

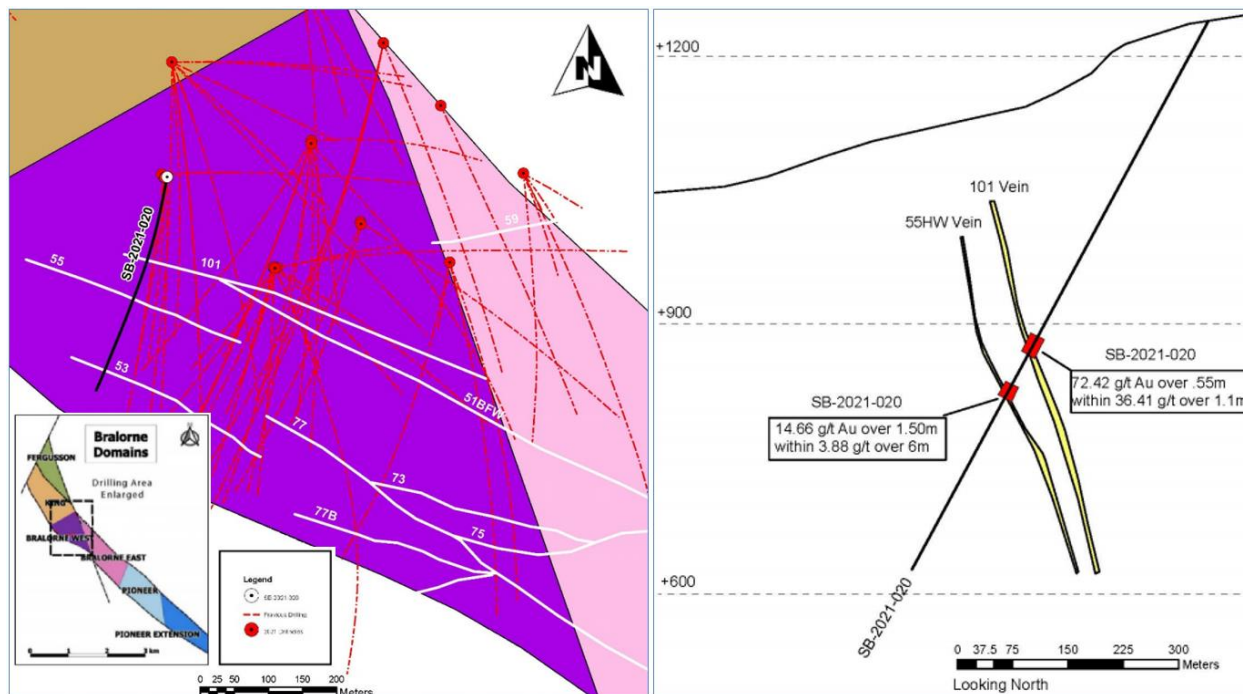
Ticker: TSK CN	SCPe cash: C\$25m	Project: Bralorne Gold Complex
Market cap: C\$77m	Price: C\$0.30/sh	Country: Canada / BC
RECOMMENDATION (unc): BUY	TARGET (unc): C\$0.75/sh	RISK RATING: HIGH

At Bralorne the ultimate goal is perhaps 1.5Moz @ 7-10g/t, with high-grade vein targets of perhaps 0.5m @ 20-30g/t enabling realistic 1.5-2m minimum mining widths required to get TPD up. Today's drilling does just this – pleasing in itself albeit only from a single hole. The reason we like the asset is the continuity of the veins. Digitization of historic data enabled a quick start to drilling when combined with said continuity, but as the company's understanding improves, today's result could also be seen as a reflection of 'getting their eye in', all the better given the relatively shallow depth of drilling. With 14 hits on the 101 vein (5 areas to drill) and 15 hits on the 55HW vein (8 targets), we think the company is looking good to add big ounces here in 2022. **We maintain our BUY rating and C\$0.75/sh PT based on our base case 1750tpd mine, a subset of an SCPe 1.5Moz @ 8.5g/t resource and applying a conservative 0.3xNAV_{5%-1850} and just US\$30/oz over a nominal 500koz pit target given recent shallow drilling including 107m @ 1.2g/t. We are on site this week and will report back thereafter.**

1.1m @ 36g/t and 1.5m @ 15g/t as drilling hones in on quality shoots at Bralorne

A single hole on the Bralorne asset intersected two high-grade veins, with an upper **0.55m @ 72.4g/t** from ~300m below surface (bulking out to **1.1m @ 36.4g/t** including a halo), and a lower **1.5m @ 14.7g/t** ~40m deeper, from the 101 and 55HW veins, respectively. To date 53,200m / 90 hole of the fully-funded 100,000m drill program has been completed, with 29 holes at the lab.

Figure 1. (A) Plan and (B) section of Bralorne West Block showing today's results



Source: Talisker

Why we like Talisker

1. On-infrastructure explorer targeting >1.5Moz in BC with belt control
2. Demonstrated vein continuity and predictability
3. Belt control offers greenfield upside at Spences Bridge and Golden Hornet
4. Management and board's track record

Catalysts

- 2021: 100,000m of resource drilling near-surface and shallow UG high-grade targets
- 2021: Exploration results from Spences Bridge and Golden Hornet
- 1H22: Maiden inferred resource

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Ticker: TSK CN	Price / mkt cap: C\$0.3/sh, C\$77m	Project PNAV today: 0.15x	Asset: Bralorne
Author: B.Salier / B.Gaspar	Rec / 0.3xNAV PT: BUY, C\$0.75/sh	1xNAV_{1Q21} FF FD: C\$1.06/sh	Country: Canada: BC

Commodity price	FY19A	FY20A	FY21E	FY22E	FY23E
Gold price	1,850	1,850	1,850	1,850	1,850

SOTP project valuation*	C\$m	O/ship	NAVx	C\$/sh
mine NPV @ build start	514	100%	0.30x	0.52
Cash 2Q21	25	100%	1.00x	0.09
Cash from options	20	100%	1.00x	0.07
Nominal 500koz pit @ \$30/oz	15	100%	1.00x	0.05
Asset NAV5% C\$1850/oz	575			0.73

*Shares diluted for options but not mine build Market P/NAV5% 0.15x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
Project NPV (C\$m)*	309	361	413	465	517
10.0% discount	372	430	489	548	607
7.5% discount	447	514	581	648	714
5.0% discount					

Project NPV (C\$m)*	5.00g/t	6.00g/t	7.00g/t	8.00g/t	10.00g/t
Min Inventory 3Mt	(8)	73	154	236	398
Min Inventory 7Mt	163	338	514	689	1,040
Min Inventory 10Mt	163	338	514	689	1,040

*Project level NPV, excl finance costs and central SGA, discounted to build start

Group valuation over time^	3Q21	3Q22	3Q23	3Q24	3Q25
SCPe Bralorne mine (C\$m)	447	469	493	546	681
Greenfield expl. upside (C\$m)	10	10	10	10	10
Group G&A and finance (C\$m)	(190)	(181)	(160)	(143)	(142)
Net cash prior qtr (C\$m)	25	38	10	112	(1)
Cash from options (C\$m)	20	20	20	20	20
NAV FF FD (C\$m)	312	357	374	545	569
FD shares in issue (m)	294	294	294	585	585
1xNAV5%/sh FF FD (C\$/sh)	1.06	1.21	1.27	0.93	0.97
Equity ROI from spot (% pa)	304%	162%	76%	60%	

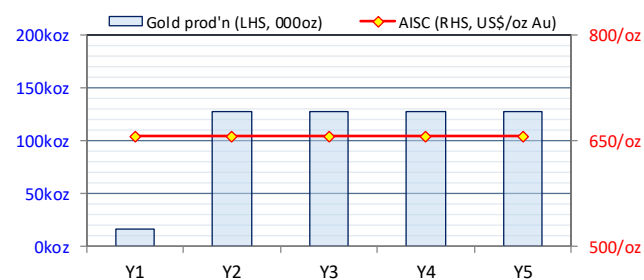
Geared company NAV diluted for mine build, net G&A and finance costs	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
2Q24 1xNAV FF FD (C\$/sh)^	0.61	0.73	0.86	0.99	1.12
10.0% discount	0.71	0.85	0.99	1.13	1.28
7.5% discount	0.82	0.97	1.13	1.30	1.46
5.0% discount					

2Q24 1xNAV FF FD (C\$/sh)^	5.0g/t	6.0g/t	7.0g/t	8.0g/t	10.0g/t
Min Inventory 3Mt	0.0	0.1	0.2	0.4	0.7
Min Inventory 7Mt	0.2	0.6	1.0	1.4	2.3
Min Inventory 10Mt	0.2	0.6	1.0	1.4	2.3

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

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	16	128	128	128	128
C1 cost (US\$/oz)	679	679	679	679	679
AISC cost (US\$/oz)	656	656	656	656	656

AISC = C1 + ug sustaining capex, Y1 = 12M to Feb 2025



Source: SCP estimates

SCPe Maiden MRE	Tonnes	Au (g/t)	Au (koz)	SCPe pit t Au (koz)
Bralorne UG	5.49Mt	8.5g/t	1500koz	500koz

SCPe Mining inventory	Tonnes	Au (g/t)	Au (koz)	Dilution included
Bralorne UG	6.22Mt	7.0g/t	1400koz	20%

Funding: uses	Funding: sources		
Mine build capex	C\$194m	2Q21 Cash+options	C\$46m
SCPe G&A to 1st Au	C\$38m	Raise to fund DFS @ spot	C\$30m
SCPe pre-production expl'n	C\$44m	Mine debt @ 60% gearing	C\$77m
SCPe fin. costs + wkg cap	C\$22m	Mine build equity at 0.4xNAV	C\$149m
Total uses	C\$298m	Total proceeds	C\$302m

*Cash from options expiring pre first pour Buffer C\$5m

Share data	Basic	FD	FD with build
Basic shares (m)	255.7	294.2	584.8

Ratio analysis	FY19A	FY20A	FY21E	FY22E	FY23E
Average shares out (m)	138.6	293.2	240.1	343.2	723.1
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	32.2	63.7	55.7	79.5	221.4
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	FY19A	FY20A	FY21E	FY22E	FY23E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	-

Gross profit (C\$m)	FY19A	FY20A	FY21E	FY22E	FY23E
D&A, attrib (C\$m)	-	0.4	0.3	-	-
Admin (C\$m)	2.6	7.9	8.0	8.0	8.0
Expensed exploration (C\$m)	2.4	8.6	18.9	15.0	20.0
Finance cost (C\$m)	0.0	0.0	(0.0)	-	-
Royalty (C\$m)	-	-	-	-	-
Forex, other (C\$m)	(0.0)	0.2	0.5	-	-
Taxes (C\$m)	-	(0.5)	(5.5)	-	-
Net income (C\$m)	(5.0)	(16.5)	(22.3)	(23.0)	(28.0)

Cash flow	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT (C\$m)	(5.0)	(16.9)	(27.8)	(23.0)	(28.0)
Add back D&A (C\$m)	0.0	0.4	0.3	-	-
Less tax + net interest (C\$m)	0.0	(0.5)	(5.5)	-	-
Net change in wkg cap (C\$m)	1.1	0.6	1.4	-	-
Add back other non-cash (C\$m)	1.5	1.6	(4.8)	0.1	0.1
Cash flow ops (C\$m)	(2.4)	(14.0)	(25.4)	(22.9)	(27.9)

Cash flow inv. (C\$m)	FY19A	FY20A	FY21E	FY22E	FY23E
PP&E - build + sust. (C\$m)	1.1	(1.8)	(2.2)	-	-
PP&E - expl'n (C\$m)	-	(0.2)	(0.0)	-	-
Share issue (C\$m)	1.1	(2.0)	(2.2)	-	-
Proceeds from warrants (C\$m)	10.1	33.7	18.4	30.0	-
Debt draw (repay) (C\$m)	-	-	(0.2)	-	-
Cash flow fin. (C\$m)	10.1	35.7	19.7	30.0	-
Net change in cash (C\$m)	8.8	19.8	(7.9)	7.1	(27.9)

EBITDA (C\$m) (11.4) (16.6) (27.4) (23.0) (23.2)

Balance sheet	FY19A	FY20A	FY21E	FY22E	FY23E
Cash (C\$m)	9.7	25.0	17.1	24.2	(3.7)
Acc rec., inv, prepaid (C\$m)	0.4	0.3	1.1	1.1	1.1
PP&E + other (C\$m)	27.7	25.4	30.4	30.4	30.4
Total assets (C\$m)	38	51	49	56	28
Debt (C\$m)	0.3	0.8	0.8	0.8	0.8
Accounts payable (C\$m)	1.3	2.1	4.5	4.5	4.5
Others (C\$m)	15.8	15.6	14.8	14.8	14.8
Total liabilities (C\$m)	17.5	18.5	20.1	20.1	20.1
Sh'hlds equity + sbpl (C\$m)	34.7	65.8	78.1	108.3	108.4
Retained earn'gs + warnts (C\$m)	(14.4)	(30.1)	(49.7)	(72.7)	(100.8)
Liabilities + equity (C\$m)	38	54	49	56	28

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BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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