

# COMPANY REVIEW

## Trigg Mining (TMG)

Scoping Study determines 4.5-year payback for transformational Lake Throssell project

Price Target	\$0.37
Price	\$0.09
Implied Return	311.1%

### Investment Summary

- TMG has announced completion of a Scoping Study on the economic potential of its flagship Lake Throssell Sulphate of Potash project. The results demonstrate a compelling business case for the development of a major new long-life, sustainable SOP project, with strong financial returns.
- Lake Throssell will produce 245ktpa SOP once ramped up, over an initial life of mine of 21 years. The estimated operating cash costs of \$341/t SOP are low by global standards, and would place Lake Throssell in the lowest-cost quartile of the global SOP industry cost curve, based on CRU analysis.
- At current long-term SOP contract prices (US\$550/t FOB assumed), the project provides strong financial returns, including pre-tax, ungeared NPV of \$364m, IRR of 18% and payback period of 4.5 years from start of production.
- The Scoping Study initial 21-year mine life allows production to be sufficiently supported by Indicated Resources (using ~97% thereof over the LOM), but uses only ~18% of Inferred Resources. This means there is still ~8.5Mt of resource available, which we estimate can support total mine life of 50 years.
- PFS will commence immediately and is expected to be completed early 2023. Resource definition work will continue in 1H2022 to improve the confidence level of the basal aquifer MRE. Beyond this, there is limited resource development work required through to BFS. FID is expected in mid-2025.
- Based on the new information released in the Scoping Study, we have updated our forecasts for the Lake Throssell project. We derive a DCF equity value for TMG of \$0.37 per share, with potential upside as its projects de-risk through further development stages. We note TMG's projects still remain in relatively early stages with associated higher levels of risk and uncertainty.

### Earnings Estimates

		FY20	FY21	FY22e	FY23e	FY24e
<b>Revenue</b>	\$m	0.2	0.6	0.6	0.6	0.6
<b>growth</b>	%		230.6%	2.2%	2.0%	2.0%
<b>EBITDA</b>	\$m	-3.5	-3.5	-3.6	-3.6	-3.7
<b>EBIT</b>	\$m	-3.5	-3.6	-3.6	-3.7	-3.8
<b>margin</b>	%		nmf	nmf	nmf	nmf
<b>PBT</b>	\$m	-3.5	-3.5	-3.6	-3.7	-4.0
<b>Adj NPAT</b>	\$m	-3.5	-3.5	-3.6	-3.7	-4.0
<b>growth</b>	%		-1.7%	3.2%	4.6%	7.3%
<b>Rep NPAT</b>	\$m	-3.5	-3.5	-3.6	-3.7	-4.0
<b>Adj EPS</b>	cps	-6.1	-3.0	-3.1	-3.2	-3.4
<b>PE</b>	x	-1.5	-3.0	-2.9	-2.8	-2.6
<b>DPS</b>	cps	0.0	0.0	0.0	0.0	0.0
<b>Div yield</b>	%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data and CCR estimates

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### Company Data

ASX code	TMG
ASX price	\$0.09
Shares on issue	116.6m
Market capitalisation	\$10.5m
Cash on hand	\$4.1 <sup>1</sup>
12-month price range	\$0.08 – \$0.20
ASX turnover (avg. daily vol.)	0.4m

<sup>1</sup> Cash = Latest 4C balance

### Key Personnel

Keren Paterson	MD and CEO
Tony Chamberlain	COO
Michael Ralston	Chairman
William Bent	Non-Executive Director
Rod Baxter	Non-Executive Director

### Major Shareholders

Michael J Ralston + Sharon A Ralston	4.95%
Julian Rodney Stephens	3.57%
Susetta Holdings Pty Limited	3.35%
KP Consulting Group Pty Limited	2.08%

### Price Chart (ASX: TMG)



Source: Factset

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### Investment Summary

#### Investment Thesis

Trigg Mining (TMG) is a WA-based exploration company specifically focussed on the potassium mineral fertiliser Sulphate of Potash (SOP). The following points are key elements of the Investment Thesis for TMG.

- Strong global demand for fertiliser – The world population continues to expand whilst the area of arable land per capita is falling, placing increasing pressure on productivity and crop yields to satisfy global food requirements.
- Specialty fertiliser – SOP contains the essential nutrients of potassium and sulphur without chloride, making it a high quality fertiliser necessary for acidic soils and high-value chloride sensitive crops such as fruits and vegetables, nuts, cocoa, all crops under glass and flowers. It is also recommended for arid soils where salinity is an issue (e.g. large parts of WA farmland).
- Global market supply constrained – There are limited global producers of SOP, and a large proportion of global supply is chemically manufactured from Muriate of Potash (MOP) through an expensive and environmentally unfriendly secondary (Mannheim) process. Australian demand is currently wholly supplied by imports. SOP is priced at a premium to MOP, typically US\$200-300/t FOB (a premium of roughly 80-120%).
- Indicated and Inferred Resource – TMG is developing a brine hosted Indicated and Inferred Resource of 14.4Mt drainable SOP at a high grade of 10.4kg/m<sup>3</sup> SOP equivalent at the potential world class Lake Throssell project. This is a large, scalable deposit able to support a sustainable multi-decade WA production hub to meet growing demand for seaborne SOP. There is upside to this Resource through further exploration of adjoining Lake Throssell tenements, at Lake Yeo on the same palaeovalley system, and at the nearby Lake Rason (which has an additional Inferred Resource estimate of 5.9Mt drainable SOP at a grade of 5.08kg/m<sup>3</sup> SOP equivalent).
- Favourable Scoping Study – TMG has just completed a Scoping Study on Lake Throssell based on a 21-year initial mine life, which determined strong project economics, including pre-tax NPV of \$364m, IRR of 18% and 4.5-year payback. Around 82% of SOP production during the payback period is sourced from Indicated Resources (being the top section of the surficial aquifer, and a small part of the basal aquifer, together now comprising 4.2Mt at 10.6 kg/m<sup>3</sup> SOP).
- Low cost primary source – Hypersaline brine hosted SOP is a naturally occurring primary source of SOP, and it sits significantly lower on the production cost curve than chemically derived secondary SOP. Australian SOP projects have the additional advantage of higher evaporation rates than other global sources, further reducing costs.
- Premium SOP product – WA sourced SOP is expected to be a premium product, given typically higher grade (K<sub>2</sub>O equiv), low levels of impurities and deleterious elements (e.g. chloride), water solubility and potential organic certification. This is likely to support strong customer and offtake demand and attract a price premium.
- Close to established infrastructure – TMG's projects are located close to existing energy and transport infrastructure, providing potential cost-effective links to domestic and international markets (subject to access negotiation).
- Certifiable organic source – Brine hosted SOP is a natural mined source with limited processing and therefore is potentially able to be organically certified for use in organic agriculture. It is also ESG friendly given a low carbon footprint and a role in helping to achieve global food security.

#### Milestones

TMG is committed to a methodical and focused approach to developing the Lake Throssell project, and to leverage the key learnings from several more progressed peer SOP projects in WA (e.g. KLL, SO4, APC). Key events and data points to track TMG's progress over coming periods include the following:

- Immediate commencement of a Pre-Feasibility Study due early 2023, followed by a Definitive Feasibility Study.
- Converting the remaining Lake Throssell Inferred Mineral Resource to the Indicated Resource category in the near term.
- Continuation of base-line environmental surveys, with project referral to the EPA planned for 2022 and targeting progressive environmental approvals thereafter.
- Securing SOP offtake agreements.
- Securing debt and equity finance to fund project construction, Final Investment Decision.
- Construction and successful commissioning of evaporation ponds and processing plant.
- First production, expected by approximately FY28.
- Further exploration of adjacent tenements at Lake Throssell, of the Lake Yeo prospect, and the Lake Rason Inferred Resource.

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### Scoping Study completed

Trigg Mining (TMG) has announced completion of a Scoping Study on the economic potential of its flagship Lake Throssell Sulphate of Potash (SOP) project near Laverton in WA.

The Scoping Study results demonstrate a compelling business case for the development of a major new sustainable SOP project at Lake Throssell, with strong potential to become a world class global SOP project. The key conclusions from the Scoping Study are:

- Lake Throssell is an attractive high-quality SOP deposit with scale, long mine life, low operating costs, expedient location and proximity to infrastructure.
- The project will produce **245ktpa** once ramped up, over an initial life of mine (LOM) of **21 years**.
- At current long-term SOP contract prices, the project provides strong financial returns, including:
  - NPV of \$364m, based on pre-tax, ungeared project cash flows (modelled in real terms, using 8% discount rate).
  - IRR (pre-tax) of 18%.
  - Payback period of 4.5 years from start of production.
- Lake Throssell will generate average LOM revenue of \$180m pa and EBITDA of \$97m pa based on a SOP price of US\$550/t and estimated operating cash costs of \$341/t SOP.
- The estimated operating cash costs are low by global standards, and would place Lake Throssell in the lowest-cost quartile of the global SOP industry cost curve, based on CRU analysis for 2024.

### Resource upgrade and further upside potential

TMG also announced a minor upgrade to the Mineral Resource Estimate (MRE) for Lake Throssell, with the conversion of part of the basal aquifer to Indicated status. TMG now has an **Indicated Resource estimate of 4.2Mt at 10.6 kg/m<sup>3</sup> SOP**, and a total MRE (Indicated and Inferred) of 14.4Mt at 10.4 kg/m<sup>3</sup> SOP.

It is important to note that the Scoping Study is only based on an initial LOM of 21 years, which enables the mine schedule to be sufficiently supported by Indicated Resources (82% of production over the payback period and 70% over the LOM). The mine schedule utilises ~97% of the Indicated Resource over the LOM, but only ~18% of Inferred Resource. This means there is still ~8.5Mt of resource available, which we estimate can support a total mine life of 50 years.

Note also the study relates solely to the existing Lake Throssell MRE, and does not include Exploration Targets or MREs defined elsewhere. TMG has an additional Exploration Target of 2.6-9.4Mt at 9.5-10.3 kg/m<sup>3</sup> SOP relating to adjoining tenements at Lake Throssell, which indicate strong potential to expand the current MRE and increase the production rate and/or extend the project mine life even further.

Moreover, TMG has an additional Inferred Resource estimate of 5.9Mt drainable SOP at a grade of 5.08kg/m<sup>3</sup> SOP equivalent at Lake Rason (which may become a feeder project to Lake Throssell), and is also exploring Lake Yeo which is downstream on the same palaeovalley system as Lake Throssell.

### Financing

The returns calculated in the Scoping Study are based on the assumption of 100% equity financing. In practise, the company will likely seek to secure at least 50% debt financing for the project. TMG states in the announcement that it plans to pursue a range of debt options, including Export Credit Agency (ECA) covered debt finance and senior-secured project debt finance. Its preference is to secure ECA financing as this option has lower funding costs, longer term and the potential to support larger debt sizing than conventional senior-secured project finance debt.

TMG has commenced early discussions with potential off-takers with respect to securing offtake for the project. TMG will preferentially engage with offtake counterparties that may contribute funding to the project, which may include conventional equity at the corporate and/or project level, convertible notes/bonds, debt financing in the form of either conventional project debt, prepayment for product or royalties, or a combination of the above.

The equity component of funding for the project will likely result in some level of dilution for prior shareholders. However, as the company continues to de-risk by progressing the project development (e.g. completing PFS, DFS and necessary approvals), securing offtake and securing debt financing, it is likely that the share price will increase and significantly reduce the dilution.

It is also possible that TMG could pursue other value realisation strategies such as a sale, partial sale or joint venture of the project.

**Note the Scoping Study is a preliminary assessment of the project. It is insufficient to support the estimation of Ore Reserves or to provide assurance of an economic development case at this stage. Further exploration and evaluation work and appropriate studies are required to prove up Indicated and Inferred Resources and provide certainty that the conclusions of the Scoping Study will be realised.**

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### Key project metrics and assumptions

The chart below provides a summary of key project metrics and estimates contained in the scoping study.

Capital and operating cost estimates and other metrics were derived by independent engineering and consulting groups including CPC Engineering, Advisian, Aquifer Resources and Hatch Engineering, engaged by TMG to produce the Scoping Study.

The Scoping Study assumes a flat SOP price of US\$550/t (FOB) across the entire project life. This is based on a consensus view of industry analysts' long-term price and research by industry marketing and research group CRU International Limited (CRU).

**Fig. 1 – Lake Throssell SOP project metrics<sup>1</sup>**

Project Metric	Value / Estimate	Project Metric	Value / Estimate
Total mineral resource – drainable SOP	14.4Mt	SOP price (FOB) USD	US\$550/t
Total resource grade	10.4 kg/m <sup>3</sup> SOP 4,665 mg/L K	A\$ / US\$ exchange rate	0.73
Indicated resource	4.2Mt	SOP price (FOB) AUD	\$753/t
Indicated resource grade	10.6 kg/m <sup>3</sup> SOP 4,770 mg/L K		
Initial life of mine (LOM)	21 years	C1 cash operating cost (LOM)	\$341/t SOP
Brine extraction	29 GL pa	WA Royalty	\$0.73/t SOP
Overall SOP recovery	82%	Sustaining capital (incl. closure costs)	\$30/t SOP
Nameplate annual SOP production	245ktpa	All-in sustaining cost (AISC)	\$372/t SOP
Capital cost (Incl. \$70m contingency)	\$378m	LOM average Revenue (real)	\$180m pa
Pre-production working capital	\$34m	LOM average EBITDA (real)	\$97m pa

Source: TMG

1. A\$ unless stated otherwise

### Brine extraction schedule

Brine will be pumped from the resource via two methods – from trenches excavated into the lake surface to access the surficial aquifer and from production bores targeting the deeper basal aquifer.

Groundwater modelling has been completed by Advisian to simulate the mining abstraction using 110km of trenches across the lake and 112 production bores. The groundwater model enabled a mine plan to be developed by Aquifer Resources to determine the Production Target of 245ktpa SOP for the Scoping Study.

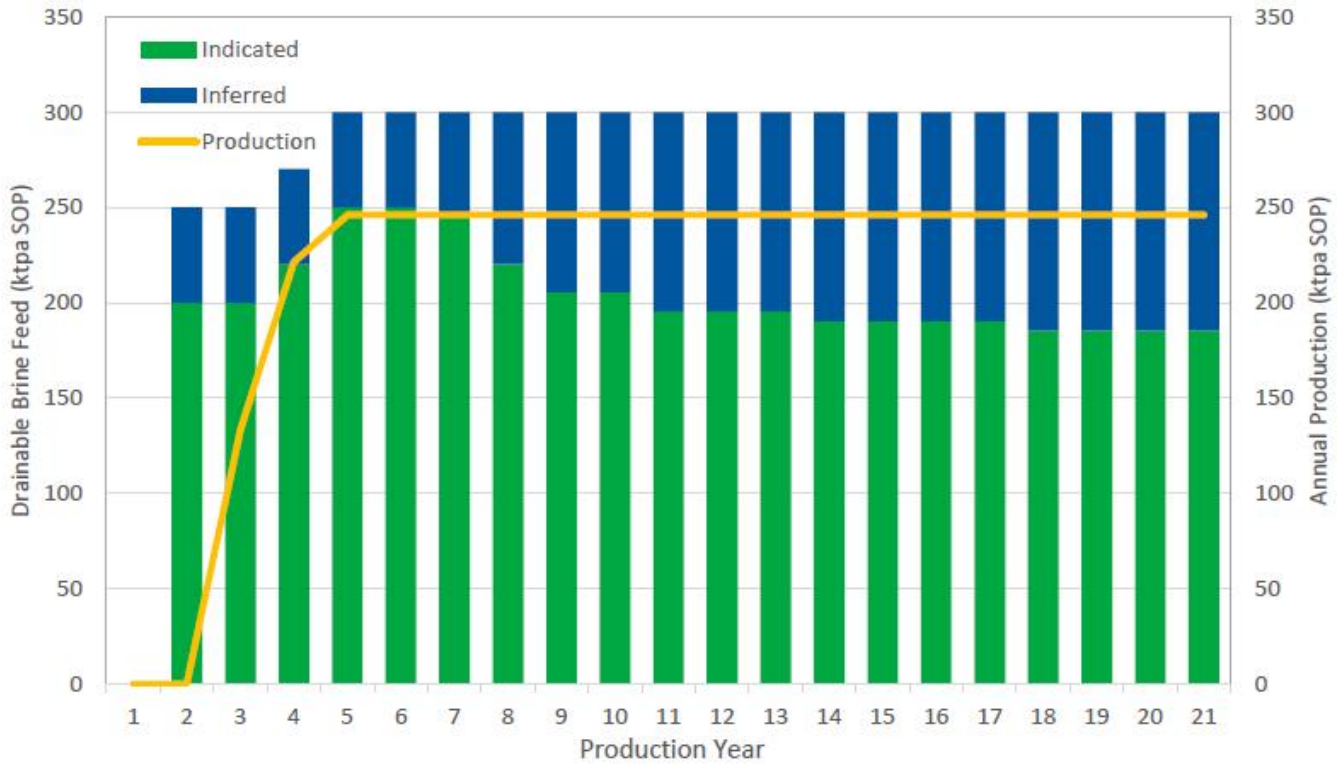
Brine will be sourced from the surficial aquifer over the entire 21 year LOM, which will still have capacity beyond that period. However, basal aquifer bores will be required progressively to support the annual production as the flowrate from the surficial aquifer declines. The number of bores will increase from 22 in Year 1 to 112 bores by Year 18.

The chart below shows the breakdown of brine feed obtained from Indicated and Inferred Resources and the annual production. First SOP production occurs in year 3, with full nameplate production of 245ktpa reached from year 5 onwards.

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Fig. 2 – Brine feed and annual production



Source: TMG

Some key observations from the Scoping Study include;

- Brine will initially be sourced mostly from the surficial aquifer (upper ~25m) via a network of trenches across the lake surface. The cost of brine extraction from Years 1 to 6 is lower than the overall LOM costs.
- Approximately 80% of brine feed and SOP production over the payback period (the first 5 years of operation) is sourced from the surficial aquifer (largely Indicated Mineral Resources - effectively the upper part of the surficial aquifer).
- Over the initial 21-year LOM, approximately 5.87Mt of SOP is extracted from the resource, which is equivalent to 41% of the total drainable MRE of 14.4Mt SOP.
- After 2 years of construction, net cash flows will become positive in the first year of production. This will ramp up to around \$97m pa in the 3<sup>rd</sup> year of production, and be maintained throughout the remainder of the 21-year project life.
- Note the Indicated Resource is based only on the upper 6-8 metres of the surficial aquifer and a small part of the basal aquifer. The remainder of the resource is still at the Inferred level. Future exploration work is currently being planned to convert this to Indicated and Measured Mineral Resources to support the PFS and DFS, including production bore trials of the basal aquifer.

### Timelines

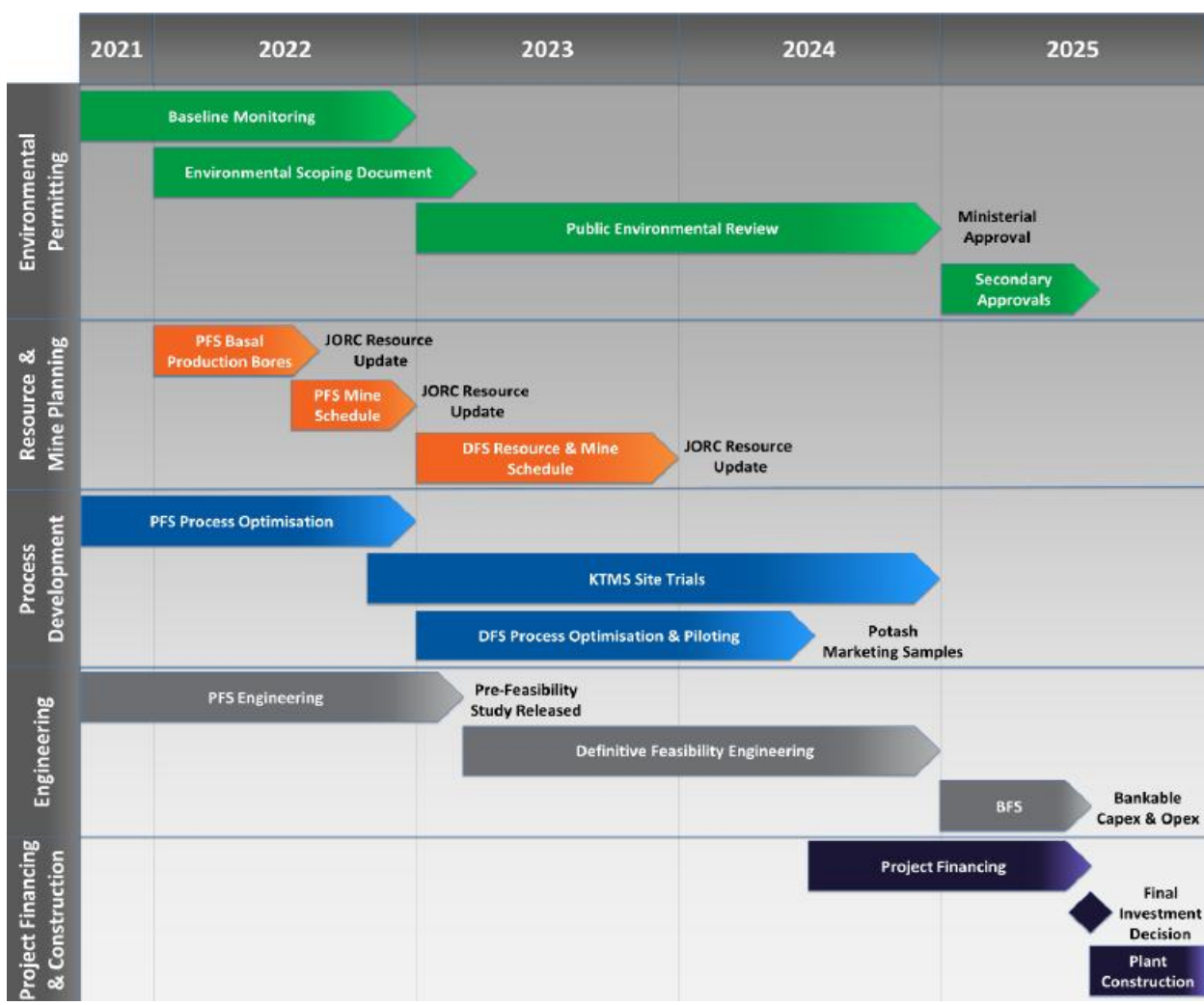
The chart below shows TMG’s current assessment of likely future project timelines. A Pre-Feasibility Study will commence immediately and is expected to be completed by early 2023. The Final Investment Decision (FID) for the Lake Throssell SOP Project is expected to occur in mid to late 2025.

Resource definition work will continue in the first half of 2022 with the installation of approximately five test production bores to improve the confidence level of the current basal aquifer Mineral Resource estimate to Ore Reserve. Upon completion of this work there will be limited resource development work required through to Bankable Feasibility Study.

## Trigg Mining (TMG)

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Fig. 3 – Indicative project schedule



Source: TMG

### Crystallisation and Processing

Production of SOP from Lake Throssell will be undertaken through the sustainable abstraction of mineralised brine water, concentration using solar evaporation ponds and then purification, as illustrated in the chart below.

Brine will be pumped from the collection sumps and channels on Lake Throssell to the first stage of the solar pond system. The pond system consists of:

- 2 parallel trains (x10 cells each) of pre-concentration Halite Ponds, followed by
- 9 parallel trains (x3 cells each) of Kainite Type Mixed Salt (KTMS) ponds placed in series.

The brine initially enters the Halite Ponds where the evaporation of water results in the crystallisation of halite (NaCl). At a specified brine concentration, the brine is pumped to the next stage of the ponds where additional evaporation occurs and other salts precipitate. This process is repeated for each pond stage.

Precipitated salts are harvested from the final evaporation pond stages and blended on a run-of-mine (ROM) pad to provide a homogenous feed to the processing plant. It is planned for the pond system to be commissioned 12-18 months ahead of first production. There is a total of 2,150Ha of evaporative area required for the project.

## Trigg Mining (TMG)

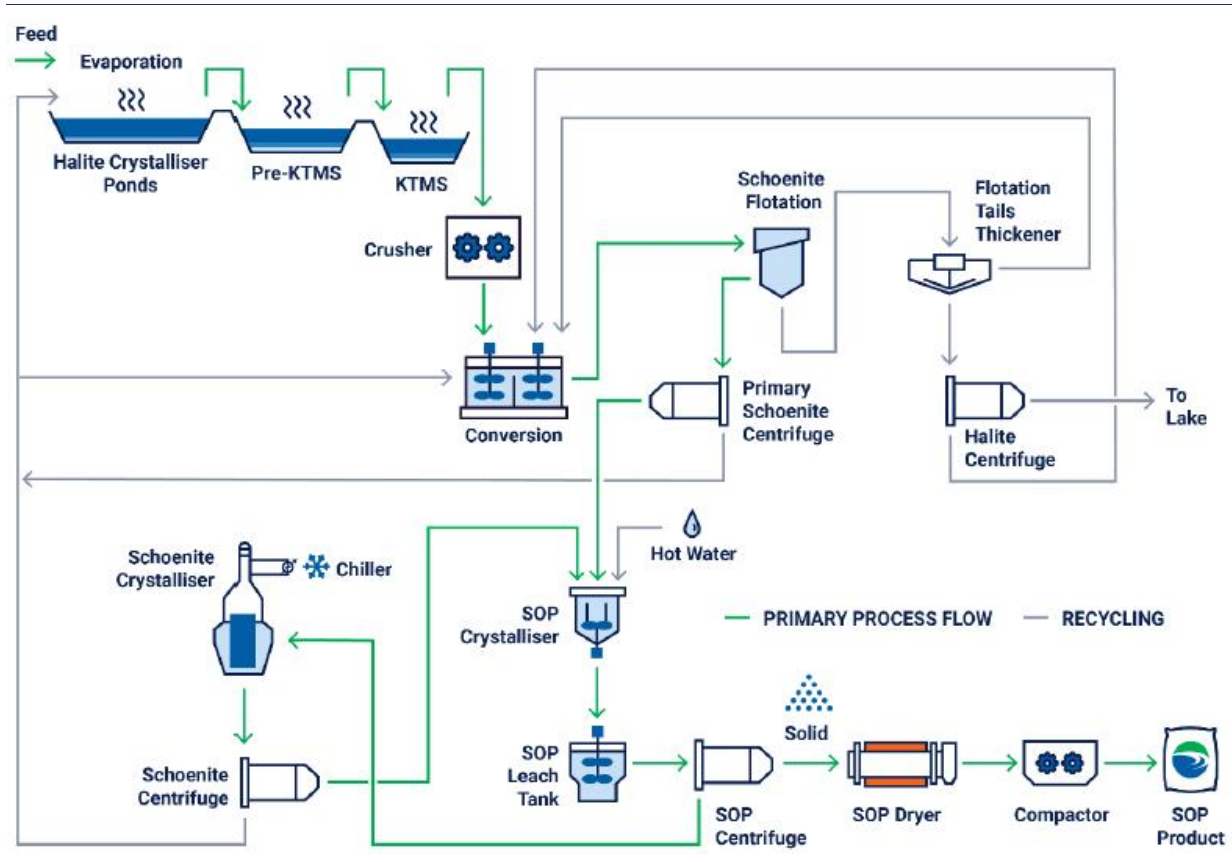
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The purification part process is typical of other SOP plants and uses established and commercially proven technology.

Annual production of 245ktpa of granulated SOP product will be placed in sea containers and transported by road and rail to the Port of Fremantle for export. Wherever possible TMG intends to prioritise sales for domestic use, but for the purpose of estimating operating costs for the Scoping Study it was assumed 100% of production is exported.

The Lake Throssell SOP Project flowsheet is shown in the chart below, representing simple, low risk extraction / solar evaporation and commercially proven processing.

Fig. 4 – Flowsheet for the Lake Throssell SOP Project



Source: TMG

## Financial Analysis

### Project Forecasts

Prior to the Scoping Study, investors had limited information on which to assess the Lake Throssell SOP Project economics. Following completion of the Study, we have now updated our model forecasts for the project based on the new information released therein. Our previous forecasts relied on operational and financial estimates and assumptions developed by reference to other current SOP projects in Australia that are more advanced relative to Lake Throssell's stage of development. While we continue to view these peer projects as a useful comparison on key project parameters, we have updated our assumptions broadly in line with the metrics used in the Study. The chart below provides a summary of our forecasts.

The Exploration Target at Lake Throssell and Inferred Resource at Lake Rason are not included at this point, nor is any future resource development at Lake Yeo. These prospects provide potential future upside, but remain significantly uncertain.

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It is important to note that our forecasts are based on a number of assumptions, which could vary significantly in nature, timing and magnitude from the estimates we have adopted. Accordingly there is naturally a high level of uncertainty surrounding our forecasts. TMG continues to be in relatively early stages of project development, and accordingly project forecasts should be treated with caution.

Fig. 5 – TMG Lake Throssell project forecasts

Lake Throssell	FY2021 A	FY2022 F	FY2023 F	FY2024 F	FY2025 F	FY2026 F	FY2027 F	FY2028 F	FY2029 F	FY2030 F
Life of Mine						50	49	48	47	46
SOP Resources (Mt)	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.2	14.0	13.7
Brine drained (GL/year)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	15.8	25.8	28.7
K Grade (mg/L)	0	0	0	0	0	0	0	4,665	4,665	4,665
SOP Grade (kg/m <sup>3</sup> )	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.40	10.40	10.40
Contained SOP (kt)	0	0	0	0	0	0	0	164	268	298
Evaporation pond recovery (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	85.5%	85.5%	85.5%
Purification plant recovery (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	96.0%	96.0%	96.0%
SOP produced (kt)	0	0	0	0	0	0	0	135	220	245
SOP Price (FOB Fremantle) (US\$/t)	510	518	525	533	541	549	558	566	575	583
Product premium	50	51	52	52	53	54	55	55	56	57
SOP Price w prem (FOB Fremantle) (US\$)	560	568	577	586	594	603	612	622	631	640
SOP price inflation (%)		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
<b>AUD / USD</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>
SOP Price w prem (A\$/t)	767	779	790	802	814	826	839	851	864	877
<b>Project Revenue (A\$m)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>114.9</b>	<b>190.1</b>	<b>214.9</b>
Revenue growth (%)		-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	65.4%	13.0%
Operating exp - C1 cash costs (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-52.9	-87.9	-99.8
Operating exp - C1 cash costs (A\$/t)	341	348	355	362	369	376	384	392	400	408
Operating cost inflation (%)		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Royalties (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.2	-0.2
Royalties (A\$/t)	0.00	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
<b>Project EBITDA (A\$m)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>62.0</b>	<b>102.0</b>	<b>114.8</b>
EBITDA growth (%)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	64.7%	12.6%
EBITDA margin (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	53.9%	53.7%	53.5%
Exploration & Corporate (A\$m)	-3.5	-3.6	-3.6	-3.7	-3.8	-3.9	-3.9	-4.0	-4.0	-4.1
<b>Group EBITDA (A\$m)</b>	<b>-3.5</b>	<b>-3.6</b>	<b>-3.6</b>	<b>-3.7</b>	<b>-3.8</b>	<b>-3.9</b>	<b>-3.9</b>	<b>58.0</b>	<b>98.0</b>	<b>110.8</b>

Source: Company data and CCR estimates

Key forecast assumptions include:

- TMG reaches FID by mid-2025, with construction completed over 2 years in FY26 and FY27.
- Total SOP resources of 14.4Mt at 10.4 kg/m<sup>3</sup> SOP equivalent, in line with the updated Indicated and Inferred Resource estimate for Lake Throssell.
- Life of mine (LOM) of 50 years, to fully capture the value potential of the residual resource at the end of the initial 21-year period contemplated in the Scoping Study.
- Opening production of ~135kt of SOP, commencing in FY28. We assume production is ramped up over 2 years in line with the Scoping Study to 245ktpa by FY30 and then sustained for the remaining LOM.
- SOP price (FY21) of US\$510/t FOB Fremantle, plus a price premium of US\$50/t (c.10%) to reflect the unique properties of TMG's potash product likely to attract a price premium (e.g. high grade, low impurities and chloride content).
- AUD / USD exchange rate of \$0.73 throughout the project life.
- Operating expenses (C1 cash costs) of ~A\$341/t (FY21), with unit cost inflation of ~2.0% CAGR.



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### Valuation

We have also updated our DCF valuation for TMG, based on our revised project forecasts for Lake Throssell. The valuation is presented in the chart below, and arrives at an equity value of \$0.37 per TMG share. This is slightly lower than our previous valuation of \$0.40 due mainly to more upfront construction costs, lower SOP recovery assumed and higher operating cash costs, partly offset by lower sustaining capex and more favourable currency assumptions.

We expect there is future upside to our valuation as project development continues, certainty increases and the project de-risks. This will likely see a lower discount rate applied in our DCF. In addition de-risking is expected to drive a higher share price over time, which may result in considerably fewer shares being issued to finance construction, and consequently less dilution.

**Again, it is important to note that our valuation is based on a number of assumptions, including the forecast assumptions documented above, which could vary significantly from the estimates we have adopted. Accordingly, there is naturally a high level of uncertainty surrounding any valuation at this early stage of a project's life cycle, and our valuation should be treated with caution.**

**Fig. 6 – DCF Valuation of TMG**

Year	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Life of Mine					50	49	48	47	46
EBIT	-3.62	-3.70	-3.78	-3.86	-3.93	-3.99	51.49	91.41	104.06
Depreciation & Amort	0.06	0.06	0.07	0.07	0.08	0.08	6.50	6.59	6.69
Tax	0.00	0.00	0.00	0.00	0.00	0.00	-5.67	-21.15	-24.55
Adj for Net Int tax shield	0.00	0.00	0.00	0.00	0.00	0.00	-2.05	-3.99	-4.07
Inv in Net working capital	0.00	0.00	0.00	0.00	0.00	0.00	-30.00	-19.50	-6.43
<b>Operating CF before financing</b>	<b>-3.56</b>	<b>-3.64</b>	<b>-3.71</b>	<b>-3.78</b>	<b>-3.86</b>	<b>-3.92</b>	<b>20.26</b>	<b>53.36</b>	<b>75.71</b>
Capex	-0.10	-0.13	-0.15	-0.16	-0.17	-308.04	-8.00	-8.10	-8.21
Inv in Intangibles	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.05	-0.04
Inv in net other assets	2.71	0.66	0.00	0.00	-6.51	3.10	6.88	3.17	0.82
<b>Free CF before financing</b>	<b>-0.99</b>	<b>-3.15</b>	<b>-3.90</b>	<b>-3.99</b>	<b>-10.58</b>	<b>-308.90</b>	<b>19.10</b>	<b>48.38</b>	<b>68.28</b>
Risk free rate ( $R_f$ )	2.0%	NPV of explicit free cash flow			\$385.40				
Market risk premium ( $R_m - R_f$ )	6.5%	Less Net Debt			\$4.08				
Beta ( $\beta$ )	1.50	Less Minority Interests			\$0.00				
Cost of equity capital ( $K_e$ )	11.75%	<b>Value of Equity</b>			<b>\$389.48</b>				
Cost of debt ( $K_d$ )	7.0%	Shares on Issue (m)			116.6				
Corporate tax rate ( $T_c$ )	27.5%	Options (m)			72.0				
Target gearing [ $d/(d+e)$ ]	60.0%	Assumed capital raising (m)			1232.0				
WACC	7.75%	<b>Shares on Issue (EFPO)</b>			<b>1420.6</b>				
		Adj for notional conversion (\$m)			\$14.1				
		Adj for assumed capital raising (\$m)			\$123.2				
		<b>Value per share (\$)</b>			<b>\$0.37</b>				

Source: Company data and CCR estimates

In addition to the assumed valuation inputs shown above, the following key assumptions are made:

- Capital costs related to construction of evaporation ponds, processing plant and other project infrastructure is ~\$308m. We do not explicitly include the \$70m contingency as this is a risk allowance already captured in our discount rate.
- Construction costs are financed by project debt of ~\$185m (60%) and new equity of ~\$123m (40%) comprising ~1,232m shares issued at \$0.10 each (reflecting the 30-day VWAP up to and including release of Scoping Study).
- Net working capital investment of ~\$30m on commencement of production, growing to ~\$56m as production ramps up to 245ktpa by FY30.
- Initial dividend payout ratio of 60%, rising to >90% on the assumption that TMG will not be conducting any major exploration activities beyond its current projects. If such activities are pursued, the payout ratio is likely to be lower.

## Trigg Mining (TMG)

Scoping Study determines 4.5-year payback for transformational Lake Throssell project

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