

Thursday, 25 October 2018

St George Mining

Best intercept to date at Investigators

Analysts: Matthew Keane | James Wilson

Stock	St George Mining
Recommendation	SPEC BUY
Current Price	\$0.13
Market Cap	\$46m

Event and First Take | Positive drill results

High tenor intercept: St George Mining (SGQ) has intercepted a 14.4m interval (downhole length) of nickel-copper sulphides, including a ~5m interval of massive sulphides in drillhole MAD126 at the Investigators prospect, part of the Mt Alexander Project. Handheld XRF recorded 8.8% Ni and 4.5% Cu from 185-190.25m downhole. This is the best intercept to date at this prospect. We highlight that handheld XRF reading have had a high correlation to final assay results in previous holes.

Figure 1: Mineralisation summary of the Ni-Cu intercept with drillhole MAD126

Interval	Style of Mineralisation
177.5m to 185m	Ultramafic with disseminated and blebby sulphides increasing with depth
185m to 190.25m	Massive sulphides with average XRF readings of 8.8%Ni and 4.5%Cu*
190.25m to 191.67m	Ultramafic with coarse blebby sulphides
191.67m to 191.87m	Massive sulphide with average XRF readings of 5.8%Ni and 3.7%Cu*

Source: SGQ

Massive sulphides in hole MAD126 contain coarse grained pentlandite and chalcopyrite. We note that mineralisation from the Mt Alexander project is also high in cobalt and PGEs with assays up to 0.3% and 10g/t respectively.

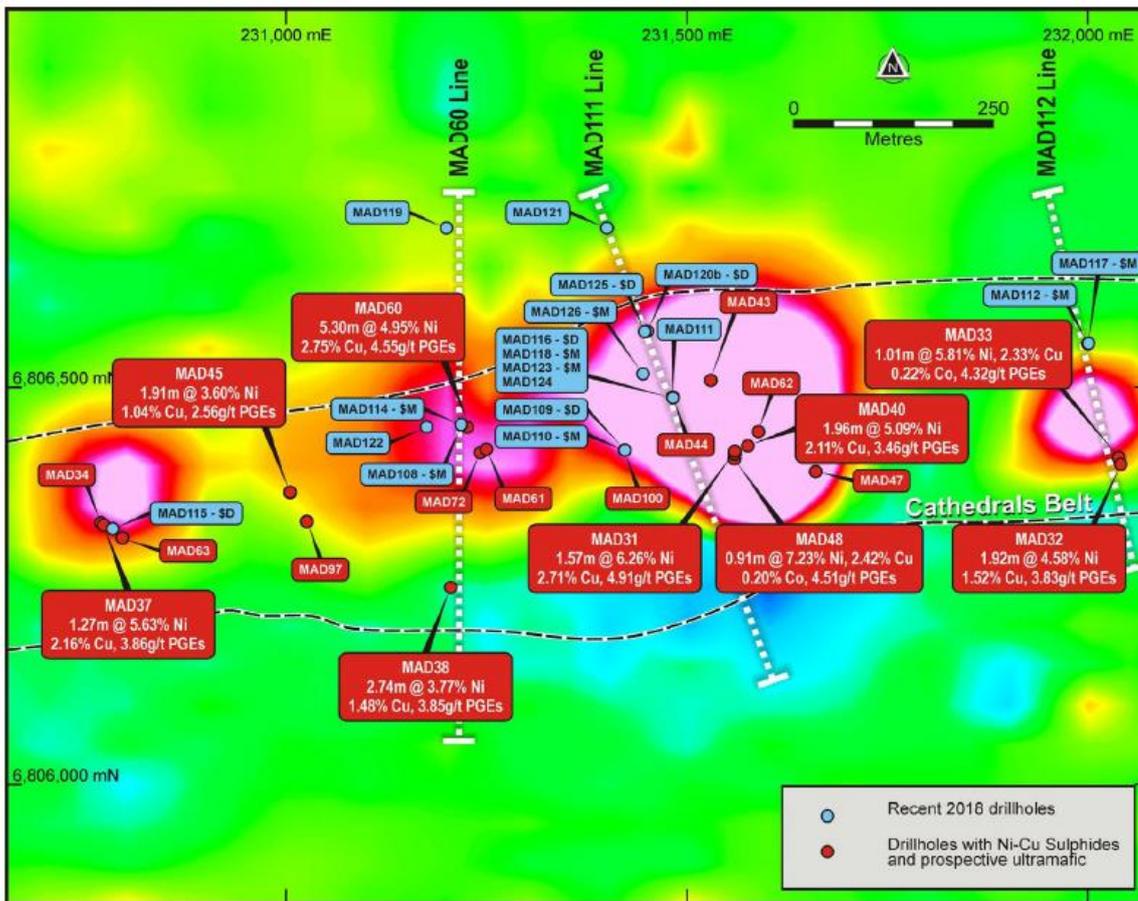
Figure 2: Photo of massive sulphides from Hole MAD126 showing coarse grained Ni-Cu mineralisation



Source: SGQ

EM points to further mineralisation down-plunge: MAD126 is an extension of a mineralised line incorporating hole MAD111 which now extends ~200m down-plunge. MAD126 was drilled to test an off-hole EM conductor with modelled conductivity of 210,000 siemens. To date, 100% of EM conductors have returned massive sulphide mineralisation at Mt Alexander. Further EM conductors up and down-plunge of MAD126 indicate extensions to high grade mineralisation.

Figure 3: Plan view of drillholes and key intercepts at the Investigators prospect



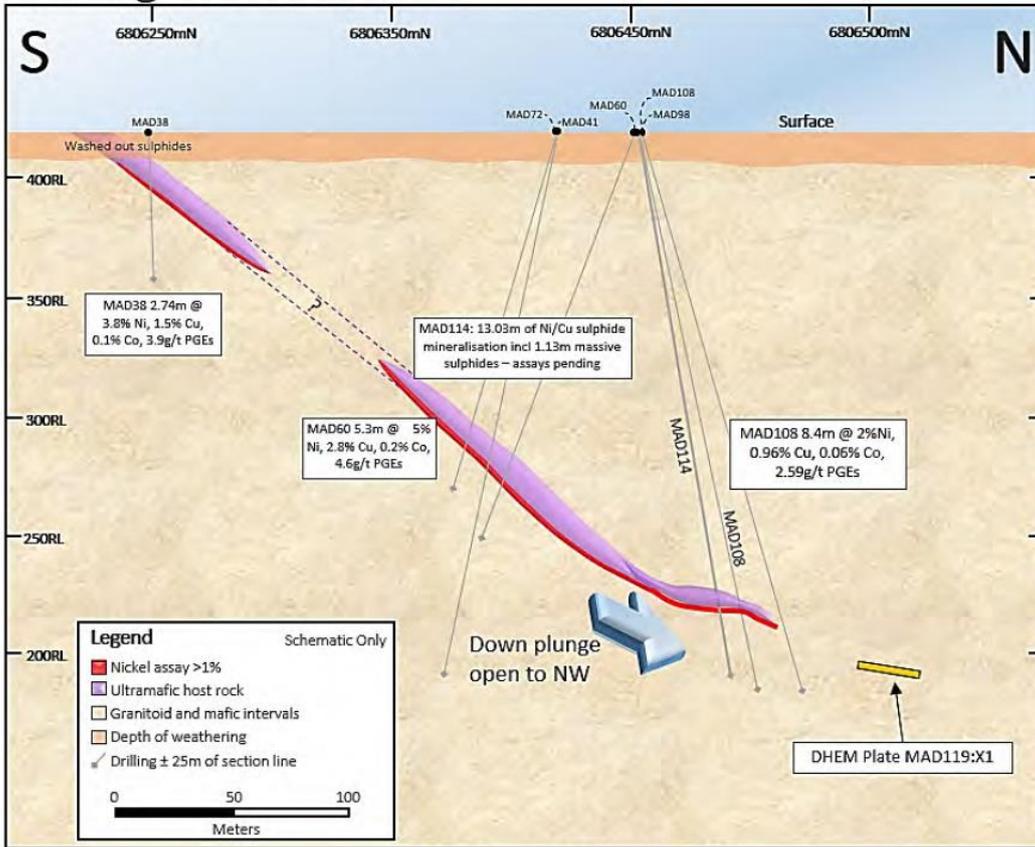
Source: SGQ

Channel hunting: SGQ is still unlocking the controls, orientation and direction of mineralisation at Mt Alexander across the three defined prospects which cover a collective 4.5km strike (incl. Cathedrals, Stricklands and Investigators prospects). Drilling is targeting higher tenor EM plates down-plunge in an attempt to define mineralised lava/magma channels which appear to have a north to northwest trend. Once the plunge direction/extent is defined, we expect SGQ will focus drilling on strike continuity and commence a systematic resource drill-out.

Mineralisation is differentiated from other komatiite hosted Ni deposits in the region given the higher ratio of nickel to copper (~2:1 vs 10:1 for komatiite deposit). PGE concentrations are also higher. This may indicate that Mt Alexander is an intrusive orebody similar to Independence Group's (IGO) Nova deposit. Mineralisation also has an east-west trend, rather than the north/northwest to south/southeast trend of most other nickel deposits in Western Australia.

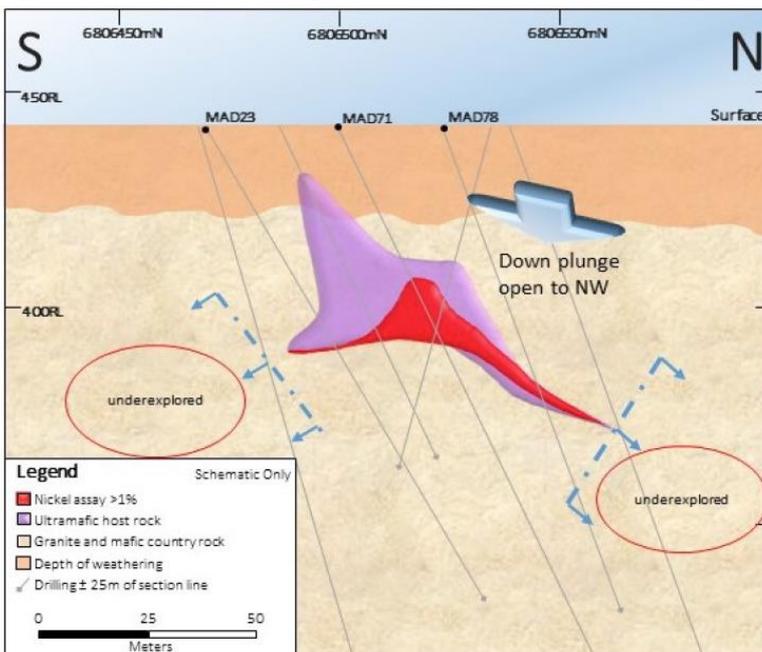
Next Steps: Drilling is ongoing at Investigators. Subsequent holes will test further EM conductors around MAD127 and test for down-plunge extensions in drill line MAD060 (see Figure 3 above) where a strong EM plate could extend mineralisation up to 380m (See Figure 4 below). The company also plans to drill-test down-plunge extension to the Stricklands deposit (see Figure 5 below). We believe SGQ will be in a position to release a maiden resource at Mt Alexander by mid-2019

Figure 4: Downhole EM plate to be tested at Investigators on the MAD060 drill line



Source: SGQ

Figure 5: Cross section through an interpreted channel containing massive Ni-Cu sulphides at the Stricklands deposit



Source: SGQ

Recommendation

Argonaut maintains a Speculative Buy recommendation.

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Argonaut has acted as Financial Adviser to SGQ in the previous 12 months and received fees commensurate with this service. 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.

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