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## FLAGSHIP MINERALS (ASX:FLG)

Research Note - 24 July 2025

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### COMPANY OVERVIEW

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Flagship Minerals Limited (ASX:FLG) is a Singapore-registered, Australian-headquartered exploration and development company, incorporated in 2017 and listed on the ASX in October 2020. Previously known as Pan Asia Metals Limited, the company changed its name to Flagship Minerals in January 2025. Headquartered in Sydney, FLG is primarily focused on the exploration and development of gold and copper projects in Chile and a lithium project in Thailand. Its flagship asset, the Pantanillo Gold Project, is located in the Maricunga Gold Belt in northern Chile and hosts a Qualifying Foreign Estimate (QFE) of 47.4 Mt at 0.69 g/t Au for approximately 1.05 million ounces of gold.

### PROJECTS

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#### Overview

FLG's portfolio comprises three projects. The flagship Pantanillo Gold Project is located in the Maricunga Gold Belt in northern Chile and is prospective for gold, with a QFE of approximately 1.05 Moz Au. The Rosario Copper Project, a copper and silver exploration venture, is located in the Chanaral Province in northern Chile. The RK Lithium Project, a hard-rock lithium project, is situated in southern Thailand. Over the past 18 months, FLG has pivoted its strategic focus from lithium towards gold and copper mining, driven by rising gold prices and the acquisition of the Pantanillo Gold Project.

#### Pantanillo Gold Project

**Project Overview.** Flagship holds an option to acquire 100% of the Pantanillo Gold Project, located at the centre of the Maricunga Gold Belt (MGB) in northern Chile. The MGB is approximately 200 km long and hosts in excess of 65 Moz Au. The project occurs at an estimated elevation of 4,000–4,600 metres above sea level. The Pantanillo deposit is over 850 metres long and between 200–600 metres wide. The project hosts several multimillion-ounce gold deposits and is amenable to heap leach processing.

The option to purchase the project requires a total fee payable of US\$12,600,000 (including US\$200,000 in MOU and option fees already paid). A non-refundable payment of US\$100,000 has been made to the vendor. The agreement is purposely back-ended, allowing Flagship time to assess the quantity and quality of the resource. Under the option agreement, Flagship is not obligated to meet minimum annual expenditure requirements or minimum activity requirements such as minimum drilling. Flagship must exercise the option before the 5th anniversary of the option agreement (10 April 2030).

**QFE (Qualifying Foreign Estimate).** The Pantanillo Gold Project hosts a Qualifying Foreign Estimate (NI 43-101) of 47.4 Mt at 0.69 g/t Au for approximately 1,050,600 ounces of gold. The QFE is amenable to heap leach processing. A breakdown of the QFE by mineralisation type and resource classification is presented below. Applying our standard discount factors, we estimate Pantanillo's adjusted ounces at 954,000 ounces of gold.

Type	Measured (Mt)	Au (g/t)	Indicated (Mt)	Au (g/t)	Inferred (Mt)	Au (g/t)	Total (Mt)	Au (g/t)	Au (koz)
Oxide	19.81	0.72	1.75	0.55	0.10	0.39	21.66	0.70	487.5
Mixed	16.01	0.70	8.34	0.65	0.20	0.62	24.55	0.68	536.7
Sulphide	0.75	0.72	0.44	0.68	0	0	1.19	0.69	26.4
<b>Total</b>	<b>36.57</b>	<b>0.71</b>	<b>10.53</b>	<b>0.64</b>	<b>0.30</b>	<b>0.53</b>	<b>47.40</b>	<b>0.69</b>	<b>1,050.6</b>

**Exploration Activities.** On 29 April 2025, FLG announced a positive metallurgical review and update for the Pantanillo Gold Project, confirming that the oxide mineralisation is amenable to heap leach processing. On 6 May 2025, the company announced that the Pantanillo Oxide Project has gold scale and potential identified, reinforcing the large-scale nature of the deposit. No drilling has been conducted at Pantanillo by Flagship to date; the existing QFE is based on historical drilling data.

**Planned Exploration Activities.** FLG's strategy is to define mineral resources which justify consideration for project development through open pit mining and heap leach processing, aiming to produce 100,000 oz of gold per year over a 10-year life of mine. To validate and re-assess the QFE drilling results, a twinning program would require 1,000–2,500 metres of diamond drilling. The drilling season commences in October 2025 and Flagship has indicated its intention to commence drilling at this time.

### Rosario Copper Project

**Project Overview.** The Rosario Copper Project is a 100% owned copper and silver exploration venture located in the Chanaral Province in northern Chile, approximately 10 km from the El Salvador mining town, with paved highways and well-maintained dirt roads providing access to the mine site, which is located at approximately 2,500 metres above sea level. Recent fieldwork has reported strong, widespread copper and silver mineralisation. Six new copper targets have been identified, and several high-priority areas are scheduled for trenching and drilling as the next stage of exploration. The Rosario Project does not currently have a JORC-compliant resource estimate.

Notable fieldwork results are summarised below.

Sampling Program	Notable Result	Notable Distribution
Rock Chip	8.9% Cu, 50 ppm Ag	33% > 0.75% Cu; avg. 3.15% Cu, 18 ppm Ag
Stream Sediment	184 ppm Cu	Broad anomalism identified
Soil	Broad anomalies	Confirms mineralisation continuity

### RK Lithium Project

**Project Overview.** The RK Lithium Project (RKLP) is a 100% owned hard-rock lithium project situated in the Western Granite Province of the Southeast Asian Tin and Tungsten Belt in southern Thailand. The project has an estimated JORC mineral resource at a 0.25% Li<sub>2</sub>O cutoff of 14.8 Mt at 0.45% Li<sub>2</sub>O, 391 ppm Sn, 77 ppm Ta<sub>2</sub>O<sub>5</sub>, 0.20% Rb and 237 ppm Cs, based on 102 diamond drillholes. The project is located close to highways, deep water ports, grid power, and water, and benefits from proximity to Thailand's EV and battery manufacturing hubs. It is noted that FLG has pivoted its strategic focus away from lithium in favor of gold and copper.

Resource Category	Resource (Mt)	Li <sub>2</sub> O (%)	Sn (ppm)	Ta <sub>2</sub> O <sub>5</sub> (ppm)	Rb (%)	Cs (ppm)	Cont. LCE
Measured	7.80	0.44	410	74	0.20	230	85,289
Indicated	3.26	0.49	349	85	0.20	261	39,375
Inferred	3.74	0.41	390	78	0.19	229	38,252
<b>Total</b>	<b>14.80</b>	<b>0.45</b>	<b>391</b>	<b>77</b>	<b>0.20</b>	<b>237</b>	<b>164,500</b>

## FINANCIALS

### Cash Position and Debt Owed

At the end of Q2 2025 (30 June 2025), FLG held US\$202,000 in cash. According to FLG's 2024 Annual Report, total debt amounted to US\$1,257,403, comprising convertible notes, director loans, and accrued interest. This results in a net debt position of approximately US\$1,055,000. On 30 May 2025, FLG completed a \$1.0 million share placement, which would have partially improved the cash position subsequent to the last reported quarterly figure.

### Cash Burn and Runway

FLG's quarterly cash burn has been relatively modest, consistent with its early-stage exploration status. However, with only US\$202,000 in cash at the end of Q2 2025, the company has limited operational runway and is likely to require a capital raising in the near term, particularly if it intends to commence drilling at Pantanillo in October 2025 and ultimately exercise the option to purchase the project (total consideration of US\$12.6 million by April 2030).

### Capital Structure

As of 17 July 2025, FLG had approximately 203.6 million shares on issue at a share price of \$0.058, resulting in a market capitalisation of approximately \$11.8 million. The company has 25.5 million options outstanding, resulting in a fully diluted share count of approximately 229 million.

Share Price	\$0.058
Ordinary Shares Outstanding	203,594,215
Market Capitalisation	\$11.81m
Debt	US\$1.26m (A\$1.93m)
Cash	US\$202k (A\$0.31m)
Enterprise Value	\$12.91m
Options and Performance Rights Outstanding	25,493,407
Diluted Shares Outstanding	229,087,622

### Capital Raise

On 30 May 2025, FLG announced a \$1.0 million share placement to professional and sophisticated investors, providing additional working capital to fund ongoing corporate and exploration activities.

## Shareholder Analysis

	Percentage Ownership
HSBC Custody Nominees	17.5%
Citicorp Nominees Pty Limited	8.5%
Sydney Equities Pty Ltd	8.4%
BNP Paribas Noms Pty Ltd	5.8%
Mr Paul David Lock	5.2%
Holicarl Pty Ltd	3.4%
Netwealth Investments Limited	3.3%
Mr David John Hobby	3.3%
Thai Goldfields NL	2.4%
Mr Thanasak Chanyapoon	2.0%
<b>Total</b>	<b>59.8%</b>

## Insider Ownership

Insider ownership at FLG is notably high, with directors and key management personnel collectively holding in excess of 30% of the company's shares (including direct and indirect holdings). This level of insider ownership is a strongly positive indicator, signaling meaningful alignment between management and shareholders and a substantial personal stake in long-term value creation.

Chairman and Managing Director Paul Lock is the largest individual insider holder at 5.16%. Directors have predominantly been compensated in shares rather than cash, and have also provided loans to the company, further reinforcing their long-term commitment.

	Position Held	Percentage Ownership
Paul Lock	Chairman & Managing Director	5.2%
David Hobby	Technical Director & Chief Geologist	3.3%
David Docherty	Non-Executive Director	2.4%
Thanasak Chanyapoon	Non-Executive Director	2.0%
<b>Total</b>		<b>12.8%</b>

## Relative Valuation

Given its adjusted ounces of approximately 954 koz (Pantaniillo only) and a gold price of A\$5,200/oz, we estimate that the market value of FLG's gold resources is approximately A\$4.96 billion. On an EV/Ounce basis, the market is currently valuing FLG's resources at approximately A\$15 per ounce. This EV/Ounce is significantly below the peer median of approximately A\$130 per ounce, highlighting substantial potential upside.

However, a discount is warranted given that the resource is currently classified as a QFE rather than a JORC-compliant estimate, and the project remains at an early stage.

	Metric
Adjusted Ounces	954,400
Adjusted Grade (g/t)	0.69
Market Value of Adjusted Ounces (at A\$5,200/oz)	A\$4.96 billion
EV/Ounce (\$)	\$15
Peer Median EV/Ounce (\$)	\$130

## MANAGEMENT

### Management Biographies

**Paul Lock - Chairman & Managing Director (Since 2017).** Paul Lock is the founder and Managing Director of Flagship Minerals. Before founding the company, he served as a corporate adviser at Everspring Partners and worked in various roles in corporate advisory and leveraged finance at the Commonwealth Bank of Australia. He also has experience as a derivatives trader and high-yield bond investor at Rothschild & Co. and worked in the commodity trading division at Marubeni Corporation. Paul holds a Master of Political Economy from Sydney University and an MBA from Macquarie Graduate School of Management, and is a member of AusIMM. Paul is the largest individual insider shareholder in FLG. Total KMP compensation (from which Paul was paid) amounted to US\$265,134 in FY24. Exact individual allocations were not disclosed.

**David Hobby - Technical Director & Chief Geologist (Since 2017).** David Hobby is an Economic Geologist with over 30 years of field experience across geological terrains in Asia, Australia, Argentina, the USA, and Africa. He is experienced in all facets of the minerals project cycle. Since 2013, David has concentrated on Southeast Asia, combining his geological expertise with project management, environmental stewardship, and stakeholder engagement. He is a designated Competent Person under the JORC Code and holds 24 years of AusIMM membership. David is a major shareholder in FLG. Compensation is included in the aggregate KMP figure of US\$265,134 in FY24.

**David Docherty - Non-Executive Director (Since 2017).** David Docherty has involvement in the resource sector spanning over 60 years, beginning with stockbroking in London. He was Managing Director of the Mining Finance Corporation (ASX) in 1969 and CEO of Sedimentary Holdings (ASX) from 1984–87. He was a foundation member of the Thai Chatree gold prospect discovery team (Kingsgate Consolidated) and has served as Executive Chairman of Thai Goldfields NL since 2002. NED compensation was paid from an aggregate amount of US\$272,385 in FY24; exact individual allocation not disclosed.

**Thanasak Chanyapoon - Non-Executive Director (Since 2017).** Thanasak Chanyapoon is a Partner at The Capital Law Office, a leading Bangkok legal practice. He also serves as a Non-Executive Director of Cal-Comp Electronics PLC, a company listed on the Stock Exchange of Thailand. He is well-established in the Thai business community and is a major shareholder in FLG. NED compensation was paid from an aggregate amount of US\$272,385 in FY24; exact individual allocation not disclosed.

### Management Compensation

No granular information regarding key management and board compensation is disclosed in FLG's annual reports.

## Related Party Transactions

Directors loaned FLG a total of US\$399,530 at an interest rate of 5% per annum to meet the operational activities of the Consolidated Entity. The loan is repayable upon completion of the first anniversary of the loan being received. As of 31 December 2024, accrued interest totalled US\$4,010. This related-party transaction can be viewed positively, as it demonstrates insider confidence in the company's prospects and was used to fund working capital needs in lieu of dilutive equity raisings. The 5% interest rate sits at the boundary of what may be considered reasonable under our guidelines and does not raise immediate red flags.

## INVESTMENT ANALYSIS

### Investment Thesis

**Significant Undervaluation.** FLG appears to be materially undervalued on an EV/oz basis. At approximately A\$15/oz, FLG trades at a steep discount to the peer median of approximately A\$130/oz. While some discount is warranted given the QFE classification (versus a JORC-compliant MRE) and the early-stage nature of the project, the magnitude of the discount suggests the market is not fully pricing in the scale and quality of the Pantanillo Gold Project. As the company progresses validation drilling and JORC conversion, a re-rating towards the peer median is plausible.

**High Insider Ownership.** Insider ownership in excess of 30% is a strongly positive indicator, reflecting meaningful alignment between management and shareholders. Chairman and Managing Director Paul Lock, Technical Director David Hobby, and Non-Executive Directors David Docherty and Thanasak Chanyapoon collectively have significant personal capital at stake. Directors have also provided loans to the company and have been predominantly compensated in shares rather than cash, underscoring their long-term commitment to shareholder value creation.

**Presence of Near-Term Catalysts.** FLG has several near-term catalysts that could drive a share price re-rating: (i) commencement of validation drilling at Pantanillo in the October 2025 drilling season, with a planned twinning program of 1,000–2,500m of diamond drilling; (ii) the positive metallurgical review confirming the deposit's amenability to heap leach processing; and (iii) the longer-term potential for JORC conversion of the 1.05 Moz QFE, which would provide a significantly stronger foundation for valuation.

**Large-Scale Gold Resource.** Pantanillo hosts 1.05 Moz Au, a substantial resource for a company with a market capitalisation of only ~\$12.3 million. The deposit is located in the Maricunga Gold Belt, one of the most prolific gold provinces in the world, which hosts in excess of 65 Moz Au. The oxide-dominant nature of the mineralisation (amenable to heap leach processing) suggests the potential for relatively low capital and operating costs, though this will need to be confirmed through further technical studies.

### Investment Risks

**QFE Classification Risk.** Pantanillo's resource is currently classified as a Qualifying Foreign Estimate (NI 43-101) rather than a JORC-compliant Mineral Resource Estimate. There is a risk that the JORC conversion process could result in a materially different resource estimate, potentially lower than the current 1.05 Moz QFE, which would negatively impact the company's valuation.

**High Altitude and Remote Location.** The Pantanillo Gold Project occurs at an estimated elevation of 4,000–4,600 metres in an extremely arid environment with scarce water. The high altitude and remote location are expected to increase capital and operating costs for any future mining operation. Combined with Pantanillo's relatively low grade (0.69 g/t Au), more tonnage would need to be processed to extract gold, amplifying the cost impact of the challenging operating environment.

**Weak Liquidity Position.** With only US\$202,000 in cash against US\$1.26 million in debt (net debt of ~US\$1.06 million), FLG's near-term funding profile is a material concern. Exercising the option to purchase Pantanillo requires US\$12.6 million by April 2030, which far exceeds the company's current resources. Advancing the project through drilling and development will require substantial capital raisings, resulting in ownership dilution and potential downward pressure on the share price.

**Jurisdictional Risk.** FLG's key gold and copper assets are located in Chile, exposing the company to regulatory, political, and permitting risks in a foreign jurisdiction. Changes to mining regulations, environmental standards, or government policies in Chile could adversely impact the project's timeline, costs, or viability.

## INVESTMENT RECOMMENDATION

Despite FLG's compelling undervaluation on an EV/oz basis, significant insider ownership, and the scale of the Pantanillo gold resource, several material uncertainties remain. The absence of a JORC-compliant resource estimate, a constrained liquidity position, and the need for substantial future capital raising are the primary overhangs on the investment case. Commencement of validation drilling at Pantanillo in October 2025 represents a key near-term catalyst that could materially de-risk the investment thesis. Accordingly, we recommend FLG as a **Watch**, pending the commencement and results of drilling at Pantanillo and progress towards JORC conversion of the 1.05 Moz QFE.

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