

# Troilus Gold Corp.

## Precious Metals - Developer/Explorer

**Rating**  
**SPECULATIVE BUY**  
unchanged

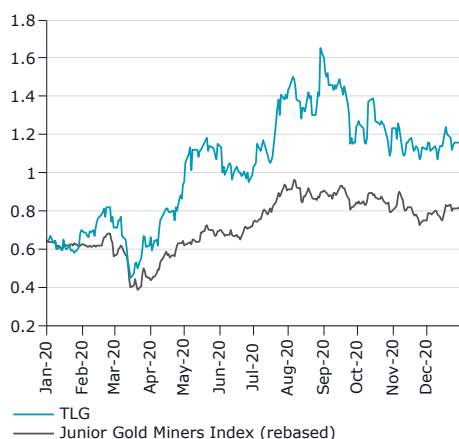
**Price Target**  
**C\$2.75**  
unchanged

**TLG-TSX**

**Price**  
**C\$1.12**

### Market Data

52-Week Range (C\$) :	0.42 - 1.82
Avg Daily Vol (000s) :	266
Market Cap (C\$M) :	128.7
Shares Out. (M) :	114.9
NAV /Shr (C\$) :	2.73



Priced as of close of business 31 December 2020

Troilus Gold is a Toronto-based, Quebec-focused, advanced stage exploration and early development company working toward the mineral expansion and potential mine re-start of the former gold and copper Troilus mine. The 16,000-hectare Troilus property is located Northeast of the Val-d'Or district, within the Frotet-Evans Greenstone Belt in Quebec, Canada. From 1997 to 2010, Inmet Mining Corporation operated the Troilus project as an open-pit mine, producing more than 2,000,000 ounces of gold and nearly 70,000 tonnes of copper.

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## Regional exploration review, 2021 look ahead

We are maintaining our **SPEC BUY** rating and **C\$2.75** target price for Troilus Gold. Toward the end of 2020 Troilus reported results from its regional exploration program and completed the buyback of a 2.5% NSR in conjunction with a C\$22.1M bought deal which closed on December 12, 2020.

### Regional exploration

- Over the summer Troilus conducted regional exploration on its property, including a 23,000km airborne survey, and through its work discovered three new gold zones: Beyan, Goldfield Boulder and Testard (Figure 1).
- The Beyan Gold Zone is located 8km southwest of the Southwest Zone and traced over a 225m strike length, based on 14 gold-bearing samples. Grab samples returned up to 9.7 g/t gold and 32.5 g/t silver. Further work returned 12 g/t 600m north of the original discovery in what is now known as the Alex discovery (Figure 2).
- 28km southwest of the Beyan Gold Zone Troilus discovered the Goldfield Boulder Zone, where boulders and outcrop can be traced over a strike length of 4km. This is the furthest exploration to date and is part of the recently acquired Tortingy claim block. Grab samples include 26.2 g/t gold and 27.8 g/t silver in outcrop. A 2014 resource estimate at Tortingy includes M&I of 1.1Mt @ 1.8% Cu, 3.65% Zn, 48.51 g/t Ag and 0.35 g/t Au and inferred of 99kt @ 1.19% Cu, 1.23% Zn, 12.45 g/t Ag, <0.1 g/t Au.
- The Testard target was discovered 10km south of the main mineral resource area. It returned 203 g/t gold and 2,440g/t silver and 4.37% copper from an outcrop. Surface sampling has returned 82 g/t gold and 1,060 g/t silver (Figure 3). The company believes there could be additional sub-parallel mineralized quartz veins at Testard.
- The company also launched a 20,000m drill program to upgrade its current mineral resource estimates and continue expansion and exploration of mineralization across the property following the discovery of the Southwest Zone earlier this year. No results from the program have been released yet.

### Our view

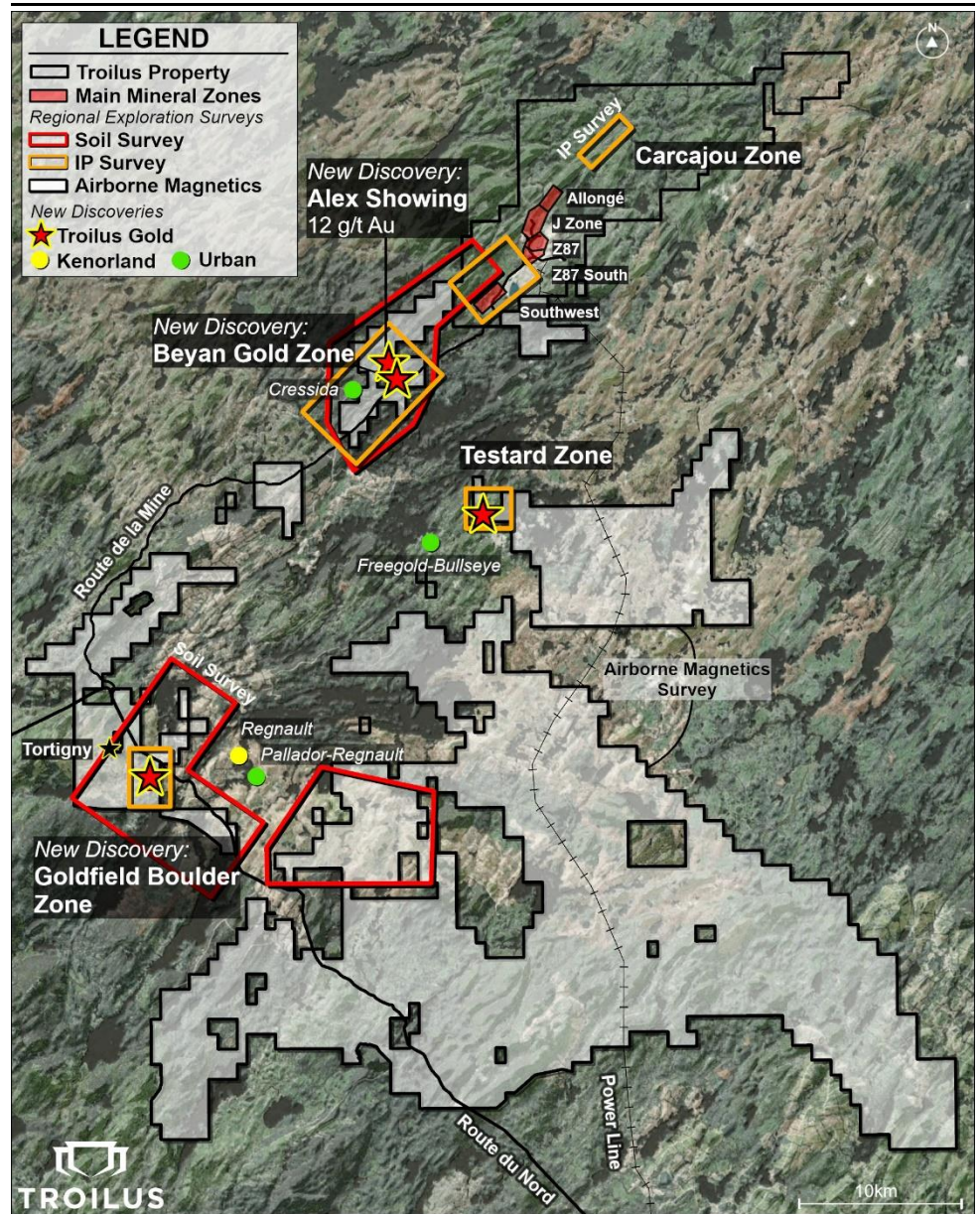
Though the system appears to be opening up toward the southwest, we are particularly curious as to its potential to the northeast. In our view, Troilus would benefit greatly from higher-grade gold mineralization. To the northeast, where the main trend of mineralization encounters the Parker Granite (toward the Allonge showing), we suspect the mineralizing controls could tighten and become contorted (Figure 4). Bending or fracturing along the main trend, coupled with a tightening of the system could lead to discrete pockets of higher-grade gold mineralization, especially to depth where the system has been sparsely tested. Though this is highly speculative based on large scale geologic maps and geophysics, we believe this region to be highly prospective.

### NSR buy back

- On November 9, Troilus announced its agreement with First Quantum Minerals to buy back the sliding 2.5% NSR associated with the previous Troilus mine. FQM was the previous operator and sold the project to Troilus in 2018.
- We view this as positive and the elimination of the NSR from our model adds \$20M to the NPV of the project which is currently C\$912M.
- Troilus paid C\$20M from cash on hand and in conjunction, announced a bought deal that was completed on December 1, 2020 for C\$22.1M.

**Valuation:** Troilus remains inexpensive in our view, trading at 0.20x P/NAV(5%), compared to covered peers at 0.69x.

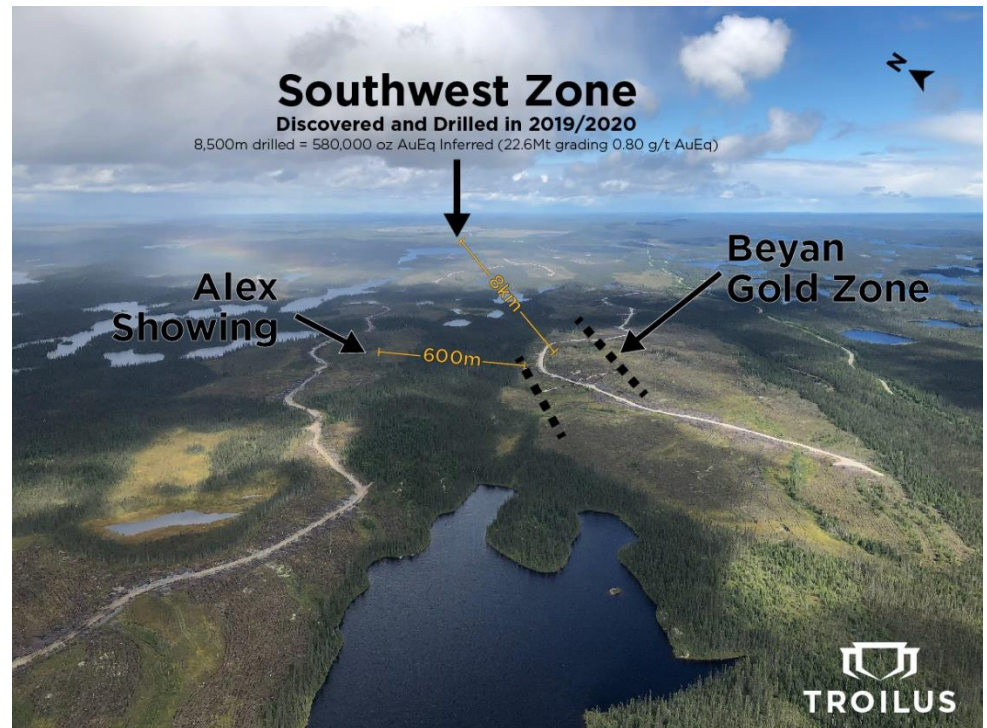
**Figure 1: Troilus property package showing new discoveries**



Source: Company Reports

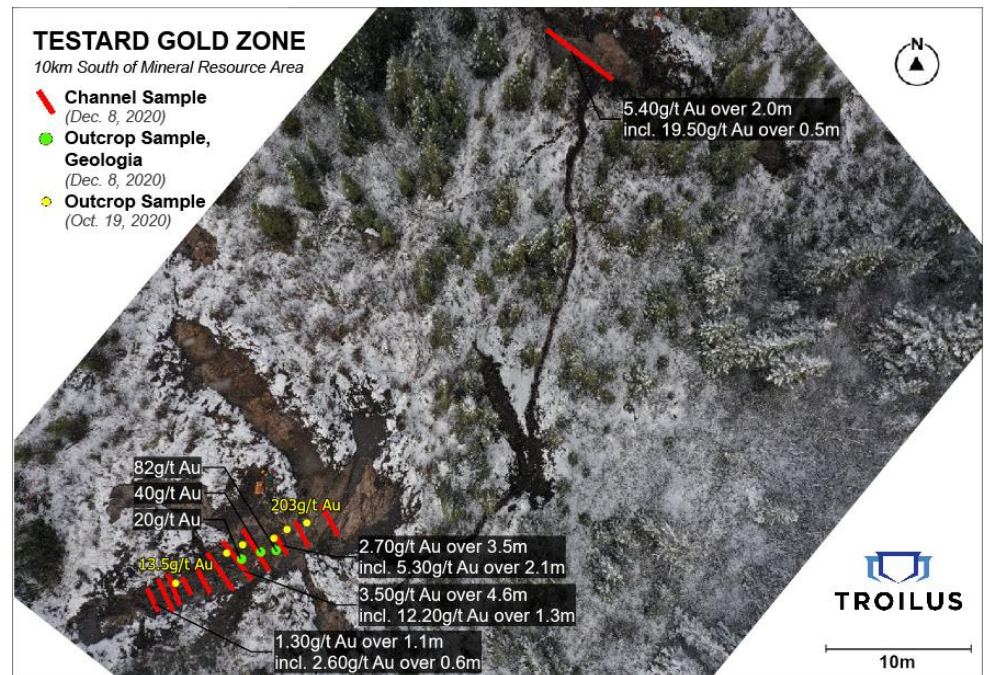


Figure 2: New discoveries near the Southwest zone



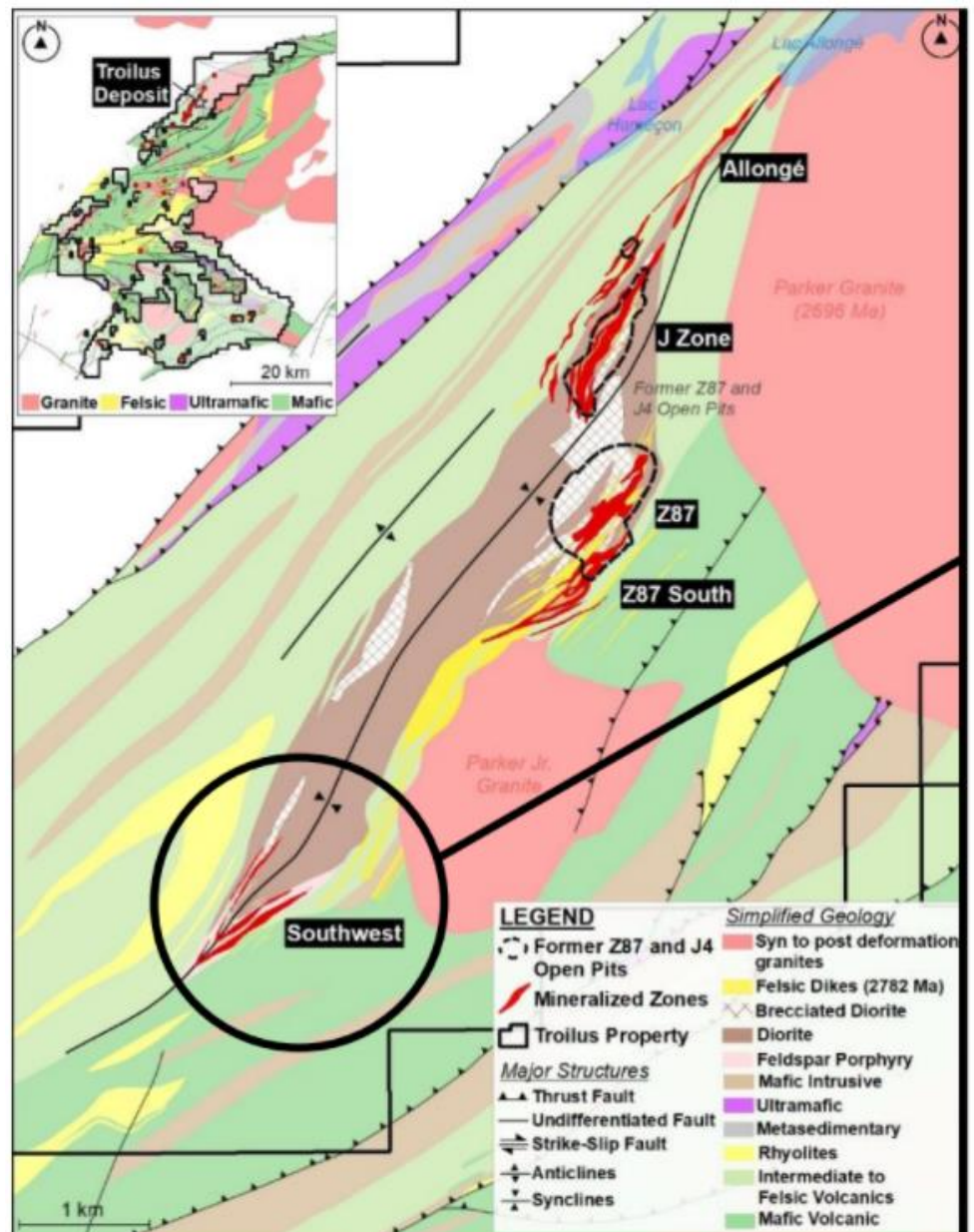
Source: Company Reports

Figure 3: Testard Gold Zone showing channel and outcrop sampling



Source: Company Reports

Figure 4: Troilus mineralized trend showing the Parker Granite



Source: Company Reports

## Appendix: Important Disclosures

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### Investment Recommendation

Date and time of first dissemination: January 04, 2021, 16:05 ET

Date and time of production: January 04, 2021, 14:21 ET

### Target Price / Valuation Methodology:

Troilus Gold Corp. - TLG

Our long-term forward-curve derived gold price of US\$2,015/oz contributes to our aforementioned project NAV for the Troilus Gold project of C\$753M. We add an additional \$72M of in-situ value to capture the growing underground resource and corporate adjustments of \$0.03/sh. On a fully funded basis (50/50 debt/equity), we calculate a NAVPS of C\$3.08.

### Risks to achieving Target Price / Valuation:

Troilus Gold Corp. - TLG

Risks to our target price include the access to capital, the broader commodity market and commodity price and operational risks which include conversion of resources to reserves, the ability to maintain mining rates assumed in our model and potential for cost inflation.

**Capital risk:** Access to capital is a big risk for all mining companies, especially those in the pre-development or development stage without the ability to generate their own free cash. Our model assumes over \$200M in equity to be raised, with equal amounts of leverage to fund initial capital expenditures. Relative to the company's \$34M market cap this seems like a large number; however, we believe it is actually a manageable spend. As mining is very capital-intensive, we often see small companies funding large projects with many multiples of their market caps required for initial capex. As this is a brownfields site (i.e., some infrastructure exists), capex is assumed to be less than developing an entirely new site. Though this is a risk, we view it as very manageable for Troilus.

**Commodity price:** Gold price obviously has a significant effect on a gold mine's NPV. A lower gold price environment would naturally drive down the overall revenue and thus the NPV. On the contrary, an uptick in the gold price could provide a significant boost to a project's profitability.

**Operational risks:** Without any technical study we use our experience as well as peer analysis to derive operating metrics and cost assumptions. There is a risk that our estimates are overly aggressive and though we feel we are sufficiently conservative, cost escalation beyond our modeled numbers is possible. We outline cost increases and decreases in our scenario analysis. Other operational risks include competency and continuity of the mineralized body. Technical risk arises if the material cannot be mined effectively. If the "ore" is discontinuous in places, greater-than-anticipated dilution may occur, which could lower the head grade and increase the strip ratio and wear-and-tear on gear.

### Distribution of Ratings:

#### Global Stock Ratings (as of 01/04/21)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	559	62.46%	58.86%
Hold	173	19.33%	40.46%
Sell	10	1.12%	30.00%
Speculative Buy	134	14.97%	79.85%
	895*	100.0%	

\*Total includes stocks that are Under Review



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## Troilus Gold Corp. Rating History as of 12/31/2020



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