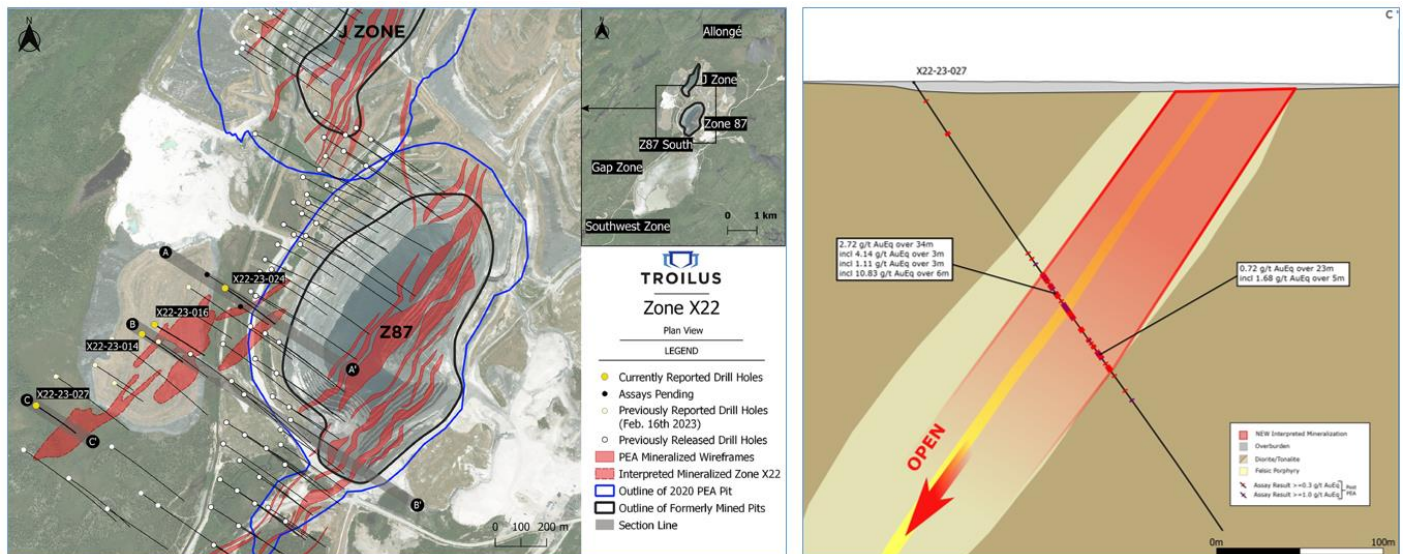


Ticker: TLG CN **Cash:** C\$1.6m **Project:** Troilus Gold Project
Market cap: C\$159m **Price:** C\$0.70/sh **Country:** Canada, QC
REC. (unc): BUY **TARGET (unc):** C\$1.90/sh **RISK RATING (unc):** HIGH

Today's news is positive in our view as it expands the X22 Zone 1,000m along strike mainly in areas outside the 2020 PEA pit. This should provide useful additions to the upcoming MRE update/DFS. Recall, this is one of several growth opportunities being drilled outside of existing 2020 MRE/PEA (i.e Southwest + Gap Zone), positioning the current 8.1Moz AuEq to potentially lift towards SCPe 10Moz this year. More relevant, the PEA saw ~3.3Moz @ 0.7g/t AuEq pittable inventory from just 6.5Moz AuEq M&I&I, hence we see mine inventory lifting towards 5Moz as achievable. This would provide a double catalyst of headline growth, and increased confidence as resources move to reserves given the stock trades on US\$20/oz resource today vs reserve peers at US\$100-200/oz. With ~C\$43m cash + investments at Jan 31, Troilus is well funded to walk these targets up to DFS in 2H23, and in fact is one of the few bulk Canadian peers approaching a DFS, a useful M&A catalyst in our view. As such, **we maintain our BUY rating our C\$1.90/sh PT based on 0.2xNAV_{5%-1850-4.00}** for >12Mtpa open pit only mining for ~255koz AuEq pa at AISC US\$876/oz LOM, adding only a nominal C\$10m to exploration plus US\$25/oz to resources outside of inventory and ~C\$40m interest in Sayona.

Figure 1. (A) Plan map of the Z22 Zone drilling and (B) cross-section showing today's headline hits



Source: Troilus

X22 expands further outside the 2020 PEA pit shell with 34m @ 2.7g/t AuEq ahead of MRE/DFS

Troilus reported **34m @ 2.7g/t AuEq** (incl. 3.0m @ 4.1g/t, 3.0m @ 1.1g/t and 2.0m @ 26.8g/t) and **34.5m @ 1.5g/t AuEq** (incl. 4.5m @ 2.5g/t and 0.5m @ 23.9g/t) 150m beyond the PEA pit shell in the X22 zone as part of the ongoing 6,500m program. Drilling has extended mineralization by 150m SW, lifting the total strike to 1km, mostly outside of the PEA pit shell. Other highlighted hits include **12.0m @ 1.4g/t AuEq** within broader 42m @ 0.7g/t, extending down dip mineralization by 50m from previous 50.0m @ 0.7g/t AuEq (incl. 9.0m @ 2.4g/t). Results will be included in the upcoming Feasibility Study. The company plans to continue drilling an additional 1,300m to delineate the X22 zone further, with a further 4,000m pending assay.

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 1,420km² land package in prime mining district

Catalysts

1. 2023: ongoing drilling of near pit expansions + regional exploration
2. 2H23: FS
3. 1H26: SCPe first production

Research

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Ticker: TLG CN	Price / mkt cap: C\$0.7/sh, C\$159m	Project PNAV today: 0.11x	Asset: Troilus Gold Project
Author: B Gaspar	Rec / xNAV PT: BUY, C\$1.9/sh	1xNAV_{1Q23} FF FD: C\$5.2B/sh	Country: Canada, Quebec

Commodity price	CY23E	CY24E	CY25E	CY26E	CY27E
Gold price LT (US\$/oz)	1,850	1,850	1,850	1,850	1,850
Copper price LT (US\$/lb)	4.08	4.08	4.08	4.08	4.08

SOTP project valuation*	C\$m	O/ship	NAVx	C\$/sh
Proj. @ build start (2024)	1,569	100%	0.20x	1.18
Cash Jan 31 2023	2	100%	1.00x	0.01
Cash from options	35	100%	1.00x	0.13
Regional expl. nominal upside	10	100%	1.00x	0.04
Resources ex invnt'y @ US\$25/oz	100	100%	1.00x	0.38
Interest in Sayona	39	100%	1.00x	0.15

Asset NAV5% US\$1850/oz	1,716	PT:	1.88
<i>*Shares diluted for options but not mine build</i>			
		Market P/NAV5% _{today}	0.11x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*					
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	736	858	980	1,101	1,220
7.5% discount	955	1,098	1,239	1,380	1,519
5.0% discount	1,235	1,403	1,569	1,735	1,899
Ungeared project IRR:	24%	26%	28%	30%	32%

1xNAV5%-1850 (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
8.0% discount	1.38	1.48	1.59	1.69	1.79
6.5% discount	1.49	1.61	1.72	1.83	1.95
5.0% discount	1.63	1.75	1.88	2.00	2.13

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

Shares outstanding (m)	
Basic in issue (m)	226.6 Build shares @ 0.5xNAV (m) 104.7
FD with options (m)	266.1 FD mine build @ 0.5xNAV (m) 370.8

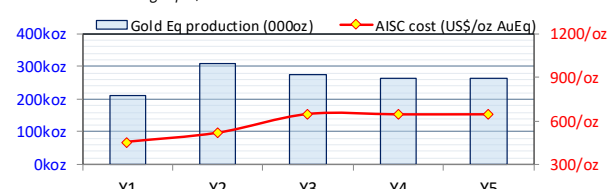
Group valuation over time^	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27
Troilus Project NPV (C\$m)	1,460	1,546	1,930	2,500	2,379
G&A + fin. costs (C\$m)	(249)	(233)	(221)	(187)	(148)
Net cash prior qtr (C\$m)	5.1	46.1	1.1	(498.8)	(321.8)
Cash from options (C\$m)	35.3	35.3	35.3	35.3	35.3
Regional expl. nominal upside	10	10	10	10	10
Resource ex reserve (C\$m)	100.2	100.2	100.2	100.2	100.2
NAV FF FD (C\$m)	1,361	1,504	1,856	1,959	2,055
Shares in issue (m)	226.6	370.8	370.8	370.8	370.8
1xNAV5%/sh FF FD (C\$/sh)	6.01	4.06	5.00	5.28	5.54
Equity ROI from spot (% pa)			167%	96%	68%

Geared company NAV diluted for mine build, net G&A and finance costs					
1Q26 1xNAV FF FD (C\$/sh)^	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	1,205	1,349	1,492	1,634	1,775
7.5% discount	1,379	1,540	1,700	1,859	2,016
5.0% discount	1,596	1,778	1,959	2,139	2,317
Geared project IRR:	21%	23%	25%	27%	29%

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

Production	Y1	Y2	Y3	Y4	Y5
Gold Eq production (000oz)	210	308	275	264	264
C1 cost (US\$/oz AuEq)	419	484	614	612	613
AISC cost (US\$/oz AuEq)	456	520	651	648	649

AISC = C1 + sustaining capex, Y1 = CY26



Source: SCP estimates

Resource	AuEq (koz)	AuEq (g/t)	PEA Inv.	AuEq (koz)	AuEq (g/t)
Pit constrained >0.3g/t	6480koz	0.76g/t	Pit:	3285koz	0.68g/t
Underground >0.9g/t	1630koz	1.77g/t	UG:	1830koz	1.35g/t
Grand total MRE (61% M&I)	8110koz	0.86g/t	SCP pit inv.	4614koz	0.75g/t

Uses of funds (C\$m)		Sources of funds (C\$m)	
Pre-prod'n capex (C\$m)	736	Cash + pre-Au options (C\$m)	37
G&A / fin. cost to 1st Au (C\$m)	68	DFS + build equity (C\$m)	338
Working cap (C\$m)	30	Mine build debt (C\$m)	479
Exploration pre-Au (C\$m)	20	Total sources (C\$m)	853
Peak financing (C\$m)	855	Buffer (C\$m)	-1

Ratio analysis (YT Jan 31)	CY22E	CY23E	CY24E	CY25E	CY26E
Average shares out (m)	205.9	226.6	370.8	370.8	370.8
EPS (C\$/sh)	-	-	-	0.01	0.46
CFPS (C\$/sh)	-	-	-	-	0.58
EV (C\$m)	142.6	119.9	387.5	736.5	522.5
FCF yield (%)	-	-	-	-	82%
PER (x)	-	-	-	65.3x	1.5x
P/CF (x)	-	-	-	-	1.2x
EV/EBITDA (x)	-	-	-	8.9x	1.3x

Income statement (YT Jan 31)	CY22E	CY23E	CY24E	CY25E	CY26E
Net revenue (C\$m)	-	-	-	125.1	559.0
COGS (C\$m)	-	-	-	33.6	159.0
Gross profit (C\$m)	-	-	-	91.5	400.0
D&A, attrib (C\$m)	-	-	-	15.3	64.4
Group G&A (C\$m)	6.3	9.1	9.1	9.1	9.1
Finance cost (C\$m)	0.1	-	15.3	37.3	37.9
Taxes (C\$m)	-	-	-	25.8	117.4
Net income (C\$m)	(6.4)	(9.1)	(24.4)	4.0	171.2
EBITDA (C\$m)	8.5	(38.1)	(15.8)	82.4	390.9

Cash flow, attrib. (YT Jan 31)	CY22E	CY23E	CY24E	CY25E	CY26E
EBIT (C\$m)	(6.3)	(9.1)	(9.1)	67.1	326.5
Add back D&A (C\$m)	-	-	-	15.3	64.4
Less tax (C\$m)	0.1	-	15.3	63.2	155.3
Change in wkg cap (C\$m)	(10.3)	(3.7)	-	(29.9)	(14.7)
Plus other non-cash (C\$m)	(24.4)	(20.0)	(30.6)	(126.3)	(310.5)
Cash flow ops (C\$m)	(40.9)	(32.8)	(24.4)	(10.7)	220.9
PP&E - build + sust. (C\$m)	(0.5)	-	(400.0)	(338.3)	(6.9)
PP&E - expl'n (C\$m)	-	-	-	-	-
Cash flow inv. (C\$m)	(0.5)	-	(400.0)	(338.3)	(6.9)
Share issue (C\$m)	10.0	70.0	257.7	-	-
Debt draw (repay) (C\$m)	-	-	382.9	95.7	(39.9)
Cash flow fin. (C\$m)	10.0	70.0	640.6	95.7	(39.9)
Net change in cash (C\$m)	(31.4)	37.2	216.2	(253.3)	174.1

Balance sheet	CY22E	CY23E	CY24E	CY25E	CY26E
Cash (C\$m)	1.6	38.8	254.9	1.7	175.8
Acc rec., inv, prepaid (C\$m)	17.1	17.1	17.1	58.1	80.8
PP&E + other (C\$m)	47.5	47.5	447.5	770.5	713.0
Total assets (C\$m)	66.2	103.4	719.6	830.3	969.7
Debt (C\$m)	-	-	382.9	478.6	438.7
Accounts payable (C\$m)	4.4	0.7	0.7	11.8	19.9
Others (C\$m)	4.3	4.3	4.3	4.3	4.3
Total liabilities (C\$m)	8.8	5.1	388.0	494.7	462.9
Sh'hlds equity + wrnts (C\$m)	183.4	262.4	526.9	526.9	526.9
Retained earn'gs + rsvs (C\$m)	(126.0)	(164.1)	(195.3)	(191.3)	(20.1)
Liabilities + equity (C\$m)	66.2	103.4	719.6	830.3	969.7

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NEUTRAL: The stock's total returns are expected to be in line with the overall market

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TENDER: The analyst recommends tendering shares to a formal tender offering

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NOT RATED ((N/R): The stock is not currently rated

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Summary of Recommendations as of March 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	55

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