

SPEC BUY

Current Price **\$0.17**

Ticker: **SGQ**
Sector: **Materials**

Shares on Issue (m): **368**
Market Cap (\$m): **53.4**
Cash est. (\$m): **3.5**
Debt (\$m): **0.0**
Enterprise Value (\$m): **49.9**

52 wk High/Low: **\$0.21** **\$0.11**
12m Av Daily Vol (m): **0.70**

All values in A\$ unless stated otherwise

Development Stage: Exploration

Key Projects	Location
Mt Alexander (75% SGQ; 25% WSA)	Western Australia
East Laverton	Western Australia
Hawaii	Western Australia

Directors	
John Prineas	Executive Chairman
John Dawson	Non-Executive Director
Sarah Shipway	Non-Executive Director

Major Shareholders	%
John Prineas	3.3%
John Dawson	3.1%

Share Price Graph



Please refer to important disclosures at end of the report (from page 5)

Monday, 2 September 2019

St George Mining

New discovery on the Radar – Site Visit

Analysts | Matthew Keane | James Wilson

Quick Read

St George Mining (SGQ) has made a new shallow massive Ni/Cu sulphide discovery at its Mt Alexander Project in Western Australia. The first drill hole into the Radar prospect has intercepted 7.5m of massive, blebby and matrix sulphides from 44m. Handheld XRF has returned readings of up to 6.0% Ni and 1.9% Cu for one of the massive intervals. We note that handheld XRF has correlated closely to final assays to date. The significance of this discovery cannot be understated. The Cathedrals Belt now has occurrences of shallow Ni/Cu mineralisation every 1.0-1.5km along its east-west strike. The discovery at Radar bodes well for future discoveries at the Bullets, Fish Hook and West End prospects.

Event & Impact: Exploration Drilling - Positive

Another EM anomaly, another discovery: The discovery at Radar continues the 100% correlation of EM signatures to massive sulphide mineralisation. There are now four identified mineralised pods along the belt, including Investigators, Stricklands and Cathedrals. The first drill hole at Radar was targeting a Moving Loop EM (MLEM) anomaly. About 1km further east of Radar, another MLEM target has been at the Bullets prospect. Between these prospects is a historic BHP low-grade Ni/Cu drill intercept. We believe it is highly likely that Bullets will be the fifth discovery (see Figure 2 over).

If the system is this long, it must be deeper than currently defined: With Radar, the mineralised strike along the Cathedrals Belt now extends for ~5.5km. However, the maximum depth of discovery is just ~200m below surface (hole MAD108 at the Investigators prospect), limited only by drilling. Probabilistically, a system of this scale is unlikely to stop at such a shallow depth. As surface EM only has an effective penetration depth of ~350m at this project, deeper discoveries will rely on drilling and downhole EM.

Next steps – What could SGQ snag at Fish Hook: The diamond rig will next test deeper targets at Cathedrals and Stricklands (~350-450m below surface). At Stricklands there are a number of prospective “jogs” along a NW-SE trending structure. Drilling at Bullets is planned for next week. An RC rig is due on-site mid-September and will likely test extension to Radars once downhole EM (DHEM) has been completed. An infill geochem program and EM are also being carried out at the Fish Hook prospect to the far east of the belt. Given that Fish Hook region has a 3-4km strike extent and the best geochem signature to-date, it presents as a compelling target. SGQ also plan to drill test EM conductors at the West End prospect, abutting the westernmost Ida Fault.

Recommendation

Argonaut maintains a SPEC BUY recommendation. As SGQ is pre-resource, we do not assign a target price. In our previous report ([Report: SGQ](#)), we highlight the analogies of Mt Alexander to Glencore’s Raglan Mine. This deposit hosts Ni sulphides in numerous mineralised pods rather than traditional flows or large intrusive lenses. We see Mt Alexander as prospective for additional like-scale pods as well as significantly larger lodes.

Another EM, another discovery

SGQ has discovered a fourth mineralised pod at the Radar prospect...

The first drill hole into the Radar prospect has intercepted 7.5m of massive, blebby and matrix sulphides from 44m below surface. Handheld XRF has returned readings up to 6.0% Ni and 1.9% Cu for the upper massive interval. The discovery at Radar continues the 100% correlation of EM signatures to massive sulphide mineralisation. This drill hole was targeting a moving loop EM (MLEM) anomaly, which was later optimised with Fixed Loop EM (FLEM).

...with 7.5m of Ni/Cu mineralisation from 44m below surface,

Figure 1. Summary of the mineralised interval in discovery drill hole MAD152 at Radar

Interval	Style of Mineralisation
44.2m to 46.3m	Ultramafic with disseminated sulphides (partly weathered due to faulting)
46.3m to 48.7m	Ultramafic with heavily disseminated sulphides (30% sulphides comprising pentlandite (pn), chalcopyrite (cp) and pyrrhotite (po))
48.7m to 49.07m	Ultramafic with coarse blebby and heavily disseminated sulphides (40% sulphides comprising pn, cp, po)
49.07m to 50.01m	Massive sulphides with average XRF readings of 6%Ni and 1.92%Cu* (100% sulphides comprising pn, cp, po) (the photograph below is drill core from this interval of massive sulphides)
50.01m to 50.05m	Ultramafic with heavily disseminated sulphides (50% sulphides comprising pn, cp, po)
50.05m to 51.6m	Massive sulphides with average XRF readings of 5.48%Ni and 1.77%Cu* (100% sulphides comprising pn, cp, po)
51.6m to 51.7m	Granite with stringer/breccia sulphides (50% sulphides comprising pn, cp, po)

...including ~2.5m of massive sulphides over 2 intervals

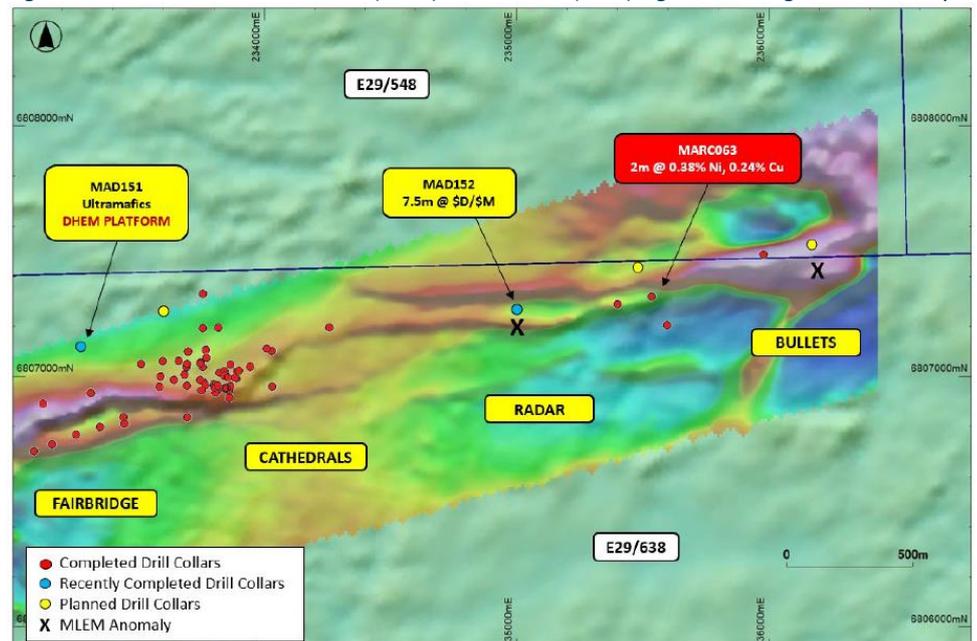
* Laboratory assays are pending and are required to confirm the nickel and copper grades which have been estimated using portable XRF analysis

Source: SGQ

About 1km to the east, another MLEM target has been identified at the Bullets prospect. We believe it is highly likely that this will be the fifth discovery. This target is planned to be drilled next week.

This bodes well for another discovery just 1km to the east at the Bullets prospect...

Figure 2. EM conductors at Radar (west) and Bullets (East) against a magnetic backdrop



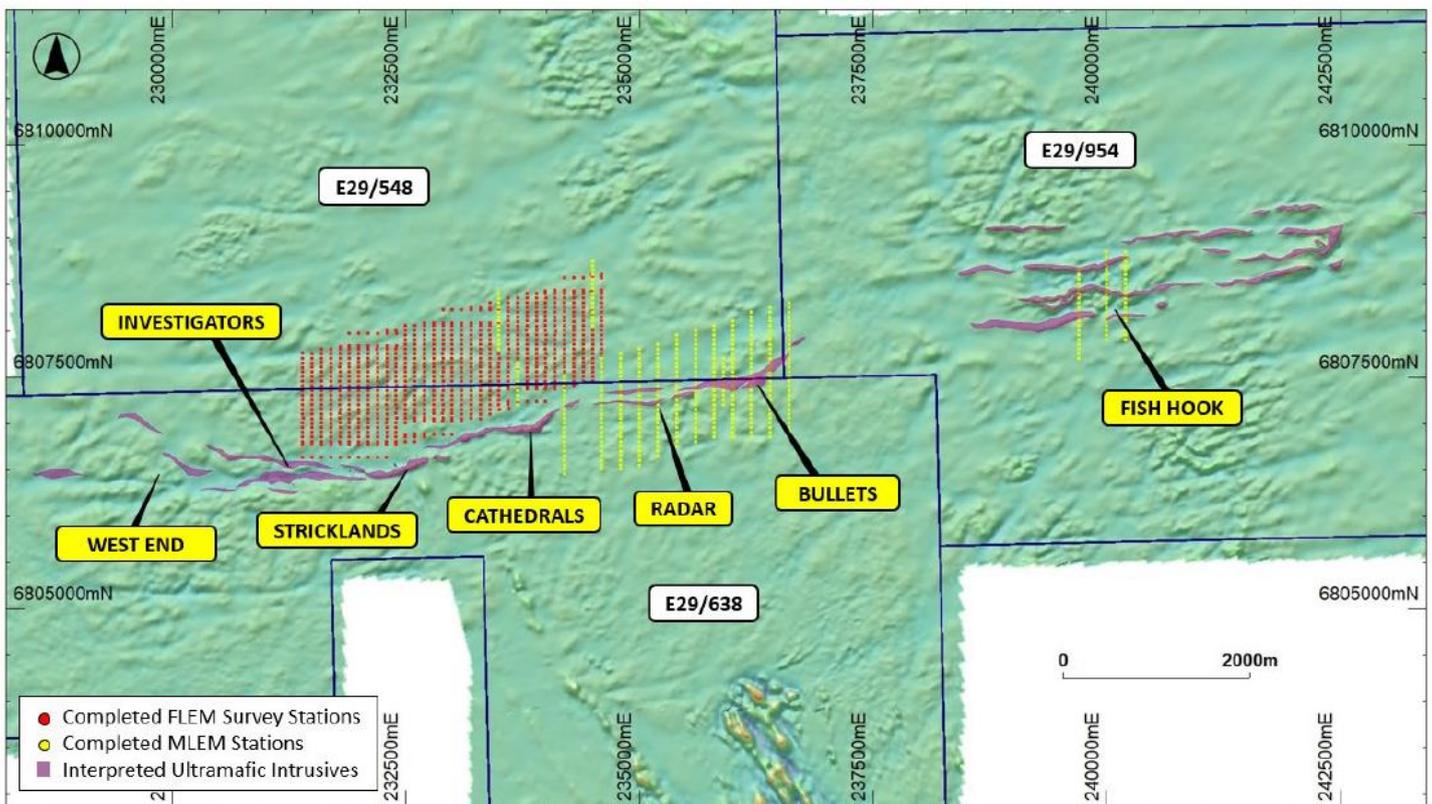
...which also has a strong surface EM anomaly

Source: SGQ

Next steps

The diamond rig will next test deeper targets at Cathedrals and Stricklands (~350-400m below surface). At Stricklands there are a number of prospective “jogs” along a NW-SE trending structure. To date, there has been some correlation between mineralisation and offsets within major structures that have been identified using gravity/magnetic surveys. An RC rig is due on-site mid-September and will likely test extensions to Radar. SGQ also plan to drill EM targets at the West End prospect. This is the most westerly targets which about the major regional structure, the Ida Fault.

Figure 3. Strike extent of the Cathedrals Belt showing key prospects

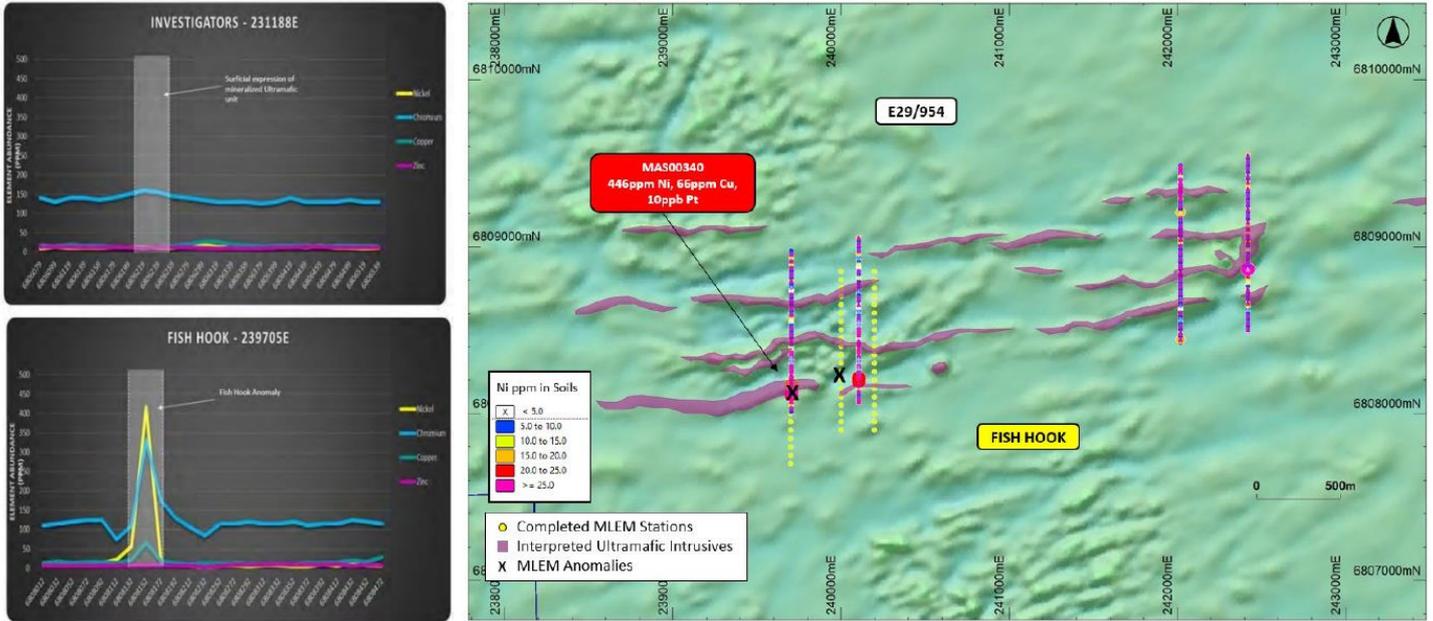


Source: SGQ

What could they snag at Fish Hook

An infill soil geochemistry program and EM surveys are being carried out at the Fish Hook prospect to the far east of the belt. This prospect had perhaps the best geochemical anomaly to date, with elevated Ni, Cu and PGEs much stronger than the Investigators prospect. Note that Investigators is the largest mineralised system discovered to date with mineralisation with ~50m of surface. A Plan of Works has been submitted for this area and approvals for drilling are expected in the coming weeks. Drilling of Fish Hook is not planned for the current drill program, but we believe the success at Radar will expedite SGQ’s plans to test this area.

Figure 4. Map showing the soil survey lines at Fish Hook with nickel assay values (in ppm) and MLEM anomalies, set against magnetic data



Source: SGQ

Multiple Targets - Strong Team

Argonaut was on site last week at Mt Alexander. At surface there are a number of gossans over an extended area showing the potential for numerous more discoveries. Recent surveys have delineated over 42 targets, many of which will be tested in the current drill program. SGQ has a strong technical team, led by geologist David O’Neill, a nickel specialist with over 20 years’ experience, incorporating time with Western Mining, BHP and Western Areas. The Company is taking a methodical approach of broad scale targeting via geochem, airborne EM and magnetic surveys, then refining this with ground EM (MLEM, FLEM), before drill testing. Discoveries are then extended via geological interpretation and DHEM.

Figure 5. Gossans at surface at the Fairbridge prospect



Source: Argonaut

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Important Disclosures

Argonaut acted as Lead Manager to the Placement that raised \$4M in June 2019 and received fees commensurate with this service. Argonaut acted as Lead Manager to the Placement that raised \$3.3M in July 2019 and received fees commensurate with this service. Argonaut holds or controls 1,290,000 SGQ shares and 2.5M Options exercisable at \$0.15 on or before 31 July 2022.

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