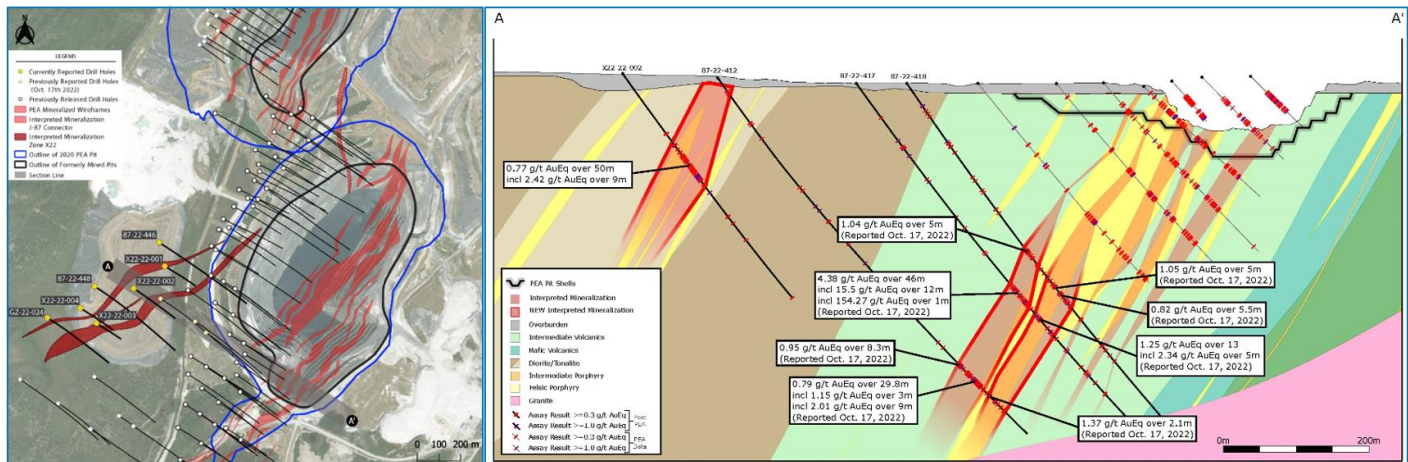


Ticker: TLG CN **Cash:** C\$10m **Project:** Troilus Gold Project
Market cap: C\$149m **Price:** C\$0.67/sh **Country:** Canada, QC
REC. (unc): BUY **TARGET (unc):** C\$1.90/sh **RISK RATING (unc):** HIGH

Today's drilling is not 'step-change' in our view, albeit does add dimension to the X22 Zone, extending strike to 800m with the majority falling outside the 2020 PEA for useful additions. Moreover, results today show a mix of a) shallow bulk hits, (i.e 50m @ 0.8g/t AuEq from <135m), in line with the MRE pit grade (~0.8g/t AuEq) and b) multiple higher grades structures (i.e 1-2m @ 6-10.5g/t). Whilst not the same >200 gxm hits seen initially from this zone, these are 100% all new additions, with an opportunity to delineate some of the higher-grade zones, which if achieved, could 'sweeten' economics. 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 and exploration upside continue to stack up. 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. 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—a major catalyst in our view.

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



Source: Troilus

New dimensions added to X22 Zone discovery with 50m @ 0.8g/t AuEq; strike extended to 800m

Troilus reported results from seven holes from the X22 newly discovered zone, outside and adjacent to the 2020 PEA pit. Highlights include **18m @ 1.3g/t AuEq (incl. 2m @ 7.2g/t)** from 209m, **50m @ 0.8g/t (incl. 9m @ 2.4g/t)** from 133m, **8m @ 1.8g/t (incl. 1m @ 7.6g/t)** from 177m, and **12m @ 1.5g/t (incl. 1m @ 10.5g/t)** from 309m. Since the discovery of X22 zone late in 2022, the strike length has grown to over 800m. The results from the ongoing drilling program will be included in the upcoming DFS.

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 1,420km² 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\$0.67/sh, C\$149m	Project PNAV today: 0.10x	Asset: Troilus Gold Project
Author: B Gaspar	Rec / xNAV PT: BUY, C\$1.9/sh	1xNAV_{1Q22} FF FD: C\$5.42/sh	Country: 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)	1,850	1,850	1,850	1,850	1,850	Pit constrained >0.3g/t	6480koz	0.76g/t	Pit:	3285koz	0.68g/t
Copper price LT (US\$/lb)	4.08	4.08	4.08	4.08	4.08	Underground >0.9g/t	1630koz	1.77g/t	UG:	1830koz	1.35g/t

SOTP project valuation*	C\$m	O/ship	NAVx	C\$/sh	Grand total MRE (61% M&I)	8110koz	0.86g/t	SCP pit inv	4614koz	0.75g/t
Proj. @ build start (2024)	1,521	100%	0.20x	1.17	Uses of funds (C\$m)					
Pro-forma cash	10	100%	1.00x	0.04	Sources of funds (C\$m)					
Cash from options	36	100%	1.00x	0.14	Pre-prod'n capex (C\$m) 728					
Regional expl. nominal upside	10	100%	1.00x	0.04	G&A / fin. cost to 1st Au (C\$m) 61					
Resources ex invnt'y @ US\$25/oz	99	100%	1.00x	0.38	Working cap (C\$m) 30					
Interest in Sayona	39	100%	1.00x	0.15	Exploration pre-Au (C\$m) 14					
					Peak financing (C\$m) 834					
					Total sources (C\$m) 854					
					Buffer (C\$m) 20					

Asset NAV5% US\$1850/oz	1,675	PT:	1.92
*Shares diluted for options but not mine build			
Market P/NAV5% _{today} 0.10x			

Asset value: 1xNPV project @ build start (C\$m, ungeared)*						Ratio analysis (YT Jan 31)					
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz		CY22E	CY23E	CY24E	CY25E	CY26E
10.0% discount	705	826	946	1,066	1,184	Average shares out (m)	205.5	222.9	363.0	363.0	363.0
7.5% discount	918	1,059	1,199	1,338	1,476	EPS (C\$/sh)	-	-	-	0.02	0.47
5.0% discount	1,190	1,356	1,521	1,685	1,847	CFPS (C\$/sh)	-	-	-	-	0.59
Ungeared project IRR:	23%	26%	28%	30%	32%	EV (C\$m)	130.6	91.5	351.1	689.4	476.8
1xNAV5%-1850 (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	FCF yield (%)	-	-	-	-	87%
8.0% discount	1.42	1.52	1.63	1.73	1.84	PER (x)	-	-	-	35.9x	1.4x
6.5% discount	1.53	1.65	1.76	1.88	1.99	P/CF (x)	-	-	-	-	1.1x
5.0% discount	1.66	1.79	1.92	2.05	2.17	EV/EBITDA (x)	-	-	-	8.1x	1.2x

*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)	103.7
FD with options (m)	259.3	FD mine build @ 0.5xNAV (m)	363.0

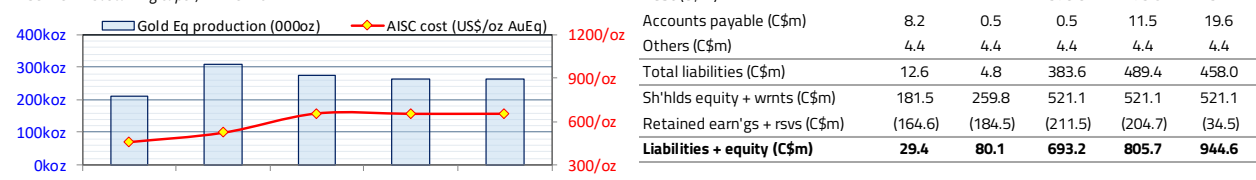
Group valuation over time*	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27
Troilus Project NPV (C\$m)	1,412	1,498	1,880	2,438	2,320
G&A + fin. costs (C\$m)	(189)	(187)	(180)	(149)	(111)
Net cash prior qtr (C\$m)	5.1	60.7	20.1	(468.1)	(291.9)
Cash from options (C\$m)	35.7	35.7	35.7	35.7	35.7
Regional expl. nominal upside	10	10	10	10	10
Resource ex reserve (C\$m)	99.1	99.1	99.1	99.1	99.1
NAV FF FD (C\$m)	1,373	1,516	1,864	1,967	2,062
Shares in issue (m)	222.9	196.5	196.5	363.0	363.0
1xNAV5%/sh FF FD (C\$/sh)	6.16	7.72	9.49	5.42	5.68
Equity ROI from spot (% pa)			276%	101%	71%

Geared company NAV diluted for mine build, net G&A and finance costs					
2Q26 1xNAV FF FD (C\$/sh)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	1,340	1,495	1,648	1,800	1,951
7.5% discount	1,495	1,665	1,833	2,000	2,166
5.0% discount	1,687	1,875	2,062	2,248	2,432
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)	423	490	621	619	619
AISC cost (US\$/oz AuEq)	461	525	658	655	656

AISC = C1 + sustaining capex, Y1 = CY26



Source: SCP estimates

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BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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