



Treasury Metals Inc.

(TML-T)
SECTOR: Mining

STOCK PRICE	\$1.60
RATING	BUY
TARGET PRICE ↑	\$2.50
Previous	\$0.85

M&A UPDATE

COVID Union: Goliath & Goldlund Means More

OUR TAKE - Positive: Following the all-equity acquisition of the Goldlund project from First Mining Gold (FF-T, Not-Rated) first announced on June 3rd, 2020, and successful shareholder vote completed earlier this month, we have taken the opportunity to evaluate the combined Goliath-Goldlund project scenario, which we have now formally integrated into our valuation for TML.

We note that the combined Goliath-Goldlund asset base represents one of the largest undeveloped gold assets in Canada (+2 Moz Au in M&I resource), and co-development of these assets is expected to offer synergistic potential due to scale, proximity, utilization of shared infrastructure, and permitting momentum given the success (EA approval in hand) realized at Goliath.

In summary, we outline that following the integration of a future production scenario (in absence of a technical study) at Goldlund commencing in 2024, and other prescribed deal-metrics, our revised Corp. NAV8% of C\$2.53/sh, marks an ~45% increase from our previous estimate of C\$1.77/sh. We have updated our target price for TML shares to \$2.50/sh (from \$0.85/sh), supported by a ~1.0x PNAV multiple to our Corp. NAV8% of C\$2.53/sh.

We highlight the details of the transaction and our modelled assumptions below.

KEY HIGHLIGHTS

- ♦ **Adding Additional Value Through Coupling a Neighbouring Asset:** The Goldlund project is characterized as a shallow gold deposit located approximately 60 km northeast of Dryden, ON and located directly to the northeast of Goliath. Goldlund was acquired by First Mining in June 2016 following the amalgamation with Tamaka Gold Corp., a privately held mineral exploration Company. The prevailing resource (effective as of March 15th, 2019) for the Goldlund project outlines 12.9 Mt grading 1.96 g/t Au containing 809 koz Au in the indicated category, and 18.4 Mt grading 1.49 g/t Au containing 877 koz Au in the inferred category (cut-off grade: 0.4 g/t Au, and US\$1,350/oz Au commodity price). The Goliath-Goldlund combined resource base offers a 140% increase to the existing M&I resource base at Goliath. In aggregate, the consolidated asset outlines 2 Moz Au contained within the M&I category, with an additional 1.1 Moz Au contained within the inferred category, with further drilling likely drive additional resource growth.
- ♦ **Transaction Details:** 1) 130 million common shares of TML, 2) 35 million TML warrants (exercise price of \$0.50/sh – 3-year period), 3) 1.5% NSR royalty on Goldlund (0.5% buy-back option to TML for C\$5 million), 4) Milestone cash payments totaling \$5 million, with 50% payment upon receipt of final mining lease, and remaining 50% upon 300 kt of ore extraction from Goldlund.
- ♦ **Combined Goliath-Goldlund Scenario Bolsters Production Profile:** Our revised operating scenario outlines development of Goliath to commence in 2022, followed by first production from combined open-pit and underground operations in 2023. Thereafter, we anticipate TML to fund development of the Goldlund expansion (Hay. Est.: C\$40M) through internal cash flow, and commence open-pit operations at Goldlund in 2024. Our theoretical scenario for Goldlund outlines open-pit operations exploiting 13.3 Mt of ore (SR: 5.65:1 w:o) grading 1.83 g/t Au and containing 783 koz Au, which we expect to be processed from 2024-2037 following expansion of the central plant to 4,500 tpd (from 2,500 tpd). We believe the coupled resource base now allows for the accommodation of a much larger plant based at Goliath, with provides better leverage to the resource and facilitates improved cashflows. We outline combined average production from 2024-2027 of 148 koz Au at an AISC of ~US\$830/oz.

RECOMMENDED ACTION

We recommend accumulating shares at existing levels

- ♦ **Reiterate our Buy Rating and our revised \$2.50/sh target price (from \$0.85/sh).** Our recommendation is supported by a ~1.0x PNAV multiple, which we believe to be appropriate given Treasury's valuation in comparison to its peer group average (0.68x). We believe Goliath-Goldlund is an attractively positioned development project located in a tier-one jurisdiction, which now exhibits the potential for a heightened scale of production over a considerable period.

CATALYSTS

1. H2/20 – Combined Goliath-Goldlund PEA

PROJECTED RETURN

56%

RISK FACTOR

Very High

SCENARIO ANALYSIS

Downside Scenario	Current Price	Price Target
\$1.00	\$1.60	\$2.50
↓ 38%		↑ 56%

KEY STATISTICS AND METRICS

52-Week High/Low	\$0.42 / \$0.15
YTD Performance	78%
Dividend Yield	n/a
Shares O/S	100.3 M (basic)
Market Capitalization	C\$160.5 M
Cash	C\$11.1 M
Debt (LT)	(C\$4.8) M
Enterprise Value	\$155.7 M
Daily Volume (3 mos.)	139,630
Currency	C\$ unless noted

HAYWOOD ESTIMATES (USD)

	2020E	2021E	2022E
Revenue (\$M)	0	0	0
Net Income (\$M)	-6	-3	-23
EBITDA (\$M)	-2	-3	-1
OCF (\$M)	-3	-3	-1
OCF / sh (\$)	-0.02	-0.02	-0.00
Prod (koz)	0	0	0
Cash Cost* (/oz Au)	0	0	0
All-in Cost* (/oz Au)	0	0	0

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

VALUATION

Our \$2.50 target price is based on a ~1.0x multiple to our corporate NAV8% of \$2.53 per share. Treasury Metals trades at 0.63x P/NAV versus peers averaging 0.68x.

INVESTMENT THESIS

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

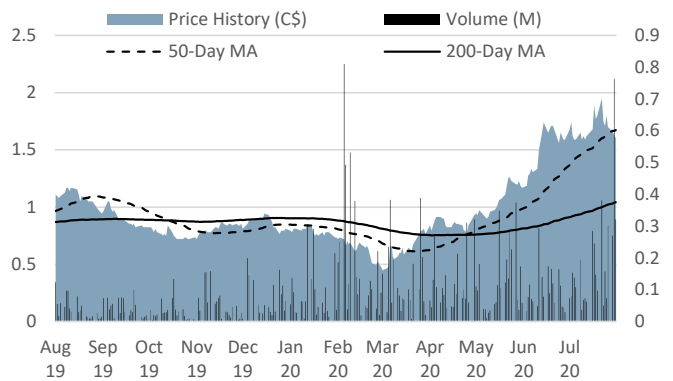
- Goliath-Goldlund is an Attractively Positioned Development Project.** We believe that Goliath-Goldlund represents a substantial North American development-stage gold project that is well positioned for in-house construction and capital market funding. Our assumptions employ considerations of the latest resource estimates at Goliath and Goldlund, and consider data contained within the 2017 PEA to fashion a kernel of value for the amalgamated asset base. While, we note that resource growth potential is possible at Goliath as mineralization is open along strike and to depth, focus will likely be weighted toward Goldlund over the near term. 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 +145 koz of gold per annum for several years. Collectively these facets highlight that Goliath could represent a modest-scale operation needing only lower amounts of development capex (Haywood estimate: ~\$240 million) to form the substrate for a single-asset gold-producing mining company, or to add to the portfolio of a mid-scale gold producing company looking to add Canadian production.
- Our Modelled Assumptions.** Our combined modelled scenario could translate into Goliath-Goldlund representing an operation producing ~125 thousand ounces (koz) of gold per annum over a 15-year period, with a reasonable average life-of-mine cash cost of ~US\$610 per ounce of gold. We project an initial 21-month building period for Goliath, with production to start in H1/2023 following initial development capex of ~C\$200 million. We later model an expansion scenario to accommodate open-pit ore material from Goldlund commencing in 2024. We model expansion CAPEX of C\$40 million (funded through internal cash flow) to fund mine development of Goldlund.

KEY RISKS

- Overall Risk – Very High:** We assign an overall Very High-risk rating to Treasury Metals given the early stage of the economic parameterization of the Goliath-Goldlund project, the Company's relatively small market capitalization, and its need for substantial future financing to deliver potential later cash flows. Notable risk considerations include the significant capital funding required to advance the combined Goliath-Goldlund project to production (in the context of the Company's current capitalization). We note that our model for future discounted cash-flow-generation potential is determined based on fully funded assumptions for project development and corporate general and administrative expenses over the life of mine. On the latter point, we believe the Company is expected to complete further debt financing arrangements to help start project development in 2022 (see page 10 for further key risk considerations).

SCENARIO ANALYSIS

Treasury Metals Inc. (TML-T)



Source: Capital IQ, and Haywood Securities

TARGET PRICE

Our target price of \$2.50 per share is based on a ~1.0x multiple to our corporate NAV8% of C\$2.53 per share.

DOWNSIDE CASE

Our downside case reflects our 0.40x multiple to our fully financed corporate net asset value (NAV)8% of C\$2.53 per share.

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-Goldlund development stage gold project in Ontario, and west of Thunder Bay.


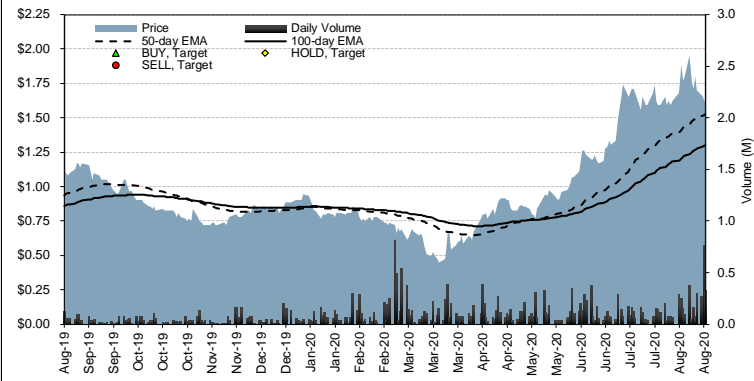
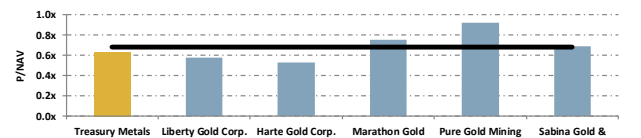
Website

www.treasuremetals.com

Key Management

Greg Ferron (CEO)

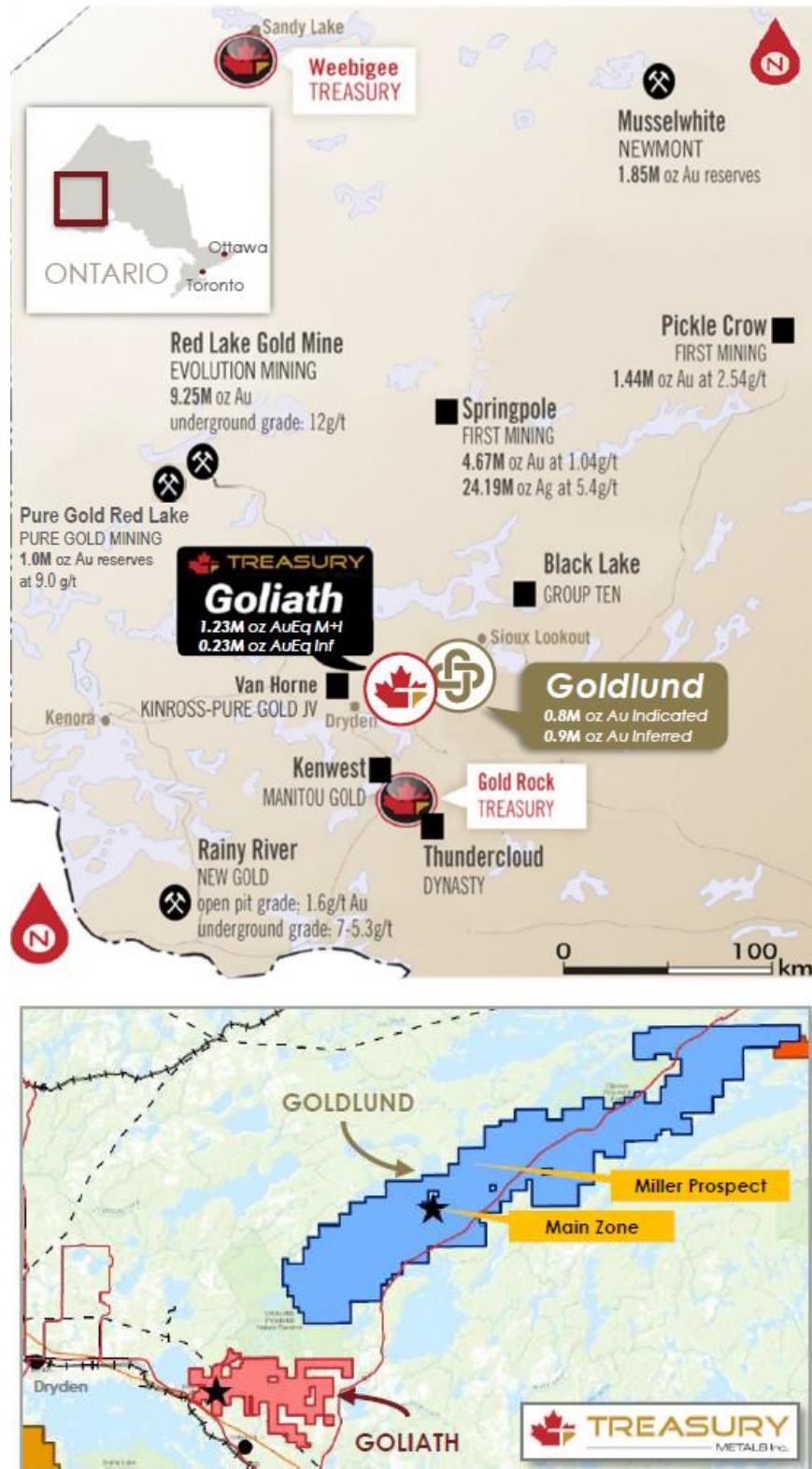


Treasury Metals Inc.		TSX:TML		Price: \$1.60		Rating: BUY		Risk: Very High																																																																																																																																						
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<div><div></div><div>We expect Treasury Metals the progress through project feasibility and brown fields exploration at Goliath and reach a formal investment decision point by H1/21. We believe that the 2017 PEA on the Goliath Gold Project offers a reasonably conservative baseline that can be optimized over the next year following the recent acquisition of the neighbouring Goldlund Project.</div></div>																																																																																																																																														
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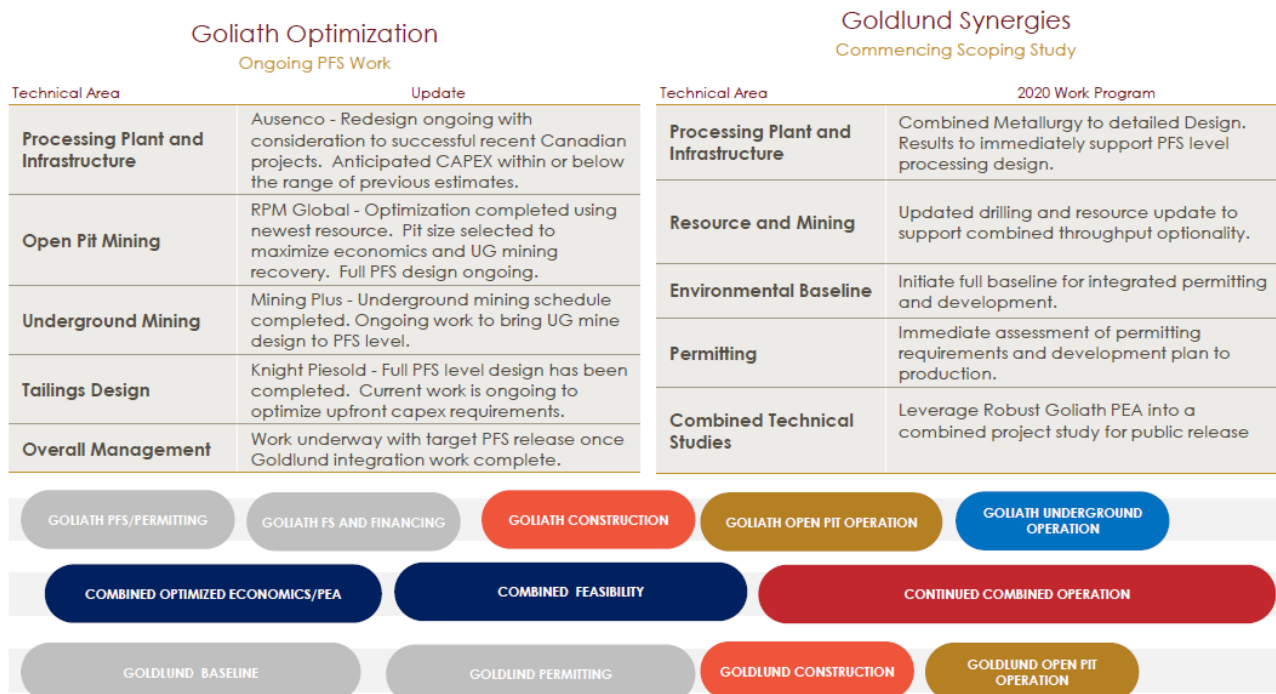
Figure 1: Treasury Metals Regional Asset Map



Source: Company Reports

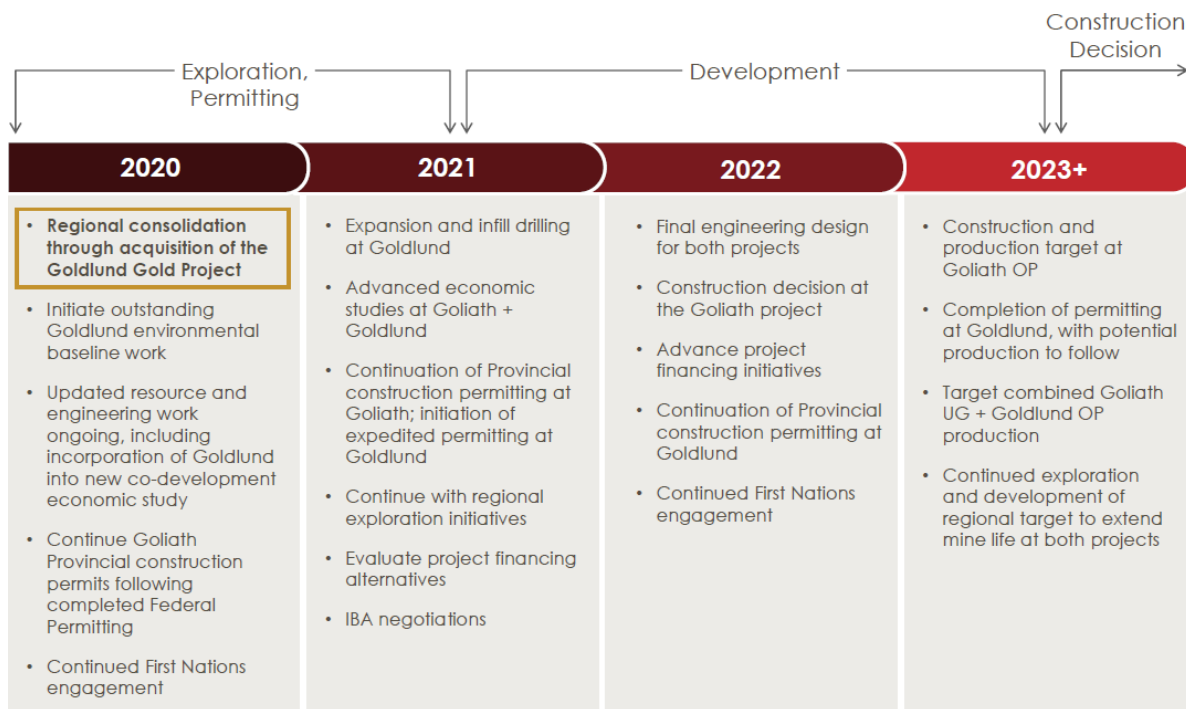


Figure 2: Development Status Snapshot for Goliath-Goldlund



Source: Company Reports

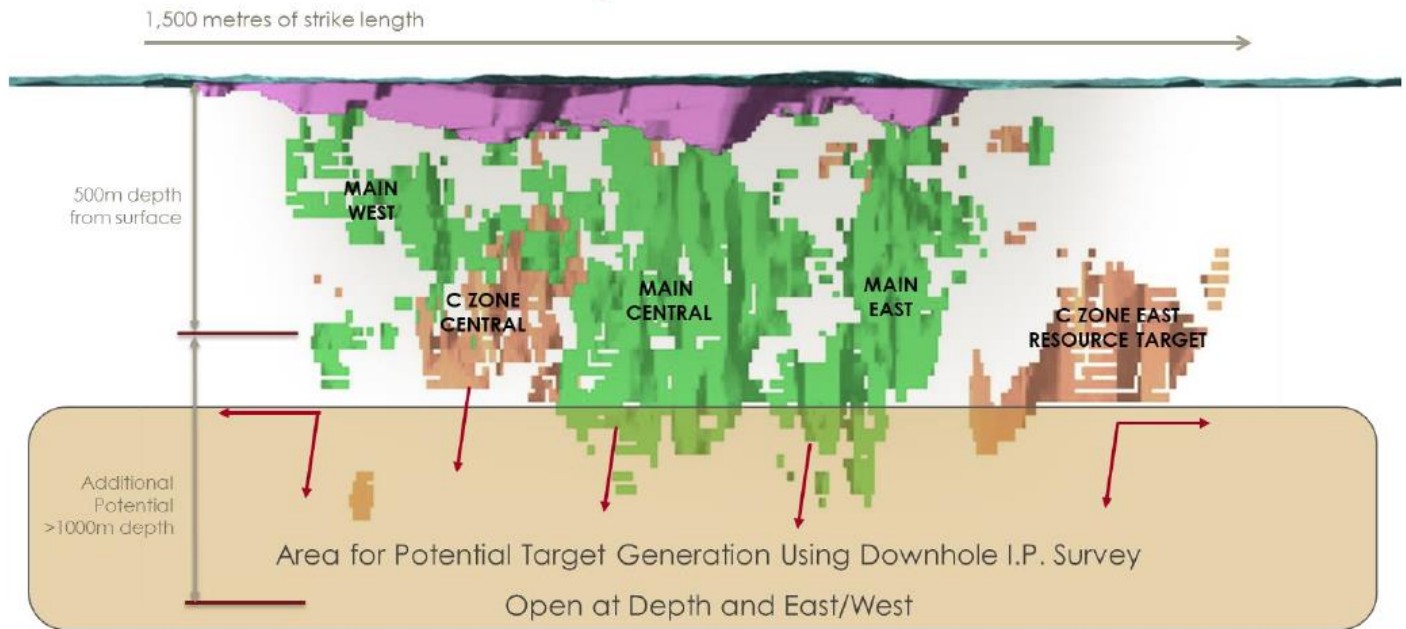
Figure 3: Project Timelines and Next Steps for Goliath-Goldlund



Source: Company Reports



Figure 4: Goliath Conceptual Open-Pit and Underground Outline



Source: Company Reports

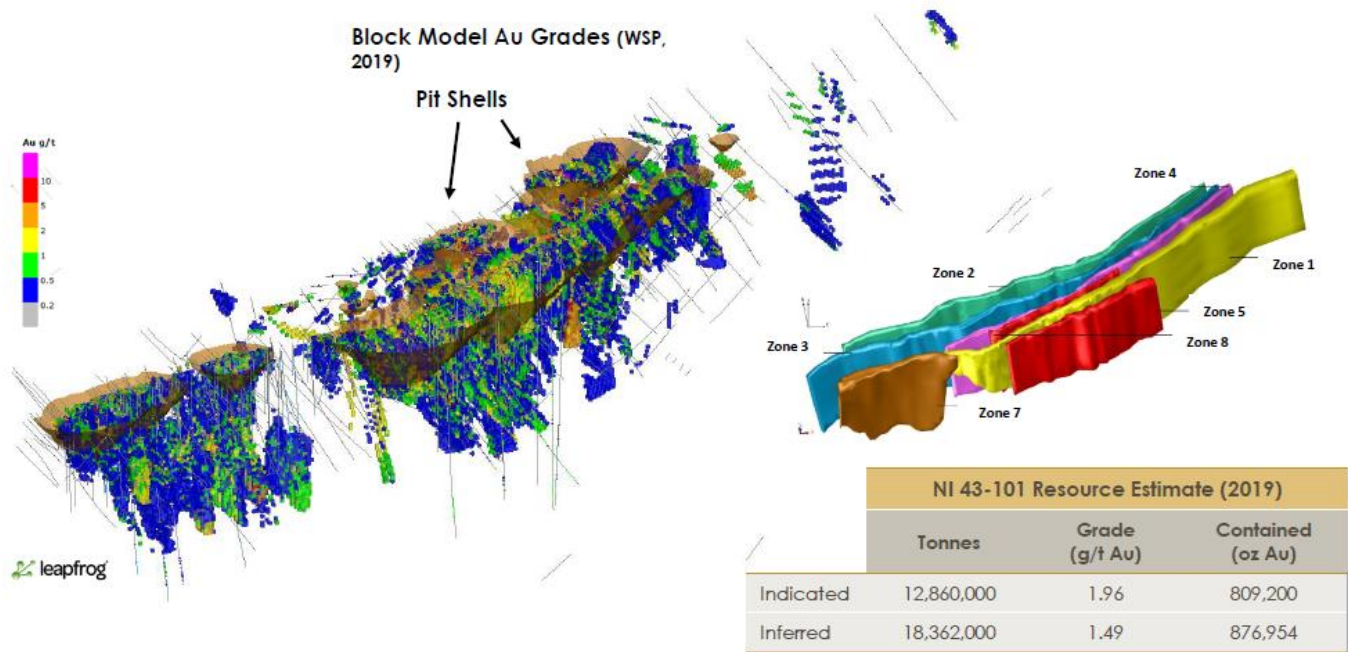
Figure 5: Goliath Project Resource Statement (July 2019)

	Classification	Cut-Off (g/t AuEq)	Tonnes	Au (g/t)	Contained Au (ounces)	Ag (g/t)	Contained Ag (ounces)	AuEq (g/t)	Contained AuEq (ounces)
In Pit	Measured	0.40	762,000	1.91	47,000	8.86	217,000	1.99	49,000
	Indicated	0.40	11,849,000	1.37	522,000	5.47	2,083,000	1.42	541,000
	M+I	0.40	12,611,000	1.40	569,000	5.67	2,300,000	1.45	590,000
	Inferred	0.40	595,000	1.05	20,000	2.63	50,000	1.08	21,000
Underground	Measured	1.90	163,000	6.42	34,000	25.81	135,000	6.65	35,000
	Indicated	1.90	3,429,000	5.34	589,000	16.64	1,834,000	5.49	605,000
	M+I	1.90	3,591,000	5.39	623,000	17.05	1,969,000	5.54	640,000
	Inferred	1.90	1,414,000	4.43	201,000	11.42	519,000	4.53	206,000
Total	Measured	0.40 & 1.90	925,000	2.70	80,000	11.84	352,000	2.81	83,000
	Indicated	0.40 & 1.90	15,277,000	2.26	1,111,000	7.98	3,917,000	2.33	1,146,000
	M+I	0.40 & 1.90	16,202,000	2.29	1,192,000	8.20	4,269,000	2.36	1,223,000
	Inferred	0.40 & 1.90	2,009,000	3.43	222,000	8.81	569,000	3.51	227,000

Source: Company Reports



Figure 6: Goldlund Block Model Schematic



Source: Company Reports

Figure 7: Goldlund Resource Statement (March 2019)

Classification	Zone	Cut-Off (g/t Au)	Tonnes	Au (g/t)	Contained Au (ounces)
Indicated	1	0.40	4,882,400	2.16	330,150
	2	0.40	1,642,900	1.76	93,000
	4	0.40	1,664,600	2.73	146,100
	7	0.40	4,161,600	1.58	210,753
	8	0.40	508,600	2.00	29,200
	Total Indicated	0.40	12,860,000	1.96	809,200
Inferred	1	0.40	11,288,000	1.54	558,600
	2	0.40	1,028,000	1.22	40,000
	3	0.40	1,385,000	1.61	71,666
	4	0.40	734,000	2.40	57,000
	5	0.40	1,284,000	1.19	49,000
	7	0.40	1,928,000	1.29	79,688
	8	0.40	715,000	0.90	21,000
	Total Inferred	0.40	18,362,000	1.49	876,954

Source: Company Reports



Outlook

Following the formal integration of a combined Goliath-Goldlund mining scenario into our operating model, we outline our changes to estimates in the table below.

Figure 8: Changes to Estimates Table

	2022E	2022 OLD	E vs. OLD Δ	2023E	2023E OLD	E vs. OLD Δ	2024E	2024E OLD	E vs. OLD Δ	2025E	2025E OLD	E vs. OLD Δ	2026E	2026E OLD	E vs. OLD Δ	2027E
For the period ending	Dec-22	Dec-22		Dec-23	Dec-23		Dec-24	Dec-24		Dec-25	Dec-25		Dec-26	Dec-26		Dec-27
Commodity & FX Assumptions																
Forecast Gold Price, US\$/oz	\$1,650	\$1,650		\$1,650	\$1,650		\$1,650	\$1,650		\$1,650	\$1,650		\$1,650	\$1,650		\$1,650
C\$/US\$ FX Rate	1.31	1.31		1.31	1.31		1.31	1.31		1.31	1.31		1.31	1.31		1.31
Financials (C\$)																
Revenues, net	-	277	(277)	189	284	(95)	304	248	56	315	234	81	336	227	109	329
EBITDA	(1)	195	(196)	112	211	(99)	174	162	11	188	148	40	202	144	58	202
Net Income (Loss)	(23)	146	(168)	46	127	(81)	82	96	(13)	96	87	9	106	84	23	106
Net Income (Loss) / sh	(0.10)	0.39	(0)	0.19	0.33	(0)	0.33	0.24	0	0.38	0.22	0	0.42	0.21	0	0.42
Operating CF before ΔWC	(1)	176	(177)	89	160	(71)	138	122	17	152	113	39	165	115	51	165
Operating CF before ΔWC / sh	(0.00)	0.47	(0)	0.36	0.41	(0)	0.55	0.31	0	0.60	0.29	0	0.66	0.29	0	0.65
Free Cash Flow	(112)	65	(177)	(43)	146	(189)	79	108	(29)	94	98	(4)	129	99	31	130
Free Cash Flow / sh	(0.48)	0.18	(1)	(0.17)	0.38	(1)	0.31	0.27	0	0.37	0.25	0	0.51	0.25	0	0.51
Capital Expenditures	(111)	(91)	(20)	(123)	(20)	(103)	(56)	(16)	(40)	(56)	(16)	(40)	(36)	(16)	(20)	(36)
* All figures expressed in Canadian dollars and millions except per share amounts																
Consolidated Operations																
Gold Prod (Koz)	-	127	(127)	87	131	(44)	140	114	26	145	108	37	155	104	50	152
Cash Cost (US\$/oz Au)	-	281	(281)	598	379	220	651	522	130	608	553	55	606	549	57	586
All-In Sustaining Costs (US\$/oz Au)	-	365	(365)	854	512	341	877	651	227	827	690	137	811	690	121	795
Operating Costs (C\$/t milled)	-	76	(76)	93	77	15	76	91	(14)	74	91	(17)	79	87	(8)	75
* Cash Operating Cost includes on-site costs but excludes royalties, production taxes, and off-site costs																
Goliath Gold																
Mining																
Tonnes Mined (kt)	-	913	(913)	778	913	(135)	1,647	915	732	1,643	913	730	1,643	913	730	1,643
Head Grade (g/t Au)	-	4.36	(4)	3.72	3.25	0	2.83	3.63	(1)	2.93	3.71	(1)	3.14	3.61	(0)	3.07
Tonnes Waste (kt)	-	0	(0)	3,869	546	3,323	9,092	3,880	5,213	8,021	3,869	4,152	10,017	3,058	6,959	8,292
Strip Ratio (waste:ore)	-	0.0	(0)	5.0	0.6	4	5.5	4.2	1	4.9	4.2	1	6.1	3.4	3	5.0
Processing																
Throughput (tpd)	-	1,884	(1,884)	2,130	2,500	(370)	4,500	2,500	2,000	4,500	2,500	2,000	4,500	2,500	2,000	4,500
Tonnes Milled (kt)	-	688	(688)	778	913	(135)	1,647	915	732	1,643	913	730	1,643	913	730	1,643
Production (koz Au)	-	128	(128)	88	132	(44)	141	115	26	146	108	37	156	105	51	152
Head Grade (g/t Au)	-	6.10	(6)	3.72	4.73	(1)	2.83	4.11	(1)	2.93	3.89	(1)	3.14	3.77	(1)	3.07
Recoveries (% Au)	-	95%	(1)	94%	95%	(0)	94%	95%	(0)	94%	95%	(0)	94%	95%	(0)	94%
Payable Production (koz Au)	-	127	(127)	87	131	(44)	140	114	26	145	108	37	155	104	50	152
Cash Operating Cost (US\$/oz Au)	-	276	(276)	566	375	192	619	517	102	576	549	27	574	545	29	554
Cash Cost (US\$/oz Au)	-	281	(281)	598	379	220	651	522	130	608	553	55	606	549	57	586
Operating Costs (C\$/t milled)	-	76	(76)	93	77	15	76	91	(14)	74	91	(17)	79	87	(8)	75

Source: Company Reports and Haywood Securities



Valuation

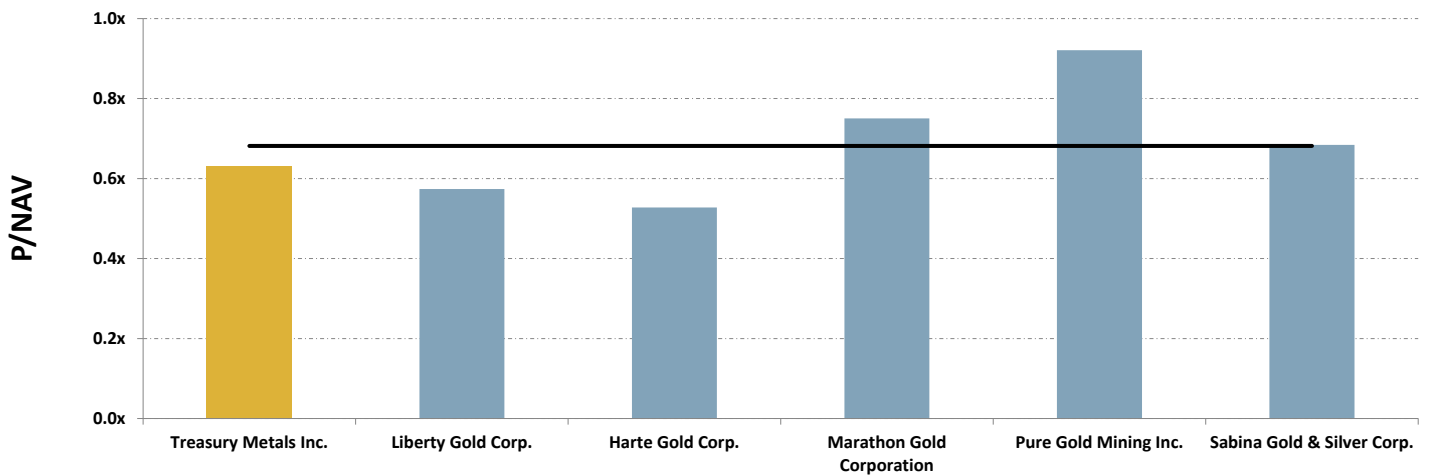
TML Shares Trade Slightly Below Peers on a PNAV Basis

Our target price of \$2.50 per share is based on a ~1.0x multiple to our corporate NAV8% of \$2.53 per share. Treasury Metals trades at 0.63x NAV8%, compared to peers averaging ~0.68x.

Comparatively, select development-stage peers trade between 0.53x and 0.92x corporate NAV estimates.

Figure 9: NAV Comparables Table (Top) and Histogram of Peer Development-Stage Companies (Bottom)

Company	Ticker	Price 19-Aug-20	Market Capitalization \$CAD million	Enterprise Value \$CAD million	Cash \$CAD million	NAVPS \$CAD	P/NAV
Treasury Metals Inc.	TSX:TML	\$1.60	\$160.5	\$155.7	\$11.1	\$2.53	0.63x
Comparable Development Stage Companies: consensus data							
Liberty Gold Corp.	TSX:LGD	\$2.05	\$506	\$498	\$14	\$3.57	0.57x
Harte Gold Corp.	TSX:HRT	\$0.19	\$164	\$252	\$5	\$0.36	0.53x
Marathon Gold Corporation	TSX:MOZ	\$2.41	\$501	\$447	\$54	\$3.21	0.75x
Pure Gold Mining Inc.	TSXV:PGM	\$2.02	\$778	\$738	\$90	\$2.19	0.92x
Sabina Gold & Silver Corp.	TSX:SBB	\$2.45	\$798	\$724	\$44	\$3.58	0.68x
						Average	0.68x



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:

- ◆ **Overall Risk – Very High:** We assign an overall Very High-risk rating to Treasury Metals given the early stage of the economic parameterization of the Goliath-Goldlund project, the Company's relatively small market capitalization, and its need for substantial future financing to deliver potential later cash flows. Notable risk considerations include the significant capital funding required to advance the combined Goliath-Goldlund project to production (in the context of the Company's current capitalization). We note that our model for future discounted cash-flow-generation potential is determined based on fully funded assumptions for project development and corporate general and administrative expenses over the life of mine. On the latter point, we believe the Company is expected to complete further debt financing arrangements to help start project development in 2022.
- ◆ **Forecast Risk – Very High:** Treasury's primary focus is the advancement of the Goliath-Goldlund development stage project in Northern Ontario. In our assessment of the project, we outline a path to process material from open-pit operations at a central facility at a rate of ~4,500 tonnes per day to produce gold over a ~15-year period. While at this time the prevailing PEA completed in 2017 outlines project economics for the Goliath project only, the Company expects to complete an updated combined study (PEA) including the recently acquired Goldlund project by year-end. We will look to reassess our modelled assumptions as more information becomes available.
- ◆ **Financial Risk – Very High:** For construction of the Goliath-Goldlund gold project, we assume an equity raise of \$104 million at a conservative \$1.50 per share in Q1/22, and ~\$120 million in a 3-year debt facility bearing annual interest at 8.5%. 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.



Important Information and Legal Disclosures

This report may be distributed in the following states: nil. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

Analyst Certification

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

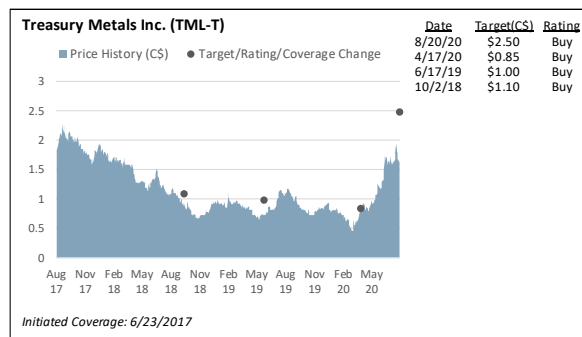
Of the companies included in the report the following Important Disclosures apply:

	Ticker	Company	1	2	3	4	5	6	7	8
	TSX:HRT	Harte Gold Corp.			X	X				
	TSX:LGD	Liberty Gold Corp.			X					
	TSXV:PGM	Pure Gold Mining Inc.			X					
	TSX:TML	Treasury Metals Inc.		X	X	X	X			
1	The Analyst(s) preparing this report (or a member of the Analysts' households) have a financial interest in this company.									
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.									
3	Haywood Securities, Inc. has reviewed lead projects of this company and a portion of the expenses for this travel have been reimbursed by the issuer.									
4	Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for this company in the past 12 months.									
5	Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from this company in the past 12 months.									
6	Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from this company in the past 24 months.									
7	Haywood Securities, Inc. or one of its subsidiaries is restricted on this company at the time of publication.									
8	Haywood Securities, Inc. or one of its subsidiaries expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.									

Distribution of Ratings (as of August 20, 2020)

	%	#	IB Clients (TTM)
Buy	71.9%	69	89.5%
Hold	5.2%	5	0.0%
Sell	0.0%	0	0.0%
Tender	0.0%	0	0.0%
UR (Buy)	1.0%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	21.9%	21	10.5%

Price Chart, Rating and Target Price History (as of August 20, 2020)



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>

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