

Ticker: TSK CN
Market cap: C\$72m

SCPe cash: C\$25m
Price: C\$0.28/sh

Project: Bralorne Gold Complex
Country: Canada / BC

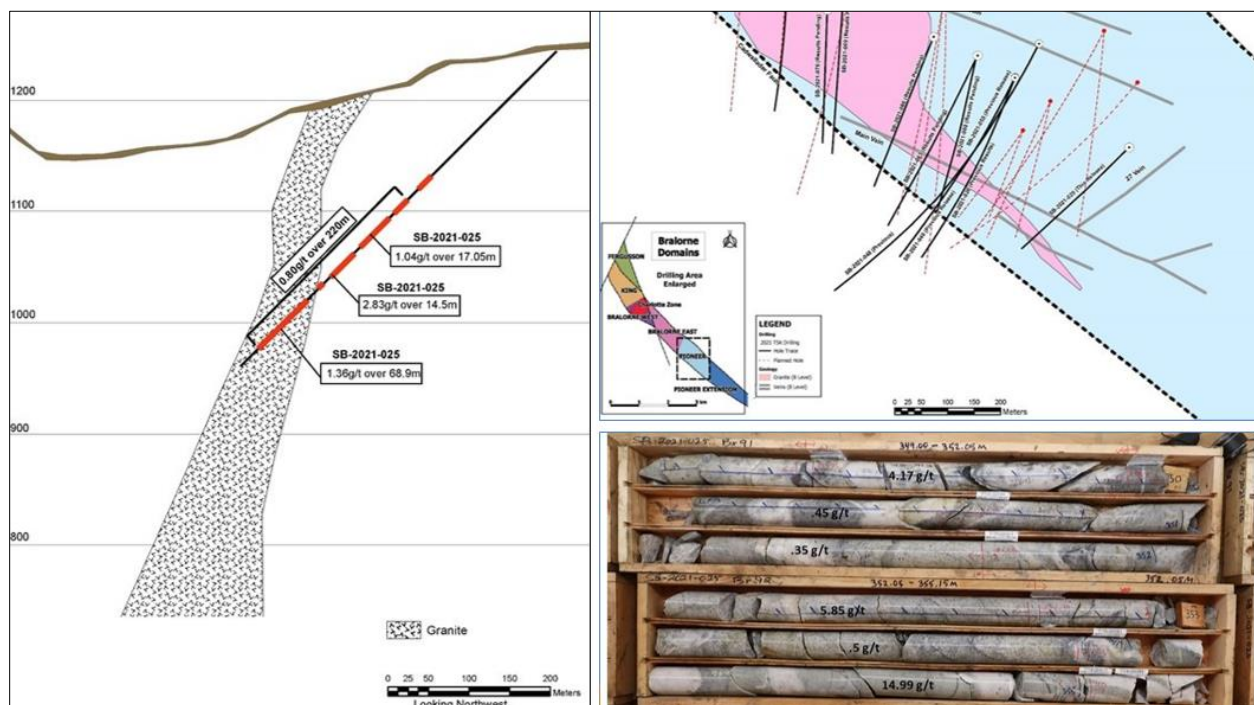
RECOMMENDATION (unc): BUY

TARGET (unc): C\$0.75/sh

RISK RATING: HIGH

Today's step out holes along Pioneer are good follow on to last week's drilling that confirmed the vertical continuity of mineralization at Pioneer down to 1,100m from surface. Now 200m to the south and along strike, today's headline 69m @ 1.4g/t and mineralization confirmed another 600m north with visual intersections of high-density veining + visible gold (assays pending). Firstly, taking only a pitable 300m depth we see 200-250koz at 0.8-1g/t on this initial 200m strike (assuming only 50m TT), which is already approaching our nominal 500koz pit target or US\$30/oz. Thereafter, we have up to 600m of mineralized strike and >1,000m depth of bulk low grade, sub-vertical mineralization, and more step outs planned further north. Very simply, intercepts to the north would be meaningful on each 200m step out along the 3.2km long granite host. Also interesting is the higher grade vein intersections (i.e 0.75m @ 32g/t and 1.4m @ 26g/t) could be modelled and potentially mined selectively UG as well. Stepping back, our most important takeaway here is that Pioneer is shaping up to be a nice 'add on' to the targeted 1.5Moz maiden HG MRE next year from Bralorne UG. As such, **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.

Figure 1. (A) Cross-section, (B) plan map and (C) drill core showing granite host at pioneer



Source: Talisker

Pioneer building strike with 69m @ 1.4g/t in first 200m step out hole; assays pending

Talisker reported the results from the first step out hole at Pioneer, headlining 69m @ 1.4g/t within broader 220m @ 0.8g/t bulk interval. This hole lies 200m south of previously intercepted 107m @ 1.2g/t and 114m @ 1.0g/t. Assays are pending from the 400m and 600m northern step outs where visuals show intersections of high vein density and VG, confirming mineralization up to 600m along strike to the north. Talisker has drilled 56,703m of the planned 100,000m program to date, with five drills active at Bralorne and 11,579 samples awaiting assays at the lab.

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\$0.28/sh, C\$72m	Project PNAV today: 0.14x	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% 0.14x

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	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

Asset value: 1xNPV project @ build start (C\$m, ungeared)*	FY19A	FY20A	FY21E	FY22E	FY23E
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

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

Share data	Basic	FD	FD with build
Basic shares (m)	255.7	294.2	591.9

Ratio analysis	FY19A	FY20A	FY21E	FY22E	FY23E
Average shares out (m)	138.6	295.9	240.1	349.5	756.5
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	29.5	58.6	50.9	74.4	216.3
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

*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	592	592
1xNAV5%/sh FF FD (C\$/sh)	1.06	1.21	1.27	0.92	0.96
Equity ROI from spot (% pa)		333%	174%	81%	64%

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)

Geared company NAV diluted for mine build, net G&A and finance costs	FY19A	FY20A	FY21E	FY22E	FY23E
2Q24 1xNAV FF FD (C\$/sh)^	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
10.0% discount	0.60	0.73	0.85	0.98	1.11
7.5% discount	0.70	0.84	0.98	1.12	1.27
5.0% discount	0.81	0.96	1.12	1.28	1.44

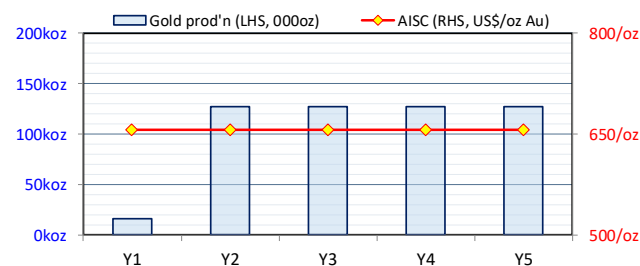
2Q24 1xNAV FF FD (C\$/sh)^	5.0g/t	6.0g/t	7.0g/t	8.0g/t	10.0g/t
Min Inventory 3Mt	0.0	0.1	0.2	0.4	0.7
Min Inventory 7Mt	0.2	0.6	1.0	1.4	2.3
Min Inventory 10Mt	0.2	0.6	1.0	1.4	2.3

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)

^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

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

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Summary of Recommendations as of September 2021	
BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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