



# Resources Stocks Down Under

🗨️ *A fighter never knows when it is the last bell.* 🗨️

- Sugar Ray Leonard (b. 1957), Former professional boxer

**QMINES**

Plenty to look forward to

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Stocks Down Under rating: ★★☆☆

ASX: QML  
Market cap: A\$12.5M

52-week range: A\$0.12 / A\$0.41  
Share price: A\$0.145

There are resources companies that look for minerals where there haven't been discoveries before or nearby adjacent discoveries. Then there are companies, like QMines (ASX: QML), that try to give an existing discovery a new phase of life. And sometimes, they can discover further mineralisation that earlier project owners never noticed. One recent example was Bellevue Gold (ASX: BGL) and QMines is proving to be another. But investors haven't given QMines the same recognition – yet.

## Share price chart



Source: Tradingview

## Mining Mt Chalmers again

QMines has 100% ownership of four copper-gold projects in Queensland. The key project is the high-grade historic Mt Chalmers gold mine, which lies 17km northeast of Rockhampton. Mt Chalmers was mined sporadically between 1898 and 1982 producing 1.24m tonnes at 2% copper, 3.6g/t gold and 19g/t silver. But no production had occurred there since 1982 (having closed due to low commodity prices at the time) and it had laid dormant since 1995.

The project lies in the same region as Aeris Resources' Cracow gold mine that has produced 1.4m ounces of gold since 2004, the historic Mt Morgan mine that produced over 8m ounces of gold and 400,000 tonnes of copper, and Evolution Mining's (ASX: EVN) Mt Rawdon mine, which has produced nearly 2m ounces of gold since 2001.

QMines hopes to bring back the glory days at Mt Chalmers. At the time of listing, the JORC Resource was 3.9m tonnes at 1.15% copper, 0.81g/t gold and 8.4g/t silver, but this has been updated to a resource of 5.8mt at 1.7% for 101,000 tonnes of copper. 78% of this is measured and indicated. Another upgrade is expected before this year's end and drilling results ever since have suggested there could be further mineralisation.

## **Solid investment angles**

The company timed its listing in mid-May 2021 perfectly with copper prices hitting US\$10,420/tonne, more than double its March 2020 low. Copper prices grew as the economy recovered from the COVID-19 shutdown in the previous year and in anticipation of the future need for copper, both for industrial production generally and for the green revolution, that wouldn't be met by existing reserves. Wood Mackenzie thinks an extra 19m tonnes of annual production (a 60% increase) would be needed to limit global warming to 2 degrees Celsius. QMines was also liked because there were few other ways to access copper other than through big miners, such as Oz Minerals (ASX: OZL) and Sandfire (ASX: SFR).

Copper has been perceived as a more ESG-friendly mineral because it is important to electric vehicles. QMines is one of only a handful of ASX companies (and 0.01% of Australian companies generally) to be certified carbon neutral. It has an agreement for the long-term supply of renewable fuel that will lead to a 20% reduction in scope 1 diesel emissions from drilling and exploration activities. The company's near-term goal is to achieve an initial 60% renewable energy usage as part of its commitment to net zero emissions by 2030.

ESG aside, its operations were also appealing from a cost perspective being close to infrastructure, possessing RC rigs and support trucks that did not require mobilisation, along with five rural properties that would mean no staff accommodation costs and lower development costs in the future. And the company has been aggressively drilling since listing.

## **Can investors see the end game?**

Now for the stuff that investor presentations try to minimise, but are just as important to shareholder value. As impressive as the drill results and upgraded JORC resource are, the latter still fell short of the 120,000 tonnes that broker Shaw & Partners had predicted, which equated to 72c a share. The bull run in copper prices has been halted by China's COVID-zero policy because of how big a copper consumer China is. And QMines is still some way from having restored Mt Chalmers back to its glory days. It does not even have either a scoping or Pre-Feasibility Study (PFS), but aims to have both within the next 12 months.

Still, returning Mt Chalmers to production might not be the end game here. We wouldn't be surprised to see the company taken over or sell off Mt Chalmers to another developer. The company is chaired by Andrew Sparke and managed by James Anderson who have done this all before with Alt Resources (ASX: ARS), which achieved a takeover in 24 months of acquiring its flagship project. Alt Resources was achieved at a 170% premium to the market price and came after six resources upgrades and a PFS. And Alt's project was also a historic mine that had been closed for over two decades.

## **There are things to look forward to**

QMines is hoping to upgrade the resource to 150,000-200,000 tonnes. But even at the current resource, the company is still undervalued, in our view. Using Shaw's price target of 72c, it should be ~61c at the current resource. We think even if China's COVID-zero policy is here to stay, copper demand from the Green Revolution will help copper prices in the medium term.

And although the company's upgraded resource may appear overly optimistic, looking at the current JORC resource, investors can be more confident considering the drilling results the company has achieved this year. The track record of the company's management and the ESG element to its operations are lucrative bonuses as well. Four stars from us.

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