

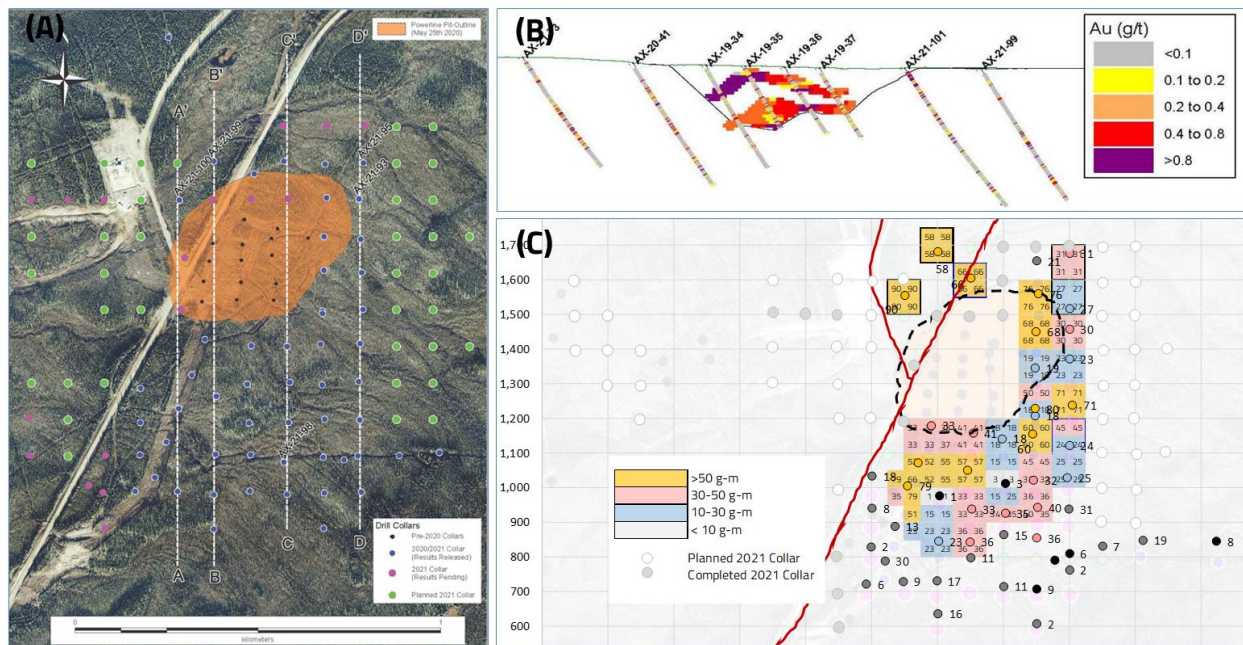
Ticker: BYN CN **Net cash:** C\$16.3m **Project:** AurMac, Powerline
Market cap: C\$60m **Price:** C\$0.28/sh **Country:** Canada
RECOMMEND. (unc): BUY **TARGET** (unc): C\$0.55/sh **RISK RATING:** SPECULATIVE

Incorporating 11 holes, mainly around Powerline, from July takes our SCPe resource from **1.9Moz @0.55g/t** (904koz @ 0.54g/t 43-101 + SCPe +971koz) to **2.1Moz @0.55g/t**. That just 11 holes can potentially add 200koz is a testament to the size and simplicity of this system with highlights of 186m @0.42g/t, albeit reserve conversion will always be a subset of this. There are three ‘magic numbers’ for us; (i) ~0.55g/t resource and ~0.65g/t reserve at (ii) ~1:1 strip, and (iii) 3Moz – the inventory that got Victoria to its current C\$860m market cap. The grades as reported are in line with 0.6g/t target in many cases, as are strip, although as a sediment hosted (Victoria a mineralised intrusive stock), more marginal drilling has been excluded from our estimate on the basis of strip which we only take anything that could drive >50% gross margin. If the company drilled nothing else this season, a potential doubling of ounces is a solid price drive alone. However, this excludes the fun bit – Aurex Hill – where drilling following up RAB hits like 40m @ 1.2g/t and 15m @ 1.4g/t <50m deep could see nothing, or transformational step change in endowment. This provides an always-loved thesis; asymmetric risk reward as Powerline/Airstrip underpin the current valuation, providing a ‘free option’ on discoveries. Updating our model for the recent share issue, and enlarged SCPe MRE, a weaker Canadian dollar, and small increases in resource, offset equity dilution. As such, we **maintain our BUY rating and C\$0.55/sh PT** based on an extremely modest 0.2xNAV_{5%-1850} for a SCPE 1.5Moz @0.65g/t heap leach operation.

52m @ 0.7g/t at Powerline expansion lifts SCPe from 1.9Moz to 2.1Moz, Aurex hill still to come

July and August drilling: Banyan released six holes in July, and five holes today, from 2021 Powerline drilling. Drilling was mixed between ~100m step outs around the existing MRE with highlights of **186m @ 0.42g/t, 46m @ 0.69g/t** from surface, and **52m @ 0.7g/t** from 119m. Stepping out 1-2km from the MRE hit 50.3m @ 0.56g/t from 15m and 50.3m @ 0.46g/t from 62m. Equity raise: in early August Banyan raised C\$16m at 36.2c/sh in flow funding, with Franklin moving to 7.1% holder of the company. Victoria Gold became an insider on the transaction, moving to 11.1%, with funding for drilling and commencement of a PEA.

Figure 1. (A) Powerline plan (B) cross-section from today’s highlights (C) SPCe resource estimate



Source: Banyan

Why we like Banyan

1. Existing 2Q20 904koz @ 0.54g/t Whittled resource
2. Strong team with extensive Yukon mining experience
3. Excellent infrastructure (road access, power)
4. 8km² untapped soil anomaly with proven underlying mineralization
5. Upside from M&A optionality (Victoria and Alexco within 50km radius)

Catalysts

1. 3Q21: Results from Phase 1 Powerline (12 holes) and Aurex Hill (18 holes) drilling
2. 2H21: Phase 2 Powerline drilling
3. 4Q31: SCPe MRE (SCPe 1.5-2Moz)

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| | | | |
|-----------------------------|---|---|-------------------------------|
| Ticker: BYN CN | Price / mkt cap: C\$0.275/sh, C\$60m | Project PNAV today: 0.10x | Asset: AurMac |
| Author: Brock Salier | Rec / 0.2xNAV PT: BUY, C\$0.55/sh | 1xNAV_{3Q21} FF FD: C\$1.14/sh | Country: Canada, Yukon |

| Commodity price | CY21E | CY22E | CY23E | CY24E | CY25E |
|-----------------|-------|-------|-------|-------|-------|
| Gold price | 1,850 | 1,850 | 1,850 | 1,850 | 1,850 |

| SOTP project valuation* | | | | | |
|----------------------------------|------|--------|-------|--------|--|
| | C\$m | O/ship | NAVx | C\$/sh | |
| Ungeared @ build start (2025) | 585 | 100% | 1.00x | 2.51 | |
| Cash SCPe 3Q21 | 16.3 | 100% | 1.00x | 0.07 | |
| Cash from options | 1.9 | 100% | 1.00x | 0.01 | |
| Resources ex inventory @ \$10/oz | 13 | 100% | 1.00x | 0.05 | |
| Asset NAV5% US\$1850/oz | 616 | | | 2.64 | |

*Shares diluted for options mine build Market P/NAV5%₁₀₂₁ 0.10x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*

| NPV (C\$m) @ 75Mt | \$1650oz | \$1750oz | \$1850oz | \$1950oz | \$2050oz |
|-----------------------|----------|----------|----------|----------|----------|
| Discount rate: 9% | 326 | 390 | 454 | 518 | 582 |
| Discount rate: 7% | 386 | 457 | 528 | 600 | 671 |
| Discount rate: 5% | 457 | 536 | 616 | 696 | 776 |
| Ungeared project IRR: | 29% | 33% | 37% | 40% | 44% |

| SCPe AurMac | Today | 2Q21* | 2Q22* | Eagle | Blue Sky |
|----------------------|--------|--------|--------|--------|----------|
| NPV (C\$m) @ 0.65g/t | 1.0Moz | 1.6Moz | 2.0Moz | 3.0Moz | 5.0Moz |
| US\$1,750/oz | 380 | 536 | 666 | 965 | 1,564 |
| US\$1,850/oz | 433 | 616 | 768 | 1,118 | 1,818 |
| US\$1,950/oz | 486 | 696 | 869 | 1,270 | 2,072 |

*SCPe inventory, project NPV, ex fin. costs / cent G&A, discounted to build start

| Group NAV over time^ | 2Q21 | 2Q22 | 2Q23 | 2Q24 | 2Q25 |
|-------------------------------|--------|--------|--------|--------|--------|
| AurMac NPV (C\$m) | 461.9 | 485.0 | 509.3 | 534.8 | 643.3 |
| G&A and finance costs (C\$m) | (60.9) | (64.0) | (67.2) | (70.6) | (70.7) |
| Net cash prior qtr (C\$m) | 5.1 | 14.8 | 10.7 | 6.3 | 64.3 |
| Cash from options (C\$m) | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Resources ex inventory @ \$10 | 12.8 | 12.8 | 12.8 | 12.8 | 12.8 |
| NAV FF FD (C\$m) | 421 | 451 | 467 | 485 | 652 |
| Shares in issue (m) | 233 | 288 | 288 | 425 | 425 |
| 1xNAV5%/sh FF FD (C\$/sh)* | 1.81 | 1.56 | 1.62 | 1.14 | 1.53 |

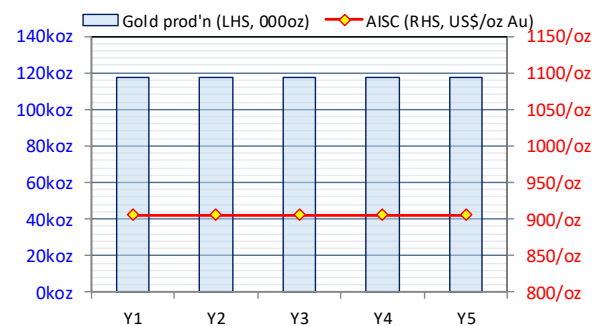
Geared NAV at first pour, diluted for build, net G&A and fin. costs^

| NAV at first gold (C\$m) | \$1650oz | \$1750oz | \$1850oz | \$1950oz | \$2050oz |
|-----------------------------|----------|----------|----------|----------|----------|
| Discount rate: 9% | 362 | 429 | 495 | 561 | 627 |
| Discount rate: 7% | 420 | 494 | 567 | 640 | 713 |
| Discount rate: 5% | 488 | 570 | 652 | 733 | 815 |
| Geared project IRR: | 26% | 29% | 33% | 36% | 40% |
| NAV at first gold (C\$/sh)* | \$1650oz | \$1750oz | \$1850oz | \$1950oz | \$2050oz |
| Discount rate: 9% | 0.66 | 0.85 | 1.05 | 1.25 | 1.45 |
| Discount rate: 7% | 0.83 | 1.05 | 1.27 | 1.50 | 1.73 |
| Discount rate: 5% | 1.04 | 1.28 | 1.54 | 1.80 | 2.06 |

^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for build equity

| Production | Y1 | Y2 | Y3 | Y4 | Y5 |
|-------------------------|-----|-----|-----|-----|-----|
| Gold production (000oz) | 118 | 118 | 118 | 118 | 118 |
| C1 cost (US\$/oz) | 852 | 852 | 852 | 852 | 852 |
| AISC cost (US\$/oz) | 906 | 906 | 906 | 906 | 906 |

AISC = C1 + ug sustaining capex, Y1 = CY25



Source: SCP estimates

| Resource / SCP inventory | Tonnes | Grade | Ounces | % M&I |
|--------------------------|--------|---------|---------|-------|
| Hyland resource 2018 | 19Mt | 0.77g/t | 482koz | 45% |
| Aurmac resource 2Q20 | 53Mt | 0.54g/t | 904koz | 0% |
| SCPe Aurmac additions | 65Mt | 0.57g/t | 1188koz | na |
| Total global resource | 137Mt | 0.58g/t | 2574koz | 8% |
| SCP mining inventory | 75Mt | 0.65g/t | 1567koz | |

| Project: USES | Funding: SOURCES |
|-----------------------------------|---------------------------------|
| Pre-DFS exploration / G&A: C\$20m | Cash + pre first Au op.: C\$18m |
| Build capex: C\$250m | Pre-build equity: C\$15m |
| Fin. cost + WC over DFS C\$35.0m | Build equity @ 0.4xNAV: C\$145m |
| TOTAL USES: C\$305m | 65% geared debt @ 8%: C\$163m |
| Buffer / drill budget: C\$36m | TOTAL SOURCES: C\$341m |

| Share data | Basic | +options | FD for build |
|------------------|-------|----------|--------------|
| Basic shares (m) | 218.1 | 233.1 | 425 |

| Ratio analysis | CY20A | CY21E | CY22E | CY23E | CY24E |
|------------------------|-------|-------|-------|-------|-------|
| Average shares out (m) | 218.1 | 399.6 | 425.5 | 425.5 | 425.5 |
| EPS (C\$/sh) | - | - | - | - | - |
| CFPS (C\$/sh) | - | - | - | - | - |
| EV (C\$m) | 54.8 | 94.6 | 105.3 | 109.6 | (0.5) |
| FCF yield (%) | - | - | - | - | - |
| PER (x) | - | - | - | - | - |
| P/CF (x) | - | - | - | - | - |
| EV/EBITDA (x) | - | - | - | - | - |

| Income statement | CY20A | CY21E | CY22E | CY23E | CY24E |
|-----------------------------|-------|-------|-------|-------|-------|
| Net revenue (C\$m) | - | - | - | - | - |
| COGS (C\$m) | - | - | - | - | - |
| Gross profit (C\$m) | - | - | - | - | - |
| D&A, attrib (C\$m) | 0.0 | 0.0 | - | - | - |
| G&A + sh based costs (C\$m) | 1.1 | 0.8 | 0.8 | 0.8 | 0.8 |
| Finance cost (C\$m) | 1.6 | (0.0) | (0.0) | (0.0) | 0.5 |
| Taxes (C\$m) | 0.9 | - | - | - | - |
| Net income (C\$m) | (2.7) | (0.8) | (0.7) | (0.8) | (1.3) |

| Cash flow, attrib. | CY20A | CY21E | CY22E | CY23E | CY24E |
|--------------------------------|-------|-------|-------|-------|--------|
| EBIT (C\$m) | (0.2) | (0.8) | (0.8) | (0.8) | (0.8) |
| Add back D&A (C\$m) | 0.0 | 0.0 | - | - | - |
| Less tax + net interest (C\$m) | 2.6 | (0.0) | (0.0) | (0.0) | 0.5 |
| Net change in wkg cap (C\$m) | 1.3 | (0.5) | - | (0.1) | - |
| Other non-cash (C\$m) | (5.0) | 1.7 | 0.9 | 1.0 | (0.2) |
| Cash flow ops (C\$m) | (1.3) | 0.4 | 0.0 | 0.1 | (0.5) |
| PP&E - build + sust. (C\$m) | 0.3 | 0.0 | - | - | 30.0 |
| PP&E - expl'n (C\$m) | 4.8 | 6.1 | 3.6 | 4.4 | 4.4 |
| Cash flow inv. (C\$m) | (5.1) | (6.2) | (3.6) | (4.4) | (34.4) |

| Cash flow fin. (C\$m) | CY20A | CY21E | CY22E | CY23E | CY24E |
|---------------------------|-------|-------|-------|-------|-------|
| Share issue (C\$m) | 11.0 | 15.9 | - | - | 145.0 |
| Debt draw (repay) (C\$m) | - | - | - | - | 50.0 |
| Cash flow fin. (C\$m) | 11.0 | 15.9 | - | - | 195.0 |
| Net change in cash (C\$m) | 4.6 | 10.1 | (3.6) | (4.3) | 160.1 |
| EBITDA (C\$m) | (1.8) | (0.8) | (0.8) | (0.8) | (0.8) |

| Balance sheet | CY20A | CY21E | CY22E | CY23E | CY24E |
|-------------------------------|-------|-------|-------|-------|-------|
| Cash (C\$m) | 5.1 | 15.3 | 11.8 | 7.4 | 167.6 |
| Acc rec., inv, prepaid (C\$m) | 0.1 | 0.1 | 0.1 | - | - |
| PP&E + other (C\$m) | 10.1 | 16.4 | 20.0 | 24.4 | 58.8 |
| Total assets (C\$m) | 15 | 32 | 32 | 32 | 226 |
| Debt (C\$m) | - | - | - | - | 50.0 |
| Accounts payable (C\$m) | 0.1 | 0.8 | 0.8 | 0.8 | 0.8 |
| Others (C\$m) | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Total liabilities (C\$m) | 1.6 | 2.4 | 2.4 | 2.4 | 52.4 |
| Issued capital (C\$m) | 18.6 | 35.1 | 35.9 | 36.7 | 182.5 |
| Retained earnings (C\$m) | (4.9) | (5.7) | (6.4) | (7.2) | (8.5) |
| Liabilities + equity (C\$m) | 15 | 32 | 32 | 32 | 226 |

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| NOT RATED: | 0 |
| TOTAL | 45 |

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