

BUY

Price C\$0.55 (intraday 11-16-22)

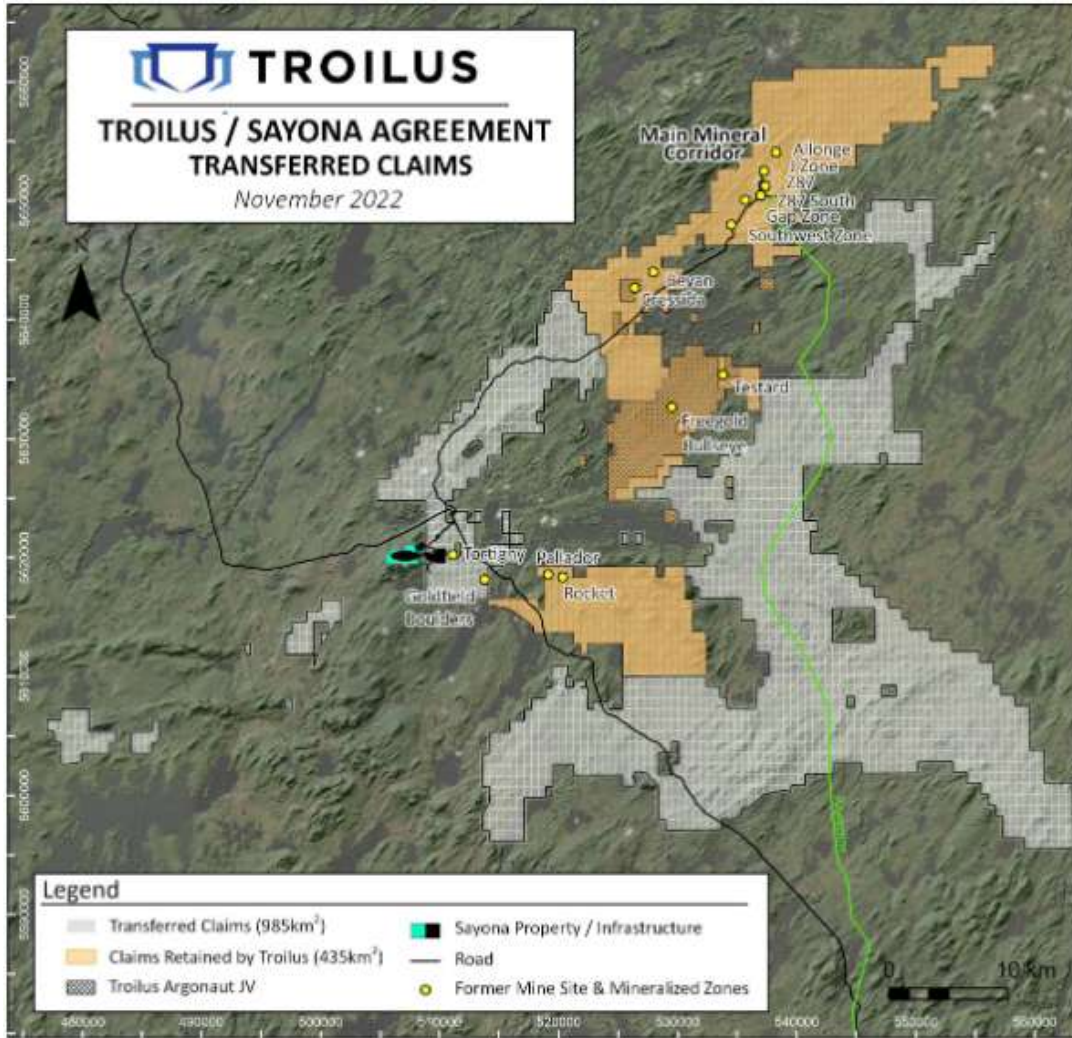
FLASH NOTE**Cash injection for Troilus with sale of non-core claims****Summary**

Troilus has announced the sale of a package of non-core land claims to Australia-listed lithium miner Sayona Mining for C\$40 million in Sayona shares. Troilus will retain a 2% net smelter returns royalty on the transferred properties. In addition, Sayona has subscribed to a private placement of C\$4.8 million of Troilus shares, bringing their stake in TLG to 9.26%. We view the transaction as a strong positive for Troilus as it gives them a significant cash injection and significantly reduces share dilution as they continue to explore and work towards a final feasibility study for the Troilus Project expected in H2 2023.

Key Points

- **Deal highlights.** Troilus has agreed to sell a land package totaling 985 square kilometres to Sayona Mining, for 184 million Sayona shares at an issue price of C\$0.217/sh for a value of C\$40mm. The land claims sold do not include areas encompassing TLG's 2020 PEA development plan. Nor do they include areas of recent exploration success for Troilus, notably the areas encompassing the [new gold zone discovered near the previous pits](#) and the [gold trend discovered at the Rocket target to the south](#) (please see map below).
- **NSR.** Troilus will retain a 2% net smelter returns royalty on subsequent mineral products from the transferred claims. This NSR can be repurchased by Sayona for C\$20 million from 30 days prior to the start of commercial production on any of the transferred claims.
- **Private Placement.** In addition, Sayona has subscribed to a private placement for 9.9 million common shares of Troilus at C\$0.49 each for proceeds of C\$4.8 million. Troilus shares closed at C\$0.49/sh yesterday prior to the deal announcement and they have a 30-day average closing price of \$0.40/sh. Prior to this deal, Troilus had 210.5 million common shares outstanding.
- **Sayona Mining** will now have a 9.26% ownership stake in Troilus. Sayona is an Australia-listed lithium-focused miner, with a market cap of A\$1.95B. The transferred claims are adjacent to Sayona's Moblan Project, a lithium project with a proven and probable reserve of 10.7mt ore at a grade of 1.40% lithium oxide, with a PFS expected in May 2023. The stake raises the possibility of collaboration between the two companies for infrastructure synergies as they develop their projects.
- **Impact.** We view this project as a strong positive for Troilus, as the deal raises a significant amount of cash for the company that will allow them to continue their promising exploration and build to a Pre-Feasibility Study expected in H2 2023. The land claims transferred are not core to Troilus' development plans and they are able to retain a 2% NSR on any future potential from the properties.
- **Valuation.** With a spot P/NAV of just 0.08x compared to its explorer-group peer average of 0.18x, Troilus remains the cheapest company in our coverage universe. TLG is developing a long-lived asset in mining-friendly Quebec, and we rate it as a BUY with a target price of C\$4.00/share.

Troilus / Sayona claim transfer agreement



Source: Company release

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 and 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 November 15, 2022 (in CAD)



*Represents the value(s) that changed.

Buy=B; Speculative Buy=SB; Hold=H; 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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Troilus Gold has paid the research analyst's travel expenses to view their material operations.

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Hold - We expect a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Sell - We expect a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

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¹ This rating is only utilised by Stifel Canada.

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