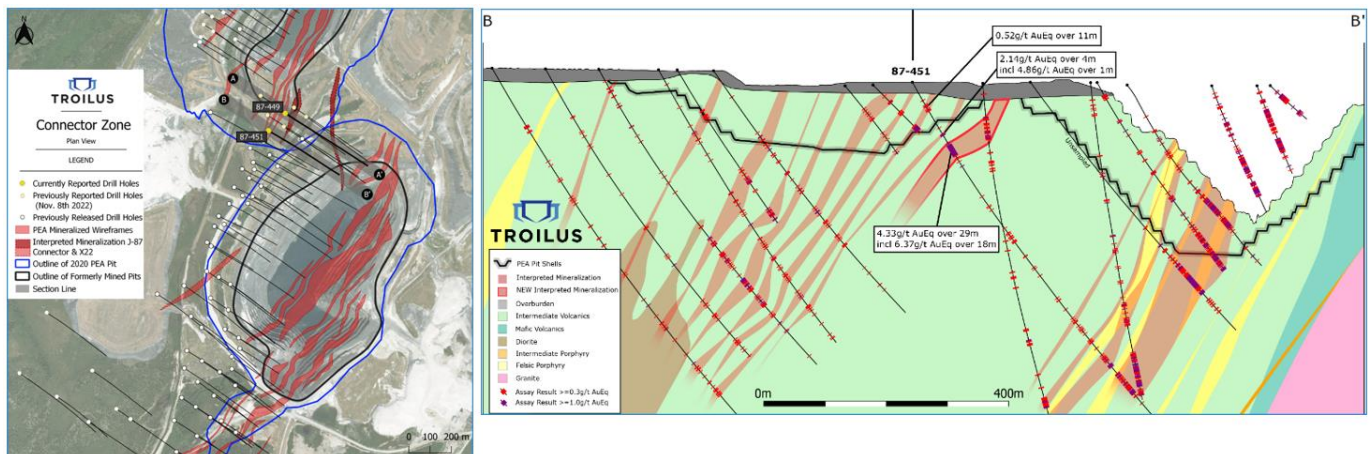


**Ticker:** TLG CN      **SCPe pro forma cash:** C\$10m      **Project:** Troilus Gold Project  
**Market cap:** C\$160m      **Price:** C\$0.72/sh      **Country:** Canada, QC  
**REC. (unc):** BUY      **TARGET (unc):** C\$1.85/sh      **RISK RATING (unc):** HIGH

We see three key takeaway's from today's connector zone drilling 1) good continuity and potential for pit extensions at depth at Z87, 2) new bulk high-grade hit, **29m @ 4.3g/t**, is <50m from existing pit shell and near-surface which could fall into the next J Zone resource, or with gap now closing, could see a simple merging of pits for a ~4km long super-pit, albeit more drilling needed, and 3) the technical team is dialed in on structure both creating value outside of existing resources and also finding opportunity for incremental grade/ounce improvements ahead of the 2H23 DFS with today's in-pit **11m @ 2.1g/t** notably higher grade than average inventory (6.5Moz @ 0.8g/t AuEq OP MRE). Diving in, we note average for all hits today of 12m @ 1.9g/t (or 11m @ 1.4g/t excl. high-grade hit), including 6m @ 1.6g/t within the existing resource and broader 15m @ 2.0g/t (or 14m @ 1.3g/t excluding high-grade hit) outside of it. Stepping back, while Troilus' focus is de-risking its large ounce base with the drill bit and engineering, the emerging theme is value creation on simple low-hanging fruit, where iterative improvements continue to stack up. Since last year, we have seen step-outs pointing to potential expansion on fringes of Southwest, Z87 [S] and J Zone, met work providing useful SCPe +5% Au/Cu lift to early years revenues and a nice ~100% improvement on Ag recoveries over the LOM, and Gap + Connector Zone drilling hitting mineralization with potential for fewer, larger, and lower cost pits – all good progress that has allowed TLG to skip steps and move straight to DFS this year. As such, **we maintain our BUY rating our C\$1.85/sh PT based on 0.2xNAV<sub>5%-1700-4.00</sub>** 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\$45m interest in Sayona. Looking forward, the ongoing 5km drill program continues to de-risk and expand resources, with the team well-funded to advance engineering studies ahead of a 2H23 DFS.

**Figure 1. (A) Plan map of the connector zone and (B) cross section showing today's headline hit**



Source: Troilus

### Troilus hits 29m @ 4.3g/t AuEq in the Connector Zone; 5,000m drilling ongoing ahead of 2H23 FS

Troilus reported results from two holes from the Connector Zone between the two historic open pits. Highlights include **29.0m @ 4.3g/t AuEq** (incl. **18.0m @ 6.4g/t**) from 115m, **49.0m @ 1.0g/t** from 581m, and **18.7m @ 1.3g/t** from 550m, all outside of the current PEA pit shell. Also, drilling intercepted **11.2m @ 2.1g/t** from 26m and inside the current pit shell. A 5,000m drill program is ongoing, focused on the discovery of near surface targets/ounces that will fall into the upcoming FS, which is expected in 2H23.

### Why we like Troilus Gold

1. 8.1Moz AuEq resource, including SCPe 4.6Moz @ 0.75g/t AuEq pitable 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. 2023: ongoing drilling of near pit expansions + regional exploration
2. 2H23: FS
3. 1H26: SCPe first production

## Research

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<b>Ticker:</b> TLG CN	<b>Price / mkt cap:</b> C\$0.72/sh, C\$160m	<b>Project PNAV today:</b> 0.12x	<b>Asset:</b> Troilus Gold Project
<b>Author:</b> B Gaspar	<b>Rec / xNAV PT:</b> BUY, C\$1.85/sh	<b>1xNAV<sub>Q22</sub> FF FD:</b> C\$4.77/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)	1,700	1,700	1,700	1,700	1,700	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	4656koz	0.76g/t
Proj. @ build start (2024)	<b>1,358</b>	100%	0.20x	1.05		<b>Uses of funds (C\$m)</b>			<b>Sources of funds (C\$m)</b>		
Pro-forma cash	10	100%	1.00x	0.04		Pre-prod'n capex (C\$m)	753		Cash + pre-Au options (C\$m)	46	
Cash from options	36	100%	1.00x	0.14		G&A / fin. cost to 1st Au (C\$m)	62		DFS + build equity (C\$m)	344	
Regional expl. nominal upside	10	100%	1.00x	0.04		Working cap (C\$m)	29		Mine build debt (C\$m)	490	
Resources ex invnt'y @ US\$25/oz	103	100%	1.00x	0.40		Exploration pre-Au (C\$m)	14		<b>Total sources (C\$m)</b>	<b>879</b>	
Interest in Sayona	48	100%	1.00x	0.19		<b>Peak financing (C\$m)</b>	<b>859</b>		Buffer (C\$m)	20	

<b>Asset NAV5% US\$1700/oz</b>	<b>1,516</b>	<b>PT:</b>	<b>1.84</b>
<i>*Shares diluted for options but not mine build</i>			
Market P/NAV <sub>5%</sub> today 0.12x			

Asset value: 1xNPV project @ build start (C\$m, ungeared)*					
Project NPV (C\$m)*	\$1600oz	\$1700oz	\$1800oz	\$1900oz	\$2000oz
10.0% discount	696	822	946	1,070	1,192
7.5% discount	912	1,058	1,202	1,346	1,488
5.0% discount	1,186	<b>1,358</b>	1,528	1,698	1,866
Ungeared project IRR:	23%	25%	27%	29%	31%
1xNAV5%-1850 (C\$/sh)	\$1600oz	\$1700oz	\$1800oz	\$1900oz	\$2000oz
8.0% discount	1.46	1.57	1.68	1.79	1.89
6.5% discount	1.58	1.70	1.82	1.93	2.05
5.0% discount	1.71	<b>1.84</b>	1.97	2.11	2.23

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

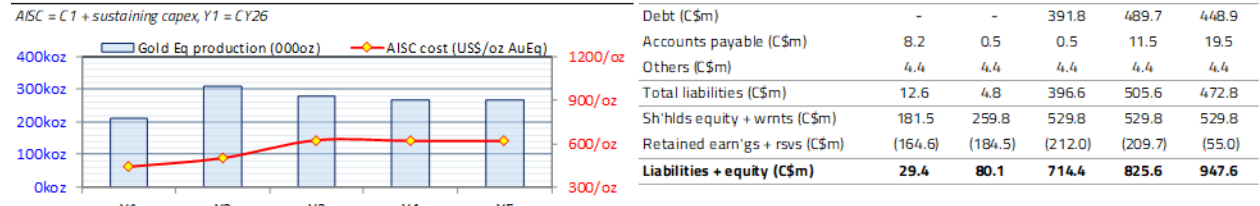
Shares outstanding (m)					
Basic in issue (m)	222.9	Build shares @ 0.5xNAV (m)			117.5
FD with options (m)	259.3	FD mine build @ 0.5xNAV (m)			376.8

Group valuation over time^	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27
Troilus Project NPV (C\$m)	1,259	1,337	1,711	2,288	2,173
G&A + fin. costs (C\$m)	(193)	(191)	(184)	(152)	(113)
Net cash prior qtr (C\$m)	5.1	60.7	28.5	(485.7)	(320.7)
Cash from options (C\$m)	35.7	35.7	35.7	35.7	35.7
Regional expl. nominal upside	10	10	10	10	10
Resource ex reserve (C\$m)	102.5	102.5	102.5	102.5	102.5
NAV FF FD (C\$m)	1,219	1,355	1,704	1,799	<b>1,888</b>
Shares in issue (m)	222.9	196.5	196.5	376.8	376.8
1xNAV5%/sh FF FD (C\$/sh)	<b>5.47</b>	<b>6.90</b>	<b>8.67</b>	<b>4.77</b>	<b>5.01</b>
Equity ROI from spot (% pa)			247%	88%	62%

Geared company NAV diluted for mine build, net G&A and finance costs					
2Q26 1xNAV FF FD (C\$/sh)^	\$1600oz	\$1700oz	\$1800oz	\$1900oz	\$2000oz
10.0% discount	1,342	1,502	1,660	1,818	1,974
7.5% discount	1,499	1,674	1,848	2,021	2,193
5.0% discount	1,693	<b>1,888</b>	2,081	2,273	2,463
Geared project IRR:	20%	22%	24%	26%	28%

*^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)	211	310	277	267	267
C1 cost (US\$/oz AuEq)	405	467	591	587	587
AISC cost (US\$/oz AuEq)	440	501	626	620	621



Source: SCP Estimates

Ratio analysis (YT Jan 31)	CY22E	CY23E	CY24E	CY25E	CY26E
Average shares out (m)	205.5	222.9	376.8	376.8	376.8
EPS (C\$/sh)	-	-	-	0.01	0.41
CFPS (C\$/sh)	-	-	-	-	0.53
EV (C\$m)	140.9	102.7	371.1	737.1	537.5
FCF yield (%)	-	-	-	-	74%
PER (x)	-	-	-	119.1x	1.8x
P/CF (x)	-	-	-	-	1.4x
EV/EBITDA (x)	-	-	-	9.3x	1.5x

Income statement (YT Jan 31)					
	CY22E	CY23E	CY24E	CY25E	CY26E
Net revenue (C\$m)	-	-	-	118.3	528.6
COGS (C\$m)	-	-	-	33.6	158.7
<b>Gross profit (C\$m)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84.7</b>	<b>369.8</b>
D&A, attrib (C\$m)	-	-	-	15.6	65.8
Group G&A (C\$m)	5.5	5.6	5.6	5.6	5.6
Finance cost (C\$m)	0.1	-	15.7	38.2	38.8
Taxes (C\$m)	-	-	-	23.1	105.0
<b>Net income (C\$m)</b>	<b>(5.5)</b>	<b>(5.6)</b>	<b>(21.2)</b>	<b>2.3</b>	<b>154.7</b>
EBITDA (C\$m)	(31.9)	(19.9)	(11.8)	79.2	364.3

Cash flow, attrib. (YT Jan 31)					
	CY22E	CY23E	CY24E	CY25E	CY26E
EBIT (C\$m)	(5.5)	(5.6)	(5.6)	63.6	298.5
Add back D&A (C\$m)	-	-	-	15.6	65.8
Less tax (C\$m)	0.1	-	15.7	61.3	143.7
Change in wkg cap (C\$m)	(4.7)	(7.7)	-	(28.5)	(14.1)
Plus other non-cash (C\$m)	(22.0)	(6.0)	(31.3)	(122.6)	(287.5)
<b>Cash flow ops (C\$m)</b>	<b>(32.1)</b>	<b>(19.3)</b>	<b>(21.2)</b>	<b>(10.6)</b>	<b>206.5</b>
PP&E - build + sust. (C\$m)	(0.5)	-	(400.0)	(355.4)	(6.9)
PP&E - exp'n (C\$m)	-	-	-	-	-
<b>Cash flow inv. (C\$m)</b>	<b>(0.5)</b>	<b>-</b>	<b>(400.0)</b>	<b>(355.4)</b>	<b>(6.9)</b>
Share issue (C\$m)	10.0	70.0	263.7	-	-
Debt draw (repay) (C\$m)	-	-	391.8	97.9	(40.8)
<b>Cash flow fin. (C\$m)</b>	<b>10.0</b>	<b>70.0</b>	<b>655.5</b>	<b>97.9</b>	<b>(40.8)</b>
<i>Net change in cash (C\$m)</i>	<i>(22.6)</i>	<i>50.7</i>	<i>234.3</i>	<i>(268.1)</i>	<i>158.8</i>

Balance sheet					
	CY22E	CY23E	CY24E	CY25E	CY26E
Cash (C\$m)	7.1	57.8	292.0	24.0	182.7
Acc rec., inv, prepaid (C\$m)	13.7	13.7	13.7	53.2	75.3
PP&E + other (C\$m)	8.6	8.6	408.6	748.4	689.5
<b>Total assets (C\$m)</b>	<b>29.4</b>	<b>80.1</b>	<b>714.4</b>	<b>825.6</b>	<b>947.6</b>
Debt (C\$m)	-	-	391.8	489.7	448.9
Accounts payable (C\$m)	8.2	0.5	0.5	11.5	19.5
Others (C\$m)	4.4	4.4	4.4	4.4	4.4
Total liabilities (C\$m)	12.6	4.8	396.6	505.6	472.8
Sh'hlds equity + wrnts (C\$m)	181.5	259.8	529.8	529.8	529.8
Retained earn'gs + rsvs (C\$m)	(164.6)	(184.5)	(212.0)	(209.7)	(55.0)
<b>Liabilities + equity (C\$m)</b>	<b>29.4</b>	<b>80.1</b>	<b>714.4</b>	<b>825.6</b>	<b>947.6</b>

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

**SELL:** The stocks total returns are expected to be materially lower than the overall market

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

**UNDER REVIEW:** The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

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

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HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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