

July 20, 2022

**TRIGON METALS INC. (TM - TSXV, \$0.21)**

Rating: N/R  
Target Price: N/R

**TM SECURES STREAM ON AG BY-PRODUCT; LARGE CASH INFUSION**

Trigon Metals Inc.		TM	
<i>(Currency is US\$ unless noted otherwise)</i>			
Net Asset Value Per Share	C\$1.15	/ \$0.89	
52 Week Low / High	C\$0.155	/ C\$0.61	
<b>CAPITALIZATION</b>	Basic	Diluted	
Shares (M)	174.5	190.4	
Market Capitalization (C\$M)	C\$38.4	C\$41.9	
Enterprise Value (C\$M)		C\$11.9	
Estimated Cash (C\$M)		C\$30.0	
Estimated Debt (C\$M)		C\$0.0	
<b>FYE: DEC 31</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Copper Produced (Mlbs)	7.8	14.9	34.8
Silver Produced (Koz)	138.6	262.8	317.6
Cash Costs (\$/lb)	\$3.38	\$3.11	\$2.03
AISC (\$/lb)	\$3.75	\$3.48	\$2.27
CFPS	\$0.00	\$0.01	\$0.15
<b>RELATIVE VALUATION</b>	<b>P/CF</b>		
<i>(CapitalIQ Consensus)</i>	<b>FY2022E</b>	<b>FY2023E</b>	<b>FY2024E</b>
<b>Trigon Metals (M Partners)</b>	<b>NM</b>	<b>13.0x</b>	<b>1.1x</b>
Peer Median	3.3x	2.6x	2.1x
<b>DISCLOSURE CODE:</b>	2, 6		
<i>(Please refer to the applicable disclosures listed on the back page.)</i>			

This morning, Trigon Metals announced it has entered into a non-binding term sheet with Sprott Resource Streaming and Royalty Corp. and Sprott Mining Inc. for a US\$27.5M silver and copper stream for the Kombat Mine in Namibia. **We view this news as a major catalyst for the Company as the funds will be used to quadruple production over the next 2-3 years while dramatically reducing costs.** We expect the Company to trade at 2x today's value based on the expected ~C\$30M of cashflow in 2024 with peers currently trading at 2.1x 2024E P/CF.

**Stream Terms:** TM agreed to sell 100% of the silver produced from the Kombat Mine to Sprott with an additional stream of 3.15% of copper produced commencing when phase one underground mining begins and terminating when phase two begins at Asis Far West. The US\$27.5M will consist of US\$25M from Sprott Streaming, and US\$2.5M from Sprott Mining. The US\$2.5M (9.1% of the stream) shall set-off against the US\$2.5M loan from Sprott Mining announced on May 24<sup>th</sup>, 2022. Most importantly Trigon may buy back up to 50% of the Stream in a single cash payment to Sprott Streaming with a pre-determined multiple depending on the year of payment (Table 1).

The Stream significantly de-risks the project as the operation is no longer capital constrained and can begin the various activities planned for operational growth. These growth projects include:

- Ramp open-pit drilling – Management feels there remains significant opportunity for open-pit resource growth (drilling is ongoing)
- Upgrade the Mill – There exists a bottleneck in the crushing and grinding circuit which will now be upgraded with the new capital
- Dewatering – Begin de-watering activities of the underground workings
- Underground Fleet – The Company plans to acquire an underground mining fleet as it plans to operate the underground mining inhouse (vs. the current contracted open-pit workforce)
- Re-establish Services
- Resource Growth – Once the underground is de-watered, TM plans to initiate a large drilling campaign with a focus on growing the high-grade resource substantially

The above growth initiatives combined will allow the Company to ramp production from the current 8 Mlbs of copper concentrate per year to the planned ~30 Mlbs by 2024. In addition, TM has provided production guidance out to 2027 where production will further ramp to ~69 Mlbs/yr. We also note that during this period cash costs are expected to drop from the current range of \$3.00-3.50/lb to \$1.75-2.00/lb by 2026.

**Catalysts:**

- Kombat Drill Results
- Kombat Commercial Production Announcement
- Silver Hills Drill Results
- Growth Initiative Milestones

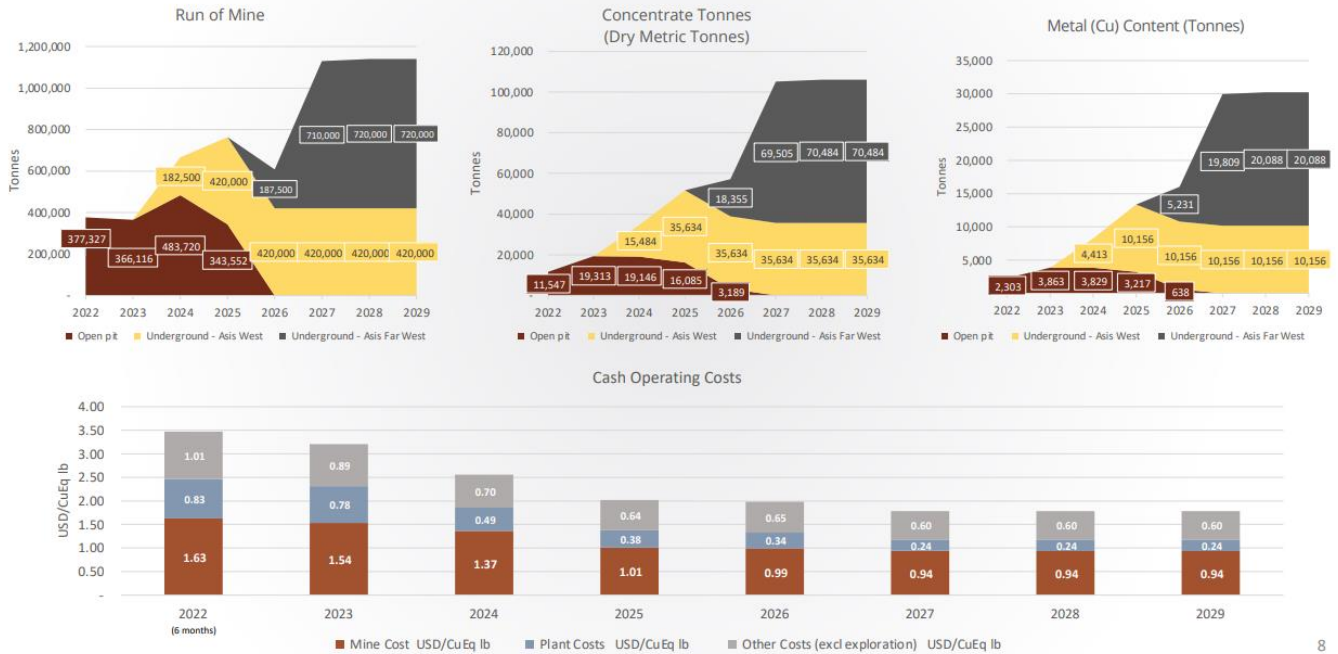
Source: M Partners, Company Information



Trigon Metals is a Canadian Copper producer and explorer. Trigon holds an 80% ownership of its Kombat mine in Namibia and 100% of the Silver Hill exploration project in Morocco.

**Rising Production and Declining Costs**

TSX.V: TM | FRA: TZU2 



**Figure 1: Kombat Project Production and Cost Guidance**

2024	1.37x	\$18,837,500
2025	1.40x	\$19,250,000
2026	1.43x	\$19,662,500
2027	1.47x	\$19,477,500

**Table 1: Stream Buyback Multiples**

Disclosure Code: 2, 6

**Disclosure**

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Rating System	
Buy:	Price expected to rise
Speculative Buy:	Buy rating with increased risk
Hold:	Properly priced
Sell:	Price is inflated and expected to decrease
Under Review (U/R):	Under review
Not Rated (N/R):	Not currently rated

Summary of Recommendations	
Buy	17
Speculative Buy	1
Hold	0
Sell	0
U/R	1
<b>Total</b>	<b>19</b>