Dalton Equities Investment Note
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QMines Ltd

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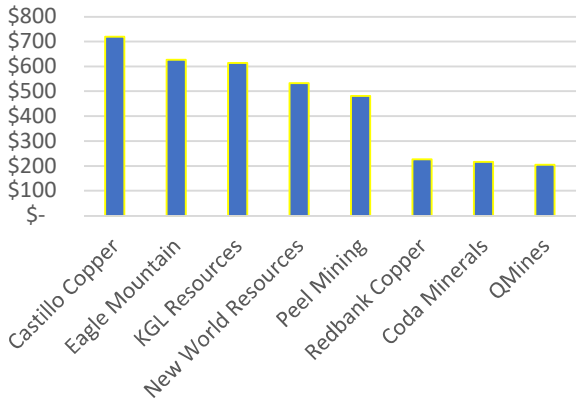
Company Data

ASX Code	QML.ASX
Share Price (A$/sh)	0.24
Number of shares (m)	113.64
Market Capitalisation (A$m)	27.27
12-month high / low (A$/sh)	0.665 / 0.23
GICS Industry Group	Diversified Metals & Mining

Share Price Performance (LTM)

Copper Explorers EV/CuEq Tonnes



Significant Drill Result Intersections[1]

10.8m @ 2.08% Cu, 2.97g/t Au and 55g/t Ag from 54.2m.

60.8m @ 2.59g/t Au, 0.74% Cu, 11.1g/t Ag, 1.81% Zn and 0.71% Pb from 6.2m

38.05m @ 1.55% Cu, 1.05g/t Au and 3g/t Ag from 132.6m.

Including bonanza grades of **13.4% Cu, 6.11/t Au** and **31g/t Ag**

A growing VHMS copper Resource on the pathway to development

QMines Ltd (QML.ASX, market cap A$27M) is a Queensland focused copper-gold explorer with 100% ownership of the historic Mt Chalmers Project. Having delivered two Resource upgrades since acquiring the Project in December 2020, and with an additional Resource upgrade planned for 1H22, QMines are rapidly expanding their flagship copper-gold asset towards their medium-term target of establishing a 200kt CuEq Resource and commencing work on a PFS. This Resource expansion is to be driven by an accelerated 2022 drilling program targeting several new exploration targets and soil anomalies, in conjunction with the major Mt Chalmers deposit. In turn, this will enable quick progression towards mine development and production, allowing management to leverage their development track-record displayed at Alt Resources to maximise shareholder value. Despite this, QMines is one of the cheapest copper explorers on the market on an EV/CuEq/t basis, valued at $215/t compared to an explorer peer group average of $454/t.

The flagship Mt Chalmers Project

QMines primary asset is the 100% owned Mt Chalmers Project, which historically produced 1.24Mt @ 2.0% Cu, 3.6g/t Au and 19g/t Ag up to 1982.

A 200kt copper equivalent target

Since acquiring the project in December 2020 QMines has delivered two Resource Upgrades, culminating in 5.8Mt @ 1.7% CuEq. for 101,000t CuEq. A third Resource Upgrade is expected in 1H22, which will significantly contribute to management's medium-term goal of establishing a 200kt CuEq Resource.

A quick path to mine development

Once this 200kt CuEq Resource is defined, QMines intend to quickly progress to a feasibility study. Management has already taken strides towards this end, having upgraded the Resource to 78% Measured and Indicated. Preliminary metallurgical studies have returned better than expected recovery rates. QMines have determined that a PFS is one of their medium-term objectives.

Accelerating exploration and the resource growth strategy

Recently, QMines purchased a drill rig for $1.6M, enabling the company to significantly accelerate their drilling program in 2022 from 6,000m. As well as accelerating drilling at the Mt Chalmers deposit, QMines intend to explore three nearby exploration targets at Woods Shaft, Botos and Mount Warminster. Several soil anomalies have been identified at these locations which exhibit very similar geology to the Mt Chalmers deposit.

The benefits of a VHMS deposit

The Mt Chalmers deposit and its surrounding tenements comprise a VHMS system, one of the highest valuable deposit types in terms of Resources per Tonne. Geologically, VHMS Deposits are known to cluster, with a series of

[1] Outstanding High-Grade Copper & Gold Results, QMines 19th May 2021

individual deposits often found in very close distance to each other. Naturally, this means VHMS systems have substantially larger exploration targets and greater potential for larger, widespread mineralisation. This adds to management's confidence in identifying nearby mineralisation locations with similar geology to Mt Chalmers.

Management track record - Alt Resources

Considering management's track record in quickly progressing from exploration to development, and the infrastructure benefits of the Mt Chalmers Project, QMines are well-positioned to unlock significant shareholder value.

Management previously operated the ASX-listed Alt Resources which within 24 months acquired a historic Gold Mine, provided 6 Resource Upgrades, established a Maiden Ore Reserve and published a PFS. Soon after, Alt was acquired at a 170% premium to the last traded market price. While not necessarily targeting an eventual sale, management intend to again develop QMines at a similarly rapid rate and certainly have the track record to do so.

An infrastructure-rich region

Of significant benefit to QMines is the location of the Mt Chalmers Project, less than 30km from Rockhampton. This allows management to leverage existing infrastructure networks, subsequently providing low capex and opex advantages and potentially facilitating a faster path to production.

A market leading ESG strategy

By embracing an ESG strategy, QMines provide a point of differentiation to other explorers, as they are the only ASX-listed certified carbon neutral copper-gold explorer.

QMines is one of just three ASX-listed companies to be certified as carbon neutral under the Federal Government's Climate Active program. This has been enabled through the use of renewable energy generation, a renewable fuel blend and through rain and wastewater facilities onsite. QMines plans to ramp up these initiatives and commitments as they intend to become Australia's first zero carbon copper-gold developer.

One of the cheapest copper explorers on the market

Considering the scale of QMines' copper Resource, the rate at which it has been upgraded, the commendable development track record of management and the comparable valuation of QMines' peers, we believe QMines to be significantly undervalued as it appears to be one of the cheapest copper explorers on the market. On an EV/CuEq/t basis, QMines trades at $215/t, compared to an average of $454/t for seven peers that have published a Mineral Resource Estimate and that have an EV below $150M.

As QMines progresses towards their 200kt mid-term target, and subsequently begin to crystallise their development plans, we expect a sustained re-rate in the share price.

Throughout 2022 we believe there to be significant opportunity for QMines to re-rate in line with its peer group, primarily driven by their progression towards their mid-term target of 200kt of contained copper eq., and their subsequent advancement to mine development. Given that a third Resource Upgrade is on the way this half and drilling and exploration through 2022 is expected to be accelerated by the purchase of a drill rig and the identification of several new exploration targets, QMines potentially are in prime position to progress towards development and thus leverage their development expertise quicker than expected. This will be fundamental to maximising shareholder value and therefore presents a potential catalyst for a substantial share price re-rate.

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Contact with QMines Ltd. has been made during the preparation of this report for assistance with verification of facts.

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