

HALLGARTEN & COMPANY

Initiation of Coverage

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Thomson Resources

(ASX: TMZ, OTCQB: TMZRF)

Strategy: LONG

Key Metrics

Price (AUD)	\$0.019
12-Month Target Price (AUD)	\$0.08
Upside to Target	321%
12mth hi-low	\$0.018-\$0.099
Market Cap (AUD mn)	\$14.94
Shares Outstanding (millions)	786.36
Options (millions)	403.33
(Fully Diluted)	1,189.69

Thomson Resources

Potential Silver Production on Multiple Fronts (Plus Tin)

- + In a process over 18 months, starting in 2019, Thomson accumulated a prime portfolio of silver assets in northern New South Wales
- + The combination of the mining projects with a central processing site is termed the New England Fold Belt Hub and Spoke Strategy (NEFBHS)
- + The recent Centralised Processing Facility Study has signaled that a site near Tenterfield in NSW is the most attractive site for potential facilities at which production of silver from mined ore can be undertaken
- + The pipeline of silver projects both in Australia and internationally is dry with the long-term undervaluation of the metal having impacted development of new projects
- + Very receptive jurisdiction for mining developments in NSW
- + Spin-out of Tin assets in NSW's Tin belt augur an imminent payday for its shareholders (via distribution of holding to stockholders)
- × Silver appears to be range-bound between \$17-\$20 per ounce
- × The Russia/Ukraine war (and inflationary resurgence) have singularly failed to underpin the price
- × Tin has retreated massively from its stellar highs of recent times

Consolidating Base & Precious Metals in Northern NSW

Thomson Resources holds a diverse portfolio of minerals tenements across gold, silver, base metals and tin in New South Wales and Queensland. The company's primary focus is its *New England Fold Belt Hub and Spoke* (NEFBHS) consolidation strategy in NSW and Qld border region. The strategy has been designed and executed in order to create a substantial precious (silver/gold), base metal (zinc, lead, copper, tin) resource hub that could be developed and potentially centrally processed.

The key projects underpinning this strategy have been strategically and aggressively acquired by Thomson in only an 18-month period. These projects include the Webbs and Conrad Silver Projects, Texas Silver Project and Silver Spur Silver Project, as well as the Mt Carrington Gold-Silver earn-in and JV.

In addition, the company also holds exploration activities across its Yalgogrin and Harry Smith Gold projects and the Bygoo Tin project in the Lachlan Fold Belt in central NSW, as well as the Chillagoe Gold and Cannington Silver Projects located in Queensland.

In this initiation of coverage we shall look at the various projects, the progress towards a production plan and the potential for the Tin assets to be monetized in what is a more favorable market for that metal than has existed for many decades.

Some Background

Thomson's history goes back to 2009/10 when it was spun out of Minotaur Exploration and then was subject of a pooling of assets with Variscan. This resulted in a register that was cumbersome and potentially conflictive. Over time, the original holders have been whittled down or have vended their positions.

In 2015, the company acquired the Bygoo Tin asset to add to its previously held Wilgaroon Tin project. Since then a number of similar and/or related Tin targets have been added across central NSW. These assets were elaborated upon in our Special Situations Note published in July 2022.

Putting Together a Prime Portfolio

In November 2020, Thomson announced it had entered into an acquisition agreement with Silver Mines (ASX: SVL) for Thomson to acquire the Conrad and Webbs silver projects. The terms of the acquisition, in their final amended form, were the issue of 70 million shares and 50 million options (exercise price AUD\$0.124, term three-years) and the payment of AUD\$800,000. Completion of the acquisition occurred in March 2021.

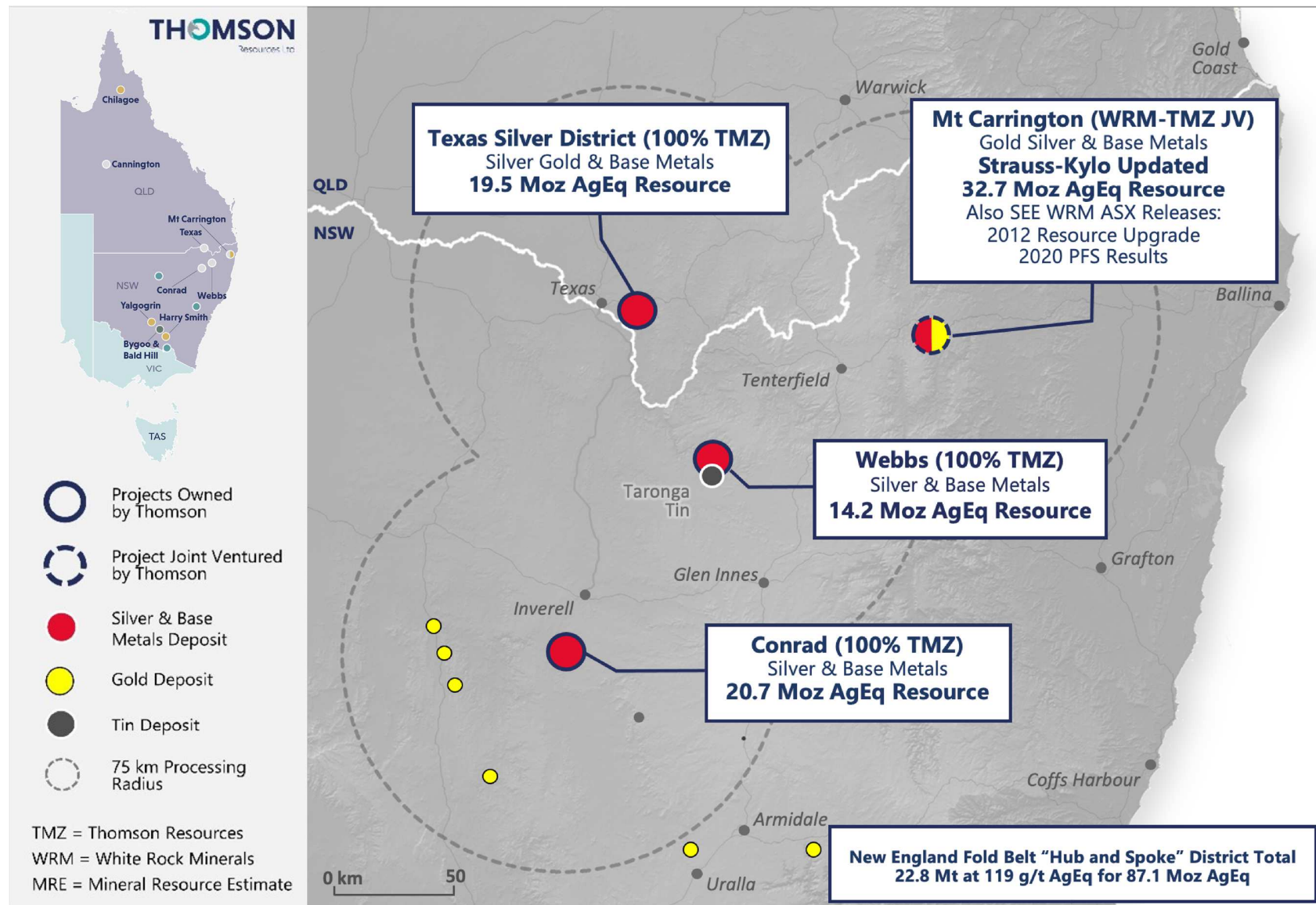
On 4 March 2021, Thomson advised that, after a competitive sales process, it had been the successful bidder for the Texas Silver Project and had entered into an acquisition agreement to acquire it. Terms of the acquisition were replacement of the Financial Assurance (environmental rehabilitation bond) of approximately AUD\$3.3mn and a cash payment of approximately AUD\$2.5mn. This acquisition was completed in August 2021.

On 12 May 2021, Thomson advised that it had entered into an agreement to acquire the Silver Spur mine (a missing part of the Texas Silver Project) for consideration of a cash payment of AUD\$350,000 and the issue of 5 million shares. This acquisition completed in December 2021.

On 23 February 2021, Thomson advised it had entered into a Terms Sheet with White Rock Minerals (ASX: WRM) for an Earn-in and JV on the Mt Carrington project. This was turned into a definitive agreement on 3 May 2021. It was substantially amended on 23 May 2022. Details of the original earn-in terms and the amended terms are set out later in this report. Over recent times the company has undertaken a full restatement of the Webbs, Conrad, Silver Spur, Twin Hills and Mt Gunyan resources within a 10-month period. Combined, the deposits contain total Indicated and Inferred resources 22.8mn tonnes @ 119 g/t AgEq for total of 87.1mn ozs AgEq available to central processing.

The Texas Project

The Texas district is regarded as an important component of the New England Fold Belt Hub and Spoke central processing strategy, where Thomson has the objective of bringing together a series of deposits that can feed a central processing facility. The company has recently published JORC 2012 Mineral Resource Estimates for the Silver Spur, Twin Hills and Mt Gunyan deposits for an aggregate of 11.26 mn tonnes at 54 g/t AgEq for 19.5mn oz AgEq.



Production History

Between 1892 and 1925 the Silver Spur underground mine produced approximately 2.19 Moz silver (average grade of 800 g/t Ag), and 690 tonnes of zinc, 1,050 tonnes of lead and 990 tonnes of copper and by-product gold from approximately 100,000 tonnes of ore. The silver-zinc (lead–copper) halo and remnant high-grade silver mineralisation was not extracted by the historic mining operation.

At Twin Hills approximately 25% of the known sulphide deposit was extracted via the previous open pit and heap leach operation where, between 2011 and 2013, some 1.9mn tonnes @ 71.1 g/t Ag was mined.

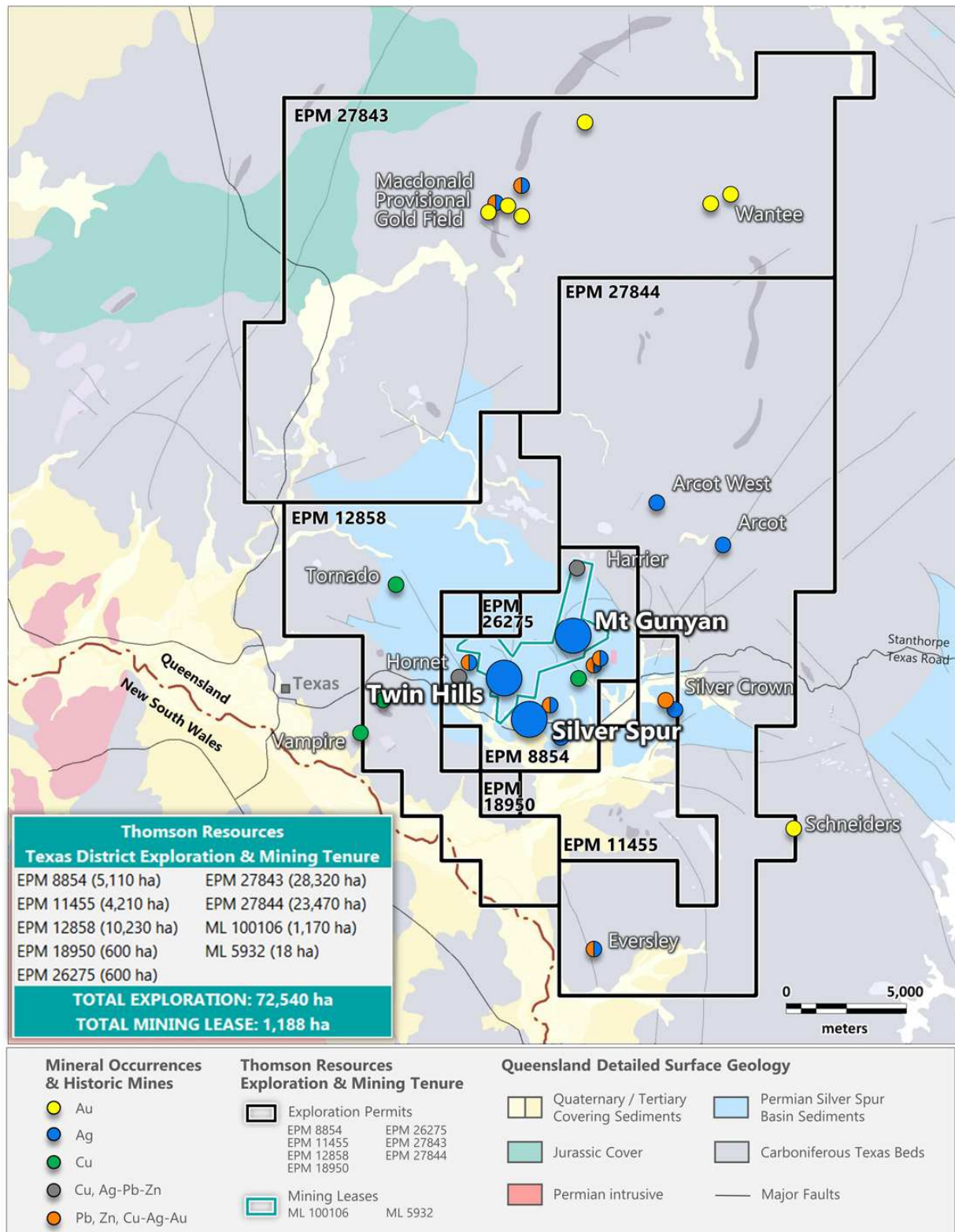
Geology

The Texas district is hosted by the early Permian age Silver Spur sedimentary basin. The Texas mineral district is developed over 50 km² area containing a diverse range of silver/ gold, copper and base metal deposits styles.

Targets

The three main targets are:

- **Twin Hills** - a sediment hosted, low-grade, silver-(gold) deposit with minor associated zinc, lead and copper. The open pit and heap leach operation, left silver – gold sulphide mineralisation outcropping in the pit floor, accessible for a potential restart of mining operations.
- **Mt Gunyan** - an undeveloped silver (gold-zinc-lead) deposit that outcrops as a prominent hill 3 km NE of the Twin Hills pit. Mt Gunyan comprises sediment hosted, low-grade, fracture vein related deposit. The majority of the deposit is strongly-to-partially oxidised with silver mineralisation starting from surface and continuing to depths of 150 m below surface and remains open below this depth.
- **Silver Spur** - a structurally-controlled silver-base metal deposit located 2 km southeast of the Twin Hills open pit. Was worked as an underground mine. Thomson's work has shown that the deposit has an unmined small oxide – transition zone overlying a larger primary sulphide zone of mineralisation.



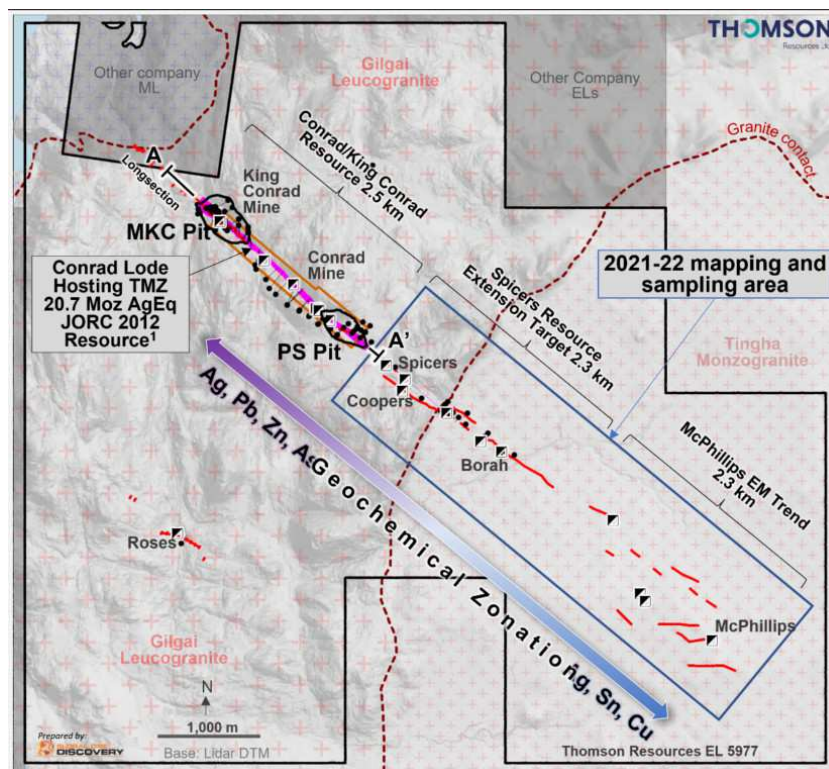
The Texas Resource

A JORC 2012 Mineral Resource Estimates has recently been published for the Silver Spur, Twin Hills and Mt Gunyan deposits for an aggregate of 19.5 Moz AgEq at 54 g/t AgEq.

Texas District Deposits	Grade							Contained Metal					
	Tonnes (Mt)	AgEq (g/t)	Ag (g/t)	Au (g/t)	Zn (%)	Pb (%)	Cu (%)	AgEq (Moz)	Ag (Moz)	Au (koz)	Zn (kt)	Pb (kt)	Cu (kt)
Twin Hills													
Indicated	4.43	55	51	0.06	-	-	-	7.8	7.3	9	-	-	-
Inferred	1.67	45	42	0.05	-	-	-	2.4	2.2	3	-	-	-
Sub total	6.10	52	48	0.06	-	-	-	10.3	9.5	11	-	-	-
Mt Gunyan													
Indicated	2.40	43	40	0.03	0.11	0.10	-	3.3	3.1	3	2.6	2.4	-
Inferred	2.09	39	36	0.04	0.12	0.17	-	2.6	2.4	3	2.4	3.6	-
Sub total	4.5	41	38	0.04	0.11	0.13	-	5.9	5.5	5	5.0	5.9	-
Silver Spur													
Indicated	0.19	184	65	0.06	2.40	0.92	0.09	1.1	0.4	< 1	4.6	1.8	0.2
Inferred	0.47	145	50	0.06	1.88	0.59	0.09	2.2	0.8	< 1	8.9	2.8	0.4
Sub total	0.66	156	54	0.06	2.03	0.69	0.09	3.3	1.2	< 1	13.5	4.6	0.6
Total Indicated	7.02	54	48	0.05	0.10	0.06	0.00	12.2	10.8	12	7.2	4.2	0.2
Total Inferred	4.23	53	40	0.04	0.27	0.15	0.01	7.2	5.4	6	11.3	6.4	0.4
Texas District Total	11.26	54	45	0.04	0.16	0.09	0.01	19.5	16.2	16	18.5	10.5	0.6
Note: The Twin Hills, Mt Gunyan and Silver Spur MREs use a 25 g/t Ag equivalent (AgEq) cut-off. The AgEq formula used the following processing recoveries: Twin Hills Ag 78%, Au 77%; Mt Gunyan oxide Ag 89%, Au 78%, Zn 12%; Mt Gunyan sulphide Ag 78%, Au 77%, Zn 16%; Silver Spur Oxide Ag 91%, Zn 20%; Silver Spur Sulphide Ag 69%, Zn 93%, Pb 64%. AgEq was calculated using the following formulas: Twin Hills (AgEq) = Ag (g/t) + 65.22 * Au (g/t), Mt Gunyan Oxide AgEq = Ag (g/t) + 57.91 * Au (g/t) + 4.49 * Zn(%), Mt Gunyan Sulphide AgEq = Ag (g/t) + 65.22 * Au (g/t) + 6.84 * Zn(%), Silver Spur Oxide AgEq = Ag (g/t) + 7.3 * Zn(%), Silver Spur Sulphide AgEq = Ag (g/t) + 44.92 * Zn(%) + 22.67 * Pb(%) based on metal prices and metal recoveries into concentrate. Whilst the estimated contained gold for Silver Spur is shown here, it has not been included in the total gold ounces in the reported Mineral Resource as the quantity of contained gold is considered immaterial to the Mineral Resource. For all deposits the metal price assumptions used, where applicable, in the AgEq formula at an exchange rate of US\$0.73 were; Ag price A\$38/oz, Au price A\$2,534/oz, Zn price A\$4,110/t, Pb price A\$3,014/t. Totals may not add up due to rounding.													

The Conrad Project

The Conrad Project represents a polymetallic exploration and mining opportunity located in northern New South Wales. The Conrad mine is the largest historic silver producer in the New England region producing approximately 3.5mn oz of silver at an average grade of 600 g/t Ag with significant co-production of lead, zinc, copper and tin.

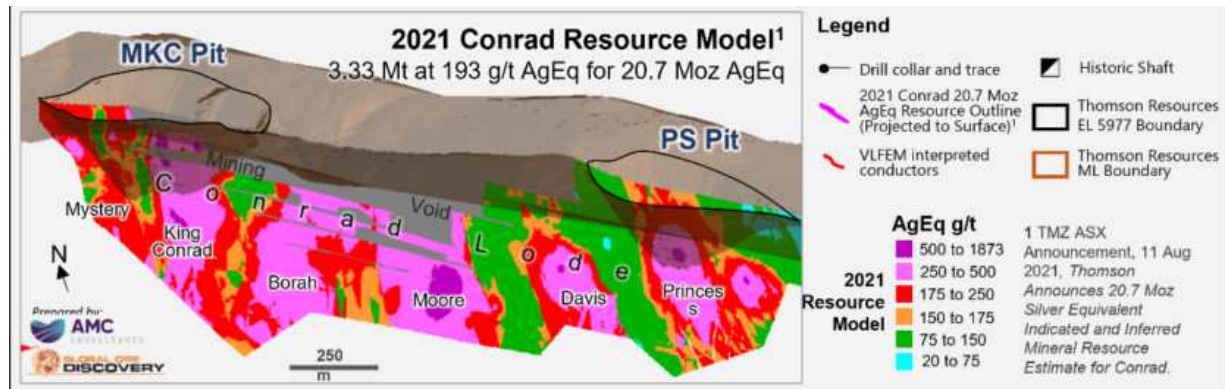


The Conrad deposit is comprised of the Conrad Lode, the King Conrad Lode and the Greisen Zone. The Conrad/King Conrad Lode has approximately 2.3km of strike length in a north-west direction. The lode occurs at the NW end of a fault zone that has 7.5km of strike.

The Conrad Resource

The Mineral Resource Estimate for this silver polymetallic project is currently 3.33mn tonnes at 193 g/t AgEq for a contained 20.72mn oz AgEq.

Area	Resource Classification	Tonnage	Grade						Metal					
			Silver Equivalent	Silver	Copper	Lead	Tin	Zinc	Silver Equivalent	Silver	Copper	Lead	Tin	Zinc
		(Mt)	(g/t Ag Eq)	(g/t Ag)	(% Cu)	(% Pb)	(% Sn)	(% Zn)	(Moz Ag Eq)	(Moz Ag)	(kt Cu)	(kt Pb)	(kt Sn)	(kt Zn)
Open Pit	Indicated	1.66	163	66	0.08	1.01	0.16	0.67	8.72	3.53	1.38	16.77	2.62	11.19
	Inferred	0.74	125	54	0.08	0.74	0.12	0.39	2.96	1.27	0.58	5.42	0.9	2.87
	Total OP	2.4	152	62	0.08	0.93	0.15	0.59	11.68	4.80	1.92	22.3	3.6	14.15
Under-ground	Indicated	0.2	300	136	0.24	1.87	0.27	0.65	1.93	0.87	0.48	3.75	0.55	1.3
	Inferred	0.74	300	150	0.17	2.03	0.22	0.72	7.11	3.56	1.26	14.97	1.63	5.31
	Total UG	0.94	300	147	0.19	2.00	0.23	0.71	9.04	4.43	1.78	18.73	2.15	6.65
Total	Indicated	1.86	178	74	0.10	1.10	0.17	0.67	10.65	4.40	1.86	20.47	3.16	12.47
	Inferred	1.47	213	102	0.12	1.38	0.17	0.55	10.07	4.83	1.77	20.34	2.51	8.11
	Total	3.33	193	86	0.11	1.22	0.17	0.62	20.72	9.23	3.67	40.68	5.67	20.67



Resource modelling highlights the Mystery, King Conrad, Borah, Moore and Davis shoots are all open and untested at depth with high grade drill intersections in the range of 374g/t to 1,035 g/t AgEq highlighted at the base of these shoots.

The Webbs Project

The project encompassing a high-grade silver-bearing lode system is centred about 10km north of Emmaville and approximately 65 kilometres northeast of Inverell and some 230 kilometres southwest of the Gold Coast in northern New South Wales, Australia. The area consists of moderate to steep wooded hills, open farm country and is dissected by several seasonal streams.

The tenement EL5674 comprises four graticular units for Group One minerals. Interestingly the Webbs project is surrounded by First Tin's Taronga silver/tin project.

History

Silver, zinc, lead and copper mineralisation was first discovered at Webbs in 1884 and the deposit was mined in several phases between 1884 to 1964. The most significant period of mining was from 1884 to 1901 where the Webbs Main shoot was mined over nine levels down to a depth of 210 m, with approximately 55,000 tonnes of ore extracted at an average grade of approximately 23 oz/t (710 g/t) silver. Almost all historic production has come from a high-grade steep south plunging North Shoot. The South Shoot hosting a substantial proportion of the resource, was not historically mined and remains undeveloped.

Geology

Webbs is located within the New England Fold Belt which comprises Palaeozoic meta-sediments and volcanics, intruded by granites and granodiorites.

It is a north-north-east striking, structurally controlled, silver-base metal deposit. Mineralisation is

hosted in steeply dipping up to 15 m wide lodes defined by sericite-silica-carbonate-chlorite altered shales. Mineralisation is characterised as fracture fill sheeted and stockwork veinlet and localised breccia matrix fill comprising silver rich tetrahedrite, sphalerite, galena, and chalcopryrite, and accessory arsenopyrite. Mineralisation is currently known down to a depth of 340 m below surface (395 mRL) in the North Shoot and 275 m below surface (mRL 435) in the South Shoot.

Exploration History

In 2012 Silver Mines Ltd (ASX:SVL) published a MRE (to JORC 2004 reporting standards) at a 70 g/t Ag cut-off. The resource was not reported within a conceptual pit and was not depth-constrained with all material above approximately 385 mRL in the North Shoot and approximately 520 mRL in the South Shoot reported. This MRE was not depleted for the historic mining void in the North Shoot.

An additional 13 holes, comprising approximately 4,295 m, were drilled by SVL subsequent to reporting of their JORC 2004 MRE. The MRE prepared for Thomson represents the first resource statement for Webbs to be reported in accordance with JORC 2012 standards, and the first to incorporate all the SVL drilling and allow for mine depletion.

Resource

In the first half of June, the company published a JORC-compliant 2012 Maiden Resource for the Webbs deposit which was prepared by AMC Consultants Pty Ltd (AMC). This was Thomson's fifth MRE and reported a Resource totaling 14.2mn ozs AgEq at 205 g/t AgEq.

Resource - Webbs Deposit											
Category	Grade						Contained Metal				
	Tonnes mn tonnes	AgEq g/t	Ag %	Zn %	Pb %	Cu %	AgEq mn oz	Ag mn oz	Zn kt	Pb kt	Cu kt
Indicated	0.8	252	179	1.19	0.62	0.18	6.7	4.7	9.9	5.1	1.5
Inferred	1.3	176	116	1.04	0.5	0.13	7.6	5	14	6.8	1.8
Total	2.2	205	140	1.1	0.55	0.15	14.2	9.7	23.9	11.9	3.3

Mt Carrington Project

The Mt Carrington gold-silver-base metal project is located 5km from the township of Drake in northern NSW on the Bruxner Highway. The project is located one-hour from the regional centers of Casino and Tenterfield in NSW and importantly located within potential trucking distance of the company's Texas District, Conrad and Webbs silver base metal projects.

The company's agreement is with the tenement holder, White Rock Minerals (ASX: WRM).

Steeped in History

Gold was first discovered in the district in 1853. Most deposits in the area were discovered and developed between 1886 and 1888, with production declining at the turn of the century. Historic production was approximately 62,000 ounces of gold and 0.5 million ounces of silver.

Modern, small scale open pit mining was undertaken by Mt Carrington Mines between 1974 to 1990, focusing on the gold-silver oxide ore from the Strauss, Kylo, Guy Bell and Lady Hampden deposits. Twentieth century production is recorded as approximately 28,000 ounces of gold and one million ounces of silver.

Geology

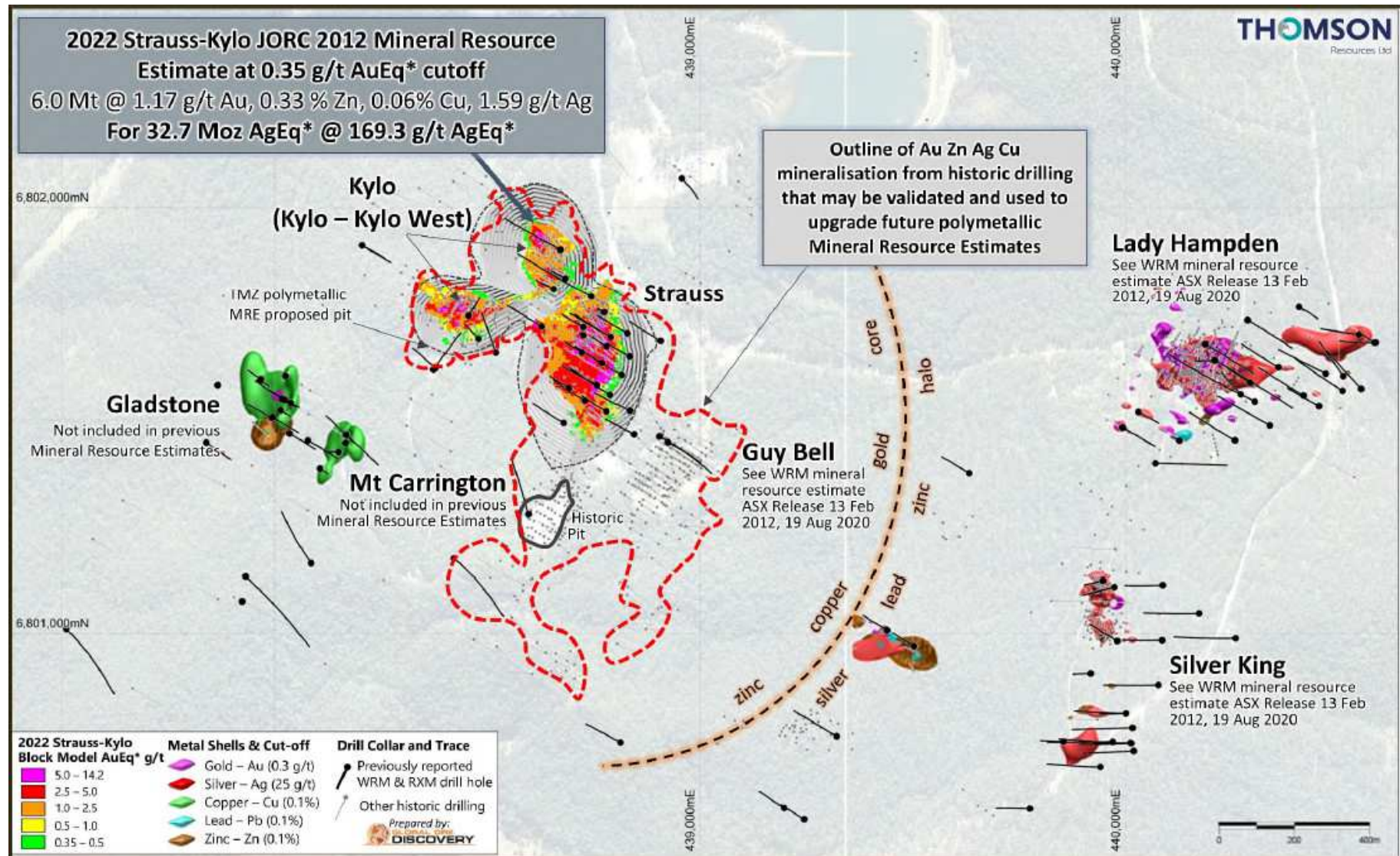
The Mt Carrington deposits are hosted by the Drake Volcanics; a NW-trending 60 km x 10 km Permian bimodal volcano-sedimentary sequence within the Wandsworth Volcanic Group near the northeastern margins of the southern New England Fold Belt.

The Drake Volcanics overlie or is structurally bounded by the Carboniferous to Early Permian sedimentary Emu Creek Formation to the east and bounded by the Demon Fault and Early Triassic Stanthorpe Monzogranite pluton to the west.

The Razorback Creek Mudstone underlies the Drake Volcanics to the east, and Gilgurry Mudstone conformably overlies the Drake Volcanic sequence. In addition, Permian and Triassic granitoid plutons and associated igneous bodies intrude the area, several associated with small scale intrusion-related mineralisation.

The Drake Volcanic sequence and associated intrusive rocks are host and interpreted source to the volcanogenic epithermal Au-Ag-Cu-Pb-Zn mineralisation developed at Mt Carrington. The majority of the Drake Volcanics and associated mineralisation are centred within a large-scale circular caldera with a low magnetic signature and 20 km diameter.

The Strauss and Kylo deposits are low sulphidation epithermal vein type mineralisation that manifests as a zone of stockwork fissure veins and vein breccia associated with extensive phyllic to silicic alteration. Veining is localised along the margins of an andesite dome/plug and lava flow within a sequence of andesitic volcanoclastics (tuffaceous sandstone and lapilli tuff). Economically, mineralisation is Au-dominant with minor Ag and significant levels of Zn, Cu & Pb.



Past Exploration

In 2008 Rex Minerals Ltd (ASX:RXM) announced a JORC 2004 gold–silver MREs for Strauss, Kylo, Guy Bell, Lady Hampden, Silver King, and White Rock deposits based on historic data and a series of validation diamond drill holes completed by RXM.

Then in 2012 and 2013 WRM (which was spun out of RXM) announced upgraded JORC 2004 gold–silver MRE’s for Strauss, Kylo, Lady Hampden, Silver King and White Rock deposits, plus maiden MRE’s for White Rock North and Red Rock deposits, all based on historic data and a series of diamond drill holes completed by WRM. In 2017 and 2020 WRM announced updated Kylo and Strauss gold focused MREs under the 2012 JORC Code.

During this overall phase of exploration, there was a 140% increase to the gold resources and 400% increase to the silver resources compared to previous estimates. The 2012 JORC Code gold-silver MRE update culminated in a Prefeasibility Study (PFS) and an updated PFS focused on developing a modest size Carbon-in-Leach (CIL) gold-only operation for the Kylo and Strauss deposits, with a plan to later evaluate the potential development of the Mt Carrington silver resources.

The New Resource

In late June of 2022, the company restated the Mineral Resource Estimates of the Strauss and Kylo deposits that are part of the Mt Carrington project. This move was designed to include Zinc and Copper, along with gold and silver, as an initial step in restating polymetallic MRE’s for all deposits in the Mt Carrington Project, for their inclusion in the NEFBHS strategy.

It should be noted that this MRE was constrained to only within the pit shells designed for the PFS and did not take into account mineralisation outside those shells. Therefore it is a conservative estimate of the Strauss and Kylo polymetallic resources.

The restated polymetallic MRE’s for the Strauss and Kylo deposits reported in accordance with JORC 2012, at a 0.35 g/t AuEq cut-off, contain an Indicated and Inferred Resource of 6.00mn tonnes at 1.17g/t Au, 1.59 g/t Ag, 0.33% Zn, 0.06% Cu, for a contained 225,000 oz Au, 306,000 oz Ag, 19,800 tonnes Zn and 3,500 tonnes Cu.

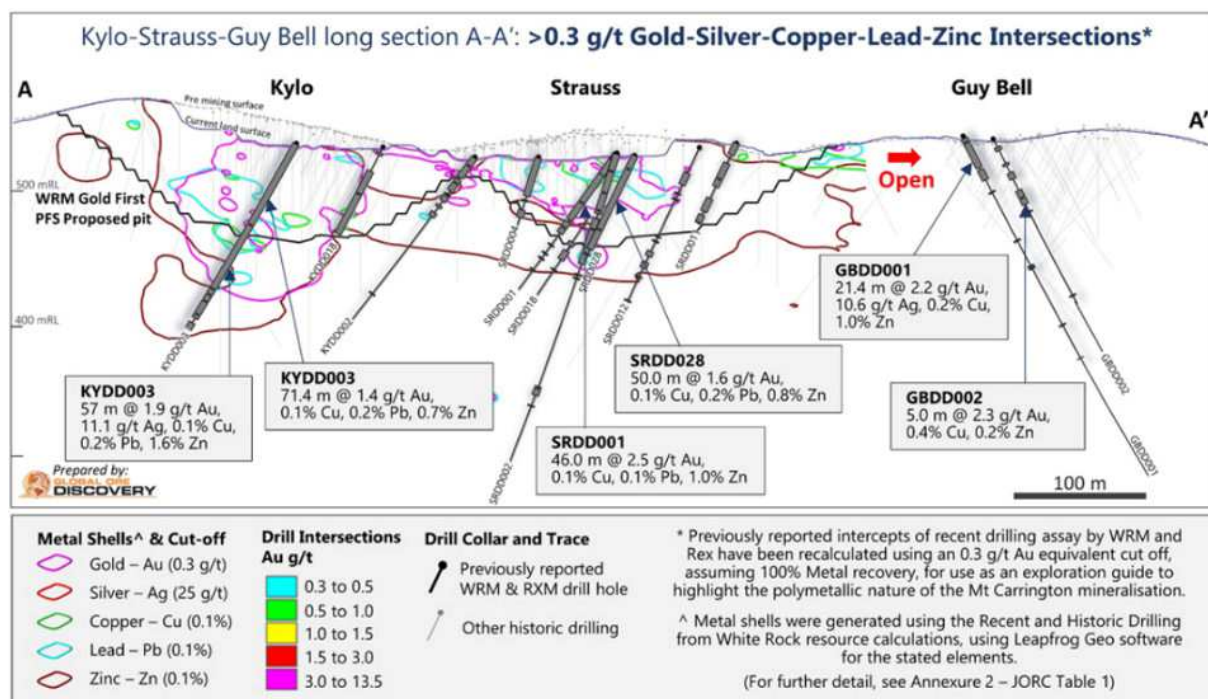
Deposit	Resource Classification	Grade						Metal				
		Tonnes (Mt)	Au (g/t)	Ag (g/t)	Zn (%)	Cu (%)	AuEq g/t	Au koz	Ag (koz)	Zn (kt)	Cu (kt)	AuEq (koz)
Strauss	Indicated	2.20	1.48	1.74	0.49	0.08	1.83	105.0	123.0	10.7	1.70	129.0
	Inferred	1.36	0.69	1.81	0.33	0.06	0.93	30.0	79.0	4.4	0.90	41.0
Kylo	Indicated	2.14	1.25	1.35	0.19	0.04	1.40	86.0	93.0	4.1	0.80	96.0
	Inferred	0.30	0.41	1.17	0.18	0.05	0.55	4.0	11.0	0.5	0.10	0.5
Total		6.00	1.17	1.59	0.33	0.06	1.41	225.0	306.0	19.8	3.5	271.0

The restated Strauss-Kylo polymetallic MREs include:

Indicated Resource of 4.3mn tonnes at 1.37 g/t Au, 1.55 g/t Ag, 0.34% Zn, 0.06% Cu, containing 191,000 oz Au, 216,000 oz Ag, 14,900 tonne Zn, 2,500 tonne Cu, at a 0.35 g/t AuEq cut off

Inferred Resource of 1.7 Mt at 0.64 g/t Au, 1.69 g/t Ag, 0.30% Zn, 0.06% Cu, containing 34 Koz Au, 91 Koz Ag, 5 Kt Zn, 1 Kt Cu, at a 0.35 g/t AuEq* cut off

In comparison to the previous MRE prepared for White Rock Minerals (ASX: WRM) for the Strauss and Kylo deposits, the Thomson polymetallic MRE's report a 21% increase in tonnes, 2% increase in gold ounces, 17% increase in silver ounces and 100% increase in the zinc and copper tonnes stated. On an AgEq (and probably a AuEq) the aggregate resources increased by approximately 50%.



Widening the Target Metals Focus

The company's management regards the latest MRE as quite a conservative estimation, as the pit shells were constrained to those created for the gold PFS. These had been designed simply for the open-pitting extraction of Au, from the pre-stripped Strauss and Kylo pits, and added in the Zn and Cu from previous drilling located in that pit shell. Therefore, the work of the consultants did not go deeper than or outside the previous pit shell models, even though there were quite strong occurrences of Zn and Cu (not to mention Au).

This strategy was directed towards keeping it simple and to demonstrate that the existing Au and Ag resources published by White Rock Minerals (WRM) will be significantly increased if one also included the accompanying Zn and Cu. Clearly if one takes a bigger picture view, and redoes the MREs from scratch and making allowance for all elements, the pit shells will change and the MREs will increase further.

It also needs to be remembered that the Strauss and Kylo deposits are Au-dominant, and have minimal silver, therefore one could be misled by the low Ag grades – there are a series of Ag dominant deposits which obviously have higher grade Ag and hence significantly more Ag ozs.

One could postulate that, on a 100% basis, even without the Zn and Cu added into the other MREs, the company's target of 100mn ozs AgEq might be well-exceeded.

In the company's release associated with these renewed MREs there is a discussion of the metallurgy of the Strauss and Kylo deposits. The management views this as very compatible with the NEFBHS.

Earn-In Agreement at Mt Carrington

The company has agreed a two-stage exploration earn-in and option to joint venture with White Rock, whereby Thomson can earn-in up to 70% of the Mt Carrington project. This moves away from the narrow gold-first development project focus of original agreement.

Thomson can now focus earn-in activities on advancement of what it is terming the Mt Carrington Polymetallic Project, through exploration and development activities. The focus will initially be on integrating the known gold-silver-zinc-copper mineralisation at Mt Carrington into the Hub and Spoke Strategy towards achieving its targeting of an aggregate of +100mn oz AgEq resource to catalyse potential development of a central processing facility.

Mt Carrington Agreement

An important point to note is that whilst the Earn-in Agreement terms sees Thomson earning a maximum of a 70% interest in Mount Carrington, the 100mn ozs AgEq target referred to is around what will be available to the NEFBHS central processing facility. Therefore, it is in this context, that the company refers to 100% of the Mt Carrington resources as that is what would be available to the central processing facility. White Rock, in their public comments have even signaled that they perceive the importance of Mt Carrington being included in the "bigger picture".

The addition of the project to the NEFBHS is vital for achieving critical mass and mine life longevity to make the NEFBHS commercially sustainable. Obviously from the perspective of valuing Thomson on a Resource-ounce basis, it is the 70% interest to be earned that is relevant.

It is not clear that the market has understood the significance of the variation of the Mt Carrington earn-in terms. The original deal was very narrowly focused of the development of a small Au mining project at Strauss and Kylo. No incentive was given to undertake exploration or a different pathway. Thomson was

required to complete a DFS and submit an EIS as well as care and maintenance of the site to earn a 30% interest. It then had to obtain all approvals and complete an FID along with all care and maintenance to move to 51% and finally pay WRM AUD\$12.5mn to move to 70%. If the DFS had been achievable, and Thomson has severe doubts about that, it would likely have cost Thomson somewhere between AUD\$25mn and AUD\$30mn to get to 70%.

Under the revised agreement, Thomson merely needs to complete exploration expenditure and care and maintenance collectively totaling AUD\$7mn (with Thomson determining what exploration it does) to move to a 70% interest. Under the original agreement, Mt Carrington would have continued down the narrow pathway of the small Au mine (assuming it stacked up) and not part of the NEFBHS, to one now which is firmly part of that strategy and which will significantly enhance that. It is not clear that TMZ investors yet understand the significance of that change, although it would seem WRM shareholder do and hence increased the WRM share price by over 10% on the announcement of the change (TMZ share price barely moved then).

The Production Scenario for the NEFBHS

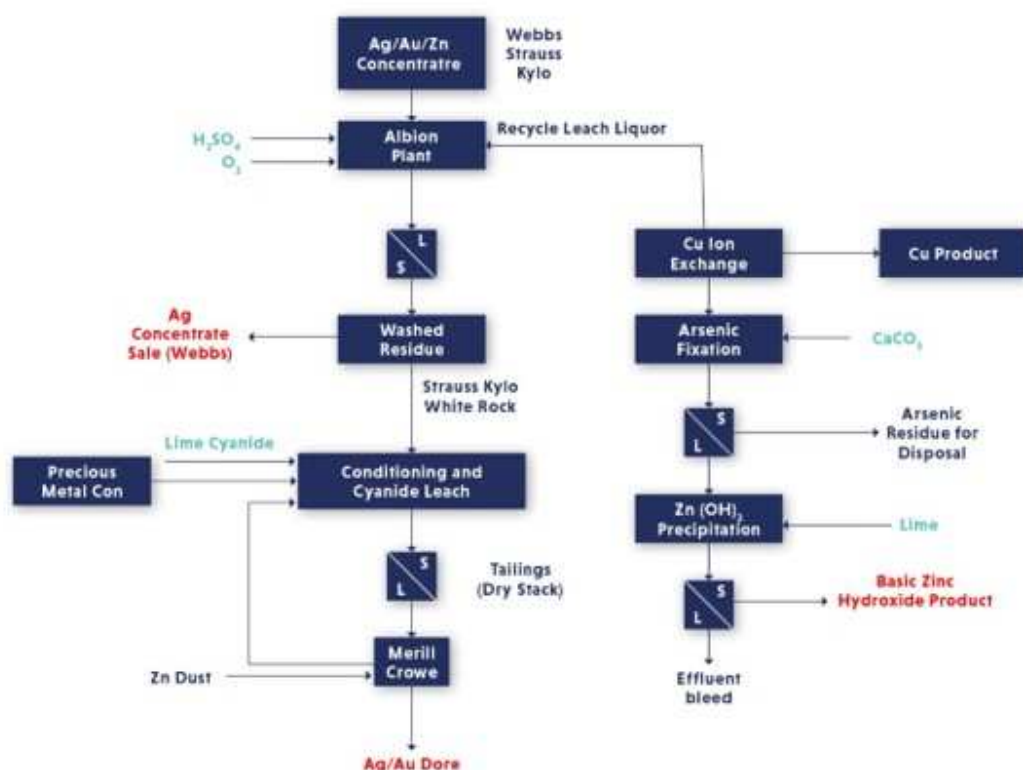
A number of different flowsheet and central processing options were considered for the various projects comprising the NEFBHS.

A central processing option was settled on with satellite sites at the Mt Carrington project and the Webbs Silver project that feed into a Central Processing Facility at a new site near Tenterfield, NSW. The selection of a site near Tenterfield was primarily based on its proximity to the Mt Carrington project, which will have the largest resources available to a central processing facility.

The Mt Carrington site and Webbs Silver sites would both have a crushing/grinding and flotation circuit to produce rougher concentrates to be sent to the Tenterfield site for further processing. It may also be viable to transport Silver Spur ore to the Webbs concentrator for processing. Conrad ore is envisioned to be processed at the mine site using the relocated Webbs concentrator.

The central processing facility, near Tenterfield, includes an Albion Process™ plant as well as an intensive cyanidation circuit and Merrill Crowe plant for the production of gold/silver doré. The Albion Process™ plant allows for the production of higher-value products from the Webbs Silver resource and also provides a method to generate value for the zinc contained within the Mt Carrington resources if high-grade zinc concentrates cannot be produced. It may also be used for the processing of Conrad ore.

A block flow diagram for the proposed hydrometallurgical plant:

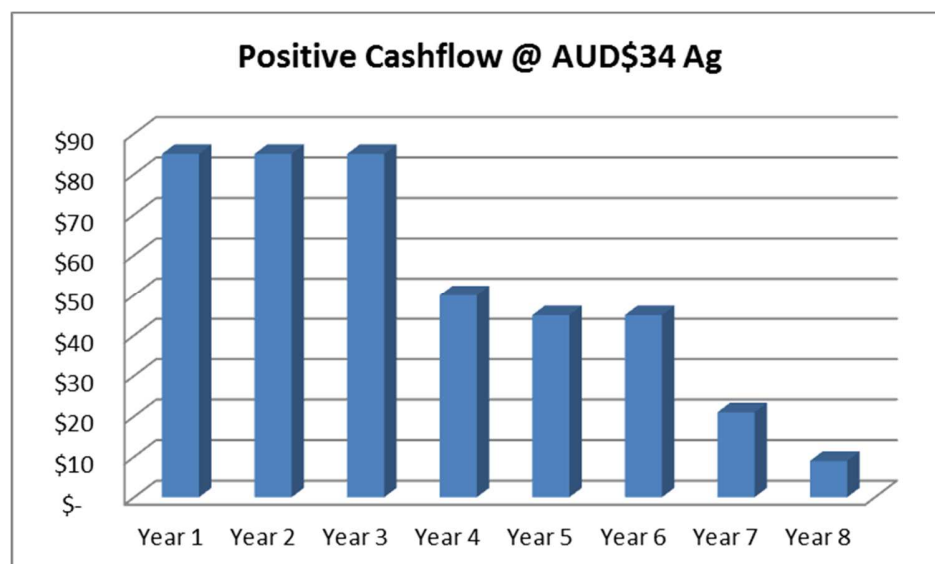


An indicative production schedule was prepared based on a 1mn tpa Mt Carrington treatment rate and 750,000 tpa Webbs treatment rate (followed by 750,000 tpa Conrad treatment rate). The nominal project life was close to 8 years (but that is only using Webbs, Conrad, Strauss and Kylo and none of the other deposits).

Total Production Profile									
	Unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Concentrate/Leach Precipitates									
Zinc	tpa	10,262	10,262	10,262	1,681	1,321	1,321		
Copper	tpa	1,160	1,160	1,160	114	141	141		
Gold	opa	7,123	7,123	7,123	3,989	6,983	6,983		
Silver	opa	2,956,884	2,956,884	2,956,884	1,815,840	1,817,215	1,817,215	1,810,359	597,418
Dore Product									
Gold	opa	23,396	23,396	23,396	13,102	22,771	22,771		
Silver	opa	26,206	26,206	26,206	14,675	19,696	19,696		

Net revenue figures (using current metal prices) considering the cost of transport as well as metal payables were calculated for assumed products. An annual cash flow considering typical mining and plant operating costs was then considered to provide an indication of funds available to pay back capital and generate project profits. This analysis showed positive cash flows.

Below can be seen the positive cashflows generated by the latest study if one applies at AUD\$34 Silver price:



However further engineering and testwork is required to be completed before proceeding to a formal concept study.

Next Steps

At current metal prices, the study has shown the operating margins will be tight and capital costs will need to be minimised in order to make the project commercially viable. As demonstrated, clearly that position changes as metal prices increase. We would not expect a FID until the Silver price is sustained above \$20 for a substantial amount of time. However, the latest study's authors still estimated significant positive cashflow even with using the low silver price scenario, and generating significantly more than the likely capex.

Given where metal prices are at the moment Core has recommended further work in both the engineering and testwork fields.

Additional testwork is recommended as a priority over further engineering as this will provide necessary data on which to base further engineering. The testwork needs to validate some flowsheet concepts and grade and recovery information but the work also needs to demonstrate how operating costs can be minimised. Examples of this relate to mill grind size and reagent consumption.

Due to the number of resources planned to be developed, with each displaying different processing characteristics, a significant amount of testwork may ultimately be required. At this point it is important to prioritise testwork towards the more prospective deposits that will likely be processed in the earlier years. However further sighter testwork is certainly required on deposits such as White Rock, Conrad

and Lady Hampden to provide improved inputs to engineering study work.

A more formal concept study is recommended for the project that covers geology, mining, environment, processing, tailings management, infrastructure and licensing and approvals.

All these areas have significant inputs into the ultimate arrangement of the central processing facility.

Limited engineering work is recommended until further testwork has at least been completed on the Mt Carrington resources and possibly the Webbs Silver resource.

On Silver

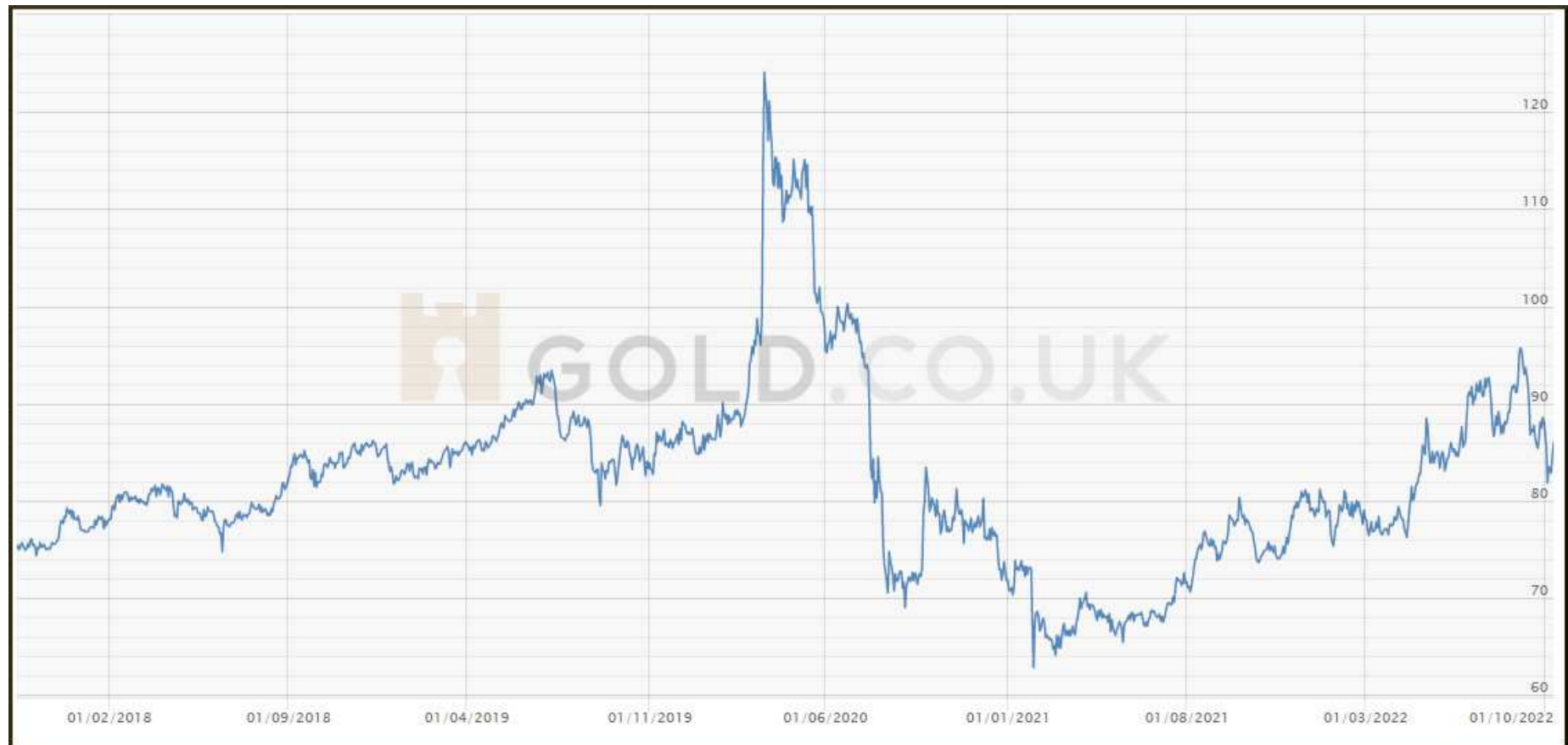
Precious metals roared back into focus in 2020 after coming back in from the cold over the last two years. It seemed to be that neither of the two usual pillars of a gold turnaround, inflation or political insecurity, powered the surge. No-one is complaining though that the rally lacks much underpinning.

Over recent decades the travails of silver have been nothing short of torture and its acolytes have suffered the death of a thousand cuts as very brief rallies inspire hope (such as the move to \$50 early last decade) before it is again dashed on the rocks. That gold was lacklustre for so long was bad enough but that tarnished (pardon the pun) silver even more.

Silver was long distinguished from gold in having both a precious metals quality and strong industrial usage underpinning demand. The latter was significantly compromised by the demise of silver-backed photographic materials but now this has seen new usages arise the most prominent of which is applications in photo voltaic cells (PV) - largely in solar paneling.

A key indicator of silver's robustness is the ratio of silver to gold which slumped to ridiculous levels at the onset of the pandemic. The ratio soared over 100:1 when the patently obvious value of silver returned to the fore and the metal turned around in a rather rapid rally.

Few know that for a long, long time (indeed centuries) a ratio of 15 to one between the silver price and the gold price was regarded as fit and proper. It is seldom that the ratio got as out of whack as it did in early 2020, soaring to 128 to one.



Source: Gold.co.uk

We should also note the symbiotic relationship between Silver and the Zinc/Lead complex. While SBMI is mainly a silver mine (with gold and copper credits) much of silver's production is driven by the price and demand dynamics of the base metal duo with which it often occurs. Strong Zinc prices (as at the current time) drive higher production (where possible) irrespective of where Silver demand might be. Indeed, low Zinc prices for a long while (frankly most of last decade) caused Zinc producers to sustain production to continue to stay (marginally in profit) and this had the effect of dumping more silver on the market than was otherwise called for.

The polymetallic ore deposits, from which silver was recovered, account for more than two-thirds of U.S. and world resources of silver.

Mine Production Estimates of the USGS		
	2019	2020e
United States	977	1,000
Argentina	1,080	1,000
Australia	1,330	1,300
Bolivia	1,160	1,100
Chile	1,350	1,300
China	3,440	3,200
Mexico	5,920	5,600
Peru	3,860	3,400
Poland	1,470	1,300
Russia	2,000	1,800
Other countries	3,920	3,500
World total (rounded)	<u>26,500</u>	<u>25,000</u>

Most recent silver discoveries have been associated with gold occurrences. However, in the opinion of the USGS, copper and lead-zinc occurrences that contain by-product silver will continue to account for a significant share of reserves and resources in the future.

The USGS records that, in 2020, mines in the US produced approximately 1,000 tons of silver with an estimated value of \$670 million. Silver was produced at four silver mines and as a byproduct or coproduct from 33 domestic base- and precious-metal operations.

The Silver Institute published the following breakdown of where production was sourced from in its 2022 roundup of the silver industry.

Million ounces	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022F	2021	2022F
Supply												
Mine Production	845.3	882.1	896.9	900.0	863.7	850.2	835.9	781.1	822.6	843.2	5%	2%
Recycling	180.3	161.3	147.3	145.9	147.2	148.6	147.7	162.2	173.0	180.5	7%	4%
Net Hedging Supply	-	10.7	2.2	-	-	-	15.2	8.5	-	5.0	na	na
Net Official Sector Sales	1.7	1.2	1.1	1.1	1.0	1.2	1.0	1.2	1.5	1.5	28%	1%
Total Supply	1,027.3	1,055.3	1,047.4	1,046.9	1,011.9	1,000.0	999.8	953.0	997.2	1,030.3	5%	3%

As can be noted, silver production from mines has essentially gone nowhere since 2013 and while recycling has gone up and down, it has also come back to where it was ten years ago.

Demand

According to the Silver Institute, all categories of silver demand strengthened in 2021, taking the annual total to 1.05bn ozs, a strong 19% gain over 2020. Industrial fabrication rose by 9% to 508.2mn ozs despite global logistical challenges.

This increase reflected the effects of a resumption of industrial operations and the re-opening of businesses as economies began to recover from COVID. However, the lingering COVID lockdowns in China have damaged that economy and hampered full recovery in silver demand.

Silver jewelry fabrication jumped by 21% in 2021 to 181.4mn ozs. On top of soaring consumption, fabricators also benefited from rebuilding stocks, which had fallen in 2020.

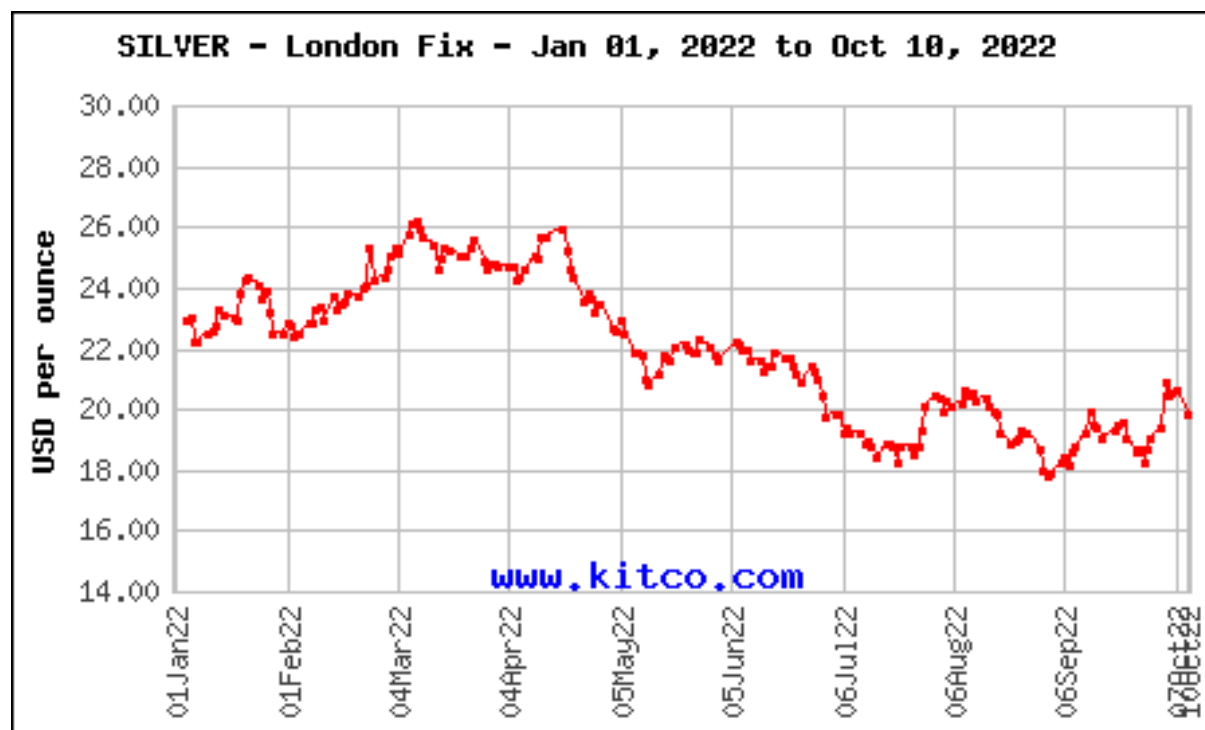
The Institute noted that other supportive factors for Silver consumption's rebound included the demands of the home working economy, strong consumer electronics demand, 5G infrastructure investment, inventory build along the supply pipeline, and rising silver consumption in the green economy, chiefly in photovoltaics. There was also little pressure from substitution and thrifting, primarily as silver prices were viewed favorably.

Outlook

The year 2020 saw a dramatic improvement in the gold/silver ratio (in silver's favour) but the second half of 2021 did us silver bulls no favours. As the poor man's gold, we wonder can it benefit as much in an inflationary age as the poor man is getting poorer on static wages and inflationary cost of living moves. Then again inflation which the masses were dead, has come roaring back to life and the erosion of fiat currencies has become evident to even the least economically-savvy.

Silver rallied early in 2022 as precious metals regained their mojo and then moved up again without the

outbreak of war in the Ukraine, reaching as high as \$26.



Interest rate rises have undoubtedly hit the whole metals' complex but to us they signal the recognition of inflation while simultaneously offering a merely feeble solution. Interest rates at half (or a quarter) of the rate of inflation do not cure inflation. Gold and silver may very well redeem themselves as a safe haven from inflation, a role that they have not played for many decades.

Our estimate for end of 2022 has been lowered US\$20.50 whereas previously we had posited a better year in 2022 for silver than for gold, merely because silver underperformed so badly in 2021.

The Tin Assets

Meanwhile, the company has revived exploration on its Bygoo Tin project in the Lachlan Fold Belt in central NSW, as well (and its sub-projects, Gibsonvale and Buddigower) in the Lachlan Fold Belt/Wagga Tin Belt in central NSW, with other Tin targets as well at Wilgaroon (near Cobar) and the Mt Paynter (near the Victorian border) projects.

In a *Special Situations Note* published in July of 2022, we looked at the various Tin assets, the recent exploration results and the potential for the Tin assets to be monetized in what is a more favorable market for that metal than has existed for many decades.

Over much of the last decade Thomson Resource persevered with Tin, even though the general price situation for the metal was not auspicious and financing for any type of exploration was tough going,

particularly in the period 2012-2019. The pandemic, the linked shipping crisis and the coup in Burma all transpired to highlight the fragile (and dare we say, contentious) sourcing of this prime technology metal, and propel its price to eye-popping levels above US\$50,000 per tonne. Gravity and the incipient global recession have transpired (with some Chinese machinations, in our humble opinion) to bring the Tin price back to earth. We do not expect it to stay below \$25,000 per tonne beyond this year.

Our purpose here is to highlight the Tin potential. This was looking hotter six months ago but has now retreated, but not to the dire levels that prevailed for so long. Any spin-out of these to shareholders would provide a short-term (unexpected) payday. It would also set free the assets to be funded in their own way without drawing upon funds from the existing parent.

Financing

At the very end of July the company announced that it had entered into an AUD\$2.25mn share placement agreement with Lind Global Fund II, LP. Under the agreement, Thomson is to receive a net amount of AUD\$2,182,500 (after deduction of commitment fees payable to Lind of \$67,500).

The Lind Partners, which is NY-based, manages institutional funds that provide growth capital to small- and mid-cap companies publicly traded in the US, Canada, Australia and the UK. Lind's funds invest in syndicated equity offerings and selectively buy on market and have completed more than 100 direct investments totaling over US\$1bn in transaction value since 2011.

The key terms of the Share Placement Agreement are as follows:

- Eighty million fully paid ordinary shares are to be issued to Lind, at a price of AUD\$0.0198. Lind cannot sell any of these Initial Shares during the period of 60 days after issuance and thereafter subject to similar restrictions described below for Subscriptions for Shares. If at the expiration of the Term there are still Initial Shares that have not been applied towards subscription or repayment, then those shares will be transferred at the direction of the Company or Lind will pay for those shares based on a formula set out in the Funding Agreement
- Advance Payment Value: AUD\$2.7mn
- Term: 24 months from the Execution Date
- Options: 51,136,363 options with an exercise price of AUD\$0.036 and an expiration date of 48 months after issue will be issued to Lind upon the Company obtaining shareholder approval to the issuing of the options at the next General Meeting to be held before 31 December 2022
- Subscription Price: the lesser of: (i) AUD\$0.041 (Price A); and (ii) 90% of the average of the five lowest daily VWAPs during the 20 trading days prior to the Subscription (Price B) subject to a floor price of AUD\$0.018 (Floor Price). Where Price B is less than the Floor Price, the Company shall repay the differential to Lind

- **Subscription for Shares:** Lind can only issue a Subscription Notice where the Subscription Price is less than Price A for an aggregate Subscription Amount during the relevant month of A\$180,000. In any event, during the Term, Lind can only issue a Subscription Notice for an aggregate Subscription Amount during the relevant month of AUD\$500,000 unless with the prior approval of the Company. In addition, Lind cannot issue a Subscription Notice which would mean it would hold 20% or more of the shares on issue
- **Redemption:** the company can elect, on receipt of a Subscription Notice to repay the Subscription Amount rather than issue the relevant shares. It can also, at any time during the term, elect to repay in full the then Unused Advance Payment Value, although it must first give Lind the ability to subscribe, in accordance with the Agreement one-third of that amount

The aggregate of new Subscription Shares agreed to be issued pursuant to this Agreement (not including Subscription Shares set off against the Unused Initial Share Number) is limited to 70,000,000 Shares. This limitation does not apply to any Subscription Shares issued by the company under a valid Shareholder Approval.

Strategems

While it is clear that the company's main focus in the New England portfolio of precious and base metal projects, the company also has a significant vertical in Tin through its accumulation of past producing areas in the state of New South Wales. As noted earlier, Tin has recovered massively (before a significant price pullback) but the effect is to have reset perceptions in the markets towards companies advancing Tin projects. The ranks of such companies have been significantly thinned in the long price drought over the past decade but now a number of new explorer/developers have appeared.

This opens up a possibility for Thomson to spin-out its Tin interests as a standalone Tin play with a listing and Thomson shareholders receiving a distribution in specie associated with a raise at the time of the spin-out.

Thomson itself could keep some of the shares and use those possibly at some future date to finance itself by dribbling them out to the market or placing them.

No matter how the operations is effected it essentially would be a monetization of Tin assets for which the company is receiving no credit at the moment via its share price while independently funding their development away from the funds that Thomson is already to the NEHS. And, depending on how it is effected it might represent a bonus to Thomson shareholders.

Comparisons

On the following page can be seen a comparative table between Thomson and its ASX peers with Silver production aspirations.

Company	Close Price 13 Oct 2022 AUD\$	Market Cap AUD\$mn	Reserves Ag Oz	Resource Ag Oz	Status
Silver Mines (SVL)	0.18	232.5	66 Moz Ag @ 69 g/t (97 Moz AgEq @ 101 g/t)	Open cut: 163 Moz @ 40 g/t (275 Moz AgEq @ 67 g/t) Underground: 42.9 Moz AgEq @ 209 g/t	Approval to commence phase
Investigator Resources (IVR)	0.047	62.6	nil	53 Moz Ag @ 88 g/t + 97.6 kt Pb @ 0.52% (Indicated and Inferred)	PFS completed 30 Nov 2021 (based on Ag price USD24.70/OZ)
Thomson Resources (TMZ)	0.019	15.3	Au only	87.1 Moz AgEq @ 119 g/t (inc 35.4 Moz Ag @ 48 g/t) (100% Strauss & Kylo included)	Central Process Study Stage 1 completed Texas operating ML MTC Earn-in
Manuka Resources (MKR)	0.135	38.6	nil	52.3Moz AgEq @ 42 g/t (incl 50.94 Moz Ag @ 41.3 g/t)	Operating gold mine – small Au resource left, moving process to Ag with small capex
Argent Resources (ARD)	0.018	15.9	nil	100Moz AgEq @ 120 g/t or 520 kt ZnEq @ 2%	Kempfield - Predominantly Zn, only 33Moz Ag @ 40 g/t Resource drilling
Boab Minerals (BML)	0.195	29.9	494 kt Pb @ 3.6% 17.6 Moz Ag @ 40 g/t	47.3Mt @4.1% PbEq (3.1% Pb, 0.4% Zn. 35 g/t Ag) 1.92 Mt Pb Eq @ 4.1% Inc 53Moz Ag @ 35 g/t	75:25 JV with Chinese entity Sorby Hills PFS completed Aug 2020. DFS well advanced. Predominantly Pb

Team & Board

David Williams, Executive Chairman, has held the position of managing director of a number of ASX listed and unlisted companies in various sectors and brings over 20 years of experience in the energy and resource industry. He has been the managing director of Marmota, a gold, copper and uranium explorer in SA, the former chairman of Lithex Resources, a graphite and nickel explorer, and former president of Heathgate Resources, the owner and operator of the Beverley uranium mine in South Australia. His experience has been across the gamut of minerals companies in exploration, production, developing new mines and reviewing commerciality of existing operations. His energy sector experience has ranged from operation and expansion of gas transport infrastructure, buying and selling gas, exploration and production of oil and gas. He has developed and implemented major strategic directional changes including capital raising, acquisitions and mergers, cost and labour reductions. Until March 2020, he was the Chief Executive Officer of K-TIG (ASX: KTG) and is currently the Executive Chairman of Patron Resources, a minerals explorer primarily focused on gold in South Australia.

Eoin Rothery, Technical Director, was educated at Trinity College, Dublin, Ireland and spent 10 years in the resources industry there exploring for copper, zinc, uranium, gold and silver, before emigrating to Australia in 1989. Near-mine exploration followed at the major base metal deposits of Broken Hill and Macarthur River. Moving to WA in 1997, he supervised the drill out and resource estimation of the first million-ounce underground gold resource at Jundee Gold Mine. At Consolidated Minerals, from 2001, he was in charge of the successful manganese exploration at Woodie that discovered 15 million tons of ore, increasing both the mine life and resource base fourfold, as well as managing successful iron ore, chromite and nickel exploration. He was Managing Director of India Resources Limited (ASX:IRL) for three years from start up in October 2006. IRL's Surda copper mine broke a 50-year production record in its first full year of production. He has led Thomson Resources since 2009, through the initial IPO and the Bygoo tin discovery to the current gold exploration.

Richard Willson, Non-Executive Director and Company Secretary, has 20 years' experience as an executive, mainly in the mining and agricultural sectors, for both publicly-listed and private companies. He holds a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. He is a Non-Executive Director of Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), and the not-for-profit Unity Housing Company; and Company Secretary of a number of ASX Listed Companies. He is the Chairman of the Audit Committee of Titomic Limited, AusTin Mining Limited, and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.

Risk Factors

Amongst the risks related to the Thomson's projects are:

- Silver price risk
- Tin price risk
- Financing is a challenge that comes and goes in the mining space and its sub-sectors

The company's main vulnerability is the silver price and sentiment towards it. At least as long as the war in the Ukraine continues we do not see much danger of the price of gold or silver retracing lower. Indeed, the longer it drags on the greater the chance of escalation in the conflict and thus the safe haven aspects of the precious metals will be reinforced. Beyond that we have the long-term underinvestment in new mines/capacity which has left silver with a scant pipeline of new sources of supply.

The Tin price comes and the Tin price goes. After a brilliant 18-month run it has fallen into a trap and dropped precipitately in what we regard as a Chinese manoeuvre to lower the price. The price at current levels is very attractive for production. For Thomson to monetise and capitalize upon its Tin position it has to show to the market a plan to turn its Tin assets into revenue earners or at least be on the path to doing so.

Financing conditions rise and fall with sentiment towards silver, Tin and the other metals to which has exposure. Added to this are other dynamics, like the Russian invasion of the Ukraine and the rising interest rate environment in Western economies. The last two years have been a quantum better on the financing front for junior explorers.

Conclusion

New silver projects of substance are in short supply, particularly in the Australian market. Thomson's accumulation strategy in northern New South Wales has been directed towards gaining critical mass by accumulating silver production assets in a cogent manner that targets a central processing site with lower capex than a *de novo* set-up.

The precious metals, Gold & Silver, initially responded positively to the outbreak of war (as they traditionally do) but were not able to sustain that momentum. But neither have they retreated to the extent that industrial metals have done in recent weeks. After the long doldrums of the middle of last decade a quantum move upward was achieved in 2019-20 which seems to have reset the base for both metals and added substantially to the economics of projects that would have struggled with Gold at \$1300 and Silver at \$13. The experience of the last decade though has made evident to producers that costs must be controlled to ensure a sufficient margin to survive periods of low prices.

Then there is the Tin potential. This was looking hotter three months ago but has now retreated, but not to the dire levels that prevailed for so long. Any spin-out of these to shareholders would provide a short-term (unexpected) payday. It would also set free the assets to be funded in their own way without drawing upon funds from the existing parent.

In light of all this, we have initiated Thomson Resources with a **LONG** rating and with a twelve-month target price of AUD\$0.08.



Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers.

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