Dr Michael Green
Independent Mining Analyst

DOC Investments Limited,
Kemp House,
152 City Road,
London EC1V 2NX

doc@docinvest.co.uk

Key information
Ticker: NQMI
Share price: 5.25p
52-week high-low: 10p – 1.15p
Shares in issue: 339.8m
Market Cap: £17.8m
Market: AQSE
Sector: Mining

Business
100% interest in polymetallic flagship Hellyer Mine in Tasmania, which has over US$1 billion of contained gold, silver, zinc and lead plus considerable existing mine infrastructure.
NQ Minerals is also developing two exploration projects (Ukalunda and Square Post) in North Queensland, located in prospective mining districts that form part of the well-known Charters Towers Gold Province.

Website
www.nqminerals.com

Calendar
Interims: September
Finals: May
AGM: June

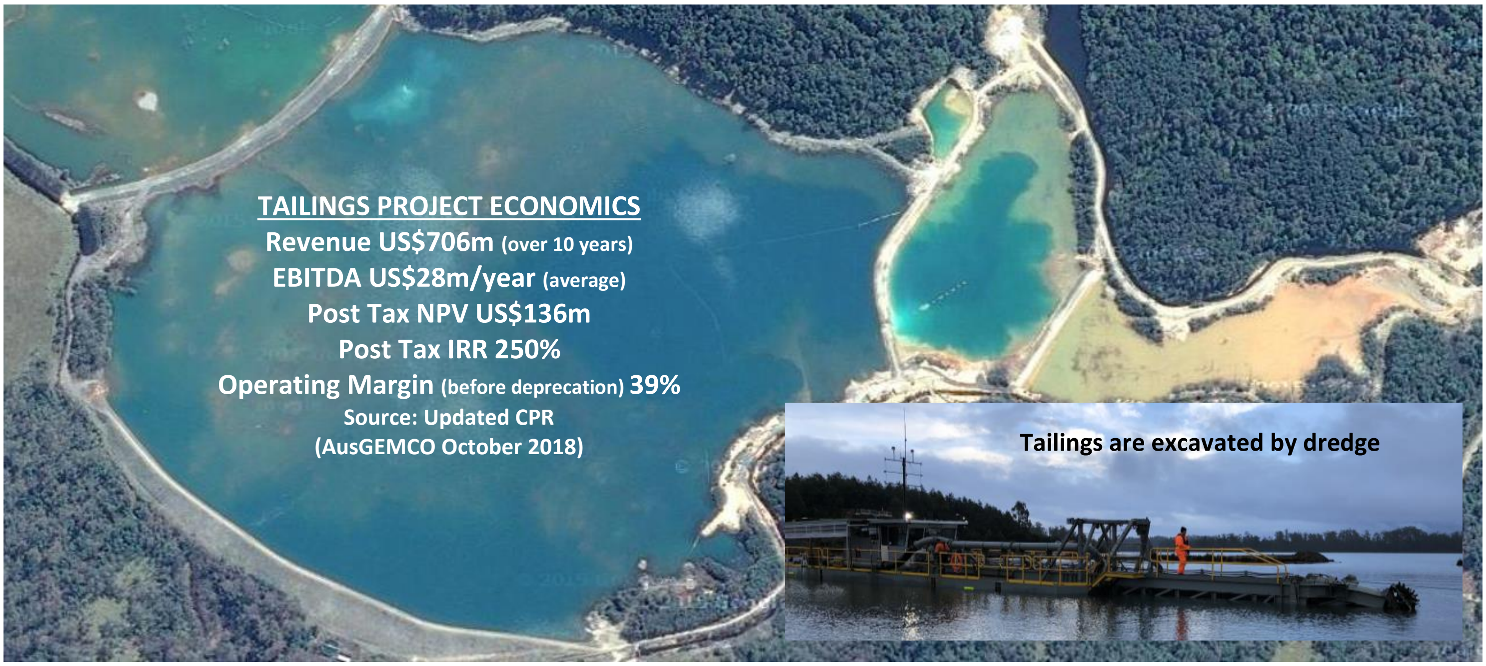
14 April 2020

Resources acquisition could allow for the re-opening of the underground mine with high-grade ore feed to the mill

- **High-grade tailings project has been successfully commissioned.** NQ Mineral's acquisition in June 2017 of the Hellyer Gold Polymetallic Tailings Project in Tasmania has allowed the Company to become a substantial base metals and gold/silver producer. Production began in September 2018 with a 10-year mine life and the latest JORC-compliant Resource stands at 9.25Mt at 2.57g/t Au, 92g/t Ag, 2.99% Pb and 2.35% Zn. Over recent quarters, NQ has reported improving performance/growing profitability.
- **Newly acquired underground resources could be a game changer.** Hellyer covers some of the most prospective ground in Tasmania and is one of the highest-grade Volcanogenic massive sulphide (VMS) deposits in Australia. In January 2020, NQ secured high grade underground base metals resources at its Hellyer Mine with exceptional drilling grades. These represent the accessible unmined ore and remnants of c.1.175Mt of underground JORC Resources grading at 8.6% Zn 4.9% Pb, 96g/t Ag and 1.66g/t Au, some defined at a cut-off grade reflecting 1980's/90's metal prices - so scope for a far larger resource to be determined.
- **Reprocessing of existing data has led to the identification of new targets.** In addition to the opportunities in existing mined areas, there are nine well advanced exploration targets within the Hellyer mining lease located close to the existing decline development and within 2km of the mill. In addition, there is a highly compelling target for immediate follow-up at the recently identified Mackays prospect, which sits immediately adjacent to the Hellyer orebody, where prior drilling uncovered an exceptional grade intersection of 7.0m @ 22.3% Zn, 9.9% Pb, 181 g/t Ag and 3.4 g/t Au.
- **Mining could begin in 2023 with low capex given the existing infrastructure.** NQ does not need to find another Hellyer to make underground mining economic as there is already extensive infrastructure in place. Geologists believe that there is a succession of smaller targets, 300,000 – 500,000t in size, which represent pods of high-grade material which could be mined highly profitably. There seems to be a quick and low-cost route to establishing a 300,000 - 500,000tpa processing/flotation circuit for this mined ore. Rough analysis suggests that a 300,000tpa operation could generate a pre-tax contribution in excess of US$12.5 million per year over a five-year period at January 2020 market prices. **See risk factors on page 8 regarding COVID-19 and metal prices**
- **Transformation deal provides for sustainable long-term growth story.** NQ can now look forward to re-opening the underground operation and mining very high-grade base metals deposits which have already been identified. Hellyer is a VMS ore deposit which lies in the Mount Read Volcanics arc of western Tasmania and the Company has acquired a large position in this corridor of VMS deposits offer highly compelling potential. Hellyer can provide a solid basis on which to build a leading gold and base metal production, development and exploration company.

INTRODUCTION

NQ Mineral's flagship project is the 100%-owned Hellyer Gold Polymetallic Tailings Project in Tasmania, Australia. Hellyer is located in NW Tasmania 80km south of the port of Burnie. These tailings represent substantial reserves of zinc, lead, silver, gold and copper which result from the mining of the very rich polymetallic Hellyer Gold Mine in the 1990s. NQ acquired the Hellyer Gold Mine in June 2017 and along with the tailings and associated assets which included a large pre-existing mill facility and full supporting infrastructure which provides access via a direct rail line to the port.



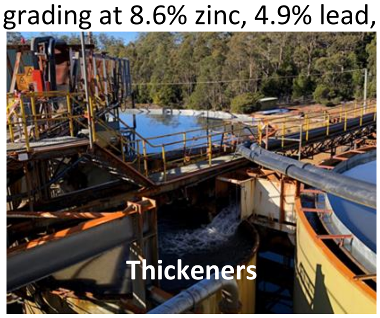
Hellyer Gold Polymetallic Tailings Project

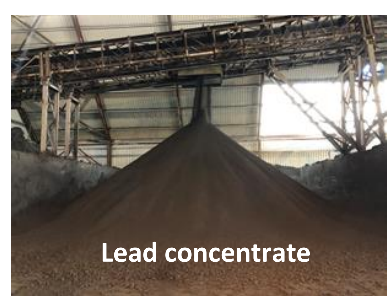
Hellyer provides the potential for NQ to become a substantial producer with a JORC-compliant Resource of 9.25 million tonnes (Mt) at 2.57g/t gold, 92g/t silver, 2.99% lead and 2.35% zinc. Competent Person Report (CPR) estimates at Hellyer suggest a US$706 million revenue over 10 years, (See risk factors on page 8 regarding COVID-19 and metal prices} after that time there is the opportunity to use the mill and tailings ponds to take advantage of other similar high-grade polymetallic VMS deposits within this highly prospective area.

SUCESSFUL RECOMISSIONING

Production began in Q4 2018 with a stated mine life of over 10 years. Improved plant performance and increasing output has led to a positive trend over the past year with NQ reporting higher recoveries, increased production and rapidly rising sales of concentrates on a quarterly basis. These operations are now running profitably with unaudited Q4 2019 figures showing a A$15.5 million gross revenue, a A$7.4 million gross profit and a A$4.8 million operating profit.

In early January 2020, the board announced that NQ had secured high grade underground base metals resources at its Hellyer Mine with exceptional drilling grades. These additional lead, zinc, gold and silver resources and mineral rights were acquired from Bass Metals Ltd (Bass – ASX:BSM). This acquisition included 1.175Mt of underground JORC Resources grading at 8.6% zinc, 4.9% lead, 96g/t silver and 1.66g/t gold.

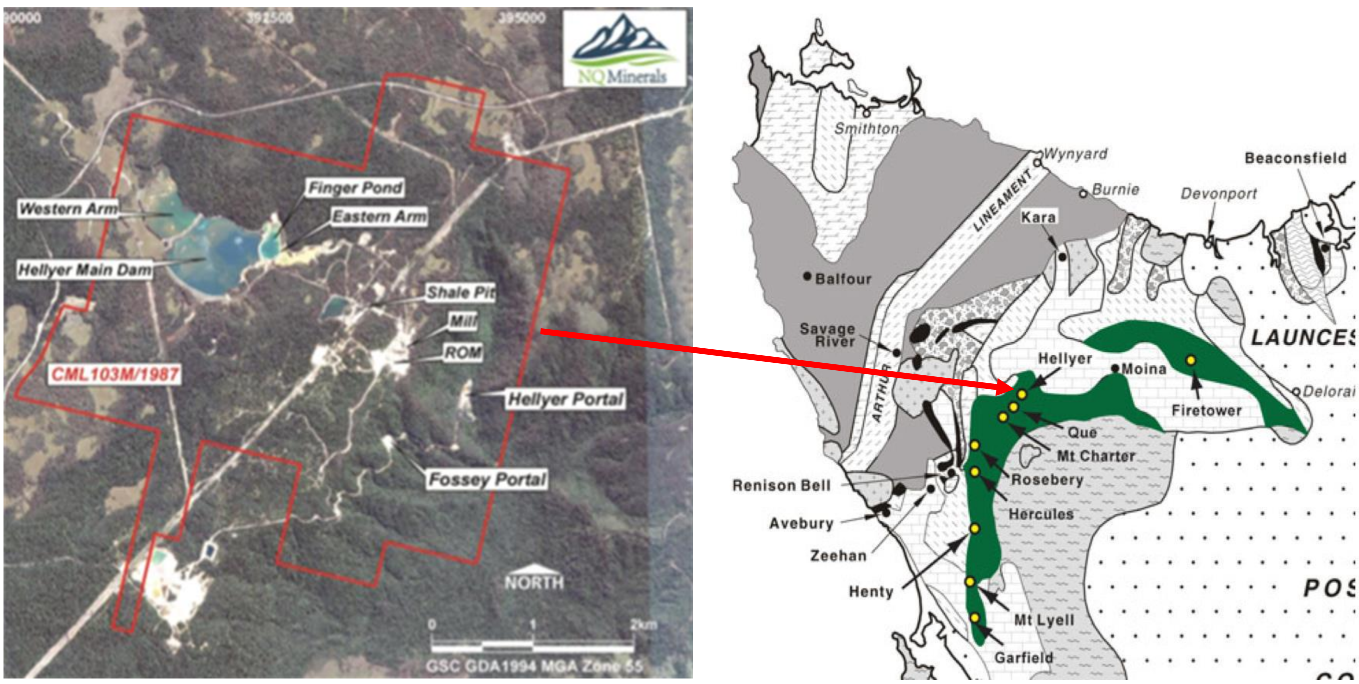




MOUNT READ VOLCANICS

The most important metallogenic event in Tasmania coincided with the deposition of the Mount Read Volcanics (MRV). Hellyer is a volcanic polymetallic massive sulphide (VMS) deposit that lies within the MRV arc of western Tasmania and is a Cambrian volcanic belt which has become complex due to folding, faulting and events related to plate tectonics. VMS deposits are a type of metal sulphide ore deposit, mainly copper-zinc, created by volcanic-associated hydrothermal events underwater, which are a significant source of the world's base and precious metals.

The MRV is a productive mineralised belt and the home to substantial profitable polymetallic production. The region has seen extensive historical mining and hosts similar deposits which include Hercules Mine (lead, zinc, copper, silver & gold), Que River (zinc, copper, lead, gold & silver), Roseberry (zinc, lead, copper & gold), Mt Lyell (copper) and the Henty Gold Mines. Plus, there are also a host of smaller sites of prospective mineralisation spread along the West Coast Range.

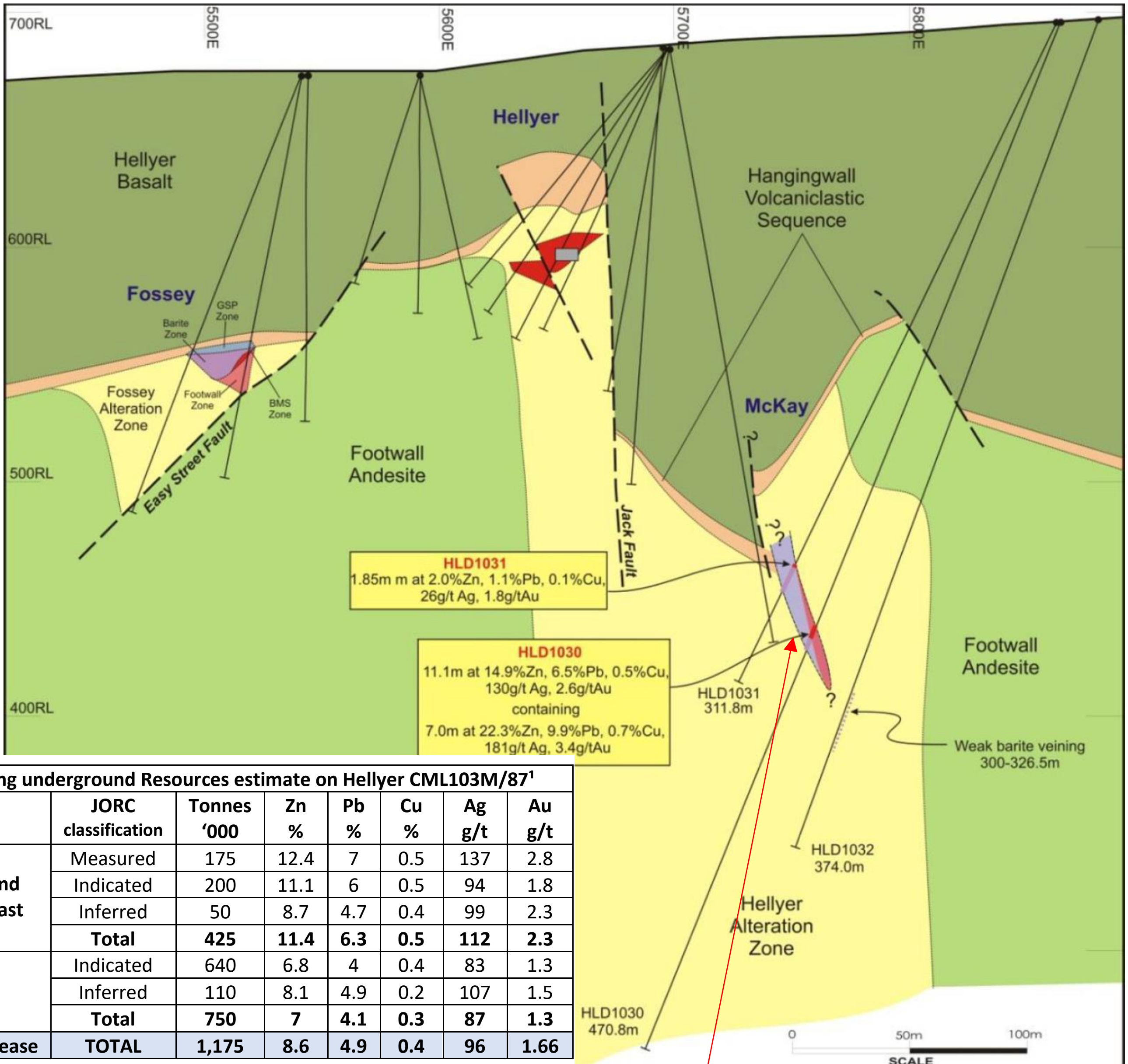


Hellyer Mining Lease (CML103M/87) and the mine's position in the Mount Read Volcanics in western Tasmania

The Hellyer VMS deposit represents a well-developed alteration zone and stringer vein system with the mineralisation being sulphide hosted and mainly comprising of pyrite, with lesser sphalerite, galena and arsenopyrite. Certainly, there are base metal sulphide zones and distinct areas of strong base metal veins called stringer zones, which are largely found on the footwall of the main part of the Hellyer deposit that has been mined. The metal zoning seen at Hellyer does highlight the presence of several feeder systems that underlie the deposit which are the channels through which hydrothermal solutions passed up through the alteration zone to the sea floor.

NEWLY ACQUIRED RESOURCES

In all, some 18.2Mt of ore grading 12.2% zinc, 6.3% lead, 0.3% copper, 156g/t silver and 2.4g/t gold has been mined from the Hellyer area. Aberfoyle Resources commenced the developed the world class Hellyer underground mine in 1987 and produced lead, zinc, copper, gold and silver during the 1989-2000 period. Subsequently there were two brief periods of further activity: 2006-08 when the tailings were partially dredged by Polymetals Group, and 2010-12 when Bass Metals mined the Fossey deposit which extends down plunge from the Hellyer deposit.



Existing underground Resources estimate on Hellyer CML103M/87[1]							
Deposit	**JORC classification**	**Tonnes '000**	**Zn %**	**Pb %**	**Cu %**	**Ag g/t**	**Au g/t**
Fossey and Fossey East	Measured	175	12.4	7	0.5	137	2.8
	Indicated	200	11.1	6	0.5	94	1.8
	Inferred	50	8.7	4.7	0.4	99	2.3
	Total	**425**	**11.4**	**6.3**	**0.5**	**112**	**2.3**
Hellyer	Indicated	640	6.8	4	0.4	83	1.3
	Inferred	110	8.1	4.9	0.2	107	1.5
	Total	**750**	**7**	**4.1**	**0.3**	**87**	**1.3**
Mining Lease	**TOTAL**	**1,175**	**8.6**	**4.9**	**0.4**	**96**	**1.66**

Significant upside at depth at Hellyer – McKay Prospect Cross Section 1027N.
Source[1]: JORC resources Bass announcement 30-09-13

The newly acquired resources brought into NQ's books an additional JORC (2004) Resources totalling 1.175Mt at 8.6% zinc, 4.9% lead, 96g/t silver and 1.66g/t gold from the Fossey, Fossey East and Hellyer remnants. To date, nine well advanced exploration targets have been developed within the Hellyer Mining Lease which are located close to pre-existing mine decline development and within 2km of Hellyer's 1.6Mt capacity processing plant. Plus, there are exceptional drilling intercepts for immediate follow up which include: 20.4m @ 16.3% zinc, 7.2% lead, 104g/t silver and 2.4g/t gold (Fossey East Orebody) and 7.0m @ 22.3% zinc, 9.9% lead, 181g/t silver and 3.4g/t gold at the new Mackays prospect discovery.

DEVELOPMENT STRATEGY

Hellyer and the surrounding area probably represents some of the most prospective ground in Tasmania, as well as being one of the highest-grade VMS deposits in Australia. Anywhere else in the world, some of these drill intercepts near the Hellyer orebody would be seen as exceptional grades. The latest acquisition means that NQ now has a tenement package that covers a large chunk of a corridor of VMS deposits each of which look like peas in a pod with very high base metal grades of 20% lead or zinc equivalent together with significant silver and gold.

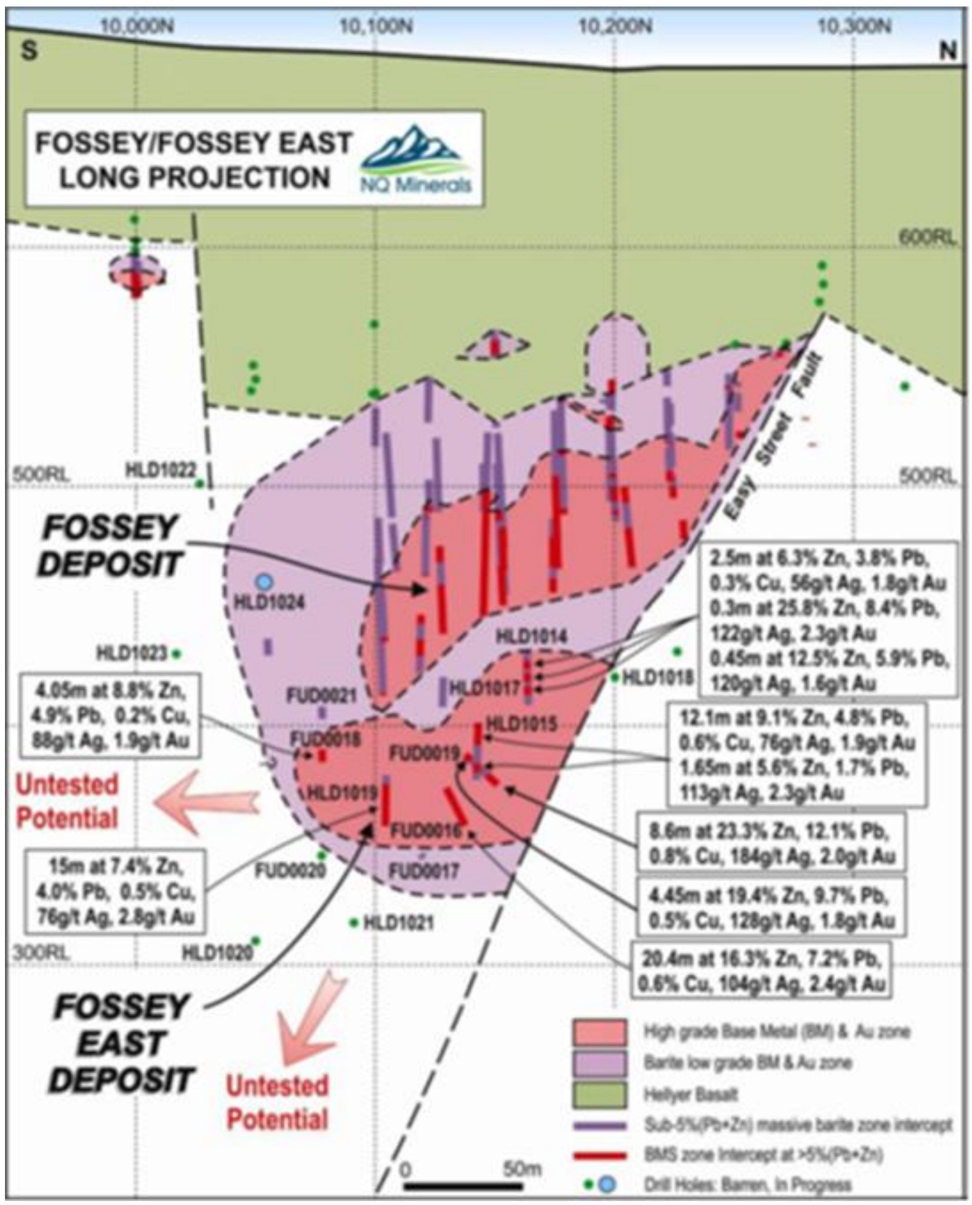
Moving ahead the Company is not looking for another Hellyer with 18Mt of resources but smaller targets of the order of 300,000 – 500,000t which represent pods of high-grade material which could be highly profitable due to the project already having all the big infrastructure in place. Establishing control of the underground rights at Hellyer and surrounds, add substantial mining potential going forward. It does seem that reasonable scale underground mining could be re-established at a fairly low cost and quite quickly as both Fossey and Hellyer already have valid mining licences in place.

Immediate drilling objectives

NQ has already commenced a comprehensive desktop study along with a geophysical study which involves the reprocessing of existing electromagnetic (EM) data using modern software. Hellyer has an amazing amount of core available to be re-analysed from a plethora of very good holes that have good collars and have been capped.

In addition to the existing mined areas, immediate exploration drilling objectives seem to firmly include those nine well advanced exploration targets that have been developed within the Hellyer mining lease. The most compelling target of all for immediate follow-up has to be the recently identified Mackays prospect, which sits immediately adjacent to the Hellyer orebody, which produced an exceptional grade intersection.

The last operator of the mine discovered three significant zones of base metal mineralisation within 200m of the large Hellyer orebody at Fossey, Fossey East and Mackay as well as confirming significant potential for new discoveries.



Immediate drilling objectives at Hellyer

NQ’s review of historic exploration data has led to the identification of several possible new targets for drilling that could quickly, and cost effectively be refined using modern techniques like detailed target definition mapping.

The Fossey ore body extends down plunge from the Hellyer deposit and was mined during the 2010-12 period following its discovered by BCD Resources NL. The Fossey deposit is some 300m-400m across but was missed in the previous drilling as it lay between Aberfoyle’s widely spaced drill lines. This discovery highlights the potential for additional finds.

Determining targets

Currently work is ongoing reprocessing Hellyer geophysics data. Drill targets are planned to be determined, with continual redefinition as the Company’s understanding improves, based on the existing EM and gravity data combined with the use of up to date models of VMS mineralisation. Over recent years there has been an improved understanding of the alteration zones around Mount Read VMS deposits. Detailed research has shown a correlation exists between certain alteration elements and groups of such elements which have been found at a certain distance away from VMS deposits.

Along this corridor, new VMS deposits are expected to be found at a depth between 100m - 800m (with the Hellyer Andesite discovery being at a depth of 600-800m) as the pods tend to be more laterally dispersed rather than at vertically. The best time to drill in Tasmania is the summer (November – January) when it rains less, consequently drilling is likely to be scheduled for late 2020/early 2021. The drilling programme could take six months to complete.

Infrastructure is the key

The mill is in already in place and the tailings retreatment operation does not make any use of the Hellyer ore stock yard, crusher or primary milling circuit. Processing of underground production would only require the building a flotation plant at something like A$7-20 million depending on the designed nameplate capacity. This is probably not that challenging, as it is normally the grinding circuit which takes time to be manufactured and installed. The Hellyer Mill is rated at 1.6Mtpa but permitted for processing of 2Mtpa of tailings, and is currently operating at 62% of its capacity, processing around 1Mtpa of high-grade zinc, lead, gold, silver tailings. This means that there is potential to establish right sized and flexible processing/flotation circuit for this newly mined ore. Managerial and technical staff, infrastructure, tails dam etc are already in place for tailings retreatment.

The impressive infrastructure also includes access to port via a railway line where there is substantial storage available at the concentrator shed as well as loading facilities. Underground mining is logistically quite simple as there is a ramp down the middle of the gorge with two adits (passages) which have been driven into the Hellyer orebodies which connect to existing declines and development drives, that will need some refurbishment. With all these remnants being accessible via the existing infrastructure, all the big capital expenditure items are already in place and re-commencement of underground mining and processing of this ore is likely to require only incremental capex.

The Hellyer remnants were defined at a cut-off grade which reflected the prevailing base metal prices in 1980’s/90’s and so there is likely to be some substantial upside. Ahead of the move into mining, the key is to find 5-10 years of reserves based on a production rate of 300,000 – 500,000tpa composed of mining these smaller high-grade targets. At a mining rate of 25,000t per month (300,000tpa), rough analysis suggests that such an operation could generate a pre-tax contribution US$12.5 million per year over a 5-year period. This analysis is based on the quantity and grades of the historic resource and on the following costs: mining US$60/t, processing US$25/t, direct overheads US$5 million per annum; royalties etc equating to 10% of revenue and metal prices at January 2020 levels (See risk factors on page 8 regarding COVID-19 and metal prices). Mining could begin as soon as early 2023, as it is thought that the additional processing facilities could be up and running 18 months after the production decision is taken.

HIGHER GRADE ORE FEED AND A LONGER PROJECT LIFE

The acquisition of high-grade underground base metals resources, associated licences and permissions looks like a very good deal which has the power to dramatically change investor's perception of NQ. Tailings projects can be highly economic but just do not attract as much attention as primary mining projects which come with a scope for further discoveries with orebody extensions at depth and down dip or perhaps satellite deposits. The potential to recommence underground mining crucially provides real potential to radically transform the Company given that the opportunities at the project have been dramatically increased. At the same time, a long-term plan for Hellyer has been ushered in where NQ could be set on a trajectory to unlock substantially more value over a longer life.

VMS deposits like Hellyer are found worldwide and well-known for forming clusters or camps and can be stacked at differing levels. NQ had set their eyes on the enviable potential of nearby high-grade VMS deposits as Hellyer is located within the Mount Read Volcanics, and now such a deal has come to fruition. The team did not have to look too far along this mineralised belt as there are still compelling opportunities very close by in addition to the already defined resources at Hellyer.

Modern techniques should help to rapidly refine previous targets. With all the existing infrastructure in place, NQ does not need to find another Hellyer-sized deposit to make underground mining economic. This latest acquisition includes the underexplored 46km² Mt Block licence which serves to dramatically increases NQ's area around the Hellyer Mine with good opportunities located close to the mill. The Company looks as though it will be able to make impressive economic returns from mining a series of smaller targets of high-grade mineralisation and this looks like a low-risk strategy that could provide significant growth opportunities moving ahead.

This transformational deal provides a sustainable long-term growth story. NQ can now look forward to re-opening the underground operation and mining very high-grade base metals deposits whilst simultaneously retreating tailings. At the same time, corporate developments concerning Barnes Hill Nickel and Cobalt Project herald a potentially attractive opportunity for the Company to enter the fast-growing electric vehicle battery metals market. The ideal customer for Hellyer's pyrite concentrate has always been a local nickel laterite operation as sulphuric acid represents the biggest cost in the treatment of nickel-cobalt in lateritic surface deposits; and so, such a combination offers great synergy. On top of all these development, NQ's recent acquisition of the historic high-grade Beaconsfield Gold Mine, close to Barnes Hill, looks to provide scope for significant value to be generated by reassessing the potential of this historically rich mine. There is no doubt that Hellyer is providing a solid base on which to build a leading gold and base metal production, development and exploration company.

About the author

Dr Michael Green is an independent analyst who specialises in growth companies and resources companies. He gained a BSc Honours degree in Mining Engineering from Nottingham University, UK and PhD for a thesis that looked at the economic analysis of mining projects. Having been involved in consultancy work, Michael began working in the City in the 1980s as a Mining Analyst with stockbrokers Buckmaster & Moore and then HSBC-owned Greenwell Montagu Securities. Subsequently, he was involved in analysing a wide range of growth companies and became Head of Research at stockbroker Everett Financial which specialised in the small cap market. Since, 2006 Michael has been an independent analyst. He has specialised in analysing companies in the resources sector providing research for mining companies, stockbrokers, corporate finance houses, advisers and independent research firms. Between 2008 – 2011, he was a Non-Executive Director of Ascot Mining PLC, a quoted Central American gold mining company. In addition, he has worked closely with resources companies assisting in IR.

RISK FACTORS

The following risk factors are considered to be the most significant for potential investors in the Company. However, the risks listed do not necessary comprise all those associated with an investment in the Company:

COVID-19

- This report is written in April 2020 during the COVID-19 worldwide pandemic. This principal risks for the Company are operational and market driven:
- The Company issued an update on 6 April 2020. It confirmed that the Hellyer operation has been classified essential by the Tasmanian Government, that operations continue normally and has confirmed that there has been no material change since then to the date of this report. There remains a risk of imposed unexpected interruption of production.
- Demand for industrial metals has been affected by the pandemic and prices of all commodities have been disrupted. **Calculations of illustrative long term potential returns in this report were based on expectations of metal prices at the time the referenced reports were written and have not been updated in the light of prices ruling during the pandemic.** It cannot be predicted whether the pandemic will have a permanent effect on prices.

General

- The Company will require additional financial resources to continue funding its future expansion. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the company or its shareholders.
- The Company's total return and net assets can be significantly affected by currency movements.
- The Company is likely to face competition from other entities operating in its business sector, many of which have significantly greater resources than the company.
- Market perception of the Company may change.
- Development projects are uncertain and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production.
- Each prospective investor should view his purchase of equity shares in the Company as a long-term investment and should not consider such purchase unless they are certain they will not have to liquidate their investment for an indefinite period. The market price of the shares may not reflect the underlying value of the assets of the Company.
- The market in the shares may be illiquid or subject to sudden or large fluctuations and it may be difficult for an investor to sell his shares and may receive less than the amount originally invested.

Exchange

- The Company's shares are traded on London's Aquis Exchange (previously NEX). Investments in shares traded on Aquis carry a higher degree of risk than investments in shares quoted on the official list of the UK Listing Authority or on the Alternative Investment Market.

Company Specific

- Your attention is drawn to Note 2 (Going Concern) to the last audited accounts of the Company to 31 December 2018 published on 31 May 2019. As at the accounts date the Company had negative shareholder' funds of £18.9m, financial liabilities of £31m and net current liabilities of £14m. These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. On 2 March 2020 the Company announced that a definitive term sheet had been agreed with Traxys Group, a European natural resource bank, for a new US$60m facility and was in parallel discussions with other financial institutions for complementary facilities. Although the Directors believe that they will be able to secure these facilities, there is no certainty that this will happen. The Company will require funding to refinance its debt and complete its expansion plans. There is no assurance that the Company will be able to obtain such financing, when required, on favourable terms or at all. Any failure by the Company to raise sufficient funding could have a materially adverse impact on the Company and the value of its securities.
- The Company's business is the extraction of minerals which is subject to environmental, safety and community risk.
- The Company's current and potential end products, base and precious metals, are subject to fluctuating prices on international markets.

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