

St. George Mining

Outperform

Metallurgical testwork advancing

What's new

- SGQ has provided an update on metallurgical testwork at its Araxá Project in Brazil, with early results delivering recovery rates broadly in line with industry benchmarks.

Why it matters

- Niobium beneficiation optimisation underway:** Phase one metallurgical testwork utilised open circuit flotation on near-surface saprolite samples from the Araxá Project. We note the 5t samples had average grades of 0.69% Nb_2O_5 and 9.29% TREO, below the reserve grade of 0.74% Nb_2O_5 but above 4.27% TREO. Test results delivered ~40% Nb_2O_5 concentrate grade with ~50% recovery (54.3% for test 13 and 46.0% for test 7). While the product grade is below our base-case assumption of 60%, recovery is broadly in line with our ~50% estimate. We highlight that stage one testwork excludes recycle of intermediate flotation streams, which are typically incorporated in commercial circuits and could support further improvements in Nb concentrate grade and recovery.
- Rare-earth recovery better than expected:** Silica flotation achieved TREO recovery of 33%, above our 20% estimate, which reflects Araxá's resource characteristics. We note that rare earths are predominantly hosted in monazite intergrown with other minerals. We note the lower recovery is partly attributable to ~60% of TREO reporting to the niobium flotation concentrate. SGQ has confirmed the potential to upgrade rare earths within the niobium flotation circuit, which could further improve overall TREO recovery, a positive in our view.
- Met test advancing; pilot plant in 4QCY26:** Metallurgical testwork is progressing, with next steps including locked-cycle and recycle testwork. A large-scale pilot plant is under construction at CEFET-MG in Araxá and is scheduled to be operational by late Q4 2026, representing a key near-term catalyst.

What now

- Outperform:** Both niobium and rare earths are classified as "top 10 critical minerals" in the US, with niobium among the few not dominated by Chinese supply. Araxá has the potential to emerge as a strategic niobium producer, with rare earths providing incremental earnings upside.

Metals & Mining Australia



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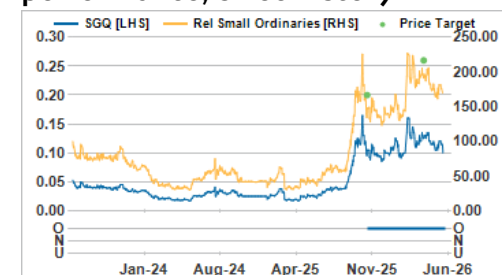
Regan Burrows, CFA

SGQ AU	Outperform
Price (at 10 Jun 2026)	AUD0.10
12-month target	AUD0.26
12-month TSR (%)	160.0
Volatility Index	Very High
Market Cap (Local) (m)	393
Market Cap (USD) (m)	276
30-day avg turnover (AUD) (m)	1.7

Investment Fundamentals

Year end 30 Jun	2025A	2026E	2027E	2028E
Revenue (m)	0.0	0.0	0.0	61.5
EBITDA (m)	(11.5)	(35.7)	(20.2)	20.1
EBITDA growth (%)	(37.9)	(210.4)	43.3	NM
EBIT (m)	(11.5)	(35.7)	(20.3)	15.7
EBIT growth (%)	(37.9)	(210.7)	43.2	NM
Reported profit (m)	(11.4)	(36.1)	(26.6)	5.6
Adjusted profit (m)	(11.4)	(36.1)	(26.6)	5.6
EPS adj (€)	(0.7)	(0.9)	(0.5)	0.1
EPS adj growth (%)	20.9	(38.1)	45.3	NM
PER adj (x)	NM	NM	NM	112.5
Total DPS (€)	0.0	0.0	0.0	0.0
ROA (%)	(42.9)	(44.0)	(8.5)	3.6
ROE (%)	(74.5)	259.6	1,334.3	4.6
EV/EBITDA (x)	(13.3)	(11.8)	(27.9)	35.3
Net debt/equity (x)	21.8	NM	302.4	94.5
P/BV (x)	5.8	(6.7)	9.7	3.3

SGQ AU rel Small Ordinaries performance, & rec history



Source: FactSet, Macquarie Research, Jun 2026 (all figures in AUD unless noted, TP in AUD)

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Recommendation definitions	Volatility index definition	Financial definitions
<p>Macquarie – Asia and USA Outperform – expected return >10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie – Australia/New Zealand Outperform – expected return >10% Neutral – expected return from 0% to 10% Underperform – expected return <0%</p> <p>During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions.</p> <p>Recommendations – 12 months 12-month target – Expected share price in 12 months Valuation – The company's estimated fair value share price based on the disclosed valuation methodology Note: Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>This is calculated from the volatility of historical price movements.</p> <p>Very high – highest risk – Stock should be expected to move up or down 60-100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40-60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 25-40% in a year.</p> <p>Low – stock should be expected to move up or down at least 15-25% in a year. * Applicable to select stocks in Asia/Australia/NZ</p> <p>Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk</p>	<p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / efpowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit / average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

Recommendation proportions for quarter ending 31 Mar 2026

	AU/NZ	Asia	USA	
Outperform	66.90%	69.32%	67.14%	(for global coverage by Macquarie, 1.93% of stocks followed are investment banking clients)
Neutral	27.18%	17.21%	32.86%	(for global coverage by Macquarie, 0.40% of stocks followed are investment banking clients)
Underperform	5.92%	13.47%	0.00%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

Company-Specific Disclosures

Company Name	Disclosure
St. George Mining (SGQ AU) Outperform 12-month target: AUD0.26 - DCF Valuation: AUD 0.26 - DCF (WACC 9.4%, beta 1.2, ERP 5.0%, RFR 4.3%, TGR 2.6%) Price: AUD0.10	A Macquarie analyst(s) involved with the preparation of this research has, in the past 12 months, visited material operations of St George Mining Ltd. In connection with such a visit, the company may have furnished local transportation and/or accommodation, which requires authorisation in adherence with Macquarie policy requirements.

Target Price Risk Disclosures

Company Name	Risk Disclosure
St. George Mining (SGQ AU)	<p>SGQ faces multiple risks across its operations.</p> <ul style="list-style-type: none"> Commodity price and exchange rate volatility may affect earnings, asset values, and funding. Country risk is significant, with Brazil's regulatory changes, environmental restrictions, and political uncertainty—especially around the 2026 election—posing challenges. Operational risks include geological uncertainty, drilling delays, and cost overruns. Environmental and permitting risks are notable at Araxá. SGQ relies on external funding, and failure to secure it could lead to asset loss or dilution.

Target Price Risk Disclosures

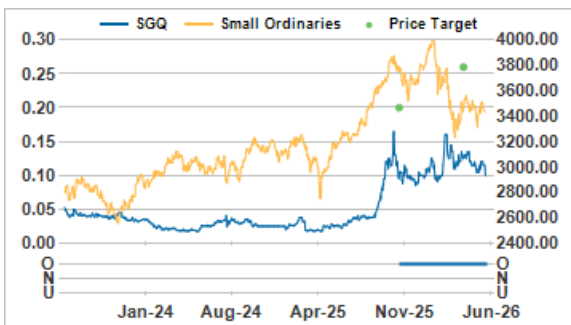
Company Name	Risk Disclosure
	<ul style="list-style-type: none"> Transitioning to development adds construction risks, while negative market sentiment toward junior explorers may affect SGQ's share price.

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Recommendation history

Company name	Date	Recommendation	Target price
St. George Mining (SGQ AU)	14-Apr-2026	Outperform	AUD 0.26
	29-Oct-2025	Outperform	AUD 0.20

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