

SPEC BUY

Current Price **\$0.15**

Ticker:	SGQ	
Sector:	Materials	
Shares on Issue (m):	298	
Market Cap (\$m):	43.2	
Cash est. (\$m)	5.5	
Debt (\$m)	0.0	
Enterprise Value (\$m):	37.7	
52 wk High/Low:	\$0.49	\$0.08
12m Av Daily Vol (m):	1.82	

All values in A\$ unless stated otherwise

Development Stage: Exploration

Key Projects	Location
Mt Alexander (75% SGQ)	Western Australia
East Laverton	Western Australia
Hawaii	Western Australia

Directors

John Prineas	Executive Chairman
Tim Hronsky	Executive Director
Sarah Shipway	Non-Executive Director

Major Shareholders

	%
John Prineas	4.1%
John Dawson	3.8%
CQS Investment Management	2.1%

Share Price Graph



Please refer to important disclosures at the end of the report (from page 4)

Tuesday, 24 July 2018

St George Mining

Building an Inventory

Analysts | Matthew Keane | James Wilson

Quick Read

St George Mining (SGQ) is steadily increasing the footprint of high grade base metal (Ni, Cu, Co, PGE) mineralisation in the Cathedrals Belt of Western Australia since taking control of the project in early 2016. Argonaut is highly encouraged by the latest drill hole MAD108 at the Investigators Prospect which intercepted 7.6m of sulphide mineralisation, including 1.3m of massive sulphides, down dip of previous holes MAD38 and MAD60 extending the mineralisation ~320m down-plunge. Hand-held XRF reading for the massive component measured 8% Ni and 7% Cu. Exploration along the 4.5km mineralised strike of the Cathedrals Belt is ongoing and we predict the company will be in a position to release a Maiden Resource in late-2018 or early-2019. SGQ is a standout Ni/Cu explorer based on exceptional grades (up to 8% Ni equivalent) and open pittable fresh rock mineralisation.

Event & Impact | Positive

Strong result at Investigators: Hole MAD108 at the Investigators prospect, the first in the latest drill campaign commencing, intercepted 7.6m of sulphide mineralisation from ~200m downhole, including 1.3m of massive sulphide mineralisation measuring 8% Ni and 7% Cu from handheld XRF (note that handheld XRF has had a strong correlation to assays to date). This intercept targeted an EM conductor, further supporting the near 100% success rate of EM anomalies to sulphide mineralisation in the Cathedrals Belt. MAD108 extends high grade mineralisation from hole MAD60 (5.3m @ 7.7% Ni Eq.) a further 100m down-plunge to ~320m. Argonaut estimates that this section, incorporating the up-dip hole MAD38 (2.7m @ 5.3% Ni Eq.), could hold up to >60kt of contained Ni Eq. metal (using a polygonal calculation with 200m strike, 300m dip, 4m width and 7.5% Ni Eq. grade).

Building an inventory: While the Cathedrals Project is still pre-Resource, we see SGQ amassing a series of deposits with a high probability of economic extractability. We base this assumption on the high tenor of contained Ni/Cu mineralisation, with significant Co and PGE credits, and the presence of fresh sulphides from a shallow depth. Ore grade intercepts start from ~40m below surface at the Cathedrals and Stricklands prospects. While massive sulphide intercepts are generally narrow (<2m thick), very high grades up to 8% Ni Eq. and halos of blebby to disseminated sulphides should generate sufficient metal per vertical metre to support both moderate strip ratio open pit mining and narrow stope underground mining. We estimate that drilling to date could define an initial resource of 2.0-2.5Mt @ 4.1% Ni Eq.

Next steps at Mt Alexander: SGQ's current drill program is targeting untested EM conductors and down dip extensions to known mineralisation. At the Stricklands project, drilling will also infill between known intercepts in areas of limited EM response. The Company will also conduct further geophysics including deep penetration ground EM to better define mineralised boundaries and depth extents.

Recommendation

Argonaut maintains a SPEC BUY recommendation.

Proving up depth extents

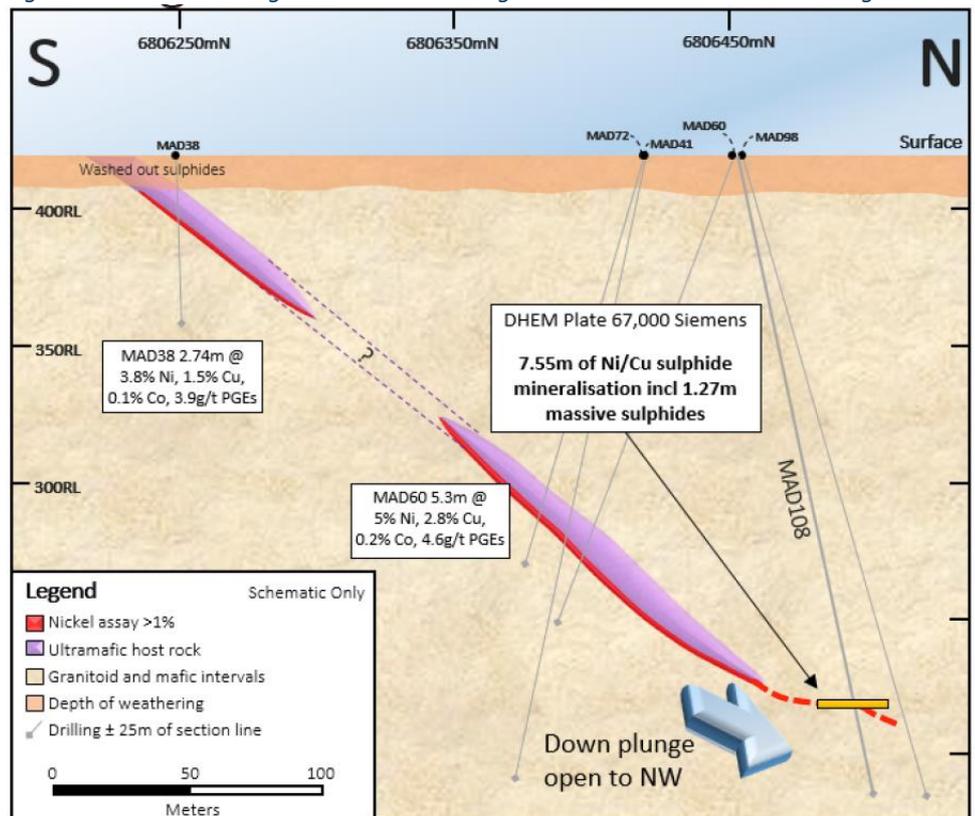
Drill-hole MAD108 has intercepted 7.6m of sulphide mineralisation...

Hole MAD108 is significant because it portrays good continuity of mineralisation at depth, which remains open. This is highly encouraging as the Company steps out beyond known mineralisation to define the extents of the three mineralised prospects, namely Cathedrals, Stricklands and Investigators. The Cathedrals Belt has a number of unique features to other Western Australian Ni deposits including its east-west orientation, the extremely high tenor of base metal sulphides and an intrusive granite event. The latter is interpreted to have dissected mineralised channels and condensed metal into discrete pods, adding a level of geological complexity.

The continuity along the north-south line of holes including MAD38, MAD60 and MAD108 gives us confidence that individual pods can contain significant metal. We estimate >60kt of contained Ni Eq. in this section (applying a polygonal calculation with 200m strike, 300m dip, 4m width and 7.5% Ni Eq. grade). We note that this estimate is not based on the full strike length of Investigators mineralisation, just the immediate EM anomaly extent (~200m see Figure 2).

...and highlighted continuity down-plunge of previous high-grade holes

Figure 1. Section showing mineralisation along the Hole MAD108 line at Investigators

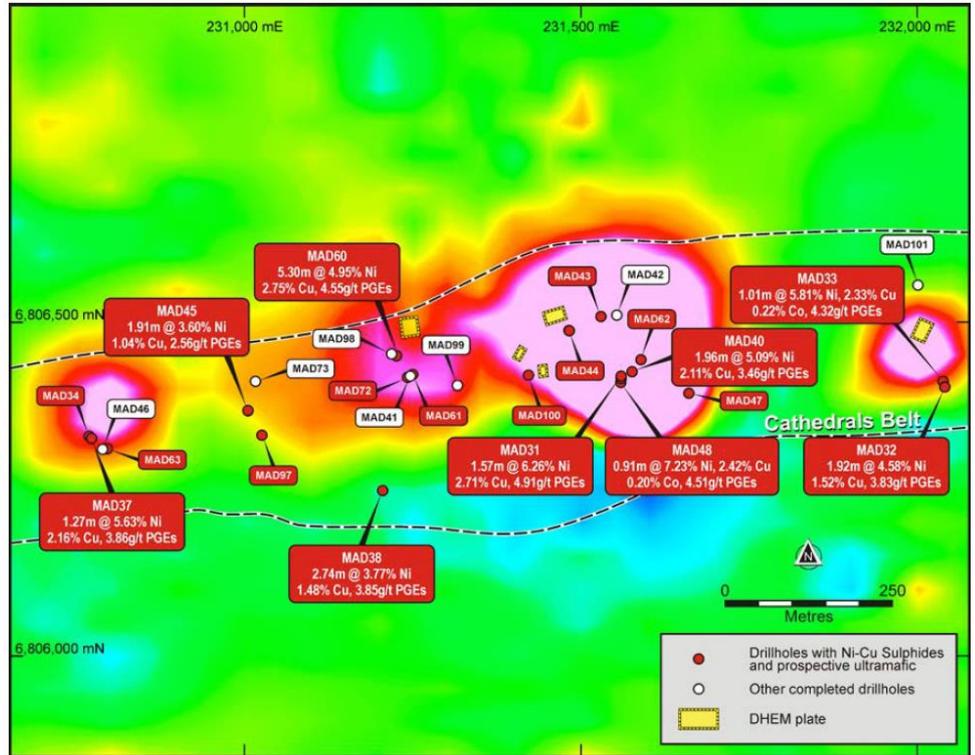


We estimate that this section could contain >60kt of Ni Eq metal

Source: SGQ

Investigators mineralisation has a total strike length of ~1,250m

Figure 2. Plan view of the Investigators Prospect with drill hole results and SAMSON total field EM anomalies



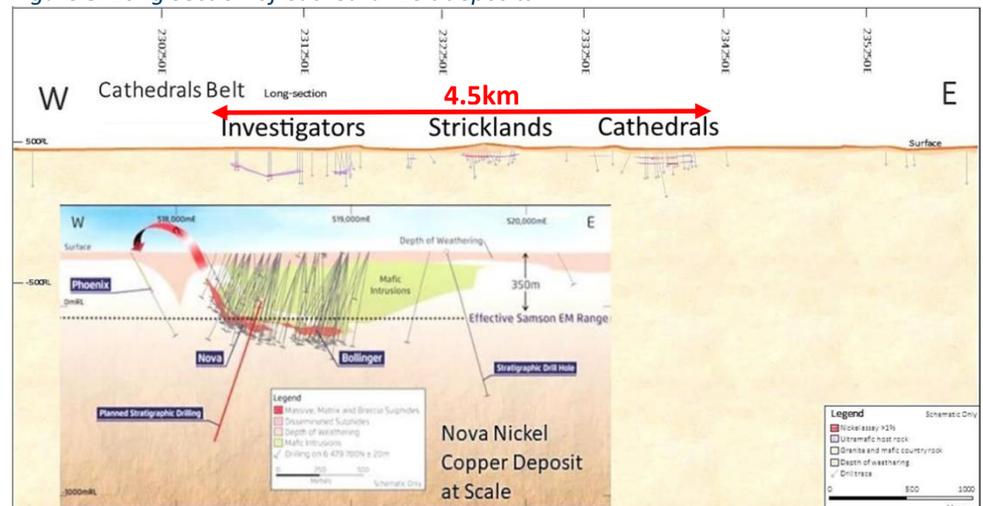
Source: SGQ

Scope for a major discovery

SGQ is still in the early stages of exploration in the Cathedrals Belt...

SGQ has just scratched the surface of the Cathedrals Belt since its first successful drill hole in H1 2016. To date, drilling has only tested zones proximal to EM anomalies. The 4.5km strike length from Investigators to Cathedrals has potential to host sizable orebodies, noting that the strike extent of Independence Group's (IGO) world class Nova deposit is only ~1km long. Importantly, the last drilling campaign highlighted the potential for zones of mineralisation which are non-responsive/blind to ground EM (i.e. MAD104).

Figure 3. Long Section of Cathedral Belt deposits



...with scope for a substantial base metal discovery

Source: SGQ, edited by Argonaut

RESEARCH:

Ian Christie | Director, Industrial Research
+61 8 9224 6872 ichristie@argonaut.com

Matthew Keane | Director, Metals & Mining Research
+61 8 9224 6869 mkeane@argonaut.com

James Wilson | Analyst, Metals & Mining Research
+61 8 9224 6835 jwilson@argonaut.com

Helen Lau | Analyst, Metals & Mining Research
+852 3557 4804 hlau@argonaut.com

Michael Eidne | Director, Research
+61 8 9224 6831 meidne@argonaut.com

INSTITUTIONAL SALES - PERTH:

Chris Wippl | Executive Director, Head of Sales & Research
+61 8 9224 6875 cwippl@argonaut.com

Damian Rooney | Director Institutional Sales
+61 8 9224 6862 drooney@argonaut.com

John Santul | Consultant, Sales & Research
+61 8 9224 6859 jsantul@argonaut.com

Ben Willoughby | Institutional Dealer
+61 8 9224 6876 bwiloughby@argonaut.com

Phil Russo | Institutional Dealer
+61 8 9224 6813 prusso@argonaut.com

Josh Welch | Institutional Dealer
+61 8 9224 6868 jwelch@argonaut.com

George Ogilvie | Institutional Dealer
+61 8 9224 6871 gogilvie@argonaut.com

INSTITUTIONAL SALES – HONG KONG:

Damian Rooney | Director Institutional Sales
+61 8 9224 6862 drooney@argonaut.com

CORPORATE AND PRIVATE CLIENT SALES:

Glen Colgan | Managing Director, Desk Manager
+61 8 9224 6874 gcolgan@argonaut.com

Kevin Johnson | Executive Director, Corporate Stockbroking
+61 8 9224 6880 kjohnson@argonaut.com

James McGlew | Executive Director, Corporate Stockbroking
+61 8 9224 6866 jmcglew@argonaut.com

Ian Dorrington | Director, Corporate Stockbroking
+61 8 9224 6865 IDorrington@argonaut.com

Geoff Barnesby-Johnson | Senior Dealer, Corporate Stockbroking
+61 8 9224 6854 bj@argonaut.com

Rob Healy | Dealer, Private Clients
+61 8 9224 6873, rhealy@argonaut.com

Cameron Prunster | Dealer, Private Clients
+61 8 9224 6853 cprunster@argonaut.com

James Massey | Dealer, Private Clients
+61 8 9224 6849 jmassey@argonaut.com

Chris Hill | Dealer, Private Clients
+61 8 9224 6830, chill@argonaut.com

Important Disclosure

Argonaut has acted as Financial Adviser to SGQ in the previous 12 months. Argonaut acted as Lead Manager to the Placement that raised \$4M in March 2018 and received fees commensurate with this service. Argonaut acted as Lead Manager to the Placement that raised ~\$2.5M in June 2018 and received fees commensurate with this service.

Information Disclosure

Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

For U.S. persons only

This research report is a product of Argonaut Securities Pty Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Argonaut Securities Pty Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Argonaut Securities Pty Limited has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Hong Kong Distribution Disclosure

This material is being distributed in Hong Kong by Argonaut Securities (Asia) Limited which is licensed (AXO 052) and regulated by the Hong Kong Securities and Futures Commission. Further information on any of the securities mentioned in this material may be obtained on request, and for this purpose, persons in the Hong Kong office should be contacted at Argonaut Securities (Asia) Limited of Unit 701, 7/F, Henley Building, 5 Queen's Road Central, Hong Kong, telephone (852) 3557 48000.

General Disclosure and Disclaimer

This research has been prepared by Argonaut Securities Pty Limited (ABN 72 108 330 650) ("ASPL") or by Argonaut Securities (Asia) Limited ("ASAL") for the use of the clients of ASPL, ASAL and other related bodies corporate (the "Argonaut Group") and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this report in any way. ASPL is a holder of an Australian Financial Services License No. 274099 and is a Market Participant of the Australian Stock Exchange Limited. ASAL has a licence (AXO 052) to Deal and Advise in Securities and Advise on Corporate Finance in Hong Kong with its activities regulated by the Securities and Futures Ordinance ("SFO") administered by the Securities and Futures Commission ("SFC") of Hong Kong.

Nothing in this report should be construed as personal financial product advice for the purposes of Section 766B of the Corporations Act 2001 (Cth). This report does not consider any of your objectives, financial situation or needs. The report may contain general financial product advice and you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

This research is based on information obtained from sources believed to be reliable and ASPL and ASAL have made every effort to ensure the information in this report is accurate, but we do not make any representation or warranty that it is accurate, reliable, complete or up to date. The Argonaut Group accepts no obligation to correct or update the information or the opinions in it. Opinions expressed are subject to change without notice and accurately reflect the analyst(s)' personal views at the time of writing. No member of the Argonaut Group or its respective employees, agents or consultants accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

Nothing in this research shall be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from engaging in any transaction. The Argonaut Group and/or its associates, including ASPL, ASAL,

officers or employees may have interests in the financial products or a relationship with the issuer of the financial products referred to in this report by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, director or adviser. Further, they may buy or sell those securities as principal or agent, and as such may effect transactions which are not consistent with the recommendations (if any) in this research. The Argonaut Group and/or its associates, including ASPL and ASAL, may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case.

There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment.

The analyst(s) principally responsible for the preparation of this research may receive compensation based on ASPL's and / or ASAL's overall revenues.

Copyright

© 2018. All rights reserved. No part of this document may be reproduced or distributed in any manner without the written permission of Argonaut Securities Pty Limited and / or Argonaut Securities (Asia) Limited. Argonaut Securities Pty Limited and Argonaut Securities (Asia) Limited specifically prohibits the re-distribution of this document, via the internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.