

**Ticker:** TLG CN      **Cash:** C\$30m      **Project:** Troilus Gold Project  
**Market cap:** C\$175m      **Price:** C\$0.75/sh      **Country:** Canada, QC  
**RECOMMEND.** (unc): BUY      **TARGET** (unc): C\$2.80/sh      **RISK RATING:** HIGH

Today's Southwest Zone infill / expansion drilling highlights **112 pierce points** (from 21 holes), with an average of **5m @ 1.2g/t AuEq** for hits inside the pit, well above PEA inventory of 0.7g/t and continues to point to a higher-grade starter pit. Also good follow-up to last month's strike extensions are today's step outs, which extended mineralization **+300m below the existing pit shell and +100m to the west**, averaging **3.8m @ 1.3g/t overall**—albeit slightly narrower, but higher grade. With ~93km of post 2020 MRE drilling behind, we expect to see a lift in the mid-2022 MRE that will feed the subsequent PFS. All this ahead of more satellite exploration on a prime >1,400km<sup>2</sup> land package, with upcoming near-mine 11km Gap Zone drilling (excluded from upcoming MRE) showcases the company's growth potential. For now, **we maintain our BUY rating and 0.3xNAV<sub>5%-1850-4.00</sub> C\$2.80/sh PT** based on >12Mtpa open pit only mining for ~255koz AuEq pa at AISC US\$876/oz LOM, and adding only a nominal C\$15m to exploration plus US\$25/oz to resources outside inventory.

**Figure 1. Long section Southwest > J Zone showing today's drilling at SW**



Source: Troilus Gold

## Southwest Zone step-out extends mineralization 100m W / 300m depth; Average 1.3g/t for all hits

Troilus reported results from 21 DD holes targeting the Southwest Zone with expansion drilling highlights of **11m @ 3.9g/t AuEq, 3m @ 13.6g/t, 24m @ 0.8g/t, and 28m @ 0.8g/t**, outside and below the existing pit-shell and **14m @ 1.3g/t** from a 100m step-out to the NW. Additional infill highlights from within the existing pit shell hit both broad **10m @ 2.1g/t** and **27m @ 0.6g/t** (from 26m) and narrow, higher-grade **3m @ 4.2g/t** and **1m @ 4.6g/t** intercepts. All the results reported today will be included in the mineral resource update and PFS, expected in mid-2022 (which remains on schedule). As announced on April 21, 2022, Troilus reached the cut-off for drilling to be included in these studies in March in light of its targeted timeline.

## Why we like Troilus Gold

1. 8.1Moz AuEq resource, including SCPe 4.6Moz @ 0.75g/t AuEq pittable PEA inventory in Quebec
2. Demonstrated ounce growth and aggressive pace of drilling >100km post MRE
3. Existing infrastructure & access to cheap hydroelectric power
4. Large 1,420km<sup>2</sup> land package in prime mining district

## Catalysts

1. 1H22: permitting start
2. Mid-2022: MRE update and PFS

3. 2022: ongoing drilling of near pit expansions + regional exploration
4. 1H24: SCPe DFS
5. 1H26: SCPe first production

## Research

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<b>Ticker:</b> TLG CN	<b>Price / mkt cap:</b> C\$0.75/sh, C\$150m	<b>Project PNAV today:</b> 0.10x	<b>Asset:</b> Troilus Gold Project
<b>Author:</b> B. Salier / B. Gaspar	<b>Rec / xNAV PT:</b> BUY, C\$2.8/sh	<b>1xNAV<sub>1Q22</sub> FF FD:</b> C\$6.21/sh	<b>Country:</b> Canada, Quebec

Commodity price	CY23E	CY24E	CY25E	CY26E	CY27E	Resource	AuEq (koz)	AuEq (g/t)	PEA Inv.	AuEq (koz)	AuEq (g/t)
Gold price LT (US\$/oz)	1,850	1,850	1,850	1,850	1,850	Pit constrained >0.3g/t	6480koz	0.76g/t	Pit:	3285koz	0.68g/t
Copper price LT (US\$/lb)	4.00	4.00	4.00	4.00	4.00	Underground >0.9g/t	1630koz	1.77g/t	UG:	1830koz	1.35g/t
<b>SOTP project valuation*</b>	<b>C\$m</b>	<b>O/ship</b>	<b>NAVx</b>	<b>C\$/sh</b>		Grand total MRE (61% M&I)	8110koz	0.86g/t	SCP pit inv.	4600koz	0.75g/t
Proj. @ build start (2024)	1,506	100%	0.30x	2.14		<b>Uses of funds (C\$m)</b>		<b>Sources of funds (C\$m)</b>			
Est. cash @ 1Q22	30	100%	1.00x	0.14		Pre-prod'n capex (C\$m)	705		Cash + pre-Au options (C\$m)		32
Cash from options	2	100%	1.00x	0.01		G&A / fin. cost to 1st Au (C\$m)	69		DFS + build equity (C\$m)		317
Regional expl. nominal upside	15	100%	1.00x	0.07		Working cap (C\$m)	29		Mine build debt (C\$m)		458
Resources ex invnt'y @ US\$25/oz	96	100%	1.00x	0.45		Exploration pre-Au (C\$m)	20		<b>Total sources (C\$m)</b>		<b>807</b>
<b>Asset NAV5% US\$1850/oz</b>	<b>1,649</b>				<b>PT: 2.81</b>	<b>Peak financing (C\$m)</b>	<b>823</b>		<b>Buffer (C\$m)</b>		<b>-15</b>

\*Shares diluted for options but not mine build Market P/NAV5% today 0.10x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*						Ratio analysis (YT Jan 31)					
Project NPV (C\$m)*	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz	Average shares out (m)	CY22E	CY23E	CY24E	CY25E	CY26E
10.0% discount	821	941	1,060	1,296	1,413	EPS (C\$/sh)	-	-	-	0.01	0.58
7.5% discount	1,050	1,190	1,328	1,603	1,739	CFPS (C\$/sh)	-	-	-	-	0.71
5.0% discount	1,342	1,506	1,670	1,993	2,153	EV (C\$m)	70.4	87.1	332.3	649.6	440.9
Ungeared project IRR:	26%	28%	30%	34%	36%	FCF yield (%)	-	-	-	-	95%
1xNAV5%-1850 (C\$/sh)	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz	PER (x)	-	-	-	50.0x	1.3x
8.0% discount	5.34	5.98	6.61	7.87	8.49	P/CF (x)	-	-	-	-	1.1x
6.5% discount	6.09	6.79	7.49	8.87	9.56	EV/EBITDA (x)	-	-	-	8.2x	1.2x
5.0% discount	6.95	7.73	8.51	10.04	10.79	<b>Income statement (YT Jan 31)</b>					
						Net revenue (C\$m)	-	-	-	119.6	549.4
						G&G (C\$m)	-	-	-	33.6	158.9
						<b>Gross profit (C\$m)</b>	-	-	-	<b>86.0</b>	<b>390.5</b>
						D&A, attrib (C\$m)	-	-	-	14.3	61.9
						Group G&A (C\$m)	7.3	7.3	7.3	7.3	7.3
						Finance cost (C\$m)	-	-	14.7	35.8	36.3
						Taxes (C\$m)	-	-	-	24.3	116.0
						<b>Net income (C\$m)</b>	<b>(7.3)</b>	<b>(7.3)</b>	<b>(22.0)</b>	<b>4.4</b>	<b>169.0</b>
						EBITDA (C\$m)	(29.2)	(21.7)	(13.6)	78.7	383.2
						<b>Cash flow, attrib. (YT Jan 31)</b>					
						EBIT (C\$m)	(7.3)	(7.3)	(7.3)	64.5	321.3
						Add back D&A (C\$m)	-	-	-	14.3	61.9
						Less tax (C\$m)	-	-	14.7	60.1	152.2
						Change in wkg cap (C\$m)	-	(3.4)	-	(28.9)	(15.3)
						Plus other non-cash (C\$m)	(13.6)	(6.0)	(29.3)	(120.2)	(304.5)
						<b>Cash flow ops (C\$m)</b>	<b>(20.9)</b>	<b>(16.7)</b>	<b>(22.0)</b>	<b>(10.2)</b>	<b>215.7</b>
						PP&E - build + sust. (C\$m)	-	-	(400.0)	(307.1)	(6.9)
						PP&E - expl'n (C\$m)	-	-	-	-	-
						<b>Cash flow inv. (C\$m)</b>	-	-	<b>(400.0)</b>	<b>(307.1)</b>	<b>(6.9)</b>
						Share issue (C\$m)	70.0	-	246.8	-	-
						Debt draw (repay) (C\$m)	-	-	366.7	91.7	(38.2)
						<b>Cash flow fin. (C\$m)</b>	<b>70.0</b>	-	<b>613.5</b>	<b>91.7</b>	<b>(38.2)</b>
						<b>Net change in cash (C\$m)</b>	<b>49.1</b>	<b>(16.7)</b>	<b>191.5</b>	<b>(225.7)</b>	<b>170.5</b>
						<b>Balance sheet</b>					
						Cash (C\$m)	79.5	62.9	254.4	28.7	199.2
						Acc rec., inv, prepaid (C\$m)	6.4	6.4	6.4	46.3	69.7
						PP&E + other (C\$m)	6.9	6.9	406.9	699.8	644.8
						<b>Total assets (C\$m)</b>	<b>92.8</b>	<b>76.2</b>	<b>667.6</b>	<b>774.8</b>	<b>913.6</b>
						Debt (C\$m)	-	-	366.7	458.3	420.1
						Accounts payable (C\$m)	4.0	0.6	0.6	11.6	19.7
						Others (C\$m)	8.7	8.7	8.7	8.7	8.7
						<b>Total liabilities (C\$m)</b>	<b>12.6</b>	<b>9.3</b>	<b>375.9</b>	<b>478.6</b>	<b>448.5</b>
						Sh'hlds equity + wrnts (C\$m)	247.7	256.1	509.2	509.2	509.2
						Retained earn'gs + rsvs (C\$m)	(167.6)	(189.2)	(217.5)	(213.1)	(44.0)
						<b>Liabilities + equity (C\$m)</b>	<b>92.8</b>	<b>76.2</b>	<b>667.6</b>	<b>774.8</b>	<b>913.6</b>

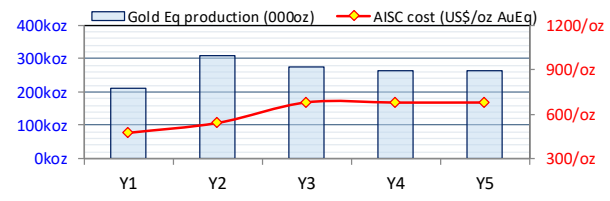
\*Project level NPV, excl finance costs and central SGA, discounted to build start

Shares outstanding (m)					
Group valuation over time^	Apr-22	Apr-23	Apr-24	Apr-25	Apr-26
Troilus Project NPV (C\$m)	1,352	1,420	1,506	2,012	2,393
G&A + fin. costs (C\$m)	(217)	(206)	(202)	(190)	(155)
Net cash prior qtr (C\$m)	30.4	79.5	62.9	(112.3)	(429.7)
Cash from options (C\$m)	1.5	1.5	1.5	1.5	1.5
Regional expl. nominal upside	15	15	15	15	15
Resource ex reserve (C\$m)	96.0	96.0	96.0	96.0	96.0
NAV FF FD (C\$m)	1,278	1,406	1,479	1,822	1,920
Shares in issue (m)	199.9	196.5	196.5	293.3	293.3
1xNAV5%/sh FF FD (C\$/sh)	6.39	7.16	7.53	6.21	6.55
Equity ROI from spot (% pa)			217%	102%	72%
<b>Geared company NAV diluted for mine build, net G&amp;A and finance costs</b>					
2Q26 1xNAV FF FD (C\$/sh)^	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	1,338	1,482	1,625	1,908	2,049
7.5% discount	1,517	1,677	1,837	2,152	2,308
5.0% discount	1,740	1,920	2,100	2,455	2,631
Geared project IRR:	23%	25%	27%	31%	33%

^Project NPV incl grp SGA & fin. cost, +net cash; \*diluted for mine build equity

Production	Y1	Y2	Y3	Y4	Y5
Gold Eq production (000oz)	209	307	274	263	263
C1 cost (US\$/oz AuEq)	439	508	645	643	644
AISC cost (US\$/oz AuEq)	478	545	683	681	681

AISC = C1 + sustaining capex, Y1 = CY26



Source: SCP estimates

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Summary of Recommendations as of May 2022	
BUY:	55
HOLD:	1
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	56

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