

MEDIA RELEASE

5 March 2024



EARLY MODELLING OF TRANSITION'S PHASE-1 CLONCURRY MINING OPERATIONS INDICATE PRE-TAX FREE CASHFLOW OF \$190 MILLION

Cloncurry, Queensland, Australia.

Transition Resources Pty Ltd (Transition) is a research-focused private explorer, building a significant resource inventory of copper, gold, and critical metals, in north-west Queensland. Its Phase-1 mining plans will target select areas of its growing resources for early development, including two new open-pit mining operations south-west of Cloncurry.

With a focus on earnings per share, Transition is prioritising profitable resources over big resources through a two-phase development model aimed at early revenue. It can do this because its new discoveries are high-grade and can be monetised quickly through open-pit mining methods, toll-treating at third-party mills, and minimal up-front capital expense (CAPEX).

Order of magnitude studies by Transition, for internal guidance and viability assessment, indicate pre-tax free cashflow of \$190 million is possible from its Phase-1, first four-years of concurrent mining.

Transition's founder and managing director David Wilson said,

"These early studies are incredibly detailed, so we are confident they will hold their value through independent confirmation to pre-feasibility level. They indicate a robust project is coming."

The two new mines include very different metal suites:

The first mine (Duck Creek Copper Project) will focus on sulphide copper ore which will be toll-treated at one of several local mills.

The second mine (Highway Gold Project) will focus on gold and critical metals, to be recovered to a pre-concentrate through a new, skid-mounted gravity plant. In addition to gold, the pre-concentrate would potentially include payments for tungsten, magnet rare earths (NdPr and DyTb), and cobalt.

Whilst the new mines progress, Transition will continue to build a much larger resource base, to support its planned longer-term, Phase-2 operations. Mr Wilson added,

"It's a different approach to what investors typically see in this space, especially for a small-cap private explorer. But everything about Transition is different; from its research programmes and first greenfield discoveries in the Cloncurry District in decades, to its focus on future earnings per share - operational bookends rarely embraced by small explorers."

Transition has built itself a strong tenement position of 1100km² in the Cloncurry region of Queensland, and its groundbreaking Duck Creek and Highway projects are generating interest for their new, high-grade, multi-commodity discoveries. Through these new discoveries, its R&D programmes, and holistic approach to creating a successful resources business, Transition is quietly building a reputation as a credible thought leader.

Transition anticipates publishing a Research Paper on its Cloncurry discoveries in late 2024.

Transition Resources Pty Ltd
(ABN 45 624 842 084)

P.O. Box 78, San Remo 3925, Victoria, Australia

Email: corp.admin@transitionresources.com.au | Web: www.transitionresources.com.au

Mr Wilson added,

“Our new discoveries offer robust opportunities to generate returns for a range of stakeholders, which in addition to our shareholders, includes our staff and personnel, indigenous and pastoral landowners, and local communities and businesses. It also includes the end users of our metals, and of course the state and federal governments, through royalties and taxes.

The environment benefits too, not only because the metals from these mines are crucial to a low carbon future, but because our preference to utilise existing processing facilities where possible, instead of building new ones, significantly reduces environmental footprints.”

New discoveries are rare.

In contrast to prior decades, more and more mining operations now start, or expand, through acquisition of existing deposits, often decades after they were initially found. This is because new discoveries are becoming increasingly rare, and expensive, and it can be cheaper to buy and rejuvenate historical projects than it is to go looking for new ones.

However, this can still be expensive, and quality projects often require large up-front cash or equity commitments, which can drag on shareholder returns for the life of the mine. Cheaper projects can include risks such as difficult metallurgy, or marginal grades that are often the reason they haven't been developed. Some historical projects are also encumbered by legacy issues such as persisting royalties from prior owners, or significant environmental liabilities.

According to Mr Wilson, by finding new deposits Transition by-passes these legacy risks.

“Transition’s discoveries are new, high-grade, 100% owned, and legacy free. Importantly, our first two mines will access just a small part of our growing resource inventory, which will increase with more drilling.”

To date, Transition has drilled only 28 of 207 priority prospects identified using new methodologies developed from its R&D programmes. Significant zones of mineralisation were intersected at 22 (79%) of these (15 copper, 7 gold) most of which are anticipated to increase in size with additional drilling.

From these initial successes, Transition has been able to generate the following interim maiden resource estimates, both of which remain significantly open:

- Copper = **5.44** million tonnes @ **1.45% Cu** (independent estimate WSP Australia, JORC2012 MRE).
- Gold = **1.1** million tonnes @ **3.1 g/t Au** (internal estimate, JORC2012 MRE pending).

Mr Wilson said,

“This is a spectacular result for our shareholders, and with so much upside yet to be tapped, it is also a spectacular opportunity for new investors coming on board at this early stage of the project.

Drilling to date has focussed on shallow open-pit resources, but our few deep holes confirm high-grade mineralisation continues below 260 metres, so underground is an option for the future.

For now, most of the metal is contained within shallow, open pit mining shells, the largest of which is around 140 metres deep and finishes at 2.5% copper in the pit floor.”

It's no secret that most explorers fail to provide a return to their shareholders, but through various means manage to persist in their endeavours year after year, often through issuing billions of new shares at increasingly lower prices. A scenario sometimes referred to as a dilution death spiral.

New discoveries are tough.

In 2014 the Australian Treasury published a policy design discussion paper that quoted chances of greenfield discoveries may be around 1 in 111 for an economic discovery, 1 in 333 for a major discovery and 1 in 1428 for a world-class discovery (Bartrop and Guj, 2009).

https://treasury.gov.au/sites/default/files/2019-03/C2014-011_Alexander_Research.pdf

Since this report was released, discoveries of new mineral deposits, globally, have declined sharply, indicating the odds are now significantly worse, leading to the sometimes-used paraphrase “only 1 in 1000 explorers will make a decent discovery”.

This highlights investment risk, but also the significant upside for any successes.

In a recent shareholder update, Transition presented compelling results from internally generated, order of magnitude studies of its Phase-1 mining operations. These indicate pre-tax free cashflow of **\$190 million** is possible over an initial 4-year mine life, with lower and upper sensitively ranges of \$109 million and \$338 million respectively. Using spot prices (5-3-24), the result is around **\$220 million**.

This is derived from:

- **Phase-1 copper mine** (pit-constrained resource **2.26Mt @ 1.57% Cu**), which is expected to grow with additional drilling. Toll treatment of ore containing ~33,000 tonnes of copper and ~8,300 ounces of gold (4-years of mining).
- **Phase-1 gold mine** (pit-constrained resource **0.7Mt @ ~3.4g/t Au**), which is expected to grow with additional drilling. Gravity-recovery of ~65,000 ounces of gold to a pre-concentrate, plus possible payable by-products tungsten, rare earths (NdPr/DyTb) and cobalt (2-years of concurrent mining).

These early studies aim for guidance accuracy of plus or minus 40% and are useful in forward planning and viability assessment. The robust nature of the result is attributed to high grades, and minimal capital expenditure. The studies use mining, processing, and transport inputs typical for the region and metal pricing and foreign exchange rates less favourable than current prices. Important inputs such as transport, off-take and toll-treating terms use participant pricing where available, and other contributing factors are aligned with recently released studies for similar projects in the region.

Regarding the outcomes of the order of magnitude studies, Mr Wilson said,

“Investors are not accustomed to modest-scale projects generating such robust outcomes on an earnings per share basis; they initially struggle to understand how the economics can out-perform.

The low CAPEX also supercharges internal rates of return, which challenges the accepted wisdom of crowding into projects with big resources, big CAPEX, big revenue, and big risk, in the mistaken belief there will be safety in numbers. Big numbers, which don’t always offer better returns.

Transition is extracting value for its shareholders by thinking differently, and when you look a little closer at Phase-1 of our two new mines, you can see how this is possible.

They include the highest-grade undeveloped open-pit gold opportunity in Cloncurry today, and one of the highest-grade undeveloped open-pit copper opportunities. Combined, I am not aware of better returns, at a similar project scale, anywhere in Cloncurry.”

END OF MEDIA RELEASE

Approved by the board for public release.