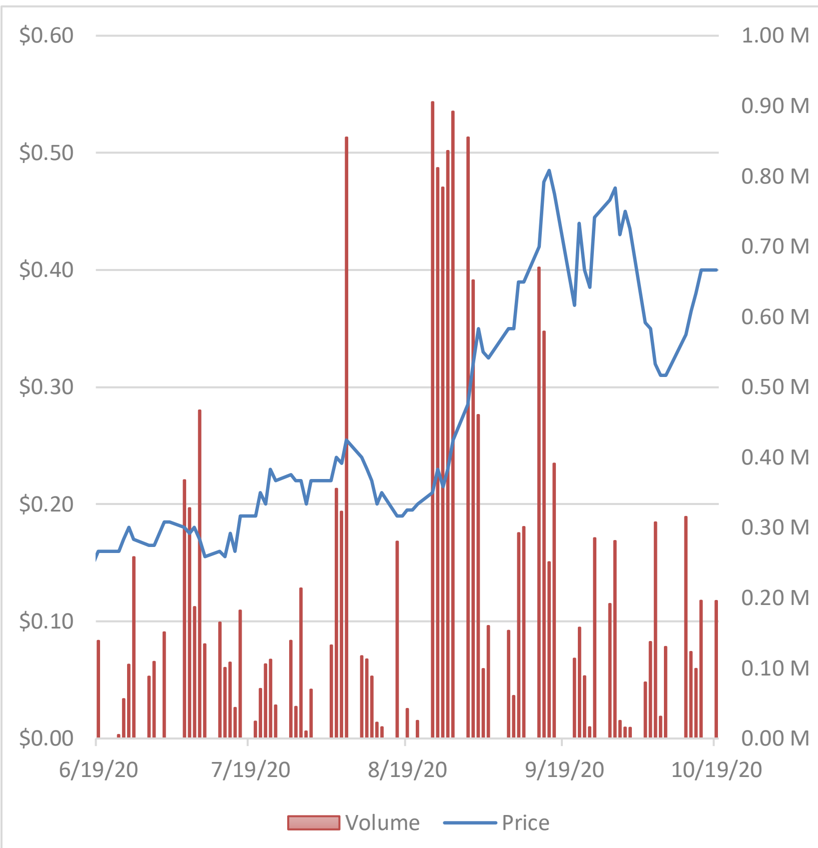
TSX RESEARCH
BY ELITE STRATEGIC INC

Tocvan Ventures Corp

CNX: TOC | FWB: TV3
Market Cap: $9.8M
Tocvan.com



SUMMARY

Trading at a very steep discount to comparable assets that have matching geophysics, location, and drilling history

Possesses an asset with highly sought-after geophysical anomalies, one that is renowned for bonanza grade deposits (i.e. >1 oz/t)

Company intends to move towards production rapidly, reminiscent of an adjacent mine having obtained production financing, in Q1 '20, with an asset that is both in very close proximity and a geological look-alike

Tocvan Ventures Corp (CSX: TOC; FWB: TV3) is a gold exploration company with the Pilar property – a highly mineralized gold property, with very promising geophysical anomalies, in the mining rich province of Sonora, Mexico. The stock currently trades at $0.40 per share on the CSX, €0.27 on the Frankfurt exchange. While this is an exploration stage company, the price is still at an extremely significant discount relative to the value extractable from Pilar. The asset is a low sulphide epithermal deposit located on the Sierra Madre Occidental trend, which is unique and highly sought after. Mines with the same geology, and having the same metals, are in close proximity and are either already in production or have obtained production financing with relatively limited technical work.

The type of asset that the Pilar property possesses is of high value, as other mines with similar assets have produced very high-grade deposits. Some bonanza grade mines possess the same geological attributes. A recent example of the value of this is with a very similar mine i.e. the Santana mine, owned by Minera Alamos (MAI.V), which received production financing by Osisko and commenced construction in January of this year. Typically, in order to obtain production financing, companies undergo many years of complex exploration work and conduct detailed studies to determine the economic value of the asset. With Santana this was not the case, and with information that is comparatively negligible there was enough confidence with investing powerhouses like Osisko to provide production capital.

I highly recommend anyone who wishes to buy this stock do so with the listing on the CSE. TOC's current share price of C$0.40 (US$0.30) is a staggering 383% discount to intrinsic value. Conservative estimates show that comparable assets of a more advanced stage are worth, on average, $149.31M using a 20% discount rate. In order to account for the earlier stage of the project, I have simulated equity raises of $10M, and assumed the project will not reach a stage where an economic assessment is available until June 30, 2024. While I believe these assumptions are conservative, particularly with the impact of the assumption of a $10M raise, it is a useful test in demonstrating the intrinsic value of the asset.

Catalysts to increase its share price in the next 12 months include completion of further exploration on the asset by way of drilling and bulk sampling.

Key investment risks include the price of Gold, Silver, drill/bulk sample results, permitting and environmental compliance issues, unforeseen changes in political environment, and ability to secure financing. While some of these risks are beyond any individual's control, the risk of drill/bulk sample results and maintaining permit compliance is believed to be reduced with competent management, quality geologists, and sufficient checks and balances. Financing of junior mining companies has improved, and many investors have interest in gold, silver, and precious metal companies. High grade deposits continue to garner attention from the market, with a direct comparable (Santana – Minera Alamos) having fast tracked to production by obtaining financing shortly after having completed a bulk sample, and other comparable showing very economically viable deposits. With the recent announcements of increasing stimulus by the US government, a trend that may have a snowball effect in being unavoidable with the current policy precedents and growing in magnitude over time, prices of precious metals like Gold and Silver make for a compelling investment with their potential to rise further. Furthermore, with high grade deposits being tapped into, finding a property with all the attributes needed to have such a deposit becomes all the more valuable.

Company Background

Tocvan Ventures (TOC) is a junior mining company that was created to participate in advanced mineral opportunities at attractive valuations. With the previous decade being particularly challenging in mining finance, Tocvan used what was a crisis for many as an opportunity for themselves. By utilizing a rigorous due diligence process in which they reviewed over 150 assets as potential acquisitions, they ultimately optioned the Pilar property from Colibri resources. Tocvan has the option to purchase 100% of the asset and is currently focused on exploring and developing this project located in Sonora, Mexico. Mexico is a very mining-friendly jurisdiction, with Sonora in particular being host to the largest percentage of operating mines in Mexico. This project is on a geological trend known as the Sierra Madre Occidental, and is in close geological proximity to 1 operating mines, and 1 mine that is under construction and will be operating shortly.

The project has had recent drilling and discovery of a pipe-like structure that is the geological equivalent of a eureka moment. To date there has been 17,700m of drilling on the property.

Investment Thesis

The junior financing market has, in recent periods, seen renewed vigour that that has been absent in almost a decade. Having breached previous all-time highs, it looks like the thesis many investors held of Gold being valuable currency is holding true in an era of stimulus figures that was unfathomable 20 years ago. The current range of Gold price is around $1,900/Oz-$,2000/Oz. The year 2020 alone saw an appreciation in price of over 59%.

Furthermore, the Gold/Silver ratio had reached an all-time-high this year, surpassing 100:1. While this has since contracted, it is still high and there is a potential opportunity to invest in silver. Within the Earth's crust the Gold/Silver ratio estimates vary from 16:1 to 25:1[1]. General consensus is a ratio of 17.5:1.

Given that this asset is showing results of a polymetallic deposit, this is a great opportunity to be exposed to a rising precious metals market.

Gold recently breached all-time-highs, and Silver is catching up

[1] USGS – The composition of the Earth's crust – Frank Wigglesworth Clarke and Henry Stephens Washington

Gold/Silver ratio is correcting, but still at a historically high level

With interest rates still being very low, and expansionary monetary policy being the primary tool of choice to remedy economic downturns, it is very reasonable to be long-term bullish on precious metals and commodities in general.

The process of developing a producing mine is extensive, and highly dependent on the geological quality of the asset in question. Unlike many other industries (such as technology), the physical endowment of the asset is where the majority of the value can be obtained, with the remaining contribution attributable to factors such as management quality.

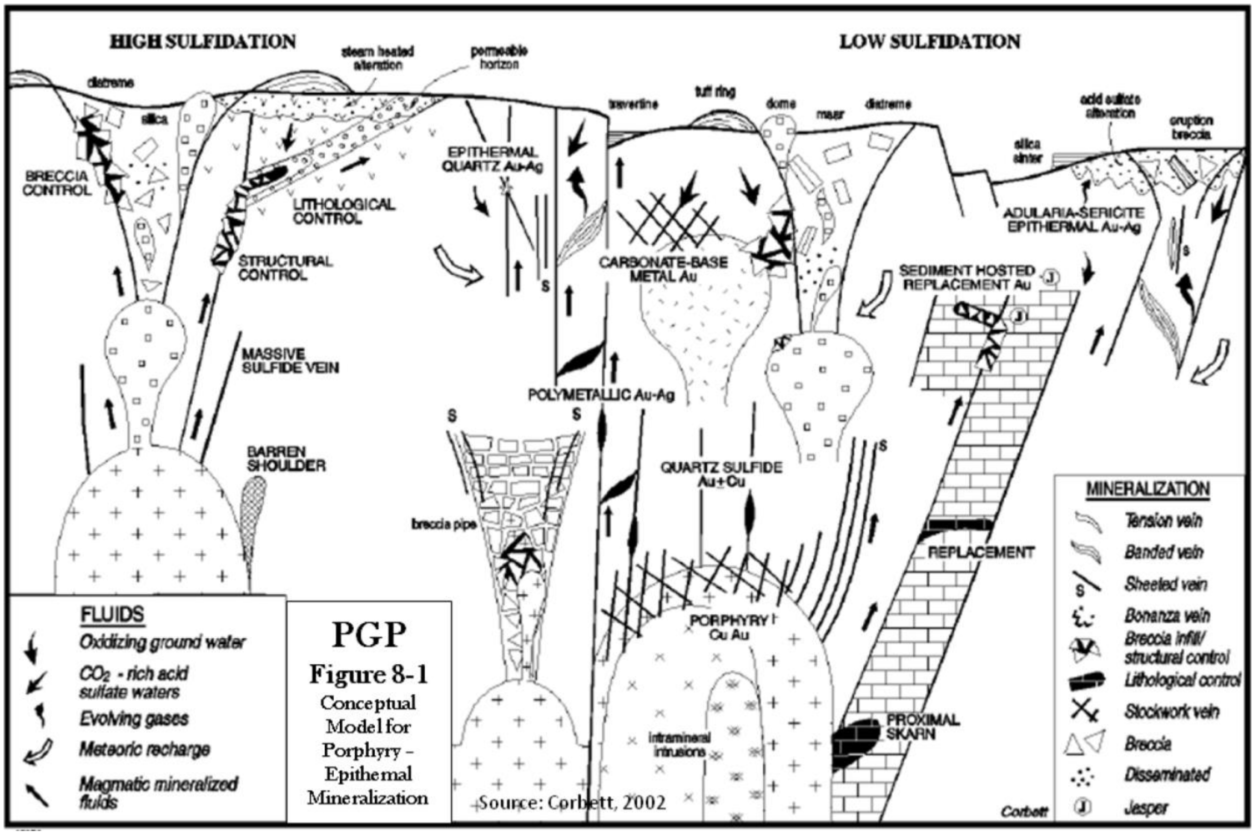
Located in Mexico is another advantage, being a mining friendly country with mining exports in 2019 of $13.42B they are the largest silver producer in the world.

Mexico Mining Production and Market Size (*Figures in USD billions)*

	2015	**2016**	**2017**	**2018**	**2019**	**2020***
Total Local Production	13.45	12.56	12.78	12.57	12.69	11.42
Total Exports	11.6	11.88	12.43	13.05	13.42	12.07
Total Imports	2.39	2.15	2.25	3.06	3.20	2.88
Imports from the U.S.	3.12	2.13	1.56	1.75	2.18	2.03
Total Market Size*	4.24	2.83	2.60	2.58	2.47	2.22
Exchange Rates	15.89	18.68	18.91	19.23	19.26	20.00

Total market size = (total local production + imports) – exports
**2020 per IMF forecast*
Source: INEGI, OTEA

In order to obtain a value for this asset, I had to make some forward-looking assumptions. I believe these assumptions to be reasonable, as the geological data would indicate so and the company's management indicated said plan. As can be seen below, I have analyzed comparable mines that are in production, and they are profitable. In selecting my comparable set of assets, I was very careful to identify those assets that are a geologically match, and in close proximity. Given the geological variation amongst the different types of mines, this is a very selective criteria and will produce comparables that are very close matches to Pilar. To use a crude analogy, if you were to compare a 3.5L V6 turbo charged mid-engine sports car, you would want to compare it with another 3.5L V6 turbo charged mid-engine sports car in order to estimate the horsepower, instead of any car made by the same company or a naturally aspirated 3.0L V6 front-engine car.



PGP
Figure 8-1
Conceptual Model for Porphyry - Epithermal Mineralization

In valuing these comparable assets, I have shown that the value of these assets supersedes what the market has currently priced in, even when accounting for the earlier stage that Pilar is in right now (although we know there has been a very recent exception to this rule, having proceed to construction and will soon be in production without having had a single technical report!).

Tocvan also has the added advantage of being in close proximity to infrastructure and being accessible. Given the proximity to existing mines, employees can drive 1 hour from Hermosillo and reach the mine site. This is why Tocvan is a rare investment opportunity as it is surrounded by all of this major infrastructure but is still trading at a very steep discount despite direct comparables in close proximity being in production. With the geological asset being the right type, the company has established the base required to be able to explore and eventually produce.

The geology that the asset has is reminiscent of bonanza grade mines i.e. average grades >1oz/t. It is just far easier for a company to move forward with an economically viable mine from a high-grade geophysical deposit, than to work around low-grade assets.

Furthermore, the stock is priced imperfectly for the following reasons:

1. There is significantly more upside value to the property than the market has priced in. I have demonstrated this by discounting comparable assets, ones that were selected via a rigorous criterion of matching geophysics and same geological jurisdiction i.e. assets that are very close matches to Pilar, at 20% (higher than industry average of 10%). Given the physical nature of mining, the only way to value assets of this nature is to find others that are geologically extremely closely matched. I felt it to be an appropriate proxy to the value that the property contains and have made the requisite adjustments to account for inherent risk assumed due to the project being earlier stage.
2. There is significantly less downside risk in the fact that Mexico is known for minimal hurdles to production. The Sonora province in Mexico has the highest amount of producing mines in the country.

3. Precedent transactions show that the Pilar asset has potential to be brought to production significantly sooner than the experience typical of traditional exploration companies. Management has also indicated interest in pursuing such a path. Most mining explorers take on average 10+ years of drilling and economic studies before they are finally in production, if they ever get there. Minera Alamos' comparable asset – Santana – is in very close proximity to Pilar, and shares the same geophysical properties. While this is rare as the asset has not yet produced a technical report, it is a testament to the quality of this particular geological formation.

4. Recent work on the asset shows results that are very promising. The company has observed a sub-vertical pipe-like structure that may represent a breccia feeder pipe related to epithermal mineralization[2]. This is significant because such formations can hold grades greater than 1 oz/ton i.e. bonanza grade deposits. The asset also has tremendous potential at depth, and with step-out drilling, giving rise to the possibility of an early production story with a multi-million ounce deposit at depth.

Catalysts

Catalysts in the next 12 months include:

- Further drilling to better define the resource
- Bulk sample

Catalyst #1 is significant in terms of confirming the hypothesis the company has and will justify a re-rate of the market capitalization. Specifically, the drill results will help in defining a resource. The weak MXN/USD has the potential amplify returns if MXN keeps constant, as the company operates in Mexico but Gold, Silver, Lead, etc. are all priced in US Dollars.

Catalyst #2 is critical to obtaining significant information on the asset and has the potential for the company to fast-track towards production financing and being cash-flow positive.

Valuation

Because the company is pre-revenue, and is a mining exploration company, I believe the most appropriate valuation of the company will be derived by an analysis of comparable assets to calculate the value per share. When possible, I have utilized a NAV of the comparables as the appropriate valuation metric. Due to limitations in publicly available information, while calculating the NAV I had assumed a date prior to first production in order to obtain the NAV over the life of the mine.

The comparable asset selection is based entirely on geology, and in order to obtain the most appropriate comparable companies, I analyzed the geological information publicly available in each respective company and identified assets that are a) in the same jurisdiction, b) are the same deposit type, c) are a product of geological activity from the same time period, and d) have similar geophysical attributes. Additional measures were taken to ensure this is an apples-to-apples comparison.
For the comparable NAV analysis, I have utilized a 20% discount rate and used a gold price of $1,900/tonne, which is below spot price as of today.

The result of my analysis indicates that TOC should be trading around $1.53/share. This is **3.83+ times** the current share price of $0.40 a share!

Exploration potential and low dilution

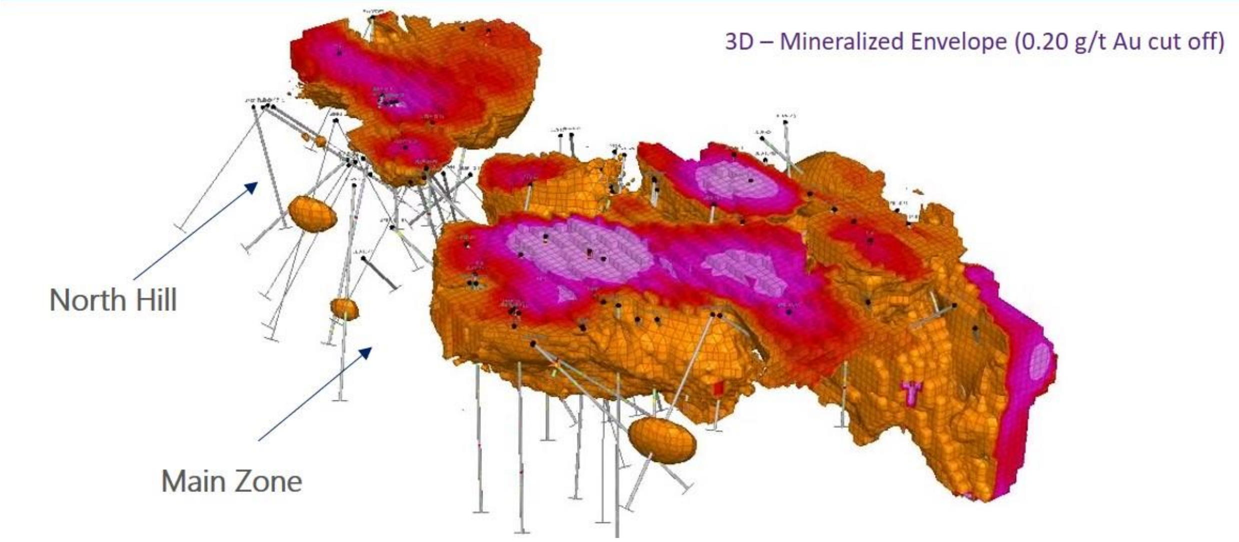
A very significant attribute to Tocvan's business is their approach to maintaining a tight share structure and keeping a low level of dilution. There are only 25M shares outstanding. As of the date of this report (October 19, 2020), the average shares outstanding on TSXV mining companies is 102,614,431. This

[2] Southwest Pacific Rim Gold-Copper Systems: Structure, Alteration, and Mineralization – G J Corbett and T M Leach

does not take into consideration the numerous reverse-splits/consolidation of shares that routinely transpires. Insiders also hold a sizeable 15.11% of the stock, indicating the implicit confidence they have in their asset.

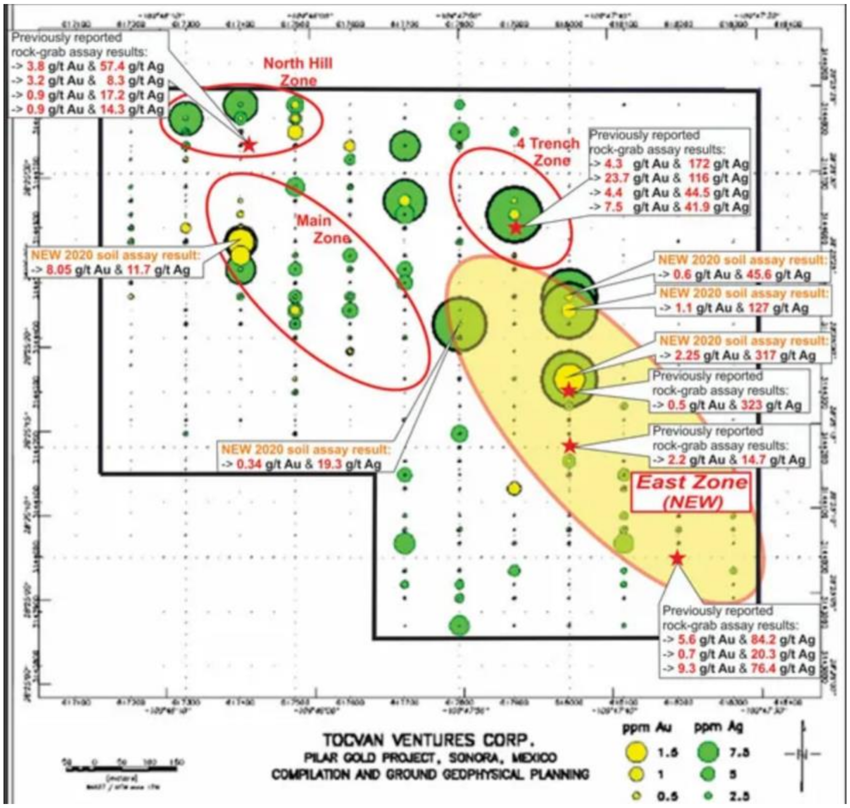
The asset has huge up-side potential, and the fact that it may be a near-term production story simply adds more fuel to the fire. Should the company have a producing mine similar to Santana, and management has indicated desire to be an early production story, exploration would be financed through the company's cash flow. This would mean no need for a negative impact the share structure. It would also get opportunities for non-dilutive financing, should such a need arise. In other words: the price per share would increase substantially!

The asset has tremendous value with further drilling. At depth, there is potential for significant expansion, with geophysical surveys showing a lot of promise:

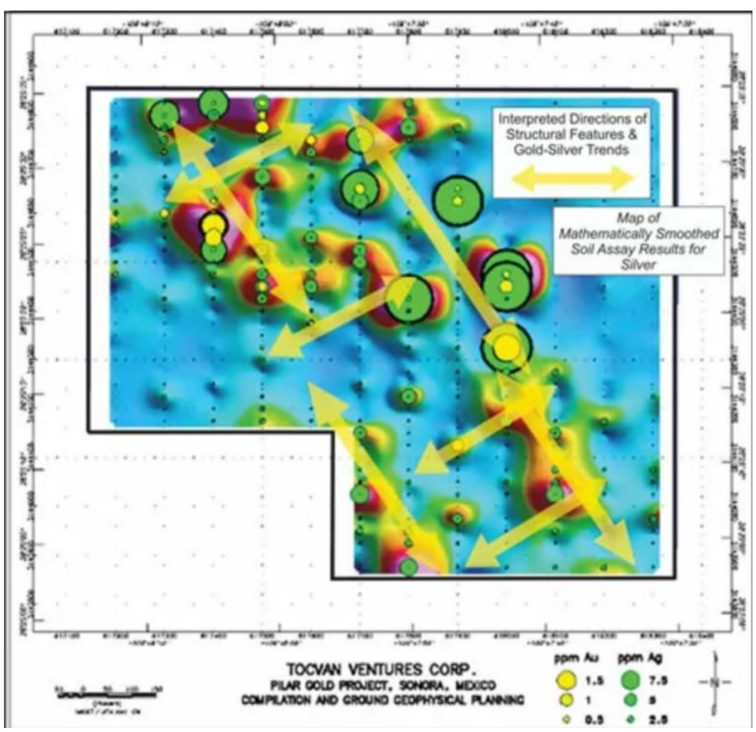


Historical drilling on the asset

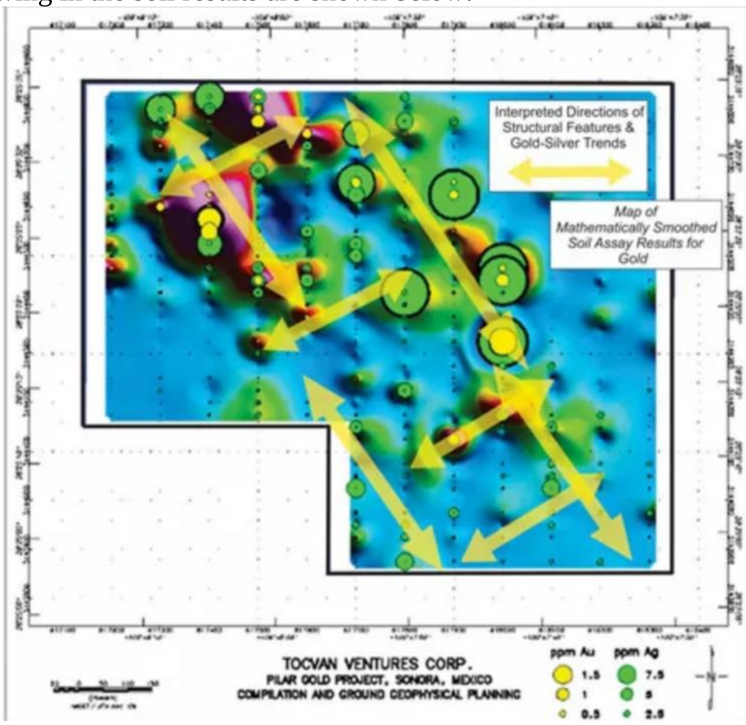
There was also a recent discovery of new parallel zones. The press release on June 24th, 2020, shows the discovery of a high-grade silver zone after he company conducted a soil sampling survey. The highest results showed a staggering 8 g/t Gold and 317 g/t Silver! This resulted in a new zone of mineralization that was previously un-explored. This new zone, known as the East Zone, contains high-grade gold and silver mineralization and is parallel to the North Zone where the bulk of historic drilling has taken place. Full results of this can be found on Tocvan Ventures Corp.'s website.



Significant Silver showing in the soil results are shown below:



Significant Gold showing in the soil results are shown below:



Given the historical work on the property and the existing 3D models, this has the potential to be get to a resource estimate significantly sooner than other exploration assets. The analysis we conduct is assuming minimal drilling and quick production – in line with management's targets. The asset has not yet been explored at depth, and with the prospect of a bonanza grade epithermal feeder system leading to a breccia pipe-like structure could lead to a potentially large deposit. A good drill campaign would mean the price would appreciate substantially, and this analysis would need to be adjusted upwards in order to incorporate a larger orebody.

Along with the Pilar asset, the company also has the option to purchase Rogers Creek. Rogers Creek is a Gold/Silver/Copper asset in British Columbia, Canada. Thus far it has had 5,200m+ of diamond drilling, various surveys and grab samples. Drill highlights include 1.05 g/t Gold, 0.093% Copper, 12 g/t Silver of 13.5m. Surface grab samples show 15.75 g/t Gold, 3.72% Copper, and 91.9 g/t Silver. The potential of this asset is significant and gives the company various opportunities such as spinning-off the asset and retaining ownership of this as the asset continues to be explored and expanded.

Comparable Mine Analysis

In order to determine the future potential of this mine, we look at geologically similar assets. Based on the geophysical data presently available on the asset's technical reports, and the company's website, the best comparable mines are Minera Alamos's Santana and Hecla Mining's Fire Creek. These assets share the same geology, and are located in close proximity to the asset. 2 of them are in the same province in Mexico and only a short drive away from Pilar.

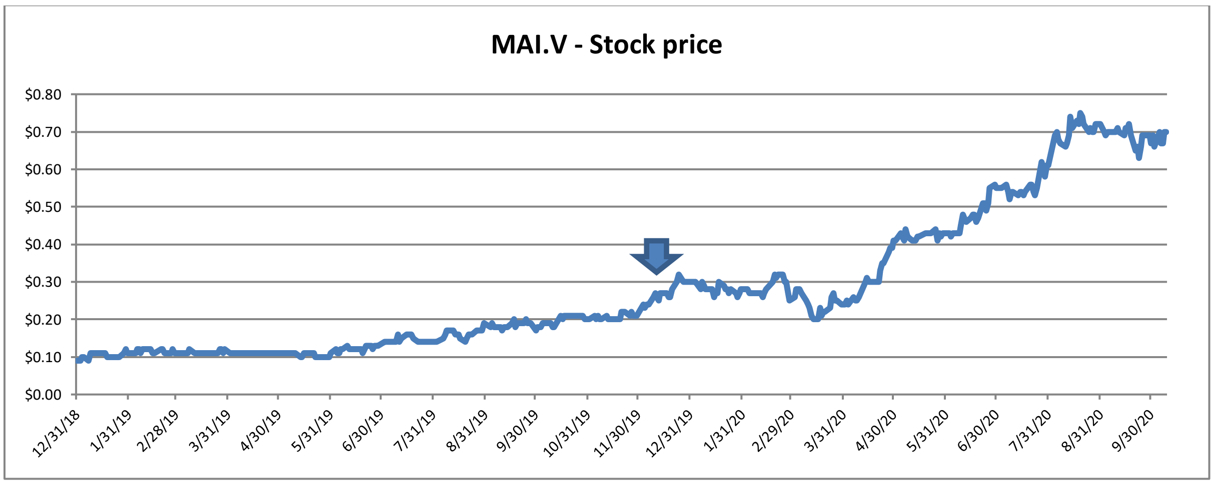
2 of the above mines are in production, and there is sufficient data to determine an approximate LOM NAV. 1 mine, namely the Santana mine, had only conducted a bulk sample and the parent company obtained production financing. There has been research on this mine, and I have incorporated estimates

made by Haywood Capital Markets in valuing this asset. The source of this data is uncertain, however given their reputation, I have included it in the analysis.

The Santana is a low CAPEX open pit heap-leach development permitted project with test mining and processing recently completed. Minera Alamos completed a bulk sample of 50,000 tonnes in 2018 and observed recoveries of 0.65 g/t Au.

According to the company: “A construction decision was made by management in Q1 2020 and while there were some initial delays caused by the COVID 19 pandemic during the initial preparation and preconstruction activity, full construction activities are ongoing at this time. **The mine results were so promising that the company has obtained production financing without having published a technical report.**”

The results of the bulk sample and obtaining the production financing happened in Q1 2020, around April. Since then their stock has gone up almost 100%:



The arrow indicates the date of construction according to the company’s press release

As mentioned earlier, there is no technical report on this asset. Pilar does have a technical report, and there is more information in the public domain on Pilar as a result.

We can use the market capitalization of Minera Alamos as a tool to determine the value of a comparable asset. With a market cap of over $303.96M, this comparable only has 3 assets, 1 undergoing construction and will be in production shortly (Santana), and the other 2 that are exploration assets. The stock seeing significant appreciation upon the announcement, as shown above, leads me to believe it is fair to assume at least 70% of the value of this company is attributable to the Santana asset and 30% to the remaining 2 exploration assets. At 70%, this gives the asset a value of $212.8M.

This is a more pessimistic view than what the market generally holds. Generally, companies with producing mines are valued almost entirely based on production asset, as the primary risk in mining is getting to a cash flow positive state. With exploration assets near production, it can contribute to the intrinsic value of the company, however, being cash-flow positive is the primary driver of value. We can also compare our number to what Haywood Capital Markets has provided. Haywood believes this mine will produce 33,000 Oz per year, over 9 years, with a $10M initial capex, and $785 AISC[3]. This gives an

[3] Haywood Capital Markets – Minera Alamos Inc (MAI-T) – August 8, 2019

approximate NPV of $138.40M. I have taken the average of the above with Haywood's numbers, and determined this asset is worth $175.57M.

The eventual resource estimates and/or economic assessment of the asset may be verified in Q3/Q4 of this year when their technical report is released. That too will depend on how in-depth the study is. There is certainly a fair possibility that the report could prove the mine has a higher NAV than what my numbers indicate. However, for now this is a good conservative estimate. Below is an analysis of what varying weights and gold prices will do to the value of the asset:

Santana Sensitvity - Gold Price and Contribution to Mkt Cap						
		Gold Price				
		$1,700	$1,800	**$1,900**	$2,000	$2,100
Market Cap Contribution	50%	131,864,184	138,517,086	*145,169,987*	151,822,888	158,475,790
	60%	147,062,212	153,715,113	*160,368,014*	167,020,916	173,673,817
	70%	*162,260,239*	*168,913,140*	***175,566,042***	*182,218,943*	*188,871,844*
	75%	169,859,253	176,512,154	*183,165,055*	189,817,957	196,470,858
	80%	177,458,266	184,111,168	*190,764,069*	197,416,970	204,069,872
	90%	192,656,294	199,309,195	*205,962,096*	212,614,998	219,267,899

Key Takeaway: it is reasonable to assign a higher weight to Santana as the driving force of MAI's market cap. Assigning it 90% contribution will get a value is $205.96M!

Below is further analysis of the discount rate and gold price and how it relates to the value of the mine:

Santana Sensitivity - Gold Price and Discount Rate						
		Gold Price				
		$1,700	$1,800	**$1,900**	$2,000	$2,100
Discount Rate	5%	208,705,073	220,433,913	*232,162,752*	243,891,592	255,620,431
	10%	188,346,188	197,850,013	*207,353,837*	216,857,662	226,361,487
	20%	*162,260,239*	*168,913,140*	***175,566,042***	*182,218,943*	*188,871,844*
	30%	146,982,274	151,965,453	*156,948,631*	161,931,810	166,914,988
	40%	137,318,973	141,246,053	*145,173,133*	149,100,213	153,027,293
	50%	130,810,429	134,026,193	*137,241,956*	140,457,720	143,673,484

As mentioned already, at a Gold price of $1,900 an ounce, using our methodology, we get a conservative estimate of $175.57M.

Our next comparable asset is Fire Creek, owned by Hecla Mining, previously owned by Klondex before being acquired by Hecla. This is also a geological look-alike, that was the product of the Laramide orogeny, just like Pilar. While it is a slight distance away when compared to the previous 2 comparables, the geological similarities make and being in close enough proximity to Pilar make this a useful comparable.

Fire Creek has been in production since Q4 of 2014. According to Hecla, they possess the following resources and reserves:

Fire Creek Reserves and Resources – 12/31/19

	Tons	Silver	Gold	Lead	Zinc	Copper	Silver	Gold	Lead	Zinc	Copper
Proven	22	1.2	1.51	-	-	-	28	33	-	-	-
Probable	37	0.6	0.56	-	-	-	23	21	-	-	-
Proven & Probable	59	0.9	0.92	-	-	-	51	54	-	-	-
Measured	47	0.7	0.92	-	-	-	34	43	-	-	-
Indicated	211	0.7	0.66	-	-	-	142	140	-	-	-
Measured and Indicated	257	0.7	0.71	-	-	-	176	182	-	-	-

Using this data, I derived their LOM NAV as $123.06M based on their historical data and the projections from the technical report.

Having reviewed the comparable assets that were selected with very strict criteria of similar/identical geophysics, geological jurisdiction, and the same metals, these comparables form the basis behind the potential of the property. By taking the average of these very similar assets, I have an approximate future value of the mine.

In order for Pilar to be advanced to the aforementioned future value, the company may need to raise capital in the future. I have assumed this will be via a combination of convertible debt, streaming, and equity, and have applied a very high figure of $10M to the equity portion in order to test the value of this. This means that by the time the company has conducted drilling, bulk samples, and the work necessary to move to production, it will 49.45M fully diluted shares outstanding. This should be sufficient to cover all drill programs, and bulk sampling, and with sufficient buffer for excess costs. It is important to note, the company has cash of $900,000 in the treasury at this present moment. Furthermore, I have assumed it will take until June 30th, 2024 for the company to reach the desired stage, and have therefore discounted the figure to the present date at a 20% discount rate, bringing us a value of $75,824,301. This would bring the share price to $1.53. We would then apply this price to the current shares outstanding in order to obtain the intrinsic value. This gives us a market capitalization today of $37,488,569. **<u>This is 3.83x greater than the market cap today of $9,779,015.</u>**

Below is the analysis of the comparable asset analyses, with the appropriate adjustments:

Price per share Sensitivity - Discount Rate and Assumed Dilution						
		Discount Rate				
		5%	10%	**20%**	30%	40%
Assumed Dilution (Shares)	5,000,000	3.25	2.73	*1.98*	1.47	1.11
	10,000,000	*2.43*	*2.04*	***1.48***	*1.10*	*0.83*
	15,000,000	1.94	1.63	*1.18*	0.88	0.66
	20,000,000	1.61	1.36	*0.98*	0.73	0.55
	30,000,000	1.21	1.01	*0.73*	0.55	0.41
	40,000,000	0.96	0.81	*0.59*	0.44	0.33

Key takeaway: Lower dilution will result in a significantly higher price. Even at substantially more pessimistic assumptions, the company generally trades at a discount.

Price per share Sensitivity - Discount Rate and Discount Period						
		Discount Rate				
		5%	10%	**20%**	30%	40%
Discount Period (Years)	3.00	2.51	2.18	*1.68*	1.32	1.06
	3.50	2.45	2.08	*1.54*	1.16	0.90
	3.72	*2.43*	*2.04*	***1.48***	*1.10*	*0.83*
	4.00	2.39	1.99	*1.40*	1.02	0.76
	4.50	2.33	1.89	*1.28*	0.89	0.64

Key takeaway: The share price remains discounted even if we assume the worst-case scenario of 4.5 years before a viable economic study and a 40% discount rate.

Market Cap Sensitivity - Discount Rate and Discount Period						
		Discount Rate				
		5%	10%	**20%**	30%	40%
Discount Period (Years)	3.00	61,399,007	53,401,221	*41,132,538*	32,351,855	25,902,706
	3.50	59,919,295	50,916,066	*37,548,698*	28,374,454	21,891,782
	3.72	*59,289,212*	*49,875,404*	***36,094,327***	*26,806,480*	*20,352,607*
	4.00	58,475,244	48,546,565	*34,277,115*	24,886,042	18,501,933
	4.50	57,065,995	46,287,333	*31,290,582*	21,826,503	15,636,987

Key takeaway: Tocvan Venture's market cap remains discounted in all scenarios!

The project remains economically viable regardless of potentially unforeseen hurdles, unrealistically high dilution, and conservative measures of value of the comparable assets.

The geological formation is unique and will require future drilling which will help define the resource to an M&I category and will provide more assurance regarding the economic value of the asset. With the exploration potential being very strong, and expansion at depth showing significant proise, the intrinsic value of this asset will likely improve further with a larger deposit.

This stock is still extremely undervalued at the current price of $0.40.

Investment Risks

The top risk factors include:

1) Unexpected poor drill/bulk sample results;
2) Unexpected political instability/renewed conflict;
3) Delays in production financing; and,
4) Unexpected drop in USD.

We'll address each of those risk factors in turn and explain how to mitigate them:

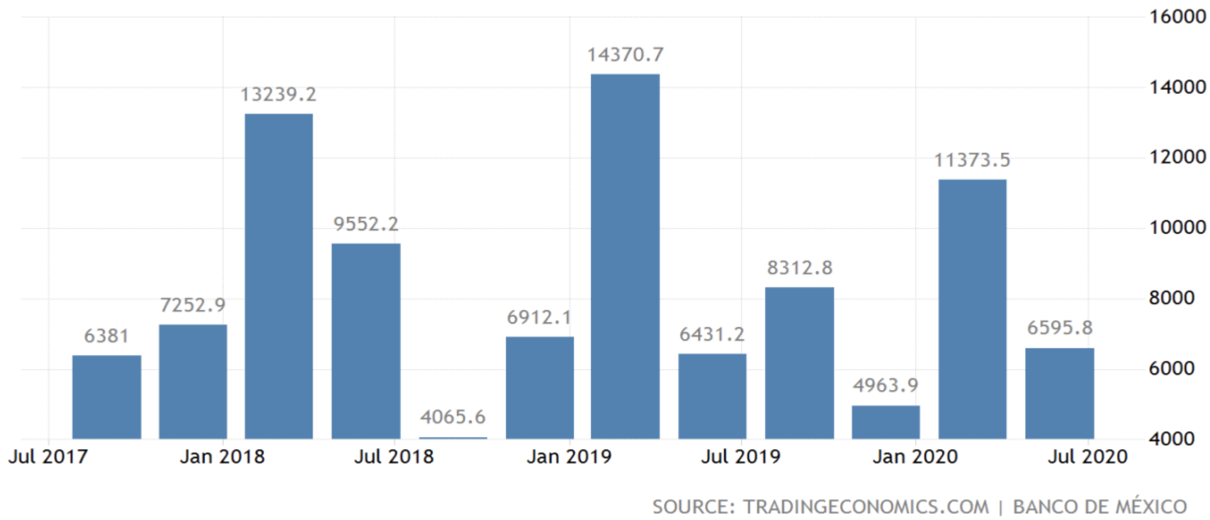
1) Unexpected poor drill/bulk sample results

In terms of negative impact, this would be the highest risk. However, in terms of likelihood, this is a low-to-medium risk. With numerous geophysical surveys, significant historic drilling, 3D models, block models, and the recently discovered pipe-like structure into a breccia feeder pipe system, the thesis behind this investment is entirely the likelihood of a bonanza grade asset with near term production capability, and potential to expand significantly at depth. The Santana mine heading towards production with a bulk sample, and no 43-101 compliant technical report, is an example of the confidence that is placed on assets of this nature. This is certainly a risk, Tocvan has done a sufficient job of mitigating this, and further drilling will only confirm this.

2) Political instability associated with Mexico

Mexico is low risk when it comes to mining jurisdictions. With that said, one does need to be mindful of potential black-swan events that may alter this. Mexico has the 15th largest GDP in the world at $1,200B.

Foreign Direct Investment increased by 6,595.80 USD Million in the second quarter of 2020.



I believe this to be a low risk concern, particularly given the large contribution by the mining sector and the existing mines in production and are a short drive away from Pilar.

3) Denial of permits

If permits are rejected, there will never be the possibility to enter production, and the value of the asset will drop significantly. If the company proceeds with a production decision following a bulk-sample, similar to Sanata, then this is a near term concern. While it is difficult to predict when exactly the asset will start producing, this is an important factor.

Given that this is a qualitative risk, when it is time for said permits if we assume the permits can be approved with corrective action, it implies delayed production start date. If we assume that no corrective measures can ensure production, then the asset is worthless.

While this is a theoretical risk, the management's track record has been very positive. Alongside this is the fact that Mexico has significant mining activity, has proven to be a mining friendly jurisdiction, with a relatively quick process for approval. As well, the company does not foresee any reason permits should be denied.

4) Unexpected drop in USD

While currency speculation is a difficult art to master, calls for the drop in the USD have been heard for over a decade for various reasons. The primary reason is the virtually endless supply of quantitative easing central banks have employed as the main course of remedy for any negative economic events in their economy. With the fallout of COVID-19 subsiding, economies are still not fully back to normal, with many regions having some degree of restrictions. However, there is still optimism, with the S&P 500 recently breaking previous highs, having rebounded from the lows.

Conversely, given that the metals in question are gold, silver, and a host of other metals, the risk is mitigated by the fact that these are priced in USD, and as the value of the USD drops, the price per unit of each metal will rise. As well, precious metals are a hedge against inflation, and are therefore likely to benefit from said scenario.

Predictions of this nature have been made routinely but have yet to transpire. Institutional research would indicate this is a very low probability event. In any case, the company is safe given hyperinflation would simply be reflected in the gold and silver prices.

Conclusion

This property has all the makings of a phenomenal long-term investment for those being willing to take on a little bit of risk that comes with a junior mining explorer with low dilution, cash in the bank, and intentions to proceed with a bulk sample. The exploration potential is very high, with numerous zones of expansion that can be drilled. The share structure is very tight, having only 25% of shares outstanding when compared to the average TSXV mining company, and it has high chances of being an early-production story. With early production, share dilution is minimized as the company can finance exploration internally. Furthermore, direct comparable assets are in production, with the best comparable being a company that produced without having to go through the expense of a resource estimate/economic study. This corroborates the value of the geophysical anomalies identified here.

With Gold prices reaching new highs, and asset quality being paramount in the long-term success of a venture listed mining company, Tocvan is an extremely undervalued stock, with an intrinsic value of $1.53, this stock is only trading at $0.40 and is on the precipice of being an investment that can return over 380%.

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