

# Ausmex Mining Limited (ASX:AMG)

23 December 2019

## Near term production and two exciting projects

Ausmex Mining (ASX:AMG) is an Australian-based mineral exploration company with exposure to projects in two world class Australian mineral provinces. The Cloncurry Project (incorporating the Mt Freda-Golden Mile Complex) in the Mt Isa Inlier in Queensland is surrounded by producing and historical Tier-1 mines including Ernest Henry, Rocklands, and Mt Elliot. The Burra Project in South Australia is at the southern end of the G2 Structural Corridor which hosts the globally significant Tier-1 mines, Prominent Hill, Olympic Dam and Carapetena.

### Cloncurry Project – gold revenue in late 2020

The key holding in the Cloncurry suite of tenements is the Mt-Freda-Golden Mile Complex which includes historical mines, known copper, gold and cobalt prospects within exploration licences, granted mining leases, and mining lease applications. AMG recently announced a gold Exploration target for Cloncurry of 0.9Moz-2.7Moz (~1.7Moz mid-point); ongoing resource definition drilling and assaying is targeting a Maiden Resource estimate in 2020. AMG is aiming for gold production via third party toll treatment in 2020 (most likely to be Round Oak Minerals, a subsidiary of Washington H. Soul Pattinson (ASX:SOL) - AMG's 20% JV partner in The Golden Mile).

### Cloncurry Project – Canteen IOCG Prospect

A massive 3km x 5km Tier-1 Iron Oxide Copper Gold (IOGC) target - the Canteen Prospect - has been identified underlying tenements controlled by AMG and in adjoining tenements being farmed-in by Newcrest Mining (ASX:NCM) from Exco Resources (unlisted). While NCM has drilled and assayed the prospect on its "side of the fence", the mining giant has, understandably enough, not provided any granularity on progress/findings to date. Defining an IOCG Resource is a long-dated process, but has the potential to add significant value.

### Burra Project – multiple targets in Tier-I address

AMG's Burra Project tenements consist of ~7,400km<sup>2</sup> of ground in South Australia, in the middle of which are multiple historical high-grade copper and gold workings including the Monster Mine or Burra Burra Mine, which in the mid-19<sup>th</sup> century was one of the world's largest malachite mines (3Mt @ 1.7% Cu), producing over 10% of the world's copper. The Project is in a prime geological address - the G2 structural corridor which hosts Tier-1 IOCG deposits Olympic Dam (~300m below surface), Prominent Hill (~200m below surface) and Carrapetena (~500m below surface). Following extensive 18-month geophysical assays, subsequent 200m spaced infill drilling and 2D inversion modelling highlighted three priority conductive drill targets at the Princess Royal Prospect; a 2,000m RC drilling program kicked off here on 17 December 2019. Drilling results could support significant share price action in 2020.

### Valuation and Recommendation: A\$0.11ps, Hold

We value the Cloncurry Gold Exploration Target at A\$20m and attach a deeply-discounted value of A\$15m to the Canteen IOCG Prospect. Including a nominal value of A\$30m for the Burra Project, we forecast AMG's SOTP enterprise value at A\$65m. Adjusted for forecast FY20E net cash of ~A\$4m, we calculate AMG's equity value at A\$69m (equivalent to A\$0.11 per diluted share). While this offers some 75% upside from current share price levels, **our recommendation on AMG at this juncture is a Hold (Higher Risk)**. We would prefer to see progress on the Maiden Resource estimate at Cloncurry, and information on any proposed toll-treatment agreements, before upgrading our recommendation.

Share Price: A\$0.06

Target Price: A\$0.11

Target upside: 75%

Recommendation  
**Hold**

Risk Assessment  
**Higher**

### Resources – Mining

David Brennan, CFA

Senior Investment Analyst

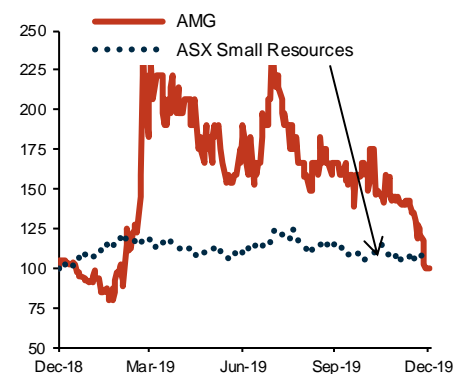
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### Ausmex Mining Limited

ASX Code	AMG
52- week range	A\$0.05-A\$0.17
Market Cap (diluted) (A\$m)	33
Shares (quoted) (m)	527m
Av Daily Turnover (shares)	1.255m
ASX All Ordinaries	6,904
FY20E BV per share (A\$c)	0.01
FY20E EPS (A\$c)	-0.01
FY20E Net Cash/(Debt) (A\$m)	3.7

### Relative price performance



**Ausmex Mining**

Year ending June

Profit & Loss Statement (A\$M)	FY19A	FY20E	FY21E	FY22E	FY23E
Revenue	0.0	2.5	0.5	1.0	0.0
Exploration expenses	(5.1)	(5.0)	(5.0)	(5.0)	(5.0)
Corporate/Admin	(1.2)	(1.2)	(1.2)	(1.2)	(1.3)
Other	(1.4)	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>(7.8)</b>	<b>(3.7)</b>	<b>(5.7)</b>	<b>(5.2)</b>	<b>(6.3)</b>
Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0
<b>Operating profit</b>	<b>(7.8)</b>	<b>(3.7)</b>	<b>(5.7)</b>	<b>(5.2)</b>	<b>(6.3)</b>
NOI	0.0	(0.2)	(0.3)	(0.3)	(0.4)
<b>EBIT</b>	<b>(7.8)</b>	<b>(3.9)</b>	<b>(6.0)</b>	<b>(5.5)</b>	<b>(6.6)</b>
Interest income	0.0	0.1	0.1	0.1	0.1
Interest expense	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Tax expense	0.6	0.0	0.0	0.0	0.0
<b>Reported NPAT</b>	<b>(7.3)</b>	<b>(3.9)</b>	<b>(5.9)</b>	<b>(5.5)</b>	<b>(6.7)</b>
<b>Normalised NPAT</b>	<b>(7.3)</b>	<b>(3.7)</b>	<b>(5.7)</b>	<b>(5.2)</b>	<b>(6.3)</b>

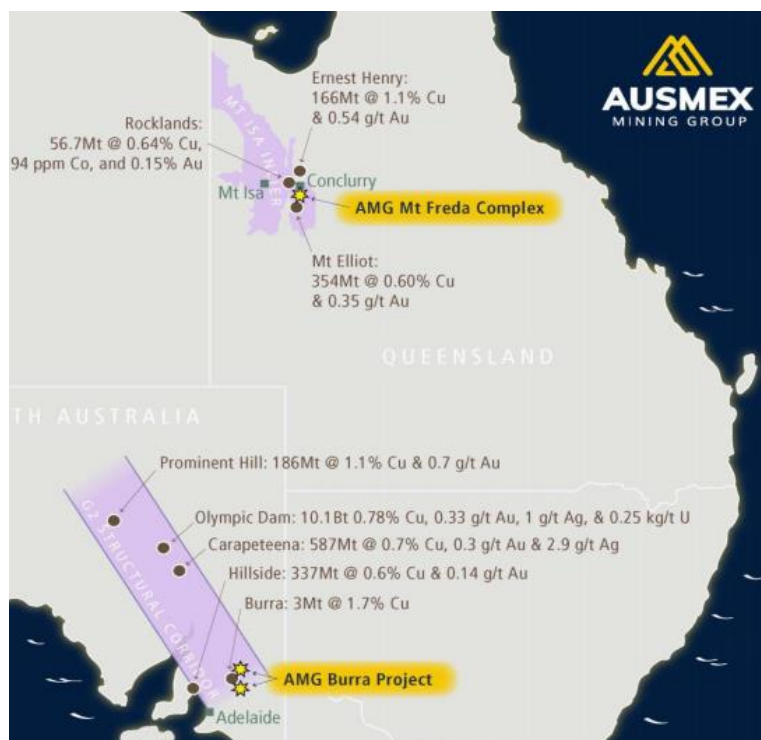
EBITDA Margin (%)	na	na	na	na	na
Operating profit margin (%)	na	na	na	na	na
EPS Reported (A\$)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
<b>EPS Normalised (A\$)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>
EPS growth (%)	nm	nm	nm	nm	nm
DPS - Declared (A\$)	0.00	0.00	0.00	0.00	0.00
Avg. no. of fully-diluted shares (m)	524	606	654	704	767
YE no. of fully-diluted shares (m)	582	629	679	729	804

Cash Flow Statement (A\$M)	FY19A	FY20E	FY21E	FY22E	FY23E
EBITDA	(7.8)	(3.7)	(5.7)	(5.2)	(6.3)
Investment in working capital	(0.3)	(0.2)	(1.1)	0.0	(0.0)
Tax expense	(0.0)	0.0	0.0	0.0	0.0
<b>Operating Cash Flow</b>	<b>(8.1)</b>	<b>(3.9)</b>	<b>(6.8)</b>	<b>(5.2)</b>	<b>(6.3)</b>
Capex	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Other investments	0.0	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>
Net interest received / (paid)	(0.2)	0.0	0.1	0.0	(0.0)
Debt draw down n / (repayment)	0.8	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
<b>Equity raised / (repaid)</b>	<b>8.1</b>	<b>4.0</b>	<b>5.0</b>	<b>5.0</b>	<b>7.5</b>
<b>Financing Cash Flow</b>	<b>8.7</b>	<b>4.0</b>	<b>5.1</b>	<b>5.0</b>	<b>7.5</b>
Non-operating & Other	2.3	(0.2)	(0.3)	(0.3)	(0.4)
<b>Inc/(Dec) in Cash</b>	<b>2.7</b>	<b>(0.3)</b>	<b>(2.2)</b>	<b>(0.7)</b>	<b>0.6</b>

Balance Sheet (A\$M)	FY19A	FY20E	FY21E	FY22E	FY23E
Cash & Equivalents	4.8	4.5	2.3	1.7	2.3
Receivables	0.3	0.3	0.3	0.3	0.3
Inventories	0.0	0.2	0.0	0.1	0.0
Other Current Assets	1.1	1.1	1.1	1.1	1.1
PPE and Exploration & Development	2.0	2.2	2.4	2.6	2.8
Deferred tax asset	0.7	0.7	0.7	0.7	0.7
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>9.0</b>	<b>9.1</b>	<b>6.9</b>	<b>6.5</b>	<b>7.2</b>
Payables and other current Liabilities	1.3	1.3	0.1	0.1	0.0
Short Term Debt	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.8	0.8	0.8	0.8	0.8
Other Non Current Liabilities	1.1	1.1	1.1	1.1	1.1
<b>Total Liabilities</b>	<b>3.2</b>	<b>3.2</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>
<b>Total Equity</b>	<b>5.7</b>	<b>5.9</b>	<b>5.0</b>	<b>4.5</b>	<b>5.3</b>
Net cash / (debt)	4.0	3.7	1.6	0.9	1.5

Substantial Shareholders	%	Date
C4 Shares Pty Ltd	20.8	
Bestvale Resource Consultants	4.9	Sep-19
Mathew Morgan	4.7	

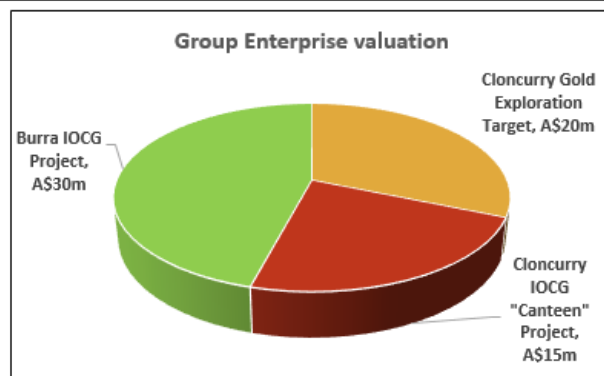
Source: Company, IRESS, State One Stockbroking forecasts

**Project Locations**


Ausmex Mining (ASX:AMG) is an Australian-based mineral exploration company with exposure to projects in two world class Australian mineral provinces. The Cloncurry Project (incorporating the Mt Freda-Golden Mile Complex) is located in the Mt Isa Inlier in Queensland and is surrounded by Tier-1 mines Ernest Henry, Rocklands, and Mt Elliot. The tenements have a gold Exploration target of ~1.7Moz and resource definition is ongoing with the objective of posting a Maiden resource estimate early in 2020. The Burra Project in South Australia is at the southern end of the G2 Structural Corridor which hosts Tier-1 mines Prominent Hill, Olympic Dam and Carapetena.

**SOTP valuation**

	(A\$m)	A\$ps	Comments
Cloncurry Gold Exploration Target	20	0.03	Estimated EP unit value (A\$ g/t Au)
Cloncurry IOCG "Canteen" Project	15	0.02	Risk-adjusted estimate
Burra IOCG Project	30	0.05	Nominal
Enterprise value	65	0.10	
FY20E net cash	3.75	0.01	
<b>Equity value</b>	<b>69</b>	<b>0.11</b>	



Note: Per share date based on 629m diluted shares in FY20E

## Valuation

### Cloncurry Project – Gold Exploration Target

In September 2019, AMG announced a combined gold Exploration Target over the Cloncurry tenements of 19-30Mt at a grade range of 1.7g/t Au to 3.4g/t Au; this implies an Exploration Target gold resource of ~1Moz to ~3.3Moz (100% basis), with a mid-point of 1.73Moz.

Also, in September 2019, AMG announced the divestment for A\$4m of one of the mining leases - the Gilded Rose Project - to Hong Kong-based Jin Resources. Based on the mid-point of the Exploration Target for Gilded Rose (3Mt @ 2.8g Au/t), we calculate that the transaction price implied an effective Exploration Target gold price for Gilded Rose of ~A\$15/oz. We suggest that this price is on the low side, and likely reflected AMG's need to urgently finance the group's simultaneous exploration programs in South Australia (Burra Project) and in Queensland (Cloncurry Project). Note: AMG's cash position at the end of the September 2019 quarter (i.e., pre-receipt of any proceeds from the Gilded Rose sale and prior to a A\$4m capital raise in October 2019) was only A\$778k, with an estimated quarterly cash outflow in the December quarter of A\$750k.

Applying an Exploration Target resource value of A\$20/oz Au for the Mt Freda and Canteen-Evening Star Mining Projects (which have granted Mining Leases) and discounts to other projects (mining lease applications, exploration permits, projects which are conceptual field tested) and taking the mid-point of each prospect's Exploration Target tonnage and grade range, **we calculate the value of AMG's interest in the Cloncurry Project's gold Exploration Target at some A\$20.5m.** See table below.

**Figure 1: Cloncurry Gold Exploration Target - estimated value**

	Project	Location	Tonnage (Mt)	Grade (g Au/t)	Resource (oz Au)	Value (A\$/oz Au)	Project Resource value (A\$m)	BRU equity interest (%)	BRU equity interest (A\$m)
Drill tested	Mt Freda	ML2741/ML2742	4.25	3.00	410,084	20.0	8.20	100%	8.20
	Falcon (ML application)	EPM15923 (Golden Mile)	0.39	3.00	37,953	15.0	0.57	80%	0.46
	Shamrock (ML application)	EPM15923 (Golden Mile)	0.70	3.00	67,130	15.0	1.01	80%	0.81
	Comstock (ML application)	EPM15923 (Golden Mile)	0.58	3.00	55,990	15.0	0.84	80%	0.67
	Little Duke	EPM15923 (Golden Mile)	1.66	2.75	146,545	10.0	1.47	80%	1.17
	Mt Scheelite	EPM14163	0.99	2.00	63,947	10.0	0.64	100%	0.64
	Canteen-Evening Star	ML2742/ML2750	1.86	0.85	50,734	20.0	1.01	100%	1.01
	Carpet - King Brown	EPM14163	2.49	2.00	159,851	10.0	1.60	100%	1.60
Conceptual field tested	Rocket extension (ML app)	EPM15923 (Golden Mile)	0.46	2.75	41,068	15.0	0.62	80%	0.49
	Mt Freda West ext.	EPM14163	4.97	3.00	479,601	8.0	3.84	100%	3.84
	Little Duke ext.	EPM15923 (Golden Mile)	1.49	2.00	95,904	8.0	0.77	80%	0.61
	Tiger	EPM14163	0.25	2.50	20,014	8.0	0.16	100%	0.16
	Golden Hill	EPM14163	0.25	2.50	20,014	8.0	0.16	100%	0.16
	Nugget Hill	EPM14163	0.25	2.50	20,014	8.0	0.16	100%	0.16
	Jiyer	EPM14163	0.25	2.50	20,014	8.0	0.16	100%	0.16
	Adder	EPM14163	0.25	2.50	20,014	8.0	0.16	100%	0.16
	Llomas	EPM14163	0.25	2.50	20,014	8.0	0.16	100%	0.16
	<b>Total</b>			<b>21.34</b>	<b>2.52</b>	<b>1,728,886</b>	<b>12.4</b>	<b>21.5</b>	<b>95%</b>

Source: Company, State One Stockbroking forecasts

Note: Excludes Gilded Rose project sold in September 2019. We attach a 25% discount to our assumed base-case Exploration Target resource value of A\$20/oz Au for projects with mining lease applications, a 50% discount for EPM projects which have been drill tested, and a 60% discount for EPM projects which have not been drill tested.

Note: The potential quantity and grade of an Exploration Target is conceptual in nature and therefore is an approximation. In commentary/disclosure relating to the Exploration Target, AMG state that "there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The Exploration Target has been prepared and reported in accordance with the 2012 edition of the JORC Code".

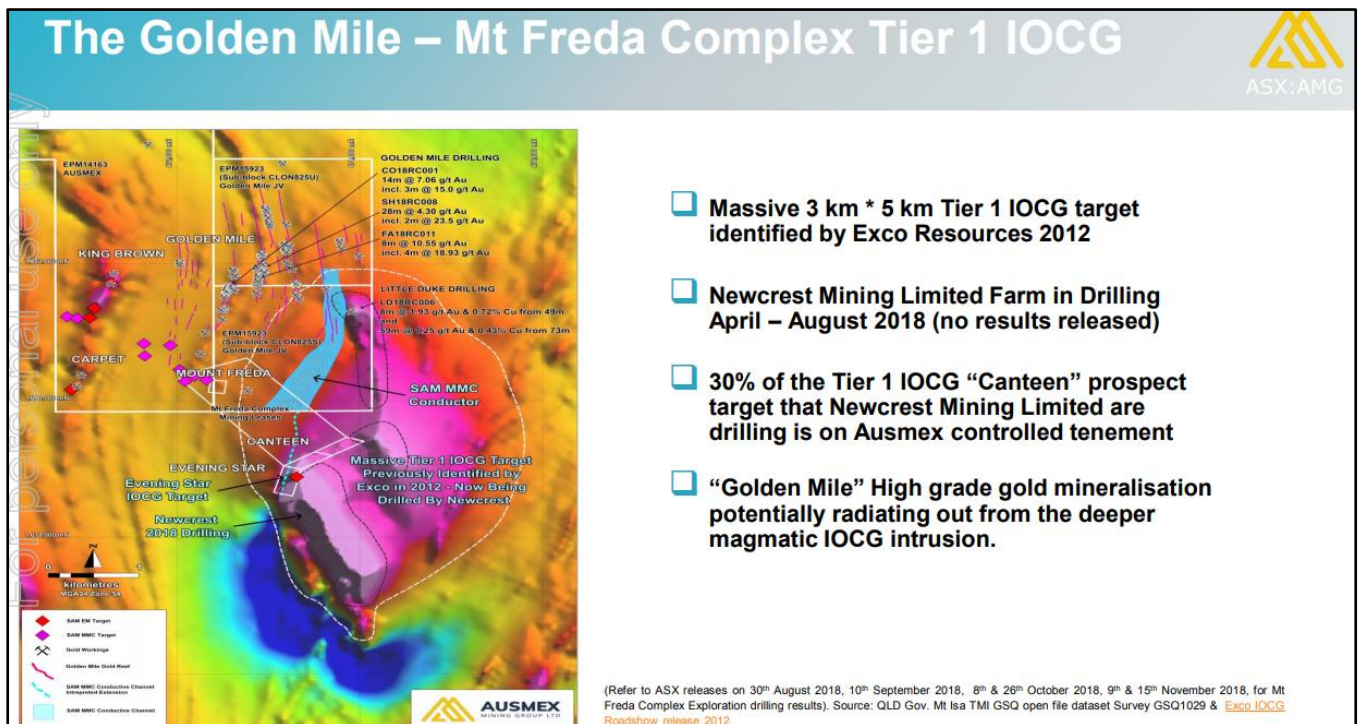


## Cloncurry Project – Canteen IOCG Prospect

A massive 3km x 5km Tier 1 Iron Oxide Copper Gold (IOCG) target - the Canteen Prospect - has been identified underlying tenements controlled by AMG and in adjoining tenements being farmed-in by Newcrest Mining (ASX:NCM) from Exco Resources (unlisted).

While NCM has drilled the Prospect, the mining giant has not disclosed a lot of information; under the heading "Mt Isa Inlier, Queensland" NCM's latest Quarterly Exploration Report (September 2019) states that "In the Mt Isa province, review of the drilling results from the Canteen Prospect, part of a farm-in agreement with Exco Resources, is ongoing". Drilling carried out by AMG at Little Duke and Evening Star has identified IOCG-style mineralization, which has been validated by independent expert Emeritus Professor Ken Collerson.

**Figure 2: Canteen IOCG Prospect**



Source: Company

Estimating a value -for what is still early stages in what is likely to be a long-term exploration and Resource definition exercise - is problematic. However, at an initial estimate, we suggest that an IOCG body with the dimensions suggested above, could be worth anywhere between US\$2bn- US\$4bn.

### Assumptions

- IOCG body with dimensions 3,000m x 5,000m x 100m
- Gold grade: 0.20g Au/t – 0.50g Au/t
- Copper grade: 0.8%Cu – 1.1% Cu
- Gold resource unit value: US\$15/oz i.e., ~1% of current spot gold price
- Copper resource unit value: US\$60/t i.e., ~1% of current spot copper price

See table overleaf.

Attaching a deep risk discount (98.5%) to capture the numerous uncertainties attached to any early-stage IOCG Project, we value AMG's interest in the risk-adjusted Canteen IOCG Prospect at A\$15m.

**Figure 3: Canteen IOCG Prospect - potential resource value**

Strike (m)	3,000	3,000	3,000	3,000
Width (m)	5,000	5,000	5,000	5,000
Thickness (m)	100	100	100	100
Ore body - volume (m <sup>3</sup> )	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
SG (t/m <sup>3</sup> )	2.75	2.75	2.75	2.75
Ore body - tonnage (Mt)	4,125	4,125	4,125	4,125
Grade (g/t Au)	0.20	0.30	0.40	0.50
Grade (% Cu)	0.8%	0.9%	1.0%	1.1%
Resource (oz Au)	26,524,346	39,790,997	53,054,662	66,318,328
Resource (Mt Cu)	33.0	37.1	41.3	45.4
Gold Resource value @ US\$15/oz (US\$m)	398	597	796	995
Copper Resource value @ US\$60/t (US\$m)	1,980	2,228	2,475	2,723
<b>Total Resource value (US\$m) (100%)</b>	<b>2,378</b>	<b>2,824</b>	<b>3,271</b>	<b>3,717</b>
Estimated AMG direct interest (%)	25%	25%	25%	25%
Potential Resource value to AMG (US\$m)	594	706	818	929
Potential Resource value to AMG (A\$m)	849	1,009	1,168	1,328
Risk-discount	98.5%	98.5%	98.5%	98.5%
<b>Risk-adjusted value to AMG (A\$m)</b>	<b>13</b>	<b>15</b>	<b>18</b>	<b>20</b>

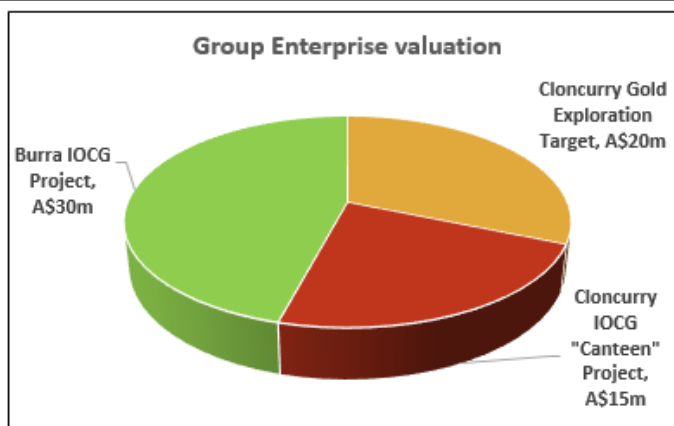
Source: Company, State One Stockbroking forecasts

### Sum-Of-The-Parts (SOTP) valuation

Including a nominal value of A\$30m for the Burra Project (2 x Canteen Prospect risked valuation), we forecast AMG's SOTP enterprise value at A\$65m. Adjusted for forecast FY20E net cash of ~A\$4m, we calculate AMG's equity value at A\$69m (equivalent to A\$0.11 per diluted share).

**Figure 4: AMG: SOTP valuation**

	(A\$m)	A\$ps	Comments
Cloncurry Gold Exploration Target	20	0.03	Estimated EP unit value (A\$ g/t Au)
Cloncurry IOCG "Canteen" Project	15	0.02	Risk-adjusted estimate
Burra IOCG Project	30	0.05	Nominal
Enterprise value	65	0.10	
FY20E net cash	3.75	0.01	
<b>Equity value</b>	<b>69</b>	<b>0.11</b>	



Source: Company, State One Stockbroking forecasts

## Recommendation & Risks

Our SOTP valuation of A\$0.11ps offers some 75% potential upside relative to AMG's current share price levels of A\$0.06. While this upside is not immaterial, **our recommendation on AMG at this juncture is a Hold (Higher Risk)**.

We would prefer to see progress on the Maiden Resource estimate at Cloncurry, and subsequent toll-treatment agreements, before upgrading our recommendation. Risks to our estimated target price and forecast earnings profile include, but are not limited to:

- **Commodity prices/ exchange rates** – specifically the gold price, the copper price and the AUD/USD exchange rate.
- **Resource definition** – although AMG have disclosed a ~1.7Moz gold Exploration Target for its Cloncurry tenements, and is targeting to have a Maiden Resource estimate issued in 2020, there is no guarantee if, of when a Resource estimate will be made, or on the quantum of the Resource.
- **Toll-treatment agreement** - there is no guarantee that AMG will be successful in timeously negotiating a commercial agreement with a third party to toll-treat ore from its Cloncurry Project.
- **Exploration success at the Canteen IOCG Prospect** – exploration programmes at Cloncurry may not result in favourable results relative to expectations.
- **Exploration success at the Burra Project** – exploration programmes at the Burra Project may not result in favourable results relative to expectations.
- **Working capital / development capital** – while management is targeting gold production from the Mt Freda Complex via toll treatment with third party CIP gold processing facilities in Cloncurry during late 2020, no agreements on timing or quantum of ore to be delivered have been signed. In addition, there is no guidance yet on the amount of pre-production capex required for site(s) preparation, waste stripping, infrastructure etc etc. With the timeline uncertain on first revenue receipts, we assume AMG will most likely require equity or debt financing top-ups to fund working capital requirements over the next few years. We assume equity injections at a constant A\$0.10ps of A\$5m in FY21E, A\$5m in FY22E and A\$7.5m in FY23E, to support the group's exploration programs over this period. Since our assumed issue price is above the current share price level, actual share price dilution may be higher than we currently forecast.
- **Other.** Regulatory or compliance change, key personnel risk.

## Assets

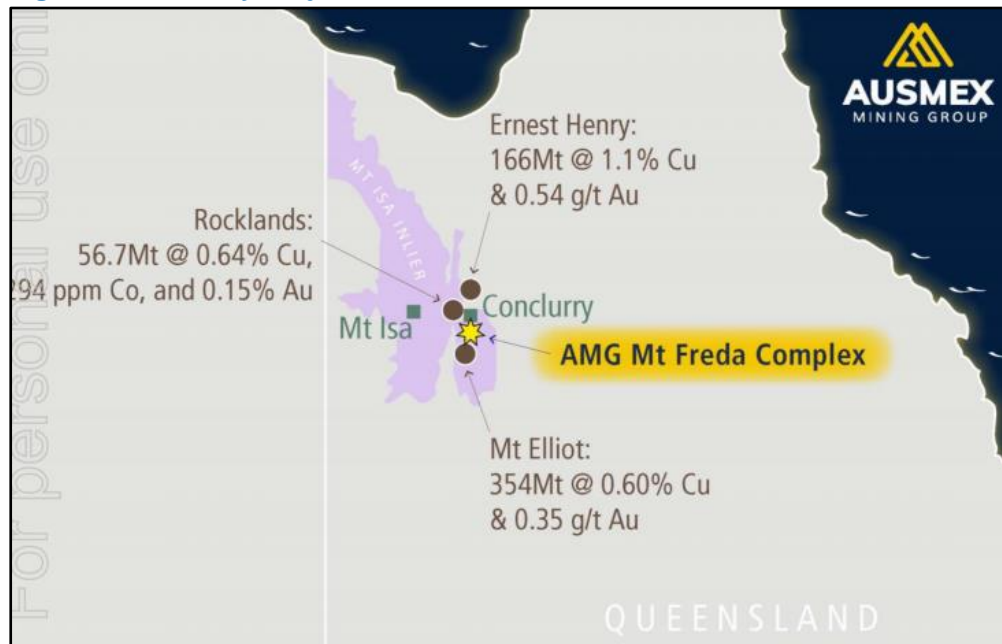
Ausmex Mining (ASX:AMG) re-commenced trading on the ASX on 30 May 2017 via a reverse takeover of Eumeralla Resources Ltd. AMG has controlling interests in highly prospective acreage in South Australia - the Burra Project (7,386km<sup>2</sup>), and in Queensland - the Cloncurry Project (545km<sup>2</sup>).

### Cloncurry Project (QLD)

The Cloncurry tenement package consists of known copper, gold and cobalt prospects within exploration licences and granted mining leases. The mining leases encompass previously operated productive mines and already granted leases; AMG have indicated that having these leases should allow the group to significantly accelerate the transition from exploration to production by bypassing the lengthy mining licence granting process.

AMG's QLD tenements are located 15-35km SE of Cloncurry town in the Mt Isa Inlier, and surrounded by Tier-1 producing/former producing copper-gold mines (Rocklands, Ernest Henry, Mt Elliot).

**Figure 5: Cloncurry Project - location**



Source: Company

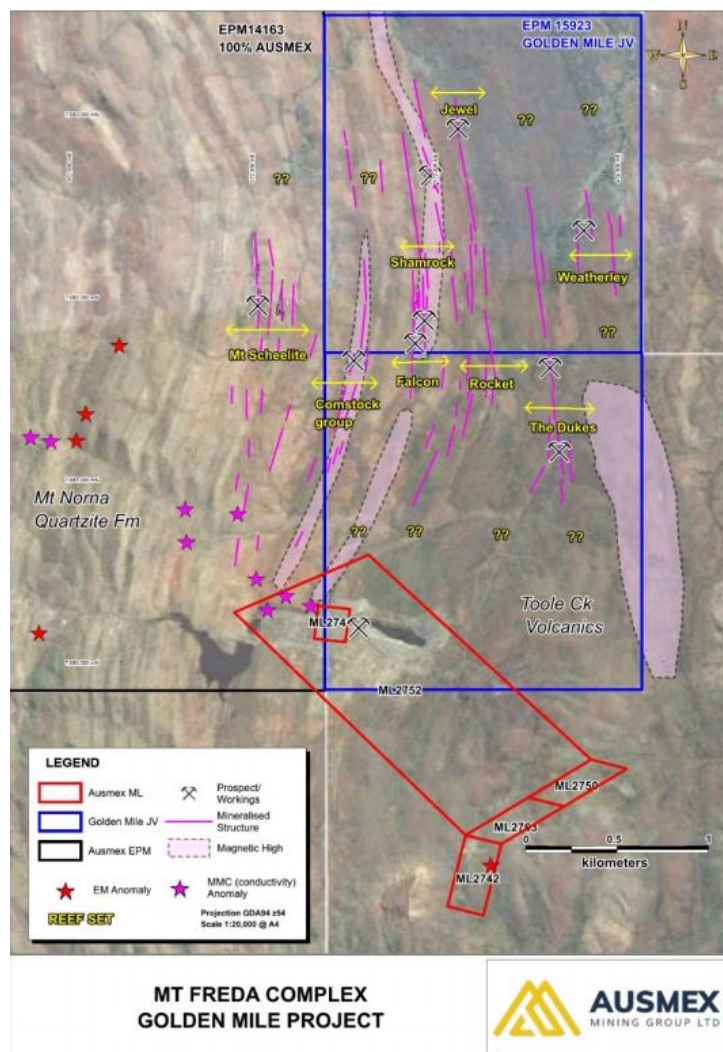
One of the targets quickly prioritized by management was the Mt Freda Gold mine. The mine located 35km SE of Cloncurry (20km south of the Gilded Rose mine) was previously worked as an open cut mine and ceased operations in 1991 when the gold price fell to below US\$300/oz. Mt Freda produced at an average recovered grade of ~4g/t Au, with recoveries of over 95% via CIP processing. In July 2017, AMG commenced on a 6,000m RC drilling program Mt Freda, with drilling aiming to 1) confirm mineralization below the old shallow open pit, 2) to test for mineralization along strike and downdip and, 3) to test for extensions to mineralization east and west of the mine. In October 2017, AMG announced that assayed results from drilling matched grades previously mined at Mt Freda (>4g/t Au), and that assays on 200,000t of on-site previously mined stockpiled ore recorded average grades of 5.05g/t Au.



Exploration momentum at the Cloncurry suite of prospects was maintained in the December 2017 quarter with additional drilling and SAM (Sub Audio Magnetic) surveys identifying additional structural extensions to the Mt Freda mine. Of note, cobalt mineralization returns of up 2,030g/t Co were identified in a ~1km mineralized shear zone within the Mt Freda Mine leases.

In the March 2018 quarter, AMG announced that CopperChem (an unlisted subsidiary of Washington H. Soul Pattinson and Company Limited (ASX:SOL), had agreed to purchase the mineralized stockpiles at Mt Freda for A\$2.5m cash plus up to 80% interest in additional exploration ground -The Golden Mile - adjoining the Mt Freda Mining Lease; CopperChem bought the stockpiles to feed its Great Australian Mine (GAM) 650ktpa CIP ore processing facility in Cloncurry.

**Figure 6: Mt Freda Complex (Mt Freda -Golden Mile)**



The Golden Mile Project forms part of the Mt Freda Complex. It consists of nine north south striking zones of mineralisation including historical gold mines that included Mt Scheelite, Comstock, Falcon, Shamrock, Rocket, Weatherly, Duke and Little Duke (all dormant since 1939).

Maiden RC drilling by Ausmex in 2018 expanded the Golden Mile target width to >2km, with a combined strike length of >8km.

Throughout 2018, AMG's drilling programs at The Golden Mile reported several high-grade gold intersections under historical gold workings.

Under the JV agreement, SOL has first option to process gold ore from the Golden Mile at its GAM processing facility at Cloncurry (35km NW by haul road).

Source: Company

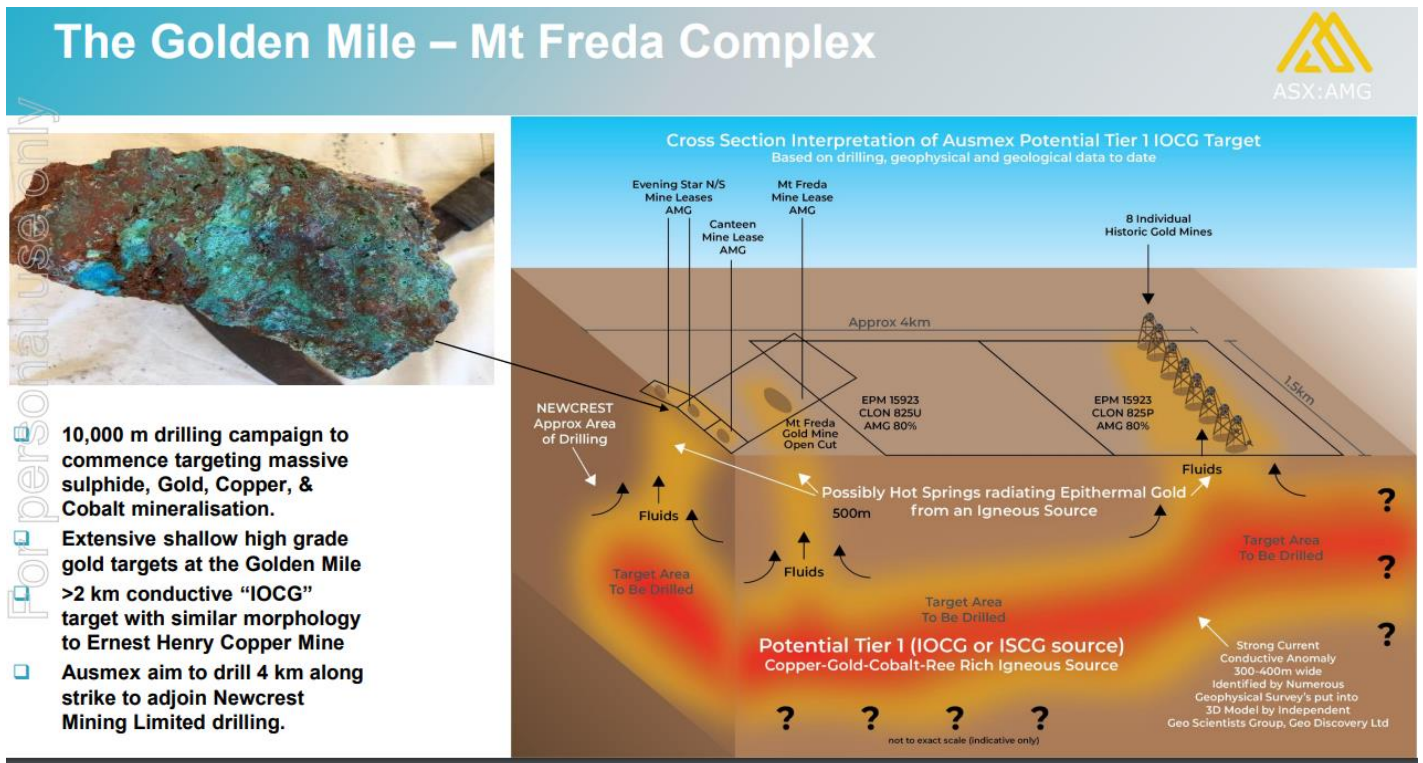
In late 2018, AMG announced plans to drill two deep cored holes into the Iron Oxide Copper Gold (IOCG) "Canteen" prospect which is also being drilled by Newcrest Mining (ASX:NCM) on adjoining tenements; AMG holds ~30% of the target within the Mt Freda Complex.



In February 2019, an independent expert, Emeritus Professor Kenneth D Collerson, validated the significance of the high-grade mineralization results from the group’s exploration programs at the Little Duke Mine. Minerology indicates the likely presence of a deep magmatic fluid source for either a IOCG body (Ernest Henry style) or potentially a ISCG body (Eloise style) below the Mt Freda Complex.

In May 2019, AMG commenced a drilling program at the Mt Freda Complex, targeting a 2,000mx400m SAM MMC (Sub-Audio Magnetics) conductive structure located entirely on AMG tenements.

**Figure 7: Schematic of potential Tier-1 IOCG target at AMG’s Mt Freda Complex**



Source: Company

In the September 2019 quarter, AMG completed RC and diamond coring at Little Duke and Evening Star targeting areas of potential IOCG or ISCG mineralization identified by 3D geophysical modelling. IOCG mineralization was intersected at both sites.

On-going drilling is being carried out to commence defining a maiden JORC (2012) high grade mineral resource estimate on the Golden Mile as well as upgrading the historic (2004) mineral resource estimate at Mt Freda to a JORC 2012 estimate. AMG was originally targeting a combined Maiden JORC 2012 Mineral Resource estimate to be completed before December 2019 with the aim of commencing scoping studies in early 2020 to assess the potential for a bulk mining open cut operation, with ore toll treated at nearby third-party processing facilities. Note: at this point, we suggest that any announcement of a Maiden JORC 2012 Resource is likely to have been pushed out to early 2020.

In August 2019, AMG applied for a 225Ha Mining Lease (ML100201) within the Golden Mile JV tenement.

In September 2019, AMG announced a combined gold Exploration Target over the Cloncurry tenements of 19-30Mt at a grade range of 1.7g/t Au-3.4g/t Au; this implies a target gold resource of ~1Moz to ~3.3Moz.

The Exploration Target highlights the potential for AMG to develop a multi-pit gold mining hub, targeting ore processing via third party (most likely SOL) processing facilities.

Note: in September 2019, AMG announced the divestment for A\$4m of one of the mining leases - the Gilded Rose Project - to Hong Kong-based Jin Resources.

**Figure 8: AMG's Cloncurry Gold Exploration Target**

Method	Project	Location	Lower Tonnage Range	Upper Tonnage Range	Lower Au g/t	Upper Au g/t	Cut off Au g/t
Drill tested	Gilded Rose <sup>2</sup>	Granted Mining Lease	1,000,000	5,000,000	2	3.6	0.5
	Mt Freda	Granted Mining Lease	3,503,500	5,000,000	2	4	0.5
	Falcon	Mining Lease application	287,000	500,000	2	4	0.5
	Shamrock	Mining Lease application	573,000	819,000	2	4	0.5
	Comstock	Mining Lease application	478,000	683,000	2	4	0.5
	Little Duke	EPM15923 (Golden Mile)	1,365,000	1,950,000	1.5	4	0.5
	Mt Scheelite	EPM14163	819,000	1,170,000	1.5	2.5	0.5
	Canteen-Evening						
	Star	Granted Mining Lease	1,529,000	2,184,000	0.5	1.2	0.2
	Carpet - King Brown	EPM14163	2,047,000	2,925,000	1.5	2.5	0.5
Conceptual field tested	Rocket extension	Mining Lease application	383,000	546,000	2	3.5	0.2
	Mt Freda west ext.	EPM14163	4,095,000	5,850,000	2	4	0.2
	Little Duke ext.	EPM15923 (Golden Mile)	1,228,500	1,755,000	1.5	2.5	0.2
	Tiger	EPM14163	205,000	293,000	1.5	3.5	0.2
	Golden Hill	EPM14163	205,000	293,000	1.5	3.5	0.2
	Nugget Hill	EPM14163	205,000	293,000	1.5	3.5	0.2
	Jiyer	EPM14163	205,000	293,000	1.5	3.5	0.2
	Adder	EPM14163	205,000	293,000	1.5	3.5	0.2
	Llomas	EPM14163	205,000	293,000	1.5	3.5	0.2
<b>Combined Total</b>			<b>19,000,000</b>	<b>30,000,000</b>	<b>1.7</b>	<b>3.4</b>	

Source: Company

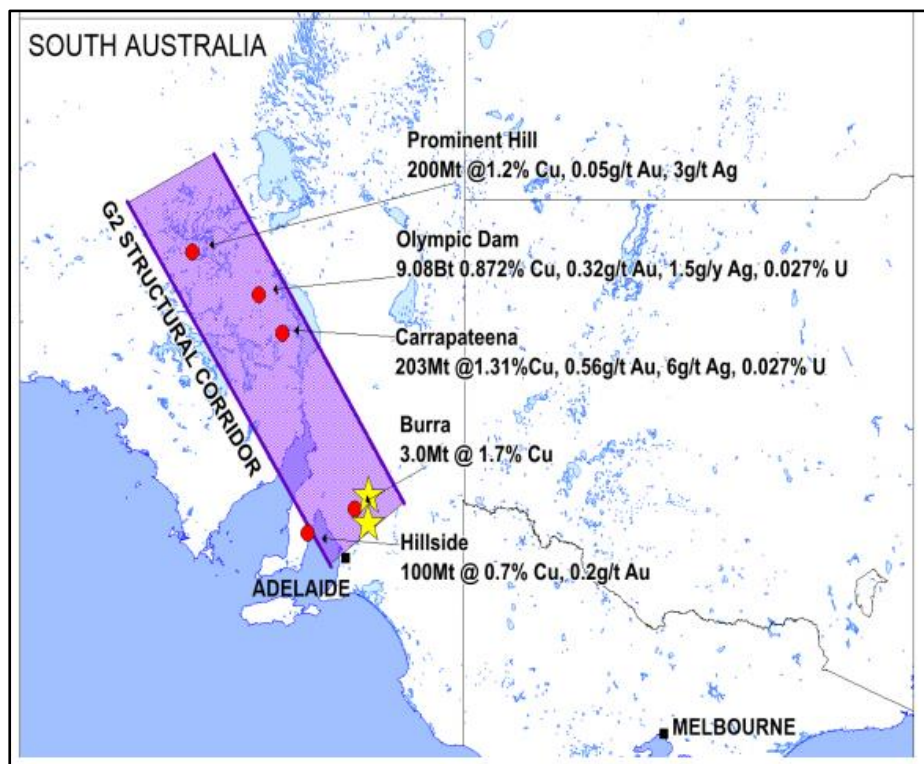
The Exploration Target is the basis for the group's current resource definition drilling at the Mt Freda Complex, with drilling on site continuing to target additional high-grade surface gold mineralization, progressing towards a combined maiden JORC Resource estimate.

As per the group's most recent Quarterly Activities Report (September 2019), AMG is targeting gold production from the Mt Freda Complex via toll treatment with third party CIP gold processing facilities in Cloncurry during late 2020.

## Burra Project (SA)

AMG's Burra Project tenements consist of ~7,400km<sup>2</sup> of ground in South Australia, in the middle of which are multiple historical high-grade copper and gold workings including the Monster Mine or Burra Burra Mine, which in the mid-19<sup>th</sup> century was one of the world's largest malachite mines (3Mt @ 1.7% Cu), producing over 10% of the world's copper. The Project is located in a prime geological address – the G2 structural corridor which hosts Tier-1 IOCG deposits Olympic Dam (~300m below surface), Prominent Hill (~200m below surface) and Carrapateena (~500m below surface).

**Figure 9: Burra Project – location in South Australia**



Source: Company

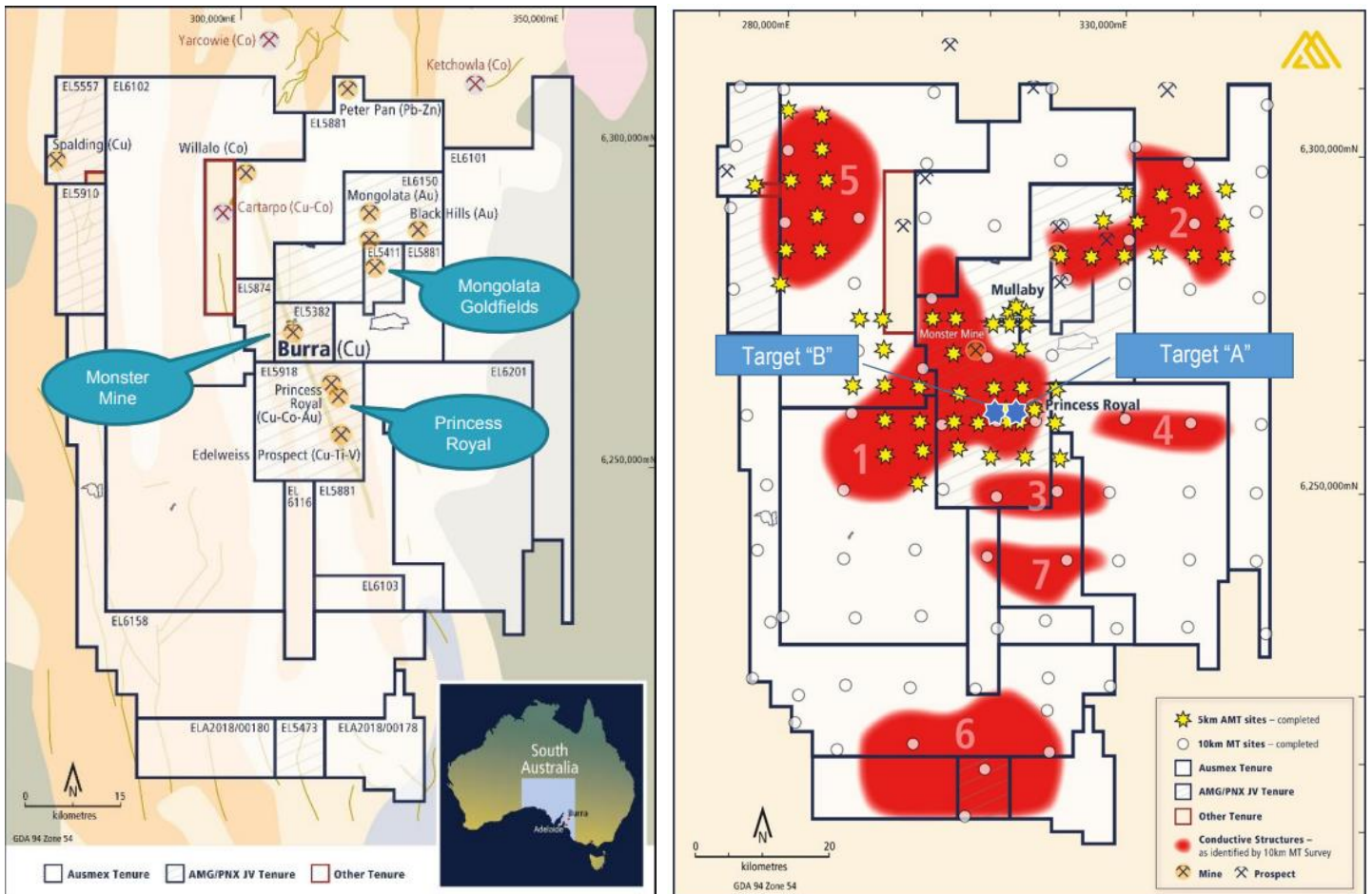
In March 2018, Geoscience Australia's AusLAMP exploration program identified a large conductive target under the Barra Project tenements. Conductive structures of similar magnitude were also identified by AusLAMP under Olympic Dam, Carrapateena, and Prominent Hill.

In October 2018, AMG announced that AMG along with the University of Adelaide (UoA) had completed all sites of a 7,010km<sup>2</sup> Magnetoelluric (MT) survey and that modelling had identified a 30km long conductive drilling target located some 30km northeast of Barra. carried out by AMG identified a 20km long conductive target near Barra

In February 2019, AMG announced that a subsequent 10km spaced grid MT survey and 2D and 3D inversion modelling carried out by AMG/UoA had identified seven (7) conductive structures. In March-April 2019, a higher resolution 5km spaced grid Audio-Magnetotelluric (AMT) survey was carried out over three of the seven targets. 2D Inversion Modelling on the data identified potential conductive "plumes" similar to those seen in other IOCG deposits in the Gawler Craton.



**Figure 10: Burra Project tenements (LHS - location, RHS – priority conductive structures)**



Source: Company

3D geophysics modelling of MT and AMT data completed during the September 2019 quarter, incorporating regional magnetics and gravity, identified at least two formerly unknown shallow conductive structures – designated by AMG as IOCG Target “A” and “B”. Target “A” is ~2km west of the historical Princess Royal Cu-Au workings and is located at the top of an MT conductive “plume” which appears from the modelling to also feed the historical mine. Target “A” has several kms of strike, is ~1.5km wide, and extends from near surface to a depth of ~1.7km. Target “B” has several kms of strike, is ~2km wide, and extends from near surface to a depth of ~2km (with the MT conductive structure showing that it may be considerably deeper).

Based on the scale, conductivity and depth extensions of both Target “A” and “B”, and the close proximity to the historical Princess Royal deposit, AMG suggests that these conductive structures/targets may possibly reflect primary copper-gold sulphide mineralisation. AMG believe that the discovery of these new shallow conductive structures confirms the validity of the group’s approach of using MT and AMT to identify plumes and conductive structures.

200m spaced infill drilling and 2D inversion modelling highlighted three (3) priority conductive drill targets at the Princess Royal Prospect. **A 2,000m RC drilling program kicked off on 17 December 2019 with Target #1.**



## Board of Directors Source: Company Presentation (April 2019), 2019 Annual Report

Note: In November 2019, Geoff Kidd was appointed to the position of Executive Director and as AMG's new Chief Operating Officer



### **Yosse Goldberg *Non Executive Chairman***

Successful international career in property and resources including Sydney Gas Limited, Blue Energy Limited, Kimberly Diamond Company NL, Sundance Resources Limited, CuDeco Limited, Gindalbie Metals Ltd.



### **Matt Morgan *Managing Director***

BSc(Geol) MAusIMM, 25 years experience in mining, exploration and mine management both open cut and underground for BHPB, Rio Tinto, Idemitsu, Xstrata, Coalworks, Malaysia, Mongolia, PNG, Australia. Prior Director ASX:GMN



### **Dr Andrew Firek *Non Executive Director***

M.Sc. & Ph.D., FAusIMM, 30 Years exploration, mining, & processing, previous CEO of ASX:CWK until 2012 takeover by WHC. Current Director ASX:WLC



### **Geoff Kidd *Non Executive Director***

35 Years in senior positions including MD, COO, Gen Manager global mining consultants including Aust, Irian Jaya, India, NZ, Sth Africa, Zimbabwe, China, Sth America, & USA. Previous COO of ASX:CWK



### **Aaron Day *Non Executive Director***

Non Executive Director Aaron Day is a Geologist with 20 years' experience in exploration, mining, processing and plant commissioning. Senior positions held with Zeehan Zinc and with Cudoco Ltd. Extensive exploration management surrounding copper, lead, zinc gold and uranium.

#### **DIRECTORS' INTERESTS**

The relevant interests of each Director in the shares, options and performance rights of the Company at the date of this report are as follows:

Director	Shares	Options	Performance rights over ordinary shares
Mr Joseph Goldberg	-	1,764,706	-
Mr Matthew Morgan	24,808,989	6,911,764	-
Dr Andrew Firek	19,552,316	2,500,000	-
Mr Geoff Kidd	19,427,316	2,500,000	-
Mr Aaron Day	75,000	4,250,000	-

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