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Mercenary Alert: Game-Changing Milestones Are Now In the Bag

A Special Alert Musing from Mickey the Mercenary Geologist

For Subscribers Only

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It has been four months since I posted on copper explorer-developer and long-time sponsor [Trilogy Metals Inc \(TMQ.AM; TMQ.TSX\)](#). During the darkest days of the flu fear and pandemic panic I proposed the stock presented a compelling buy opportunity at \$1.40 ([Mercenary Musing, April 20, 2020](#)). My take has proven right: TMQ reached \$2.27 in late July and closed today at \$2.06.

Here's the year-to-date chart:



Since my last alert, Trilogy has tabled significant milestones along its pathway to development decisions on two northwest Alaska copper projects with its joint venture mining partner, Australian-based South32 Ltd:

- In late April, the company announced appointment of a new CEO, Tony Giardini. Tony is a corporate financier who has held executive positions at Ivanhoe Mines, Kinross Gold, and Placer Dome. He has a long association with Trilogy Metals as a director since its public spin-out in 2012. Interim CEO Jim Gowans remains a director and key member of the team.
- In early July, Trilogy announced postponement of its field exploration program for the Ambler Schist Belt and Bornite until 2021 due to virus concerns. Metallurgical test work for the Sunshine and Bornite deposits and engineering optimization of the Arctic deposit will continue in the second half of 2020.
- In late July, the BLM record of decision for development of the 211-mile Ambler Access Road was officially approved.
- Last week, the company posted a robust feasibility study for the Arctic polymetallic sulfide deposit.

The study addresses the technical and economic viability of a conventional open-pit, mine and mill complex for a 10,000 tonne-per-day operation with a minimum 12-year mine life. The base case scenario utilizes long-term metal prices of \$3.00/lb for copper, \$1.10/lb for zinc, \$1.00/lb for lead, \$1,300/oz for gold and \$18.00/oz for silver.

After-tax NPV is estimated at \$1.1 billion using an 8% discount rate. IRR is 27% on an initial capital expenditure of \$906 million with payback at 2.6 years.

- Another company announcement is expected soon with delivery of the Army Corp of Engineers Section 404 wetlands permit.

For details on these news releases, please refer to the company's website linked above.

Unlike the Ambler Access Road news one month ago, Trilogy Metals Inc's stock did not react to the Arctic feasibility study. Volumes remain low and are typical of the summer doldrum period. I can speculate that after the 2018 pre-feasibility, the new study was anticipated to be quite good and was already baked in by the market.

That said, the copper market has recently established a base price in the \$2.90/lb range, touched \$3.00 last week, and closed at \$2.96 on Friday.

Copper's fundamentals are strong: LME inventories stand at a 13-year low; there is record Chinese import demand fueled by economic stimulus and infrastructure development; the US economy is exhibiting signs of recovery; and South American supply disruptions are ongoing.

All these factors bode well for the price of copper price in the short-term and in turn, copper companies.

The relatively small universe of attractive copper exploration and development stocks has significantly lagged gold-focused peers over the past three months.

In my opinion Trilogy is the best of the lot with two world-class, undeveloped, high-grade, giant copper deposits located in a geopolitically-safe jurisdiction. Moreover, it has major miner South32 Ltd as joint venture partner.

So perhaps now is an opportune time to revisit Trilogy Metals Inc as a speculation for the mid-term?

That said, recognize that I am biased due to my stock holdings and the company's sponsorship of this website.

Ciao for now,

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The [Mercenary Geologist Michael S. "Mickey" Fulp](#) is a Certified Professional Geologist with a B.Sc. in Earth Sciences with honor from the University of Tulsa, and M.Sc. in Geology from the University of New Mexico. Mickey has 40 years of experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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