

Antipa Minerals

Waiting in Antipa-pation

ADD

Current price:	A\$0.024
Target price:	A\$0.031
Previous target:	A\$
Up/downside:	30.1%
Reuters:	AZY.AX
Bloomberg:	AZY AU
Market cap:	US\$21.05m
	A\$28.16m
Average daily turnover:	US\$0.05m
	A\$0.07m
Current shares o/s	1,173m
Cash	A\$7m
Free float:	100.0%



Price performance	1M	3M	12M
Absolute (%)	-11.1	-31.4	100
Relative (%)	-16.5	-34.3	91.5

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- Antipa Minerals (AZY) has commenced Phase 1 drilling at the Citadel Project. Rio Tinto farm-in highlights the Citadel Project's prospectivity.
- Historical drilling showed extensive gold and copper mineralisation at Minyari (AZY 100%). Results from Phase 1 drilling at Minyari have confirmed this with Phase 2 drilling now underway.
- AZY is actively exploring for gold-copper-silver mineralisation in large land-holding surround Telfer. We expect current drill campaigns to provide news-flow over the next few months.
- We initiate coverage with a speculative ADD rating and A\$0.031 target price. Given its early-stage nature, AZY is unsuited to investors with a low risk profile.

Prospective assets in a world-class Province

AZY has gradually acquired a significant land holding in the Paterson Province of Western Australia. The Paterson hosts Telfer (current Reserve of 11Moz Au and 775kt Cu), Nifty (current Resource of 400kt Cu), Woodie Woodie Manganese Mine and the Kintyre Uranium deposit. AZY's landholding comprises three project areas: Citadel, North Telfer and Paterson. More information on these projects can be found in the company overview below.

Potential catalysts and investment view

AZY is currently drilling at the Citadel and North Telfer Projects. At Citadel, AZY is exploring for copper-gold discoveries, along with the extension of existing discoveries, across a 20km strike length. All exploration at Citadel is currently funded by Rio Tinto, which entered the project in 2015. At North Telfer (AZY 100%), AZY is following up on recent and historical drilling that has identified significant high-grade gold and copper mineralisation. We expect these drill campaigns to provide several catalysts over the next few months including: 1) drill results from Citadel Project Phase 2 drilling; 2) drill results and delineation of further targets at North Telfer; 3) Maiden Resource estimates and metallurgical results from Minyari; 4) RIO opt-in to Phase 2 of the Citadel JV; and 5) release of historical drill results at Paterson Project regional prospects.

Highly leveraged to exploration success – Speculative buy

AZY has a significant landholding in a region that hosts several world class deposits. Recent and historical drilling indicates widespread, high-grade, shallow, copper-gold mineralisation. The Rio Tinto JV (Citadel Project) is a stamp of approval, in our view, and with two large drill campaigns to be completed before the end of the year, we believe AZY is highly leveraged to exploration success. We have derived a nominal valuation of \$0.031/per share based on existing Mineral Resource at Citadel, exploration upside at Minyari and current cash position of ~A\$7m.

Antipa project valuation

Asset	Valuation (\$m)	\$/Share	Comment
Citadel	\$ 17.3	\$ 0.015	Valued at A\$20 per ounce of Au Resource
Magnum	\$ 6.8	\$ 0.006	Valued at A\$20 per ounce of Au Resource
Minyari	\$ 6.5	\$ 0.006	Valuation of potential upside
Cash	\$ 7.5	\$ 0.006	
Corporate Overheads	-\$ 1.5	-\$ 0.001	
Total	\$ 36.6	\$ 0.031	

SOURCES: MORGANS, COMPANY REPORTS

Valuation and price target

AZY is an early stage exploration play and, as such, it is difficult to accurately value. We have attempted a nominal valuation based on current resource inventory, exploration potential and cash in hand. The breakdown of this valuation can be seen below.

Figure 1: Antipa project valuation

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SOURCES: MORGANS, COMPANY REPORTS

We stress this is a nominal valuation and believe the value in AZY lies in the exploration upside of the large landholding in the Paterson Province.

Financial and corporate

We believe AZY has an astute and fiscally responsible management team. To date, exploration expenditure significantly outweighs administration and fixed costs and that is a tick for junior explorers. AZY recently raised circa A\$7m at \$0.026/share through a placement and Share Purchase Plan. Encouragingly, affiliates of the Sprott group of companies, a highly regarded resources investment firm, corner-stoned the raise with an A\$2m investment. The funds will be used to explore AZY's extensive landholding and fund working capital.

Risks

AZY is an explorer and as such should be considered a very high risk investment proposition. The major risks are associated with poor drill results at North Telfer and Citadel, whilst further risks exist around the Rio Tinto JV. If RIO decides not to enter the second phase of its agreement, it would place significant downward pressure on AZY's share price.

Current exploration activity

Citadel phase 2 drilling - AZY and RIO joint venture

AZY recently announced that drilling has commenced at Citadel. The 6,000m program will investigate the extent of the Calibre and Magnum deposits and test a range of targets that have been identified over a 20km strike length. The previously untested targets have been identified primarily using Induced Polarisation (IP) surveys; Calibre and Magnum discoveries are IP anomalies.

Initial RC drilling at the highest priority target, Blue Steel, failed to intersect material that could explain the IP anomaly. Re-interpretation of the data has suggested that the anomaly maybe offset or deeper than initially anticipated. The joint-venture has now approved and commenced the drilling of a deeper diamond drill hole to test the target.

Potential impact

RIO is looking for Tier 1 discoveries at Citadel. Further copper gold discoveries, along with the extension of existing discoveries, may give the Citadel the size and scale that that is needed for RIO. Drilling success would increase the likelihood that RIO will enter the second phase of the JV (A\$8m spend for 51%) and we see this as a big endorsement of the project's prospectivity.

Phase 2 exploration commenced at North Telfer

AZY has commenced Phase 2 exploration at its 100% owned North Telfer Project. This campaign follows up on recent and historical drilling that has identified significant high-grade gold and copper mineralisation across a highly prospective land package. The current programme is a mix of IP surveys, RC drilling (up to 6,000m), diamond drilling (up to 1,800m) and possible metallurgical test-work. The work aims to extend the limits of the Minyari and WACA deposits and try to unearth new gold-copper discoveries along a 4km corridor which already hosts significant mineralisation.

Potential impact

With further drill success, AZY has the potential to delineate a shallow, high grade resource across the Minyari area, and given the projects proximity to suitable infrastructure, this could make for an interesting development opportunity. We see this as a significant step for AZY as it would take them from explorer to potential developer and the share price re-rating that comes with project progression.

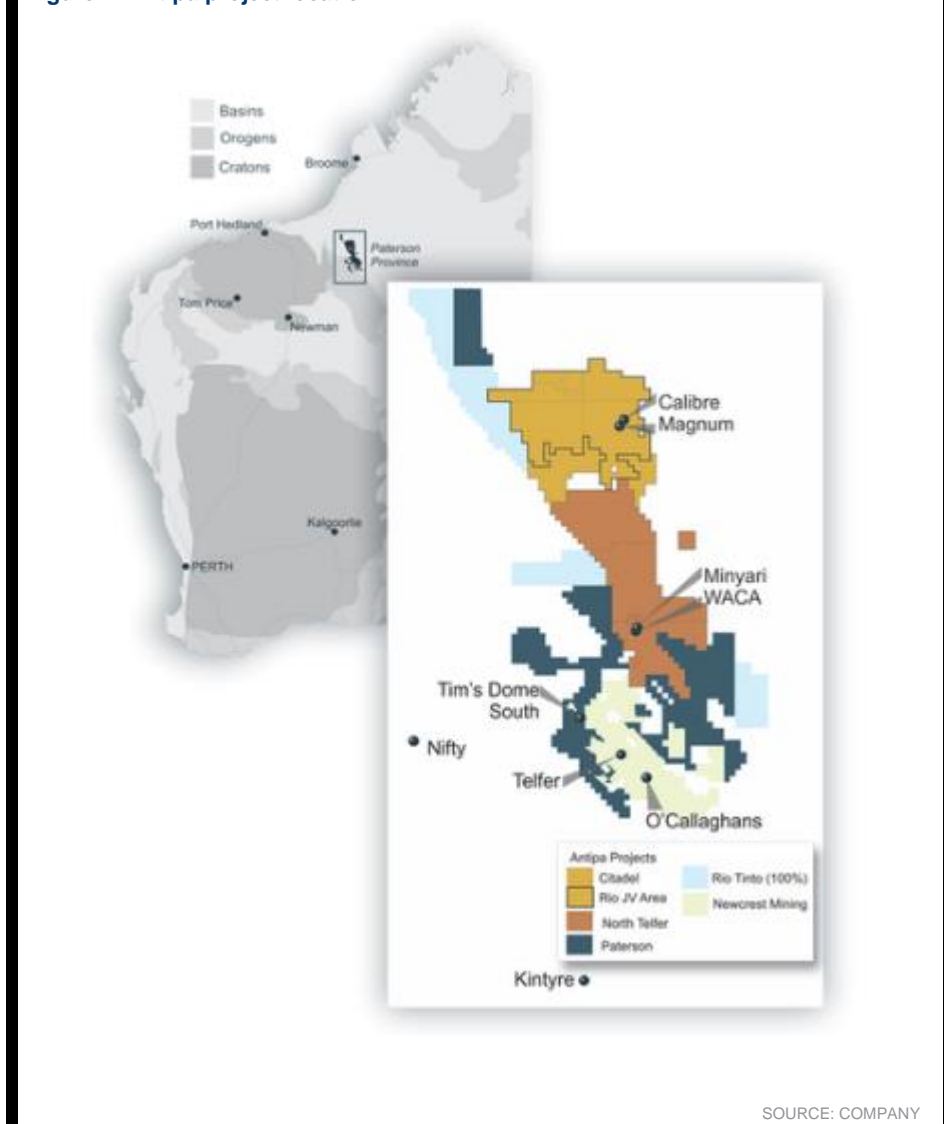
Company overview

Prospective assets in a well-endowed mineral field

AZY has gradually acquired a significant land holding in the Paterson Province of Western Australia, which hosts several world-class mineral deposits. The Paterson hosts Telfer (current Reserve of 11Moz Au and 775kt Cu), Nifty (current Resource of 400kt Cu), Woodie Woodie Manganese Mine and the Kintyre Uranium deposit. AZY's landholding comprises three project areas:

- **Citadel** - 1,336sqkm landholding that is currently being explored by Rio Tinto and Antipa under a A\$60m joint venture agreement. All exploration is currently funded by RIO. Citadel hosts the large, low-grade Calibre (47.8Mt @ 0.56g/t Au, 0.17% Cu and 0.6g/t Ag) and Magnum (16.1Mt @ 0.66g/t Au, 0.36% Cu and 0.99g/t Ag).
- **North Telfer** - 1,285sqkm landholding that sits less than 20km from Newcrest's Telfer gold-copper-silver mine. Several ex-Newcrest leases were acquired in 2015 and the area hosts shallow, high grade gold and copper mineralisation. The Minyari and WACA deposits have exhibited strong mineralisation and provide potential exploration and development upside.
- **Paterson** - 1,527sqkm of ground that was acquired from a company associated with renowned prospector Mark Creasy. The project sits just 5km from the Telfer mine and remains grossly under-explored.

Figure 2: Antipa project location



SOURCE: COMPANY

Citadel Project - RIO JV - Searching for a Tier 1 discovery

Rio Tinto farmed into AZY's Citadel Project in October 2015. The Rio Tinto earn-in is staged as follows:

- A\$3m exploration expenditure within 18 months, ending April 2017.
- A\$8m exploration expenditure with a further 3 year period to earn a 51% JV interest.
- A\$14m exploration expenditure within a further 3 year period to earn 65% JV interest; and
- A\$35m exploration expenditure to earn a 75% JV interest.

The JV deal with RIO is a significant endorsement for the project potential as it is currently RIO's only publicly listed Australian partnership. Stephen Macintosh, Group Executive Growth and Innovation states "We are open for business and looking for the next Tier 1 discovery. Our ambition to deliver a Tier 1 copper deposit will not be easy. The analysis we have done shows the challenge.... I believe Australia is overdue for a Tier 1 discovery".

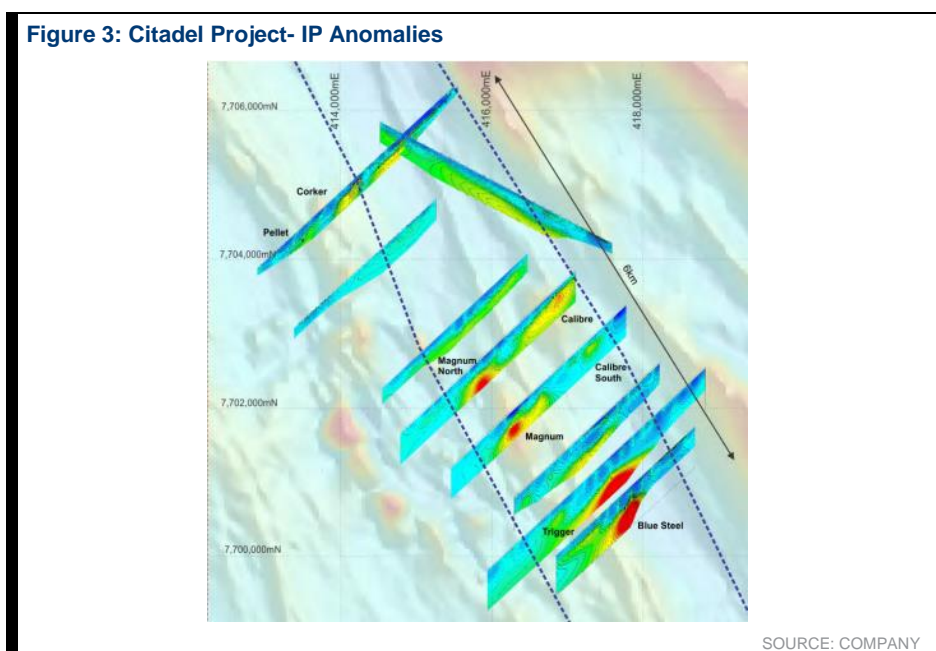
Phase 1 of the RIO JV is due to finish in 2Q16 and so far correspondence between the companies appears to be positive. We believe that RIO will wait for the results of the current drilling campaign before it opts in to Phase 2 of the JV arrangement.

Phase 2 drilling at Citadel - more Calibres or Magnums around?

During phase 1 of exploration in 2016, AZY conducted an IP Survey of a 450sqkm area and prioritised a variety of targets to be tested by drilling in Phase 2. The IP anomalies to be drilled in Phase 2: Blue Steel (highest priority IP anomaly), Meekus, Rimfire, Corker and extensions of Calibre and Magnum.

Drilling commenced in October and is expected to be completed in December. As is customary, samples will be batched assayed and released to market as appropriate. We look forward to reviewing these drill results as they become public.

Given the size of the project area and the number of targets identified, proof of concept using IP surveys to identify gold and copper mineralisation would be a significant development for AZY.



Blue Steel

Blue Steel is the highest priority target due to the strong IP chargeability anomaly observed in Phase 1. The size of Blue Steel IP anomaly is estimated at 500m to 1000m north-south and 400-600m east-west and the anomaly was stronger than those observed at both the Magnum and Calibre deposits.

Initial drilling (905m across 4 holes) at Blue Steel has failed to identify material that could be responsible for the IP anomaly (no sulphides and/or black shale). This has led to a modification to the exploration program to now include a 600m diamond drill hole to test the revised interpretation and location of the Blue Steel anomaly. Drilling at the prospect is ongoing.

RIO investment decision due 2Q2017

A decision on whether RIO will progress to the second phase of the JV (\$8m spend over 3 years for 51%) is due in 2Q2017 and may largely be dependent on the results from the current drilling campaign. Dialogue between the company and RIO appears positive and we are enthused by RIO recently acquiring explorations tenements that surround the current Joint-Venture area. We expect RIO's investment decision will have a material impact on AZY's share price.

North Telfer Project (100%) – Shallow, high grade, copper-gold

AZY added the Minyari Dome (comprising Minyari and WACA deposits) area into its North Telfer Project portfolio when it was relinquished by Newcrest in January 2015. At the time Newcrest was looking at a potential divestment of Telfer and was no longer interested in the exploration potential at Minyari. AZY were opportune in acquiring the tenements which consolidated its existing

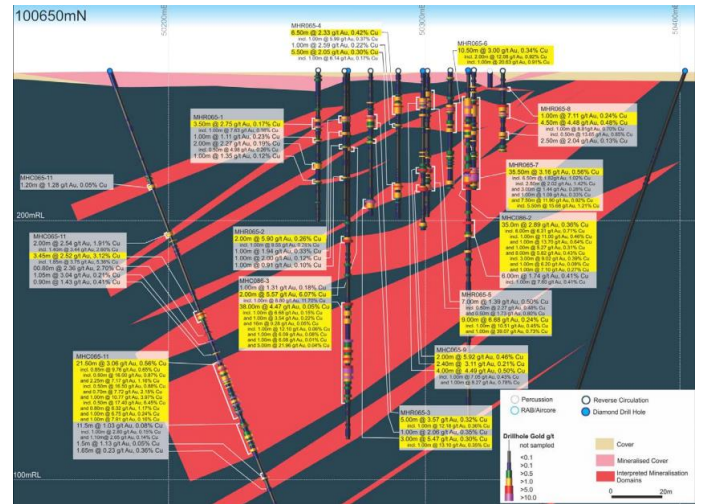
landholding in the Paterson Province. The tenement package was accompanied by large amounts of data generated from exploration campaigns primarily in the 1980s and some additional work from the late 2000s. Newcrest encountered significant gold and copper mineralisation in the area with limited, shallow drilling. Historical drill results include the following:

Figure 4: Historical drill results

- 38.0m at 4.47 g/t gold and 0.05% copper from 88.0m downhole
- 35.5m at 3.16 g/t gold and 0.56% copper from 9.0m downhole
- 24.5m at 4.17 g/t gold and 0.31% copper from 18.0m downhole
- 35.0m at 2.89 g/t gold and 0.36% copper from 10.0m downhole
- 15.0m at 4.64 g/t gold and 0.06% copper from 333.0m downhole
- 18.4m at 3.66 g/t gold and 0.21% copper from 37.9m downhole
- 21.5m at 3.06 g/t gold and 0.56% copper from 118.0m downhole
- 9.00m at 6.68 g/t gold and 0.24% copper from 36.0m downhole
- 7.50m at 5.66 g/t gold and 0.38% copper from 22.5m downhole
- 8.50m at 4.02 g/t gold and 0.91% copper from 71.5m downhole

SOURCE: COMPANY

Figure 5: Drill holes



SOURCE: COMPANY

After assessing the vast amount of historical data, AZY wasted no time getting to work on the area. Phase 1 drilling was completed in 2H2016 and AZY were highly encouraged by the results. Some highlights from Phase 1 drilling at Minyari include:

- 69m at 4.07g/t Au and 0.07% Cu from 92.0m down-hole and 4m at 8.89g/t Au and 0.24% Cu from 93m downhole;
- 7m at 7.59g/t Au and 4.90% Cu from 184m down-hole and 4m at 10.49g/t Au and 7.38% Cu from 185m downhole; and
- 35m at 3.57g/t and 0.05% Cu from 87m down-hole.

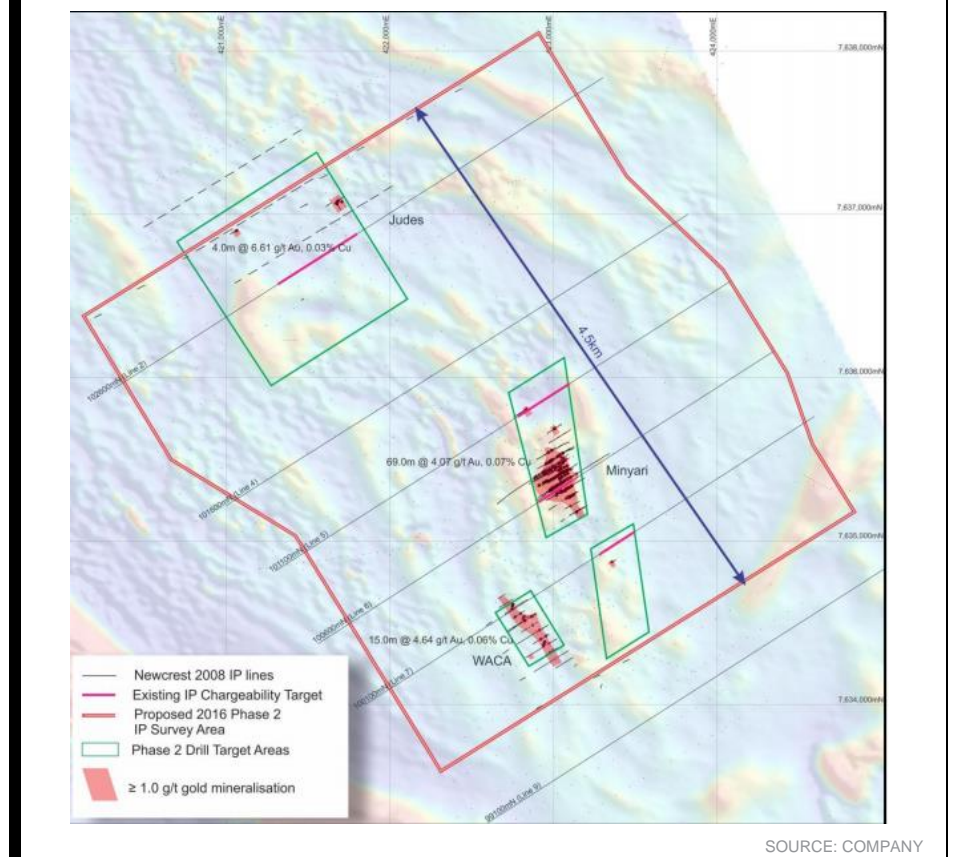
Phase 2 drilling - Results imminent

AZY commenced Phased 2 exploration on November 7 at its 100% owned North Telfer Project. This campaign follows up on recent and historical drilling that has identified significant high-grade gold and copper mineralisation across a highly prospective land package. The current programme is a mix of IP surveys, RC drilling (up to 6,000m), diamond drilling (up to 1,800m) and possible metallurgical test-work. The program will focus on three main targets within the project area:

- **Minyari** - Evaluate and extend mineralisation along strike, down dip and/or down plunge.
- **WACA** - Evaluate and extend the deposit. Historical drilling only had one hole deeper than 90m and that returned WACA has only received shallow drilling. The lone hole deeper than 90m returned 15m at 4.6g/t Au.
- **Minyari to Jude Corridor** - With the use of IP surveying, generate and drill test IP anomalies in the 3km to 4km corridor from the south of Minyari deposit toward the Judes prospect in the North.

Given exploration commenced several weeks ago, we expect first samples to be assayed and released to market in the near term. AZY has indicated that drill results will be batched and released to the market as they come to hand over the ensuing months. This should provide plenty of news-flow for shareholders.

Figure 6: North Telfer Project Area



Metallurgical test-work is an important part of Phase 2 as it demonstrates AZY is looking to do more than simply explore at North Telfer. We believe that test-work, along with a maiden resource estimate at Minyari and WACA, could form the basis of a scoping study and pending positive results, become a near-term development opportunity. We see this as a logical progression for AZY.

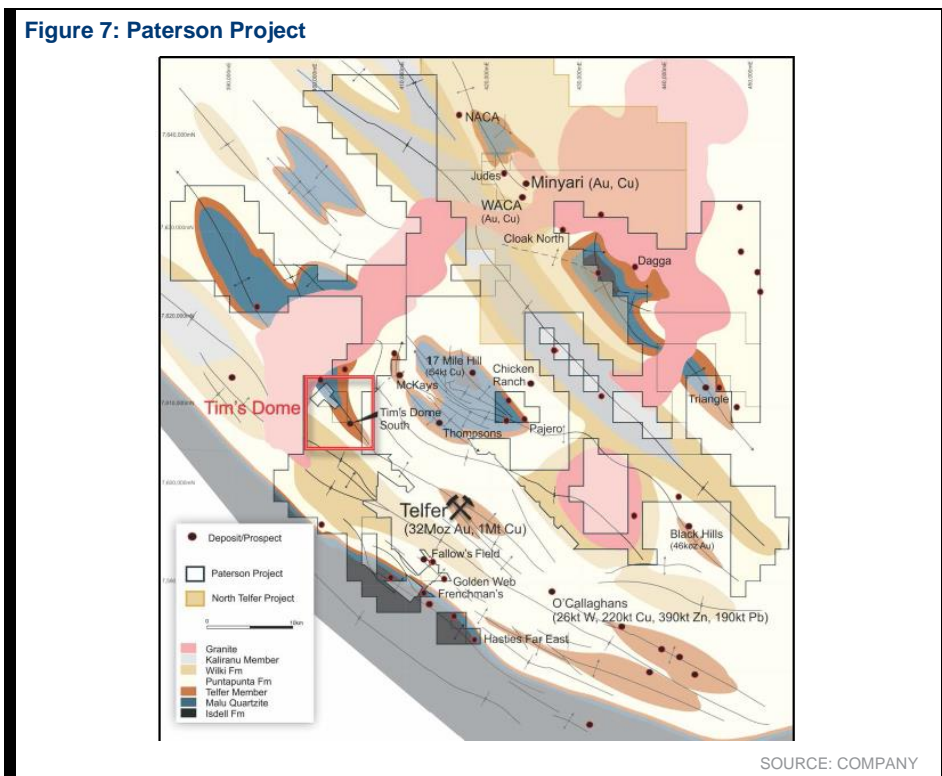
Paterson Project (100%)

AZY recently released historical results from the Tim's Dome deposit located only 12km North-West and along strike from Telfer. The Company has been digitalising historical exploration data that was the product of limited drilling from 1986 to 1995. Tim's Dome has a strike length of 3km to 4km and has returned some interesting gold intercepts from limited exploration. Historical results include:

- 22m at 2.63g/t Au from 102m down-hole including 2m at 17.39g/t Au;
- 14m at 2.69g/t Au from 127m down-hole including 8m at 4.25g/t Au; and
- 12m at 1.61g/t Au from 37m downhole.

We believe that Tim's Dome is one of many prospective regional targets in the Company's Telfer region portfolio with historical exploration data to be sorted and targets to be prioritised for further exploration.

Figure 7: Paterson Project



Whilst they will remain lower priority targets, we believe AZY will process and release similar historical mineralised exploration data for Pajero, Fallow's Field, Frenchman's and Hasties Far East just to name a few. We believe there is exploration upside in the Paterson Project and look forward to exploration on these prospects in due course.

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