

4 May 2026

Exploration proceeding as planned

Chilwa Minerals continued to progress its exploration for multiple commodities while remaining committed to their guidance for scoping studies, NASDAQ listing, and eventual decision-to-mine. **We updated our valuation to A\$1.83 due to higher multiples of Malawi mining peers.**

Key Messages

1Q26 quarterly performance: Their quarterly report highlighted the following: (i) continued HMS exploration to support an updated MRE (May 2026) and eventual completion of scoping studies by 2Q26 (June 2026), (ii) concurrent exploration and testing activities for niobium and ionic clays, (iii) meetings with US government officials, and (iv) receipt of enquiries to provide third-party laboratory services for its sample preparation facility in Malawi.

Outlook and commentary: Despite geopolitical tensions and global economic uncertainty, it is good to see that CHW continued to progress their exploration for different minerals across their project area and they remain with their schedule/guidance, such as NASDAQ listing by 2Q26, completion of HMS scoping studies by 2Q26 and target of reaching a decision-to-mine within two years. There are also other encouraging signs such as the company expressing confidence about their funding/liquidity situation and the appointment of a non-executive director with extensive experience in heavy mineral sands production.

Investment Thesis & Valuation

Valuation upgraded to \$1.83: We valued CHW using a target EV/Resource multiple. CHW's mineral resource estimate of 113 Mt is multiplied by the target multiple of 1.52x (average of ASX-listed HMS+REE mining firms and Malawi mining firms), resulting in an implied share price of A\$1.83, providing a 98.7% upside from current prices. This valuation is 19.5% higher than our prior estimate due to the higher valuation of Malawi mining peers, particularly Lindian Resources (LIN.AX) which is nearing REE production and is one of the nearest to CHW's project site.

Promising project due to multiple commodities: Chilwa Minerals owns 100% of the Chilwa Critical Minerals project which contains heavy mineral sands (HMS), niobium, and rare earth elements (REE) across various sources such as monazites, ionic clays, and carbonatites. The presence of multiple commodities increases the prospects and economics of the overall project.

Catalysts and Risks

NASDAQ IPO: CHW is planning to conduct an IPO in NASDAQ by 2Q26, with expected proceeds of US\$10m (~A\$14.3m) that would be enough to fund at least a year (or 4 quarters) of exploration activity or until 30 June 2027. This will also give them better access to capital markets for subsequent funding rounds.

Risk to investment thesis: Some of the key risks that CHW faces are uncertainty on exploration results, mining regulations imposed by Malawi government, and potential for significant dilution given need for further capital raises.

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Chilwa Minerals Limited is an Australian company focused on the development of the Lake Chilwa Project (100% owned), located in Malawi, Africa. Exploration activities have led to the discovery of heavy mineral sands (ilmenite, rutile, zircon, garnet, and monazite) and rare earth elements across various deposits in their tenement area.

<https://www.chilwaminerals.com.au/>

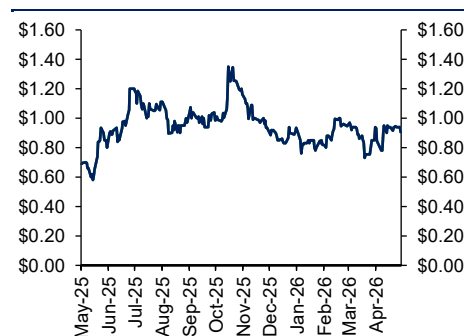
Key Data

Valuation (A\$)	1.83
Current Price (A\$)	0.92
Market Cap (A\$)	90.0
30D Ave Turnover (A\$)	33,840

Trim Capital forecasts

FY Year End	24A	25A	26E	27E
NPAT (\$m)	(2)	(3)	(4)	(4)
EPS (c)	(2.6)	(4.4)	(3.9)	(3.7)
EPS growth (%)	(82.3)	45.2	(10.9)	1.4
PE (x)	(41.1)	(28.3)	(31.8)	(31.3)
DPS (c)	-	-	-	-
Div yield (%)	-	-	-	-
ROE (%)	(36.3)	(24.3)	(16.7)	(12.7)
PB (x)	6.1	4.3	3.4	2.7

12- Month Share Price Performance



Source: LSEG

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Financial Summary

CHILWA MINERALS LTD

Year end 30 June, A\$

CHW-AX

12-MONTH SHARE PRICE PERFORMANCE



MARKET DATA

Price	A\$	\$0.92
Valuation	A\$	\$1.83
52 week low - high	A\$	0.58 - 1.50
Market capitalisation	A\$m	90.0
Shares on issue (basic)	m	98
Options / rights (currently antidilutive)	m	21
Other equity	m	0
Shares on issue (fully diluted)	m	119

PROFIT AND LOSS		FY23A	FY24A	FY25A	FY26E	FY27E
Revenues	A\$m	0.0	0.2	0.1	0.1	0.1
Administration expenses	A\$m	-0.1	-0.3	-0.5	-0.5	-0.6
Compliance and regulatory expenses	A\$m	-0.2	-0.2	-0.5	-0.6	-0.8
Consulting expenses	A\$m	-0.4	-0.3	-0.5	-0.6	-0.8
Employee benefits	A\$m	-0.3	-0.8	-0.9	-1.0	-1.0
Exploration and evaluation expenditure	A\$m	-0.1	0.0	0.0	0.0	0.0
Total Operating expenses	A\$m	-1.0	-1.7	-2.4	-2.7	-3.2
EBITDA	A\$m	-1.0	-1.5	-2.3	-2.6	-3.1
Depreciation	A\$m	0.0	0.0	-0.1	0.0	0.0
Share-based payments	A\$m	0.0	-0.2	-0.8	-0.9	-0.9
Taxes	A\$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	A\$m	-1.0	-1.7	-3.2	-3.5	-4.0
Cash NPAT	A\$m	-1.0	-1.5	-2.3	-2.6	-3.1
Weighted average diluted shares	m	8.2	67.0	72.5	115.0	128.6

INVESTMENT FUNDAMENTALS		FY23A	FY24A	FY25A	FY26E	FY27E
EPS - diluted reported	cps	-12.5	-2.6	-4.4	-3.9	-3.7
EPS - diluted cash	cps	-12.5	-2.2	-3.2	-2.8	-2.9
EPS growth	%	n.a.	-82%	45%	-11%	1%
PE	x	-7.4	-41.8	-28.8	-32.3	-31.8
DPS	cps	0.00	0.00	0.00	0.00	0.00
Franking	%	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	%	0%	0%	0%	0%	0%
Payout ratio	%	0%	0%	0%	0%	0%
Operating cash flow per share	cps	-0.08	-0.03	-0.03	-0.03	-0.03
Free cash flow to equity per share	cps	0.90	-0.06	-0.05	0.00	-0.01
FCF yield	%	98%	-6%	-5%	1%	-1%
Enterprise value	\$m	82.0	85.9	89.3	88.8	90.2
EV/Total Revenue	x	n.a.	423.7	709.1	888.1	901.9
EV/EBITDA	x	-80.2	-58.2	-38.5	-34.2	-29.1
EV/EBIT	x	-80.2	-49.3	-28.1	-25.2	-22.4
NAV per share	A\$	-0.1	0.1	0.2	0.3	0.3
Price / NAV	x	-16.1	6.1	4.3	3.4	2.7
NTA per share	A\$	-0.1	0.1	0.2	0.3	0.3
Price / NTA	x	-16.1	6.1	4.3	3.4	2.7

BALANCE SHEET		FY23A	FY24A	FY25A	FY26E	FY27E
Cash and cash equivalents	A\$m	8.0	4.2	0.7	1.2	-0.2
Receivables	A\$m	0.2	0.1	0.1	1.2	2.8
Property, plant and equipment	A\$m	0.0	0.1	1.1	1.1	1.1
Right of use assets	A\$m	0.0	0.1	0.1	0.1	0.1
Exploration and evaluation	A\$m	0.0	6.9	16.3	24.7	35.7
Other assets	A\$m	0.0	0.0	0.0	0.0	0.0
Total Assets	A\$m	8.2	11.2	18.2	28.2	39.4
Trade and other liabilities	A\$m	1.1	1.0	2.0	2.0	2.0
Borrowings	A\$m	0.0	0.0	0.0	0.0	0.0
Other liabilities	A\$m	7.7	0.1	0.1	0.1	0.1
Total Liabilities	A\$m	8.7	1.1	2.1	2.1	2.1
Net assets	A\$m	-0.5	10.1	16.1	26.1	37.3
Net tangible assets	A\$m	-0.5	10.1	16.1	26.1	37.3
Invested capital	A\$m	-8.5	6.0	15.4	24.9	37.4
Tangible invested capital	A\$m	-8.5	6.0	15.4	24.9	37.4
Contributed equity	A\$m	0.8	11.9	19.0	31.2	45.7
Reserves	A\$m	0.0	1.2	3.4	3.4	3.4
Retained earnings/accumulated losses	A\$m	-1.3	-3.0	-6.2	-9.7	-13.8
Total equity	A\$m	-0.5	10.1	16.1	24.8	35.3
Basic shares on issue	m	8.2	67.2	75.8	96.4	110.9

KEY RATIOS		FY23A	FY24A	FY25A	FY26E	FY27E
NTA/Net Receivables	%	-216%	19712%	11383%	2154%	1340%
ROE - reported	%	-2423%	-36%	-24%	-17%	-13%
ROE - cash	%	-2423%	-31%	-18%	-12%	-10%
Net debt	A\$m	-8.0	-4.1	-0.7	-1.2	0.2
Interest cover	x	n.a.	n.a.	n.a.	n.a.	n.a.
Gearing (net debt / EBITDA)	x	7.8	2.8	0.3	0.5	-0.1
Leverage (net debt / invested capital)	x	0.9	-0.7	0.0	0.0	0.0

CASH FLOW		FY23A	FY24A	FY25A	FY26E	FY27E
Net operating cashflow	A\$m	-0.6	-1.8	-2.1	-3.4	-3.4
Capital expenditure	A\$m	0.0	-0.1	-1.1	0.0	0.0
Exploration and evaluation	A\$m	0.0	-1.7	-7.3	-8.4	-11.0
Net investment cashflow	A\$m	0.0	-1.8	-8.4	-8.4	-11.0
Equity	A\$m	8.0	-0.4	7.1	12.3	13.1
Debt	A\$m	0.0	0.0	0.0	0.0	0.0
Net financing cashflow	A\$m	8.0	-0.4	7.1	12.2	13.1
Net cash flow	A\$m	7.4	-3.9	-3.4	0.5	-1.3
Free cash flow to equity	A\$m	7.4	-3.8	-3.4	0.5	-1.3

DUPONT ANALYSIS		FY23A	FY24A	FY25A	FY26E	FY27E
Net Profit Margin	%	n.a.	n.a.	n.a.	n.a.	n.a.
Asset Turnover	x	0	0	0	0	0
Return on Assets	%	-23%	-18%	-22%	-15%	-12%
Financial Leverage	x	105.5	2.0	1.1	1.1	1.1
Return on Equity	%	-2423%	-36%	-24%	-17%	-13%

KEY PERFORMANCE INDICATORS		FY23A	FY24A	FY25A	FY26E	FY27E
HMS mineral resource estimate (MRE)	Mt	n.a.	n.a.	n.a.	n.a.	n.a.
HMC produced	Kt	n.a.	n.a.	n.a.	n.a.	n.a.
HMC sold	Kt	n.a.	n.a.	n.a.	n.a.	n.a.
Average realised price	A\$/Kt	n.a.	n.a.	n.a.	n.a.	n.a.

HALF YEARLY DATA		1H22A	2H22A	1H23A	2H23A	1H24A
Reported NPAT	A\$m	0.0	-0.3	-0.5	-0.5	-0.9
Cash NPAT	A\$m	0.0	-0.3	-0.5	-0.5	-0.8
EPS - diluted cash	cps	n.a.	n.a.	-0.1	-0.1	0.0
EPS - diluted reported	cps	n.a.	n.a.	-0.1	-0.1	0.0
DPS	cps	0.0	0.0	0.0	0.0	0.0

Source: CHW reports, Trim estimates

What's changed

1Q26 report

CHW disclosed their quarterly report for the period ending 31 March 2026, with the following highlights:

- Heavy mineral sands (HMS) project continued to progress:** CHW provided more express/clear information regarding the planned mining method (dry mining), plants to be established (primary concentration plant, mineral separation plant), and logistics (commenced discussions with Mota Engil Malawi regarding dry port capacity in Lilongwe). During the quarter, CHW continued to drill and explore across three other deposits (Halala, Namanja West, and Nkotamo) to support an updated MRE, which should come around May 2026. They've also conducting scoping studies, which the company guided for completion/release by 2Q26 or June 2026. After that, they could transition the project into the pre-feasibility studies. In a sharecafe presentation held on 29 April 2026, CHW management reiterated their target of reaching a decision-to-mine within two years. This looks more attainable now considering the recent appointment of Graham Hewson as Non-Executive Director, who has over 30 years of experience across the global mineral sands, titanium dioxide and titanium metal sectors and has the expertise in taking mineral sands projects from development through to production.
- Niobium exploration added to the mix:** Given the high grades of niobium (0.31%-0.57%) obtained in early drill results, CHW's immediate priority is to convert the niobium discovery into a resource through systematic step-out drilling, core logging and geological modelling. They have also deployed two diamond drills across two areas in the Mpyupyu deposit.
- Ionic clays testing:** CHW established a new specific department for ionic clays, where initial work is to test REE in clays derived from drill samples obtained back in 2024. During the quarter, work was focussed on assembling the package of samples for analysis by partner external laboratories. These are being done to enable them to readily identify which drill holes in the HMS deposits previously drilled have a high chance of these ionic REE clays. This approach avoids the need for additional drilling and may deliver results on an accelerated timeline.
- Meetings held with US government officials:** During the quarter, several productive meetings were held with the US Embassy, DFC, and the US Department of Trade and Development. While there were no updates yet regarding the possibility/probability of a DFC funding, we remain optimistic and vigilant of any developments regarding this.
- Interest for laboratory services:** CHW received enquiries to provide third-party laboratory services for its sample preparation facility in Malawi. Whilst details are still being finalised, this demonstrates the capability and quality of CHW's in-country laboratory operations. Having another revenue stream will help CHW in its liquidity position and may also pave the way for further collaboration/transactions with the third-party client.
- Sufficient liquidity:** They ended the quarter with a \$3.57m cash position, which the company expressed as sufficient to support the concurrent activities they are pursuing, mainly: (i) two active diamond drilling rigs at the Nakombe niobium discovery, (ii) progressing the planned scoping study across the Measured and Indicated mineral sands resources, (iii) advancing the Ionic Adsorption Clay program and (iv) ongoing corporate activities, including the proposed NASDAQ listing.
- Corporate activities:** NASDAQ listing is on track with expected completion by 2Q26.

Outlook and commentary

Despite geopolitical tensions and global economic uncertainty, it is good to see that CHW continued to progress their exploration for different minerals across their project area. It is also encouraging that the company is sticking to their schedule and guidance, such as NASDAQ listing by 2Q26, completion of HMS scoping studies by 2Q26 and target of reaching a decision-to-mine within two years. Considering the current cash balance of A\$3.57m, it could last for another quarter given cash outflows for the quarter (operating + investing/capex) totalled to A\$2.3m. By then, the NASDAQ IPO is expected to be completed and should provide the company US\$10m (~A\$14.3m) of proceeds that would be enough to fund at least a year (or 4 quarters) of exploration activity or until 30 June 2027. We remain optimistic about the company's prospects and the eventual realisation of key catalysts.

Valuation

EV/resource multiple valuation

We valued CHW using a target EV/Resource multiple, which is a common methodology used to assess the value of mining companies in the exploration or pre-production phase. It also gives us a view of what investors are pricing-in across the industry, given differences in resources, grades, location, and development potential. We calculated it using CHW's current mineral resource estimates (THM, Mt) multiplied by a target EV/Resource multiple, derived from comparable companies.

We selected several comparable companies, particularly ASX-listed mining companies in the HMS + REE + Niobium space that are in the exploration phase (Group A) and mining companies operating in Malawi, near CHW's mine location (Group B). We used these two groups to formulate our target EV/resource multiple, assigning a 60-40 weighting to the average multiples calculated from Group A and B respectively. Several things to note are:

- We assigned a higher weighting (60%) on Group A since the HMS portion is the more advanced project and already has mineral resource estimates and assemblage. HMS companies appear to be trading at low EV/resource multiples ranging from 0.01x to 0.19x (average of 0.07x).
- Despite exploration for REE being still in the early phase and having no resource estimates yet, we assigned a 40% weighting on Group B (companies operating in Malawi). Most firms in this group have multiples (greater than 0.5x), especially those in the REE space such as Lindian Resources (LIN.AX) and Mkango Resources (MKA.TSX). Given that CHW's project area is located between LIN and MKA, there is a considerable probability that CHW's area contains REE of similar grades and/or deposit sizes, which probably why we see CHW's current EV/resource multiple (from current share price/market cap) of 0.72x being much higher than what HMS companies are being valued at (0.01x to 0.19x).

Using the target EV/resource multiple of 1.52x, we multiplied it by CHW's mineral resource estimate of 113 Mt, resulting in an implied enterprise value (EV) of A\$172m and market cap of A\$179m. This is equivalent to a share price of A\$1.83, which provides an upside of 98.7% from current share price. This valuation is 19.5% higher than our prior estimate of A\$1.53 due to the higher valuation of Malawi mining peers, particularly Lindian Resources (LIN.AX) which is nearing REE production and is one of the nearest to CHW's project site.

Figure 7: EV/resource multiples across comparable companies

Group	Ticker	Company	Mine Site	Resources	Project Status	Valuation			Resource Data					
						Mkt Cap (A\$m)	EV (A\$m)	EV/Resource (x)	Resource (Mt)	Grade (%)	Ilmenite (%)	Zircon (%)	Rutile (%)	Monazite (%)
	CHW.AX	Chilwa Minerals	Malawi	HMS + REE	Exploration	90.0	83.4	0.74	113	4.01%	78.1%	5.7%	2.2%	2.0%
A) ASX-listed companies focused in HMS+REE														
	VHM.AX	VHM Ltd	Australia	HMS + REE (monazite)	Exploration	76.5	77.3	0.07	1,110	3.50%	26.0%	23.3%	12.8%	3.8%
	ATR.AX	Astron Ltd	Australia	HMS + REE (monazite)	Exploration	249.1	249.8	0.19	1,317	4.60%	30.3%	18.1%	8.3%	1.8%
	IMA.AX	Image Resources NL	Australia	HMS + REE (monazite)	Exploration	46.5	67.5	0.01	6,091	2.85%	59.0%	9.5%	3.7%	0.3%
	SFX.AX	Sheffield Resources	Australia	HMS	Exploration	12.7	20.7	0.01	1,545	6.80%	27.0%	8.3%	-	-
	TSL.AX	Titanium Sands	Sri Lanka	HMS	Exploration	22.3	22.4	0.07	318	4.17%	1.9%	0.1%	0.1%	-
B) Malawi mining companies														
	SVM.AX	Sovereign Metals	Malawi	HMS + REE (monazite)	Exploration	475.6	421.0	0.23	1,809	-	-	-	1.0%	-
	GBE.AX	Globe Metals	Malawi	Niobium	Exploration	98.5	102.9	1.51	68	0.29%	-	-	-	-
	LIN.AX	Lindian Resources	Malawi	REE (carbonatites)	Exploration	1,580.0	1,591.8	6.10	261	2.43%	-	-	-	-
	MKA.TSX	Mkango Resources	Malawi	REE (carbonatites)	Exploration	338.9	336.9	6.94	49	1.41%	-	-	-	-
C) Larger mining companies in HMS/REE industry														
	KMR.L	Kenmare Resources	Mozambique	HMS	Production	390.0	504.9	0.07	7,538	2.60%	81.2%	5.4%	0.2%	-
	ILU.AX	Iluka Resources	Australia	HMS and REE	Production	3,460.0	3,574.6	1.04	3,443	5.60%	45.0%	14.0%	6.0%	1.7%
D) Other potential peers														
	IXR.AX	Ionic Rare Earths	Uganda	REE (ionic clays)	Exploration	62.1	49.7	0.08	617	-	-	-	-	-
	VMM.AX	Viridis Mining	Brazil	REE (ionic clays)	Exploration	195.3	180.1	0.37	493	-	-	-	-	-
	MEL.AX	Meteoritic Resources NL	Brazil	REE (ionic clays) + Niobium	Development	423.3	412.4	0.28	1,497	-	-	-	-	-
	NBY.TSX	NioBay Metals	Canada	Niobium	Exploration	20.5	17.3	0.18	94	-	-	-	-	-
	REE.LSE	Altona Rare Earths	Mozambique	REE	Exploration	19.8	19.8	1.46	14	-	-	-	-	-
Average of ASX-listed HMS+REE (Group A)								0.07						
Average of Malawi mining peers (Group B)								3.69						
Target EV/Resource multiple (60% of group A + 40% group B)								1.52						
Implied valuation						178.9	172.2							
Implied price per share						1.83								
Upside (%)						98.7%								

Source: Trim Capital estimates

Investment Thesis

- Promising project due to multiple commodities:** Chilwa Minerals owns 100% of the Chilwa Critical Minerals project which contains heavy mineral sands (HMS), niobium, and rare earth elements (REE) across various sources such as monazites, ionic clays, and carbonatites. Samples extracted from the Mposa deposit (late-stage exploration) had demonstrated a high percentage of valuable heavy minerals (VHM) at ~ 90% including ilmenite (76%), zircon (9.5%), rutile (1.4%), garnet (1.6%) and monazite (2-3%). Early-stage exploration in Mpyyuyu deposits have indicated the presence of carbonatites that are rich in REE and are speculated to be high-grade (considering the proximity to Kangankunde REE project by Lindian Resources). The presence of multiple commodities increases the prospects and economics of the overall project, which is why the company is expediting its exploration and evaluation activities by running simultaneous drilling programs for HMS (sonic drilling) and REE (diamond drilling).
- Growing demand for critical minerals:** Titanium has been designated as a critical mineral by major economies (US, EU, UK, Canada, Australia, Japan) due to its wide application across industries (coatings and pigments for industrial/consumer, metal for construction, energy, aerospace, EVs). Ilmenite and rutile, which form majority of resources in CHW's Mposa deposit, are feedstocks for titanium. There is also zircon, mostly used in the ceramics market but has emerging applications for nuclear plants (for powering data centres) and EV batteries. Overall, global demand for these minerals (ilmenite, rutile, zircon) are expected to grow over the medium-to-long term. While there are current oversupply concerns in the global market, TZMI (global consultant in mining industry) expects there will eventually be lower supply in a few years due to continued depletion and shorter mine life. Niobium is commonly used in steelmaking for aerospace, defense, and electronics. Meanwhile, global demand for REE is rapidly increasing (prices ~2x over past year) as countries continue to transition towards EV and renewable energy. All these minerals and elements are designated as critical by the US, Australia, and Europe.
- Project poised to advance to the next stage:** CHW has the distinct advantage of having Mota-Engil as their strategic shareholder (30% stake) and project partner (through a service agreement). Equipment (drill rigs, vehicles), facilities (accommodation, offices, storage), and personnel (technical and admin) are provided by Mota-Engil 'at-cost', made possible by the firm's long history (~50 years) of operations in mining, construction, and infrastructure across Africa. With this, CHW's exploration activities are progressing quickly, and they are already working on scoping/feasibility studies for 2026. CHW's ultimate target is to obtain a mining license (transition from exploration) within 2 years and have a decision-to-mine/commercial production within 4 years. We expect this to be attainable given the government/local community support (pro-mining), infrastructure development (proposed Liwonde Dry Port that connects to Nacala Port in Mozambique wherein Mota-Engil has the right to build), and potential funding from US entities (CHW managing director in talks with US officials; mining projects operating near CHW had secured funding from US DFC and IFC).

Catalysts

	Expectation	Timing
NASDAQ IPO	<ul style="list-style-type: none"> This will broaden the company's investor base and provide them greater access to funding. It will also give opportunities for partnerships, offtake agreements, and access to government funding/grants. 	<ul style="list-style-type: none"> It is expected to happen sometime between May and June 2026.
Definitive Feasibility Study	<ul style="list-style-type: none"> The company will come up with a detailed mine plan, environmental approvals, and a financial model showing a clear Internal Rate of Return (IRR) for the project. 	<ul style="list-style-type: none"> The company is aiming to start pre-feasibility studies (PFS) by mid-2026. We expect it may take around 12 months or more until we see a finalisation into a definitive feasibility study.
Mining Development Agreement	<ul style="list-style-type: none"> The company currently holds an exploration license and is aiming to transition into a mining license once the project is deemed economically feasible. Transition into this phase will boost investor confidence and upside prospects. 	<ul style="list-style-type: none"> The company is currently meeting with the Malawi government and is in the early stage works for preparing the application for a mining development agreement / mining license. We expect to see progress on this by 2027 (at the earliest) or 2028.

SWOT Analysis

		Internal			
Positive	Strengths	<ul style="list-style-type: none"> Multi-commodity project. Lake Chilwa project contains heavy mineral sands (HMS), rare earth elements (REE) across multiple deposits, which increases the prospects and economic feasibility of the overall project. Metallurgical test results show that ilmenite and zircon (from HMS) were at/near market specification. Meanwhile, the REE in the carbonatites (Mpyyuyu deposits) are speculated to be high-grade, considering the proximity to Kangankunde REE project by Lindian Resources. Moreover, recent drilling activities in the Mpyyuyu deposit had shown the presence of potentially high-grade niobium. Mota-Engil partnership: CHW has the distinct advantage of having Mota-Engil as their strategic shareholder (30% stake) and project partner (through a service agreement). Equipment (drill rigs, vehicles), facilities (accommodation, offices, storage), and personnel (technical and admin) are provided by 'at-cost', made possible by the firm's long history (~50 years) of operations in mining, construction, and infrastructure across Africa. 	Weakness	<ul style="list-style-type: none"> Negative cash flows: The company currently has no revenues as it is still actively working on the exploration and evaluation of its mineral resources (HMS and REE). There is heavy reliance on equity issuances to finance exploration and administrative outlays, which brings dilution risk to existing shareholders. Dilution risk: Aside from prospective equity issuances (i.e. NASDAQ US\$10m IPO), we also note of outstanding performance rights (18.75 million) and options (2.5 million) that could convert to common shares upon meeting certain thresholds. 	Negative
	Opportunities	<ul style="list-style-type: none"> NASDAQ IPO: This will broaden the company's investor base and provide them greater access to funding. It will also give opportunities for partnerships, offtake agreements, and access to US government funding/grants. Potential US funding: CHW's managing director has recently been in talks with US Consulate in Malawi, representatives of US State Department, and with the US Department of Finance Corporation. Niobium and REE Ionic clay: CHW is assessing the presence of REE Ionic Clay material and niobium within their project area. If these are proven to be economically feasible to mine/extract, then this will boost the Chilwa project economics through additional revenue streams, diversification, and efficiencies from shared infrastructure. 	Threats	<ul style="list-style-type: none"> Exploration uncertainty: There is no guarantee that the company's exploration activities would be successful and result in an economically feasible project. Weather-related factors may also cause delays in the exploration/ project timeline. Sovereign risk: Malawi is subject to differing legal and political systems. Possible risks include changes in the terms of mining legislation, changes to royalty arrangements, changes to taxation rates and concessions and changes in the ability to enforce legal rights. The newly elected President of Malawi, Peter Mutharika, had imposed an order that prohibits export of raw minerals from the country. 	
		External			

Risks

As with any investment, there are certain risks associated with operations as well as the surrounding economic and regulatory environments common to the industry.

- **Sovereign risk** – Malawi is subject to differing legal and political systems, when compared with the systems in place in Australia. Possible risks include changes in the terms of mining legislation, changes to royalty arrangements, changes to taxation rates and concessions and changes in the ability to enforce legal rights. The newly elected President of Malawi, Peter Mutharika, had imposed an order that prohibits export of raw minerals from the country.
- **Exploration uncertainty** – There is no guarantee that the company’s exploration activities would be successful and result to an economically-feasible project. Weather-related factors may also cause delays in the exploration/ project timeline.
- **Mota-Engil agreement** – CHW’s current and future activities rely heavily on its service agreement with Mota-Engil, which is also a substantial owner in the company (31% stake). In the scenario that this agreement is terminated, the company may experience losses and incur higher-than-expected costs to achieve the same level of technical and operational capabilities. However, we see this risk as very remote given the vested interests of the owners/family behind Mota-Engil.
- **Mineral price volatility** – Prices for HMS and REE are negotiated prices and so any substantial decline in the prices of these commodities or increase in transport or distribution costs may have a material adverse effect on the feasibility of CHW’s potential projects. However, at this stage, this risk is mitigated by the fact that company have yet to sign any offtake agreements, leaving their options open.
- **Key personnel risk** – The company may be unable to retain its key talent due to its limited resources and high uncertainty of development. Any departure of key personnel may delay the development of the company’s planned project.
- **Financing & dilution risk** – Having no revenues yet, CHW will need to raise substantial additional funds to continue exploration activities and develop/advance the project into production stage. The company has so far relied mostly on equity issuances (private placements). We also note of outstanding performance rights (18.75 million) and options (2.5 million) that could convert to common shares upon meeting certain thresholds.
- **Environmental risks** – Mining activities are expected to have an impact on the environment and community. CHW is expected to comply with local and international obligations regarding environmental protection and rehabilitation.
- **Occupational health and safety** – Mining is an activity that inherently carries risks of injury or fatalities. The company must extensively invest resources (training, insurance) to ensure the health and safety of employees and contractors. Otherwise, failure to adhere to these obligations may result to legal liabilities or bring risks to the overall operations.

Environmental, Social & Governance

Environment: Efforts to reduce impact on ecology

CHW is expected to use open pit methods in the extraction of HMS, which can have considerable adverse impact on the environment, ecology, and water quality (surface, ground). It could also result to emissions of greenhouse gases. Thus, CHW is implementing various efforts to reduce this impact, such as the use of diamond and sonic drilling, which have a less invasive impact on the environment compared to other approaches such as aircore. Soil samples are removed and holes are immediately rehabilitated. CHW has a comprehensive waste management programme in place, along with a Water Abstraction Permit from the Malawi National Water Resources Authority, ensuring responsible water usage.

Social: Promoting local employment and building the economy

Malawi is one of the poorest countries in the world (in the top 5). Wherever possible, CHW aims to employ local Malawi personnel, particularly those who live close to the project. The company provides training and transferable skills to the Malawian workforce, while also procuring goods and services from within the local host communities.

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