

Recommendation: Buy
Target Price: C\$5.25

Troilus Gold Corp. (TLG-TSX)

Troilus PEA Delivers The Goods

Current Price	C\$1.60	Shares Outstanding (MM)	
52 Wk High	C\$1.73	Basic	114.4
52 Wk Low	C\$0.42	Diluted	151.8
Est. Cash (MM)	C\$35.2	Mgmt. & Dir.	11.4
Debt (MM)	C\$0.0		
NAVPS	C\$5.25	Market Cap.	C\$183.1
P/NAV	0.30x	EV	C\$147.9
NAV (spot)*	C\$6.55		
P/NAV (spot)*	0.24x	Reserves	0.00 MMoz
Target Return	228.1%	Total Resource	8.11 MMoz
EV/Reserve			n/a
EV/Resource			\$14/oz

* Cormark deck is \$1,750/oz; spot gold is \$1,973/oz

Unless otherwise denoted, all figures shown in US\$

Event:

Releases PEA for Troilus project

Impact:

Positive

Commentary:

Troilus released the results of the PEA for its flagship Troilus project that demonstrated robust economics with an NPV_{5%} of \$915 MM (C\$1.24 BB) and IRR of 32.2% at a gold price of \$1,750/oz, and \$576 MM (C\$778 MM) and IRR of 22.9% at the base case gold price of \$1,475/oz.

The study envisions a combined open-pit/underground mining scenario for a 35,000 tpd operation over a 22-year mine life that will produce 246,000 oz/yr of gold over the first 14 years (including 300,000 oz in year 5) and 174,000 oz/yr over the LOM at an average AISC of \$1,051/oz. The initial capex is expected to be \$333 MM (C\$450 MM) with LOM sustaining capex of \$506 MM (C\$684 MM) that includes \$240 MM for the underground that will be developed in years 6-8.

The relatively low initial capex, especially for a 35,000 tpd operation, is due to the significant infrastructure already on site that includes a power line and 50 MW substation sufficient for project power requirements, all weather access road, tailings facility and water treatment plant, camp facilities, site roads, water supply and septic system. The existing tailings management facility has the capacity to accommodate the life of mine production as described in this PEA and as part of the design it is proposed to develop the tailings dam into a centreline constructed containment from the existing upstream designed containment.

Investment Conclusion:

In Figure 1, we show how the PEA results compare with our previous estimates and note that while the underground mine does increase life-of-mine capex, it also increases the total gold and copper mined and the mine life. The net result is an increase in the NPV_{5%} (assuming \$1,750/oz gold) to C\$1.24 BB (from C\$995 MM) and our fully-funded NAV and target price to C\$5.25 (from C\$4.50). Our fully-funded NAV assumes 40% of the capex is funded with equity at the current price. We note that our undiluted NAV (i.e. the takeout NAV) is approximately C\$10.00.

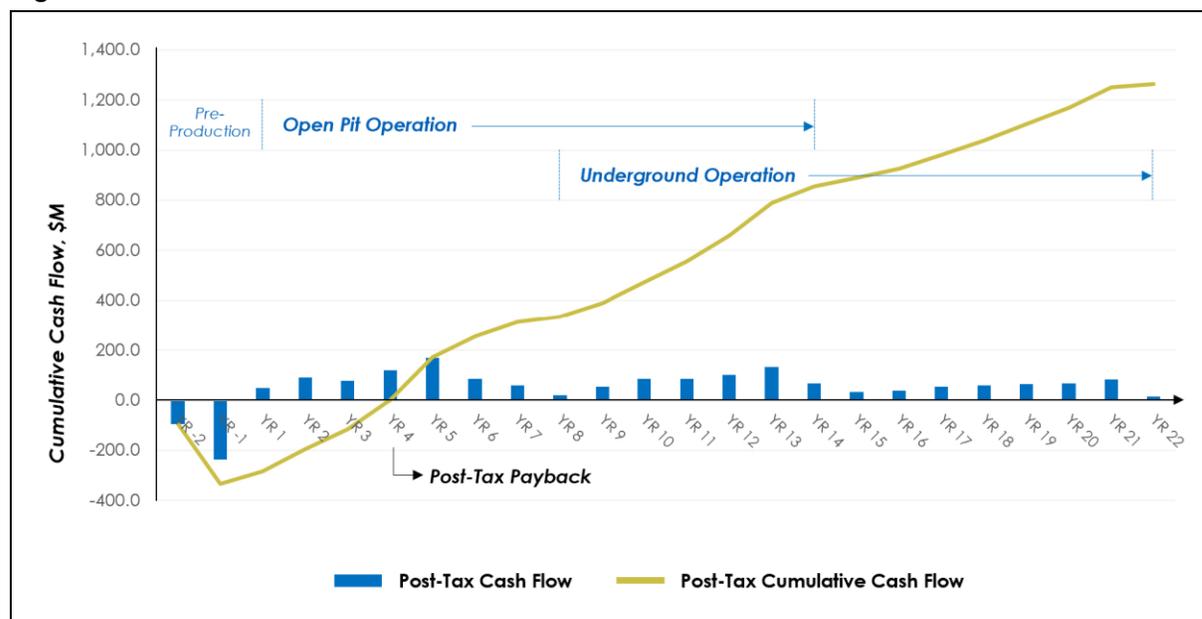
Given the greater resource at the project (8.11 MMoz AuEq) and the exceptional exploration upside on the 107,000 ha property, we believe this PEA is only a snapshot of the current value of the asset and that there is excellent potential for the mine life to ultimately extend beyond the projected 22 years. The project is quickly emerging as one of the larger and more strategic assets in Canada given the size and valuation of Troilus (0.30x NAV at \$1,750/oz; 0.24x NAV at spot).

Figure 1: Troilus PEA vs Previous Cormark Estimates

		Previous Cormark Estimates	Troilus PEA
Tonnes milled	<i>MMt</i>	118.2	192.5
Gold grade	<i>g/t</i>	0.95	0.71
Copper grade	<i>%</i>	0.092%	0.080%
Recoverable Gold	<i>MMoz</i>	3.06	3.80
Recoverable Copper	<i>MMlb</i>	215.2	265.0
Strip Ratio	<i>waste:ore</i>	4.00	3.90
Throughput	<i>tpd</i>	25,000	35,000
Gold Recovery	<i>%</i>	85.0%	90.0%
Copper Recovery	<i>%</i>	90.0%	90.0%
Gold Production - LOM	<i>oz/yr</i>	237,000	174,000
Copper Production - LOM	<i>MMlb/yr</i>	16.6	12.0
Mine Life	<i>years</i>	13.0	22.0
Gold Production - years 1-14	<i>oz/yr</i>	237,000	246,000
Copper Production - years 1-14	<i>MMlb/yr</i>	16.6	16.0
Cash Cost	<i>US\$/oz</i>	\$985	\$919
AISC	<i>US\$/oz</i>	\$1,048	\$1,051
Initial Capex - Open Pit	<i>C\$ MM</i>	\$400	\$450
Development Capex - Underground	<i>C\$ MM</i>	--	\$324
LOM Sustaining Capex	<i>C\$ MM</i>	\$260	\$359
Gold Price	<i>US\$/oz</i>	\$1,750	\$1,750
Post-tax NPV_{5%}	<i>C\$ MM</i>	\$995	\$1,236
Post-tax IRR	<i>%</i>	36.5%	32.2%

Source: Cormark Securities Inc., Troilus Gold Corp.

Figure 2: Post-Tax Cash Flow & Cumulative Cash Flow



Source: Troilus Gold Corp.

Troilus Gold Corp.

Updated August 31, 2020

Price Chart and Disclosure Statement

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



Recommendation / Target Chg	Date	C\$
	29-Jul-20	4.50 (B)
	20-Jul-20	3.80 (B)
	20-Apr-20	3.65 (B)
	13-Nov-19	2.90 (B)
	18-Oct-19	2.85 (B)
	22-Jul-19	2.30 (B)
	08-May-19	1.75 (B)
	27-Mar-19	2.15 (B)
	21-Feb-19	1.55 (B)

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