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A High Quality Portfolio

Equity Research Australia
Materials

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NEED TO KNOW

- Engineering Feasibility Study for Small Scale HPA Plant (SSP) planned for July 2024
- Cadoux (CCM) acquires 50% in Minhub
- Feasibility Study for Rare Earths project planned for September 2024

SSP development phase progresses: The proposed 1ktpa SSP at Kwinana has advanced, with anticipated Phase 1 Engineering Feasibility Study completion in July 2024. The study is a key milestone and de-risking catalyst in the project's development plan. CCM's commercial scale plant of 10ktpa studies continue in parallel with the SSP.

CCM (formerly FYI Resources) acquires 50% in Minhub and continues working towards 100%; Rare earths feasibility study due September: Minhub is developing a third-party downstream heavy mineral sands and rare earths production facility in collaboration with Arafura Rare Earth (ASX: ARU). The JV is advancing towards completion of a Feasibility Study in September. The Minhub project is complementary to CCM's strategy of developing producing assets of critical minerals exposed to high-tech applications.

Investment Thesis – High Quality Portfolio Drives Value

Globally significant HPA Project with High Margins: With a targeted full production of 10ktpa, CCM's commercial size HPA plant will be globally significant, servicing a wide range of potential customers. CCM is implementing a phased path to production with an initial 1ktpa demonstration plant to further de-risk and optimise the commercialisation phase. We forecast CCM's high quality product to drive EBITDA margins over 70%.

HPA application in batteries, semiconductors and LED technology drive demand: The current global decarbonisation and electrification thematics support strong demand and pricing for HPA as a critical component in batteries. In addition, HPA's input into LED technology drives additional demand growth. Targeted 'Five Nines' (99.999% Al_2O_3) product will be the highest-quality HPA available to the market and attract premium pricing.

Rare Earths Project Sets CCM up for Further Value Add: CCM's "Minhub" Rare Earths Project is developing a facility aimed at processing mineral sands to extract Rare Earths within Australia and contribute to growing a significant rare earths industry in Australia and potentially drive the development of stranded mineral sands and rare earths projects. We attribute a small value to this project, with the upcoming PFS being a key catalyst for a potential increase to the valuation of CCM.

Valuation – A$0.37 Per Share (Previous A$0.43)

Our sum-of-the-parts valuation of A$0.37 per share is driven by our risked NPV valuation for the HPA project. We see significant upside from the current share price as CCM first successfully funds and then develops the project.

Risks

The key risks are funding, execution and construction. With funding, CCM is looking at a mix of debt, strategic investment, government loans and equity.

Cadoux (formerly FYI Resources) engages in the exploration, evaluation, and development of critical minerals. The company holds 100% interest in the Cadoux kaolin deposit, a high purity alumina project in Western Australia. The company was formerly known as CCM Resources and changed its name to Cadoux Limited in January 2024 to better reflect the Company's broader critical minerals strategy. www.cadoux.com.au

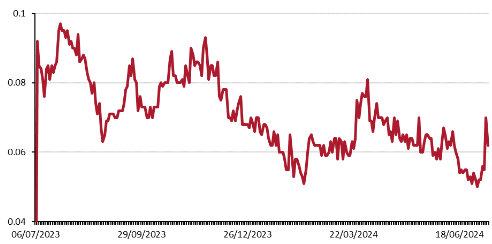
Valuation	**A$0.370** *(from A$0.430)*
Current price	**A$0.070**
Market cap	**A$23m**
Cash on hand	**A$6.3m** *(31 March 2024)*

Additional Resources

Upcoming Catalysts / Next News

Period	
Q3 CY2024	SSP Engineering Studies
Q4 CY 2024	SSP Engineering Feasibility
Q3 CY 2024	Minhub Feasibility
Q4 CY 2024	Progress on commercial scale plant

Share Price (A$)



Source: FactSet, MST Access

Figure 1: Financial Summary - June Year End

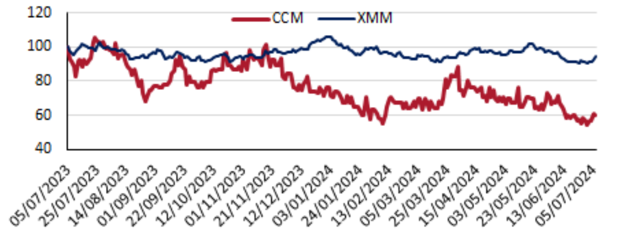
Cadoux Ltd — FYI.AX

MARKET DATA		
Share Price	A$/sh	0.07
52 week low/high	A$/sh	0.05 - 0.10
Valuation	A$/sh	0.37
Market Cap (A$m)	A$m	26
Net Cash / (Debt) (A$m)	A$m	4
Enterprise Value (A$m)	A$m	22
Shares on Issue	m	371
Options/Performance shares	m	6
Other Equity	m	1,568
Potential Diluted Shares on Issue	m	1,945

INVESTMENT FUNDAMENTALS		Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Reported NPAT	A$m	(4)	(4)	(6)	(7)	16
Underlying NPAT	A$m	(4)	(4)	(6)	(7)	16
EPS Reported (undiluted)	¢ps	(1.2)	(1.1)	(1.7)	(0.6)	0.8
EPS Underlying (undiluted)	¢ps	(1.2)	(1.1)	(1.7)	(0.6)	0.8
P/E Reported (undiluted)	x	n/m	n/m	n/m	n/m	n/m
P/E Underlying (undiluted)	x	n/m	n/m	n/m	n/m	n/m
Operating Cash Flow / Share	A$	(0.00)	(0.00)	(0.01)	(0.00)	0.01
Price / Operating Cash Flow	x	n/m	n/m	n/m	n/m	6.9
Free Cash Flow / Share	A$	(0.01)	(0.01)	(0.01)	(0.02)	(0.06)
Price / Free Cash Flow	x	(8.5)	(7.6)	(5.7)	(3.8)	(1.1)
Free Cash Flow Yield	%	-11.7%	-13.1%	-17.4%	-26.3%	-92.2%
Book Value / Share	A$	0.05	0.03	0.03	0.01	0.10
Price / Book	x	1.53	2.00	2.47	6.23	0.68
NTA / Share	A$	0.05	0.03	0.03	0.01	0.10
Price / NTA	x	1.53	2.00	2.47	6.23	0.68
Year End Shares	m	366	367	367	1,940	1,940
Market Cap (spot)	A$m	26	26	26	136	136
Net Cash / (Debt)	A$m	12	8	4	(17)	15
Enterprise Value	A$m	14	17	22	153	121
EV / EBITDA	x	n/m	n/m	n/m	n/m	0.9x
Net Debt / Enterprise Value		(0.5)	(0.4)	(0.2)	0.8	(0.7)
Dividend per share	¢ps	0	0	0	0	0

PRODUCTION AND PRICING		Jun-26e
HPA Production	kt	1.0
HPA Price (US$/t)	US$/t	28,569
AUDUSD	:	0.70

12-Month Relative Performance vs S&P/ASX Metals & Mining



Profit & Loss (A$m)	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Revenue	-	-	-	-	41
Expenses	(4)	(5)	(6)	(6)	(16)
EBITDA	**(4)**	**(5)**	**(6)**	**(6)**	**25**
D&A	(1)	(1)	(1)	(1)	(2)
EBIT	**(5)**	**(6)**	**(7)**	**(7)**	**23**
Interest	0	0	0	-	(1)
Tax	1	1	-	-	(7)
Underlying NPAT	**(4)**	**(4)**	**(6)**	**(7)**	**16**
Exceptionals	-	-	-	-	-
Reported Profit	**(4)**	**(4)**	**(6)**	**(7)**	**16**
Pre tax profit	(5)	(6)	(7)	(7)	24

Balance Sheet (A$m)	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Cash	12	8	4	3	191
Receivables	1	1	1	1	3
Inventory	-	-	-	-	2
PP&E	-	-	2	34	178
Exploration	4	4	4	4	4
Other	1	-	-	-	-
Assets	**17**	**13**	**11**	**42**	**379**
Creditors	0	0	0	0	3
Debt	-	-	-	20	177
Other	-	-	-	-	-
Liabilities	**0**	**0**	**0**	**20**	**180**
Equity	**17**	**13**	**10**	**22**	**198**

Cashflow (A$m)	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Cash From Operations	(2)	(2)	(4)	(4)	27
Interest	1	1	-	-	(7)
Tax	0	0	0	-	(1)
Net Cash From Operations	**(1)**	**(1)**	**(4)**	**(4)**	**20**
Capex	-	-	(1)	(31)	(144)
Exploration	(2)	(3)	(2)	(2)	(2)
Investments & Other	-	-	2	1	1
Free Cash Flow	**(3)**	**(3)**	**(4)**	**(36)**	**(125)**
Equity	6	-	-	15	157
Borrowings	-	-	-	20	157
Dividend	-	-	-	-	-
Net Increase / (Decrease) in Cash	**3**	**(3)**	**(4)**	**(1)**	**188**

Source: MST Estimates; CCM

HPA Project: Key Milestones Near Term

2 Stage Development towards 10ktpa of HPA

CCM has continued to advance its key High Purity Alumina (HPA) Project in Western Australia.

The project has 2 key stages;

Stage 1 - development of a Small Scale HPA Plant (SSP) at 1ktpa

Stage 2 - development of the commercial scale HPA Plant at 10ktpa

Stage 1 - SSP - 1 ktpa

The key Phases of the SSP development are:

- **Pre-development phase**
  - Phase 1 – Engineering Feasibility Study (R&D / development / optimising)
  - Phase 2 – Selection of EPC and Final Engineering Feasibility Study (detailed opex / capex)
- **Development phase**
  - Phase 1 – Front End Engineering and Design (FEED)
  - Phase 2 - Financial Investment Decision (FID)
  - Phase 3 – Pre-construction and procurement activities
  - Phase 4 – Construction Activities to commence

The Key Objectives

The planned construction of the SSP, located at Kwinana, WA, will allow a staged and scalable development approach. The SSP will act as a 'bridge' from the pilot plant to a full-scale commercial facility.

The SSP is designed to further update and improve the outcomes of the Stage 1 Engineering Feasibility Studies completed in Phases 1 and 2 engineering (pre-development) and demonstrate the value-add of the HPA product, while also potentially delivering significant project data, process optimisation and testing for final product development. The plant will produce bulk samples for prospective customers' testing and qualification, deliver revenue in its own right, and serve as a testing and training facility.

Key features of the SSP

- Increased sizing of output (production volume)
- Capex and opex improvements
- Integration and scaling of engineering
- Lower energy requirements; reduced carbon footprint due to efficiency and design improvements
- Accelerated development; tailored to market qualification requirements
- Advanced materials construction learnings to be incorporated in development
- Higher quality consistency and increased purity from pilot plant trial to be targeted. The SSP will enable CCM to produce bulk samples for prospective customers' testing and qualification
- Design to allow for possible phased modular production increases, leading to advantages including faster project completion, reduced construction costs, high-quality fabrication, non-disruptive phased production increases, and the ability to add capacity or to relocate the facility

Stage 1 SSP - Progressing towards a Engineering Feasibility Study (EFS)

HPA workstreams have progressed and the Stage 1 EFS which is nearing completion.

The study is utilising relevant outputs from previous work (including a DFS from 2021), comprises a plant design for the SSP and will derive capital and operating cost estimates for the project. The engineering design is planned to be completed by July 2024, with Phase 2 EFS and design execution to follow with completion scheduled for December 2024.

As demonstrated in the 2021 DFS, CCM has established an innovative process flowsheet supported by extensive pilot plant trials to produce ultra-high quality HPA which is likely to be in demand across multiple high-value applications. Cadoux's HPA's high-quality elements include:

- product purity (>99.99% Al2O3) low deleterious material
- low-cost production / high margin
- sought after product characteristics
- ability to bespoke finish HPA material to customer requirements

CCM's strategic development plan presents a strong business case for a resilient project which can leverage the opaque market for HPA, an important yet overlooked material in the energy transition infrastructure and other decarbonisation investments.

Stage 2 - Refining the 10ktpa Commercial Scale Plant

The Stage 2 plant is the 10ktpa commercial scale plant and is being developed in parallel with certain long lead and technology items that will be incorporated in the Stage 2 scope of works once Stage 1 is finalised and signed off by project engineers.

The EFS for Stage 2 intends to refine the DFS from 2021 (see below) with learnings from Stage 1 and to ensure an optimised outcome for the commercial scale plant.

A Quick Refresher on the Commercial Scale Plant

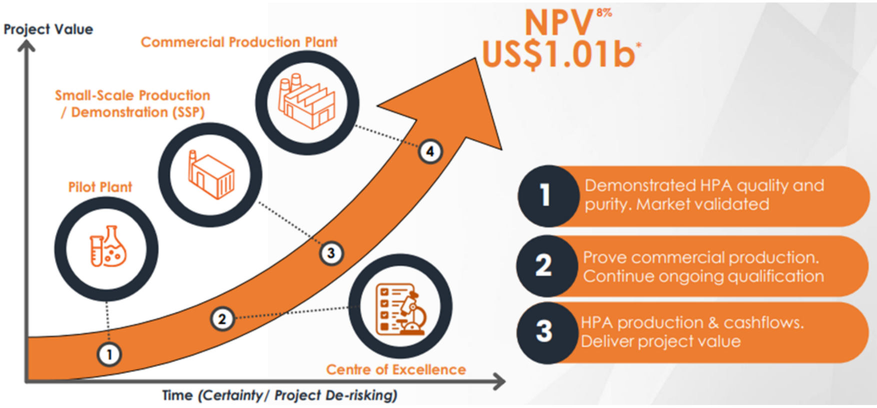
In April 2021, CCM completed an updated Definitive Feasibility Study (DFS). The DFS updates a previous Feasibility Study completed in March 2020.

The DFS outlines a robust, long-life project.

Key features include:

- two planned operating sites: Cadoux (mining and beneficiation) and Kwinana (processing and refining)
- substantial potential for Resource and Ore Reserves growth, leading to mine life extension and subsequently more HPA production
- annual targeted HPA production: 10ktpa.
- NPV_8: $1.014bn (post tax)
- IRR: 55% (post tax)
- payback period: 3.2 years
- pre-production capital costs: US$202m.

Figure 2: project development strategy



Source: CCM

Other points of Note for the HPA Development

$3m WA Government grant awarded

In recognition of the potential and importance of the HPA project in WA, the WA Government awarded a $3m grant to CCM which it can use to progress the SSP.

The grant enhances CCM's efforts to develop a small-scale HPA production plant, with the company required to match the funding, aligning with the government's objectives of driving innovation and expanding economic opportunities within the state.

The payment schedule depends on CCM attaining certain milestones and, if achieved, will see funds paid to CCM as follows:

- CY2023 – A$900,000
- CY2024 – A$1,050,000
- CY2025 – A$900,000
- CY2026 – A$150,000

Rare Earths Project – Minhub Makes Progress

CCM has expanded its critical minerals strategy into the rare earths sector through a binding Heads of Agreement that provides for the staged acquisition of 100% of Minhub Operations Pty Ltd (MOPL).

MOPL is developing the Minhub third-party downstream heavy mineral sands and rare earths production facility to be based in Darwin in collaboration with Arafura Rare Earth Limited (ASX: ARU), who has the right to own up to 50% via pro-rata funding with Cadoux into Minhub. Minhub is designed to work with emerging mineral sands producers to process xenotime and monazite concentrates for select markets and supply ARU with rare earths feedstocks which will be upgraded to a suite of premium products.

CCM Acquires first 50% of MOPL

CCM has acquired a 50% stake in MOPL under an agreed two stage Share Purchase Agreement (SPA).

CCM's first stage purchase of 50% of the issued shares in MOPL follows due diligence reviews and the completion of several key conditions precedent to the acquisition. Cadoux issued 4,000,000 shares in consideration of the stage one acquisition.

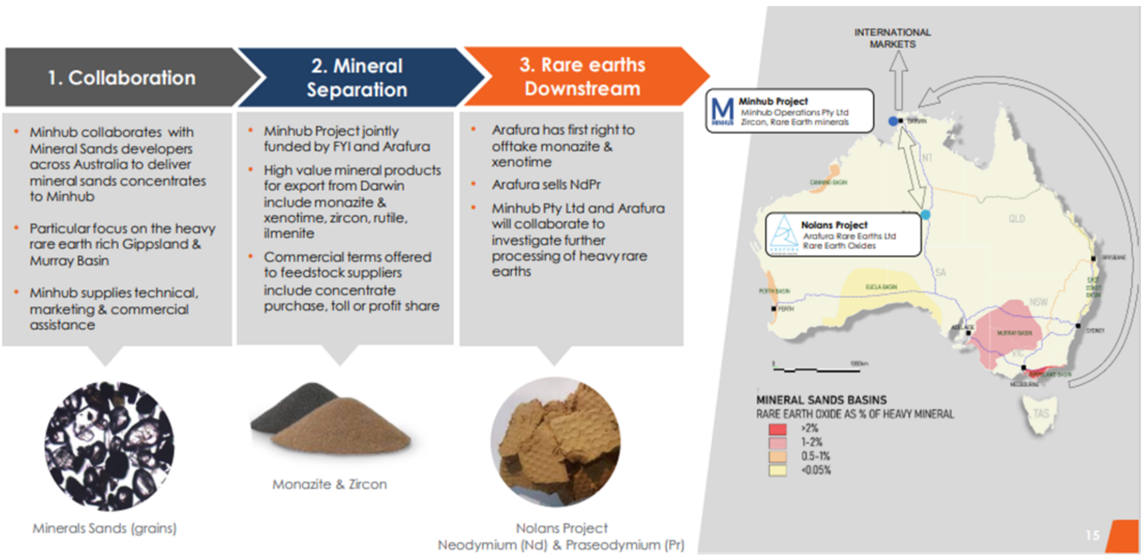
Under the HOA and SPA, Cadoux is collaborating with MOPL to meet the project milestones for stage two of the acquisition, taking its interest in MOPL to 100%.

Minhub Project update

Key Minhub accomplishments include:

- Site development application advanced with compilation of the site environmental report and preparation of development application to allow early siteworks.
- Feasibility studies continued utilising third party feedstocks of rare earth rich concentrates. The FS is expected in September 2024.
- Project accelerator program initiated following completion of favourable costing study
- High level cost estimate completed by project engineers IHC Mining
- Detailed site plan and design finalised
- Continued engineering work streams for multi-client processing facility
- Metallurgical testwork continues in relation to several feedstocks and ongoing offtake discussions with feedstock partners.
- Engineering scope for differing client concentrate streams
- Capex and opex optimisation studies

Figure 3: Minhub commercial framework



Source: CCM

Recapping Our Investment Thesis:

Globally Significant; High-Quality, High Margin Product

Globally significant HPA Project with High Margins

CCM's 100% owned HPA project aims to be a globally significant facility producing 10,000tpa of high quality HPA. The project will be a staged process with an initial small-scale plant (SSP) producing 1,000tpa of high-quality HPA to further de-risk and optimise the commercialisation phase. The SSP will produce bulk samples for prospective customers' testing and qualification, and is a major step towards realising the project's value as outlined in the Definitive Feasibility Study.

Owning 100% of the HPA project is a strong strategic advantage to Cadoux by providing full control of project development allowing for flexibility with funding. This plant is designed to demonstrate the value-add of the product, whilst also potentially delivering significant project data, process optimisation and testing for final product development.

The project is located in WA, one of the world's safest jurisdictions in which to operate a mine and mineral processing facility, owing to its established regulations, strong infrastructure, security of tenure and supportive state and federal governments. WA is home to some of Australia's largest mining and energy developments.

High Margin Project, DFS Shows Strong Valuation

Cadoux has demonstrated production of 99.999% ("Five Nines") purity of HPA. Long term production of 99.995% purity will be standard material with a target of 15% production of 99.999% material. The 'Five Nines' product will be the highest-quality HPA available to the market on a commercial basis and attract premium pricing. At full production, we forecast CCM's high quality product to drive EBITDA margins over 70%.

CCM released an updated DFS in 2021 for its HPA project. Key project metrics include:

- project NPV_8 of US$1.01b
- annual EBITDA of US$186m
- 2,537kt aluminium oxide (Al_2O_3) Mineral Resource and 796kt Al_2O_3 Ore Reserve
- mining licence granted with key transport and power infrastructure in place
- modelled mine life of 25 years with annual targeted production of 10ktpa of HPA (8.5ktpa 4N HPA & 1.5ktpa 5N HPA)
- pre-production capex of US$202m

HPA application in batteries and LED technology drive demand

The current global decarbonisation and electrification thematics support strong demand and pricing fundamentals for HPA as a critical component in batteries and LED's and drives additional demand growth in other applications as semiconductors.

HPA is a crystalline white powder made from almost pure aluminium oxide (Al_2O_3) and is primarily sought after for the unique combination of its properties and characteristics, which include low friction, high wear resistance, hardness, thermal and electrical insulating abilities, resistance to corrosion, and broad chemical compatibility. Traditional applications include light-emitting diodes (LEDs), artificial sapphire glass screens (used in televisions, tablets, smartphone screens, electronics and aeronautics) and plasma screens.

HPA is now a critical component in the lithium-ion battery (LIB) and other high-energy-density battery architectures. HPA can be used to coat separators in LIBs, which act as a partition between the anode and cathode in the battery cell. Ideal specification requirements for separators include maintaining thermal stability, while allowing the flow of electrolyte ions. HPA-coated separators significantly improve separator performance, especially for maintaining thermal stability under very high operating temperature environments, ultimately reducing the risk of battery fires.

Rare Earths Project Sets CCM up for Further Value Add:

While continuing to advance its core HPA project, CCM plans to leverage its development experience, ESG platform and capital base into the rare earths sector to strengthen the company's broader critical minerals production objectives and establish sustainable supply chains for critical mineral products that are essential in decarbonisation and electrification.

CCM's "Minhub" Rare Earths Project is developing a facility aimed at processing Rare Earths within Australia and contribute to growing a significant rare earths industry in Australia and potentially drive the development of stranded projects. Progression of this project will add value to CCM and diversify the portfolio

Recent events

- February 2023 – CCM resumes full control of HPA project – terminates Alcoa Joint Development
- April 2023 – CCM achieves 15% increase in output in pilot run
- May 2023 – CCM announces SSP for 1,000tpa production; achieves > 99.995% HPA
- May 2023 – CCM enters the downstream rare earths sector, signing agreement with Arafura
- July 2023 – CCM conditionally awarded A$3m WA Government grant, subject to final agreement on key terms
- November 2023 – A$3m WA Government grant confirmed
- May 2024 - CCM acquires 50% of "Minhub"

Upcoming events

- July 2024 – SSP Engineering Feasibility Study Phase 1 completed
- 2H CY 2024 - Selection of EPCM
- September 2024 – Feasibility Study Minhub REE
- December 2024 – SSP Final Engineering Feasibility Study Phase 2 – costings, capex and timelines
- CY24 - EFS refinement of commercial scale plant

Valuation: DCF-Driven A$0.37 (Previous A$0.43)

SOTP valuation largely driven by the HPA project

Methodology – risked NPV of A$0.37/share

We value CCM using a sum-of-the-parts (SOTP) methodology. Our base-case, risked NPV–based valuation for CCM is A$0.37/share on a fully diluted basis (see Figure 4). The most material component of our overall CCM valuation is the HPA project, which we value using a risked DCF.

Our valuation has decreased as a result of some modelling changes. Our key change is that we have pushed the commencement of production from the SSP out to FY2026 from FY2025 and commencement of the commercial scale plant from FY2027 to FY2028. We have also rolled our model forward 1 year.

We have attributed the Minhub operations a high-level valuation of A$20m or A$0.01 per share. The company's next step is to complete a Feasibility Study for the Minhub project in September 2024, with the goal of developing Minhub in parallel with Arafura's Nolans Project. We will monitor the progress of the Minhub Project and adjust our valuation accordingly upon the release of the feasibility study; however, at this stage we see it as an option.

We believe CCM shares are currently trading at a substantial discount to fair value based on our assessment of the fundamental value of the flagship HPA project.

Figure 4: CCM valuation summary

NPV OF PROJECTS	A$M Valuation (Unrisked 100% Ownership)	Ownership %	Risk Probability	A$M Risked Valuation	Equity Value A$/Share Fully Diluted	Prior Valuation	Valuation Methodology
High Purity Alumina Project	1,435	100%	50%	717	0.37	0.43	Risked Project NPV
Rare Earths Project	20	100%	Option Value	20	0.01	0.01	MST Estimate
ENTERPRISE NPV	1,455			737	0.38	0.44	
Add: Cash	4	100%	100%	4	0.00	0.01	As at 31 March 2023
EQUITY VALUE PRE SG&A	1,459			741	0.38	0.45	
SG&A	(30)	100%	100%	-30	-0.02	-0.02	NPV of Corporate Costs
EQUITY VALUE	1,429			711	0.37	0.43	

Source: MST

HPA project valuation

Base-case for HPA project component: DCF

We apply a risk-weighted discounted cash flow (DCF) analysis, which represents the primary value driver for the company. The project is well advanced, with an updated DFS completed and pilot plants showing the consistent production of high-quality HPA.

We have risked the project at 50% given the need to fully fund over A$300m of capex and to fully ramp up to 10,000tpa of production. A key to enhancing the valuation is for CCM to de-risk the project through such steps as delivering the demonstration plant and engaging strategic partners and/or offtake arrangements.

The DFS outlines a robust project with a 25-year mine life.

Key assumptions for HPA DCF valuation

Our base-case NPV valuation is built upon a mine plan which aligns with the recently published updated DFS and assumes 100% ownership of the project. Key headline assumptions in our valuation (see Figure 5) are:

- construction of the demonstration plant in FY2025–26; first production in FY2026
- demonstration plant production of 1,000tpa of HPA
- construction of the full commercial plant in FY2026–7; first full year of production in FY2028
- demonstration plant rolling into the full commercial plant – capex is the combined cost of both
- A$314m pre-production capex
- 50/50 debt/equity to fund the project – we have taken the additional shares into the fully diluted share count. Our assumed equity raising price is A$0.10.

Figure 5: Key assumptions for our valuation of the HPA project

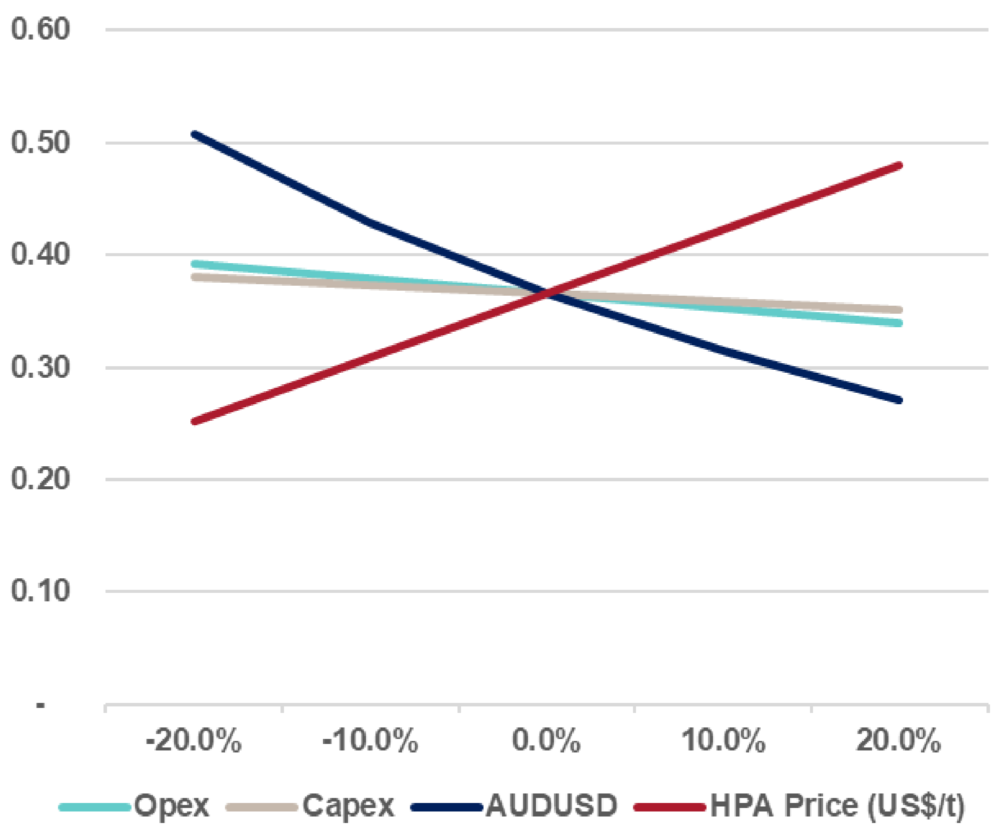
Assumptions	
PROJECT ASSUMPTIONS	
Project Ownership (%)	100%
Grade (% Al_2O_3)	25.9%
Average Production (ktpa)	10
Mine Life (years)	25
Capex (A$m, real)	314
COST & FINANCING ASSUMPTIONS	
Discount Rate (%)	10%
Inflation Rate (%)	2.5%
AISC (A$/lb)	8,881
Debt / Equity Ratio	50/50
PRICING & EXCHANGE RATE ASSUMPTIONS	
AUDUSD	0.70
HPA Price (US$/t) escalated with inflation	26,400
Corporate Tax Rate (%)	30.0%

Source: MST

Key sensitivities: commodity prices, forex, costs, discount rate

The key sensitivities for our valuation are HPA prices, operating costs, capital costs and the AUD/USD exchange rate. Figure 6 illustrates how our base-case valuation changes from a variation in these assumptions.

Figure 6: Key sensitivities for our valuation



Source: MST

Positive catalysts for the share price and valuation

We believe that CCM has significant potential for further share price and valuation upside and highlight a number of key milestones/catalysts which may deliver this upside over the near term.

Development of the SSP

Over the remainder of CY2024, the SSP will be planned with costs and capex announced to the market by the end of CY2024 and a clear pathway to delivery of first larger-scale production of HPA.

Construction of the SSP

The delivery of the SSP will be a step towards de-risking of the project, and will allow the company to begin testing the product with customers.

Customer acceptance of product

The production of significant levels of HPA from the SSP and delivery to customers for acceptance testing will be a key de-risking event for the project as well.

Minhub operations PFS and development

The mineral sands and rare earths Minhub is a key strategic option for CCM; the PFS for the project is due out in September 2024 and will act as a key information and valuation point of the project. Further development and increasing information flow into the market will allow more substantiation of the project and valuation guidelines.

Funding options for the HPA project

With capex for the 10,000tpa plant of US$202m, CCM will be seeking a number of funding options including a strategic partner, offtake funding, government grants and low-interest loans, export credit finance and commercial banks. Any non-equity-related funding progress would be a positive for the share price and a de-risking event for our valuation.

Early project delivery

The early commencement of the projects relative to the currently outlined timeline of development would provide earlier cash flows and reflect positively on the management team, which would likely increase the valuation.

HPA market

The HPA market is aligned with the decarbonisation and electrification thematic. Further positive developments in the market and pricing would be a positive for CCM.

Capital and operating cost optimisation

Capital and operating cost savings would have a positive impact on margins, cash flows and the valuation and would be a positive reflection on the company's management team.

Downstream opportunities

An examples include developing HPA-doped carbon coatings material on carbon (graphite) anodes for application, CCM has a range of opportunities that can be considered, which could potentially provide upside.

Risks to the share price and valuation

There are general risks inherent to any mining development, as well as the project-specific risks identified below. We believe these risks are offset by:

Concentrated commodity exposure

The asset base has a concentrated product exposure, which exposes the company to price risk.

Delays to or lack of development of SSP

The delivery of the SSP will be step towards de-risking of the project and begin the testing of the product with customers. Any delay or cancellation of the project will add further risk to CCM's capacity to deliver a full project to the market and customer acceptance of the product.

Funding risk for the project

Funding is the key step to development of the project. Any delays or funding issues pose a key risk to this development.

Project delivery delay

Any later-than-expected commencement of the projects relative to the currently outlined timeline of development would delay cash flows and reflect negatively on the management team, which would likely decrease the valuation.

Commercially unproven process

Although CCM has been able to produce very high-quality HPA at its pilot plant, the acid leach HPA process is still unproven on a commercial scale for production of the high-purity 4N product.

Price decreases in key commodities

The valuation is sensitive to the underlying commodity price of HPA. Price decreases would have a negative effect on the valuation and share price.

Capital and operating cost increases

Capital and operating cost increases would have a negative impact on margins, cash flows and the valuation and would be a negative reflection on the company's management team.

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Michael Bentley received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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