

May 15, 2024

Troilus Gold Inc.

Announces Larger Scope Feasibility Study at Troilus

NEED TO KNOW

- NAV adjusted downward from C\$3.89 to C\$2.94, target from C\$2.10/sh to C\$1.55/sh
- Cap ex increased to US\$1.07B (C\$1.4B); estimated production to commence 2030
- Trading at 0.18x P/NAV, C\$17 EV/oz Au Reserves, C\$11 M&I EV/oz, C\$9.44 EV/oz Au M&I, Inf.

Target Reduced on New Capital Adjustments, Timeline to Production

- We are adjusting our 2024E NAV/sh from C\$3.89/sh to C\$2.94/sh (Figure 1) and our target from C\$2.10/sh to C\$1.55/sh for Troilus Gold Inc. (TSX:TLG, "TLG") after the release of the Troilus gold project (100%) Feasibility Study ("FS") in north-central QC. Based on an expanded 50,000 tpd throughput (previously 35,000 tpd), inflation trends since the last capital estimate in the company's Preliminary Economic Assessment ("PEA") and certain Canadian-based large tonnage, long-life gold projects, an increase was foreseeable. Including some amendments to our financial model as part of the company's quarterly results, **combined have led to a negative impact of C\$0.95/sh to our NAV estimate.**
- FS Summary and Cap Ex Update:** The company has announced a larger 50,000 tpd (18M t/yr) throughput scenario along with an updated US\$1.07B initial capital expenditure program net of the +US\$500M of inherited infrastructure value from previous mining (previously C\$450M capital in PEA for a 35,000 tpd versus VTC's estimate of C\$680M). **The FS results in a US\$884M NPV (at 5.0% discount, US\$1,975/oz Au) and IRR of 14% compared to our VTC estimate of C\$819M NPV (at 7.5% discount for a developer, further discounted from 2030 commencement to year end 2024 and using US\$1,900/oz Au).**
- Updated Mine Plan:** The company has based the new mine plan on inaugural reserves of **380 M t at 0.49 g/t Au, 0.058% Cu and 1.0 g/t Ag** (using US\$1,550/oz Au, US\$3.50/lb Cu, US\$20/oz Ag) with the highest grade in the Z87 pit (0.55 g/t Au). Operating costs are US\$11.60/t mining (strip ratio of 3.1:1), US\$5.64/t processing and US\$1.82/t G&A, shipping, port (VTC AISC estimate of US\$1,249/oz Au). Pits are sequenced for the use of tailings capacity in minimizing the overall footprint. As such, the SW pit starts production in year 1.0 and mined until completion in Year 9.0 at which time will be used for tailings and waste storage (alleviating space in the already-permitted tailings facility). Similarly, for the Z87 pit; however, used for waste towards the end of mine life. As such higher-grade material is not expected to be accessed until years 4.0 to 8.0 after mining moves from SW to 87 (Figure 2). We estimate production commencing H2 2030 (Figure 3) with an estimated payback after year 5.0.
- Timeline and Financing:** TLG outlined a 2030 production scenario after permitting (by 2026), project financing (by 2026) and three years construction period (2027 to 2029). As the scope and capital amount is considerable for a C\$150M company, TLG has laid out funding options including: traditional debt/equity, equipment financing, offtakers, royalties/streams and the potential to team up with a larger funding partner/cornerstone investor to advance the deposit (we do not anticipate acceleration of the production timeline based on a partner).

Valuation

- Based on our adjustments above, **we have reduced our NAV estimate (Figure 1) from C\$3.89 to C\$2.94/sh and target price from C\$2.10/sh to C\$1.55/sh**, respectively, while we maintain our Outperform rating. Our P/NAV target multiple of 0.53x (previously 0.54x) reflects the funding challenges of a larger capital program mitigated by its i) past producing, brownfields development status with scale and resource expansion; ii) ample amounts of key infrastructure inherited; iii) recent FS status; and iv) attractive jurisdiction with strong provincial support. TLG is currently trading at 0.18x P/NAV, C\$17 EV/oz Au reserves, C\$11 EV/oz M&I, C\$9.44 EV/oz Au M&I, Inf. **TLG is one of our most leveraged names with +/-10% changes in our gold price assumptions, resulting in +/- 40% change to our NAV/sh estimate (+C\$5.00 at current spot gold prices).**

VTC Research

Troilus Gold Corp.		
TLG CN		Outperform
At 05/14/2024	C\$	0.54
Valuation	C\$	2.94
- NAV Methodology		
12-month target	C\$	1.55
12-month total return	%	187%
Market cap	C\$m	149.9
Market cap	US\$m	109.4
Shares OS	m	277.5

Investment fundamentals		2021A	2022A	2023A	2024E
EBITDA	C\$m	(56.6)	(37.2)	(28.6)	(20.7)
EV/EBITDA	x	n/a	n/a	n/a	n/a
Adj. earnings	C\$m	(55.0)	(36.2)	(5.6)	(28.7)
Adj. EPS	C\$/sh	(0.20)	(0.13)	(0.02)	(0.10)
P/E	x	n/a	n/a	n/a	n/a
CFPS	C\$/sh	(0.16)	(0.11)	(0.10)	(0.06)
P/CFPS	x	n/a	n/a	n/a	n/a
DPS	C\$/sh	0	0	0	0
Dividend yield	%	0.0%	0.0%	0.0%	0.0%

(Priced at #CLOSE of 05/14/2024; all figures in CAD unless noted)

Source: VTC Research, May 2024

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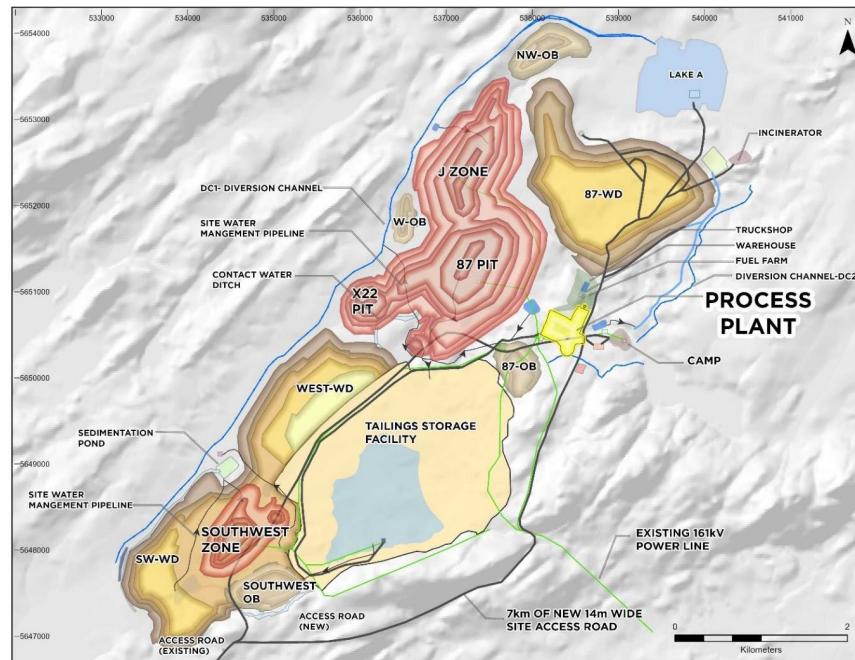
Please refer to page 4 of this report for important disclosures and analyst certification.

Figure 1: TLG NAV Summary (2024E)

	2024E NAV	C\$/sh	Notes:
Troilus	\$818.8	\$2.95	<i>Disc. rate 7.5%, IRR 15.1%, 0.53x P/NAV Target @ C\$30/oz, 0.3m oz Au eq u/g</i>
Other Exploration	\$0.0	\$0.00	
Total NPV of Assets	\$818.8	\$2.95	
<i>Adjustments:</i>			
Working Capital*	\$10.4	\$0.04	
Corp. Adjustments	-\$14.4	-\$0.05	
LTD	\$0.0	\$0.00	
Total NAV	\$814.8	\$2.94	
Est. shares M*		277.5	
<i>*incl. option exercise estimates</i>			
Troilus + expl'n	P/NAV (x) @	0.53	
Adjustments	P/NAV (x) @	1.00	
= Target Share Price (C\$)		\$1.55	
<i>Blended target multiple (x):</i>		<i>0.53</i>	

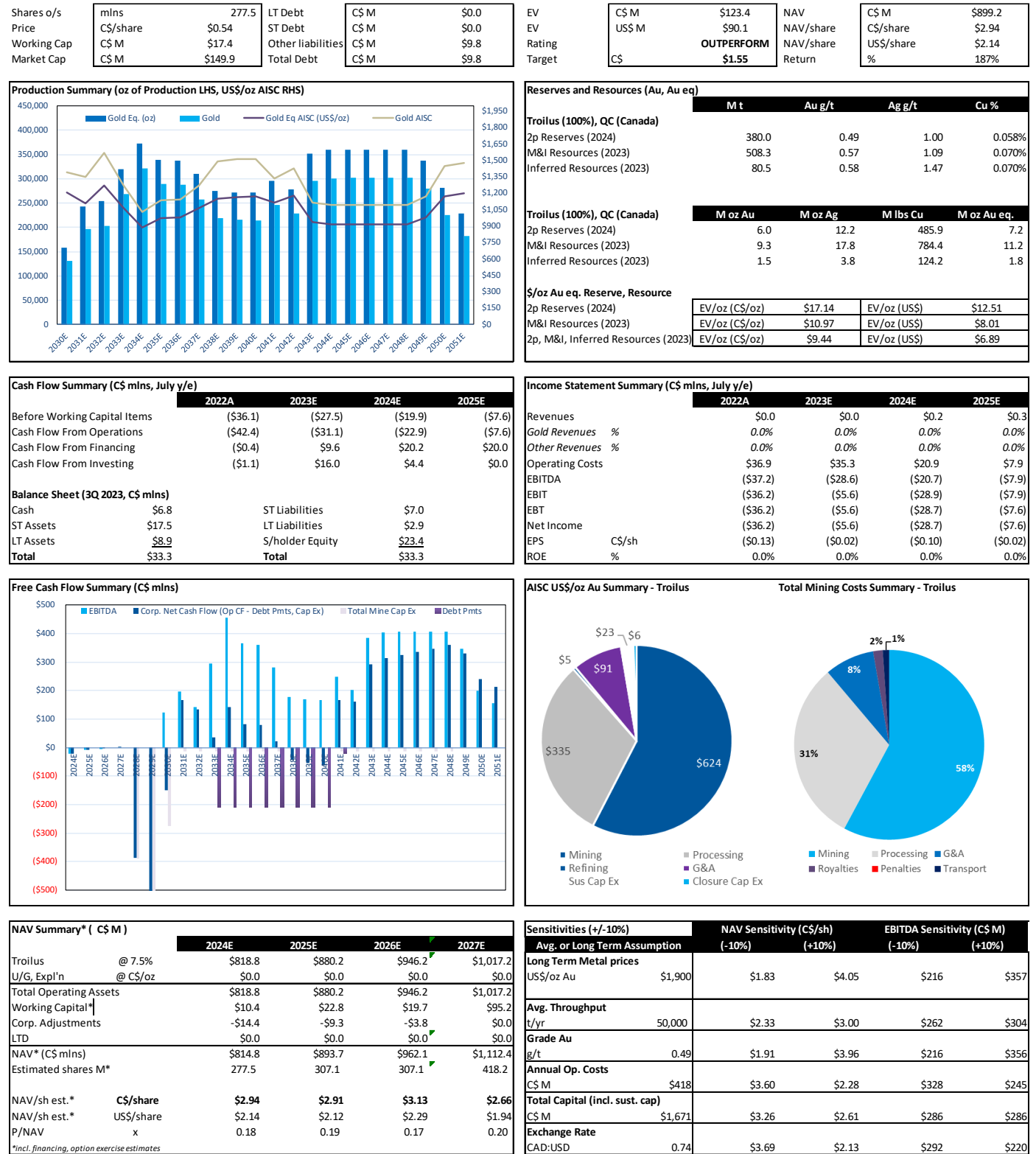
Source: Company Reports, VTC Research, May 2024

Figure 2: Troilus Site Layout (Ultimate Pit Sizes at End of Mine Life)



Source: Company Reports, VTC Research, May 2024

Figure 3: TLG Model and Investment Summary



Source: S&P Intelligence, VTC Research – priced at 14 May 2024

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