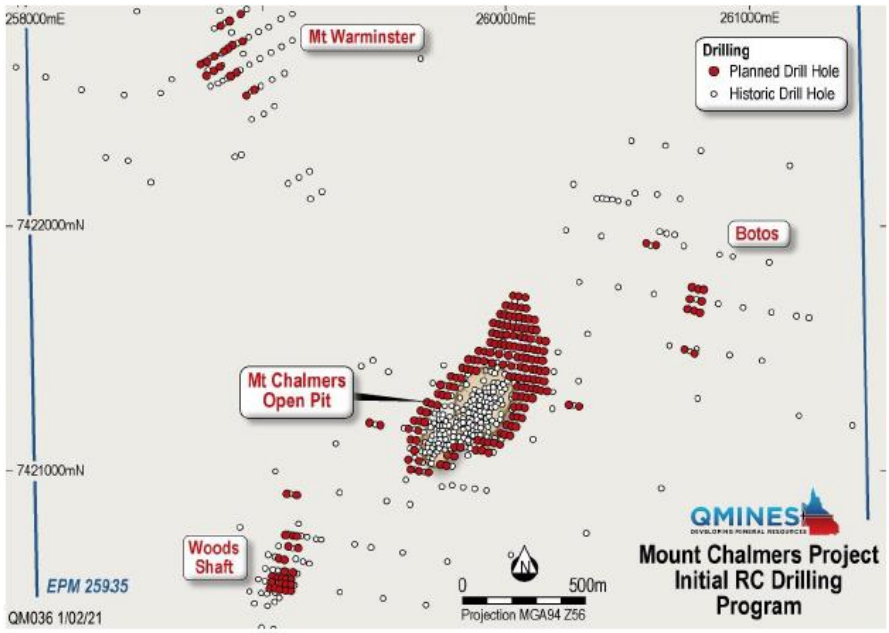
Source: QMines presentation

Figure 4: Location of diamond drilling holes



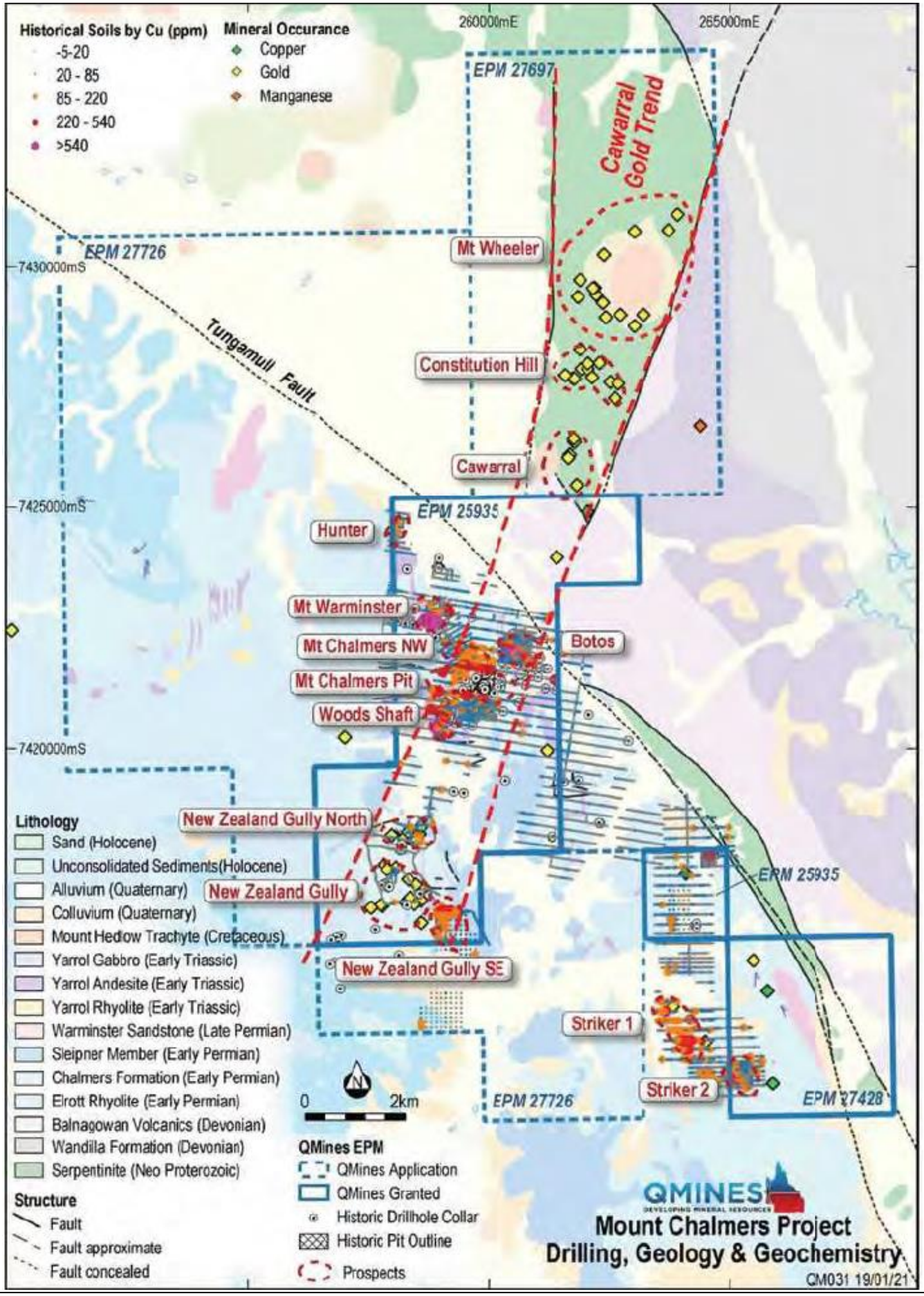
Source: QMines presentation

Figure 5: Exploration targets – RC drill hole locations



Source: QMines presentation

Figure 6: Mount Chalmers historical exploration summary



Source: QMines prospectus

Other Projects

QMines primary focus is the Mount Chalmers project, however the company is also progressing exploration at Silverwood, Warroo and Herries Range.

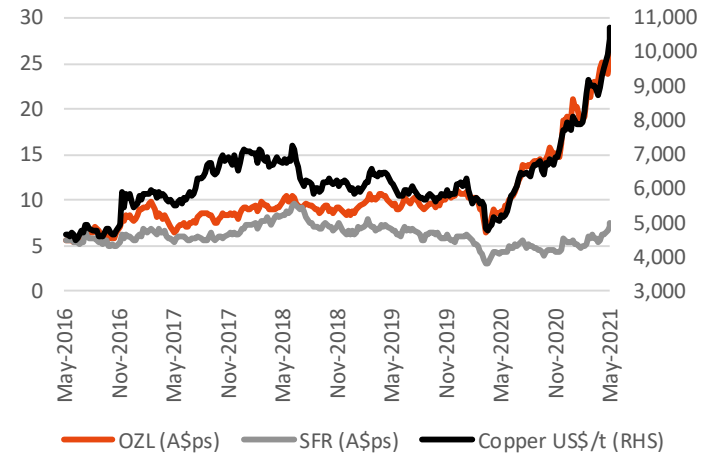
The total exploration budget over the next two years is around A$1m across the three projects and is focused on geological mapping, soil sampling and Auger/aircore drilling.

Copper comparables

There are very few ways for investors to gain exposure to copper on the ASX outside of Sandfire (SFR:ASX, Buy, $8.40 PT), and Oz Minerals (OZL:ASX, Buy, $25.00 PT).

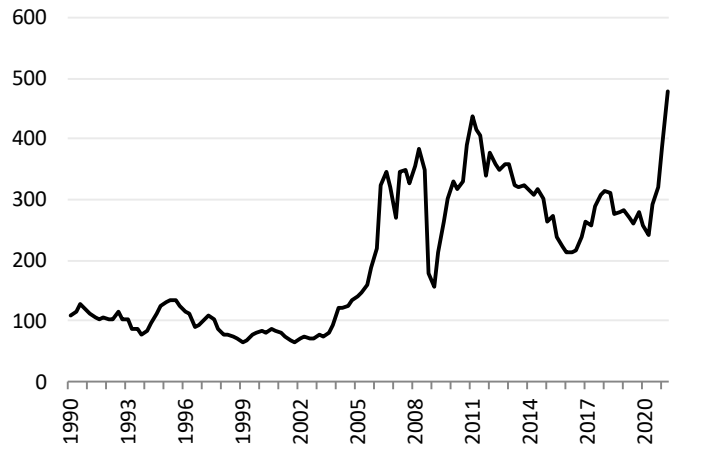
The copper price has recently hit an all-time and whilst Oz Minerals has performed in-line with the movement in copper, Sandfire has lagged behind.

Figure 7: LME Copper (RHS) vs OZL and SFR share prices



Source: FactSet, Shaw and Partners analysis

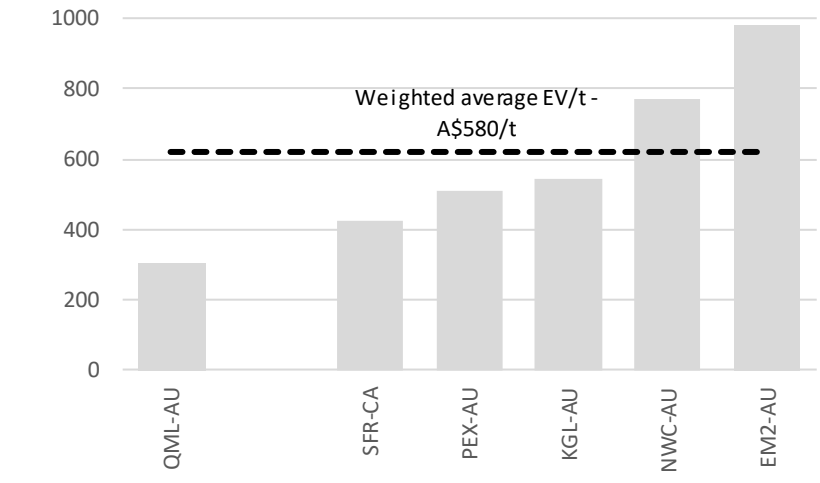
Figure 8: LT copper price (USc/lb)



Source: FactSet, Bloomberg, Shaw and Partners analysis

The following table outlines a number of companies which could be considered 'peers' for QMines. On an EV/t of copper resource basis QMines is trading at $306/t, which is a ~47% discount to the peer comparables. The peers include Sandfire Resources America (SFR), Peel Mining (PEX), KGL Resources (KGL), New World Resources (NWC) and Eagle Mountain Mining (EM2).

Figure 9: Comparable EV/t copper equivalent resource(A$/t).



Source: Factset, Shaw and Partners analysis

Key Personnel

Andrew Sparke | Executive Chairman

Mr Sparke has over 15 years' experience in IPO's, private placements, secondary market transactions and listed company compliance. Mr Sparke is the founder of Olive Capital, an Australian boutique investment house that has advised numerous ASX listed companies on capital raising and corporate transactions.

Daniel Lansky | Managing Director

Mr Lanskey has over 20 years' experience with Senior Management/Director roles in the Resources, Oil and Gas and Cannabis industries. He was a founder and Managing Director of Austex Oil Limited (ASX:AOK) from 2006 to 2015. During this time Mr Lanskey grew the annual revenue from start-up to $US30 million.

Elissa Hansen | Non-Executive Director & Company Secretary

Ms Hansen is a chartered secretary with over 20 years' experience as a company secretary and corporate governance professional. She has worked with boards and management on a range of ASX listed companies including assisting a number of organisations through the IPO process. Elissa is experienced in the specific requirements of companies in industries including resources, information technology, industrials and biotechnology.

James Anderson | General Manager -Operations

Mr Anderson is from corporate operational, logistics, supply chain management, and moved into the minerals exploration industry in 2011. He was a founder of Alt Resources Limited, which was recently the subject of a takeover by a large private equity firm. Mr Anderson was formerly the CEO at SMP International and Australia, Managing Director of Aloha and General Manager of Sunseeker International.

Hamish Grant | Exploration Geologist

Mr Grant has eight years' experience as an exploration geologist in Australia and overseas in both greenfield and brownfield exploration and resource definition. Mr Grant has spent the majority of his career working on orogenic gold, intrusive related gold and porphyry copper projects. H has most recently worked with Alt Resources Ltd (ASX ARS) as a project manager and played a major role in defining the maiden resource at the Mt Ida Project. Mr Grant holds a Bachelor of Science (Geology) from the Otago University in New Zealand.

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

RISK STATEMENT: Where a company is designated as 'High' risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	66	83%
Hold	12	15%
Sell	2	3%

History of Investment Rating and Target Price - QMines Ltd

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