

14 Jul 2020

| | |
|-------------------------|---------|
| Share Price | \$0.031 |
| Price Target (12 month) | \$0.045 |

Brief Business Description:
Gold-Copper Explorer

Hartleys Brief Investment Conclusion

Large ground holding in the highly prospective Paterson Province of WA. JV with RIO over the Citadel Project area, New crest farming-in to the Wilki Project, IGO farming-in to the Paterson Project, retains 144sqkm of 100%-owned tenure. Gold-copper resources underpin value with significant exploration upside.

Chairman & MD

Stephen Power (Exec Chairman)
Roger Mason (MD)

Top Shareholders

| | |
|------------------|------|
| New crest Mining | 9.9% |
| IGO Limited | 4.9% |

Company Address

Level 2, 16 Ord Street
West Perth, WA, 6005

Issued Capital 2439.8m

- diluted ITM 2523.8m

- fully diluted 2614.0m

Market Cap A\$75.6m

- diluted ITM A\$78.2m

- fully diluted A\$81.0m

Cash and Bullion (est) A\$9.0m

Debt (est) A\$0.0m

EV A\$66.6m

EV/Resource Au oz A\$19.7/oz

EV/Reserve Au oz na

AuEq

Resources (Moz) 3.4

Reserves (Moz) 0.0

ANTIPA MINERALS LTD (AZY)

AZY continues to deal out its large tenure holding

Antipa Minerals Ltd (AZY) and IGO Limited (IGO) have executed a \$30M farm-in agreement whereby IGO can earn up to a 70% interest in a 1,563sqkm portion of AZY's 100%-owned Paterson Project. IGO has committed to an initial \$4M exploration spend within 2.5 years and a further \$26M exploration expenditure within 6.5 years to earn a 70% JV interest. AZY will also be free carried to completion of a feasibility study. IGO has also acquired a 4.9% interest in AZY via a \$3.27M placement at 2.75cps.

AZY retains key resource asset at Minyari-WACA

Of the [5,200sqkm](#) of tenure held by AZY, it has now dealt out 97% to majors/mid-tiers, retaining a strategic 144sqkm package of ground. AZY's reduced Paterson Project still hosts the 723koz (+26kt Cu) Minyari-WACA deposits where it plans to focus on resource growth efforts this year as well as test new greenfield targets. The 2019 discovery of the 1.8km long Poblano-Serrano-Reaper (PSR) trend, which yielded **4m @ 8.1g/t Au, 0.23% Cu & 0.9g/t Ag** from 194m at Serrano, falls within the new IGO earn-in ground, as does the emerging Grey prospect, 8km to the southwest where an EM conductor has been modelled across a 900m strike length and to 470m depth. Meanwhile, RIO continues to manage the Citadel JV. To date, RIO has sole funded \$11M in exploration expenditure and following completion of the 2019 exploration program, had earned a 51% interest. It can now earn 65% by sole funding the next \$14M within 3 years. A \$9.2M budget has been approved for the 2020 field season and will comprise 13,000m of drilling and the continuation of a large IP survey.

In February of this year AZY and NCM executed a \$60M farm-in and JV agreement whereby NCM can earn up to 75% interest in a 2,180sqkm portion of AZY's (previously) 100%-owned Paterson Province (now the Wilki Project).

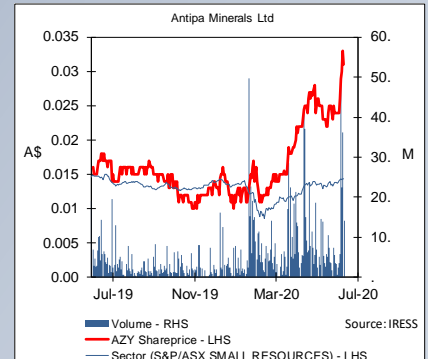
IGO taking a strong position in the region

Coupled with this AZY deal, IGO now has a large foothold in the region. Last month, IGO agreed a farm in on MLX.asx's Paterson Exploration Project, which surrounds Nifty and Maroochydoore. IGO can earn 70% of the tenure by spending \$32M over 6.5 years. The mid-tier nickel and gold producer clearly shares Hartleys' view on the strong prospectivity of the Paterson Province.

Cashed up to give the Paterson a red-hot crack

The placement in-which IGO paid a 25% premium, also saw NCM participate to maintain its 9.9% ownership of AZY. AZY now has an estimated \$9M in cash and will continue its systemic exploration across its, now reduced, 100%-owned ground. As manager of the earn-ins, AZY will also undertake the on-ground work in consult with IGO and NCM, while attracting a 10% management fee. RIO is managing the on-ground works at the Citadel JV.

AZY has done an excellent job in ensuring its large holding in the Paterson gets the necessary rigour and attention required to make further significant discoveries. In dealing ground out to large mining companies, it is in effect guaranteeing significant in-ground exploration expenditure, that a junior of its size could otherwise not provide. The earn-ins and JV have potential to deliver a cumulative exploration spend of \$150M over time, and +\$20M over the next 2 years. We maintain our Speculative Buy recommendation with Price Target of 4.5cps (from 3.1cps).



Paul Howard

Resources Analyst

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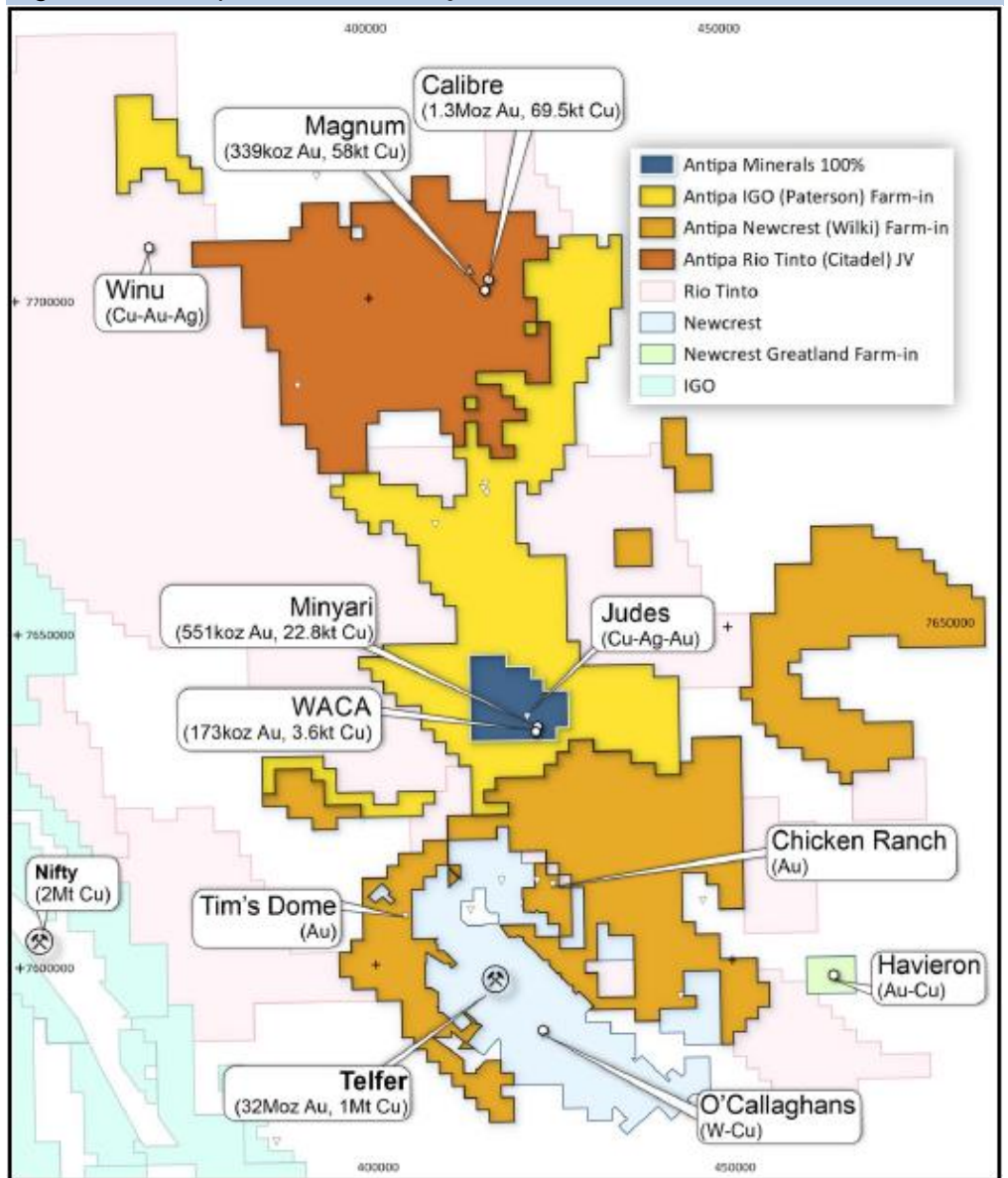
E: paul.howard@hartleys.com.au

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SUMMARY MODEL

| Antipa Minerals Ltd AZY | | Share Price \$0.031 | | 14 July 2020 Speculative Buy | | | | |
|---|----------------|------------------------|---|---|---|------------|------------------|--------------|
| Key Market Information | | | Directors | | | | | |
| Share Price \$0.031 Market Capitalisation \$75.6m Net Cash (debt) \$9.0m Issued Capital 2439.8m Options 84.0m Issued Capital (fully diluted) 2523.8m EV \$66.6m 12Mth Price Target \$0.045 | | | Company Details Stephen Power (Exec Chairman) Level 2, 16 Ord Street Roger Mason (MD) West Perth, WA, 6005 Mark Rodda (Non-Exec Director) +61 8 9481 1103 Peter Buck (Non-Exec Director) +61 8 9481 0117 Gary Johnson (Non-Exec Director) www.antipaminerals.com.au Simon Robertson (Comp Secretary) | | | | | |
| Projects | | | Top Shareholders | | | | | |
| Interest | Partner | Location | Area (km²) | Commodity | m shs | | | |
| Wilki 100% ¹ | NCM | Paterson, WA | 2,180 | Au, Cu (Ag, Co) | 241.5 | | | |
| Paterson 100% ² | IGO | Paterson, WA | 1,563 | Au, Cu (Ag, Co) | 118.9 | | | |
| Citadel 49% ³ | RIO | Paterson, WA | 1,316 | Au, Cu (Ag, Co) | 140.2 | | | |
| Paterson (AZY) 100% | - | Paterson, WA | 144 | Au, Cu (Ag, Co) | 5.7% | | | |
| Resources | | | Investment Summary | | | | | |
| Mt | g/t Au | % Cu | Au koz | Cu kt | Large ground holding in the highly prospective Paterson Province of WA. JV with RIO over the Citadel Project area, Newcrest farming-in to the Wilki Project, IGO farming-in to the Paterson Project, retains 144sqkm of 100%-owned tenure. Gold-copper resources underpin value with significant exploration upside. | | | |
| Minyari 7.7 | 2.2 | 0.3 | 551 | 22.8 | Newsflow - CY19/CY20 Project Q2 CY19 \$5.1M placement to fund exploration - Q2 CY19 Phase 1 drilling commences Paterson & Wilki Q2 CY19 Maiden resource - Chicken Ranch & Tim's Dome Wilki Q2 CY19 Citadel exploration program commences Citadel Q2-Q4 CY19 Phase 1 & 2 drilling and updates Paterson & Wilki Q4 CY19 Citadel results/update Citadel Q1 CY20 RIO elects to enter 65% earn-in phase Citadel Q1 CY20 NCM enters \$60M farm-in to earn up to 75% Wilki Q2 CY20 RIO commences activities with \$9.2M CY20 budget Citadel Q3 CY20 IGO enters \$30M farm-in to earn up to 75% Paterson Q3 CY20 Phase 3 drilling + new targets Paterson (AZY) CY20 Maiden drilling on NCM/AZY farm-in ground Wilki | | | |
| WACA 3.3 | 1.6 | 0.1 | 173 | 3.6 | | | | |
| ¹ Calibre 47.7 | 0.9 | 0.2 | 1,300 | 69.5 | | | | |
| ¹ Magnum 16.1 | 0.7 | 0.4 | 339 | 57.8 | | | | |
| Total | 74.8 | 1.0 | 2,362 | 153.7 | | | | |
| | | | 3,277 | AuEq | | | | |
| ² Chicken Ranch 0.8 | 1.6 | | 40 | | | | | |
| ² Tim's Dome 1.8 | 1.1 | | 63 | | | | | |
| Total | 2.6 | 1.3 | 104 | | | | | |
| P&L | | | Unpaid Capital | | | | | |
| | FY2017A | FY2018A | FY2019F | Year Expires | No. (m) | \$m | Avg price | % ord |
| Net Revenue | 0.2 | 0.0 | 0.1 | Jun-21 | 67.0 | 2.8 | 0.043 | 2.7% |
| Total Costs | -1.9 | -1.9 | -1.9 | Jun-22 | 20.0 | 0.3 | 0.017 | 0.8% |
| EBITDA | -1.7 | -1.9 | -1.9 | Jun-23 | 13.5 | 0.4 | 0.032 | 0.6% |
| Deprec/Amort | 0.0 | 0.0 | 0.0 | Jun-24 | 8.5 | 0.3 | 0.031 | 0.3% |
| EBIT | -1.7 | -1.9 | -1.9 | TOTAL | 114.0 | 4.0 | 0.035 | 4.7% |
| Net Interest | 0.1 | 0.1 | 0.1 | Comments | | | | |
| Pre-Tax Profit | -1.6 | -1.9 | -1.8 | Exploration company looking to progress into development. Leveraged to exploration success/improved market sentiment. | | | | |
| Tax Expense | 0.0 | 0.0 | 0.0 | | | | | |
| NPAT | -2.1 | -2.4 | -2.3 | | | | | |
| Abnormal Items | 0.5 | 0.6 | 0.3 | | | | | |
| Reported Profit | -1.6 | -1.9 | -2.0 | | | | | |
| Analyst: Paul Howard | | | Last Updated: 14/07/2020 | | | | | |
| Phone: +61 8 9268 3045 | | | | | | | | |
| Sources: IRESS, Company Information, Hartleys Research | | | | | | | | |

Fig. 1: Antipa Minerals' Projects, Resources and JV/Farm-ins



Source: Antipa Minerals

AZY and IGO have executed a \$30M farm-in and JV agreement whereby IGO can earn up to a 70% interest in a portion of AZY's 100%-owned Paterson Province Project.

IGO has also acquired a 4.9% interest in AZY via a \$3.27M placement at 2.75cps.

PRICE TARGET

Our AZY price target is considered highly speculative, as the Company's projects are at a pre-scoping stage (no development studies).

We have simulated an initial open pit scenario for AZY's 100%-owned Paterson asset, and note that it is subject to ongoing discovery and resource growth (current resource is a combined 11Mt from the Minyari and WACA deposits). This base case is also subject to ongoing funding (which is now forthcoming for FY21 given the latest placement with IGO), favourable development studies, reserves and potential access to third party processing infrastructure.

The JV/Earn-in strategy in which AZY is participating (with RIO, NCM and IGO) is seen a very good model for a junior company with extensive tenure, which remains highly prospective (proven prospectivity) but largely under explored. Our derived valuation for AZY assigns nominal values to each JV and assumes exploration success and retention of 25% interest by AZY in each JV.

Our Price Target is
4.5cps

Our price target of 4.5cps is derived from a discounted cashflow analysis of a potential (future) open pit mining operation producing gold and copper, and perception of exploration value in having retained exposure to the Citadel Project, Wilki Project and now the Paterson Project with IGO. We model a scenario based on AZY's current resource base as well as a net cash backing outcome. We also model a takeover scenario for AZY. Our model assumes significant equity dilution to fund potential operations into production.

Fig. 2: Hartleys AZY Price Target

| Price Target Methodology | Weighting | Spot | 12 mth out |
|---|-----------|----------------|------------|
| NPV ₁₄ Base Case: 50% resource growth within Paterson Project (100%) + RIO, NCM & IGO JV/Earn-in Value | 40% | \$0.056 | \$0.064 |
| NPV ₁₄ Spot: Base Case Paterson Project (100%) + RIO, NCM & IGO JV/Earn-in Value | 20% | \$0.079 | \$0.067 |
| NPV ₁₄ Current Resource Base: ~11Mt Paterson Project (100%) + RIO, NCM & IGO JV/Earn-in Value | 10% | \$0.037 | \$0.054 |
| Takeover by mid-Tier for a 50% premium | 25% | \$0.047 | \$0.000 |
| Net Cash Backing | 5% | \$0.004 | \$0.004 |
| Risk weighted composite | | \$0.054 | |
| 12 Months Price Target | | \$0.045 | |
| Shareprice - Last | | \$0.031 | |
| 12 mth total return (% to 12mth target + dividend) | | 44% | |

Source: Hartleys' Research

RISKS

Key risks for AZY include; making an economic discovery and obtaining funding for ongoing exploration beyond FY21. Weather, land access, drill rig availability and retaining key people are factors that should all be considered.

Fig. 3: Key Risks

| Assumption | Risk of not realising assumption | Downside risk to share price if assumption is incorrect | Comment |
|---------------------------------|--|---|--|
| Funding for ongoing exploration | Med | Med-High | We estimate AZY has a current cash position of ~A\$9M post the IGO placement, and operates under a lean corporate structure (low cost base). The Company is now funded for planned exploration drilling in FY21. The Citadel Project is fully funded through an earn-in JV with RIO, but RIO retains the right to withdraw from the farm-in at the completion of each annual exploration program. |
| Discovery Success | Med-High | Med | AZY has resource estimates over a number of deposits. For a potential stand-alone operation, additional discoveries and/or resource extensions are required as assumed in our base case. With processing infrastructure already within the province, access to processing facilities may be possible, but not guaranteed. |
| Viable development studies | Med-High | High | No development studies are yet available for any of AZY's project within the Paterson Province. Preliminary met-testwork has been favourable for the Minyari and WACA deposits, but additional test work is required. |
| Commodity Prices | Med | Med-High | The projects remain highly sensitive to commodity price movements and sentiment. Current exploration focus is gold, copper, silver and cobalt. |
| Conclusion | <i>At this stage we consider the assumptions have a medium to high risk of not being achieved. The Company's extensive project portfolio with high prospectivity and low current market cap, implies the Company is undervalued.</i> | | |

Source: Hartleys Research

HARTLEYS CORPORATE DIRECTORY

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| | |
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Note: personal email addresses of company employees are structured in the following manner: *firstname.lastname@hartleys.com.au*

Hartleys Recommendation Categories

| | |
|-----------------------|--|
| Buy | Share price appreciation anticipated. |
| Accumulate | Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy". |
| Neutral | Take no action. Upside & downside risk/reward is evenly balanced. |
| Reduce / Take profits | It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period. |
| Sell | Significant price depreciation anticipated. |
| No Rating | No recommendation. |
| Speculative Buy | Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk. |

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