

September 14, 2023

Taseko Mines Ltd. (TKO-CN, TKO-LN, TGB)

Milestone Final Permit Received from the US EPA

Event

Taseko Mines announced that the US Environmental Protection Agency (EPA) has issued the final Underground Injection Control Permit (UIC) for the Florence Copper Project, located in Arizona. Now with the UIC Permit in-hand, construction of the Florence Copper production facility can finally commence. Following a nearly five year endeavor at Florence, we view this final permit receipt as a monumental stepping stone which will allow for ISR mining to finally become a reality (following an estimated 18-month build). We maintain our 12-month price objective of C\$3.70 per share. This represents +78% upside from the most recent intra-day quote.

Details

- **Florence ISR Project Finally Ready for Construction** – With permit now in-hand, the mobilization of contractors for the wellfield and SX/EW plant construction can finally commence. Following the first cathode produced in April 2019, the Aquifer Protection Permit was issued in December 2019. The Draft UIC permit was issued by the EPA in August 2022 and then was followed up by the publication of an updated NI43-101 Technical report in March 2023. Today, note that procurement of ~\$80M in long lead time items has already started many months ago.
- **Financing Well in Advance** – Much has been accomplished on the financing front as well. Committed financings/partnerships were previously inked with both Mitsui (\$50M construction financing + \$50M option) and Bank of America (\$25M lease financing). Recall that Taseko maintains ~\$180M in available liquidity via cashflow from Gibraltar and has access to a \$50M ATM facility and a \$30M corporate revolver.
- **Low Capex, Solid Economics and Green** – The Florence Copper Project represents one of the least capital intensive (~\$232M) copper projects situated anywhere in the world. Given the ISR nature of the project, (low water use, low energy consumption and a low carbon emission footprint) the project is not only one of the more profitable projects currently in development but it also is seen as one of the greenest. Following an estimated 18-month construction period, we forecast a nearly 20 year LOM operation. Given ISR recovery, we forecast that the Florence copper project will average 74.0M lbs of copper per year at an average AISC of \$2.70/lb. We continue to view the project with a certain level of conservatism as we note that the 2023 Technical Report estimated a 22 year LOM with an annual production capacity of 85.0M lbs.

Conclusion

Underpinned by a LT \$4.35 per lb copper price and using a weighted valuation methodology incorporating a 1.10x NAV_{7%-8%} target (75%) coupled with a 6.5x 2024 EV/EBITDA multiple (25%), we maintain our 12-month price objective of C\$3.70 per share. This represents upside of +78% from the most recent TSX intra-day quote. The full note and details can be found [here](#):

Company Profile

Sector	Mining
Sub-Sector	Copper
Ticker	TKO-CN
Ticker	TGB, TKO.LN
Current Price (\$)	C\$2.08
12-Mth Price Objective (\$)	C\$3.70
Potential Upside	78%
Mkt Cap, Basic (\$M)	C\$504.5M
Mkt Cap, FD (\$M)	C\$510.1M
EV (\$M)	C\$992.7M
Shares O/S Basic (M)	288.5M
1-Mth Return	-2.2%
3-Mth Return	-6.8%
YTD Return	-10.1%

	2023e	2024e	2025e
Cu Production lbs '000	106,987	109,835	147,934

LOM Production lbs	3,850M
LOM avg. C1 cost\$/lb	\$1.93
LOM avg. AISC\$/lb	\$2.76

Cu - P&P	Tons (M)	lbs (M)
Gibraltar	676.0	3,300
Florence	320.0	2,300
Cu - M&I	Tons (M)	lbs (M)
Gibraltar	1182.0	5,800
Florence	363.0	2,500

Company Description

Taseko Mines Limited is a TSX, NYSE and LSE listed copper producer with a North American asset base. Underpinned by the currently producing Gibraltar mine, annual production is expected to reach nearly 200M lbs once the ISR Florence operation commences in 2025e. The LT portfolio is highlighted by large-scale P&P copper deposits and one of the world's largest niobium deposits.

2-Year Stock Chart



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