

Investment Memo: Techgen Metals (ASX:TG1)

29th April 2022

What does this company do?

Techgen Metals (ASX:TG1) is a junior metals exploration company currently focussed on copper and gold projects in Western Australia.

Whilst TG1 holds multiple projects across WA, we are currently most interested in its copper projects in the Ashburton Basin (Mt Boggola and Station Creek), and its copper/gold project in the Paterson Province (Harbutt Range).

What is the macro theme?

Copper is already the third most widely used metal in the world - and with demand set to increase from things such as electric vehicles and semiconductor wiring — we see it as leverage to the global electrification boom and anticipated commodities supercycle over the coming decade.

The Gold sector generally outperforms other asset classes in times of volatility (e.g market bubble crash, inflation taking hold) and we believe gold provides a good hedge to a portfolio of longer term investments.

Why do we continue to hold TG1 in 2022?

1. **Well located projects:** TG1 has projects in regions that are home to some of the biggest Copper/Gold discoveries in WA. Ashburton Basin - which hosts Northern Star's Paulsens Gold mine & the Paterson Province - where Rio Tinto recently made the massive Winu discovery.
2. **Copper/Gold prices near all-time highs:** Copper is trading at US\$4.40/lb just shy of its all time high. Gold is currently trading at US\$1,850/oz just shy of its all time high.
3. **Tiny enterprise value (EV) means leverage to a discovery:** TG1 has ~53 million shares on issue with ~14 million under escrow. With a market cap of ~~\$7.66.8M~~ (at 13c/share) and cash in the bank of \$2.6M (at March 31st 2022), the current enterprise value is only \$54.2M. This means TG1 is highly leveraged to any exploration discovery.

What do we expect the company to deliver in 2022?

Objective #1: Drill test the Ashburton Province copper projects:

- Target generation works through Geophysical surveying from the Mt Boggola and Station Creek projects.

- Drilling to test geochemical/geophysical anomalies at both the Mt Boggola and Station Creek projects.

Milestones:

- Geochemical/geophysical survey results
- Drilling permitting
- Drill rig contracted
- Drilling commencement
- Drilling results

Objective #2: Drilling at the Paterson Province Projects:

- We want to see the EM targets recently identified at the Harbutt Range prospect drilled in the next 12 months.

Milestones:

- Drilling permitting
- Drill rig contracted
- Drilling commencement
- Drilling results

Objective #3: Acquire a new project.

- We want to see TG1 bring a more advanced prospect into its portfolio.
- The company flagged “potential growth through suitable value-add opportunities” in its most recent quarterly. We want to see what TG1 management can deliver here over the next 12 months.

Milestones:

- Confirm a new project acquisition.

What could go wrong?

- **Exploration risk:** TG1’s projects are all considered early stage prospects, this means TG1 is yet to make a discovery on the projects. Inherently there is a risk that drilling programs return results with no mineralisation and the projects are considered stranded.
- **Commodity pricing:** Copper is an industrial metal that is reliant on buoyant economic growth, if there is any significant decline in economic activity globally then copper prices are likely to de-rate.
- **Funding risk:** TG1 is a very early stage exploration company with zero revenue and is reliant on continuous capital raises so it can undertake high-risk / high reward

exploration programs. There is a risk that market conditions deteriorate and investors shun high-risk explorers like TG1, and TG1 is unable to raise capital without significant dilution of existing shareholders.

What is our investment plan?

Our investment plan for TG1 is the same as for all our early stage, exploration investments:

- Invest early (way before the main, initial drilling event)
- Patiently wait till the drilling event approaches (late 2022)
- Free carry and take some profit prior to the initial drill results
- Hold a position into the result
- Reassess the plan based on the initial results.

Disclosure: *The authors of this article and owners of Catalyst Hunter, S3 Consortium Pty Ltd, and associated entities, own 1,250,000 TG1 shares at the time of publication. S3 Consortium Pty Ltd has been engaged by TG1 to share our commentary and opinion on the progress of our investment in TG1 over time.*

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