

ACQUISITION OF URBANGOLD MINERALS

Adding Optionality

OUR TAKE: The acquisition of UrbanGold complements the existing land position at Troilus, and establishes Troilus Gold Corp. as a major area play in the Frôtet-Evans greenstone belt in the Chibougamau camp.

HIGHLIGHTS

- ◆ **Deal for \$19M in shares.** Troilus has entered into a definitive agreement to acquire all the shares of UrbanGold Minerals Inc. (UGX-TSXV, not rated) that it does not already own (Troilus owns 6.2M, or 9.7% of UrbanGold shares outstanding). Under the terms of the agreement, UrbanGold shareholders will receive 0.3 of a Troilus common share for each UrbanGold share, which implies a consideration of C\$0.30 per UrbanGold share based on the 20-day VWAP of the Troilus shares on the TSX, for a total consideration of C\$19M. The exchange ratio represents a premium of 35% based on the 20-day VWAP of the UrbanGold shares.
- ◆ **Dilution of shares, but...** Pursuant to the amalgamation, Troilus will issue approximately 17.2M TLG shares to UrbanGold shareholders (18.7M with exercise of UrbanGold options), representing approximately 11.5% dilution to Troilus shareholders (12.4% assuming the exercise of UrbanGold options). All of UrbanGold management and board, together representing 6.59% of the UrbanGold Shares, are supportive of the Transaction and have entered into support agreements with Troilus to vote their UrbanGold Shares in favour of the Amalgamation. A shareholder vote is expected in mid-May, leading to a close of transaction at the end of May, 2021.
- ◆ **...Significant expansion of property.** UrbanGold will add its 35.1k ha land package adjacent to Troilus' existing 107.3k ha Troilus property, for an expansion of 33%, solidifying Troilus' status as the largest mineral claims holder in the region. There is no resource on UrbanGold's property, and drilling is limited, but the Company has identified a number of prospective targets.
- ◆ **Extension of the Southwest zone.** The acquisition will bring more focus on mineralization along trend southwest of the Southwest zone. We note the Cressida block, adjacent to the Beyan discovery, provides extension potential of the Southwest zone, and will be a focus of future drilling.
- ◆ **More ground to the southeast.** The acquisition also adds blue-sky opportunities to the southeast of the Southwest zone, near Troilus Gold's Testard prospect, where initial surface sampling has identified outcrops grading 203 g/t gold.
- ◆ **Work program.** Once the deal closes, Troilus' existing 2021 drill program of 30,000-50,000m will be reviewed and either amended or increased to include the expanded property position. For now, plans remain for completion of a Pre-Feasibility Study in 4Q21, but the timeline could be extended, depending on drilling success.

RECOMMENDED ACTION

Accumulate as Troilus develops additional potential

- ◆ **Positive deal.** With the UrbanGold deal, Troilus has added a strategic land position to consolidate its property as a major area play. We expect the addition of the UrbanGold property will add to the potential of the Southwest Zone, ultimately expanding the resource.

KEY STATISTICS AND METRICS

52-Week High/Low	\$1.82 / \$0.55
YTD Performance	-9%
Dividend Yield	-
Shares O/S	130.0M (basic) 153.2M (F/D)
Market Capitalization	\$152
Cash	\$15
Debt	\$1
Enterprise Value	\$138
Daily Volume (3 mos.)	274,070
Currency	C\$ unless noted

HAYWOOD ESTIMATES (USD)

	2023E	2024E	2025E
Revenue (\$M)	\$0	\$480	\$523
EBITDA (\$M)	(\$10)	\$190	\$214
EPS (\$)	(\$0.05)	\$0.57	\$0.64
CFPS (\$)	(\$0.06)	\$0.67	\$0.76
FCFPS (\$)	(\$1.85)	\$0.46	\$0.75

VALUATION

Based on our estimate of the economics for the Troilus mine and balance sheet items, our diluted NAV_{10%} for TLG is C\$7.37/sh, for a P/NAV of 0.15x, compared with peers trading at 0.52x.



Troilus Gold Corp. (TLG-T)

Rating: BUY Risk: Very High
Target Price: C\$4.00

Metric: 0.5x After-Tax Corporate NAV 10%

Target Price, C\$ \$4.00
Current Price, C\$ \$1.10
Return, % 264%
52-Week High / Low, C\$ \$1.82 / \$0.55
Daily Volume (100-day avg) 274,070

Shares O/S, million 130.3
Shares F/D, million 153.5
Market Capitalization, US\$M \$118.8
Company CEO Justin Reid
Company Web Site www.troilusgold.com

Balance Sheet and Capitalization	As of: 2021E			
	US\$M	US\$ / Sh	CSM	C\$ / Sh
Market Capitalization	\$119	\$0.91	\$152	\$1.17
Current Cash	\$12	\$0.09	\$15	\$0.12
Working Capital	\$13	\$0.10	\$17	\$0.13
Total Debt	\$1	\$0.01	\$1	\$0.01
Book Value	\$13	\$0.10	\$17	\$0.13
Enterprise Value (EV)	\$108	\$0.83	\$138	\$1.06

*Balance sheet figures reflect last reported period

CS/US\$ FX Rate: \$1.25

Financial Forecast	July Fiscal Year End			
	2023E	2024E	2025E	2026E
Realized Au Price	\$1,800	\$1,800	\$1,800	\$1,800
Realized Ag Price	\$22.50	\$22.50	\$22.50	\$22.50
Realized Cu Price	\$3.50	\$3.50	\$3.50	\$3.50
CS/US\$ FX Rate	\$1.28	\$1.28	\$1.28	\$1.28
Shares O/S, millions	179	179	179	179
Revenue, CSM	\$0	\$480	\$523	\$523
Operating Income, CSM	(\$10)	\$166	\$188	\$188
EBITDA, CSM	(\$10)	\$190	\$214	\$214
Earnings, CSM	(\$10)	\$116	\$130	\$130
EPS, C\$	(\$0.05)	\$0.57	\$0.64	\$0.64
Operating Cash Flow, CSM	(\$10)	\$120	\$135	\$136
CFPS, C\$	(\$0.06)	\$0.67	\$0.76	\$0.76
Free Cash Flow, CSM	(\$330)	\$83	\$133	\$132
FCFPS, C\$	(\$1.85)	\$0.46	\$0.75	\$0.74
Capex, CSM	\$320	\$37	\$2	\$3

Valuation Ratios	2023E	2024E	2025E	2026E
	EV / Revenue	-	0.3x	0.3x
EV / EBITDA	-	0.7x	0.6x	0.6x
EV / Operating Cash Flow	-	1.2x	1.0x	1.0x
EV / Free Cash Flow	-	1.7x	1.0x	1.0x
P / Earnings	-	1.9x	1.7x	1.7x
P / Operating Cash Flow	-	1.6x	1.5x	1.5x
P / NAV	0.15x			

Production Profile	2023E	2024E	2025E	2026E
	Material Mined and Milled			
Tonnes mined, kt	40	73	72	70
Tonnes milled, kt	-	12	13	13
Grade and Recoveries				
Gold Grade, g/t	-	0.55	0.55	0.55
Copper Grade, %	-	0.06%	0.07%	0.07%
Silver Grade, g/t	-	0.94	1.15	1.15
Gold Dore Recovery, %	-	30%	30%	30%
Gold Flotation Recovery, %	-	60%	60%	60%
Copper Recovery, %	-	90%	90%	90%
Silver Recovery, %	-	40%	40%	40%
Production and Sales				
Gold Produced, koz	-	188	201	201
Copper Produced, Mlbs	-	14	18	18
Silver Produced, koz	-	143	186	186
Unit Operating Costs				
Total Mining Operations Costs, C\$/t milled	-	24.10	24.10	24.10

Troilus project economics - 2020 PEA	Spot	Consensus	Base	Low
	Gold Price (US\$ per oz)	1950	1750	1475
Pre-Tax NPV5%, US\$M	1951	1538	971	713
Pre-Tax IRR (%)	50.1	41.8	29.6	23.7
Payback, Years	2.1	2.6	3.7	4.2
Pre-Tax Cumulative Cash flow, US\$M	3.8	3.05	2.04	1.57
Post-Tax NPV5%, US\$M	1156	915	576	419
Post-Tax IRR (%)	38.3	32.2	22.9	18.2
Payback, Years	2.5	3	4	4.4
Post-Tax Cumulative Cashflow	2.3	1.87	1.27	1
Cash Operating Cost, LOM US\$/oz Au	919	919	919	919
AISC, LOM US\$/oz Au	1051	1051	1051	1051

Share Capital Dilution	As of					
	Mar-20	Number	Avg. Price	Proceeds	ITM	Expiry
Shares Outstanding	Mar-20	130.3M				
Options	Mar-20	0.3M	C\$1.56	C\$7.2M	C\$0.0M	Nov/21 - Jun/23
Warrants	Mar-20	12.1M	C\$1.50	C\$18.1M	C\$0.0M	Jun/23 - Jun/23
Total Dilutive	Mar-20	23.2M		C\$25.3M	C\$0.0M	Nov/21 - Jun/23
Fully Diluted OS		153.5M				

Corporate NAV Summary and Sensitivity	Spot					
	Haywood Model	\$1,300	\$1,500	\$1,700	\$1,900	\$1,738
Forecast Gold Price, US\$/lb	\$1.20	\$1.25	\$1.30	\$1.35	\$1.25	
Forecast CS/US\$ FX Rate	\$1.96	(\$126)	(\$37)	\$90	\$243	(\$913)
Corporate Adjustments, CSM	\$1,207	\$218	\$533	\$847	\$1,162	\$907
Troilus Gold-Copper Mine After-Tax NPV 10.0%, CSM	\$7	\$7	\$7	\$7	\$7	\$7
Resource Valuation, CSM	\$1,410	\$99	\$502	\$944	\$1,412	\$1
Corporate NAV, CSM	\$7.37	\$2.12	\$4.40	\$6.81	\$9.36	\$6.49
Corporate NAV, C\$ / F/D share	\$170	\$208	\$636	\$1,091	\$1,572	\$1,031
Troilus Gold-Copper Mine After-Tax NPV 10.0%, CSM						

Major Shareholders	O/S (millions)		O/S (%)
	Ruffer LLP	4.5	3%
Caisse de dépôt et placement du Québec	4.4	3%	
Konwave AG	3.4	3%	
Reid, C. Justin	3.1	2%	
Mackenzie Financial Corporation	2.4	2%	
AGF Management Limited	1.9	1%	
Goodman & Company, Investment Counsel Inc.	1.8	1%	
Print, Paul R.	1.1	1%	
Total	22.6	17%	

Mineral Resource Summary - All Zones	Tonnes	AuEq Grade	Au Grade	Cu Grade	Contained AuEq	Contained Au	Contained Cu
	(Mt)	(g/t)	(g/t)	(%)	(Moz)	(Moz)	(Mlbs)
Total Open Pit and Underground							
Indicated	177.3	0.87	0.75	0.08	5.0	4.3	322.6
Inferred	116.7	0.84	0.73	0.07	3.2	2.8	189.7
Total Open Pit							
Indicated	164.2	0.80	0.68	0.08	4.2	3.6	284.7
Inferred	101.2	0.70	0.60	0.07	2.3	2.0	151.0
Total Underground							
Indicated	13.1	1.79	1.61	0.13	0.8	0.7	37.9
Inferred	15.5	1.77	1.62	0.11	0.9	0.8	38.7

Open Pit Mineral Resources - By Zone	Tonnes	AuEq Grade	Au Grade	Cu Grade	Contained AuEq	Contained Au	Contained Cu
	(Mt)	(g/t)	(g/t)	(%)	(Moz)	(Moz)	(Mlbs)
Z87 and Z87 South							
Indicated	84.6	0.92	0.79	0.09	2.5	2.2	169.5
Inferred	32.7	0.70	0.60	0.07	0.7	0.6	49.3
J Zone (J4 and J5)							
Indicated	79.6	0.67	0.57	0.07	1.7	1.5	115.2
Inferred	45.9	0.65	0.55	0.07	1.0	0.8	65.9
Southwest Zone							
Inferred	22.6	0.80	0.70	0.07	0.6	0.5	35.7

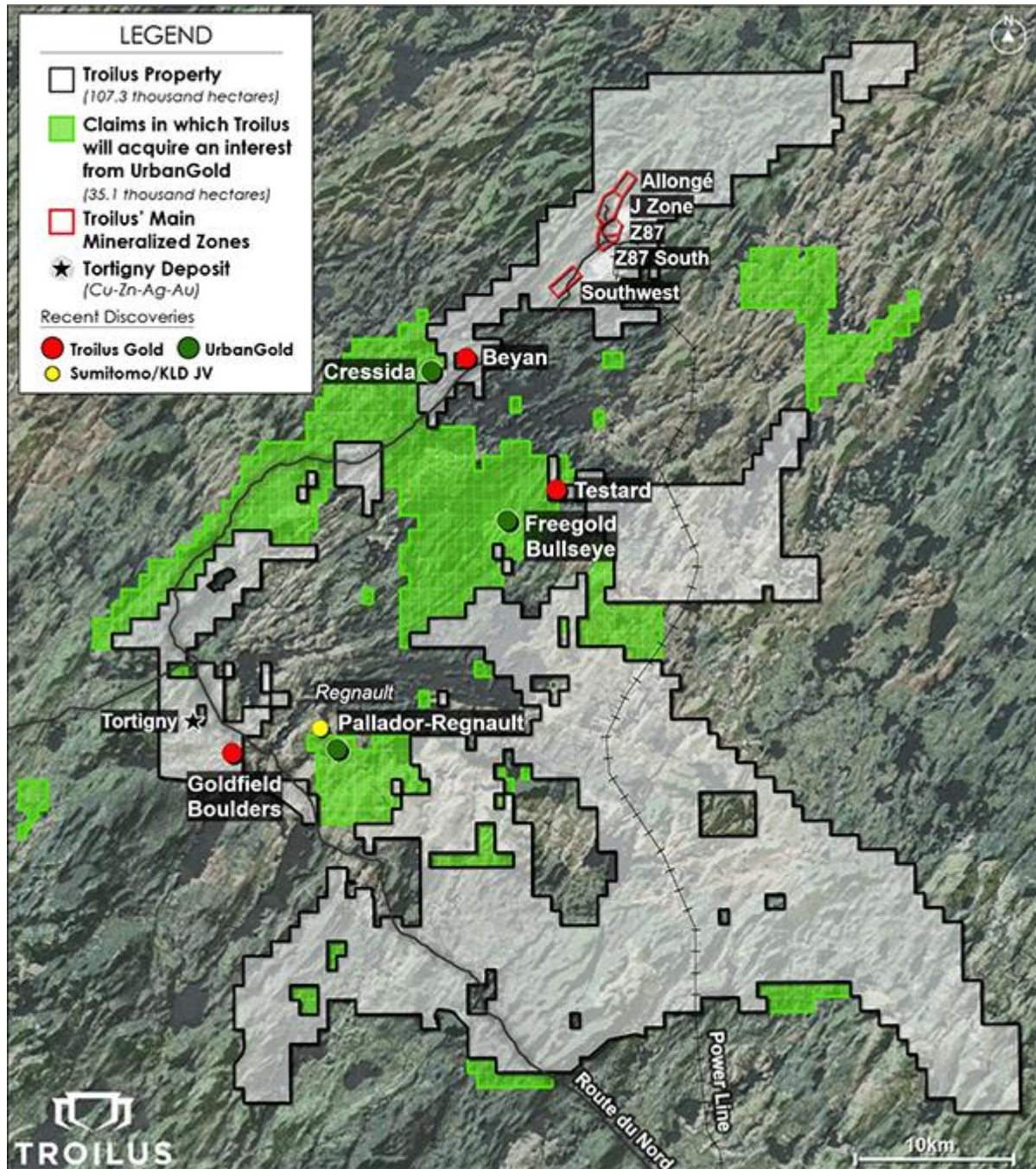
Peer-Group Comparables	Share Price	Corp NAV	Price/Nav
	Belo Sun Mining Corp (TSX:BSX)	C\$0.81	US\$1.08
Liberty Gold Corp. (TSX:LGD)	C\$1.59	US\$2.97	0.43x
Pure Gold Mining Inc. (TSXV:PGM)	C\$1.78	US\$2.14	0.66x
Osisko Mining Inc. (TSX:OSK)	C\$3.07	US\$5.02	0.49x
Sabina Gold & Silver Corp. (TSX:SBB)	C\$1.87	US\$3.48	0.43x
Peer-Group Average (all)			0.52x
Troilus Gold Corp. (Haywood) (TSX:TLG)	C\$1.10	US\$5.76	0.15x

Recent Financings
Dec 1, 2020 - 1) issued 6.29M units at C\$1.92/sh for C\$12.1M and 2) issued 9.1M units at C\$1.10/sh for C\$10.0M (bought deal financings)
June 23, 2020 - issued 24.2M units at C\$1.05/sh for \$25.4M and one-half of one common share purchase warrant exercisable at \$1.50/sh (bought deal).
Feb 28, 2020 - Non-brokered private placement for C\$12.8M (11.3M common shares at C\$0.65 for C\$7.3M and 6.5M flow-through shares issued in three tranches: 1) 2M shares @ C\$1.00 for C\$2M; 2) 2M shares @ C\$0.81 for C\$1.7M; and 3) 2.4M shares @ C\$0.77 for C\$1.8M)
May 2, 2019 - Issued 8.2M shares at C\$0.85/sh for total proceeds of C\$7M (bought deal).
Jun 05, 2018 - C\$15.8M (4.07M flow-through shares @ C\$2.46/sh & 3.2M shares @ C\$1.82/sh)
Nov 21, 2017 - C\$23M (14.03M subscription receipts @ C\$1.64/sh, including on share and one warrant)

Source: Bloomberg, Capital IQ, Company Reports, and Haywood Securities



Figure 1. Map of Troilus property (in grey) with claims to be added from UrbanGold acquisition (in green).



Source: Company Reports, and Haywood Securities



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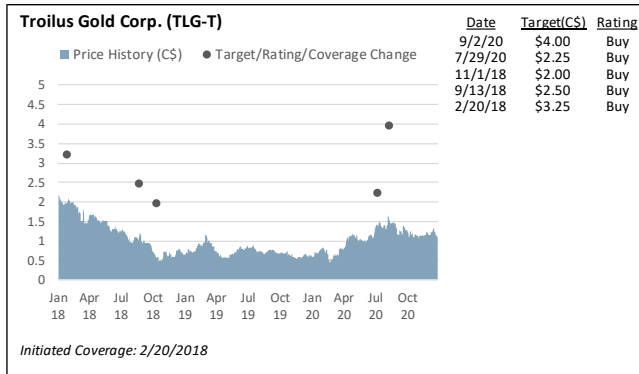
Ticker	Company	1	2	3	4	5	6	7	8	9
TSX:LGD	Liberty Gold Corp.			X						
TSXV:PGM	Pure Gold Mining Inc.			X						
TSX:OSK	Osisko Mining Corp.			X	X					
TSXV:TLG	Troilus Gold Corp.	X		X	X					X
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Distribution of Ratings (as of March 23, 2021)

	%	#	IB Clients (TTM)
Buy	79.8%	79	93.8%
Hold	6.1%	6	6.3%
Sell	0.0%	0	0.0%
Tender	1.0%	1	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	13.1%	13	0.0%



Price Chart, Rating and Target Price History (as of March 23, 2021)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
 Source: Capital IQ and Haywood Securities

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