

**Ticker:** SKE CN      **PF cash:** C\$54m      **Project:** Eskay Creek  
**Market cap:** C\$624m      **Price:** C\$8.24/sh      **Country:** Canada, BC  
*REC. (unc): BUY*      *TARGET (+0.20): C\$11.00/sh*      *RISK RATING (unc): HIGH*

While never coming as fast as investors would like, that today's charter syncs in well with previously published build schedules de-risks the existing project / valuation today given the three-way agreements between issuer, government and First Nations. In fact, the consolidation of federal and state assessments into a single federally-acceptable state process could be seen as being just as useful, as would pre-permitting works expected this year and next. With construction completion scheduled for 2H25 we model 22koz payable AuEq pre-production gold ahead of 410koz production / 364koz payable in CY26 'Y1', which we maintain now. Modelling the 0.5% NSR sold to Franco for C\$27m and rolling our model forward, **we maintain our BUY rating lift our PT from C\$10.80/sh to C\$11.00/sh PT based on 0.6xNAV<sub>5%-1700</sub>**. Although a short window from permits to concentrate sales, we anticipate this to be de-risked by project funding this year and completion of civils / roads and mill buildings even in CY23/24 to compress timelines, although timing of course remains a risk. The offset to that risk ironically is time, with 1xNAV<sub>5%</sub> rolled forward to CY26 of C\$19.36/sh at our LT US\$1,700/oz and US\$20/oz Au/Ag, lifting to C\$26.23/sh at spot US\$1,915/oz and C\$24.06/oz Ag.

### Permitting process charter signing syncs to CY26 production; 0.5% NSR sale for C\$27m, PT lifted

**Permitting:** Skeena has signed a permitting 'Process Charter' with the Tahltan Central Government, and the Government of BC, establishing a workplan for EA and permitting targeted for 2H24 and 1H25, respectively, in line with project timelines. The project received a 'Readiness Decision' in 4Q22, including consolidation of twin Federal / BC impact assessments into a single BC assessment that meets state and federal requirements. **Royalty sale:** On December 30<sup>th</sup> 2022, Skeena closed the sale of 0.5% NSR on Eskay Creek to Franco-Nevada in return for C\$27m cash and contingent cash of C\$1.5m. In connection, Skeena terminated Franco-Nevada's right of first refusal to purchase a 0.5% NSR on Eskay Creek.

### Why we like Skeena Resources

- Large high-grade open pit with SCPe >500koz upside potential in coming 12-18M
- Shift in market dynamics allows concentrate sales for lower capex
- Optionality from high-grade Snip mine nearby to blend concentrate or add ounces
- Catalyst heavy with drilling, metallurgy, and DFS optimizations in coming 12M

### Catalysts

- 1H23: Potential funding / for early works
- CY23-24: Early works / civils / roads / bridges
- CY25: Permitting, construction completion
- CY26: First concentrate sales

### Research

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<b>Ticker:</b> SKE CN	<b>Price / mkt cap:</b> C\$8.24/sh, C\$624m	<b>Project PNAV today:</b> 0.42x	<b>Asset:</b> Eskay Creek / Snip
<b>Author:</b> B Salier/ E Magdzinski	<b>Rec / 0.6xNAV PT:</b> BUY, C\$11/sh	<b>1xNAV<sub>4Q22</sub> FF FD:</b> C\$19.80/sh	<b>Country:</b> Canada: BC

Commodity price	CY18A	CY19A	CY20A	CY21A	CY22E	Resource / Reserve	AuEq (koz)	AuEq (g/t)
Gold price	1,700	1,700	1,700	1,700	1,700	Pittable resource	5329koz	3.20g/t
						Underground resource	279koz	5.23g/t
						Snip	646koz	13.60g/t

SOTP project valuation*					Funding: uses		Funding: sources	
	C\$m	O/ship	NAVx	C\$/sh				
Ungeared proj. @ build start (3Q23)	1,612	100%	1.00x	19.44	Build Capex	C\$592m	Cash 3Q22+royalty sale	C\$71m
Cash 3Q22+royalty sale	54	100%	1.00x	0.65	SCPe G&A to 1st Au + NSR buyback	C\$28m	Mine debt @ 65% gearing	C\$385m
Cash from options	55	100%	1.00x	0.67	SCPe pre-production expl'n	C\$0m	Mine build equity at 0.4xNAV	C\$207m
Rsr ex rsv @US\$50/oz	92	100%	1.00x	1.11	SCPe finance costs + wkg cap	C\$38m	Total proceeds	C\$663m
Snip (US\$75/oz)	65	100%	1.00x	0.79			Buffer	C\$4m
Asset NAV5% C\$1700/oz	1,879			22.7	Total uses	C\$659m		

\*Shares diluted for options but not mine build Market P/NAV5%<sub>3Q22</sub> 0.36x \*Cash from options expiring pre first pour

Share data					Ratio analysis	CY21A	CY22E	CY23E	CY24E	CY25E
Basic shares (m)	75.8	FD with build equity raise	109.1		Average shares out (m)	91.9	71.2	94.3	96.9	96.9
FD with options (m)	82.9				EPS (C\$/sh)	-	-	-	-	-

Asset value: 1xNPV project @ build start (C\$m, ungeared)*					
Project NPV (C\$m)*	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
10.0% discount	1,173	1,310	1,445	1,581	1,716
7.5% discount	1,340	1,493	1,645	1,796	1,948
5.0% discount	1,537	1,708	1,879	2,050	2,220
Ungeared project IRR:	41%	44%	48%	51%	54%

Project NPV (C\$/sh)*	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
10.0% discount	14.15	15.79	17.42	19.06	20.69
7.5% discount	16.16	17.99	19.83	21.65	23.48
5.0% discount	18.53	20.59	22.7	24.71	26.76

\*Project level NPV, excl finance costs and central SG&A, discounted to build start

Group valuation over time^	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
Eskay Creek (C\$m)	1,595	1,717	2,001	2,399	2,279
Net cash prior qtr (C\$m)	23	169	(24)	(337)	(163)
G&A and finance costs (C\$m)	(96)	(107)	(99)	(75)	(31)
Cash from options (C\$m)	55	55	55	55	55
Snip	65	65	65	65	65
NAV FF FD (C\$m)	1,642	1,899	1,998	2,107	2,205
1xNAV <sub>5%</sub> /sh FF FD (C\$/sh)	19.80^	17.41*	18.32*	19.32*	20.21*

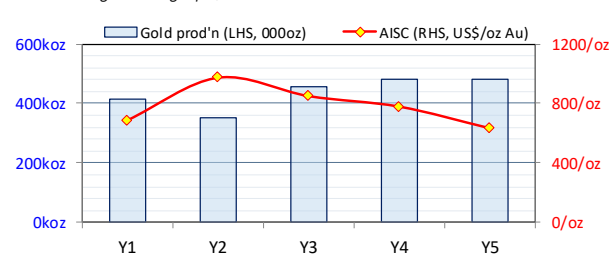
Geared company NAV diluted for mine build, net G&A and finance costs					
1xNAV FF FD (C\$/sh)^	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
10.0% discount	1,641	1,820	2,000	2,179	2,359
7.5% discount	1,723	1,910	2,097	2,284	2,472
5.0% discount	1,813	2,009	2,205	2,401	2,597
Geared project IRR:	39%	42%	45%	49%	52%

1xNAV FF FD (C\$/sh)^	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
10.0% discount	13.15	15.11	17.10	19.11	21.14
7.5% discount	14.41	16.49	18.59	20.71	22.85
5.0% discount	15.78	17.99	20.2	22.46	24.72

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

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	413	352	457	481	480
C1 cost (US\$/oz)	610	896	720	654	588
AISC cost (US\$/oz)	690	977	852	781	634

AISC = C1 + ug sustaining capex; Y1 = 12M to Mar 2027



Source: SCP estimates

Resource / Reserve	AuEq (koz)	AuEq (g/t)
Pittable resource	5329koz	3.20g/t
Underground resource	279koz	5.23g/t
Snip	646koz	13.60g/t

Income statement	CY21A	CY22E	CY23E	CY24E	CY25E
Net revenue (C\$m)	-	-	-	-	39.0
<b>Gross profit (C\$m)</b>	-	-	-	-	<b>30.9</b>
D&A, attrib (C\$m)	0.3	0.2	-	-	5.9
Admin (C\$m)	22.9	18.7	16.1	12.1	-
Expensed exploration (C\$m)	107.5	71.9	-	-	-
Finance cost (C\$m)	(0.2)	(0.3)	-	-	26.5
Royalty (C\$m)	-	-	-	-	0.7
Forex, other (C\$m)	(12.8)	(14.0)	-	-	-
Taxes (C\$m)	-	-	-	-	3.3
<b>Net income (C\$m)</b>	<b>(117.6)</b>	<b>(76.5)</b>	<b>(16.1)</b>	<b>(12.1)</b>	<b>(5.5)</b>

Cash flow, attrib.	CY21A	CY22E	CY23E	CY24E	CY25E
EBIT (C\$m)	(117.8)	(76.8)	(16.1)	(12.1)	24.2
Add back D&A (C\$m)	0.3	0.2	-	-	5.9
Less tax + net interest (C\$m)	(0.2)	(0.3)	-	-	29.8
Net change in wkg cap (C\$m)	(10.3)	12.1	-	(1.1)	(17.5)
Add back other non-cash (C\$m)	1.4	(6.3)	-	-	-
<b>Cash flow ops (C\$m)</b>	<b>(126.1)</b>	<b>(70.5)</b>	<b>(16.1)</b>	<b>(13.2)</b>	<b>(17.2)</b>
PP&E - build + sust. (C\$m)	(13.1)	(12.7)	(35.4)	(179.3)	(296.3)
PP&E - expl'n (C\$m)	(0.5)	(0.0)	22.5	-	-
<b>Cash flow inv. (C\$m)</b>	<b>(13.5)</b>	<b>(12.7)</b>	<b>(12.9)</b>	<b>(179.3)</b>	<b>(296.3)</b>

Cash flow inv. (C\$m)	CY21A	CY22E	CY23E	CY24E	CY25E
Share issue (C\$m)	137.0	65.2	174.4	-	-
Proceeds from sale (C\$m)	5.0	-	-	-	-
Debt draw (repay) (C\$m)	(1.6)	(0.3)	-	-	441.3
<b>Cash flow fin. (C\$m)</b>	<b>140.5</b>	<b>64.9</b>	<b>174.4</b>	-	<b>441.3</b>
Net change in cash (C\$m)	0.8	(18.3)	145.4	(192.5)	127.9
<b>EBITDA (C\$m)</b>	<b>(117.5)</b>	<b>(76.6)</b>	<b>(16.1)</b>	<b>(12.1)</b>	<b>30.2</b>

Balance sheet	CY21A	CY22E	CY23E	CY24E	CY25E
Cash (C\$m)	40.3	23.2	168.5	(23.9)	103.9
Acc rec., inv, prepaid (C\$m)	13.9	7.4	7.4	8.5	6.0
PP&E + other (C\$m)	100.8	124.2	137.1	316.4	606.7
<b>Total assets (C\$m)</b>	<b>155.0</b>	<b>154.8</b>	<b>313.1</b>	<b>301.0</b>	<b>716.7</b>
Debt (C\$m)	1.3	1.4	1.4	1.4	442.6
Accounts payable (C\$m)	12.5	20.6	20.6	20.6	0.6
Others (C\$m)	17.6	3.6	3.6	3.6	3.6
Total liabilities (C\$m)	31.4	25.6	25.6	25.6	446.9
Sh'hlds equity + wrmts (C\$m)	362.0	448.9	623.3	623.3	623.3
Retained earn'gs + rsvs (C\$m)	(238.4)	(319.7)	(335.9)	(348.0)	(353.5)
<b>Liabilities + equity (C\$m)</b>	<b>155.0</b>	<b>154.8</b>	<b>313.1</b>	<b>301.0</b>	<b>716.7</b>

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Summary of Recommendations as of January 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

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