

Trek Metals Limited

Materials

SPECULATIVE BUY

TKM A\$0.10

TARGET PRICE A\$0.43

A new board and management have changed focus and established a foothold in this area with the acquisition of three new projects – Pincunah, Tambourah and Jimblebar. The Valley of Gossans prospect within the Pincunah Project has an extensive footprint that extends over 2km, with the mineralisation style showing compelling similarities to Develop Global Limited’s (ASX: DVP) nearby Sulphur Springs deposit that is a potential near term development 25km to the east.

A recent RD drilling programme highlighted the prospectivity of this area. To follow up on these exciting results, TKM recently launched a capital raising of up to \$5.5 million to fund the next phase of exploration activity.

TKM is actively progressing exploration both at the Valley of the Gossans prospect and the greater Pincunah Project and further positive exploration results are expected to continue to stimulate demand for the share.

We rate TKM a SPECULATIVE BUY with a potential valuation of AUD132M and 12-month price target of AUD0.43ps.

Company Data

Issued Ordinary Shares	292.6 M
Market Capitalisation	\$29.3 M
Free float (%)	N/A
12-month high/low	\$0.06/\$0.16
Average Daily Turnover (\$m)	N/A
% S&P/ASX200	N/A
DDM Ranking	N/A
% All Ordinaries	N/A
GICS Industry Group	Materials

Source: Company reports / EverBlu Capital

Share price performance

TKM:ASX 2 Year Chart (November 2019 to November 2021)

Source IRESS.



Pilbara Emphasis Enhances Value

New Focus and Management Team Prompt Positive Changes

- Trek Metals Limited (ASX: TKM) has transformed itself over the past 18 months as a new management team has changed geographical focus from Gabon, Africa to the Pilbara in Western Australia – a mining friendly, politically stable and highly prospective area.
- Many historical discoveries have highlighted the potential for large-scale intrusive-related gold and base metal deposit systems throughout the Pilbara Craton.
- TKM has acquired three new gold and base metal projects in the Pilbara Craton in this period. The acquisition of Acme Pilbara Pty Ltd in August 2020 resulted in 100% ownership of the Pincunah and Jimblebar prospects and the purchase of the Tambourah prospect in January 2021 cemented the company’s position in this highly prospective environment.
- A capital raising of up to AUD5.5M will be used to accelerate the next phase of exploration, particularly at the highly prospective Pincunah Project where TKM has recently confirmed an emerging VMS base metal discovery at the Valley of the Gossans prospect. The first phase of this raising of AUD3.5M closed heavily oversubscribed, and the SPP is expected to yield a further AUD2.0M.

VMS Deposit Focus at Pincunah

- VMS (Volcanogenic Massive Sulphide) deposits can have resources totalling 40-50 million tonnes. In some cases, giant fields contain in excess of 100 million tonnes, such as the Kidd Creek deposit in Canada. Examples of this class of deposit occurring in Australia include Golden Grove, Jaguar / Bentley and Degruasa.
- VMS deposits commonly occur in clusters, so the confirmation of VMS-style mineralisation at Valley of Gossans at the Pincunah Project so close to known VMS deposit at Sulphur Springs is very encouraging.
- The Valley of Gossans has an extensive footprint that extends over 2km, with the mineralisation style showing compelling similarities to Develop Limited’s (ASX: DVP) nearby Sulphur Springs deposit. DVP has completed a Definitive Feasibility Study on the Sulphur Springs Project with potential near-term development.

Impending Results Increase Appeal

- The capital raising will put TKM in a very strong position to accelerate its exploration programs at Pincunah.
- The next phase of exploration will comprise a combination of surface geochemistry programs, airborne and down-hole geophysics and further drilling, which we expect to deliver strong news flow over the coming weeks and months.
- The funds will be used to:
 - underpin an expanded program of surface geochemistry across prospective stratigraphy along strike from Valley of the Gossans (currently underway and nearing completion).
 - helicopter-borne and down-hole EM surveys (helicopter survey currently underway and down-hole scheduled for later this month).
 - and further drilling (scheduled to commence later this month).

Company Background

The last 18 months have delivered a significant change of direction for TKM, securing an exciting new exploration and growth opportunity in the Pilbara region of Western Australia through the acquisition of a highly prospective portfolio of gold and base metal exploration assets.

TKM entered into a Binding Term Sheet to acquire unlisted Australian exploration company ACME Pilbara Pty Ltd (APP) in July 2020 and, following the completion of due diligence programs, exercised its option to complete the acquisition in August 2020.

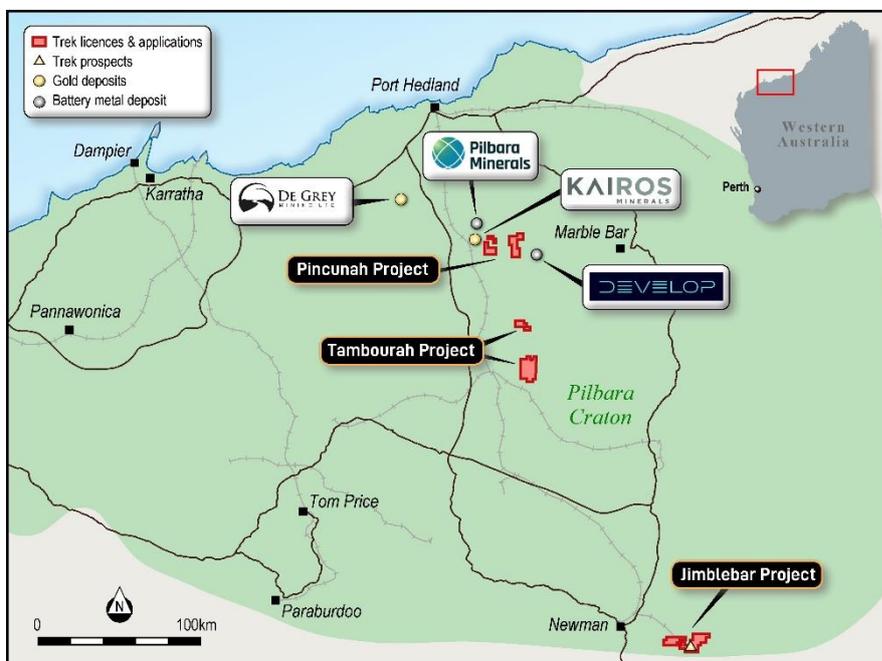
The APP acquisition resulted in TKM obtaining 100% ownership of the strategically located Pincunah and Jimblebar gold and base metal projects, covering an aggregate area of 267km² in the Pilbara region.

In January 2021, TKM further expanded its portfolio with the acquisition of 100% of the Tambourah Project (E45/5484), covering the central portion of the 15km long Western Shaw greenstone belt and including numerous gold and base metal targets.

TKM completed a restructure of its board and management team during the previous financial year, with the appointment of prominent Australian mining executives Mr Neil Biddle and Mr Tony Leibowitz to its board. Mr Leibowitz was appointed Non-Executive Chairman while Mr Biddle was appointed as a Non-Executive Director. TKM recently also appointed Mr Derek Marshall as CEO.

At the end of Q3-21 TKM had AUD2.9M in cash. Should the SPP be successful TKM we estimate that TKM could amass a war chest of up to AUD7M, which will largely fund expected future exploration expenditure.

FIGURE 1: PILBARA PROJECTS – PINCUNAH, JIMBLEBAR AND TAMBOURAH



Source: Company Reports

Valuation & Price Target

Summary

We have based our valuation of TKM using a simple comparison analysis with DVP's Sulphur Springs deposit. We have assumed that the expected positive exploration results will see the market assigning 30% of DVP's market capitalisation (proxy for Sulphur Springs valuation) to TKM's Picunah Project. Our base case scenario projects 30% of the value attributable in 12 months' time. We have assumed that the SPP will be fully subscribed which would result in issued shares increasing by 17.4M shares to 310.0M shares. Our base case valuation of AUD132.2M translates into AUD0.43 per share.

Valuation

Develop Global Limited (ASX: DVP) holds mineral resources totalling 24.4 Mt at 1.2% Cu, 3.5% Zn and 18.7g/t Ag within its Pilbara projects. The company has identified three VMS mineral fields, hosting six known deposits.

The Sulphur Springs Project is 112 kilometres southeast of Port Hedland, accessed by established roads. It is on granted mining tenure 100% owned by DVP. A Mining Agreement with the Nyamal People, who hold native title over the area, is in place.

Sulphur Springs has the potential to be a profitable base metal mine with low operating costs and robust margins as evidenced by a Definitive Feasibility Study (DFS) completed in October 2018. The DFS results confirmed the Project's strong financial and technical merits based on a 1.25Mtpa open pit and underground development to deliver average annual production of ~65ktpa of 25% Copper concentrate (~15ktpa Cu payable metal) and 75ktpa of ~50% Zinc concentrate (~35ktpa Zn payable metal)

The current market capitalisation of DVP stands at AUD440.6M, assumed to be entirely attributable to the Sulphur Springs Project. If the results of the exploration program at Picunah turn out as expected, the TKM share price should move to reflect this. It is expected that the market will assign some of the Sulphur Springs value to TKM. The table below reflects the proportion of value assigned to TKM. Our base case scenario is highlighted in grey at 30%.

FIGURE 1: TKM VALUATION

DVP Market Cap (AUDM)	% Value to TKM (%)	Value TKM (AUDM)	Value TKM (AUD per share) *
440.6	10	44.6	0.14
440.6	20	88.1	0.28
440.6	30	132.2	0.43
440.6	40	176.2	0.57
440.6	50	220.3	0.71

Source: ASX, EverBlu Estimates

* Based on 310 shares on issue

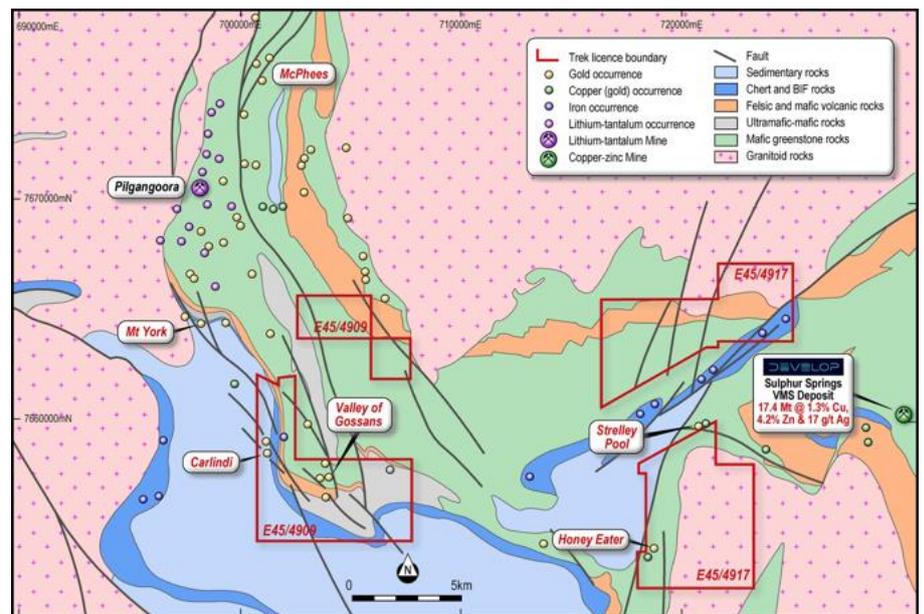
The Pincunah Project (100%)

The Pincunah Project (E45/4909 & E45/4917) is located 100km south of Port Hedland, 25km west of the Sulphur Springs owned by DVP and just 5km south of Kairos Minerals Limited (ASX: KAI) 873,500oz Mt York Gold Project in the Pilbara region of Western Australia.

The Valley of Gossans (VOG) prospect was explored in the late 1960s where mapping, surface sampling and limited drilling identified wide zones of silver mineralisation in highly gossanous felsic intrusive, chert and ultramafic rocks (Figure 2). Recent exploration has highlighted the potential for significant base metal mineralisation at VOG. The Carlindi Shear lies within siliclastic sediments on the western side of E45/4909 within a 6km long structural corridor (Figure 2) and hosts gold mineralisation.

E45/4917 is located 10km east of Valley of Gossans. Previous work focused on the western edge of a large granite intrusive at the Honey Eater prospect, where copper and gold anomalies occur over 4km along a highly prospective north-northeast trending shear zone.

FIGURE 2: PINCUNAH PROJECT – GEOLOGY AND PROSPECTS



Source: Company Reports

At Carlindi, high grade intersections along the Carlindi shear are highly encouraging and the prospect area is highly prospective for Archean sedimentary hosted gold deposits such as Invincible at St Ives. Also, it is possible that the Soanesville Group and De Grey Supergroup sedimentary sequences at Carlindi may be a sedimentary equivalent to the Mallina Formation to the west that hosts the Hemi discovery which indicates potential for similar mineralised intrusive rocks. Further work is required to assess this possibility.

The Honey Eater gold-copper prospect trend is likely to be the gold-copper rich western extension of the Archean Panorama Trend that hosts the Sulphur Springs Cu-Zn-Ag VMS deposit. The prospect trend is highly prospective for copper-gold VMS deposits along a 4-5km strike length south of Strelley Pool where further work is warranted.

TKM’s maiden Reverse Circulation drilling program delivered highly encouraging initial results and highlighting the potential for a largescale VMS base metal system at Valley of the Gossans (VOG) prospect.

The recent drilling covered an extensive multi-element soil anomaly at VOG extending over a strike length of more than 2km, with a total of 13 holes for 2,662m of RC drilling completed. The drill rig, supplied by Orlando Drilling, then moved north-west to the Carlindi Prospect where a further 8 holes were drilled for 1,054m, for a total of 3,716m.

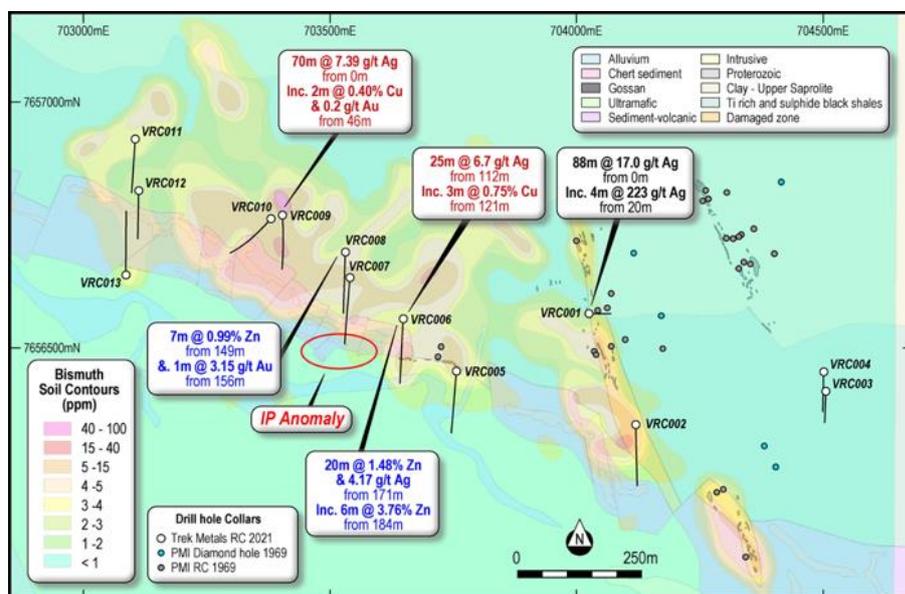
Laboratory assay results from drilling at VOG confirm the drilling intersected multiple horizons of classic VMS-style mineralisation and alteration, with highly anomalous zinc, copper and silver, plus multiple pathfinder elements indicating a very fertile volcanic environment.

Highlights from the assay results included:

- 88m @ 17.0g/t Ag from 0m VRC0013 inc. 4m @ 223g/t Ag from 20m
- 25m @ 6.70g/t Ag from 112m VRC006 inc. 3m @ 0.75% Cu from 121m
- 20m @ 4.17g/t Ag & 1.48% Zn from 171m VRC006 inc. 1m @ 5.99% Zn from 171m & 6m @ 3.76% Zn from 184m
- 7m @ 0.99% Zn from 149m VRC008
- 70m @ 7.39g/t Ag from 0m VRC009

Inc. 2m @ 0.40% Cu & 0.2g/t Au from 46m

FIGURE 3: RC DRILLING - VALLEY OF GOSSANS



Source: Company Reports

The nature, grade and depth of the copper and zinc mineralization near the Chert marker horizon at VOG provides evidence of a mineralising process for a VMS-style copper-zinc system analogous to DVO’s Sulphur Springs deposits.

Based on the strength of the recent exploration results, TKM has committed to multiple exploration activities at the emerging base metal discovery at Valley of the Gossans (Figure 4). TKM is extending the soil sampling program coverage along strike to define the system extent after the initial soils defined a significant multielement anomaly that has proven to be related to a large VMS system.

A helicopter-borne EM program has recently commenced at Valley of the Gossans and the greater Pincunah Project area (see Figure 4 below) to define significant

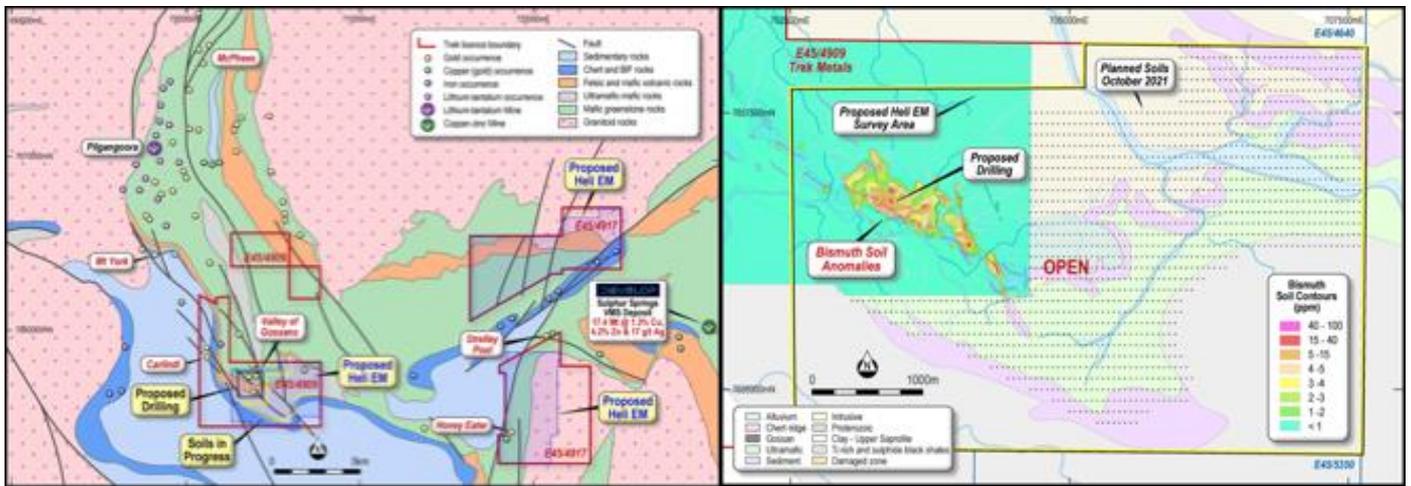
conductive bodies related to massive sulphide mineralisation as immediate drill targets.

A down-hole EM contractor has been secured to survey two of the holes from the maiden drill program which were cased for DHEM, to assist with targeting massive sulphide mineralisation. Surveying is anticipated to commence later this month.

Electromagnetic (EM) survey, both airborne and ground, is one of the most commonly used methods in mineral exploration. The technique is proficient in direct detection of conductive sulphide deposits, in which large conductivity contrasts exist between the orebodies and country/host rocks or thin overburden cover.

TKM has secured a drilling rig in the local area that will allow it to commence follow-up drilling shortly.

FIGURE 4: PROPOSED EXPLORATION WORK AT PINCUNAH



Source: Company Reports

The Jimblebar Project (100%)

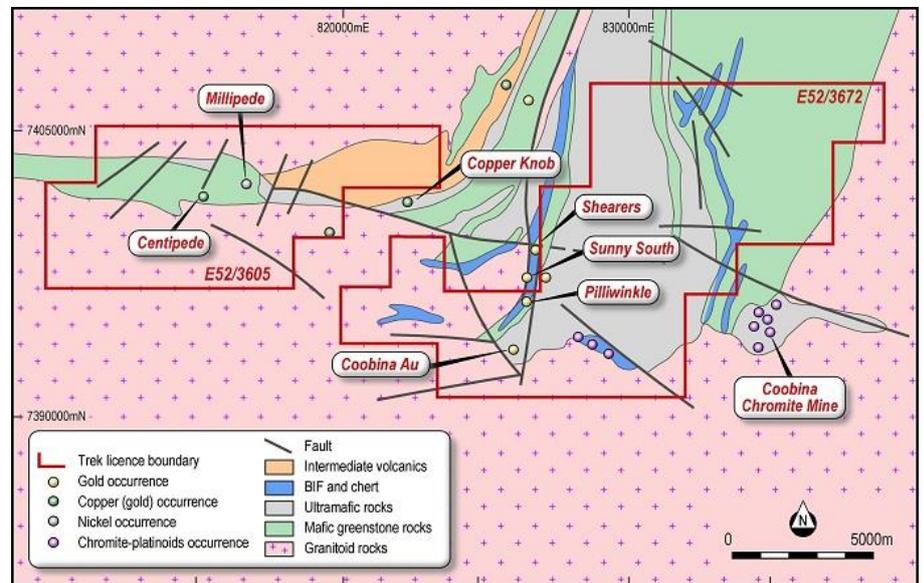
The two tenements (E52/3605 and E52/3672) are located 50km east of Newman. Gold mineralisation in the district is known to be structurally controlled where subsidiary structures cross-cut major faults, shears and lithological contacts.

The various Jimblebar historic gold mines and occurrences were explored extensively by Warwick Resources and Atlas Iron from 2003 to 2014. Warwick also completed a gradient array IP geophysics survey across the main workings Shearers, Sunny South and Pilliwinkle (Figure 9). The tenement covers the southern extension of the Sunny South Prospect which is located north of the company’s tenement boundary. The mineralisation at Sunny South is hosted by a 30m to 50m wide felsic to intermediate intrusive that occurs stratigraphically above the banded iron formation (BIF) and dips moderately to the east.

John Beeson of Jigsaw Geoscience reviewed the controls on mineralisation at Jimblebar and observed the gold mineralisation to be associated with a strongly pyritic and quartz-veined dacite porphyry intrusive. These intrusive rocks are interpreted by Beeson to be reminiscent of ‘mafic-series’ granitoids intimately associated with gold mineralization in the Yilgarn Craton for example Granny Smith and Sunrise Dam.

The Jimblebar gold trend is also highly prospective for gold deposits hosted in intrusive rocks similar to gold deposits in the Yilgarn Craton such as Granny Smith, Sunrise Dam and Gruyere. Mineralised dacite porphyry at Jimblebar indicates the southern Pilbara is also highly prospective and under explored for gold deposits hosted in intrusive rocks. Bonanza gold intersections at Sunny South along strike to the north further enhance the prospectively at Jimblebar.

FIGURE 5: JIMBLEBAR GOLD AND COPPER



Source: Company Reports

The Tambourah Project (100%)

The Tambourah Project is considered highly prospective for gold deposits with at least 13 known gold occurrences and old mining workings located on the project. The Project encompasses the central portion of the 15km long Western Shaw Greenstone Belt, which occurs on the eastern limb of an anticline folded around the Tambourah Dome. The greenstone rocks comprise Archean aged metavolcanic, metasedimentary and various granitoids that occur as large plutons and smaller intrusives.

TKM has reported highly encouraging assay results from reconnaissance fieldwork at its Tambourah. The fieldwork program was designed to follow-up previously identified prospective areas on TKM's 100%-owned E45/5484 tenement. Rock chip samples returned an exceptional high-grade result of 178g/t Au from sample TM1368, supported by other high-grade results from nearby samples including 13.042g/t Au from sample TM1366 and 5.79g/t Au from TM1371.

In addition, TKM collected a total of 216 rock samples. These rock chip samples were designed to provide a due diligence assessment to support the proposed acquisition of tenement E45/4960.

Following analysis of the assay results of 216 rock samples from a number of outcropping highly gossanous quartz veins from the Western Shaw tenement, E45/4960, TKM decided not to exercise its option over E45/4960 and will focus its attention on its existing tenements.

The Kroussou Project (100%)

The Kroussou Project consists of one Exploration License, G4-569, covering approximately 1,500 square kilometres located in Ngounié Province, western Gabon, 220 kilometres southeast of the capital city of Libreville. The Exploration License was granted for three years and is subject to renewal in July 2018 for an additional three years.

Access into the Kroussou Project area has been greatly improved due to the presence of several logging companies operating in the area. New, high-quality bitumen and all-weather unsealed roads lead into and out of the Project from Libreville. A small river port at Yeno, approximately 65 kilometres to the west of the Kroussou Project along a good quality road, is used by the timber and oil industries to barge equipment and product to Gabon's main commercial shipping base at Port Gentil, approximately two days by river to the northwest of the Kroussou Project. This barge system presents a relatively cheap logistical solution for operations within the Kroussou Project to and from the main export facilities at Port Gentil. Much of the project area has mobile phone coverage. Gabon is a mature mining jurisdiction and as such has a supply of labour that is used to mining operations.

The Kroussou project is subject to a Earn-in Agreement (EIA) with Apollo Minerals Limited (ASX: AON) to earn-in an interest of up to 80% in project.

The EIA provides TKM with flexibility as to whether to maintain a direct interest or convert its residual interest to a royalty. TKM will not incur any further expenditure in relation to the Kroussou Project until AON completes its earn-in obligations when a separate decision will be made by TKM as to whether it participates to maintain a 20% interest, dilutes its interest or converts its interest into a 1% net smelter royalty.

Apollo Minerals is now the Manager of the Project and will determine all exploration programmes and other activities to advance the Project.

Capital Raising

TKM completed a share placement in July 2020 comprising 28.6M shares at an issue price of AUD0.035 per share to sophisticated and professional investors to raise a total of AUD1M.

The proceeds from the placement were used for completion of due diligence exploration at the Pincunah and Jimblebar Projects and for corporate and general working capital.

In January 2021, TKM undertook a strongly supported capital raising of AUD3.05 million to accelerate exploration across its key Pilbara gold and base metal projects in Western Australia. The placement comprised the issue of 50M shares at an issue price of AUD0.06 per share to sophisticated and professional investors. TKM Chairman, Tony Leibowitz, subscribed for AUD350,000 under the placement, with his application approved by shareholders at a general meeting held on 4th March 2021.

The Company has completed a share placement comprising 30.43 million shares at an issue price of \$0.115 per share to existing and new professional, sophisticated and other institutional investors to raise a total of \$3.5 million (Placement). TKM also intends to conduct a Share Purchase Plan (SPP) to eligible shareholders on the same terms as the placement to raise up to an additional AUD2M, increasing the total raising to AUD5M. TKM's Directors have confirmed that they will take up their full entitlement in the SPP.

Under the SPP, the Company is giving eligible shareholders the opportunity to subscribe for up to \$30,000 worth of shares at an issue price of \$0.115 per share without incurring brokerage, commission or other transaction costs. An eligible shareholder is any shareholder recorded on the Trek register as of 19th October 2021.

TKM is targeting to raise up to an additional AUD2M from the SPP offer. The SPP is scheduled to close on the 17th of November 2021.

Funds raised are being used to ramp-up exploration activity at the Pincunah project and for general working capital.

Corporate

Board

Tony Leibowitz: Non-Executive Chairman

Mr Leibowitz has over 30 years of corporate finance, investment banking and broad commercial experience and has a proven track record of providing the necessary skills and guidance to assist companies grow and generate sustained shareholder value. Previous roles include Chandler Macleod Limited and Pilbara Minerals Limited, where as Chairman and an early investor in both companies, he was responsible for substantial increases in shareholder value and returns. Mr Leibowitz is also Chairman of emerging gold company Bardoc Gold Limited (ASX: BDC) Mr Leibowitz was a global partner at PricewaterhouseCoopers and is a Fellow of the Institute of Chartered Accountants in Australia.

Neil Biddle - Non-Executive Director

Mr Biddle is a geologist and Corporate Member of the Australasian Institute of Mining and Metallurgy and has over 30 years' professional and management experience in the exploration and mining industry. Mr Biddle was a founding Director of Pilbara Minerals Limited, serving as Executive Director from May 2013 to August 2016, serving as a Non-Executive Director from August 2016 to 26 July 2017. Mr Biddle is a non-Executive director of Bardoc Gold Limited (ASX: BDC). Throughout his career, Mr Biddle has served on the Board of several ASX listed companies, including Managing Director of TNG Ltd from 1998 – 2007, Border Gold NL from 1994 – 1998 and Consolidated Victorian Mines from 1991 – 1994.

John Young - Executive Director

Mr Young is a highly experienced geologist who has worked on exploration and production projects encompassing gold, uranium and specialty metals, including tungsten, molybdenum, tantalum and lithium. Mr Young's corporate experience includes appointments as CEO of Marenica Energy Limited and CEO and Director of Thor Mining PLC. Mr Young was Exploration Manager at Pilbara Minerals Limited from June 2014 until August 2015, appointed Technical Director in September 2015 and transitioned to Non-Executive Director in July 2017 until his resignation in April 2018.

Mr Young has been a director of Bardoc Gold Limited (formerly Spitfire Materials Limited) since June 2017. During this time, in his tenure as Managing Director he co-ordinated the merger with former small-scale north Kalgoorlie producer Excelsior Gold Limited and stalled developer Aphrodite Gold Limited to bring together a large, high-quality gold resource inventory in the Kalgoorlie district (the Bardoc Gold Project). He remains on the Bardoc Gold Limited board as a Non-Executive Director.

4 November 2021

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EverBlu Capital provides research services to its client. Mr van der Wath is a Research Analyst and has over twenty-eight years' experience in the financial services industry, particularly in financial analysis, research report writing and portfolio management as well as twelve years' practical mining experience as a Mining Engineer. Mr van der Wath joined the EverBlu team in 2016 where he has been involved in the research and publication of reports. Prior to this Mr Van der Wath worked at a number of financial entities where he held Director, Head of Research, Portfolio Manager and Analyst positions. Mr van der Wath holds a Bachelor of Science (Mining Engineering) and a Graduate Diploma in Engineering (Industrial) from the University of the Witwatersrand and a Bachelor of Commerce from the University of South Africa. He also holds Mine Manager's Certificates of Competency in both Metalliferous and Coal Mines.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or EverBlu Capital policies.

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EverBlu Capital acted as Lead Manager to the 20 October 2021 Placement to raise \$3.5m @ \$0.115 per share. EverBlu Capital was paid 6% on the funds raised and will be issued 5,000,000 20c share options expiring on 31 October 2023.

The author Gavin Van Der Wath made contact with Trek Metals Limited for the preparation of this report for the verification of facts.

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