



## ASX: TSO

### Equity Research

9<sup>th</sup> July 2024

#### SPECULATIVE BUY

Share Price \$0.035  
Price Target \$0.067

52-Week Range \$0.014 - \$0.045  
TSO Shares Outstanding 1,229.6m  
TSOO Options (11 ¢, exp. 7 Jul 2025) 60.3m  
TSOOA Options (7 ¢, exp. 13 Dec 2025) 136.3m  
Unlisted Options (2.7 ¢, exp. 16 Jan 2026) 2.0m  
Performance Rights 39.2m  
Share rights 0.9m  
Market Capitalisation \$43.0m  
Cash (31 Mar 2024) ~\$2.1m  
Enterprise Value \$41.0m

#### Board & Management:

Mark Connelly Non-Executive Chairman  
Zeff Reeves Managing Director  
Linton Putland Exec. Director – Mining & Dev.  
Geoff McNamara Non-Executive Director  
Alan Gibson Non-Executive Director  
Sergio Uribe Country Manager Chile  
Ruben Cahuana Exploration Manager  
Sue Wong Company Secretary

#### Major Shareholders:

Gold Fields (JSE: GFI, NYSE: GFI) 19%  
Board & Management 9%  
Collins Street Value Fund 5%  
Other Institutional Investors 24%



Tesoro Gold Limited (ASX: TSO) is an Australian listed gold exploration and development company focused on the exploration and development of the El Zorro Gold Project in Chile. Within the Project, the Ternera Gold Deposit currently holds 1.3 million ounces at a grade of 1.18 g/t Au with 63% in the Indicated category (JORC compliant mineral resource estimate). **In January 2024, Gold Fields Ltd (JSE: GFI, NYSE: GFI) increased its interest in TSO from 15% to 19%.**

## Tesoro Gold Limited

### District Scale Gold Endowment with Development Pathways

**District Scale:** with 570 km<sup>2</sup> of tenure and a 20 km confirmed gold corridor, there is plenty of scope to increase the 1.5 million ounces delineated so far at the Ternera Gold Deposit. Beyond the exploration target of 1.6 to 3.0 million ounces defined for Ternera, a **multi-million ounce gold system is at play** at the El Zorro Gold Project justifying the strategic position taken by **Gold Fields** (NYSE: GFI) on the TSO register.

**Gold Fields Support:** with an increase on the TSO share register from 14% to 19% in January 2024, Gold Fields (JSE: GFI, NYSE: GFI), already operating the Salares Norte gold mine at 4,200-4,900m altitude and further north in Chile, has confirmed its strategic interest in the El Zorro Project.

**Geological Model:** the Intrusive Related Gold System consists of plutonic intrusions and associated fault systems. Gold mineralisation is found widely spread with higher concentrations close to the key fault systems.

**Targeting Model:** the recent discovery at Ternera East validates the targeting model used by the Tesoro exploration team and bodes quite well for further discoveries to extend the Ternera mineral resource and add further gold deposit discoveries at the El Zorro project.

**Metallurgy:** metallurgical test work indicates that 45% of the gold mineralisation can be recovered via gravity with a grind size of 150 µm, giving an overall process recovery of 94.5% via a conventional CIP plant.

**Key Infrastructure Readily Available:** in Chile, this means low altitude (600m), access to water (within 25km) and power (within 20km).

**Project Benchmarking:** our comparative analysis indicates that El Zorro gold ounces attract a higher market value than peer projects. The El Zorro project displays also a significantly lower capex and capital intensity than the Salares Norte project while the operating costs are in line with peers.

**Scoping Study:** on 4<sup>th</sup> April 2023, TSO released the results of a scoping study confirming the development potential of the El Zorro Project based on the Ternera deposit mineral resource as delineated so far. The positive results confirm the economic viability of the project and should be seen as a **“stepping stone” towards a larger project with even more attractive economics.**

**Ternera Financial Modelling:** We have assumed an increased mining inventory by 10 Mt to 27.1 Mt, at the same head grade of 1.25 g/t Au resulting in excess to 1Moz gold produced. Our plant throughput assumption is increased from 2.4 to 3.0 mtpa to produce 110,000 to 120,000 Oz Au p.a. rather than 93,000 oz from the Scoping Study. We also allow for increased Capex and Opex, given inflation.

**TSO valuation:** our sum of the parts valuation assumes a capital raising of \$10 million (340 million shares at \$0.03) sometime in FY2025 to fund exploration/drilling programs and project evaluation. Our TSO valuation amounts to \$106 million or \$0.067 per share. The risks to our valuation are on the upside considering renewed investor interest in the gold sector, high probability of further exploration success and the strategic position of GFI. **Valuation scenarios:**

Gold Price	Post tax NPV <sub>5%</sub>	89.1% TSO	20% Risked NPV in AUD	IRR
US\$1,750/oz	US\$230m	US\$205m	\$60m	23%
US\$1,950/oz	US\$346m	US\$309m	\$91m	32%
US\$2,100/oz	US\$421m	US\$375m	\$110m	37%
US\$2,200/oz	US\$482m	US\$429m	\$126m	41%

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**All currencies are in Australian dollars unless otherwise specified.**

## 1. TSO Valuation

El Zorro Gold Project Valuation (based on initial Ternera Scoping Study)

We have initially modelled the project based on the April 2023 Scoping Study with the following key parameters:

- Ore mined: 17.1 million tonnes
- Strip ratio: 8.3:1
- Head grade: 1.25 g/t Au
- Processing rate: 2.4 million tonnes per annum
- Recovery: 94.5%
- Life of mine: 9 years
- Capex: US\$132 million
- Mining cost: \$2.46/t material mined
- Processing cost: US\$14.0/t ore milled
- G&A cost: \$3.9/t ore milled
- Royalties: none
- Discount rate: 5%
- Gold price: US\$1,750/oz

Our model results in a pre-tax NPV of US\$197 million (vs US\$201m announced by TSO) and an IRR of 25.2% (vs. 27.5% by TSO).

Subsequently, we have modified the key parameters as follows:

- Increased capex by 20% in consideration of higher throughput and inflation.
- Increased mining cost by 10% in consideration of inflation.
- Maintained both processing cost and G&A cost constant assuming that the inflation impact is compensated by the increase in throughput
- Increased the mining inventory with an additional 10 million tonnes to 27.1 million tonnes
- Same strip ratio: 8.3 :1 (see section 2)
- Same head grade: 1.25 g/t
- Throughput rate increased to 3.0 million tpa
- Taxes are subject to negotiations with the Chilean government, we assume a corporate tax rate of 26% at this time

Using various gold prices, Table 1.1 summarises the valuation of the El Zorro/Ternera project.

**Table 1.1 – El Zorro/Ternera Project NPV Valuation**

Gold Price	Post tax NPV <sub>5%</sub>	89.1% TSO	Risked 20% x NPV	Risked NPV in AUD	IRR
US\$1,750/oz	US\$230m	US\$205m	US\$41m	\$60m	23%
US\$1,950/oz	US\$346m	US\$309m	US\$62m	\$91m	32%
US\$2,100/oz	US\$421m	US\$375m	US\$75m	\$110m	37%
US\$2,200/oz	US\$482m	US\$429m	US\$86m	\$126m	41%

Source: Evolution Capital estimates

As expected, the valuation is highly leveraged to the gold price.

In all scenarios, the IRR is robust, thanks to the combination of low capital intensity and operating costs.

Note by the time the El Zorro project reaches production, TSO expects that it will have reached 100% economic interest in the project.

The selection of a risk factor is subjective. We have selected 20% in relation to the stage of evaluation of the project, scoping study level, with advanced metallurgical and engineering work.

### Company Valuation Benchmarking

We have selected a number of peer companies with large mainly gold projects in the Americas.

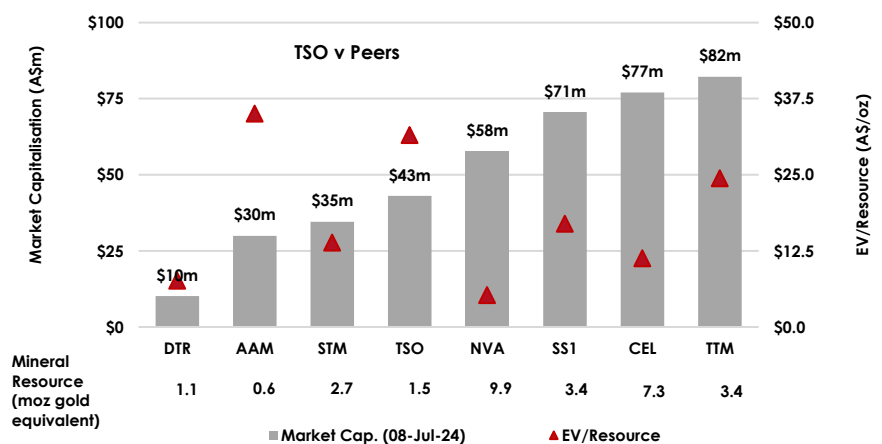
Figure 1.1 combines a number of parameters: market capitalisation, mineral resource in gold equivalent, and enterprise value/mineral resource.

Besides AuMega Metals (ASX: AAM) with its Cape Ray gold project in Newfoundland and relatively small mineral resource compared to peers, Tesoro Gold (ASX: TSO) and Titan Minerals (ASX: TTM) display the highest EV/Resource multiples. This can be attributed to a number of characteristics of the projects including grade, prospectivity for additional resources and expected project economics in a broad sense. Strong company management is also a key factor.

Conversely, additional mineral resource delineated at El Zorro (at a discovery cost of only US\$14/oz so far) should get better market valuation under the TSO banner.

Furthermore, the valuation range defined in the previous section is in line with the current market valuation of TTM with a 3.4 Moz gold equivalent mineral resource.

**Figure 1.1 – Company Benchmarking**



Source: company announcements, S&P Capital IQ

### TSO Sum of the Parts Valuation

To derive our sum of the parts valuation, we have considered a total number of shares equal to 1,589.6 million including a future placement of 340 million shares issued in FY2025 at \$0.03 for \$10.2 million.

Table 1.2 summarises the sum of the parts valuation for TSO.

**Table 1.2 – TSO Sum of the Parts Valuation**

Asset	Value Range	Preferred	Per Share
Tenera Gold Deposit/Project (89.1% TSO interest, 15% risked-NPV)	\$60m-\$126m	\$91.0m	\$0.058
El Zorro Gold Project exploration upside		\$15.0m	\$0.010
Exploration and evaluation costs		(\$10.0m)	(\$0.006)
Cash (31 March 2024)		\$2.0m	\$0.001
Placement (340 million shares @ \$0.03)		\$10.2m	\$0.006
Corporate costs		(\$2.7m)	(\$0.002)
<b>Total</b>		<b>\$105.5m</b>	<b>\$0.067</b>

Source: Evolution Capital estimates

## 2. Ternera and El Zorro Upside

### Drilling Program

One of the focus of the current and upcoming drilling programs is to extend the mineral resource at Ternera.

There are multiple opportunities including:

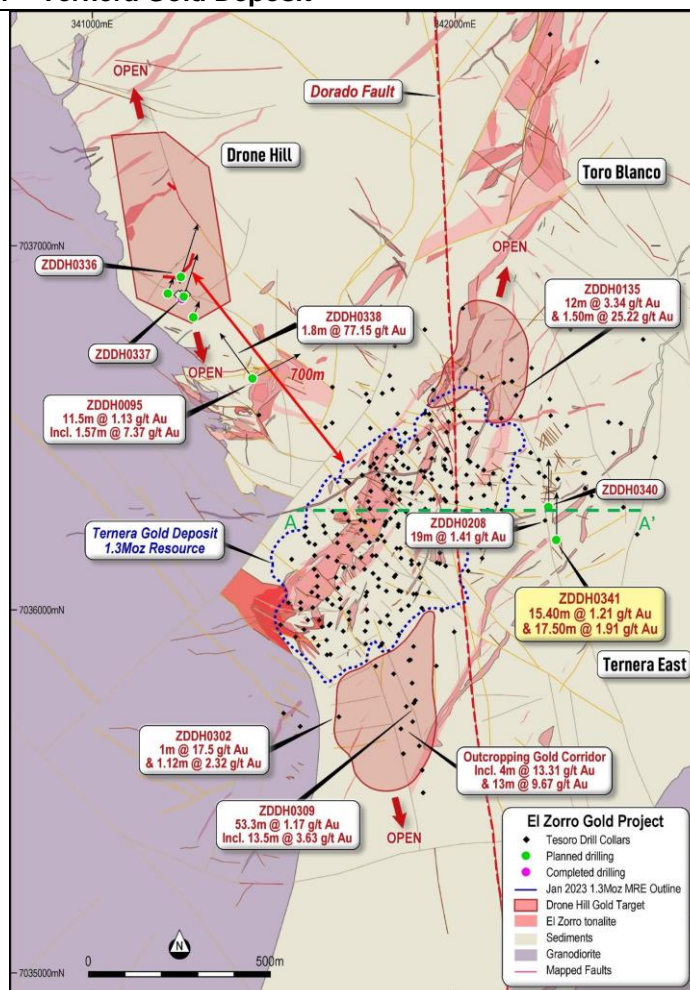
- Joining the Ternera deposit with Drone Hill (700m gap)
- Extending the Ternera deposit north towards Toro Blanco
- Extending the Ternera deposit east (Ternera East, 300m gap)
- Extending the Ternera deposit south along the gold corridor confirmed by gold on surface

The ASX announcement on 2<sup>nd</sup> July 2024 delivered two substantial, well-mineralised zones intercepted in ZDDH0341 at Ternera East:

- 49.50m @ 0.55 g/t Au from 179.00m including:
  - 15.40m @ 1.21g/t Au from 182.00m and
  - 5.40m @ 2.21 g/t Au from 182.00m
- 36.00m @ 1.00 g/t Au from 281.50 including
  - 17.50m @ 1.91g/t Au from 282.00m
  - 7.70m @ 3.64 g/t Au from 283.30m
  - 2.30m @ 9.50 g/t Au from 288.30m

Beyond the good drill results, the discovery validates the targeting model used by the Tesoro exploration team.

**Figure 2.1 – Ternera Gold Deposit**



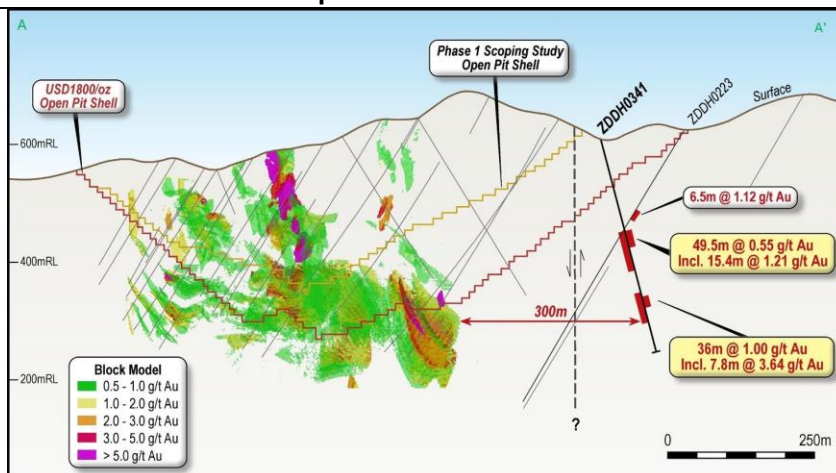
Source: TSO. Near deposit targets highlighting significant drill intercepts and sampling results from high priority areas

### Tenera Upside

Assuming further success with the drilling campaign and the ability to define additional mineral resources in the vicinity of Tenera, there is an opportunity to potentially mine further gold mineralisation while proportionally reduce mining waste, i.e. reducing the strip ratio.

At this time, we have assumed an increase in mining inventory by 10 million tonnes to 27.1 million tonnes, while keeping the strip ratio unchanged at 8.3 to 1.

**Figure 2.2 – Tenera Gold Deposit**



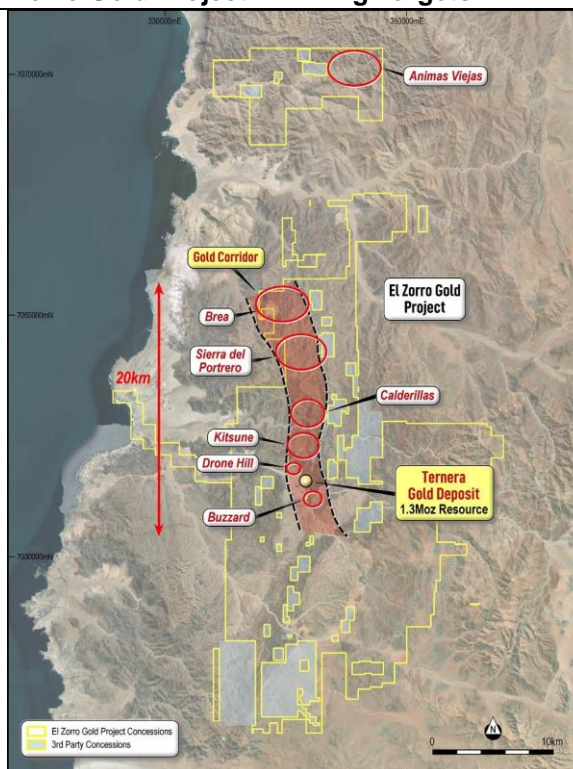
Source: TSO

### El Zorro Upside

Beyond the Tenera deposit and the potential to increase its mineral resource by drilling the nearby prospects, there are multiple opportunities to discover and delineate deposits of similar size to the Tenera deposit.

The district scale of El Zorro and the potential to define a multi-million ounces project is certainly one of the criteria, that attracted Gold Fields to Tesoro Gold.

**Figure 2.2 – El Zorro Gold Project – Drilling Targets**



Source: TSO

### 3. Project Benchmarking

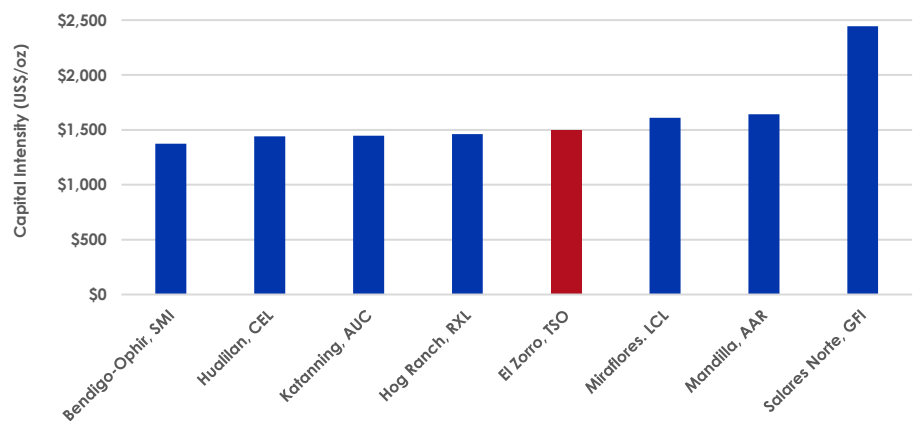
#### Introduction

At this time, we examined two parameters: capital intensity and operating costs.

#### Capital Intensity

Figure 3.1 summarises the capital intensity defined as capital expenditure divided by planned annual gold production. Interestingly, the capital intensity for the El Zorro project and the ones for all the recent development studies included here sits very closely around the US\$1,500/oz mark.

**Figure 3.1 – Capital Intensity of El Zorro Project and Peers**



Source: company announcements, Evolution Capital

In its 2018 Annual Report, Gold Fields (JSE: GFI, NYSE: GFI) disclosed the key elements of the Salares Norte feasibility study as follows:

- Initial 11.5-year life of mine
- Annual throughput of 2 million tonnes
- Life of mine production of 4 million ounces gold equivalent
- Annual production of 355,000 Au Eq. over life of mine
- AISC of US\$545/oz
- Project capital of US\$850 million
- IRR of 25% at US\$1,300/oz
- NPV @ 7.5% of US\$654 million
- Strip ratio of 13.9 (including pre-strip)

While the treatment plant throughput is lower 2.0 v 2.4 mtpa for El Zorro, the capital expenditure is very significantly higher likely impacted by the location of the project between 4,200 and 4,900m above sea level and 70 km from the nearest human settlement (straight line). The project with 12 MW of average electrical demand required the construction of its own power plant (hybrid diesel + solar). For water, the Salares Norte mine was fortunate to receive approval from the Chilean General Water Directorate in December 2016 for water rights from underground boreholes in the vicinity. It has access to 114 liter/second of water, which is more than twice the required quantity for the operations.

In comparison, the El Zorro project sits at an altitude of 600 to 700m. Grid power with spare capacity is available 20 km away and water can be sourced from a desalination plant 30km away.

The project is also just 15km from the Pan American Highway and the Atacama airport one-hour drive from site.

The three populations centres of Caldera (an operating port), Chanaral and Copiapo already servicing mines in the area are also close by.

**Figure 3.3 – El Zorro Gold Project Location and Infrastructure**

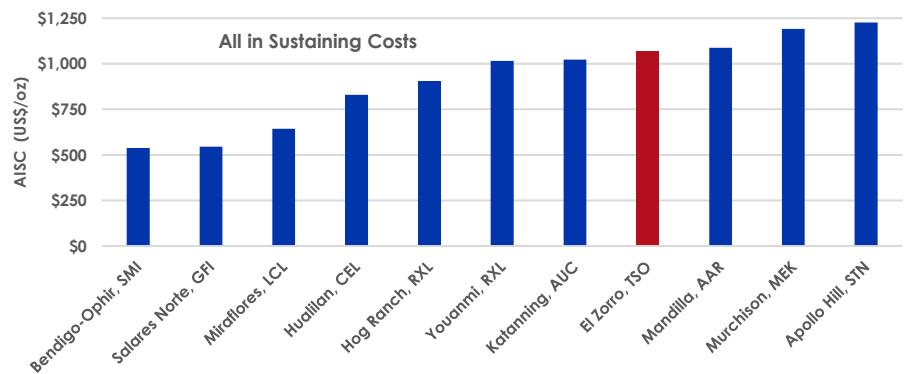


Source: TSO

**Operating Costs**

Figure 3.4 summarises the All-In Sustaining Costs of various projects located in the Americas, New Zealand and Western Australia. The El Zorro Gold Project AISC compares well with the AISC of projects in development in Western Australia.

**Figure 3.4 – Operating Costs of El Zorro Project and Peers**



Source: TSO

**4. Tesoro Gold Strategy**

Tesoro Gold Limited was established with a strategy of acquiring, exploring, and developing mining projects in the Coastal Cordillera region of Chile. The Coastal Cordillera region is host to multiple world class copper and gold mines, has well established infrastructure, service providers and an experienced mining workforce. Large areas of the Coastal Cordillera remain unexplored due to the unconsolidated nature of mining concession ownership, but Tesoro, via its in-country network and experience has been able secure rights to a district scale gold project in-line with the Company’s strategy. The Tesoro team identified the potential for Intrusive Related Gold Systems in the Coastal Cordillera from 2017. It then acquired multiple tenements and started drilling to confirm the prospectivity before listing the company on the Australian Securities Exchange in February 2020. Tesoro’s 95% owned Chilean subsidiary (Tesoro Mining Chile SpA) owns 94.42% of the El Zorro Gold Project. By the time, the El Zorro Project starts construction, Tesoro expects to own 100% of the project.



## 5. El Zorro Gold Project

### Introduction

The El Zorro Project is located in the Atacama region of northern Chile, 13km inland from the Pacific Ocean and 57km by road from the port of Caldera. The area is well-supported by existing road, power and water infrastructure. Chile is a long-established, supportive mining jurisdiction that has the largest copper production globally, and second largest output of lithium.

**Figure 5.1 – El Zorro Project Location Map**



Source: TSO

### Geology and Mineralisation

The Project area is in an early Cretaceous volcanic arc containing structurally controlled batholithic intrusions. During this period extensional tectonic activity included the formation of the intra-arc, sinistral, strike-slip Atacama Fault System along the Coastal Cordillera. The metallogenesis during the evolution of the Chilean Andes was dominated by copper-gold mineralisation characterised by several Late Jurassic and Early Cretaceous volcanic-hosted Cu-Ag manto-type deposits, mesothermal Cu-Au-Ag veins and iron oxide copper-gold (IOCG) deposits. Although the El Zorro mineralisation is located within a belt characterised by IOCG-type mineralisation, the El Zorro mineralisation is more typical of an **intrusive related gold deposit** type.

### Metallurgy

The results of the test work program of the El Zorro deposits are as follows:

- Bond Ball Mill work index (BWi) = 20.4 kWh/t
- A leach feed grind size distribution of P80 = 150µm
- Cyanide consumptions of 0.5kg/t
- Lime consumption of 4.0kg/t
- Gravity recovery of 45%
- Overall Au **recovery of 94.5%**
- Test work undertaken using **seawater**.

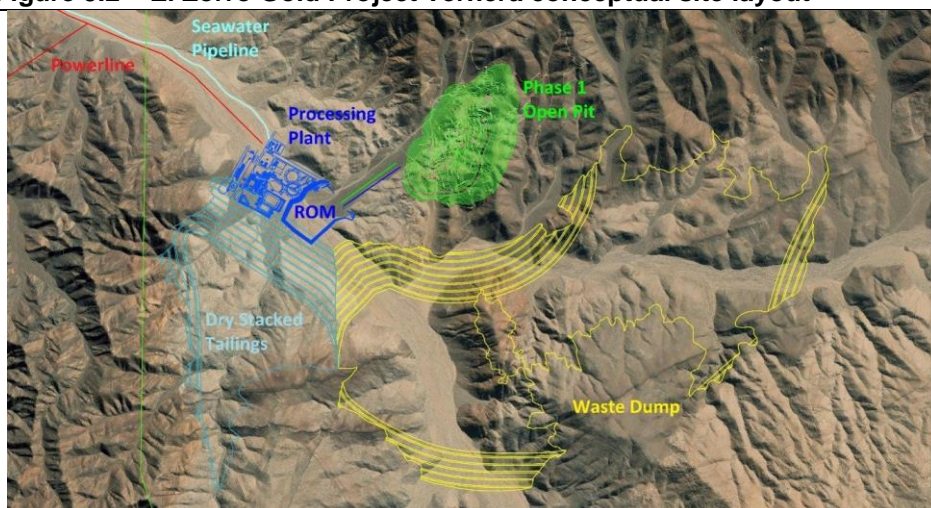
Gravity recovery is relatively consistent at around 49% to 50%. For study purposes the design gravity was set at 45 %.

### Open Pit Mining

The Study assumed open pit mining with all mining activities to be performed by a mining contractor under the direction and management of Tesoro. Mining costs have been estimated based on the use of a 230-tonne diesel hydraulic excavator and 120-tonne truck fleet.

Over an initial 8-year operating life, the Phase 1 pit provides approximately 17.1 Mt of mill feed at an average grade of 1.25g/t Au and a strip ratio of 8.3:1.

**Figure 5.2 – El Zorro Gold Project Ternerá conceptual site layout**

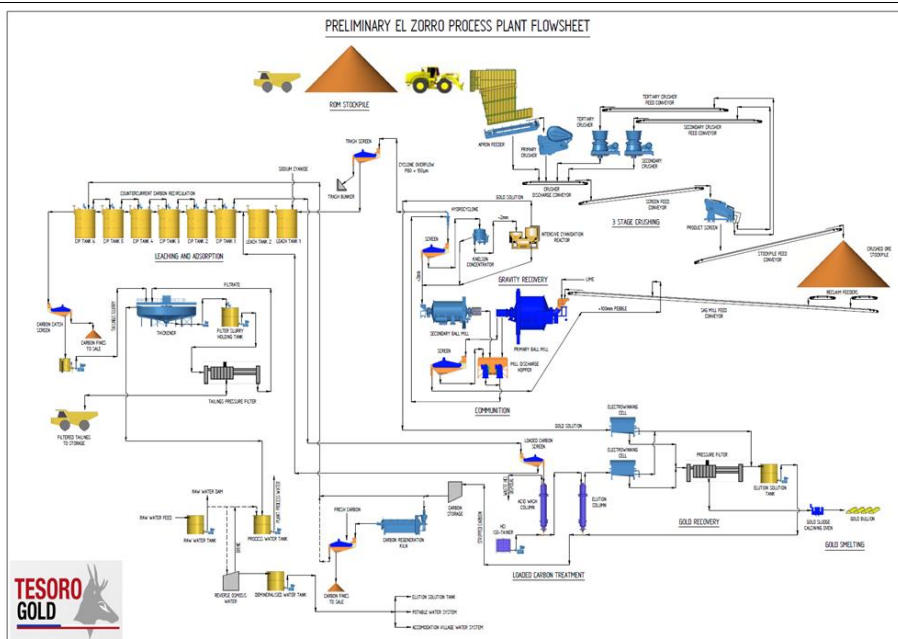


Source: TSO

### Processing

The process plant design was undertaken by GR Engineering based on the outcomes from metallurgical test work programs performed at ALS Metallurgy in Perth. The program was undertaken using seawater to assess the gravity recoverable gold and cyanide leaching characteristics over a range of grind sizes. Results confirmed a gravity gold recovery response of 45% and total gold recoveries of 94.5% utilising a standard CIP process at a relatively coarse grind size (P80 = 150µm).

**Figure 5.3 – El Zorro Gold Project Process Plan Flowsheet**



Source: TSO.

### Infrastructure and Services

The area proximate to El Zorro is well-supported by existing road, power and water infrastructure. As a greenfield development, design and construction of all required site infrastructure and services will form part of the Project.

Power supply options were considered with the support of a Chilean power engineering company. The recommended supply route is via a connection to the Totoralillo substation located approximately 21.6km in a straight line to the south-west of the Project area. The estimated capital cost for connection is approximately US\$10M with the cost of grid electricity approximately US\$0.105/kWh, including transmission tolls and other levies.

Water required for the Project is planned to be extracted from the sea using an approved seawater extraction facility and pumped 20km to site via a purpose-built and operated pipeline and pumping system. On-site, the seawater would be used for ore processing, dust suppression and as a feed to a Reverse Osmosis plant to meet Project potable water requirements.

Provision has been made for the construction and operation of a 175-man accommodation camp and the installation of mobile phone and data communications systems at the Project site.

### Tailings and Waste Management

All tailings generated by processing of gold bearing ores are to be filtered and dry stacked in a purpose-built Tailings Storage Facility (TSF). A tailing filtration rate of approximately 0.9 t/m<sup>2</sup>/h has been assumed for the preliminary design unit for dry stacked tailings given the coarse target comminution size for the process.

An area has been identified as a potential TSF location and incorporated into the conceptual site layout design. A valley embankment TSF has been adopted with the embankment constructed from appropriate mine waste. Future studies will incorporate detailed engineering design and test work and will consider the merits of a stand-alone TSF against incorporating filtered tailings into proposed waste dumps (co-disposal).

Proposed waste dump areas have been identified in locations to the east and southeast of the open pit, distal from currently identified mineralisation trends and of sufficient size to contain Phase 1 open pit and future mining waste material.

### Capital Expenditure

A total pre-production capital cost estimate of US\$132 million has been estimated in consultation with independent specialists, a leading South American mining contractor and GR Engineering Services. Pre-strip mining costs of US\$10 million for the period preceding commercial production has been included in the total cost. The estimate has primarily been derived using a typical Scoping Study desktop approach to an accuracy of  $\pm 35\%$ .

Table 5.1 – El Zorro Gold Project pre-production capital cost estimate (2.4 Mtpa plant & infrastructure)

<b>Item</b>	<b>Capital Cost</b>
Processing plant	US\$62.5m
Project infrastructure	US\$39.0m
Other Costs	US\$6.6m
Mining Capital	US\$13.5m
Pre-strip Mining Activities	US\$10.4m
<b>Total Pre-Production Capital Cost</b>	<b>US\$132.0m</b>
Sustaining capital (residual initial LOM)	US\$8.6m

Source: TSO

## Operating Cost

Operating cost estimates have been constructed in consultation with independent specialists, a mining contractor and GR Engineering Services and derived across the three key areas of the Project, namely mining, processing and administration. The operating cost estimate has primarily been derived using a desktop approach to an accuracy of  $\pm 35\%$ , typical of a Scoping Study.

A mining contractor operating strategy is to be adopted for the Project and assumes all material in the pit will require drill and blast. A mining cost quotation was obtained with processing and general and administrative costs estimated from first principles with inputs from process consumable quotations. All costs have been benchmarked against existing Chilean operations.

Table 5.2 – El Zorro Gold Project operating cost estimate

Area	Operating Cost US\$/t ore	Operating Cost US\$/oz Au produced
Mining	US\$22.2/t ore	US\$585/oz
Processing	US\$14.0/t ore	US\$368/oz
General and Administration	US\$3.9/t ore	US\$102/oz

Source: TSO

## Funding

The Project is considered to be relatively low risk and technically simple, with strong economics that provide a robust platform for Tesoro to access traditional financing through debt and equity markets.

Nevertheless, it is still too early at this time to assume a funding package for the project. Accordingly, we have selected a discount to NPV to derive a valuation for the project.

## 6. Directors & Management Team

Among the members of the Board and management, Zeff Reeves and Sergio Uribe identified the El Zorro Gold Project opportunity in 2017, years before Tesoro Gold Ltd was founded, then listed on the Australian Securities Exchange in February 2020.

### Mark Connelly, Non-Executive Chairman

Mr Connelly is an internationally recognised financial and commercial executive with extensive experience in the commodity and resources industry. He has held CEO and Managing Director roles in multinational companies based in Australia, Africa, Europe, North America, and South America.

Notably, Mr Connelly has a strong track record of value creation in the gold industry. He was previously Non-Executive Chair of Oklo Resources, which was subject to a A\$90 million takeover by B2Gold Corporation during his tenure in September 2022. He was also Non-Executive Chair of Chesser Resources during its A\$89 million takeover by Fortuna Silver Mines Inc., which was completed in September 2023.

### Zeff Reeves, Managing Director

Geologist with >20 years of experience in the resources sector on resource projects from greenfields exploration, discovery, definition and feasibility, construction, production to closure. Zeff previously Managing Director of ASX listed Metallum Ltd which had a number of development and operational projects in Chile. He has also held senior management positions with companies developing projects in Brazil. He has had previous exploration success identifying

& delineating new gold districts in Brazil and Chile. Currently also a non executive director of Culpeo Minerals Ltd.

Linton Putland, Executive Director - Mining & Development

>30 years of experience in mining operations, joint ventures and corporate management in Australia, Africa and the Americas, over a wide range of commodities. Currently principal of LJ Putland and Associates, a private mining consultancy company. Prior to this, he held corporate and senior management roles in IAMGOLD, Aurion Gold, Delta Gold and Pancontinental Mining. He is a Member of AusIMM and a Graduate Member of Australian Institute of Company Directors.

Geoff McNamara, Non-Executive Director

>30 years of international resource sector experience as a Founder, Geologist, Project Manager & Fund Manager. Previously worked in Private Equity (FUM USD800 million) and Director of Société Générale's Mining Finance Team in New York. Operational roles included Project Manager, Senior Mine Geologist & Mine Geologist for Ivanhoe Mines, Lion Ore International & Western Mining Corporation. Currently Co-Founder & Chairman of Culpeo Minerals Limited, which has discovered the Lana Corina Copper Project in Chile, Co-Founder & Director of Descycle.

Alan Gibson, Non-Executive Director

Alan Gibson is an experienced and skilled M&A lawyer, with more than 20 years' experience in Corporate, Energy and Resources Law, including more than 10 years of that as part of the Gold Fields Corporate Development team. Alan is currently Vice President: Corporate Development – Head of Legal for Gold Fields and has played an important role in a number of the group's key growth transactions around the world, including the proposed joint venture between Gold Fields' Tarkwa mine and AngloGold Ashanti's Iduapriem mine in Ghana; the partnership with Osisko Mining at Windfall in Quebec, Canada; acquiring the Granny Smith, Lawlers and Darlot gold mines from Barrick in 2013; acquiring a 50% interest in the Gruyere gold mine in 2016; and evaluating the various funding options for Gold Fields' key development asset Salares Norte in Chile in 2020. Mr. Gibson is an admitted legal practitioner holding a Bachelor of Laws and Bachelor of Economics from Murdoch University (WA).

Sergio Uribe, Country Manager Chile

14 years' resource sector experience. Part of the development team with FMG at their Pilbara mining operations back in 2008. Extensive administrative and management experience. Worked in greenfields exploration, discovery, production, closure & tailings reclamation. Commercial Manager of Metallum Chile, General Manager of Acorn Mining Chile and Country Manager for Cleveland Mining, Chile. Business Management degree from Universidad del Desarrollo.

Sue Wong, Company Secretary

Ms Wong has over 20 years' experience in legal and corporate roles, including over 10 years in corporate governance. She is a Fellow of the Governance Institute of Australia (FGIA) and holds a Bachelor of Commerce and a Bachelor of Laws from the University of Western Australia. Ms Wong is also the Company Secretary of Culpeo Minerals Limited and an Associate Company Secretary at Source Governance.

## 7. Investment Risks

TSO is exposed to a number of risks including:

- **Geological risk:** the actual characteristics of an ore deposit may differ significantly from initial interpretations.
- **Resource risk:** all resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Commodity price risk:** the revenues TSO will derive mainly through the sale of gold doré exposing the potential income to gold price risk. The price gold fluctuates and is affected by many factors beyond the control of TSO. Such factors include supply and demand fluctuations, technological advancements and macro-economic factors.
- **Exchange Rate risk:** The revenue TSO derives from the sale of metal products exposes the potential income to exchange rate risk. International prices of gold are denominated in United States dollars, whereas the financial reporting currency of TSO is the Australian dollar, exposing the company to the fluctuations and volatility of the rate of exchange between the USD and the AUD as determined by international markets.
- **Mining risk:** A reduction in mine production would result in reduced revenue.
- **Processing risks:** A reduction in plant throughput would result in reduced revenue. In all processing plants, some metal is lost rather than reporting to the valuable product. If the recovery of metal is less than forecast, then revenue will be reduced.
- **Operational cost risk:** an increase in operating costs will reduce the profitability and free cash generation of the project.
- **Management and labour risk:** an experienced and skilled management team is essential to the successful development and operation of mining projects.

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