

Analyst

Regan Burrows 618 9326 7677

Authorisation

Bradley Watson 618 9326 7672

Talga Group Ltd (TLG)

FEED complete, next up - Supreme court decision

Recommendation
Buy (unchanged)

Price
\$0.785
Valuation
\$2.35 (previously \$2.50)

Risk
Speculative
GICS Sector
Materials
Expected Return

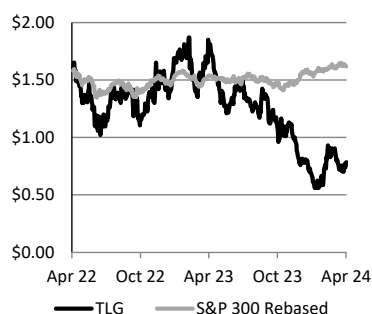
Capital growth	199%
Dividend yield	0%
Total expected return	199%

Company Data & Ratios

Enterprise value	\$265m
Market cap	\$298m
Issued capital	380m
Free float	93%
Avg. daily val. (52wk)	\$1m
12 month price range	\$0.55-\$1.92

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.88	0.73	1.70
Absolute (%)	-10.3	7.5	-53.7
Rel market (%)	-10.8	4.3	-59.7

Absolute Price


SOURCE: IRESS

FEED completion ✓, permitting remains the key.

TLG have provided an update on estimated capital costs at the Vittangi natural graphite anode project following the completion of its front-end engineering and design work (FEED). Capex rose modestly (+12% vs BPe) to €560m + €39m in contingency. We had previously estimated US\$570m including a \$47m contingency. On a positive note, TLG believes the optimisation of the plant will drive a 23% saving in energy requirements. The key hurdle remains the Supreme Court decision as to whether the appeals to TLG's environmental permit will be heard. Once a decision has been made, TLG will be clear to progress the development of Vittangi (if appeals are dismissed) or the Environmental Court (which granted the licence) will have to hear the appeals to TLG's licence. Either way we view the outcome as ending in a permit being granted, with the only difference being time. This therefore presents an attractive risk vs reward trade off. If there were a 12m delay in hearing the appeals, our valuation is reduced by 9% to \$2.12 (+170% upside on current prices). An excessive 3-year delay reduces our valuation by 25% to \$1.75 (+130% upside).

Sparks flying, only a matter of time...

Global EV sales continue to advance rapidly, eventually we see this translating to upstream commodities like graphite and rare earths. The recent bans on the export of graphite products from China are yet to be witnessed in pricing, despite flake graphite exports from China being down 64% in Jan and Feb 24 vs a year prior. Whilst normalisation may occur in the months coming as export permits are granted, the impact to how OEM's view their supply chains will last a lot longer.

Investment thesis: Buy (Spec), Valuation \$2.35/sh

We maintain our speculative Buy rating following the update, and reduce our valuation to \$2.35/sh (previously \$2.50) fully diluted and funded. Key milestones over the next 12 months which support our thesis for TLG include 1) Environmental permit clearance 2) Binding offtake for ~75% of production, 3) project funding (BPe 60/40 debt/equity) and 4) construction commencement (BPe 2HCY24).

Earnings Forecast

Year end 30 June	2023a	2024e	2025e	2026e
Sales (A\$m)	0	0	23	141
EBITDA (A\$m)	-40	-26	-13	71
NPAT (reported) (A\$m)	-43	-47	-53	5
NPAT (adjusted) (A\$m)	-43	-47	-53	5
EPS (adjusted) (eps)	(12.0)	(7.7)	(8.7)	0.8
EPS growth (%)	0%	-36%	13%	-109%
PER (x)	0.0 x	0.0 x	0.0 x	102.7 x
FCF Yield (%)	-13%	-64%	-2%	9%
EV/EBITDA (x)	-6.6 x	-27.9 x	-62.1 x	10.8 x
Dividend (eps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-91%	-13%	-17%	2%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Vittangi FEED update

Highlights from the announcement:

- Optimised equipment and process design reduces the number of purification and anode production lines required at the Refinery, reducing the building footprint and improving energy needs.
- Anode production process configured and qualified to customer requirements, facilitating battery maker and automotive OEM offtake negotiations.
- Positive update to capital expenditure to a total of €560m (excluding €39m contingency) amid inflationary macro environment.
- Identified near term initial Refinery capacity expansion opportunity subject to further technical and commercial work underway.

Table 1 - Capital cost increase

Direct capex		BPe	TLG Updated	Change %
Mining & Crushing	US\$m	16.7		
Concentrator	US\$m	87.1		
Purification	US\$m	90.5		
Coating	US\$m	184.6		
Subtotal	US\$m	379.0		
Indirect Capex				
Concentrator	US\$m	9.8		
Purification	US\$m	14.1		
Coating	US\$m	22.6		
Subtotal	US\$m	46.4		
Infrastructure	US\$m	97.6		
Contingency	US\$m	47.6	41.5	
Total	US\$m	570.6	637.2	12%

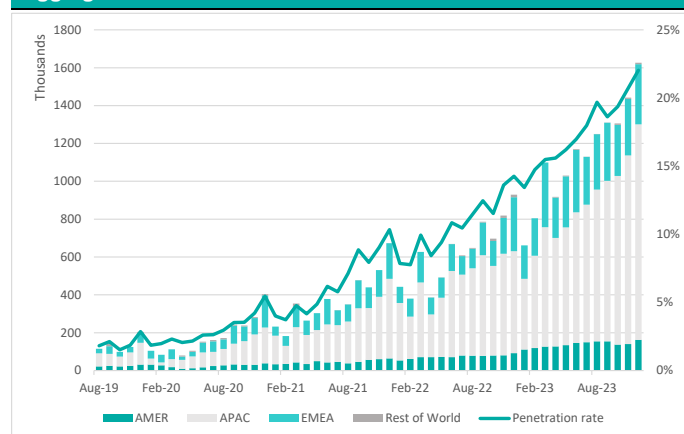
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES, EUROPE CONVERTED TO USD FOR COMPARISON AT 0.94

Risk vs reward

From our view, we see a positive risk / reward trade-off for TLG at these levels with respect to the **Environmental permit** – if the Supreme Court dismisses the appeals to TLGs granted permit, then we suspect an immediate re-rating in the stock. **If the Supreme Court accepts the appeals**, this will then revert the case back to the Environmental Court which must assess the appeals. Given the support for the project in the Environmental Court, evidenced by the previous granting of the licence, we view the outcome as being the identical, i.e. TLG is granted its permit in which case the project will be approved for development. The only difference between the two outcomes is time to development in our opinion. Pushing our valuation out by a further 12m has a -9% reduction to our post funding valuation, effectively dropping the valuation to \$2.12/sh (+170% upside on the current stock price). Running an alternative scenario in which the project is delayed by 3 years reduces our valuation to \$1.75 (-25%) and still implying a +130% upside.

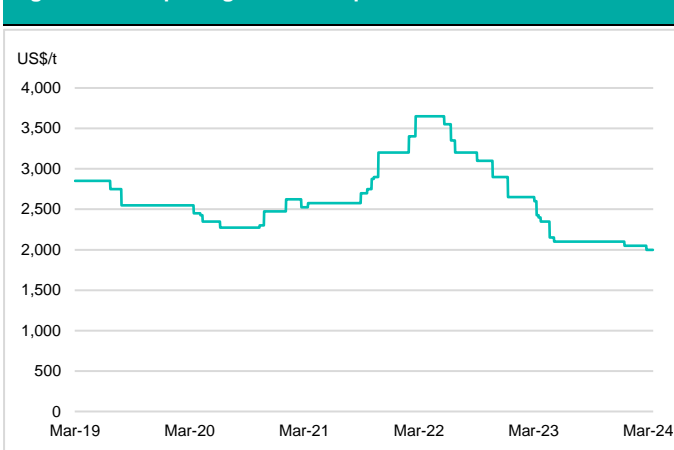
All is needed is a spark

Figure 1 - EV sales expanded rapidly in 2HCY23, raw materials lagging



SOURCE: BLOOMBERG, BELL POTTER SECURITIES ESTIMATES

Figure 2 - SPG pricing remains depressed



SOURCE: FASTMARKETS

What do we know? – Graphite anodes can be found in almost all EV's, and are made up of either Synthetic (current dominant source ~60%), natural (~40%) or a mixture of both. Synthetic anodes are typically more expensive due to energy intensity in graphitisation, and are therefore more pollutive. Over 95% of battery anodes are produced in China, taking the spheroidized + purified graphite (SPG) and coating the particles for use as active anode material. This process of coating has attracted historical premiums to the SPG price of between US\$3,600/t for low quality anodes to US\$18,000/t for high-quality anodes.

When will we see graphite prices lift? – Graphite prices will have to lift to support current production in China and to incentivise ex-China sources of supply. When that occurs is difficult to estimate, we currently see an increase in demand for EV's which should drive an increase in demand for battery anodes all else being equal. Secondly, whilst the recent export bans from China may stem the flow of graphite products initially until businesses are granted permits to export, the threat to downstream users will force their hand to secure ex-China sources of supply.

Valuation & Recommendation

Recommendation

We maintain a **Speculative Buy recommendation** for TLG. Our DCF valuation drops to **\$2.35/sh Valuation for TLG on inclusion of higher capital costs** and an updated cash balance. 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 (-\$90m) and nominal value for further exploration (\$50m). To account for dilution, we have assumed a capital raise of A\$342m @ \$1.35/sh, we have not factored in an assumed raise for Stage-2. We arrive at a risked, diluted + funded valuation for the business of \$2.35/sh, rounded to the nearest 5c.

Table 2 - TLG sum-of-the-parts DCF valuation

Ordinary Shares (basic)	m	380
Options in the money	m	0
Diluted	m	380
<hr/>		
Sum-of-the-parts	A\$m	A\$/sh
Nunasvaara South (Stage 1) - NPV 10%, 90% risked	\$279	\$0.74
Niska (Stage 2) - NPV 10%, 50% risked	\$878	\$2.31
Exploration/ Other	\$50	\$0.13
Corporate overheads	-\$90	\$(0.24)
Subtotal	\$1,117	\$2.94
Net cash (debt)	\$33	\$0.09
Total undiluted	\$1,150	\$3.03
Cash from options	\$-	\$-
Total diluted (unfunded)	\$1,150	\$3.03
Assumed raise - (\$1.35 x 262m shares)	\$344	642 m
Total diluted + funded	\$1,494	\$2.33

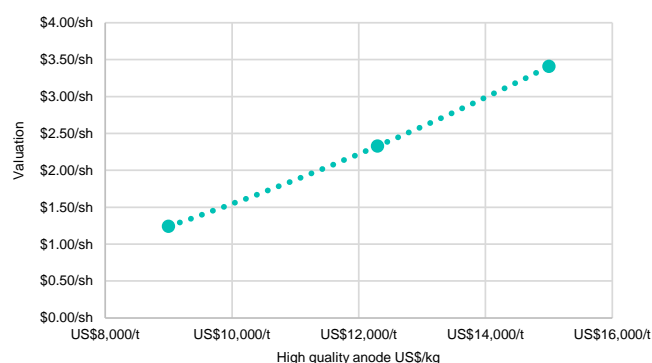
SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 3 – DCF valuation sensitivity (unfunded)

	Low	Bell Potter	High
Anode price deck	US\$9,000/t	US\$12,295/t	US\$15,000/t
Nunasvaara South (Stage 1) - NPV 10%, 90% risked	32	279	598
Niska (Stage 2) - NPV 10%, 50% risked	428	878	1,252
Other	-40	-40	-40
EV (risked)	420	1,117	1,809
Net debt/(cash) + options	-33	-33	-33
Equity value	\$453m	\$1,150m	\$1,842m
Diluted shares on issue	380m		
Assumed raise - (\$1.35 x 262m shares)	\$344m	642m	
Equity value (diluted & funded) \$/sh	\$1.24/sh	\$2.33/sh	\$3.41/sh
Share price	\$0.79/sh		
Uplift	58%	197%	334%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 4 - Valuation sensitivity graph (unfunded)



SOURCE: BELL POTTER SECURITIES ESTIMATES

Investment thesis

Recommendation – Speculative Buy \$2.35/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-crystalline 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 CY23 with an 18-to-24 month build time, which should see production beginning in 3QFY25 (Mar-25). 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\$571m (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 \$0.74 exchange rate) of A\$341m.

- 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 CY28, 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 \$0.74 exchange rate) of A\$878m. 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 (2HCY24)
2. Binding offtake (Now to 2HCY24)
3. Funding (2HFY24)
4. Production (Stage 1) (BPe 3QFY25)
5. Production (Stage 2) (BPe CY28)

Graphite market

Demand & Supply overview

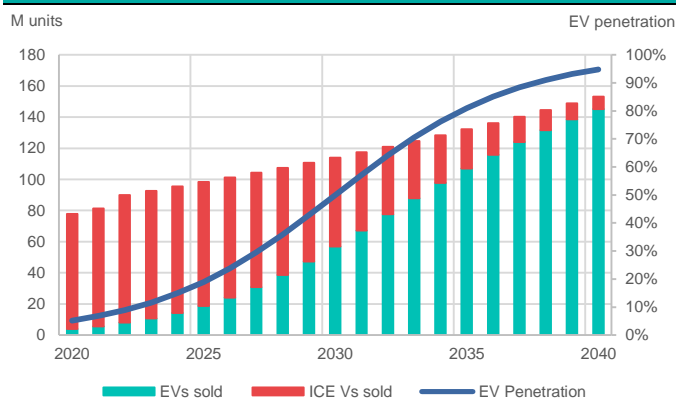
We have provided below our outlook for graphite demand and supply primarily driven from the expansion of EV adoption. For the purpose of this analysis we have begun with an analysis of demand for CSPG from EV adoption, and worked back towards demand for graphite concentrate.

Table 3 - 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%

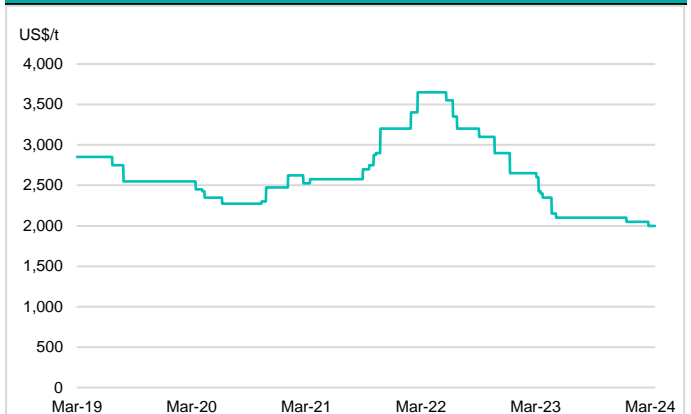
SOURCE: BELL POTTER SECURITIES ESTIMATES, UNITED STATES GEOLOGICAL SURVEY

Figure 5 – Global passenger vehicles & EV take-up



SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 6 – 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.

Table 4 - Financial summary

ASSUMPTIONS								FINANCIAL RATIOS							
Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
COMMODITY PRICE								VALUATION							
High-Quality Anode price	US\$/t	12,000	12,000	12,563	12,698	12,719	12,278	NPAT	A\$/m	(20)	(37)	(43)	(47)	(53)	5
Spherical graphite 99.95%, 15 µm, fob China	US\$/t	2,446	3,036	2,730	2,694	2,692	2,250	Reported EPS	Ac/sh	(6.6)	(12.1)	(12.0)	(7.7)	(8.7)	0.8
AUD/USD	A\$/US\$	0.75	0.73	0.73	0.73	0.74	0.74	Adjusted EPS	Ac/sh	(6.6)	(12.1)	(12.0)	(7.7)	(8.7)	0.8
PRODUCTION & COST								EPS growth	%	21%	82%	0%	-36%	13%	-109%
Talnode-C	tpa	-	-	-	-	2,684	11,632	PER	x	0.0 x	0.0 x	0.0 x	0.0 x	0.0 x	102.7 x
Operating cost	A\$/t	-	-	-	-	2,647	2,647	DPS	Ac/sh	-	-	-	-	-	-
PROFIT AND LOSS								Franking	%	0%	0%	0%	0%	0%	0%
Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	Yield	%	0%	0%	0%	0%	0%	0%
Revenue	A\$/m	0.1	0.0	0.3	0.0	23.0	141.0	FCF/share	Ac/sh	(0)	(0)	(0)	(1)	(0)	0
Expense	A\$/m	(19.3)	(35.8)	(39.9)	(25.6)	(35.6)	(70.4)	P/FCFPS	x	-12.2 x	-5.2 x	-8.0 x	-1.6 x	-46.4 x	11.7 x
EBITDA	A\$/m	(19.2)	(35.8)	(39.6)	(25.6)	(12.6)	70.6	EV/EBITDA	x	-12.8 x	-8.0 x	-6.6 x	-27.9 x	-62.1 x	10.8 x
Depreciation	A\$/m	(0.7)	(1.0)	(3.8)	(0.8)	(8.3)	(33.3)	EBITDA margin	%	0%	0%	0%	0%	-55%	50%
EBIT	A\$/m	(19.9)	(36.8)	(43.4)	(26.4)	(20.9)	37.4	EBIT margin	%	0%	0%	0%	0%	-91%	26%
Net interest expense	A\$/m	0.0	0.0	0.0	(24.9)	(33.2)	(33.2)	Return on assets	%	-41%	-94%	-78%	-5%	-6%	1%
Unrealised gains (Impairments)	A\$/m	0.0	0.0	0.0	0.0	0.0	0.0	Return on equity	%	-45%	-110%	-91%	-13%	-17%	2%
Other	A\$/m	0.0	0.0	0.0	4.7	1.2	0.4	LIQUIDITY & LEVERAGE							
PBT	A\$/m	(19.9)	(36.8)	(43.4)	(46.5)	(52.8)	4.6	Net debt (cash)	\$m	(52)	(13)	(38)	417	484	467
Tax expense	A\$/m	0.0	0.0	0.0	0.0	0.0	0.0	ND / E	%	-95%	-49%	-67%	118%	161%	153%
NPAT (reported)	A\$/m	(19.9)	(36.8)	(43.4)	(46.5)	(52.8)	4.6	ND / (ND + E)	%	-2019%	-95%	-204%	54%	62%	61%
NPAT (underlying)	A\$/m	(19.9)	(36.9)	(43.4)	(46.5)	(52.8)	4.6	EBITDA / Interest	x	0.0 x	0.0 x	0.0 x	-1.0 x	-0.4 x	2.1 x
CASH FLOW								ORE RESERVES AND MINERAL RESOURCES							
Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	Vittangi Graphite Project (100%)				Mt	TGC %	Mt	
OPERATING CASHFLOW								Mineral Resources							
Receipts	A\$/m	0.1	0.1	0.3	2.9	11.8	132.7	Measured					0.0	0.0%	-
Payments	A\$/m	(3.9)	(8.4)	(9.6)	(6.1)	(23.3)	(54.8)	Indicated					27.8	23.8%	6.6
Tax	A\$/m	0.0	0.0	0.0	0.0	0.0	0.0	Inferred					9.0	21.2%	1.9
R&D + Exploration	A\$/m	(13.4)	(20.4)	(28.2)	(18.0)	(18.0)	(18.0)	Total					36.9	23.1%	8.5
Other	A\$/m	1.4	2.1	1.3	0.0	0.0	0.0	Ore Reserves							
Operating cash flow	A\$/m	(15.9)	(26.5)	(36.2)	(21.1)	(29.5)	59.9	Proven					0	0.0%	-
INVESTING CASHFLOW								Probable				2.26	24.1%	0.54	
Property, plant and equipment	A\$/m	(1.9)	(12.4)	(6.4)	(757.7)	(5.4)	(10.8)	Total					2.26	24.1%	0.54
Mine development	A\$/m	0.0	0.6	0.0	0.0	0.0	0.0	DCF VALUATION							
Other	A\$/m	0.3	(0.5)	(0.0)	0.0	0.0	0.0	Ordinary shares (m)				380			
Investing cash flow	A\$/m	(1.7)	(12.4)	(6.4)	(757.7)	(5.4)	(10.8)	Options in the money (m)				-			
Free Cash Flow	A\$/m	(17.5)	(39.0)	(42.7)	(778.8)	(34.9)	49.1	Diluted m				380			
FINANCING CASHFLOW								Sum-of-the-parts valuation							
Share issues/(buy-backs)	A\$/m	65.0	0.0	72.1	354.3	0.0	0.0		\$m	\$/sh	Current	+ 12 months	+ 24 months		
Debt proceeds/ (repayments)	A\$/m	0.0	0.0	0.0	(20.1)	(31.9)	(32.7)	Nunasvaara South (Stage 1) - NPV 10%, 90% risked	279	0.74	307	0.81	1,116	2.94	
Dividends	A\$/m	0.0	0.0	0.0	0.0	0.0	0.0	Niska (Stage 2) - NPV 10%, 50% risked	878	2.31	966	2.54	1,062	2.80	
Other	A\$/m	(0.1)	(0.5)	(4.3)	499.4	0.0	0.0	Corporate overheads	(90)	(0.24)	(90)	(0.24)	(90)	(0.24)	
Financing cash flow	A\$/m	65.0	(0.5)	67.9	833.6	(31.9)	(32.7)	Subtotal	1,117	2.94	1,183	3.11	2,088	5.50	
Change in cash	A\$/m	47.4	(39.5)	25.2	54.8	(66.8)	16.3	Net cash (debt)	33	0.09	(417)	(1.10)	(484)	(1.27)	
BALANCE SHEET								Total (undiluted)	1,150	3.03	766	2.02	1,604	4.22	
Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	Add Options in the money (m)							
ASSETS								Add cash	-	-	-	-	-	-	
Cash & short term investments	A\$/m	52.5	13.0	38.2	93.0	26.2	42.5	Total (diluted)	1,150	3.03	766	2.02	1,604	4.22	
Accounts receivable	A\$/m	2.7	1.5	2.5	0.1	11.4	19.6	Assumed raise - (\$1.35 x 262m shares)							
Property, plant & equipment	A\$/m	4.8	15.2	20.7	777.6	774.7	752.2		344		344		344		
Mine development expenditure	A\$/m	0.0	0.0	0.0	0.0	0.0	0.0	Total diluted + funded	1,494	2.33	1,110	1.73	1,948	3.04	
Exploration & evaluation	A\$/m	0.3	0.4	0.1	0.1	0.1	0.1	CAPITAL STRUCTURE							
Other	A\$/m	0.7	3.0	3.6	3.0	8.0	10.4	Shares on issue	m					380	
Total assets	A\$/m	61.0	33.2	65.1	873.8	820.3	824.9	Escrow shares / other	m					-	
LIABILITIES								Total shares on issue	m					380	
Accounts payable	A\$/m	5.0	4.0	4.8	6.3	5.6	5.6	Share price	A\$/sh					0.79	
Income tax payable	A\$/m	0.0	0.0	0.0	0.0	0.0	0.0	Market capitalisation	A\$/m					298	
Borrowings	A\$/m	0.0	0.0	0.0	510.0	510.0	510.0	Net cash	A\$/m					33	
Other	A\$/m	0.9	2.5	3.3	3.3	3.3	3.3	Enterprise value (undiluted)	A\$/m					265	
Total liabilities	A\$/m	5.9	6.5	8.2	519.7	519.0	519.0	Options outstanding (m)	m					-	
Net Assets	A\$/m	55	27	57	354	301	306	Options in the money (m)	m					-	
SHAREHOLDER'S EQUITY								Issued shares (diluted for options)	m					380	
Share capital	A\$/m	130.2	133.5	203.4	546.2	546.2	546.2	Market capitalisation (diluted)	m					298	
Reserves	A\$/m	11.1	16.1	19.9	19.9	19.9	19.9	Net cash + options	A\$/m					-	
Retained earnings	A\$/m	(86.2)	(123.0)	(166.3)	(212.9)	(265.7)	(261.0)	Enterprise value (diluted)	A\$/m					265	
Total equity	A\$/m	55	27	57	353	300	305	MAJOR SHAREHOLDERS							
Weighted average shares	m	300	305	361	605	605	605	Shareholder					%	m	
								Mark Thompson					4%	14.4	
								Yandal Investments Pty Ltd					1%	5.0	
								Anthony Holman					1%	3.6	
								Insignia Financial Ltd					1%	2.6	
													7%	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.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Analysts			
John Hester	Healthcare	612 8224 2871	jhester
Martyn Jacobs	Healthcare	613 9235 1683	mjacobs
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardrey
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Joseph House	Industrials	613 9325 1624	jhouse
Daniel Laing	Industrials	612 8224 2886	dlaing
Hayden Nicholson	Industrials	613 92351757	hnicolson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
Connor Eldridge	Real Estate	612 8224 2893	celdridge
Andy MacFarlane	Real Estate	612 8224 2843	amacfarlane
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
James Williamson	Resources	613 9235 1692	jwilliamson
Associates			
Leo Armati	Associate Analyst	612 8224 2846	larmati
Baxter Kirk	Associate Analyst	613 9235 1625	bkirk
Kion Sapountzis	Associate Analyst	613 9235 1824	ksapountzis
Ritesh Varma	Associate Analyst	613 9235 1658	rvarma

Research Coverage & Policies

For Bell Potter Securities' Research Coverage Decision Making Process and Research Independence Policy please refer to our company website: <https://bellpotter.com.au/research-independence-policy/>.

Authoring Research Analyst's Certification

The Authoring Research Analyst is responsible for the content of this Research Report, and, certifies that with respect to each security that the Analyst covered in this Report (1) all the views expressed accurately reflect the Analyst's personal views about those securities and were prepared in an independent manner and (2) no part of the Analyst's compensation was, is or will be, directly or indirectly, related to specific recommendations or views expressed by that Research Analyst in the Research Report.

Research Analyst's Compensation

Research Analyst's compensation is determined by Bell Potter Securities Research Management and Bell Potter Securities' Senior Management and is based upon activities and services intended to benefit the investor clients of Bell Potter Securities Ltd. Compensation is not linked to specific transactions or recommendations. Like all Company employees Research Analysts receive compensation that is impacted by overall Company profitability.

Prices

The Price appearing in the Recommendation panel on page 1 of the Research Report is the Closing Price on the Date of the Research Report (appearing in the top right hand corner of page 1 of the Research Report), unless a before midday (am) time appears below the Date of the Research Report in which case the Price appearing in the Recommendation panel will be the Closing Price on the business day prior to the Date of the Research Report.

Availability

The completion and first dissemination of a Recommendation made within a Research Report are shortly after the close of the Market on the Date of the Research Report, unless a before midday (am) time appears below the Date of the Research Report in which case the Research Report will be completed and first disseminated shortly after that am time.

Speculative Risk Warning:

The stocks of resource companies without revenue streams from product sales should always be regarded as speculative in character. Since most exploration companies fit this description, the speculative designation applies to all exploration stocks. Stocks with 'Speculative' designation are prone to high volatility in share price movements. Exploration and regulatory risks are inherent in exploration stocks. Exploration companies engage in exploration programs that usually have multiple phases to them where positive results at some stages are not indicative of ultimate exploration success and even after exploration success, there is often insufficient economic justification to warrant development of an extractive operation and there is still significant risk that even a development project with favourable economic parameters and forecast outcomes may fail to achieve those outcomes. Investors are advised to be cognisant of these risks before buying such a stock as TLG.

Dissemination

Bell Potter generally disseminates its Research to the Company's Institutional and Private Clients via both proprietary and non-proprietary electronic distribution platforms. Certain Research may be disseminated only via the Company's proprietary distribution platforms; however

such Research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the Author's previously published Research. Certain Research is made available only to institutional investors to satisfy regulatory requirements. Individual Bell Potter Research Analysts may also opt to circulate published Research to one or more Clients by email; such email distribution is discretionary and is done only after the Research has been disseminated. The level and types of service provided by Bell Potter Research Analysts to Clients may vary depending on various factors such as the Client's individual preferences as to frequency and manner of receiving communications from Analysts, the Client's risk profile and investment focus and perspective (e.g. market-wide, sector specific long term and short term etc.) the size and scope of the overall Client relationship with the Company and legal and regulatory constraints.

Disclaimers

This Research Report is a private communication to Clients and is not intended for public circulation or for the use of any third party, without the prior written approval of Bell Potter Securities Limited.

The Research Report is for informational purposes only and is not intended as an offer or solicitation for the purpose of sale of a security. Any decision to purchase securities mentioned in the Report must take into account existing public information on such security or any registered prospectus.

This is general investment advice only and does not constitute personal advice to any person. Because this Research Report has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited Broker (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this Research Report.

While this Research Report is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in this document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee expressly or impliedly, that the information contained in this Research Report is complete or accurate.

Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views, opinions or recommendations contained in this Research Report or for correcting any error or omission which may have become apparent after the Research Report has been issued.

Bell Potter Securities Research Department has received assistance from the Company referred to in this Research Report including but not limited to discussions with management of the Company. Bell Potter Securities Policy prohibits Research Analysts sending draft Recommendations, Valuations and Price Targets to subject companies. However, it should be presumed that the Author of the Research Report has had discussions with the subject Company to ensure factual accuracy prior to publication.

All opinions, projections and estimates constitute the judgement of the Author as of the Date of the Research Report and these, plus any other information contained in the Research Report, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice.

Notwithstanding other departments within Bell Potter Securities Limited advising the subject Company, information obtained in such role is not used in the preparation of the Research Report.

Although Bell Potter Research does not set a predetermined frequency for publication, if the Research Report is a fundamental equity research report it is the intention of Bell Potter Research to provide research coverage of the covered issuers, including in response to news affecting the issuer. For non-fundamental Research Reports, Bell Potter Research may not provide regular updates to the views, recommendations and facts included in the reports.

Notwithstanding that Bell Potter maintains coverage on, makes recommendations concerning or discusses issuers, Bell Potter Research may be periodically restricted from referencing certain Issuers due to legal or policy reasons. Where the component of a published trade idea is subject to a restriction, the trade idea will be removed from any list of open trade ideas included in the Research Report. Upon lifting of the restriction, the trade idea will either be re-instated in the open trade ideas list if the Analyst continues to support it or it will be officially closed.

Bell Potter Research may provide different research products and services to different classes of clients (for example based upon long-term or short term investment horizons) that may lead to differing conclusions or recommendations that could impact the price of a security contrary to the recommendations in the alternative Research Report, provided each is consistent with the rating system for each respective Research Report.

Except in so far as liability under any statute cannot be excluded, Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in the document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of the document or any other person.

In the USA and the UK this Research Report is only for institutional investors. It is not for release, publication or distribution in whole or in part in the two specified countries. In Hong Kong this Research Report is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States this Research Report is being distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this Research Report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

Bell Potter Securities Limited
ABN 25 006 390 772
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited
Room 1601, 16/F
Prosperity Tower, 39 Queens
Road Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC
Floor 39
444 Madison Avenue, New York
NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited
16 Berkeley Street London, England
W1J 8DZ, United Kingdom
Telephone +44 7734 2929