



Delbrook Capital's Top Long Idea: Torex Gold Resources

Contrarian Conference, December 17th



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A BETTER WAY OF TACKLING THE METALS & MINING SECTOR

EXPERIENCED TEAM

- Matthew Zabloski 15+ years of investment management experience, including PM roles with Fidelity Management Research Company & CI Cambridge Advisors.

A REPEATABLE AND UNIQUE INVESTMENT PROCESS

- Bottom up, research intensive, concentrated equity long/short portfolio.

VANCOUVER IS GROUND ZERO FOR THE MINING SECTOR

- Delbrook is located within steps of billions of dollars of market capitalization. In person meetings with management teams & access to industry leading technical teams is a major competitive advantage.

FOUNDING MEMBER OF THE SHAREHOLDERS' GOLD COUNCIL

- Proud to contribute to sector reform through the SGC, a group of investors focused on the materials space who are pushing for improved governance and business practices.

STRATEGIES

RELATIVE VALUE
25-35%

EVENT DRIVEN
25-35%

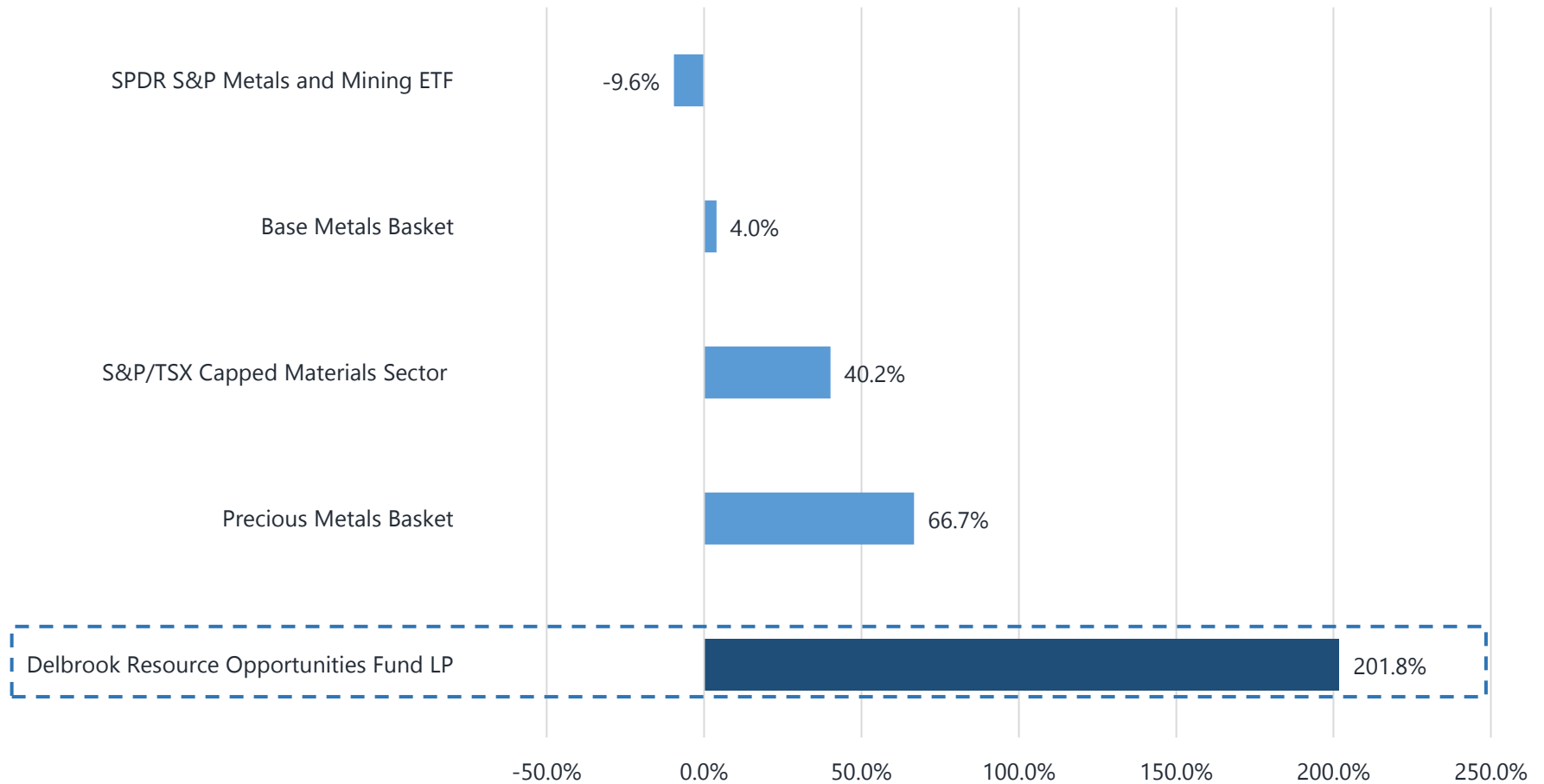
LONG
DURATION
20-30%

Fund gross exposure range: 80-110%

Fund net exposure range: 10-65%

SIGNIFICANT OUTPERFORMANCE

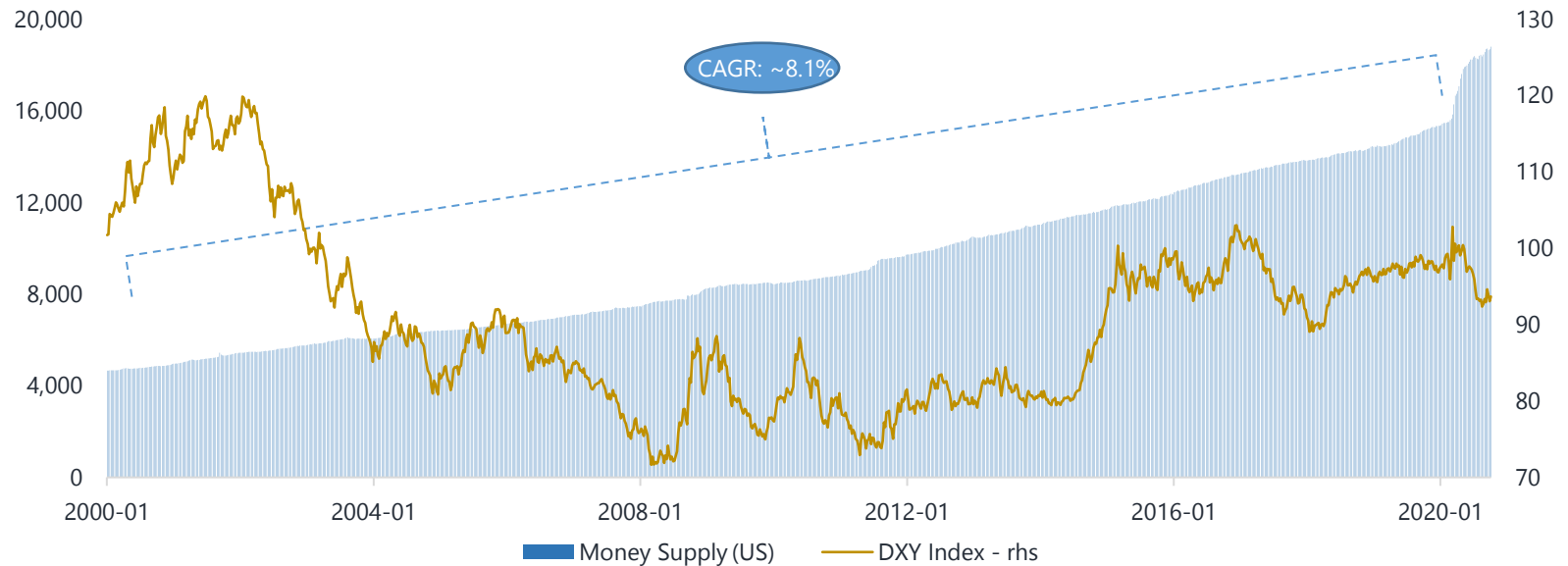
PERFORMANCE SINCE FUND INCEPTION ⁽¹⁾



1. Inception Date: September 2018

COMMODITIES: THE TIME IS NOW

MOVING TOWARD A STRUCTURAL BULL MARKET

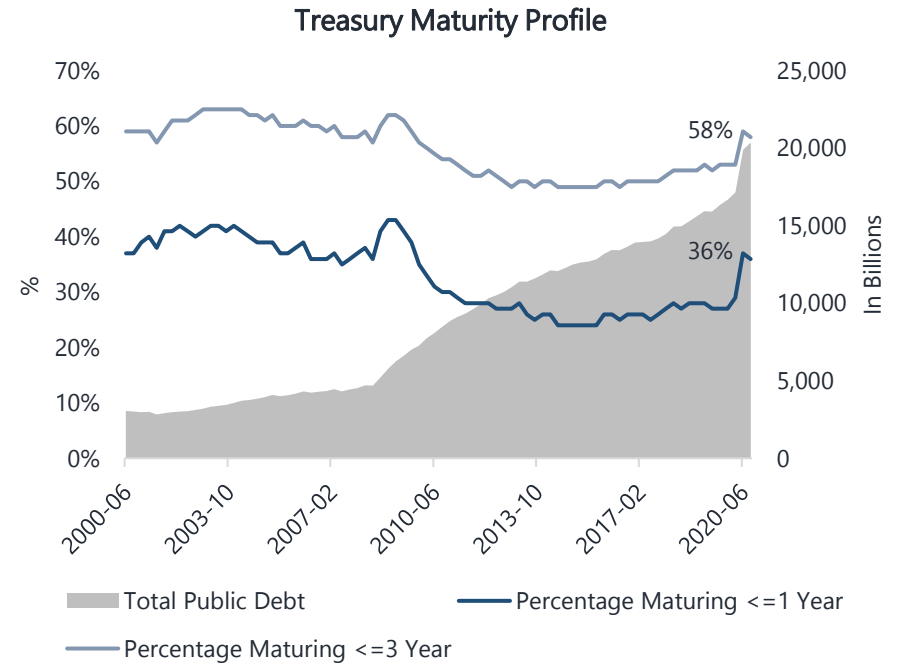
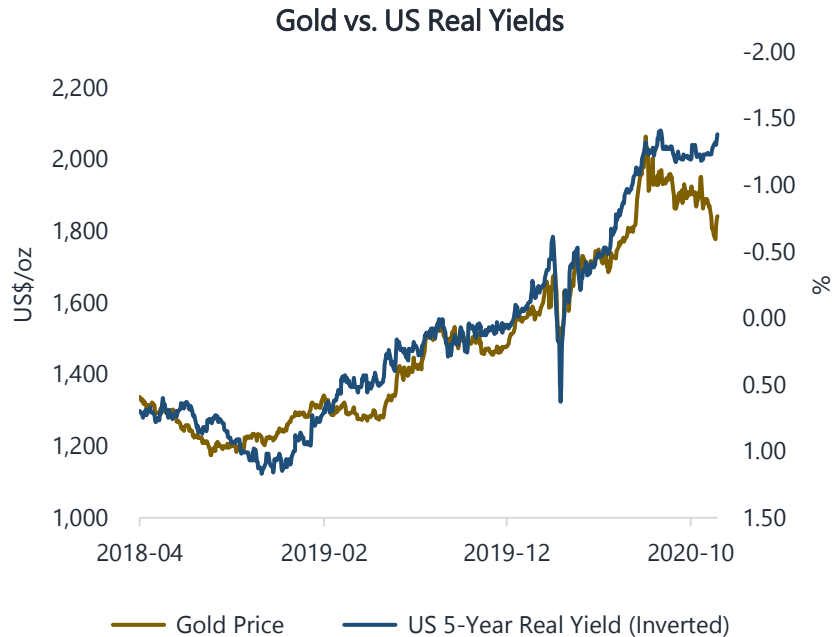


Source: Bloomberg / Delbrook Capital

- Government backed stimulus and accommodative monetary policy.
- Macro tailwinds from a weakening dollar and rising inflation risks.
- 20 years of structural underinvestment.

GOLD: IN SEARCH OF A NEW RESERVE CURRENCY

STRUCTURAL BULL MARKET FOR GOLD



Source: Bloomberg / Delbrook Capital

- With more downside expected in US real interest rates, gold is poised to go higher.
- Expanded balance sheets and vast money creation spurs currency debasements.
- There will be incentives for central banks and governments to allow inflation to drift higher to reduce the debt burden.

INVESTMENT THEMES: GOLD

A "SAFE HAVEN" ASSET

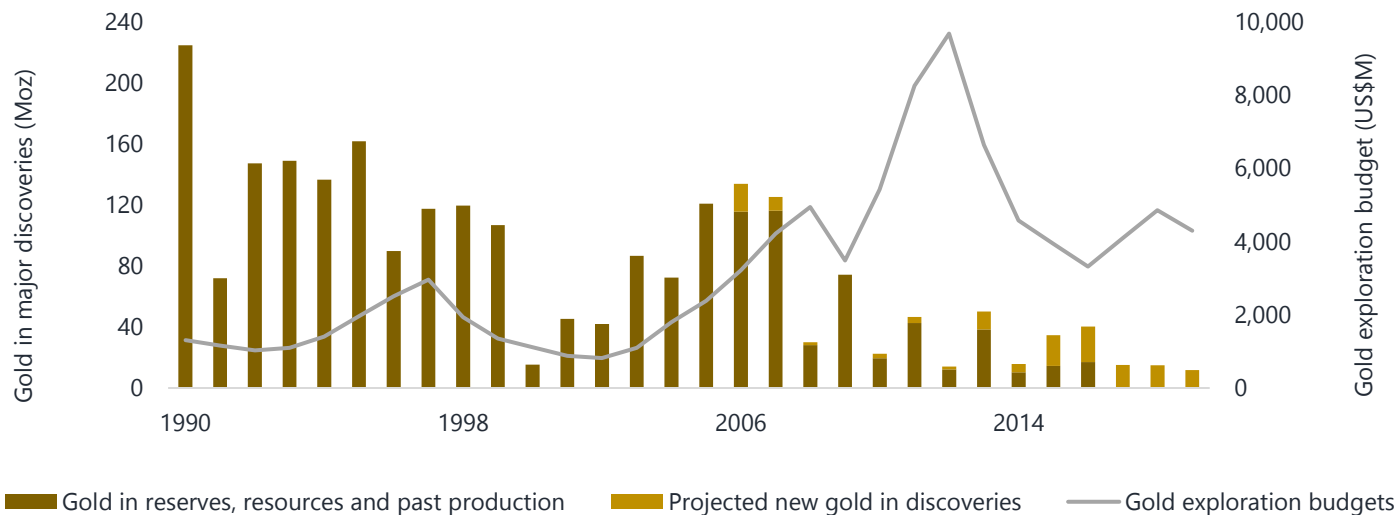
- A traditional "flight to quality"
- Geopolitical uncertainty increasing
- Weakening dollar and currency debasements

INDUSTRY DYNAMICS SETS UP FOR NEXT CYCLE

- M&A wave is here
- Cycle of underinvestment
- Compelling supply/demand dynamic

DISCOVERIES AT ALL TIME LOW

- Easy gold already found
- Exploration budgets decimated
- Sets up the market for price rebound



Source: SNL / Delbrook Capital

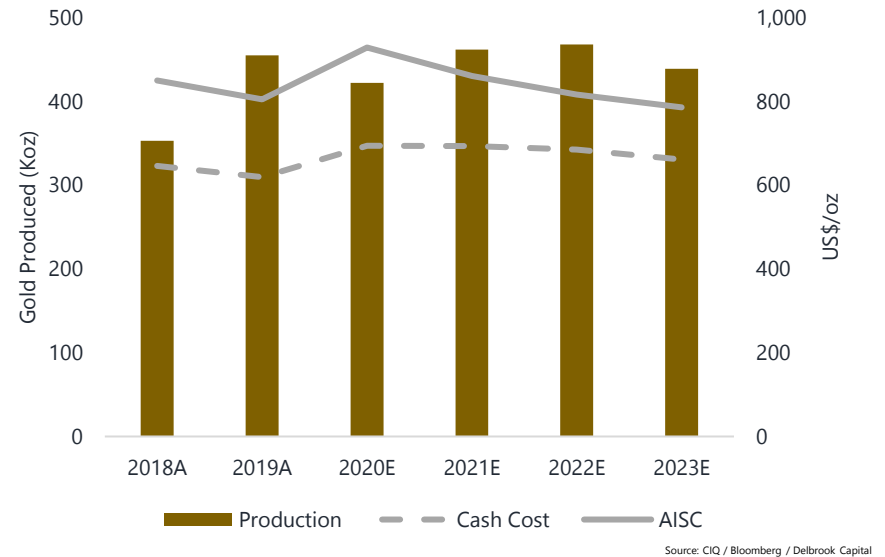
TOREX GOLD RESOURCES (TSX: TXG)

Description and Share Price

Torex Gold Resources Inc - is a Canadian mining company with the ELG (El Limon - Guajes) open pit mines and the Sub-sill & El Limon Deeps (ELD) underground operations in Guerrero, Mexico.



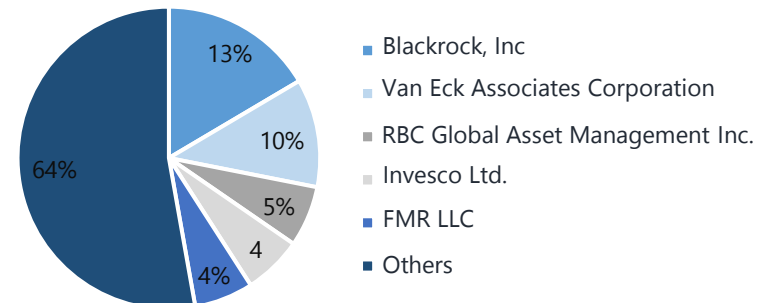
Production Profile



Company Information (As of December 9, 2020)

Listing	TSX: TXG
Share Price (C\$)	\$19.65
Shares Outstanding (M)	85.5
Market Capitalization (C\$M)	\$1,683
Less: Cash (C\$M)	\$302
Plus: Debt(C\$M)	\$200
Plus: Minority (C\$M)	\$0
Enterprise Value (C\$M)	\$1,581

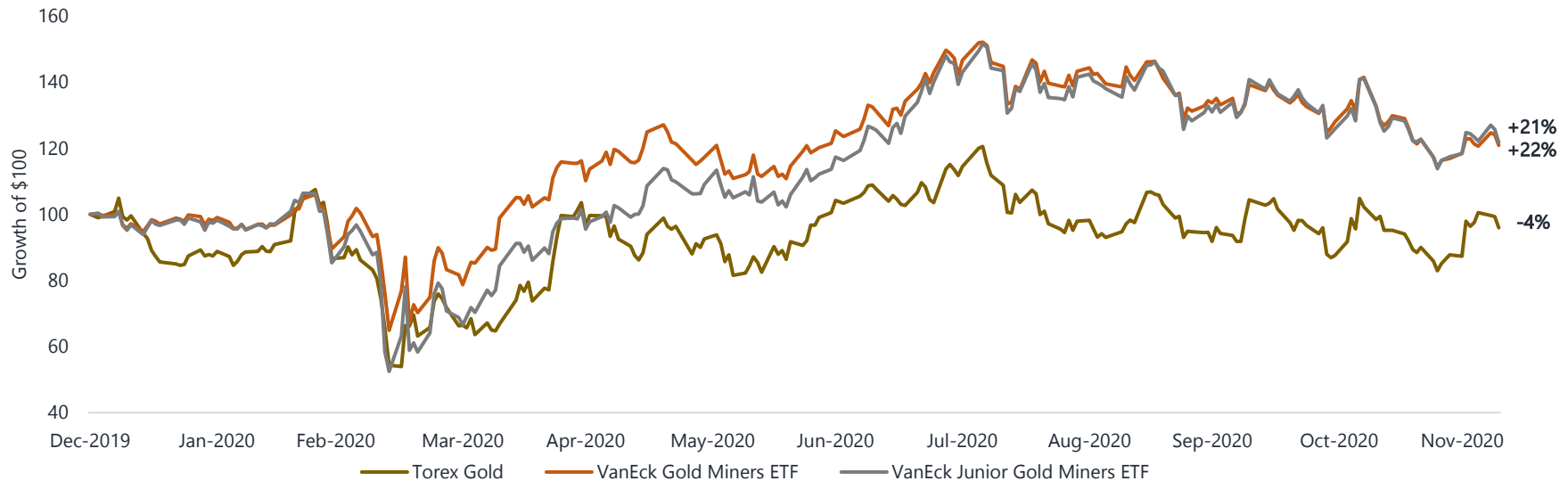
Shareholder Structure



Source: CIQ / Bloomberg / Delbrook Capital

TOREX GOLD RESOURCES (TSX: TXG)

Year to Date Performance



Source: Bloomberg / Delbrook Capital

- YTD Torex has lagged its peers and is down 4% vs. GDX/J up >20%. – largely due to COVID supply disruptions the company had to content with.
- Operations got fully ramped up in Q3/2020 and reported record free cash flow for the quarter of US\$124 million (annualized >25% free cash flow yield).
- The 2020 guidance was left unchanged at 390-420Koz at AISC of \$965-1,025/oz and we expect the company to report another strong quarter given the increased contribution from underground mining at ELD (El Limon Deeps) ramps up.

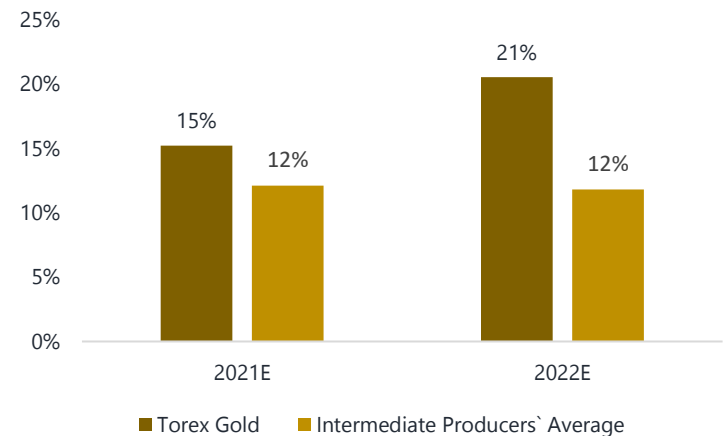
TOREX GOLD RESOURCES (TSX: TXG)

Investment Thesis Summary

- At the current spot gold price, TXG is trading at ½ the value of its peers. The implied discount range to spot gold is at the widest point ever. **We believe this valuation gap will close in the coming months.**
- The company also has the Media Luna copper-gold deposit on the same property that is being developed for centralized processing at the current ELG plant. Torex is well positioned to finance Media Luna expansion without an external capital injection, even if the gold price drops below US\$1,400/oz.
- Given the companies' strong growth potential, free cash flow generation and potential to be a M&A target, we believe Torex should trade closer to **C\$25.00/sh** an increase of approx. **+25%** from its current level.



Free Cash Flow Yields



Source: CIQ / Bloomberg / Delbrook Capital