

# Braveheart Resources Inc. (TSXV: BHT, OTCQB: RIINF) – Junior with Near-Term Cash Flow Potential and Strong Copper Exposure



## Investment Highlights

- Braveheart Resources Inc. (“BHT”, “the company”) is a base metals explorer with a focus on projects in British Columbia (“BC”) and Ontario. It has two polymetallic-copper mines at the development stage and is targeting near-term production.
- BC Copper Mine with Near-Term Production Restart: At BHT’s Bull River Mine, the company are looking to restart copper production from the existing mining infrastructure, with low-cost cash flow generation being targeted within the calendar year.
- Developed Copper Asset in Pickle Lake: At the Thierry Mine, a historical producer with currently flooded underground workings, BHT has recently announced a positive Preliminary Economic Assessment (“PEA”), further shoring up its development portfolio.
- Flexibility on Debt Servicing: Despite the large debt held by the company, we believe the weak solvency picture is offset by the willingness of creditors to reach agreements with the company and support its mine development.
- Based on our analysis and valuation models, we are initiating coverage on BHT with a BUY rating and a fair value per share estimate of \$0.21 per share.

<b>Current Price (C\$):</b>	\$	0.10
<b>Fair Value (C\$):</b>	\$	0.21
<b>Projected Upside:</b>		110.00%
<b>Action Rating:</b>		BUY
<b>Perceived Risk:</b>		HIGH

<b>Shares Outstanding:</b>	164,390,971
<b>Market Capitalization (C\$):</b>	\$ 16,439,097
<b>P/E</b>	-
<b>P/B</b>	5.27
<b>YoY Return</b>	-12.50%
<b>YoY TSXV Return</b>	88.56%

\*Note all \$ amount are C\$ unless otherwise stated.

## Key Financial Data (FYE - May 31)

(C\$)	2020	Q2-2021
Cash	\$ 108,635	\$ 1,378,320
Working Capital	\$ 738,969	\$ 1,652,713
Mineral Assets	\$ 7,197,144	\$ 7,303,088
Total Assets	\$ 11,235,444	\$ 12,203,343
Net Income (Loss) for the 6M	\$ (3,160,348)	\$ (1,935,178)
EPS for the 6M	\$ (0.03)	\$ (0.02)

February 18<sup>th</sup>, 2021

BHT is a resource exploration company with a focus on development-stage, copper-dominant mines located in BC and Ontario. BHT's mineral portfolio consists of the following assets:

- **Bull River Mine:** Located near Cranbrook in southeast BC, Bull River is a past producing copper mine with a significant amount of existing infrastructure given its brownfield status. Previous operations at Bull River produced between 1971 and 2009 via open pit mining, and BHT is looking to restart Bull River as an underground mining operation.
- **Thierry Mine:** Located near Pickle Lake in Ontario, Thierry Mine was recently purchased by BHT and is a past producing copper-nickel mine with underground infrastructure that is currently flooded. BHT have announced a PEA on the restart of underground mining operations at Thierry, a recently announced positive results.

We consider both of BHT's development assets to be interesting opportunities given their brownfield nature. A key feature underpinning our investment thesis on BHT is that both provide relatively near-term cash flow potential at fairly low restart cost, especially in the case of Bull River. This creates significant value accretion potential as BHT could potentially reinvest mine cash flows into reserve expansion initiatives, creating organic asset growth opportunities for investors. With copper prices having roared back from lows at the beginning of the coronavirus pandemic, we believe BHT may additionally benefit from a strong macro environment. With assets that are relatively advanced stage in the mine development cycle, and cash flow potential that is unlockable at fairly low capital cost, we consider BHT to have multiple valuation-based catalysts in the near-term.

### The Bull River Mine

Located approximately 50 km east of Cranbrook in the East Kootenay region of BC, the Bull River Mine comprises 21 mineral claims covering an area of 10,285 hectares. The company acquired the property on January 21, 2019, when it closed the acquisition of Purcell Basin Minerals Inc. ("Purcell"), Bull River's previous owner that fell under creditor protection. As part of the acquisition, cash costs of approximately \$1.18 million were incurred in settling priority payables, and debt of approximately \$11 million was taken on. Net assets of \$10.37 million were recognized as part of the transaction, with much of the asset value acquired by BHT concentrated in the existing PPE and unprocessed ore stockpile on-site.

Bull River Mine



Source: Company

The mine, which previously produced throughout the period of 1971 through 2009, has been under care and maintenance since 2014. The mine's first operator originally explored the property starting in 1968, including diamond drilling, soil sampling and electromagnetic surveys, before identifying two deposits amenable to open pit mining. Subsequent to the exploration work, a 700 tpd mill was built and commenced production in October 1971. The initial open pit operation continued through to June 1974, producing lifetime output of 7,260 tonnes of copper, 6,354 kg of silver, and 126 kg of gold. The subsequent two operators (including Purcell) both continued mine development initiatives, including exploration work and NI43-101 compliant resource estimates, but eventually ended up being placed under creditor protection. Throughout its history, Bull River has seen over 170,000 metres of exploratory drilling and over 22,000 metres of drifting.

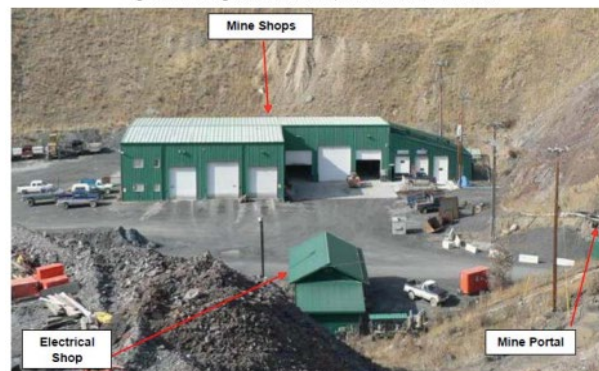
As a result of its historical development, the majority of the necessary mining infrastructure is already in place at Bull River, and needs only refurbishment or replacement in order to return to functionality. The existing mining infrastructure at Bull River includes:

- A 700 tpd conventional mill with adjoining 5,000 tpd crusher building, a fine ore bin, and a concentrate storage facility.
- Underground infrastructure including 22,000 meters of working across seven levels, a mine ramp, ventilation raises and fans, sumps, and mobile equipment fleet.
- An existing ore stockpile, with approximately 165,000 tonnes averaging 1.7% CuEq. The company estimates there are almost 6.15 million pounds of copper equivalent in the stockpile, which at today's copper prices represents over \$28 million in stored value.
- Access via paved, all-weather roads.
- An administrative building containing dry facilities.
- An assay and water testing laboratory, and a metallurgical laboratory.
- Mine shops, an electrical shop, a core shack, a fire hall, and a mine rescue building.
- The site for an electrical substation connected to 69 kV electrical transmission line. As the previous substation was destroyed by a fire in 2013, it will need to be replaced as part of the mine restart. A 10 MVA replacement transformer has already been purchased.
- Water wells and a septic system.
- Close proximity to a rail spur.
- A mine effluent discharge and settling system (currently using an old pit used by Bull River's first operator).

### Existing Mine Infrastructure at Bull River Mine



Figure 6-1. Existing BRM infrastructure; administration and mill area.



Source: Company

In terms of accessibility, the mine is accessible via road from Cranbrook, and sits on the south-facing slopes of the Steeples Mountains, above the Bull River. Local site access is via a mine access road that connects to Bull River Road, a gravel all-weather road. From Bull River Road, access to Cranbrook is via BC Provincial Highway 3 and Wardner-Fort Steele Road, a paved, all-weather road. Driving from Vancouver to the mine site is expected to take between 10 and 12 hours, whilst the drive from Calgary is estimated at around 4.5 hours. As the closest major settlement to Bull River Mine, Cranbrook could feasibly provide BHT with most of the resources required to function. With a population of approximately 20,000, Cranbrook is the largest urban settlement in the East Kootenay with ample local resources including a hospital, schools, an general commercial facilities. In addition, Cranbrook also has an airport in the Cranbrook / Canadian Rockies International Airport, which operates flights to Vancouver, Victoria, Kelowna, and Calgary.

### Bull River Mine Access Map



Source: Company



In terms of climate and geography, the average annual temperature is approximately 8.5°C. The summer highs occur between July and August, averaging 18°C, with lows in December averaging -7°C. On rainfall, the area's average annual precipitation is around 403 millimeters, with the rainy season falling in June (53 millimeters) and the dry season in March (20 millimeters). There is an average of 69 days per year of rain and 32 days of snow. Snow usually falls between October and May, with an annual mean of 13 millimeters. Based on the average climate conditions, it is expected that mining operations can take place year-round.

### ***Bull River's Mine Economics & Production Planning***

At Bull River, BHT's plan is restart operations with the existing infrastructure, running the mine as an underground operation. In order to facilitate this, BHT plans to deploy a modest capital investment centred around infrastructure upgrades and component replacement. As the existing infrastructure is largely sufficient (upon optimizing) to restart underground mining operations, there is reason to believe that the project ramp-up may be fairly limited, leading to near-term cash flow visibility. BHT intends to restart the Bull River Mine at a planned throughput of 700 tpd, which given the current resource, implies a mine life of 6.5 years minimum.

The most recent completed Technical Report on Bull River is an NI 43-101 compliant resource estimate published November 4, 2018. The study did not focus on the company's planned operational restart or its economic feasibility and was instead centred on Bull River's resource profile.

#### **Bull River Mine Mineral Resources**

**Table 1-1 Bul River Deposit Mineral Resource Estimate – Indicated – Base Case Cut-off of 0.6% Equivalent Cu - Effective Date November 4, 2018**

Cut-off Cu Eqv. (%)	In situ	In situ Grades					In Situ Metal		
	Tonnage (Ktonnes)	Cu Eqv. (%)	Cu (%)	Au (gpt)	Ag (gpt)	NSR (\$US)	Cu (000 lbs)	Au (kOz)	Ag (kOz)
0.4	2,678	1.564	1.307	0.315	10.5	93.12	77,198	27	903
0.6	2,179	1.809	1.517	0.352	12.2	107.70	72,902	25	857
0.8	1,809	2.038	1.716	0.381	13.9	121.33	68,409	22	810
1.0	1,511	2.263	1.911	0.407	15.6	134.69	63,670	20	758
1.2	1,280	2.473	2.095	0.430	17.2	147.23	59,128	18	708
1.4	1,091	2.677	2.273	0.451	18.8	159.36	54,687	16	659
1.6	924	2.891	2.460	0.472	20.5	172.09	50,112	14	608
1.8	790	3.093	2.637	0.490	22.2	184.12	45,951	12	563
2.0	674	3.299	2.818	0.504	23.9	196.35	41,905	11	519

**Table 1-2 Bul River Deposit Mineral Resource Estimate – Inferred - Base Case Cut-off of 0.6% Equivalent Cu - Effective Date November 4, 2018**

Cut-off Cu Eqv. (%)	In situ	In situ Grades					Metal		
	Tonnage (Ktonnes)	Cu Eqv. (%)	Cu (%)	Au (gpt)	Ag (gpt)	NSR (\$US)	Cu (000 lbs)	Au (kOz)	Ag (kOz)
0.4	669	1.266	1.075	0.244	7.3	75.35	15,862	5	156
0.6	513	1.503	1.279	0.284	8.7	89.46	14,474	5	144
0.8	426	1.668	1.419	0.316	9.7	99.30	13,332	4	132
1.0	343	1.855	1.575	0.356	10.7	110.40	11,911	4	118
1.2	268	2.067	1.753	0.401	12.0	123.03	10,376	3	103
1.4	217	2.247	1.903	0.440	13.1	133.74	9,125	3	92
1.6	162	2.508	2.123	0.491	14.8	149.30	7,570	3	77
1.8	128	2.724	2.306	0.531	16.1	162.12	6,493	2	66
2.0	104	2.918	2.473	0.566	17.2	173.69	5,644	2	57

Source: Company, Couloir Capital

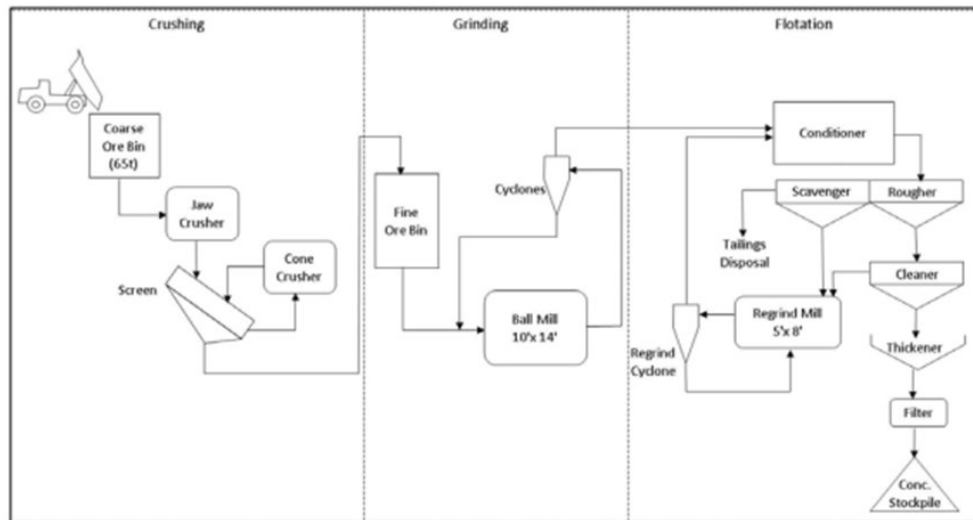
The operational restart of the mine (assuming all permitting is completed) is expected to occur in two phases. In phase 1, which is expected to take six months or less, BHT will focus efforts on refurbishing the mill at Bull River and constructing the new tailings facility, given an adequate tailing storage is not current present. At the mill, refurbishment work will include the installation of a flotation circuit, a filtration circuit, and a backfill system for the undermine fill. In phase 2, BHT will process the existing ore stockpile at the mine (approximately 165,000 tonnes) over a ten-month period whilst rehabilitating the existing underground mining infrastructure. In addition to the rehabilitation work (which is expected to take about five months), new developments are required to fully access the identified underground mineralization at Bull River, as well as provide adequate ventilation. It is expected that this will take place simultaneously with stockpile processing. In addition to this, the company expects the mill throughput to hit nameplate capacity six months after mining begins.

The company intends to use an overhand captive cut and fill mining method for Bull River. This includes the mining and backfilling of 5 metre high drifts in a bottom-up sequence, with mineralized ore being hauled up using diesel powered trackless equipment. To facilitate the mining, BHT intends to utilize the existing underground mining fleet. However, the fleet will require overhauls before it is operationally ready, and additional equipment may need to be sourced according to operational requirements. It is not expected that a sizeable ore stockpile will be maintained over the life of the restarted Bull River operation, and so surface haulage of mineralized material to the mill will be frequent. Mill tailings will be disposed of in two ways – via underground backfilling (around 40% of LOM tailings volume) and the storage of tailings at a surface dry stack facility (the remaining 60%). As the current waste pit is unsuitable to serve as a tailings facility, BHT will also need to invest in a dry stack storage facility as part of operational restart at Bull River. At this point in time, the company expects to erect a dry stack tailings storage facility east adjacent of the historic open pit left over from Bull River's first operator.

On the processing front, the mine will utilize conventional crushing and grinding methods with froth flotation to recover a copper sulphide mineral concentrate with minor precious metals byproducts. The simple process flowsheet is outlined in the chart below. Key processing design inputs for Bull River include the following:

- Throughput of 700 dry tonnes per day (operating).
- Two 12 hour shifts per day.
- Year round (365 days per year) operation.
- Assumed plant availability of 92%.
- Copper-equivalent recovery of 90%.
- 25% Cu copper sulphide concentrate production.
- 18,500 tonnes of copper-equivalent per annum.

### Bull River Mill Process Flowsheet



Source: Company

Whilst the processing infrastructure and unit operation equipment largely exists at Bull River, it is in need of refurbishment and there are certain processing PPE requirements that will need to be filled prior to operation. In particular, BHT expects to source new equipment and necessary components for the flotation and tailings dewatering circuits.

All in all, the initial CAPEX that is needed to restart Bull River as an underground operation is estimated at \$6.53 million. The CAPEX budget breaks out with its largest components in capital costs associated with mill refurbishment and new infrastructure construction, with the rest attributed to engineering services, working capital, contingencies and costs of ownership. Note that we have been unable to review the finer points of this purported budget and cannot confirm its accuracy – significant deviations are possible and can significantly impact the returns trajectory of Bull River. In addition to start-up costs, there are other projected capital costs associated with operations and sustaining the mine over its operating life, and LOM capital costs (initial and sustaining) are together estimated at \$18.69 million. However, cash flows from operations may well cover these capital costs, and we will explore this in our valuation of Bull River.

### Bull River CAPEX Profile

Capital Cost Item	Cost (\$M)								
Mill Refurbishment	1.046								
Other Infrastructure (substation, tailings management facility)	2.800								
Engineering Studies, Drilling and Permitting	0.417								
Owner's Costs	0.915								
Working Capital	0.500								
Contingency	0.852								
<b>TOTAL START-UP CAPITAL (including contingency)</b>	<b>6.530</b>								
Capital Cost Items	Year (\$M)								
	Pre-production	1	2	3	4	5	6	7	TOTAL
Start-up Capital	0.417								0.417
Infrastructure	3.846	1.1446	4.179			2.828	2.828	1.081	15.906
Mill Sustaining		0.050	0.050	0.100	0.100	0.100	0.100		0.500
Working Capital	0.500	1.188						-1.688	0.000
Owner's Costs	0.915								0.915
Contingency	0.852	0.010	0.010	0.020	0.020	0.020	0.020		0.952
<b>TOTAL</b>	<b>6.530</b>	<b>2.392</b>	<b>4.239</b>	<b>0.120</b>	<b>0.120</b>	<b>2.948</b>	<b>2.948</b>	<b>-0.607</b>	<b>18.690</b>

Source: Company

On the project operating cost side, given the current projected throughput of 1,000 tpd, its estimated that operating costs for the mine could average \$86.73 per tonne once underground mining begins. Prior to this, however, the processing of the existing ore stockpile is expected to carry far lower operating costs at \$26.98 per tonne. This provides the company a degree of near-term operating leverage, given copper-equivalent material extracted from the surface material is mined at a lower cost than from the underground mine. The table below breaks out the projected operating cost for Bull River, and outlines the impact of transitioning from stockpile processing to underground mining on per tonnage operating costs.

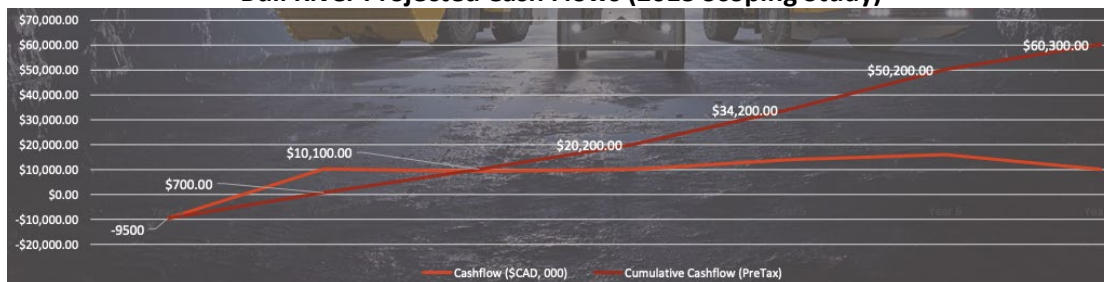
**Bull River OPEX Profile**

Operating Costs	Stockpile Processing	Underground Mining
Re-handle	0.51	0.00
Mining (includes development and backfill)	0.00	60.26
Processing	19.25	19.25
General and Administrative expenses	7.22	7.22
<b>Total Operating Costs</b>	<b>26.98</b>	<b>86.73</b>

Source: Company

The company's most recent disclosures around plans to restart the mine did not include forecasts around project return characteristics nor predicted cash flows given projected operational parameters and capital costs. However, in a dated Scoping Study from 2013 published by a previous owner of Bull River, a restart project was similarly evaluated. In the study, the base case of the Bull River restart was projected to return an after-tax IRR of 64% with pre-tax NPV@8 of \$40.4 million. Whilst we will take an alternative approach with different inputs to the Scoping Study, the below chart outlines the cash flow profile of the projected restart as per the previous study.

**Bull River Projected Cash Flows (2013 Scoping Study)**



Source: Company

## **Bull River Development Timeline & Project Catalysts**

Moving forward, BHT is focused on advancing Bull River to its operational restart, with the goal of restarting operations within Q2-2021. However, before it can successfully initiate operations, BHT has a number of prerequisites to satisfy. On the regulatory front, the company will need to successfully navigate the permitting process and receive the appropriate approvals needed to clear the mining operation, and the table below outlines the expected permitting needs for Bull River's restart.



### Expected Permitting Required for Bull River

Administering Agency	Legislation	Permit
BC Ministry of Environment	<i>Environmental Management Act</i>	Waste Discharge Permit (s)
		Refuse Permit
		Sewage Disposal Facility Registration
		Hazardous Waste Registration
		Fuel Storage Registration
		Concrete Batch Plant Registration
BC Ministry of Forests, Lands and Natural Resource Operations	<i>Wildfire Act</i>	Burning Permit
	<i>Water Act</i>	Notification for Changes in or About a Stream
BC Ministry of Energy and Mines	<i>Mines Act</i>	Mines Act Permit
	<i>Mineral Tenure Act</i>	Mining Lease
	<i>Mines Act</i>	Explosives Storage and Use Permit
Interior Health Authority	<i>Drinking Water Protection Act</i>	Waterworks Construction Permit
		Operating Permit
Natural Resources Canada- Explosives Division	<i>Explosives Act, Explosives Regulation</i>	Explosives User Magazine License
	<i>Explosives Act, Ammonium Nitrate and Fuel Oil Order</i>	Explosives Factory License
	<i>Explosives Act, Explosives Regulation</i>	Mechanical Ammonium Nitrate and Fuel Oil (AN/FO) Certificate
Fisheries and Oceans Canada	<i>Fisheries Act (Section 35 &amp; 36); Metal Mining Effluent Regulation (MMER)</i>	Authorization to Deposit Effluent

Source: Company

Based on updates from the company, BHT has also been focused revamping and upgrading Bull River's existing mining infrastructure, whilst also further assessing the economics of the mine restart. Most recently, BHT have completed the following:

- Flotation Tank Cell Procurement:** Six tank cells have been procured with an expected installation date at Bull River within Q2-2021. These tank cells will be vital to setting up the flotation circuit at Bull River to facilitate the production of copper concentrate averaging 25% Cu.
- Hydroelectrical Reconnection Studies:** Connecting Bull River to power will be critical to the restart, and the company has proposed using the same transmission line that was used by the previous Bull river mining operation. To this end, the company has commissioned a Facilities Study to fully map out the reconnection's feasibility. Bull river currently has power infrastructure that can support care and maintenance activities, but with the proposed reconnection, BHT can initiate mill functions and commercially restart the mine.
- Ore Sorting Study:** As a part of the operational recommencement, BHT plan to begin material processing from ore in the existing surface stockpile at Bull river. To optimize the stockpile handling, the company has commissioned an ore sorting study, which could have the benefit of improving throughput grade from the

- stockpiled ore, reducing operating costs through lowered power costs and waste volumes, and
- reducing fine tailings in the mill feed. Depending on the results of the study, optimizing the stockpile processing could lead to higher projected mine NPV.

With these initiatives underway, one of the remaining infrastructure upgrades to initiate progress on would be the tailings facility. Apart from the set up costs for the tailings facility, the company will also need to secure permitting for the structure, as it will have an impact on the surrounding environment. With the progress reported by the company, Bull River appears to be on a promising trajectory, with commercial operation foreseeable in the near-term. However, we believe the projected timeline for Bull River's commercial restart may be optimistic, and a restart date within Q2-2021 may be difficult to achieve given the various permitting and infrastructure upgrades needed before production can start up. We will explore this in later sections of this report when we explore potential production scenarios.

### ***The Thierry Mine***

The Thierry Copper Project is a past producing copper-nickel mine that is located 12 km west of Pickle Lake and 450 km northwest of Thunder Bay, Ontario. The property area comprises 27 mining leases covering 4,670 hectares, along with unpatented contiguous claims that together combine for a total property area of 5,422 hectares. BHT acquired the Thierry Project on December 23, 2020, when it closed the previously announced project acquisition from Cadillac Ventures Inc. (TSXV: CDC). As part of the acquisition, BHT provided Cadillac Ventures with consideration totalling \$0.30 million in cash, the issuance of 11 million common shares, the conditional reservation of 2.50 million common shares to be issued upon reaching certain milestones, and a 2% NSR. Cadillac Ventures has since agreed to let BHT buyback the NSR in return for the issue of 2.50 million common shares.

The Thierry Mine was historically both an open pit and underground mining operation, though the company is looking to restart only the underground component of the mine. The existing underground infrastructure include three levels of workings down to 520 meters of depth. At this point in time, the underground workings are flooded, and will require significant work to make operable. In addition to the existing underground workings, there are two open pits. Additionally there is a near surface resource at K1-1, which has significant recognized mineral resources and could be amenable to open pit mining

**Historical Aerial during UMEX operation**



*Source: Company*

Thierry has an exploration and development history that can be traced back to the late 1920s, when gold was discovered near Pickle Lake and triggered a cycle of mineral prospecting. After a period of gold mining in the Pickle Lake area that ceased by 1966, UMEX Inc. optioned the property area and conducted several exploration initiatives, including 45,000 feet worth of drilling that identified mineralization over 4,000 feet of strike and measuring to at least 2,500 feet deep. Thierry began production in 1976 from two open pits as well as subsequent underground operations, and UMEX's historical records point to production of 5.8 million tons averaging 1.13% Cu and 0.14% Ni through to 1982. The majority of that historical production comprised copper concentrate, though some nickel concentrate was also produced. Later in the mine's production life, precious metals and platinum group metals ("PGM") mineralization were also identified at Thierry. In the table below, various historical resource estimates for the Thierry Mine are outlined.

**Thierry Historical Resource Estimates**

<b>TABLE 6.2</b>					
<b>HISTORICAL RESOURCE/RESERVE ESTIMATES – THIERRY DEPOSIT</b>					
<b>Company</b>	<b>Date</b>	<b>Reserves (t)</b>	<b>Cu %</b>	<b>Ni %</b>	<b>Category</b>
UMEX	1974	13,500,000	1.62	0.18	Mining start-up in-situ reserve estimate
UMEX	1989	7,000,000	1.88	0.23	Drill indicated in-situ reserve to 2,500 ft
WGM	1991	2,700,000	1.65	--	Diluted measured resource to 1800 ft
WGM	1991	3,000,000	1.78	0.25	Probable reserves to 1800 ft

*Source: Company*

In terms of accessibility, the mine is accessible via all-weather road from Pickle Lake, a small township comprising less than a thousand inhabitants. Pickle Lake in turn is accessible via Provincial Highway 599, which runs approximately 300 km north of the town of Ignace, on the Trans-Canada Highway #17. Train access is also viable as the Canadian National Railway passes through the town of Savant Lake, which is 170 km southwest of Pickle Lake and also falls on Provincial Highway 599. In terms of resources in the area, Pickle Lake is likely to be capable of providing for most of a prospective mining operation's needs, given it was sufficient to support historical mining ventures. Local infrastructure includes power, hospitals, housing and a local airport that can provide airborne connectivity to the site.

In terms of climate and geography, the regional temperature ranges between 30°C and -30°C, with typically long winters and short summers. Mean precipitation is 48 centimetres with mean annual snowfall of 263 centimetres. Based on the general climate characteristics of Pickle Lake, mining activities can largely be carried out throughout the year, save for the transition to the spring season when most gravel roads become unsuitable for driving. The general terrain of Pickle Lake is characterized by flat to gently rolling hills that are less than 100 meters high, with numerous lakes running their course in intervening valleys. Elevations range from 360 meters above sea level to 390 meters above sea level. What glacial overburden is present typically varies from 20-50 meters thick.

### ***Thierry's Mine Economics & Production Planning***

BHT's plan with the Thierry Mine is to restart operations, with a focus on only the flooded underground operations and the associated resource base. Based on this strategy, BHT commissioned a PEA, the highlights of which they recently announced. Based on the PEA's parameters, BHT plans to restart operations at Thierry based on a 4,000 tpd throughput operation, with a forecasted mine life of 14 years. Based on the PEA's projections, BHT can expect to potentially extract 880,000 tonnes of copper concentrate at 30% Cu with 157,000 tonnes of nickel concentrate at 8% Ni, for total copper and nickel of 567 million pounds and

21 million pounds, respectively. Based on the revenue and cost profile of Thierry, the PEA arrived at an after-tax NPV@6 of \$242 million, reflecting an after-tax IRR of 19%.

Based on the PEA's profiling of Thierry's mine economics, the mine looks to be an attractive mineral asset with returns characteristics that appear value accretive to BHT's portfolio. One major development risk factor we do see, however, is the projected initial CAPEX for the project. At \$407 million, Thierry's initial capital outlay is far larger than BHT's market capitalization, and given its current state of indebtedness as well as its junior status, project financing may be difficult to secure. Whilst funding risk can be substantially reduced via further developing the project, we do see the capital investment as a significant development hurdle.

#### Thierry Mine Economics

Mine Life (Years)	14
Mill Throughput (tpd)	4,000
LOM Copper Production (lbs)	567,000,000
LOM Nickel Production (lbs)	21,000,000
LOM Revenues (C\$)	\$ 2,579,000,000
LOM EBITDA (C\$)	\$ 1,516,000,000
LOM Operating Costs (C\$)	\$ 1,063,000,000
Cash Costs (C\$/lb Cu Eq.)	\$ 1.43
AISC (C\$/lb Cu Eq.)	\$ 1.98
Initial CAPEX (C\$)	\$ 407,000,000
LOM CAPEX (C\$)	\$ 710,000,000
Pre-Tax NPV@6 (C\$)	\$ 373,000,000
Pre-Tax IRR (%)	23%
Post-Tax NPV@6 (C\$)	\$ 242,000,000
Post-Tax IRR (%)	19%
Pre-Tax NPV-CAPEX Ratio	0.92
Post-Tax NPV-CAPEX Ratio	0.59

Source: Company, Couloir Capital

The most recent resource update on Thierry is a Technical Report published in February 2012, and the table below outlines the resource estimate from that study. Note that a cut-off of \$41 per tonne was used to estimate the resources of the mine.

#### Thierry Mine Mineral Resources

Class	Tonnes	Cu %	Cu (lbs)	Ni %	Ag g/t	Au g/t	Pt g/t	Pd g/t
Measured	3,233,000	1.65	116 million	0.19	4.6	0.03	0.03	0.09
Indicated	5,582,000	1.66	201 million	0.19	3.8	0.05	0.05	0.14
M&I	8,815,000	1.66	322 million	0.19	4.0	0.05	0.04	0.13
Inferred	14,922,000	1.64	538 million	0.16	6.4	0.10	0.07	0.21
Open Pit	53,614,000	0.38%	449 million	0.10%	1.83	0.03	0.05	0.14
Total			1,309 million					

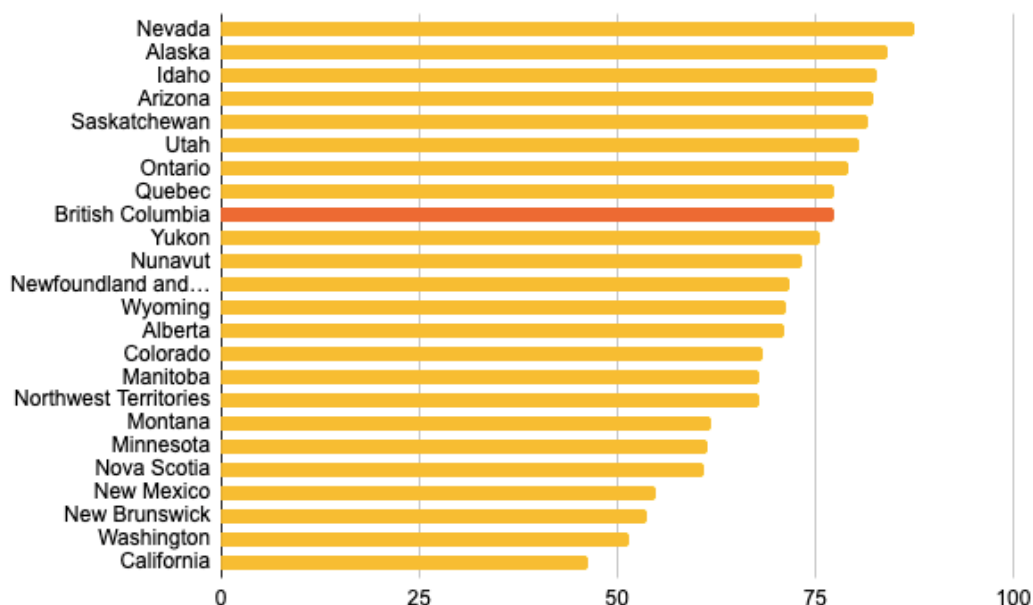
Source: Company

Based on BHT's similar actions at Bull River, we expect that the company will seek to quickly advance Thierry past the PEA stage via multiple development initiatives. With Thierry, BHT now have access to two development assets that offer reasonable cash flow visibility, providing low-cost scale given the existing infrastructure available at both mines. Whilst at Thierry a resource estimate update may be required to refresh the resource profile and better reflect the economically extractable material, we believe that when it comes to resource expansion, BHT has a "low hanging fruit" in close proximity to Thierry. The K1-1 resource is approximately three kilometres away from the Thierry underground and has substantial identified resources, with 53.61 million tonnes grading 0.38% Cu for 449 million pounds of copper. In Thierry's 2012 PEA, the authors assessed an operation that included both the 4,000 tpd underground mine assessed by the most recent PEA, but also looked at the simultaneous operation of an 11,000 tpd open pit operation using K1-1's material as another source of mill feed. As a result, there is reason to believe that BHT has substantial optionality when it comes to improving either Thierry's projected mine life, gross throughput, or some combination of both. Depending on the cost profile of expanding the scope to include open pit operations, such an initiative may improve potential project returns for Thierry.

## Industry Outlook

BC has consistently been recognized as one of the world's most attractive mining jurisdictions from a project investment perspective. The below chart demonstrates that in the Fraser Institute's most recent annual mining survey, BC ranked 19th out of 76 surveyed mining jurisdictions for the institute's 2019 investment attractiveness index. In addition, BC ranked in the top half of all North American Jurisdictions surveyed and has consistently been in the top half of surveyed jurisdictions since at least 2015. BC has typically had a stable investment attractiveness index scoring through time, suggesting that investors have viewed the jurisdiction positively over the longer-term, likely due to the province's mineral abundance and the history of value accretion on past producing mines.

**Ranking of North American Mining Jurisdictions by Investment Attractiveness**



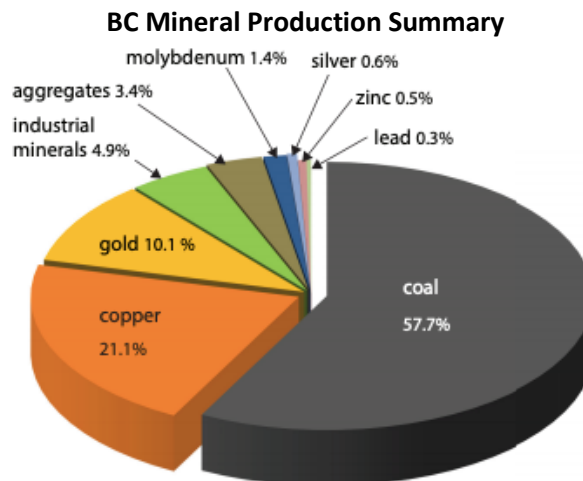
Source: Fraser Institute, Couloir Capital

Whilst BC's consolidated investment attractiveness has been strong over time, standalone policy perception in the province has been more of a mixed picture, according to the Fraser Institute's survey. Whilst still in the top half of all jurisdictions surveyed in the 2019 edition, BC came in at 36<sup>th</sup> out of 76 surveyed jurisdictions. Major issues appear to concern

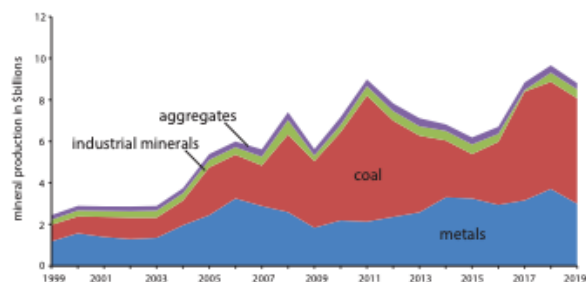


environmental regulations, drilling permitting and associated wait times, and policies surrounding land claim disputes. On drilling permitting in particular, only 55% of survey respondents believed they could secure necessary permitting in six months or less, the lowest of all the Canadian provinces included in the Fraser Institute survey. In addition, it appears that the permitting approvals have lengthened over the last decade. Industry insiders have reported that the failure of provincial permitting processes to properly integrate with federal permitting also acts as a deterrent to mining investment.

Regardless of some of the permitting challenges outlined, BC has a long history of mineral exploration that continues to this day. The province's complex geological history is reflected in the wide variety of deposit profiles exhibited, with mines in the region producing broadly across precious, industrial and energy minerals. In 2019, the province produced aggregate minerals valued at \$8.80 billion, reflecting YoY decrease of 8.90%, largely due to the decrease in coal prices.



**Fig. 3.** 2019 forecast value of British Columbia mineral production by commodity; total is \$8.80 billion.



**Fig. 4.** Value of British Columbia mineral production by year 1999-2019; value for 2018 is preliminary estimate, value for 2019 is forecast.

*Source: British Columbia Geological Survey*

Of the \$8.80 billion produced in 2019, around \$2.99 billion (approximately 34%) came from metals. There is a strong copper production footprint throughout BC, as well as a substantial gold production centre in the Golden Triangle, a mineral rich area in northwest BC. As well as the copper and gold production, there is also notable silver production, though this is largely as a byproduct of either gold or copper-dominant operations.

## BC Metals Production by Mine

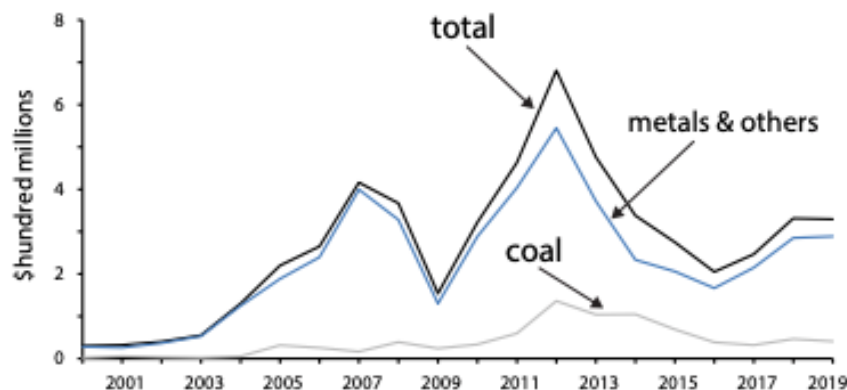
Mine	Region	Operator (partner)	Commodity; deposit type; MINFILE	Forecast 2019 Production (based on Q1-Q3)	Reserves	Resource	Comments
<b>Brucejack</b>	Northwest	<b>Pretium Resources Inc.</b>	Au, Ag; IS-epithermal; 104B 193	344,200 oz Au	P+Pr: 16 Mt grading 12.6 g/t Au and 59.3 g/t Ag	M+I: 18.7 Mt at 14.2 g/t Au and 81.6 g/t Ag Inf: 7.8 Mt at 12.0 g/t Au and 51.3 g/t Ag	May 2019 updated mineral reserves and resources.
<b>Red Chris</b>	Northwest	<b>Newcrest Mining Limited (70%), Imperial Metals Corporation (30%)</b>	Cu, Au, Ag; hybrid calc-alkalic to alkalic porphyry; 104H 005	66.9 Mlbs Cu and 32,400 oz Au	P+Pr: 301.5 Mt at 0.36% Cu, 0.27 g/t Au	2014: M+I: 1.035 Bt at 0.35% Cu, 1.14 g/t Au Inf: 787.1 Mt at 0.29% Cu, 0.32 g/t Au, 1.04 g/t Ag	August 2019, Newcrest Mining Limited acquired 70% interest creating a joint venture with Imperial Metals Corporation (remaining 30% interest). First three quarters averaged 28,829 tpd.
<b>Silvertip</b>	Northwest	<b>Coeur Mining Inc.</b>	Ag, Pb, Zn; Manto carbonate-replacement; 104O 038	1,177,300 oz Ag, 17,650,700 lbs Zn, 16,713,300 lbs Pb	P+Pr: 1.61 Mt at 289 g/t Ag, 5.6% Pb, 8.24% Zn	M+I: 1.18 Mt at 222.73 g/t Ag, 4.09% Pb, 8.58% Zn Inf: 0.53 Mt at 271.04 g/t Ag, 5.02% Pb, 9.31% Zn	New mineral resource update February 2019. Regional soil sampling and induced polarization survey.
<b>Mt. Milligan</b>	North Central	<b>Centerra Gold Inc.</b>	Cu, Au, Ag; alkalic porphyry Cu-Au; 093N 194, 191	74 Mlbs Cu 190 Koz Au	P+Pr: 447.56 Mt at 0.186% Cu and 0.3 g/t Au	M+I: 342.23 Mt at 0.136% Cu and 0.2 g/t Au (additional to reserves)	Concentrator design capacity 62,500 tpd. Estimated mine life +20 years. More than 350 employees.
<b>Copper Mountain</b>	South Central	<b>Copper Mountain Mining Corporation 75%, Mitsubishi Materials Corporation 25%</b>	Cu, Au, Ag; porphyry Cu-Au; alkalic; 092HSE001	72-80 Mlb Cu, 29,500-32,500 oz Au, 260,000-290,000 oz Ag (management's guidance)	P+Pr: 476,795,000 t 0.23% Cu, 0.10 g/t Au 0.73 g/t Ag	M+I: 598,850,000 t 0.23% Cu, 0.10 g/t Au, 0.73 g/t Ag	0.10% Cu cut-off. Resources inclusive of reserves. Includes New Ingerbelle.
<b>Gibraltar</b>	South Central	<b>Taseko Mines Limited 75%, Sojitz Corp. 12.5%, Dowa Holdings Co Ltd. 6.25%, Furukawa Co. Ltd. 6.25%</b>	Cu, Mo; porphyry Cu +/- Mo +/- Au; 093B 012	130 Mlb Cu + Mo (+/- 5%) (management's guidance)	P+Pr: 594 Mtons 0.25% Cu, 0.008% Mo	M+I: 1009 Mtons 0.25% Cu, 0.007% Mo Inf: 59 Mtons 0.21% Cu, 0.004% Mo	0.15% Cu cut-off. Resources inclusive of reserves. Does not include Cu oxide.

<b>Highland Valley</b>	South Central	<b>Teck Resources Limited</b>	Cu, Mo; porphyry Cu+/-Mo+/-Au; 092ISW012, 45	115,000-120,000 t Cu, 8.0 Mlb Mo (management's guidance)	P+Pr: 535.5 Mt 0.300% Cu, 0.007% Mo	M: 499.4 Mt 0.30% Cu, 0.008% Mo I: 671.8 Mt 0.24% Cu, 0.009% Mo Inf: 166.0 Mt 0.21% Cu, 0.007% Mo	Resources exclusive of reserves. Evaluating plans for extension of mine life.
<b>Mount Polley</b>	South Central	<b>Imperial Metals Corporation</b>	Cu, Au, Ag; porphyry Cu-Au: Alkalic; 093A 008	3.825 Mlb Cu 10,619 oz Au 11,119 oz Ag (to shut down)	P+Pr: 53.772 Mt 0.337% Cu, 0.299 g/t Au, 0.89 g/t Ag	M+I: 194.32 Mt 0.294% Cu 0.285 g/t Au, 0.727 g/t Ag Inf: 5.619 Mt 0.374% Cu, 0.276 g/t Au, 2.187 g/t Ag	Reserves in 5 zones. Resources inclusive of reserves. Shut down mid year pending improved copper price.
<b>New Afton</b>	South Central	<b>New Gold Inc.</b>	Au, Ag, Cu; porphyry Cu-Au: Alkalic; 092INE023	215-246 koz AuEq (management's guidance)	P+Pr: 52.642 Mt 0.64 g/t Au, 1.9 g/t Ag, 0.78% Cu	M+I: 52.407 Mt 0.63 g/t Au, 2.2 g/t Ag, 0.77% Cu Inf: 13.564 Mt 0.39 g/t Au, 1.4 g/t Ag, 0.45% Cu	Resources exclusive of reserves. Ongoing exploration program.
<b>Myra Falls</b>	Southwest	<b>Nyrstar Myra Falls Ltd.</b>	Zn, Cu, Pb, Au, Ag; Noranda/Kuroko massive sulphide; 092F 330, 71, 72, 73	na	P+Pr: 4.7 Mt 7.11% Zn, 0.78% Pb, 0.92% Cu, 76.55 g/t Ag, 1.78 g/t Au	M+I: 7.64 Mt 6.59% Zn, 0.72% Pb, 0.99% Cu, 72.52 g/t Ag, 1.79 g/t Au	Production suspended for compliance reasons end of 2018. Restarted April 2019. Underground exploration continued with 17,000 m drilling in 198 holes.

Source: British Columbia Geological Survey

Though the gross value of mineral production in the province was largely from coal in 2019 as opposed to metals, the reverse is true with regard to exploration expenditure trends. In 2019, BC recorded \$329.5 million in exploration spend, with \$288.7 million being related to metals exploration and development. Whilst exploration spend was down YoY, breaking an upwards trend in the preceding two years, exploration in the precious metals and copper space remains strong throughout the province.

BC Mineral Exploration Expenditures



Source: British Columbia Geological Survey

Drilling activity totaled 709,734 meters in 2019, slightly down from 2018, with most drilling activity focused in the northwest portion of BC (which hosts the Golden Triangle). Drilling typically makes up the majority of exploration work undertaken in the province, with drilling representing 66.2% of 2018's exploration expenditure. The table below outlines trends in exploration activity in BC as well project costs associated with various types of exploration in the province.

### BC Mineral Exploration Profiling: Activities and Costs

		Reports	Value	Core drilling		Non-core drilling		Stream sediment	Rock	Soil
			\$	Holes	m	Holes	m	Samples	Samples	Samples
Northwest	2018	193	\$59,027,865	450	128,179	27	1717	19,377	1072	11,566
North Central and Northeast	2018	97	\$23,517,701	95	43,727	8	602	6623	84	1655
South Central	2018	222	\$16,858,908	145	45,792	65	1,041	14,882	495	3095
Southeast	2018	120	\$9,348,942	154	25,071	-	-	4936	172	2087
Southwest	2018	82	\$3,775,102	25	3715	12	306	3918	170	1359
Provincial total	2015	655	\$62,719,690	682	158,006	95	520	26,782	1827	10,770
Provincial total	2016	618	\$85,141,604	465	165,212	14	250	34,715	777	9698
Provincial total	2017	722	\$92,215,514	1199	205,434	173	3458	30,188	1450	14,648
Provincial total	2018	714	\$112,528,518	869	246,484	112	3665	49,736	1993	19,762

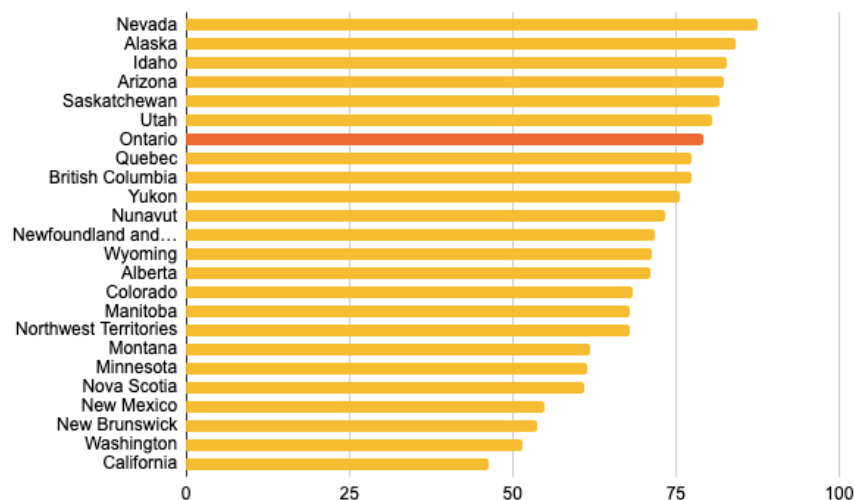
  

	Cost	2015	2016	2017	2018
Core drilling	\$ per m	219	310	252	297
Non-core drilling	\$ per m	631	611	284	361
Stream sediments	\$ per sample	200	332	355	348
Soil samples	\$ per sample	148	139	152	152
Rock samples	\$ per sample	260	269	371	371
Trenching	\$ per m	91	92	163	78
Ground EM	\$ per km	1306	1419	3700	2187
Ground magnetics	\$ per km	739	1182	906	807
Induced polarization	\$ per km	5339	7882	4879	8362
Airborne magnetics	\$ per km	59	48	40	91
Airborne EM	\$ per km	293	177	126	83
Geological mapping	\$ per ha	41	70	59	16
Prospecting	\$ per ha	19	51	19	9

Source: British Columbia Geological Survey

Similar to BC, Ontario has consistently been recognized as one of the world's most attractive mining jurisdictions from a project investment perspective. The below chart demonstrates that in the Fraser Institute's most recent annual mining survey, Ontario ranked 16th out of 76 surveyed mining jurisdictions for the institute's 2019 investment attractiveness index. In addition, Ontario ranked in the top half of all North American Jurisdictions surveyed and has consistently been in the top half of surveyed jurisdictions since at least 2015. Ontario has typically had a stable investment attractiveness index scoring through time, suggesting that investors have viewed the jurisdiction positively over the longer-term, likely due to the province's mineral abundance and the history of past producing mines.

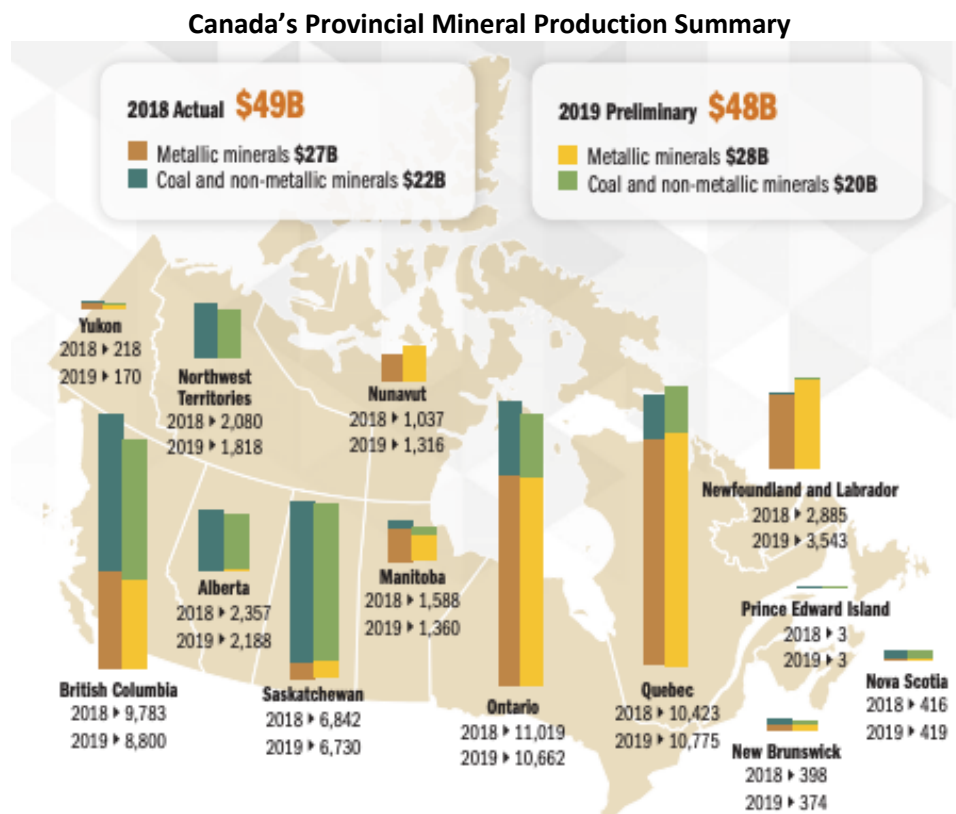
### Ranking of North American Mining Jurisdictions by Investment Attractiveness



Source: Fraser Institute, Couloir Capital

In addition to the strong investment attractiveness index scoring, policy perception in the province has also been strong over time, according to the Fraser Institute's survey. Still ranking well in the top half of all jurisdictions surveyed in the 2019 edition, Ontario came in at 24<sup>th</sup> out of 76 surveyed jurisdictions. The strong scoring comes as miners express declining concern around uncertainty on issues including environmental regulation, land claim disputes, and matters pertaining to the existing regulatory framework in the province. However, recognized issues impacting investment attractiveness and policy perception include regulatory complexity, red tape, and timeline uncertainty on exploration permits. However, the Fraser Institute survey findings imply that most explorers (over 80%) expect exploration permitting in 6 months or less, though there is a perception that timelines have lengthened over the last decade.

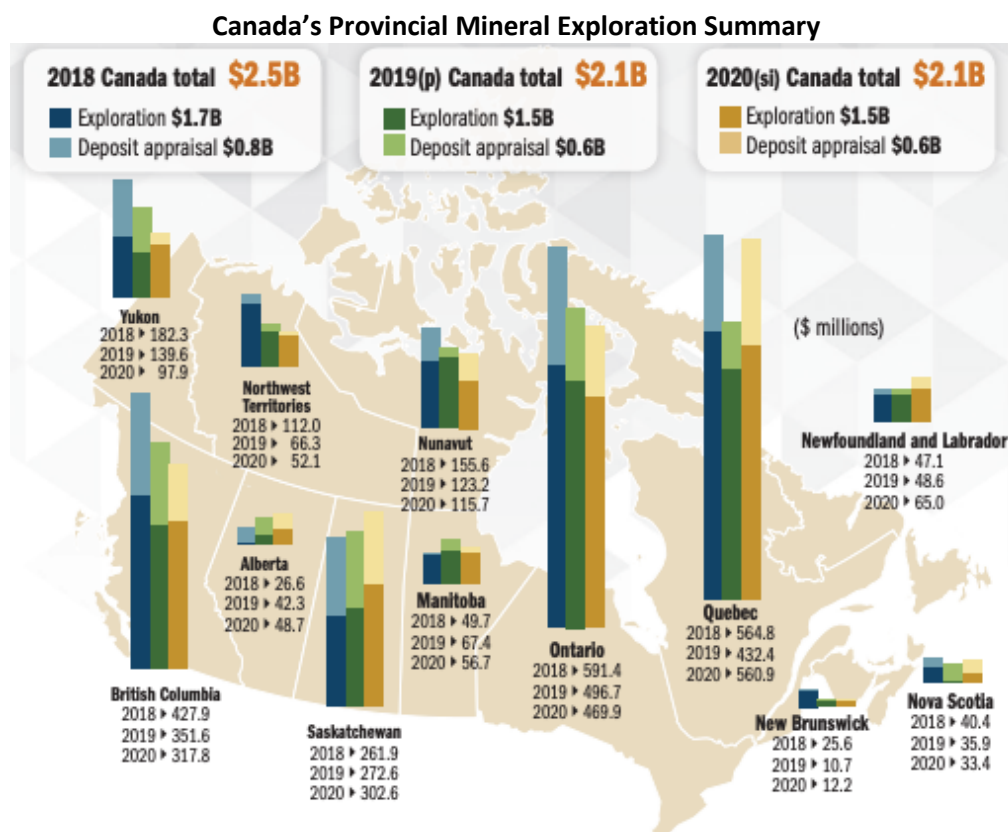
In 2019, Ontario produced aggregate minerals valued at \$10.66 billion, with national mineral resource production estimated at \$48 billion, demonstrating substantial contribution from Ontario alone.



Source: Natural Resources Canada, Statistics Canada

On the exploration front, Ontario similarly exhibits significant mineral exploration expenditures, with the province again being the top source of exploration spend nationally. When looking at Quebec, Ontario and British Columbia, the three provinces accounted for almost two thirds of all mineral exploration expenditures in Canada in 2020.





Source: Natural Resources Canada, Statistics Canada

As a reflection of the strong mineral exploration investment in the province, it also features the most drilling activity. We believe the strong drilling activity in Ontario reflects a healthy mineral development regime, and points to the mining potential of the jurisdiction.

### Provincial Contract Drilling Operations, 2018

Contract drilling operations (except oil and gas extraction), 2018

Province or Territory	Metres Drilled		Income From Drilling	Average Number of Employees	Total Salaries and Wages Paid
	Surface	Underground			
			\$000		\$000
Maritime provinces	119,307	75,638	21,434,416	216	8,461,452
Quebec	1,383,694	1,021,893	209,515,212	1,080	78,330,705
Ontario	1,204,982	1,109,937	235,554,615	1,421	96,685,942
Prairie provinces	475,385	161,324	100,227,985	912	42,530,035
British Columbia	615,029	79,523	110,881,472	697	44,044,386
Yukon, Nunavut and Northwest Territories	467,875	41,527	86,683,254	577	33,794,607
<b>Total</b>	<b>4,266,272</b>	<b>2,489,842</b>	<b>764,296,954</b>	<b>4,903</b>	<b>303,847,127</b>

Source: Natural Resources Canada, Statistics Canada

## Management Overview

Management and insiders own a total of 11.44% of outstanding shares. We see insider shareholding as a positive indicator, as it implies that management and the board are likely to be aligned with investors in their interests and motivations. Generally speaking, insider share ownership above 10% is seen as relatively high. The table below outlines insider shareholding:

### Management Shareholding

Name	Position	Shares	% of Total
David Johnston	Chairman	2,563,983	1.56%
Ian Berzins	CEO, President & Director	2,555,000	1.55%
Aaron Matlock	COO & Director	7,633,001	4.64%
Dwayne Vinck	CFO	974,000	0.59%
Philip Keele	Independent Director	3,773,500	2.30%
Brian Murray	Independent Director	380,500	0.23%
John Morgan	Independent Director	934,000	0.57%
Gestur Kristjansson	Independent Director		0.00%
			<b>11.44%</b>

*Source: SEDI, Couloir Capital*

The biographies of key management individuals (as provided by the company) are outlined below.

#### **David Johnston – Chairman**

David Johnston is the founder of Braveheart Resources Canada Inc. For many years David has been very active in the Calgary business community and with several local and international charitable organizations. A former miner with Hudson Bay Mining and Smelting, he also has considerable public company experience as a director and launched an insurance company, Capital Benefits Corp., 25 years ago that remains successful today. He is a director of the Chamber of Mines for Eastern British Columbia and was the driving force in assembling an exceptional land package in the West Kootenays over a period of several years through Braveheart.

#### **Ian Berzins – CEO, President & Director**

Ian Berzins is a seasoned mining executive with over 35 years of experience in engineering, operations, maintenance, human resources, senior operations and mine finance. He holds a B.Sc. in Mining Engineering from Queen's University and is a registered professional engineer in British Columbia. Ian has led a number of management teams in Canada at operations including Thompson Creek Metal's Mount Milligan Mine and San Gold Corporation's Rice Lake Mine. He has significant experience working with First Nations and has raised money in the capital markets.

#### **Aaron Matlock – COO & Director**

Aaron Matlock is an entrepreneur who is well versed in operational logistics and risk management. Having completed a diploma in Agriculture Finance from the College of Lethbridge in 2002 and a Degree in Economics from the University of Lethbridge in 2004, he currently operates his multi-generational family farm. He also co owns Lucky Drilling Ltd. a core drilling business located in Creston, BC. Aaron is an active Village Councillor as well as sitting on several local service groups and boards.

#### **Dwayne Vinck – CFO**

Dwayne Vinck is an independent financial consultant who operates a public accounting services firm. He has over 30 years of experience in public accounting and financial reporting, executive leadership, project leadership and mergers and acquisitions. He holds a Bachelor of Commerce (Honours) from the University of Manitoba and is a member of the Chartered Accountants of Alberta and the Institute of Corporate Directors. He is a Director of several publicly traded companies as well as volunteering as Treasurer and National Director of Kids Help Fund.

**Philip Keele – Independent Director**

Philip Keele holds a B.Sc. in Mining Engineering from Queen's University and is a registered professional engineer in the Province of Alberta. He has more than 30 years' experience in all facets of the mining industry particularly in engineering, operations and senior management. Mr. Keele retired from Canadian Natural Resources Limited (CNRL) in 2016 where he held the position of VP, Mining. Prior to joining CNRL, Mr. Keele held senior positions with a major Canadian mining company in western Canada.

**Brian Murray – Independent Director**

Brian Murray has over 17 years of experience in both the resource and investment markets. In addition to his position with the Company, Mr. Murray is the President of Nebu Resources Inc. and a director of several other Venture Exchange listed companies. Mr. Murray has also been the President of Murcon Ltd., a private financial consulting company involved in merchant banking, since 1990. He is a Chartered Accountant and holds a Master's Degree in Business Administration.

**John Morgan – Independent Director**

John Morgan is a seasoned mining executive with more than 40 years' experience in all facets of mining with increasing responsibility in managing both domestic and international mining operations. He holds a B.Sc. in Geology from the University of British Columbia and is recognized as an individual with a strong technical and financial background able to deliver solid results in challenging and dynamic business environments. His experience includes

direction of numerous public and privately-owned companies as well as an internationally owned joint venture. Mr. Morgan recently retired from his position of President, COO and Director at Atlantic Gold Corporation having led a team which acquired, evaluated, financed and constructed a gold property in Nova Scotia that is on track to produce an average of 84,000 oz Au per year for the next nine years.

**Gestur Kristjansson – Independent Director**

Gestur Kristjansson holds a BA in Advanced Applied Economics from the University of Manitoba as well as a MBA from the University of British Columbia. Additionally, he is a chartered professional accountant (CPA, CA) and recently obtained his ICD.D designation from the Institute of Corporate Directors. Mr. Kristjansson has over 30 years of experience in accounting, financial management, corporate finance and mergers and acquisitions. He has participated in multiple equity and debt raises with over \$400 million sourced. He previously held the role of Chief Financial Officer and VP Finance of a publicly listed Canadian gold mining company for a period of eight years during which he was also interim President and CEO. Mr. Kristjansson brings valuable experience to Braveheart as it transitions to a producing mining company.

**Financials Overview**

At the end of Q2-FY2021, the company had cash and working capital of \$1.38 million and \$1.65 million, respectively. The company's current ratio of 4.75x demonstrates the ability of current assets to sufficiently cover current liabilities, implying a solid liquidity position at the end of November. Monthly cash burn (negative free cash flow) for the six months ended November 30, 2020 was \$0.13 million, down from the comparative period in 2019. The following table summarizes the company's liquidity position:

Key Financial Data (FYE - May 31) (C\$)	2020	Q2-2021
Cash	\$ 108,635	\$ 1,378,320
Working Capital	\$ 738,969	\$ 1,652,713
Current Ratio	2.85	4.75
Debt	\$ 9,617,058	\$ 8,435,702
Monthly Cash Burn for the 6M	\$ (311,301)	\$ (130,330)
Cash from Financing Activities (6M)	\$ 1,728,369	\$ 2,051,665

Source: Company, Couloir Capital

The debt held by the company largely consists of a related party loan and a convertible debenture that are both tied to the company's acquisition of Bull River in 2019. The convertible debenture liability was issued to finance the purchase of the senior secured position of CuVeras LLC, a secured creditor of Bull River's previous owner. The debt has a face value of \$6 million with a tiered interest rate structure and a term of five years. Annual interest is tiered 0%, 1% and 2% for the first, second and third years, respectively. The final two years feature a 5% interest rate. 40% of the principal value of the debenture is convertible at any time to \$0.20 per share. The full principal amount is convertible at \$0.30 per share after January 18, 2023. Assuming full conversion, CuVeras LLC will receive 24 million common shares. On October 13, 2020, the option to convert was exercised on 40% of the principal value, resulting in the issue of 12 million common shares to settle \$2.40 million of the convertible debt.

#### BHT Convertible Debenture Summary

The Debenture is comprised of the following:	November 30, 2020	May 31, 2020
<b>Face value of Convertible Debenture</b>	\$3,600,000	\$6,000,000
<b>Equity component of Convertible Debenture</b>	1,327,381	2,044,039
<b>Liability component of Convertible Debenture</b>	November 30, 2020	May 31, 2020
Beginning of year	\$4,083,331	\$ 4,305,790
Principal Payment (convert to 12,000,000 share)	(1,683,342)	-
Interest expensed during the period	231,037	663,146
Warrants issued March 11, 2020 on extension of convertible debenture	-	(292,857)
Gain on extension of convertible debenture	-	(592,748)
End of period	\$2,631,026	\$4,083,331

Source: Company

The related party loan is held by an entity controlled by Aaron Matlock (a director of BHT) and was issued on January 4, 2019. It was issued to BHT to help finance the cash costs of the Bull River acquisition. The loan has a principal value of \$5 million, a term of four years and carries a nominal interest rate of 14.80%. Interest costs are accrued for the first two years of the loan, before blended principal/ interest payments commence in year three. However, effective January 19, 2021, the company and Aaron Matlock have agreed to restructure the debt such that the interest cost has dropped to 10% for the remaining life of the loan. To settle the \$0.78 million in accrued interest, BHT will issue Aaron Matlock 6.50 million common shares. The related party debt is secured against assets with a net book value of \$10.06 million.

The following table outlines the company's outstanding options and warrants, with security exercise or expirations subsequent to the quarter italicized:

Options	Strike	Exercise Value
2,200,000	\$ 0.06	\$ 132,000
5,955,556	\$ 0.18	\$ 1,072,000
3,925,000	\$ 0.10	\$ 392,500
Warrants	Strike	Exercise Value
14,165,000	\$ 0.15	\$ 2,124,750
180,000	\$ 0.10	\$ 18,000
294,118	\$ 0.17	\$ 50,000
166,667	\$ 0.21	\$ 35,000
60,784	\$ 0.17	\$ 10,333
266,000	\$ 0.14	\$ 37,240
10,000,000	\$ 0.15	\$ 1,500,000
2,000,000	\$ 0.17	\$ 337,600
2,222,222	\$ 0.19	\$ 416,667
20,745,754	\$ 0.11	\$ 2,282,033
3,047,115	\$ 0.15	\$ 457,067
(765,000)	\$ 0.15	\$ (114,750)
(23,505,000)	\$ 0.15	\$ (3,525,750)

Source: Company, Couloir Capital

We estimate that the company currently has 12.08 million options (weighted average exercise price of \$0.13 per share), and 28.88 million warrants (weighted average exercise price of \$0.13 per share) outstanding. At this time, 180,000 warrants and 6.13 million options are in-the-money.

## Revenue and EPS Forecasts

Whilst BHT have forecasted near-term production that implies imminent income generation, we will remain cautious and wait for further developments before providing our preliminary revenue and EPS forecasts. This is especially important as the mine restart at Bull River is not backed by a PEA and has not been independently studied for economic feasibility.

## Net Asset Valuation Model

For the Bull River Mine, our model assumes (roughly) the production schedule and assumptions forecasted in the company's recent project report but incorporates our own assumptions on LOM average copper pricing and discount rate. **Our base case DCF model, which assumes a long-term copper price of \$3.90 per pound and a discount rate of 12%, implies a NAV of \$30.84 million, or \$0.18 on a per share basis.** We believe our discount rate of 12% accurately reflects the risk profile of the company at this point in time, given lack of Technical Reports to back the venture, but also the risk offset implied in low CAPEX spend and abundant existing infrastructure. The sensitivity table provided below outlines the various NAV per share given changes in the long-term copper price or discount rate:

LT Copper Price Assumption (C\$)										
	\$	2.60	\$	3.25	\$	3.90	\$	4.55	\$	5.20
8%	\$	(0.04)	\$	0.09	\$	0.22	\$	0.35	\$	0.48
10%	\$	(0.04)	\$	0.08	\$	0.20	\$	0.32	\$	0.44
12%	\$	(0.04)	\$	0.07	\$	0.18	\$	0.29	\$	0.40
14%	\$	(0.04)	\$	0.06	\$	0.16	\$	0.27	\$	0.37
16%	\$	(0.05)	\$	0.05	\$	0.15	\$	0.24	\$	0.34

Source: Couloir Capital



At Thierry, we again use proprietary DCF modelling based on the rough production and mine economics divulged by the company to arrive at a net asset valuation. **Our base case DCF model for Thierry, which also assumes a long-term copper price of \$3.90 per pound and a discount rate of 12%, implies a NAV of \$4.76 million, or \$0.03 on a per share basis.** Note that in the case of Thierry, the immense pre-production CAPEX creates dramatic valuation leverage to higher copper prices and lower discount rates – this can create the potential for significant adjustments to our models as the company de-risks its project / the copper pricing environment improves longer-term. The sensitivity table provided below outlines the various NAV per share given changes in the long-term copper price or discount rate:

LT Copper Price Assumption (C\$)										
	\$	2.60	\$	3.25	\$	3.90	\$	4.55	\$	5.20
8%	\$	(1.31)	\$	(0.36)	\$	0.59	\$	1.54	\$	2.50
10%	\$	(1.39)	\$	(0.56)	\$	0.28	\$	1.12	\$	1.96
12%	\$	(1.46)	\$	(0.71)	\$	0.03	\$	0.77	\$	1.51
14%	\$	(1.51)	\$	(0.84)	\$	(0.18)	\$	0.48	\$	1.14
16%	\$	(1.54)	\$	(0.95)	\$	(0.35)	\$	0.24	\$	0.83

Source: Couloir Capital

Together, the combined net asset valuation for both Bull River and Thierry comes to an aggregate of \$35.60 million, or \$0.21 per share.

## Conclusion

**After accounting for our valuation methodology, we have arrived at a fair value per share estimate of \$0.21 per share.** We are initiating coverage on BHT with a BUY rating, and expect the following catalysts to materially impact our valuation estimate:

- News regarding Bull River's operational restart and the progress of permitting and necessary infrastructure upgrades.
- News regarding the advancement of Thierry's development and next steps to mine build out.
- Exploration developments at either project.
- Financing-related news that in any way significantly alters the company's capital structure.

## Risks

The following outlines some of the key risk considerations that investors should keep in mind when evaluating BHT as an investment opportunity:

- **Delays in Achieving Key Development Milestones:** Any delay in reaching key development milestones will lead to uncertainties around production viability and cash flow viability. At Bull River, the company has forecast production restart within Q2-2021, and inability to meet that milestone in a timely manner could lead to question marks around the economic feasibility of the commercial restart. At Thierry, whilst a PEA has been successfully commissioned and completed, the ability to advance the project will also be difficult without significant improvements in funding ability.

- **Large CAPEX for Thierry:** The initial CAPEX for Thierry exceeds US\$400 million, a significant figure that the company will struggle to finance internally or within the confines of its own capital structure, given its current equity value and indebtedness.
- **Unproven Recoveries at Commercial Scale:** At both Bull River and Thierry, the mineral recoveries have not been proven at scale, which poses a risk given recoveries on ore can significantly impact production, and therefore cash flows. Significant metallurgical testing will be required to ascertain the viability of ore recoveries at both Bull river and Thierry.
- **Uncertainty Around Permitting:** BHT requires multiple permits for Bull River, and inability to secure permitting (such as environmental permitting) can significantly hold up project development.
- **Large Debt Load:** Between the large, related party loan and its convertible debenture, BHT is subject to a large debt overhang with maturities inside the medium-term. Whilst the loan holder is a director and shareholder, we note the related party loan is secured against Bull River's assets. Shareholders may see projected cash flows eaten into by significant accrued and ongoing interest payments as a result of BHT's high gearing.
- **Capital Structure Deterioration Related to Ongoing Cash Burn:** There is the potential that the company's cash burn could sap liquidity to the point of the company needing to raise capital. Assuming no cash flows, there is a chance that BHT would do so via equity issuance. Depending on the price of the issuance, such issuance could be dilutive to existing shareholders.

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- 1. A recommendation or rating, usually BUY, HOLD, or SELL;*
- 2. A 12-month target price, which represents an analyst's current assessment of a company's potential stock price over the next year; and*
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The analyst believes that the security will outperform other companies in their sector on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) BUY rating.

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The analyst believes that the security is expected to perform in line with other companies in their sector on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) HOLD rating.

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The analyst is recommending that investors tender to a specific offering for the company's stock.

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The above ratings are determined by the analyst at the time of publication. On occasion, total returns may fall outside of the ranges due to market price movements and/or short-term volatility.

**Overall Risk Rating**

**Very High Risk:** Venture type companies or more established micro, small, mid or large cap companies whose risk profile parameters and/or lack of liquidity warrant such a designation. These companies are only appropriate for investors who have a very high tolerance for risk and volatility and who can incur temporary or permanent loss of a very significant portion of their investment capital.

**High Risk:** Typically, micro or small cap companies which have an above average investment risk relative to more established or mid to large cap companies. These companies will generally not form part of the broad senior stock market indices and often will have less liquidity than more established mid and large cap companies. These companies are only appropriate for investors who have a high tolerance for risk and volatility and who can incur a temporary or permanent loss of a significant portion of their investment capital.

**Medium-High Risk:** Typically, mid to large cap companies that have a medium to high investment risk. These companies will often form part of the broader senior stock market indices or sector specific indices. These companies are only appropriate for investors who have a medium to high tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.

**Moderate Risk:** Large to very large cap companies with established earnings who have a track record of lower volatility when compared against the broad senior stock market indices. These companies are only appropriate for investors who have a medium tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.