

BUY

Price C\$1.09 (3-16-2021, Close)

FLASH NOTE

Growing near surface ounces at the South West Zone

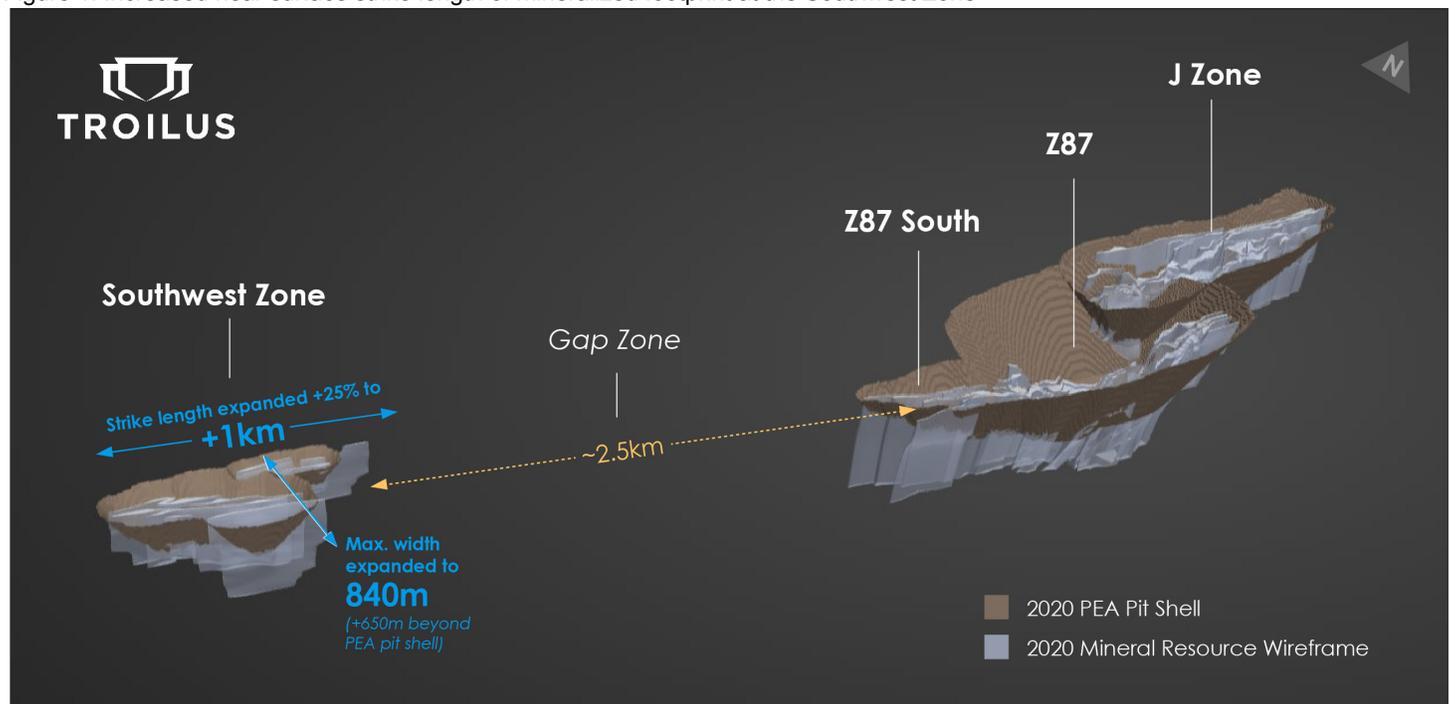
Summary

TLG was out on Tuesday morning with more drill results, effectively increasing the Southwest Zone strike by 25% and more than doubling the width of the mineralized package. While grades are in line with the current inferred resource grade, they showcase the growing near surface scalability of the South West Zone significantly beyond what is currently defined. We note it only took TLG 8,500m to define 580koz at the South West Zone, and look forward to the effect this drilling will have on growing ounces beyond the already impressive +8MMoz resource.

Key Points

- **Adding low risk open pit ounces that count.** Troilus released five additional drill holes from the South West Zone (*discovered in 2019/2020, with subsequent drilling of 8,500m prior to the PEA which contributed 580koz @ 0.80g/t AuEq*). We stress that the Southwest Zone showcases the near surface, on strike, open pitable resource potential of the Troilus property. Most importantly, these ounces come at a lower technical risk and lower capital intensity than the underground ounces intimated on the 2020 PEA- effectively pushing out the underground 'ounce bank'.
- **Growing the footprint of the South West Zone.** Step outs adding to near surface inventory, increasing mineralized strike length of Southwest Zone. Step out drilling along strike to the northeast (*towards the main Z87 & J Zone pits*) has extended the total strike length of the South West Zone to over 1km, an increase of 25%, while the max width of mineralization has been expanded to over 800m, an increase of 650m over the PEA pit shell (*highlighted by hole TLG-ZSW20-214; 1m @ 1.17g/t Au from 8m depth, 3m @ 1.51g/t Au from 94m depth*).
- We like the ultimate widening of mineralization beyond the pit shell, as TLG can access more of the known deeper ounces without increasing the effective strip ratio, thereby improving economics of the overall project.
- **Valuation.** TLG trades at 0.22 spot P/NAV versus peers @ 0.44x.

Figure 1. Increased near surface strike length of mineralized footprint at the Southwest Zone



Source: company press release

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Investment Thesis

Right Address: Quebec and Ontario remain locations of choice with political and jurisdictional risk being more and more a concern for investors.

Plan Nord: Supportive government sponsored initiative to develop northern Quebec.

Past production eases path for restart: Troilus stopped producing in 2010, and is well positioned to restart operations while others struggle through the permitting process.

Solid resource to build from: 8.11MM global ounces defined to date will continue to grow as TLG executes on drilling.

Target Price Methodology/Risks

Our target price of C\$4.00/sh is based on a risk adjusted NAV multiple of 0.80x and LT USD:CAD FX of 0.77x.

We summarise some of the key risks investors should consider:

Market risk/gold price – Profitability will be directly impacted by changes in gold prices. A material decline in gold/metal prices would adversely affect profitability, cash flow and may also render certain projects uneconomical.

Price and cost instability – In addition to gold/metal prices, foreign currency rates and the costs of various input materials associated with mining can fluctuate substantially, resulting in a negative impact on the company's profitability.

Technical risk and economic viability – Mining operations/projects can be exposed to various operational risks.

Geopolitical risk – Mining operations/projects in higher geopolitical risk countries can be exposed to changes in government policies, such as permitting policies, licenses and tax laws, which can negatively impact the mining companies.

Company Description

Troilus Gold is an advanced stage exploration company that is focused on the mineral expansion and potential re-start of the former gold and copper Troilus mine located in the Val-d'Or district of Quebec.

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Troilus Gold (TLG CN) as of March 16, 2021 (in CAD)



*Represents the value(s) that changed.

Buy=BUY; Speculative Buy=SBUY; Hold=HOLD; Sell=S; Discontinued=D; Suspended=SU; Initiation=I

For a price chart with our ratings and target price changes for TLG CN go to <http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=TLG CN>

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¹ This rating is only utilised by Stifel Canada.

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