

Note: Extract relating to EMU from Weekly Commentary

The EMU is back where it belongs, in WA

When we first mentioned Emu NL (EMU), back in January 2020, it was waiting for the assays for two diamond holes drilled to > 400m depths to test IP anomalies in Chile. Unfortunately, these holes were dusters with nothing better than 0.2 gpt gold. The anomaly seems to have come from 5% pyrite concentrations. So, management bit the bullet and decided to walk away, writing off the accumulated expenditure of US\$8m. That started a search for a new focus with over 70 projects being assessed before deciding on a package in WA that includes both topical geology favourable for Ni-Cu-PGM ground, with the allure of something like Chalice's Julimar discovery, as well as the more traditional gold plays around an historical high-grade mine.

Looking at the Avenger deal first

On 28 September, Emu announced that it had agreed to acquire a portfolio of exploration projects with potential for Ni-Cu-PGM mineralisation, all within 450 km of Perth. It is acquiring 100% of three projects by paying \$150,000 and issuing 30 million shares, with a further 25 million performance shares payable if it advances any of the projects to a feasibility study. At the recent share price of 4.6¢, this amounts to \$1.38m in shares now, and \$1.15m later in the event of success.

The Sunfire Project, near Bridgetown, has potential for mafic-ultramafic intrusives prospective for nickel, copper, and platinum group element (Ni-Cu-PGE) mineralisation. The Graceland Project near Lake Grace is similarly prospective for Ni-Cu-PGE and the Viper Project is a copper play. These project should all be seen as grass roots plays.

Sunfire is particularly interesting due to the proximity to ground held by Venture Minerals that Chalice has recently farmed into (spending \$3.7m to earn 70%); in fact Venture surrounds Emu's ground. Historical work has identified nickel previously but mostly in the lateritic form, though there was one intercept of 17m at 1.7% Ni. WMC and Shell focussed on the chromite potential of the ground. Emu aims to start exploration with geochemical sampling and geophysics to work up drill targets.

Graceland already has a 5 km long magnetic feature coincident with a gravity high that is essentially untested, and looks like it could be prospective for nickel mineralisation in mafic-ultramafic intrusions. The aim is to conduct some more geophysical work and then drill test the anomaly.

Viper covers the historical high-grade Netty Copper Mine. Channel sampling by Audax Resources in 1987, returned copper values in the range of 3-10% from underground channel sampling. Again, exploration will start with geophysics.

A second deal announced on a gold mine

A second deal was announced on the same day, over the historic Gnows Nest Gold Mine near Yalgoo. That mine has recorded gold production of 27,000 oz at a recovered grade of 22 gpt, between 1923 and 1941. It closed down due to labour shortages and water inflows, having been producing from a narrow underground mine down to 135m depth.

Recent drilling on a 10m x 10m grid to depths of less than 50m vertical has enabled the calculation of an Indicated and Inferred Resource of 113,400 t at 3.78 gpt for 13,777 oz, that could be mined in a small open pit. There is potential for more mineralisation along strike and at depth. The original mine was based on a 1.2-2m wide vein but the current resource sits in a 10m wide shear zone of talc-chlorite schists. The general level of oxidation is 40m deep, with this extending much further in the shear zone itself. The immediate plan is to start an 8,000m drilling program in December to test for extensions.

The Gnows deal will cost the company \$1.2m on settlement and 22.857 mill. shares (nominally \$640,000 on the deal price of 2.8¢). Another 48 million shares will be payable on the definition of 50,000 oz at 3.5 gpt, or a 34,000 oz JORC Reserve.

At recent gold prices of around US\$1,900/oz, the in situ value of the resource is around A\$36m. A small open pit could be developed at a good grade, for trucking to up to half a dozen plants in the area. The price Emu could get for the gold is very much open to negotiation, but if you assume a margin of A\$500/oz you can calculate a cash margin of about A\$7m. Hence the cost price of the deal.

The reality is that these sort of numbers are useful but not company-makers in their own right. Shareholders will be looking for the bigger picture exploration play for something more substantial. The fact that this historical mine hasn't been in the hands of a public company at any time over the last 40 years leaves the door open to possibilities. The real upside lies with the ability to grow the resource through exploration giving the Company renewed life. The acquisition of these projects represents the start of the rebirthing of Emu, following its withdrawal from Chile. The future value of the company and the share price will depend upon the levels of success it achieves in exploration programs, along with any subsequent acquisitions that the company may chose to pursue. The portfolio is quite topical given the excitement in WA created by Chalice's discovery at Julimar.

A quick \$1m placement was done at 3¢ when the deal was announced, with Hartleys being the broker. Add this to the \$1.66m balance at 30/6/20, and the company has enough to keep the wheels rolling for the time being. The market capitalisation is around \$16.65m with the shares at 5¢.

The low share price and market capitalisation (pre-dilution for performance share issues), and an expanding information curve, are key features I like to see with exploration stocks. It is a new story that will gather momentum as exploration programs add to the news flow.