



ALIGN
RESEARCH

Tectonic Gold

25th June 2018

Considerable value being created by generating a series of 3Moz+ IRGS gold projects to be joint ventured or sold to majors

Tectonic Gold Plc is the old StratMin which traded on AIM from 2004 to 2017 and became a cash shell following the divestment of its mining assets. It has since been engaged in the reverse takeover (RTO) of Australian based gold explorer, Signature Gold. With the RTO complete, the company is being admitted to the NEX Exchange. Tectonic Gold is focused on the huge global opportunity in large-scale high-grade Intrusive Related Gold Systems (IRGS), which investors are just waking up to.

IRGS represents a new source of major gold projects for the future

Tectonic Gold is a highly-leveraged play on the gold price. IRGS is the new frontier for discoveries of significant large gold deposits that occur in certain tectonic belts worldwide. The company is an IRGS pioneer, developing bespoke R&D and definitive systems based exploration methods after many years of painstaking work. Tectonic is now set to benefit from its obvious first mover advantage.

Drilling 10,000m shortly to ascertain grade and define a JORC resource

All 10 projects in Tectonic's pipeline have an extensive audited database of past drilling/mining. This, combined with state-of-the-art technology, means that IRGS have been identified at low cost. With discoveries made and gold known present, Tectonic is set to drill the first play, Specimen Hill.

Cornerstone investor is a savvy drilling company

A strong endorsement comes from international operator. Titeline Drilling's substantial investment at the IPO. This is a strong endorsement from an industry partner which speaks volumes for the company's potential.

Peer comparisons suggests an upside of 280%

Our conservative valuation illustrates succinctly the clear opportunity for investors. **We initiate coverage of Tectonic Gold with a target price of 7.60p and Conviction Buy stance.**

Table: Financial overview

Year to end Dec	2015A	2016A	2017E	2019E*
Revenue (£'000)	-	-	-	200
PTP (£'000)	(23,205)	(7,405)	(700)	(3,400)
EPS (p)	(16.6)	(4.50)	(0.39)	(0.50)

Source: Company accounts & Align Research (*18 months to 30 June 2019)

This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.

CONVICTION BUY

– Price Target 7.60p



Key data

EPIC	TTAU
Share price	2p
52 week high/low	N/A
Listing	NEX
Shares in issue	656.762m
Market Cap	£13.14m
Sector	Mining

Analyst details

Dr Michael Green

michael.green@alignresearch.co.uk

IMPORTANT: Tectonic Gold (TTAU) is a research client of Align Research. Align Research & a director of Align Research hold interests in the shares of TTAU. For full disclaimer information please refer to the last page of this document.

Business overview

Tectonic Gold Operations

Tectonic Gold is a mineral exploration and development company that is focusing upon the global opportunity that lies within large-scale, high-grade Intrusive Related Gold Systems (IRGS). **The company is seeking to apply its bespoke R&D, big data and exploration methodology which has been developed in Australia on other IRGS regions around the world.** Currently, the company has exploration and development interests in Australia and the Czech Republic.

- **Australia – The company has an extensive exploration portfolio of 850km² of tenements in Queensland.** Already, ten gold bearing systems have been defined where Tectonic's research and exploration work is targeting on there being scope to ultimately define a gold resource in excess of 3 million ounces in each system. Discoveries have been made and now Tectonic is seeking to define JORC compliant resources and embark on feasibility studies.

- **Czech Republic –** Tectonic has a 10% equity interest and an option to acquire a further 41% interest in the 1.5 million ounce Otava Gold Deposit. The average grade is 7.29g/t gold and the current mine design is for annual production in excess of 150,000 ounces of gold.

Intrusive Related Gold Systems

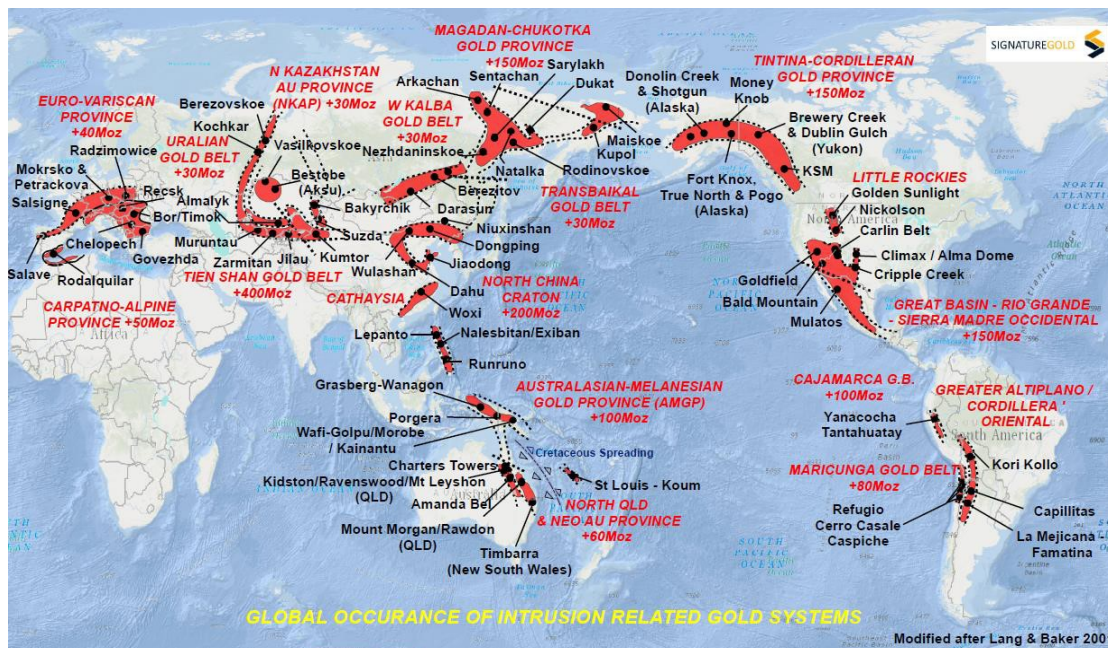
Intrusive Related Gold Systems (IRGS) represent a new frontier for the discovery of significant, large gold deposits. This is a relatively recent development as there was little comprehensive research into the actual genesis of gold deposits until the 1980s. Developments since then seem to have re-written the rule book, with a number of well-known big gold deposits and large gold mines now being reclassified as IRGS deposits.

During the 1990s, a series of very rich gold discoveries in some of the most rugged terrain in North America (Canada and Alaska) were made in an area which is now called the Tintina Gold Province (TGP). This led geologists to question the then current models. Within the TGP, other mineral deposits were known to exist, including copper, lead, zinc and silver, but these were volcanogenic massive sulphide (VMS) deposits.

The gold deposits in Tintina originated from volcanic activity and were caused by volcanic intrusions into the older rocks. The large placer gold deposits (alluvial gold deposits) found there have been created by the weathering of these rocks.

In fact, the TGP is actually an arc which spans 1,200 - 2,000 kilometres (various sources give different figures) and around 200 kilometres in width extending from northern British Columbia across the Yukon and through SW Alaska to the Pacific. Along the majority of this entire length the TGP lies between the Kaltag-Tintina fault systems in the North and the Farewell-Denali fault systems in the South.

Large IRGS deposits have since been shown to occur in certain tectonic belts on a worldwide basis. Very characteristically, the age of IRGS and the host rock are similar, and the metals are derived from a granite intrusion. Essentially, there are three types of settings which are hosted within the intrusion, hosted close to the intrusion or close by in the overlying sediments.



Location of IRGS deposits around the world. Source: Company

Besides the TGP, other well-known world-class IRGS deposits can be found in the North Kazakhstan Auriferous Province, Kazakhstan and the North China Craton. These seem to be important reference sites which provide a good example of not only the large scale, but also the high-grade potential of IRGS. China has been the world’s largest producer of gold since 2007 and it is thought that a quarter of this production actually comes from reserves that are hosted within IRGS in the North China Craton.

An important point to note is the real spread of IRGS around the so-called “Ring of Fire” in the Pacific which extends into Queensland, Australia. This is an extensive ring of volcanoes and other tectonically active processes that have been going on for millions and millions of years. Tectonic Gold’s tenements are located in the New England Oregon (NEO) area in Queensland, which is seen to possess the same sort of tectonic topography as in the TGP as well as in the North Kazakhstan Auriferous Province and the North China Craton. **This does serve to highlight the real possibility of what may yet be discovered at the IRGS gold deposits in Queensland.**

As IRGS have only really started to be recognised as a major source of world gold production over the past couple of decades, it has led experts to only recently begin to look at existing gold deposits from a new angle. This work has led to some of the major gold discoveries in Queensland being reclassified as IRGS including: Ravenswood (4.8Moz gold), Kidston (5Moz gold) and Mount Morgan (12Moz gold).

The team at Tectonic Gold have developed bespoke research & development which, used alongside big data and pioneering exploration techniques, can take advantage not only of the surface signatures of IRGS, but also the mineralisation styles which have been found to relate to deeper porphyry systems. This is in addition to mineralisation systems which in the past exploration have been previously wrongly identified. Tectonic’s unique skill set that has been honed in Australia can be exported to a host of IRGS systems around the world.

Background

The company joined AIM in 2004 as Interactive Prospect, one of the UK's leading online direct marketing companies. Since then the company has had a number of different guises, including Directex Realisation and Woodburne Square AG.

In October 2011, a new board took over the management of Woodburne Square AG and completed a major review of the strategic position and business model. In 2012, the company changed its name to StratMin Global Resources, an investing company focused on seeking out investment opportunities in the natural resource and extractive industries sector. The Directors identified graphite as one such strategic mineral and made an equity investment in Graphmada Equity Pte Ltd, which owned a graphite resource in Madagascar. The company initially acquired a 15% equity stake in Graphmada for US\$1.25 million and later on in 2012 went on to acquire the remaining 85% holding for £25.5 million in a largely equity based deal.

Good progress was made at Graphmada but the plant needed further investment for expansion which at the time was not available in a tough market for raising equity funds. In September 2015, Bass Metals invested £2 million for a 25% stake in Graphmada Graphite and went on to acquire the entire company from Stratmin in April 2016. This move not only provided a full funding solution for the Madagascan operations, but also allowed the Directors to take advantage of more exciting opportunities that they had been exploring. Following this disposal, the company then became a cash shell under the AIM rules, looking to complete a value a reverse takeover (RTO) within the precious metals sector.

In February 2016, the company announced the acquisition of Signature Gold Limited, a specialist Australian gold exploration company focused on large-scale IRGS assets in Queensland, Australia. In the run up to becoming a cash shell, the board had spent a lot of time looking at opportunities across a number of industries and believed that Signature Gold was an attractive acquisition target which supported the company's strategy to pursue acquisitions of projects in gold exploration and/or mining.

In addition, Signature held the option to acquire up to a 51% interest in the Kasperske Hory gold project in the Czech Republic from Elbrus Resources. This is a high grade IRGS deposit with an established initial 1.5Moz+ gold JORC compliant resource with an average grade of 7.29g/t gold. StratMin's shares were suspended from trading on AIM pending a reverse takeover of Signature Gold. Delays in a proposed £5 million funding meant that the RTO was not able to be achieved by August 2017 and so under AIM rules, the listing was cancelled.

In May 2018, the company was able to announce the acquisition of Signature Gold, a successful placing and a relisting on the NEX market. At the time of acquisition, Signature held licences for seven tenements which covered an area of 850km² in and around the New England Orogen in Queensland, Australia. In addition, Signature owned a 10% interest in Elbrus Resources and had also entered into a non-binding option to acquire a further 41%. A Scheme of Arrangement was published by which shareholders in Signature Gold would accept for the acquisition of their company the sum of £9.0 million, satisfied by the issue of 450 million shares at 2p each in StratMin.

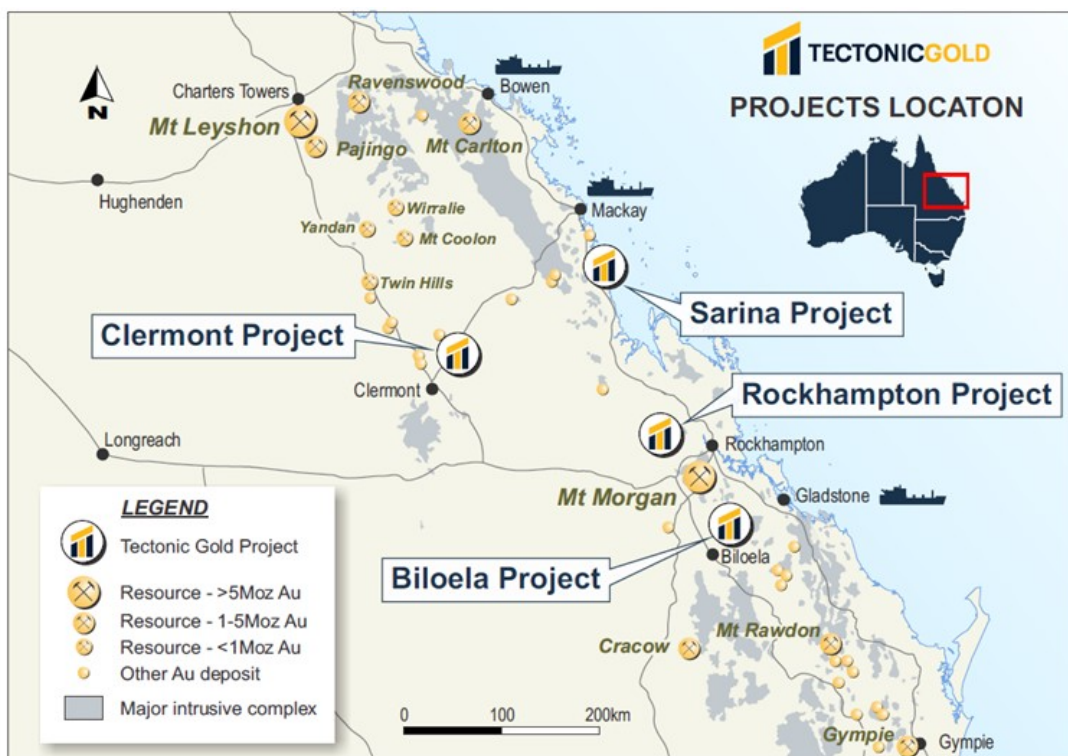
The company's name was then changed to Tectonic Gold, which better reflected the new corporate strategy. Following the acquisition, the company planned to raise £1 million in a placing at 2p and then become admitted to trading on the NEX market at an initial market capitalisation of £13.6 million (at the placing price).

Operations

Tectonic Gold is a natural resources exploration and development company that is focusing on the global opportunity that lies within large-scale high-grade Intrusive Related Gold Systems (IRGS). In the early 2000s IRGS was just a topic largely discussed by academics in Australia but by the mid-2000s it started to get mentioned in various Australian mining publications. This was the spark that started the development of business that has become Signature Gold. Tectonic is looking to apply the bespoke R&D, big data and exploration methodology which has been brought into the company through the RTO, and which has been perfected in Australia in other IRGS regions around the world. Currently, the company has exploration and development interests in Australia and the Czech Republic.

Australia

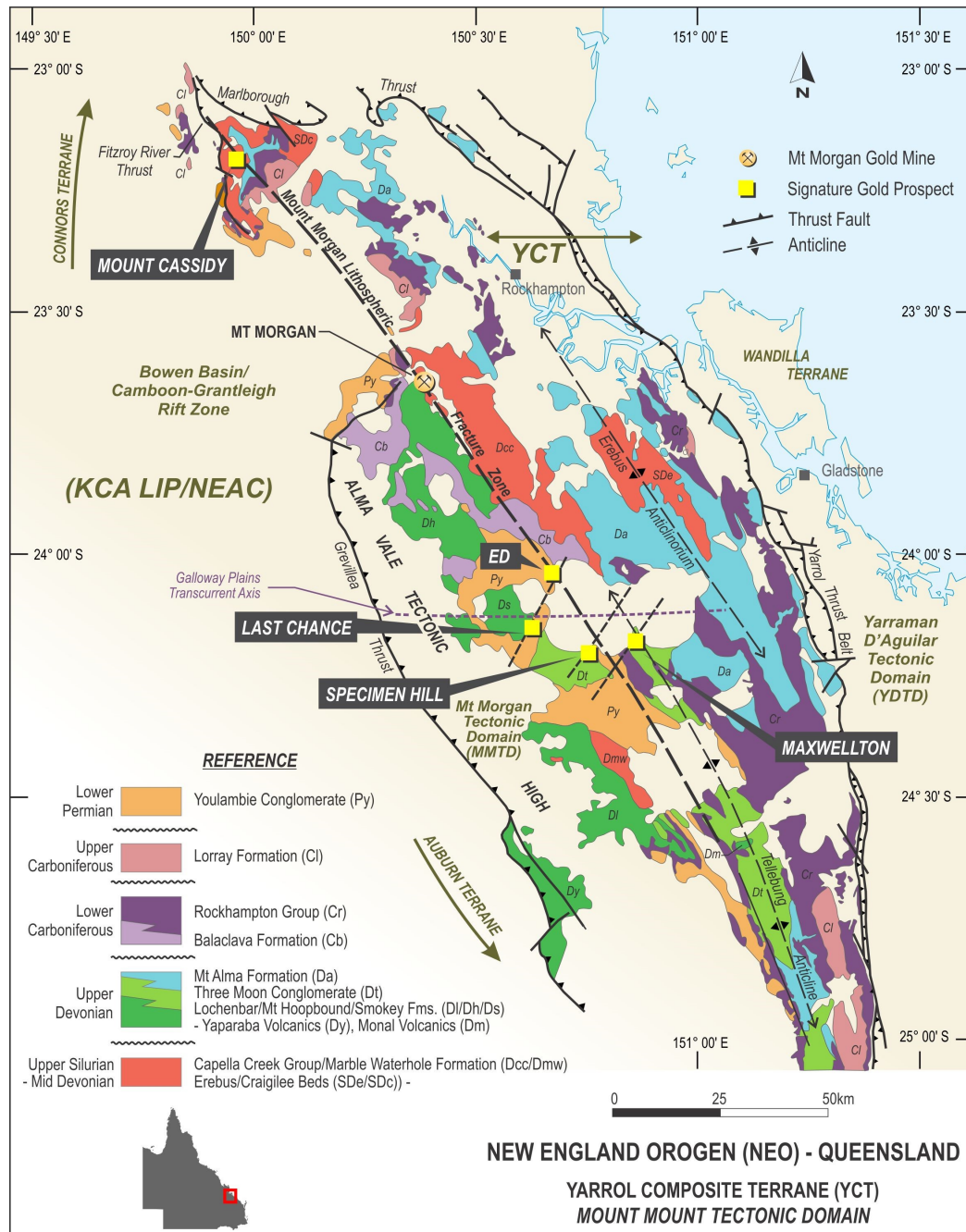
Tectonic has an Australian IRGS portfolio comprising of ten projects, which cover an area of 850km², that have been selected following detailed analysis of the areas of major intrusive complex in central Queensland. **Ten mineralised systems have been identified and each project has the potential for a 3 million ounce plus resource in a proven gold belt where regional neighbours include major mining companies such as: Newcrest, AngloGold, Evolution Mining and China’s largest gold producer Zijin Mining.**



Project areas	Mineralised gold systems identified
Biloela	Specimen Hill, Last Chance, Maxwellton and the E.D.
Clermont	Fletchers Awl and Mount Donald
Rockhampton	Mount Cassidy, Round Mount and Craiglee-Sioux
Sarina	Mosquito Hill
Others	Other targets identified in under-explored region

Location of mineralised gold systems identified in Tectonic’s portfolio. Source: Company

Tectonic has identified a number of potential multi-million-ounce gold mineralised systems previously untested at depth, in tenements which have seen a total of A\$15 million of exploration work completed. **Already, these targets have been independently verified as prospective and lie in a belt which contains some major historic gold deposits, such as Mount Morgan (12 Moz gold), Kidston (5Moz gold), Ravenswood (4.8Moz gold), and Mount Rawdon (2.0Moz gold).** Importantly, these major gold mines have only recently been recognised to be IRGS and been reclassified as such.



Regional tectonic setting of the Biloela and Rockhampton Projects Source: Signature Gold.

It will be the potent combination of location, scale and grade that Tectonic is hoping to use to either joint venture or sell these projects to the majors. The lead project is at Biloela where there is a total of four discoveries which are contained in the project package which are: Specimen Hill. Last Chance, Maxwellton and E.D. Of these discoveries, the priority is Specimen Hill.

Reappraisal of the geology of Queensland

The team has been applying technology to this specific type of mineralised systems for many years, led by Alex Teluk, the Chief Geologist. Teluk has more than 45 years of experience and has been involved in a lot of gold projects in Queensland, looking more closely at the regional view in recent years. It was his belief that the current geological understanding was incomplete and he does not seem to have been alone in this view as to the north of Queensland, James Cooke University had been remapping the geology and to the south, one of the world's largest gold mining companies Newcrest Mining had been doing similar work.

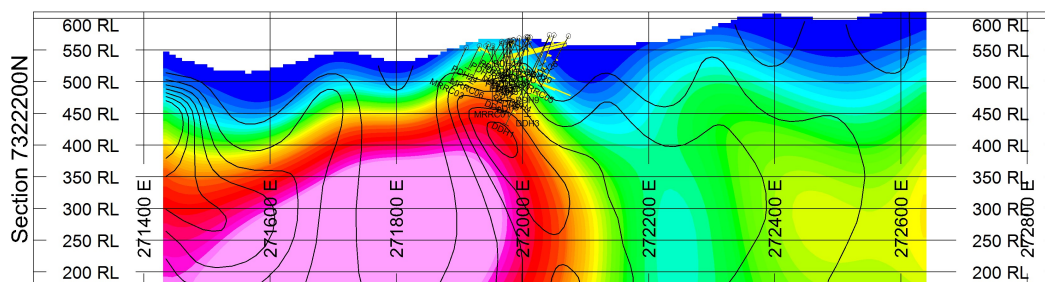
There was a gap in the middle of Queensland which seemed to have been largely ignored from this process of reappraising the geology with the benefit of modern models of mineralisation, probably because this area was more complex. Such work involved finding a mineralised system and tracing it back to a heat source. It had probably only really been done in the past in the time leading up to the recognition the large Cadia-Ridgeway deposits in New South Wales (now developed into a series of large underground and open-pit gold and copper mines) which bare the IRGS tell-tale signs. This seems to have caused a rethink about the geology of Queensland and the Tasman Belt in the late-1990s. It is the painstaking work by this team over many years dating back to the mid-2000s which has put Tectonic in a position to be able to take full advantage of its first mover advantage.

Specimen Hill

Specimen Hill is the top priority and this prospect is now drill ready for JORC resource definition. The prospect has a 6km² anomalous surface geochemical footprint and boasts multiple porphyry and epithermal mineralised zones.

Specimen Hill was selected to be the focus of the current development plan as it has a well-developed high-intermediate sulphidation epithermal gold-copper mineralised veins that have been identified in numerous locations around the project. In the past, historic mining at Specimen Hill saw more than 8,000 ounces of gold mined at grade as high as 40g/t gold, and so the system is known to contain gold. Sampling of some of these veins by Tectonic have assayed over 50g/t gold.

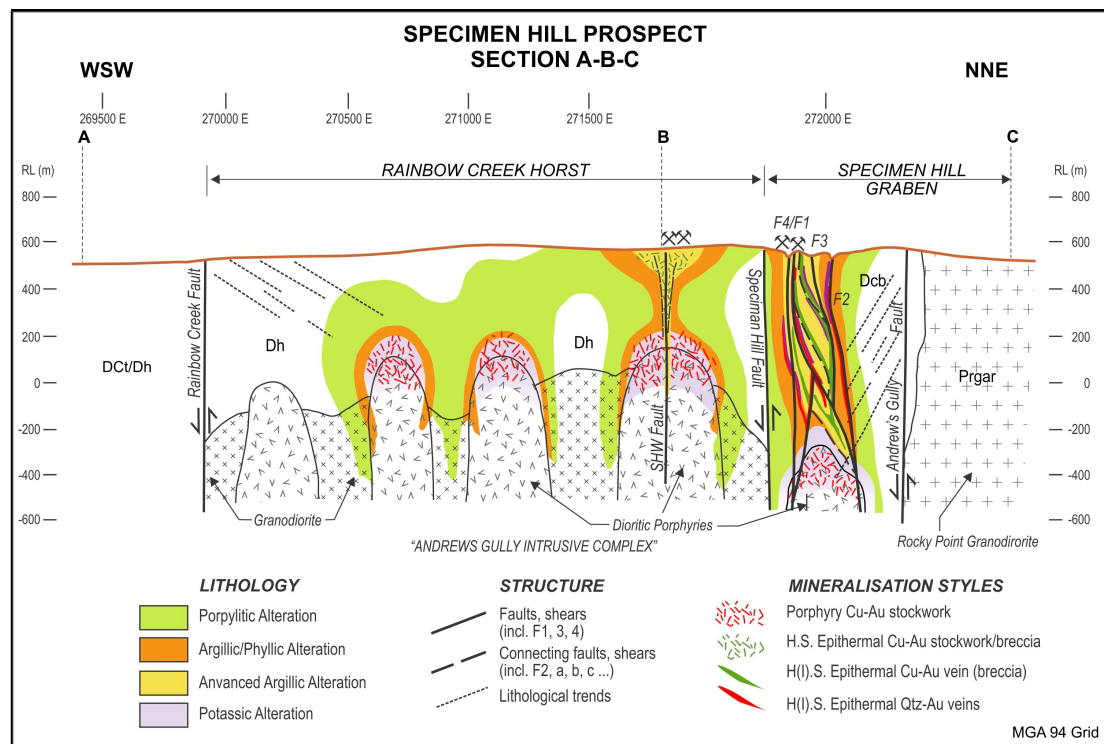
A total of 55 historic drill holes cover 300 metres strike to a depth of only 125 metres. These holes were only drilled to such a relatively shallow depth as the previous exploration companies who held the ground before Tectonic was solely focusing on defining a resource that could be mined by open pit methods. This work was carried out in the days before there were growing concerns about the size of mining footprints and highly selective underground operations began to be seen as important development option.



Magnetic model outputs along section 7322200N. Also shown is the Specimen Hill drilling and SAM MMC contours. Note the best gold intersections to date appear to be located on the eastern margin of the magnetic body. Interestingly, the SAM MMC model output also shows a coincident high current channelling feature indicating an easterly dip of the source of the mineralisation that has been drilled at surface. Source: Company

The 300 metres strike to a depth of 125 metres has recently been extended to more than 1,500 metres strike and open at depth (at greater than 500 metres) following deep penetrating geophysics. The company's main aim is to locate the heat source and the porphyry. The use of 3D Induced Polarization (IP) has led to the identification of porphyry feeders at a depth of 250 metres.

Tectonic has 1,500 metres strike mapped and that is now ready to be drill tested at depth, and with extension drilling. **Specimen Hill represents a multi-phase epithermal (gold, silver and copper) and has scope for multi-million-ounce potential, with also multiple additional targets over an area of 6km².** With gold already tested from the surface to a depth of 125 metres, there is the bonus of the option of a short-term open pit, from which a ramp could be driven to access the deeper orebody to mine using underground methods.



Lithology, structure and mineralisation styles at Specimen Hill. Source: Company

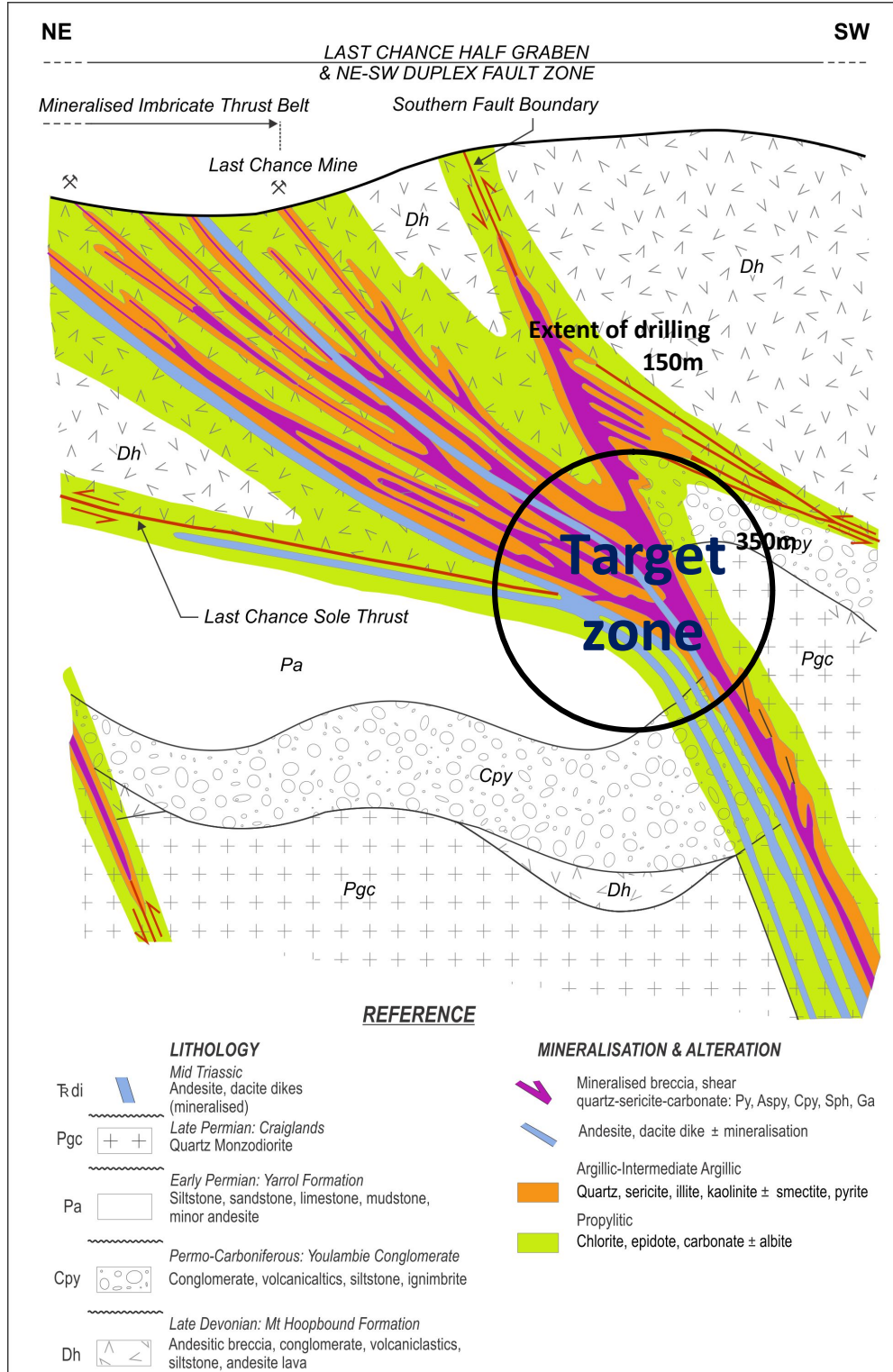
Hole ID	Type (dip)	Easting (MGA94, 55z)	Northing (MGA94, 55z)	Total depth	From (m) to (m)	Length (m)	Gold (g/t)	Silver g/t	Copper %
PDH4	RC (-60)	272043	7322211	118	55 - 118m	63	1.61	No assay	0.04
					76-83m	7	4.86	No assay	0.06
PHD17	RC (-60)	271967	7322225	58	22-54m	32	5.11	8.81	0.44
					22-32m	10	14.83	24.40	1.36
PDH30	RC (-90)	271976	7322227	62	32-46m	16	2.01	17.75	0.56
					32-38m	6	4.48	15.00	0.66
PDH36	RC (-58)	271985	7322199	50	32-50m	18	3.28	20.89	0.39

Historic drilling results from Specimen Hill. Source: Company

Essentially the rediscovery of a prolific gold belt at Specimen Hill undoubtedly provides real confidence in the company's methodology. In the past, exploration companies misunderstood the mineralisation system and it has only been as a result of Tectonics' thorough test work and analysis that the team has been able to re-interpret the geology and begin to reassess the true gold potential. **Specimen Hill provides an opportunity to potentially unlock multi-million-ounces of gold and so represents a high-class asset in a much sought-after gold belt.**

Last Chance

The second highest priority is the Last Chance prospect which is seen to be a classic IRGS sheeted vein swarm of stacked high-grade veins that have been mapped over a strike length of more than 1,000 metres.



Schematic section at Last Chance – Day Dawn Prospect. Source: Company

There has been historic artisanal mining of high-grade gold with the production toll treated at the Mount Morgan Mine. When this mine closed, gold production at Last Chance was forced to cease. No proper systematic exploration of Last Chance has been undertaken since Signature Gold acquired this acreage. Since then, using a variety of new technologies, the team has identified a substantial extension to the known mineralisation as well as establishing the prospectively for a standalone multi-million ounce gold deposit.

Further exploration by the company employing its knowledge of IRGS and in-house developed geological models has led to the identification of an extension to the vein swarm through a major north trending corridor with repeated mineralised vein sets at both the Broadway and Day Dawn prospects. On top of this, there is also evidence of further repetitions to the north. **Tectonic has pointed out in the NEX admission document that these sort of deposits are characteristic of IRGS systems in the Magadan and Tien Shan gold belts which range “...from millions to tens of millions of ounces Au”.**

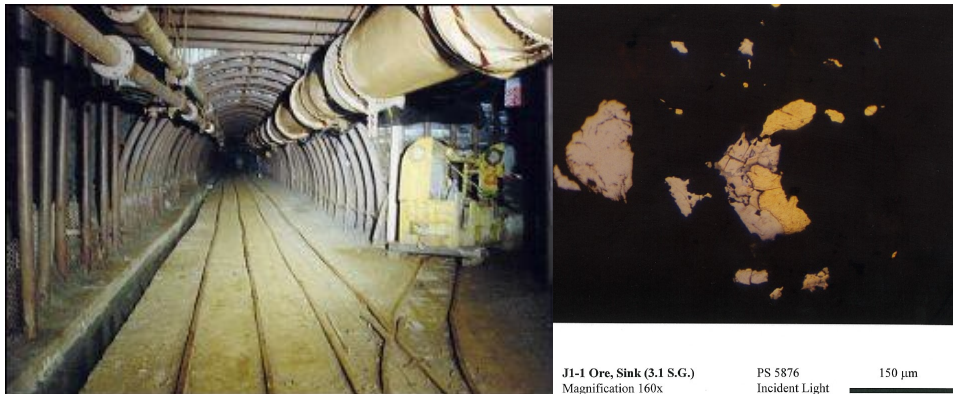
Australian government backing

Signature Gold became credited as an R&D company by the Australian government following its work on redefining the regional geological and tectonic models, as well its close work with Australian academics and University and State departments. This tax incentive scheme was established to encourage R&D in Australia. Usually technology and pharma use this facility - mining companies are generally not included in this facility. However, the Directors were able to gain approval for the development of an exploration technology for the IRGS system. **The Australian government are backing Tectonic as the R&D being developed by the company could allow for a second wave of gold mining in Queensland, in an area where 50 million ounces have already been discovered and mined.**

Over the last two years this company has benefited to the tune of A\$2 million from this tax incentive scheme and is expecting to receive another A\$2 million over the 2018-2019 period and which will serve to limit dilution for shareholders. The company gets 42.5% of qualifying expenditure and most expenditure seems to qualify including all the drilling.

Czech Republic

Tectonic also holds a 10% interest and option to acquire a 41% holding in Elbrus Resources, which owns the Otava deposit in the Czech Republic. The Otava deposit is a high-grade IRGS development project with multi-million ounce potential. More than 50,000 metres of drilling has been completed and current mine design is for an operation with gold production in excess of 150,000 ounces per annum. The reserves have been estimated at 1.5 million ounces @ 7.29/t gold and there is a Definitive Feasibility Study (DFS) in place.



(Left) Adit excavated for underground drilling at the Otava deposit (Right) Photomicrograph of liberated gold grains and Bismuth-telluride with an exposed inclusion of gold – source diamond drill core liberation samples Source: Company

Although the last formal report on the project dates back to 2005, the team believe that very high-quality work has been undertaken on the project in the Soviet Union. The Board see an opportunity here to export ground-breaking Australian R&D to new region, leading to a revaluation of this asset ahead of development. **The project had never been subject to any modern geophysical test work and Tectonic believes that the IRGS is very extensive vertically and that an extension of 2-3 million ounces could be mapped out relatively rapidly.**

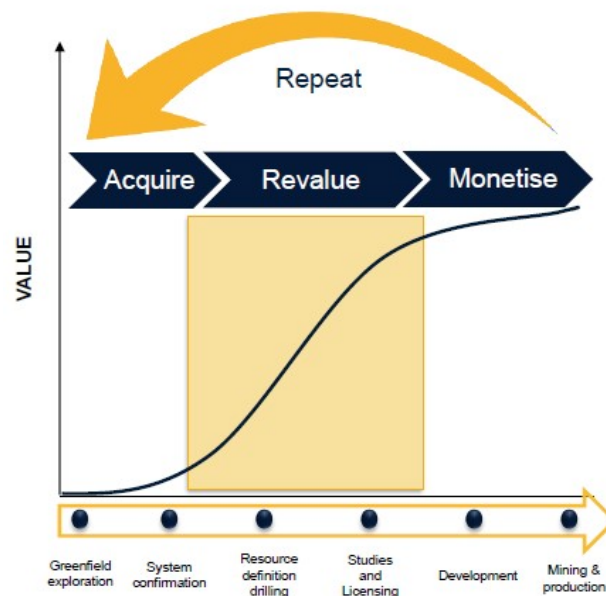
The company paid an initial US\$250,000 for 10% equity interest in June 2017 and can acquire a further 41% for US\$4.9 million with any funds spent on upgrading the current Definitive Feasibility Study (expected to cost US\$1.5 million) contributing towards the cost of this increased stake. This option has been granted by Elbrus Resources - a holding company of Gordon Toll who is the founding Chairman of Fortescue Metals (ASX:SMG) which is currently capitalised at A\$15 billion (£8.3 billion).

There are some issues here that need to be addressed. The permitting process in the Czech Republic is in a state of hiatus due to the instability within the country. Tectonic is currently waiting to see how matters play out at the moment. The past feasibility studies were based on using cyanide which alienated the local population and whose support is essential for the development of this project. Nowadays, other preferred minerals processing technology is available, which would be an important factor in the revised DFS.

Otava is seen to offer the opportunity of blue-sky potential. Management believes that with their increased involvement, the company could add a significant amount of ounces to the project quickly by re-interpreting the mineralisation system, update the DFS and then divest in an IPO. At the moment it's a wait and see situation. Tectonic has paid US\$250,000 and if over time it comes good, there is probably the potential for the company to make many multiples of its investment.

Strategy for growth

The company seems to have a clear corporate strategy with the Directors having a thorough understanding of what needs to be done to add substantial value. Tectonic's value creation strategy is a three-stage process which is neatly focussed on the highest return phase of the complete resource development life cycle. Stage 1 of the process is the acquisition, which stems from a deep research program whereby targets are identified.



Tectonic Gold's three stage value creation strategy. Source: Company

Stage 2 is all about revaluing the project. This is achieved by a thorough process of re-interpreting the geology based on the company's in-house IRGS knowledge, where the all-important underlining feeder system is identified and tested. This is followed by resource definition and extension drilling along strike and drilling at depth which provides a critical component of the feasibility studies. **At the end of the second stage the team aims to have packaged the project into a highly compelling opportunity for the majors.**

Stage 3 concerns monetising, either through a strategic partnership where the company retains an interest or via divestment. **The project may be sold to a mining company or spun out via an IPO to help fund the mine development. This process is then repeated with new targets from the company's project pipeline.**

Tectonic does not look at greenfield sites but prefers to concentrate its attention on tenements that have been the subject of past drilling, as well as sites of historic gold mining. In the past, many gold deposits were wrongly identified and have since been determined to be IRGS. So, the team is looking for such opportunities and examining for the tell-tale signatures of these potentially rich mineralisation systems.

The work in Queensland has been going on for many years and it has been a top down study. Firstly, the area with the greatest potential is worked out by mapping the tectonics and so the work becomes increasingly more granular, looking at the individual projects in these hot areas. This has led to the analysis of more than 100 projects over a five-year period, of which just 10 are to be found in the company's current project pipeline. There are a number of other projects that management would like to acquire, as and when funding allows to keep the pipeline full.

Tectonic's project pipeline has an extensive database of past exploration, production and drilling. This, combined with the current state-of-the-art technology, means that IRGS deposits can now be identified at low cost. The top three projects are: Specimen Hill, Mt Cassidy and Last Chance. The most exploration work and analysis has been undertaken by the company at Specimen Hill, which is now walk in drill ready as they say in the industry – this means that the drilling targets have been defined and the structure is ready to be drilled. With the discovery made and gold known to be present, the company is set to drill this first play.

Tectonic is planning to drill a total of 10,000 metres at Specimen Hill, probably within a two-month period beginning soon after the IPO in late-May 2018, with up to two drill rigs working simultaneously. Out of this total, 2,000 metres of the drilling will be used to critically chase the porphyry to a maximum depth of 800 metres, with drill holes planned at depths of 400, 500 and 800 metres. **The advantage with IRGS is that being structurally controlled means that the gold actually lies in the structure and this factor really reduces the risk of drilling. The range of new deep penetrating geophysical tools that are available today allow structure to be accurately mapped and IRGS to be discovered at fraction of the cost of drilling.**

A\$000's	2018	2019/20	Total
Drilling	1,500	500	2,000
Geophysics	302	75	377
Geology/Geochem	260	131	391
Geometallurgy	112	49	161
Mine planning	98	102	200
Tenement and Administration	106	227	333
Technical Staffing	149	522	671
Total	2,527	1,606	4,133

Use of funds of which 80% is likely to be spent at Specimen Hill. Source: Company

The team has already discovered the structure at Specimen Hill from high resolution magnetic surveys and 3D IP and, in combination with past drilling records and historic mining, they know there is gold in the system. So, the drilling at Specimen Hill (and the other nine projects in the portfolio) is simply being used to determine the grade and widths and to provide the essential data to establish a JORC-compliant resource and reserves of gold. This will allow analysts to place an informed valuation on the company by peer comparisons. **This work will also provide the data to move into feasibility studies and be able to offer the projects to potential buyers more fully-formed with further value being added.**

Whilst the company moves into the feasibility study stage at Specimen Hill, work will be continuing at both Mt Cassidy and Last Chance to bring them up to also being walk in drill ready. All this does show a well-defined pathway to creating value and at its heart it relies on detailed research, project selection and investing in resource definition drilling to bring projects to be packaged through feasibility studies to make them attractive to be sold to majors or be further developed on a joint venture basis with Tectonic retaining a decent percentage stake and receiving a cash payment.

The overriding management consideration is that all of Tectonic's projects must have the prospectivity for 3 million ounces of gold, which is the necessary hurdle to attract the attention of a big partner. The company is not in the business of definitively proving up all 3 million ounces of gold in each of its projects, but plans to partner in this job with the majors that have deeper pockets and are able to fund the probable A\$20 million required for detailed infill resource definition drilling of a large porphyry gold system. The Company is aiming with this strategy over the coming months to conclude a project partnership deal at Specimen Hill with a brand name mining company, followed up by similar deals on Mt Cassidy and Last Chance in due course.

The board is seeking to emulate the performance of Australian successes like Gold Road Resources (ASX:GOR) by going after a couple of different orebodies and target areas. Gold Road Resources has grown quickly into a half a billion dollar company by being smart with its limited exploration spending and at the same time partnering wisely. In May 2013, Gold Road signed a joint venture with Sumitomo Metals, which could earn a 50% stake in the South Yamarna Joint Venture tenements by spending A\$8 million on exploration over an 18 month period.

However, the Sumitomo joint venture deal was eclipsed in November 2016 when Gold Road sold a 50% stake in its Gruyere project to South Africa's Gold Fields for A\$350 million and where the JORC resource had been defined and the project brought to the feasibility stage. At the heart of Gold Road is a proven ability in exploration to find deposits in covered greenstone belts with few outcrops. Gold Road's shares have climbed from A\$0.04 to A\$0.77 since 2013, which means that GOR is currently capitalised in excess of A\$650 million. Resources companies need funds to fuel growth, but GOR has been able to raise funds at an ever-increasing share price.

Probably an important lesson that the team has learnt from Gold Road is to open up its books to potential partners at an early stage. Already the company has undertaken a non-marketing roadshow so that the major potential joint venture partners are aware of the progress that Tectonic has been making in Queensland. Establishing such relationships early on serves to prepare the ground for further discussions when the drilling results from Specimen Hill become available. The majors are less anxious about a JORC-compliant resource but will want to see evidence of a large system and the identification of a large heat source.

Today, the leading major Australian gold mining companies are sitting on growing cash piles. At present these majors are selling gold at a buoyant price of A\$1,725 an ounce against all sustaining costs of down to A\$850 an ounce. **It is clear to see that they are generating a lot of cash. Such companies are attempting to make the most of such market conditions by upping gold production, which has meant that there is a real need to replace their inventory of gold resources.**

Nowadays, there is a whole universe of financial solutions available to take assets like Specimen Hill and Last Chance forward beyond exploration and mining companies which include streaming companies and Private Equity funds. Streaming companies provide finance via a gold streaming deal with an upfront cash payment in return for a percentage of future gold production. **So, the definition of a JORC-compliant resource is important as it serves to widen the net of potential financing partners. This will allow the Board to negotiate the necessary financing at a reasonable rate with fewest strings attached.**

Following the listing on the NEX Exchange, Tectonic plans to deploy the capital raised straight away to drive the company's three lead prospects (Specimen Hill, Last Chance and Mt Cassidy) smartly up the value curve value in the immediate term for all to see.

The NEX listing is seen to be a stepping stone to an ASX-listing and/or a standard listing on the London Stock Exchange, which would see the stock thus becoming dual-listed. An ASX-listing would allow for a significantly larger fund raising exercise of say A\$5+ million (required to undertake 10,000 metre drilling programs at each of Last Chance and Mt Cassidy). **We believe that such funds are likely to be raised at a substantially higher price that would come with having successfully negotiated or agreed a joint venture deal/sale of Specimen Hill with a major mining company.** Such a move would validate the company's corporate strategy and bespoke R&D technology in IRGS for all to see and set the scene for Tectonic to become more active in IRGS projects internationally.

Financials & current trading

Losses that have been recorded over the last five years are mainly due to impairment of investments or the loss on disposal of subsidiaries, which reflects the big changes that have occurred at the company, and administration expenses. The revenue in 2013 and 2014 stemmed from the graphite operation in Mozambique.

Y/E 31 December £'000s	2012A	2013A	2014A	2015A	2016A
Revenue	-	46	153	-	-
Pre-tax profit/loss	-1,244	-2,507	-2,380	-23,205	-7,405
Net profit/loss	-1,244	-2,507	-2,384	-23,205	-1,366

Tectonic Gold five-year trading history. Source: Company accounts

2016 results

Financial results for the twelve months ended 31st December 2016, marked a significant period of change for the company as it became an AIM Rule 15 cash shell seeking a RTO within the precious metals sector. The board had found a compelling target in Signature Gold and was working towards the acquisition of this business. Results for the period included a £6.596 million loss on disposal of the Graphmada graphite business. The pre-tax loss came out at £7.405 million and the loss per share came out at 4.5p.

2017 interim results

Interim results for the six months to 30th June 2017 saw the company record a loss per tax of £0.318 million, which all resulted from administration charges.

Recent developments

In April 2018, the Scheme of Arrangement document was published that provided the information on the RTO of Signature Gold by Tectonic for the shareholders of Signature to approve. This deal consisted of the company issuing 450,000,000 shares at a price of 2p with a total value of £9.0 million to Signature shareholders.

The Scheme of Arrangement document included a review of the proposed RTO by an independent expert, HLB Mann Judd, which concluded that *“the Scheme is not fair but reasonable and in the best interests of Signature shareholders, in the absence of a Superior Proposal”*.

HLB Mann Judd went onto point out the benefits and advantages to Signature shareholders which included: limited alternative sources of funding, access to additional capital, access to the benefits of the Titeline Drilling agreement, increased scale of business and improved liquidity, enhanced prospects of developing diversified exploration assets as well as the opportunity to extract and realise value for existing exploration assets.

Risks

Geological risks

There are a series of technical risk factors concerning the amount of understanding of the geology of the project areas, the mineralisation style being targeted and the distribution and magnitude of the indicators that have been identified in exploration work.

Political risk

There are political risks involved in companies operating in the Czech Republic. The mining industry is arguably the most susceptible sector of the market to political risk largely due to its importance to the host county's economy.

Metal price risks

Metal prices are highly cyclical and changes in the prices of gold and could have a negative or positive impact on the valuation of the company's projects and revenue from the sales of metals. Over the ten years, the price of gold has been highly volatile, trading in the range of US\$1,899 - \$712 per ounce, and currently trades around the US\$1,300 level.

Exchange rate risks

Movements in the value of currencies will have an effect on the company's accounts on translation from Australian dollars into sterling. Fluctuations in the value of the US dollar and sterling against the Australian dollar may well have an effect on the valuation Tectonic is awarded by the market.

Future funds

The market for raising funds for small cap companies may have improved from the worse conditions two years ago. However, the equity market does continue to be difficult, especially for businesses such as mineral exploration where scope for early cash flow can be elusive. Some recent fundraisings in the resources sector have seen share prices being undermined by incoming investors demanding substantial discounts to provide the necessary capital.

Board of Directors

Bruce Fulton – Proposed Executive Chairman

Bruce is an experienced senior geologist who has previously held the position of Chief Geologist at Porgera, which has particular relevance to the style of mineralisation being targeted by Tectonic. Following his career in mining with companies such as Dominion Mining, Placer Dome and Plutonic Resources, Bruce co-founded Ophir Partners, an executive search and placement company for the resources industry. He is a member of the Australian Institute of Company Directors (MAICD); the Australasian Institute of Mining and Metallurgy (MAusIMM); the Canadian Institute of Mining, Metallurgy and Petroleum (MCIM); and the Society of Economic Geologists (MSEG). Bruce has an M.Sc. (Earth Sciences) from Waikato University and an MBA from Deakin University.

Brett Boynton – Chief Executive Officer

Brett is an experienced entrepreneur and corporate financier with expertise as an investment banker in capital markets, mergers, acquisitions and private equity, including positions at Credit Suisse, FBR Capital Markets and UBS. More recently, Brett has focused on project development in the resources industry, having founded and funded a number of Australian resource companies including DEI Ltd, Signature Gold Ltd, Chrysos Corporation Limited and Tellus Holdings Ltd. Brett currently heads up the joint venture partner of Agripower Australia Limited, a private equity backed industrial minerals company focused on silicon products. Agripower is one of Australia's largest industrial minerals companies, with an extensive R&D programme and global distribution network, and has a mining, processing and export operation in Queensland proximate to the Tectonic's projects.

Brett holds an undergraduate degree in Economics and Accounting from the University of Cape Town, an MBA from Duke University and is a CFA charterholder. Brett has international finance experience as a senior investment banker with UBS and Credit Suisse in London, New York and Sydney. He was appointed as a Director of the Company on 26 May 2015.

Sam Quinn – Executive Director and Company Secretary

Sam is a corporate lawyer with over 10 years' experience in the natural resources sector, in both legal counsel and executive management positions. Sam is currently the Director of Corporate Finance and Legal Counsel for the Dragon Group, a London-based natural resources venture capital firm, a Non-Executive Director of AIM-quoted Red Rock Resources plc, a natural resource development company, and a Non-Executive Director of LSE standard listed Emmerson plc. During time spent in these roles, he has gained significant experience in the administration, operation, financing and promotion of natural resource companies. Prior to working in the mining sector, Sam worked as a corporate lawyer for Jackson McDonald Barristers & Solicitors in Perth, Western Australia and for Nabarro LLP in London. He graduated from the University of Western Australia in 1999 with a Bachelor of Laws and Bachelor of Arts and is a qualified lawyer in Western Australia and in England & Wales. Sam was appointed as Company Secretary to the company in June 2015 and became a Director in 2017.

Zeg Choudhary - Non-Executive Director

Zeg has spent his entire career in financial services, starting in 1987 with CitiBank as a trainee market maker, before moving to Robert Fleming (latterly acquired by Chase Manhattan, now JP Morgan Chase & Co) to work as a market-maker and sales-trader. Following this, he became a sales-trader with London Stock Exchange (both Main Market and AIM) advisers and investment houses including Evolution Securities, Piper Jaffray and Northland Capital Partners. At Northland Capital Partners, Zeg worked directly with companies to help them to raise investor awareness. He is currently Managing Director of The London Trading Company (LONTRAD) which provides brokerage services to professional and institutional clients. He was appointed as a Director of the company on 19 September 2016.

Senior Management

Peter Prentice – Director of Signature Gold Ltd

Peter has extensive management experience in developing resource projects in Australia and internationally, including gold, uranium, copper, tungsten, base metals and industrial minerals. He has also had international banking experience, based in London for one of the world's largest project financing banking groups. Peter was the founder and Managing Director of Hargraves Resources, a very successful gold mining business which was listed on the ASX and sold to a large international gold company. Following the sale of Hargraves Resources, he acquired the cornerstone asset of the Signature portfolio, Mt Cassidy. Peter is Managing Director of the Agripower Australia Ltd group of companies, a private equity backed business that is involved in environmental science and agriculture. Peter has read in and completed studies in Mathematics and Engineering Science – Mining.

Anthony McLellan – Non-Executive Director of Signature Gold Ltd

Anthony is an international business leader and an experienced gold and resources executive. He is the former President and CEO of the predecessor of Barrick Gold, now the world's largest gold mining company, headquartered in Toronto, Canada. During his three decades abroad. Anthony was the CEO of a number of international corporations and has transacted business in more than twenty countries.

Since returning to Australia, he has acted as Chairman of Norton Gold Fields Limited and negotiated the acquisition of the company's primary asset, the Paddington Gold Mine, from Barrick Gold. In 2012 Zijin Mining, China's largest gold producer took a majority interest in Norton for \$225 million. He also acted as the initial chairman of Felix Resources and was closely involved in building Felix Resources into a major coal company, which was sold for \$3.4 billion to Yanzhou Coal, a major Chinese coal company. Anthony also served as Chairman of Bemax Resources, which he helped develop into Australia's second-largest mineral sands producer and was instrumental in its sale at a substantial premium.

Jonathan Robbeson – General Manager of Signature Gold Ltd

Jonathan is General Manager for Signature Gold. He has previously held senior technical roles in AngloGold Ashanti and Perilya Ltd. and brings with him extensive international exploration and mining operational and risk management experience. He specialises in integrated project development and has an in-depth knowledge of leading projects from exploration stage through feasibility, development, construction and into operation.

Jonathan holds a B.Sc. Honours (Geology) from Rhodes University; a Master's degree in Economic Geology from the University of Tasmania, and a Masters of Mining Engineering from the University of New South Wales.

He is a member of AusIMM and the Australian Institute of Company Directors. Jonathan is a Competent Person as defined by the 2012 JORC Code for Mineral Resource and Ore Reserve Estimation for various precious, base metal and industrial mineral deposits.

Anne Adaley – Proposed Chief Financial Officer of the Group

Anne has extensive experience in the resources sector, having held senior management roles with a number of listed public Australian exploration and mining companies over the last 25 years. She has also spent more than a decade as Company Secretary for several listed public companies. Anne is a qualified accountant and principal of Australian Mining Corporate and Administrative Services Pty Ltd (AMCAS) which provides Chief Financial Officer and Company Secretarial function and support including accounting, financial management and administrative services on a consulting basis to public listed and private companies as well as unlisted and pre-IPO companies.

Barry Willott – Exploration Manager of Signature Gold Ltd

Barry has worked as a Professional Geologist, Consultant and Exploration Manager for more than 25 years in minerals exploration and related mining operations in all mainland jurisdictions of Australia and in central Asia since 2006.

He has an up-to-date knowledge in the application of modern exploration techniques and methodologies with a sound technical and commercial focus to maximise discovery potential. His wide-ranging experience includes leadership roles in exploration, project management, mineral property assessment, project generation, technical due diligence and geological modelling. Barry has operated in diverse geological environments and deposit styles, including: deeply weathered terrains, both greenfields and near mine sites in a variety of commodities including gold, base metals, uranium, iron ore, gem stones and coal. He was a key member of the original Plutonic Resources Ltd team that added significant resources at the world class Plutonic Mine and has since been closely involved in discoveries and substantial mineable resource additions at Kundana and Peak Hill (WA) and Agate Creek (Queensland) gold deposits, along with the more recent discovery of the Paris silver deposit in South Australia. More recently Barry was General Manager-Exploration for Black Oak Minerals Ltd, operating with a small, but tight knit-team in the Cobar Superbasin, NSW and the Eastern Goldfields, WA.

Barry holds a BSc (Hons) in Geology and Geophysics. University of New England and is a Member Australian Institute of Geoscientists and AusIMM.

Alexander Teluk– Chief Geologist of Signature Gold Ltd

Alex Teluk is a professional geologist and member of the AIG (Australian Institute of Geoscientists) and CIM (Canadian Institute of Mining, Metallurgy and Petroleum), with more than 45 years of diversified experience in the exploration and mining, in corporate industry and government surveys. Alex has remained working for Signature Gold since 2010.

From 1966 to 1980, he has worked in senior and management capacities with several major Australian and international companies, including: Broken Hill South, Aberfoyle-Cominco, Chevron Exploration Corporation and Newmont Australia, respectively. A brief tenure was also spent with the Geological Survey of South Australia and the Australian Atomic Energy Commission during this period. Since 1980, through his company Geodyne Pty Limited, he has provided independent consulting services to numerous major and junior exploration and mining companies. As well, during this period, Alex co-founded and managed several private exploration companies.

Alex's exploration experience was acquired throughout Australia, and New Caledonia, and regions in Kalimantan, Philippines and New Zealand. Extensive assessments were also completed on several projects in Argentina. This experience covers a broad range of both metallic and non-metallic commodities, ore deposit types and geotectonic terranes. An extended association with RobSearch Australia (formerly Robertson Australia) has also resulted in extensive evaluations and preparation of IPO expert geological reports on numerous major mining and exploration projects.

Experience in underground mining geology was gained at Broken Hill South, CSA Cobar and Aberfoyle Cleveland mines; in the latter as Chief Mine Geologist. This expertise was subsequently applied in independent evaluations for client companies of several mining operations, including: RGC's Mt Lyell mine, Newmont's Wiluna mine, Croesus's Binduli mines, and Murray Resources Second Fortune mine.

Specific areas of expertise cover a broad spectrum in exploration and mining, including property technical audits, generation of projects from inception, through to their management and field assessment. Contemporary state of the art technologies have been applied on all these projects, including some of the earliest applications of multispectral scanning (Geoscan), partial leach geochemistry (MMI) and leading edge ground geophysics (Sub-Audio Magnetics/Resistivity). Several in-depth research projects for various clients as well as in-house have also been completed for a number of commodities and their host environments, including gold, uranium, platinoids, base metals, nickel, tin, tantalum, phosphorite and lithium, leading to the development of original conceptual and empirical exploration models.

Alex's cumulative, diverse and continuous professional experience in mining and exploration over more than four decades, has provided his clients and employers with incisive, effective and trusted evaluation of their properties as well as forward strategic planning and selection of new areas for their ongoing activities.

Forecasts

We initiate coverage of Tectonic Gold with forecasts for the years ending 31st December 2017 and 30th June 2019. For 2017, the company was a cash shell and working on the RTO of Signature Gold. The pre-tax loss is determined to be £0.70 million with a loss per share of 0.39p.

Following the completion of the deal, Tectonic's year-end was changed to 30th June, in-line with the Signature gold's year-end. The 18 months to 30th June 2019, is expected to be a very busy period, with a 10,000 metre drilling programme at Specimen Hill followed by feasibility studies along with exploration at the other priority projects. The estimated pre-tax loss comes out at £3.40 million after £2.10 million of exploration and tenement costs. It is expected that the company will receive a £0.828 million credit from the Australian Federal government under the R&D tax incentive scheme, with Tectonic assumed to receive 43.5% of qualifying expenditure. It is presumed that most of the drilling and associated costs is expected to qualify. Following the RTO, the number of issued shares rises substantially, and we estimate that the loss per share for the year will come out at 0.49p.

Year End 31 December (000s '£)	FY2015a	FY 2016a	FY 2017e	FY 2019'e
Revenue	-	-	-	200
Administrative expenses	(847)	(809)	(700)	(1,200)
Exploration and tenement costs	-	-	-	(2,100)
Other operating expenses	-	-	-	(300)
Operating loss	(847)	(809)	(700)	(3,400)
Finance costs	(9)	-	-	-
Impairment of investments	(21,651)	-	-	-
Impairment of receivables	(698)	-	-	-
Loss on disposal of subsidiary undertakings	-	(6,596)	-	-
Loss before tax	(23,205)	(7,405)	(700)	(3,400)
Tax	-	-	-	828
Loss for the year	(23,205)	(7,405)	(700)	(2,514)
Earnings per share attributable to owners of the company:				
Basic and diluted (pence per share)	(16.6)	(4.5)	(0.39)	(0.50)
Weighted average number of shares	139,754,569	164,514,863	180,262,748	517,384,319
Total shares plus warrants and options	167,285,391	179,635,413	181,268,998	657,362,746

¹ 18 month period ending 30 June 2019.

Source: Company/Align Research

Valuation

The Scheme of Arrangement document which provided the information to allow shareholders in Signature Gold to make the decision to accept the RTO into Tectonic Gold provided two valuations for Signature. One was by Independent Expert HLB Mann Judd, which valued Signature Gold as a company in its entirety and was largely based on a valuation by GeoDiscovery Group of the four projects.

Independent Expert HLB Mann Judd assessed that the Scheme of Arrangement was not fair, i.e. that the £9 million to be paid for Signature was not high enough (thus a benefit to shareholders in Tectonic as they are seen to be getting a good deal).

Valuation on Signature Gold prepared by Independent Expert HLB Mann Judd

A\$ million	Low	Preferred	High
Exploration and Evaluation Expenditure Assets	17.500	21.000	25.000
Other Assets (liabilities)	(2.056)	(2.056)	(2.056)
Value of Signature on a controlling basis A\$ million	15.444	19.944	22.944
Value of Signature on a controlling basis £ million ¹	8.580	11.080	12.75

¹ at current FX rate

Source: Scheme of Arrangement

Minerals exploration, discovery and management company GeoDiscovery Group employed two valuation methods. Firstly, the multiple of exploration expenditure method (MEE) which uses a prospectively enhancement multiplier (PEM) that basically multiplies the exploration expenditure by a factor between 0.5 to 3.0 depending on the degree that exploration has created value (or destroyed value) in line with the VALMIN code. Secondly, a comparable market value method which relies on the comparison of Signature's in-ground resources.

Fair value market valuation analysis of the four projects held by Signature Gold in NE Queensland Valuation Report prepared by GeoDiscovery

Project	Valuation method	Low	Preferred	High
		A\$ million		
Biloela	Multiples of exploration expenditure	5.391	5.567	5.74
	Comparable market method	18.600	23.300	28.000
Rockhampton	Multiples of exploration expenditure	2.699	2.791	2.883
Clermont	Multiples of exploration expenditure	3.735	3.859	3.983
Sarina	Multiples of exploration expenditure	2.197	2.291	2.385
Totals				
Multiples of exploration expenditure		14.000	14.500	15.000
Comparable market value		18.600	23.300	28.000
Adopted valuation range		17.500	21.000	25.000

Source: Scheme of Arrangement

Although Signature had no JORC-compliant resources, this company had completed in-depth internal resource modelling at the two lead prospects which were in excess of over 230,000 ounces at each of these prospects. That is 233,000 ounces at Specimen Hill Main Lodes and 230,000 ounces at the Last Chance Main Lodes. GeoDiscovery estimated that a fair value in-ground resource per ounce for Signature's primary projects was A\$50.

GeoDiscovery went onto use a A\$40 - 60 range, which was based on the typical attributable in-ground value of gold ounces of comparable Australian and Canadian gold explorer. This range produced a relative valuation of between A\$18.6 – 28 million for Signature's two lead prospects, and median in ground value of A\$23.3 million (based on A\$50/oz).

Our valuation has sought to ascertain what Tectonic might be worth in the future if certain milestones, including resource definition targets, are achieved, based on the CPR and discussions with management. Over the past five years, Signature has painstakingly been working at assembling a portfolio of compelling gold exploration and developing opportunities which are seen to offer the potential for the definition of a mineral resource, each with in excess of 3 million ounces of gold.

A short-term resource target for Biloela (Specimen Hill and Last Chance) is used as the basis of our valuation. This figure has been determined by reference to the resource inventory that has been modeled internally by the company plus the immediate resource definition targets and the likely true scale of the ultimate potential. In addition, also taken into consideration has been available infrastructure in the vicinity along with the presence of operating gold mines and majors in the surrounding area. **On the back of this analysis, to value Tectonic's resources at Biloela moving forward we have chosen to use a figure of 500,000 ounces for Specimen Hill and 230,000 ounces for Last Chance, which makes a total of 733,000 ounces.**

Overleaf, we have set out a table of ASX-quoted Australian gold exploration and development companies which shows the Enterprise Value per ounce valuations currently being awarded to companies as they climb the valuation curve, moving from exploration to feasibility, mine construction and initial gold production.

However, we believe that the best guide to the true valuation that Tectonic might attract over the next 18 months may be best reflected in looking at a recent deal in the sector. As we mentioned earlier, the board is seeking to emulate the performance of Gold Road Resources (ASX:GOR) which was successful in being able to develop its gold exploration projects to such a stage that allowed majors to come in as joint venture partners, thereby de-risking these projects. Gold Road's Gruyere joint venture deal with Gold Fields does illustrate the sort of value that can be generated through a well-designed exploration and drilling program.

Gold Road sold 50% of its Gruyere project to Gold Fields in November 2016 (where the JORC resource had been defined and the project brought to the feasibility stage) for A\$350 million. Gruyere is a large shear hosted porphyry gold deposit, with reserves of 3.5Moz and total resources of 6.2Moz. Looking beyond the headlines of this deal shows that deposits at Central Bore (0.7Mt, 9.1g/t, 187koz) and Attila/Alaric (5.3Mt, 1.64g/t, 270koz), were also included and adding in these other ore sources gave the joint venture total resources of 6.6Moz at that time. **This shows that the valuation per ounce of this joint venture deal was A\$106 (A\$350 million/3.3Moz).**

This sort of valuation is in line with others seen elsewhere in the world. Kaminak Gold Corporation was acquired by Goldcorp for C\$520 million in May 2016. Kaminak had at the beginning of 2016 announced the results of a feasibility study for its structurally hosted hydrothermal gold deposit Coffee Gold project in Yukon. Here, the total indicated gold mineral resources were 3.0 million ounces at 1.45g/t and total inferred gold mineral resources of 2.2 million ounces at 1.31g/t. making a total of 5.2Moz. **This suggests a valuation per ounce figure of C\$100 (C\$520 million/5.2Moz) or A\$102 using the FX rates prevailing at that time.**

Selected Australian exploration, development and early-stage gold mining companies

Company	Share price A\$	EV A\$M	JORC Resource 000's oz	Grade g/t	EV/oz A\$	Comments
Intermin Resources (ASX:IRC)	0.175	34.55	156	3.23	221.5	Discovery and resource growth drilling Teal Gold Deposit, Kalgoorlie. WA 91,000oz @ 1.98g/t Calcine Tailings Project, Wiluna, WA Pilot stage testwork 65,000 oz @ 5.01g/t
Dacian Gold (ASX:DCN)	2.55	544.79	3,315	2.3	164.3	Gold production just started WA Mount Morgan Gold Project – 2 mining complexes 15km apart at Westralia & Jupiter 3,315Koz at 2.3g/t First gold in Q1 2018, ramp up to 200,000oz pa
Gold Road Resources (ASX:GOR)	0.74	416.89	3,250	1.29	128.3	Gruyere Gold Project under construction Gruyere Gold Project (50%) Total 6.51Moz @ 1.29g/t First gold 2Q 2019 with 13 year mine life at 270,000oz pa
Emmerson Resources (ASX:ERM)	0.084	29.89	245	1.1	122.0	Exploration Tennent Creek Mineral Field (Gold, copper), Queensland Northern project area 145,000oz at 3.7g/t (800,000oz gold equivalents) + Southern project area 99,500oz at 17.4g/t JV with Evolution Mining
Gascoyne Resources (ASX:GCY)	0.50	206.57	2,347	1.44	88.0	Gold production to begin shortly Dalgaranga Gold Project. WA: 1,320,000oz at 1.3g/t – first gold late 2Q 2018 – 105,000oz pa with a six year life Glenburgh Gold Project, WA: 1,003,000oz at 1.5g/t. Egerton Gold Project, WA: 23,811oz at 6.4g/t
De Grey Mining (ASX:DEG)	0.19	55.67	1,002	1.7	55.6	Exploration Pilbara Gold project (Turner River Project, Turner River Project Base Metals Project and the Indee project) De Grey Mining total 1,002,300oz at 1.7g/t
Capricorn Metals (ASX:CMM)	0.063	38.31	1,326	1.1	28.9	Feasibility Karlawinda Gold Project 1,326,000oz at 1.1g/t First gold production mid-2019
Ausgold (ASX:AUC)	0.03	13.98	785	1.17	17.8	Exploration Katanning Gold Project: 785,000oz at 1.17g/t Also, Doolgunna Station & Yamarna (WA) and Cracow (Queensland).
Blackham Resources (ASX:BLK)	0.07	68.56	6,505	3.1	10.5	Gold producer Matilda/Wiluna Gold Operation, Wiluna WA 80,000oz pa PFS confirms route to 200,000oz pa 6.505Moz at 3.1g/t
Nexus Minerals (ASX:NXM)	0.085	2.52	363	2.1	7.0	Exploration Kalgoorlie Goldfields, WA Pinnacles Joint Venture Gold Project (88%) 413,000 oz @2.1g/t
Carbine Resources (ASX:CRB)	0.031	1.83	850	0.84	2.1	DFS 2016 Mt Morgan Gold & Copper Project, Queensland Total indicated 394,000oz at 1.2g/t + total Inferred 456,000oz at 0.53g/t

Source: Align Research

Tectonic is seeking to rapidly move their IRGS discoveries at Specimen Hill and Last Chance from exploration to the feasibility stage and then sell these projects or de-risk them in joint venture deals with majors. We are confident that the Gruyere joint venture deal provides a reliable benchmark price per ounce on which to derive the valuation that Tectonic's first two projects might attract going forward. **Between these two projects there are 730,000 ounces at A\$106/oz and which thus suggests a valuation of A\$77.380 million.**



Two-year gold price in Australian dollars. Source: goldprice.org

Today, gold miners in Australia are enjoying buoyant margins on the back of an improving gold price in Australian dollar terms and good cost control. Since the Gold Road joint venture deal was agreed with Gold Fields in November 2016, the gold price has risen by 10% plus in Australian dollar terms. **This has generated large and growing margins that such gold projects can operate at and so in light of this, we believe that the valuation per ounce figure used in this analysis is in fact highly conservative.**

In the valuations for the other projects, namely: Rockhampton, Clermont and Sarina, we chose to use the preferred valuation figure determined by GeoDiscovery highlighted in the Scheme of Arrangement which were based on MEE analysis. We believe these are also likely to be conservative moving ahead as further funds are expected to be spent on exploration which would serve to increase the valuation as they will be multiplied by the PEM factor, provided of course that a certain level of success is enjoyed.

Sum-of-the-parts valuation

Assets	Valuation	
	A\$ million	£ million
Biloela (Specimen Hill and Last Chance)	77.380	43.229
Rockhampton	2.791	1.559
Clermont	3.859	2.156
Sarina	2.291	1.280
Cash	3.000	1.676
Debt	nil	nil
Total	A\$89.321m	£49.900m
Per share (656,762,746)		7.60p

Source: Align Research

Based on our model, our sum-of-the-parts valuation comes out at A\$89.321 million or £49.900 million. Using the current number of shares in issue (656,762,746) suggests a per share valuation of 7.60p per share.

Conclusion

In our view, Tectonic looks like a compelling stock to buy at the current price. It is an unusual play which is highly leveraged to the gold price, but has already been de-risked. The 10,000 metre drilling program at Specimen Hill is not for discovery (as the mineralisation system and gold have already been discovered), but for resource definition. The company is a pioneer in the IRGS space in Australia and as such has first mover advantage which has allowed the team to take the first pick of tenements that have the best potential for 3 million ounce plus gold resources to be defined. In recognition of the company's R&D on IRGS, the Australian Federal government is effectively a co-investor, which serves to dramatically reduce the required spend on exploration, or make the exploration dollars go much further. In addition, savvy international drilling services group Titeline Drilling, which has seen and drilled many assets around the world, has chosen to back Tectonic. This looks like a strong endorsement from an industry partner which we believe speaks volumes for the company's potential going forward.

A healthy news flow seems to be assured. Judging by the current work program, it looks as though following the IPO, the results of the geochem results from Mt Cassidy and 3D IP are likely to be available. There is nothing better than a drilling program to stir up a share price and the 10,000 metres drilling at Specimen Hill is expected to take two months and kick off in early June 2018. This drilling should give rise to an enviable series of announcements concerning: the start of drilling, ongoing reports, assay results, maiden JORC resource, upgraded resource and feasibility studies where the economic value of the gold mining project based on the defined resource will be determined. Plus, updates on exploration work at Last Chance and Mt Cassidy as these projects are brought to a walk-in drill ready state. This all points to a sustained news flow over the Q3 and Q4 2018 culminating in the real prospect of a corporate deal on Specimen Hill before the year-end. **All the while, these activities are likely to boost the valuations of all these projects ahead of a joint venture or sale.**

Given all these expected developments, we look forward to being given the chance to update our target price as the company makes rapid progress over the next eighteen months. **Our coverage of Tectonic Gold is initiated with a target price of 7.60p and a Conviction Buy stance.**

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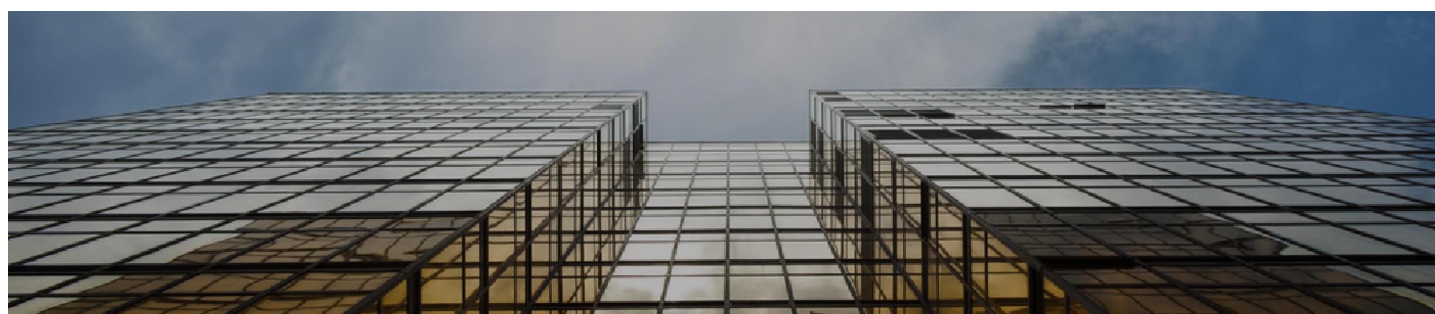
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Align Research Limited
7 Moorhead Lane
ShIPLEY
UK
BD18 4JH

Tel: 0203 609 0910
E: info@alignresearch.co.uk