

## Troilus Gold Corp. (TSX:TLG)

### C\$22.1M Bought Deal Financings Closed, Target Updated

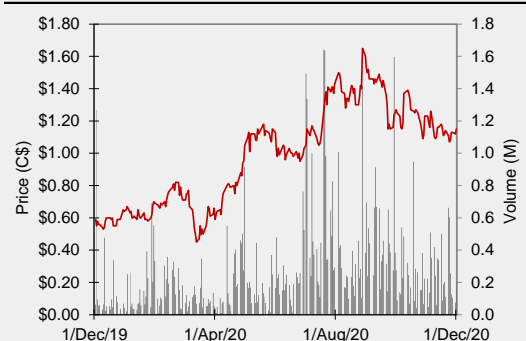
## Corporate Update

December 2, 2020

(Currency is US\$ unless noted otherwise)

Closing Price (C\$/sh)	\$1.16
Rating	BUY
Target (C\$/sh)	\$3.50
Return to Target	202%
NAV (C\$/sh)	\$4.54
P/NAV	0.26x
52 Week Low / High (C\$/sh)	\$0.42 / \$1.82
<b>CAPITALIZATION</b>	<b>Basic Diluted</b>
Shares Outstanding (M)	130.3 156.7
Market Capitalization (C\$M)	\$151.2
Enterprise Value (C\$M)	\$119.5
Estimated Cash (C\$M)	\$31.7
Debt (C\$M)	\$0.0

#### STOCK CHART



<b>NET ASSET VALUE</b>	<b>(C\$M)</b>	<b>(C\$/sh)</b>
Troilus Gold Project (100%)	\$646.58	\$4.41
Corporate Adjustments	\$17.52	\$0.13
<b>Net Asset Value</b>	<b>\$664.10</b>	<b>\$4.54</b>
Target Multiple		0.75x
<b>Target Price</b>		<b>\$3.50</b>

<b>RELATIVE VALUATION</b>	<b>EV/oz AuEq</b>	<b>P/NAV</b>
Global Peer Group*	\$58	0.51x
Troilus Gold Corp.	\$10	0.26x

\*Capital IQ Consensus

#### MAJOR SHAREHOLDERS

Management (5.04%), Caisse de dépôt et placem. (3.39%), Konwave AG (2.08%), Ruffer LLP (1.59%), AGF Management Limited (1.47%), Goodman & Company, Invest. (1.38%)

**DISCLOSURE CODE:** 3,4

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, Capital IQ

#### Company Description

Troilus Gold Corp. operates as an advanced stage exploration and early-development company in Canada. The company focuses on the mineral expansion and potential mine re-start of the former gold and copper Troilus mine. Its Troilus gold property consists of 1,988 mineral claims and 1 surveyed mining lease covering an area of 107,326 hectares located Northeast of the Val-d'Or district within the Frotêt-Evans Greenstone Belt in Quebec, Canada. The company was incorporated in 2016 and is headquartered in Toronto, Canada.

#### Impact: Neutral short term, positive long term

Troilus Gold announced the closing of a previously announced bought deal offering for gross proceeds of C\$22.1M. We view this financing positively and have adjusted our target accordingly to reflect the increase in shares and cash. In conjunction with the financing, Troilus has bought back a sliding 2.5% NSR on the Troilus Mine for C\$20M. **With the recent discovery of four new zones, we believe Troilus' strategy to aggressively and systematically explore targets outside of the historical mining footprint is yielding positive results, and we expect the company's shares to materially re-rate over the coming months as Troilus continues to demonstrate organic discovery, resource expansion and the district-scale potential of the project.**

#### Highlights:

- **Terms of the financings.** The company has closed a C\$22.1M bought deal offering in which was comprised of a combination of flow-through (FT) and common shares. Troilus issued 6.29M FT shares at a price of C\$1.92 for gross proceeds of C\$12.1M. In addition, the company issued 9.1M common shares at a price of C\$1.10 for gross proceeds of C\$10M. The proceeds of the sale of FT shares are expected to be used on exploration expenses on the Troilus Gold project while the proceeds of the common shares are expected to be used for the company's previously planned development program for the Troilus Gold project and for G&A purposes.
- **Royalty buyback.** On November 9, 2020, concurrently with the announcement of the offerings, the company announced entering into an agreement pursuant to which it has repurchased and cancelled the sliding 2.5% NSR from First Quantum Minerals Ltd. (TSX:FM, Not Covered) (FQML) attached to the 81 mineral claims and one surveyed mining lease within the Troilus Mine, for a cash consideration of C\$20M. The net proceeds from the offerings are expected to serve to replenish the company's balance sheet following the utilisation of cash on hand for the buy-back of the FQML NSR.
- **Positive news flow expected to pick up** Assays from 35 surface samples obtained in the vicinity of the Testard target are pending. Considering previous positive results, including the highest grades to date (see note [here](#)), the company is prioritizing additional work at the target area, including further clearing, ground geophysics and prospecting, which is likely to be completed in the coming months.

#### Valuation:

**We are maintaining our BUY rating and updating our target to C\$3.50 (was C\$3.90) to reflect the financing.** Our price target is based on a 0.75x multiple to our NAV estimate of C\$4.54 (was C\$5.13). **Troilus trades at a significant discount to peers at 0.26x NAV and \$10 EV/oz Au Eq (peers at 0.51x and \$58 respectively).** We expect ongoing exploration updates to drive positive activity and upward momentum of the stock. **Upcoming catalysts:** 1) Exploration updates from the Testard and Beyan Gold zones (ongoing) and 2) Drill results from Southwest, Z87 South and J zones.



Jacob Willoughby | VP, Mining Analyst  
Paul Kostuik | Research Associate  
Koby Kushner | Research Associate  
Alina Islam | Research Associate

**Red Cloud Securities Inc.**  
105 King Street East, 2<sup>nd</sup> Floor  
Toronto ON, M5C 1G6  
[research@redcloudsecurities.com](mailto:research@redcloudsecurities.com)  
[www.redcloudsecurities.com/research-home](http://www.redcloudsecurities.com/research-home)

Disclosure Statement  
Updated 12/1/20

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target C\$/sh	Status	%
1/29/2020	NA	NA	Buy	71%
4/15/2020	NA	NA	Buy (Speculative)	4%
4/22/2020	NA	NA	Hold	2%
4/29/2020	NA	NA	Sell / Tender	0%
5/8/2020	BUY	1.80	Not Rated	22%
5/15/2020	BUY	1.80	Under Review	0%
5/25/2020	BUY	1.50		
7/29/2020	BUY	2.00		
9/1/2020	BUY	2.00		
9/2/2020	BUY	2.90		
10/1/2020	BUY	2.90		
10/20/2020	BUY	2.90		
10/23/2020	BUY	2.90		
10/29/2020	BUY	3.90		

Disclosure Requirement

Red Cloud Securities Inc. is registered as an Investment Dealer in Ontario, Quebec, Alberta and British Columbia and is a member of the Investment Industry Organization of Canada (IIROC). Part of Red Cloud Securities Inc.'s business is to connect mining companies with suitable investors. Red Cloud Securities Inc., its affiliates and their respective officers, directors, representatives, researchers and members of their families may hold positions in the companies mentioned in this document and may buy and/or sell their securities. Additionally, Red Cloud Securities Inc. may have provided in the past, and may provide in the future, certain advisory or corporate finance services and receive financial and other incentives from issuers as consideration for the provision of such services.

Red Cloud Securities Inc. has prepared this document for general information purposes only. This document should not be considered a solicitation to purchase or sell securities or a recommendation to buy or sell securities. The information provided has been derived from sources believed to be accurate but cannot be guaranteed. This document does not take into account the particular investment objectives, financial situations, or needs of individual recipients and other issues (e.g. prohibitions to investments due to law, jurisdiction issues, etc.) which may exist for certain persons. Recipients should rely on their own investigations and take their own professional advice before investment. Red Cloud Securities Inc. will not treat recipients of this document as clients by virtue of having viewed this document.

Red Cloud Securities Inc. takes no responsibility for any errors or omissions contained herein, and accepts no legal responsibility for any errors or omissions contained herein, and accepts no legal responsibility from any losses resulting from investment decisions based on the content of this report.

Company Specific Disclosure Details

Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Troilus Gold Corp.	TSX:TLG	3,4

1. The analyst has visited the head office of the issuer or has viewed its material operations.
2. The issuer paid for or reimbursed the analyst for a portion or all of the travel expense associated with a visit.
3. In the last 12 months preceding the date of issuance of the research report or recommendation, Red Cloud Securities Inc. has performed investment banking services or has been retained under a service or advisory agreement by the issuer.
4. In the last 12 months, a partner, director or officer of Red Cloud Securities Inc., or the analyst involved in the preparation of the research report has received compensation for investment banking services from the issuer.
5. The analyst who prepared this research report has a long position, in the issuer's securities.
6. The analyst who prepared this research report has a short position, in the issuer's securities.
7. Red Cloud Securities Inc. and its affiliates collectively beneficially owned 1% or more of any class of issuer's equity securities as of the end of the month preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month.
8. A partner, director or officer of Red Cloud Securities Inc. serves as a Director or Officer or Advisory Board Member of the issuer.
9. A partner, director or officer of Red Cloud Securities Inc. or any analyst involved in the preparation of a report has, during the 12 preceding months, provided services to the issuer for remuneration other than normal course investment advisory or trade execution services.
10. The analyst who prepared this research report was compensated from revenues generated solely by the Red Cloud Securities Inc.'s Investment Banking Department.
11. Red Cloud Securities Inc. is a market maker in the equity of the issuer.
12. There are material conflicts of interest with Red Cloud Securities Inc. or the analyst who prepared the report and the issuer.

#### RECOMMENDATION TERMINOLOGY

Red Cloud Securities Inc. recommendation terminology is as follows:

- Top Pick – our best investment ideas, the greatest potential value appreciation
- Buy – expected to outperform its peer group
- Hold – expected to perform with its peer group
- Sell – expected to underperform its peer group
- Tender – clients are advised to tender their shares to a takeover bid
- Not Rated – currently restricted from publishing, or our recommendation is under review
- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded
- Our ratings may be followed by "(S or Speculative)" which denotes that the investment is speculative and has a higher degree of risk associated with it.

Companies with Buy, Hold or Sell recommendations may not have target prices associated with a recommendation. Recommendations without a target price are more speculative in nature and are followed by "(S)" to reflect the higher degree of risk associated with it. Additionally, our target prices are set based on a 12-month investment horizon.

#### **Dissemination**

Red Cloud Securities Inc. distributes its research products simultaneously, via email, to its authorized client base. All research is then available on [www.redcloudsecurities.com](http://www.redcloudsecurities.com) via login and password.

#### **Analyst Certification**

Any Red Cloud Securities Inc. research analyst named on this report hereby certifies that the recommendations and/or opinions expressed herein accurately reflect such research analyst's personal views about the companies and securities that are the subject of this report. In addition, no part of any research analyst's compensation is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.