



Treasury Metals Inc.

(TML-T)
SECTOR: Mining

STOCK PRICE \$0.36
RATING **BUY**
TARGET PRICE \$1.00

PERMITTING AND PROJECT UPDATE

Key Project De-Risking Milestone Unlocked; Focus Shifts to Prefeasibility Study on EA Approval

OUR TAKE - Positive: The Canadian Environmental Assessment Agency (CEAA) has rendered a positive notice of decision statement (NOD) pertaining to the Goliath Gold Project. The decision administered by the Minister of Environment and Climate Change (with a number of conditions) represents a significant project de-risking milestone for Treasury, with the Company now positioned to proceed to obtain final permits/authorizations required prior to the commencement of construction. *With the positive NOD now in hand, we expect the Company to progress towards the delivery of a feasibility study (FS) in late Q4/19, upon which finalization of outstanding provincial level permitting/authorization work will set the stage for a final investment decision next year. We highlight that with the EA approval now in hand amidst a higher gold price environment, Treasury appears to be well positioned in relation to other domestic peers in the development subsector, and as such the Goliath Project represents a relatively de-risked asset ripe for M&A consideration.*

KEY HIGHLIGHTS

- ◆ **Federal Decision Yields Key Milestone:** In concert with the previously outlined permitting timeline (assuming the delivery of the NOD in Q3/19), Treasury has been granted the long-awaited positive NOD from the CEAA, following a protracted permitting process that originated in 2014. The Minister of Environment and Climate Change administered the decision following a science-based environmental assessment process, in addition to consultation period involving regional public and indigenous stakeholders. With the EA approval now in hand, Treasury can now proceed with obtaining any additional outstanding project authorizations/permits required prior to transitioning towards construction. We view today's news as an incremental positive de-risking milestone for the Company, which can now shift its focus towards; 1) progressing advanced engineering optimization work (expected to be outlined in the upcoming (PFS in Q4/19), 2) finalizing outstanding construction related permit applications/authorizations, and 3) obtaining project funding necessary to carry Goliath towards the construction and mine commissioning phases.
- ◆ **Prefeasibility Study:** Treasury anticipates a 6-month period to complete further technical and economic considerations required to support the delivery of a PFS in late Q4/19. Treasury has deferred the delivery of the updated study (previously expected in Q1/19) to have an opportunity to assess the feasibility of integrating material from other proximal deposits into the mine plan, and further work pertaining specifically to; optimization of mine sequencing at Goliath to confirm plant utilization, optimization of TSF and CAPEX/OPEX schedules, an updated resource expected to include the conversion of East C-Zone resources into the M+I categories through a 10,000 metre (\$1.5 million) drill campaign.
- ◆ **Exploration:** Treasury intends to carry out a two phased exploration program, with Phase 1 aimed at infill drilling in the C-Zone (10,000 metres) to support the ensuing FS, in addition to a deep downhole IP (DHIP) program targeting the Main Zone (\$150k). The Phase 2 expansion program is outlined to continue work from the Phase 1 DHIP and focus on delineating the Main East and Central shoots down to the 1,000 metre level and identify the potential of an inferred resource base below the 600 metre level at the Main Zone.

RECOMMENDED ACTION

We recommend accumulating shares at existing levels

- ◆ **Reiterate our Buy Rating and our \$1.00/sh target price.** Our \$1.00/sh target price and BUY recommendation is predicated on a 1.0x P/NAV multiple to our NAV8% of \$1.04 per share. We assign a 1.0x valuation multiple to reflect Treasury's tempered jurisdictional (Ontario) risk profile, coupled with the delivery of permitting related project de-risking milestones as demonstrated by the recent positive federal NOD for the Goliath gold project.

CATALYSTS

1. **Q4/19** – Feasibility Study
2. **H1/20** – Project investment Decision

PROJECTED RETURN

182%

RISK FACTOR

Very High

SCENARIO ANALYSIS

Downside Scenario	Current Price	Price Target
\$0.20	\$0.36	\$1.00
↓ 44%		↑ 182%

KEY STATISTICS AND METRICS

52-Week High/Low	\$0.42 / \$0.21
YTD Performance	12.5%
Dividend Yield	n/a
Shares O/S	145 M (basic)
Market Capitalization	C\$51.5 M
Cash	C\$2.4 M
Debt (LT)	(C\$4.6) M
Enterprise Value	\$50.6 M
Daily Volume (3 mos.)	135,280
Currency	C\$ unless noted

Financials: June 30th, 2019

HAYWOOD ESTIMATES (USD)

	2019E	2020E	2021E
Revenue (\$M)	0	0	76
Net Income (\$M)	-2.6	-19	-44
EBITDA (\$M)	-2.5	-3	-14
OCF (\$M)	-3	-3	-14
OCF / sh (\$)	-0.01	-0.01	-0.04
Prod (koz)	0	0	41
Cash Cost* (/oz Au)	0	0	285
All-in Cost* (/oz Au)	0	0	367

* Costs presented on a US\$/oz Au basis

VALUATION

Our \$1.00 target price is based on a 1.0x multiple to our corporate NAV8% of \$1.04 per share. Treasury Metals trades at 0.34x P/NAV versus peers averaging 0.49x.

INVESTMENT THESIS

Our investment thesis for Treasury Metals is predicated on the Company's global resource base at the Goliath gold deposit in Ontario:

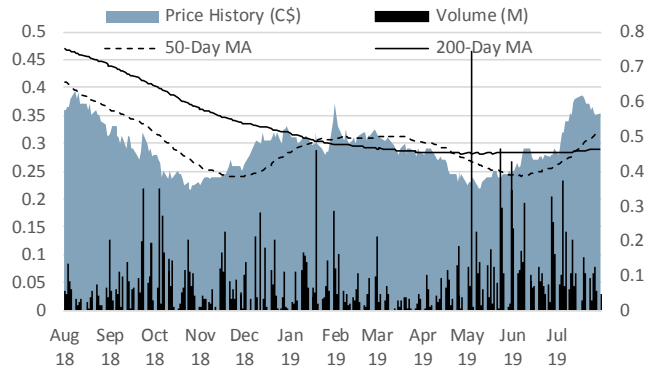
- Goliath is an Attractively Positioned Development Project.** We believe that Goliath represents a substantial North American development-stage gold project that is 'right-sized' for in-house construction and capital market funding. The 2017 PEA marks a defined kernel of value using the 2015 resource estimate. However, we note that resource growth from this posting date is highly likely given that gold mineralization is open along strike and to depth. The project's infrastructure-friendly location and access to a nearby skilled workforce in Ontario's backyard highlight some of the more functional intangible qualities of Goliath, which we believe would go a long way to facilitate cost- and time-effective project development and execution, particularly compared with projects in more remote and less favourable jurisdictions. These intangible benefits only serve to add to the physical nature of Goliath and its projected development scenario, were we to believe it could potentially produce in excess of 100 koz of gold per annum for several years immediately after the start of production. Collectively these facets highlight that Goliath could represent a modest-scale operation needing only lower amounts of development capex (Haywood estimate: \$158 million) to form the substrate for a single-asset gold-producing mining company, or to add to the portfolio of a small- to mid-scale gold producing company looking to add Canadian production.
- Our Modelled Assumptions.** Currently we employ the 2017 PEA as a template for our relative open-pit and underground mining schedules that feed into a 0.9 million tonne per annum (Mtpa) processing plant for an operating period of 13 years. Open-pit and underground mining of ore material are expected to occur concurrently over most of the 13-year operating life, with underground mining of ore expected to start shortly after open-pit mining activities. The small-scale processing facility is envisaged as a gravity-carbon in leach (CIL) processing circuit. Our modelled scenario could translate into Goliath representing an operation producing ~93 thousand ounces (koz) of gold per annum, with a reasonable average life-of-mine cash cost of US\$625 per ounce of gold. We project an 18-month building period, with production to start in late 2020, for initial development capex of \$158 million.

KEY RISKS

- Financial Risk:** For construction of the Goliath gold project, we assume an equity raise of \$63 million at \$0.40 per share and \$95 million in a 5-year debt facility. Our near-term equity-financing assumption, while priced at the higher end of the trading range over the past year, represents proceeds that comprise only a small portion of the Company's market capitalization. However, subsequent financings (debt and equity) related to the potential development of the project are far more contingent on ultimate project economics and the nature of the commodities and capital markets at the time of concluding potential financing.
- Valuation Risk:** Treasury Metals' current valuation is modestly below a range of broader development-stage peers. Treasury Metals is trading at a 0.34x multiple to corporate NAV_{8%}, which compares with peers ranging between 0.32x and 0.66x. Our target of \$1.00 per share equates to a 1.0x multiple to our corporate NAV_{8%}.

SCENARIO ANALYSIS

Treasury Metals Inc. (TML-T)



Source: Capital IQ, and Haywood Securities

TARGET PRICE

Our target price of \$1.00 per share is based on a 1.0x multiple to our corporate NAV_{8%} of \$1.04 per share.

DOWNSIDE CASE

Our downside case reflects our 0.40x multiple to our fully financed corporate net asset value (NAV)_{8%} of C\$0.53 per share assuming a 20% discount to our future commodity price deck assumptions.

Our downside scenario price is a theoretical case based on notional valuation metrics and market assumptions. The downside price is solely intended for demonstrative purposes and is not to be regarded as a reflection of all market possibilities. It is not a guarantee that this company's share price will not drop below this price level and hence should not be taken as such.

Treasury Metals is a development-stage company focusing on its Goliath gold project in Ontario, and west of Thunder Bay.

Website

www.treasuremetals.com

Key Management

Greg Ferron (CEO)



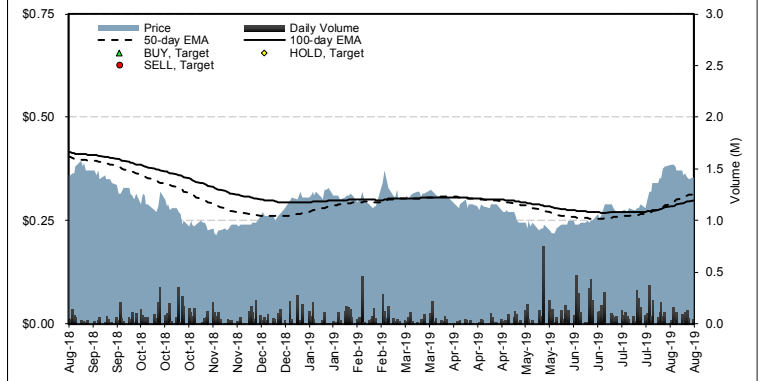
Treasury Metals Inc. TSX:TML Price \$0.36 Rating: BUY Risk: Very High
 19-Aug-19 Shares O/S (M) 145 MCap (C\$) (M) \$52 Target: \$1.00 Return: 182%

Q We expect Treasury Metals the progress through project feasibility and brown fields exploration at Goliath and reach a formal investment decision point by H1/20. We believe that the 2017 PEA on the Goliath Gold Project offers a reasonably conservative baseline that can be optimized over the next year.

Investment Highlights

- Treasury Metals is a development-stage company focusing on its Goliath gold project in Ontario, and west of Thunder Bay.
- We consider the Goliath Gold project as one of the few nearer term development-stage assets that has commenced the permitting stage, and could be in a position to make a development decision in early 2020.
- We model a production scenario of ~1.2 million ounces of gold from the Goliath Gold project via largely concurrent open-pit and underground mining. Average head grades are projected to be ~3.78 g/t gold, with average gold recovery of 95%. Open-pit mining is projected to have an average life-of-mine strip ratio of 6:1. Operating capacity is projected at ~0.9 million tonnes per annum (Mtpa). CAPEX is defined at \$158 million, with sustaining capital of \$122 million. Our major difference from the 2017 PEA involves moving the underground mining schedule forward by one year, which increases pre-production capital expenditure, lowers sustaining capital and brings forward gold production.
- The plant outlines considers conventional comminution followed by gravity/carbon in leach (CIL) processing producing an average annual gold output of 93,000 ounces over a 13-year, at an average cash cost of US\$625 per ounce and all-in sustaining cost of \$764 per ounce (including silver byproduct credit).

Treasury Metals Inc. Chart



Financials

	2021	2020	2021	2022	2023	2024
Commodity & Exchange Rate Forecasts						
Forecast Gold Price, US\$/oz	\$1,425	\$1,425	\$1,425	\$1,425	\$1,425	\$1,425
C\$/US\$ FX Rate	1.28	1.29	1.28	1.27	1.27	1.27
Income Statement						
Net Revenue, \$M	76.0	-	76.0	232.4	202.8	197.3
EBITDA, \$M	(13.9)	(2.8)	(13.9)	155.7	117.3	111.6
Net Income, \$M	(43.7)	(19.3)	(43.7)	98.2	63.2	61.1
Net Income per share	(0.12)	(0.07)	(0.12)	0.28	0.18	0.17
Balance Sheet						
Cash & Equiv, \$M	(60.5)	69.3	(60.5)	60.5	113.4	156.5
Working Capital, \$M	(64.8)	61.1	(64.8)	20.7	78.4	134.7
Shares Outstanding (M)	350.1	271.2	350.1	350.1	359.1	362.0

Cash Flow

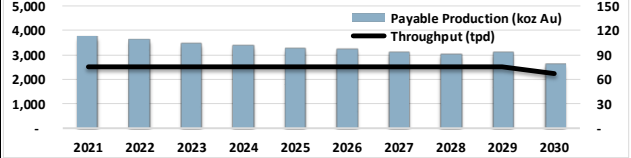
OCF before Δ in WC, \$M	(13.7)	(2.8)	(13.7)	133.4	87.0	84.3
OCF before Δ in WC per share	(0.04)	(0.01)	(0.04)	0.38	0.24	0.23
Cash flow from Operations, \$M	(32.2)	(2.8)	(32.2)	141.7	88.1	84.7
Cash Flow From Investing, \$M	(97.6)	(90.6)	(97.6)	(12.8)	(10.8)	(10.0)
Cash Flow From Financing, \$M	-	159.0	-	(7.9)	(24.5)	(31.6)

* All figures presented in Canadian dollars unless noted Spot Exchange Rate (C\$/US\$): 1.33

Production Profiles

Goliath Gold Mine (Canada)	2018	2019	2020	2021	2022	2023	2024
Material Mined (Mt)	-	-	(0.1)	0.9	2.4	4.8	4.8
Strip Ratio (waste:ore)	-	-	-	-	4.11	10.60	10.60
Mill Throughput (tpd)	-	-	-	630	2,500	2,500	2,500
Tonnes Milled (Mt)	-	-	(0.1)	0.2	0.9	0.9	0.9
Production (koz Au)	-	-	-	41	129	112	109
Head Grade (g/t Au)	-	-	-	5.9	4.6	4.0	3.9
Recoveries (% Au)	-	-	-	95%	95%	95%	95%
Payable Production (koz Au)	-	-	-	41	128	112	109
Cash Cost, US\$/oz Au (Ag credit)	-	-	-	285	422	550	567
Operating Costs (C\$/t milled)	-	-	-	73	81	91	90

Goliath Gold Production Profile



Trading Statistics (C\$) / Capital Structure

52 Week High/Low	\$0.42 / \$0.21		Average Daily Vol (M)	0.09
Ownership (M)				
Institutional	62	43%	Henderson, Marc Charles 4%	
Management & Insiders	12	8%	T.I.P. Wealth Manager Inc. 2%	
			Verecke, Christophe 1%	

Last Financing

6-Jun-19	8.89 million flow-through shares at \$0.24 per share for \$3.51 million (gross)		
Shares O/S - Basic, F.D.	145.2	177.4	

(C\$) (M)	Av Strike	Basic	ITM	Proceeds
Cash & Equiv				\$4
Options	\$0.40 - \$0.63	4.0	-	-
Warrants	\$0.35 - \$0.95	28.2	-	-
Total Cash & ITM		32.2	-	\$4
Market Cap				\$52

Cash position as of March 31, 2019

Corporate NAV Summary

Per Share	NAV10% C\$M	NAV8% C\$/share	NAV6% C\$M	NAV6% C\$/share
NAV	330,401	0.91	377,799	1.04
			434,812	\$1.19

Metal Inventory

Goliath Gold	Category	Tonnes (M)	Au (g/t)	Au Moz
Open-Pit and Underground	Measured	1.1	2.40	0.09
	Indicated	19.4	1.65	1.03
	Inferred	3.5	2.96	0.33
Goliath Gold Project	Modelled	10.3	3.72	1.23

Note: resources presented on a 100%-basis

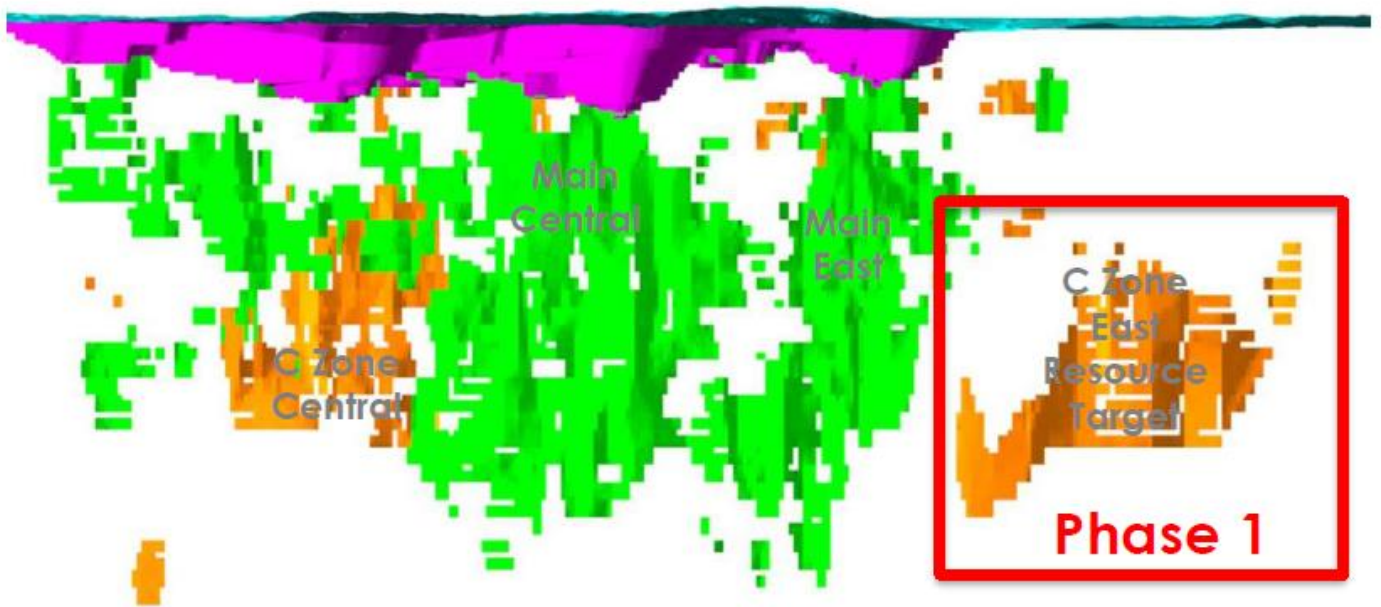
Corporate Contact

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Geordie Mark - Mining Analyst	gmark@haywood.com 604-697-6112	Alvin Islam - Mining Associate
		aislam@haywood.com 416-507-2365

Source: Bloomberg, Capital IQ, Company Reports, and Haywood Securities



Figure 1: Goliath Deposit Target Zones



Source: Company Reports



Valuation

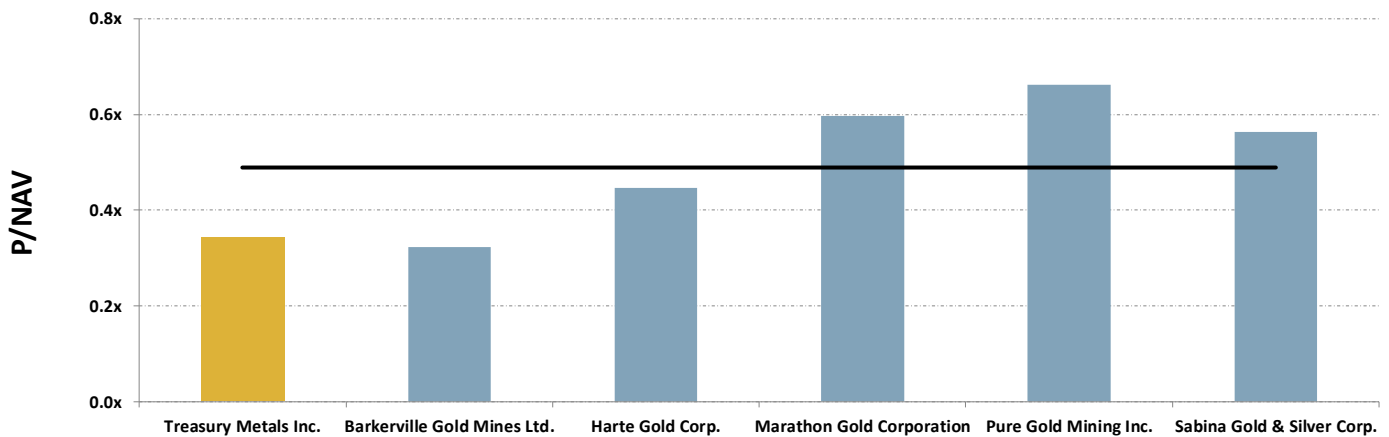
Trades Below Peers

Our target price of \$1.00 per share is based on a 1.0x multiple to our corporate NAV8% of \$1.04 per share. Treasury Metals trades at 0.34x NAV8%.

Comparatively, select development-stage peers trade between 0.32x and 0.66x corporate NAV estimates.

Figure 2: NAV Comparables Table (Top) and Histogram of Peer Development-Stage Companies (Bottom)

Company	Ticker	Price 19-Aug-19	Market Capitalization \$CAD million	Enterprise Value \$CAD million	Cash \$CAD million	NAVPS \$CAD	P/NAV
Treasury Metals Inc.	TSX:TML	\$0.36	\$51.5	\$50.6	\$2.4	\$1.04	0.34x
Comparable Development Stage Companies: consensus data							
Barkerville Gold Mines Ltd.	TSXV:BGM	\$0.37	\$205	\$184	\$23	\$1.13	0.32x
Harte Gold Corp.	TSX:HRT	\$0.28	\$183	\$273	\$4	\$0.63	0.45x
Marathon Gold Corporation	TSX:MOZ	\$1.32	\$214	\$198	\$16	\$2.21	0.60x
Pure Gold Mining Inc.	TSXV:PGM	\$0.63	\$228	\$225	\$3	\$0.95	0.66x
Sabina Gold & Silver Corp.	TSX:SBB	\$1.64	\$479	\$451	\$26	\$2.91	0.56x
Average							0.49x



Source: Haywood Securities, S&P Capital IQ and Bloomberg



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:

- ◆ **Financial Risk:** For construction of the Goliath gold project, we assume an equity raise of \$63 million at \$0.40 per share and \$95 million in a 5-year debt facility. Our near-term equity-financing assumption, while priced at the higher end of the trading range over the past year, represents proceeds that comprise only a small portion of the Company's market capitalization. However, subsequent financings (debt and equity) related to the potential development of the project are far more contingent on ultimate project economics and the nature of the commodities and capital markets at the time of concluding potential financing.
- ◆ **Valuation Risk:** Treasury Metals' current valuation is modestly below a range of broader development-stage peers. Treasury Metals is trading at a 0.34x multiple to corporate NAV_{8%}, which compares with peers ranging between 0.32x and 0.66x. Our target of \$1.00 per share equates to a 1.0x multiple to our corporate NAV_{8%} of C\$1.04/sh.



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I, Geordie Mark, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

Important Disclosures

Of the companies included in the report the following Important Disclosures apply:

	Ticker	Company	1	2	3	4	5	6	7	8
	TSXV:BGM	Barkerville Gold Mines Ltd.			X	X				
	TSX:HRT	Harte Gold Corp.			X					
	TSX:MOZ	Marathon Gold Corp.			X					
	TSXV:PGM	Pure Gold Mining Inc.	X	X	X	X				
	TSXV:SBB	Sabina Gold & Silver Corp.			X		X			
	TSX:TML	Treasury Metals Inc.			X					
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2	As of the end of the month immediately preceding this publication either Haywood Securities, Inc., one of its subsidiaries, its officers or directors beneficially owned 1% or more of this company.									
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♦ n/a

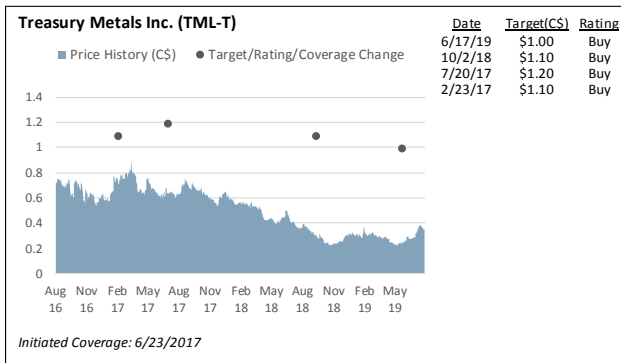
Distribution of Ratings (as of August 20, 2019)

	%	#	IB Clients (TTM)
Buy	76.4%	81	93.3%
Hold	8.5%	9	3.3%
Sell	1.9%	2	0.0%
Tender	0.9%	1	0.0%
UR (Buy)	1.9%	2	3.3%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	10.4%	11	0.0%



Treasury Metals Inc. (TML-T)

Price Chart, Rating and Target Price History (as of August 20, 2019)



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

Link to Research Policy: <http://haywood.com/what-we-offer/research/research-policy>
Member of the Canadian Investor Protection Fund

