

# This Explorer Is Finding Lots of Gold in the 'Shadow of Its Headframe'

 Stocktwits Share

Source: *Streetwise Reports* (7/29/20)

Troilus Gold triples its gold resource to 8.25 million ounces in two years, and exploration continues.



[Troilus Gold Corp. \(TLG:TSX; CHXMF:OTCQB\)](#) has taken to heart the old adage that the best place to find a mine is beside an existing mine. The Troilus Gold Mine, located in Quebec's Frôtet-Evans Greenstone Belt and operated by Inmet Mining from 1996 until 2010, produced 2 million ounces of gold and 70,000 tonnes of copper. InMet's corporate strategy shifted to focus on copper and in a declining gold price environment, it closed the mine in 2010. In 2013, First Quantum acquired Inmet, and subsequently Troilus Gold acquired the asset in 2017.

At the time of acquisition, the Troilus mine had a resource estimate of 2.05 million ounces of gold equivalent Indicated and 0.7 million ounces gold equivalent Inferred. Since then, the company has drilled more than 80,500 meters and just [announced](#) the Indicated mineral resource estimate had grown 142% to 4.96 million ounces gold equivalent and the Inferred mineral resource estimate had grown 350% to 3.15 million ounces gold equivalent.

*"Troilus is well positioned to benefit from a rising gold price and the asset offers one of the best potential replacement vehicles for gold torque since KL's acquisition of Detour Gold." - Stifel GMP*

This year, Troilus has continued to explore and has discovered an entirely new mineralized zone, the Southwest Zone, which contributed 583,000 ounces gold equivalent to the newest Inferred reserves. The company recently raised CA\$25 million in a bought-deal financing, and all eight securities firms that follow the company have rated it a Buy.

Streetwise Reports sat down with CEO Justin Reid to learn more about the company. Reid explained the genesis of the Troilus gold project: "In the 1980s, gold companies traded on a real multiple, 2.5 times net asset value, 20 times forward cash flow, but a lot of the base metal companies traded at far reduced multiples. Inmet management wanted to get this higher multiple, so they went out and did a North America wide exploration campaign, and in 1986-87, they found Troilus. It was a low-grade bulk tonnage open pit deposit, and in three years they drilled off 5 million ounces in reserves. After that initial definition drilling, they handed the keys to the construction team to put it into production.

"From the moment that they did that, in the early 1990s, Inmet never drilled another exploration hole at Troilus," Reid said. "They didn't drill along the belt. They didn't drill underneath the reserve shell; they never extended the strike of the deposit. Gold was \$250. They put the mine into production, and their corporate objectives were elsewhere. But they got the multiple, and that was key. The mine produced for 14 years on a shoestring budget, made money every single year, and produced over 2 million ounces of gold, which was exceptional."

The Troilus mine was shut down in 2010. "Inmet had found Cobre Panama, which is now the third or fourth largest copper mine in the world, and it was operating Las Cruces in Spain, which, despite some start-up issues, turned into an unbelievable asset," Reid explained. "Troilus was the absolute nonpriority for Inmet. So Troilus was left with its reserve exhausted, no money to spend on new exploration in a terrible gold market with a strong Canadian dollar and certainly Canadian gold was not in vogue at the time."

Reid, a geologist by training, also has worked in capital markets, as a senior mining analyst with Sprott/Cormark Securities and then managing director global mining sales at National Bank Financial. "I covered Inmet as an analyst, and had visited the mine a number of times, and our team was very intimate with the mine," Reid said. "We thought there was a huge opportunity there because there was 2 million ounces below the main pit of low grade bulk tonnage. But other than that, there really wasn't anything else.

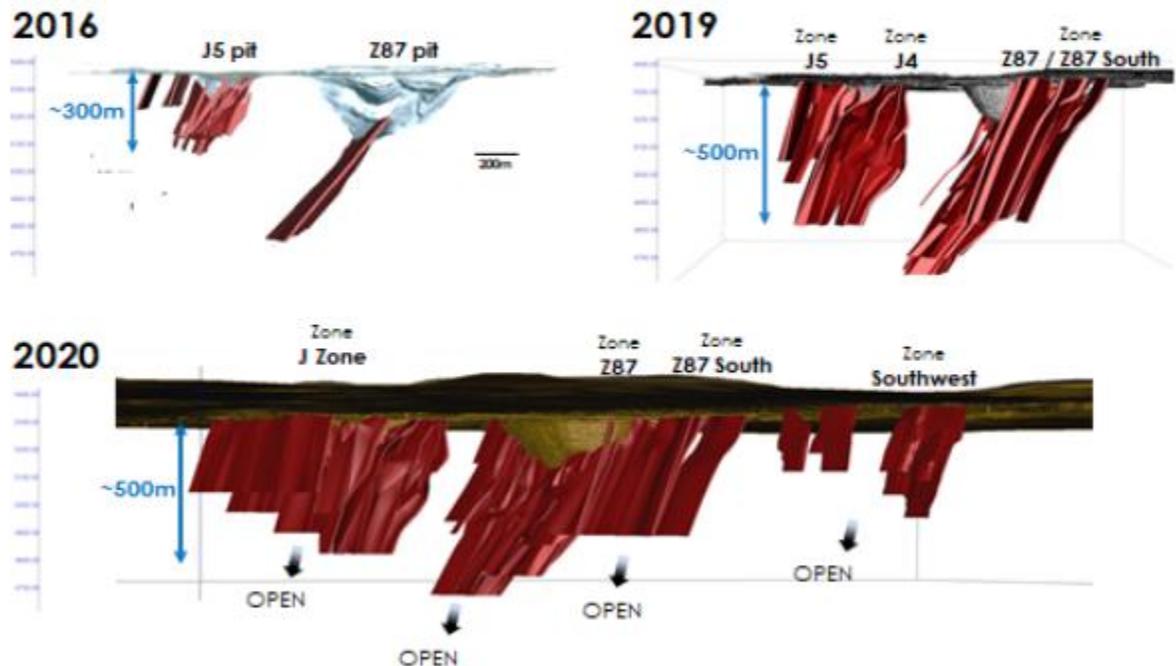
"We signed a three year option agreement where we agreed we would spend a million dollars privately to put a framework of value around that underground and what we found during that time was that there's just so much low hanging fruit, we had more questions than answers, and we had more zones that had never even had a drill in them. We thought this had to be an unbelievable opportunity, so we took it to market," Reid said.

The company started trading in January 2018. "What has happened in those two and a half years has been pretty remarkable," Reid stated. "The first year we drilled 32,000 meters, and we added over 2.5 million ounces. We had a 99% hit rate. What that showed was the underground continues to depth, but, as well, there's all this open pit potential."

In 2019, Troilus drilled another 35,000 meters. "All of a sudden we had 6.4 million ounces Indicated and Inferred, of which about 85% is Indicated. And then in the last six months, we've drilled another 8,500 meters and we've made a major discovery to the Southwest in an area just 3.5 kilometers away from the main pits that was never explored when the mine was in operation," Reid said.

## Significant Mineral Resource Growth

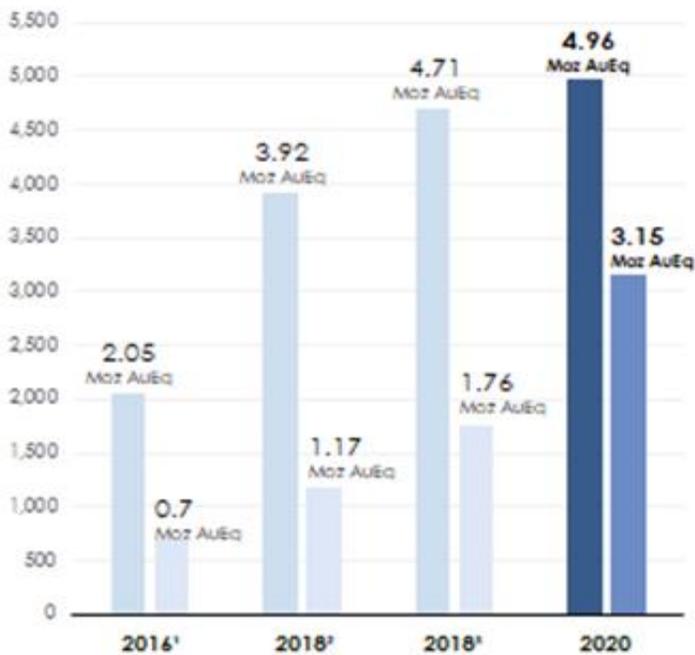
The best place to find gold, is where gold was produced.



1. See Technical Report on the Troilus Gold-Copper Mine Mineral Resource Estimate, N43-101 Report (June 30, 2016) (BPA)
2. See Technical Report on the Troilus Gold-Copper Mine Mineral Resource Estimate, N43-101 Report (January 1, 2019) (BPA)
3. See Technical Report on the Troilus Gold-Copper Project Mineral Resource Estimate, N43-101 Report (December 31, 2019) (BPA)
4. See Mineral Resource table on slide 22

## Mineral Resource Growth 2016-2020

- Since acquisition in 2017, Indicated mineral resources have grown 142% and Inferred mineral resources have grown 350%



Open Pit & Underground		
Tonnes	Grade AuEq	Contained AuEq

### 2016 Inherited Mineral Resources<sup>1</sup>

Indicated	44.0 Mt	1.45 g/t	2.05 Moz
Inferred	18.7 Mt	1.16 g/t	0.7 Moz

### 2018 Total Mineral Resources<sup>2</sup>

Indicated	121.7 Mt	1.00 g/t	3.92 Moz
Inferred	36.1 Mt	1.01 g/t	1.17 Moz

### 2019 Total Mineral Resources<sup>3</sup>

Indicated	159.1 Mt	0.92 g/t	4.71 Moz
Inferred	52.7 Mt	1.04 g/t	1.76 Moz

### 2020 Total Mineral Resources<sup>4</sup>

Indicated	177.3 Mt	0.87 g/t	4.96 Moz
Inferred	116.7 Mt	0.84 g/t	3.15 Moz

1. See Technical Report on the Troilus Gold-Copper Mine Mineral Resource Estimate, N43-101 Report, June 30, 2016 (RPA)  
 2. See Technical Report on the Troilus Gold-Copper Mine Mineral Resource Estimate, N43-101 Report, January 1, 2019 (RPA)  
 3. See Technical Report on the Troilus Gold-Copper Project Mineral Resource Estimate, N43-101 Report, December 30, 2019 (RPA)  
 4. See 2020 Mineral Resource table on slide 22

"Today we are at 8.01 million ounces Indicated and Inferred, and we're going to put our first engineering out within a few months," Reid said. "We've put the first geologic model around the Troilus deposit and we're now applying these new models to the rest of the belt."

With Troilus having been an operational mine, the company benefits from significant existing infrastructure, which it has been upgrading. "We've inherited and significantly upgraded over \$400 million in infrastructure; that's going to have a massive impact on the value of the asset, the return to the shareholder, as we move to production," Reid explained.

There are 40 kilometers of production road off of the main highway that Troilus has spent about \$1.5 million upgrading over the last two and a half years to make it production ready. "That road would cost \$1.5 million a kilometer to build from scratch. That 40 kilometer road, coupled with the 85 kilometers of power lines to our site, which would cost US\$750,000 a kilometer to build, is our market cap," Reid said.

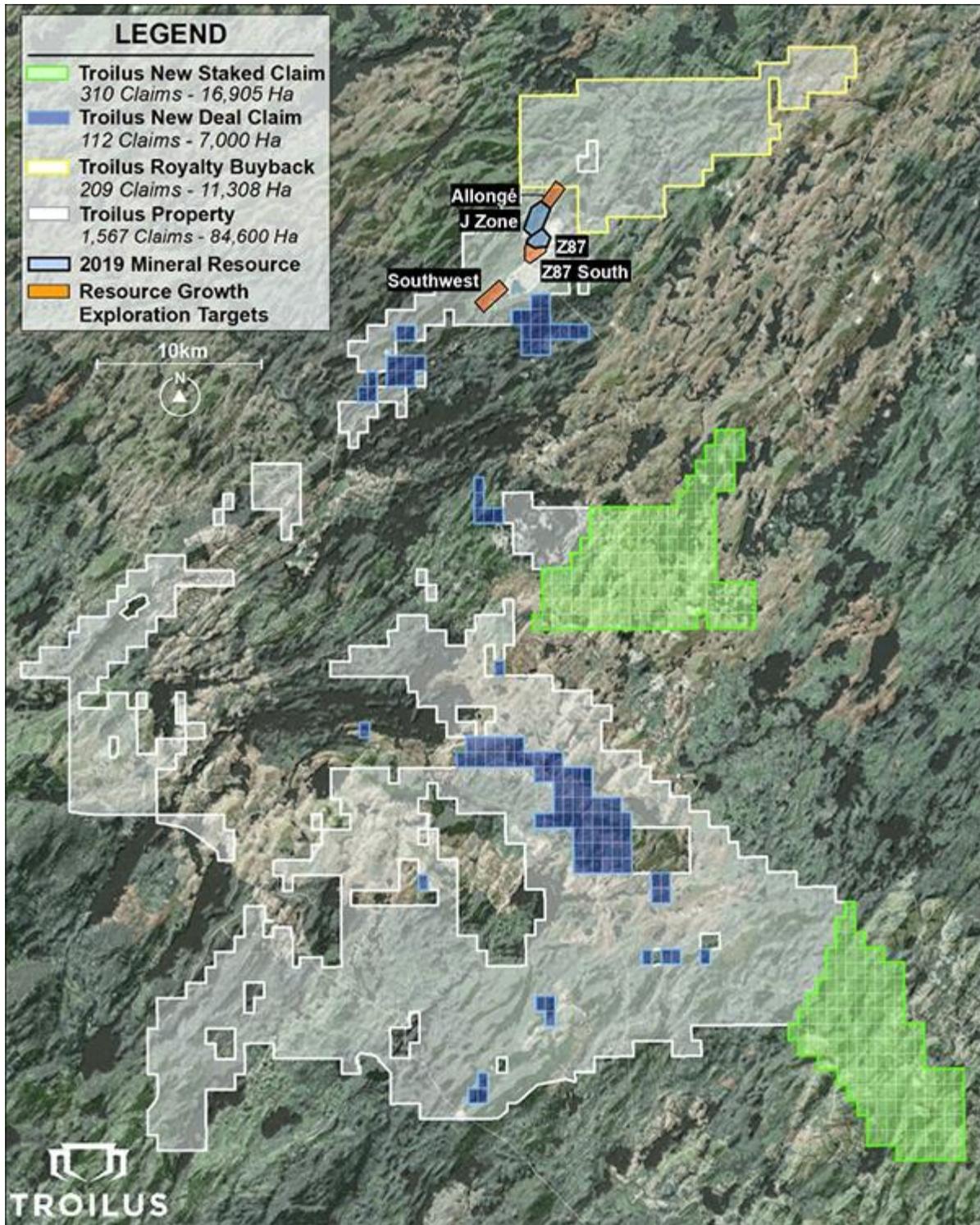
"Our 50 megawatt substation, which we have completely upgraded with ABB, capable of running up to a 50,000-tonne-a-day mill, is production ready. We have the 60-man camp in place, we have all power, water, septic and all of the infrastructure required to run the mine. And probably most importantly, we have a 6.5 square kilometer tailings facility that's fully permitted. At 20,000 tonnes a day, we would have six years of capacity without having to do a thing. All of that if you were to build it in a grassroots development, would be US\$400 million of infrastructure. But more than just capital costs, it's two to three years of permitting that we're not going to have to do. We are on an active mining lease; we will have to amend that lease to go back into production. But we're not starting from this from the starting line. We're halfway around the racetrack," Reid stated. The original mill on site was dismantled, so a mill will need to be built.

## Extensive Inherited Infrastructure

Existing infrastructure is expected to positively impact economics and timeline of the project\*



Troilus is the largest land holder, with more than 1,000 square kilometers, in Quebec's Frôtet-Evans Greenstone Belt. The company recently [acquired](#) 68,000 hectares through staking and a claim purchase from O3 Mining Inc., and on July 21 [announced](#) the acquisition of another 422 claims, expanding its property by 23,000 hectares.



Reid stressed that the project offers flexibility. "We have an open pit production from J4 and J5, from Z87 and from Z87 South. We've extended the Z87 South ore body by 600 meters, from surface off the edge of the pit. At J4, we know that the underground ore body continues there, and part of our future exploration will be defining that as well."

Looking ahead, Reid notes Troilus plans to release a preliminary resource estimate (PEA) in the fall. "The PEA will be the first framework of valuation that we're going to put around Troilus. We expect it to be a low capex, long life, big volume producer, and we are excited to get that to the market in the coming months," Reid said.

The company has 114 million shares issued and outstanding, and around 26 million warrants outstanding. "We're incredibly proud of our ownership structure," Reid said. "We have over 50 institutions on our register, comprising 80% ownership, and they don't trade a lot but when we need capital, they've invested and they've been there over and over again. Some of our largest funds include Sprott Asset Management, Maple Leaf Funds, Ruffer, Gold 2000, Mackenzie, Goodman, Sun Valley and Delbrook. We're also incredibly proud of our Quebec ownership, representing the major institutional Quebecois funds. Troilus insiders own another 10%; we bought all of our shares in the market."

## Shareholder Distribution



In June, Troilus closed an upsized, oversubscribed CA\$25 million bought-deal financing that was led by Cormark Securities, Laurentian Bank Securities and Stifel GMP, and included Haywood Securities, Canaccord Genuity and Red Cloud Securities.

All of the eight brokerage firms cover Troilus have buy ratings on the company and target prices range from CA\$1.80 to CA\$4.50 per share. On July 7, Stifel GMP named Troilus as one of a handful of gold companies that offer "exceptional torque to a rising gold price," and compared the company to Detour Gold, stating, "Troilus is well positioned to benefit from a rising gold price and the asset offers one of the best potential replacement vehicles for gold torque since KL's acquisition of Detour Gold."

Analyst Pierre Vaillancourt of Haywood Securities wrote, "Troilus Gold Corp. is well positioned among exploration peers with a strong balance sheet, a growing resource and pending economic studies. We look for the company to develop the Southwest zone into an open-pittable target that could complement the existing resource or possibly become a starter pit."

Jacob Willoughby of Red Cloud Securities wrote on July 29, "We expect the shares of Troilus to materially re-rate over the next 6–12 months as the company releases a PEA and demonstrates organic resource expansion potential along strike from the J Zone, Z87 and the new Southwest Zone areas."

Cormark analyst Richard Gray wrote on July 29, "Troilus shares trade at just 0.31x NAV and an EV/oz of total resource \$12/oz, valuations that leave the stock among the most undervalued in our developer coverage universe. While the shares are up 120% this year versus a 46% increase in the GDXJ and a 29% increase in the gold price, they remain attractively priced, especially when considering the project has the size and scope to be an attractive acquisition target for senior and mid-tier producers looking for large and undervalued resources in what is one of the safest jurisdictions in the world."

Read what other experts are saying about:

- [Troilus Gold Corp.](#)

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