

A high potential gold & battery metals play

Metals & Mining

Flynn Gold Limited (ASX: FG1) is a Victoria-based exploration company primarily focused on exploring gold and battery metals in the world-class mining regions of Tasmania and Western Australia (WA). FG1's 100%-owned flagship project, the Golden Ridge Project, boasts multiple high-grade gold mineralisation prospects. The company holds a pioneering position in the emerging gold province of Northeast Tasmania. FG1 also possesses 100%-owned tenements in the highly prospective Pilbara and Yilgarn areas of Western Australia, which contain lithium, gold and nickel prospects. With promising metallurgical test results, the company is swiftly progressing towards defining gold resources at its flagship Golden Ridge Project.

IRGS-based resource offers a distinct advantage to FG1

Initial and limited drilling at the Golden Ridge Project has shown promising indications of hosting a significant Intrusive Related Gold System (IRGS). Substantial anomalies observed within the granodiorite and adjacent sediments across an 8km mineralised zone suggest the presence of large-tonnage gold deposits, a typical characteristic of IRGS gold. This trait positions the Golden Ridge Project as a potentially extremely lucrative asset. Lab testing conducted on 26 samples from drilled holes confirmed an average gold recovery rate of 94.7%, with gold grades ranging from 0.43 g/t to 172.74 g/t Au, highlighting the potentially high economic value of the Golden Ridge Project.

Battery metal resources add value to FG1's economics

FG1 holds 24 tenements in the WA region, advancing a portfolio of lithium prospects within hard-rock fields. The multiple exploration targets, rich in high-demand battery metals such as lithium and nickel, offer significant upside potential to FG1. The fully permitted licenses allow an immediate start to exploration and drilling activities in the area. One of the Australian lithium explorers recently attracted an overwhelming response from the investor community during its IPO, owing to its portfolio of emerging and unexplored lithium deposits across WA's Pilbara and Yilgarn areas. This presents an economically lucrative outlook for FG1's 100%-owned asset base in the same area.

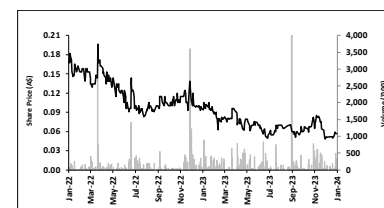
Valuation range of A\$0.084–0.097 per share

We have assessed FG1 at A\$0.084 per share in the base-case scenario and A\$0.097 per share in the bull-case scenario using an asset-based comparable valuation methodology, reflecting a Price/NAV of 0.59x. Our calculations factor in full share dilution, including unlisted options and management's performance rights issuance. The target price range emphasises the considerable inherent value of the Golden Ridge deposits. Our valuation range does not consider FG1's unexplored Lithium assets, which possess substantial value, especially considering the recent successes of some peers in the region. This suggests additional potential for long-term unlocking of value. Notable risks to our investment thesis include commodity price fluctuations, funding challenges and potential project delays.

Flynn Gold Valuation (A\$m)	Base Case	Bull Case
Golden Ridge weighted average resource (Moz)	0.27	0.27
Sector Average (EV/Total resource in A\$/t of Au Eq)	37.75	45.30
Total Value (A\$m)	12.80	14.86
Implied Price (A\$ per share)	0.084	0.097

Date	23 Jan 2024
Current Price (A\$)	0.053
Target Price (A\$)	0.084-0.097
Price / NAV (x)	0.59x
Market Cap (A\$m)	7.28
52-week L/H (A\$)	0.048/0.120
Free Float (%)	48%
Bloomberg	FG1 AU
Reuters	FG1.AX

Price Performance (in A\$)



Business description

Flynn Gold Limited (ASX:FG1) is a mineral exploration and development company based in Victoria, Australia. The company primarily focuses on gold and battery metals, namely lithium, tin, nickel, and zinc. Its portfolio comprises 12 exploration licences and 24 tenements and applications spread across the Tasmanian and Western Australian regions, respectively. As an early participant in gold exploration in Northeast Tasmania, it holds a significant position in the region. The company's flagship projects, the Golden Ridge, Warrentinna, Firetower and Portland projects, are fully owned by FG1. Additionally, the company holds a 100% interest in several Lithium-Gold Projects in the Pilbara area and multiple Lithium-Gold-Nickel Projects in the Yilgarn region of Western Australia.

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Investment Rationale

Flynn Gold Limited (ASX: FG1) is an Australian mineral exploration and development company with a portfolio of 100% owned assets in Tasmania and Western Australia (WA) mining regions. The company targets gold, lithium, and other battery metals, including tin, nickel, cobalt, tungsten and zinc, through its exploration projects.

In Tasmania, FG1 holds 12 Exploration Licences (ELs) – nine tenements prospective for gold-tin-tungsten —located in northeast Tasmania. The company also owns the Henty zinc-lead-silver project in western Tasmania and the Firetower gold-cobalt-tungsten project in northwest Tasmania. In WA, FG1 holds 24 tenements and applications, including gold-lithium projects in the highly prospective Pilbara and Yilgarn regions.

Early-mover advantage with northeast Tasmanian gold projects

FG1's portfolio includes the Golden Ridge, Warrentinna, Portland, and other projects in northeast Tasmania, an emerging gold province. The company has focused its initial exploration efforts in the region due to geological and gold mineralisation similarities with the Victorian Goldfields, renowned as one of the world's premier gold camps, hosting high-grade gold deposits such as Bendigo, Ballarat, and Fosterville.

Encouraging results from drilling at the Trafalgar prospect within the Golden Ridge Project have been reported, with multiple intersections grading over 100g/t, strongly support FG1's exploration model, indicating the project as an Intrusion-Related Gold System (IRGS) with significant potential for a large-scale gold resource. Bolstered by robust metallurgical outcomes, including an average gold recovery of 94.7%¹ and an early-mover advantage, the Golden Ridge Project emerges as a promising investment opportunity with strong growth prospects, in our view.

Significant portfolio of battery metals exploration projects in WA

The company has strategically developed a portfolio of promising assets rich in lithium (Li)-gold (Au) mineralisation, including the Mt Dove, Forrestania, and Lake Johnston projects in WA. WA stands as one of the premier mining jurisdictions globally and contributes nearly 60% to Australia's gold output.

FG1 aims to expand both the footprint and the quality of its portfolio by securing large lithium pegmatite deposits and intrusive-related gold systems in proven Li-Au provinces in WA. As part of this strategy, the company recently secured an option to purchase two Exploration Licences at Parker Dome, located 50km north of the Mt Holland Lithium deposit, in December 2023.

FG1's WA assets capitalise on their advantageous location and geological features. Moreover, through focused efforts in exploration and drilling, these assets are poised for rapid growth.

Asset portfolio offers a unique mixture of resources that provides stability (gold) and high growth potential (battery metals)

Gold's history is unparalleled by any other metal as it has enjoyed inherent value since time immemorial. Owing to its unique properties, gold has consistently held universal acceptance as a medium of exchange for goods or services. In today's world, it acts as a natural hedge against inflation, interest rate risk, and a reserve for global central banks. Consequently, due to multiple bank failures in the US, regional political conflicts in the Middle East, and rising inflation, the price of gold has been on an upward trajectory in the last few years.

FG1 has a distinct advantage as the company has a portfolio of 100%-owned projects in world-class mining regions

¹ https://endmemo.com/sconvert/ppmg_ton.php

With Australia ranking as the third-largest gold-producing country in the world, and the gold price expected to stabilise above US\$2,000/oz in 2024, we think Australia's undervalued and high-potential gold stocks, such as FG1, provide lucrative investment opportunities.

Additionally, as the world moves towards greener energy sources, lithium, zinc, and nickel are expected to continue gaining commercial traction globally. Being highly recyclable, ductile, malleable, and having low density, these battery metals have abundant usage. Projections indicate that the supply of these metals may fall short of demand by 2030. This is expected to provide a lot of benefits to junior explorers such as FG1, who are expected to potentially hold assets ready for development and production by 2030.

Valuation

We value FG1 at A\$0.084 per share in a base-case scenario and A\$0.097 per share in a bull-case scenario, utilising an asset-based comparable valuation methodology. The high-quality prospects within FG1's portfolio, particularly in battery metals and gold, present substantial value in response to the thriving market demand for these commodities. Our optimistic outlook on gold prices further enhances the appeal of investing in FG1.

It is noteworthy that our valuation range is solely based on the valuation of FG1's Golden Ridge Gold Project, and it does not take into account the company's other Tasmanian gold and battery metal projects and its unexplored WA Lithium assets. These lithium assets, however, possess substantial value, especially considering the recent successes of some peers in the region. This suggests additional potential for long-term unlocking of value.

The prevailing bearish sentiment surrounding junior explorers, coupled with limited drilling and FG1's low free float, has resulted in a significant undervaluation of the stock. However, we anticipate that with a recovery in capital markets, an improving global economy, and potential enhancements in the stock's liquidity, this substantial gap in relation to the stock's intrinsic value will gradually narrow in the medium term.

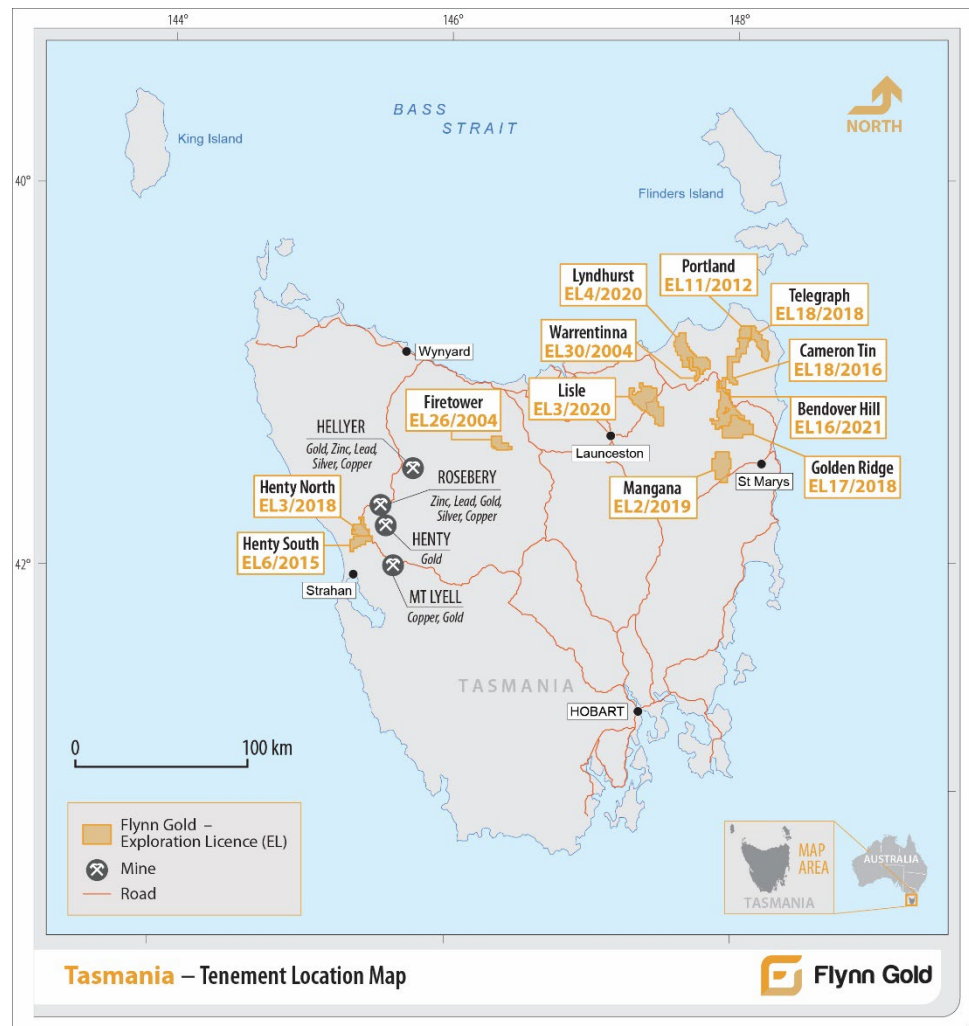
Key risks to our investment thesis encompass volatility in commodity prices, influenced by the current uncertain economic conditions, and funding risks. FG1 lacks current cash flows and heavily relies on capital raisings to support its operations.

FG1's Tasmanian assets

FG1 holds twelve 100% owned, granted exploration licences (ELs) encompassing an area of 1,475km² in Tasmania. Out of the 12 ELs, nine prospective for gold, tin and tungsten are located in northeast Tasmania. The Company also owns the Henty zinc-lead-silver Project in western Tasmania and the Firetower gold-cobalt-tungsten Project in northwest Tasmania (Figure 1).

Figure 1: Flynn Gold's tenements in Tasmania

Tasmania is one of the most mineralised places on the planet and has several operating mines, including some of the world-renowned deposits

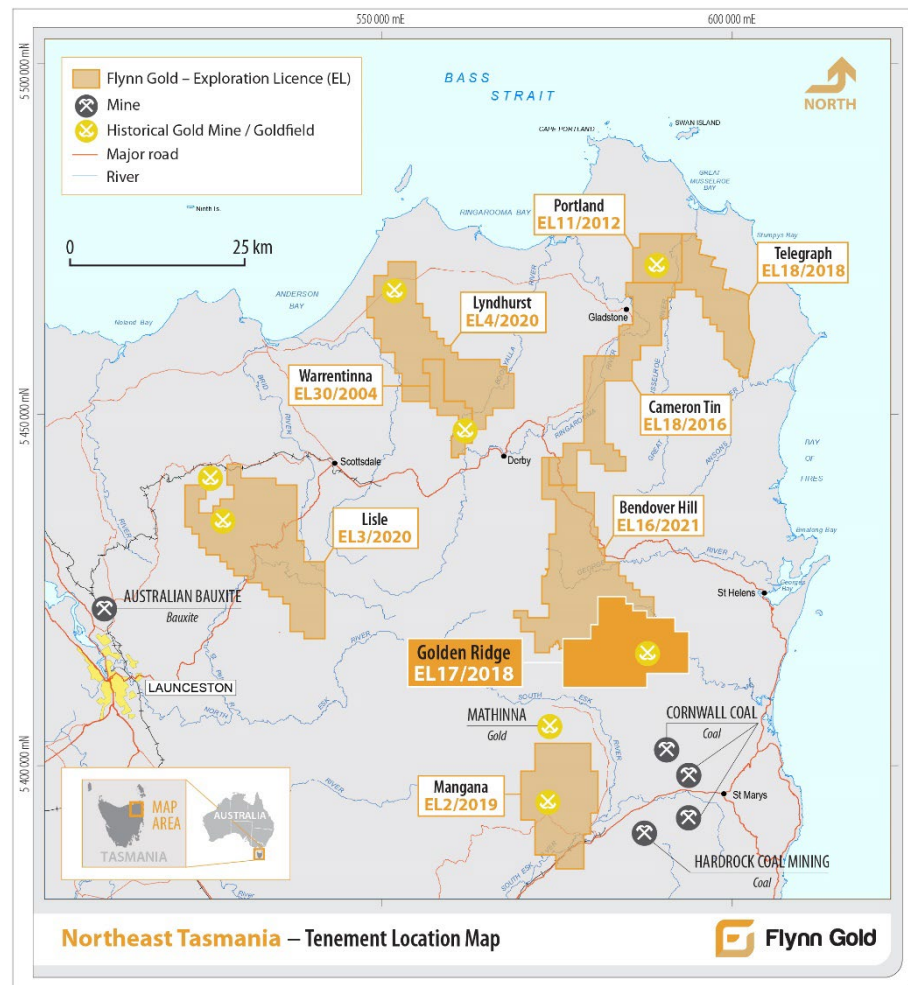


The advantageous position of FG1's Tasmanian assets is reinforced by their proximity to essential infrastructure, such as railways, roads and ports. A skilled workforce and a stable political and regulatory environment in Tasmania further add to the attractiveness of the assets.

Northeast Tasmanian assets: Significant gold potential

In northeast Tasmania, FG1's portfolio comprises nine granted tenements prospective for gold, tin and tungsten, encompassing an area of 1,281km² – the area includes the Golden Ridge, Warrentinna, Portland, and other tenements (Figure 2). FG1 has a distinct competitive advantage in the emerging gold province of northeast Tasmania, as the company has focussed its early exploration effort in the region due to its similarities in geology and gold mineralisation styles with the Victorian Goldfields. The Victorian Goldfields are one of the best gold camps in the world and are currently the subject of a dramatic increase in exploration activity and investment following recent high-grade discoveries.

Figure 2: Location of tenements in Northeast Tasmania



Source: Company

In Northeast Tasmania, FG1's exploration focus till date has been on the Golden Ridge, Portland, and Warrentinna projects

1. The Golden Ridge Project: Focus of exploration activities in Northeast Tasmania

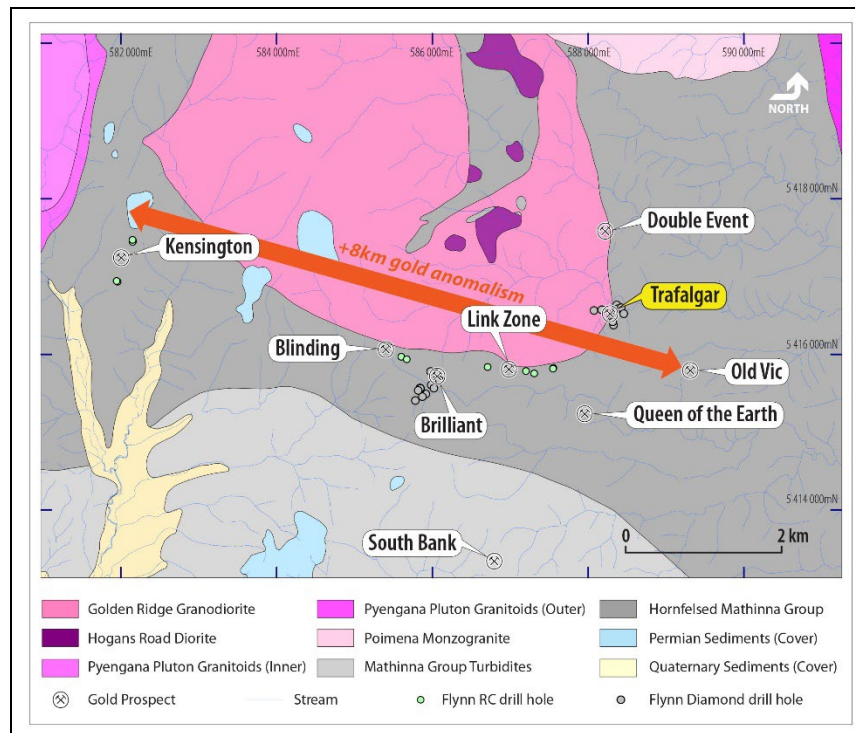
The Golden Ridge project (EL17/2018) encompasses an area of 167km² and is located c. 75km east of Launceston in northeast Tasmania. The project is prospective for Intrusive Related Gold System² (IRGS) style mineralisation and comprises nine prospects, including Trafalgar, Brilliant, Link Zone, Kensington, Blinding, Double Event and others. FG1 has identified anomalous gold extending over an 8km long contact zone along the southern margin of the Golden Ridge Granodiorite³ (Figure 3), but there has been little exploration in this area to date.

FG1's work on the project to date indicates that the project has the potential to host a multi-million-ounce bulk tonnage gold deposit, such as the 5 million ounces (Moz) Fort Knox in Alaska and Red 5's King of the Hills deposit in WA, which has a resource of >4Moz. The company intends to identify and test multiple exploration targets, with the aim of making new discoveries.

² The Intrusion-Related Gold Systems (IRGS) refer to reduced ore mineral assemblages characterised by lacking regional copper but known for their tungsten and tin geochemical signature.

³ Granodiorite is a coarse-grained (phaneritic) intrusive igneous rock similar to granite, but containing more plagioclase feldspar than orthoclase feldspar.

Figure 3: The Golden Ridge Project geology

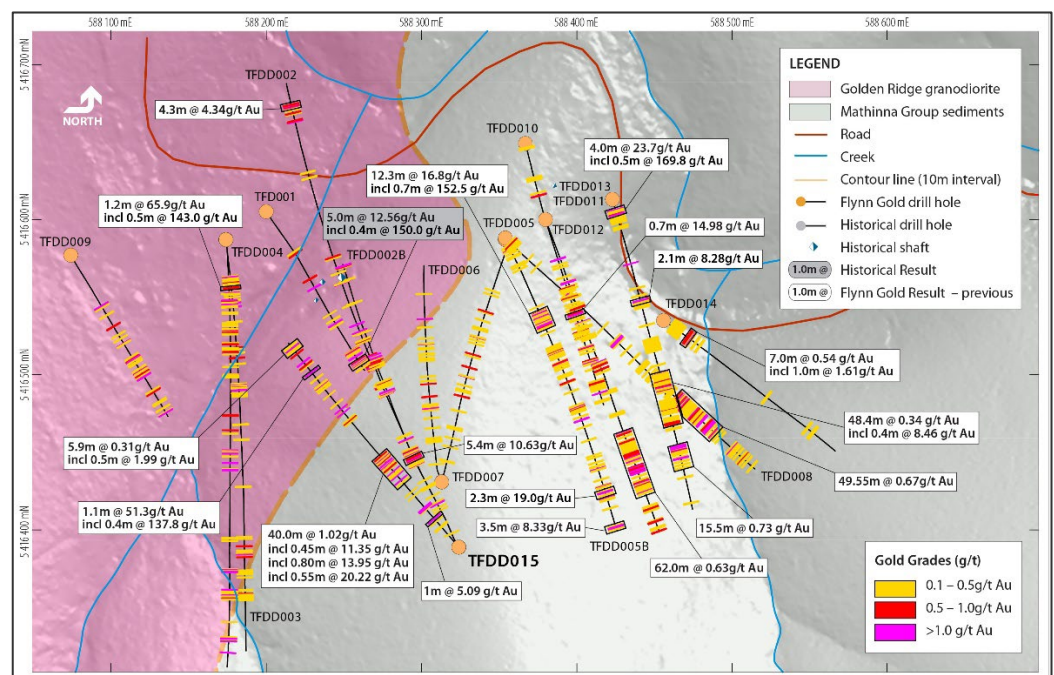


Source: Company

a. The Trafalgar Prospect

The Trafalgar Prospect is the first location where the intrusive granodiorite-hornfels contact has been drill tested by the company. In May 2022, FG1 commenced diamond drilling (DD) at the Trafalgar prospect with the Phase 1 campaign, including seven holes drilled for 3,231.3m. The campaign delivered highly encouraging results, including 12.3m @ 16.8 grams per tonne (g/t) Au from 108.7m in hole TFDD005 (Figure 4).

Figure 4: Trafalgar Prospect Drill Hole Location Plan



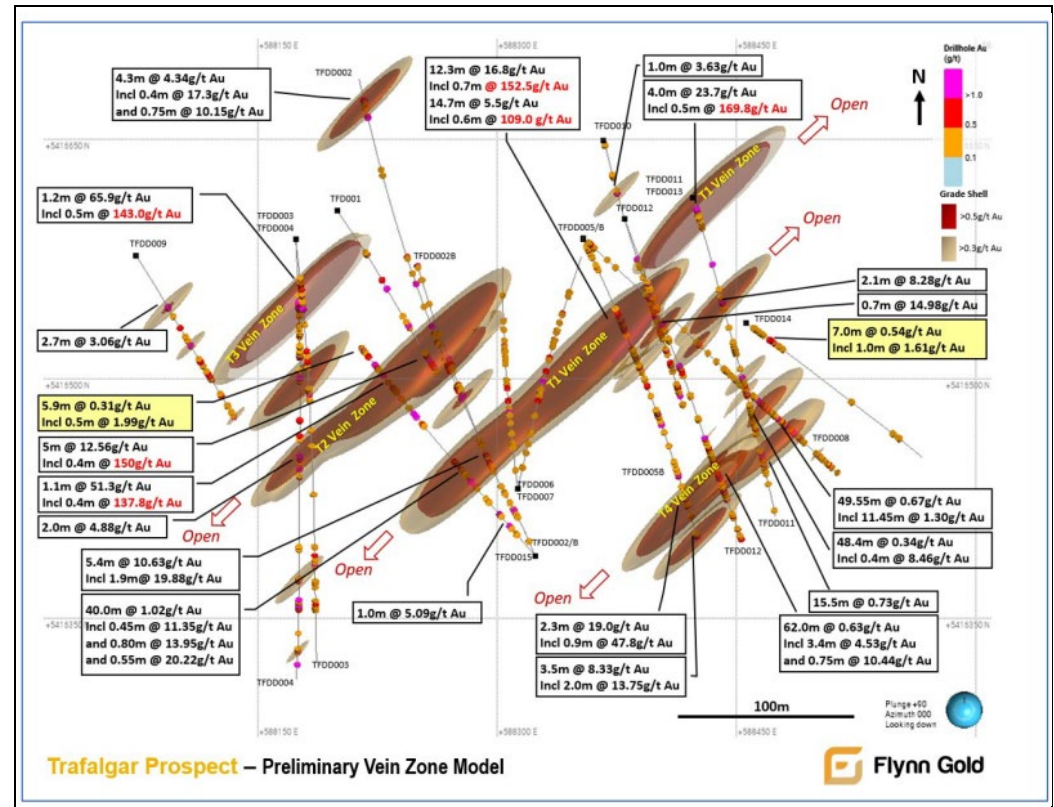
Source: Company

In March 2023, FG1 commenced Phase 2 DD at the Trafalgar prospect in order to test for strike extensions of gold mineralisation beyond that intersected in the Phase 1 drilling programme. The drilling programme was completed in August 2023, with a total of 8 diamond holes drilled for 1987.35m. High-grade results were reported, including 4m @ 23.7g/t Au from 23.0m in hole TFDD013.

Drilling at the Trafalgar prospect now has multiple quartz-sulphide vein intervals grading >100g/t Au with at least 4 main vein zones interpreted – T1, T2, T3 and T4 zones – all of which are open along strike and at depth. The Trafalgar gold mineralisation system extends over a drilled strike length of at least 400m and to depths of up to 420m from the surface.

Figure 5: A plan view of the preliminary vein zone model at Trafalgar

The initial metallurgical tests completed on 26 drill samples at the Trafalgar prospect has yielded an exceptional 94.5% Au recovery



Source: Company

Detailed geological modelling of the Trafalgar prospect is in progress in order to identify high priority targets for follow-up drilling, with particular emphasis on testing for shallow extensions of earlier vein intersections which graded >100g/t Au.

b. Other prospects at the Golden Ridge project

The Brilliant Prospect is interpreted to be a high-grade, narrow-vein gold system. In April 2022, FG1 completed a DD programme at the prospect with a total of 14 holes drilled for 4,222m. The results extended mineralisation at the prospect along the strike of previous drilling by up to 200m. The gold mineralisation at the Brilliant Prospect remains open in all directions.

In addition to the Trafalgar and Brilliant prospects, FG1 has carried out a regional scout reverse circulation (RC) drilling programme at the Kensington, Blinding and Link Zone prospects for a total of 12 holes for 1,455m. This programme is the first recorded drilling undertaken at these prospects and was designed to test previously undrilled priority target areas identified by the company.

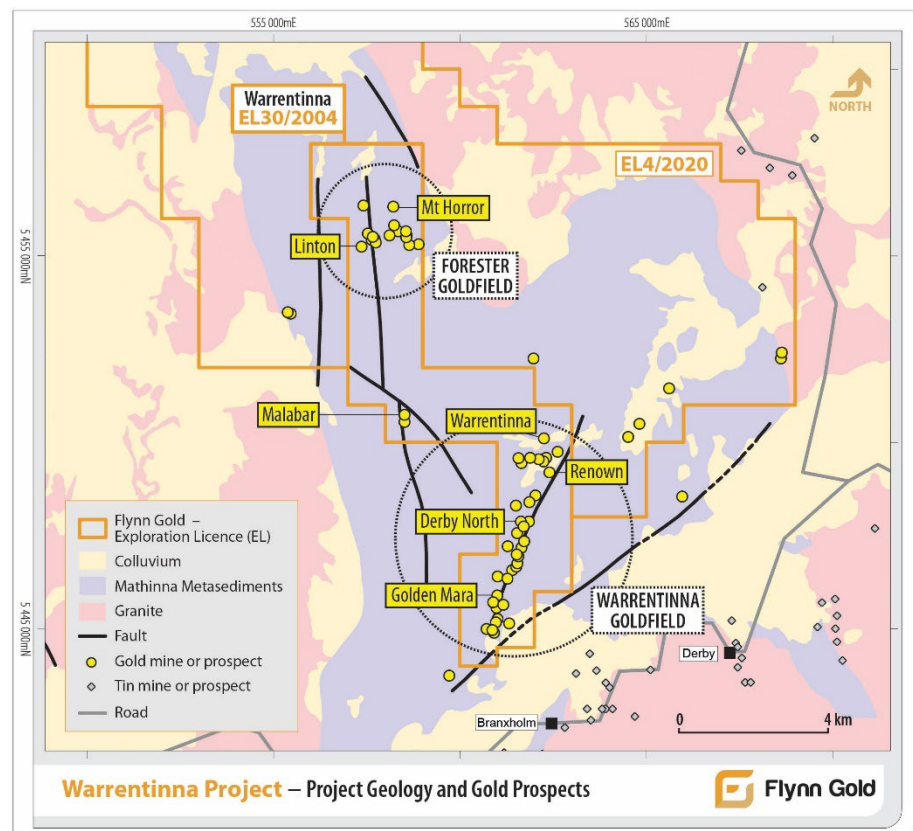
The encouraging results from the DD programmes at the Trafalgar and Brilliant prospects, as well as the scout RC drilling programme at Link Zone, Blinding and Kensington prospects, further support FG1's exploration model that the Golden Ridge project is an IRGS with significant potential for a large-scale gold resource.

2. The Warrentinna Project

The Warrentinna Project (EL30/2004) covers an area of approximately 37km² and is located 40km northwest of the Golden Ridge Project. The tenement was acquired from Greatland Gold plc in June 2023 and complements FG1's existing gold assets in northeast Tasmania.

The project encompasses two historic goldfields, Forester and Warrentinna (Figure 6), which produced high-grade ore in the late 1800s and early 1900s. The Warrentinna goldfield is defined by historic workings and untested prospects over a strike length of 6km with potential for near-surface gold resources. The high-grade quartz lodes were mined at the Golden Mara mine, which produced 3,368oz at an average of 1 oz/tonne.

Figure 6: The Warrentinna project geology and gold prospects



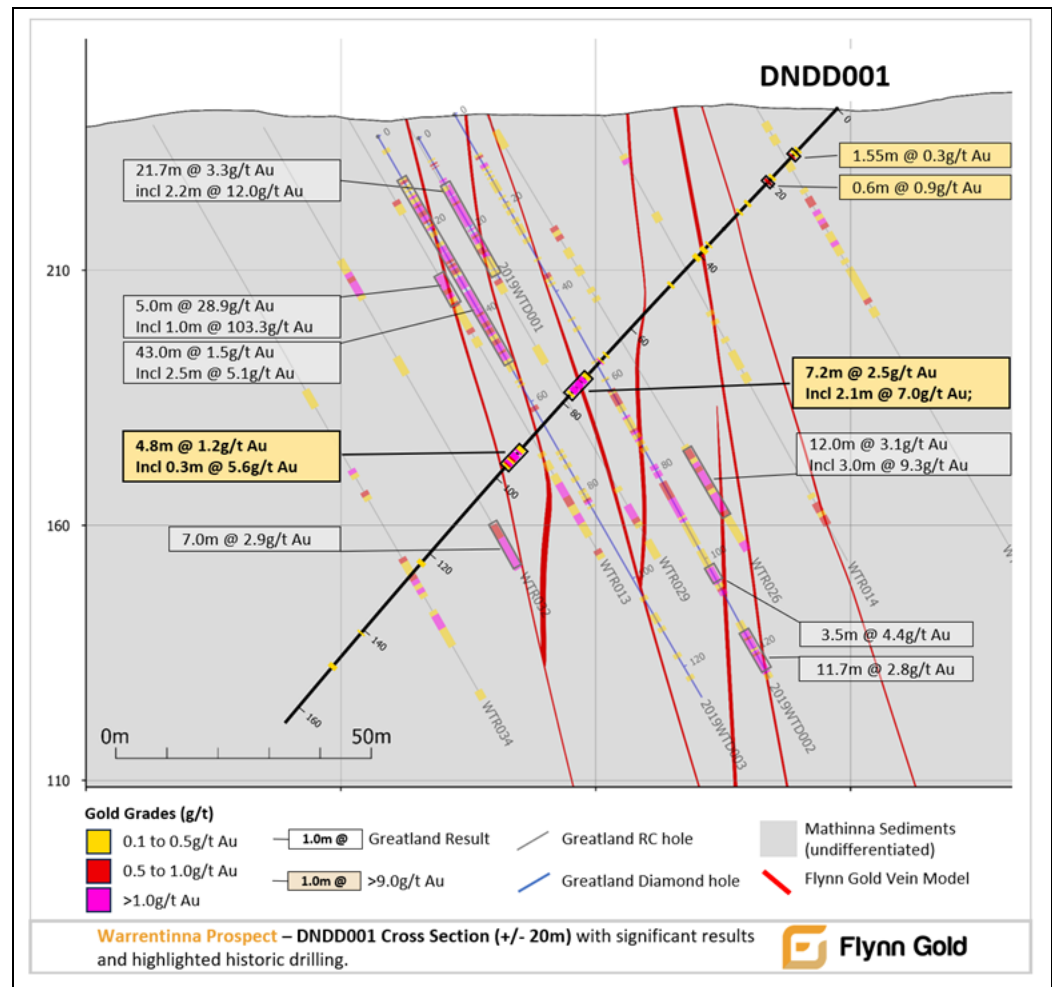
The results from the maiden DD programme at Warrentinna have confirmed the potential for near surface gold mineralisation. The DD results have also proven the depth of mineralisation to extend more than 100m

Source: Company

Drilling update for the project

In September 2023, FG1 commenced a two-hole DD programme at the Warrentinna Project to test the orogenic-style gold mineralisation, which is defined by historical mine workings over the 6km long corridor with potential for near-surface gold resources. This is the first of multiple drilling programmes that FG1 has planned outside of its Golden Ridge project to test the company's regional exploration projects.

Figure 7: Diamond drilling at the Warrentinna Project



Source: Company

Previous RC and DD campaigns at Warrentinna by Greatland intersected zones of high-grade gold. All historical holes drilled by Greatland were orientated dipping steeply towards the east (apart from one RC hole that was drilled towards the north).

FG1's drill holes were drilled in the opposite direction (Figure 7), dipping moderately to the west, with the aim of traversing multiple auriferous quartz vein zones indicated by the previous drilling, and to provide information that was not obtained from the previous drilling.

The company has recently announced encouraging results from the maiden two-hole DD programme totalling 357m at the Warrentinna Project, including near surface and high-grade intersections of 7.2m at 2.5g/t Au from 68.9m, including 2.1m at 7.0g/t Au. The results of this DD programme will lead to the refinement of the geological model and preparation of a preliminary mineral resource model, which will be used to identify the best locations for follow-up drilling.

3. The Portland Project

The Portland project covers an area of 370km² and is prospective for high-grade orogenic gold mineralisation. The project comprises three adjacent tenements – Portland (EL11/2012), Telegraph (EL18/2018) and Cameron Tin (EL18/2016). The project has more than 20km of strike potential with several exploration targets, including the Grand Flaneur, Windy Ridge, Popes, and other prospects.

The Portland Project is interpreted to have similarities to Victorian geology, with high-grade “Fosterville-style” gold mineralisation confirmed. FG1 has completed geophysics and rock and soil surveys in order to understand the geology of the project.

Drilling update for the project

In 2020, FG1 received Tasmanian Government funding to undertake a Maiden DD programme at the Windy Ridge and Grand Flaneur prospects, comprising six holes for 613m. This returned intercepts of up to 1.4m at 9.7g/t gold at the Grand Flaneur prospect.

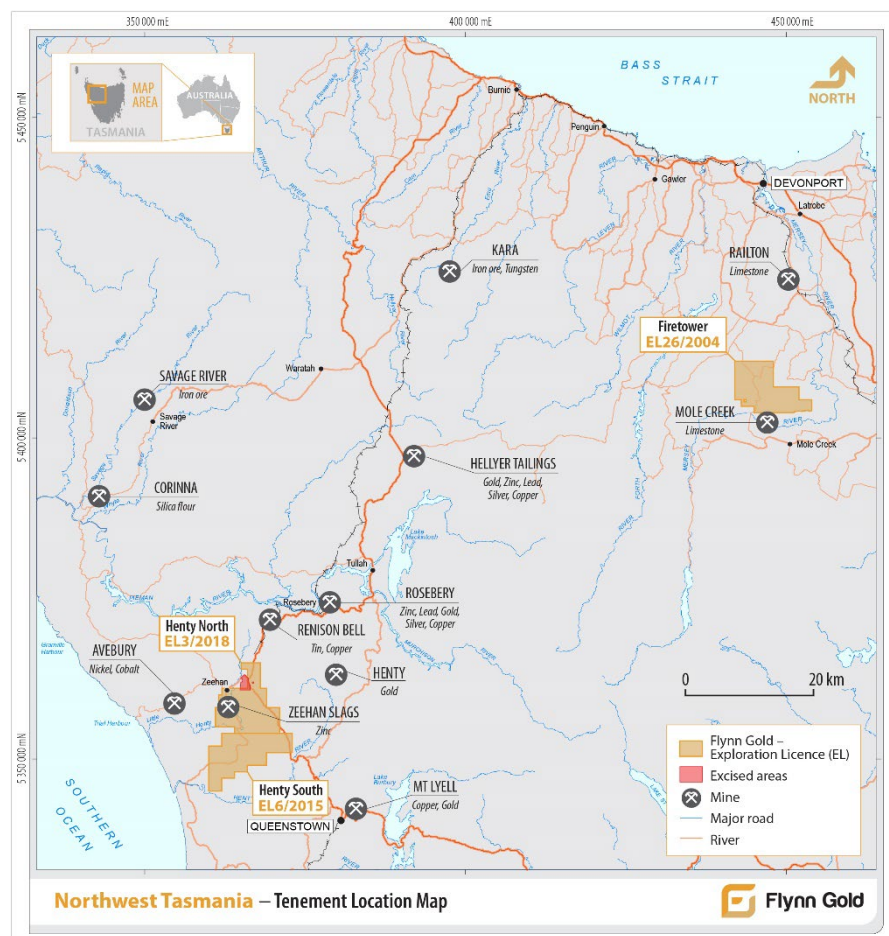
In 2022, FG1 completed a DD programme at the Grand Flaneur and Blue Bell prospects. The Phase 2 DD programme at the Grand Flaneur prospect comprising four holes for 1,190.5m was completed in July 2022. Only low-level anomalous gold assay results were returned from these programmes.

In early 2023, FG1 completed two diamond drill holes targeting gold mineralisation at the Popes prospect. However, only low-level anomalous gold assay results were returned from drill core sampling of the holes.

Northwest Tasmanian assets: An exciting polymetallic opportunity

In northwest Tasmania, FG1’s portfolio comprises of three granted tenements encompassing an area of 192km², including the Henty Zinc and the Firetower projects (Figure 8).

Figure 8: Northwest Tasmanian assets



Source: Company

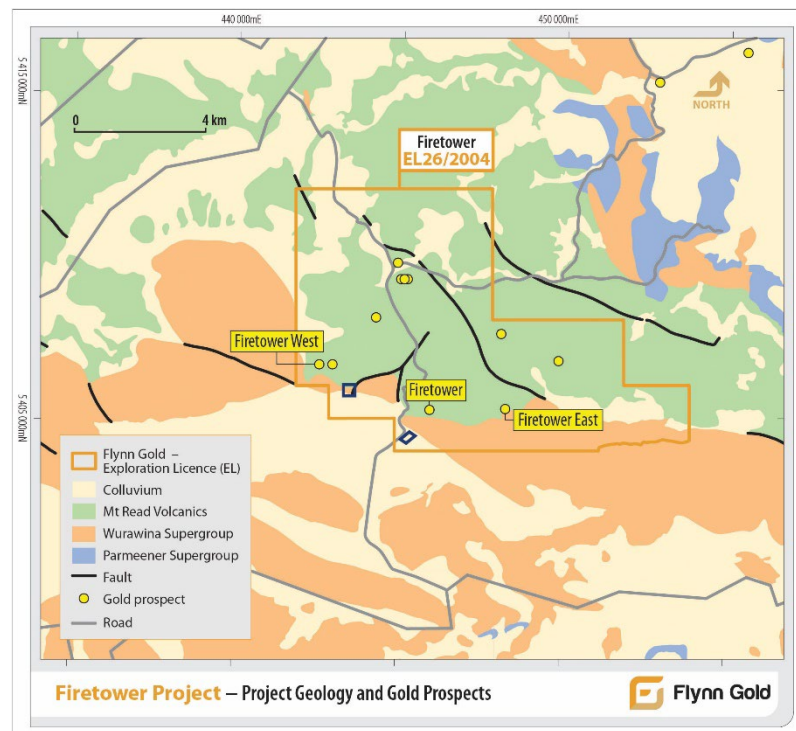
The Firetower Project represents an exciting polymetallic opportunity for FG1

1. The Firetower Project

The Firetower Project (EL26/2004) is located in central northern Tasmania encompassing an area of 62km². In June 2023, FG1 exercised an option to acquire 100% of the project from Greatland Gold plc. The project is prospective for gold, cobalt, tungsten and copper, and comprises three notable prospects – Firetower, Firetower East and Firetower West prospects.

FG1 considers the Firetower project to be a long-standing hydrothermal system with multi-commodity potential hosted in the Mount Read Volcanics Sequence (MRVS). The MRVS is a highly mineralised system and hosts world-class base metal volcanogenic hosted massive sulphide (VHMS⁴) deposits such as Mt. Lyell (Cu, Au), Rosebery (Cu, Zn, Pb & Au⁵), Hellyer (Zn, Pb & Au) and Henty (Au).

Figure 9: The Firetower project geology and gold prospects



Source: Company

Drilling update for the project

A recent review of previous drilling, including the re-logging of drill core has confirmed the significant potential for gold, cobalt, tungsten, and copper. FG1 completed a maiden DD programme to test for depth extensions of the main gold-cobalt-tungsten-copper mineralised zone in December 2023. The diamond drill program comprised one new drill hole and three diamond tail extensions to holes previously drilled in 2019, for a total of 496m. While the complete assay results of the programme are expected to be released in late Q1 2024, the company has reported the results for 164.6m as of now, and assays are pending for the remaining 331.4m.

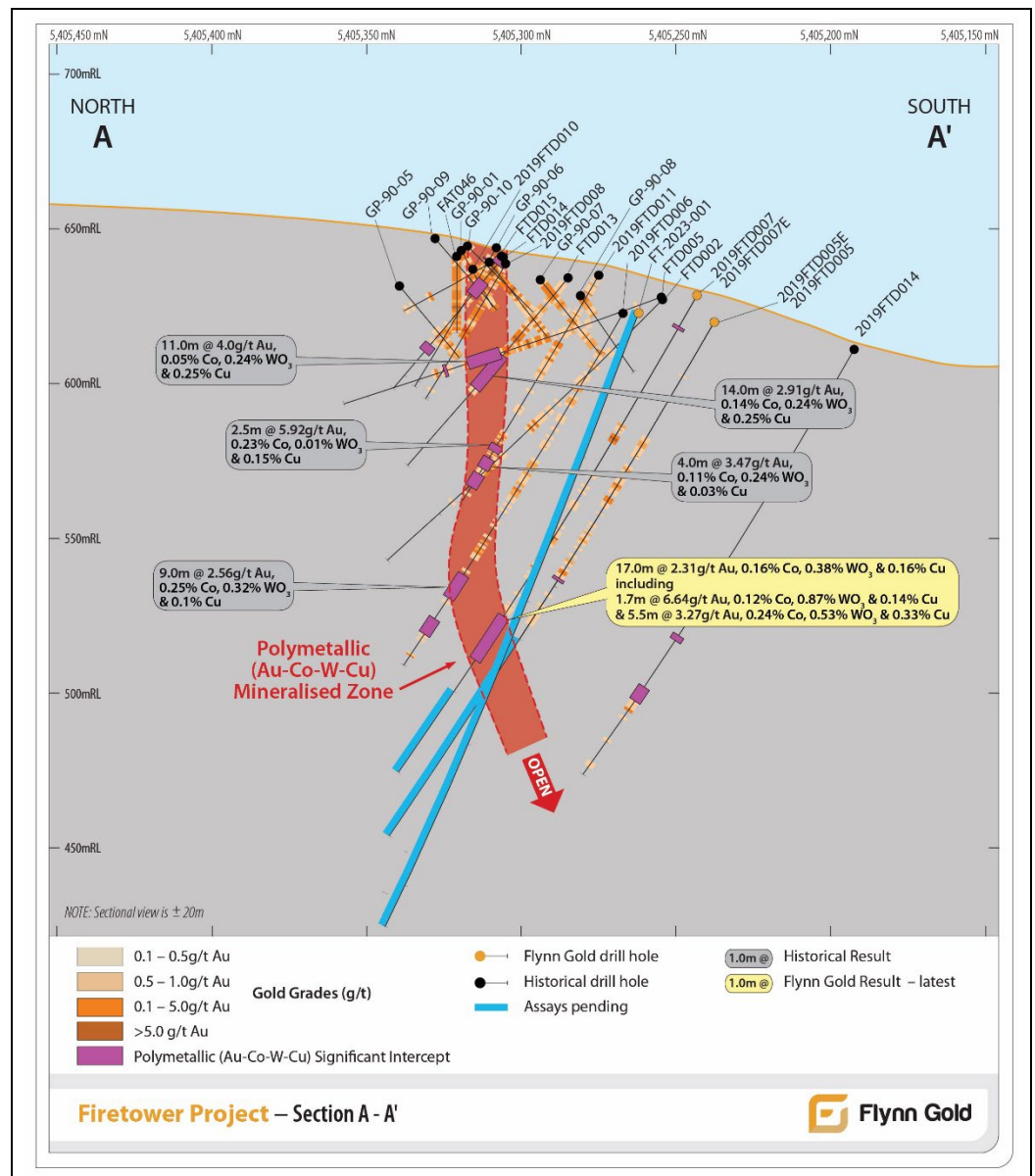
⁴ Volcanic-hosted massive sulphide or Volcanogenic hosted massive sulphide (VHMS) deposits, are a type of metal sulphide ore deposit, which are associated with and created by volcanic-associated hydrothermal events in submarine environments. As a class, they represent a significant source of the world's copper (Cu), zinc (Zn), lead (Pb), gold (Au) and silver (Ag) ores, with cobalt, tin, barium, sulfur, selenium, manganese, cadmium, indium, bismuth, tellurium, gallium and germanium as co- or by-products. In Australia, VHMS deposits are not only major producers of Zn, Pb and Ag, but also produce significant Cu and Au.

⁵ Cu – Copper, Zn – Zinc, Pb – Lead and Au – Gold

The initial assay reports have already shown successful results, with highlights from two extension holes of 2019FTD007E and 2019FTD004E being **17m at 2.31g/t gold**, 0.16% Co, 0.38% WO₃ and 0.16% Cu from 121m, **and 9.1m at 0.85g/t gold**, 0.1% Co, 0.09% WO₃ and 0.15% Cu from 111.9m, respectively.

These positive results make us optimistic about the prospects of the pending assay results, especially where the holes intersect the interpreted mineralised zone (refer to Figure 10).

Figure 10: Cross section of the Main Au-Co-WO3-Cu Mineralised Zone at the Firetower Project



Source: Company

2. The Henty Zinc Project

The Henty Zinc Project comprises two 100% owned ELs – Henty North (EL3/2018) and Henty South (EL6/2015) encompassing an area of 130 km² near the historic mining town of Zeehan in western Tasmania. The project's tenements are located in a highly prospective

district-scale stratiform⁶ carbonate-hosted Zinc(Zn)-Lead(Pb)-Silver(Ag) system identified over 50km of combined strike length. Mineralisation is identified from the surface to known depths of more than 500m.

Figure 11: The Henty Zinc Project



Figure 12: The 16 targets at the Henty Zinc Project



Source: Company

The Henty Zinc Project has a strong pipeline of greenfield prospects to high-grade resource definition stage prospects

In total, 16 Zn-Pb-Ag targets, including advanced-stage resources definition-ready prospects, such as Mariposa and Grieves Siding, have been identified through previous exploration. In addition, key exploration targets, such as Myrtle and South Grieves, along with other significant exploration targets such as Firewood Siding, Sunny Corner, King Billy, Pyramid, Blackjacks, and Silver King (Figure 11) are a part of the project. This provides FG1 with a dominant position in a rich base metals field with proximity to favourable infrastructure, including excellent access to road, rail, power, port infrastructure and a close proximity to existing Zn-Pb concentrate producer – MMG's Rosebery mine.

Drilling update for the project

Permitting activities have been progressed to enable drilling at both the Mariposa and Grieves Siding prospects. The Mariposa Prospect is a Pb-Zn-Ag target and has near-surface mineralisation previously drilled over 800m of strike length with intercepts up to 17.9m @ 17.6% Zn+Pb and 101g/t Au. Meanwhile, the Grieves Siding prospect has near-surface mineralisation drilled over 800m of strike length with intercepts up to 13.15m @ 11.6% Zn+Pb. **In December 2023, FG1 received a drilling permit for the advanced Mariposa prospect and intends to undertake drilling at the prospect in 2024.**

⁶ Geology (of a mineral deposit) formed parallel to the bedding planes of the surrounding rock.

Strategic advantages of the Tasmanian assets

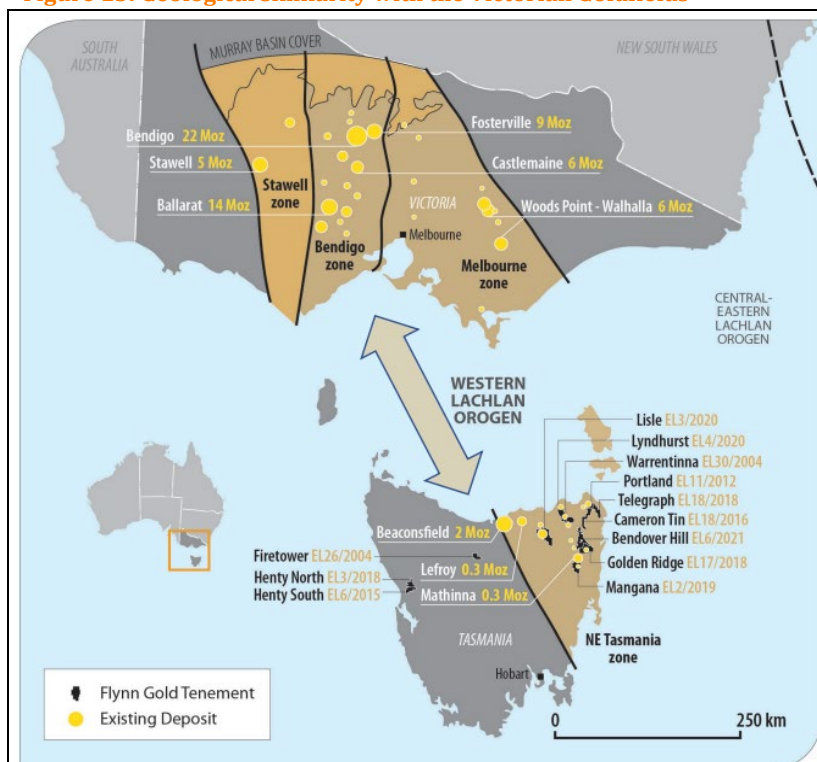
I. Located in a world-class mining jurisdiction

FG1 has twelve 100% owned assets in Tasmania, one of the most mineralised places on the planet. Tasmania has a long history of prosperous mining industries – some of the major commodities extracted in the region include copper, gold, lead, iron ore, silver, tin, zinc, magnetite, and ultra-high purity silica flour. The advantageous position of the assets is further reinforced by their proximity to essential infrastructure such as rail and ports, a skilled workforce, a stable political and regulatory environment, along with the availability of 100% renewable energy through hydropower generation, which provides for strong ESG credentials.

II. Exceptional geology with similarities to Victoria's Goldfields

FG1 has a distinct advantage in the emerging gold province of northeast Tasmania, which is interpreted to be part of the Western Lachlan Orogen – a geological extension of the Victorian Goldfields. The Victorian Goldfields are one of the best gold camps in the world and host several high-grade gold camps, including Bendigo, Ballarat and Fosterville (Figure 13).

Figure 13: Geological similarity with the Victorian Goldfields



Source: Company

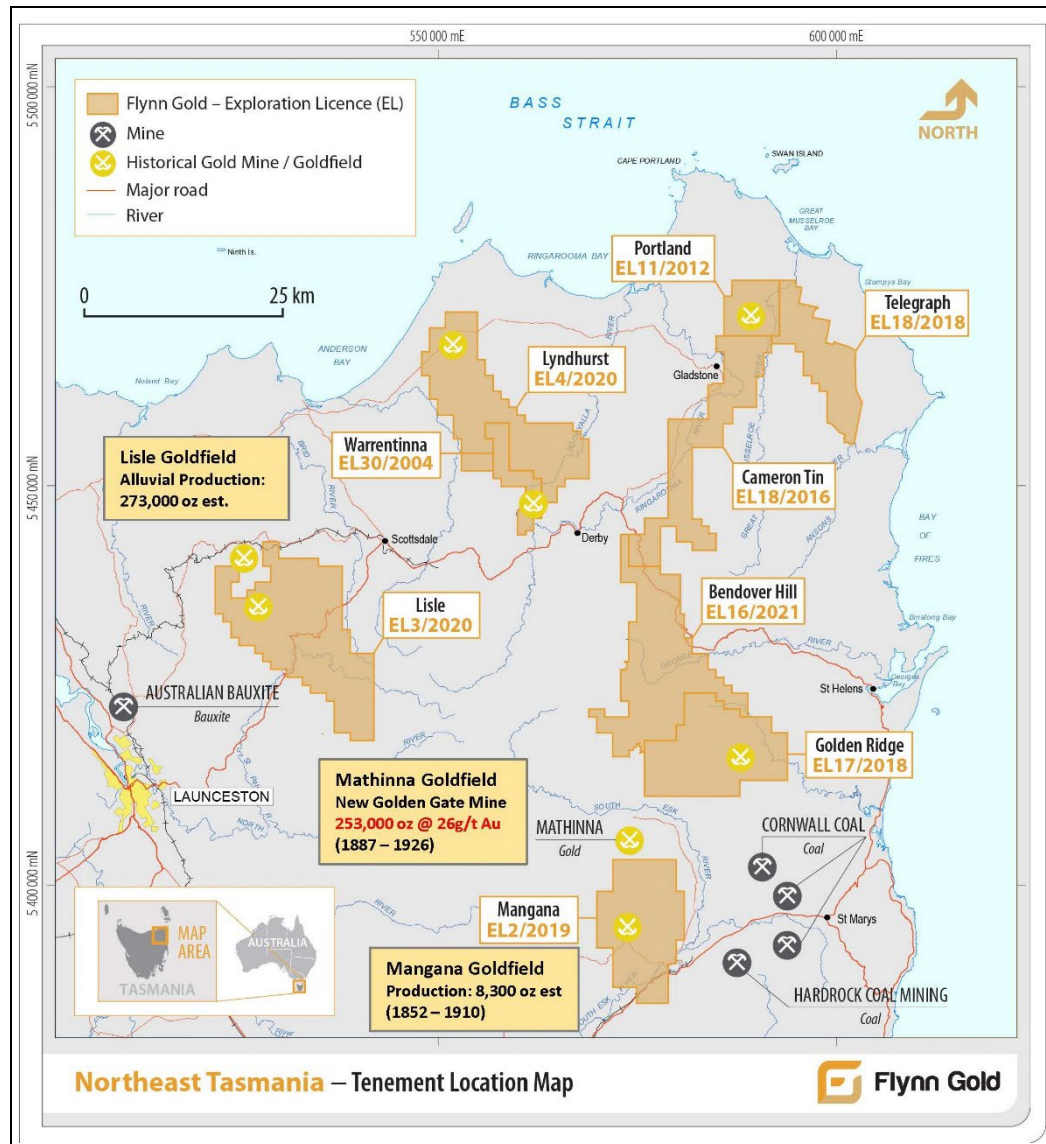
High-grade gold had been discovered by modern deep exploration in Victoria, and there is a huge possibility that with modern exploration and drilling, similar untested depth opportunities can be discovered in Northeast Tasmania as well.

III. Significant historic high-grade gold production

The region has a significant history of high-grade gold production, with the first traces of gold being found at the Mangana goldfield in 1852 (Figure 14). The Beaconsfield Gold Mine with ~2 Moz @ 15g/t Au was the major producer in the region.

Previously, hard rock gold production in NE Tasmania was mainly limited to gravity methods that restricted mining to shallow oxide zones only (<100m depth). However, hard rock gold was mined to a depth of more than 400m at the New Golden Gate Mine at Mathinna Goldfield yielding 253k oz @ 26g/t Au (Figure 14). With modern exploration and deep drilling, there is an excellent potential for new discoveries of high-grade gold in the region.

Figure 14: Historical goldfields in Northeast Tasmania



IV. Clear competitive advantage with IRGS-style mineralisation

The drilling at the Golden Ridge project has shown indications of IRGS-style gold mineralisation. Substantial anomalies observed over an 8km long contact zone along the southern margin of the Golden Ridge Granodiorite suggest the presence of large-tonnage gold deposits, a typical characteristic of IRGS-style gold mineralisation. This trait potentially positions these assets among some of the most lucrative gold assets in the world. Owing to gold prices trading at all-time high levels currently, prosperous gold deposits are highly attractive for gold companies working to unlock the assets' potential value by gold production in prime mining jurisdictions, including Australia, the US and Canada.

V. Significant upside potential with regional exploration

In addition to the potential for high-grade gold, the Tasmanian assets are prospective for other critical minerals, including tin, tungsten, cobalt, copper, zinc, lead and silver. Furthermore, an emerging lithium-mica district was recognised at FG1's Cameron Tin project. The results of the tin and lithium assays from rock chip sampling at the Laffer prospect of the Cameron Project were encouraging. The company remains positive regarding the potential for tin and lithium opportunities in this underexplored region.

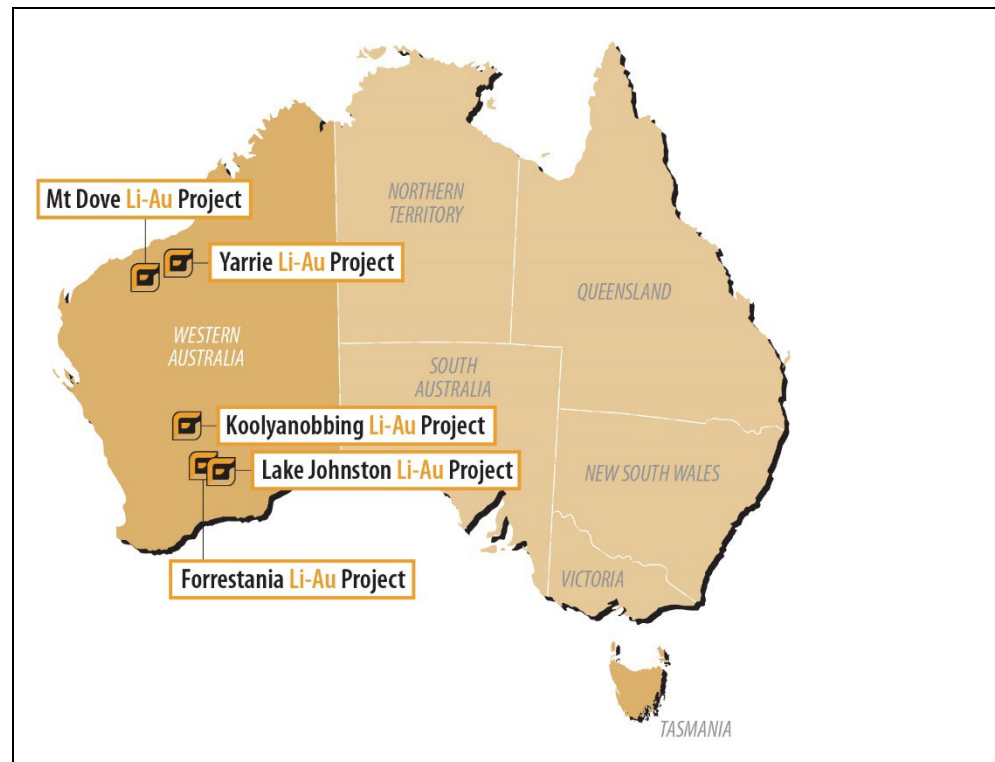
FG1's Western Australian assets

FG1 holds 24 tenements and applications, encompassing an area of 1,140km² in Western Australia (WA), which is considered as one of the best mining jurisdictions in the world as per the Fraser Institute⁷. WA represents close to 60% of the country's total gold output⁸. The company has built a strategic portfolio of 100% owned assets prospective for lithium(Li)-gold(Au) in near world-class deposits and new discoveries in the Pilbara and Yilgarn districts of WA.

In the Pilbara, FG1's portfolio includes two projects – the Mt Dove Project and the Yarrie Project. In Yilgarn, the portfolio comprises the Forrestania, the Lake Johnston and the Koolyanobbing projects (Figure 15).

Figure 15: FG1's portfolio of WA assets

The portfolio of projects in the Pilbara and Yilgarn regions are in close proximity to world-class gold, lithium and nickel deposits



Source: Company

FG1 intends to grow the footprint and quality of its portfolio by securing large lithium pegmatite deposits and IRGS prospects at advanced stages in proven Li-Au provinces in WA. Consequently, the company has recently secured an option to purchase two ELs at Parker Dome, located 50km north of the Mt Holland Lithium deposit in December 2023.

The highly prospective Pilbara assets

FG1's two projects in the Pilbara region – Mt Dove and Yarrie – comprise ten tenements and applications and encompass an area of 594km² to the east and south of Port Hedland. ***Within WA, the Pilbara region has helped increase the country's consistent gold output – covering more than half a million square kilometres, it is one of the most resource-rich regions in the state.*** Some geologists have compared the geology of the Pilbara Craton with South Africa's Witwatersrand Basin, which is home to the Earth's largest known gold reserves and is responsible for over 40% of worldwide gold production.

⁷ The Fraser Institute is a libertarian-conservative Canadian public policy think tank and registered charity.

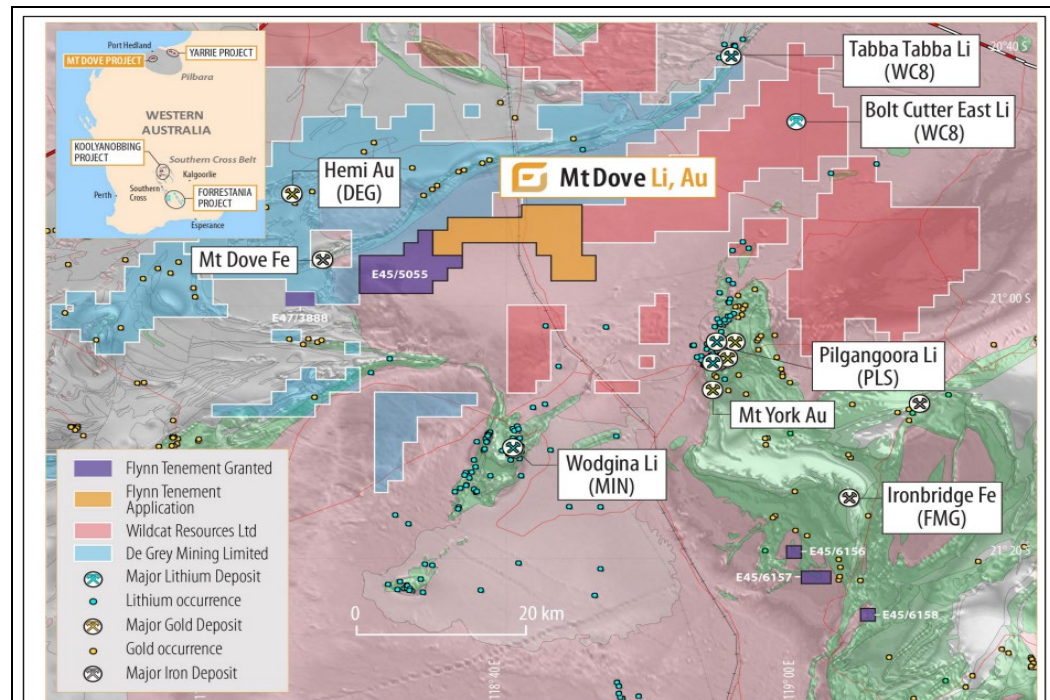
⁸ <https://investingnews.com/top-australian-gold-mines>

The Pilbara region hosts several small mesothermal gold deposits containing conglomerate gold — mineralisation known to hold large, high-grade gold nuggets. FG1 has established an enviable position near world-class gold and lithium deposits by securing these two projects.

1. The Mt Dove Project

The Mt Dove project comprises five granted ELs, covering an area of 86.6km² and one tenement application (109km²). The project is prospective for lithium and gold in intrusive-related systems and is located 70km south of Port Hedland in the Pilbara region near the large (10.5Moz) Hemi gold deposit and the lithium mines at Pilgangoora and Wodgina.

Figure 16: The Mt Dove project location



The Mt Dove Project has delivered significant Li-Au soil sampling results; follow-up exploration is in progress

Source: Company

Exploration update for the project

In June 2022, FG1 commenced ground exploration at the Mt Dove project with an ultra-fines fraction (UFF) soil and reconnaissance⁹ mapping survey. A follow-up infill soil sampling was completed in August 2023 to provide a better definition of geochemical anomalies outlined during the 2022 UFF soil sampling programme.

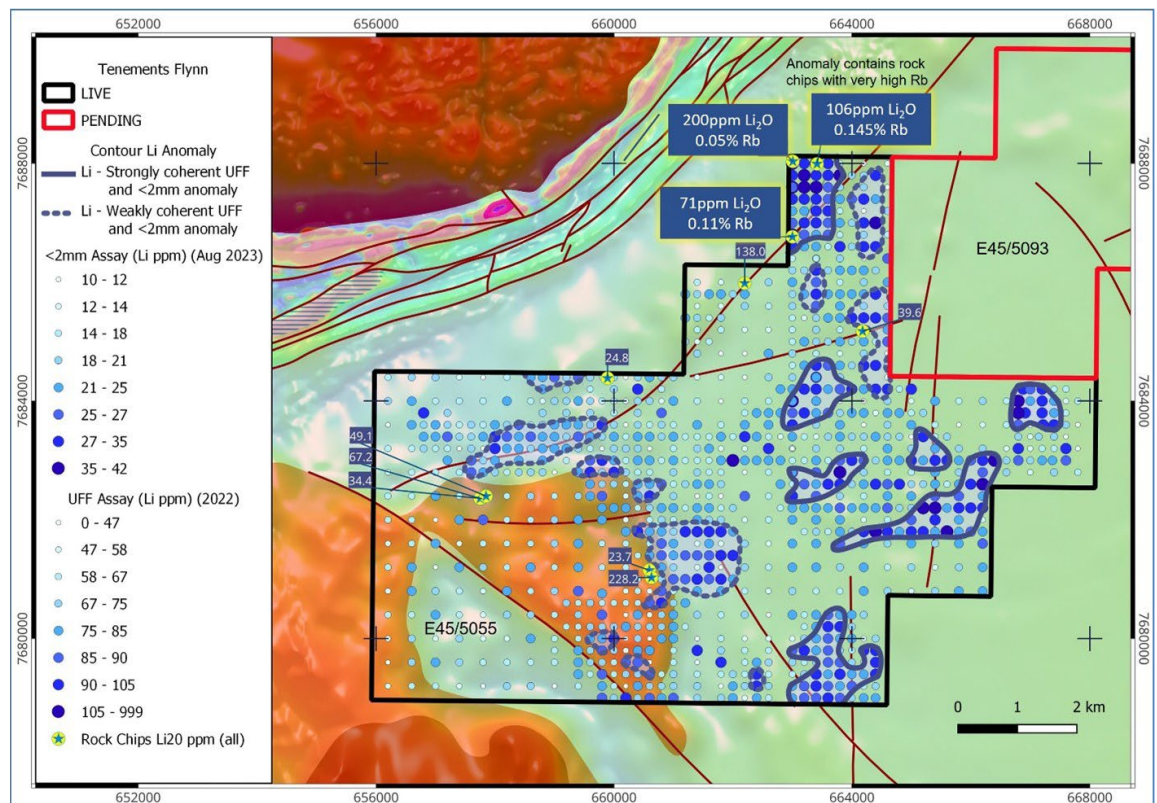
The original UFF soil survey focused on gold (Hemi style¹⁰) exploration while the follow-up infill soil sampling was primarily focused on lithium exploration. The results from the follow-up infill soil sampling programme have outlined seven high priority coherent lithium anomalies located in the eastern portion of E45/5055 and eleven lower priority, less coherent lithium anomalies (Figure 17).

The seven high priority anomalies reveal broad areas of lithium soil anomalism extending between 600m and 3,100m in length and between 200m and 1,000m in width. The soil anomalies have been defined by clusters of samples that are greater than 75ppm Li (+160ppm Li₂O) for the original UFF samples and greater than 21ppm Li (+45ppm Li₂O) for the recent soil samples.

⁹ Reconnaissance is the preliminary examination of the general geological features and characteristics of a region. Systematic investigation in the reconnaissance stage comprises of geological mapping, outcrop sampling, wide-spaced geochemical sampling, and preliminary geophysical survey.

¹⁰ The Hemi discovery is an intrusion-hosted form of gold mineralisation new to the Pilbara region and shows a scale of mineralisation not previously encountered in the Mallee Basin. Gold mineralisation at Hemi is hosted in a series of intrusions associated with stringer and disseminated sulphide rich zones.

Figure 17: The Mt Dove Project Li Results



Source: Company

The next steps for the Mt Dove project are follow-up exploration in 2024, comprising ground-based gravity and other surveys. An aircore drilling programme to test high-priority targets along with re-assaying 2023 samples collected in the vicinity of the original UFF gold soil anomalies.

2. The Yarrie Project

The Yarrie project comprises of three tenements covering an area of approximately 212km² and one application (212km²) over parts of the Shay Gap greenstone belt and Eel Creek Embayment, located on the northern margin of the Pilbara Craton.

Limited historical exploration has been undertaken for lithium, gold and copper on the project. However, the project is highly prospective for iron ore, being close to historic mining operations. Reconnaissance geological traversing and rock chip sampling field trips have been completed at the project. The results have generated sufficient interest in the project to undertake further geological mapping and sampling programmes with groundwork to follow.

The High Potential Yilgarn Assets

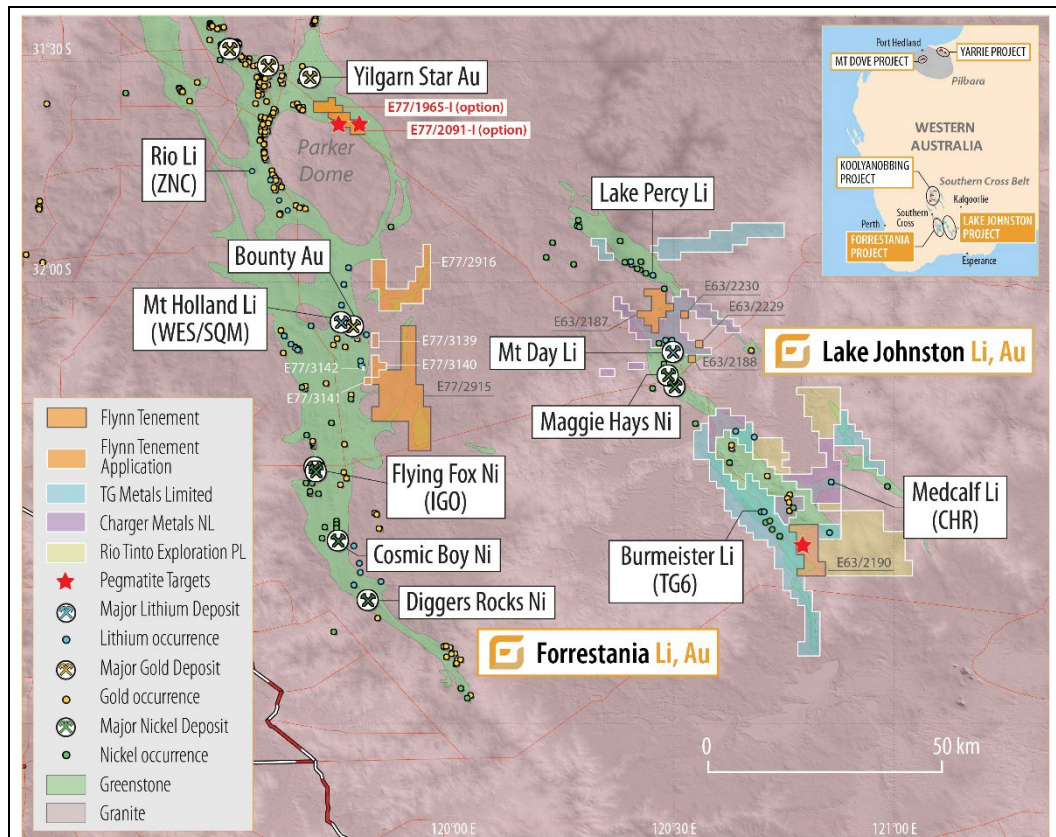
FG1's three projects in the Yilgarn region – Forrestania, Lake Johnston and Koolyanobbing are located in the Southern Cross province in close proximity to various world-class lithium and nickel deposits. All three projects have been subject to limited to no exploration for lithium. In addition to these, the company has secured an option to purchase two ELs at Parker Dome, located 50km north of the Mt Holland Lithium deposit in December 2023.

1. The Forrestania and Lake Johnston projects

The Forrestania project is prospective for lithium-gold-nickel and comprises of one EL and five EL applications encompassing an area of 320km². The project is located near the Mt Holland lithium deposit¹¹ (189 Mt @ 1.5% Li₂O) and high-grade nickel deposits, Maggie Hays and Flying Fox.

Figure 18: The strategic location of the Forrestania and Lake Johnston projects

The Lake Johnston area has become the focus of intensive lithium exploration due to the lithium occurrences at Mt Day, Medcalf and Lake Percy



Source: Company

The Lake Johnston Project consists of five ELs covering an area of 116km² and is prospective for lithium-gold mineralisation. The project is located near the Burmeister lithium discovery (TG Metals) and the Medcalf, Lake Percy, and Mt Day Lithium projects (Figure 18).

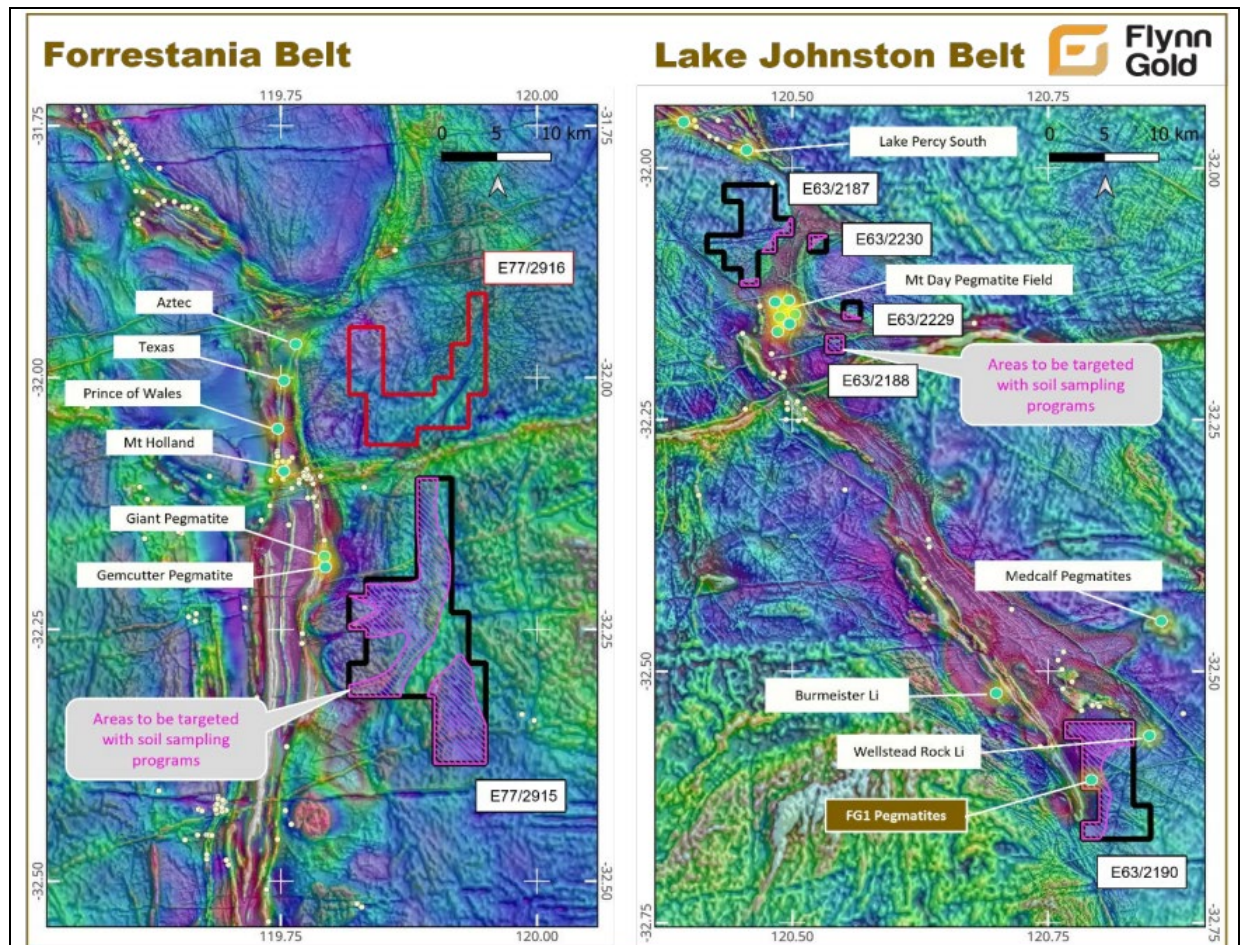
Both the Forrestania and Lake Johnston greenstone belts are located southeast of Southern Cross in the Yilgarn Craton. These two belts have become the focus of intense lithium exploration after the discovery of Mt. Holland's lithium deposit and lithium occurrences at Mt. Day, Medcalf, and Lake Percy. Therefore, we think there is significant lithium exploration potential at these two projects.

Exploration update for the projects

FG1 completed an initial reconnaissance field trip to the projects in 2023 in order to understand the regional geology, identify potential targets, and the extent of nearby exploration activity. Three previously unmapped pegmatite outcrops were identified on E63/2190 (Figure 19). Five rock chip samples were collected from the outcropping pegmatites that returned assay results with superior background levels of rubidium, bismuth and tantalum. The identification of these pegmatites with strong pathfinder elements further highlights the potential of the project.

¹¹ A JV between Wesfarmers and SQM

Figure 19: Lithium occurrences and proposed soil sampling programmes at both projects



Source: Company

In December 2023, FG1 completed 1st pass soil sampling on E63/2190 with a total of 281 soil samples and 3 rock chip samples collected with assays pending.

FG1's future work programmes for the projects include further geological mapping and rock chip sampling in areas of outcrop and systematic soil sampling in areas of shallow cover. Further, the interpretation of multi-client aeromagnetic and gravity data will be undertaken to assist with the interpretation of the geology and the identification of additional target zones at both projects. Initial air core and/or RC drilling programmes will be undertaken, subject to the results received from the early-stage assessment programmes.

2. The Koolyanobbing Project

The Koolyanobbing Project comprises one EL and two applications targeting gold and lithium mineralisation, encompassing an area of 82km² in the Marda-Diemals greenstone belt, located 100km north of Southern Cross belt in the Yilgarn Craton.

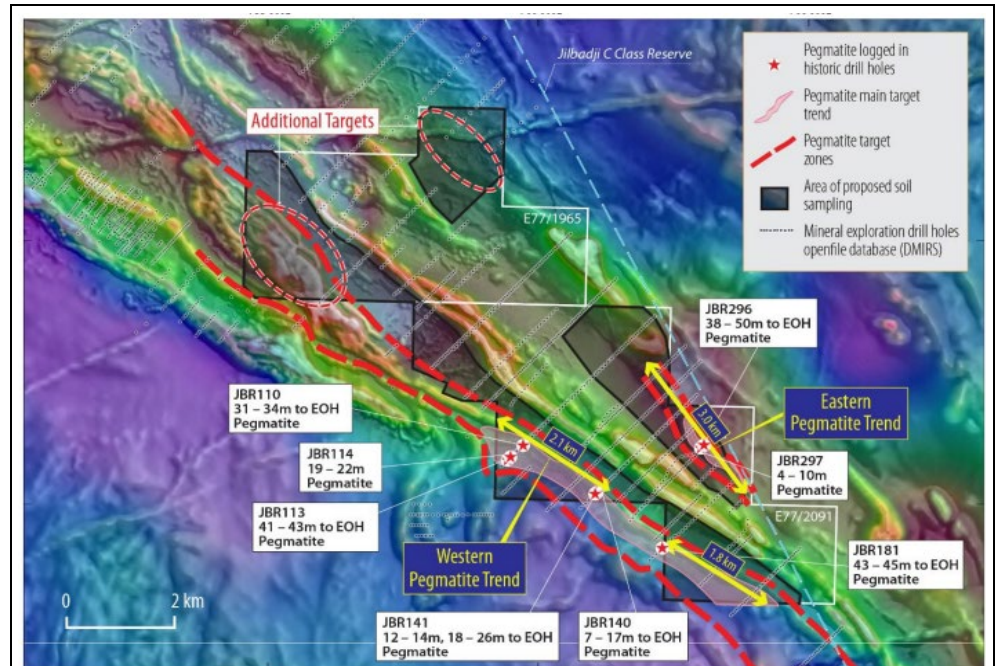
The Marda-Diemals greenstone belt is underexplored for lithium as compared with other greenstone belts in the Yilgarn and Pilbara cratons; however, it is considered to have potential for lithium pegmatites, along with high-grade gold lodes and iron ore deposits (such as Marda Au and Windarling Fe).

3. Significant upside potential with the recently acquired Parker Dome Project

In December 2023, FG1 secured an option to purchase two ELs – E77/2091 and E77/1965, encompassing an area of 42km² at the Parker Dome Project (Figure 20). The project is located 50km north of the Mt Holland Lithium deposit and is prospective for lithium, gold and nickel targets over a strike length of 12km.

FG1 conducted a brief reconnaissance field trip to the project in November 2023, which confirmed the presence of pegmatite drill chips in seven of the eight historic Rotary Air Blast (RAB) drill holes which contained logged pegmatite intervals. In addition, a further five RAB holes with pegmatite drill chips were identified, which enhanced the prospect's scale.

Figure 20: Location of pegmatite targets on E77/1965 and E77/2091



Source: Company

Exploration update for the project

The company commenced a geochemical soil sampling programme for lithium at the project in December 2023. The programme, comprising c. 700 soil samples, focussed on the western and eastern pegmatite trends defined by historic RAB drilling. ***The assay results for the program are due in early Q1 2024, after which FG1 plans to drill-test potential anomalies (Figure 21).***

Figure 21: Timelines for exploration activities at FG1's projects

Project	DEC 23 Q	MAR 24 Q	JUN 24 Q	SEP 24 Q
Tasmania				
Golden Ridge - Au	Assays & Evaluation	Modelling & Metallurgical Tests	Follow-up Activities, including Drilling	
Warrentinna - Au	Drilling & Assays – Derby North	Evaluation & Planning	Follow-up Activities	
Firetower – Au/Co/W	Drilling – Firetower	Assays & Evaluation	Follow-up Activities	
Western Australia				
Parker Dome – Li	Geophysics Mapping & Sampling	Heritage & Permits Drilling – aircore/RC	Follow-up Activities, including Drilling	
Lake Johnston – Li	Mapping & Sampling	Geophysics Heritage Surveys	Drilling - aircore	Assays & Evaluation
Forrestania – Li	-	Mapping & Sampling	Geophysics Heritage Surveys	Drilling - aircore
Mt Dove – Li	-	Geophysics Heritage Surveys	Drilling - aircore	Assays & Evaluation

Source: Company

Gold – The most noble metal mined on Earth

Of all the Earth's mineral resources, gold is by far the most noble. Gold's value comes from its unique properties: it is highly malleable, a good conductor of electricity, does not tarnish, is easy to handle and work with (it can be pulled into wires, hammered into fine sheets, melted down, and cast into very intricate shapes), can be used to make alloys with many different metals, and possesses a beautiful colour and lustre (Figure 22).

Figure 22: Gold has unique properties

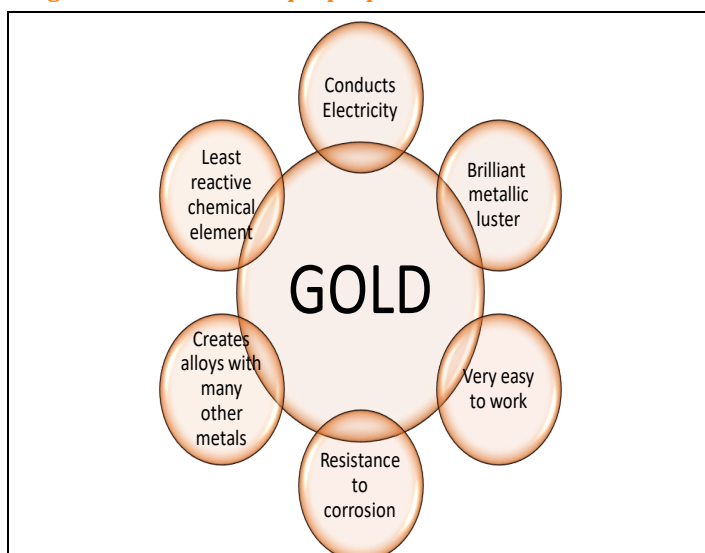
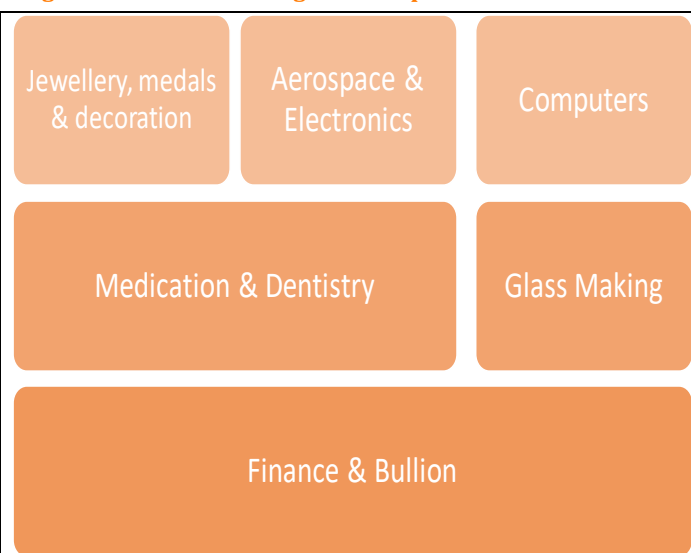


Figure 23: Gold finds usage in multiple areas



Source: East Coast Research

One reason why gold's history is unparalleled by any other metal is its inherent value since ancient times. Owing to its unique properties, gold has consistently held a universal acceptance as a medium of exchange for goods or services. While gold has at times functioned as the primary medium of exchange in the form of coins or bullion, it has more commonly served as a secondary medium of exchange in global trading systems in recent times. Gold took on a new role as a backing for paper currencies when they gained popularity in the 19th century. From the 1870s to World War I, the gold standard became the cornerstone of the world's currencies.

Currently, gold is primarily used in the production of jewellery, computer/laptop chips, dentistry for crowns, bridges, and orthodontic appliances, aerospace applications, as a lubricant between mechanical parts, in glassmaking, and for crafting medals and awards (Figure 23).

Demand for gold jewellery proves resilient in a high gold price environment

According to Statista market insights, the global demand for gold jewellery (accounting for 47% of total gold demand; Figure 24) amounted to approximately 2,086 tonnes in 2022 (Figure 25). It decreased roughly 60 tonnes as compared to the prior year. However, the consumption in Q2 2023, strengthened 3.0% y-o-y. Moreover, the demand for gold jewellery was also firmer in H1 2023 as compared to the corresponding period in the prior year, on account of China's recovery from COVID lockdowns of 2022.

Figure 24: Gold demand is tilted towards jewellery (2022)

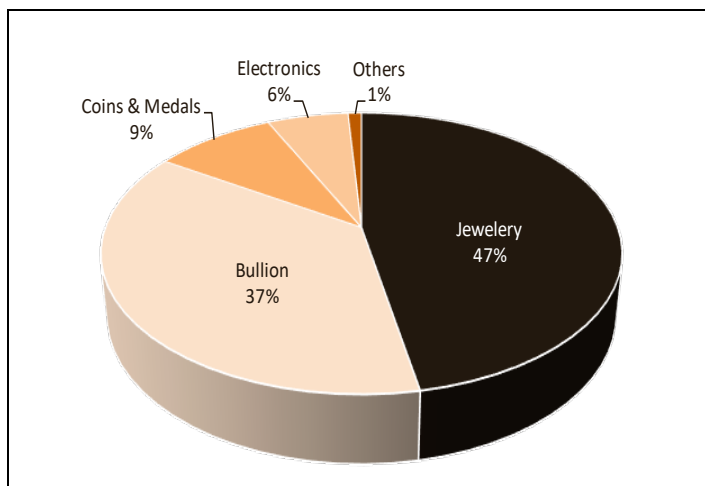
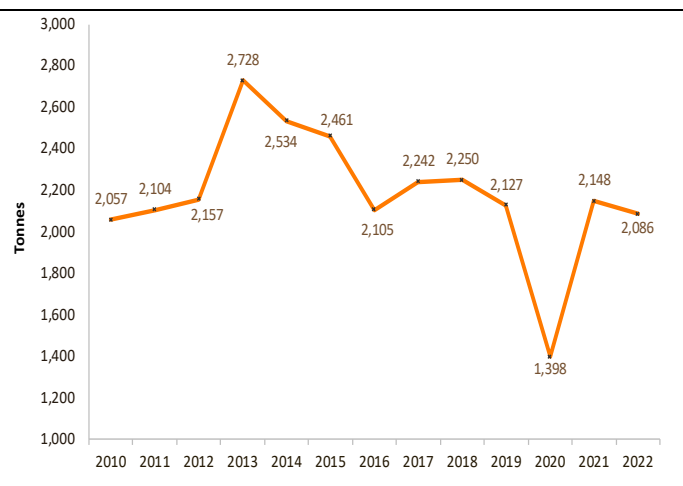


Figure 25: Global Gold jewellery demand 2010-2022



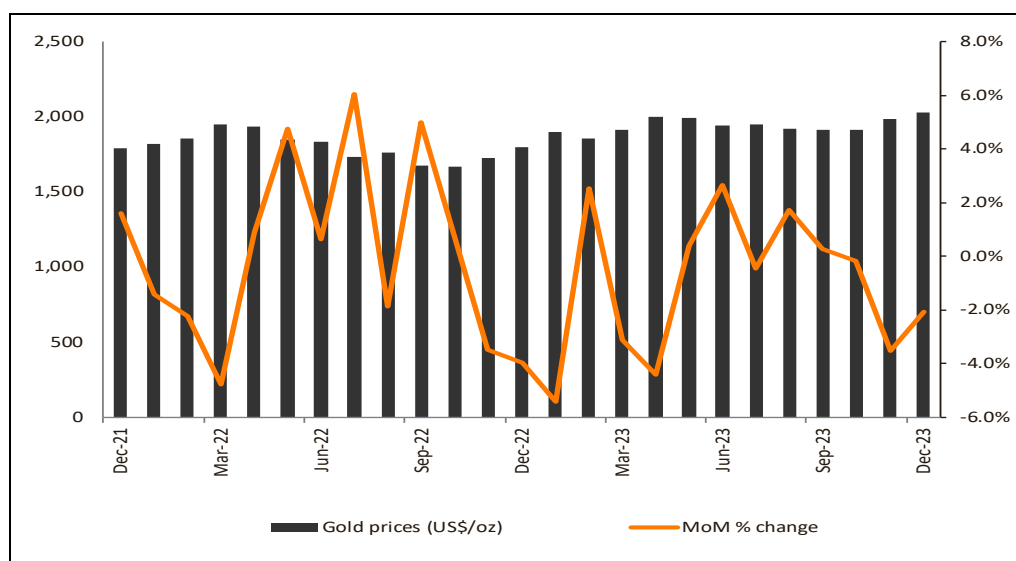
Source: USGS, Statista Market Insights and East Coast Research

Gold prices reached unprecedented peaks

Gold prices remained elevated throughout much of 2023 as banking and geopolitical uncertainties worked against high interest rates and bond yields. Prices surged in the first quarter due to the collapse of SVB, combined with a decline in the dollar index, and the announcement of Silvergate Bank in California winding down its operations. These failures sent shockwaves throughout the global financial system and contributed to the collapse of Credit Suisse in mid-March, the second-largest bank in Switzerland. With this banking crisis, the price of gold jumped to US\$1,989.13 by March 15, 2023 (compared to US\$1,814.04 on March 5, 2023).

The price of gold reached an all-time high in the second quarter, surpassing US\$2,000 due to a lack of confidence in the global banking systems. However, gold prices began to plunge below US\$1,900 in the third quarter of 2023 and further fell to US\$1,849 as the US Fed announced holding interest rates in the range of 5.25% to 5.5%. Gold prices vacillated and made gains as the Hamas-Israel war accelerated in the Middle East. In the wake of the regional conflict and other geopolitical issues, the price of gold continued its upward trend, reaching a record high of US\$2,152 in December 2023.

Figure 26: Gold prices has been oscillating within a range over the last two years



Source: Argus Metals and East Coast Research

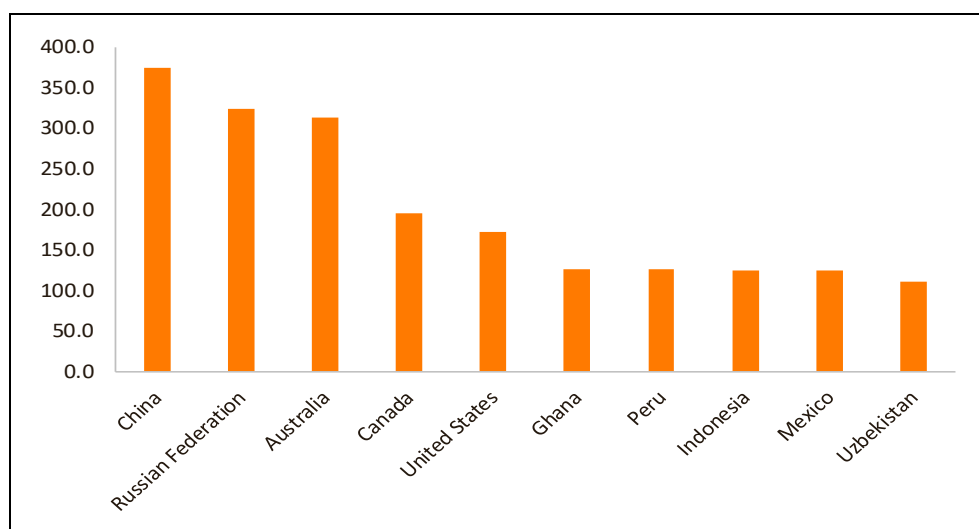
Drivers that impact the price of gold

The gold price is typically influenced by major drivers such as the strength of the US dollar, inflation, interest rates, and geopolitical concerns. It comes as no surprise that gold lives up to its reputation as a defensive haven during times of trouble. Over the past 23 years, investors have consistently turned to gold in the face of persistent fears of disruptions in global supply chains, geopolitical tensions, and high inflationary pressures.

- 1) **Inflationary expectations:** Gold serves as a hedge against inflation, and an increase in inflation or inflationary expectations tends to make investors more likely to buy gold, thereby raising its price. a sharp uptick in inflation expectations usually coincides with a dramatic run-up in gold prices. Conversely, a decrease in inflation makes investors less inclined to invest in gold.
- 2) **Sensitivity of gold to expected long-term real interest rates:** The price of gold is expected to move inversely to long-term real interest rates. An increase in expected real interest rates makes holding risk free bonds more attractive than holding gold, leading to a decline in gold prices. Conversely, a decrease in expected real interest rates makes holding gold more attractive, leading to an increase in gold prices.
- 3) **Gold is seen as a hedge against “unfavourable economic conditions”:** Demand for gold tends to increase during economic downturns and recessions as it is considered an excellent portfolio diversifier. With low correlation to other assets, gold can protect one's portfolio from losses during a recession. Moreover, gold acts as an excellent portfolio diversifier when the value of other assets experiences a contraction.

The latest inflation data from Australia and rest of the world showed the consequent interest rate increases in the last 20 months or so have succeeded to lower the inflation rates. The inflation rates in most jurisdictions have now dropped below the central banks' current overnight rates, which is an inflection point for interest rates. **Historically, central banks have immediately started to lower interest rates when inflation rates dropped below their target interest rates. Therefore, interest rates are expected to decline from here on, acting as a significant positive force behind gold prices.**

Figure 27: Top 10 global Gold Mining Producing countries *



*Note: * as of 31 December 2022¹²*

Source: World Gold Council and East Coast Research

¹² <https://www.gold.org/goldhub/data/gold-production-by-country>

Australia is estimated to have the world's largest gold reserves – c.17% of total global reserves

Australia shines as a world's prominent gold producer

Currently, *Australia ranks as the third-largest gold-producing country in the world* (Figure 27). With the price of gold reaching an all-time high in December 2023, more investors are eager to learn about Australia's gold mines now. According to the Fraser Institute, Western Australia is one of the top mining jurisdictions globally and stands as one of Australia's most prolific gold-producing regions. The Pilbara region, within Western Australia, has experienced a resurgence in interest and has contributed to the steady growth of the country's consistent gold production. *Spanning over half a million sq km, Pilbara is one of the state's most resource-rich regions*. While the Pilbara is best known as an iron ore hotspot, it is currently in the midst of a small gold rush. In total, Western Australia accounts for c. 60% of the country's gold production. *Some geologists compare the geology of the Pilbara Craton to that of the Witwatersrand Basin in South Africa*, which hosts the largest known gold reserves on Earth and contributes to c.20% of all accounted gold above the surface.

Lithium Surge: Powering Tomorrow's Revolution in Energy Storage

Lithium is an alkali metal with a silvery-white colour. It boasts the lowest density among all metals, making lithium-ion batteries a versatile source of energy that can be incorporated into electronic devices of all sizes. These batteries are lightweight and can hold a charge for extended periods, making them suitable for various portable electronic devices, including personal digital assistants (PDAs), laptops, medical devices, digital watches, and more. Rechargeable lithium-ion battery technology is also gaining popularity as a portable power bank, allowing users to keep their gadgets powered up during their travels. Additionally, these batteries can be used in digital cameras, where compact battery types require high-performance solutions.

Figure 28: Global Lithium market is expected to grow significantly

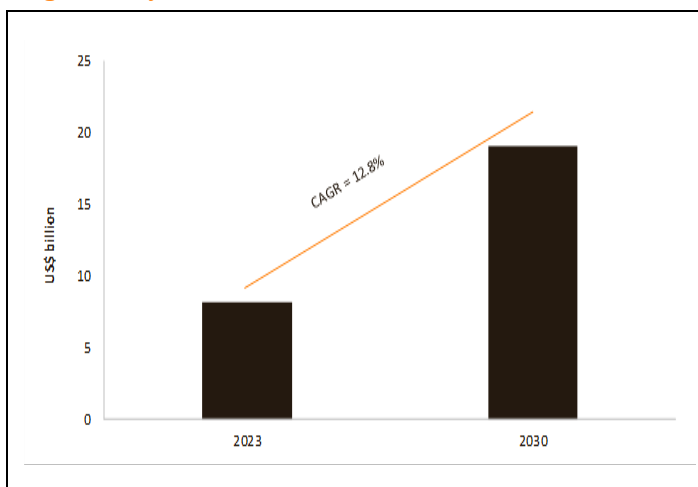
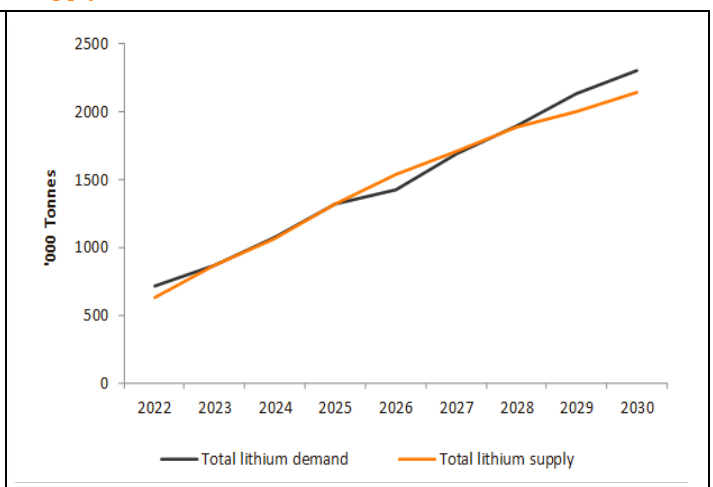


Figure 29: Lithium demand growth is expected to outpace supply



Source: Grand View Research, Benchmark Mineral Intelligence and East Coast Research

In the long-term, lithium demand growth is anticipated to outpace the global supply

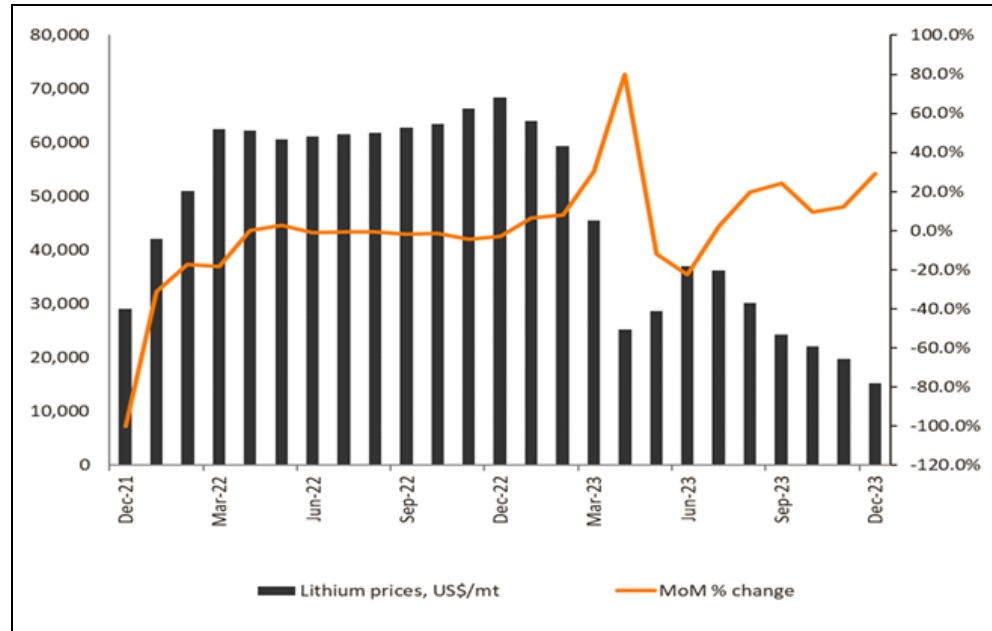
As more countries transition to clean energy sources, the demand for lithium will continue to grow, leading to an increase in lithium prices even as supply expands (Figure 29). Battery-grade lithium is in high demand due to the rapid growth in the production of electric vehicles (EVs). According to Statista Market Insights, demand for lithium is projected to more than quadruple from 720,000 tonnes in 2022 to 3.1 million tonnes in 2030. Projections indicate that lithium supply in 2030 may fall short of demand. Moreover, *lithium miners have warned that regulatory delays and rising global inflation could impede their ability to meet the rapidly growing demand for EV batteries*.

According to Grand View Research, a US-based business consulting firm, the global lithium market size was valued at US\$8.2bn in 2023 and is expected to grow at a CAGR of 12.8% until 2030. The EV market is anticipated to be one of the largest in terms of volume, and the demand

for the lithium-ion battery market is expected to witness significant growth over the next few years. The automotive application segment is projected to experience substantial growth due to stringent regulations imposed by government bodies on Internal Combustion Engine (ICE) automakers to reduce carbon dioxide emissions from their vehicles. As a result, automakers' interest in producing EVs has shifted, positively impacting the demand for lithium and related products.

Figure 30: Lithium prices^ have been nosediving due to a global production surplus

Lithium prices have experienced unprecedented volatility. However, falling prices are providing a potential demand boost for both consumers and auto makers



Note: ^ Lithium carbonate min 99.5% CIF China

Source: Argus Metals and East Coast Research

Exposure to other battery metals is a value additive for FG1

Tin

Tin is a highly crystalline, silver-coloured metal with desirable properties, including malleability and ductility. Due to these characteristics, it finds wide application in alloy production and the plating of metals prone to corrosion. While tin exhibits minimal oxidation in air, it is susceptible to acids and alkalis. This key industrial raw material is extensively used in various applications, including soldering in electronics, food packaging and equipment, corrosion coatings, and the production of art, artifacts, and engineering alloys like tungsten and bronze.

Given the growing usability of tin across industries, its global demand is expected to remain high. According to Mordor Intelligence, a US-based market intelligence service provider, the tin market is anticipated to reach 476k tonnes by 2029, up from an estimated 418k tonnes in 2024.

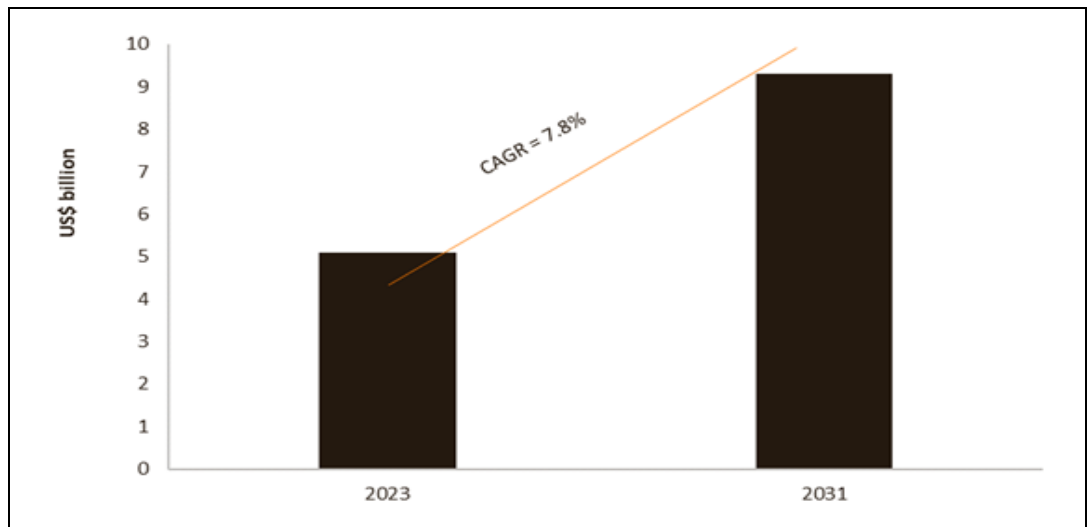
Tungsten

Tungsten is a greyish-white shiny metal that remains solid at room temperature. It boasts the highest melting point and lowest vapour pressure among all metals, and temperatures exceeding 1650°C reveal its highest tensile strength. Tungsten exhibits exceptional corrosion resistance and is only slightly affected by most mineral acids. This metal finds application as an additive in the manufacturing of specialty alloys, filament wires for lighting applications (2%), and as a specialty material in various sectors such as mobile phone handset applications, military applications, ballistics (defence equipment), automotive parts, aerospace applications, drilling, boring, cutting equipment, logging equipment, electrical appliances, and chemical applications.

The tungsten market is anticipated to experience a CAGR of 7.8% during the forecast period, 2023 to 2031. The APAC region holds dominance in the global tungsten market, with China leading in consumption.

Demand for tungsten has been increasing significantly in the mining industry due to its strength, hardness and toughness

Figure 31: Global tungsten market is expected to grow significantly



Source Straits Research and East Coast research

Nickel

Nickel is a shiny, silvery-white metal and ranks as the fifth most abundant element on Earth, found extensively in the Earth's crust and core. It occurs naturally in soil and water, serving as a vital nutrient for plants. Highly ductile, corrosion and oxidation-resistant, and 100% recyclable, nickel possesses properties that make it indispensable in various industries, including infrastructure construction, chemical processing, communication, energy supply, environmental protection, and food preparation.

The International Energy Agency (IEA) predicts that by 2040, the demand for nickel is expected to increase 40-fold to meet the requirements of energy storage and the growing Electric Vehicle (EV) market. The rapid expansion of infrastructure and global urbanisation further propels the use of nickel in construction materials. According to the IMARC Group, a US-based market research company, the global nickel market is projected to reach US\$46.2bn by 2028, up from US\$33.5bn in 2022, growing at a CAGR of 5.5% during the period.

Zinc

Zinc exhibits a lustrous bluish-white appearance. At normal temperatures, it is hard and crystalline; however, it becomes malleable and ductile when heated from 110°C to 150°C. Zinc is highly reactive, forming hydrogen when it reacts with oxygen and non-molecules. Additionally, it reacts with diluted acids to produce hydrogen. Its primary application is in galvanising iron, where over half of metallic zinc is used to galvanise steel. Furthermore, it plays a role in the production of some alloys and is utilised in constructing roofs and gutters. Zinc is also employed in manufacturing die-castings for the automotive, electrical, and hardware industries. In the electronics sector, it is an essential material.

According to Mordor Intelligence, a US-based provider of industry intelligence, the global zinc market is anticipated to grow at a CAGR of >4.0% during 2024-2029. The Asia-Pacific region is expected to hold the highest market share due to the rapid expansion of the construction and electronics industries, with significant consumption projected in countries such as China, India, and Japan.

As governments worldwide aim to reduce their carbon footprint, opportunities for zinc-based batteries are increasing. These opportunities are reinforced by the intrinsic safety of zinc batteries, their comparable energy density, long service life, and cost-effectiveness in the manufacturing process. In the long term, zinc batteries provide a competitive edge in addressing the shortage of lithium-ion batteries.

Cobalt

Cobalt plays a crucial role in the production of rechargeable batteries and high-temperature alloys. Since 2019, more than 50% of the worldwide demand for cobalt has been driven by the rechargeable battery sector¹³. Typically, when cobalt is replaced with other metals, there is a decline in product performance and an uptick in manufacturing costs. Nonetheless, there is speculation that advancements in battery cathode technology and the creation of cobalt-free batteries could mitigate the risk associated with cobalt supply and lessen the likelihood of future shortages. That being said, most of the growth in cobalt demand is still expected to be driven by Nickel-Cobalt-Manganese (NCM) lithium-ion batteries in the long term, due to their quality uniformity and high energy density. However, the metal is expected to continue to see demand growth in superalloys, where cobalt is used in high intensity use cases such as jet engines and military machinery.

Based on the latest figures by the US Geological Survey (USGS), global cobalt reserves are sufficient to meet the current and future global demand for the metal. However, the intricate nature of ESG (Environmental, Social, and Governance) factors impacting present and upcoming mining activities suggests that forecasting cobalt demand and accurately measuring available resources will become progressively challenging. In 2021, the Democratic Republic of Congo (DRC) contributed up to 70% of the world's cobalt supply. However, there are significant concerns regarding responsible sourcing, including issues such as child labour, occupational safety, and environmental pollution. Despite the DRC's dominance in cobalt mining, approximately 65% of the globally refined cobalt comes from facilities in China. These ESG factors associated with the current supply sources of cobalt increases the attractiveness of economical cobalt reserves in countries with high ESG awareness, such as Australia.

Valuation

Resources-based comparable valuation methodology indicates significant upside potential for FG1

FG1 has recently completed Phase II drilling in the Trafalgar prospect at the Golden Ridge prospect within the Northeast Tasmania region. The company has also undertaken the first round of metallurgical tests to establish the area's mineralisation potential. Given the absence of substantial cash flows and mineral resource estimates, we have relied on the successful outcome of the Phase I and Phase II drilling programmes to come up with our estimate of Inferred mineral resources at Golden Ridge. Subsequently, we employed a peer-multiples-driven resource-based valuation methodology to value our estimated mineral resources.

To calculate our estimation of inferred mineral resources for the Golden Ridge Project, we have utilised the data from the fifteen diamond drill holes at the Trafalgar Prospect, completed by FG1 in two phases. We have estimated the drilled area at Trafalgar at 120k sq m in our model, using the images provided by the company (the current total area of the Northeast Tasmanian assets standing at 1,281 sq km). We have assumed an average mineralisation grade of 2.90g/t and average thickness of 20.24m. All of this is based on the data from these 15 drilled holes (refer to Appendix III). The cut-off grade used for the estimation is set at 0.3g/t. A specific gravity (SG) value of 2.85 g/cm³ for orogenic gold deposits has been employed in our resource estimation.

We have factored in an additional discount in the Au calculation to account for the lower number of drilled holes so far compared to the JORC requirements

¹³ <https://www.sciencedirect.com/science/article/abs/pii/S0921344922006875>

Figure 32: Basis for calculation of Inferred mineral resources

Area (sq m)	120,000
Specific Gravity (g/cm3)	2.85
Mineralisation average grade (ppm)	2.90

Source: East Coast Research

We have estimated the total inferred mineral resource for the Golden Ridge Project to be 6.9Mt. Using an average grade of 2.9g/t, we calculate the weighted average gold mineral resource to be 0.55Moz. We have adopted a conservative approach by applying a 20% discount factor to our Au calculation to take into account the lower number of completed drillings compared to JORC requirements. (Figure 33).

Figure 33: Our estimation of Golden Ridge's Inferred mineral resources

Golden Ridge Inferred Resource Calculation	Unit	Amount
Inferred mineral resources	million tonnes (Mt)	6.9
Average grade	g/t	2.90
Discount		20.0%
Au equivalent	Moz	0.55
Weighted average Au equivalent^	Moz	0.27

Note: ^Weighted average mineral resource includes 100% of measured and indicated resources and 50% of inferred resources

Source: East Coast Research

We have valued Flynn Gold based on EV/Resource peer multiple methodology

Given that FG1 is amongst the Australian miners that have mining assets in Australia, we have opted for ASX-listed peers with pre-development gold assets only (Figure 34), i.e. Rox Resources Ltd (ASX:RXL), Ausgold Limited (ASX:AUC), Antipa Minerals Ltd (ASX:AZY), Tanami Gold NL (ASX:TAM), Horizon Gold Limited (ASX:HRN), Kin Mining NL (ASX:KIN), Alto Metals Limited (ASX:AME), Gateway Mining Limited (ASX:GML) & Great Boulder Resources Limited (ASX:GBR).

Figure 34: Peer list for FG1's Gold mining assets

Company Name	Ticker	Market Cap^ (A\$M)	EV^ (A\$M)	Total Mineral Resources* (Moz)	EV/ Total Resources (A\$/oz)
Rox Resources Ltd	ASX:RXL	64.64	61.54	2.25	27.35
Ausgold Limited	ASX:AUC	64.29	55.78	2.43	22.95
Antipa Minerals Ltd	ASX:AZY	74.43	40.00	1.38	29.09
Tanami Gold NL	ASX:TAM	39.95	36.30	0.56	65.41
Horizon Gold Limited	ASX:HRN	43.45	43.25	1.47	29.41
Kin Mining NL	ASX:KIN	70.69	31.00	1.10	28.17
Alto Metals Limited	ASX:AME	26.70	25.86	0.53	48.89
Gateway Mining Ltd	ASX:GML	7.41	8.91	0.33	26.68
Great Boulder Resources Limited	ASX:GBR	37.11	31.11	0.50	61.79
Median		43.45	36.30	1.10	29.09
Average		47.63	37.08	1.17	37.75

Flynn Gold Limited		8.31	5.77		21.14
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Note: ^As of 16 January 2024;

* Total mineral resource includes 100% of measured and indicated resources and 50% of inferred resources;

Source: S&P Capital IQ and East Coast Research

Gold prices are likely to rise further in anticipation of weakening US treasury yields

Our target valuation approach involves utilising the peer group's average EV/Total resource multiple of A\$37.75/oz of Au equivalent to assess the value of Golden Ridge. We think the current valuation multiple is close to the trough levels. We anticipate that valuations will improve from here on with the strength in gold prices and an expected decline in interest rates. As such, we have used a 20% higher EV/Total resource multiple of A\$45.30/oz of Au equivalent to assess the value of Golden Ridge in our bull-case scenario.

Our valuation of Golden Ridge Project is only based on one of the prospects at the Project, the Trafalgar Prospect, which covers only a small part of the mineralised zone at Golden Ridge. Therefore, we think our valuation assumption remains conservative. Flynn Gold has successfully tested significant gold mineral resources in the Trafalgar prospect demonstrating potential for a significant resource base. Further favourable resource-related developments at Trafalgar will considerably enhance FG1's valuation.

Our valuation assessment *focuses exclusively on the Northeast-Tasmania-based Golden Ridge project, excluding potential lucrative opportunities from the Western Australia-based Lithium and other Tasmania-based gold and battery metals projects*. FG1 has conducted a promising sample study on the Trafalgar block, revealing impressive Au content in samples. Out of the 26 samples collected from drilled holes, 25 samples *exceed the grade of 0.5ppm (0.5 g/t) gold, with the highest registering at 172ppm(g/t)*. It's worth highlighting that 'when it comes to extraction, ores with grades of as little as 0.5ppm gold can be economically mined. The metallurgical testwork on samples from Trafalgar have also returned an impressive average recovery of 94.7%. Based on the promising results to date, we see significant room for further high-grade gold discoveries at Trafalgar, as well as other prospects at Golden Ridge.

FG1 is currently undervalued due to its limited drilling and testing and, therefore, the lack of a JORC-compliant gold MRE (Mineral Resource Estimate), in our view. We believe that as the management embarks on more aggressive exploration and drilling activities in 2024, a maiden MRE at Golden Ridge can be achieved this year. Additionally, with global prices for gold expected to stabilise above US\$2,000/oz in 2024, sourcing funds for gold exploration activities should become easier for FG1.

There's potentially significant value in Flynn Gold's other strategic projects targeting green energy metals. We have not included the value of these assets in our valuation of FG1 as they are early-stage exploration projects and lack Mineral Resource Estimates or considerable drill testing, but nevertheless offer significant upside potential to our valuation.

Using our resource-based comparable valuation methodology, our calculations yield a mid-point target price of **A\$0.09**, reflecting a Price-to-Net Asset Value (NAV) ratio of 0.59x, indicating a substantial valuation headroom of 70% to the current share price of A\$0.053. (Figure 35).

Figure 35: Resources-based comparable valuation calculation for FG1

FG1 Valuation (A\$m)	Base Case	Bull Case
Golden Ridge weighted average resource (Moz)	0.27	0.27
Sector Average (EV/Total resource^ in A\$/t of Au eq.)	37.75	45.30
Firm Value	10.32	12.39
Cash & Liquid Investment*	2.53	2.53
Provisions and Liabilities*	-0.05	-0.05
Minority Interest*	-	-
Total value	12.80	14.86
Fully diluted number of shares (m) **	152.8	152.8
Implied price (A\$)	0.084	0.097
Current price (A\$)	0.053	0.053
Upside (%)	58.0%	83.5%
Mid-point Target Price (A\$)	0.090	
Price / NAV (X)	0.59x	

Note: ^Total resource includes 100% of measured and indicated resources and 50% of inferred resources; *As of 30 September 2023; **Includes unlisted options (3.4m) and management's performance rights share issuance (3.7m)

Source: East Coast Research, Company

We have assumed a higher number of shares than is on issue – our calculation includes unlisted options and management's performance rights

Catalyst for a re-rating of FG1

FG1 is currently trading significantly below our mid-point target valuation. Meeting the following milestones can enable a re-rating on the stock, thereby pushing the share price towards our target valuation range:

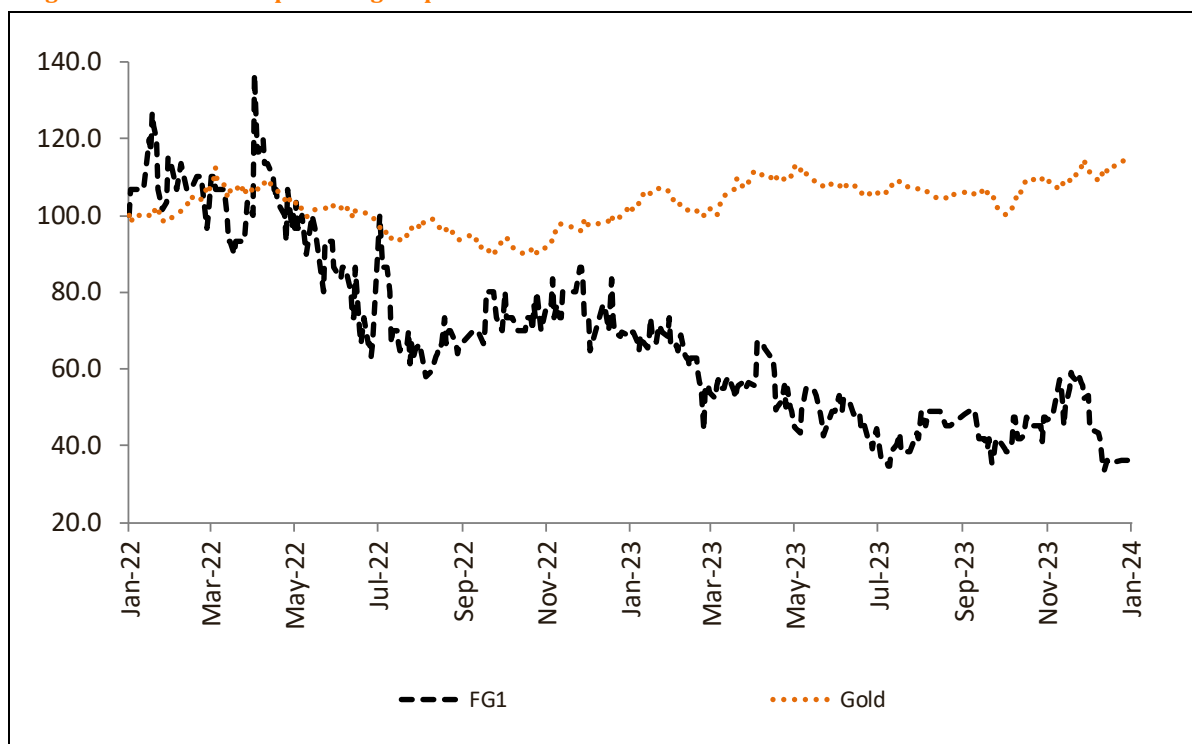
- An **announcement of the Mineral Resource Estimate** at Golden Ridge will have a substantial positive impact on the valuation of the stock, and this will allow investors to value FG1 more confidently.
- **Significant exploration results from the other projects** such as Yilgarn and Pilbara Lithium prospects will be highly regarded by investors.
- Further **increases in gold and lithium prices will have a direct impact on the valuation of FG1's assets and, therefore, the company's share price.**
- An **improvement in macroeconomic factors** will have a positive impact on the company's ability to raise funds at more attractive terms to continue its value-accretive operations and thereby enhance the company's valuation.

Risks

While we are optimistic about FG1 as an attractive speculation opportunity due to its advantageous Tasmanian and Western Australian projects along with the favourable geology, we anticipate the following key risks to our investment rationale:

- **Underlying commodity price risk:** As FG1's flagship projects in the Tasmanian region are focused on gold, the volatility of gold prices stands as one of the fundamental risks to the company's prospects. These price fluctuations are influenced by macroeconomic factors and the global supply and demand dynamics of the underlying commodity. Any long-lasting downturn in gold prices could pose a significant challenge to our investment thesis.
- **Delays in execution:** FG1's management is actively planning to commence the next phase of drilling at the Golden Ridge project and continues exploration efforts at the Yilgarn and Pilbara lithium prospects. Any long periods of no significant exploration success at these key projects could negatively impact investor sentiment.
- **Technical and Geological Risk:** Technical difficulties arising from uncertain terrain or geology may result in operational inefficiencies and heightened costs of exploration.
- **Funding risk:** At present, FG1 does not generate cash flows and relies on capital raisings to fund its exploration activities. Raising funds in a timely manner and on favourable terms poses a significant challenge for the company.

Figure 36: FG1's share price vs. gold prices



Source: Refinitiv, Argus Metals and East Coast Research

Appendix I: FG1 SWOT Analysis

Figure 37: SWOT analysis

Strengths	Weakness
<p>(1) FG1 has an early-mover advantage in Tasmania's northeastern region. The company has been advancing exploration programs at its Golden Ridge, Warrentinna, and Portland projects, which have produced high-grade gold results in a largely unexplored area with geology similar to prosperous Victoria's Goldfields.</p> <p>(2) Northeast Tasmania has been interpreted as part of the western Lachlan Orogen, which is the geological extension of the Victorian Goldfields. This region has a long history of producing high-grade gold, including the dominant Beaconsfield gold mine, which yielded approximately 2Moz of gold at 15g/t Au.</p> <p>(3) FG1's three projects in the Yilgarn – Forrestania, Lake Johnston, and Koolyanobbing are located in the Southern Cross province, near numerous world-class lithium and nickel deposits.</p> <p>(4) Tasmania features a built-in rail and port infrastructure, a skilled labour force, and a well-functioning political and regulatory system.</p> <p>(5) Highly experienced leadership team with diversified skills in place.</p>	<p>(1) Given that underground mining operations are inherently costly, the company alone has spent circa A\$4m on exploration in Tasmania in the last 12 months. As raising capital becomes expensive due to high interest rates, FG1 should exercise caution in its cost management process.</p>
Opportunities	Threats
<p>(1) FG1's Golden Ridge Gold Project continues to yield significant exploration results, notably with sustained high-grade test results (averaging a recovery rate of 97.4%) from the Trafalgar prospect. These findings have opened doors to potential large mineral resource discoveries in the region.</p> <p>(2) Investing in assets with substantial lithium (and other battery metal) deposits presents the company with an excellent opportunity to capitalise on the electric vehicle revolution.</p>	<p>(1) Significant volatility in Gold and lithium prices could impact the economics of the company's gold and lithium exploration assets.</p>

Source: East Coast Research

Appendix II: Seasoned leadership team in place

FG1 has a seasoned leadership team in place with experience across the resources industry, in exploration and mining, as well as in finance, corporate and business development (Figure 38).

Figure 38: FG1's management and board members

Name and Designation	Profile
Mr. Clive Duncan Non-Executive Chair	<ul style="list-style-type: none"> Mr. Duncan has 40 years of experience in corporate and business development, including mergers and acquisitions, business integrations, corporate government, strategy development and marketing at Wesfarmers-owned household hardware chain Bunnings Group. He was Chief Operating Officer and an Executive Director of the board of Bunnings Group and is a long-term significant shareholder of Flynn Gold's predecessor companies. Mr. Duncan has completed post-graduate studies at Harvard University and London Business School and is a Member of the Australian Institute of Company Directors (AICD).
Mr. Neil Marston CEO and Managing Director	<ul style="list-style-type: none"> Mr. Marston has over 30 years of experience in the areas of mineral exploration, capital markets, corporate governance, project management and stakeholder engagement. He has held senior leadership roles in companies within the resources industry including the founding Managing Director and Company Secretary of Bryah Resources Ltd. and Horseshoe Metals Ltd. Mr. Marston is a qualified accountant and Chartered Secretary. He is a fellow of the Governance Institute of Australia and the Chartered Governance Institute and a Member of the AICD.
Mr. Samuel Garrett Technical Director	<ul style="list-style-type: none"> Mr. Garrett is a geologist with more than 30 years of exploration management, project assessment and operational experience across various mining and exploration companies including Phelps Dodge Corp. and Cyprus Gold. He co-founded Flynn Gold and predecessor Pacific Trends Resources Pty Ltd. and is a specialist in copper and gold exploration with involvement in discoveries at Mt Elliott (copper), Havieron (copper-gold) and Tujuh Bukit (gold). Mr. Garrett holds a BSc (Hons) in Geology and a Masters of Economic Geology from the University of Tasmania. He was awarded a Masters of Applied Finance from Macquarie University in 2011. He is a Member of the AICD, the Australian Institute of Geoscientists (AIG) and is a Fellow of the Society of Economic Geologists (SEG).
Mr. John Forwood Non-Executive Director	<ul style="list-style-type: none"> Mr. Forwood is a geologist with more than 20 years of experience in financing of global resources projects. He currently serves as director and Chief Investment Officer of Lowell Resources Funds Management (LRFM) and director of Sipa Resources Ltd. Mr. Forwood is also a qualified lawyer and is a Member of the Australasian Institute of Mining and Metallurgy, the Society of Exploration Geologists, and the AIG.

Source: Company

Appendix III: Trafalgar Prospect's drill holes outcome

Trafalgar prospect drill holes	Interval^ (m)	Au (g/t)	g x m
TFD001	14.1	5.51	77.65
TFDD002	35	1.89	66.21
TFDD002B	16.7	2.12	35.38
TFDD003	15.5	5.98	92.64
TFDD004	30.65	1.38	42.35
TFDD005	8.6	16.99	146.15
TFDD005B	33.35	4.51	150.52
TFDD006	4.7	1.35	6.34
TFDD007	8.6	0.90	7.78
TFDD008	45.2	1.15	51.82
TFDD009	12.4	1.25	15.48
TFDD010	16.7	0.75	12.44
TFDD011	24.9	1.59	39.67
TFDD012	40.65	1.32	53.60
TFDD013	5	18.63	93.16
TFDD014	7	0.66	4.61
TFDD015	25.1	4.13	103.54
Average	20.24	2.90*	58.79

Note: ^Includes only intervals with minimum cut-off grade of 0.3g/t

*Average grade is calculated as (g x m)/(Interval Average)

Source: Company

Appendix IV: Analyst's Qualifications

Behzad Golmohammadi, the lead analyst on this report, is an equity research analyst at Shares in Value (East Coast Research).

- Behzad has a bachelor's degree in engineering (Industrial) and a Master's degree in Applied Finance (Investing) from Sydney Business School where he was the top performer in his cohort. He has also passed the first two levels of the CFA Program.
- Behzad has several years of experience working as an Equity Research Analyst and Technical Analyst in Australia and overseas and has a broad knowledge of ASX listed companies. He has been a speaker at the Australian Technical Analysts Association (ATAA).

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