

QMiner Ltd (QML)

Rating: Buy | Risk: High | Price Target: \$0.41

Resource upgrade at Mt Chalmers up 44% to 145kt of contained copper equivalent

Key Information

Current Price (\$ps)	0.23
12m Target Price (\$ps)	0.41
52 Week Range (\$ps)	0.13 - 0.39
Target Price Upside (%)	80.0%
TSR (%)	80.0%
Reporting Currency	AUD
Market Cap (\$m)	32
Sector	Materials
Avg Daily Volume (m)	0.6
ASX 200 Weight (%)	0%

Fundamentals

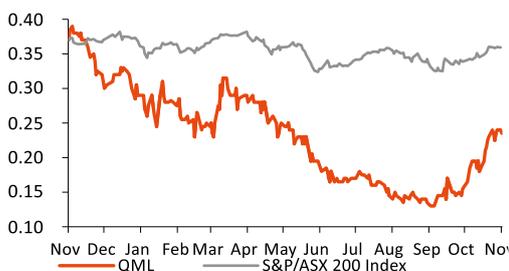
YE 20 Jun (AUD)	FY22A	FY23E	FY24E	FY25E
Sales (\$m)	0	0	0	0
NPAT (\$m)	(3)	(3)	(2)	(2)
EPS (cps)	(2.8)	(2.5)	(1.3)	(1.4)
EPS Growth (%)	1.4%	12.2%	47.1%	(3.3%)
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 20 Jun	FY22A	FY23E	FY24E	FY25E
P/E (x)	(6.9)	(9.3)	(17.6)	(17.0)
EV/EBITDA (x)	(10.0)	(9.8)	(15.8)	(15.4)
Div Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%

Price Performance

YE 20 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	44.7%	67.5%	66.6%	(33.6%)
Absolute (%)	51.6%	74.1%	67.9%	(36.5%)
Benchmark (%)	6.9%	6.6%	1.3%	(2.9%)



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%

Event

QMiner has released a resource upgrade at its Mt Chalmers Copper project in Queensland. The Mineral Resource is up 104% to 11.86Mt @ 1.22% copper equivalent. Contained metal has increased 44% to 144,700t @ 1.22% copper equivalent. Approximately half the upgrade is due to additional drilling and around half is due to a lower cut-off grade of 0.3% Cu (from 0.5% Cu). It is notable that 88% of the Resource is now in the Measured and Indicated category. QMiner has also released a maiden resource at the Woods Shaft deposit.

Highlights

- QMiner 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.
- QMiner is embarking on an active exploration program on Mt Chalmers and the surrounding region and has completed 15,323m of drilling in 2022. QMiner purchased the asset in early 2021 with a resource of 71kt copper equivalent and have doubled the resource over the past 18 months.
- Today's Resource upgrade increases the Mount Chalmers Resource by 104% to 11.3Mt @ 0.76% Cu and 0.42 g/t Au for 144,700t of copper equivalent contained metal. We note that part of the increase is due to a reduction in cut-off grade from 0.5% Cu to 0.3% Cu. If the lower cut-off grade had been applied at the time of the last Resource statement, the Resource would have been revised up from 101kt to 123kt copper equivalent.
- QMiner has also declared a maiden resource at Wood Shaft of 540kt @ 0.5% CU and 0.95g/t Au. This is a little smaller than the initial 1.0-1.5Mt exploration target but Woods Shaft remains open and is expected to grow.
- Importantly, the quality and confidence in the resource has improved significantly with the latest upgrade. 88% of the Resource is now in the Measured and Indicated category. This is allowing Qmines to progress development studies in parallel with the ongoing drilling activities. Qmines may release a Pre-feasibility Study (PFS) in 1H23.
- Mount 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 reduce our price target to 41cps (from 74cps). Our price target is set based on an EV/resource multiple benchmarked against a range of copper exploration peers. In this update we have incorporated the 2022 EV/t multiple compression for ASX listed Cu explorers and developers. We assume QMiner successfully increases the resource to 200kt of contained copper and we use a ~A\$214/t multiple (down from A\$554/t last year).

Andrew Hines | Head of Research

+61 3 9268 1178

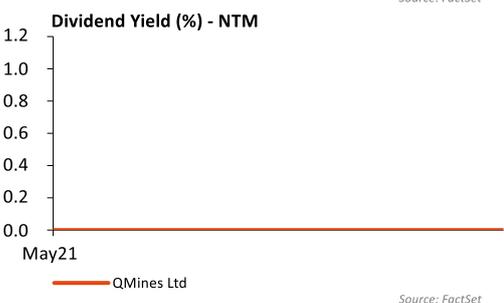
andrew.hines@shawandpartners.com.au

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

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.23
Target Price (\$ps)	0.41
52 Week Range (\$ps)	0.13 - 0.39
Shares on Issue (m)	137
Market Cap (\$m)	32
Enterprise Value (\$m)	32
TSR (%)	80.0%

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: 20 June

Investment Summary (AUD)	FY21A	FY22A	FY23E	FY24E	FY25E
EPS (Reported) (cps)	(2.9)	(2.8)	(2.5)	(1.3)	(1.4)
EPS (Underlying) (cps)	(2.9)	(2.8)	(2.5)	(1.3)	(1.4)
EPS (Underlying) Growth (%)	n/a	1.4%	12.2%	47.1%	(3.3%)
PE (Underlying) (x)	(13.1)	(6.9)	(9.3)	(17.6)	(17.0)
EV / EBIT (x)	(19.9)	(10.0)	(9.8)	(15.8)	(15.4)
EV / EBITDA (x)	(19.9)	(10.0)	(9.8)	(15.8)	(15.4)
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Profit and Loss (AUD) (m)	FY21A	FY22A	FY23E	FY24E	FY25E
Sales	0	0	0	0	0
Other Operating Income	0	0	0	0	0
EBITDA	(2)	(3)	(3)	(2)	(2)
EBITDA Margin (%)	nm	nm	nm	nm	nm
Depreciation & Amortisation	0	0	0	0	0
EBIT	(1.6)	(3.2)	(3.2)	(2.0)	(2.0)
EBIT Margin (%)	nm	nm	nm	nm	nm
Net Interest	0	0	0	0	0
Pretax Profit	(2)	(3)	(3)	(2)	(2)
Tax	0	0	0	0	0
Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%
NPAT Underlying	(2)	(3)	(3)	(2)	(2)
Significant Items	0	0	0	0	0
NPAT Reported	(2)	(3)	(3)	(2)	(2)
Cashflow (AUD) (m)	FY21A	FY22A	FY23E	FY24E	FY25E
EBIT	(2)	(3)	(3)	(2)	(2)
Payments to Suppliers	(3)	(5)	(3)	(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	(3)	(5)	(4)	(2)	(2)
Capex	(1)	(3)	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	(1)	(3)	0	0	0
Equity Raised / Bought Back	13	0	10	0	0
Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0
Other	0	0	0	0	0
Financing Cashflow	13	0	10	0	0
Exchange Rate Effect	0	0	0	0	0
Net Change in Cash	9	(8)	6	(2)	(2)
Balance Sheet (AUD) (m)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash	9	1	8	6	4
Accounts Receivable	0	0	0	0	0
Inventory	0	0	0	0	0
Other Current Assets	0	0	0	0	0
PPE	5	12	12	12	12
Total Assets	14	13	19	17	15
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	FY21A	FY22A	FY23E	FY24E	FY25E
ROE (%)	(22.6%)	(23.9%)	(20.4%)	(10.6%)	(12.2%)
Gearing (%)	(181.0%)	(9.1%)	(64.6%)	(48.0%)	(31.0%)
Net Debt / EBITDA (x)	5.7	0.3	2.3	2.8	1.8

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

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Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	114	88%
Hold	15	12%
Sell	0	0%

History of Investment Rating and Target Price - QMines Ltd



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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