

| | | |
|----------------------------------|---------------------------------|---------------------------------------|
| Ticker: TSK CN | SCPe cash: C\$25m | Project: Bralorne Gold Complex |
| Market cap: C\$74m | Price: C\$0.29/sh | Country: Canada / BC |
| <i>RECOMMENDATION (unc): BUY</i> | <i>TARGET (unc): C\$0.75/sh</i> | <i>RISK RATING: HIGH</i> |

Today's headline interval is bang in line with our hopes for the project, mining at a sensible 1.5-2.5m @ 8-10g/t around veins ~0.5-1m @ ~20-30g/t. Adding prior hits on the same vein of 0.65m @ 19.9g/t, 2.9m @ 6.0g/t and 1.4m @ 8.1g/t gives an average 1.8m @ 9.7g/t, again right in line with targets. The key here, exemplified by today's drilling, is (i) only a moderate number of veins (ie 5-10, not 50-250) on (ii) consistent sub-vertical orientation with (iii) high-continuity to enable reserve drilling without excessive equity dilution and (iv) low-grade haloes to allow realistic mining widths – tonne-per-day UG mining targets aren't hit with toothpicks. Those three caveats have immediately ruled out the majority of pre-production high-grade vein stories on the TSX, hence our conviction on Talisker. **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.

Figure 1. High-grade veins from Bralorne



Source: Talisker

0.9m @ 28g/t drilled at Bralorne within 2.2m @ 12.5g/t

A single hole released by Talisker today shows 0.9m @ 27.7g/t on the 53 Vein, bulking out to 2.2m @ 12.5g/t, or an even broader 5.1m @ 5.6g/t when low-grade haloes are included. With five rigs drilling, 78,000m has been drilled of a total 100,000m programme, with 26 holes at the labs.

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
- CY22: Maiden inferred resource

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| | | | |
|------------------------------------|--|---|----------------------------|
| Ticker: TSK CN | Price / mkt cap: C\$0.29/sh, C\$74m | Project PNAV today: 0.15x | Asset: Bralorne |
| Author: B.Salier / B.Gaspar | Rec / 0.3xNAV PT: BUY, C\$0.75/sh | 1xNAV₁₀₂₁ FF FD: A\$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 | | | | | |

| SCPe Maiden MRE | Tonnes | Au (g/t) | Au (koz) | SCPe pit u Au (koz) |
|---|---------|------------------------------|----------|---------------------|
| Bralorne UG | 5.49Mt | 8.5g/t | 1500koz | 500koz |
| SCPe Mining Inventory | | | | |
| Bralorne UG | 6.22Mt | 7.0g/t | 1400koz | 20% |
| Funding: uses | | | | |
| 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 | | | | |

| Asset value: 1xNPV project @ build start (C\$m, ungeared)* | | | | | |
|---|----------|----------|----------|----------|----------|
| Project NPV (C\$m)* | \$1750oz | \$1850oz | \$1950oz | \$2050oz | \$2150oz |
| 10.0% discount | 309 | 361 | 413 | 465 | 517 |
| 7.5% discount | 372 | 430 | 489 | 548 | 607 |
| 5.0% discount | 447 | 514 | 581 | 648 | 714 |
| 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 |
| UG koz mined Y1-10 | | | | | |
| | 5.00g/t | 6.00g/t | 7.00g/t | 8.00g/t | 10.00g/t |
| Min Inventory 3Mt | 402 | 482 | 563 | 643 | 804 |
| Min Inventory 7Mt | 1,000 | 1,200 | 1,400 | 1,600 | 2,000 |
| Min Inventory 10Mt | 1,000 | 1,200 | 1,400 | 1,600 | 2,000 |

| Share data | Basic | FD | FD with build | | |
|------------------------|-------|-------|---------------|-------|-------|
| Basic shares (m) | 255.7 | 294.2 | 588.3 | | |
| Ratio analysis | | | | | |
| | FY19A | FY20A | FY21E | FY22E | FY23E |
| Average shares out (m) | 138.6 | 294.5 | 240.1 | 346.2 | 739.2 |
| EPS (C\$/sh) | - | - | - | - | - |
| CFPS (C\$/sh) | - | - | - | - | - |
| EV (C\$m) | 30.8 | 61.2 | 53.3 | 77.0 | 218.9 |
| FCF yield (%) | - | - | - | - | - |
| PER (x) | - | - | - | - | - |
| P/CF (x) | - | - | - | - | - |
| EV/EBITDA (x) | - | - | - | - | - |

| 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 | 588 | 588 |
| 1xNAV5%/sh FF FD (C\$/sh) | 1.06 | 1.21 | 1.27 | 0.93 | 0.97 |
| Equity ROI from spot (% pa) | | 318% | 168% | 79% | 62% |

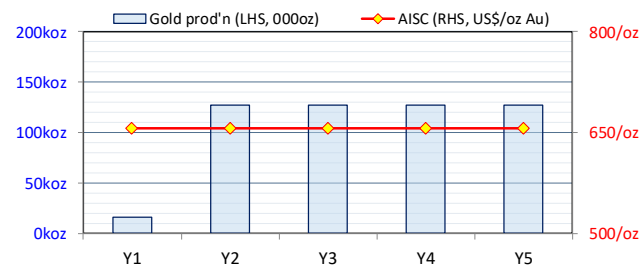
| Income statement | | | | | |
|------------------------------------|--------|--------|--------|--------|---------|
| | FY19A | FY20A | FY21E | FY22E | FY23E |
| Net revenue (C\$m) | - | - | - | - | - |
| COGS (C\$m) | - | - | - | - | - |
| Gross profit (C\$m) | | | | | |
| D&A, attrib (C\$m) | - | 0.4 | 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) |
| PP&E - build + sust. (C\$m) | 1.1 | (1.8) | (2.2) | - | - |
| PP&E - expl'n (C\$m) | - | (0.2) | (0.0) | - | - |
| Cash flow inv. (C\$m) | | | | | |
| | 1.1 | (2.0) | (2.2) | - | - |
| Share issue (C\$m) | 10.1 | 33.7 | 18.4 | 30.0 | - |
| Proceeds from warrants (C\$m) | - | 2.0 | 1.4 | - | - |
| 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 + sbp(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 |

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

| 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 |

| 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

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

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|---|----|
| BUY: | 46 |
| HOLD: | 0 |
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| UNDER REVIEW: | 0 |
| TENDER: | 0 |
| NOT RATED: | 0 |
| TOTAL | 46 |

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