

**Ticker:** TLO CN

**Cash:** ~C\$44m

**Project:** Tamarack

**Market cap:** C\$369m

**Price:** C\$0.54/sh

**Country:** USA

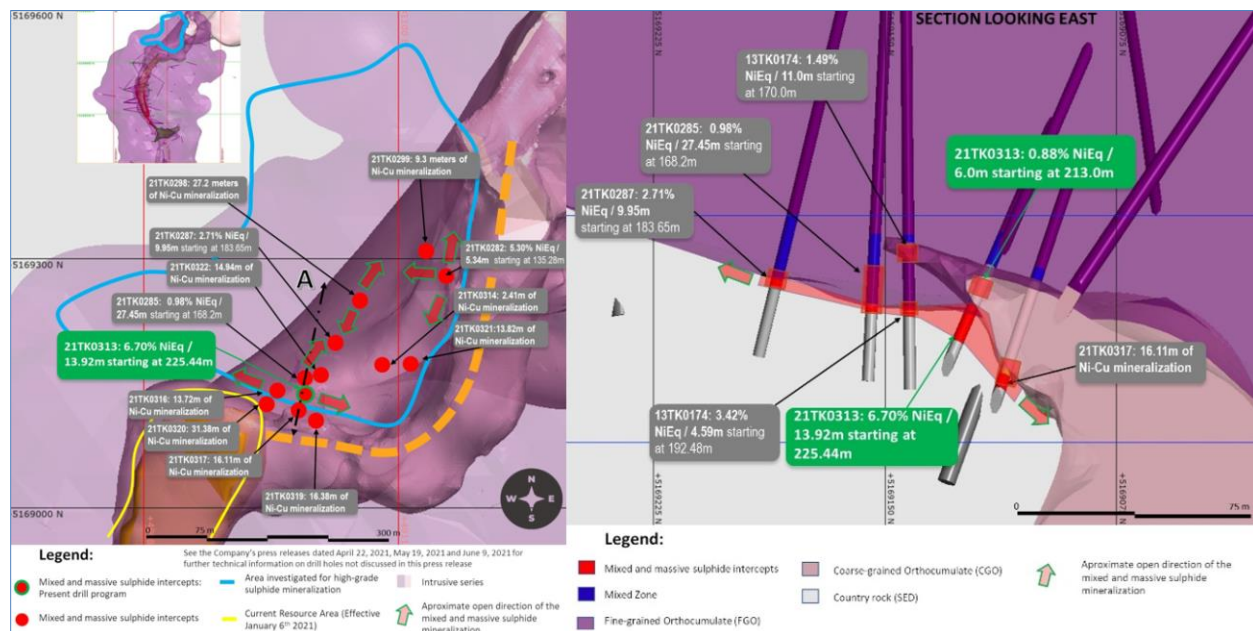
**RECOMMENDATION (unc):** BUY

**PRICE TARGET (unc):** C\$1.05/sh

**RISK RATING:** HIGH

Today's **13.9m @ 5.5% Ni** (6.7% NiEq including Cu) from the CGO West 'discovery hole' lies outside the existing resource and, given its shallow depth, should come into mine plan with minimal additional development. CGO West is ~100m NE of the existing resource, continues over 400m, and an additional 15 holes that hit Ni-Cu mineralization are pending assay. Put simply, this is bulking out the 1H22 MRE hole by hole, and that before more regional drilling across the 18km intrusion next year. Stepping back, we see drill bit momentum continuing for Talon but also growing momentum in the scarcity of domestic U.S nickel projects, a key catalyst for visibility on building a US-based nickel refinery to de-risk the supply chain. Recently, according to the **Biden Administration's 100-day review of critical supply chains "there is urgency to developing a strategy around Class 1 nickel"**, and investing in the nickel refining capacity in the U.S is on the top of the wish list. In our view, this would bode well for all nickel projects but Talon has been at the front of this campaigning to the NAATBaot International group earlier this year and not just proposing the 'what' but also the 'how' with the first Green Nickel™ supply chain that is traceable and independently verified across responsible production practices and CO<sub>2</sub> emissions. Most importantly, as a nickel sulphide deposit, Tamarack is positioned well to be the next big source for EV metals supply domestically. Nickel sulphide deposits are a less energy-intensive nickel source for EVs, with lower capex, and as importantly, lower carbon footprint than laterites. The 1Q21 PEA showed optionality to produce vanilla concentrate for steel or EV markets, and also nickel sulfate or refined nickel powders for the EV market. This flexibility widens the M&A audience to both steel/smelters, but also battery manufacturers—validating our investment thesis of a potential EV metals complex in the making all the more with Cu/Co credits. Thus, **we maintain our BUY rating and C\$1.05/sh PT**. With 18km intrusion to test, beyond ~800m over which the existing resource lies, and even beyond the ~7km with proven high-grade from drilling, the upside is clear given the current value is for only the 'first 10Mt'. Even small bodies of massive sulphide can add large tonnes quickly, and with geophysics working well, we see excellent potential for just this.

**Figure 1. (A) Plan view of northern resource area (B) drill section looking E showing today's hits**



Source: Talon Metals

## Shallow high-grade at CGO West confirmed with 13.9m @ 6.7% NiEq outside resource area

Talon reported **13.9m @ 6.7% NiEq** from 225m and **6m @ 0.9% NiEq** from 213m located outside the Tamarack resource area and potentially accessible early in the mine plan. Today's hole represents the initial 'discovery' hole in the CGO West area, with visual massive sulphides reported on May 19<sup>th</sup>, 2021. Assays are pending from an additional 15 holes, all of which have intersected Ni-Cu mineralization.

### Why we like Talon Metals

- High-grade nickel developer in top jurisdiction
- Potential EV metals complex in the making with Norilsk sized layered intrusion
- Demonstrated exploration success and discovery upside

### Catalysts

- 2021: Resource expansion and infill results from ongoing drilling
- 2022: Pre-feasibility study and first reserves
- 2026: First production

**Brock Salier** (London) M: +44 7400 666 913 [bsalier@sprott.com](mailto:bsalier@sprott.com)

**Justin Chan** (London) M: +44 7554 784 688 [jchan@sprott.com](mailto:jchan@sprott.com)

**Brandon Gaspar** (Toronto) M: +1 437 533 3142 [bgaspar@sprott.com](mailto:bgaspar@sprott.com)

**Eleanor Magdzinski** (Toronto) M: +1 705 669 7456 [emagdzinski@sprott.com](mailto:emagdzinski@sprott.com)

Ticker: TLO CN		Price / mkt cap: C\$0.54/sh / C\$369m		P/NAV today: 0.25x		Country: USA, Minnesota	
Author: B Salier / B Gaspar		Rec / PT: BUY, C\$1.05c/sh		1xNAV7%: C\$1.33c/sh		Asset: Tamarack	
Commodity price	CY20E	CY21E	CY22E	CY23E	CY24E	Resource/Inventory	Mt NI %
Ni price (US\$/t)	17,632	17,632	17,632	17,632	17,632		1Q21 MRE
Ni price (US\$/t, payable)	13,746	13,746	13,746	13,746	13,746	M&I	3.9 1.91%
SOTP project valuation*	C\$m	o/ship	NAVx	C\$/sh		Inferred	7.2 1.11%
Tamarack NPV (build start)	821	60%	1.00x	0.61		Total	11.1 1.39%
SCPe Resource Upside	821	60%	0.50x	0.31		Total	10.8 1.34%
Cash at 1Q21	44.0	100%	1.0x	0.05			
Cash from ITM options/warrants	45.6	100%	1.0x	0.06			
1xNAV C\$ @ 2Q24	C\$1732m			1.03			
*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.25x							
Asset value: 1xNPV project @ build start (C\$m, ungeared)*							
Asset NPV (C\$m)	11,632	14,632	17,632	20,632	23,632		
9.0% discount	352	536	720	904	1,088		
7.0% discount	408	607	805	1,004	1,203		
5.0% discount	470	686	901	1,116	1,331		
Ungeared project IRR:	31%	40%	49%	58%	66%		
Asset NPV @ 1.3% (C\$m)	9.0Mt	10.0Mt	10.8Mt	15.0Mt	20.0Mt		
US\$14,632/t	540	573	607	726	836		
US\$17,632/t	723	765	805	959	1,102		
US\$20,632/t	906	957	1,004	1,193	1,367		
*Project level NPV, excl finance costs and central SGA, discounted to build start							
Group valuation over t	2Q21	2Q22	2Q23	2Q24	2Q25		
Project NPV (C\$m)	673	720	771	828	1,078		
Centra G&A and finance cost	(92)	(96)	(99)	(102)	(85)		
Net cash prior quarter	44.1	41.7	38.3	201.4	10		
Cash from ITM options/war	45.6	45.6	45.6	45.6	45.6		
NAV (C\$m)	671	712	756	973	1,048		
FD share count (m)	807	807	992	992	992		
1xNAV7%/sh FF FD (C\$/sh)	0.83	0.88	0.76	0.98	1.06		
Exit value: 1xNAV/sh company @ 2026 first production (C\$, geared)							
1xNAV (C\$/sh)	11,632	14,632	17,632	20,632	23,632		
9.0% discount	0.56	0.76	0.96	1.16	1.36		
7.0% discount	0.60	0.82	1.03	1.24	1.45		
5.0% discount	0.65	0.88	1.10	1.33	1.55		
1xNAV (C\$/sh)	9.0Mt	10.0Mt	10.8Mt	15.0Mt	20.0Mt		
US\$14,632/t	0.75	0.78	0.82	0.94	1.05		
US\$17,632/t	0.94	0.99	1.03	1.19	1.33		
US\$20,632/t	1.14	1.19	1.24	1.43	1.61		
Production (Y1 from 3C)	CY25	CY26	CY27	CY28	CY29		
Production (000kt NiEq)		23.6	30.3	25.7	19.2		
AISC TLO (US\$/lb Ni)*		2.01	1.92	1.95	2.44		
AISC SCP (US\$/lb Ni)^		1.93	1.94	2.22	2.84		
*deductions as cost, net by-product; ^NiEq, costs to mine gate ex. deductions							
Source: SCP estimates							

## DISCLOSURES & DISCLAIMERS

This research report (as defined in IIROC Rule 3400) is issued and approved for distribution in Canada by Sprott Capital Partners LP ("SCP"), an investment dealer who is a member of the Investment Industry Regulatory Organization of Canada ("IIROC") and the Canadian Investor Protection Fund ("CIPF"). The general partner of SCP is Sprott Capital Partners GP Inc. and SCP is a wholly-owned subsidiary of Sprott Inc., which is a publicly listed company on the Toronto Stock Exchange under the symbol "SI". Sprott Asset Management LP ("SAM"), a registered investment manager to the Sprott Funds and is an affiliate of SCP. This research report is provided to retail clients and institutional investors for information purposes only. The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of SCP's research department. The information in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does SCP and/or affiliated companies or persons assume any responsibility or liability whatsoever. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. SCP accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein. Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. SCP may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivatives instruments thereon, and may, as a principal or agent, buy or sell such products.

**DISSEMINATION OF RESEARCH:** SCP's research is distributed electronically through email or available in hard copy upon request. Research is disseminated concurrently to a pre-determined list of clients provided by SCP's Institutional Sales Representative and retail Investment Advisors. Should you wish to no longer receive electronic communications from us, please contact [unsubscribe@sprott.com](mailto:unsubscribe@sprott.com) and indicate in the subject line your full name and/or corporate entity name and that you wish to unsubscribe from receiving research.

**RESEARCH ANALYST CERTIFICATION:** Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- The views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- His/her compensation is not and will not be directly related to the specific recommendations or view expressed by the Research analyst in this research report;
- They have not affected a trade in a security of any class of the issuer within the 30-day period prior to the publication of this research report;
- They have not distributed or discussed this Research Report to/with the issuer, investment banking group or any other third party except for the sole purpose of verifying factual information; and
- They are unaware of any other potential conflicts of interest.

**UK RESIDENTS:** Sprott Partners UK Limited ("Sprott") is an appointed representative of PillarFour Securities LLP which is authorized and regulated by the Financial Conduct Authority. This document has been approved under section 21(1) of the FMSA 2000 by PillarFour Securities LLP ("PillarFour") for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Conduct Authority. Its contents are not directed at UK retail clients. PillarFour does not provide investment services to retail clients. PillarFour publishes this document as non-independent research which is a marketing communication under the Conduct of Business rules. It has not been prepared in accordance with the regulatory rules relating to independent research, nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Sprott and PillarFour consider this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. This is because the content is either considered to be commissioned by Sprott's clients as part of their advisory services to them or is short term market commentary. Neither Sprott nor PillarFour nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where PillarFour is permitted to distribute its research.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS:** This research report was prepared by Sprott Capital Partners LP ("SCP"), a company authorized to engage in securities activities in Canada. SCP is not a registered broker/dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Sprott Global Resource Investments Ltd. ("SGRIL"), a broker dealer in the United States registered with the Securities Exchange Commission ("SEC"), the Financial Industry Authority ("FINRA"), and a member of the Securities Investor Protection Corporation ("SIPC"). Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through SCP.

SGRIL accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. The analyst whose name appears in this research report is not licensed, registered, or qualified as a research analyst with FINRA and may not be an associated person of SGRIL and, therefore, may not be subject to applicable restrictions under FINRA Rule 2241 regarding communications by a research analyst with a subject company, public appearances by the research analyst, and trading securities held by a research analyst account. To make further inquiries related to this report, United States residents should contact their SGRIL representative.

**ANALYST CERTIFICATION / REGULATION AC:** The analyst and associate certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers. In addition, the analyst and associate certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

**SPROTT CAPITAL PARTNERS EXPLANATION OF RECOMMENDATIONS:** Should SCP issue research with recommendations, the research rating guidelines will be based on the following recommendations:

**BUY:** The stocks total returns are expected to be materially better than the overall market with higher return expectations needed for more risky securities markets

**NEUTRAL:** The stock's total returns are expected to be in line with the overall market

**SELL:** The stocks total returns are expected to be materially lower than the overall market

**TENDER:** The analyst recommends tendering shares to a formal tender offering

**UNDER REVIEW:** The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

**NOT RATED ((N/R):** The stock is not currently rated

Research Disclosure		Response
1	SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities <sup>1</sup>	NO
2	The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives	NO
3	An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services	NO
4	SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation	YES
5	Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer	NO
6	SCP is making a market in an equity or equity related security of the issuer	NO
7	The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer	NO
8	The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	NO
9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

## Sprott Capital Partners Equity Research Ratings:

Summary of recommendations as of July 2021	
BUY:	44
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	44

<sup>1</sup> As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month