BELL POTTER

Speculative

See key risks on page 6 and early stage company risk warning on page 8. Speculative securities may not be suitable for retail clients

31 October 2024

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Talga Group Ltd (TLG)

Environmental permit in force

Recommendation
Buy (unchanged)
Price
$0.58/sh
Valuation
$1.90 (previously $2.35)
Risk
Speculative

Sector

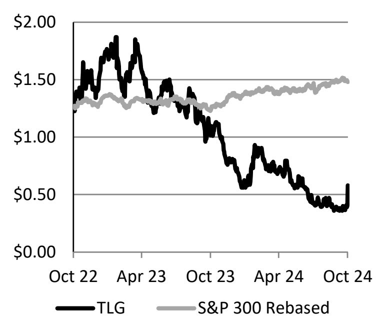
Materials

Expected Return	
Capital growth	>100%
Dividend yield	0%
Total expected return	>100%
Company Data & Ratios	
Enterprise value	$224m
Market cap	$248m
Issued capital	429m
Free float	93%
Avg. daily val. (52wk)	0
12 month price range	$0.35-$1.15

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.38	0.50	1.10
Absolute (%)	54.7	17.2	-47.3
Rel market (%)	55.3	14.1	-66.8

Absolute Price



SOURCE: IRESS

Removing the shackles

TLG received a positive update in relation to its Natura 2000 (Environmental Permit) for its Nunasvaara natural graphite project in Sweden, with appeals lodged to the Supreme Court being dismissed. The Environmental Permit is now in force, and comes on the back of the granting of the mining / exploitation permit on the 18th of Oct-24. The Mining Permit was issued by the Mining Inspectorate of Sweden, and provides TLG with the right to conduct mining activities over a period of 25 years with options for extensions. Appeals may be made over the next five weeks to the Ministry of Climate and Enterprise, however should appeals be lodged, we see the impact of further delays to the project as minimal.

Timeline to production

We have adjusted our timeline to production, allowing for 24 months of construction commencing in 3QCY25, with first production in CY27. Positive catalysts over the coming six to nine months are likely to centre around binding offtake and progression of debt and strategic equity funding. TLG has two non-binding MoU's for offtake with ACC (Mercedes + Stellantis; 60kt Talnode-C over 5 years) and Verkor (Renault; Talnode-C supply over 4-8 years) as well as EUR150 in debt from the European Investment Bank and a EUR70m grant for the Anode refinery. In the 1QFY25 report (released today) TLG highlighted it had submitted an application for Strategic Project status under the Critical Raw Materials Act which may grant priority permitting/ financing processes.

Investment Thesis: Buy (Spec), Val $1.90/sh

We maintain our speculative Buy rating following the update, and reduce our valuation to $1.90/sh (previously $2.35/sh) fully diluted and funded on adjustments to our timing and dilution expectations. Key milestones over the next 12 months which support our thesis for TLG include 1) binding offtake for ~75% of production, 2) project funding and a Final Investment Decision (FID, BPe 60/40 debt/equity 2HCY25) and 3) construction commencement (BPe 2HCY25).

Earnings Forecast

Year end 30 June	2024a	2025e	2026e	2027e
Sales (A$m)	0	0	0	44
EBITDA (A$m)	-35	-26	-26	2
NPAT (reported) (A$m)	-38	-33	-38	-46
NPAT (adjusted) (A$m)	-38	-33	-38	-46
EPS (adjusted) (¢ps)	(10.4)	(4.2)	(4.8)	(3.1)
EPS growth (%)	-13%	-59%	14%	-36%
PER (x)	0.0 x	0.0 x	0.0 x	0.0 x
FCF Yield (%)	-17%	131%	-221%	133%
EV/EBITDA (x)	-6.7 x	0.0 x	-26.4 x	0.0 x
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-79%	-13%	-9%	-6%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Valuation & Recommendation

Recommendation

We maintain a **Speculative Buy recommendation for TLG. Our DCF valuation drops to $1.90/sh (previously $2.35/sh)** for TLG on the adjustment to development, equity dilution and updated cash. We see TLG's vertically integrated, mine to anode, business model as attractively capturing downstream margins.

Valuation

We have utilised a sum-of-the-parts discounted cash flow approach to value TLG, combining a discounted present valuation of the Nunasvaara South (Stage 1) and Niska (Stage 2) on a risked basis. We have included a present value for corporate overheads (-$86m) and nominal value for further exploration ($50m). To account for dilution, we have assumed a capital raise of A$426m at $1.20/sh, we have not factored in an assumed raise for Stage-2. We arrive at a risked, diluted and funded valuation for the business of $1.90/sh, rounded to the nearest 5c.

Table 1 - TLG sum-of-the-parts DCF valuation

Ordinary Shares (basic)	**m**	**429**
Options in the money	m	0
Diluted	**m**	429

Sum-of-the-parts	A$m	A$/sh
Nunasvaara South (Stage 1) - NPV 10%, 90% risked	$251	$0.59
Niska (Stage 2) - NPV 10%, 50% risked	$836	$1.95
Exploration/ Other	$50	$0.12
Corporate overheads	-$86	$(0.20)
Subtotal	$1,051	$2.45
Net cash (debt)	$25	$0.06
Total undiluted	**$1,076**	**$2.51**
Cash from options	$-	$-
Total diluted (unfunded)	**$1,076**	**$2.51**
Assumed raise - ($1.35 x 262m shares)	$426	795 m
Total diluted + funded	**$1,503**	**$1.89**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Investment thesis

Recommendation – Speculative Buy $1.90/sh

Our investment thesis is based on:

1. Natural Graphite in deficit over the next decade as demand outstrips supply

a. **Demand:** We estimate the demand for batteries in EVs to be 4,632 GWh by 2030 and 14,128 GWh by 2040 (BPe 2022 ~528 GWh). At an average EV basis of 72kWh, this assumes EV sales CAGR of 20% out to 2040, at which point EV's as a proportion of total vehicle sales is roughly 95%. To reach these expectations, we estimate the demand for natural coated spherical purified graphite (CSPG) to expand to 2.4Mt by 2030 and 3.6Mt by 2040 from 2021 levels of ~0.4Mt (BPe 2022 0.63Mt). As graphite makes up ~90% of the volume of the anode, the translation through to anode demand is similar.

b. **Supply:** We estimate the current supply of natural graphite concentrate at 1.1Mtpa. Furthermore ~70% of natural graphite concentrate supply currently resides in China with greater concentration (~99%) in downstream purification, spheroidization and refining into anode material. A push towards decentralized supply routes for EV manufacturers should support ex-China processing, however we note that the road to market for battery anode material is long and, for most may be an uneconomic one, due to the characteristics of the underlying orebody, processing costs and qualification process. Whilst we have assumed supply additions of ~830ktpa of graphite concentrate to the end of the decade makes its way through to the EV market we view most projects as being inherently risky, with limited commercial studies underpinning production estimates.

c. **Outlook, pricing and volume:** With both supply and demand considered, we anticipate a growing supply deficit in natural graphite and by extension anode material, supporting prices out to the end of the decade. Anode pricing is currently opaque, with a wide variety in price points dependent upon EV specifications. High-grade synthetic graphite prices (which feed into top tier European EV's) are forecasted by Benchmark Minerals Intelligence to reach US$20,000/t by 2025.

2. TLG, most advanced, High-grade battery anode business

a. TLG's core business is the mining and concentrating of graphite at its 100% owned Vittangi mine in Northern Sweden. Graphite concentrate will then be trucked 280km south to Luleå, where further refining, spheroidization, purification and coating produces a battery anode product for direct sales into the European car manufacturing sector.

b. **Downstream business supported by high-grade, unique deposit –** the unique characteristics of the Vittangi ore-body (being highly-crystaline 100% fine flake graphite) supports the production of premium natural graphite anode material with minimal yield losses (9%) through to a final product. The location of the business (adjacent to hydro-power infrastructure) helps to reduce operating expenses whilst simultaneously minimising environmental impact. TLG's high-quality, low-impurity anode product is suited to high-performance EV's and battery products and is likely to be priced at a premium, similarly to synthetic graphite anodes.

c. **Nunasvaara, & Luleå Stage 1 –** With the environmental permit approved on 6th April 2022, TLG can advance Stage 1 of its vertically integrated graphite business. Stage 1 anticipates 19.5ktpa of TLG's patented battery anode material (Talnode-C). We have assumed construction beginning in 2H FY25 with a 24 month build time, which should see production beginning in 2QFY27 (Dec-26). We have assumed a 12 month ramp up period, to a steady state production level of ~19.5ktpa on average over a 24 year mine life. We have assumed total capital cost of US$640m (TLG DFS US$484m) and operating costs of US$2,647/t Talnode-C, with a LOM sales price for Talnode-C of US$12,295. We have risked our post tax $NPV^{10\%}$ by 10% to arrive at a current equity valuation in AUD (utilising a $0.70 exchange rate) of A$251m.

d. Stage 2 takes capacity to over 100ktpa, of anode production, supported by an underground mining operation of the Niska deposit. For Stage 2, we have assumed production beginning in CY29, with a capital cost of US$1,353m (TLG Scoping study US$1,246m), operating costs of US$2,625/t Talnode-C and LOM sales price for Talnode-C of US$12,295 and Talphene-Si US$15,000/t. We have risked our post tax $NPV^{10\%}$ by 50% to arrive at a current equity valuation in AUD (utilising a $0.70 exchange rate) of A$836m. Advancing through funding, offtake, permitting and the performance of Stage 1, will warrant an unwinding of our risk discount for Stage 2.

3. Ticking the boxes for institutional investors

a. We believe TLG will appeal to institutional investors for the following reasons:

   i. TLG's vertically integrated mine to anode business model reduces intermediary overheads, whilst attracting premiums for the high-quality product for use in Tier-1 European EV's. Whilst margins may compress over-time with the entrance of additional anode capacity, we see TLG being better positioned to protect margins.

   ii. TLG boasts a strong management team who have grown the business and are directly aligned with the performance of the shares. CEO Mark Thompson is the largest individual holder on the register with 4% of shares on issue.

   iii. Proximity to customers, and low-cost hydroelectricity reduces TLG's carbon footprint, appealing to ESG conscious investors as well as auto manufacturers requiring visibility of environmental footprint for components.

Potential catalysts

1. Construction commencement (2HCY25)
2. Binding offtake (Now to 2HCY25)
3. Funding (2HFY25)
4. Production (Stage 1) (BPe 2QFY27)
5. Production (Stage 2) (BPe CY29)

Graphite market

Demand & Supply overview

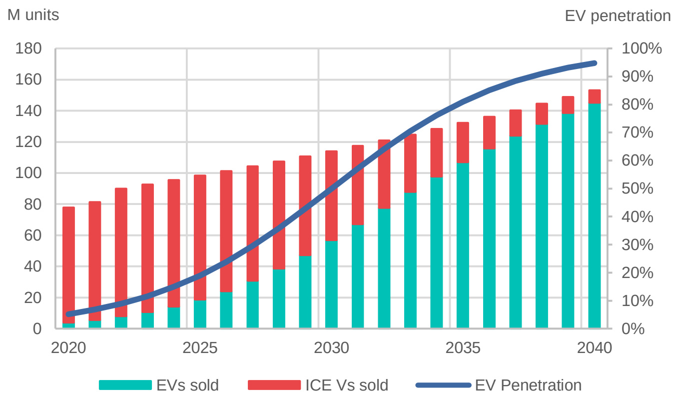
We have provided below our outlook for graphite demand and supply primarily driven from the expansion of EV adoption. For the purpose of this analysis we have begun with an analysis of demand for CSPG from EV adoption, and worked back towards demand for graphite concentrate.

Table 2 - Graphite demand modelling: Light passenger electric vehicles

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2040
Global passenger vehicle market													
Passenger vehicle sales	m units	78	81	90	93	95	98	101	104	107	111	114	153
Growth rate	*%*		*4.6%*	*10.7%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
EV market penetration	%	5%	7%	9%	12%	15%	19%	24%	30%	36%	43%	50%	95%
EV sales	**m units**	**4**	**6**	**8**	**11**	**14**	**19**	**24**	**31**	**39**	**47**	**57**	**145**
Graphite intensity													
Average kWh capacity per EV	kWh	65	65	66	66	67	67	69	71	74	77	81	97
Market GWh capacity required	GWh	264	364	528	710	949	1,261	1,665	2,185	2,844	3,661	4,632	14,128
Average kg CSPG per kWh	**kg / kWh**	**1.20**	**1.20**	**1.20**	**1.19**	**1.19**	**1.18**	**1.17**	**1.16**	**1.14**	**1.11**	**1.08**	**0.96**
Total CSPG demand	kt	317	436	632	847	1,128	1,490	1,950	2,526	3,230	4,061	5,002	13,586
Less: Scrap supply	kt	0	0	0	1	2	5	11	23	47	96	190	6,278
Primary CSPG Demand	kt	317	436	631	846	1,125	1,485	1,940	2,504	3,182	3,965	4,812	7,308
Graphite market share													
Natural graphite	%	42%	43%	45%	46%	47%	48%	49%	49%	49%	50%	50%	50%
Synthetic graphite	%	58%	57%	56%	54%	53%	52%	51%	51%	51%	50%	50%	50%
Natural CSPG demand	kt	133	188	281	388	529	713	944	1,231	1,575	1,970	2,397	3,654
Yield - CSPG production	%	52%	53%	53%	54%	55%	55%	56%	57%	58%	59%	60%	68%
Other graphite concentrate demand	kt	600	618	637	656	675	696	716	738	760	783	806	831
Growth rate	*%*	*0%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
Global graphite concentrate demand	kt	854	974	1,163	1,374	1,644	1,982	2,397	2,894	3,474	4,121	4,801	5,456
Natural graphite concentrate supply													
Existing supply	kt	695	914	978	1,075	1,285	1,335	1,282	1,621	1,717	1,570	1,680	3,306
Probable additional supply (staged)	kt	0	0	0	29	165	137	0	249	249	0	0	0
Cumulative additional supply	kt	0	0	0	29	194	330	330	579	828	828	828	828
Total concentrate supply	kt	695	914	978	1,103	1,478	1,665	1,612	2,200	2,545	2,398	2,508	4,134
Supply/ Demand balance	*kt*	**-159**	**-60**	**-185**	**-271**	**-166**	**-318**	**-785**	**-694**	**-929**	**-1,723**	**-2,292**	**-1,322**
As a % of supply		*23%*	*7%*	*19%*	*25%*	*11%*	*19%*	*49%*	*32%*	*37%*	*72%*	*91%*	*32%*

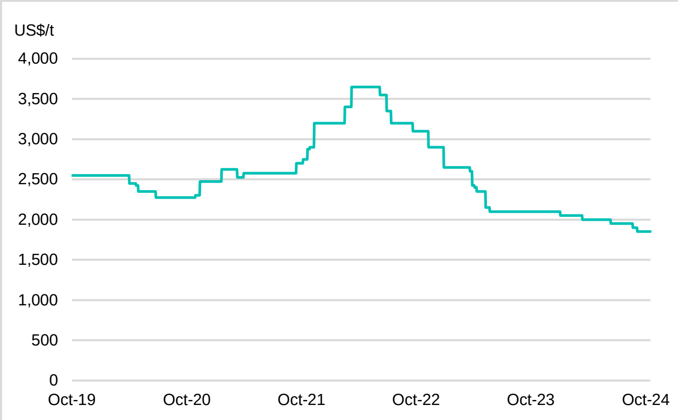
SOURCE: BELL POTTER SECURITIES ESTIMATES, UNITED STATES GEOLOGICAL SURVEY

Figure 1 – Global passenger vehicles & EV take-up



SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 2 – Spherical graphite 99.95% Cg 15 micron, fob China



SOURCE: BELL POTTER SECURITIES ESTIMATES

Investment risks

Risks include, but are not limited to:

- **Commodity price and exchange rate fluctuations**. The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Infrastructure access.** Bulk commodity producers are particularly reliant upon access to transport infrastructure. Access to infrastructure is often subject to contractual agreements, permits, and capacity allocations. Agreements are typically long-term in nature (+10 years). Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour markets.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon resource and reserve growth to extend mine lives.
- **Sovereign risks.** Mining companies' assets can be located in countries other than Australia and are subject to the sovereign risks of that country.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Environmental risks.** Resources companies are exposed to risks associated with environmental degradation as a result of their exploration and mining processes. Fossil fuel producers (coal) may be particularly exposed to the environmental risks of end markets including the electricity generation and steel production industries.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single operation company. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety risks.** Mining companies are particularly exposed to OH&S risks given the physical nature and human resource intensity of operating assets.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.

Talga Group Ltd
as at 31 October 2024

Recommendation	Buy, Speculative
Price	$0.58/sh
Valuation	$1.90

Table 3 - Financial summary

ASSUMPTIONS

Year Ending June	Unit	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
COMMODITY PRICE							
High-Quality Anode price	US$/t	12,000	12,000	12,000	12,000	11,557	11,557
Spherical graphite 99.95%, 15 µm, fob China	US$/t	3,036	2,730	2,694	2,692	2,250	2,250
AUD/USD	A$/US$	0.72	0.67	0.66	0.68	0.70	0.70
PRODUCTION & COST							
Talnode-C	tpa	-	-	-	-	-	4,026
Operating cost	A$/t	-	-	-	-	-	2,647

PROFIT AND LOSS

Year Ending June	Unit	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	A$m	0.0	0.3	0.2	0.0	0.0	44.3
Expense	A$m	(35.8)	(39.9)	(35.2)	(25.9)	(25.9)	(42.1)
EBITDA	**A$m**	(35.8)	(39.6)	(34.9)	(25.9)	(25.9)	2.3
Depreciation	A$m	(1.0)	(3.8)	(3.3)	(0.8)	(0.8)	(12.6)
EBIT	A$m	(36.8)	(43.4)	(38.3)	(26.7)	(26.7)	(10.3)
Net interest expense	A$m	0.0	0.0	0.0	(6.4)	(25.6)	(37.9)
Unrealised gains (Impairments)	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Other	A$m	0.0	0.0	0.0	0.2	14.3	2.3
PBT	**A$m**	(36.8)	(43.4)	(38.3)	(32.9)	(38.0)	(45.9)
Tax expense	A$m	0.0	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	**A$m**	(36.8)	(43.4)	(38.3)	(32.9)	(38.0)	(45.9)
NPAT (underlying)	A$m	(36.9)	(43.4)	(38.3)	(32.9)	(38.0)	(45.9)

CASH FLOW

Year Ending June	Unit	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
OPERATING CASHFLOW							
Receipts	A$m	0.1	0.3	0.2	1.2	0.0	37.1
Payments	A$m	(8.4)	(9.6)	(27.3)	(9.8)	(8.4)	(20.4)
Tax	A$m	0.0	0.0	0.0	0.0	0.0	0.0
R&D + Exploration	A$m	(20.4)	(28.2)	(5.5)	(18.5)	(18.5)	(18.5)
Other	A$m	2.1	1.3	0.9	0.0	0.0	(0.0)
Operating cash flow	**A$m**	(26.5)	(36.2)	(31.7)	(27.1)	(26.8)	(1.8)
INVESTING CASHFLOW							
Property, plant and equipment	A$m	(12.4)	(6.4)	(10.4)	(45.7)	(776.4)	(99.9)
Mine development	A$m	0.6	0.0	0.0	0.0	0.0	0.0
Other	A$m	(0.5)	(0.0)	0.3	0.0	0.0	0.0
Investing cash flow	**A$m**	(12.4)	(6.4)	(10.2)	(45.7)	(776.4)	(99.9)
Free Cash Flow	**A$m**	(39.0)	(42.7)	(41.8)	(72.8)	(803.3)	(101.7)
FINANCING CASHFLOW							
Share issues/(buy-backs)	A$m	0.0	72.1	19.0	457.7	0.0	847.1
Debt proceeds/ (repayments)	A$m	0.0	0.0	0.0	(6.2)	(11.3)	(35.6)
Dividends	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Other	A$m	(0.5)	(4.3)	(1.3)	626.1	0.0	1,208.2
Financing cash flow	**A$m**	(0.5)	67.9	17.7	1,077.6	(11.3)	2,019.7
Change in cash	A$m	(39.5)	25.2	(24.1)	1,004.8	(814.5)	1,918.0

BALANCE SHEET

Year Ending June	Unit	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
ASSETS							
Cash & short term investments	A$m	13.0	38.2	14.1	1,018.9	204.4	2,122.3
Accounts receivable	A$m	1.5	2.5	1.0	0.1	0.1	7.3
Property, plant & equipment	A$m	15.2	20.7	28.3	73.2	848.8	936.1
Mine development expenditure	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Exploration & evaluation	A$m	0.4	0.1	0.3	0.3	0.3	0.3
Other	A$m	3.0	3.6	2.4	7.9	7.9	4.8
Total assets	**A$m**	33.2	65.1	46.1	1,100.4	1,061.5	3,070.8
LIABILITIES							
Accounts payable	A$m	4.0	4.8	3.0	6.4	5.5	5.5
Income tax payable	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Borrowings	A$m	0.0	0.0	0.0	639.6	639.6	1,873.2
Other	A$m	2.5	3.3	2.8	2.8	2.8	2.8
Total liabilities	**A$m**	6.5	8.2	5.9	648.9	647.9	1,881.5
Net Assets	A$m	27	57	40	451	414	1,189
SHAREHOLDER'S EQUITY							
Share capital	A$m	133.5	203.4	222.3	666.5	666.5	1,488.2
Reserves	A$m	16.1	19.9	22.5	22.5	22.5	22.5
Retained earnings	A$m	(123.0)	(166.3)	(204.6)	(237.5)	(275.4)	(321.4)
Total equity	**A$m**	27	57	40	452	414	1,189
Weighted average shares	m	305	361	372	777	785	1,491

FINANCIAL RATIOS

Year Ending June	Unit	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
VALUATION							
NPAT	A$m	(37)	(43)	(38)	(33)	(38)	(46)
Reported EPS	Ac/sh	(12.1)	(12.0)	(10.4)	(4.2)	(4.8)	(3.1)
Adjusted EPS	Ac/sh	(12.1)	(12.0)	(10.4)	(4.2)	(4.8)	(3.1)
EPS growth	%	82%	0%	-13%	-59%	14%	-36%
PER	x	0.0 x	0.0 x	0.0 x	0.0 x	0.0 x	0.0 x
DPS	Ac/sh	-	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%	0%
FCF/share	Ac/sh	(0)	(0)	(0)	1	(1)	1
P/FCFPS	x	-3.9 x	-5.9 x	-6.1 x	0.8 x	-0.5 x	0.8 x
EV/EBITDA	x	-6.6 x	-5.3 x	-6.7 x	0.0 x	-26.4 x	0.0 x
EBITDA margin	%	0%	0%	0%	0%	0%	5%
EBIT margin	%	0%	0%	0%	0%	0%	-23%
Return on assets	%	-94%	-78%	-69%	-6%	-4%	-2%
Return on equity	%	-110%	-91%	-79%	-13%	-9%	-6%
LIQUIDITY & LEVERAGE							
Net debt (cash)	$m	(13)	(38)	(14)	(379)	435	(249)
ND / E	%	-49%	-67%	-35%	-84%	105%	-21%
ND / (ND + E)	%	-95%	-204%	-54%	-525%	51%	-26%
EBITDA / Interest	x	0.0 x	0.0 x	0.0 x	-4.0 x	-1.0 x	0.1 x

ORE RESERVES AND MINERAL RESOURCES

Vittangi Graphite Project (100%)	Mt	TGC %	Mt
Mineral Resources			
Measured	0.0	0.0%	-
Indicated	27.8	23.8%	6.6
Inferred	9.0	21.2%	1.9
Total	**36.9**	**23.1%**	**8.5**
Ore Reserves			
Proven	0	0.0%	-
Probable	2.26	24.1%	0.54
Total	**2.26**	**24.1%**	**0.54**

DCF VALUATION

Ordinary shares (m)	429
Options in the money (m)	-
Diluted m	**429**

	Current		+ 12 months		+ 24 months	
Sum-of-the-parts valuation	**$m**	**$/sh**	**$m**	**$/sh**	**$m**	**$/sh**
Nunasvaara South (Stage 1) - NPV 10%, 90% risked	251	0.59	317	0.74	1,048	2.44
Niska (Stage 2) - NPV 10%, 50% risked	836	1.95	920	2.14	1,012	2.36
Corporate overheads	(86)	(0.20)	(86)	(0.20)	(86)	(0.20)
Subtotal	1,051	2.45	1,151	2.68	1,974	4.60
Net cash (debt)	25	0.06	14	0.03	379	0.88
Total (undiluted)	**1,076**	**2.51**	**1,165**	**2.72**	**2,353**	**5.48**
Add Options in the money (m)	-		-		-	
Add cash	-	-	-	-	-	-
Total (diluted)	**1,076**	**2.51**	**1,165**	**2.72**	**2,353**	**5.48**
Assumed raise - ($1.2 x 366m shares)	426		426		426	
Total diluted + funded	**1,503**	**1.89**	**1,592**	**2.00**	**2,779**	**3.50**

CAPITAL STRUCTURE

Shares on issue	m	429
Escrow shares / other	m	-
Total shares on issue	**m**	**429**
Share price	**A$/sh**	**0.58**
Market capitalisation	A$m	249
Net cash	A$m	25
Enterprise value (undiluted)	**A$m**	**224**
Options outstanding (m)	m	-
Options in the money (m)	m	-
Issued shares (diluted for options)	m	429
Market capitalisation (diluted)	m	249
Net cash + options	A$m	-
Enterprise value (diluted)	**A$m**	**224**

MAJOR SHAREHOLDERS

Shareholder	%	m
Mark Thompson	3%	14.4
Yandal Investments Pty Ltd	1%	5.0
Anthony Holman	1%	3.6
Insignia Financial Ltd	1%	2.6
	6%	**25.6**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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Disclosure: Bell Potter Securities acted as Joint Lead Manager to TLG's $9.5m Jul-24 placement and received fees for that service.

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