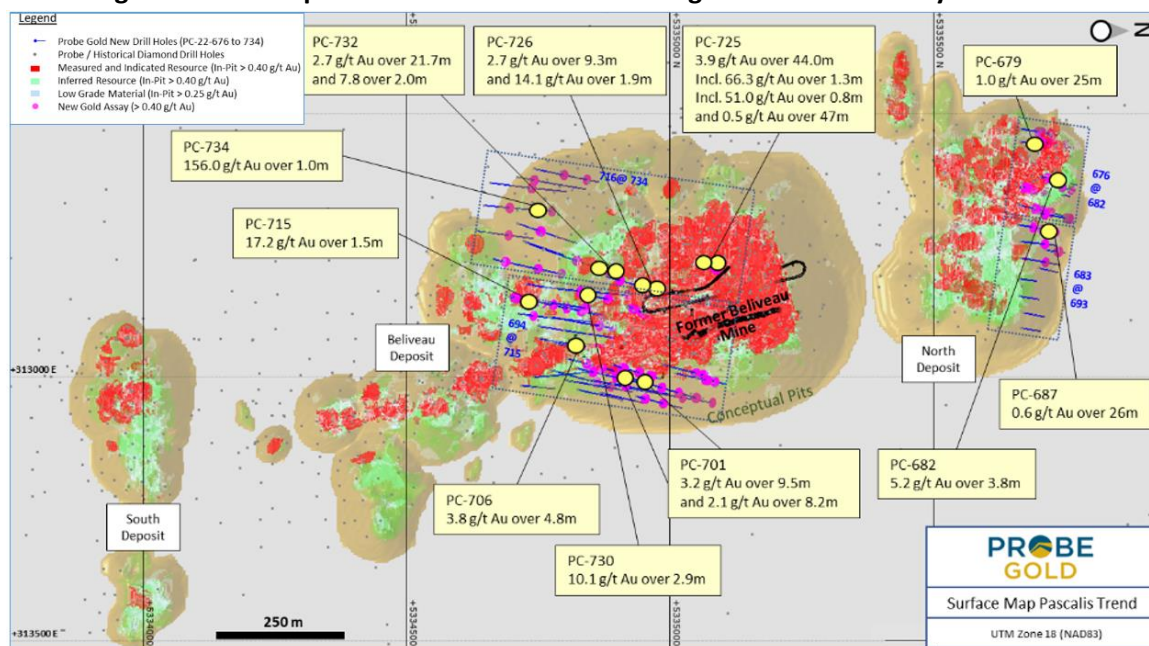


Ticker: PRB CN **Cash:** C\$24m **Project:** Novador / Detour belt
Market cap: C\$209m **Price:** C\$1.38/sh **Country:** Canada, QC
REC. (unc): BUY **TARGET (unc):** C\$2.70/sh **RISK RATING (unc):** HIGH

Today's headline hit from Pascalis is great and the average of today's highlighted infill drilling (9 holes, 13 pierce points) is similarly solid at 14m @ 2.6g/t <136m downhole. Recall, last year's drilling on Monique was the big win, which saw a +78%-ounce lift in last month's MRE update. Next up are the Pascalis / Courvan resource updates, which should see a baseload improvement and M&I lift ahead of the PFS in our view. Currently, we model C\$1Bn NPV_{5%-1850} for Novador at build start, which very simply, increases ~5% with every incremental 100koz added to our mine inventory, equating to +5c/sh to our Price Target. This leaves plenty of room to unlock value given the large delta between the ~5Moz global resource today and the PEA inventory. Beyond that, resource growth is still a focus this year - we are particularly excited for the potential step change regional drilling around Novador focused on new discoveries. For now, we maintain our BUY rating and C\$2.70/sh PT based on 0.3xNAV_{5%-1850} for a direct-feed 1.6Moz @ 2.1g/t (+486koz @ 0.5g/t sorter feed) and 739koz @ 3.2g/t for a LOM average production of 206koz pa. With C\$24m at YE22 Probe is well positioned to de-risk Novador via the drill pit and engineering (2H23 PFS) but also test new targets at Novador / Detour belt for potential discovery upside—which is precisely what CEO David Palmer is known for.

Figure 1. Plan map of Pascalis Gold Trend showing a selection of today's results



Source: Probe Gold

Shallow high-grade at Beliveau with 44m @ 3.9g/t (inc. 1.3m @ 51g/t) ahead of MRE update

Probe Gold reports the first set of results from 2022 infill/expansion drilling along the Pascalis Gold Trend, 59 holes (11,200m) / 16 highlighted. Infill highlights of **44.0m @ 3.9g/t** from 6m (inc. 1.3m @ 66.3g/t and 0.8m @ 51g/t), **21.7m @ 2.7g/t** from 305m, **9.5m @ 3.2g/t** from 44m, **47.0m @ 0.5g/t** from 148m, **2.9m @ 10.1g/t (inc. 0.9m @ 31.5g/t)** from Beliveau. Expansion drilling saw highlights of **1.0m @ 156g/t** to the NW at Beliveau, **26.0m @ 0.6g/t** and **25.0m @ 1g/t** at the North deposit. More than 80% of today's drilling yielded gold intercepts >0.4 g/t Au, which is above the cut-off grade used in the 2021 pit-constrained resource estimate. All results today will be included in the upcoming resource update on Pascalis and Courvan this Spring. Looking ahead, six rigs are active (four at Monique and two at Pascalis) with 15,000m completed YTD and additional 38,000m planned.

Why we like Probe Gold

1. Global >5Moz resource in a top tier jurisdiction
2. 3Q21 PEA shows >200koz pa with scarcity value
3. 777km² on Detour belt offers additional upside

Catalysts

- 2023: 50,000m drill program at Novador including 15,000m regionally
- Spring 2023: Courvan + Pascalis trend MRE update
- 2H23: Novador PFS
- 1Q24/26: SCPe build start and first pour

Research

Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Konstantinos Kormpis (Toronto) M: +1 778-957-3623 kkormpis@sprott.com

Ticker: PRB CN	Price / mkt cap: C\$1.38/sh, C\$209m	Project PNAV today: 0.20x	Asset: Novador
Author: B Gaspar	Rec / xNAV PT: BUY, C\$2.7/sh	1xNAV(1q23) FF FD: C\$4.60/sh	Country: Canada, Quebec

Commodity price	CY23E	CY24E	CY25E	CY26E	CY27E	Resource	Au (koz)	Au (g/t)	Inventory Au (koz)	Au (g/t)
Gold price	1,850	1,850	1,850	1,850	1,850	Pit constrained	3446koz	1.57g/t	Pit: 2073koz	1.13g/t
SOTP project valuation*						Underground	1570koz	2.95g/t	UG: 739koz	3.23g/t

	C\$m	O/ship	NAVx	C\$/sh
Proj. @ build start (1Q26)	1,004	100%	0.30x	1.85
Cash @ Dec 2022	24	100%	1.00x	0.15
Cash from options	13	100%	1.00x	0.08
Resource ex invnt'y @ US\$35/oz	100	100%	1.00x	0.61
Asset NAV5% US\$1850/oz	1,141		PT: 2.69	

*Shares diluted for options but not mine build Market P/NAV5% (today) 0.20x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*					
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	506	620	730	838	946
7.5% discount	596	727	854	979	1,103
5.0% discount	704	857	1,004	1,149	1,293
Ungeared project IRR:	42%	47%	51%	56%	60%
1xNAV5%-1700 (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
8.0% discount	1.90	2.13	2.36	2.58	2.80
6.5% discount	2.01	2.27	2.51	2.76	3.00
5.0% discount	2.13	2.41	2.69	2.95	3.22

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

Shares outstanding (m)			
Basic in issue (m)	151.4	Build shares @ 0.5xNAV (m)	52.9
FD with options (m)	163.3	FD mine build @ 0.5xNAV (m)	216.2

Group valuation over time^	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
Novador NPV (C\$m)	955.1	1,004.2	1,176.2	1,481.4	1,241.9
G&A + fin. costs (C\$m)	(101.9)	(88.4)	(87.7)	(71.6)	(52.4)
Net cash prior qtr (C\$m)	29.0	13.0	83.6	(177.9)	93.0
Cash from options (C\$m)	12.9	12.9	12.9	12.9	12.9
Resource ex reserve (C\$m)	100.2	100.2	100.2	100.2	100.2
NAV FF FD (C\$m)	995	1,042	1,285	1,345	1,396
Shares in issue (m)	216.2	216.2	216.2	216.2	216.2
1xNAV5%/sh FF FD (C\$/sh)	4.60	4.82	5.94	6.22	6.46
Equity ROI from spot (% pa)	83%	87%	108%	65%	47%

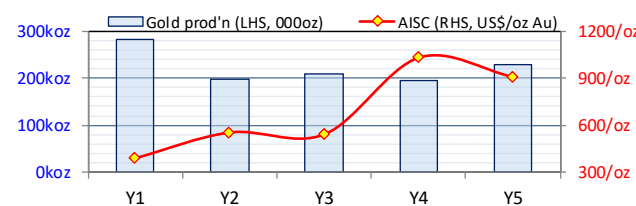
Geared company NAV diluted for mine build, net G&A and finance costs

1xNAV FF FD (C\$/sh)^	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	882	1,019	1,150	1,281	1,410
7.5% discount	944	1,094	1,240	1,383	1,526
5.0% discount	1,015	1,183	1,345	1,504	1,663
Geared project IRR:	38%	43%	48%	52%	56%

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

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	281	197	210	194	228
C1 cost (US\$/oz)	327	485	474	823	722
AISC cost (US\$/oz)	393	557	545	1,033	909

AISC = C1 + ug sustaining capex, Y1 = CY26



Source: SCP estimates

Uses of funds (C\$m)		Sources of funds (C\$m)	
Pre-prod'n capex (C\$m)	353	Cash + ore-Au options (C\$m)	46
G&A / fin. cost to 1st Au (C\$m)	27	Mine build equity (C\$m)	185
Working cap (C\$m)	38	Mine build debt (C\$m)	229
Exploration pre-Au (C\$m)	14	Total sources (C\$m)	461
Peak financing (C\$m)	431	Buffer (C\$m)	30

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	124.5	131.4	146.8	159.5	216.2
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	141.1	152.5	173.5	207.1	214.7
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	4.2	-	-	-	-
Gross profit (C\$m)	(4.2)	-	-	-	-
D&A, attrib (C\$m)	-	0.0	0.0	0.0	-
Group G&A (C\$m)	5.6	6.0	4.5	3.6	3.6
Finance cost (C\$m)	0.3	0.7	0.1	-	0.8
Taxes (C\$m)	-	-	(0.3)	-	-
Net income (C\$m)	(10.1)	(6.8)	(4.3)	(3.6)	(4.4)
EBITDA (C\$m)	(15.4)	(12.0)	(31.0)	(17.6)	(3.6)

Cash flow, attrib.	CY20A	CY21A	CY22E	CY23E	CY24E
EBIT (C\$m)	(9.8)	(6.0)	(4.5)	(3.6)	(3.6)
Add back D&A (C\$m)	-	0.0	0.0	0.0	-
Less tax (C\$m)	0.3	0.7	(0.2)	-	0.8
Change in wkg cap (C\$m)	(0.2)	1.2	0.5	1.6	-
Plus other non-cash (C\$m)	(4.8)	(12.0)	(25.4)	(14.0)	(1.5)
Cash flow ops (C\$m)	(14.5)	(16.1)	(29.6)	(16.0)	(4.4)
PP&E - build + sust. (C\$m)	(0.0)	(0.0)	(0.0)	-	(110.0)
PP&E - expl'n (C\$m)	(0.1)	-	-	-	-
Cash flow inv. (C\$m)	(0.2)	(0.0)	(0.0)	-	(110.0)
Share issue (C\$m)	10.0	(0.9)	31.3	-	185.0
Debt draw (repay) (C\$m)	-	-	-	-	76.4
Cash flow fin. (C\$m)	10.0	(0.9)	31.3	-	261.4
Net change in cash (C\$m)	(4.7)	(17.0)	1.7	(16.0)	147.0

Balance sheet	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (C\$m)	30.7	28.9	29.0	13.0	160.0
Acc rec., inv, prepaid (C\$m)	1.8	0.9	1.6	1.6	1.6
PP&E + other (C\$m)	5.0	5.1	3.8	3.8	113.8
Total assets (C\$m)	37.5	34.9	34.4	18.3	275.4
Debt (C\$m)	-	-	-	-	76.4
Accounts payable (C\$m)	1.0	1.3	2.6	4.2	4.2
Others (C\$m)	5.1	2.6	2.9	2.9	2.9
Total liabilities (C\$m)	6.1	3.9	5.5	7.1	83.5
Sh'hlds equity + wrmts (C\$m)	106.8	122.6	145.7	145.7	330.7
Retained earn'gs + rsvs (C\$m)	(75.3)	(91.6)	(116.8)	(134.4)	(138.8)
Liabilities + equity (C\$m)	37.5	34.9	34.4	18.3	275.4

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BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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