

**HAYWOOD**  
SECURITIES INC.

Member of the Canadian Investor Protection Fund

# Troilus Gold Corp. (TLG-V, C\$0.60)

**Rating** BUY  
**Target Price** C\$2.00  
**Return** 233%  
**Overall Risk Rating** Very High

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## New Resource, New Plan

### Company Profile

Website – [www.troilusgold.com](http://www.troilusgold.com)

CEO – Justin Reid

Troilus Gold is a Toronto-based development-stage mining company focused on the re-start of the past producing gold and copper Troilus Mine. The Troilus property is located north of Chibougamau, within the Frotêt-Evans Greenstone Belt in Québec. From 1996 to 2010, Inmet Mining Corporation operated the Troilus deposit as an open-pit mine, producing more than 2 Moz of gold and nearly 70 kt of copper.

### Company Data

52-Week High/Low	C\$2.25/C\$0.40
YTD Performance	(67%)
Dividend Yield	Nil
Shares O/S	48.7M (basic)/ 67.0M (F/D)
Market Capitalization	C\$29M
Cash	C\$20M
Debt	-
Working Capital	C\$20M
Enterprise Value	C\$9M
Daily Volume	23,680
FYE 19 (est.) Cash Balance	C\$10M
Currency	US\$ unless noted

### Haywood Estimates

#### July FYE

		2021E	2022E
Revenue	C\$M	-	286
EPS	C\$	(0.16)	0.42
CFPS	C\$	(0.07)	0.83
FCFPS	C\$	(0.93)	0.72
CAPEX	C\$M	128	17

### Price Performance



Source: Capital IQ and Haywood Securities

**Event** | TLG released an updated resource for the Troilus Deposit.

**Impact – Positive** | The resource has increased by 90% since 2016, with considerably more open pittable ounces.

- **The total open pit and underground resource is 5.1Moz**, with 3.9M oz Indicated and 1.2Moz Inferred, at an overall AuEq grade of 1g/t. The focus is now on open pit resources, representing 62% of total resources, compared to 20% in 2016.
- **Broad envelope of low grade mineralization.** The open pit resource, comprised of the J4, J5 and Z87 deposits, contains a broad envelope extending to a depth of 500m for the Z87 pit, at a 0.3g/t Au cut-off, grading 0.73g/t Au and 0.075% Cu (0.85g/t AuEq) for 3.2Moz AuEq. The Indicated and Inferred underground resource at a 0.9g/t Au cut-off is 1.32g/t Au and 0.12% Cu (1.50% AuEq) for 1.9Moz AuEq. The homogeneity of mineralization allows for grade improvement at higher cut-offs without disproportionate loss of contained ounces.
- **Open pit economics improve over underground.** Preliminary, we believe an open pit scenario is more attractive for Troilus compared to the underground plan. We have modeled an open pit mine with capex of \$200M, for mill throughput of 20ktpd, producing 161koz/year gold for 10 years. At \$1,300 long term gold price, our model generates an after-tax NPV<sub>10%</sub> of \$117M and IRR of 25%, compared to our previous underground model with NPV<sub>10%</sub> of \$70M and IRR of 15%.
- **TLG will kick off an \$11M exploration program** in early 2019 to focus on open pit resource development, particularly at J4 and 87 South zones, where there is considerable down plunge potential, but also along trend from existing resources.

**Catalysts** | 1) Preliminary Economic Assessment focusing on open pit resources in Q2/19; 2) Start of \$11M exploration program in January 2019; 3) Possibility of financing to allow for a more aggressive exploration and development program by early 2019

**Valuation | Attractive valuation.** Based on our estimate of the economics for the Troilus mine and balance sheet items, our diluted NAV<sub>5%</sub> for TLG is C\$4.04/sh, for a P/NAV of 0.15x, compared with peers trading at 0.39x. The stock trades at a market cap per oz of resource of \$2/oz, compared to peers at \$52/oz.

**Recommendation | We reiterate our BUY rating and C\$2.00 target.** We are encouraged by the resource update and especially the focus on open pit development, which we believe will enhance the economics and de-risk the Troilus project. We recognize there remains a lot of work to optimize grade, pit shells and economics of an open pit development in a lower gold price environment, but we believe this update is a good start in a long-term process, and take comfort in upside that could come from targets closer to surface.



<b>CAPITAL MARKETS</b> <b>HAYWOOD</b> SECURITIES INC.	<b>Troilus Gold Corp. (TLG-T)</b> Rating: BUY Risk: Very High Target Price: C\$2.00 Metric: 0.2x After-Tax Corporate NAV 10%	Target Price, C\$ \$2.00 Current Price, C\$ \$0.60 Return, % 233% 52-Week High / Low, C\$ \$2.25 / \$0.40 Daily Volume (100-day avg) 23,680	Shares O/S, million 48.7 Shares F/D, million 67.0 Market Capitalization, US\$M \$22.7 Company CEO Justin Reid Company Web Site www.troilusgold.com
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Balance Sheet and Capitalization	As of: Q4/18A			
	US\$M	US\$ / Sh	C\$M	C\$ / Sh
Market Capitalization	\$23	\$0.46	\$29	\$0.60
Current Cash	\$16	\$0.32	\$20	\$0.42
Working Capital	\$15	\$0.31	\$20	\$0.40
Total Debt	\$0	\$0.00	\$0	\$0.00
Book Value	\$13	\$0.27	\$17	\$0.35
Enterprise Value (EV)	\$7	\$0.14	\$9	\$0.18

\*Balance sheet figures reflect last reported period C\$/US\$ FX Rate: \$1.32

Share Capital Dilution	As of					
	Number	Avg. Price	Proceeds	ITM	Expiry	
Shares Outstanding	Oct-18	48.7M				
Options	Jul-18	4.2M	C\$1.59	C\$6.7M	C\$0.0M Nov/21 - Jun/23	
Warrants	Jul-18	14.0M	C\$2.50	C\$35.1M	C\$0.0M Nov/20 - Nov/20	
<b>Total Dilutive</b>	<b>Jul-18</b>	<b>18.2M</b>		<b>C\$41.8M</b>	<b>C\$0.0M Nov/20 - Jun/23</b>	
Fully Diluted OS		67.0M				

Financial Forecast	July Fiscal Year End			
	2019E	2020E	2021E	2022E
Realized Au Price	\$1,300	\$1,400	\$1,400	\$1,400
Realized Ag Price	\$17.00	\$20.00	\$20.00	\$20.00
Realized Cu Price	\$3.10	\$3.20	\$3.15	\$3.15
C\$/US\$ FX Rate	\$1.25	\$1.28	\$1.28	\$1.27
Shares O/S, millions	149	149	149	149
Revenue, C\$M	\$0	\$0	\$0	\$286
Operating Income, C\$M	(\$10)	(\$10)	(\$10)	\$76
EBITDA, C\$M	(\$10)	(\$10)	(\$10)	\$124
Earnings, C\$M	(\$16)	(\$22)	(\$24)	\$62
<b>EPS, C\$</b>	<b>(\$0.16)</b>	<b>(\$0.15)</b>	<b>(\$0.16)</b>	<b>\$0.42</b>
Operating Cash Flow, C\$M	(\$10)	(\$10)	(\$10)	\$124
<b>CFPS, C\$</b>	<b>(\$0.10)</b>	<b>(\$0.07)</b>	<b>(\$0.07)</b>	<b>\$0.83</b>
Free Cash Flow, C\$M	(\$10)	(\$138)	(\$138)	\$107
<b>FCFPS, C\$</b>	<b>(\$0.10)</b>	<b>(\$0.93)</b>	<b>(\$0.93)</b>	<b>\$0.72</b>
Capex, C\$M	\$0	\$128	\$128	\$17

Valuation Ratios	2019E			
	2020E	2021E	2022E	
EV / Revenue	-	-	-	0.0x
EV / EBITDA	-	-	-	0.1x
EV / Operating Cash Flow	-	-	-	0.1x
EV / Free Cash Flow	-	-	-	0.1x
P / Earnings	-	-	-	1.4x
P / Operating Cash Flow	-	-	-	0.7x
P / NAV	0.19x			

Production Profile	2020E			RLOM
	2021E	2022E		
<b>Material Milled</b>				
Tonnes milled, (kt)	-	-	7,200	72,000
tonnes per day, (t)	-	-	20,000	20,000
<b>Grade and Recoveries</b>				
Cu Grade, (%)	-	-	-	-
Au Grade, (g/t)	-	-	0.83	0.83
Ag Grade, (g/t)	-	-	-	-
Cu Recovery, (%)	-	-	90%	90%
Au Recovery, (%)	-	-	87%	87%
Ag Recovery, (%)	-	-	80%	80%
<b>Production and Sales</b>				
Au produced, (000's oz)	-	-	161	1,612
AuEq produced, (000's oz)	-	-	161	1,612
Au sold, (000's oz)	-	-	161	1,612
AuEq sold, (000's oz)	-	-	161	1,612
<b>Unit Operating Costs</b>				
Total cash costs, (US\$/oz)	\$ -	\$ -	\$ 791	\$ 791
All-in sustaining costs, (US\$/oz)	\$ -	\$ -	\$ 874	\$ 899
<b>Total Mining Operations Costs, US\$/t milled</b>	-	-	\$ 17.70	\$ 17.70

Recent Financings
Jun 05, 2018 - C\$15.8M (4.07M flow-through shares @ C\$2.46/sh & 3.2M shares @ C\$1.82/sh)
Nov 21, 2017 - C\$23M (14.03M subscription receipts @ C\$1.64/sh, including on share and one warrant)

Corporate NAV Summary and Sensitivity	Spot					
	Haywood	\$1,100	\$1,200	\$1,300	\$1,400	\$1,225
Forecast Gold Price, US\$/lb	Model	\$1.20	\$1.25	\$1.30	\$1.35	\$1.32
Forecast C\$/US\$ FX Rate		\$281	\$280	\$281	\$283	\$284
Corporate Adjustments, US\$M		\$202	\$24	\$90	\$152	\$218
Troilus Gold-Copper Mine After-Tax NPV 10.0%, US\$M		\$32	\$32	\$32	\$32	\$32
Resource Valuation, US\$M		\$515	\$336	\$403	\$466	\$534
<b>Corporate NAV, US\$M</b>		<b>\$3.09</b>	<b>\$2.01</b>	<b>\$2.42</b>	<b>\$2.79</b>	<b>\$3.20</b>
Corporate NAV, C\$ / F/D share		0.6x	1.0x	0.8x	0.7x	0.6x
Target Price / Corporate NAV		(\$0.10)	(\$0.10)	(\$0.10)	(\$0.10)	(\$0.10)
<b>2019E Operating Cash Flow Sensitivity (C\$/Share)</b>		<b>(\$0.07)</b>	<b>(\$0.07)</b>	<b>(\$0.07)</b>	<b>(\$0.07)</b>	<b>(\$0.07)</b>
<b>2020E Operating Cash Flow Sensitivity (C\$/Share)</b>		<b>(\$0.07)</b>	<b>(\$0.07)</b>	<b>(\$0.07)</b>	<b>(\$0.07)</b>	<b>(\$0.07)</b>

Major Shareholders	O/S (millions)		O/S (%)	
Sulliden Mining Capital Inc.	4.7	10%		
Wellington Management Group LLP	2.8	6%		
RBC Global Asset Management Inc.	1.8	4%		
AGF Management Limited	1.2	2%		
Reid, C. Justin	0.5	1%		
Tagliamonte, Peter W.	0.3	1%		
U.S. Global Investors, Inc.	0.3	1%		
Print, Paul R.	0.2	0%		
<b>Total</b>	<b>11.9</b>	<b>24%</b>		

Corporate Metal Inventory - Open Pit & Underground Resources	Cut-off grades of 0.3 g/t Au and were constrained by a Whittle pit shell					
	Tonnes (Mt)	Grade (g/t Au)	Grade (g/t AuEq)	Au (koz)	AuEq (koz)	EV/AuEq (US\$/oz)
Indicated Resources (100%)	121.7	0.87	1.00	3,400	3,920	\$2
Inferred Resources (100%)	36.1	0.88	1.01	1,020	1,170	-

Peer-Group Comparables	Share Price		Corp NAV		Price/Nav
Belo Sun Mining Corp (TSX:BSX)	C\$0.33	US\$0.56			0.44x
Continental Gold Inc. (TSX:CNL)	C\$2.07	US\$4.78			0.33x
Eastmain Resources Inc. (TSX:ER)	C\$0.21	US\$0.60			0.26x
Equinox Gold Corp. (TSXV:EQX)	C\$0.95	US\$1.64			0.44x
Falco Resources Ltd. (TSXV:FPC)	C\$0.29	US\$1.16			0.19x
Goldquest Mining Corp. (TSXV:GQC)	C\$0.11	US\$0.90			0.09x
IDM Mining Ltd. (TSXV:IDM)	C\$0.06	US\$0.12			0.33x
Lundin Gold Inc. (TSX:LUG)	C\$4.63	US\$5.26			0.66x
Midas Gold Corp. (TSX:MAX)	C\$0.65	US\$1.29			0.38x
Orezone Gold Corporation (TSXV:ORE)	C\$0.56	US\$1.18			0.36x
Osisko Mining Inc. (TSX:OSK)	C\$2.54	US\$2.97			0.64x
Sabina Gold & Silver Corp. (TSX:SBB)	C\$1.43	US\$2.22			0.49x
Victoria Gold Corp. (TSXV:VIT)	C\$0.36	US\$0.65			0.42x
<b>Peer-Group Average (all)</b>					<b>0.39x</b>
<b>Troilus Gold Corp. (Haywood) (TSX:TLG)</b>	<b>C\$0.60</b>	<b>US\$2.47</b>			<b>0.19x</b>

Source: Company Reports, Capital IQ and Haywood Securities



## Updated Resource

The total open pit and underground resource is 5.1Moz, with 3.9M oz Indicated and 1.2Moz Inferred, at an overall AuEq grade of 1g/t. The focus for Troilus is now on open pit resources, representing 62% of the total resource, compared to 20% in 2016.

Figure 1: Overview of updated resource at Troilus, contrasted with 2016 estimate

		2016	2018	Diff
		Aueq Oz	Aueq Oz	
All	Open Pit	577,000	3,200,000	455%
	Underground	2,178,000	1,900,000	-13%
	UG/Pit Ratio	80/20	38/62	
	<b>Total</b>	<b>2,755,000</b>	<b>5,100,000</b>	85%

Au	\$	1,500.00	\$	1,400.00
Cu	\$	3.50	\$	3.25
Ex rate		1.1		1.3

Source: Company Reports

**Broad envelope of low grade mineralization.** The open pit resource, comprised of the J4, J5 and Z87 deposits, contains a broad envelope extending to a depth of 350m for the J pits and 500m for the Z87 pit, at a 0.3g/t AuEq cut-off, grading 0.73g/t Au and 0.075% Cu (0.85g/t AuEq) for 3.2Moz AuEq. The Indicated and Inferred underground resource at a 0.9g/t AuEq cut-off is 1.32g/t Au and 0.12% Cu (1.50 g/t AuEq) for 1.9Moz AuEq. The relative homogeneity of mineralization throughout the resource shell allows for grade improvement at higher cut-offs, with a measured reduction in contained ounces. For example, by raising the AuEq cut-off from 0.3 to 0.6g/t Au, the Z87 AuEq grade improves from 0.94 to 1.24g/t (+32%), while contained AuEq ounces decline from 2.03M to 1.67M AuEq oz (-18%); while the J4 AuEq grade improves from 0.77 to 1.04g/t (+35%), while contained AuEq ounces decline from 1.03 to 763koz (-26%).

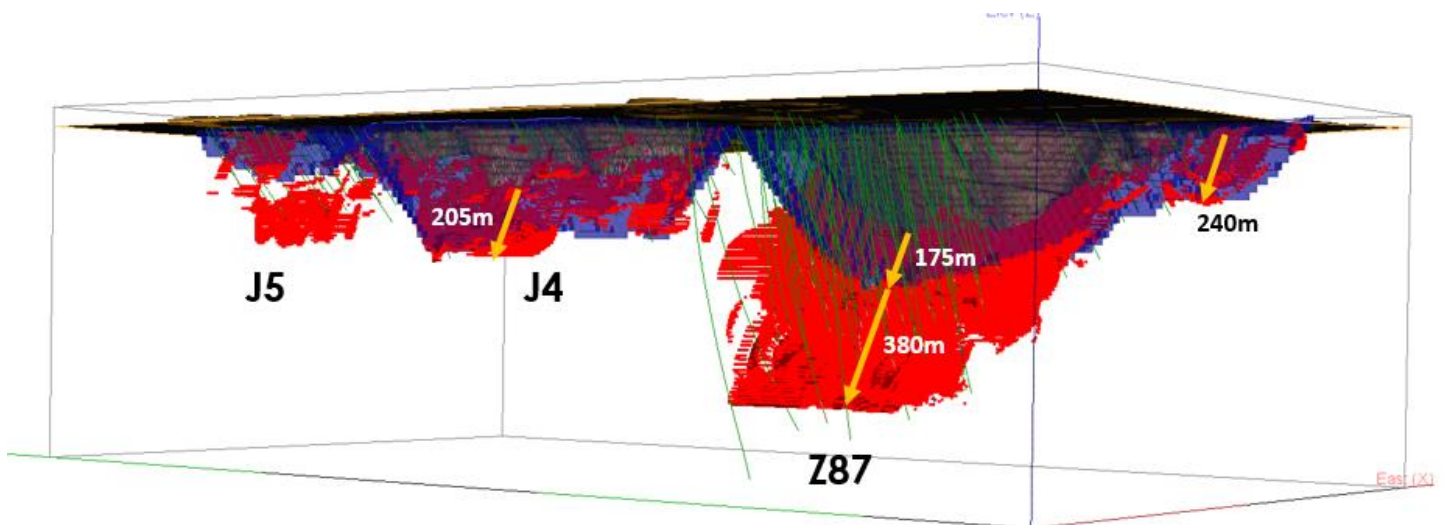


Figure 2: Breakdown of resources at Troilus, based on 0.3g/t AuEq cut-off grade for open pit and 0.9g/t AuEq cut-off grade for underground resources

Classification	Tonnage (Mt)	Au (g/t)	Cu (%)	AuEq (g/t)	Contained Gold (Moz)	Contained Copper (Mlb)	Contained AuEq (Moz)
<b>Total Open Pit and Underground</b>							
Indicated	121.7	0.87	0.086	1.00	3.40	231.8	3.92
Inferred	36.1	0.88	0.083	1.01	1.02	66.2	1.17
<b>Total Open Pit</b>							
Indicated	97.5	0.76	0.078	0.88	2.37	167.0	2.7
Inferred	21.7	0.60	0.062	0.69	0.42	29.7	0.5
<b>Total Open Pit Z87</b>							
Indicated	56.6	0.83	0.096	0.98	1.51	119.4	1.8
Inferred	12.1	0.58	0.066	0.68	0.23	17.5	0.3
<b>Total Open Pit J4-J5</b>							
Indicated	40.8	0.66	0.053	0.74	0.86	47.6	1.0
Inferred	9.6	0.61	0.058	0.70	0.19	12.2	0.2
<b>Total Underground</b>							
Indicated	24.2	1.32	0.121	1.50	1.02	64.8	1.2
Inferred	14.4	1.31	0.115	1.49	0.61	36.5	0.7

Source: Company Reports

Figure 3: Outline of Whittle shell for open pit resources Troilus, to a depth of 500m for Z87, and a depth of 350m for J4 and J5. Z87 South extension is at right

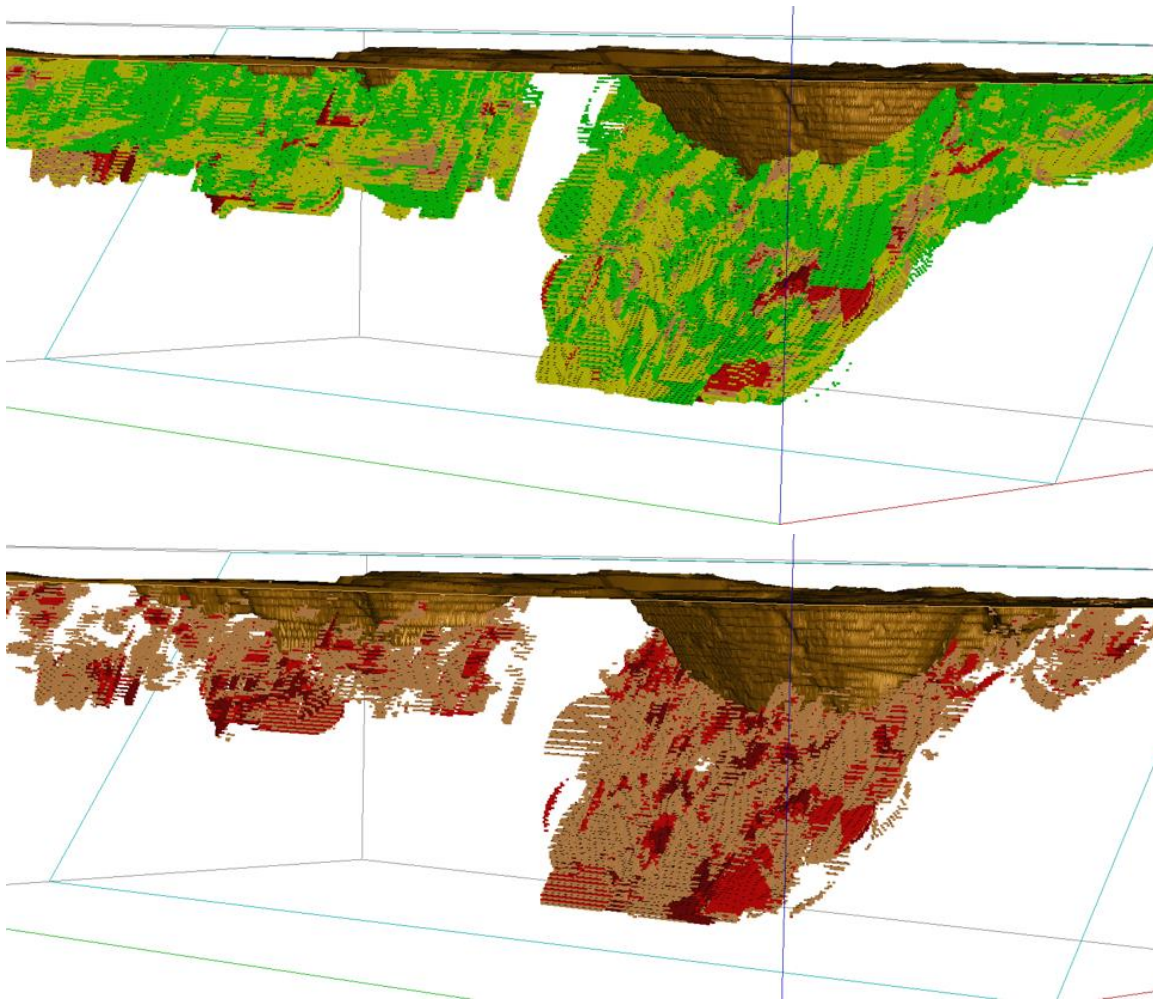


Source: Company Reports





Figure 4: Comparison of grade distribution at Troilus above 0.3g/t AuEq cut-off (upper diagram) with average grade of 0.9g/t AuEq; and grade distribution above 1.0g/t AuEq (lower diagram) with average grade of 1.6g/t AuEq, from Whittle shells at 10m x 10m x 10m



Source: Company Reports

## Exploration Program

**2019 Exploration program will focus on open pit.** Next year, Troilus plans to commit at least \$11M toward delineation of the open pit resource and its integration into a mine plan as part of a PEA in 2Q19. We expect a drilling program that will be comparable in scope to 2018, possibly up to 40km. The focus of drilling will be the J4 pit as well as the Z87 South extension, which are relatively shallow compared with the resource at the Z87 open pit, which currently extends to 500m. Management expects to maintain a strip ratio of 2:1 as it infills and extends the J4 and J5 pit resources to 350m. The Z87 remains the least developed, and unlike the J pits is relatively undeformed, and therefore contains more copper. Management estimates that it can generate a 10-15 year mine life from the J pits before developing the 87 pit at depth. Troilus will also commit to a regional step-out program, up to 3,000m, to test targets to the northeast and southwest, along the deformation corridor which defines the Troilus deposits.

**Underground exploration plans are limited.** Given that the drilling program in 2018 is complete, Troilus management is satisfied that the underground resource is sufficiently well delineated. The focus of work will now be on open pit development, leaving underground resources as a second priority in the development at Troilus, possibly coming after 10-12 years of open pit operations.



## Mine Development Scenario

**Our outlook on the PEA for open pit development.** Based on this resource, we have estimated a mine development scenario for a 20k tpd operation, producing approximately 160koz of gold annually, with a capex of \$200M over a 10-year mine life. This mine plan considers mostly resources from the J4 and J5 pits, allowing for development of open pitable ounces from the Z87 open pit later in the mine life. We recognize that there is considerable development of resources ahead, but we remain confident that there will be sufficient economic ounces to be developed from the existing open pit deposits. Figure 5 highlights operating and cost parameters we used for the open pit development scenario at Troilus.

Figure 5: Haywood estimates of operating and cost parameters for an open pit mine at Troilus

	Unit	Haywood
Au Price (Haywood)	US\$/oz	1,400
Cu Price (Haywood)	US\$/lb	\$3.15
US\$/C\$ Exchange (Haywood)	US\$/C\$	\$1.27
Share Issuance Price	\$CAD/sh	\$2.50
<b>Production</b>		
Construction	year	2020
Production	year	2022
Life of Mine	years	10 Years
Tonnes Processed	Mtpa	7.30
Average Mill Throughput	tpd	20,000
Cu Recovery	%	90%
Au Recovery	%	87%
Average Annual Cu Production	Mlbs	-
Average Annual Au Production	000's oz	163.4
Average Annual AuEq Production	000's oz	163.4
LOM Cu payable in concentrate	Mlbs	-
LOM Au payable	000's oz	1,612
LOM Au EQ payable	000's oz	1,612
<b>Capital Costs</b>		
Pre-Production Capex	C\$M	\$200M
Total Sustaining Capex	C\$M	\$171M
Total Capex	C\$M	\$425M
<b>Unit Operating Costs</b>		
Mining Cost	C\$/t milled	\$5.72
Milling Cost	C\$/t milled	\$5.72
TC/RC	C\$/t milled	\$0.12
G&A	C\$/t milled	\$3.94
Total Operating Cost	C\$/t milled	\$15.48
<b>Unit Operating Costs</b>		
Operating Cash Costs	US\$/oz	\$742
Total Cash Costs	US\$/oz	\$791
AISC	US\$/oz	\$899
Total Cost of Production	US\$/oz	\$1,023

Source: Company Reports and Haywood Securities Inc.



Figure 6: Haywood estimates of economics for open pit at Troilus, based on assumptions in Figure 5

<b>Economic Metrics</b>			
<b>Gold Price</b>	<b>\$1,200</b>	<b>\$1,300</b>	<b>\$1,400</b>
Pre-tax NPV5%	\$180.0M	\$266.5M	\$365.3M
Post-tax NPV5%	\$155.7M	\$221.8M	\$288.9M
Pre-tax NPV8%	\$117.8M	\$184.9M	\$261.6M
Post-tax NPV8%	\$99.8M	\$151.8M	\$204.3M
Pre-tax NPV10%	\$86.9M	\$144.0M	\$209.3M
Post-tax NPV10%	\$72.1M	\$116.7M	\$161.6M
Pre-tax IRR	21.2%	27.5%	34.0%
Post-tax IRR	19.7%	25.2%	30.4%
Undiscounted Payback Period	3.72 years	2.95 years	2.47 years

Source: Company Reports and Haywood Securities Inc.

## Financial

**Cashed up.** Troilus currently has about \$11M in flow-through funds and another \$4M in hard cash. In addition, the Company will be getting credits from the Quebec government for approximately \$2M. We believe Troilus may raise \$5-\$10M in the new year to provide sufficient flexibility for a larger program in 2019.



## Investment Thesis

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- **We reiterate our BUY rating, and C\$2.00 target price.** Troilus Gold is a Toronto-based gold development company that owns the past-producing Troilus gold-copper mine in northern Québec, with a 5.1 million ounce gold equivalent indicated and inferred resource. Our target price is based on a 0.23x net asset value (discounted at 10%) of C\$3.09 per share, derived from our DCF model from an open pit scenario, using operating and cost parameters comparable to similar deposits. The Company's 47km<sup>2</sup> land position in the surrounding Lac Frotêt belt provides attractive targets to develop new resources.
- **Past producing mine with a new plan.** Following the recent resource update, we have adapted our model to reflect an open pit development plan with mill throughput of 20k tpd. The economics from this scenario demonstrate stronger economics and lower risk relative to the previous plans for a bulk tonnage underground development scenario previously envisioned by management.
- **Expansion opportunities.** Drilling success will be key to the long-term viability of Troilus. Management believes exploring down dip from existing mineralization could result in a material increase of resources. In addition, the Company will explore regional targets along a 3.5km trend with the objective of identifying satellite deposits. The Company's 2019 drill program (40km) is expected to result in a PEA in 2Q19.
- **Good cash position.** Troilus has approximately C\$15M in cash resulting from its recent flow-through financing. The Company has no debt. At least \$11M will be dedicated in 2019 for this year's development program, so there may be additional financing in early 2019 to allow for a more aggressive program.
- **Shareholder support.** The stock is dominantly held by Sulliden Mining, and institutional investors, who took down over 90% of the recent equity offering. Management and private investors hold approximately 15% of shares. We expect that Québec investment institutions will become significant shareholders in future financings.
- **Reasonable valuation.** Based on our estimate of the economics for the Troilus mine and the balance sheet, our diluted NAV<sub>5%</sub> for TLG is C\$4.04/sh, for a P/NAV of 0.15x, compared with peers at 0.39x. The stock trades at a market cap per oz of resource of \$2/oz, compared to peers at \$52/oz.





## Risks

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### Significant Investment Risks

The investment to which this report relates carries various risks which are reflected in our Overall Risk Rating. We consider the following to be the most significant of these investment risks:

- **Single-asset company with untested underground mine concept.** Management is planning a high volume open pit mine, which will be driven by operating efficiencies. The operating plan and execution of the plan will be critical in establishing the success of the mine.
- **Long time and key milestones ahead to reach commercial production.** While the mine has the benefit of past production, an established resource, and good infrastructure, we do not expect production until 2022 or later. In the meantime, there remain significant permitting and development milestones ahead, as Troilus completes an updated resource and reserve, PEA, PFS, IBA and permitting. Given the scale and grade of the project being contemplated, we believe the mine could take longer to reach full capacity.
- **Commodity and currency risk.** We estimate the Troilus mine is sensitive to the gold price: a 10% change in the price of gold results in a 20% change in the NAV. The mine's capital and operating costs are in Canadian dollars, and are therefore sensitive to a currency appreciation, particularly with respect to US dollars.
- **Permitting risk and Cree agreement.** Québec is ranked as one of the best jurisdictions for mining investment, so we believe there is limited permitting risk, particularly in light of the project's history as an operating mine. Relations with the Cree are good, and they are supportive of the project. Nevertheless, the process will take time and will need to address local concerns in order to reach permitting milestones.
- **Financing ahead.** We estimate the Troilus mine may cost approximately C\$200M to build, a significant amount in light of the Company's current market capitalization of approximately C\$29M. Financing construction could result in material dilution to the shares, a large debt, and hedging of gold sales.

*For further information on our Risk Rating*

*please visit: <http://haywood.com/what-we-offer/research/research-policy>*



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	Ticker	Company	1	2	3	4	5	6	7	8
	TSXV:EQX	Equinox Gold Corp.			X	X				
	TSXV:FPC	Falco Resources Ltd.			X					
	TSXV:GQC	GoldQuest Mining Corp.								
	TSX:LUG	Lundin Gold Inc.			X					
	TSX:MAX	Midas Gold Corp.		X	X					
	TSX:OSK	Osisko Mining Inc.			X	X				
	TSX:SBB	Sabina Gold & Silver Corp.			X					
	TSXV:TLG	Troilus Gold Corp.			X	X				
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**Very High Risk:** Venture type companies or more established micro, small, mid or large cap companies whose risk profile parameters and/or lack of liquidity warrant such a designation. These companies are only appropriate for investors who have a very high tolerance for risk and volatility and who are capable of incurring temporary or permanent loss of a very significant portion of their investment capital.

**High Risk:** Typically micro or small cap companies which have an above average investment risk relative to more established or mid to large cap companies. These companies will generally not form part of the broad senior stock market indices and often will have less liquidity than more established mid and large cap companies. These companies are only appropriate for investors who have a high tolerance for risk and volatility and who are capable of incurring a temporary or permanent loss of a significant loss of their investment capital.

**Medium-High Risk:** Typically mid to large cap companies that have a medium to high investment risk. These companies will often form part of the broader senior stock market indices or sector specific indices. These companies are only appropriate for investors who have a medium to high tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital

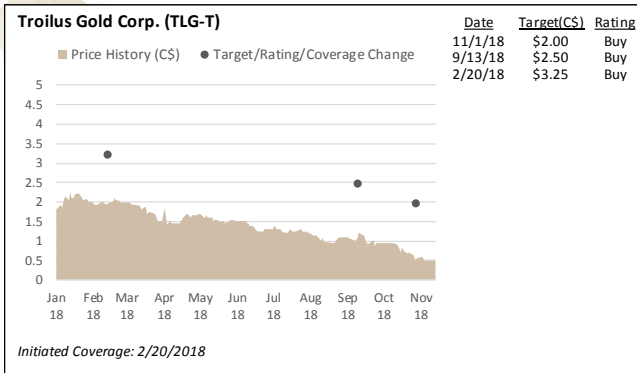
**Moderate Risk:** Large to very large cap companies with established earnings who have a track record of lower volatility when compared against the broad senior stock market indices. These companies are only appropriate for investors who have a medium tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.

## Distribution of Ratings (as of November 21, 2018)

	%	#	IB Clients (TTM)
<b>Buy</b>	76.8%	73	96.4%
<b>Hold</b>	10.5%	10	0.0%
<b>Sell</b>	0.0%	0	0.0%
<b>Tender</b>	3.2%	3	0.0%
<b>UR (Buy)</b>	0.0%	0	0.0%
<b>UR (Hold)</b>	0.0%	0	0.0%
<b>UR (Sell)</b>	0.0%	0	0.0%
<b>Dropped (TTM)</b>	9.5%	9	3.6%



## Price Chart, Rating and Target Price History (as of November 21, 2018)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review  
Source: Capital IQ and Haywood Securities