



Silver Crown Royalties (NE: SCRI)

An emerging pure-play silver royalty company

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Investment Highlights

- ◆ **Silver Crown Royalties** (“SCRI” or “Company”) is the only pure-play silver royalty company on the market. It is quickly establishing itself as the go-to name for non-dilutive financing and an ideal vehicle for investors to gain diversified exposure to silver.
- ◆ **Rapidly increasing revenues:** Listed in July 2024, the company’s revenues are on a steep growth trajectory. Revenues have grown 286% from Q3 2023 to Q4 2024. The rate of revenue growth is expected to remain strong.
- ◆ **Proof of concept:** Silver Crown Royalties’ strategy for selecting and acquiring has proven highly effective. The experienced and well-connected team at Silver Crown Royalties continues to add value accretive royalties to the portfolio and is gaining momentum.
- ◆ **We are maintaining coverage with a BUY rating for the company and a target price of \$32.34 per share over a 12-month period.**

Current Price (C\$)*	\$6.70
Fair Value	\$32.34
Projected Upside	470%
Action Rating	BUY
Perceived Risk	HIGH
Shares Outstanding	2,489,948
Market Cap. (C\$)	\$16,682,651

* Note: all \$ amounts are C\$ unless otherwise stated

Key financial data (C\$)	Q3-2024		Q2-2024	
Cash	\$	1,818,503	\$	3,684,398
Working capital	\$	1,686,993	\$	3,181,969
Mineral assets / Royalty interests	\$	5,847,840	\$	4,103,307
Total assets	\$	8,767,693	\$	8,727,882
Net income (loss) for the 3M	\$	(894,404)	\$	(2,100,832)
EPS	\$	(0.4020)	\$	(0.9443)



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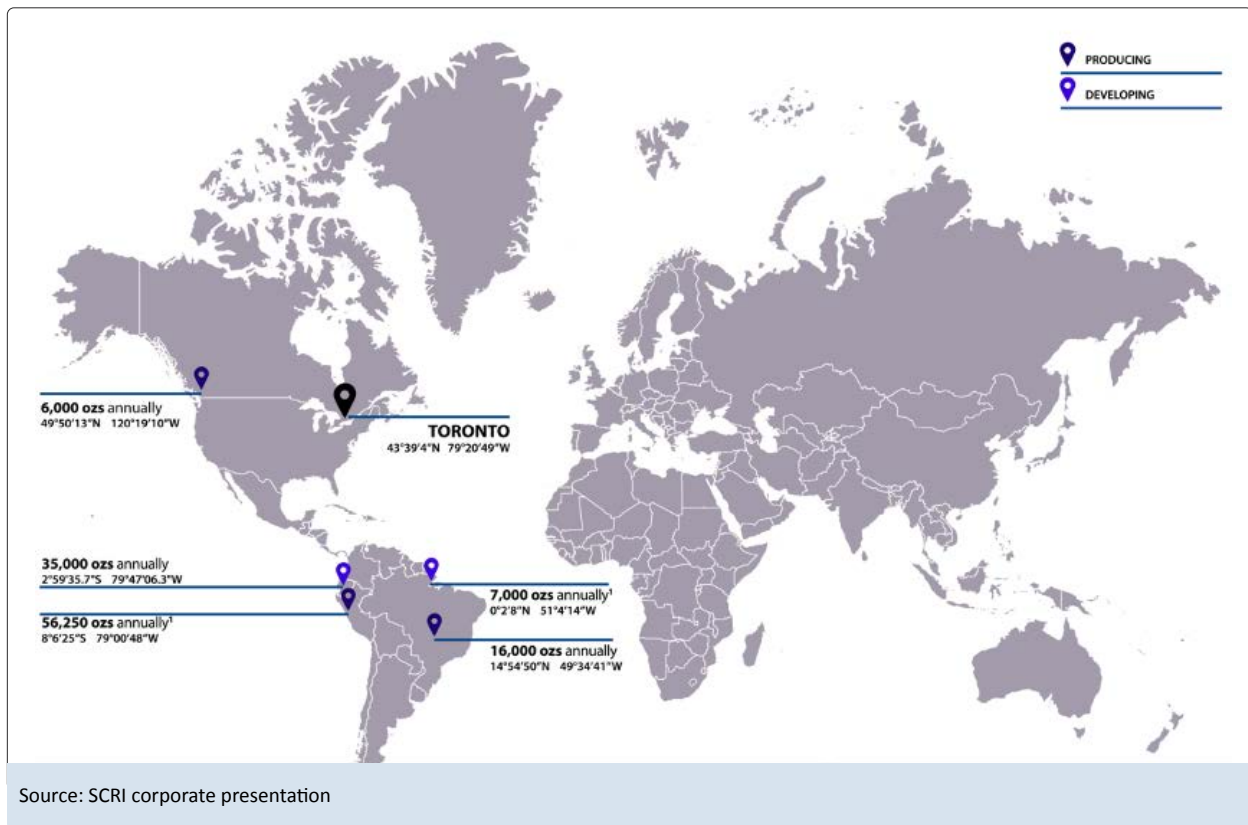
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COMPANY OVERVIEW

Silver Crown Royalties is a fast-growing silver royalty company already generating cash flow and steadily adding new royalties to its portfolio, which is increasing in size. A unique selling point of the firm is that it is the only pure-play silver royalty company on the market, offering investors exposure to silver production from various operations and geographies. Having listed only in July 2024, the company already has three producing royalties in its portfolio, as well as two developing ones.

Figure 1: Location of SCRI's producing and developing royalties



Silver Crown Royalties targets royalties from operations where silver is only a by-product and not a significant economic driver (usually less than 2% of revenue). Producing and developing companies are more inclined to enter into royalty agreements on a by-product than on an element that is a key economic driver. This broadens the opportunity set of investments for Silver Crown Royalties, which estimates that globally, around 350 Moz of silver production goes unreported due to being a minor component of the overall economic value of many projects. Capturing only 10% of this market would equate to more than US\$100 million in revenue from silver royalties.

The company diligently reduces investment risk by acquiring royalties in stages. Payments to acquire a royalty are made when certain milestones are achieved, delaying initial outlays, which is beneficial to the valuation of each deal. This also provides Silver Crown Royalties with an option to exit the deal if a project does not perform as desired and even recoup part or all of the initial investment.

WHAT'S NEW SINCE THE INITIATING REPORT

In our initiating report published on September 3rd, 2024, we highlighted a few key features of Silver Crown Royalties and the individual royalties in the portfolio. The company already has growing cash flow coming in. It continues to grow its portfolio of royalties while minimizing the risk profile of its new additions and remains undervalued relative to its peers.

Since the publication of the initial report, the company has achieved further milestones, which are outlined in more detail below. These include listings on new exchanges, onboarding new business partners, the addition of new royalties, and continued growth of the company's revenues.

Table 1: Selected news releases since the initiating report

Date	News release
03-09-2024	OTCQX Market
26-09-2024	Warrants listed on CBOE
30-09-2024	Funds received from Gold Mountain
08-10-2024	Frankfurt listing
17-10-2024	Salman Partners onboarded
28-10-2024	BacTech Royalty announced
11-11-2024	Quarterly revenue growth
25-11-2024	BacTec Royalty Closed
16-12-2024	Execution of Definitive Agreement to Acquire PPX Royalty

Source: SCRI news releases

LISTINGS ON ADDITIONAL EXCHANGES

The company was listed on the OTCQX market in the U.S. in September 2024; it is considered to be the highest tier of the OTC market. The move highlights the company's commitment to corporate governance and financial integrity. Through its listing in the U.S., it considerably broadens its potential investor base, improving the overall liquidity of the stock and helping to support the share price. The same month, the company listed its share purchase warrants on CBOE Canada, providing existing investors a way to monetize their warrants and new investors to express their views through warrant purchases in the secondary market. Silver Crown Royalties will be going on a roadshow in the US in the coming weeks to raise awareness for this unique investment opportunity. In October, the company also listed in Frankfurt, further expanding its potential investor base to Europe, where there is a sizeable following for natural resource-related equities.

ONBOARDING OF NEW BUSINESS PARTNERS

The appointment of Salman Partners, an established firm in the metals and mining space, as a strategic advisor not only improves Silver Crown Royalties' visibility in the investment community but also leverages Salman Partners' vast network in the mining community. This will help Silver Crown Royalties gain access to new royalty opportunities and investors to provide fresh capital for growth acquisitions.

ADDITION OF NEW ROYALTIES — BACTECH

In October 2024, Silver Crown Royalties entered a definitive purchase agreement to acquire the BacTech royalty. 90% cash equivalent of the silver processed at BacTech's Tenguel bioleaching facility in Ecuador is due under the royalty. It guarantees a minimum payment of 35,000 ounces annually for at least ten years following the start of regular processing operations. The purchase price was \$4.0 million and was paid for with 400,000 Silver Crown Royalties shares at a deemed value of \$10.0 per share (shares closed at \$8.25 on the day of the announcement) and an equivalent number of 36-month warrants with an exercise price of \$16.0. The shares are paid out in tranches, consistent with management's approach of prudent risk management, once certain milestones are achieved. 100,000 shares are issued upon grant of the royalty, 100,000 are issued when the project is successfully financed, and 200,000 are issued when commercial production is achieved. Aside from being a potentially lucrative deal, this investment also supports an environmentally friendly approach to gold extraction, which is a positive attribute from an ESG perspective. The transaction with BacTech was closed towards the end of November 2024 and helped it strengthen its balance sheet.

Figure 2: Aerial view of the Tenguel site and bags of material for processing



Source: SCRI

According to our estimate, the Bactech deal should start producing 35 koz of silver in the next two years. If the project fails for some reason, no further payment is due after the payment of the first tranche. However, ownership over the silver under the agreement stays intact, and Silver Crown Royalties stands to benefit if the project is successfully carried out at a future point in time.

ADDITION OF NEW ROYALTIES — PPX MINING CORP

The royalty covers up to 15% of PPX's Igor 4 project in Peru, and PPX will use the funds from the deal to finance the completion of the beneficiation plant (250 tpd CIL and flotation plant). An initial US\$1 million will be paid on closing (expected early 2025), entitling Silver Crown Royalties to 6% cash equivalent of silver production, and a further US\$1.5 million is to be paid within 6 months of closing, raising the entitlement to 15% cash equivalent of silver production. At least 14,062.5 silver ounces will be delivered each quarter for up to 225k oz. The delivery schedule for the silver is slightly different from that reported in March 2024, with quarterly quantities being higher but the total deliverable amount being slightly lower. The funds for the initial US\$1 million tranche (representing only a 40% upfront payment of the total cost) are in the bank and ready to be deployed, with the balance of US\$1.5 million to be raised in equity. If PPX walks away from the deal after 6 months, the first tranche is returned in full, and Silver Crown Royalties will retain the percentage cash equivalent of silver produced during that period. This deal highlights management's ability to deliver on its growth plans and adhere to the stated strategy in terms of the type of projects it seeks involvement in and how it diligently structures the deals to minimize risk.

REVENUES ARE INCREASING RAPIDLY

A cash payment of \$124,000 was received from the Elk Gold Mining royalty agreement dated July 2024, now bringing the total cash flow from this royalty to \$216k. It is reassuring to see the deal with Gold Mountain yielding revenue, and based on that company's latest financial statements, the amount of gold produced in Q3 saw a significant improvement versus Q2, which should help pave the way for ongoing royalty revenues from this particular project.

The Silver Crown Royalties earnings report published in November 2024 and the revenue figures contained therein reflect the company's success in consistently adding more cash flow-generating royalties to its portfolio. The revenue growth rate has been astonishing (155% Q3 2023 to Q2 2024 and 52% Q2 2024 to Q3 2024) and confirms management's strategy of diligently and consistently adding more royalties to the portfolio.

Table 2: Attributable silver ounces and revenues from SCRI's existing royalties

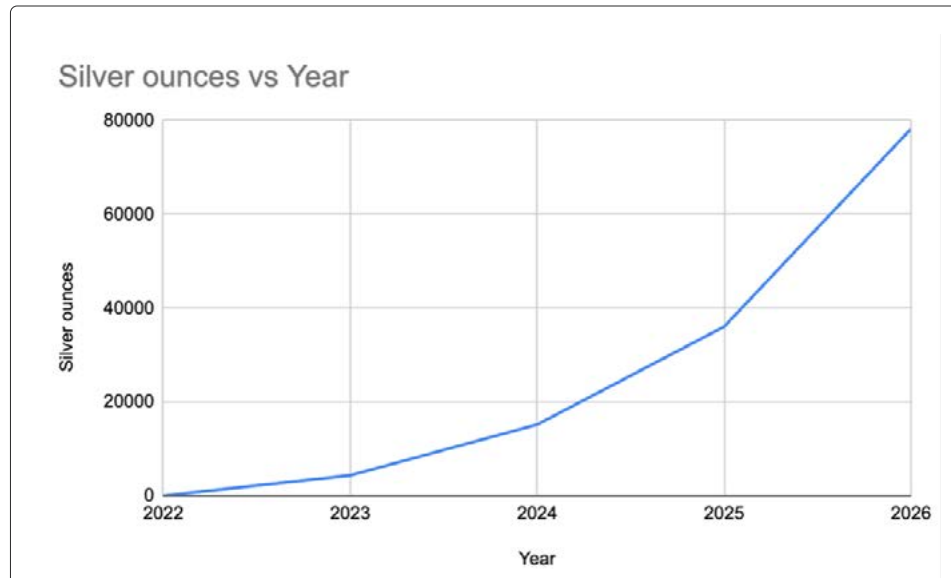
	Three months ended 30/09/24	Three months ended 30/06/24	Three months ended 30/09/23
Attributable Silver Deliveries	4245	2880	1500
% change (Q/Q and Y/Y)		47%	183%
Revenue	164425	107785	42627
% change (Q/Q and Y/Y)		52%	286%

Source: SCRI news release 11/11/2024

The corporate update in January 2025 again highlights the growth trajectory that Silver Crown Royalties is currently on. The series of transactions that Silver Crown Royalties has managed to complete since its listing continues to add blocks of revenue that are rapidly starting to accumulate. At current silver prices, the

company is expected to generate revenue of more than US\$1 million or \$1.43 million in 2025. This is based on an estimated revenue of 36,063 ounces this year. This should comfortably cover the company's overheads and give it positive operational cash flow going forward.

Figure 3: Growth of annual attributable silver ounces each year



Source: SCRI news release 10/01/2025

WHAT'S NEXT FOR SILVER CROWN ROYALTIES

Silver Crown Royalties will continue to implement its strategy of targeting silver royalties in mining operations where silver constitutes a minor portion of the overall economic value. This approach has worked well so far, allowing the company to steadily add new royalties to its portfolio. While the pace of new additions remains fairly steady, the size of royalties added is increasing, measured both by annually attributable ounces and total ounces covered under each royalty.

Two letters of intent have been signed for new potential royalty deals. Given Silver Crown Royalties' trajectory in deal making (the first three deals were between 5-20 koz annually, whereas the last two deals were between 35 and 50 Koz annually), we estimate the deals to be in excess of 50 koz of silver. With regard to timing, we estimate both these deals to start generating revenue within the next two years.

PEER COMPARISON AND UPDATED VALUATION

The valuation method of Enterprise Value (EV) / Equity Raised applied in the initiating report was updated for the most recent market capitalization and financials. The royalty companies formed in the 2000s were omitted, as their maturity allows them to readily access sizeable credit facilities to fund growth. The smaller peers have much smaller facilities at their disposal and still partly or wholly rely on equity financing for funding. Royal Gold was omitted as an outlier due to its formation history.

Taking the ratios of companies formed after 2010 and omitting the top and bottom outliers of this peer group, the average EV/Equity raised value is 5.69. We believe this last ratio should serve as the applicable peer group ratio for a relative valuation.

Table 3: Key relative valuation metrics

Company	MCAP	TD	C	EV	Equity Raised	EV/Equity	Shares	Period	IPO/RTO Date
Silver Crown Royalties	11.4	0.79	1.26	11.0	11.0	1.00	2,489,948	IPO	25-07-2024
Wheaton Precious Metals	26,217	126.2	694	25,649	2,523	10.16	453,673,899	Q2	14-07-2004
Franco-Nevada (No Adj.)	24,164	313	1317.3	23,159	1,757	13.18	192,492,761	Q1	20-12-2007
Royal Gold	9,077	251	127.9	9,200	111	82.67	65,756,835	Q2	01/01/2001*
Sandstorm Gold	1,695	422.2	4.7	2,113	246	8.59	296,843,702	Q2	10-08-2007
Osisko Gold Royalties	3,521	144	40.7	3,624	562	6.44	186,229,186	Q2	16-06-2014
Triple Flag Precious Metals	3,178	63.667	23.6	3,218	274	11.75	201,432,843	Q2	26-05-2021
Empress Royalty	28.0	6.8	0.8	34.0	14.9	2.28	118,580,418	Q1	29-12-2020
Gold Royalty	209	179	2.5	385	NA	NA	65,756,835	Q1	08-03-2021
Elemental Altus Royalties	201	23.9	6.0	219	47.6	4.61	245,762,591	Q1	16-08-2022
Orogen Royalties	230	0.8	8.0	223	22.4	9.94	201,646,760	Q1	20-08-2020
Sailfish Royalty	69.8	5.3	2.1	72.9	13.7	5.32	70,070,537	Q1	03-10-2017
Metalla Royalty & Streaming	254	16.5	10.2	260	97.8	2.66	91,856,973	Q1	05-01-2017
Vox Royalty	119	8.8	9.3	119	23.2	5.13	50,592,103	Q2	25-05-2020
Average Excluding Outliers						7.28			
Average Excluding 2000s						5.69			
Average Including Outliers						12.60			

Source: Couloir Capital, Capital IQ, SEDAR. All figures in US\$

An alternative relative valuation metric that can be applied to the selected peer group is market capitalization divided by revenue. These metrics favor more established companies that already generate sizeable cash flows. However, the cash flow of more established firms tends to grow slower than that of a market newcomer. This is because it becomes harder for a company with an extensive and well-diversified royalty portfolio to add a singular significant royalty to increase revenue meaningfully. However, adding multiple small royalties to a relatively small overall portfolio means that the growth rate of revenues is comparatively high for a smaller company like Silver Crown Royalties. Based on our valuation approach Silver Crown Royalties has an EV/Equity raised ratio of 1 versus the peer group average of 5.7, implying an upside of 470% at current levels or a share price of \$32.34 to be in line with average peer group valuations.

CONCLUSION

Silver Crown Royalties is the only pure-play silver royalty company on the market and already has three producing and two developing royalties in its portfolio. The firm continues to acquire new royalties that are ever larger, thus increasing revenues at an increasing rate. With the large universe of investment opportunities to fit Silver Crown Royalties' criteria, we expect this trend to continue. As the only pure-play silver royalty company, we see the firm becoming the go-to name for mining projects seeking non-dilutive financing and the investment of choice for investors seeking exposure to a diversified portfolio of producing silver royalties. The team at Silver Crown Royalties has a clearly formulated strategy that has been well implemented, as evidenced by the successful track record of royalty transactions and revenue growth. **We are maintaining our BUY rating with a target price of \$32.34 per share over a 12-month period.** The company has numerous features that should be supportive of the share price:

- ◆ Revenues are increasing rapidly as the company continues to add new royalty deals to the portfolio, which are becoming more extensive in terms of annual silver ounces produced as well as the total number of ounces covered under each royalty.
- ◆ The positive momentum of Silver Crown Royalties is helping to solidify its position as the only silver royalty company on the market, as it becomes the go-to name for companies seeking non-dilutive means of financing, and investor awareness is on the rise.
- ◆ Strong institutional and corporate support helps Silver Crown Royalties secure additional capital to pursue attractive royalties when acquisition opportunities arise. The rigorous vetting process conducted on Silver Crown Royalties by institutional investors signals quality to retail investors.
- ◆ Based on our valuation approach outlined above, the stock has considerable upside. This potential is compounded by the unparalleled growth rate in revenues, which is expected to continue increasing as Silver Crown Royalties executes more deals.
- ◆ The price environment for silver remains supportive with ongoing wars, political instability in many parts of the world, shaky economies across the globe, and a FED poised to lower interest rates later this year.



Source: SCRI

RISKS

The following points outline some of the key risk considerations that investors should keep in mind when evaluating Silver Crown Royalties as an investment opportunity:

- ◆ **Operational risk:** Acquired royalties may not perform as desired when the royalty vendor encounters difficulties in production.
- ◆ **Commodity price risk:** The rise and fall of natural resource stocks, including royalty companies, is usually tied to some degree to the price of the underlying commodity. In the case of Silver Crown Royalties, the principal underlying commodity is silver for which we have outlined a long-term price floor in this report. The reader is cautioned, however, that prices may fall well below that level in the short and intermediate term.
- ◆ **Wider market risk:** Like most other equities, Silver Crown Royalties will be at the mercy of broader market fluctuations and will be affected by FED tapering, changes to the outlook for rate hikes, inflation, and the broader economy.
- ◆ **Dilution of existing shareholders:** If non-dilutive funding options are not available, the company may have to issue further shares to cover expenditures and investments. Hence, existing shareholders may face some degree of dilution. If market developments are favourable, the impact may be diminished; if the market developments are adverse, the impact may be accentuated.

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