

QMiner Ltd (QML)

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

Drilling activity at Mt Chalmers ramping up. Early metallurgy results look positive

Key Information

Current Price (\$ps)	0.28
12m Target Price (\$ps)	0.74
Target Price Upside (%)	163.1%
TSR (%)	163.1%
Reporting Currency	AUD
Market Cap (\$m)	32
Sector	Materials
Avg Daily Volume (m)	0.1
ASX 200 Weight (%)	0%

Fundamentals

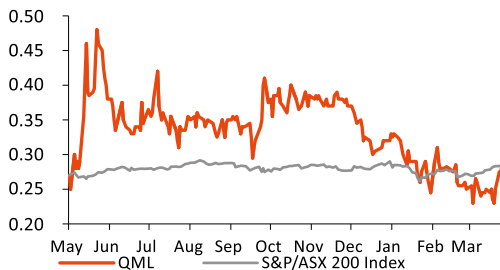
YE 30 Jun (AUD)	FY21A	FY22E	FY23E	FY24E
Sales (\$m)	0	0	0	0
NPAT (\$m)	(2)	(2)	(2)	(2)
EPS (cps)	(2.9)	(1.7)	(1.6)	(1.3)
EPS Growth (%)	n/a	39.7%	10.0%	17.2%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 30 Jun	FY21A	FY22E	FY23E	FY24E
P/E (x)	(13.1)	(16.2)	(18.0)	(21.8)
EV/EBITDA (x)	(20.1)	(15.9)	(15.6)	(15.9)
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 (%)	5.9%	(3.2%)	(10.2%)	n/a
Absolute (%)	11.8%	3.6%	(10.9%)	n/a
Benchmark (%)	5.9%	6.8%	(0.7%)	10.8%



Price performance indexed to 100

Source: FactSet

Major Shareholders

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

Andrew Hines | Head of Research

+61 3 9268 1178

andrew.hines@shawandpartners.com.au

Michael Clark | Analyst

+61 3 9268 1148

michael.clark@shawandpartners.com.au

Kristian Stella | Analyst

+61 3 9268 1097

kristian.stella@shawandpartners.com.au

Event

QMiner has released the results of some early metallurgical test work at its Mount Chalmers copper/gold project in Queensland. The results are very encouraging, but not unexpected given the historical production from this asset. Drilling activities are ramping up, and assay results from 11 diamond drill holes are pending. Another resource update is expected in 2Q22.

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 increased in late 2021 by 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 resources increased from 73kt to 101kt. We expect another resource upgrade in 2Q22.
- Importantly, the quality and confidence in the resource improved significantly with the last upgrade. 78% of the Resource is 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.
- Drilling recommenced in February 2022 with an eight hole 1,000m diamond drill program being completed. This adds to three diamond drill holes that were completed in Dec-21. Assay results from all 11 holes are pending.
- A 10,000m RC drilling program has now commenced. This program will continue to focus on infill drilling at Mt Chalmers and will also target the Woods Shaft exploration target with the objective of converting the exploration target into Resource.
- QMiner has also released the results from initial metallurgical testwork on the stringer and massive sulphide mineralisation at Mt Chalmers.
- A composite of stringer mineralisation with a head-grade of 1.22% Cu, 0.2% Pb, 0.02% Zn and 1.05g/t Au was subjected to two preliminary open circuit flotation tests. Sequential flotation was successful in producing a copper rougher concentrate. Copper recovery was 97.1%. The lead and zinc grade in this composite were low and therefore a copper only circuit flowsheet can be considered for this mineralisation type.
- A composite of massive sulphide (copper, lead and zinc exhalite) with a head-grade of 1.28% Cu, 1.42% Pb, 3.51% Zn and 4.31g/t Au was subjected to ten preliminary open circuit flotation tests. Sequential flotation was successful in producing rougher concentrates of copper/lead and zinc. Recoveries of 88.8% copper, 76.6% lead and 83.6% zinc are very encouraging for these initial tests.
- 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.

Recommendation

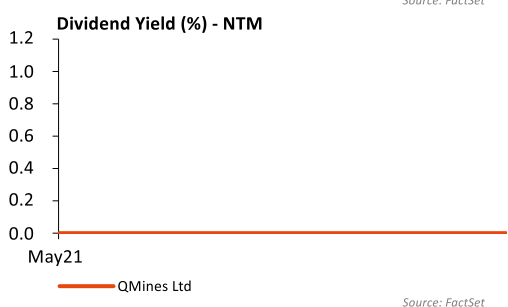
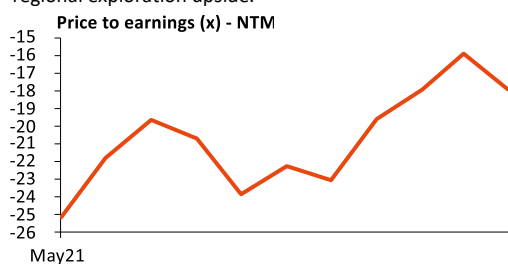
We maintain our Buy recommendation and price target of 74cps. Our price target is set based on an EV/resource multiple benchmarked against a range of copper exploration peers. We assume QMiner successfully increases the resource to 130kt of contained copper and we use a A\$558/t multiple which is in-line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

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

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.28
Target Price (\$ps)	0.74
52 Week Range (\$ps)	-
Shares on Issue (m)	114
Market Cap (\$m)	32
Enterprise Value (\$m)	32
TSR (%)	163.1%

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)	(16.2)	(18.0)	(21.8)
EV / EBIT (x)	nm	(20.1)	(15.9)	(15.6)	(15.9)
EV / EBITDA (x)	nm	(20.1)	(15.9)	(15.6)	(15.9)
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
EBITDA	0	(2)	(2)	(2)	(2)
EBITDA Margin (%)	nm	nm	nm	nm	nm
Depreciation & Amortisation	0	0	0	0	0
EBIT	0.0	(1.6)	(2.0)	(2.0)	(2.0)
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%
NPAT Underlying	0	(2)	(2)	(2)	(2)
Significant Items	0	0	0	0	0
NPAT Reported	0	(2)	(2)	(2)	(2)
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
Operating Cashflow	0	(3)	(2)	(2)	(2)
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
Investing Cashflow	0	(1)	0	0	0
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
Financing Cashflow	0	13	0	10	0
Exchange Rate Effect	0	0	0	0	0
Net Change in Cash	0	9	(2)	8	(2)
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
Total Assets	0	14	12	20	18
Accounts Payable	0	0	0	0	0
Short Term Debt	0	0	0	0	0
Long Term Debt	0	0	0	0	0
Total Liabilities	0	0	0	0	0
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

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 a Resource of 5.8Mt @ 1.04% Cu and 0.63 g/t Au for 101kt 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 2Q22.
- 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

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

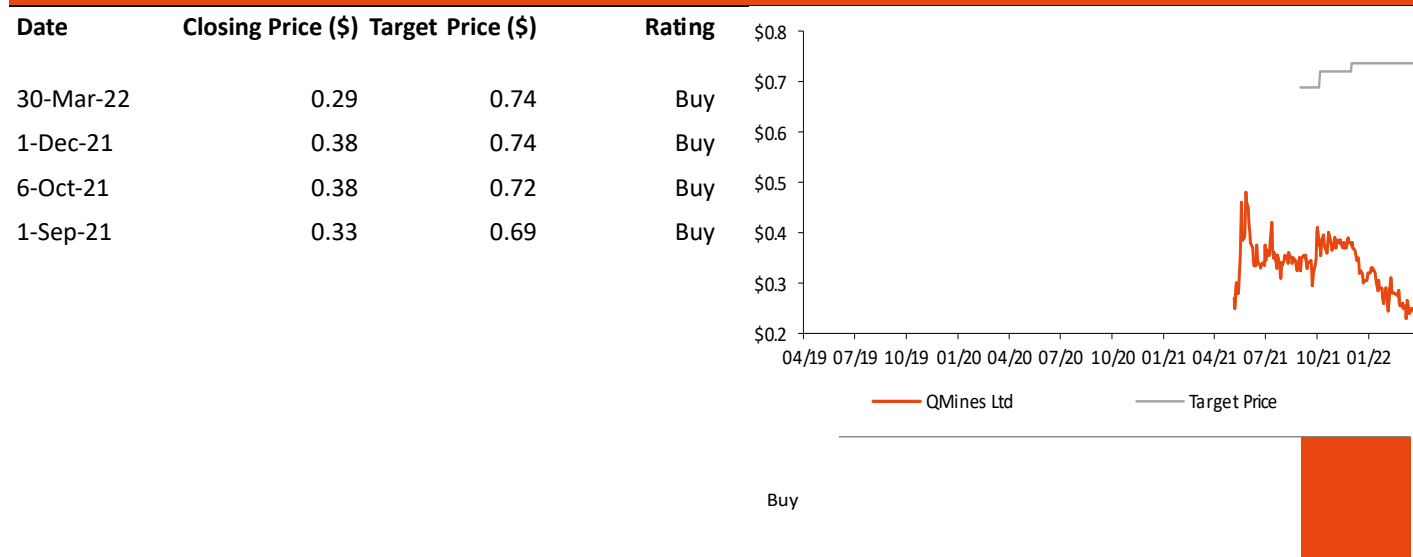
High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

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	100	85%
Hold	16	14%
Sell	2	2%

History of Investment Rating and Target Price - QMines Ltd



Disclaimer

Shaw and Partners Limited ABN 24 003 221 583 (“Shaw”) is a Participant of ASX Limited, Cboe Australia Pty Limited and holder of Australian Financial Services Licence number 236048.

ANALYST CERTIFICATION: The Research Analyst who prepared this report hereby certifies that the views expressed in this document accurately reflect the analyst's personal views about the Company and its financial products. Neither Shaw nor its Research Analysts received any direct financial or non-financial benefits from the company for the production of this document. However, Shaw Research Analysts may receive assistance from the company in preparing their research which can include attending site visits and/or meetings hosted by the company. In some instances the costs of such site visits or meetings may be met in part or in whole by the company if Shaw considers it is reasonable given the specific circumstances relating to the site visit or meeting. As at the date of this report, the Research Analyst does not hold, either directly or through a controlled entity, securities in the Company that is the subject of this report, or where they do hold securities those interests are not material. Shaw restricts Research Analysts from trading in securities outside of the ASX/S&P100 for which they write research. Other Shaw employees may hold interests in the company, but none of those interests are material.

DISCLAIMER: This report is published by Shaw to its clients by way of general, as opposed to personal, advice. This means it has been prepared for multiple distribution without consideration of your investment objectives, financial situation and needs (“Personal Circumstances”). Accordingly, the advice given is not a recommendation that a particular course of action is suitable for you and the advice is therefore not to be acted on as investment advice. You must assess whether or not the advice is appropriate for your Personal Circumstances before making any investment decisions. You can either make this assessment yourself, or if you require a personal recommendation, you can seek the assistance of your Shaw client adviser. This report is provided to you on the condition that it not be copied, either in whole or in part, distributed to or disclosed to any other person. If you are not the intended recipient, you should destroy the report and advise Shaw that you have done so. This report is published by Shaw in good faith based on the facts known to it at the time of its preparation and does not purport to contain all relevant information with respect to the financial products to which it relates. The research report is current as at the date of publication until it is replaced, updated or withdrawn. Although the report is based on information obtained from sources believed to be reliable, Shaw does not make any representation or warranty that it is accurate, complete or up to date and Shaw accepts no obligation to correct or update the information or opinions in it. If you rely on this report, you do so at your own risk. Any projections are indicative estimates only and may not be realised in the future. Such projections are contingent on matters outside the control of Shaw (including but not limited to market volatility, economic conditions and company-specific fundamentals) and therefore may not be realised in the future. Past performance is not a reliable indicator of future performance. Except to the extent that liability under any law cannot be excluded, Shaw disclaims liability for all loss or damage arising as a result of any opinion, advice, recommendation, representation or information expressly or impliedly published in or in relation to this report notwithstanding any error or omission including negligence.

Depending on the timing and size of your investment, your portfolio composition may differ to the model. Performance figures are derived from the inception date of the model and its investment transactions from that date, therefore the performance for your portfolio may be different. If you have any questions in connection with differences between your portfolio and the model, you should speak with your adviser.

IMPORTANT INFORMATION TO CONSIDER: It is important that before making a decision to invest in a Shaw Managed Accounts, a managed fund, an exchange traded fund, an individual hybrid security or listed debt instrument that you read the relevant Product Disclosure Statement (“PDS”). The PDS will contain information relevant to the specific product, including the returns, features, benefits and risks. The PDS can be found at: www.shawandpartners.com.au/media/1348/shawmanagedaccounts_pds.pdf.

RISKS ASSOCIATED WITH HYBRID SECURITIES: Hybrid securities and listed debt instruments differ from investments in equities and cash products in a number of important respects. The liquidity risk associated with an investment in hybrid securities and listed debt instruments will generally be greater than that associated with equities. The credit risk associated with hybrid securities and listed debt instruments is higher than that of a cash product or term deposit. Some hybrid securities may be perpetual in nature, meaning that they can only be redeemed or exchanged for cash or equity at the issuer's option. Hybrids may also contain terms which automatically trigger the deferral of an interest payment or cause the issuer to repay the hybrid earlier or later than anticipated. ASIC has published information to assist consumers in understanding the risks and benefits associated with an investment in hybrid securities or listed debt instruments. This information can be found under the heading ‘Complex Investments’ at www.moneysmart.gov.au/investing.

DISCLOSURE: Shaw will charge commission in relation to client transactions in financial products and Shaw client advisers will receive a share of that commission. Shaw, its authorised representatives, its associates and their respective officers and employees may have earned previously or may in the future earn fees and commission from dealing in the Company's financial products. Shaw acted for the company in a corporate capacity within the past 12 months for which it received a fee.

Sydney Head Office	Melbourne	Brisbane	Adelaide	Canberra	Perth	Noosa
Level 7, Chifley Tower	Level 36	Level 28	Level 23	Level 7	Level 20	Suite 11a Q Place
2 Chifley Square	120 Collins Street	111 Eagle Street	91 King William Street	54 Marcus Clarke Street	108 St Georges Terrace	2 Quamby Place
Sydney NSW 2000	Melbourne VIC 3000	Brisbane QLD 4000	Adelaide SA 5000	Canberra ACT 2600	Perth WA 6000	Noosa Heads QLD 4567
Telephone: +61 2 9238 1238	Telephone: +61 3 9268 1000	Telephone: +61 7 3036 2500	Telephone: +61 8 7109 6000	Telephone: +61 2 6113 5300	Telephone: +61 8 9263 5200	Telephone: +61 7 3036 2570
Toll Free: 1800 636 625	Toll Free: 1800 150 009	Toll Free: 1800 463 972	Toll Free: 1800 636 625	Toll Free: 1800 636 625	Toll Free: 1800 198 003	Toll Free: 1800 271 201