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Mercenary Alert: An Update on Trilogy Metals Inc

A Special Alert Musing from Mickey the Mercenary Geologist

For Subscribers Only

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December 22, 2017

[Trilogy Metals Inc \(TMQ.MKT; TMQ.TSX\)](#) was my top pick in copper space back in late May and in retrospect, it proved to be a very good time to buy the stock.

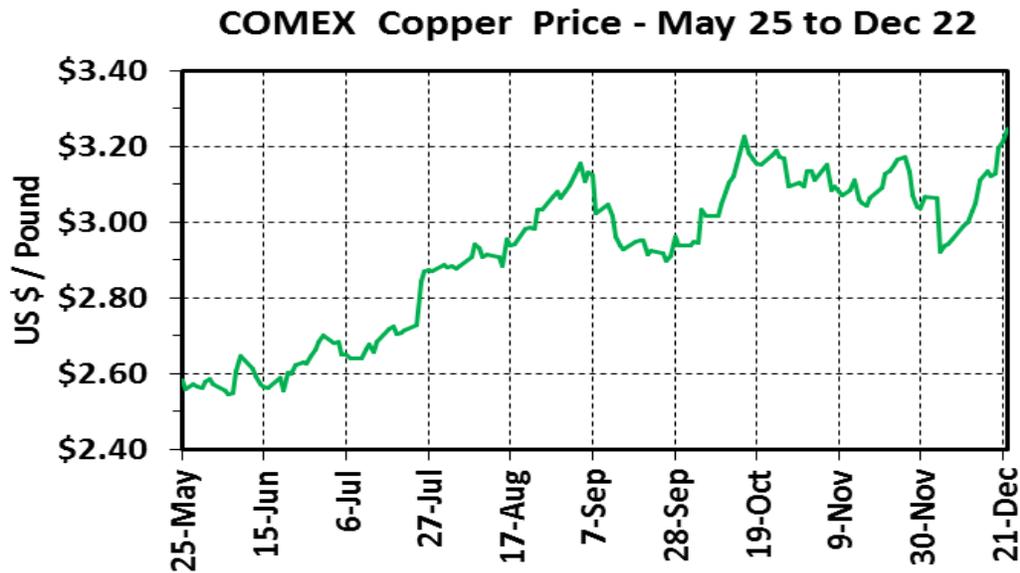
My coverage commenced with an alert that presented Trilogy Metals as a compelling call on copper ([Mercenary Alert, May 25, 2017](#)). At that juncture, Trilogy Metals was trading at 66 cents and it drifted as low as 58 cents over the next couple of weeks.

But in conjunction with a rising copper price and management promotion, TMQ rose steadily in July and hit a 3.5 year high of \$1.35 on August 7 on high volume.

For subscribers who followed my lead, that's a double in less than 11 weeks. Here's the chart since coverage was initiated:



And here's the price of copper over the same period:



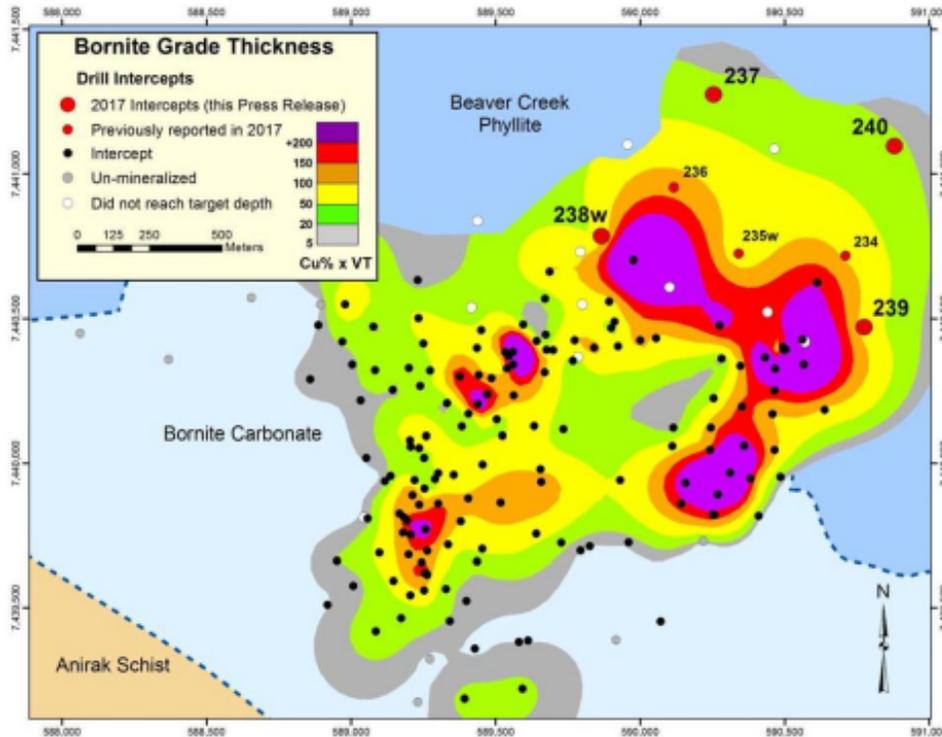
As illustrated by these two charts, Trilogy Metals has indeed been a call on copper. It drifted lower from early September and then rose from early to mid-October coincident with copper climbing from the low \$2.90s to a plus three-year high of \$3.22.

TMQ fell to a five month low of 69 cents on December 11 when amid tax-loss selling, copper briefly fell below \$3.00. It has since rallied strongly since on significant news flow and with copper surging back above \$3.20.

A summary of important news flow since early summer follows:

- Drilling at Bornite commenced in early June and continued until early October. Nine holes were drilled for a total of 8400 meters but two did not reach target depth due to onset of winter conditions. These two holes were cemented for re-entry in 2018.

The program was designed to test the limits of mineralization with 300-400 meter step-outs. All seven holes hit significant copper mineralization and more than doubled the areal footprint of the deposit. The edges of the system were apparently determined to the northeast:



- 712 meters of large diameter core drilling was completed at Arctic to generate material for an ore study in 2018.
- An updated Arctic mineral resource estimate was tabled and will be used in the pre-feasibility study scheduled for completion in Q1 2018. Using a base case of 0.5% Cu-eq cutoff, Arctic contains indicated resources of 36.0 million tonnes grading 3.07% Cu, 4.23% Zn, 0.73% Pb, 0.63g/t Au, and 47.6 g/t Ag. Inferred resources are 3.5 million tonnes of 1.71% Cu, 2.72% Zn, 0.60% Pb, 0.26 g/t Au, and 28.7g/t Ag.
- Appointment of founding NANA member Willie Hensley to the Board of Directors.

None of the above news releases moved the market for Trilogy Metals. Here's what turned the stock up sharply in mid-December:

- Partner South32 Ltd committed a second tranche of \$10 million to fund Bornite exploration in 2018, thus keeping its option to acquire 50% of the Upper Kobuk Mineral Projects intact. The monies will be used for in-fill and off-set drilling within the mineralized footprint that was defined this year.
- Early this week, South32 Ltd bought a 6% equity position in the company from a previous large shareholder and obtained a participation right in future financings to increase its holdings to a maximum of 19.9%. If South32 elects not to contribute a minimum of 20% in any financing before the 19.9% limit is reached, it will lose that participation right.

At the same time, CEO Rick Van Nieuwenhuysen increased his holdings by 1.2 million shares to hold 2.6% of the company.

The market soared on this recent press release, up 35% and touching \$1.19 on huge trading volume on Tuesday. It filled in the gains on decreasing volumes thru the remainder of the week, closing today at \$1.08.

The commitment by South32 with its new equity position is obviously fueling speculation of a friendly takeover. That said, South32 can still fund a third year of Bornite exploration at \$10 million before its total payment of \$150 million to acquire 50% of the Upper Kobuk Mineral Projects expires. Therefore, the deadline to make a joint venture decision is not imminent.

Nevertheless, this is a very encouraging development for Trilogy Metals shareholders and it seems that South32 could be positioning itself to acquire Trilogy's interest in the Ambler Mining District.

The next major catalyst on the horizon for Trilogy Metals Inc will be the much anticipated Arctic pre-feasibility study in Q1 2018. I encourage you to stay tuned for this development.

Another positive step will be completion of the public scoping phase of the Ambler access road permitting process at the end of January.

Trilogy Metals' share price has been quite volatile over the past seven months and I expect that to continue. It is strongly leveraged to the price of copper and is not especially liquid most of the time.

For these reasons, it makes sense to pull some money off the table when the stock surges upward. Taking profits is never a bad move, folks. That said, I think the upside for TMQ is robust as the bull market for copper plays out and the company's two flagship projects are advanced in 2018.

The opinions expressed above are solely mine and are influenced by my shareholdings in the company and its sponsorship of my website. Do your own due diligence.

Ciao for now,

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The [**Mercenary Geologist Michael S. "Mickey" Fulp**](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years 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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