

QMiners Ltd (QML)

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

More high-grade copper at Mount Chalmers

Key Information

Current Price (\$ps)	0.20
12m Target Price (\$ps)	0.74
52 Week Range (\$ps)	0.20 - 0.42
Target Price Upside (%)	277.7%
TSR (%)	277.7%
Reporting Currency	AUD
Market Cap (\$m)	22
Sector	Materials
Avg Daily Volume (m)	0.1
ASX 200 Weight (%)	0%

Fundamentals

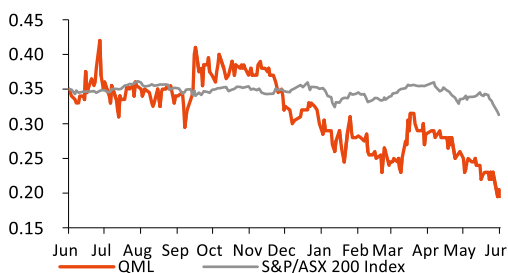
YE 30 Jun (AUD)	FY21A	FY22E	FY23E	FY24E
Sales (\$m)	0	0	0	0
NPAT (\$m)	(2)	(2)	(2)	(2)
EPS (cps)	(2.9)	(1.7)	(1.6)	(1.3)
EPS Growth (%)	n/a	39.7%	10.0%	17.2%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 30 Jun	FY21A	FY22E	FY23E	FY24E
P/E (x)	(13.1)	(11.3)	(12.6)	(15.2)
EV/EBITDA (x)	(14.0)	(11.1)	(10.8)	(11.1)
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 (%)	(15.1%)	(19.3%)	(12.4%)	(33.7%)
Absolute (%)	(22.0%)	(31.6%)	(20.4%)	(44.3%)
Benchmark (%)	(6.9%)	(12.3%)	(8.0%)	(10.6%)



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%

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Event

QMiners has released additional drilling results at its Mount Chalmers Copper Project in Queensland. The latest results include shallow, thick and high-grade copper-gold intercepts - intersections of up to 5.1% CuEq. The company is only ~10% through its current 30,000m drill programme. Further step out drilling is continuing where the deposit remains open in a number of directions.

Highlights

- QMiners holds a 100% interest in the Mount Chalmers Copper 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 resource increased from 73kt to 101kt. QML is guiding to an additional resource upgrade in CY-2022.
- 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 Qminers to progress development studies in parallel with the ongoing drilling activities. Qminers may move directly to a Pre-feasibility Study (PFS) in 2022.
- The current drill program comprises a 30,000m through Jun/Sep22q from 50 RC holes designed to identify new mineralisation and provide a greater understanding of geological controls. 3,177m of the programme has been completed.
- The 9 RC drill holes reported today represent 1,632m and assays are pending on a further 8 holes (1,015m). High-grade drill results with significant intersections reported today include;
 - 69m @ 2.0% CuEq from 137 metres; including
 - 16m @ 5.1% CuEq from 137 metres; and
 - 4m @ 3.9% CuEq from 163 metres.
 - 14m @ 3.0% CuEq from 64 metres;
 - 15m @ 2.1% CuEq from 25 metres;
 - 40m @ 1.2% CuEq from 76 metres; including
 - 9m @ 4.1% CuEq from 107 metres.
- Mt Chalmers is a Volcanic Hosted Massive Sulphide (VHMS) deposit. These deposits are typically characterised by multiple deposits within a cluster. QMiners technical team believe there is strong potential of finding further VHMS mineralisation around the existing mine site.

Recommendation

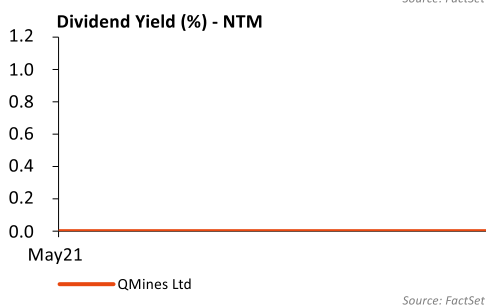
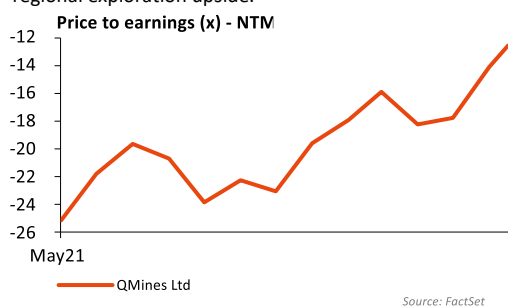
We maintain our Buy recommendation and price target of 74cps. Our price target is set based on an EV/resource multiple benchmarked against a range of copper exploration peers. We assume QMiners successfully increases the resource to 130kt of contained copper and we use a ~A\$560/t multiple.

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

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.20
Target Price (\$ps)	0.74
52 Week Range (\$ps)	0.20 - 0.42
Shares on Issue (m)	114
Market Cap (\$m)	22
Enterprise Value (\$m)	22
TSR (%)	277.7%

Company Description

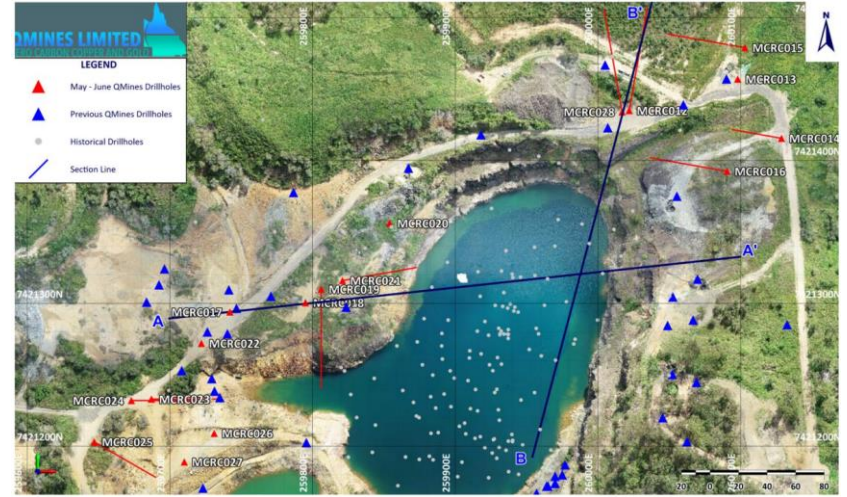
QMiner Minerals is a copper exploration company, which is focussed on the Mount Chalmers project in Queensland. Muont Chalmers is a previously mined copper project with regional exploration upside.



Financial Year End: 30 June

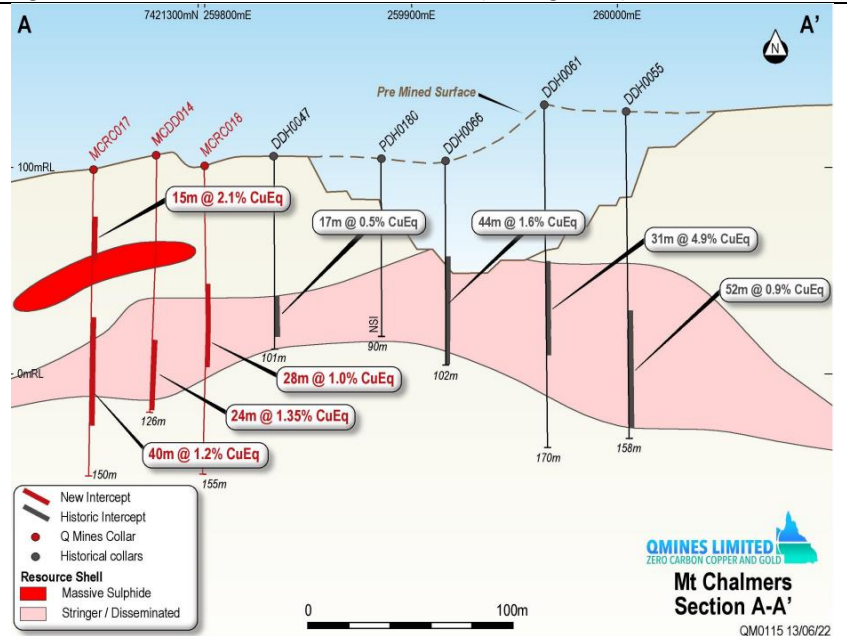
Investment Summary (AUD)	FY20A	FY21A	FY22E	FY23E	FY24E
EPS (Reported) (cps)	n/a	(2.9)	(1.7)	(1.6)	(1.3)
EPS (Underlying) (cps)	n/a	(2.9)	(1.7)	(1.6)	(1.3)
EPS (Underlying) Growth (%)	n/a	n/a	39.7%	10.0%	17.2%
PE (Underlying) (x)	n/a	(13.1)	(11.3)	(12.6)	(15.2)
EV / EBIT (x)	nm	(14.0)	(11.1)	(10.8)	(11.1)
EV / EBITDA (x)	nm	(14.0)	(11.1)	(10.8)	(11.1)
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

Figure 1: May-June 2022 RC drill hole collar locations and Sections AA' and BB'.



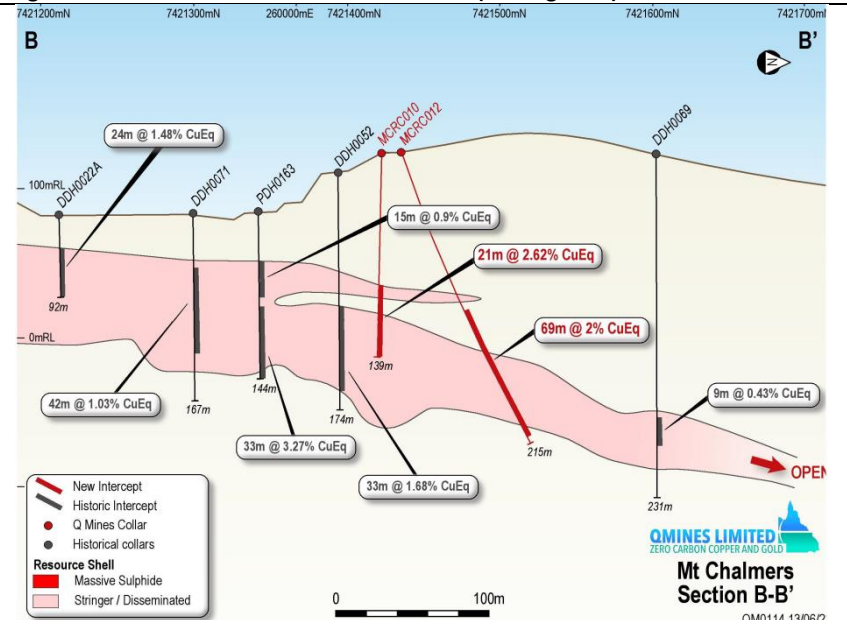
Source: Company ASX release 16 June 2022

Figure 2: Section AA' mineralised intersections (looking north)



Source: Company ASX release 16 June 2022

Figure 3: Section BB' mineralised intersections (looking west)



Source: Company ASX release 16 June 2022

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

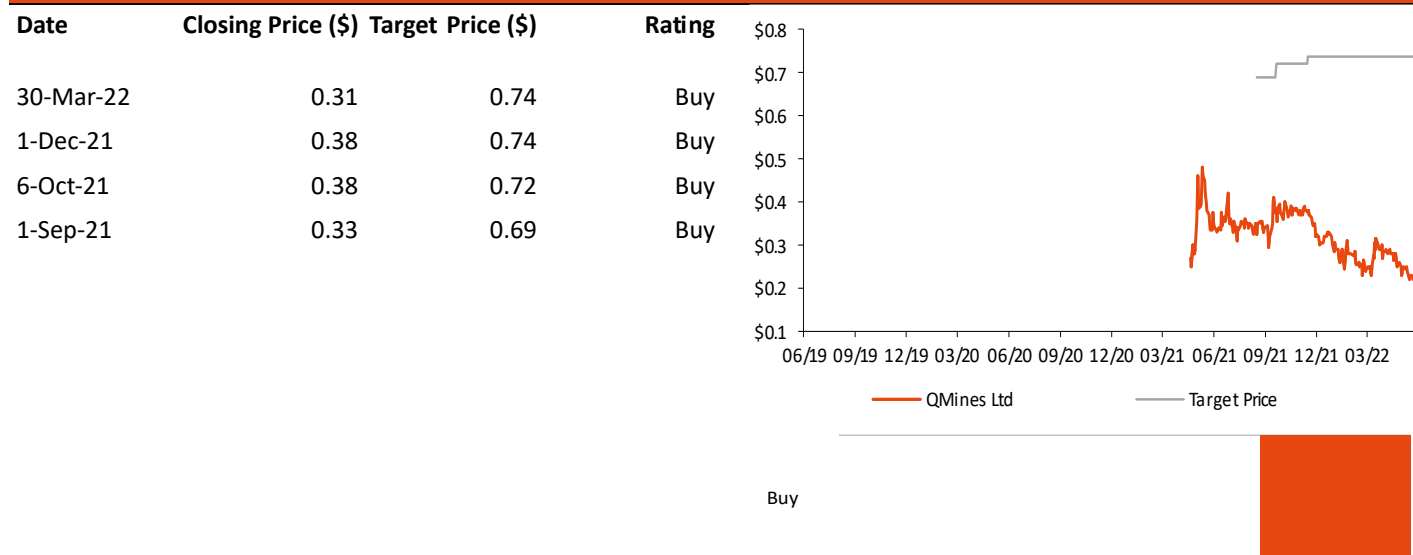
High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

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	101	86%
Hold	14	12%
Sell	2	2%

History of Investment Rating and Target Price - QMines Ltd



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Shaw acted in a corporate capacity for QML securities across the last 12 months for which it received fees or will receive fees for acting in this capacity. Accordingly, Shaw may have a conflict of interest which investors should consider before making an investment decision.

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