

# QMiner Ltd (QML)

Rating: Buy | Risk: High | Price Target: \$0.74

## Resource upgrade at Mt Chalmers – more to come in 2022

### Key Information

|                         |           |
|-------------------------|-----------|
| Current Price (\$ps)    | 0.38      |
| 12m Target Price (\$ps) | 0.74      |
| Target Price Upside (%) | 93.8%     |
| TSR (%)                 | 93.8%     |
| Reporting Currency      | AUD       |
| Market Cap (\$m)        | 42        |
| Sector                  | Materials |
| Avg Daily Volume (m)    | 0.0       |
| ASX 200 Weight (%)      | 0%        |

### Fundamentals

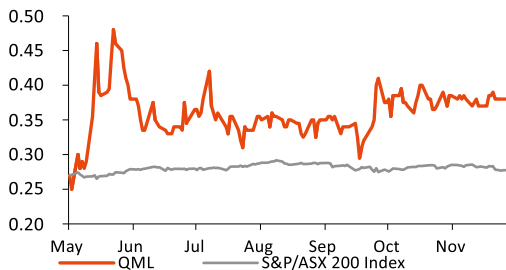
| YE 30 Jun (AUD) | FY21A | FY22E | FY23E | FY24E |
|-----------------|-------|-------|-------|-------|
| Sales (\$m)     | 0     | 0     | 0     | 0     |
| NPAT (\$m)      | (2)   | (2)   | (2)   | (2)   |
| EPS (cps)       | (2.9) | (1.7) | (1.6) | (1.3) |
| EPS Growth (%)  | n/a   | 39.7% | 10.0% | 17.2% |
| DPS (cps) (AUD) | 0.0   | 0.0   | 0.0   | 0.0   |
| Franking (%)    | 0%    | 0%    | 0%    | 0%    |

### Ratios

| YE 30 Jun        | FY21A  | FY22E  | FY23E  | FY24E  |
|------------------|--------|--------|--------|--------|
| P/E (x)          | (13.1) | (22.0) | (24.5) | (29.6) |
| EV/EBITDA (x)    | (26.7) | (21.2) | (20.7) | (21.2) |
| Div Yield (%)    | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| Payout Ratio (%) | 0.0%   | 0.0%   | 0.0%   | 0.0%   |

### Price Performance

| YE 30 Jun     | 1 Mth  | 2 Mth  | 3 Mth  | 1 Yr  |
|---------------|--------|--------|--------|-------|
| Relative (%)  | (1.0%) | (8.3%) | 20.5%  | n/a   |
| Absolute (%)  | (2.6%) | (7.3%) | 16.9%  | n/a   |
| Benchmark (%) | (1.6%) | 1.0%   | (3.6%) | 10.1% |



### Major Shareholders

|                |       |
|----------------|-------|
| Andrew Sparke  | 33.6% |
| James Andeson  | 12.6% |
| Daniel Lanskey | 7.4%  |
| Elissa Hansen  | 2.1%  |

### Andrew Hines | Head of Research

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### Event

Qmines has announced a resource upgrade at the Mt Chalmers Copper Project in Queensland. The resource has increased 38% from 73kt (Cu-equiv) to 101kt. Importantly, the resource is now 78% measured and indicated whereas previously it was 100% inferred. The grade has slightly reduced from 1.87% CuEq to 1.7% CuEq with the cut-off grade reducing from 0.75% to 0.5%. We increase our price target from 72cps to 74cps.

### Highlights

- QMiner 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.
- The Mount Chalmers resource has increased 38% to 5.8Mt @ 1.04% Cu and 0.63 g/t Au, from 3.9Mt @ 1.15% Cu and 0.81g/t Au. The contained copper equivalent resource has increased from 73kt to 101kt.
- QMiner is well on its way to proving up its target of 200kt of copper equivalent resource and today's upgrade is a step on that journey. The company expects to make a further upgrade in 1H22 and another towards the end of 2022. A number of the recent drill intercepts have not yet been incorporated into the Mineral Resource Estimate.
- Importantly, the quality and confidence in the resource has improved significantly, with 78% of the Resource now in the Measured and Indicated category, whereas previously the resource was 100% inferred. This will allow Qmines to progress development studies in parallel with the ongoing drilling activities. Qmines may move directly to a Pre-feasibility Study (PFS) in 2022.
- QMiner is exploring for additional mineralisation near the existing Mount Chalmers open pit, particularly along strike and down-dip of the existing resource. The company has advanced exploration targets at Woods Shaft, Botos and Mt Warminster. Qmines will be drilling these exploration targets in coming months and these provide further scope to increase the size of the resource.
- Mt Chalmers is a Volcanic Hosted Massive Sulphide (VHMS) deposit. These deposits are typically characterised by multiple deposits within a cluster. QMiner technical team believe there is strong potential of finding further VHMS mineralisation around the existing mine site.
- The exploration program has three main components; increasing the size of the existing Mount Chalmers main resource, drilling near mine exploration targets, and discovering additional VHMS deposits in the region.
- QMiner has reworked and digitised historical soil sampling in the region and has identified four strong exploration leads at Striker, and at three locations to the west of Mount Chalmers (T1, T2 and T3).

### Recommendation

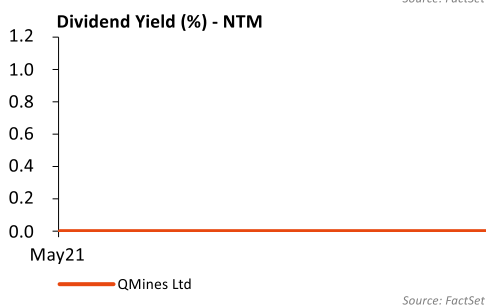
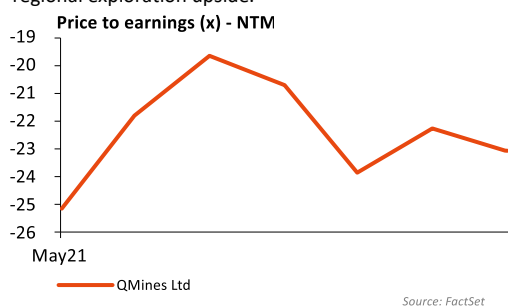
We maintain our Buy recommendation and increase our price target to 74cps (from 72cps). Our price target is set based on an EV/resource multiple benchmarked against a range of copper exploration peers. We assume Qmines successfully increases the resource to 130kt of contained copper (up from 120kt previously) and we use a A\$558/t multiple which is in-line with the peer average (down from A\$589/t).

**QMiner Ltd**  
**Materials**  
**Materials**  
**FactSet: QML-AU / Bloomberg: QML AU**

| Key Items              | Data  |
|------------------------|-------|
| Recommendation         | BUY   |
| Risk                   | HIGH  |
| Price (\$ps)           | 0.38  |
| Target Price (\$ps)    | 0.74  |
| 52 Week Range (\$ps)   | -     |
| Shares on Issue (m)    | 111   |
| Market Cap (\$m)       | 42    |
| Enterprise Value (\$m) | 42    |
| TSR (%)                | 93.8% |

**Company Description**

QMiner Minerals is a copper exploration company, which is focussed on the Mount Chalmers project in Queensland. Muont Chalmers is a previously mined copper project with regional exploration upside.



**Financial Year End: 30 June**

| Investment Summary (AUD)             | FY20A      | FY21A        | FY22E        | FY23E        | FY24E        |
|--------------------------------------|------------|--------------|--------------|--------------|--------------|
| EPS (Reported) (cps)                 | n/a        | (2.9)        | (1.7)        | (1.6)        | (1.3)        |
| EPS (Underlying) (cps)               | n/a        | (2.9)        | (1.7)        | (1.6)        | (1.3)        |
| EPS (Underlying) Growth (%)          | n/a        | n/a          | 39.7%        | 10.0%        | 17.2%        |
| PE (Underlying) (x)                  | n/a        | (13.1)       | (22.0)       | (24.5)       | (29.6)       |
| EV / EBIT (x)                        | nm         | (26.7)       | (21.2)       | (20.7)       | (21.2)       |
| EV / EBITDA (x)                      | nm         | (26.7)       | (21.2)       | (20.7)       | (21.2)       |
| DPS (cps) (AUD)                      | 0.0        | 0.0          | 0.0          | 0.0          | 0.0          |
| Dividend Yield (%)                   | n/a        | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
| Franking (%)                         | 0%         | 0%           | 0%           | 0%           | 0%           |
| Payout Ratio (%)                     | n/a        | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
| Profit and Loss (AUD) (m)            | FY20A      | FY21A        | FY22E        | FY23E        | FY24E        |
| Sales                                | 0          | 0            | 0            | 0            | 0            |
| Other Operating Income               | 0          | 0            | 0            | 0            | 0            |
| <b>EBITDA</b>                        | <b>0</b>   | <b>(2)</b>   | <b>(2)</b>   | <b>(2)</b>   | <b>(2)</b>   |
| EBITDA Margin (%)                    | nm         | nm           | nm           | nm           | nm           |
| Depreciation & Amortisation          | 0          | 0            | 0            | 0            | 0            |
| <b>EBIT</b>                          | <b>0.0</b> | <b>(1.6)</b> | <b>(2.0)</b> | <b>(2.0)</b> | <b>(2.0)</b> |
| EBIT Margin (%)                      | nm         | nm           | nm           | nm           | nm           |
| Net Interest                         | 0          | 0            | 0            | 0            | 0            |
| Pretax Profit                        | 0          | (2)          | (2)          | (2)          | (2)          |
| Tax                                  | 0          | 0            | 0            | 0            | 0            |
| Tax Rate (%)                         | nm         | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
| <b>NPAT Underlying</b>               | <b>0</b>   | <b>(2)</b>   | <b>(2)</b>   | <b>(2)</b>   | <b>(2)</b>   |
| Significant Items                    | 0          | 0            | 0            | 0            | 0            |
| <b>NPAT Reported</b>                 | <b>0</b>   | <b>(2)</b>   | <b>(2)</b>   | <b>(2)</b>   | <b>(2)</b>   |
| Cashflow (AUD) (m)                   | FY20A      | FY21A        | FY22E        | FY23E        | FY24E        |
| EBIT                                 | 0          | (2)          | (2)          | (2)          | (2)          |
| Payments to Suppliers                | 0          | (3)          | (2)          | (2)          | (2)          |
| Receipts from Customers              | 0          | 0            | 0            | 0            | 0            |
| Tax Paid                             | 0          | 0            | 0            | 0            | 0            |
| Change in Working Capital            | 0          | 0            | (0)          | 0            | 0            |
| Depreciation & Amortisation          | 0          | 0            | 0            | 0            | 0            |
| Other                                | 0          | 0            | 0            | 0            | 0            |
| <b>Operating Cashflow</b>            | <b>0</b>   | <b>(3)</b>   | <b>(2)</b>   | <b>(2)</b>   | <b>(2)</b>   |
| Capex                                | 0          | (1)          | 0            | 0            | 0            |
| Acquisitions and Investments         | 0          | 0            | 0            | 0            | 0            |
| Disposal of Fixed Assets/Investments | 0          | 0            | 0            | 0            | 0            |
| Other                                | 0          | 0            | 0            | 0            | 0            |
| <b>Investing Cashflow</b>            | <b>0</b>   | <b>(1)</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>     |
| Equity Raised / Bought Back          | 0          | 13           | 0            | 10           | 0            |
| Dividends Paid                       | 0          | 0            | 0            | 0            | 0            |
| Change in Debt                       | 0          | 0            | 0            | 0            | 0            |
| Other                                | 0          | 0            | 0            | 0            | 0            |
| <b>Financing Cashflow</b>            | <b>0</b>   | <b>13</b>    | <b>0</b>     | <b>10</b>    | <b>0</b>     |
| Exchange Rate Effect                 | 0          | 0            | 0            | 0            | 0            |
| <b>Net Change in Cash</b>            | <b>0</b>   | <b>9</b>     | <b>(2)</b>   | <b>8</b>     | <b>(2)</b>   |
| Balance Sheet (AUD) (m)              | FY20A      | FY21A        | FY22E        | FY23E        | FY24E        |
| Cash                                 | 0          | 9            | 7            | 15           | 13           |
| Accounts Receivable                  | 0          | 0            | 0            | 0            | 0            |
| Inventory                            | 0          | 0            | 0            | 0            | 0            |
| Other Current Assets                 | 0          | 0            | 0            | 0            | 0            |
| PPE                                  | 0          | 5            | 5            | 5            | 5            |
| <b>Total Assets</b>                  | <b>0</b>   | <b>14</b>    | <b>12</b>    | <b>20</b>    | <b>18</b>    |
| Accounts Payable                     | 0          | 0            | 0            | 0            | 0            |
| Short Term Debt                      | 0          | 0            | 0            | 0            | 0            |
| Long Term Debt                       | 0          | 0            | 0            | 0            | 0            |
| <b>Total Liabilities</b>             | <b>0</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     |
| Ratios                               | FY20A      | FY21A        | FY22E        | FY23E        | FY24E        |
| ROE (%)                              | n/a        | (22.6%)      | (14.6%)      | (12.2%)      | (9.6%)       |
| Gearing (%)                          | nm         | (181.0%)     | (127.5%)     | (277.9%)     | (243.2%)     |
| Net Debt / EBITDA (x)                | nm         | 5.7          | 3.4          | 7.2          | 6.5          |

### QMiner

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

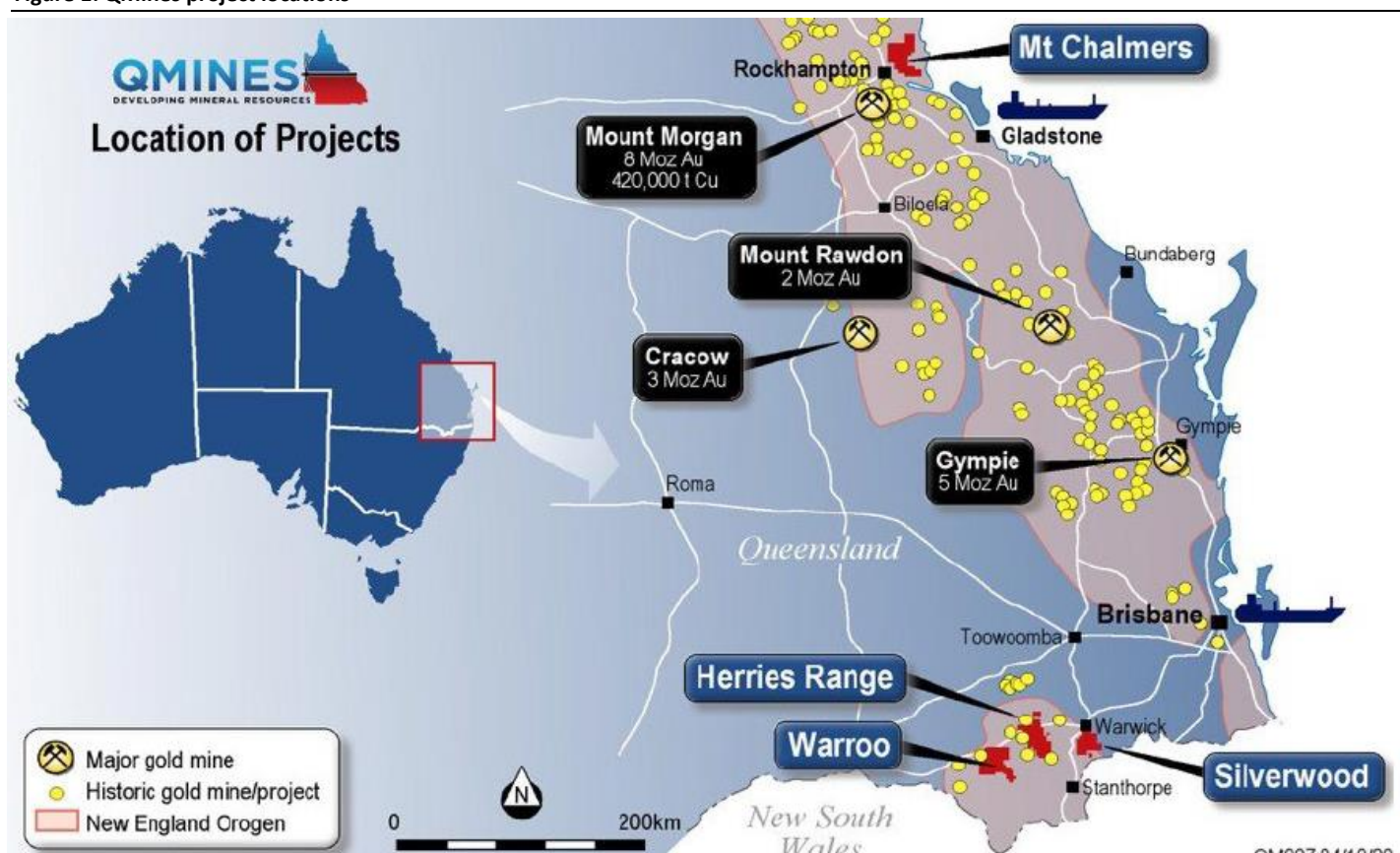
QMiner holds a 100% interest in the Mount Chalmers project. Mount Chalmers is located approximately 17km north-east of Rockhampton in Queensland. It is a historic copper/gold mine that operated sporadically between 1898 and 1982. Historical production totalled 1.24Mt @2.0% Cu, 3.6g/t Au and 19g/t Ag. 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.

Mt Chalmers is a Volcanic Hosted Massive Sulphide (VHMS) deposit. These deposits are typically characterised by multiple deposits within a cluster. QMiner technical team believe there is strong potential of finding further VHMS mineralisation around the existing mine site.

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.

Figure 1: QMiner project locations



Source: QMiner presentation

### Resource upgrade

Qmines has announced a resource upgrade at the Mt Chalmers Copper Project in Queensland. The resource has increased 38% from 73kt (Cu-equiv) to 101kt. Importantly, the resource is now 78% measured and indicated whereas previously it was 100% inferred. The grade has slightly reduced from 1.87% CuEq to 1.7% CuEq with the cut-off grade reducing from 0.75% to 0.5%. We increase our price target from 72cps to 74cps.

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Importantly, the quality and confidence in the resource has improved significantly, with 78% of the Resource now in the Measured and Indicated category, whereas previously the resource was 100% inferred. This will allow Qmines to progress development studies in parallel with the ongoing drilling activities. Qmines may move directly to a Pre-feasibility Study (PFS) in 2022.

Figure 2: Mount Chalmers resource statement

| Resource Category | Cut-Off Cu % | TONNES Metric    | Cu %        | Au g/t      | Zn %        | Ag g/t      | Pb %        | Cu t          | Au Oz         | Zn t         | Ag Oz          | Pb t         |
|-------------------|--------------|------------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|--------------|----------------|--------------|
| Measured          | 0.30         | 2,934,000        | 0.98        | 0.78        | 0.22        | 5.12        | 0.08        | 29,500        | 73,000        | 6,700        | 483,000        | 2,500        |
| <b>Measured</b>   | <b>0.50</b>  | <b>2,088,000</b> | <b>1.22</b> | <b>0.98</b> | <b>0.22</b> | <b>5.58</b> | <b>0.08</b> | <b>26,000</b> | <b>66,000</b> | <b>4,700</b> | <b>375,000</b> | <b>1,700</b> |
| Measured          | 0.70         | 1,546,000        | 1.44        | 1.17        | 0.22        | 5.87        | 0.08        | 23,000        | 58,000        | 3,500        | 292,000        | 1,700        |
| Indicated         | 0.30         | 3,908,000        | 0.76        | 0.41        | 0.25        | 5.61        | 0.11        | 30,500        | 52,000        | 10,100       | 705,000        | 4,300        |
| <b>Indicated</b>  | <b>0.50</b>  | <b>2,492,500</b> | <b>0.98</b> | <b>0.50</b> | <b>0.25</b> | <b>5.69</b> | <b>0.10</b> | <b>25,000</b> | <b>40,000</b> | <b>6,300</b> | <b>456,000</b> | <b>2,600</b> |
| Indicated         | 0.70         | 1,628,500        | 1.18        | 0.60        | 0.26        | 5.98        | 0.11        | 20,000        | 31,000        | 4,300        | 313,000        | 1,800        |
| Inferred          | 0.30         | 2,121,000        | 0.66        | 0.19        | 0.09        | 3.33        | 0.04        | 14,000        | 13,000        | 2,000        | 227,000        | 800          |
| <b>Inferred</b>   | <b>0.50</b>  | <b>1,264,500</b> | <b>0.85</b> | <b>0.24</b> | <b>0.08</b> | <b>3.42</b> | <b>0.03</b> | <b>11,000</b> | <b>10,000</b> | <b>1,000</b> | <b>139,000</b> | <b>400</b>   |
| Inferred          | 0.70         | 697,000          | 1.06        | 0.19        | 0.05        | 3.29        | 0.02        | 7,500         | 4,000         | 400          | 74,000         | 200          |

Source: QMines ASX Release Oct 6<sup>th</sup> 2021

Figure 3: Mount Chalmers copper equivalent resource

| Resource Category | Cut-Off Cu (%) | TONNE Metric     | Cu (%)      | Au g/t      | Zn (%)      | Ag g/t      | Pb (%)      | Cu Eq (%)   | Cu Eq t        |
|-------------------|----------------|------------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Total             | 0.30           | 8,963,000        | 0.81        | 0.48        | 0.21        | 4.91        | 0.08        | 1.36        | 123,000        |
| <b>Total</b>      | <b>0.50</b>    | <b>5,845,000</b> | <b>1.04</b> | <b>0.62</b> | <b>0.20</b> | <b>5.16</b> | <b>0.08</b> | <b>1.70</b> | <b>101,000</b> |
| Total             | 0.70           | 3,871,500        | 1.26        | 0.75        | 0.21        | 5.46        | 0.08        | 2.04        | 80,000         |

Source: QMines ASX Release Oct 6<sup>th</sup> 2021

### Valuation and Copper comparables

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 \$459/t, which is a 22% discount to the peer comparables.

We have set our price target and valuation of QMines at A\$0.74ps, which is based on the company successfully increasing its resource to 130kt in the current exploration program and trading at A\$558/t in-line with its peer average.

Our price target has increased from 72cps to 74cps with our 'target' resource increasing from 120kt to 130kt but offset by a decline in the peer average comparable multiple from A\$589/t to A\$558/t.

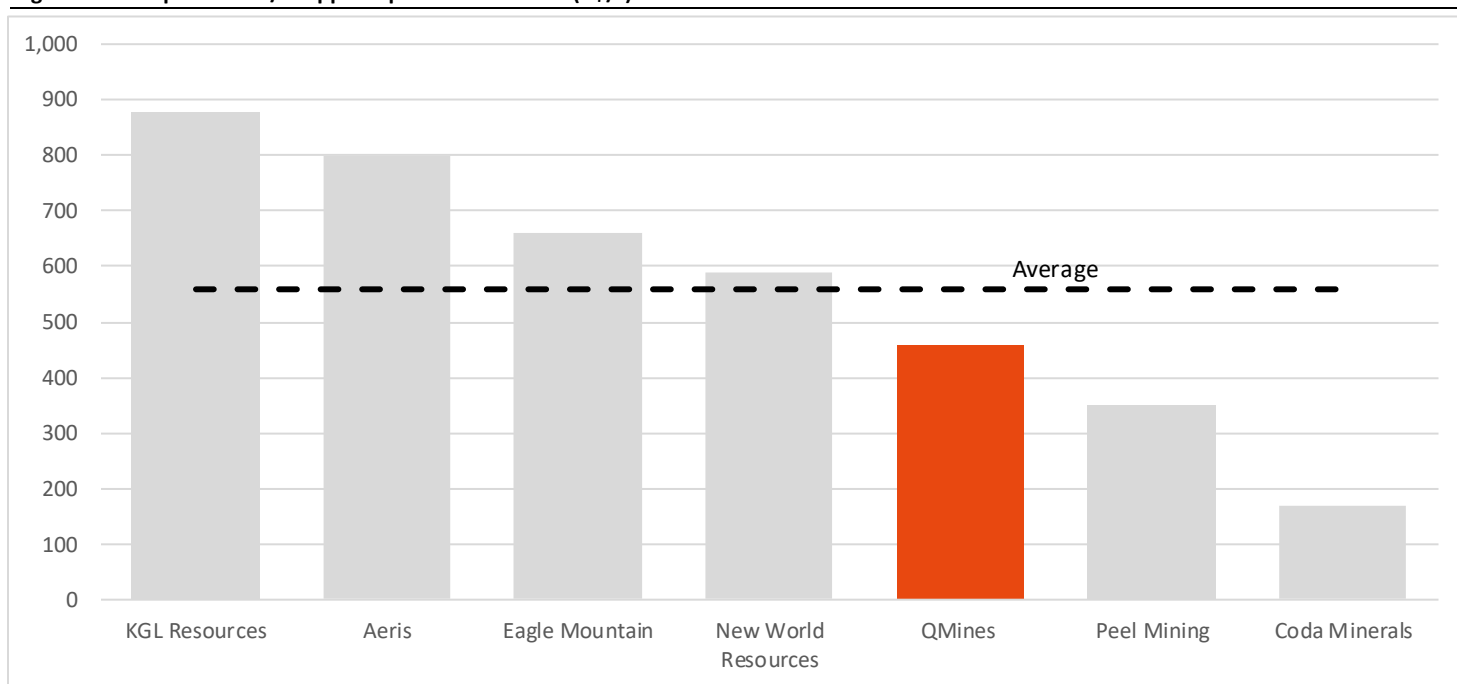
We have not built a financial model of a potential development at Mount Chalmers. Following further exploration success, the company is likely to move to scoping and pre-feasibility studies in late 2022.

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

| Copper Developers / Explorers | ASX Code | Cu Equiv Resource (kt) | Mkt Cap A\$m | Cash A\$m | EV/t Resource |
|-------------------------------|----------|------------------------|--------------|-----------|---------------|
| KGL Resources                 | KGL      | 222                    | 220          | 25        | 877           |
| Aeris                         | AIS      | 302                    | 348          | 106       | 801           |
| Eagle Mountain                | EM2      | 184                    | 131          | 9         | 662           |
| New World Resources           | NWC      | 160                    | 117          | 23        | 590           |
| QMines                        | QML      | 73                     | 42           | 9         | 456           |
| Peel Mining                   | PEX      | 222                    | 94           | 17        | 349           |
| Coda Minerals                 | COD      | 280                    | 70           | 22        | 170           |
| <b>Average</b>                |          | <b>206</b>             | <b>146</b>   |           | <b>558</b>    |

Source: Factset, Shaw and Partners analysis

**Figure 10: Comparable EV/t copper equivalent resource (A\$/t).**



Source: Factset, Shaw and Partners analysis

### Key risks

- Qmines is predominantly an exploration company and therefore carries significant exploration risk. There is no guarantee that future exploration results will be positive.
- The Mount Chalmers Copper Project is not yet producing and there is a risk that QMines is unable to bring the operation in to production. The project may cost more than expected to build and may not operate as expected.
- Smaller companies carry more significant 'key personnel' risk than larger organisations. If senior management depart the company then it could delay projects or exacerbate operational risks.
- The copper price is currently trading well above cost curve support and there are risks that if demand for copper does not meet expectations then the copper price could revert to historical averages.

### Core drivers and catalyst

- Mount Chalmers currently has an inferred resource of 3.9Mt @ 1.15% CU, 0.81g/t Au and 8.4g/t Ag for 71kt of contained copper equivalent. QMines has an objective of increasing the resource to around 200kt of copper equivalent over the next two years through a 30,000m drilling program.
- Mt Chalmers is a Volcanic Hosted Massive Sulphide (VHMS) deposit. These deposits are typically characterised by multiple deposits within a cluster. QMines technical team believe there is strong potential of finding further VHMS mineralisation around the existing mine site.
- The company is expected to regularly release drilling results over coming months and is expected to release an updated Mount Chalmers resource in late 2021.
- Once the resource has increased to a reasonable size (150-200kt) we expect the company to move to scoping and pre-feasibility studies in late 2022 and into 2023.

## Rating Classification

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

## Risk Rating

|               |                                                                                               |
|---------------|-----------------------------------------------------------------------------------------------|
| <b>High</b>   | Higher risk than the overall market – investors should be aware this stock may be speculative |
| <b>Medium</b> | Risk broadly in line with the overall market                                                  |
| <b>Low</b>    | 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    | 87    | 83%                     |
| Hold   | 17    | 16%                     |
| Sell   | 1     | 1%                      |

### History of Investment Rating and Target Price - QMines Ltd





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