Trickle Research

Every raging river, every great lake, every deep blue sea starts … with a trickle

Target Upgrade

Texas Mineral Resources Corp.

(OTC: TMRC)

Report Date: 04/13/22

12- 24 month Price Target: *$4.00

Allocation: 5

Closing Stock Price at Initiation (Closing Px: 02/18/20): $.84

Closing Stock Price at Allocation Increase (Closing Px: 03/30/20): $.60

Closing Stock Price at Target Increase & Allocation Decrease (Closing Px: 06/08/20): $2.03

Closing Stock Price at Allocation Upgrade (Closing Px: 09/27/21): $1.44

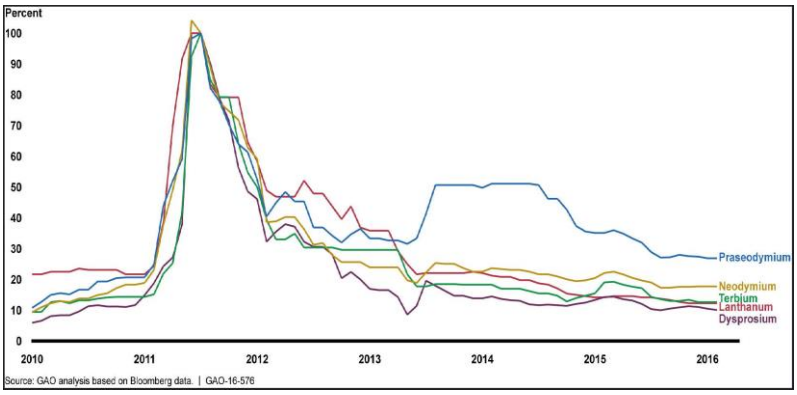
Closing Stock Price at This Target Upgrade (Closing Px: 04/12/22): $2.10

Prepared By:
David L. Lavigne
Senior Analyst, Managing Partner
Trickle Research

Disclosure: Portions of this report are excerpted from Texas Mineral's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

First, with respect to TMRC, we think it is important to point out that as with other pre-revenue or early revenue coverage stories, we do not always provide updates around earnings releases, because frankly, we do not find those releases particularly germane to the investment thesis. While obviously our hope is that earnings *eventually will become germane to the story*, at certain stages we just do not find them substantially noteworthy. Rather, in those instances, we are more inclined to provide updates around micros and/or macro events or catalysts that we think are topical to the progress/success of the Company.

The above noted, we started covering Texas Minerals in February of 2020. Some may recall, we began following the story *in late 2009* when the Company, which at the time was called Standard Silver Corp., presented at one of our conferences under a prior research label. Just to recap, we invited CEO (then and now) Dan Gorski to present at the conference largely because we covered some of his past work and he had become a bit of a trusted (geology/mining) authority to us. In addition, we found some of his insights into the potential for higher rare earth prices compelling. As it turned out, he was correct, at least for some time thereafter:



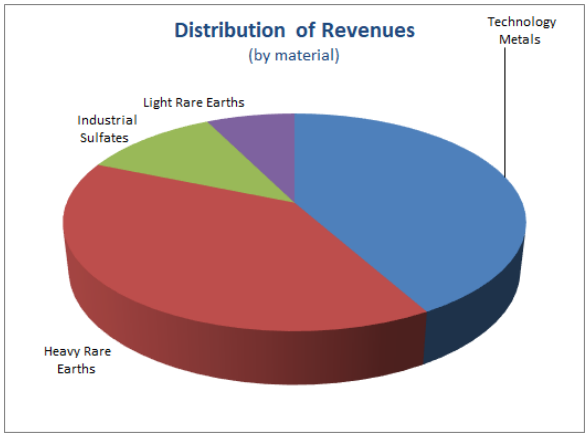
We will not rehash the minutia of the rise and fall of rare earth element prices ("RRE"), and we will even provide that trajectory as a caveat to today's environment, where once again they are seeing marked price increases. To be clear, this update is focused on those rising prices and what we think that may imply for the valuation of Texas Mineral Resources.

To recap some of the prior coverage, TMRC is a bit of an anomaly relative to much of our coverage universe. Specifically, the Company's primary valuation driver is its 20% ownership in the Round Top REE resource located in Hudspeth County, Texas. Succinctly, the project is majority owned by TMRC's operating partner USA Rare Earth LLC, and as such, TMRC has limited input but also limited financial responsibility for the advance of the project. We submit, that is not a typical posture for most publicly traded enterprises, on the other hand, it also represents the only publicly traded way to participate in what we view as one of the premier domestic REE properties available today.

The basis for our and other derived valuations of Round Top (and by extension TMRC) is a Preliminary Economic Assessment ("PEA") that was updated in 2019. We have referred to portions of that PEA throughout our coverage, but to summarize, the PEA is a third-party document that attempts to provide (among other things) a detailed financial model projecting the capex/cashflow/earnings trajectory of the project, and then uses typical DCF/NPV analysis to arrive at a valuation. That by the way is our typical approach as well in terms of determining the resulting price targets of our coverage stocks.

In the Case of the Round Top PEA, the authors provided several valuation iterations that focused on a handful of different mixes of pertinent variables. For instance, while Round Top is generally considered a REE play, over half of the economics of the project are based on the exploitation of other "Technology Metals" and well as other "Industrial Sulfates", which are not REEs. In fact, the largest contribution from a single element is projected to

be lithium, which is not a REE and is part of the PEA's Technology Metal group. The graphics below provide a bit of color regrading some of that anticipated product mix:



As we said, the PEA provides a host of salient iterations around differing contributions and pricing of elements (largely lithium), as well as project timing and others. A summary of some of those iterations is below, and the summary includes several financial datapoints such as average assumed annual revenues over the projected mine life of 20 years, as well as project NPV10 valuations and IRR calculations. That said, most of the valuation analysis around the project tends to focus on one particular iteration referred to as the "Base Case", which we think it is fair to say is the iteration that the authors essentially deemed at the time as the most likely. That iteration is highlighted below in blue.

	Enhanced Li Extraction	Base Case	Reduced Lu/Yt Revenue	Reduced Li Price	2 year Delayed Start	2 year Delay & Reduced Prices
Average Annual Revenue	$435 million	$396 million	$379 Million	$352 million	$396 million	$335 million
Average Revenue /T	$ 59.57	$ 54.18	$ 51.94	$ 48.18	$ 54.18	$ 45.58
Average Operating Cost /T	$ 15.61	$ 15.61	$ 15.61	$ 15.61	$ 15.61	$ 15.61
Average Operating Profit /T	$ 43.96	$ 38.58	$ 36.33	$ 32.57	$ 38.57	$ 29.97
Operating Margin	74%	71%	70%	68%	71%	66%
Pre-Tax Project NPV @10%	$1.7 billion	$1.56 billion	$1.45 billion	$1.26 billion	$1.29 billion	$947 milloin
Internal Rate of Return (IRR)	80%	70%	65%	59%	54%	40%
Payback (years)	1.2	1.4	1.5	1.7	1.4	1.8

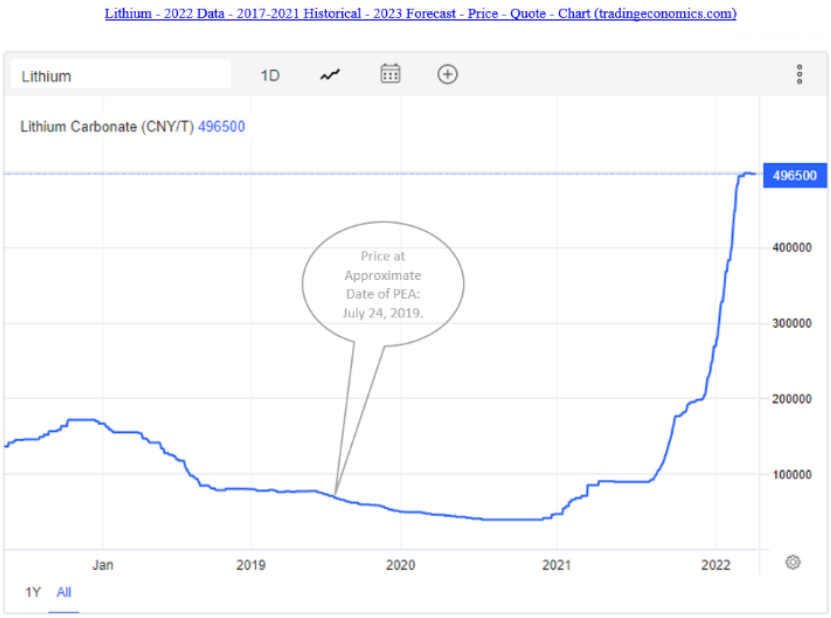
To put these numbers into context in terms of *our own* valuations of TMRC, our approach has been to evaluate these iterations and essentially arrive a valuation for TMRC equal to 20% of that conclusion since 20% represents TMRC's portion of the project. So, for instance, if we use the pre-tax NPV10 from the Base Case above, 20% of $1.56 billion is $312 million. If we divide that by assumed eventual fully diluted share counts of (roughly) 76 million shares, it is approximately $4.10 per share. On the other hand, if we apply the same exercise to the more conservative iteration in the for right column of the table above, that number comes out to something closer to $2.50 per share. Those thresholds should provide some framework to our current $3.25 price target.

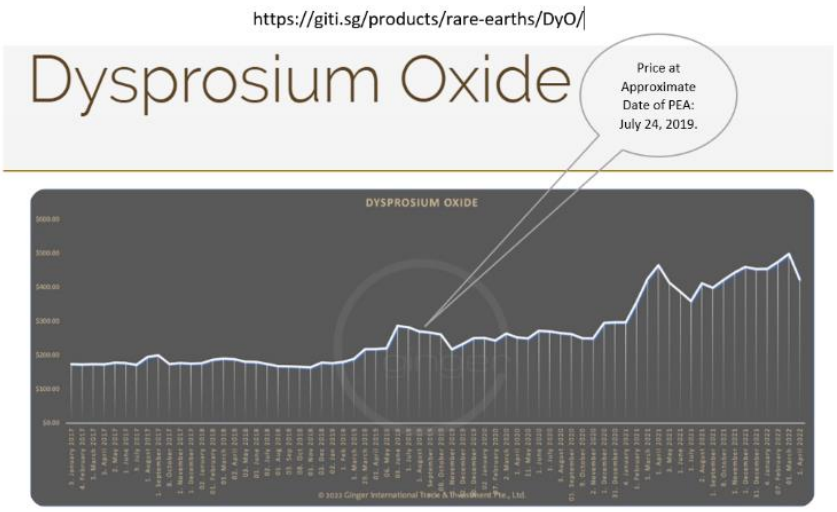
In addition to the above high-level approach, we have also used various models that include the detailed assumptions of the PEA that in turn generated the summary(s) above. That detail is quite granular and includes assumptions about each of the elements that are believed can be exploited at Round Top, as well as assumed pricing of each of those elements. For example, as the table above illustrates, the modeling assumes different prices for lithium, but the iterations could just as well make assumptions about different pricing for each relevant element/product at Round Top. As a result, we have taken some time to look over the prevailing prices of some of these elements the PEA assumes will be extracted from Round Top relative to the pricing assumed at the time

of the PEA (July 24, 2019). In short, some of these prices have increased dramatically since the drafting of the PEA assumptions. Obviously, all other things remaining the same, assuming higher (future) commodity prices leads to higher NPV derived valuations, both for Round Top and TMRC.

The above said, the charts below illustrate the increases in many of the major commodity components of the projected Round Top model assumed by the PEA. We submit, these charts do not tell us where any of these elements will be priced next month, next year or thereafter. But again, the rise in these prices has been collectively stark and, in our view, quite topical. As an added caveat, exact REE pricing (as well as pricing for some of the other Round Top elements) is difficult to ascertain for a variety of reasons, but we think these are reasonable representations of the current environment. For reference, we gathered our new pricing inputs (which we will explain below) from the following site: Current Rare Earth Element and Technology Metals Prices (strategicmetalsinvest.com). The charts below are from two different sites. Those urls are hereas well, as the charts below are a bit hard to read.

- Lithium - 2022 Data - 2017-2021 Historical - 2023 Forecast - Price - Quote - Chart (tradingeconomics.com)
- https://giti.sg/products/rare-earths/DyO/

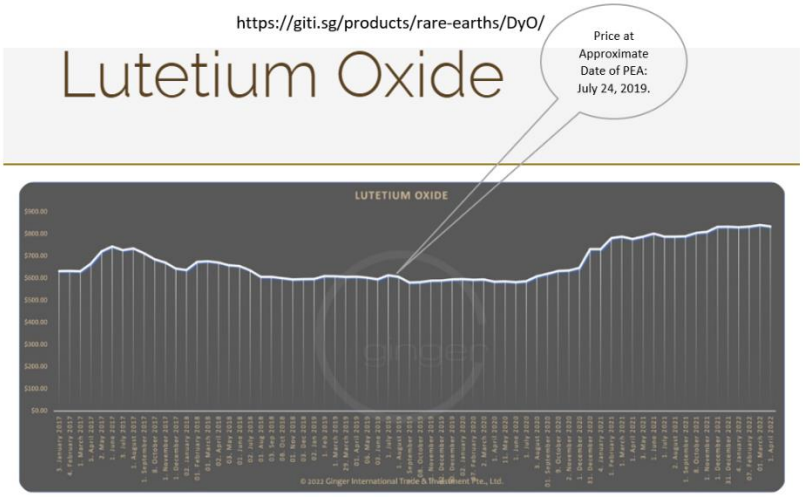




Price level of dysprosium oxide on 1-Apr-2022 was ca. $423.56/kg net Ex Works China, incl. 13% VAT.

https://giti.sg/products/rare-earths/DyO/

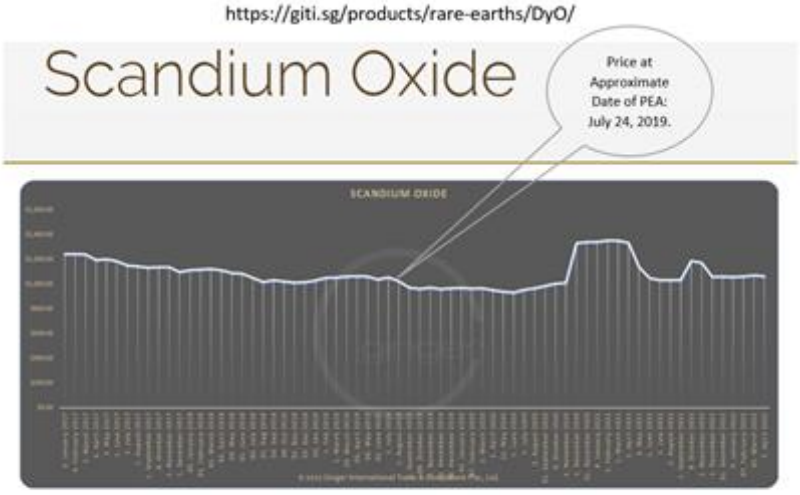
Lutetium Oxide



Price level of lutetium oxide on 1-Apr-2022 was ca. $834.53/kg net Ex Works China, incl. 13% VAT.

https://giti.sg/products/rare-earths/DyO/

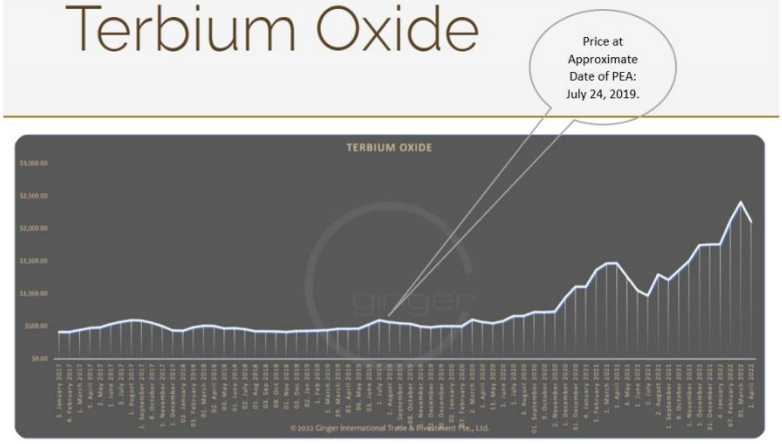
Scandium Oxide



Price level of scandium oxide on 1-Apr-2022 was ca. $1,062.84/kg net Ex Works China, incl. 13% VAT.

https://giti.sg/products/rare-earths/DyO/

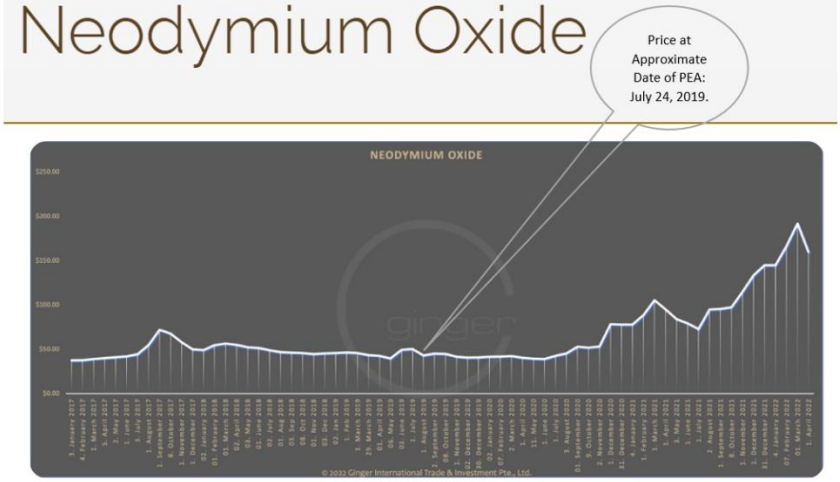
Terbium Oxide



Price level of terbium oxide on 1-Apr-2022 was ca. $2,109.94/kg net Ex Works China, incl. 13% VAT.

https://giti.sg/products/rare-earths/DyO/

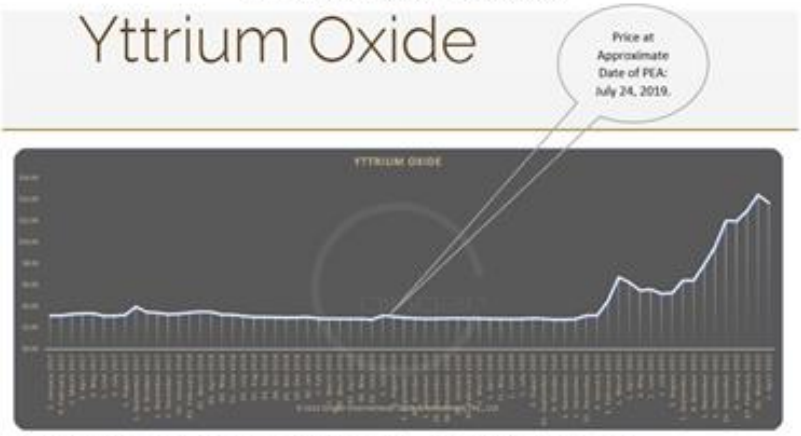
Neodymium Oxide



Price level of neodymium oxide on 1-Apr-2022 was ca. $159.82/kg net Ex Works China, incl. 13% VAT.

https://giti.sg/products/rare-earths/DyO/

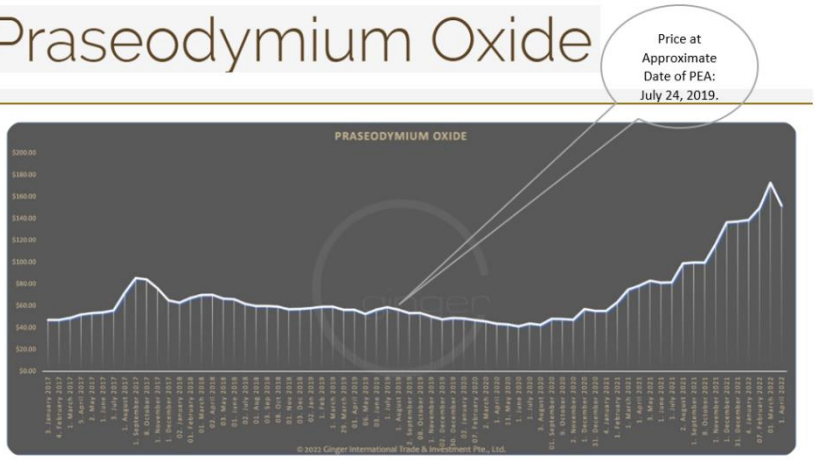
Yttrium Oxide



Price level of yttrium oxide on 1-Apr-2022 was ca. $13.70/kg net Ex Works China, incl. 13% VAT.

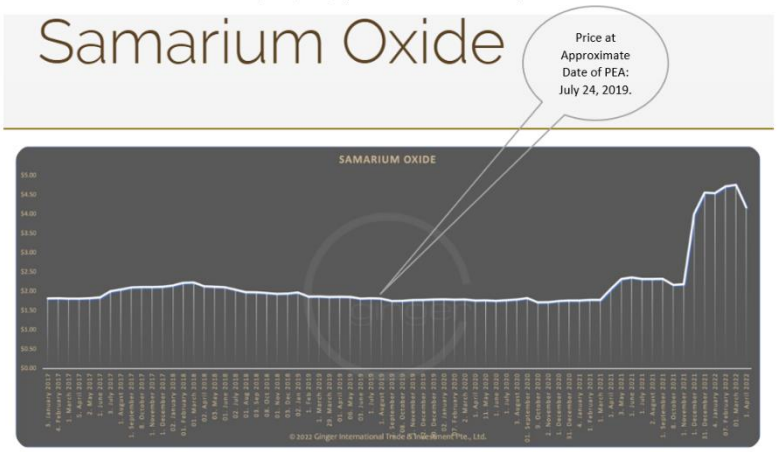
https://giti.sg/products/rare-earths/DyO/

Praseodymium Oxide



Price level of praseodymium oxide on 1-Apr-2022 was ca. $151.95/kg net Ex Works China, incl. 13% VAT.

https://giti.sg/products/rare-earths/DyO/



Price level of samarium oxide on 1-Apr-2022 was ca. $4.17/kg net Ex Works China, incl. 13% VAT.

Again, these charts represent a measurable portion of the commodities expected to be produced from Round Top and as we alluded to, the prices of these commodities have collectively increased significantly since the time the PEA was completed in mid-2019. As we also noted, if we impute this pricing into the PEA financial model, the results are substantially higher assumed NPV values, and ostensibly higher valuations for Texas Mineral Resources. First, for comparison, the table below reflects the changes we made to the PEA model to reflect these new prices (as of April 1, 20220 relative to those used in the 2019 PEA:

	Atomic Number	Atomic Symbol	RoundTop Product	Base Case Px ($/Kg) ($/Kg) @ July 24, 2019	Base Case Px ($/Kg) ($/Kg) @April 1, 2022
Rare Earths	39	Y	Yttrium Oxide	$ 3.60	$ 13.70
	59	Pr	Praseodymium Oxide	$ 54.50	$ 230.10
	60	Nd	Neodymium Oxide	$ 44.00	$ 227.10
	62	Sm	Samarium Oxide	$ 1.83	$ 4.17
	63	Eu	Europium Oxide	$ -	$ -
	64	Gd	Gadolinium Oxide	$ -	$ -
	65	Tb	Terbium Oxide	$ 575.50	$ 4,038.00
	66	Dy	Dysprosium Oxide	$ 270.50	$ 688.20
	69	Tm	Thulium Oxide	$ -	$ -
	70	Yb	Ytterbium Oxide	$ -	$ -
	71	Lu	Lutetium Oxide	$ 618.63	$ 834.53
	21	Sc	Scandium Oxide	$ 1,040.76	$ 1,062.84
Tech. Metals	92	U	Uranium Oxide	$ 56.10	$ 58.20
	90	Th	Thorium Oxide	$ -	$ -
	3	Li	Lithium Carbonate	$ 13.75	$ 79.44
	40	Zr	Zirconium Oxide	$ 15.12	$ 104.40
	72	Hf	Hafnium Oxide	$ 864.00	$ 1,708.00
	4	Be	Beryllium Oxide	$ 220.00	$ 220.00
	31	Ga	Gallium Oxide	$ 162.00	$ 705.80
Sulfates	13	Al	Aluminum Sulfate	$ 0.21	$ 0.21
	26	Fe	Iron Sulphate	$ 0.10	$ 0.10
	12	Mg	Magnesium Sulfate	$ 0.13	$ 0.13
	25	Mn	Manganese Sulfate	$ 1.19	$ 1.19
	19	K	Potassium Sulfate	$ 0.43	$ 0.43
	2	Na	Sodium Sulfate	$ 0.20	$ 0.20

To edify, we reflected the above information as it appeared in the PEA, so in cases where there was no original pricing in the PEA, we reflected the same at our 4/1/22 new pricing cutoff date, Europium and Gadolinium for

instance. In other cases, we were not able to locate what we thought were accurate current prices for some of the other commodities. Those are the highlighted items above. For these we assumed the 2019 prices, although we suspect most of these are likely higher. For example, Potassium Sulfate is used in fertilizer. Many experts are expecting food shortages across the globe because of anticipated lower fertilizer exports from Russia. As a result, given rising fertilizer prices, we suspect Potassium Sulfate prices are likely higher today than they were in mid-2019, but these updated pricing models *do not* reflect that. To translate, we suspect if we updated all anticipated Round Top resource prices, the results would be even more elevated than we are reflecting below. As it is, we updated most of the Rare Earths, some of the Tech. Metals, but none of the Sulfates.

Round Top Project - Key Statistics

Key Statistics		
Average gross revenue	$ millions/year	395.5
Average EBITDA	$ millions/year	281.7
EBITDA margin		71.2%
Average free cash flow (after tax)	$ millions/year	224.4
Initial capital cost		367.0
Maximum funding requirement	$ millions	416.3
Payback	months	17
Before Tax		
IRR	%	62.9%
NPV @ 10.0%	$ millions	1,836.7
After Tax		
IRR	%	57.3%
NPV @ 10.0%	$ millions	1,487.8
NPV to Capex		4.1
Production		
Life of mine	years	20
Average processing rate	tonnes/day	20,000

IRR and NPV differ from PEA owing to timing of preconstruction work and time from leach pad before selling product

Round Top Project - Key Statistics With Updated Pricing

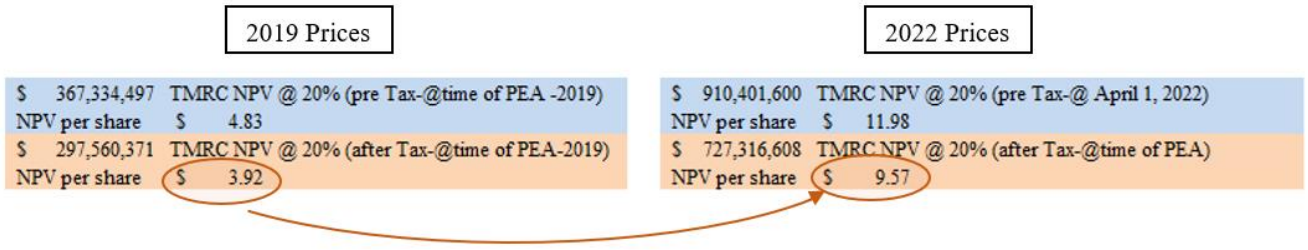
Key Statistics		
Average gross revenue	$ millions/year	722.5
Average EBITDA	$ millions/year	608.7
EBITDA margin		84.3%
Average free cash flow (after tax)	$ millions/year	482.7
Initial capital cost		367.0
Maximum funding requirement	$ millions	416.3
Payback	months	< 1 year
Before Tax		
IRR	%	136.0%
NPV @ 10.0%	$ millions	4,552.0
After Tax		
IRR	%	121.0%
NPV @ 10.0%	$ millions	3,636.6
NPV to Capex		9.9
Production		
Life of mine	years	20
Average processing rate	tonnes/day	20,000

IRR and NPV differ from PEA owing to timing of preconstruction work and time from leach pad before selling product

First, the table on the left is the summary of the Base Case assessment of the 2019 PEA. (Note: the before tax NPV on the left summary is a bit higher than that of the Base Case assumptions we referenced in the table on Page 3 of this update, but as the notes to the summary on the left indicate, that variance is the result of some timing differences from one set of assumptions to the next). As indicated, the NPV values (both before tax and after tax) are the result of the PEA's assumed operating numbers over a 20-year mine life and production of 20,000 tones per day. (To segue for a moment and reiterate something we noted in the initiating coverage, the Round Top resource is believed to be able to support a mine life well beyond 20 years at 20,000 tonnes per day, but that metric (20 years) is for a few reasons, a typical industry metric for an analysis of this nature, so we suspect that is why they applied that cut-off). Looking at these numbers, if we again take the after tax NPV10 valuation from the original Base Case from the 2019 PEA of $1.4878 billion, and we multiply by that 20% (TMRC's share) and we then apply what we believe will be approximately 76 million fully diluted shares outstanding, the result is a target valuation of $3.91 per TMRC share. Again, our target is a bit lower than that because we apply a risk premium to our analysis which in effect discounts the cash flows at a higher rate than 10%. For instance, our $3.25 target corresponds more to a discount rate of around 12.5%. Moving on to the table on the right.

The table on the right reflects the same original PEA based operating model projections as the table on the left *except for* the updated commodity pricing we presented in the table on page 7 above. As the table indicates, after imputing current commodity prices the after tax NPV of the PEA model increases from $1.4878 billion **to $3.6366 billion**. As we illustrate below, using the same 20% of the whole divided by the approximate fully diluted TMRC

shares outstanding (76 million) ***moves the intrinsic value of TMRC shares from $3.92 to $9.57.*** Incidentally, if we apply our 12.5% risk adjusted discount rate to the model, the resulting intrinsic value is still $7.92.



To be clear, as we noted near the opening of this update, we have seen volatile rare earth prices in both directions at points in the past. We do not necessarily understand the dynamics of that historic trajectory, but at least to the upside, for now, here we are again. We tend to be wary of comparing current events to similar historic periods and suggesting that "this time it is different". Put another way, we tend to think history has a greater propensity to repeat itself than not. That said, we do believe that at least some things *really are different today*. For instance, we think it is fair to suggest that issues like renewable energy, climate change, ESG, supply chain vulnerabilities, Buy American etc., and government support of all the above, are more topical today than they were in 2010, or any point prior to it for that matter. Further, we think it is also reasonable to suggest that for some of these ideas to come to fruition, the world will likely need A LOT more of the commodities contained at Round Top. We submit, those things may or may not come to fruition, and TMRC and its partner may or may not get Round Top into production. However, given the landscape, we think the view that long term REE and lithium commodity prices will be higher than those used in the 2019 PEA is more likely to be accurate than inaccurate.

As an extension to that point, it seems to us that rare earth assets should logically trade higher when their underlying commodity constituents trade higher. That seems to be the general trend with, for instance, gold miners, so again logic dictates the same with RRE assets. In short, to reiterate, we do not pretend to know where the longer-term prices of these commodities will settle, but in our view, their moves higher suggest that the potential upside for TMRC could certainly be markedly more open-ended that our initial coverage suggested, and perhaps our price targets have implied.

In conjunction with the rising commodity prices we covered above, we are establishing a new 12-24 month price target for TMRC of *4.00 and we are maintaining our allocation of 5. We will revisit each of these as new information becomes available, especially as it concerns progress towards Round Top production.

Projected Operating Model

Texas Mineral Resources, Inc.						
Projected Operating Model						
By: Trickle Research						
	(Actual)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	11/30/2021	**2/28/2022**	**5/31/2022**	**8/31/2022**	**Fiscal 2022**	**Fiscal 2023**
OPERATING EXPENSES						
Exploration costs	$ 71,158	$ 65,000	$ 65,310	$ 38,587	$ 240,055	$ 247,257
General and administrative expenses	$ 339,505	$ 348,760	$ 265,247	$ 342,900	$ 1,296,412	$ 1,322,247
Total operating expenses	$ 410,663	$ 413,760	$ 330,557	$ 381,487	$ 1,536,467	$ 1,569,503
LOSS FROM OPERATIONS	**$ (410,663)**	**$ (413,760)**	**$ (330,557)**	**$ (381,487)**	**$ (1,536,467)**	**$ (1,569,503)**
OTHER INCOME (EXPENSE)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Loss on settlement of accrued liability	$ -	$ -	$ -	$ -	$ -	$ -
Non-Cash Interest Expense	$ -	$ -	$ -	$ -	$ -	$ -
Other Income	$ 1,625	$ -	$ -	$ -	$ 1,625	$ -
Interest and other expense	**$ 70,176**	**$ (2,493)**	**$ (2,492)**	**$ (2,491)**	**$ 62,700**	**$ (9,954)**
Total other income (expense)	**$ 71,801**	**$ (2,493)**	**$ (2,492)**	**$ (2,491)**	**$ 64,325**	**$ (9,954)**
NET LOSS	**$ (338,862)**	**$ (416,253)**	**$ (333,049)**	**$ (383,978)**	**$ (1,472,142)**	**$ (1,579,457)**
Net loss per share:						
Basic net loss per share	**$ (0.00)**	**$ (0.01)**	**$ (0.00)**	**$ (0.01)**	**$ (0.02)**	**$ (0.02)**
Diluted net loss per share	**$ (0.01)**	**$ (0.00)**	**$ (0.01)**	**$ (0.01)**	**$ (0.02)**	**$ (0.02)**
Basic Shares Outstanding	**71,956,719**	**71,956,719**	**71,956,719**	**71,956,719**	**71,956,719**	**71,956,719**
Diluted Shares Outstanding	**76,066,037**	**76,154,421**	**76,234,769**	**76,307,814**	**76,190,760**	**71,697,503**

General Disclaimer:

Trickle Research LLC produces and publishes independent research, due diligence and analysis for the benefit of it investor base. Our publications are for information purposes only. Readers should review all available information on any company mentioned in our reports or updates, including, but not limited to, the company's annual report, quarterly report, press releases, as well as other regulatory filings. Trickle Research is not registered as a securities broker-dealer or an investment advisor either with the U.S. Securities and Exchange Commission or with any state securities regulatory authority. Readers should consult with their own independent tax, business and financial advisors with respect to any reported company. Trickle Research and/or its officers, investors and employees, and/or members of their families may have long/short positions in the securities mentioned in our research and analysis and may make purchases and/or sales for their own account of those securities. David Lavigne does not hold a position in Texas Mineral Resources Corporation.

Trickle Research co-sponsors two microcap conferences each year. Trickle Research encourages its coverage companies to present at those conferences and Trickle charges them a fee to do so. Companies are under no obligation to present at these conferences. Texas Minerals has paid fees to present at Trickle's co-sponsored conferences.

Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.