

Marvel Gold (MVL AU, \$0.066, market cap A\$38m)

Tabakorole delivers a 12% increase in resources to over 1Moz

Prospectus released for graphite spin-out

Investment view

With 1Moz under its belt and the ability to move to 80% ownership we would think Tabakorole itself would more than justify the current market capitalisation of the company. As well, MVL has 100% ownership of the high quality Chilalo coarse flake graphite project in Tanzania which it is now proposing to separate into a separately listed company, Evolution Energy Minerals. A prospectus was recently released with the company proposing to raise not less than A\$22m. The raise has been cornerstoned by ESG fund ARCH Sustainable Resources Fund (ARCH), which will invest \$8m to take a 25% position in Evolution.

At the issue price (20c) the value to Marvel will be 1.7c/share at the listing of Evolution. Should the new graphite company achieve a market valuation in line with its peer group (eg Blackrock, Walkabout) this could increase to over 4-5c per MVL share. So effectively MVL shareholders will be getting the gold assets in the company largely for free.

Resource upgrade

Marvel Gold has further upgraded the Tabakorole resource, from 910koz to 1.03Moz at an equivalent cut-off grade (0.6g/t). Given the exploration success recorded during the year, we had expected perhaps a little higher number than this. Additional ounces will clearly be required to move the project toward a scoping study. While this is an unconstrained resource (ie it is not constrained by a conceptual pit) the company does point out that around 70% of the resource (715koz) sits in the top 150m. This is certainly encouraging.

As well, we note from the grade tonnage curve that a good proportion of the ounces are available at a grade of around 1.7g/t (at a 1g/t cut-off). At this grade with a 2mtpa mill and with the attractive metallurgical behaviour of Tabakorole ore, the deposit could produce just over 100koz. We consider this to be a minimum production target for West Africa.

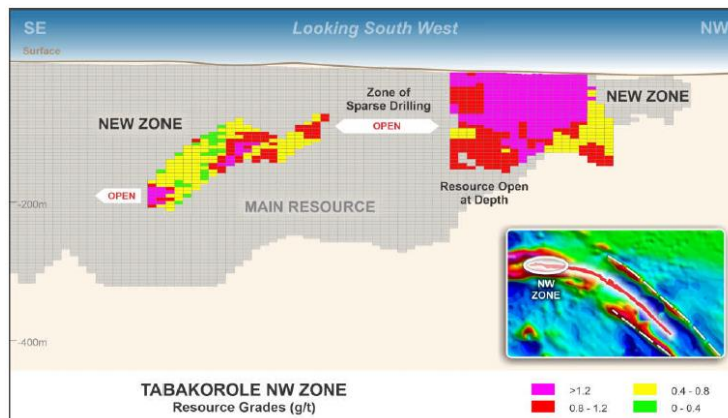
	Indicated			Inferred			Total		
Cutoff	Mt	Au (g/t)	koz (Au)	Mt	Au (g/t)	koz (Au)	Mt	Au (g/t)	koz (Au)
0.3	15.1	0.9	450	26.7	0.9	800	41.8	0.9	1,245
0.4	13.1	1.0	425	23.6	1.0	760	36.6	1.0	1,185
0.5	11.0	1.1	395	20.4	1.1	715	31.4	1.1	1,110
0.6	9.1	1.2	360	17.4	1.2	665	26.5	1.2	1,025
0.7	7.5	1.4	330	14.6	1.3	605	22.2	1.3	935
0.8	6.2	1.5	295	12.2	1.4	545	18.4	1.4	845
0.9	5.1	1.6	270	10.0	1.5	485	15.1	1.6	755
1.0	4.3	1.8	240	8.4	1.6	440	12.7	1.7	680

Source: MVL

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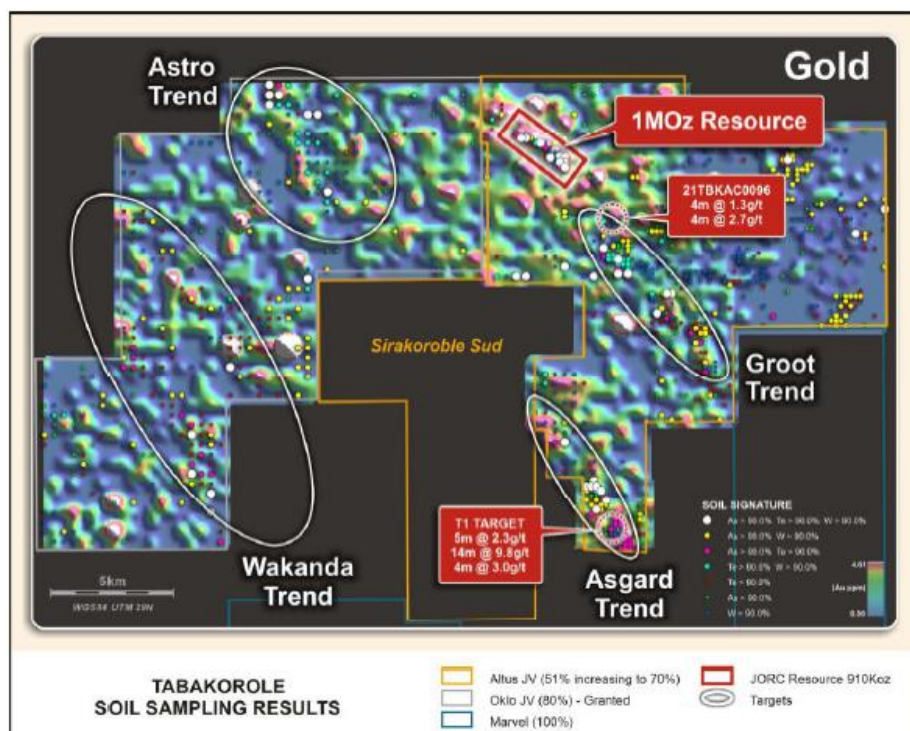
As the company highlights there is ample opportunity to further increase the resource. These include:

- Extensions to the sub-parallel zone identified at the **NW zone**, which still contains quite large gaps in the drilling. Importantly several relatively shallow drill holes have identified quite a large zone of mineralisation at greater than 1.2g/t. This zone is open to the east, west and at depth.



Source: OKU

- Sub-parallel zones of mineralisation have also been encountered within the **Central Zone** (which contains a good proportion of the ounces).
- **Further drilling at Tabakorole is to commence within weeks, as the wet season comes to an end.**
- **Regional opportunities.** MVL has done an excellent job in consolidating tenements surrounding the Tabakorole orebody. Despite logistic issues associated with COVID, geologists have rapidly advanced reconnaissance exploration within a 15-20km radius of the Tabakorole mineral resource, as shown on the accompanying plan:



Source: OKU

- We understand that the most advanced targets, Astro, Asgard and Groot will see air core drilling starting within a few weeks. Any discoveries here would lie within an easy trucking distance of a central mill.
- We also look forward to seeing results from the multi-element geochemical survey which has been completed

over the Sirakoroble Sud and Foulalaba tenements, anticipating an extension to the very attractive looking Asgard and Groot trends.

- So, in summary, Tabakorole is now a +1Moz orebody, with seemingly ample opportunity to increase total resources toward perhaps 1.5moz, from areas adjacent to the resource and from satellite targets. We'd be surprised if MVL isn't moving toward a project scoping study in 2022.

The Evolution Spinout

- MVL has 100% ownership of the high quality Chilalo coarse flake graphite project in Tanzania which it is now proposing to separate into a listed company, Evolution Energy Minerals. A prospectus for the listing of Evolution has been released to the ASX.
- Following the expenditure of over \$20m on Chilalo's exploration and feasibility studies, the project is shovel-ready and awaits finance. Chilalo's high grade resource is 20.1mt at 9.9% total graphitic carbon.
- The proposed transaction is targeting a raise of A\$22m, and the structure of its ownership will be as follows:

		\$22M raising		\$22M raising
Marvel	M shares	50.0	\$M	10.0
ARCH	M shares	40.0	\$M	8.0
Other IPO investors	M shares	70.0	\$M	14.0
Stocks Digital	M shares	1.9	\$M	0.0
Issued Capital (undiluted)	M shares	161.9	\$M	32.0
Options (1) - ARCH	M	20.0		
Options (1) - Board and Management	M	14.6		
Options (1) - Brokers	M	7.5		
Market capitalisation (@\$0.20)	\$M	32.4		
Cash	\$M	11.0		
Enterprise Value	\$M	21.4		
Undiluted				
Marvel	%	31%		
ARCH	%	25%		
Other IPO investors	%	43%		
Stocks Digital	%	1%		
Total	%	100%		
(1) Options: 3 years and \$0.25 exercise.				

Source: Evolution prospectus

- Assuming the full \$22m is raised MVL will wind up as a 31% shareholder in Evolution. There are no immediate plans to distribute the shares to MVL holders, but this is a likely outcome, in our view.
- At the listing price, this represents \$10m in value to MVL or 1.7c/MVL share.
- Critical to the success of this raising has been the involvement of the ARCH Sustainable Resources Fund. We are greatly encouraged that ARCH has decided to invest in Evolution as 25% shareholders. We can only imagine that this group has done a very detailed assessment of the investment opportunity. See below for comments on ARCH.
- The pre-money value of Evolution is \$10m, just a fraction of the EV of, for example, Walkabout Resources (ASX:WKT, market cap \$90m) another Tanzanian graphite play. We are currently undertaking a review of the Australian-listed graphite sector to allow us to place a realistic valuation on Evolution following its listing. There seems to be little doubt that Evolution's value will be significantly higher than the 20c issue price.
- We are also reviewing our project valuation for Chilalo as graphite prices have likely shifted since the

project was shelved. The last published economics for Chilalo followed the release of the DFS in 2020. Chilalo's NPV was reported at US\$331m (post tax, 8% discount rate) with a 36% IRR. Of the total project NPV, some 36% was attributed to the mine/processing and sale of concentrate and around 64% to the incremental value obtained from the production and sales of expanded and micronized graphite.

- We also need to review the current situation in Tanzania, where changes to the mining act and fiscal terms attached to mining projects did little to encourage investments in the country. With a change in leadership in the country, we believe the investment environment is less uncertain.
- Slightly concerning is the reported cancellation of a prospecting licence surrounding the Chilalo mining lease. While this has no impact on the project itself, it provides little confidence that Tanzania has 'got its act together'. Once a favoured investment destination the government's antics over the past 2-3 years has done little to assist this impoverished country to attract capital. MVL sounds confident that the issue will be resolved shortly.

Marvel Gold Capital Structure and Board

MVL Capital structure		
Issued capital*	m	578
Options	m	45
Share price	\$	0.066
Market capitalisation	\$m	38.1
Cash (as at Dec 20)	\$m	6.7
Enterprise value	\$m	31.4
* Assumes issue of another 20m shares to OKU (see text)		
Board		
Stephen Dennis, Non-executive Chairman		
Phil Hoskins, Managing Director		
Chris van Wijk, Executive director		
Andrew Pardey, Non-executive Director		
Major shareholders		
Capital DI		13.8%
Delphi Group		12.3%
BPM Capital		4.3%
Phoenix Gold Fund		2.8%
Board and management		2.6%

Note that 20m shares remain to be issued to Oklo Resources in connection with the transaction to acquire an 80% interest in Oklo's South Mali tenements.

Who is ARCH?

Evolution has been successful in attracting the ARCH Sustainable Resources Fund LP as a cornerstone investor, investing A\$8m for a 25% stake in the company. We understand that Evolution is one of the early investments for the fund. An extensive period of due diligence was undertaken by ARCH prior to investment.

ARCH Emerging Markets Partners was founded in 2018 to advise on private equity investments. It is a specialist emerging markets investment advisor with deep experience of emerging markets, private equity, asset management and legal and governance matters.

In 2018 Patrice Motsepe's African Rainbow Capital joined ARCH as a 50% shareholder. Motsepe is one of Africa's wealthiest men, having founded diversified miner African Rainbow Minerals (ARM:JSE) as South Africa's first black-

owned mining company.

ARCH raises and invests private capital in emerging markets to aid their rapid transition to low carbon, climate resilient and sustainable economies. This is done in support of the COP 21 Paris Agreement, in contribution to the UN Sustainable Development Goals and with respect to human rights in line with the UN Guiding Principles on Business and Human Rights.

In 2019 ARCH launched its Africa Renewable Power Fund and later that year ARCH Cold Chain Solutions (an investment fund focussed on East African supply chains). It has since gone on to establish a resources strategy, the Sustainable Resources Fund. It has offices in London, Nairobi (Kenya) and Abidjan (Cote d'Ivoire), while the first funds have a sub-Saharan Africa remit, the Sustainable Resources Fund has a global remit.

The Resources Fund states that it seeks opportunities where the management and governance are of a high calibre, interests are aligned and where the commodity's medium to long-term fundamentals are sound. Candidates for investment are to be low on the cost curve with potential to be medium to large size operations and with an ESG licence to operate in a fully sustainable fashion. Target commodities are those that are "part of creating a green sustainable future for the planet".

We understand that the ARCH funds attract investment from other world-leading investment managers who are seeking to enhance their returns with a sustainable overlay. It is possible that investments made by ARCH may also made by ARCH's investors themselves.

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