

# Is Troilus Gold undervalued? Yes.

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People of my vintage are familiar with comedian/actor Rodney Dangerfield and his catchphrase “I don’t get no respect!” It’s a classic and timeless expression, which is probably why he was so well remembered for it. This expression can also be applied to a lot of stocks out there today, and I’m not talking about Tesla (NASDAQ: TSLA) and its one year return of +79%, despite what I’m sure Elon Musk thinks the performance should have been. I’m also not talking about the now unloved lockdown darlings like Zoom Video Communications (NASDAQ: ZM) and Peloton Interactive (NASDAQ: PTON). You had to know at some point in time those stocks would stop growing at the pace they were on and the market would reassess their respective valuations. What I’m talking about is a stock that has dramatically underperformed its peer group without having any materially negative news.

Today I want to look at a gold stock that has significantly underperformed many of its peers over the last year, including one, Centerra Gold Inc. (TSX: CG | NYSE: CGAU), who last May announced that it had its largest asset, the Kumtor Mine in the Kyrgyz Republic, essentially seized by the government and then two weeks ago announced it had temporarily suspended gold production at another mine due to a mercury leak. That seems like a pretty low bar to try and outperform but it appears that for the time being, the team at [Troilus Gold Corp.](#) (TSX: TLG | OTCQX: CHXMF) don’t get no respect.

Troilus is a Canadian-based junior mining company focused on the advancement and de-risking of the former gold and copper Troilus Mine towards production. From 1996 to 2010, the Troilus Mine

produced 2+ million ounces of gold and nearly 70,000 tonnes of copper. Troilus is located in the top-rated mining jurisdiction of Quebec, Canada, where it holds a strategic land position of 1,420 km<sup>2</sup> in the Frôtet-Evans Greenstone Belt. A robust PEA in 2020 demonstrated the potential for the Troilus project to become a top-ranked gold and copper producing asset in Canada with an after tax NPV5% of US\$1,156 million with a 38.3% IRR at a Spot Price of US\$1,950/oz Gold and an NPV5% of US\$576 Million and 22.9% IRR at Base Case US\$1,475/oz Gold. This was based on a total estimated indicated mineral resource of 4.96 million ounces AuEq (177 Mt with an average grade of 0.87 g/t AuEq) and total estimated inferred mineral resource increased to 3.15 million ounces AuEq. Since that time the Company has drilled over 120,000 meters, approximately 46,000 during the six months ended January 31, 2022.

Looking forward, Troilus is planning to update its mineral resource utilizing that additional 120,000 meters of drilling targeting release for mid calendar 2022. Additionally, a Pre-feasibility Study (PFS) is planned to be published mid calendar 2022 along with a continued drilling campaign with the objective of expanding the mineral resource estimate at the Southwest Zone as well as definition drilling in the Z87 and J Zone in support of the PFS. Plans to finalize the Environmental Impact Study targeted for filing in early 2023 show the progress the Company is making in getting this mine into production. The latest news reported [excellent metallurgical recovery results](#) for the J Zone as part of an ongoing pilot plant scale metallurgical testing program on each of the main mineral deposits. Knelson gravity separation and column flotation tests achieved gold, copper and silver recoveries of 92.9%, 90.4% and 88.8%, respectively, which will also be used to support the upcoming PFS.

Sounds like nothing but good news past, present and future. But that's not what the stock price is saying when you stack Troilus

up against other Canadian based junior gold miners. The chart below might be a little hard to read but it shows the one year performance of the commodity – gold (red line) and a hand full of peers. Troilus is the bottom line in this chart.



Source: Stockcharts.com

I guess you could say Centerra and the others I've included aren't quite peers of Troilus given several of them actually have production today. However, one could argue that Troilus is well on its way to becoming a producer in the not too distant future and is in a stable, mining friendly jurisdiction with a large and growing resource. In the meantime, it seems odd, at least to me, that Troilus had a one year return of almost 37% lower than Centerra given their relative risk profiles and associated news. Then again, perhaps my opinion gets no respect either.

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## Dean Bristow on Nevada based silver and gold project generator, Viscount Mining

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A few months ago I discussed a Colorado and Nevada based mining project generator called [Viscount Mining Corp.](#) (TSXV: VML | OTCQX: VLMGF). In [that article](#), the primary focus was their [Silver Cliff project](#) located 44 miles WSW of Pueblo, Colorado which had numerous underground mining operations through to the

early 1900's. Results were coming fast and furious at Silver Cliff, primarily from the Kate Silver Resource ("KSR"), which was the first area drilled and is one of four known historical silver deposits on the property. On September 1<sup>st</sup> Viscount [began its Phase 3 drilling program](#) at Silver Cliff with thirteen drill holes identified to increase the defined resource available at the KSR.

With that said, I concluded the July article stating that discussion of the [Cherry Creek project](#) in Nevada would have to wait for another day. Well, that day is today. The Cherry Creek exploration property is in an area commonly known as the Cherry Creek Mining District, located approximately 50 miles north of the town of Ely, White Pine County, Nevada. Cherry Creek consists of 578 unpatented and 17 patented claims as well as mill rights and is comprised of more than 7,000 hectares. The Cherry Creek project includes more than 20 silver/gold/tungsten past-producing mines.

In January 2021, Viscount entered into an exploration [earn-in agreement](#) with a wholly owned subsidiary of Centerra Gold Inc. (TSX: CG), a Canadian-based gold mining company. Under terms of the Agreement Centerra has the right to acquire a 70% interest in the Property through (a) making annual payments totaling US\$250,000 over a 4 year period, and (b) spending US\$8,000,000 on mineral exploration costs on the Property over 4 years. Deals like this are critical for a project generator like Viscount as it helps fund exploration. Sure you are giving up a large percentage of the asset but it's far less stressful for investors who wait perilously for results or the next capital raise to fund future results. There is nothing worse than a market sell off just before a company has to go back to the public markets given that something out of their control can wipe out all the hard work they've done to get to that point.

With the Centerra deal, exploration is well funded for the foreseeable future and if the results knock it out of the park, even a 30% interest will reward shareholders of a small cap company.

One example of the benefit of having Centerra on board at Cherry Creek is that Centerra undertook the staking of 278 new lode claims this year which brought the total number of unpatented lode claims to 578. These new claims strengthen the position in the district and cover permissive lithologies, known mineralization as well as mineralized projections. In fact, Centerra has been diligently doing geological mapping and geochemical sampling on the property since the agreement was signed at the start of this year [resulting in samples](#) of 8,710 g/t silver and 61.4 g/t gold at the Star Target in Cherry Creek. Fourteen rock samples ran greater than or equal to 2.0 g/t gold and seventeen rock samples ran greater than or equal to 100 g/t silver.

There is a lot going on at Viscount for such a small company and a lot of that has to do with the Centerra deal at Cherry Creek. It would be challenging for a lean operation like Viscount to fund, and possibly operate, two concurrent exploration programs at the same time. Not to say the team at Viscount isn't up to the task but the Centerra deal makes life a lot easier and allows the Company to stretch their cash out a lot further. As I noted in the previous article, the drilling at KSR is quite close to surface so the Phase 3 drilling program could be done on a very cost effective basis as the total depth of each hole is somewhat minimal. All this points to lots of potential news and results with minimal capital outlay.

As for catalysts going forward, the Phase 3 drill program at Silver Cliff has been completed so now we are eagerly awaiting the results of the 881 M drilled over 13 holes. Upon receipt of

the Silver Cliff drill results, in correlation with the [soil samples taken](#) as a supplemental part of Viscount's phase 3 drilling program, a Phase 4 of drilling will be designed to further the understanding of the Kate deposit with the goal of expanding the NI 43-101 resource. All the while Centerra is plugging away at Cherry Creek and still has plenty of money to spend if they want to earn that 70% interest. Like I said, there's a lot going on at Viscount Mining. With a market cap of roughly C\$36 million, there could be good leverage to results like they had from their [Phase 2 Silver Cliff program](#) in early June.