

Tocvan Ventures – Soil Sample Results Expand Gran Pilar Mineralization

Rating
BUY
Unchanged

Target Price
\$0.90
Unchanged

November 12, 2024

All figures in CAD unless otherwise stated

Tocvan Ventures Corp.	TOC:CSE
Rating	BUY
Target Price	\$0.90
Return to Target	58%

Market Data	
Share Price	\$0.57
Average Daily Volume (K)	22.8
FD ITM Shares (M)	51.6
Market Cap (\$M)	\$29.4
Cash (\$M)	\$0.4
Debt (\$M)	\$0.8
Enterprise Value (\$M)	\$29.9

Estimates	FY28E	FY29E	FY30E
Gold Production (Oz)	23,783	39,638	44,923
Revenue (US\$M)	\$52.6	\$87.6	\$99.3
Operating Profit (US\$M)	\$31.8	\$52.9	\$60.0
Cash Flow (US\$M)	\$13.1	\$27.5	\$34.0

Valuation	
NAVPS	\$3.92
P/NAV	0.1x

Please refer to the applicable disclosures on the back page Disseminated on behalf of Tocvan Ventures Corp.
Source: Atrium Research, CapitalIQ, Company Documents



Tocvan Ventures Corp. is a Canadian-listed, publicly traded, early-stage precious metals exploration company that is engaged in the acquisition, exploration, and development of mineral properties. The Company is focused on its flagship Pilar Gold Project which is situated in Sonora Mexico.

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What you need to know:

- Tocvan reported results from 541 soil samples taken from its ongoing soil and rock chip sampling program at its Gran Pilar gold-silver project.
- Today's results confirm strong mineralization across the large 2km² area that was sampled in this release and gives us confidence in the prospectivity across the rest of the large 2,200ha+ land package.
- We recently initiated coverage on Tocvan, find the report [here](#).
- Last month, we interviewed management, view the interview [here](#).

This morning, Tocvan Ventures Corp. (TOC:CSE, TCVNF:OTC), announced the results from 541 soil samples taken within the ongoing soil and rock chip sampling program at its Gran Pilar gold-silver project in Sonora, Mexico. The results reported today cover over 2km² within the southern block of Gran Pilar and are very impressive with high values being found throughout the sampling grid. This confirms that soil sampling can be a cost-effective tool to locate target areas and, more importantly, shows us the much larger potential for significant mineralization at Gran Pilar. **We are maintaining our BUY rating and \$0.90/share target on Tocvan Ventures.**

Surface soil and rock sampling have been ongoing across the Gran Pilar area with a focus on the northern and eastern extensions of the Main Zone, North Hill and 4-T trends (Figure 1). To date, 541 soil samples and 184 rock chip samples have been collected, with the 541 soil samples being reported today. These samples were taken over a 2km² area within the southern block of Gran Pilar where Tocvan holds 100% interest. The southern block remains unsampled and open 1.4km east and 400m south of today's soil grid providing another ~4km² remaining open for additional discovery within the southern block alone.

Highlights from today's results include:

- **21.2 g/t Au and >2,000 g/t Ag, 1,000m NE of the Main Zone**
- 2.4 g/t Au and 21.9 g/t Ag, 1,700m ENE of the Main Zone
- 1.3 g/t Au and 299 g/t Ag, 390m NNE of the Main Zone
- 1.2 g/t Au and 8.2 g/t Ag, 1,700m E of the Main Zone
- 62 of 541 sampled over 0.1 g/t Au or 100ppb
- 350 of 541 sampled over 0.02 g/t Au of 20ppb (still considered anomalous)

The most notable sample (21.1 g/t Au and >2,000 g/t Ag) also includes 0.62% Cu, 12.7% Pb and 2.3% Zn and coincides with nearby historic mine workings. This is within a broader zone of anomalous values that extends for over 800m x 500m and to highlight the sample's significance, the highest sample ever taken at the Main Zone was 8.1 g/t Au & 12 g/t Ag. Furthermore, the samples just to the north of North Hill (Figure 1) could provide as low-cost targets for resource growth following the planned maiden resource estimate on the Pilar Main Zone.

Refresher

We initiated coverage on Tocvan on September 24th, find the initiation report [here](#). As a reminder, within the report, we laid out TOC's near-term plans beyond exploration which includes the permitting and construction of a 50,000t pilot plant and plans to release a maiden resource on the Pilar Main Zone upon completion of this program.

Catalysts

- Main Zone Diamond & RC Exploration Drill Results – Q4/24
- New Target RC Drill Program – Q4/24 – Q1/25
- Pilot Plant Permit Approval & Construction Decision – Q1/25

Today's Results

The soil grid from today's results was completed along north-south orientation lines 100m apart with 50m sample spacing. Soil material from each site was sieved below 200 mesh or 74 micros, for an average sample size of 1.3km. Samples returning greater than 0.02 g/t Au or 20 ppb Au are thought to be anomalous and worth of closer evaluation. Sample results with greater than 0.1 g/t Au or 100 ppb Au are thought to be significant and warrant immediate follow-up as near surface mineralization is likely.

Our Take

Today's announcement was highly positive in showing strong mineralization surrounding the most densely explored Pilar Main Zone. This land is easily accessible and will make for high-priority areas as the Company derives drill targets from this work, and ultimately looks for resource growth potential once the maiden resource is reported. Furthermore, the most eastern row of soil samples continues to show high values, which gives us confidence in the potential of the remaining untested area east and south of today's grid, within the southern block. Beyond the southern block, we will that note in Figure 2, the substantial land package within the northern block and specifically the north alteration zone, remains largely untested. This north alteration zone is an area which management believes it has potential to host a significant deposit, highlighting the many highly prospective targets at Gran Pilar.

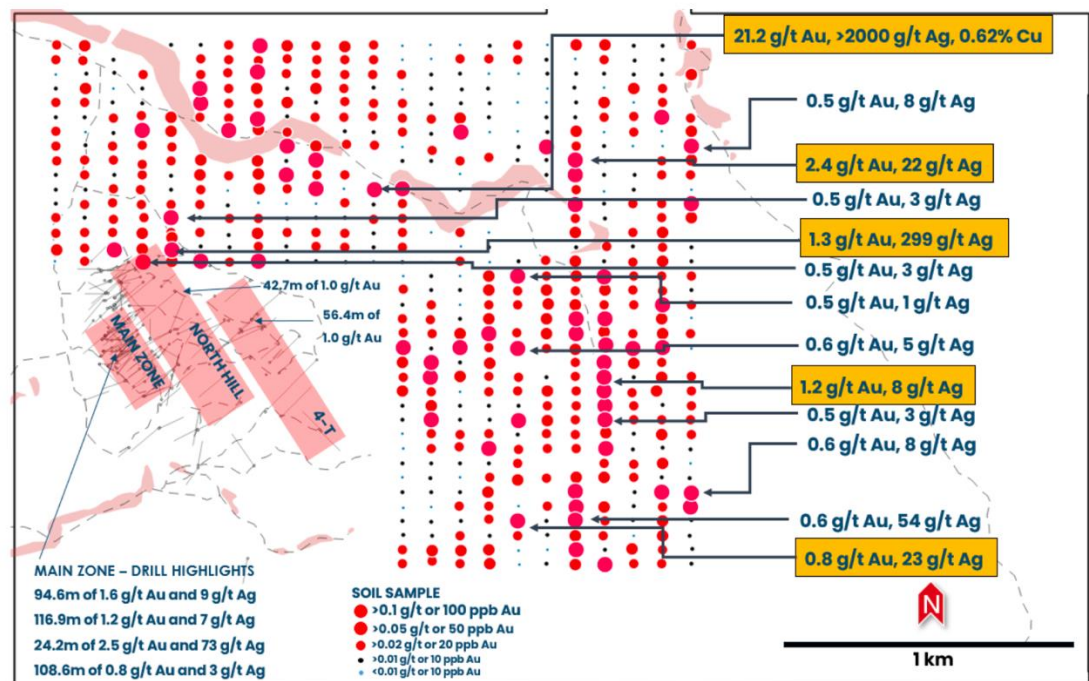


Figure 1: Today's Soil Sample Results from Gran Pilar, highlighting the expansion potential to the north and east of the Main Zone (Source: Company Documents)

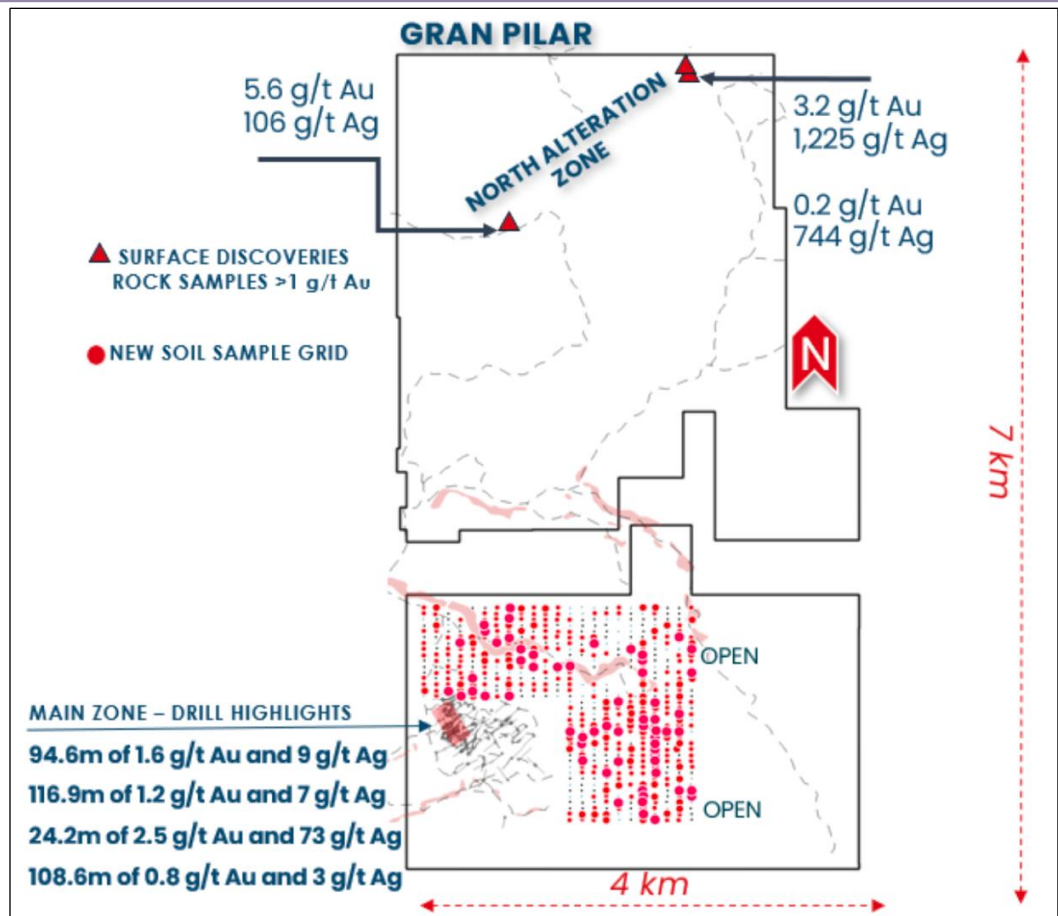


Figure 2: Gran Pilar Project Overview – Highlighting the Soil Sample Grid and the Largely Unexplored Areas within the Southern Block & Northern Block

Why We Like TOC

- Gran Pilar stands as a district-scale project covering over 2,200ha and showing strong gold-silver mineralization across the property. TOC plans to release a maiden resource on the Pilar Main Zone which covers just a small fraction of the property, leaving substantial upside going forward.
- Tocvan plans to permit and construct a 50,000t pilot plant which is set to produce gold as early as H1/25. This is part of the Company’s plan to show the profitability of the asset and its ability to profit from gold production with minimal invested capital.
- Tocvan’s ~2,400ha El Picacho Gold-Silver project also lies in Sonora and is proximal to two mines which previously combined for over 13Moz of gold in resources. Preliminary exploration work, including an inaugural drill program in 2022, showed the project has strong gold-silver mineralization.
- TOC’s management team is both experienced and strategically lean, minimizing corporate G&A. This ensures that the majority of capital is allocated towards advancing exploration and development activities.

Valuation

We utilize an NPV valuation for the Gran Pilar Project, assuming an 8% discount rate and 0.2x multiple to arrive at a valuation of \$40.5M or \$0.78/share. We then add a \$5.1M valuation for the El Picacho project or \$0.10/share based on the project spend and premium. Adjusting for TOC's cash and debt balances, we arrive at our \$0.90/share target price, implying 58% upside, after the stock rallied 27% since our initiation report. We will note that TOC had only \$0.4K in cash in its last financials, however, it is receiving \$62.5K per month of working capital coming in from Sorbie Bornholm. This puts Tocvan into a strong financial position, where it does not need to dilute shareholders or raise additional capital in the near term.

Net Asset Value	Amount (C\$M)	Per Share (C\$/share)
Mining Assets		
Pilar Project NPV	202.4	3.92
P/NPV Multiple	0.2x	0.2x
Pilar Project Valuation	40.5	0.78
El Picacho Valuation (100% ownership)	5.1	0.10
Total Project Valuation	45.6	0.88
Corporate Adjustments		
(+) Cash	0.4	0.01
(-) Debt	0.8	0.02
Total	45.1	0.87
Target Price (Rounded)		\$0.90
Upside		58%

Figure 3: Valuation Summary

Tear Sheet

Market Data		Capital Structure						
Ticker	TOC:CSE	Basic Shares Outstanding (M)	51.2					
Stock Price	\$0.57	Warrants (M)	17.1					
Rating	BUY	Options (M)	3.2					
Target Price	\$0.90	FD Shares (M)	71.5					
NAVPS (8%)	\$3.92	FD ITM Shares (M)	51.6					
Market Cap (\$M)	\$29.4	Commodity Assumptions						
Cash (\$M)	\$0.4	Gold Price (\$/oz)	\$2,200					
Debt (\$M)	\$0.8	Silver Price (\$/oz)	\$28					
EV (\$M)	\$29.9							
Financial Estimates (FY)		FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Production (AuEq)		1,102	0	0	23,783	39,638	44,923	47,565
Revenue (\$M)		\$2.4	\$0.0	\$0.0	\$52.6	\$87.6	\$99.3	\$105.1
Operating Profit (\$M)		\$1.1	\$0.0	\$0.0	\$31.8	\$52.9	\$60.0	\$63.5
Cashflow (\$M, After Tax)		\$0.5	(\$0.1)	(\$1.4)	\$13.1	\$27.5	\$34.0	\$36.4
Capex (\$M)		\$0.4	\$0.1	\$2.1	\$12.5	\$12.5	\$10.0	\$10.0
P/CF		59.0x	N/A	N/A	2.2x	1.1x	0.9x	0.8x

Figure 4: Tear Sheet

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Ben Pirie owns warrants in Tocvan Ventures Corp. that he purchased personally separate from this engagement.

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HOLD: The stock is expected to generate returns of 0-20% over the next 24 months.

SELL: The stock is expected to generate negative returns over the next 24 months.

NOT RATED (N/R): Atrium does not provide research coverage on the respective company.

RATING	COVERED COMPANIES
BUY	19
HOLD	0
SELL	0

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