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# Drilling suggests deposit will get larger

EV1.ASX | EVOLUTION ENERGY MINERALS LIMITED | MATERIALS | GRAPHITE

PRICE  
**0.23/sh**

TARGET PRICE  
**0.76/sh**  
(UNCHANGED)

RECOMMENDATION  
**SPECULATIVE BUY**  
(UNCHANGED)

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## Event

EV1 recently released drilling results confirming a new discovery of high-grade graphite mineralisation to the east of the Tanzanian Chilalo mining licence (to be named Chilalo East).

Significant intercepts included:

- 26m at 9.0% TGC from 8m in hole NRC22-221
- 8m at 13.7% TGC from 50m and 6m at 10.3% TGC from 66m in hole NRC22-200
- 10m at 10.2% TGC from 80m in hole NRC22-198
- 8m at 9.70% TGC from 90m in hole NRC22-223

## Impact

The discovery of Chilalo East highlights the potential for production expansion and extensions to mine life.

## Action

We have a Speculative Buy recommendation.

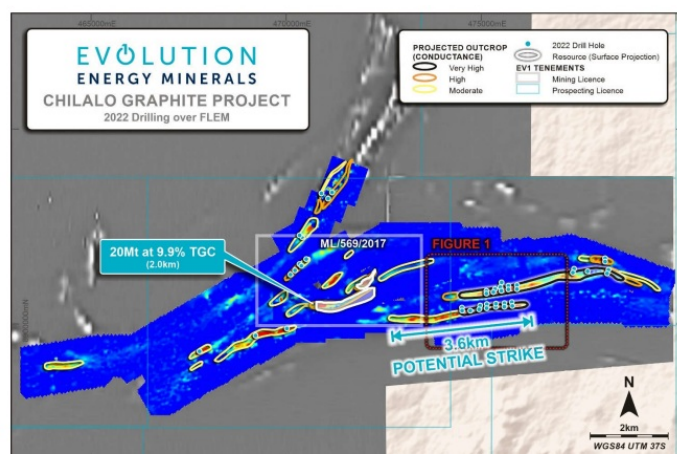
Our valuation is \$1.09. We assume ~A\$70m of new equity for Chilalo and then nominal value for a proportion of a small CSPG facility in USA. Our valuation also includes 60cps of growth beyond what's envisaged in the DFS & small downstream business - exploration success like these results helps backfill this component (we are also confident given the industry tailwinds). Our price target is 76cps, given the risks around achieving the assumptions embedded in our valuation. See our recent initiation report <[link](#)>.

## Key Catalysts

Renegotiated offtake deadline for first production - CY23

Study on CSPG - tbc

Figure 1: Chilalo East discovery



Source: EV1

Share Price	0.23
Price Target	0.76
Valuation	1.09

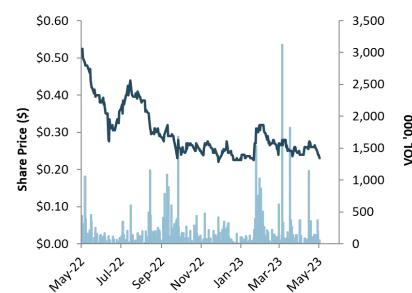
Shares on issue	252
Market Capitalisation	58
Enterprise Value	51
Debt (31 Mar 23a)	0
Cash (31 Mar 23a)	7

Production F'cast	FY24	FY25	FY26
Mining rate	0	0	375
ktpa concentrate.	0.0	0.0	35.3
ktpa anode.	0.0	0.0	0.0

Assumptions	FY24	FY25	FY26
Concentrate	1615	1615	1615
Micronised	2922	2922	2922
Small Flake -100	1000	1000	1000
BAM/USPG	3500	3500	4000
Expandable	6000	6000	6000
Medium Anode	6000	6000	7500
Premium Anode	11000	11000	12000
AUDUSD	0.71	0.73	0.74

Key Financials	FY24	FY25	FY26
Revenue (A\$m)	0	0	91
EBITDA (A\$m)	-8	-10	40
NPAT (A\$m)	-7	-17	7

## Performance



Source: Euroz Hartleys

## Chilalo Mine Project

EV1 is developing the Chilalo graphite mine in Tanzania;

The company recently released a DFS. The mine plan is to begin selling a concentrate (sells for ~US\$1.6k/t) and then move production to a micronized product (sells for ~US\$3k/t) and toll treating expandable graphite (sells for US\$6k/t).

Figure 2: Reserves and Resources

### Chilalo Project: Ore Reserve and Mineral Resource Estimate

Domain	Classification	Zone	Million Tonnes (Mt)	TGC (%)	Contained Graphite (Kt)
High-Grade	Probable Reserve	Main	5.3	10.9	576
<b>Total Ore Reserve</b>	<b>Probable Reserve</b>	<b>Main</b>	<b>5.3</b>	<b>10.9</b>	<b>576</b>
High-Grade	Indicated	Main	9.2	10.6	982
		North East	1.0	9.5	100
		<b>All</b>	<b>10.3</b>	<b>10.5</b>	<b>1,082</b>
	Inferred	Main	7.4	9.5	704
		North East	2.3	8.8	205
		<b>All</b>	<b>9.8</b>	<b>9.3</b>	<b>908</b>
<b>Total High-Grade</b>	<b>Indicated + Inferred</b>	<b>All</b>	<b>20.1</b>	<b>9.9</b>	<b>1,991</b>
Low-Grade	Inferred	Main	37.8	3.4	1,282
		North East	9.5	4.1	394
		<b>All</b>	<b>47.3</b>	<b>3.5</b>	<b>1,677</b>
<b>High-Grade + Low-Grade</b>	<b>Indicated + Inferred</b>	<b>All</b>	<b>67.3</b>	<b>5.4</b>	<b>3,667</b>

Mineral Resources are inclusive of Ore Reserves. The Mineral Resource was estimated within constraining wireframe solids using a core high-grade domain defined above a nominal 5% TGC cut-off within a surrounding low-grade zone defined above a nominal 2% TGC cut-off. The resource is quoted from all classified blocks above a lower cut-off of 2% TGC within these wireframe solids. Differences may occur due to rounding.

Source: EV1

## Price Target

Our price target 76cps, unchanged from previous.

Figure 3: Price Target

Price Target Methodology	Weighting	Spot	12 mth out
NPV12 Base Case	36%	\$1.09	\$1.21
NPV8 Base Case	5%	\$2.30	\$2.46
NPV12 remove expansion proportion	35%	\$0.50	\$0.56
Net Cash	24%	\$0.03	\$0.03
<b>Risk weighted composite</b>		<b>\$0.69</b>	
<b>12 Months Price Target</b>		<b>\$0.76</b>	
Share price - Last		\$0.230	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>231%</b>	

Source: Euroz Hartleys

## Company disclosures

The companies and securities mentioned in this report, include:

Evolution Energy Minerals Limited (EV1.ASX) | Price 0.23 | Target price 0.76 | Recommendation Speculative Buy;

*Price, target price and rating as at 04 May 2023 (\* not covered)*

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