



Osisko Gold Royalties Ltd.

{OR-T}

SECTOR: Mining

STOCK PRICE	\$11.84
RATING	BUY
TARGET PRICE	\$19.50
RISK	High

COMPANY UPDATE

Osisko Acquires a 1.2% NSR on Bralorne Gold Project in BC

OUR TAKE: Osisko continues to source royalties with significant upside potential and Bralorne is a smart acquisition at a reasonable price.

KEY HIGHLIGHTS

- ◆ **Talisker to Acquire Bralorne Gold Project** – Talisker Resources Ltd. (TSK-CSE, \$0.175, not rated) announced the acquisition of a 100% interest in the Bralorne gold project from Avino Silver & Gold Mines (ASM-V, \$0.68, not rated) for a cash payment of \$8.7 million and 9.9% of the common shares outstanding of Talisker. In addition, Avino will receive a half warrant for each share they own, exercisable at \$0.25 for three years from closing plus a final US\$2.5 million cash payment on commercial production.
- ◆ **Funding for Acquisition Includes NSR to Osisko** – Talisker also announced a financing of up to \$10.2 million consisting of a \$4.0 million non-brokered private placement taken primarily by Eric Sprott (22.2 million shares at \$0.18 per share) and the sale of a 1.2% NSR to Osisko on the Bralorne Gold Project for \$6.2 million. Management and insiders of Talisker are also purchasing \$1.1 million of the financing. We think this royalty acquisition is a smart deal on an historical high-grade camp with similar geological characteristics to the Barkerville camp, which Osisko and Talisker both know well.
- ◆ **A Historical Producer with Good Exploration Potential** – The Bralorne Gold Project is located in southern British Columbia, about 60 km north of Whistler, BC and historically produced ~4.2 million ounces of gold at an average head grade of 17.7 g/t gold from 30 narrow veins in three adjacent mines. The mines started in 1928 and closed in 1971 due to low gold prices at the time of US\$35 per ounce. Currently, there are more than 60 veins identified with many open along strike and at depth. The current 2016 resource, all categories, totals 175,000 ounces averaging almost 10 g/t and this project warrants a significant drill program. Talisker has a three-phase program planned for 2020, including drilling the lower-grade halo around previously mined stopes, drilling below the old workings on veins not mined historically and following the mined veins down plunge.
- ◆ **Barkerville Transaction set to Close Today** – On November 19th the Supreme Court of BC granted a final order in respect of the Business combination of Osisko Gold Royalties and Barkerville (BGM-V, Tender Rating). If the remaining closing conditions are satisfied, the transaction should close today.

RECOMMENDED ACTION

We recommend accumulating shares at current levels

- ◆ **Reiterate our Buy Rating and \$19.50 Target.** Our target price is derived from a blend of 1.5x our Corporate NAV of \$17.00/share (60%) and 20.0x EV/2020 CF (40%). With a cash balance of ~\$124 million and an undrawn \$480 million credit facility, Osisko is well positioned to pursue opportunities to add to its royalty/streaming portfolio. Osisko is a lower risk way for investors to gain gold exposure.

KEY STATISTICS AND METRICS

52-Week High/Low	\$17.47/\$9.35
YTD Performance	(1%)
Dividend Yield	2.25%
Shares O/S	144 MM (basic)
Market Capitalization	\$1,704M
Cash	\$124M
LT Debt	\$348M
Enterprise Value	\$1,901M
Daily Volume (3 mos.)	422,920
Currency	C\$ unless noted

HAYWOOD ESTIMATES (USD)

	2018A	2019E	2020E
Revenue (\$M)	490	518	678
Op.CF (\$M)	85	96	120
CFPS (\$)	0.54	0.62	0.76
FCF (\$M)	19	62	90

VALUATION

Osisko is trading at 1.0x NAV and 17.9x 2020 EV/CF, which compares with royalty peers trading at 1.9x NAV and 22.0x 2020 EV/CF.

Important Information and Legal Disclosures

This report is intended for institutional investors and may only be distributed to non-institutional US clients in the following states: Alaska, Alabama, Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Delaware, Florida, Georgia, Guam, Hawaii, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Maine, Michigan, Minnesota, Missouri, Mississippi, Montana, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Virgin Islands, Vermont, Washington, Wisconsin, West Virginia, and Wyoming. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

Analyst Certification

I, Kerry Smith, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

Important Disclosures

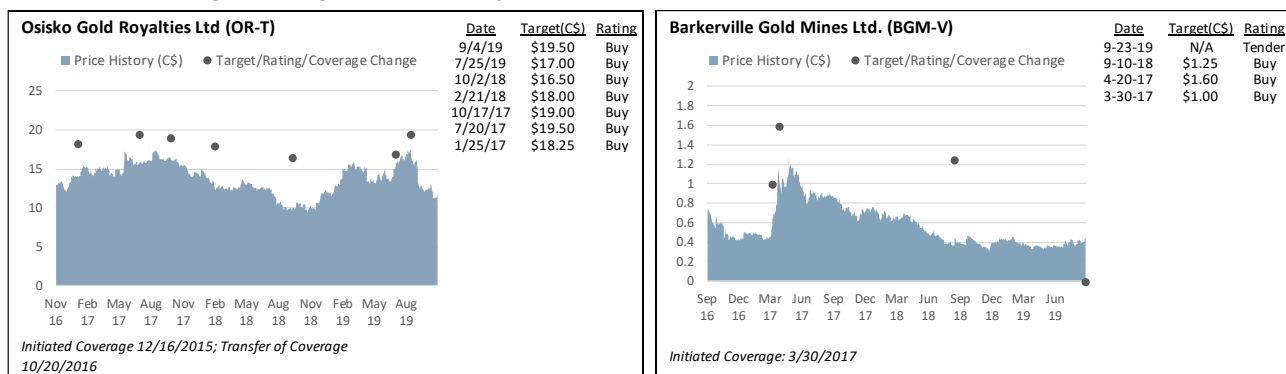
Of the companies included in the report the following Important Disclosures apply:

- Haywood Securities, Inc. has reviewed lead projects of Barkerville Gold Mines Ltd. (BGM-V), Osisko Gold Royalties Ltd. (OR-T) and a portion of the expenses for this travel have been reimbursed by the issuer.
- Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for Barkerville Gold Mines Ltd. (BGM-V), Osisko Gold Royalties Ltd. (OR-T) in the last 12 months.

Distribution of Ratings (as of November 21, 2019)

	%	#	IB Clients (TTM)
Buy	76.6%	82	96.7%
Hold	8.4%	9	0.0%
Sell	2.8%	3	0.0%
Tender	0.9%	1	3.3%
UR (Buy)	0.9%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	10.3%	11	0.0%

Price Chart, Rating and Target Price History (as of November 21, 2019)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities

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