

PUBLISHED ON 04 MAY 2023

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)

ANALYST
TRENT BARNETT
TBARNETT@EUROZHARTLEYS.COM

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.

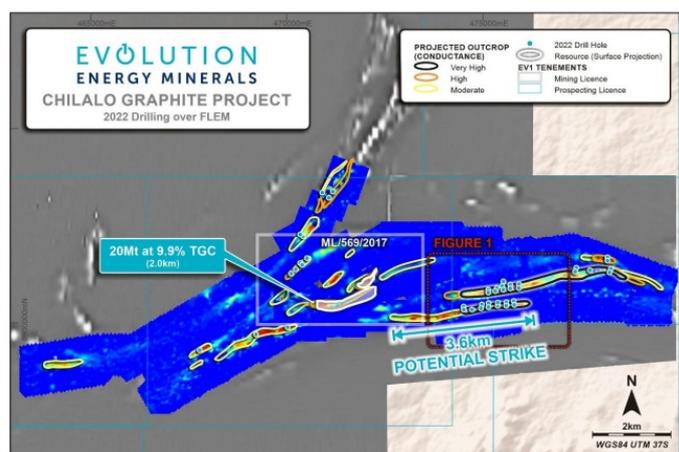
Our valuation is \$1.09. We assume ~A\$70m of new equity for Chilalo and then nominal value for a proportion of a small CSPG facility in USA. Our valuation also includes 60cps of growth beyond what's envisaged in the DFS & small downstream business - exploration success like these results helps backfill 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

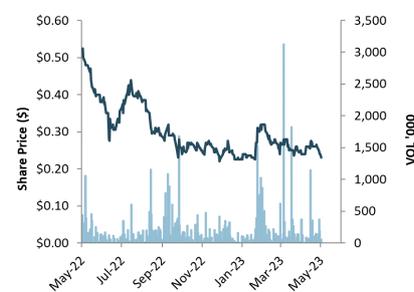
Shares on issue	252
Market Capitalisation	58
Enterprise Value	51
Debt (31 Mar 23a)	0
Cash (31 Mar 23a)	7

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
Total Ore Reserve	Probable Reserve	Main	5.3	10.9	576
High-Grade	Indicated	Main	9.2	10.6	982
		North East	1.0	9.5	100
		All	10.3	10.5	1,082
	Inferred	Main	7.4	9.5	704
		North East	2.3	8.8	205
		All	9.8	9.3	908
Total High-Grade	Indicated + Inferred	All	20.1	9.9	1,991
Low-Grade	Inferred	Main	37.8	3.4	1,282
		North East	9.5	4.1	394
		All	47.3	3.5	1,677
High-Grade + Low-Grade	Indicated + Inferred	All	67.3	5.4	3,667

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
Risk weighted composite		\$0.69	
12 Months Price Target		\$0.76	
Share price - Last		\$0.230	
12 mth total return (% to 12mth target + dividend)		231%	

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)*

Additional disclosures

Euroz Hartleys declares that it has acted as underwriter to, and/or arranged an equity issue in, and/or been engaged in a capital raising during the last year. Euroz Hartleys has received a fee for these services from: Evolution Energy Minerals Limited (EV1.ASX)

This report was prepared solely by Euroz Hartleys Limited. ASX Limited ABN 98 009 642 691 and its related bodies corporate ("ASX") did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of the research reports is limited to funding their preparation, by Euroz Hartleys Limited in accordance with the ASX Equity Research Scheme. ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research reports for: Evolution Energy Minerals Limited (EV1.ASX)

Other disclosures, disclaimers and certificates

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Hartleys Limited (ACN 104 195 057) only.

Euroz Hartleys Limited is the holder of an Australian Financial Services Licence (AFSL 230052) and is a participant of the Australian Securities Exchange Group.

The information contained herein is confidential. If you are not the intended recipient no confidentiality is lost by your receipt of it. Please delete and destroy all copies, and contact Euroz Hartleys Limited on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz Hartleys Limited.

Disclaimer & Disclosure

Euroz Hartleys Limited, and their associates declare that they deal in securities as part of their securities business and consequently may have an interest in the securities recommended herein (if any). This may include providing equity capital market services to the issuing company, hold a position in the securities, trading as principal or agent and as such may effect transactions not consistent with the recommendation (if any) in this report.

You should not act on any recommendation issued by Euroz Hartleys Limited without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your objectives, financial situation and needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz Hartleys Limited believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz Hartleys Limited accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference. The author of this publication, Euroz Hartleys Limited, its directors and their associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Euroz Hartleys Limited, and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of transactions arising from any advice mentioned in publications to clients.