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St George Mining

Cathedrals Belt Showing Depth Potential

Analysts: Matthew Keane | James Wilson

Stock	St George Mining (SGQ)
Recommendation	SPEC BUY
Current Price	\$0.14
Market Cap	\$60m

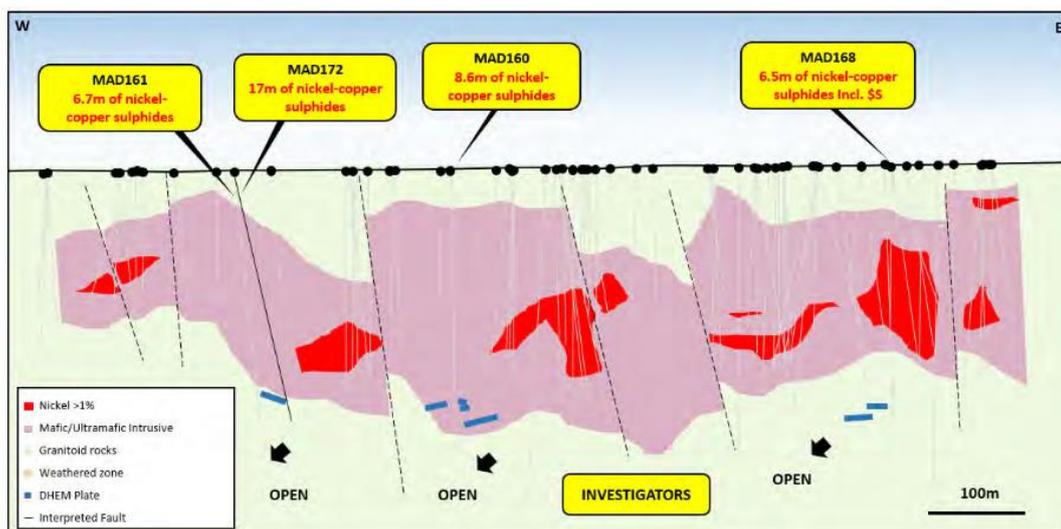
Event and First Take | Deep Drilling Returns Thick Ni/Cu Mineralisation

Cathedrals Belt shows depth potential: St George (SGQ) has intercepted 17.3m of disseminated and blebby Ni/Cu sulphides from 242.5m downhole in drill hole MAD172. We see this as a very significant intercept, for a number of reasons. Firstly, it supports our view that the currently defined ~5.5km long mineralised system must have depth extents below the previous discovery depth of circa 200m below surface. Secondly, mineralisation is increasing in thickness at depth, versus hole MARC109 which intercepted 4m of disseminated sulphides up-dip from MAD172. We see the potential for a significant increase in scale of defined mineralisation, both along strike and at depth. The strong soil anomaly at Fish Hook to the east extends the prospective strike out to 16km and holes such as MAD172 indicate the depth potential. We estimate there could be up to ~50kt of contained Ni Eq. in the four mineralised pods defined to date.

Table 1: Summary of the mineralised intercept in drill hole MAD172

MAD172 Interval	Style of Mineralisation
242.5m to 253.5m	Ultramafic with disseminated sulphides and blebby sulphides (2mm-3mm) increasing with depth (5-10% sulphides comprising pentlandite (pn), chalcopyrite (cp) and pyrrhotite (po))
253.5m to 259.78m	Ultramafic with heavily disseminated sulphides and larger blebby sulphides (5mm- 65mm) (20-30% sulphides comprising pn, cp, po)

Figure 1: Schematic long section (looking north) of the Investigators Prospect showing drill hole traces and EM plates

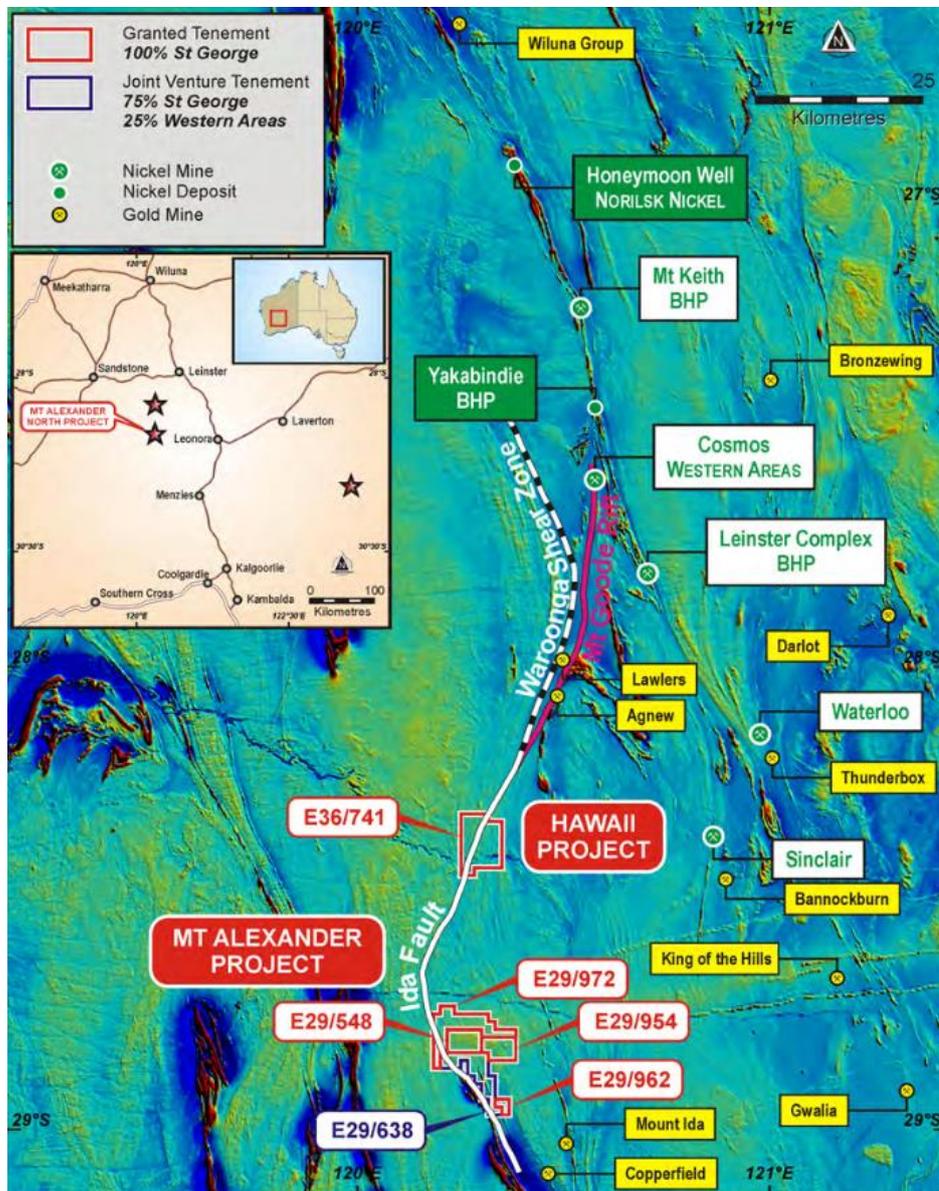


Source: SGQ

Strength of the conductor not explained: MAD172 was targeting the deepest EM conductor to be tested to date, with modelled conductivity of 25,000 Siemens. The intensity was not fully explained by the disseminated intercept and SGQ will conduct downhole EM (DHEM) later this week. The style of mineralisation is consistent with remobilised sulphides, indicating potential for a larger source nearby.

Corporate appeal: We believe the recent off-market takeover bid by Independence Group (IGO) for Panoramic Resources (PAN) shows the level of interest for Australian domiciled nickel assets. Mt Alexander is in an established mining region with a number of established nickel mines and concentrators within trucking distance, including Sinclair (Saracen, SAR), Leinster (BHP) and Cosmos (Western Areas, WSA). WSA has a 25% interest in some tenements in the Mt Alexander Project. We believe the high tenor of mineralisation discovered to date and potential scale of the project, will certainly attract the interest of mid to large cap base metal producers.

Figure 2: Location of the Mt Alexander Project showing surrounding nickel and gold projects



Source: SGQ

Recommendation

Argonaut maintains a SPEC BUY recommendation. As SGQ is pre-resource, we do not assign a target price.

RESEARCH:

Ian Christie | Head of 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 Institutional Sales
+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 bwilloughby@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

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

Philip Grant | Senior Dealer, Corporate Stockbroking
+61 8 9224 6834, pgrant@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

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