



Falco Resources

FPC-TSX

 Rating
Outperform

 Price: Feb-16
\$0.23

 Target
\$0.80

 Total Rtn
248%

Discussion Points: '24 BMO Global Metals, Mining & Critical Minerals Conference

Bottom Line:

The 33rd annual Global Metals, Mining & Critical Minerals Conference is being held from February 25 to 28, with roughly 300 companies expected to participate. We present below some topical points and questions that we hope should be helpful to encourage discussion among those in attendance.

Key Points

- Earlier in 2024, Falco announced a key milestone with the signing of an operating license and indemnity agreement (OLIA) with Glencore (Restricted). What are the key deliverables and conditions outlined in the agreement?
- Please discuss the financial assurances under the OLIA agreement and how these requirements will change during each phase of the project.
- With an OLIA agreement in place, what work is planned in 2024 to advance the Horne 5 project?
- What are the EIA and permitting milestones for the EIA and BAPE expected in 2024?
- Please discuss the remaining milestones needed prior to the development of Horne 5. What are the key deliverables prior to the start of dewatering the underground?
- Pre-production capital spending has been estimated at \$844.2mm in the 2021 feasibility study. How are these figures likely to change to reflect inflation? Should the market expect an updated study?

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IN Fact

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Company Description

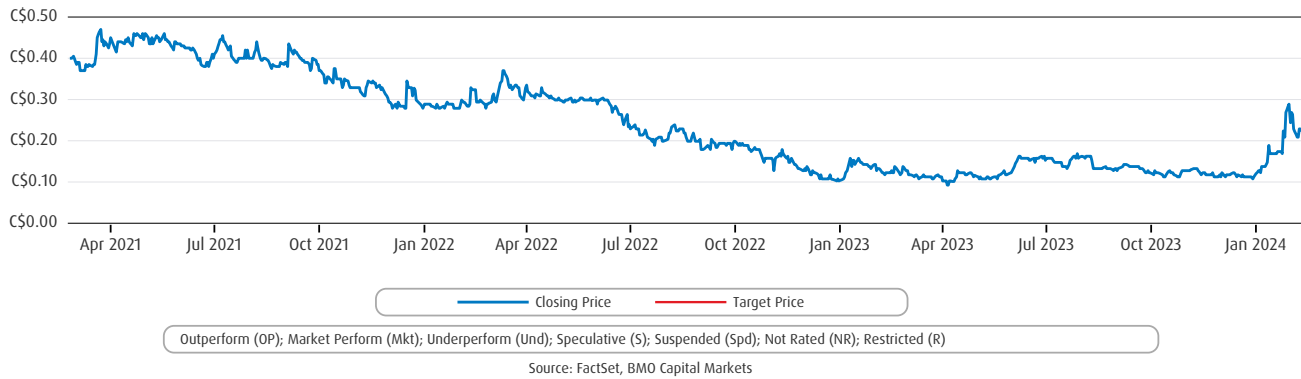
Falco Resources owns a 100% interest in the past-producing Horne 5 copper/gold mine in northern Quebec. A 2017 feasibility for the Horne 5 resource presented a 219,000oz/yr of gold development scenario at a by-product AISC of \$399/oz. Falco is preparing to de-water existing shafts, and initiating the permitting process.


 FPC-TSX
 Research

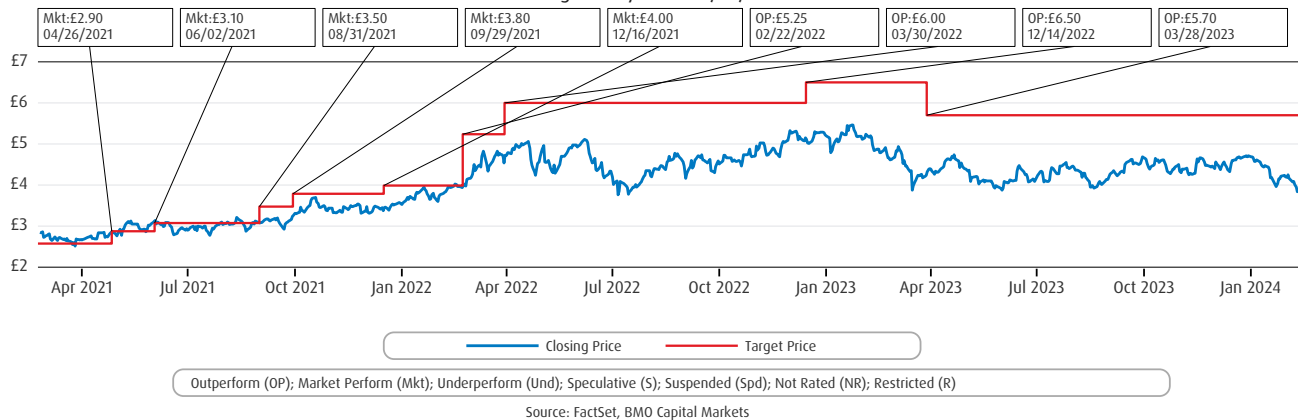

Glossary


 Company
 Models

Falco Resources Rating History as of 02/16/2024



Glencore Rating History as of 02/19/2024



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Methodology and Risks to Target Price/Valuation for Falco Resources (FPC-TSX)

Methodology: In line with the rest of the BMO coverage universe, we use NAV to value development-stage assets. Falco's Horne 5 project has a completed feasibility study, but the proposed scale of development and capex led us to select a conservative 0.2x P/NAV5% target setting multiple. We have not modelled financing debt or equity costs/dilution, as this structure is unknown. We instead use a P/NAV target-setting multiple below the range of financed peers to account for financing impacts.

Risks: Extensive historical drilling and production leads to low resource risk. Technical risk is medium to high from a high tonnage underground operation uncommon in the precious sector. Met testing reconfirms that ~one-third of gold reports to a pyrite concentrate after fine grinding. Jurisdictional risk is low with Horne 5 located in a modern mining camp with access to infrastructure. Minimizing surface footprint and creating jobs will create support.

Methodology and Risks to Target Price/Valuation for Glencore (GLEN-LSE)

Methodology: The target price is derived using a weighted blend of NPV, EBITDA multiples, growth factors, and mine life.

Risks: Glencore is exposed to the global demand for its key commodities, which include copper, zinc, and coal. It is also exposed to foreign exchange rate movements and country risk. If these risks are greater than we expect, the stock could have difficulty achieving our target price. Likewise, if these risks are less than we expect, the stock could trade above our target price.

Distribution of Ratings (February 19, 2024)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	48.7 %	16.6 %	44.6 %	54.7 %	58.4 %	57.7%
Hold	Market Perform	48.7 %	19.3 %	51.8 %	43.7 %	40.2 %	37.5%
Sell	Underperform	2.4 %	18.2 %	2.4 %	1.5 %	0.9 %	4.8%

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Prior BMO Capital Markets Rating System

(April 2013 - October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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