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Antipa Minerals – Rio Tinto to invest up to \$60m in Citadel project, WA – New Portfolio Stock

Antipa Minerals (ASX: AZY, Share Price: \$0.024, Market Cap: \$12m) came onto our radar screens during May 2014 around current price levels based on its first-class acreage position in the mineral-rich Telfer province in Western Australia. Since then our coverage took a back-seat as the company endured tough times with a falling cash balance and hence little opportunity for active exploration.

Importantly that's all changed, with the signing of an agreement with Rio Tinto Exploration that could see Rio invest up to \$60 million on exploration on Antipa's Citadel gold and copper project in the Telfer region. Rio plans to invest \$3m to complete follow-up phase II RC drilling at Calibre during the calendar year.



Market Significance

Antipa's share price has more than doubled on the back of the Rio farm-in deal, which is not surprising as it removes the one factor – funding – that had been holding both the company and the Citadel project back. This is a major breakthrough for the company and reflects the underlying quality and resource potential of the Citadel project, which lies just 75km north of Newcrest's Telfer gold-copper-silver deposit. A 1.6 million ounce gold-req JORC resource has already been identified and further work will likely be aimed at extending the combined strike extent of the existing Calibre gold-copper mineralization.

Announcement Detail – Rio Tinto Farm-in

Antipa has announced a hugely significant farm-in agreement with Rio Tinto Exploration, whereby Rio can invest up to \$60 million on exploration over 10 years in order to earn up to a 75% stake in Antipa's Citadel gold and copper project in Western Australia.

As part of the initial Stage I \$3 million expenditure commitment that's due within 18 months, Rio Tinto plans to complete follow-up Phase II RC drilling at the Calibre project during the calendar year. The program will involve the completion of up to 30 RC drill-holes for around 5,000 metres over three stages, with the aim of extending the limits of the North Calibre gold-copper mineralisation to a total strike length of between 1.6km and 3.9km.

In order to proceed to Stage II, Rio Tinto will be required to fund a further \$8 million in exploration expenditure on the tenements within three years in order to earn a 51% interest. Upon Rio Tinto earning a 51% interest in the Citadel project, the companies will become parties to a joint venture agreement.

Rio Tinto can fund a further \$14 million in exploration expenditure within three years to earn a 65% joint venture interest if it plans to proceed to Stage III. By funding a further \$35 million during Stage IV, Rio Tinto can earn a 75% joint venture interest.

Technical Significance

The significance of the Rio Tinto farm-in deal is obvious. Aside from the credibility of having a world-class project partner in the form of Rio Tinto and the potential for tens of millions of dollars in project spending, the deal provides near-term certainty for investors. It also enhances the prospects for the potential development of a successful mining operation within the Citadel project area. Rio is only interested in Tier One assets, so this is a strong reflection of the potential of Citadel.

By this I mean that shareholders are guaranteed that at least \$3 million worth of focused RC drilling will be undertaken, ensuring both activity and potential for share price appreciation. This is something that most exploration companies lack in the current market environment.

Furthermore, it removes the necessity for highly-dilutionary equity raisings to fund activity on Citadel, thus removing the perception that Antipa is 'cum issue.' Antipa will retain 100% ownership of its separate North Telfer and Patersons projects to the south of Citadel and to this end has announced a \$550,000 placement to fund exploration at these projects, as well as the Telfer Dome project.

Project Overview

The company's Citadel and North Telfer projects are located within the Paterson Province in northwest Western Australia, 400 km east of Port Headland. The Paterson Province is considered to be highly prospective, but grossly underexplored. It hosts several world-class mineral deposits situated within 150 km of Antipa's Citadel and North Telfer projects – with the most prolific including Australia's third-largest producing gold-copper mine - Newcrest's Telfer operation, as well as Aditya Birla's Nifty copper mine.

Around 85% of the prospective Paterson Province Proterozoic stratigraphy is concealed beneath younger transported rocks. The Citadel and North Telfer projects are covered by between 20 metres and 100 metres of transported sediments, masking an extensive area prospective for a range of world-class mineral deposit styles.



The company's 1,111 sq km Citadel project is located approximately 100km north of Newcrest's giant Telfer gold, copper and silver mine and includes the drill defined gold, copper, silver +/- tungsten Calibre and Magnum deposits and a combined Mineral Resources of 1.2 million ounces of gold and 139,000 tonnes of copper, which are open in all directions.

The company's 1,253 sq km North Telfer Project and 1,624 sq km (225 sq km granted) Paterson Project extend its ground holding in the Paterson Province to within 5km of Telfer.

Summary

Antipa Minerals is an intriguing investment proposition. The company is well advanced in terms of its exploration status, boasting a sizeable 1.6M gold-eq oz JORC-compliant resource. There's little doubt the resource will continue to grow, so it now becomes a question of scale, grades, potential development economics. The farm-in deal provides near-term funding certainty and also ensures active exploration, which in turn justifies adding Antipa Minerals to our Watch-List Portfolio. It is the right time to highlight the company as a potential investment option.

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