Feasibility

What a board should see before approving a project

The questions a feasibility study must answer, and the warning signs in one that does not.

Traprock Capital I October 2026 I Feasibility

Boards approve capital on the strength of a feasibility study. By the time a project reaches the board, the numbers usually look precise: an IRR to one decimal place, a payback in years and months. The real question is whether those numbers deserve confidence. A good study makes that easy to judge. A weak one hides the answer behind a single base case.

Below are the seven things we expect every feasibility study to show a board, followed by the warning signs that should prompt more questions before any capital is committed.

1. A clear decision and a clear answer

The study should open with the decision being asked of the board: whether to proceed, which option to choose, how much to commit and on what conditions. The recommendation should follow immediately, not sit on page forty. If the answer is conditional, for example on securing an offtake contract or a fixed-price construction contract, the conditions should be stated plainly.

2. Assumptions that are sourced and tested

Every material assumption, such as price, volume, capital cost, operating cost and schedule, should have a source and an owner. Where possible it should be compared with an independent reference: market forecasts, recent comparable projects or the company's own track record. An assumption without a source is an opinion, and the board should know which numbers are opinions.

3. The downside as well as the base case

A single base case tells the board what happens if everything goes to plan. Projects rarely do. The study should show sensitivities on each key driver, a combined downside scenario in which several things go wrong together, and breakeven points: the price, volume or cost at which the project stops creating value. Breakevens are often the most useful numbers in the whole study, because they turn an abstract IRR into a question the board can test against its own judgement.

4. Returns measured against the right hurdle

An IRR on its own says little. The study should show net present value at a discount rate that reflects the project's risk, and compare the IRR with the company's cost of capital or hurdle rate. Real and nominal figures should be used consistently: nominal cash flows discounted at a nominal rate, real at a real rate. Payback and peak funding requirement show how long capital is at risk and how much of it.

5. A funding plan that works

A project can be profitable and still unfundable. The study should show how much equity is needed, how much debt the project can support on lenders' terms, and what contingency is held for cost overruns. It should also show what happens to the funding plan if costs rise or the schedule slips, since that is when funding gaps appear.

6. Risks with owners and mitigations

Construction, market, regulatory, fiscal, counterparty and currency risks should each be identified, with an owner and a mitigation. Some risks are best handled by contract, for example a fixed-price construction contract or a long-term offtake agreement. Others can only be accepted and priced. The board should be able to see which is which.

7. A model the board can trust

Behind every study sits a financial model. The board will never read it, but it should know that the model follows a clear structure, has integrity checks, and has been reviewed by someone independent of the team that built it. Errors in models are common, and an independent review is cheap compared with the capital at stake.

Warning signs

- Only one scenario is presented, or the downside case is barely worse than the base case.
- An IRR is quoted without an NPV, a hurdle rate or a breakeven.
- Key assumptions have no source, or all come from the project sponsor.
- There is no contingency in the capital cost, or the schedule has no allowance for delay.
- Sensitivities use narrow ranges, such as plus or minus 5%, on drivers that have moved far more in the past.
- The recommendation is missing, buried or hedged so heavily that it gives no direction.
- The model has not been reviewed by anyone outside the project team.

Questions a board can ask

- What would have to be true for this project to lose money?
- Which single assumption, if wrong, would change the decision?
- How does the downside case compare with what happened on our last comparable project?
- How much debt can the project support on lenders' terms, and what happens if costs rise by 15%?
- Who has checked the model, and what did they find?

A feasibility study that answers these questions clearly gives a board what it needs: not certainty, which no study can provide, but a clear view of the risks it is being asked to take.

This note is for general information only. Figures are illustrative and do not relate to any specific project. It is not investment, legal or tax advice.