



14th September 2020

Small Cap

Golden State Mining Limited: Focus on Acquiring Quality Western Australian Exploration Assets

Reading Time: 5 Mins

By Team Ace Investors

Stock Code	ASX: GSM
Shares O/S	56.64 million
Closing Price	AUD 0.245
Market Cap	13.88 million
52 High/Low	0.705/0.041
One Year Stock Performance	145%
Avg volume (TTM)	0.85 million
EPS (TTM)	-0.059
P/E	-
Annual Dividend Yield	-
Franking	-
Last Dividend Ex-Date	-
Last Dividend Pay Date	-
DPS (AUD)	-
ROE %	-

COMPANY OVERVIEW

Golden State Mining Limited (**"Golden State Mining" or the "Company"**) is a resources exploration company, which has brought together three prospective West Australian exploration projects with a major focus on gold and lithium. It was formed with the intent of acquiring quality Western Australian exploration assets.

The Company currently has 3 projects - Yule Project, Murchison Project and Four Mile Well Project.

On 30th July 2020, the Company updated its shareholders on its activities for the quarter ending 30 June 2020. During the June 2020 quarter, Golden State Mining largely focused on its Yule South tenement within its wholly-owned Yule Project in WA. A first pass reconnaissance program of +10,000m of Aircore ('AC') drilling was planned for Yule South, targeting high priority gold targets interpreted from aeromagnetic data.

In March 2020, Golden State received approval from the Department of Mines, Industry Regulation and Safety to mine Yule South. The urge to unlock potential at Yule South was prompted by fellow ASX listed De Grey Mining's (DEG) nearby Hemi discovery. Importantly, Golden State was not alone in recognising Yule South's potential. The 10,000-metre drilling program received support from sophisticated and professional investors and by the WA Government's Exploration Incentive Scheme (EIS). GSM has been awarded a \$150,000 grant to partly fund its drill program.

INVESTMENT RATIONALE:

- **Successful Capital Raising** – In May 2020, the Company raised \$2.2 million to fund its 10,000-metre maiden aircore drilling program at the Yule South Gold Project, and additional aircore and reverse circulation drilling at Yule South. The Company has also used the funds towards its ongoing exploration and maiden drilling campaigns at the Sholl Shear Zone and Balla Yule Project. At the end of the quarter, Golden State Mining had cash and cash equivalents totalling \$2.44 million which is a significant increase from the \$1.38 million at the end of the March quarter.
- **Mining Agreement with Adaman Resources** – On 19th June 2020, Golden State announced it had signed an agreement with Adaman Resources to purchase, mine and process around 48,000 tonnes of mine tailings from the historic Cue No. 1 and Salisbury mines. Adaman would process the sands at its Kirkalocka Gold Mine. The Cue tenement is part of the Company's Murchison Project.
- **Yule South Delivered First Pass Gold Hits** – On 14th August 2020, the Company updated that it has found highly encouraging assay results for the first two target areas drilled at the Yule South project in Western Australia. The Company commenced maiden drilling program at the 100% owned project in early July 2020 and has completed Phase 1 Aircore drilling program over five gold target areas.
 - **Target 1** – best intercept includes eight metres at 0.92g/t gold from 96 metres, including four metres at 1.81g/t of gold from 96 metres. **Target 5** – best intercept included 19 metres at 91 parts per billion of gold from 46 metres including four metres at 350 parts per billion of gold from 58 metres.
- **Further Strong Update on Yule South** – On 7th September 2020, the Company reported uncovered strong gold and arsenic anomalies from Targets 2 and 3 at Yule South. Results from Target 2 peaked at 135 parts per billion (ppb) gold, while Target 3 returned up to 147ppb gold. Furthermore, Target 2 also intersected more than 500 parts per million arsenic. Golden State is

now waiting on results from Target 4, which are expected in mid-September. The Company is also planning to undertake a phase two drilling program, which is scheduled to begin later this month.

Upcoming Yule Activities



Source: Company Report

ACE's RECOMMENDATION:

The latest assay results in conjunction with the early success are fostering buoyant exploration prospects for the Company. The Company believes that with each drill line, Yule is revealing its gold potential with a clear demonstration that it has the right elements for exploration success. The Company indicated that the exploration team is engaged in preparation for the Phase 2 aircore drilling program, which is expected to commence in approximately three weeks.

The Company's strategy of making opportunistic acquisitions and then unlocking their full value through exploration and development is likely to create substantial value for shareholders in the coming years. The robust balance sheet and the grant received ensures that the Company can continue to grow through exploration and development. At current levels, we would like to recommend **BUY** rating on the stock.

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