

Spec Buy

Current Price **\$0.29**

Thursday, 17 June 2021

Medallion Metals (MM8)

Ravensthorpe's Gem

Analyst | Royce Haese

Quick Read

Recently Medallion Metals reported first results from its inaugural drill program. Results were overall supportive of historical drilling at Gem Restored and a potential new mineralised lode was identified. We view these results as a positive first step towards Medallion Metals achieving its stated goal of establishing a Mineral Resource estimate in excess of 1Moz Au. With ongoing exploration result news flow expected within the historically under-drilled Kundip Mining Centre we recommend Medallion Metals as a speculative buy.

Ravensthorpe's Gem

First Results: Recently Medallion Metals reported first results from Gem Restored, a prospect at the northern end of the Kundip Mining Centre. Previous project owners had a JORC2004 compliant Resource estimate of 331kt @ 5.3 g/t Au for 56koz at Gem Restored. Results were in-line with historical results, and will likely support conversion to a JORC2012 compliant resource.

Encouragingly, drilling at the north-western end of Gem Restored has encountered a sulphide dominant mineralised zone that may represent a zone of mineralisation in the footwall of the main Gem Restored lode.

A potential new discovery in the Company's first drill program speaks to the exploration potential of this under-drilled project. As Medallion continues drilling we expect existing Resource growth and additional discoveries.

Valuation: Due to the early nature of the project, it is difficult to accurately assess the value of the Kundip Mining centre. Key unknowns include:

- Final size of project Resource estimate and subsequent mining inventory
- Optimal processing facility size and configuration
- Ability to monetise copper component of Kundip

As with any exploration project the key risk is the likelihood of exploration success. Through modest extensions to existing Resources, we believe Medallion will comfortably achieve its >1Moz target, but success is not a given.

Due to expected exploration drill results, anticipated medium term Resource growth and news flow surrounding Jerdacuttup, we recommend Medallion Metals as a speculative buy and will revisit valuation when current information gaps are filled.

Recommendation

Speculative buy.

Code: **MM8**
Sector: **Metals and Mining**

* All figures in AUD unless stated otherwise

Shares on Issue (M): **170**
Market Cap (\$M): **48**
Cash (\$M Mar 2021): **11**
Debt (\$M Mar 2021): **4**
Enterprise value (\$M): **41**

52 wk High/Low (ps): **\$0.34** **\$0.24**
12m av. daily vol. (Mshs): **0.18**

Development Stage: **Exploration**

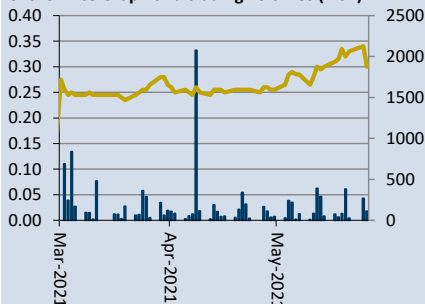
Key Projects: **Location**
Ravensthorpe Gold Project **Western Australia**

| Resources | Total | | | | |
|--------------|--------------|------------|------------|------------|-------------|
| | kt | Au g/t | Au kozs | Cu % | Cu kt |
| Kaolin | 6,354 | 1.6 | 336 | 0.1 | 6.1 |
| Harbour View | 1,502 | 3.7 | 179 | 0.6 | 9.5 |
| Flag | 967 | 5.1 | 159 | 0.4 | 3.9 |
| Total | 8,823 | 2.4 | 674 | 0.2 | 19.5 |

| Jerdacuttup | Western Australia | | | | |
|--------------|-------------------|--------------|-------------|--------------|-------------|
| | Au g/t | Ag g/t | Cu % | Pb % | Zn % |
| Trilogy | 0.9 | 54.4 | 1.2 | 2.4 | 1.4 |
| 5.6 Mt @ | kozs | kozs | kt | kt | kt |
| Total | 169 | 9,798 | 67.3 | 134.4 | 77.7 |

Directors:
John Fitzgerald **Non-Executive Chairman**
Paul Bennett **Managing Director**
Edmund Ainscough **Non-Executive Director**
Anthony (Tony) James **Non-Executive Director**

Share Price Graph and trading volumes (msh)



Please refer to important disclosures at end of the report (from page 9)

Medallion Metals

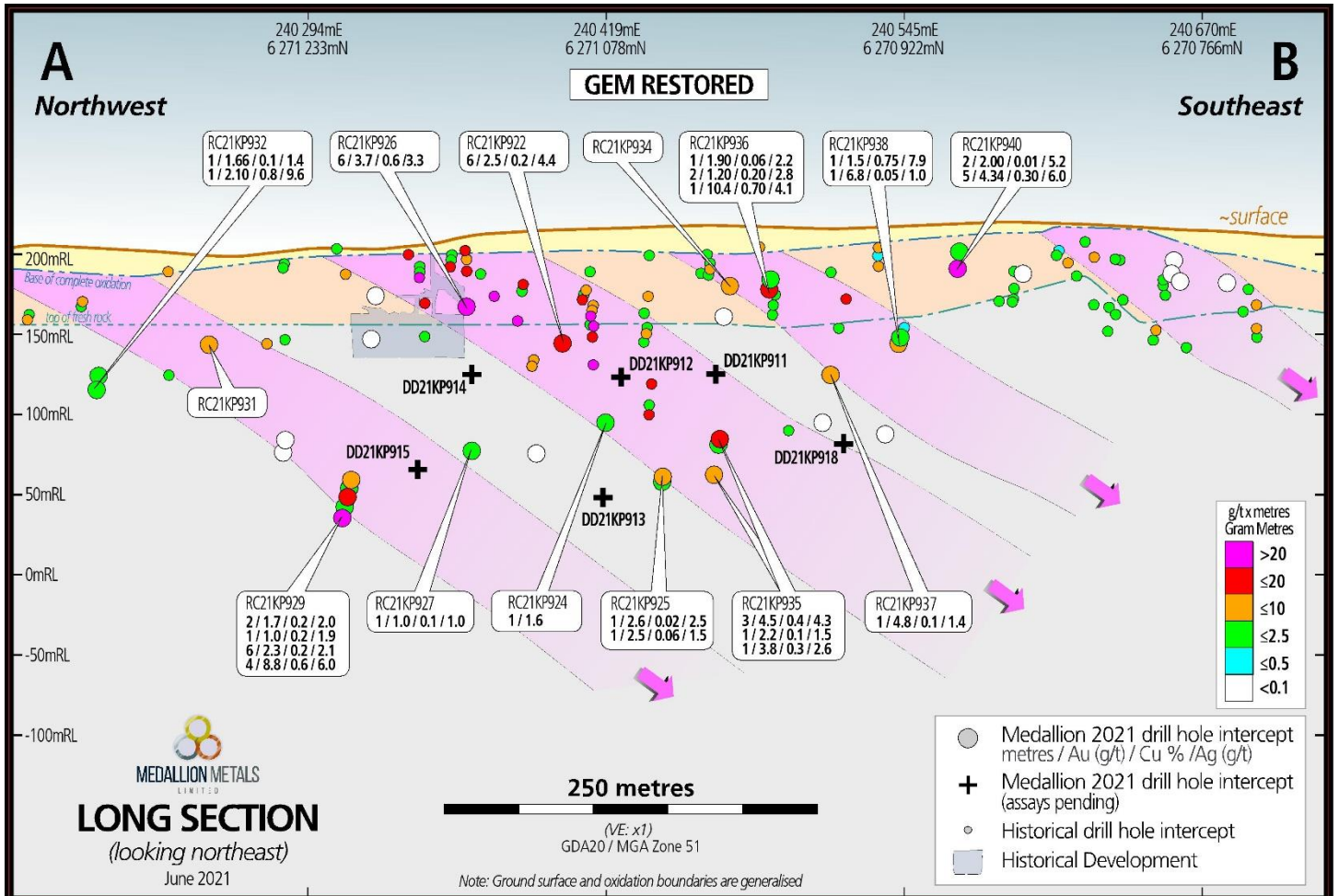
First Results

Recently Medallion Metals reported first results from its inaugural drill program. All results were from Gem Restored, a prospect at the northern end of the Kundip Mining Centre.

First results reported from Medallion’s inaugural drill program were broadly supportive of historical results, with depth extension demonstrated.

Previous project owners had a JORC2004 compliant Resource estimate of 331kt @ 5.3 g/t Au for 56koz at Gem Restored. Medallion does not have a reported Resource estimate for the prospect. Recent results were in-line with historical results, and will likely support conversion to a JORC2012 compliant resource. This drilling has also extended mineralisation down plunge to approximately 150 m from surface, and remains open at depth. Results are pending for six diamond holes completed.

Figure 1: Gem Restored Long Section



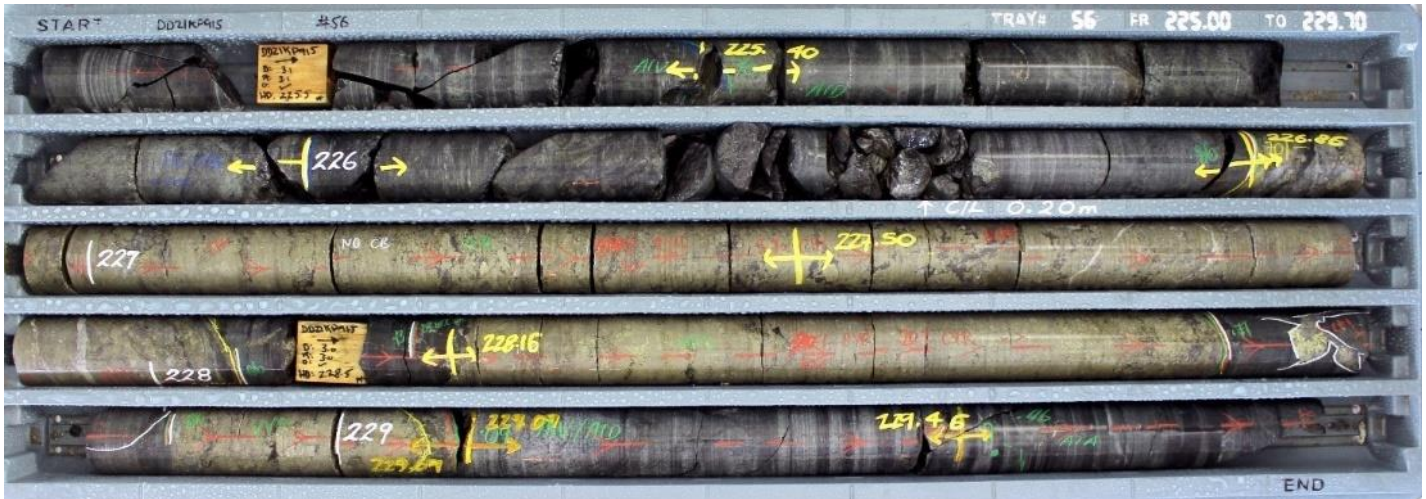
Source: MM8

A possible footwall lode was also intersected, representing further exploration upside.

Encouragingly, drilling at the north-western end of Gem Restored has encountered a sulphide dominant mineralised zone that may represent a zone of mineralisation in the footwall of the main Gem Restored lode. The Company has two potential pierce points on this Northern lode, one RC result (4 m @ 8.8 g/t Au and 0.6% Cu from 217 m), and visual results from diamond core, with assays pending.

Visually, the diamond core appears to have a large proportion of sulphides, with Company geologists estimating 75% pyrite, 10% pyrrhotite and 5% chalcopyrite over a zone of ~3.3 meters.

Figure 2: Photograph of diamond core intersecting the Northern Sulphide lode



Source: MM8

Further drilling is required to determine continuity of this lode. Medallion has also completed DHEM (Downhole electromagnetics) and MMR (Magnetometric resistivity) surveys which should highlight further sulphide rich zones. This discovery of parallel mineralisation in the Company's first drilled prospect shows the exploration potential of the project as a whole. As the Company continues drilling, we expect further discoveries at the Kundip Mining Center alongside growth of existing prospects.

We expect further discoveries at the Kundip Mining Center.

Medallion Metals listed on the ASX in March 2021. The Company is focussing on building a Resource base at its flagship Ravensthorpe Gold Project.

Company Background

Medallion Metals, formally ACH Minerals, listed on the ASX in March 2021. Medallion is a gold explorer focussing on building a Resource base at its flagship Ravensthorpe Gold Project capable of supporting the development of a long-life, low-cost gold mine. The Ravensthorpe Gold Project is located in Southern Western Australia.

ACH Minerals acquired the Ravensthorpe Gold Project from Silver Lake Resources in 2016. Silver Lake Resources had previously acquired the project from Phillips River Mining in 2012.

Prior to listing on the ASX, ACH Minerals was a subsidiary of the ACH Global Group. ACH Global was established in 2013 with the goal of reviewing opportunities and acquiring Mineral Resource assets with near-term development potential. The Group held two main development projects through subsidiaries: Ravensthorpe Gold Project through ACH Minerals, and the Foster/Jan Nickel and Gold Project through ACH Nickel (now Lunnon Metals). ACH Minerals completed regional and resource drilling at Ravensthorpe and completed a Feasibility Study (discussed below) in May 2020.

Medallion is seeking to pursue farm-out/spin-out or sale opportunities for its Jerdacuttup Project.

Medallion Metals owns the Ravensthorpe Gold Project and the adjacent Jerdacuttup Project. Medallion aims to advance the Ravensthorpe Gold Project through exploration in the near term, with the goal of developing the asset to producer status in the medium term. At the Jerdacuttup Project, Medallion is seeking to pursue farm-out/spin-out or sale opportunities to allow sole focus on the Ravensthorpe Gold Project. Recently, Medallion

divested its RAV nickel holdings to Australasian Mining, a private company intending on listing on the ASX in 2021. Consideration was 15.7M Shares, proposed listing price is 20cps valuing the deal at \$3.14M.

At the time of listing there were two main royalty agreements over the Ravensthorpe Gold Project: The RG Royalties agreement and The Essential Metals agreement. Under the RG Royalties agreement Medallion is obliged to pay 1% of gross receipts for the first 250koz gold recovered and 1.5% of gross receipts for gold recovered beyond 250koz from Kundip ore sourced from outside of Kaolin, Flag, Harbor View, Mayday and Try again. Under the Essential Metals agreement Medallion was obliged to pay 1.5% NSR on gold produced from the Ravensthorpe Gold Project outside of Kundip, this royalty was extinguished on the 20th of April for consideration of \$200,000 in shares.

Medallion also holds a debt facility through one of its major shareholders valued at \$4M, accruing 6% interest annually, interest payable at the end of each calendar quarter. The entirety of the debt is to be paid within 120 days of a decision to mine the Ravensthorpe Gold Project.

RGP 2020 Feasibility Study

In May 2020, Medallion completed a Feasibility Study for the Ravensthorpe Gold Project. The study projected a modest return of \$219M pre-tax using a base case A\$2174/oz gold price. Open pit mining was planned for Kaolin, Harbour View and Flag deposits with underground mining to follow at Harbour View and Flag. These three deposits combined for a total Ore Reserve estimate of 270koz @ 2.1 g/t Au. Total gold production in the Feasibility Study was 320koz over 5.5 years with an annual mill throughput of 800ktpa. The Feasibility Study did not consider copper or silver production.

It is Argonaut's view that the Ravensthorpe Gold Project is capable of supporting a larger scale project than was presented in the Feasibility Study. Near-term investment is best placed in expanding the existing Reserves and Resources, and discovery/conversion of new Resources. This work has begun with Medallion commencing a 32 km drill program in April 2021.

Geology, Mineralisation and Exploration Potential

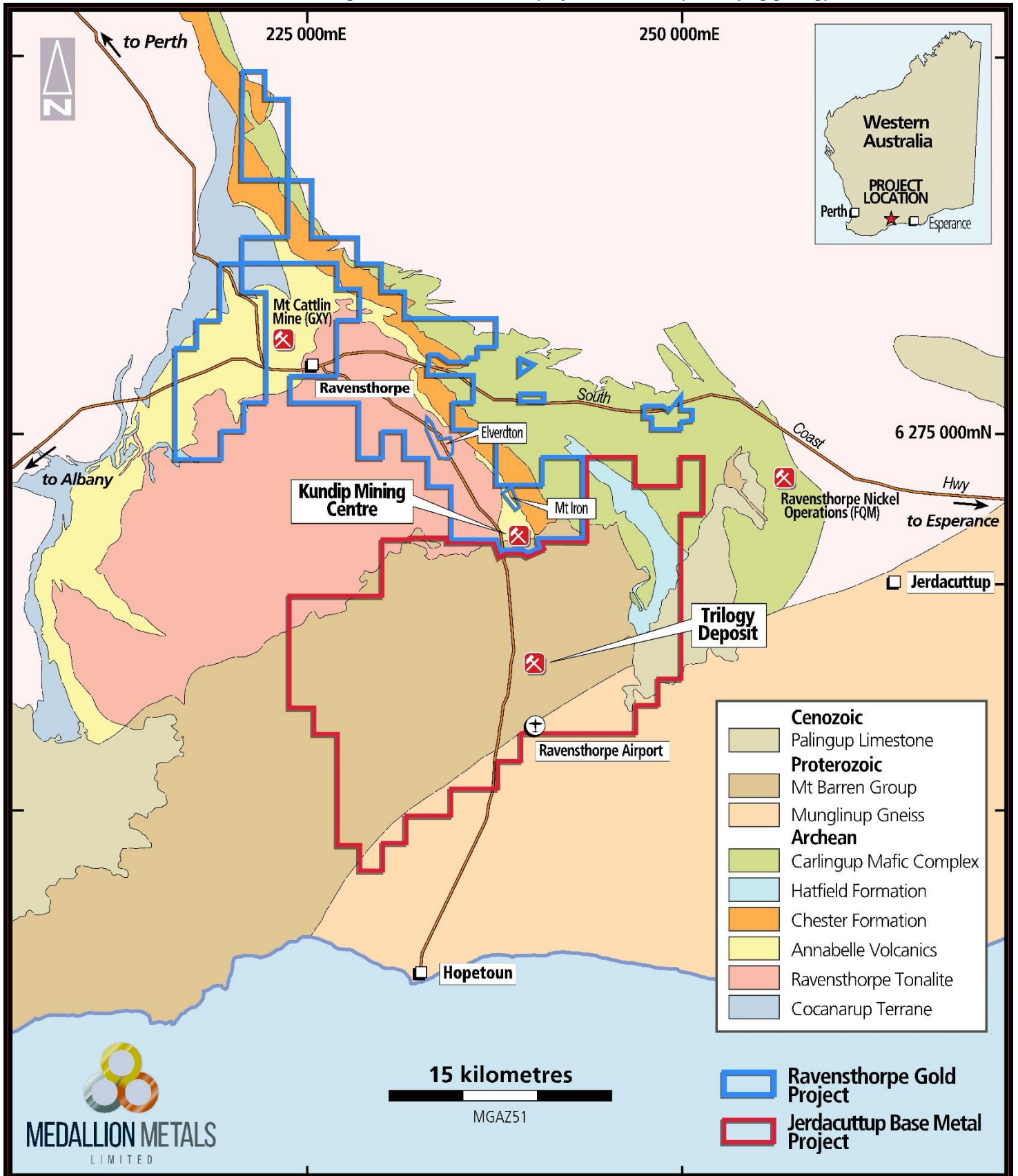
Medallion Metal's project sits at the junction between three major crustal terranes in southern Western Australia: The South-West Terrane, the Youanmi Terrane, and the Albany-Fraser Orogen. The area is centred on the town of Ravensthorpe and hosts gold, base metals, and lithium deposits.

The centrepiece Kundip project area sits within the Annabelle Volcanics, part of the Ravensthorpe Greenstone belt. Medallion controls approximately 40 km of strike of this prospective unit with historical production of ~128koz Au and 20kt Cu across three main centres, mined from the early 1900's. Approximately 70 historical workings are reported within Medallion's tenement area.

At Kundip, mineralisation is characterised by quartz veins averaging 1-2 m thick with varying levels of sulphides. Strongest sulphide development is observed at Harbour view, with massive chalcopyrite commonly observed within lodes, reporting >7% Cu in places. The Kundip project has an existing Mineral Resource estimate of 674koz Au across three deposits, 78% of contained ounces are reported in the higher confidence Indicated category and the vast majority are within 200 m from surface.

A Feasibility Study has been completed for the Ravensthorpe Gold Project, however we believe that the project is capable of supporting a larger operation and therefore near-term efforts should focus on Resource expansion.

Figure 3: Medallion Metals project location map, overlying geology



Source: MM8

Table 1: Copper and gold Mineral Resource Estimate for the Kundip Project

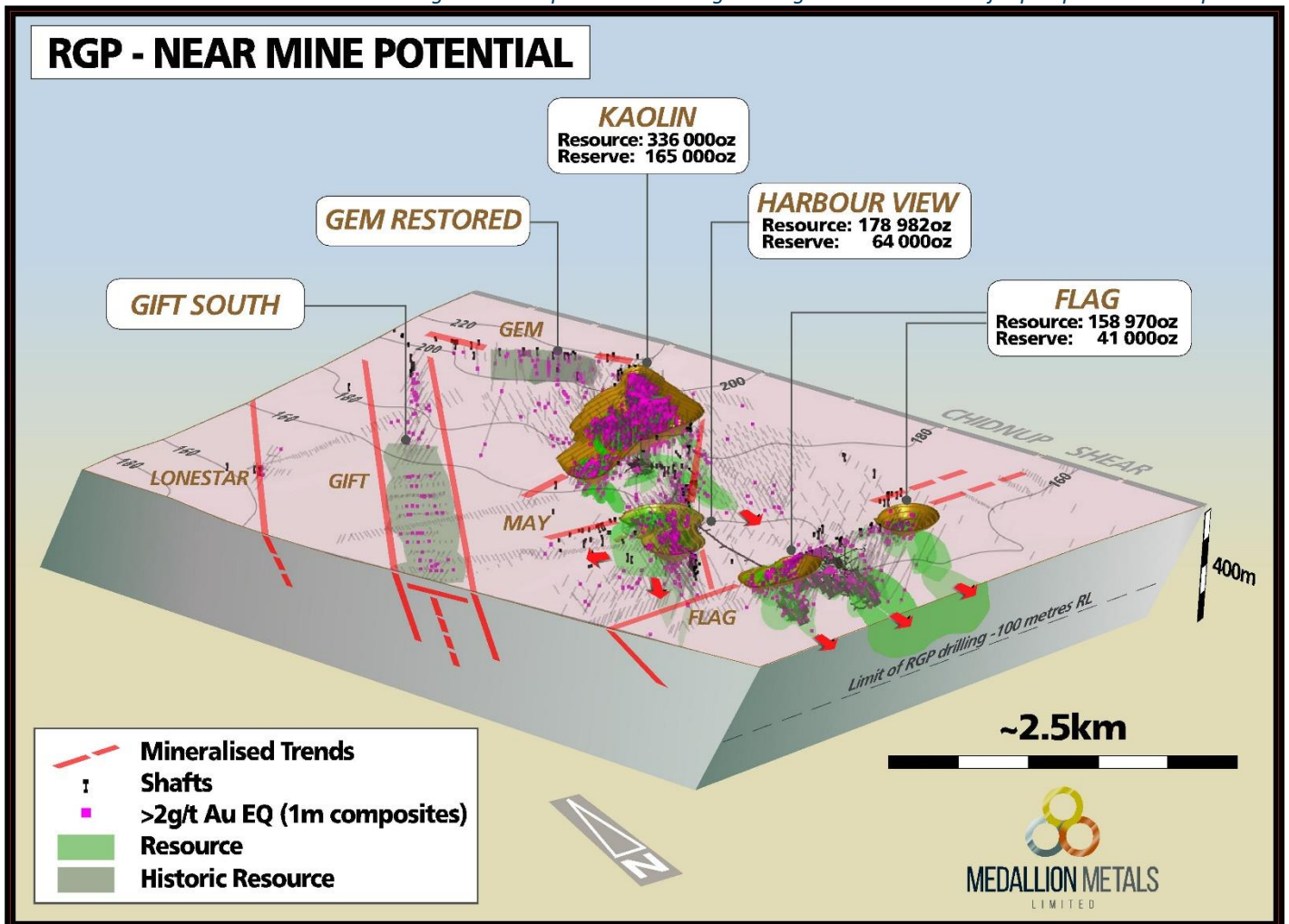
| | Resources June 2020 | Indicated | | | | | Inferred | | | | | Total | | | | |
|-------------------------------|---------------------|-----------|--------|---------|------|-------|----------|--------|---------|------|-------|-------|--------|---------|------|-------|
| | | kt | Au g/t | Au kozs | Cu % | Cu kt | kt | Au g/t | Au kozs | Cu % | Cu kt | kt | Au g/t | Au kozs | Cu % | Cu kt |
| Open Pit COG 0.5 g/t Au | Kaolin | 5,309 | 1.6 | 266 | 0.1 | 5.4 | 969 | 1.7 | 53 | 0.1 | 0.5 | 6,278 | 1.6 | 319 | 0.1 | 5.9 |
| | Harbour View | 716 | 3.6 | 83 | 0.6 | 4.3 | 171 | 1.8 | 10 | 0.2 | 0.3 | 888 | 3.2 | 93 | 0.5 | 4.6 |
| | Flag | 525 | 5.0 | 84 | 0.4 | 2.3 | 69 | 2.8 | 6 | 0.3 | 0.2 | 594 | 4.7 | 90 | 0.4 | 2.6 |
| Underground COG 2.0 g/t Au | Kaolin | 34 | 5.0 | 5 | 0.2 | 0.1 | 43 | 8.3 | 12 | 0.1 | 0.1 | 77 | 6.9 | 17 | 0.2 | 0.1 |
| | Harbour View | 341 | 4.9 | 54 | 0.9 | 3.2 | 273 | 3.7 | 33 | 0.6 | 1.7 | 614 | 4.4 | 87 | 0.8 | 4.9 |
| | Flag | 129 | 8.3 | 35 | 0.5 | 0.6 | 244 | 4.4 | 34 | 0.3 | 0.7 | 373 | 5.7 | 69 | 0.4 | 1.3 |
| Total | Kaolin | 5,342 | 1.6 | 271 | 0.1 | 5.5 | 1,012 | 2.0 | 65 | 0.1 | 0.6 | 6,354 | 1.6 | 336 | 0.1 | 6.1 |
| | Harbour View | 1,057 | 4.0 | 137 | 0.7 | 7.5 | 445 | 3.0 | 42 | 0.5 | 2.1 | 1,502 | 3.7 | 179 | 0.6 | 9.5 |
| | Flag | 654 | 5.6 | 118 | 0.5 | 2.9 | 313 | 4.0 | 41 | 0.3 | 0.9 | 967 | 5.1 | 159 | 0.4 | 3.9 |
| Grand Total | | 7,053 | 2.3 | 526 | 0.2 | 15.9 | 1,769 | 2.6 | 148 | 0.2 | 3.6 | 8,823 | 2.4 | 674 | 0.2 | 19.5 |

Source: MM8

All existing Resources remain open at depth and along strike.

At Kundip, all existing Resources remain open at depth and along strike. Previous drilling has focussed on resource conversion to the detriment of expansion, with current drilling remedying this. Follow up drilling at satellite deposits such as Gift and Gem Restored should see historical (pre JORC2012) Resources converted also. E.g., Gem Restored had a JORC2004 classified Resource estimate of 55koz @ 5.3 g/t Au, current Medallion drilling is designed to provide confidence internal to the JORC2004 Resources and expand the drill tested footprint around the existing Resources.

Figure 4: Oblique view outlining existing Resources and major prospects at Kundip



Source: MM8

Notably, the existing Resources estimated at Kundip all sit beneath historical workings and development and are constrained by the limits of drilling. These represent ore-bodies that were discovered last century and were outcropping at surface. Most of the prospective package lies beneath thin cover, regional exploration opportunity remains.

The Kundip Project exploration potential has been demonstrated in recent results from Gem Restored. These results are supportive of drilling used to inform the historical Resource estimate and should at the very least see the 55koz converted to JORC2012. This drilling has also extended known mineralisation at Gem restored, so we expect a minor increase in contained metal beyond the JORC2004 estimate.

The Jerdacuttup project sits south of Kundip in the Proterozoic Mt Barren group. The area is prospective for SEDEX and VHMS deposits and hosts the Trilogy deposit.

Table 2: Mineral Resource Estimate for the Trilogy Project

| Resources March 2018 | | | Au | Ag | Cu | Pb | Zn | Au | Ag | Cu | Pb | Zn | |
|-------------------------------|--------------------|-----------|-------|-----|------|-----|-----|-----|------|-------|------|-------|------|
| | | | kt | g/t | g/t | % | % | % | kozs | kozs | kt | kt | |
| Open Pit COG 0.5 g/t Au | Oxide | Indicated | 129 | 2.4 | 85.3 | 0.5 | - | - | 10 | 354 | 0.6 | - | |
| | | Inferred | 336 | 1.9 | 71.7 | 0.1 | - | - | 21 | 774 | 0.3 | - | |
| | Transitional/Fresh | Indicated | 4,476 | 0.8 | 52.5 | 1.4 | 2.8 | 1.6 | 121 | 7,556 | 62.0 | 126.0 | 72.1 |
| | | Inferred | 614 | 0.7 | 54.9 | 0.6 | 1.3 | 0.9 | 14 | 1,084 | 3.8 | 8.2 | 5.3 |
| Underground COG 2.0 g/t Au | Transitional/Fresh | Indicated | 28 | 2.8 | 21.0 | 1.3 | 0.6 | 0.4 | 3 | 19 | 0.4 | 0.2 | 0.1 |
| | | Inferred | 18 | 1.5 | 19.7 | 1.4 | 0.3 | 1.1 | 1 | 11 | 0.3 | 0.1 | 0.2 |
| Sub-Total | Oxide | Indicated | 4,633 | 0.9 | 53.2 | 1.4 | 2.7 | 1.6 | 133 | 7,929 | 63.0 | 126.2 | 72.2 |
| | | Inferred | 968 | 1.1 | 60.1 | 0.5 | 0.9 | 0.6 | 35 | 1,869 | 4.4 | 8.3 | 5.5 |
| Grand Total | | | 5,601 | 0.9 | 54.4 | 1.2 | 2.4 | 1.4 | 169 | 9,798 | 67.3 | 134.4 | 77.7 |

Source: MMB

Directors and Management

John Fitzgerald – Non-Executive Chairman

Chartered Accountant and member of the Australian Institute of Company Directors. Currently Non-Executive Director for Northern Star Resources, and Non-Executive Director of Danakali Resources. Previously Chair of Integra Mining, Carbine Resources, Atherton Resources and Exore resources.

Paul Bennett – Managing Director

Mining Engineer. Previously Non-Executive Director of Horizon Gold. Management/business development roles for Newcrest and senior executive at RMB Resources, specialising in provision of equity to small to mid-size resource companies.

Edmund Ainscough – Non-Executive Director

Geologist. Currently Managing Director of Lunnon Metals. Operational experience in Australia, Africa, the UK and New Zealand. Previously in business development role for Goldfields and Chief Geologist for WMC at St Ives Gold Mine.

Anthony (Tony) James – Non-Executive Director

Mining Engineer. Currently Managing Director of Galena Mining, Wiluna Mining Corporation and Apollo Consolidated. Project development and management background, involved in bringing Avoca's Trident underground mine, and Kanowna Belle Gold mine into production.

Table 3: Medallion Board and Management holdings

| | Position | Opts | Perf. rights | Shares | Exposure | % |
|------------------|----------------|------------|--------------|------------|-------------|-------------|
| | | M | M | M | M | |
| John Fitzgerald | Non-Exec Chair | 0.7 | | 0.4 | 1.1 | 0.6% |
| Paul Bennett | MD | 2.0 | | 3.4 | 5.4 | 3.2% |
| Edmund Ainscough | NED | 0.5 | | 3.6 | 4.0 | 2.4% |
| Anthony James | NED | 0.5 | | | 0.5 | 0.3% |
| Total | | 3.6 | | 7.4 | 10.9 | 6.4% |

Source: MM8

Project Valuation

Due to the early nature of the project, it is difficult to accurately assess the value of the Kundip Mining centre. Key unknowns include:

- Final size of project Resource estimate and subsequent mining inventory
- Optimal processing facility size and configuration
- Ability to monetise copper component of Kundip

With recent results demonstrating potential upside beyond extensions to existing Resources we expect Medallion to comfortably achieve its stated goal of +1Moz in a Resource estimate. This would represent +30% addition to current Mineral Resource estimate which could imply +20% to +30% project valuation. Exploration result newsflow will continue leading up to the Resource estimate update.

As with any exploration project the key risk is the likelihood of exploration success. Through modest extensions to existing Resources, we believe Medallion will comfortably achieve its >1Moz target, but success is not a given.

Due to the geographic location of the Ravensthorpe Gold Project a standalone operation is the most likely development scenario.

Valuation of the divested RAV project will not crystallise until Australian Mining lists on the ASX, current implied valuation of the deal is \$3.14M based on proposed listing price.

Medallion has also stated that it intends to “realise value” for its Jerdacuttup projects. It is unclear at this stage what form any deal would take, whether pure cash consideration or farm-out/JV. Due to growing demand for battery metals and overall lack of Western Australian copper projects we expect third party interest in this project to be high.

We recommend Medallion Metals as a speculative buy.

Due to expected exploration drill results, medium term Resource growth and news flow surrounding Jerdacuttup, we recommend Medallion Metals as a speculative buy and will revisit valuation when current information gaps are filled.

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Argonaut acted as Underwriter, Lead Manager and Bookrunner to the IPO of MM8 to raise \$12.5M in March 2021 and received fees commensurate with this service.

Argonaut holds or controls 4M MM8 Options exercisable at \$0.35 on or before 31 January 2023.

The Analyst holds shares in MM8

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