EVOLUTION CAPITAL

ASX: AQI

Alicanto Minerals Limited

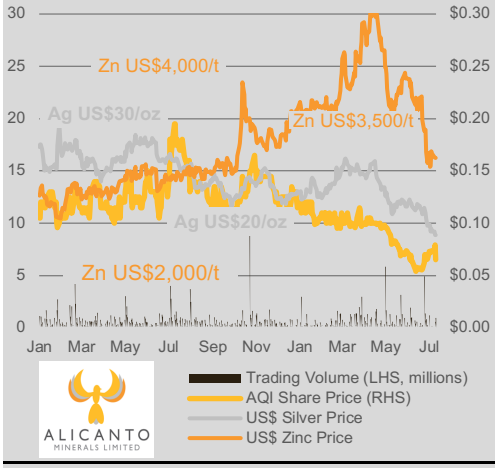
Equity Research

15th July 2022

SPECULATIVE BUY

Share Price	$0.07
Price Target	$0.22

52-Week Range	$0.054 - $0.220
AQI Shares Outstanding	383.7m
Unlisted Options ($0.065 23 June 2023)	24.0m
Unlisted Options ($0.030 14 Mar 2024)	5.0m
Unlisted Options ($0.10 13 Aug 2025)	37.0m
Unlisted Options ($0.10 24 Nov 2025)	11.5m
Unlisted Options ($0.15 24 Nov 2025)	2.5m
Unlisted Options ($0.20 24 Nov 2025)	2.5m
Unlisted Options ($0.25 24 Nov 2025)	2.0m
Class A Performance Rights	2.0m
Class C Performance Rights	1.5m
Market Capitalisation	$26.8m
Cash (31 March 2022)	$6.1m
Enterprise Value	$20.8m
Substantial Shareholders	
Steve Parsons	6.7%
Merc Investments	6.5%
Vicex Holdings	5.4%
Top 20 Holders	52.8%
Board & Management:	
Ray Shorrocks	Chairman
Peter George	Managing Director
Didier Murcia	Non-Executive Director
Michael Naylor	CFO and Co Sec
Erik Lundstam	Chief Geologist
Steve Parsons	Corporate Consultant



Alicanto Minerals Ltd (ASX: AQI) is a precious and base metals exploration and development with a portfolio of historically producing, high-grade copper-gold and polymetallic skarn (copper-gold-zinc-lead-silver) and VMS projects located in the highly-regarded mining region of Bergslagen, Sweden. Alicanto Minerals is pursuing aggressive exploration campaigns. The first of these is targeting extensions of the historic Sala silver-zinc-lead deposit and the second involves greenfields exploration around the Greater Falun copper-gold and polymetallic skarn project.

First Stepping Stone towards Future Development

Sala Mineral Resource Estimate: On 13th July 2022 and in just over 12 months after the acquisition of the Sala Zinc-Silver-Lead Project, AQI released a significant maiden mineral resource estimate (MRE): 9.7 Mt @ 3.2% Zn, 47 g/t Ag and 0.5% Pb for 311,000 t zinc, 15 million ounces of silver and 44,000 t lead at a cut-off grade of 1.5% Zn equivalent.

History: The Sala mine has a long operating history since the 15th century. Modern exploration techniques are leading AQI to discover new mineralised lodes in the vicinity of the mine.

Sweden Context: Over a few centuries, Sweden has developed a significant polymetallic base metals (and precious metals) mining industry including recycling and smelting capacity. The maiden Sala mineral resource represents already the largest active undeveloped Zn-Ag-Pb mineral resource in Sweden. Sweden accounts for 36% of Europe's zinc production and is the second largest producer next to Russia. Considering the sanctions against Russia, more pressure is being put onto Sweden to supply the region with Green Zinc. Sweden is leading the Green Transition in Europe with its 98% fossil fuel free electricity supply. The Swedish government is quite supportive of the project and is very keen to see Sala get up and operating. Sweden also benefits from low operating costs e.g. US50¢/lb Zn at Garpenberg (50km away) while extracting ores between 450m and 1,400m depths.

Sala Scale: The deposit is open in every direction with numerous highly prospective targets to drill or currently being drilled. Considering the prospectivity, we have considered that AQI will delineate in time a mineral resource three times the maiden resource.

Path to Production: in line with its scale, location, de-risking from past operations and government support, the Sala project is highly likely to reach production status.

Scoping Study: To comply with the regulations of the Mining Inspectorate of Sweden, AQI is working on a scoping study, while expanding the mineral resource. The study should benefit from the historical mining and processing operations of the same mineralisation and from the significant infrastructure readily available.

Management: the AQI team has a highly successful track record including Auteco Minerals (AUT), Bellevue Gold (BGL) and Centaurus Metals (CTM).

Metals Outlook: despite the recent correction, the outlook for zinc and silver prices remains positive with market deficits expected for zinc and the silver ETP market likely to grow substantially higher over the next few years.

News Flow and Funding: upcoming news flow includes drilling results, metallurgical testwork, scoping study, update of the mineral resource estimate and environmental permitting milestones. AQI is well funded to continue to grow the Sala mineral resource with $6.1m cash as at 31 March 2022.

AQI Valuation: Considering the stage of evaluation of the Sala project and the current depressed market conditions, we used a selection of ASX-listed market peers and an Enterprise Value per Resource multiple to derive a target valuation. Assuming an EV/Resource of $75/t Zn Eq. and a mineral resource three times the maiden resource, we can derive a value of $96 million for AQI. Adding 15% additional shares for a future capital raising, this represents a target price of $0.22 per share.

Swedish Perspective: Listed on the Nordic Growth Market, Sotkamo Silver AB (NGM: SOSI) has an enterprise value of about $100 million (close to all time low, given current market conditions). With a mineral resource of 194 kt Zn Eq,, its EV/Resource multiple is still in excess of $500/t Zn Eq. In comparison, AQI has the potential to delineate in its unique Swedish low cost mining environment, a much larger mineral resource and attract a significantly higher valuation.

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All dollar amounts are in Australian dollars unless otherwise specified.

1. AQI Valuation

ASX-Listed Market Peers

Valuing the Sala project before any economic studies has been undertaken and in the current market conditions, is quite speculative and subjective.

Also while most ASX-listed market peers have their project located in Australia, the Sala Zn-Ag-Pb project is located in a unique environment, benefiting from a readily available developed infrastructure, highly skilled mining workforce and a low cost base.

Table 1.1 summarises some of the key parameters for a selection of ASX-listed market peers.

Table 1.1 – AQI Sum of the Parts Valuation

Company	Code	Enterprise Value (A$ million)	Key Project(s)	Country	EV/Resource (A$/t Zn Eq.)	Resource (kt Zn Eq.)
Silver Mines Limited	SVL	$162.0m	Barabolar & Bowdens	Australia	$98/t	1,661 kt
Manuka Resources Limited	MKR	$58.8m	Mt Boppy & Wonawinta	Australia	$129/t	456 kt
Galena Mining Limited	G1A	$56.7m	Abra	Australia	$62/t	920 kt
Investigator Resources Limited	IVR	$44.4m	Paris	Australia	$117/t	378 kt
Maronan Metals Limited	MMA	$36.9m	Maronan	Australia	$16/t	2,377 kt
Altamin Limited	AZI	$31.1m	Gorno	Italia	$47/t	656 kt
Boab Metals Limited	BML	$22.8m	Sorby Hills	Australia	$13/t	1,800 kt
Alicanto Minerals Limited	AQI	$22.3m	Sala Zn-Ag-Pb	Sweden	$52/t	426 kt
PNX Metals Limited	PNX	$16.3m	Hayes Creek	Australia	$26/t	633 kt
Argent Minerals Limited	ARD	$11.0m	Kempfield	Australia	$17/t	647 kt
Thomson Resources Ltd	TMZ	$10.2m	Conrad, Texas, Webb	Australia	$17/t	598 kt
Todd River Resources Ltd	TRT	$9.9m	Mt Hardy	Australia	$36/t	277 kt

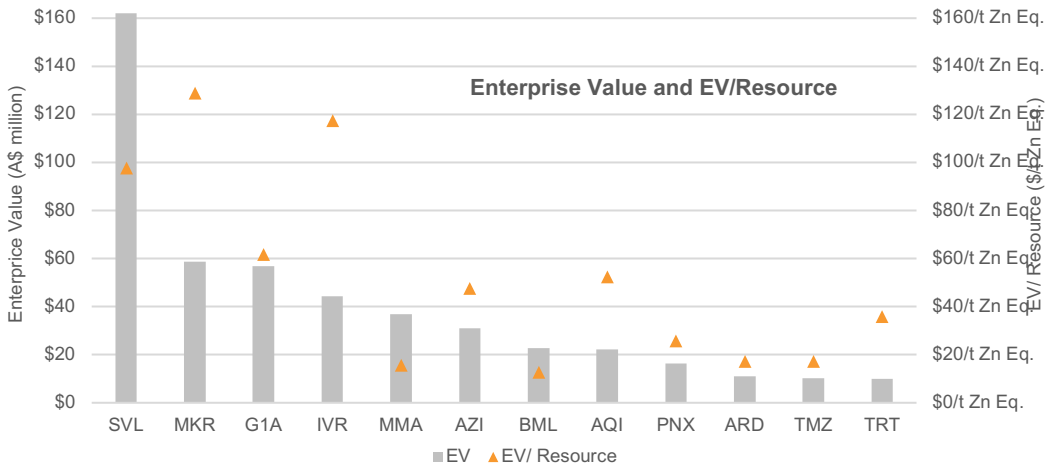
Source: Evolution Capital estimates.
Note: zinc equivalent grade calculated using Zn @ $3,300/t, Pb @ $1,900/t, Cu @ $9,000/t, Ag @ $20/oz and Au @ 1,800/oz

While there is no clear rule, it appears that companies with more advanced projects or larger mineral resource attract higher market valuation as well as a higher EV/Resource multiple.

Assuming an EV/Resource multiple of $75/t Zn Eq. and a mineral resource three times the maiden resource, AQI could reach a market valuation in the order of $96 million.

Assuming an increase in the number of shares by 15% to 441.3 million for a future capital raising, we can derive a target price of $0.22.

Figure 1.1 –ASX-Listed Market Peers – Zinc Equivalent



Source: Company announcements, Evolution Capital, S&P Global

Scandinavian Market Peer

Listed on the Nordic Growth Market, Sotkamo Silver AB (NKM: SOSI) has an enterprise value of about $100 million (close to all time low, given current market conditions). With a mineral resource of 194 kt Zn Eq,, its EV/Resource multiple is in excess of $500/t Zn Eq. In comparison, AQI has the potential to delineate in this unique mining environment, a much larger mineral resource and attract a significantly higher valuation.

2. AQI Strategy

Alicanto Minerals is pursuing aggressive exploration campaigns in Sweden's highly-regarded mining region of Bergslagen. The first of these is targeting extensions of the historic Sala silver-zinc-lead deposit and the second involves greenfields exploration around the Greater Falun copper-gold and polymetallic skarn project.

The Company is highly leveraged to exploration success and puts a strong emphasis on ensuring that drilling and news flow is ongoing.

This approach underpins its strategy of creating shareholder value by discovering, growing and developing precious and base metal resources in the tier-one location of Sweden.

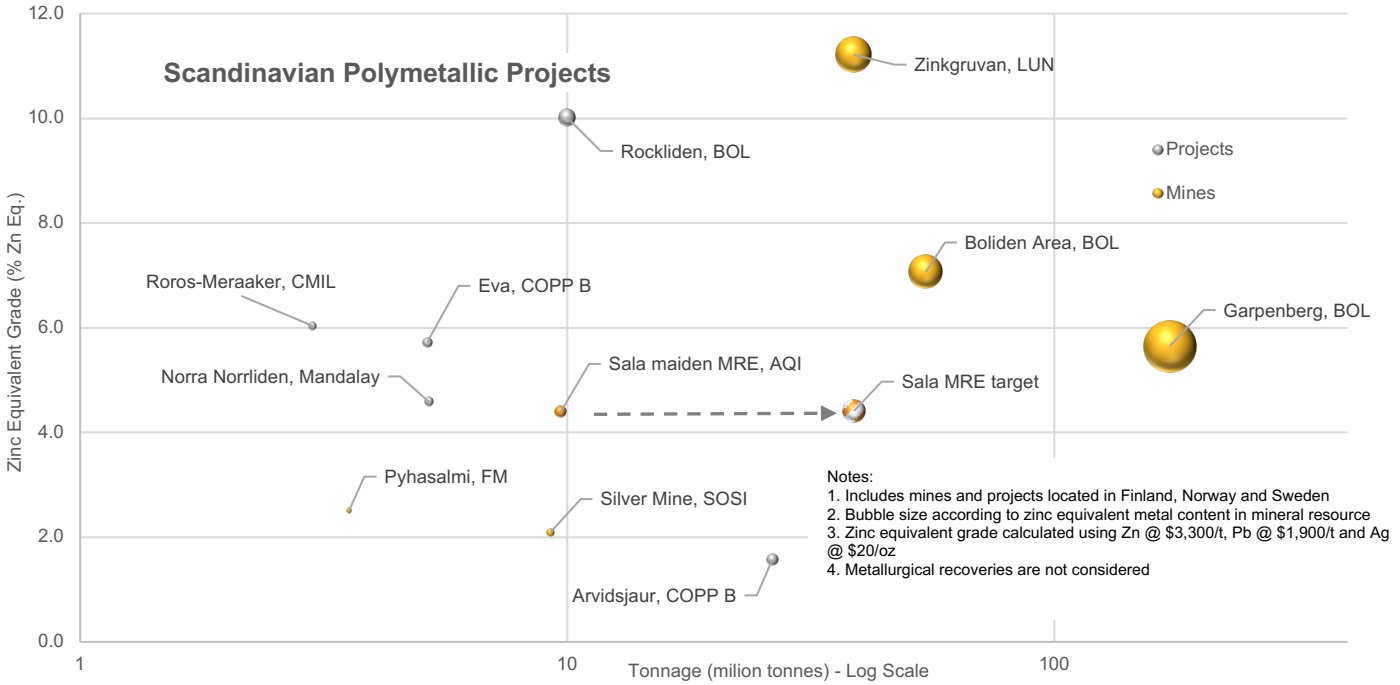
The strategy is driven by a Board and Management team comprising a broad range of expertise, including extensive technical, operational, financial and commercial skills as well as experience in mining exploration, strategy, venture capital, acquisitions and corporate finance.

Considering the proximity of nearby treatment infrastructure, one can reasonably assume that economic mineralisation defined at the Sala project is destined to be processed at the Garpenberg facilities.

3. Sala Project Benchmarking

For the purpose of benchmarking the maiden mineral resource estimate of the Sala project, we have selected projects and mines in Scandinavia, i.e. Finland, Norway and Sweden.

Figure 3.1 –Mineral Resource Benchmarking – Zinc Equivalent



Source: S&P Global, Evolution Capital

Figure 3.1 summarise the zinc equivalent grade and metal contained in the mineral resource of projects and mines in Scandinavia.

All mines are located in Sweden, except the Pyhasalmi copper-pyrite mine and the Silver Mine (+Au-Pb-Zn) located in Finland and operated by First Quantum Minerals Ltd (FM) and Sotkamo Silver AB (SOSI) respectively.

Interestingly, on 27th June 2022, Sotkamo Silver updated the Silver Mine mineral resource to 9.2 Mt at 54 g/t Ag, 0.2 g/t Au, 0.23% Pb and 0.56% Zn or 93 g/t Ag equivalent. In comparison, Sala maiden resource has a slightly higher tonnage, similar silver grade, significantly higher lead and zinc grades, but no gold. The mine started production in 2019. In 2021, the production was 1.38 million ounces silver, 3,403 ounces gold, 1,494 tonnes lead, and 3,373 tonnes zinc in concentrates. Milled tonnes during 2021 were about 624,000 tonnes and the staff was made of only 49 people. The ore reserve estimate totals 1.9 mt at 104 g/t Ag, 0.29 g/t Au, 0.22% Pb and 0.52% Zn or 129 g/t Ag equivalent.

For Pyhasalmi, First Quantum reports a mineral resource (as at 31 Dec 2021) of 3.5 Mt at 0.48% Cu, 0.3% Zn, 0.4 g/t Au and 10 g/t Ag.

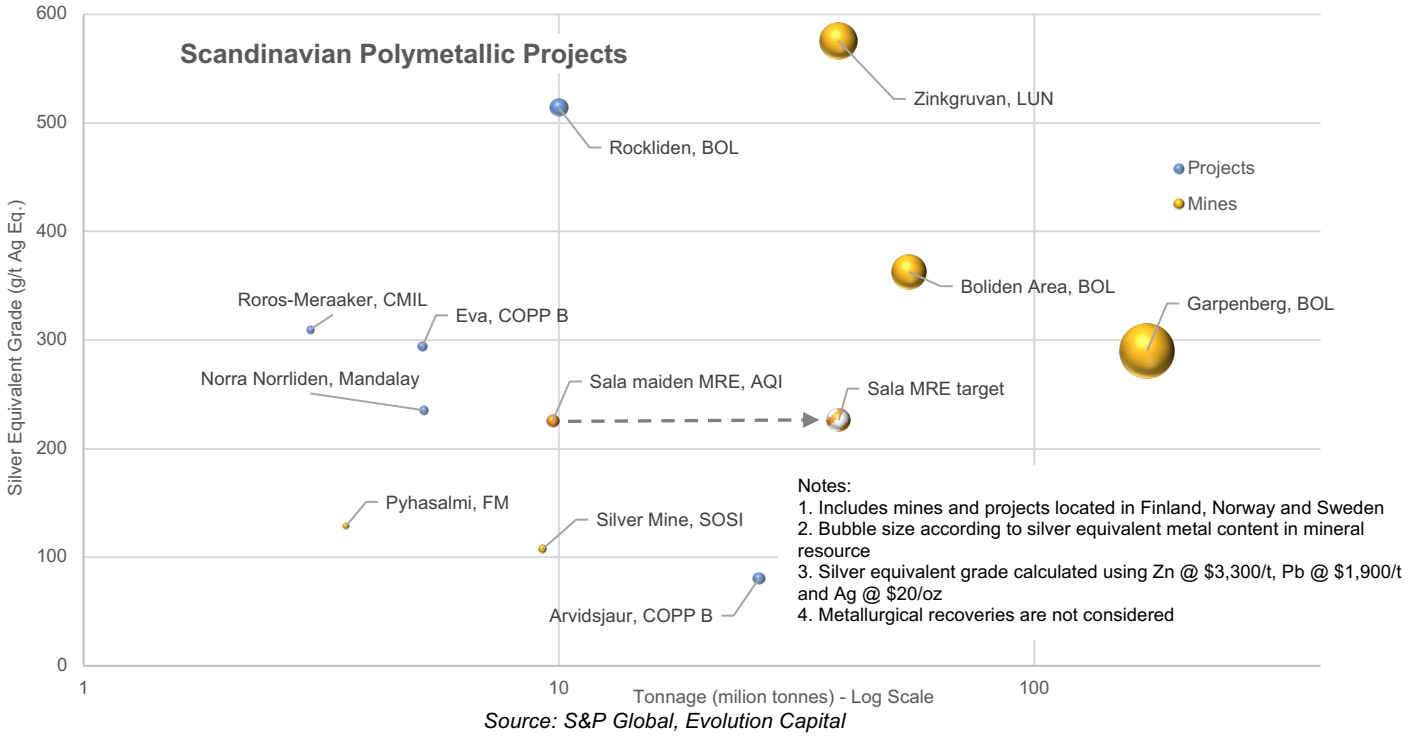
Those two small operations must operate with very low cost structure. They demonstrate what is achievable in the Scandinavian context.

In terms of projects, the mineral resource for the Rockliden project owned by Boliden has a similar tonnage: 10 Mt at 3.9% Zn, 1.7% Cu, 0.4% Pb, 51 g/t Ag and 0.05 g/t Au, Despite higher silver and zinc grades and the presence of copper and gold, we note that the mineral resource has not been updated since its original reporting in 2013. The deposit contains also some significant amount of deleterious elements such as antimony, arsenic and mercury, which is one of the key challenges for the development of the project.

In this context, the Sala project with a comparable mineral resource tonnage and the prospect to increase it significantly over the next few years make the project quite attractive from a development perspective. From a metallurgical perspective, Sala ores have been successfully processed for centuries.

Figure 3.2 considers the same projects and mine comparing the silver equivalent grade rather than the zinc equivalent grade.

Figure 3.2 –Mineral Resource Benchmarking - Silver Equivalent



Source: S&P Global, Evolution Capital

4. Metals Market Outlook

Zinc

Supply

After rising by 4.1% in 2021, world zinc mine production is forecast to rise by a further 3.9% to 13.28 million tonnes in 2022. This will be driven mainly by anticipated increases in Australia, India, Kazakhstan, Mexico, South Africa and the United States.

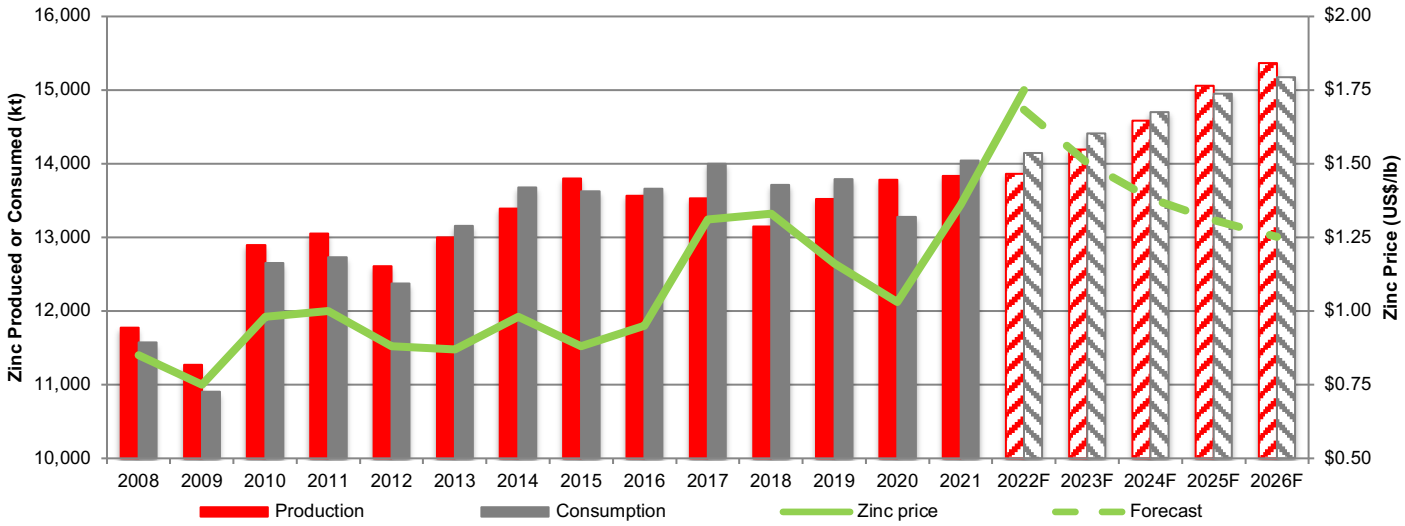
In China, mine production is forecast to rise by 2.3% this year, after increasing by 1.9% in 2021.

For refined zinc production, S&P Global estimates a modest 0.4% rise this year, given high energy prices and limited zinc smelter activity, notably in Europe.

Demand

S&P Global has downgraded its estimated global refined zinc consumption growth to 1.8% in 2022 due to a slowing global economy.

Figure 4.1 – Zinc Supply, Demand and Prices

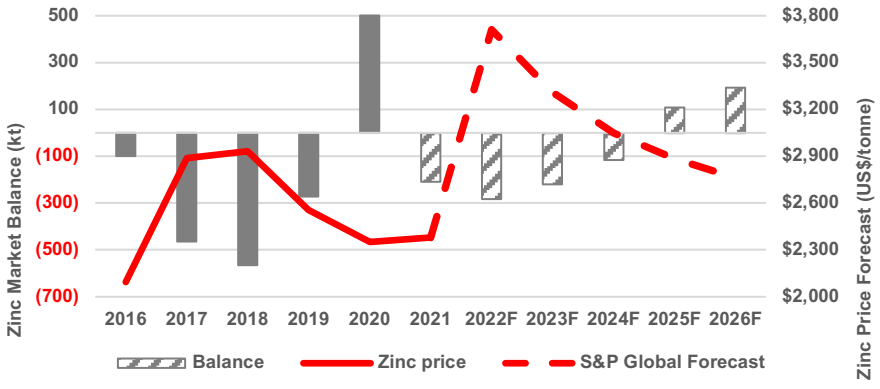


Source: ILZSG, S&P Global, Evolution Capital

Zinc Prices

Inflationary concerns and sluggish economies are weighing on the zinc price, although it is still well above historical norms in the early weeks of June as it remains supported by constrained supply, low LME stocks and spot scarcity.

Figure 4.2 – Zinc Market Balance and Price Forecast



Source: ILZSG, S&P Global, Evolution Capital

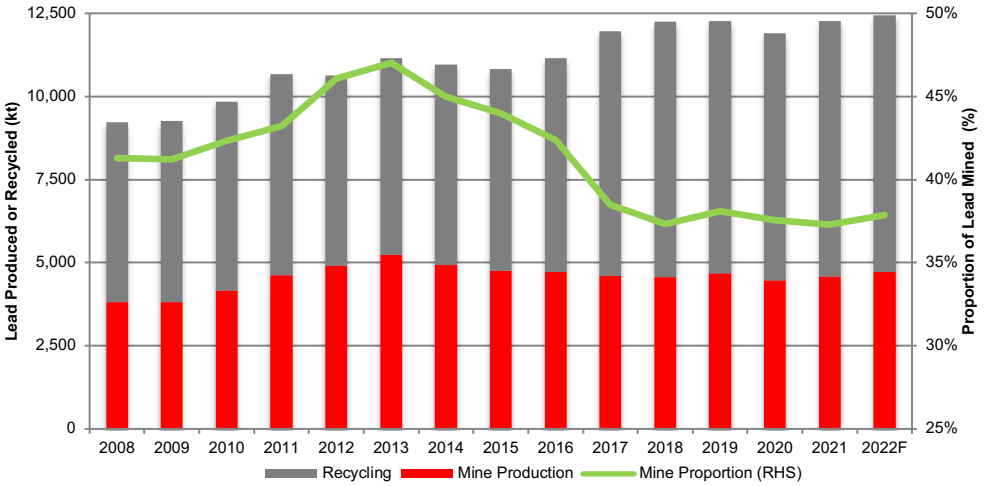
The zinc price remains supported by the constraints on the European zinc production, which has triggered further destocking at LME warehouses.

Lead

Characteristics

Lead is one of the most recycled metals. Since 2018, increases in lead recycling is completing a relatively stable mine production resulting in a market with modest surpluses.

Figure 4.3 – Lead Mine Production and Recycling



Source: ILZSG, S&P Global, Evolution Capital

According to the ILZSG, after rising by 4.1% in 2021, global demand for refined lead metal is anticipated to increase by 1.7% this year to 12.42 million tonnes.

World lead mine production is forecast to rise by 2.9% to 4.71 million tonnes in 2022, while the world refined lead metal output increases by 1.3% to 12.44 million tonnes.

Lead Prices

Since 2008, lead prices have been oscillating within a relatively narrow range (US$1,719 to US$2,401/t). After reaching recent highs (US$2,300/t YTD), the consensus price forecast expect price to revert to their long term average $2,080/t (2008-2022).

Figure 4.4 – Lead Supply, Demand and Prices

Source: ILZSG, S&P Global, Evolution Capital

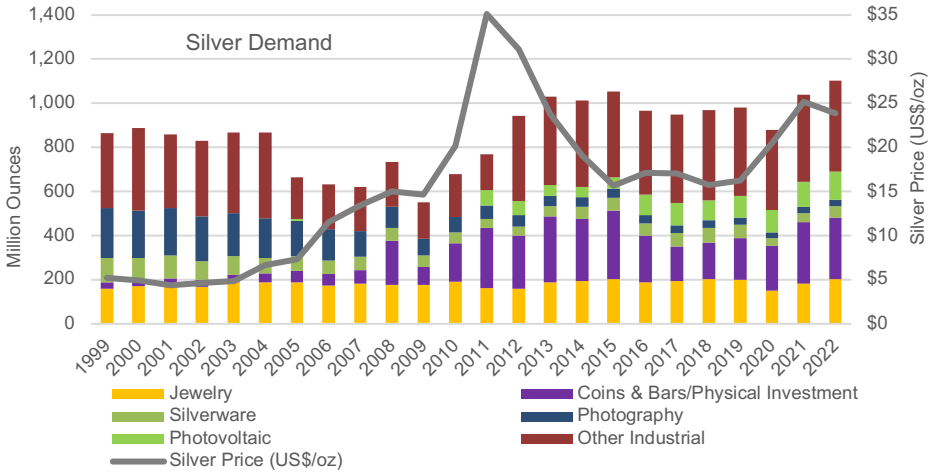
Silver

Characteristics & Demand

Silver is the best electrical conductor, therefore it is widely used across a variety of industrial applications. Among them, automotive and solar industries. Silver is an essential ingredient for solar panels and is increasingly being used in wind turbines due to its longevity and lifetime performance.

The world is moving towards a low-carbon economy, silver metal will play a critical role in this economic transformation. Silver has unique conductive and chemical properties that makes it critical for energy transition and net-zero objectives. Silver will continue to feature heavily as we transition from non-renewable to clean energy sources.

Figure 4.5 – Silver Demand



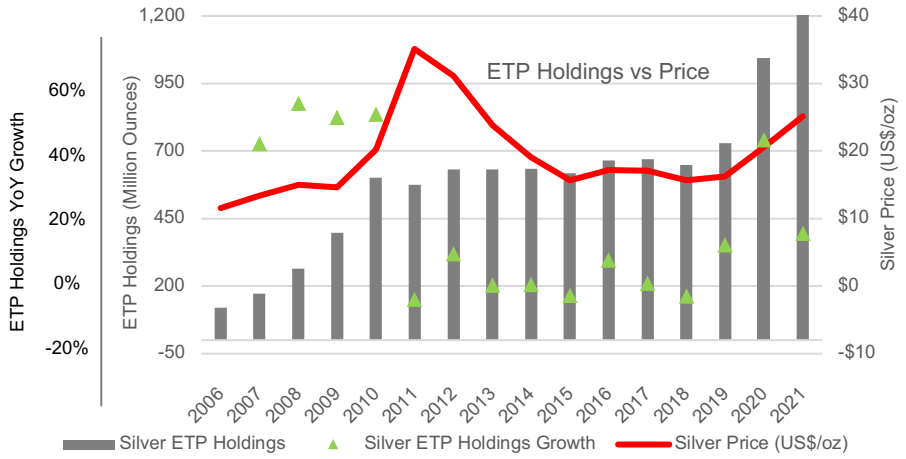
Source: Silver Institute, Evolution Capital

Looking at Figure 4.5, the photovoltaic sector represents an increasing portion of the silver demand, but only 12% of the overall physical demand for the metal. In comparison the Coins & Bars represents 25% and the Other Industrial 37%.

Prices

With the creation of Exchange Traded Products (ETP) for silver in 2006, it appears the increase in the silver ETP holdings is one of the key drivers in silver prices, understandably considering that this market is now larger that the whole physical market.

Figure 4.6 – Silver ETP Holdings and Price



Source: Silver Institute, Evolution Capital

5. Sala Project

Sala was once Europe's largest silver producer. When mining finished in 1962, it had produced more than 200 million ounces of silver at an estimated average grade of 1,244 g/t and reported as high as 7,000 g/t. Very little modern exploration has been undertaken there.

Sala is located 50 km from Boliden's operating Garpenberg mine. Garpenberg has produced over 40Mt of ore and has a current resource of 173Mt @ 2.7% Zn, 1.2% Pb and 80g/t Ag.

History

Mining at Sala dates back to 15th century. The mine has had three major heydays, the main one in the early 16th century, a second less significant one in the mid-17th century and a last one in the late 19th century. The last period involved re-organisation of the mine transitioning from state-owned (Swedish Crown) to privately-owned as well as the introduction of several new technological innovations, e.g. leaching methods employed on older mine tailings. Mining of zinc ore was introduced during a short period before closure in 1908. These innovations produced temporal production peaks, yet a general lack of high-grade ore made continued production uneconomic which finally led to closure. The maximum depth of the mine is 318.6 metres and the length of the mine is ≈700 metres, the width is ≈100 metres.

The town of Sala emerged as a miners settlement near the mine, first in the form of a small mining village in the early days, then moved to its present location on order from the king. The king Gustavus Adolphus of Sweden gave the town its privileges in 1624. Around Sala there are numerous lakes and dams with canals, constructed to supply the mine with hydro-power for driving machines for water pumping, ore hoisting and ore smelting. None of these machines are preserved to present days.

Past Exploration

Surface exploration by Avesta Jernwerks AB lead to the discovery of the Bronäs mine, which was operated until 1962.

While most of this data is not in the public domain, recent findings in the archives of the Sweden Geological Survey (SGU) have now been made available.

Boliden AB acquired the exploration and mining rights and later discovered the deep parts of the Prince Lode, parallel to the Sala silver mine.

The bulk of the diamond drill holes were drilled between 1981 and 1985. Some information concerning these exploration efforts were made public by Tumi Resources (TSXV) in 2012. Detailed drilling and assay information was 2021 released by SGU. Since early 1990's only a small drilling campaign by Riddarhyttan Resources (1998) targeting IP anomalies north of Sala town and by Tumi (2008 and 2012) targeting Prince Lode and Sala silver mine's northern extension has been reported. Only three hundred meters west of Sala silver mine an active underground operation is mining limestone as of today.

Regional Geology

The areas occupy the northern parts of Bergslagen volcanic belt: a productive iron, base metals and precious metals mining district dominated by felsic metavolcanics and metasediments. The mineralisation style is strata-bound Zn-Pb-Ag-Cu-Au massive sulphide hosted by crystalline limestone and skarn in extensive successions of metamorphosed and hydrothermally altered felsic volcanic rocks. Individual deposits are often later tectonically affected and enriched. For example, Garpenberg ore system hosts at least nine polymetallic ore bodies along 7 km strike length and are currently explored down to 1.5 km depth with a combined tonnage well above 100 Mt.

Project Geology

The Sala ore is mainly known for its high silver content though the ore also contained economic amounts of lead and zinc. The zinc is hosted by the sulphide mineral sphalerite (ZnS) while lead is hosted galena (PbS). The sulphide mineralisation at Sala is hosted in dolomitic marble. Silver occurs as a native phase rarely but was mainly hosted by complex antimonides and sulphosalts, dispersed in the matrices of galena and sphalerite, invisible to the naked eye but visible in microscope. The silver content in typical galena-dominated Sala ore was about 0.15% to 1%, the latter being one of the highest contents of silver in galena ever reported. In the sphalerite-dominated ore, the silver content is only about 0.015-0.02%, which was still enough to exploit and would even be at present days, given that a sufficient tonnage of metallurgically advantageous ore could be found.

The bedrock was created about 1.89 billion years ago during the paleoproterozoic era. The host rock to the mined ore is dominated by white dolomitic marble, proximal to the ores commonly rich in skarn minerals such as tremolite, serpentine, diopside and chlorite, giving the dolomitic marble at Sala a characteristic green colour. Approximately 100 meters away from the mine, more pure white dolomitic marble poor in skarn minerals is extracted at the Tistbrottet Producing Neighbours.

Mineral Resource

Table 5.1 summarises the maiden mineral resource as announced by Alicanto on 13th July 2022.

Table 5.1 – Sala Mineral Resource – July 2022

Independent JORC 2012 Inferred resource estimate at selected lower cut-off grades at the Sala Total Zn-Ag-Pb Project											
Cut-off grade	**Mass**	**Grade**					**Metal**				
	Tonnes (Mt)	**Zn Grade (%)**	**Ag Grade (g/t)**	**Pb Grade (%)**	**ZnEq (%)**	**AgEq (g/t)**	**Zn Metal (Kt)**	**Ag Metal (Moz)**	**Pb Metal (Kt)**	**ZnEq (kt)**	**AgEq (Moz)**
>1.5% ZnEq	**15.5**	2.5	38.8	0.4	**3.6**	170	388.7	19.3	63.6	**558**	85
>2.5% ZnEq	**9.7**	3.2	47.3	0.5	**4.5**	214	311.3	14.7	44.2	**437**	66
>4.0% ZnEq	**4.5**	4.5	58.4	0.5	**6.0**	285	201.0	8.5	23.5	**270**	41

Source: AQI

From the benchmarking section above, we can confirm that Sala already ranks as the largest active undeveloped zinc-silver deposit in Sweden. The deposit has also a tremendous potential to grow.

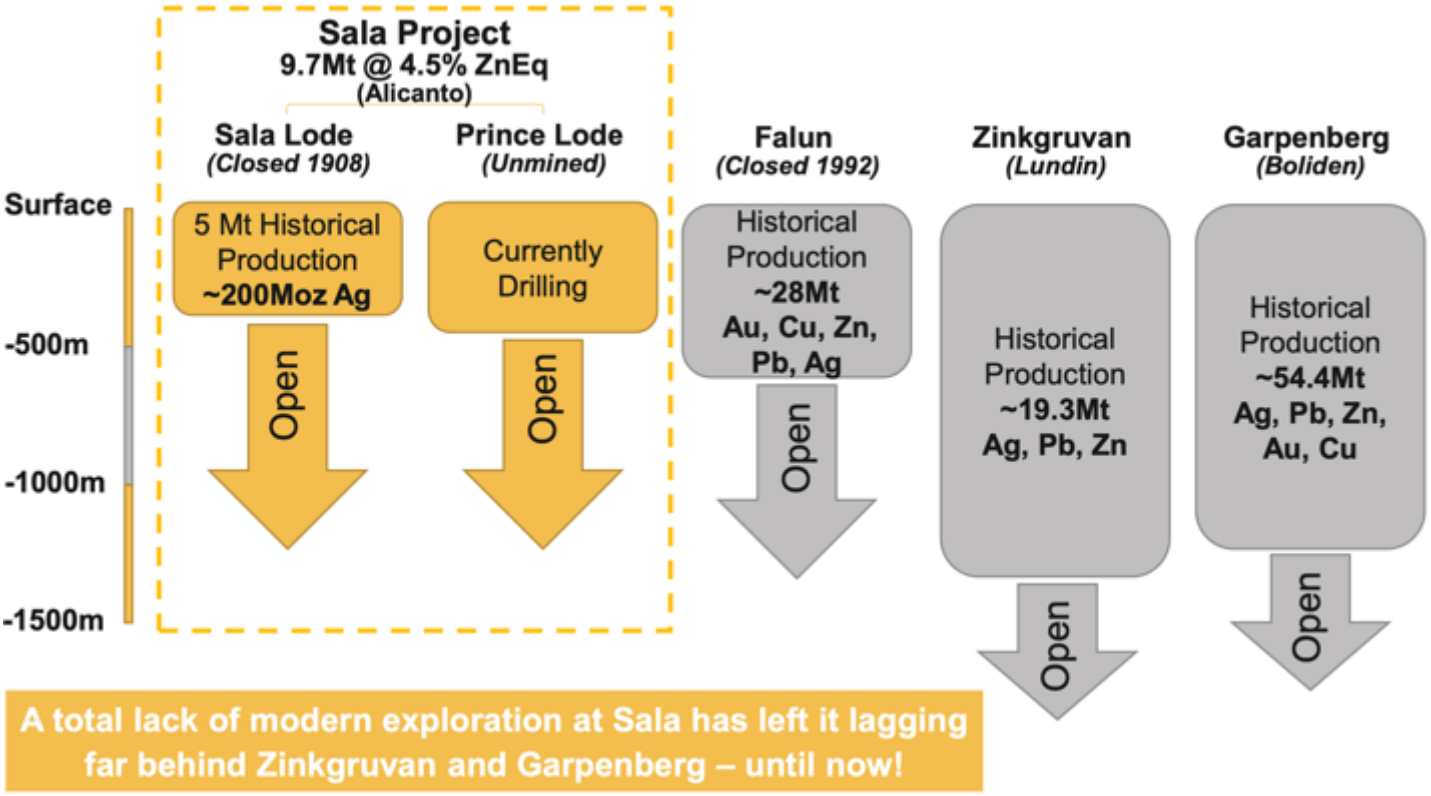
Exploration Potential

Other deposits in the area have been mined for decades thank to depth extension beyond a 1,000m depth, the Sala deposit presents itself with similar geology and subject to further exploration success, could well reach the same depth. See Figure 5.1.

This means that the mineral endowment of the Sala project could well be a multiple of the maiden mineral resource.

The modern exploration techniques used by AQI should facilitate such mineral resource growth.

Figure 5.1 – Exploration Potential at Depth



Source: AQI

6. Garpenberg Mine

Garpenberg, 100% owned by Boliden AB (ST: BOL), is one of the world's most modern mines. It is also Sweden's oldest mining area still in operation. The Garpenberg area has been mined since 400 BC. Complex ores containing zinc, lead, silver, copper and gold are mined here. Ores are mined from between 450 meters to more than 1,400 meters below surface. Zinc and silver are the most valuable commodities in Garpenberg. In 2021, zinc accounted for about 44 % of the revenue, followed by silver at 35%, lead at 14% and copper-gold at 7%.

Figure 6.1 – Garpenberg Mine

Source: Boliden

Geology

The Garpenberg deposit of central Sweden is a metamorphosed, strata-bound Zn-Pb-Cu-Ag sulfide deposit intercalated in an early Proterozoic supracrustal sequence of felsic metavolcanics and subordinate metasedimentary rocks, which have been folded, metamorphosed, and intruded by synorogenic granitoids.

The deposit consists of 32 lens-shaped orebodies. Stratiform Zn-Pb-Cu mineralisation is underlain by Cu-bearing stockwork ore with an extensive alteration zone of quartz-phlogopite rocks.

Mine

In 2014, a new production plant was opened that increased annual production from 1.5 million tonnes to 2.5 million tonnes, thus reducing unit costs and boosting Boliden's competitiveness in the global market. Further expansion investment in 2021 increased the production capacity to reach 3.1 million tonnes per year.

Garpenberg has mineral reserves whose planned production will provide a further 28 years' mining.

In 2021, around 3,056,000 tonnes of ore were processed to form metal concentrates containing zinc, copper, lead, gold and silver.

The Garpenberg mine is an underground mine where the ore is mined from between 500 to more than 1,200 metres below ground level. The main mining method is known as sublevel stoping. This means that the ore is mined in layers between two drifts (tunnels), which are driven through the ore body. Other mining methods include cut-and-fill mining, rill mining and residual mining of sill pillars.

There are two underground crushing plants where the ore is crushed in jaw crushers. The crushing plants are situated 700 metres and 1,087 metres below ground level. After crushing, the ore is hoisted to surface in a shaft.

The ore is then transported on belt conveyors to the grinding circuit. Water is added during grinding and the ore is ground in two stages, with autogenous grinding in the primary stage and pebble mill grinding in the second. The grinded ore is classified using screens and hydro-cyclones.

In the flotation process, the ore is concentrated and valuable minerals are separated from the waste rock. The flotation process is a sur- face-chemical process, where small amounts of chemicals are used to affect the valuable minerals' surface characteristics, causing them to become hydrophobic. This means that when air is blown into the slurry, air bubbles are attached to the surface of the hydrophobic mineral particles and are transported up to the surface of the flotation cell, where they can be removed.

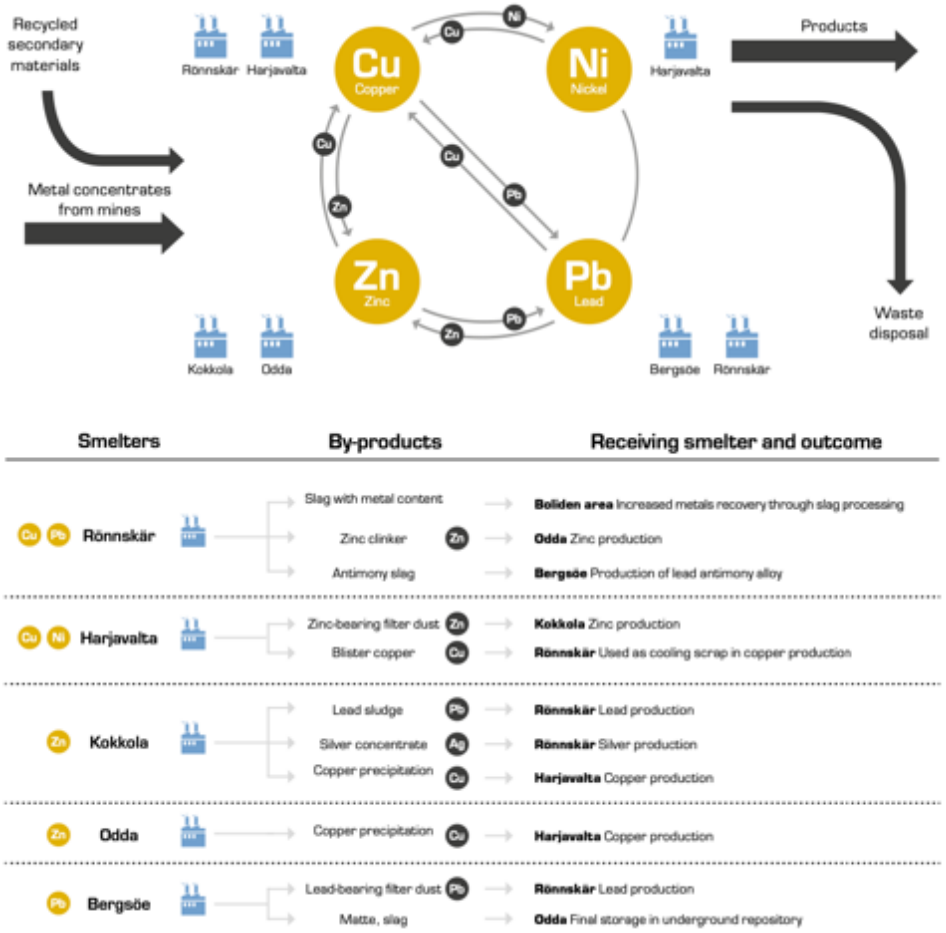
The mineral concentrates are dewatered using thickeners and air pressure filters. Three mineral concentrates are produced: zinc, lead and copper concentrates. The precious metals are reported primarily in the copper and lead concentrates.

The zinc and lead concentrates are transported by truck to Gävle port for onward ship transport, mainly to Boliden's own smelters in Sweden (Rönnskär), Finland (Kokkola) and Norway (Odda). The copper concentrate is trucked and reloaded to railway for onward transport to the Rönnskär smelter:

- Kokkola, Finland – Europe's second biggest zinc producer. Kokkola produces high quality zinc products (293,000 tonnes in 2021) for the construction and automotive industries, as well as sulphuric acid (320,000 t in 2021)
- Odda, Norway – producing also zinc (180,000 t in 2021) and sulphuric acid (122,000 t)
- Rönnskär, Sweden – producing copper (223,000 t), gold (11 t), silver (483 t), lead (27,000 t), zinc clinker (34,000 t) and sulphuric acid (528,000 t).

Beyond those three, Boliden operates two additional smelters at Bergsöe, Sweden and Harjavalta, Finland and optimise metal product flows to maximise production.

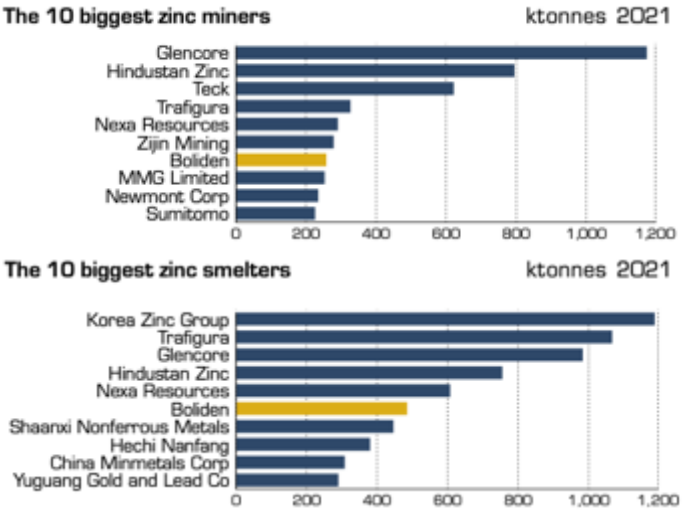
Figure 6.2 – Materials flows through Boliden's Smelting Facilities



Source: Boliden Annual and Sustainability Report 2021

Garpenberg is one of the world's largest zinc mine and is one of Europe's largest producers of silver.

Figure 6.3 – Top 10 Biggest Zinc Miners and Smelters in 2021



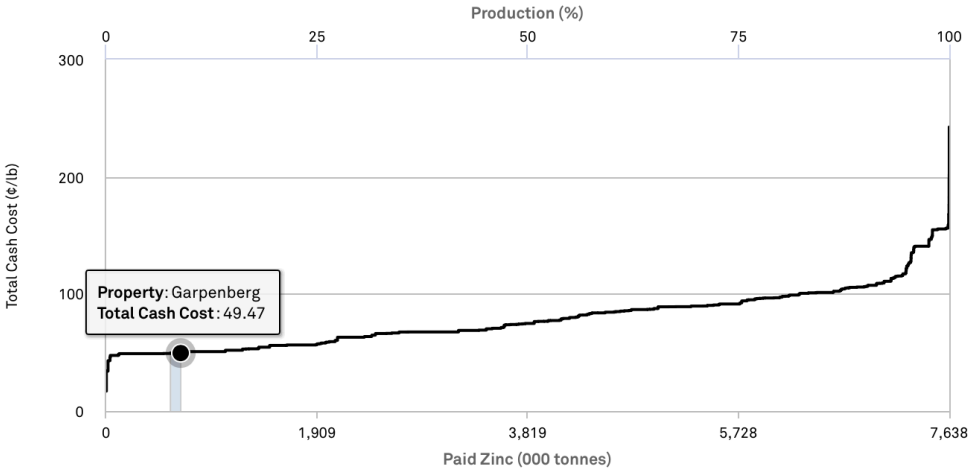
Source: Boliden Annual and Sustainability Report 2021, Wood Mackenzie

Boliden is the world's sixth largest zinc smelting company. The Kokkola smelter is a major zinc producer while the Odda smelter is medium-sized. The expansion of Odda commenced in 2021 and will make the smelter a leading zinc producer.

Position on Cost Curve

Garpenberg sits in the first quartile of the zinc global cost curve as shown on Figure 6.4, with total cash cost of US49¢/lb.

Figure 6.3 – Zinc Cost Curve



Source: S&P Global IQ Pro.

7. Greater Falun Copper-Gold Project

Alicanto Minerals owns the Greater Falun copper-gold and polymetallic skarn project and the Sala silver-lead-zinc polymetallic skarn project in the world-class Bergslagen region of Sweden. Bergslagen is renowned as a Tier-1 jurisdiction based on its large mineralised systems and pro-mining regime.

The Bergslagen region hosts world-class base and precious metals projects such as the Garpenberg mine operated by Boliden and the Zinkgruvan mine operated by Lundin.

It also houses the now-closed Falun mine, which has a long-established mining history dating back over the best part of 1000 years, producing 28 million tonnes of high-grade copper-gold-rich polymetallic ore with high-grade silver, zinc and lead (28Mt @ 4.0% Cu, 4.0g/t Au, 5.0% Zn, 2.0% Pb and 35g/t Ag) (see ASX release dated September 15, 2020).

In September 2020, Alicanto began a 4,000m diamond drilling program to test new targets and seek to establish extensions to known mineralisation located in the vicinity of major copper gold systems.

This successful drilling program intersected disseminated through to semi-massive sulphides containing visual chalcopyrite in all targets drilled and confirmed that the stratigraphic sequence at Falun can be tracked to over ten kilometres away at the Green Mile target.

As part of its exploration program, Alicanto has mapped more than 2,300 outcrops and historical surface workings which have led to the discovery of over 12 copper-gold and polymetallic skarns at surface.

This information has been combined with the large volume of historical and recent geophysical survey data to build an impressive picture of the Greater Falun Project which has not been seen before now.

Drilling is aimed at testing the multiple EM signatures, IP Anomalies and copper-gold and polymetallic skarn targets.

8. Directors & Management Team

Directors and management have substantial experience leaving the company in very capable hands.

Ray Shorrocks, Chairman

Investment Banker with 28 years' experience in corporate finance and has advised a diverse range of mining companies during his career at one of Australia's largest investment banking and full- service stockbroking and financial services firms.

Ray is instrumental in managing and structuring equity capital raisings and has advised extensively in the area of mergers and acquisitions.

Ray is the previous Chairman of ASX 300 company Bellevue Gold (ASX:BGL) & current Chairman of Galilee Energy (ASX:GLL) and Auteco Minerals (ASX:AUT).

Peter George, Managing Director

Peter is a Mining Engineer and Mineral Economist with 25 years in the mining industry, most recently as Project GM with Mineral Resources (ASX:MRL) and Chief Operating Officer for Keras plc (AIM:KRS) and Chief Executive Officer for Alicanto Minerals (ASX:AQI) (until August 2020) and extensive management experience for Boliden Limited (STO:BOL) in Sweden.

His experience includes extensive management, operations and consulting roles in commodities including gold, silver copper, zinc, iron-ore, lithium and nickel projects in Australia, Sweden and South America.

Didier Murcia, Non-Executive Director

Didier is a Lawyer with 30 years' experience and extensive legal/corporate expertise in resources projects in Africa and South America.

He is the Chair of Centaurus Metals (ASX:CTM) and Strandline Resources (ASX:STA).

Didier has been awarded an Order of Australia for services to the global community through support and provision of medical and education in Tanzania.

Michael Naylor, CFO and Company Secretary

Michael is a Chartered Accountant with 26 years' experience in corporate advisory and public company management.

He is a Non-Executive Director of Bellevue Gold (ASX: BGL), previously CFO and Executive Director.

Michael is alsoNon-Executive Director of Auteco Minerals (ASX: AUT), Midas Minerals (ASX: MM1) and Executive Director of Cygnus Gold (ASX:CY5).

He is a previous Director of gold producer Dragon Mining Limited which operated gold mines in Sweden and Finland.

Erik Lundstam, Chief Geologist

Erik has 25 years' experience in greenfield, brownfield and mine production geology, from technical to managing level with a focus on orogenic gold, porphyry copper-gold, VHMS, IOCG, skarn-limestone-hosted Cu-Au-Zn-Pb-Ag and Sedex-type deposits. Erik is the former Chief Geologist for Boliden AB (STO: BOL).

He has had seven major discoveries in Sweden (including Sala's extension).

9. Investment Risks

AQI is exposed to a number of risks including:

- **Geological risk**: the actual characteristics of an ore deposit may differ significantly from initial interpretations.
- **Resource risk:** all resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Commodity price risk:** the revenues AQI will derive mainly through the sale of metal concentrates containing mainly lead, silver and zinc exposing the potential income to metal price risk. The prices of lead, silver and zinc fluctuate and is affected by many factors beyond the control of AQI. Such factors include supply and demand fluctuations, technological advancements and macro-economic factors.
- **Exchange Rate risk:** The revenue AQI derives from the sale of metal products exposes the potential income to exchange rate risk. International prices of metals are denominated in United States dollars, whereas most of operating costs are in Euros or Swedish Crown and the financial reporting currency of AQI is the Australian dollar, exposing the company to the fluctuations and volatility of the rate of exchange between the AUD, EUR, SKE and USD as determined by international markets**.**
- **Mining risk:** A reduction in mine production would result in reduced revenue.
- **Processing risks:** A reduction in plant throughput would result in reduced revenue. In all processing plants, some metal is lost rather than reporting to the valuable product. If the recovery of metal is less than forecast, then revenue will be reduced.
- **Operational cost risk:** an increase in operating costs will reduce the profitability and free cash generation of the project.
- **Management and labour risk**: an experienced and skilled management team is essential to the successful development and operation of mining projects.

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