

MINING

## Troilus Gold Corp.

February 21, 2019

### A Large & Growing Resource in Quebec

Unless otherwise denoted, all figures shown in US\$  
 We are using a US\$0.760 conversion rate for C\$

Recommendation: **Buy**

Target Price: **C\$1.55**

#### Company Statistics:

Stock Symbol: **TLG-TSX**

Price: **C\$0.70**

Shares Outstanding:

Basic: **52.5 MM**

Diluted: **71.2 MM**

Management: **3.9 MM**

Market Cap: **C\$36.7 MM**

Enterprise Value: **C\$22.1 MM**

Cash: **C\$14.6 MM**

Avg. Daily Trading Volume: **206,000**

High – Low (52-Week): **C\$2.10 - C\$0.40**

#### Company Description:

Troilus is focused on developing and expanding the past-producing Troilus gold-copper project in northern Quebec. The company is evaluating both open-pit and underground scenarios for its large existing resource while exploring the surrounding land package.

Troilus Gold is a new and gold developer that has rapidly grown the resource at the Troilus gold project to 5.1 MMoz AuEq. The project is in Quebec, one the best mining jurisdictions in the world, and given it was a past-producing mine, already has excellent infrastructure in place. This infrastructure advantage (power lines, roadwork, active mining lease, permitted tailings) will provide Troilus with significant cost savings and should de-risk the development and permitting timeline for the project.

The company is led by an experienced and proven Management team that has a significant equity ownership (7.4%), has built a strong institutional shareholder base, and has advanced similar projects to production and/or sale in the past.

We are initiating coverage on Troilus Gold with a Buy rating and a C\$1.55 target price. The shares are extremely undervalued (0.45x our fully-funded NAV; 0.10x our undiluted NAV; EV/oz of just \$4/oz) and we believe the project has the size and scope to garner a significant re-rating as the company achieves de-risking catalysts over the next 12-18 months. We believe the project ultimately represents a viable development project with high leverage to the price of gold. The shares have declined 70% since the beginning of 2018, while the resource has grown by 90%, creating an excellent opportunity to accumulate this attractively priced developer.

YE July 31	2019E	2020E	2021E	2022E
Gold Price (\$/oz)	\$1,250	\$1,250	\$1,250	\$1,250
Gold Production (000oz)	n/a	n/a	n/a	205
AISC (\$/oz)	n/a	n/a	n/a	\$788
Diluted/Funded NAV	C\$1.55			
Basic/Takeout NAV	C\$7.10			

Disclosure statements located on pages 17 - 18 of this report

# Investment Highlights

## Executive Summary

Troilus Gold is a new gold developer that has rapidly grown the resource at the Troilus gold project to over 5.0 MMoz AuEq. The project is in Quebec, one of the best mining jurisdictions in the world, and given it was a past-producing mine, already has excellent infrastructure in place. This infrastructure advantage (power lines, roadwork, active mining lease, permitted tailings) should provide Troilus with significant cost savings and should de-risk the development and permitting timeline for the project.

The Management team is led by Justin Reid (CEO), Paul Pint (President), Denis Arsenaault (CFO), Blake Hylands (SVP Exploration), Michael Timmins (SVP Corp. Dev.), and Ian Pritchard (SVP Technical Services), a group that has a significant equity ownership (7.4%), has built a strong shareholder base, and has advanced projects to production and/or sale.

The shares are extremely undervalued, and we believe the project has the size and scope to garner a significant re-rating as the company achieves de-risking catalysts over the next 12-18 months. We believe the project ultimately represents a viable development project into the next gold cycle with high leverage to the price of gold.

## Project Location

The Troilus project is located 175 km by road north of Chibougamau in northwestern Quebec, and as a result stands to benefit from Quebec’s Plan Nord initiative (Figure 1). It is proximal to the Mistissini Cree First Nation, with whom Management already has a strong relationship. The property consists of one mining lease covering 840 ha and surrounding claims (incl. the recently acquired Troilus North), all together totaling over 16,000 ha. The site benefits from existing infrastructure including a 44 km access road (to Route du Nord), a 137 km powerline and substation, and a permitted tailings pond.

Figure 1

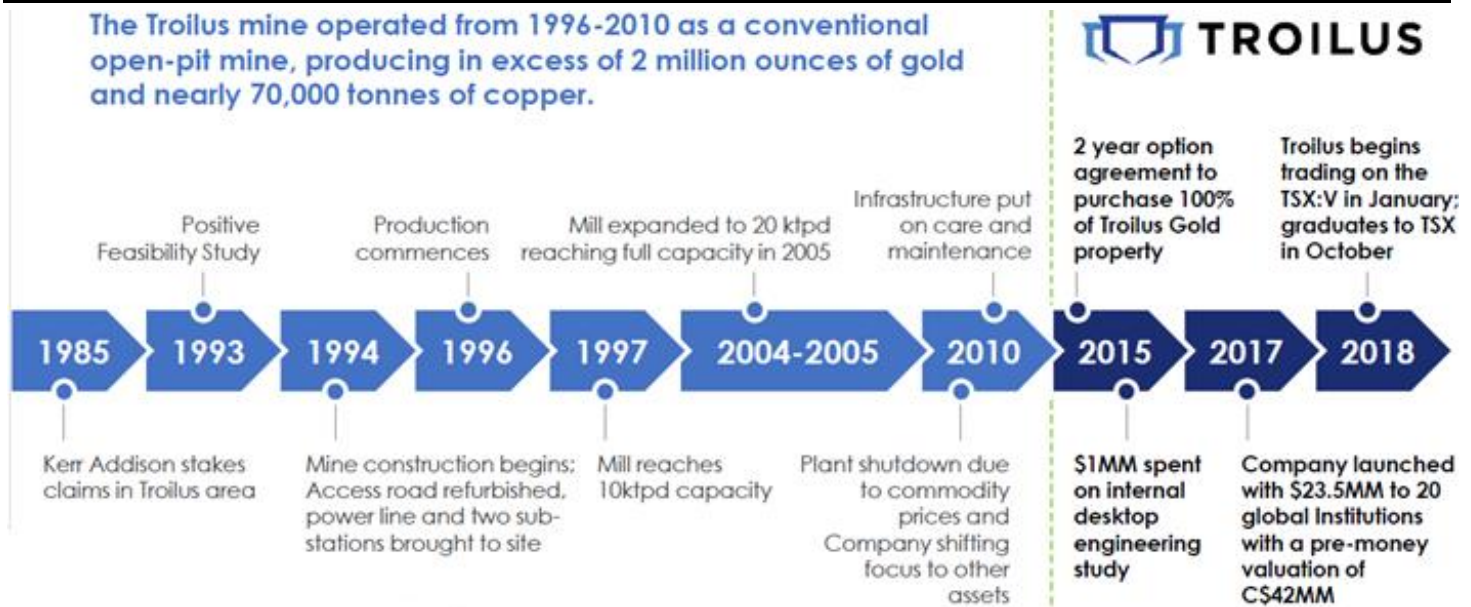
Troilus Project



◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Eastmain Resources Inc.  
 Source: Troilus Gold Corp.

## Project History

The project is a past-producing mine located in northern Quebec which operated as a conventional open-pit mine from 1996 to 2009 (Figure 2). During its initial period of operation, the mine produced over 2.0 MMoz of gold and nearly 70,000 tonnes of copper. After ceasing processing in 2010, the mill was sold and shipped to Mexico while its main camp facilities were dismantled, and the pits were flooded. Troilus exercised the option to acquire 100% of the project in 2018, subject to a sliding 1.5-2.5% NSR payable to First Quantum. In 2018, a new 50-person camp, core logging facility, and office were built.

**Figure 2 Troilus Project History**

Source: Troilus Gold Corp.

### Exploration Success In 2018

In 2018, Troilus completed a 36,000 m drilling program focused on expanding the Z87 and J Zones resource in addition to a wider surface exploration program. Drilling at Z87 was focused on confirmatory drilling to develop a better geologic understanding of the deposit, in-fill drilling to upgrade the inferred resource, and drilling to expand the known mineralization below the historic pit. The orebody has been tested to 850 m in-depth and remains open. Drilling at the J Zone also focused on depth extensions.

In addition, surface sampling identified a zone of mineralization (deemed J4 North) extending over 1.8 km in strike from the northern end of the J Zone.

### Resource Estimate Increased By 90%

The drilling program culminated in an updated estimate which increased the total resource to 4.40 MMoz gold and 298 MMlb copper (5.09 MMoz AuEq) at grades of 0.87 g/t gold and 0.085% copper (1.00 g/t AuEq). This represented an 82% increase from 2.8 MMoz AuEq in the 2016 estimate, and a discovery cost of just \$3/oz.

The new resource (Figure 3) is separated into a lower-grade open-pit component that contains 3.20 MMoz AuEq (at 0.85 g/t AuEq) and a higher-grade underground that contains 1.90 MMoz AuEq (at 1.50 g/t AuEq).

This resource estimates uses a 0.30 g/t Au open-pit cut-off and 0.90 g/t for the underground and assumes a \$1,400/oz gold price and a \$3.25/lb copper price. These assumptions are comparable to that of the previous resource (2016) at \$1,400/oz gold and \$3.50/lb copper, but with a lower underground cut-off of 0.80 g/t. The drill spacing was 60 m for the indicated resource and 120 m for the inferred.

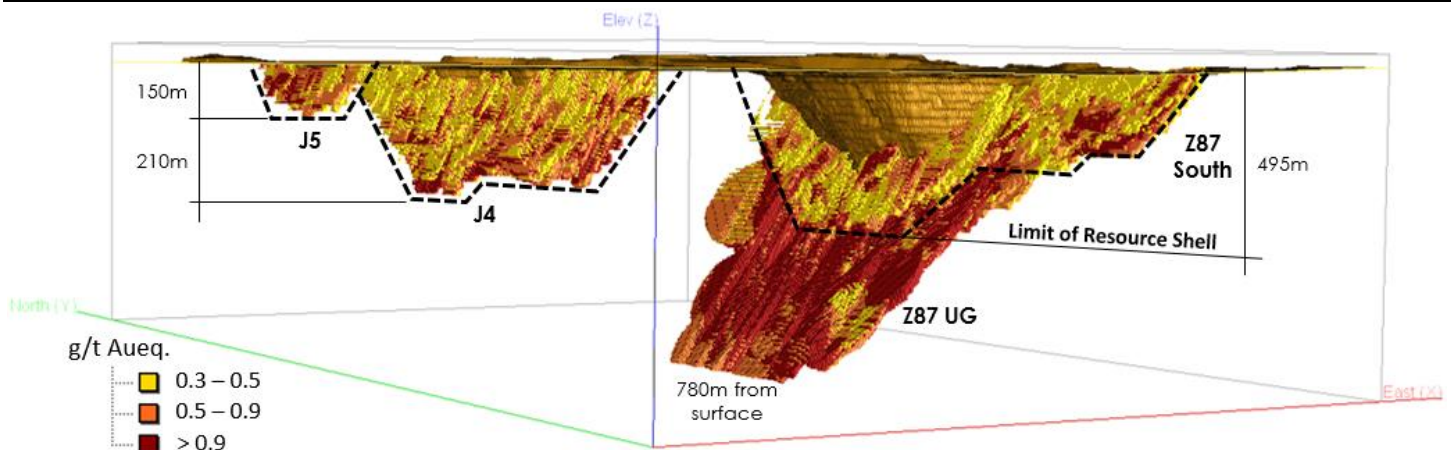
Using a more conservative cut-off grade of 0.60 g/t for the open-pit and 1.50 g/t for the underground, the resource (Figure 5) totals 3.42 MMoz AuEq at 1.29 g/t including a 2.49 MMoz AuEq open-pit component (at 1.12 g/t AuEq) and a 0.93 MMoz AuEq underground component (at 2.19 g/t). We believe this may be a more realistic estimate at current commodity pricing.

**Figure 3 Resource Summary at 0.30 g/t Cut-Off for O/P & 0.90 g/t Cut-Off for U/G**

Measured and Indicated Resources								
Project	Category	Tonnes	Au Grade (g/t)	Cu Grade (%)	AuEq Grade (g/t)	Contained Au MMoz	Contained Cu MMlb	Contained AuEq MMoz
Total Open Pit	Indicated	97.5	0.76	0.078%	0.88	2.37	167.0	2.70
Total Underground	Indicated	24.2	1.32	0.121%	1.50	1.02	64.8	1.20
<b>Total</b>	<b>Indicated</b>	<b>121.7</b>	<b>0.87</b>	<b>0.086%</b>	<b>1.00</b>	<b>3.40</b>	<b>231.8</b>	<b>3.92</b>
Inferred Resources								
Project	Category	Tonnes	Au Grade (g/t)	Cu Grade (%)	AuEq Grade (g/t)	Contained Au MMoz	Contained Cu MMlb	Contained AuEq MMoz
Total Open Pit	Inferred	21.7	0.60	0.062%	0.69	0.42	29.7	0.50
Total Underground	Inferred	14.4	1.31	0.115%	1.49	0.61	36.5	0.70
<b>Total</b>	<b>Inferred</b>	<b>36.1</b>	<b>0.88</b>	<b>0.083%</b>	<b>1.01</b>	<b>1.02</b>	<b>66.2</b>	<b>1.17</b>
Total Inventory								
<b>Total</b>	<b>Inferred</b>	<b>157.8</b>	<b>0.87</b>	<b>0.085%</b>	<b>1.00</b>	<b>4.42</b>	<b>298.0</b>	<b>5.09</b>

Source: Troilus Gold Corp.

**Figure 4 Troilus Resource Grade Shell at 0.30 g/t (OP) and 0.90 g/t (UG) Cut-Off**



Source: Troilus Gold Corp.

**Figure 5 Resource Summary at 0.60 g/t Cut-Off for O/P & 1.50 g/t Cut-Off for U/G**

Measured and Indicated Resources								
Project	Category	Tonnes	Au Grade (g/t)	Cu Grade (%)	AuEq Grade (g/t)	Contained Au MMoz	Contained Cu MMlb	Contained AuEq MMoz
Total Open Pit	Indicated	57.5	1.03	0.098%	1.14	1.89	124.4	2.17
Total Underground	Indicated	8.7	1.88	0.169%	2.14	0.52	32.3	0.60
<b>Total</b>	<b>Indicated</b>	<b>66.1</b>	<b>1.14</b>	<b>0.108%</b>	<b>1.27</b>	<b>2.42</b>	<b>156.6</b>	<b>2.77</b>
Inferred Resources								
Project	Category	Tonnes	Au Grade (g/t)	Cu Grade (%)	AuEq Grade (g/t)	Contained Au MMoz	Contained Cu MMlb	Contained AuEq MMoz
Total Open Pit	Inferred	10.1	0.85	0.520%	0.98	0.28	115.3	0.32
Total Underground	Inferred	4.4	2.09	0.140%	2.30	0.30	13.7	0.33
<b>Total</b>	<b>Inferred</b>	<b>14.5</b>	<b>1.23</b>	<b>0.404%</b>	<b>1.38</b>	<b>0.57</b>	<b>129.0</b>	<b>0.65</b>
Total Inventory								
<b>Total</b>	<b>Inferred</b>	<b>80.6</b>	<b>1.15</b>	<b>0.161%</b>	<b>1.29</b>	<b>2.99</b>	<b>285.6</b>	<b>3.42</b>

Source: Troilus Gold Corp.

## Envisioning A Mining Scenario

We believe the higher cut-off resource offers a better reflection of what can be economically mined at the project. As such, we utilize the open pit indicated resource of 1.89 MMoz gold and 124.4 MMlb copper (at grades of 1.03 g/t gold and 0.098% copper) as the basis for our estimated mining scenario at the Troilus project. At this time we do not model an underground mine but acknowledge that the ultimate longer-term plan will likely include an underground component given the underground grades (1.88 g/t gold and 0.169% copper) at the higher cut-off of 1.50 g/t AuEq.

We model a conventional open-pit mine operating at a 20,000 tpd capacity using the parameters provided in Figure 6. These inputs are derived from benchmarking other mines and projects in development and operation, as well as from conversations with Management. The resulting mine would produce over 200,000 oz/yr of gold and 14 MMlb/yr of copper and an AISC of \$788/oz.

Figure 6

### Mine Plan Assumptions

		Cormark Model		Cormark Model	
Tonnes Mined	<i>MMt</i>	57.5	Mining Cost	<i>C\$/t</i>	\$3.00
Gold Grade	<i>g/t</i>	1.03	Process Cost	<i>C\$/t</i>	\$15.00
Copper Grade	<i>%</i>	0.098%	G&A Cost	<i>C\$/t</i>	\$5.00
Gold Contained	<i>MMoz</i>	1.89	Operating Cost	<i>C\$/t</i>	\$32.00
Copper Contained	<i>MMlb</i>	124.6			
Strip Ratio	<i>waste:ore</i>	3.00	Cash Cost	<i>US\$/oz</i>	\$727
Throughput	<i>tpd</i>	20,000	AISC	<i>US\$/oz</i>	\$788
Gold Recovery	<i>%</i>	85.0%	Initial Capital Cost	<i>C\$ MM</i>	\$350
Copper Recovery	<i>%</i>	90.0%	LOM Sustaining Capital	<i>C\$ MM</i>	\$118
Gold Production	<i>oz/yr</i>	205,000	<b>Post-tax NPV<sub>5%</sub></b>	<b><i>C\$ MM</i></b>	<b>\$300</b>
Copper Production	<i>MMlb/yr</i>	14.2	<b>Post-tax IRR</b>	<b><i>%</i></b>	<b>25.1%</b>
Mine Life	<i>years</i>	7.8	<b>Gold Price</b>	<b><i>US\$/oz</i></b>	<b>\$1,250</b>

Source: Cormark Securities Inc.

## Plans For 2019

With the successful exploration results driving a significant resource increase, the Management team is planning for another aggressive season of drilling in 2019. The 2019 program will include drilling of at least 40,000 m designed to continue to de-risk and expand the resource.

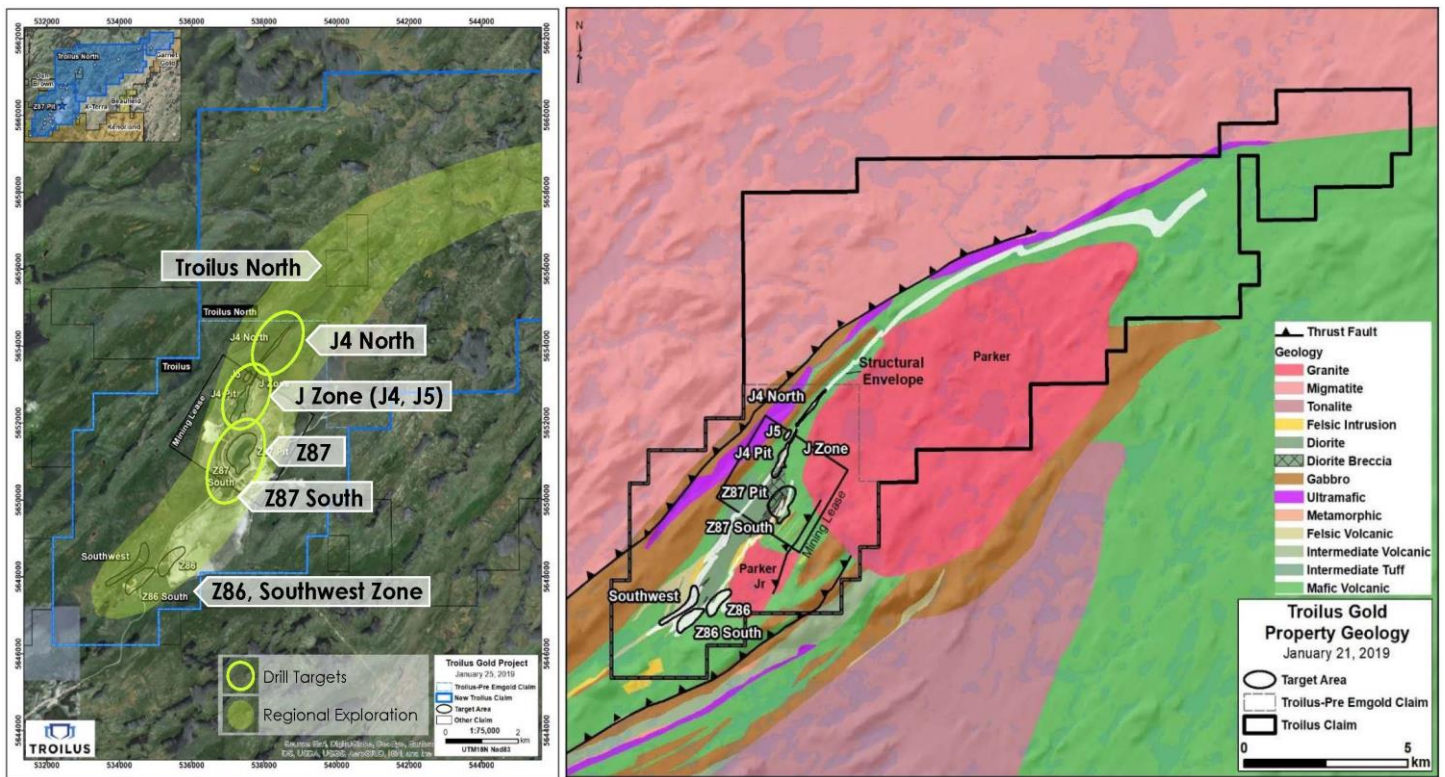
Approximately 50% of drilling will be focused on the J Zone (J4 & J5) (Figure 8) where the goal is to increase confidence in the open-pit potential and expand mineralization below and around the 2018 mineral resource envelope. J4 and J5, two secondary historic open-pits located 1.2 km directly northeast of Z87, are characterized by the same mineralization and geology as Z87 and both remain open at depth and along strike.

Near-surface mineralization at the J Zone defined during the 2018 exploration program signifies promising open pit resource opportunities. The goal of the 2019 program will be to expand open-pit resources below the conceptual grade shell with the intent of identifying material that could contribute to an early production scenario.

A further 25% of the drilling will be allocated to the Z87 South zone that will focus on expansion of the near-surface open-pit potential discovered in 2018, with another 15% targeted at the Z87 zone to outline down dip and strike extensions.

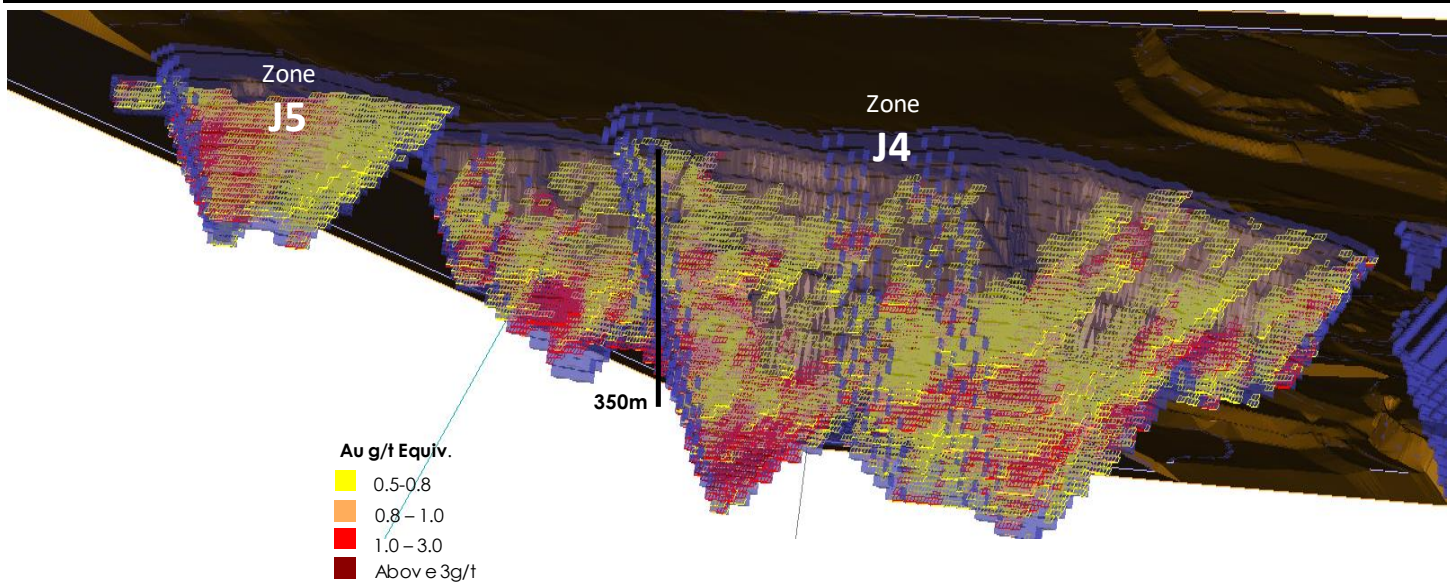
The remainder of the program (10%) will be allocated to the J4 North zone where it will follow-up on the 1.8 km mineralized trend from end of the J Zone leading onto newly acquired land package to northeast identified in 2018.

**Figure 7 Troilus 2019 Targets (Left) and Geology (Right)**



Source: Troilus Gold Corp.

**Figure 8 J Zone Open Pit Potential**



Source: Troilus Gold Corp.

**Notable Risks For Troilus Gold**

**Funding Risk.** While liquidity has dried up considerably in the gold sector, we note that the company was able to raise C\$23.5 MM in its RTO financing (late 2017) and C\$15.8 MM in flow-through shares since then (June 2018). While our assumed capital expenditure to bring the project into production is far greater than Troilus’ current market capitalization, we believe funding is feasible. We believe that Troilus has an advantage in its Quebec location and being a brownfields project.

**Gold Price Risk.** Our estimated mine plan for the Troilus project has an IRR of 25.1% using a gold price of \$1,250/oz. While we believe a gold price of \$1,250/oz is a safe and conservative price to use when valuing gold projects, we note that this IRR decreases to 13.9% if we used a gold price of \$1,100/oz, a level where financing of the project would be difficult.

**Geopolitical Risk.** The Troilus project is in Quebec, Canada – one of the best mining jurisdictions in the world in our view. The province benefits from a supportive government (including initiatives such as Plan Nord), low electricity cost, generally good infrastructure (for a remote mine), and a strong labor pool. Maintaining strong relations with the affected First Nation groups is critical to the project’s success. Much of the project’s costs will be denominated in Canadian dollars, a relatively stable currency.

**Catalysts For Troilus**

- Drilling program resumes (Q1/19)
- Permitting resumes (Q1/19)
- Troilus project PEA (Q3/19)
- Troilus project pre-feasibility study (Q2/20)

**Figure 9**

**Troilus Gold Price Chart (C\$)**



Source: BigCharts.com (February 20, 2019)

## Valuation

### Initiating Coverage With Target Price Of C\$1.55

Our C\$1.55 target price is based on a 1.0x P/NAV multiple and represents upside of 121% from the current share price. Our NAV of C\$1.55 (see Figure 10) is based on a gold price of \$1,250/oz, a C\$ exchange rate of 0.760 and a discount rate of 5% for the future cash flows.

- We calculate an NPV<sub>5%</sub> of C\$299.7 MM for the Troilus project. This is based on the projected open-pit-only mine plan that includes the 1.89 MMoz in the M&I category using the 0.60 g/t cut-off resource estimate. We note that a more definitive mine plan is expected when Troilus releases a PEA for the project in H2/19.
- We ascribe an in-situ value of \$25/oz to the 2.40 MMoz of resources at the Troilus project that we do not include in our projected mine plan. This in-situ value is comparable to market valuations of other resources in low-risk jurisdictions in our coverage universe.
- We assume a tax rate of 40% (after capital is repaid) and a 1.5-2.5% sliding scale royalty on all gold production from Troilus.
- At the end of October 2018, Troilus had C\$14.6 MM of cash. Based on expenses since then, we estimate the company currently has approximately C\$10 MM in cash.
- Our NAV is based on a pro-forma share count of 343.9 MM. This includes 52.5 MM currently outstanding, 0.1 MM of in-the-money options (exercise price of C\$0.40) and an additional 291.4 MM future shares (at the current share price of C\$0.70) to be issued to fund i) exploration spending in 2019, and ii) 40% of the estimated pre-production capital cost of C\$350 MM.

Figure 10

### NAV Summary

Asset		At \$1,250/oz	%
Troilus (100%), Ontario	NPV <sub>5%</sub> - 2022 start	C\$299.7	57%
Open Pit Inferred	0.50 MMoz @ C\$25/oz in-situ	C\$12.5	2%
Underground M&I	1.20 MMoz @ C\$25/oz in-situ	C\$30.0	6%
Underground Inferred	0.70 MMoz @ C\$25/oz in-situ	C\$17.5	3%
<b>Total Development Assets</b>		<b>C\$359.7</b>	<b>68%</b>
Cash	At October 31, 2018	C\$14.6	3%
ITM FD Proceeds	Avg. Price of C\$0.40	C\$0.0	0%
Equity Issue Proceeds	Issue Price of C\$0.73	C\$155.0	29%
<b>Total NAV</b>		<b>C\$529.3</b>	<b>100%</b>
Shares O/S		52.5	
FD ITM Shares O/S		52.6	
Future Equity Issued		291.4	
Pro-forma FD ITM Shares		343.9	
<b>Total NAVPS (C\$; Rounded)</b>		<b>C\$1.55</b>	

Source: Cormark Securities Inc.



### Project NPV And IRR Sensitivity

Our estimated NPV<sub>5%</sub> of C\$299.7 MM and IRR of 25.1% for the Troilus project are based on a gold price of \$1,250/oz and a C\$ exchange rate of 0.760. If we used the current gold price of \$1,340/oz, the NPV<sub>5%</sub> would increase to C\$405.0 MM and the IRR would increase to 31.3% (Figure 11).

At a gold price of \$1,400/oz, the NPV<sub>5%</sub> would increase by 59% to C\$475.3 MM.

**Figure 11 NPV & IRR Sensitivity to Gold And C\$**

NPV <sub>5%</sub> Sensitivity to Gold & C\$						IRR Sensitivity to Gold & C\$							
		Gold price (US\$/oz)							Gold price (US\$/oz)				
		\$1,100	\$1,200	\$1,250	\$1,300	\$1,400			\$1,100	\$1,200	\$1,250	\$1,300	\$1,400
C\$ Exchange Rate	0.70	\$258.9	\$386.0	\$449.5	\$513.1	\$640.2	C\$ Exchange Rate	0.70	22.5%	30.1%	33.6%	37.1%	43.8%
	0.72	\$211.4	\$335.0	\$396.8	\$458.6	\$582.2		0.72	19.6%	27.1%	30.7%	34.2%	40.9%
	0.74	\$166.6	\$286.8	\$346.9	\$407.0	\$527.3		0.74	16.7%	24.3%	27.9%	31.3%	38.0%
	0.76	\$124.1	\$241.1	<b>\$299.7</b>	\$358.2	\$475.3		0.76	13.9%	21.5%	<b>25.1%</b>	28.6%	35.2%
	0.78	\$83.7	\$197.8	\$254.8	\$311.9	\$425.9		0.78	11.1%	18.8%	22.4%	25.9%	32.5%
	0.80	\$45.4	\$156.6	\$212.2	\$267.9	\$379.1		0.80	8.4%	16.1%	19.8%	23.2%	29.9%
	0.82	\$9.0	\$117.5	\$171.7	\$226.0	\$334.5		0.82	5.6%	13.5%	17.2%	20.7%	27.3%

Source: Cormark Securities Inc.

### NAV Sensitivity To Gold Price And Discount Rate

While our base case NAV assumes a long-term gold price of \$1,250/oz, a more aggressive gold price of \$1,400/oz demonstrates the leverage in Troilus' valuation as the NAV would increase by 32% to C\$2.05 (see Figure 12).

Also in Figure 12, we show the NAV sensitivity to changes in the Canadian dollar assumption. The most recent exchange rate of 0.758 compares well to the assumption of 0.760 we use in our base case NAV.

We use a 5% discount rate for virtually all gold assets under coverage for the simple reasoning that it makes it easier to compare the relative value of Troilus to other mines and development assets in the gold sector. If one were to use a more conservative discount rate of 10%, our NAV would be closer to C\$1.15 per share, which is 26% lower but still 64% above the current share price.

**Figure 12 NAV Sensitivity to Gold & C\$**

NAV Sensitivity to Gold & C\$						NAV Sensitivity to Gold & Discount Rate							
		Gold price (US\$/oz)							Gold price (US\$/oz)				
		\$1,100	\$1,200	\$1,250	\$1,300	\$1,400			\$1,100	\$1,200	\$1,250	\$1,300	\$1,400
C\$ Exchange Rate	0.70	C\$1.30	C\$1.65	C\$1.85	C\$2.00	C\$2.35	Discount Rate	0.0%	C\$1.40	C\$1.90	C\$2.15	C\$2.35	C\$2.85
	0.72	C\$1.20	C\$1.55	C\$1.75	C\$1.90	C\$2.25		2.5%	C\$1.20	C\$1.60	C\$1.80	C\$2.00	C\$2.40
	0.74	C\$1.10	C\$1.45	C\$1.65	C\$1.80	C\$2.15		5.0%	C\$1.05	C\$1.35	<b>C\$1.55</b>	C\$1.70	C\$2.05
	0.76	C\$1.05	C\$1.35	<b>C\$1.55</b>	C\$1.70	C\$2.05		7.5%	C\$0.90	C\$1.20	C\$1.35	C\$1.45	C\$1.75
	0.78	C\$0.95	C\$1.25	C\$1.45	C\$1.60	C\$1.95		10.0%	C\$0.80	C\$1.05	C\$1.15	C\$1.30	C\$1.55
	0.80	C\$0.85	C\$1.15	C\$1.35	C\$1.50	C\$1.85		12.5%	C\$0.70	C\$0.90	C\$1.05	C\$1.15	C\$1.35
	0.82	C\$0.75	C\$1.05	C\$1.25	C\$1.40	C\$1.75		15.0%	C\$0.65	C\$0.85	C\$0.90	C\$1.00	C\$1.20

Source: Cormark Securities Inc.

### NAV Sensitivity To Capex And Opex

As there has yet to be a PEA completed on the project, our estimates for capital and operating costs do carry an elevated degree of risk. While our fully-diluted, fully-financed NAV of C\$1.55 is based on an initial pre-production capital cost of C\$350 MM, it would still be approximately C\$1.15 (64% above the share price) if the capital cost were closer to C\$450 MM (Figure 13).

Similarly, a 20% increase in the operating costs used in our projected mining scenario would reduce the NAV to C\$1.00 (still 43% above the share price).

Figure 13 NAV Sensitivity To Capex And Opex

NAV Sensitivity to Gold & Initial Capex						NAV Sensitivity to Gold & Change in Opex							
Gold price (US\$/oz)						Gold price (US\$/oz)							
	\$1,100	\$1,200	\$1,250	\$1,300	\$1,400		\$1,100	\$1,200	\$1,250	\$1,300	\$1,400		
Initial Capex (C\$MM)	\$150	C\$2.30	C\$2.90	C\$3.20	C\$3.55	C\$4.15	Change in Opex	-30%	C\$1.80	C\$2.15	C\$2.30	C\$2.50	C\$2.85
	\$200	C\$1.85	C\$2.35	C\$2.60	C\$2.85	C\$3.35		-20%	C\$1.55	C\$1.90	C\$2.05	C\$2.25	C\$2.55
	\$250	C\$1.50	C\$1.95	C\$2.15	C\$2.35	C\$2.80		-10%	C\$1.30	C\$1.65	C\$1.80	C\$1.95	C\$2.30
	\$300	C\$1.25	C\$1.60	C\$1.80	C\$2.00	C\$2.40		0%	C\$1.05	C\$1.35	<b>C\$1.55</b>	C\$1.70	C\$2.05
	\$350	C\$1.05	C\$1.35	<b>C\$1.55</b>	C\$1.70	C\$2.05		10%	C\$0.75	C\$1.10	C\$1.30	C\$1.45	C\$1.80
	\$400	C\$0.85	C\$1.15	C\$1.30	C\$1.50	C\$1.80		20%	C\$0.50	C\$0.85	C\$1.00	C\$1.20	C\$1.55
	\$450	C\$0.75	C\$1.00	C\$1.15	C\$1.30	C\$1.55		30%	C\$0.25	C\$0.60	C\$0.75	C\$0.95	C\$1.25

Source: Cormark Securities Inc.

### NAV Sensitivity to Dilution

Our NAV of C\$1.55 is quite punitive in that it assumes the equity portion of the capital cost (we assume 40% of the C\$350 MM initial capital cost) is funded at the current depressed share price. This is likely an overly conservative assumption, but consistent in terms of how we value other developers in our coverage universe.

As Figure 14 shows, however, a modest increase in the share price assumption in our equity dilution has a dramatic effect on the resulting NAV calculation. For example, if we used a share price of C\$1.50 (approximately where the shares were trading in May 2018), the fully-financed NAV would increase by 90% to C\$2.95.

Further, if there is no future equity dilution, the NAV would be C\$7.10. This should be considered the takeout NAV for Troilus, the upside value that potential acquirers with significant balance sheet strength would consider. Troilus currently trades at just 0.10x this undiluted, unfunded NAV.

Figure 14 NAV Sensitivity To Dilution

NAV Sensitivity to Gold & Initial Capex						NAV Sensitivity to Gold & Change in Opex							
Future Equity Dilution (C\$ MM)						Gold price (US\$/oz)							
	\$0	\$50	\$140	\$200	\$350		\$1,100	\$1,200	\$1,250	\$1,300	\$1,400		
Issue Price (C\$)	\$0.50	C\$7.10	C\$2.30	C\$1.20	C\$1.00	C\$0.75	Target Multiple	0.20x	C\$0.20	C\$0.30	C\$0.30	C\$0.35	C\$0.40
	\$0.75	C\$7.10	C\$3.00	C\$1.70	C\$1.40	C\$1.10		0.40x	C\$0.40	C\$0.55	C\$0.60	C\$0.70	C\$0.80
	\$1.00	C\$7.10	C\$3.60	C\$2.15	C\$1.80	C\$1.40		0.60x	C\$0.65	C\$0.85	C\$0.95	C\$1.00	C\$1.20
	\$1.25	C\$7.10	C\$4.00	C\$2.55	C\$2.20	C\$1.70		0.80x	C\$0.85	C\$1.10	C\$1.25	C\$1.35	C\$1.60
	\$1.50	C\$7.10	C\$4.40	C\$2.95	C\$2.50	C\$2.00		1.00x	C\$1.05	C\$1.40	<b>C\$1.55</b>	C\$1.70	C\$2.00
	\$1.75	C\$7.10	C\$4.70	C\$3.25	C\$2.85	C\$2.30		1.20x	C\$1.25	C\$1.70	C\$1.85	C\$2.05	C\$2.40
	\$2.00	C\$7.10	C\$4.95	C\$3.55	C\$3.10	C\$2.55		1.40x	C\$1.45	C\$1.95	C\$2.15	C\$2.40	C\$2.80

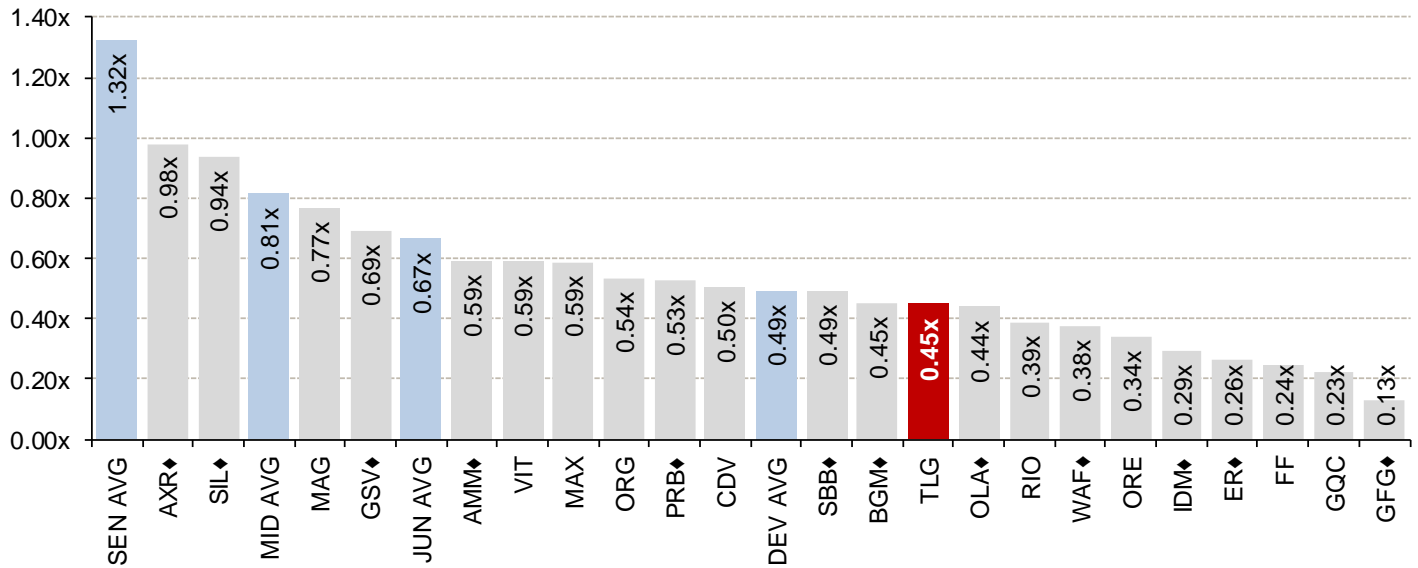
Source: Cormark Securities Inc.

**Attractive Valuation**

Troilus trades at 0.45x our fully-funded NAV of C\$1.55, which positions the stock below the average P/NAV of 0.49x for our explorer/developer coverage universe (see Figure 15) and the average of 0.62x for the explorers/developers with assets in what we would deem low-risk jurisdictions.

From a more simplistic EV/oz basis, Troilus trades at just \$4/oz, which is at the absolute low-end of names in our coverage universe (Figure 16). The shares have declined 70% since the beginning of 2018, while the resource has grown by 90%, creating an excellent opportunity to accumulate this attractively priced developer.

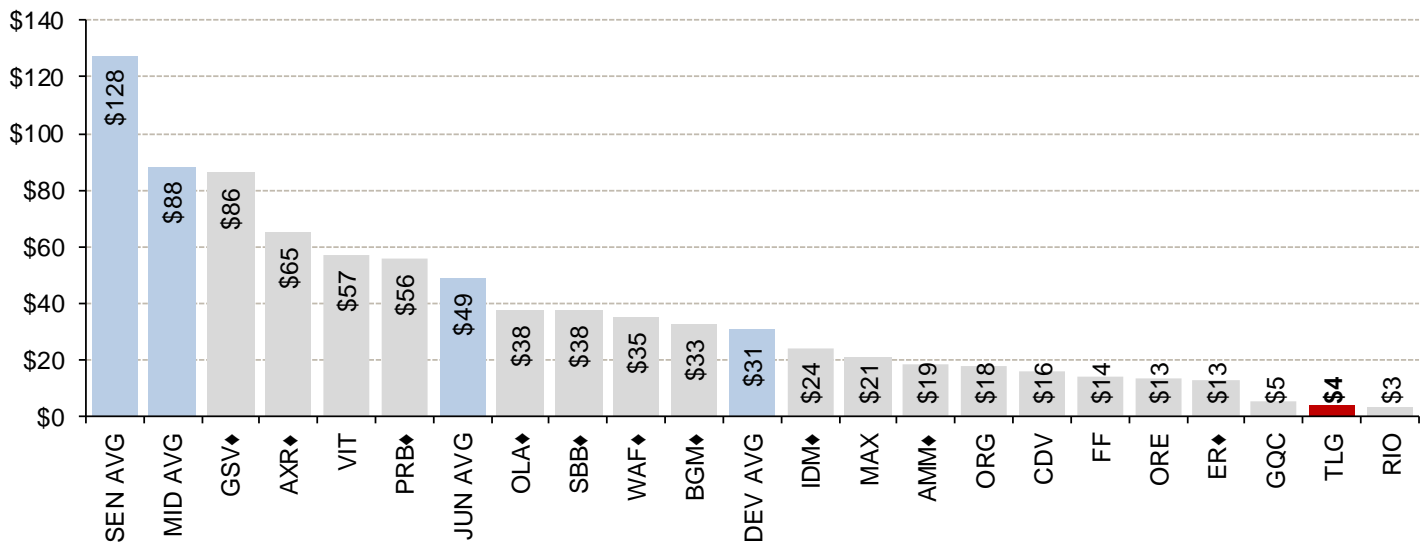
**Figure 15 Developer P/NAV Comparison (at \$1,250/oz gold)**



♦ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and /or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions and/or received a fee for the non-brokered placement of securities for these companies

Source: Cormark Securities Inc.

**Figure 16 Developer EV/oz Comparison**



♦ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and /or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions and/or received a fee for the non-brokered placement of securities for these companies

Source: Cormark Securities Inc.

# Appendix A: Operating & Financial Summary

**Figure 17 Troilus Gold Summary**

<b>Troilus Gold Corp. (TLG-TSX; C\$0.70)</b>											
Rating:	Buy (S)	Rate of return:	121.4%	NAV:	C\$1.55	Basic shares O/S (MM)	52.5				
Target:	C\$1.55	Enterprise Value (C\$MM)	\$22.1	P/NAV:	0.45x	FD Shares O/S (MM)	71.2				
<b>OPERATIONAL SUMMARY</b>											
Net Asset Value	Discount rate	% of NAV	C\$MM	Assumptions	f2019E	f2020E	f2021E	f2022E	2023E		
Troilus (100%), Ontario	5%	56.6%	\$299.7	Gold price (US\$/oz)	\$1,235	\$1,250	\$1,250	\$1,250	\$1,250		
Open Pit Inferred	C\$25/oz in-situ	2.4%	\$12.5	Silver price (US\$/oz)	\$14.89	\$15.00	\$15.00	\$15.00	\$15.00		
Underground M&I	C\$25/oz in-situ	5.7%	\$30.0	Copper price (US\$/lb)	\$2.90	\$3.00	\$3.00	\$3.00	\$3.00		
Underground Inferred	C\$25/oz in-situ	3.3%	\$17.5	C\$ exchange rate	0.76	0.76	0.76	0.76	0.76		
<b>Total mining NAV</b>			<b>\$359.7</b>	<b>Gold Production (000 oz)</b>	<b>f2019E</b>	<b>f2020E</b>	<b>f2021E</b>	<b>f2022E</b>	<b>2023E</b>		
Cash	<i>At October 31, 2018</i>		\$14.6	Troilus (100%), Ontario	-	-	-	204	205		
ITM FD Proceeds	<i>average exercise price C\$0.40</i>		\$0.0	<b>EV / oz annual gold production</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$82</b>	<b>\$82</b>		
Future Equity Issue Proceeds	<i>299.9 MM shares at C\$0.68</i>		\$155.0	<b>Total Cash Costs (US\$/oz)</b>	<b>f2019E</b>	<b>f2020E</b>	<b>f2021E</b>	<b>f2022E</b>	<b>2023E</b>		
<b>Total NAV</b>			<b>C\$529.3</b>	Troilus (100%), Ontario	-	-	-	\$727	\$727		
Shares o/s			52.5	<b>AISC (US\$/oz)</b>	<b>f2019E</b>	<b>f2020E</b>	<b>f2021E</b>	<b>f2022E</b>	<b>2023E</b>		
FD ITM Shares			52.6	Troilus (100%), Ontario	-	-	-	\$788	\$788		
FD ITM pro forma shares o/s			343.9	<b>Capital Expenditures (C\$MM)</b>	<b>f2019E</b>	<b>f2020E</b>	<b>f2021E</b>	<b>f2022E</b>	<b>2023E</b>		
<b>NAVPS</b>			<b>C\$1.55</b>	Troilus (100%), Ontario	\$1.2	\$117.3	\$233.3	\$15.0	\$15.0		
<b>Target Price</b>	<b>Target Multiple</b>	<b>NAV (C\$)</b>	<b>Target (C\$)</b>	<b>Total capital invested</b>	<b>\$1.2</b>	<b>\$117.3</b>	<b>\$233.3</b>	<b>\$15.0</b>	<b>\$15.0</b>		
	1.00x	C\$1.55	C\$1.55	<b>Mine Free Cash Flow (C\$MM)</b>	<b>f2019E</b>	<b>f2020E</b>	<b>f2021E</b>	<b>f2022E</b>	<b>2023E</b>		
<b>Gold Inventory (000 oz)</b>	<b>Reserves</b>	<b>M&amp;I</b>	<b>Inferred</b>	<b>Total</b>	Troilus (100%), Ontario	(\$0.9)	(\$89.1)	(\$177.3)	\$95.3	\$95.6	
Troilus (100%), Ontario	-	3,400	1,020	4,420	<b>Total mine free cash flow</b>	<b>(\$0.9)</b>	<b>(\$89.1)</b>	<b>(\$177.3)</b>	<b>\$95.3</b>	<b>\$95.6</b>	
<b>EV/oz (cumulative)</b>		<b>\$5</b>		<b>\$4</b>							
<b>FINANCIAL SUMMARY (fiscal year ending July 31)</b>											
<b>Cash Flow Statement (C\$MM)</b>					<b>Income Statement (C\$MM)</b>						
	f2019E	f2020E	f2021E	f2022E	2023E		f2019E	f2020E	f2021E	f2022E	2023E
Net earnings	(\$17.0)	(\$11.9)	(\$8.5)	\$56.5	\$54.7	Revenue	\$0.0	\$0.0	\$0.0	\$283.8	\$284.6
Non cash items	(\$0.7)	\$0.2	\$0.2	\$41.0	\$41.1	Operating costs	\$0.0	\$0.0	\$0.0	(\$177.0)	(\$177.5)
Operating cash flow	(\$17.8)	(\$11.7)	(\$8.3)	\$97.5	\$95.8	<b>Gross margin</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$106.7</b>	<b>\$107.0</b>
Change in non-cash working capital	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	Operating expenses	(\$18.4)	(\$11.9)	(\$8.5)	(\$50.2)	(\$52.3)
<b>Cash from operating activities</b>	<b>(\$17.8)</b>	<b>(\$11.7)</b>	<b>(\$8.3)</b>	<b>\$97.5</b>	<b>\$95.8</b>	<b>Operating earnings</b>	<b>(\$18.4)</b>	<b>(\$11.9)</b>	<b>(\$8.5)</b>	<b>\$56.5</b>	<b>\$54.7</b>
Property, plant and equipment	(\$1.2)	(\$117.3)	(\$233.3)	(\$15.0)	(\$15.0)	Other income/expenses	\$1.4	\$3.0	\$2.9	\$2.0	\$0.0
Other items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	<b>Earnings before taxes and other</b>	<b>(\$17.0)</b>	<b>(\$8.9)</b>	<b>(\$5.5)</b>	<b>\$58.5</b>	<b>\$54.7</b>
<b>Cash from investing activities</b>	<b>(\$1.2)</b>	<b>(\$117.3)</b>	<b>(\$233.3)</b>	<b>(\$15.0)</b>	<b>(\$15.0)</b>	<b>Net earnings (loss)</b>	<b>(\$17.0)</b>	<b>(\$11.9)</b>	<b>(\$8.5)</b>	<b>\$56.5</b>	<b>\$54.7</b>
Debt	(\$0.5)	\$75.4	\$151.6	\$0.0	\$0.0	<b>EPS</b>	<b>(\$0.30)</b>	<b>(\$0.05)</b>	<b>(\$0.03)</b>	<b>\$0.23</b>	<b>\$0.23</b>
Common shares issued	\$11.4	\$143.6	\$0.0	\$0.0	\$0.0	<b>Balance Sheet (C\$MM)</b>	<b>f2019E</b>	<b>f2020E</b>	<b>f2021E</b>	<b>f2022E</b>	<b>2023E</b>
Other	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	Cash and cash equivalents	\$13.3	\$105.8	\$18.1	\$103.1	\$186.3
<b>Cash from financing activities</b>	<b>\$10.9</b>	<b>\$219.0</b>	<b>\$151.6</b>	<b>\$0.0</b>	<b>\$0.0</b>	Other assets	\$7.4	\$167.4	\$398.2	\$369.7	\$341.2
Increase (decrease) in cash	(\$6.9)	\$92.5	(\$87.6)	\$84.9	\$83.2	<b>Total assets</b>	<b>\$20.7</b>	<b>\$273.2</b>	<b>\$416.3</b>	<b>\$472.8</b>	<b>\$527.6</b>
Cash balance @ BOY	\$20.2	\$13.3	(\$9.3)	(\$5.9)	\$103.1	Current liabilities	\$1.7	\$1.4	\$1.3	\$1.3	\$77.2
Cash balance @ EOY	\$13.3	\$105.8	\$18.1	\$103.1	\$186.3	Long-term debt	\$0.1	\$75.8	\$227.5	\$227.5	\$151.7
<b>CFPS</b>	<b>(\$0.26)</b>	<b>(\$0.04)</b>	<b>(\$0.02)</b>	<b>\$0.41</b>	<b>\$0.40</b>	Other liabilities	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2
						<b>Total Liabilities</b>	<b>\$5.0</b>	<b>\$80.5</b>	<b>\$232.0</b>	<b>\$232.0</b>	<b>\$232.0</b>
						<b>Shareholders' equity</b>	<b>\$15.7</b>	<b>\$192.7</b>	<b>\$184.3</b>	<b>\$240.8</b>	<b>\$295.5</b>

**ANALYST CONTACT INFORMATION**

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Source: Cormark Securities Inc., Company filings

## Appendix B: Management & Directors

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**Justin Reid**  
CEO, Director

Mr. Reid is a geologist and capital markets executive with over 20 years of experience focused exclusively in the mineral resource space. Mr. Reid started his career as a geologist with Saskatchewan Geological Survey and Cominco Global Exploration after which he became a partner and senior mining analyst at Sprott/Cormark Securities in Toronto. He was then named Executive General Manager at Paladin Energy, where he was responsible for leading all M&A, corporate and market related activities. He is the former Managing Director Global Mining Sales at National Bank. Most recently, he acted as President and Director of Sulliden Gold, until its acquisition by Rio Alto Mining in 2014. Mr. Reid has been a Managing Director at Aguiá Resources Ltd. since 2015.

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**Paul Pint**  
President

Mr. Pint is a capital markets professional with over 25 years of experience. Mr. Pint began his capital markets career on the Institutional Equity team at CIBC World Markets, where he held various senior positions. Over his career, he has held a number of senior positions at various financial institutions and boutique investment banks in Canada. Mr. Pint has been involved in over 500 financings for companies in North America and globally. Mr. Pint has been acting as Executive Chairman of Aguiá Resources since January 2016 and is the former President of Sulliden Mining Capital. Mr. Pint is a Chartered Professional Accountant and holds a Bachelor of Commerce degree from the University of Toronto.

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**Denis C. Arsenault**  
CFO, SVP Quebec

Mr. Denis Arsenault is a CPA with more than 35 years of experience. He has held a variety of senior positions in a range of sectors, including mining. Mr. Arsenault was the former CFO of Sulliden Gold and Central Sun Mining. Mr. Arsenault currently serves as a director of Murchison Minerals Ltd. and Belo Sun Mining Corp. He formerly served on the board of directors of Thompson Creek Metals Company Inc., Rockcliff Resources Inc., Stonegate Agricom Ltd., MBAC Fertilizer Corp. and Alliance Grain Traders Inc.

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**Blake Hylands**  
SVP Exploration

Mr. Hylands, P. Geo. has spent most of his career working in gold, base metals and iron ore exploration in Canada and internationally. He has held technical positions for several junior mining companies, where he developed grassroots mapping and sampling programs, managed large-scale drill programs, and helped transition projects from early exploration to resource definition stage.

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**Michael Timmins**  
SVP Corporate Development

Mr. Timmins is a mining executive with over 20 years of technical and corporate development experience. Most recently, he worked for Agnico Eagle as VP, Corporate Development, where he led several key acquisitions totaling over C\$3.0B in value and key investments of approximately C\$300M into junior gold companies. He formerly worked in various operational capacities in the Red Lake camp for Placer Dome.

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**Ian Pritchard**  
SVP Technical Services

Mr. Pritchard has over 30 years of experience in project and operations management in the mining industry both in North America and internationally, including Brazil. Mr. Pritchard's mining experience includes the management of pre-feasibility and feasibility studies, engineering, procurement and construction management projects. He has held senior executive positions at various organizations worldwide including SNC-Lavalin and De Beers Canada.

**Caroline Arsenault**  
VP Corporate  
Communications

Miss Arsenault has been managing Investor Relations and Corporate Communications for various mining companies since 2008. From 2009-2014 she was Manager of Investor Relations for Sulliden Gold. She currently provides consulting services to Belo Sun Mining and Euro Sun Mining, and formerly worked for Central Sun Mining, ♦Mason Graphite, Copper One Mining, and Dacha Strategic Metals.

**Spyros P. Karellas**  
Director, Global  
Communications

Mr. Karellas has over 28 years of experience in various capital markets roles, including banking, financial advisory, and equity sales. He formerly held various positions at Canada Trust, Midland Walwyn, Merrill Lynch; as well as BMO Nesbitt Burns as a Financial Advisor managing investment portfolios for high net worth individuals, family trusts and private corporations.

**Diane Lai**  
Chairperson

Ms. Lai is a seasoned executive and entrepreneur with 20+ years of global marketing and product management experience in the technology sector. She began her career in product development, working for Vodaphone in the UK, returning to North America after six years she went to work for Entrata Communications. After a successful exit she relocated to Toronto for FloNetwork as their Director of Product Marketing (acquired by DoubleClick and then Google).

**Peter Tagliamonte**  
Executive Director

Mr. Tagliamonte is a professional mining engineer with over 25 years of progressive managerial experience building and operating mines. He was formerly the CEO and a Director of Sulliden Gold (acquired by Rio Alto Mining), President and CEO of Central Sun Mining Inc. (acquired by B2Gold) and COO of Desert Sun Mining (acquired by Yamana) where he was responsible for the development of the Jacobina Mine in Brazil.

**Hon. Pierre Pettigrew**  
Director

The Honourable Pierre Pettigrew, p.c. has had a distinguished career with success in both public and private sectors. From January 1996 to February 2006, he served as a Member of Parliament. Most notably, he led several senior government departments in his ten years as a minister in successive federal Canadian governments. Among other positions, he has served Canada as the Minister of Foreign Affairs, Minister for International Trade and the Minister for International Cooperation. He is now with Deloitte & Touche LLP in the role of Executive Advisor, International.

**Thomas Olesinski**  
Director

Mr. Olesinski has over 20 years of finance and management experience. He worked as a managing forensic accountant for BDO Dunwoody, where he earned a Certified Fraud Examiner designation, before moving into the marketing communications industry, where he worked for Cossette Communication Group in various roles. Mr. Olesinski currently serves as CEO and CFO of Havas Media Canada.

**Bruce Humphrey**  
Director

Mr. Humphrey is a mining engineer with over 45 years' experience. He served as the President and CEO of Desert Sun Mining Corp. from October 2004 to April 2006. From May 1998 to May 2004, Mr. Humphrey served as Senior Vice President and Chief Operating Officer of Goldcorp Inc. He is a member of the Professional Engineers of Ontario. He also serves as a director of several public companies in the resource sector.

♦ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Mason Graphite Inc.

## Appendix C: Risks To Target

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**Geopolitical Risk**

This risk deals with policies such as permitting and tax laws that are managed by governments and the perceived stability and investment environment. These policies can greatly affect mining companies, and in some cases prevent mining from occurring. Generally, developing countries are seen as being more risky because of the potential of a quick change in power to drastically change policies. Developed countries have their own geopolitical risk issues, and jurisdictions with powerful environmental lobbies can also make mining or exploration difficult.

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**Financing Risk**

Mining and exploration companies may require external capital, particularly when building new mines. In order to finance these endeavors, equity or project dilution may be taken in order to fund the equity portion of the capital costs if the project is to be developed. Shareholders may also be subordinated by lenders in order to finance a mining project.

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**Commodity Price Risk**

Our short- and long-term commodity price assumptions are based on detailed research, and viewed to be reasonable based on current information. However, the timing and magnitude of commodity price fluctuations are always a significant risk that, in most cases, strongly affects the value of mining and mineral exploration/development companies focused on a specific commodity. Currently, the primary metal exposure for Troilus is gold.

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**Technical Risk**

Mining operations are subject to unforeseen risks such as labor strikes, rock bursts, geological interruptions, and equipment failure, all of which may negatively affect a company's performance. Ore reserve and resource risk is another technical risk that is derived from the subjective nature of geological interpretation. Competent, qualified personnel calculate ore reserves and resources, and in most cases have a high accuracy, but any significant variation on reserves could drastically impact a company's operations and the value of its shares.

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**Exploration Risk**

In some cases, the market may build in expectations for exploration success before the actual exploration work has taken place. In the event that results do not meet with the market's expectation, the company's shares may be negatively affected.

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**Cost Risk**

Both capital and operating costs may be affected by changes in input prices (fuel, steel, chemicals, etc.) and by relative currency changes. The company may be at risk of unexpected cost escalation as a result of these potential threats.

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**Recommendation Terminology**

Cormark's recommendation terminology is as follows:

<b>Top Pick</b>	our best investment ideas, the greatest potential value appreciation
<b>Buy</b>	expected to outperform its peer group
<b>Market Perform</b>	expected to perform with its peer group
<b>Reduce</b>	expected to underperform its peer group

Our ratings may be followed by "(S)" which denotes that the investment is *speculative* and has a higher degree of risk associated with it.

Additionally, our target prices are based on a 12-month investment horizon.

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**Disclosure Statements And Dissemination Policies**

A full list of our disclosure statements as well as our research dissemination policies and procedures can be found on our web-site at: [www.cormark.com](http://www.cormark.com)

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**Analyst Certification**

We, Richard Gray and Nicolas Dion, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company(ies) and its (their) securities. We also certify that we have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.



**Figure 18 Troilus Gold Corp. – Disclosure Chart**

**Troilus Gold Corp.**

Updated February 20, 2019

**Price Chart and Disclosure Statement**

\*Information updated monthly on or about the 5th of each month.



*Cormark has this percentage of its universe assigned as the following:		*Over the past 24 months, the following percentage of issuers whose securities received a "Top Pick" or "Buy", a "Market Perform", or a "Reduce" rating from Cormark Securities Inc., have engaged Cormark to provide investment-banking services during this period.	
<i>Buy or Top Pick</i>	66%	<i>Buy or Top Pick</i>	46%
<i>Market Perform</i>	10%	<i>Market Perform</i>	21%
<i>Reduce</i>	2%	<i>Reduce</i>	63%
<i>Not Rated</i>	22%		

Recommendation / Target Chg	Date	C\$
	21-Feb-19	1.55 (B)

During the last 24 months, has Cormark provided financial advice to and/or, either on its own or as a syndicate member, participated in a public offering, or private placement of securities of this issuer?  Yes  No

During the last 24 months, has Cormark received or is expected to receive compensation for having provided investment banking services to this issuer?  Yes  No

During the last 24 months, has the analyst of this company received compensation from a pool that included investment banking revenue from this issuer earned by Cormark or entities affiliated with it?  Yes  No

Does the analyst, associate or any individual responsible for the preparation of this research, or a member of that person's household, have a financial interest in the securities of this company?  Yes  No

If YES

1) Is it a long and/or short position?

2) What type of security is it?

\*Does Cormark and / or one or more entities affiliated with Cormark beneficially own common shares (or any other class of common equity securities) of this company which constitutes more than 1% of the presently issued and outstanding shares of this company?  Yes  No

If the material operations of this issuer were viewed in the past 12 months, were any travel expenses paid or reimbursed by the issuer?  N/A  Yes  No

Does the analyst or Cormark and / or one or more entities affiliated with Cormark have any other material conflict of interest with the issuer?  Yes  No

Has any partner, director, officer or employee of Cormark or any analyst involved in the preparation of this report provided services to the issuer (including acting as Officer, Director or employee of the issuer or providing advisory services to the issuer), with or without remuneration, other than normal course investment advisory or trade execution services.  Yes  No

If YES, name of person(s) who provided services:

The Investment Industry Regulatory Organization of Canada Rule 3400 and the Financial Industry Regulatory Authority Rule 2711 (US) require certain disclosure and compliance in research reports in general, Cormark Securities Inc. and Cormark Securities (USA) Limited (collectively "Cormark") are in compliance with the above-noted recommendations, rules, and regulations where they apply. The firm does not receive compensation for any non-securities or non-investment banking related services. Neither the analyst nor the associate (if any), or any member of his/her household, serve as an officer, director or advisory board member of the subject company(ies). Cormark and its affiliates actively solicit investment banking business, including underwriting and advisory services, from its research coverage list. As a result, although uncertain, revenue from these activities may be received at any time. Cormark's research dissemination policies and procedures are available on its web-site.

Source: Cormark Securities Inc.

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