

Tartisan Nickel Corp.
(CSE: TN / OTC: TTSRF)

Robust PEA Confirms Viability of Its High-Grade Nickel Deposit

BUY

Current Price: C\$0.29
Fair Value: C\$0.85
Risk: 5

Sector / Industry: Junior Mining

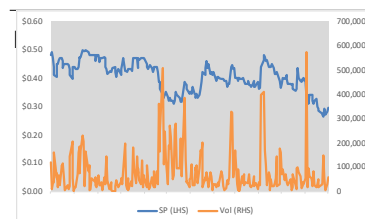
[Click here for more research on the company and to share your views](#)

Highlights

- A Preliminary Economic Assessment (PEA) on the Kenbridge nickel project in the Kenora mining district, northwestern Ontario, **returned attractive economics**, with an After Tax-NPV5% of \$109M, and a high AT-IRR of 20%, using US\$10/lb nickel. TN is **trading at just 20% of AT-NPV5%**. For comparison, shares of Talon Metals (TSX: TLO/MCAP: \$311M), a comparable advanced-stage nickel junior, are trading at 61% of AT-NPV7%.
- Unlike the historic PEA, which was based on an open-pit/underground operation, the latest PEA was based on a smaller-scale underground operation, **targeting the project's deeper/higher-grade resource**. This scenario is more attractive as higher-grade ore can be accessed in the initial years of operation, through an existing shaft infrastructure on site. **We believe very few nickel juniors in North America have high-grades and low CAPEX/OPEX as TN does.**
- 2021 drill campaign resulted in a 25% increase in contained nickel (146 Mlbs), and an 18% increase in contained copper (78 Mlbs). Approximately 70% of the resource estimate is classified as underground resources.
- We believe **the PEA was conservative** as it did not account for the remaining 30% of open-pittable resources.
- **Nickel grades of the underground resource increased 16% to 1.08%**, and copper grades increased 10% to 0.55%. We note that nickel grades of over 1% are considered high.
- Management is planning to conduct a **resource expansion drill program** to test the deposit at depth.
- Nickel prices are down 23% in the past two months. We are **expecting prices to be under pressure amid rising rates, and slower global GDP growth**. In addition, the nickel market is expected to move to a supply surplus this year. That said, we are **expecting long-term prices of US\$8/lb or higher** (current price: US\$9/lb) as most of the large undeveloped nickel projects cannot generate attractive economics if prices fall below US\$8/lb.
- **Upcoming catalysts** include a resource expansion drill program, and positive sentiment towards juniors focused on EV metals. The discrepancy between TN and Talon's EV/AT-NPV indicates that **the market has yet to realize TN's potential**.

Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Nina Rose Coderis, B.Sc (Geology)
Equity Analyst



	YTD	12M
TN	-25%	-38%
TSXV	-46%	-61%

Company Data

52 Week Range	C\$0.25 –C\$0.50
Shares O/S	111M
Market Cap.	C\$32M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	1.6x

Key Financial Data (FYE - March 31)		
(C\$)	FY2020	FY2021 (9M)
Cash	\$21,197	\$75,216
Working Capital	\$14,151,271	\$14,961,304
Mineral Assets	\$2,776,961	\$5,782,283
Total Assets	\$17,649,973	\$21,503,137
Net Income (Loss)-Adj.	-\$1,952,323	-\$1,701,883
EPS	-\$0.02	-\$0.02

*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.

Nine-year underground mine operations/1,500 tpd

Average annual production of 7.3 Mlbs NiEq, making it a small-medium sized nickel project

Existing infrastructure allows for relatively low initial CAPEX of US\$134M, in line with our estimate (US\$130M)

Cash cost of US\$3.8/lb was also in line with our estimate (US\$3.7/lb)

AT-NPV5% of \$109M, and a high AT-IRR of 20%, using US\$10/lb nickel

Underground resources increased 39%, of which, 31% came from moving higher-grade open-pit resources to underground resources, and 8% came from a 2021 drill program

Promising PEA Results

The following table compares the PEA with our forecasts. As our models were based on an open-pit/underground operation, our estimates for life-of-mine nickel and copper production, and processing rates were significantly higher. However, our CAPEX/OPEX estimates were in line with the PEA.

PEA Highlights

Highlights	2022 PEA	FRC Estimates
AT-NPV	\$109M (5%)	\$68M (11.6%)
After-tax IRR	20.0%	
Payback period (after-tax)	3.5 years	
Cash Cost	US\$3.8/lb NiEq	US\$3.7/lb NiEq
Assumptions		
Processing throughput	1,500 tonnes per day	2,800 tonnes per day
Mine life	9 years	9 years
Life-of-mine nickel production	52.6 Mlbs	105 Mlbs
Life-of-mine I copper production	30.7 Mlbs	58 Mlbs
Nickel price	US\$10/lb	US\$8/lb
Copper price	US\$4/lb	US\$3/lb
Initial CAPEX	US\$134M	US\$130M
Exchange rate	0.78 US\$/C\$	0.81 US\$/C\$

2022 Underground Resource Estimate

2022 UG Resource								
Class	Cut-off NSR	Tonnes (K)	Ni(%)	Ni (Mlb)	Cu(%)	Cu (Mlb)	Co(%)	Co (Mlb)
Measured	100	1,867	0.99	41	0.50	20.6	0.017	0.7
Indicated	100	1,578	0.95	33	0.53	18.5	0.009	0.3
M&I	100	3,445	0.97	74	0.52	39.1	0.013	1.0
Inferred	100	1,014	1.47	32.7	0.67	14.9	0.011	0.2
Total		4,459		106.7		54		1.2
M&I %		77.3		69.4		72.4		83.3

2020 Resource Estimate

Scenario	Classification	Cut-off NSR CS/t	Tonnes (M)	Ni (%)	Ni (M lb)	Cu (%)	Cu (M lb)	Co (%)	Co (M lb)
Pit Constrained	Measured	15	2,966	0.5	30.8	0.26	17.3	0.007	0.5
	Indicated	15	2,270	0.4	21.5	0.26	13.2	0.010	0.5
	M + I	15	5,236	0.5	52.3	0.26	30.5	0.009	1.0
Out-of-pit	Indicated	60	2,232	0.9	42.5	0.45	22.4	0.006	0.3
	Inferred	60	0.99	1.00	21.8	0.62	13.5	0.003	0.1
Total	Measured	15	2,966	0.5	30.8	0.26	17.3	0.007	0.5
	Indicated	15+60	4,502	0.7	64.1	0.36	35.6	0.008	0.8
	M+ I	15+60	7,468	0.6	94.9	0.32	52.9	0.008	1.3
	Inferred	60	0.99	1.0	21.8	0.62	13.5	0.003	0.1

Source: Technical Report

The project has 146 Mlbs Ni, and 78 Mlbs copper across open-pit and underground resources

Underground resources have an average nickel grade of 1.08%; grades of over 1% are considered high

Kenbridge has smaller tonnage, but significantly higher-grades than most comparables

Relatively low OPEX and CAPEX

Kenbridge's direct comparable is Talon's Tamarack project (low-tonnage/high-grade project)

TN's EV/AT-NPV and EV/Resource are significantly lower than that of Talon, implying that the market is yet to recognize TN's potential

Consolidated Resource Estimate

Class	Cut-off NSR	Tonnes (K)	Ni (%)	Ni (Mlb)	Cu(%)	Cu (Mlb)	Co(%)	Co (Mlb)
2022 UG Resources								
Measured	100	1,867	0.99	41	0.50	21	0.017	0.7
Indicated	100	1,578	0.95	33	0.53	19	0.009	0.3
M&I	100	3,445	0.97	74	0.52	39	0.013	1.0
Inferred	100	1,014	1.47	33	0.67	15	0.011	0.2
Total		4,459		107		54		1.2
2020 Open Pit Resource, net of tonnage moved to UG								
M&I	100	4,236	0.42	39	0.26	24	0.008	0.8
Total		8,695		146		78		2.0
M&I + 50% Inferred		8,188		129		71		1.9

Source: Company/ FRC

Upcoming Plans

Management is planning to conduct a resource expansion drill program to further test the deposit at depth. Baseline studies for project permitting and road construction are underway.

Comparable Deposits

The following table summarizes some of the key nickel deposits in North America.

Development Stage Ni Projects in North America

Project	Turnagain	Decar	Dumont	Eagle's Nest	Tamarack	Crawford	Kenbridge
Location	B.C.	B.C.	Quebec	Ontario	Minnesota	Ontario	Ontario
Company	Giga Metals	FPX Nickel	Waterton Global Resource Management	Wyloo Metals	Talon Metals	Canada Nickel	Tartisan Nickel
Enterprise Value (CSM)	\$23	\$101	N/A	N/A	\$269	\$147	\$21
Stage	2021 PEA	2020 PEA	2019 FS	2012 FS	2021 PEA	2021 PEA	2022 PEA
Resource	M&I - 5.2 Blbs 0.22% Ni and 312 Mlbs at 0.022% Co	Indicated - 5.3 Blbs 0.122% Ni + Inferred - 1.5 Blbs at 0.114% Ni	M&I - 9.75 Blbs at 0.28% Ni	M&I - 403 Mlbs at 1.78% Ni + 238 Mlbs at 0.98% Cu + 1.6 Moz PGE	M&I - 164 Mlbs at 1.91% Ni + 88 Mlbs at 0.1.02% Cu + 0.1 Moz PGE	M&I - 3.7 Blbs at 0.26% Ni + Inf. - 2.6 Blbs at 0.24% Ni	M&I - 74 Mlbs at 0.97% Ni + 39.1 Mlbs Cu at 0.52% Cu
Mine Life (years)	37	35	30	11	7.5	25	9
CAPEX	US\$1.91B	US\$1.67B	US\$1.02B	C\$609M	US\$316M	US\$1.2B	US\$134M
Commodity Prices	US\$7.5/lb Ni and US\$22.3/lb Co	US\$7.75/lb Ni	US\$7.75/lb Ni	US\$9.1/lb Ni and US\$2.92/lb Cu	US\$8/lb Ni and US\$3/lb Cu	US\$7.75/lb Ni	US\$10/lb Ni and US\$4/lb Cu
AT-NPV	(-US\$443M) (8%)	US\$1.72B (8%)	US\$0.92B (8%)	C\$543M (8%)	US\$567M (7%)	US\$1.2B (8%)	US\$85M (5%)
AT-IRR	5%	18%	15%	28%	48%	16%	20%
EV/AT-NPV	N/A	4.6%	N/A	N/A	61.3%	9.5%	19.6%
Ni Equiv. (M&I Res.)	5,201	6,050	9,750	692	189	5,020	141
EV/Resource	\$0.004	\$0.02	N/A	N/A	\$2.37	\$0.03	\$0.15

Source: FRC / S&P Capital IQ / Various Companies

Financials

Strong balance sheet

(in C\$) (FYE- March 31)	FY2020	FY2021 (9M)
Cash	\$21,197	\$75,216
Working Capital	\$14,151,271	\$14,961,304
Current Ratio	20.61	20.70
Monthly Burn Rate (G&A)	-\$78,813	-\$88,526
Cash spent on Properties	-\$551,692	-\$3,005,322
Cash from Financing Activities	\$854,067	\$2,478,961

Source: FRC / Company

Stock Options and Warrants: 5.70M options (weighted average exercise price of \$0.44 per share) and 5.60M warrants (weighted average exercise price of \$0.77 per share) are outstanding. Nil options and warrants are in the money.

Valuation and Rating

As a result of the higher resource estimate, our DCF valuation increased from \$0.77 to \$0.85 per share

Unlike the PEA, we are continuing to use both underground and open-pit resources in our models

DCF Valuation	
Mine Life (years)	15
Throughput (tpd)	1,500
Total Tonnage (Mt)	7.74
	UG Grade Recovery Price (US\$/lb)
Ni	1.09% 75% \$8.00
Cu	0.55% 77% \$3.00
Initial Capital Cost (\$, M)	\$134
Average Cash Cost (US\$/lb NiEq)	\$3.72
Exchange rate (C\$:US\$)	1.29
Discount Rate	11.6%
After-Tax Net Asset Value (C\$)	\$83,726,934
Working Capital - Debt	\$10,689,823
Fair Value of TN (C\$)	\$94,416,757
No. of Shares (treasury stock method)	110,807,803
Fair Value per Share (C\$)	\$0.85
C\$:US\$ - 1.29	Nickel Price (US\$/lb)
	\$7.0 \$7.5 \$8.0 \$9.0 \$10.0
7.5%	\$0.98 \$1.19 \$1.40 \$1.83 \$2.25
10.0%	\$0.69 \$0.86 \$1.04 \$1.39 \$1.74
Discount Rate 11.6%	\$0.54 \$0.70 \$0.85 \$1.16 \$1.47
12.5%	\$0.48 \$0.62 \$0.76 \$1.05 \$1.34
15.0%	\$0.31 \$0.43 \$0.55 \$0.80 \$1.04

Source: FRC

We are reiterating our BUY rating, and raising our fair value estimate from \$0.77 to \$0.85 per share. Upcoming catalysts include a resource expansion drill program and positive sentiment towards juniors focused on EV metals.

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The Kenbridge project is **highly sensitive to commodity prices**. As with most nickel projects under development, we believe nickel prices have to be over US\$8/lb to make them attractive.
- Exploration and development
- **Project financing** may take longer than expected.
- EIA and permitting risks.
- There is no guarantee that the company will be able to simultaneously advance all of its projects.

*Maintaining our
risk rating of 5
(Highly
Speculative)*

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

Disclaimers and Disclosure

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees were paid by TN to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, TN has agreed to a minimum coverage term including an initial report and three updates. Coverage cannot be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time.

The distribution of FRC's ratings are as follows: BUY (65%), HOLD (7%), SELL / SUSPEND (28%).

To subscribe for real-time access to research, visit <https://www.researchfrc.com/website/subscribe/> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward-looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter. Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.