



Research Note

TechGen Metals Ltd (ASX:TG1)

Discount versus peers

Price: \$0.085 | Valuation: N/A | Implied Return: N/A | 09 May, 2023

Investment Summary

TG1's recent gold discovery that intercepted both high grade gold and exceptionally broad intercepts of gold from its maiden RC drilling program is its flagship John Bull project in the New England Orogen in northern NSW. An impressive 68m intercept showed 1g/t from surface also included high grade intercepts of 23m at 2.02g/t and 1m at 13.8g/t. Another intercept found 68m @ 1.12g/t in a step out drill hole. In total TG1 drilled 7 holes in its maiden drilling program for 887m.

Recently completed extension systematic surface soil sampling included a sample grading up to 10g/t Au and extended the total area of gold mineralisation to the north of previous RC drilling by 500m with a total strike length of 950m and open of greater than 100ppb Au. Looking at other similarly staged gold companies we found the average enterprise value to be \$14m. TG1 is currently trading 350% to 500% below comparable average EV.

Key Points

Interests with Majors; Farm-In: Rio Tinto and IGO have taken an interest in the Company's Paterson Orogen projects located in WA. RIO may earn an 80% interest in the Harbutt Range project by spending \$3m on exploration within 5 years. IGO may earn an 80% interest in the North Nifty project by spending \$500,000 on exploration within 4 years with TG1 free carried to completion of a feasibility study. The Paterson Orogen area contains several world class mines and deposits including Newcrest's Telfer mine, the Havieron Au-Cu deposit and Winu Cu-Au deposit.

Additional Projects: TG1 has access to a portfolio of additional base and precious metals projects in Western Australia. Recently completed drilling was conducted at Station Creek where TG1 intercepted 7m @ 1.23% Cu from 20m downdip, with work scheduled to commence here in the up-and-coming quarter. At the Mt Boggola project, copper rock samples re assayed showed rare earth potential with peak TREO of 1,885ppm located approximately 8km from a recently identified thorium anomaly. The Cyclops Project (nickel-copper-PGE) located in the highly sought after Pilbara Province has modeled three discrete EM targets within ultramafics that remain untested by drilling. Additionally, there's base metals projects in Earahedy and the Narryer Projects that are being advanced to drilling stages later in 2023.

Key Issues: All TG1's projects are at a relatively early stage with the John Bull project more advanced having seen the most recent drilling with a maiden gold discovery, size and scale, time will tell with another phase of drilling planned in a couple of weeks (mid-May). Cash on hand currently sits at \$1.5m.

Recommendation

TG1 currently trades below a basket of peers on an EV basis. We have compared TG1 to 14 other gold companies who all have pre-JORC gold assets in Australia. TG1 is currently trading at least 350% below the average EV of \$14m to \$20m. At the John Bull project the company may be able to announce a maiden JORC mineral resource toward the end of this year. It would not take much for a large re-rate in the stock and we place a speculative buy on TG1

Company Data

Recommendation: SPEC BUY
Price (Date 09-05): \$0.085
Shares on Issue: 64.3m
Market capitalization: \$5.45m
Enterprise Value: \$3.95m
12-month price range: \$0.06-\$0.26

Board Structure

Maja McGuire: Non-Exec Chair
Ashley Hood: Managing Director
Andrew Jones: Executive Director
Aida Tabakovic: Company Secretary

Major Shareholders

Ashley and Charlotte Hood: 6.95%
Tasex Geological Services: 5.78%
Total Top 20: 43.03%

12-month chart



Source: Iress

Company Overview

TG1 holds a gold project in NSW (John Bull) and five copper/gold projects in WA (Cyclops, Station Creek, Narryer, Earraheedy and Mt Boggola). The John Bull project is located in the New England Orogen region of NSW, east of Glen Innes and covers 32km². Gold shafts were mined in the 1880's and trenching in the 1980's returned, among others, 160m at 1.2g/t gold. TG1 has drilled 7 RC holes for 887m with best intercept showing 68m @ 1g/t including 23m @ 2.02g/t and a peak grade of 13.8g/t. The drilling campaign and recent soil sampling has identified two anomalous zones of 900m x 275m and 250m x 150m extent. A phase 2 drilling program is scheduled to start this month, positive results here could be a real company maker. Station Creek copper project is located 70km to the southwest of Paraburdoo within the Ashburton Region of WA. The EL covers 54km². Recent drilling has shown one intercept of 7m @ 1.23% Cu and rock chip sampling showed rocks with a peak grade of 54.8% Cu. The tenement holds additional exposed copper shears to be followed up.

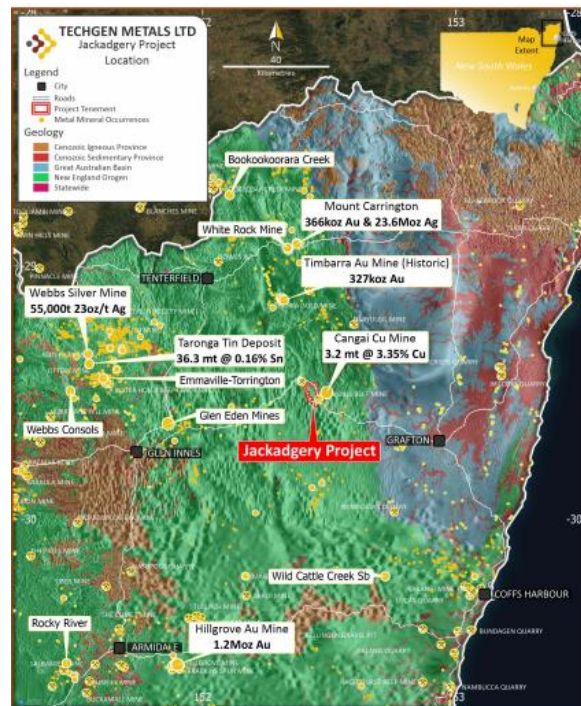
Nearby to the south, Mt Boggola comprises four exploration licenses spanning 352km². Rock chips from 2022 have copper grades up to 8.7% Cu and recently re assayed interestingly show rare earth mineralization approximately 8km from a recently identified thorium anomaly.

In the Pilbara TG1 owns the Cyclops project which is located 75km southeast of Marble Bar and covers 38km². Airborne EM surveys have identified 3 discrete bedrock anomalies in the desired geology of mafic and ultra mafic rocks, drill testing of Cyclops One, Two and Three Prospects are being planned. The tenement is prospective for Ni-Cu-PGE mineralisation. In the Earheedy Basin TG1 has 5 exploration licences southeast of Rumble Resources (ASX:RTR) recent zinc/lead discovery. RTR has recently delineated a resource of 94Mt at 3.1% zinc/lead and 4.1g/t Ag containing 2.2Mt of zinc, 0.7Mt of lead and 12.6Moz of silver.



Location of projects. Source: TG1

TG1 also has two exciting joint ventures with Rio Tinto and IGO exposing the company to major growth opportunities with serious majors spending and exploring while the Company spends precious funds at John Bull and its other grass roots assets. Both RIO and IGO JV's are in the Paterson Orogen area, 1200km northeast of Perth. At Harbutt Range RIO may earn 80% by sole funding \$3m of exploration within 5 years. At North Nifty IGO may earn 80% interest in the project by funding \$500,000 worth of exploration within 4 years with TG1 free carried to completion of a feasibility study.



Pictorial of the John Bull project. Source: TG1

John Bull - Project background

The John Bull Gold Project was acquired by TG1 in May 2022 and has an exploration area of 32km². Located east of Glen Innes in NSW the tenement was previously mined as far back as 1870 with several shallow shafts sunk during those years and artisanal mining being conducted in the 1940's. The project had never been systematically explored or drilled, however some exploration activities in the past such as trenching, results of 160m @ 1.2g/t Au, here TG1 saw an opportunity to acquire a potentially large-scale gold system at surface. Within this trenching a higher-grade interval of 5m at 9.85g/t Au was recorded. These results gave TG1 immediate drill ready targets. The trenching was conducted between 1983 and 1985 by Kennecott and Southern Goldfields which included digging a 220m long trench into weathered quartz bedrock. Another 6 samples collected returned an average of 5.6g/t Au.

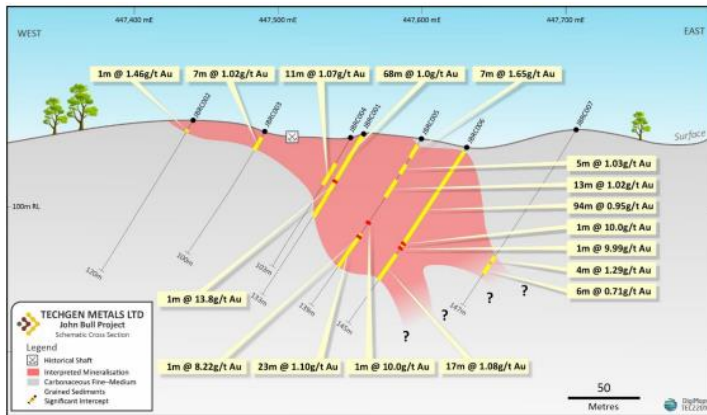


Drill rig at John Bull. Source: TG1

On the back of these historic exploration results TG1 was able to quickly identify quality drill targets. A 1,000m RC drill campaign was initiated in July 2022 targeting the previous gold shafts and sluicing areas. This was the first time the tenement was ever drilled. In the end TG1 drilled 7 RC holes for 887m. Assays from the first drill hole was announced in September 2022 and showed, among others:

- 68m @ 1.0g/t Au from surface including 23m @ 2.02g/t, with a peak grade of 13.8g/t.

All holes were drilled along a single east-west drill line and remain open downdip to the east and along strike to the north and south. The remaining 6 drill holes continued to show broad zones of mineralisation which continued



Drill intersections. Source: TG1

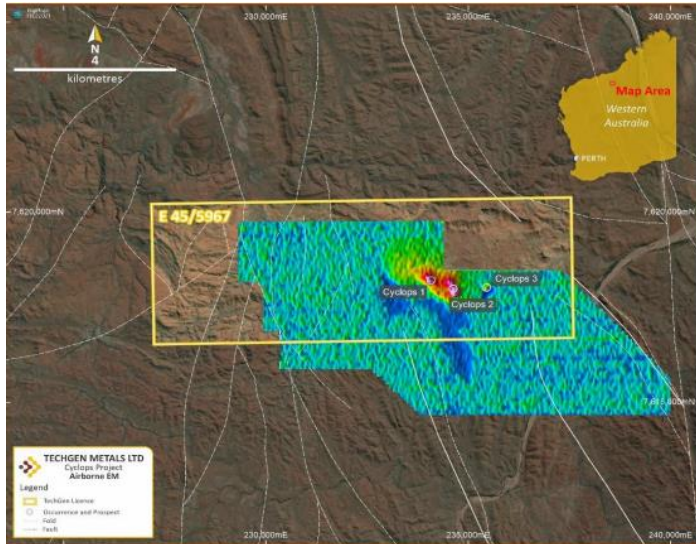
to be open in all directions. Of particular interest was drill hole JBRC006 which showed a 94m intercept at 0.95g/t from 4m to 98m downhole. This included several other high-grade interceptions such as 66m @ 1.14g/t, 1m @ 10g/t, and 1m at 9.99g/t. In addition 17m @ 1.08g/t was intercepted from 109m to 126m downhole. The drill campaign established a potential large area of orogenic gold mineralisation. In attempting to extend the known mineralization area, TG1 elected to undertake soil sampling and collected 611 samples in November 2022.

The highest-grade soil samples collected showed 8.56g/t Au and in total 38 samples have returned value of at least 1g/t Au. Another round of soil samples collected in January 2023 returned more high-grade samples with one outstanding surface sample returning 10g/t Au. Sampling was conducted in a systematic grid at John Bull, with the most recent soils geochemistry (stage 2) focusing in an area north of previous drilling and known geochemistry, 39 samples here saw gold grades of higher than 0.1 g/t Au (100ppb). Importantly, the soil sample results have indicated that the zones of gold anomalism are much larger than previously expected. North Zone, which includes the maiden RC drill campaign, previously extended over an area of 550m x 275m, has now been extended to +950m x 275m. This further adds to the weight that the John Bull gold project is a potentially large scale, mineralised gold project.

Stage 2 geochemistry recently added an extension zone to the north of the North Zone which previously never had any known anomalism or historical workings. The South Zone is estimated to extend 250m x 150m. A further 10 RC drill holes and 1 diamond drill hole are scheduled to be drilled in May. North and South zones are split by a monzonite intrusive, which is an igneous intrusive rock formed by slow cooling of underground magma, two planned RC holes will test the contact zone between the mineralised orogenic sedimentary rock and the monzonite intrusive testing for a potential second source/stage of mineralisation. The planned diamond drill hole will test the contact zone at depth.

Other Projects

Cyclops Project



Three targets at Cyclops. Source: TG1

Cyclops is located 75km southeast of Marble Bar and covers 38km². The tenement is prospective for mafic-ultramafic hosted nickel-copper-platinum group massive sulphide mineralisation.

Previous rock chips and the previous drilling in 1972 by Carpentaria Exploration Company has confirmed the presence of ultramafic rocks which ultimately is the desired host geology for magmatic massive sulphide intrusive systems. Carpentaria exploration drilling returned an intercept of 111m @ 0.2% Ni to end of hole.

Three discrete airborne VTEM targets identified in 2014 by Platypus Minerals are encouragingly several hundred metres from historic drilling and remain untested. Permitting is currently progressing to drill test these targets in later 2023.

Earaheedy Basin

TG1 has 5 exploration licences covering an area of 911km² in the Earraheedy Basin which are located in proximity of Rumble Resources (ASX:RTR) Chinook Zn-Pb-Ag discovery. TG1 are currently planning exploration activities at the project. Rumble Resources has recently announced a maiden JORC mineral resource estimate on their project to the north of TG1. RTR announced a maiden inferred resource of 94Mt @ 3.1% Zinc and Lead and 4.1g/t Ag. This gives the Chinook discovery contained metal of 2.2Mt of zinc, 0.7Mt of lead and 12.6Moz of silver.

Joint ventures with IGO and Rio Tinto

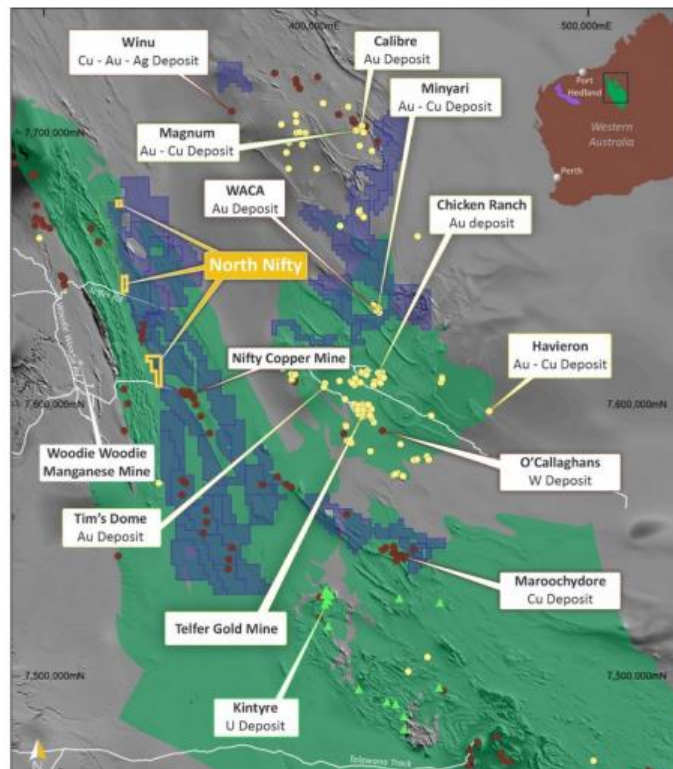
TG1 have two ongoing joint ventures with majors. Both are in the Paterson Orogen which lies 1,200km northeast of Perth. Within the Paterson Orogen several world class mines and deposits including Newcrest's Telfer mine, Nifty Cu mine, the Havieron Au-Cu deposit and Winu Cu-Au deposit discovered recently.

At the Harbutt Range project, which covers an area of 376km², Rio Tinto Exploration (a wholly owned subsidiary of Rio Tinto, ASX:RIO) have signed a binding farm-in sheet and may earn up to 80% interest in the project by

funding \$3m worth of exploration within 5 years, including a minimum 3,000m of drilling. Prior to 31 December 2023 Rio Tinto will need to fund minimum exploration expenditures of \$250,000. After the minimum expenditure Rio Tinto have the option to withdraw from the farm-in.

The Harbutt Range project is considered prospective for several mineralisation styles including intrusive related copper-gold and sediment hosted base metal mineralization. Within the Paterson Province Rio Tinto recently discovered a new copper-gold deposit named Winu which has 503Mt at 0.45% copper equivalent (CuEq).

The North Nifty project is also located in the Paterson Orogen province and consists of two exploration licenses covering a combined area of 47km². The second farm-in venture is in this region, north of the Harbutt Range project, and is with Independence Group (ASX:IGO) who may earn up to 80% in the project by funding \$500,000 worth of exploration within 4 years with TG1 being free carried to completion of a feasibility study.



Located 8km to the south of the North Nifty project lies the Nifty Copper mine owned by Cyprum Metals (ASX:CYM) which has a JORC resource of 95.1Mt @ 1% Cu for 940,200t of contained metal. The North Nifty project has seen limited exploration in the past. The project is split into three separate blocks with the largest and southernmost block showing broad copper anomalies at the Hakea Prospect. The area is highly mineralised with a number of deposits in the vicinity.

Two joint ventures in a highly mineralised area. Source: TG1

Ashburton Area

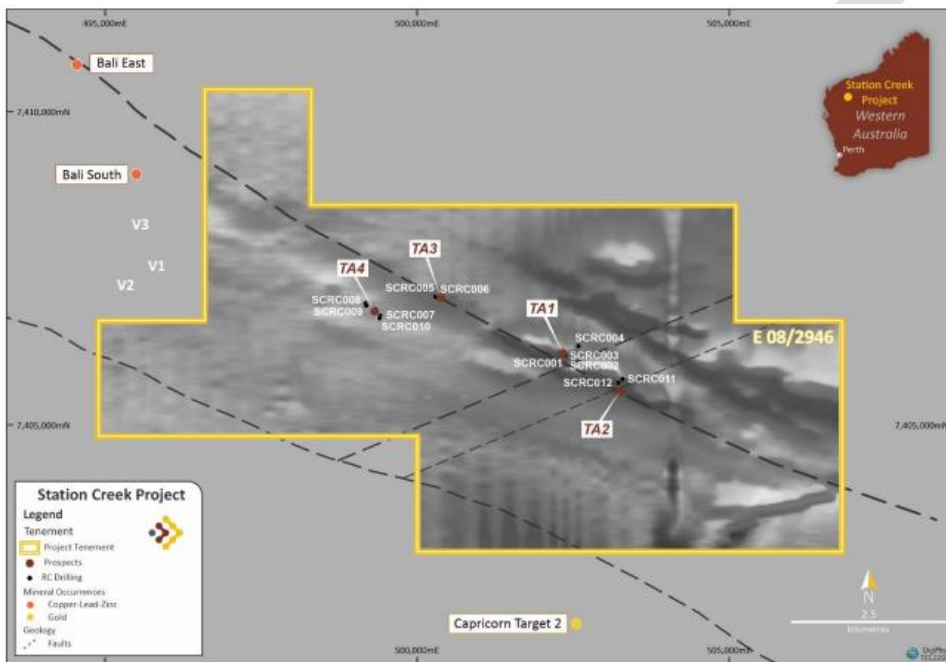
The Ashburton area consists of two projects, Station Creek and Mt Boggola, 50km apart. The Ashburton area lies between Exmouth and Newman covering 406km².

Rock chip samples showing grades up to 54.8% copper identified four chargeability anomalies at Station Creek which had never been drilled previously. Station Creek is considered prospective for shear zone hosted base metal and gold deposits. Four identified areas were drilled in September last year where TG1 completed 12 RC drill holes for 1,636 metres. An additional 3 RC drill holes were drilled at the Mt Boggola project.

Drill results at Station Creek returned copper intercepts at two of the four prospective areas. Best results include;

- SCRC007, 1m @ 2.06% Cu from 9m downhole
- SCRC012, 7m @ 1.23% Cu from 20m downhole

Encouragingly the drilling campaign showed copper oxide and chalcopyrite, which is a copper iron sulphide mineral and the most abundant copper ore. As exploration goes, few drill holes did not return any significant results however the drill program did give encouraging follow up targets and a better understanding of structural, geological and geochemistry controls to be applied while planning and modelling new targets.



Activity Timeline

We are expecting a busy news flow for the remainder of the year. Drilling at John Bull is scheduled to begin this month with assays due June/July. A phase 3 drilling campaign is scheduled for October, results depending one can assume.

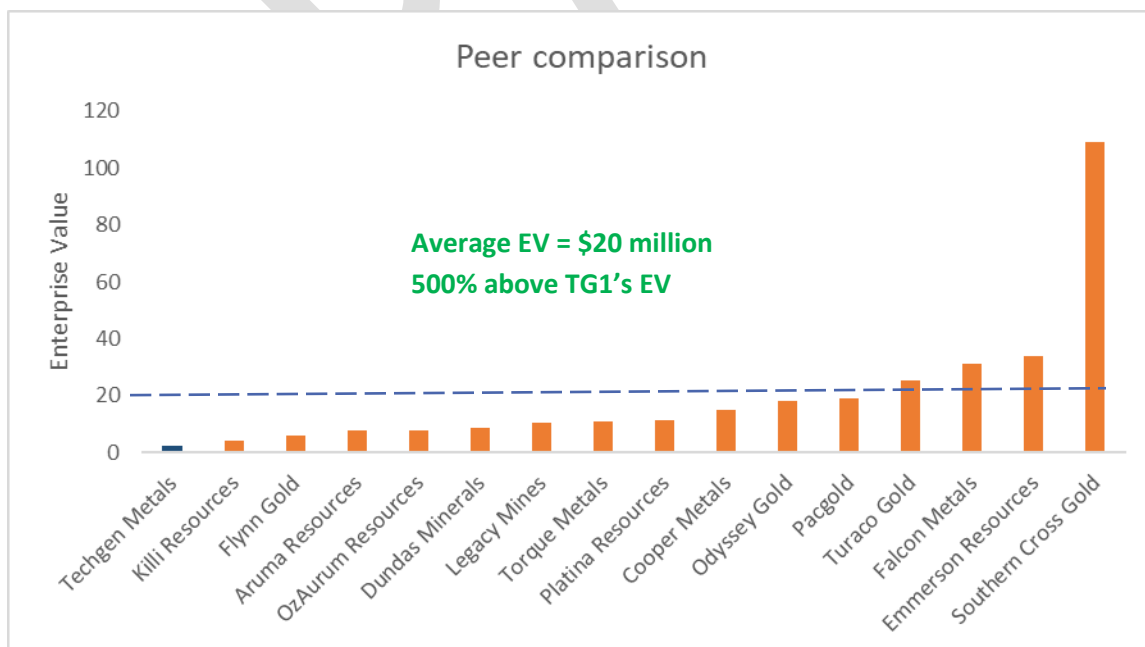
A maiden drill campaign is also scheduled at the Cyclops project where TG1 has three drill ready targets based on discrete EM plates within preferred mafic/ultra mafic geology. In the Ashburton region TG1 is again mapping in order to do another drill campaign at Station Creek in July with assays due in potentially August.



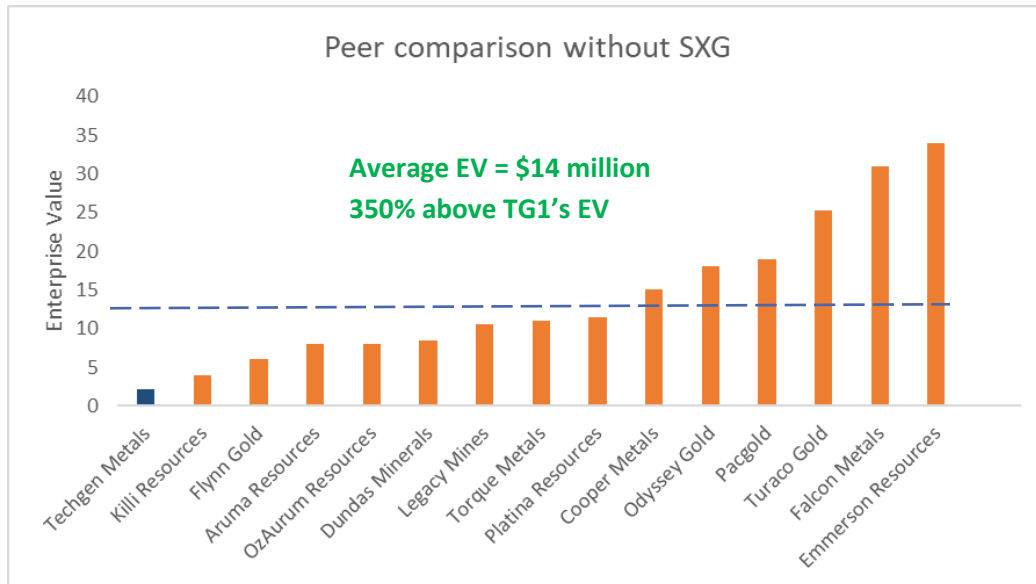
Project	Q2 2023			Q3 2023			Q4 2023		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
John Bull	Geochem & POW Approval	Phase 2 Drilling	Mapping EL9121. Assays Modelling & Interp				Phase 3 Drilling		
Ashburton Mt Boggola Station Creek	Radiometric REE & Cu Geochem mapping		Assays & Heritage	RC drill testing	Assays				
Pilbara Cyclops (Ni-Cu-PGE)	Model EM	Heritage	Maiden RC Drilling	Assays			Stage 2 Drill Testing		

Valuation

TG1’s flagship asset is the John Bull gold project located in northern NSW. Systematic soils geochemistry has delineated an impressive zone of gold anomalism of +900m x 275m (North Zone), which is the area where the maiden RC drilling took place (September 2022), and another zone of 250m x 150m which lies immediately to the south of the northern zone. Recent high-grade surface soils samples identified additional drilling targets to the north of stage 1 RC drilling. In valuing TG1 we need to consider their core asset is currently pre-JORC and thus building a discounted cash flow model would require too many assumptions, although favourable. However, we can look at similarly staged companies in the same sector and see how they are trading on an enterprise value (EV) basis. We compiled a list of pre-JORC gold companies, with emphasis given to those with assets in Australia. We found 14 gold companies who have assets in Australia which are all pre-resource. The average EV across these companies is \$14m to \$20m.



The outlier is clearly Southern Cross Gold (ASX:SXG) and if we remove this company the EV drops to \$14 million, as shown below. However, as can be seen in these graphs with TG1 trading on an EV of \$4m is undervalued by approximately 500% and by 350% ex SXG.



Key risks

We have identified the key risks to TG1 being the following:

- John Bull currently has no JORC resource, the eventual maiden resource may not show the desired grade for an open cut mine.
- While gold prices should remain strong it is always important to be mindful of the downside risk to the underlying commodity.
- As for most junior mining companies continual funding is needed.
- Upcoming drill programs in Western Australia may not warrant follow up drilling if the results are poor.

Management

Maja McGuire – Non-Executive Chair

Ms McGuire is a consulting lawyer and board director, bringing 15 years' experience in the provision of strategic, corporate and compliance advice to ASX listed companies. This includes working with listed companies as a non-executive director, general counsel and company secretary and in top-tier private practice. Ms McGuire has a successful track record in developing strategies that deliver results and providing strong leadership in teams. She has extensive experience advising in the areas of corporate, governance, capital markets and risk management. Ms McGuire is an experienced public company director, bringing board experience across a range of industries including mining, biopharmaceutical, personal services and in the blockchain/NFT space. She is currently the Non-Executive Chair of TechGen Metals Ltd (ASX:TG1), Non-Executive Director of Kuniko Limited (ASX: KNI), OliveX Holdings Ltd (NSX: OLX), LTR Pharma Ltd and Stormeur Ltd.

Ms McGuire holds LLB and BComm qualifications from the University of Western Australia.

Ashley Hood – Managing Director

Ashley Hood is a founding director and originally appointed as Managing Director on 18 October 2018. Mr Hood has more than eighteen (18) years' experience in the mining industry working in mine and exploration operations for junior and major mining companies based in Australia, South Africa and New Zealand. Mr Hood has broad senior management experience having listed a number of ASX companies, held executive directorships and currently is a non-executive director of Pivotal Metals Ltd (ASX:PVT). Mr Hood is also a director of Blue-Ribbon Mines Pty Ltd (ACN 133 208 581) which specialises in project acquisition and due diligence, native title negotiations, and has a portfolio of family held mineral and precious metals projects with flagship assets in several ASX listed companies today.

Andrew Jones – Executive Technical Director

Andrew Jones was appointed as a Director of the Company on the 10th February 2020. Mr Jones has more than 20 years' experience as a geologist in the resources sector and has worked throughout Australia, in West Africa, Southern Africa and South America. Mr Jones holds a B.App.Sci degree from RMIT University and Honours and MSc degrees from the University of Tasmania.

Mr Jones has experience in a range of mineral commodities and has been involved in the discovery of new mineral deposits, extensions to known mineral resources at operating mine sites and has been involved in several feasibility studies for commodities including gold, copper and nickel-cobalt. He is a member of both the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM).

Aida Tabakovic – Non-Executive Director & Company Secretary

Aida Tabakovic was appointed as the Company Secretary of the Company on 1 December 2022. Miss Tabakovic has over 11 years' experience in the accounting and financial reporting of listed and unlisted companies. Miss Tabakovic holds a Double Major Degree in Accounting and Finance and a Postgraduate Degree in Business Law. She provides services to several ASX listed and unlisted companies, specialising in financial accounting and corporate compliance. Miss Tabakovic has been involved in listing several junior exploration companies on the ASX and is currently Company Secretary for numerous ASX listed companies.

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Lodge directors, consultants and advisers currently hold <1% shares in the Company and may buy or sell the shares from time to time. Lodge has earned and will continue to earn broking commissions by acting for individual clients that are buying or selling their shares in company.

Analyst Verification

I verify that I, Sven Restel, have prepared this research report accurately and that any financial forecasts and recommendations that are expressed are solely my own personal opinions. In addition, I certify that no part of my compensation is or will be directly or indirectly tied to the specific recommendation or financial forecasts expressed in this report. I do not currently own any shares in the Company.

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