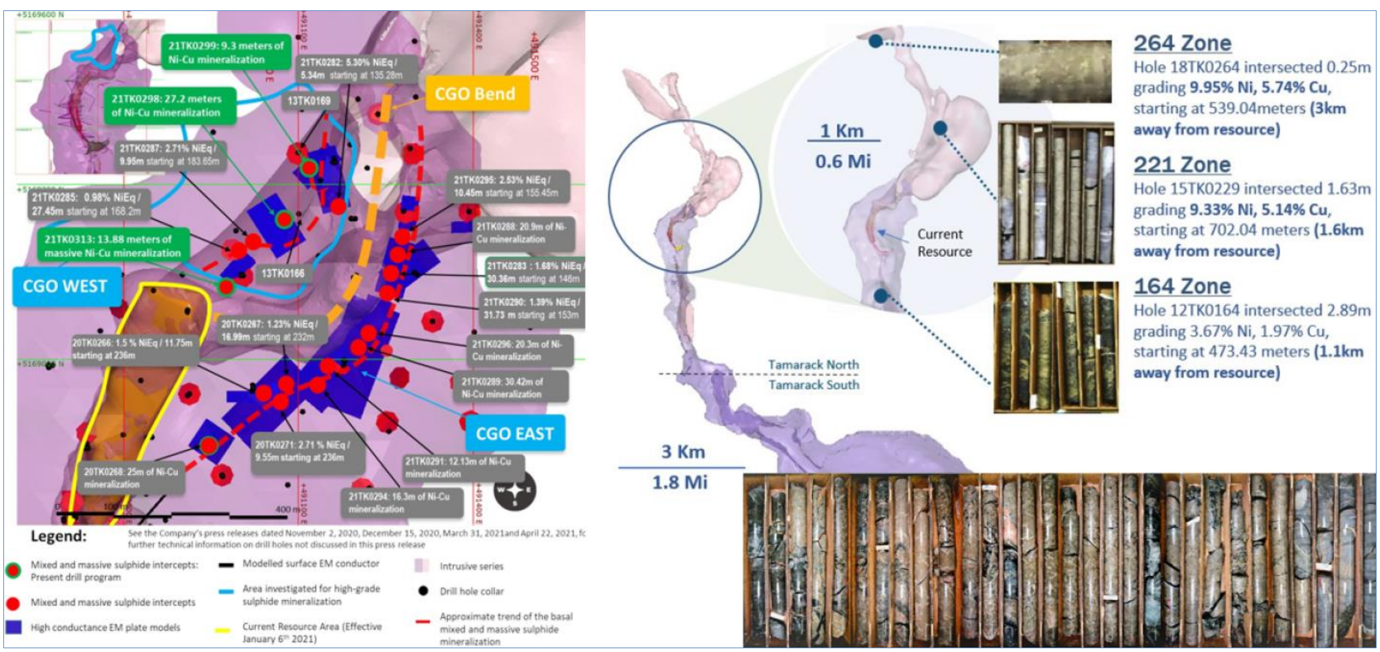
Ticker: TLO CN	**Cash:** ~C$44m	**Project**: Tamarack
Market cap: C$373m	**Price:** C$0.56/sh	**Country:** USA
RECOMMENDATION (unc): BUY	*PRICE TARGET (unc): C$1.05/sh*	*RISK RATING: HIGH*

Whilst today's visual intersections of 27m of massive and 14m of mixed massive sulphide mineralization from CGO West are awaiting assays, we see two key implications: (i) the 'blow-outs' of mineralization in short distances, from 1-5m hit previously to 14m headlined today, highlight a key advantage of layered intrusions vs komatite flow-hosted Ni. Ultimately, increasing the size potential for Talon as CGO West sits outside the resource area, only has six holes, all hitting mineralization, and extends another 400m—plus CGO East. Secondly, (ii) big picture implications suggest these types of "blobs / pools" of mineralization at CGO West can occur across the entire 18km intrusive complex, pointing to potential 'blow-outs' near previous intercepts of 1.6m @ 9.3% NiEq and 0.3m @ 9.9% NiEq, 1.6km and 3km north of the resource area respectively (Figure 1B). So – if Rio missed this much nickel this close, how much could they have missed up and down the belt? With 18km intrusion to test, beyond ~800m over which the existing resource lies, and even beyond the ~7km with proven high-grade from drilling, the upside is clear given the current value is for only the 'first 10Mt'. Even small bodies of massive sulphide can add large tonnes quickly, and with geophysics working well, we see excellent potential for just this. ***We maintain our BUY rating and C$1.05/sh PT.***

Surprise thickest intercept to date with 14m of mixed massive sulphides in core; assays pending

Talon reported **14m of mixed massive sulphide mineralization** observed in core drilled at CGO West from 225m (Figure 1C), the **thickest intercept to date** and stand out compared to the surrounding holes at 5m thick. Additional visual intersections of Ni-Cu mineralization from shallow CGO West drilling hit 27m and 9.3m, including 1.9m of mixed massive sulphide mineralization. Assays from today's intersections are pending. CGO West lies 100m outside the Tamarack resource area and extends another ~400m that has only seen six holes drilled by Talon to date.

Figure 1. (A) Plan view CGO drilling within (B) regional TIC host and (C) today's sulphides in drill core



Source: Talon Metals

Why we like Talon Metals

- High-grade nickel developer in top jurisdiction
- Potential EV metals complex in the making with Norilsk sized layered intrusion
- Demonstrated exploration success and discovery upside

Catalysts

- 2021: Resource expansion and infill results from ongoing drilling
- 2022: Pre-feasibility study and first reserves
- 2026: First production

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com
Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com
Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com

Ticker: TLO CN	**Price / mkt cap:** C$0.56/sh / C$373m	**P/NAV today:** 0.26x	**Country:** USA, Minnesota
Author: B Salier / B Gaspar	**Rec / PT:** BUY, C$1.05c/sh	**1xNAV7%:** C$1.33c/sh	**Asset:** Tamarack

Commodity price	CY20E	CY21E	CY22E	CY23E	CY24E
Ni price (US$/t)	17,632	17,632	17,632	17,632	17,632
Ni price (US$/t, payable)	13,746	13,746	13,746	13,746	13,746
SOTP *project* valuation*	**C$m**	**o/ship**	**NAVx**	**C$/sh**	
Tamarack NPV (build start)	816	60%	1.00x	0.61	
SCPe Resource Upside	816	60%	0.50x	0.31	
SCPe Pro-forma Cash	44.0	100%	1.0x	0.05	
Cash from ITM options/warrants	43.4	100%	1.0x	0.05	
1XNAV C$ @ 2Q24	C$1719m			1.03	
**Build start, ex fin. cost + G&A, dil. for optns not build*			*P/NAV today:*	0.26x	

Asset value: 1xNPV project @ build start (C$m, ungeared)*					
Asset NPV (C$m)	11,632	14,632	17,632	20,632	23,632
9.0% discount	357	544	730	916	1,103
7.0% discount	413	615	816	1,017	1,218
5.0% discount	476	695	913	1,131	1,349
Ungeared project IRR:	31%	40%	49%	58%	66%
Asset NPV @ 1.3% (C$m)	9.0Mt	10.0Mt	10.8Mt	15.0Mt	20.0Mt
US$14,632/t	547	581	615	736	848
US$17,632/t	732	775	816	972	1,117
US$20,632/t	918	970	1,017	1,208	1,386

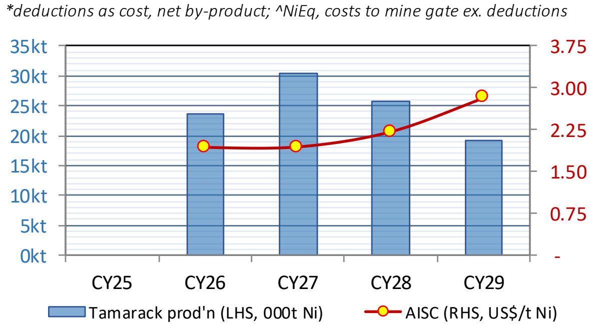
**Project level NPV, excl finance costs and central SGA, discounted to build start*

Group valuation over t	1Q21	1Q22	1Q23	1Q24	1Q25
Project NPV (C$m)	658	704	753	807	990
Centra G&A and finace cos	(85)	(90)	(94)	(98)	(88)
Net cash prior quarter	17.3	16.3	14.4	12.3	54
Cash from ITM options/wa	43.4	43.4	43.4	43.4	43.4
NAV (C$m)	633	674	717	765	999
FD share count (m)	*801*	*801*	*979*	*979*	*979*
1xNAV7%/sh FF FD (C$/sh)	0.79	0.84	0.73	0.78	1.02

Exit value: 1xNAV/sh company @ 2026 first production (C$, geared)					
1xNAV (C$/sh)	11,632	14,632	17,632	20,632	23,632
9.0% discount	0.56	0.77	0.98	1.18	1.39
7.0% discount	0.61	0.83	1.05	1.27	1.50
5.0% discount	0.66	0.90	1.14	1.38	1.61
1xNAV (C$/sh)	9.0Mt	10.0Mt	10.8Mt	15.0Mt	20.0Mt
US$14,632/t	0.76	0.79	0.83	0.96	1.08
US$17,632/t	0.96	1.01	1.05	1.22	1.37
US$20,632/t	1.17	1.22	1.27	1.48	1.67

Production (Y1 from 3(	CY25	CY26	CY27	CY28	CY29
Production (000kt NiEq)		23.6	30.3	25.7	19.2
AISC TLO (US$/t Ni)*		2.01	1.92	1.95	2.44
AISC SCP (US$/t Ni)^		1.92	1.93	2.21	2.82

**deductions as cost, net by-product; ^NiEq, costs to mine gate ex. deductions*



Resource/Inventory	Mt	Ni %		Mt	Ni %
	1Q21 MRE			SCP inventory	
M&I	3.9	1.91%		10.8	1.34%
Inferred	7.2	1.11%			
Total	11.1	1.39%	Total	10.8	1.3%

Funding: uses		Funding: sources	
Surface capex (C$m)	280	Cash + ITM options (C$m)	87.4
UG dev. capex (C$m)	130	Asset level SCPe debt (C$m)	255.0
SCPe Working capital (C$m)	8.2	CPe DFS equity @ spot (C$m)	100.0
SCPe G&A and fin. cost (C$m)	6.0	Rio equity contribution (C$m)	66.7
Total uses: group (C$m)	424	Total sources (C$m)	509

Share data (m)	Basic	FD	FF FD		
Shares (m)	665.9	800.70	979.3		
Ratio analysis	**CY20E**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Shares out (m)	593.9	665.9	665.9	665.9	665.9
EPS (Cc/sh)	-	-	-	-	-
CFPS before w/c (C$/sh)	-	-	-	-	-
EV (C$m)	314.9	356.7	358.5	360.7	318.9
FCF yield (%)	-	-	-	-	-
Income statement	**CY20E**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Revenue (C$m)	-	-	-	-	-
COGS (C$m)	-	-	-	-	-
Gross profit (C$m)	-	-	-	-	-
G&A (C$m)	1.5	1.5	1.8	2.2	2.2
Exploration (C$m)	-	-	-	-	-
Finance costs (C$m)	0.2	-	-	-	12.8
Tax (C$m)	-	-	-	-	-
Other (C$m)	0.1	0.2	0.2	0.2	0.2
Net income (C$m)	**(1.8)**	**(1.7)**	**(2.0)**	**(2.4)**	**(15.1)**
Cash flow statement	**CY20E**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
EBITDA (C$m)	(1.5)	(1.7)	(2.0)	(2.4)	(2.4)
Add share based (C$m)	0.1	0.2	0.2	0.2	0.2
Net change wkg cap (C$m)	0.4	-	-	-	-
Cash flow ops (C$m)	**(1.9)**	**(1.5)**	**(1.8)**	**(2.2)**	**(14.9)**
PP&E - build + sust. (C$m)	-	-	-	-	110.0
PP&E - expl'n (C$m)	(7.1)	-	-	-	-
Cash flow inv. (C$m)	**(7.1)**	-	-	-	**(110.0)**
Share issue (C$m)	19.4	-	-	-	166.7
Debt draw (repay) (C$m)	-	-	-	-	255.0
Cash flow fin. (C$m)	**19.4**	-	-	-	**421.7**
Net change in cash (C$m)	10.8	(1.5)	(1.8)	(2.2)	296.7
Balance sheet	**CY20E**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Cash (C$m)	17.7	16.3	14.4	12.3	309.0
Acc rec. + invet. (C$m)	0.4	0.4	0.4	0.4	0.4
PP&E & expl'n (C$m)	60.7	60.7	60.7	60.7	170.7
Total assets (C$m)	**78.9**	**77.4**	**75.6**	**73.4**	**480.2**
Debt (C$m)	-	-	-	-	255.0
Accounts payable (C$m)	1.1	1.1	1.1	1.1	1.1
Others (C$m)	18.1	16.7	14.9	12.7	309.4
Total liabilities (C$m)	3.6	3.6	3.6	3.6	258.6
Shareholders' equity (C$m)	150.6	150.8	151.1	151.3	318.1
Reserves (C$m)	20.4	20.4	20.4	20.4	20.4
Retained earnings (C$m)	(95.8)	(97.4)	(99.4)	(101.8)	(117.0)
Liabilities + equity (C$m)	**78.9**	**77.4**	**75.6**	**73.4**	**480.2**

Source: SCP estimates

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TENDER:	0
NOT RATED:	0
TOTAL	40

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