Will 2021 be the year of M&A in the gold industry?

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2021 looks like being a record year for monetary stimulus, and this should mean a strong year for gold prices. Given the difficulty and cost in finding new gold discoveries and the potential for higher gold prices a year from now, it looks likely that 2021 will see plenty of action in the mergers and acquisition (M&A) space for gold companies.

Flush with cash and while interest rates remain low, mid-tier and large-tier gold miners will be looking to boost their gold reserves/resources by acquiring promising junior gold miners. Today I look at some of the junior gold miners that have significant gold resources that would be ripe for takeover.

Troilus Gold Corp. (TSX: TLG | OTCQB: CHXMF)

Troilus Gold has a market cap of just C$163 million (US$128 million) and has one of the largest undeveloped gold resources in Canada. The Troilus Project, located in Quebec Canada, has an Indicated Resource of **4.96 million** ounces of contained AuEq @ 0.87g/t AuEq and an Inferred Resource of **3.15 million** ounces of contained AuEq @0.84g/t. Valuable by-products include copper and silver. At gold US$1,950 the PEA post-tax NPV5% is US$1.156 billion and the Project has US$350 million worth of existing infrastructure in place. I could definitely see some gold companies taking a look at Troilus Gold in 2021. You can read more here.

Euro Sun Mining Inc. (TSX: ESM)

Euro Sun Mining is developing their large 100% owned gold-copper

porphyry Rovina Valley Project in Romania. The Project has a M&I Resource of 7.05 million gold ounces and 1.39 billion copper pounds, a completed positive 2019 PEA, and a 20 year renewable Romanian Mining Licence. The Rovina Valley Project intends to be a large-scale bulk tonnage open pit mine for gold and copper production. On a market cap of C$55 million (US$42 million) Euro Sun Mining could attract considerable interest from larger gold miners comfortable with the Romanian sovereign risk. You can read more here.

The Rovina Valley Project is comprised of three main deposits less than 3kms apart – Rovina, Colnic, & Ciresata (combined M&I 7M ozs gold & 1.39B lbs copper)

Source

Ascot Resources Ltd. (TSX: AOT | OTCQX: AOTVF)

Ascot Resources has a market cap of C$401 million (US$316 million) and a M&I Resource of 7.3Mt **@ 7.85g/t** & Inferred 5.5Mt @ 7.11g/t (containing ~ **3.1 Mozs of gold & 11.6 Mozs of silver**), noting this includes only 48% of the resource that was included in the 2020 Feasibility Study (FS). The FS post-tax NPV 5% is C$341 million (at US$1,400/oz Au), with a post tax 51% IRR. An initial low CapEx of C$147 million is also favorable, as is the low forecast All In Sustaining Cost (AISC) of US$769/oz. Assuming a spot gold price of US$1,710 per ounce and spot CAD to US exchange rate of 0.71, the project economics increase to an post-tax NPV5% of C$602 million and IRR of 78%.

Source

Closing remarks

It is looking very likely we will have a stronger gold price in 2021 as the Biden administration looks to boost stimulus monies into the US economy. The COVID-19 stimulus checks and a possible 2 trillion green infrastructure plan will likely be just the beginning of stimulus in the Biden era. For investors this means well valued gold junior miners can do very well in 2021. Those that become takeover targets can do even better.

All three gold juniors discussed above are strong takeover candidates in 2021, or at the very least should benefit if gold price rises in 2021. This is because they all have very significant amounts of gold but their market caps are still not too high.

InvestorIntel would be happy to hear from any gold juniors that think they are undervalued and possible takeover targets in 2021, as well as investor's thoughts on any attractive gold juniors.

Further reading

- Will 2021 be a golden year for gold investors?

Disclosure: The author is long Troilus Gold Corp. (TSX: TLG)