

## **\*\*Trade Idea: Trilogy Metals (NASDAQ: TMQ)\*\***

**Price At Alert: \$0.57**

**Buy Limit: \$0.69**

**Stop Limit: \$0.30**

Hey it's Alex here with your next Breakout Wealth trade idea! This time, we'll be looking at the copper-mining company Trilogy Metals.

## **Trilogy Metals: A Promising Investment in the Renewable Energy Era**

Trilogy Metals Inc. (NYSE: TMQ), a mineral exploration company based in Vancouver, Canada. Their large exposure to copper — one of the key elements in the Green Revolution — makes them an interesting way to play the electric vehicle and renewable energy boom.

### **Macro Trends: The Rising Demand for Copper in a Renewable Energy Era**

By hook or by crook, the world's governments are trying their darndest to get us off fossil fuels, and onto renewable energy sources like wind and solar. I have plenty of quibbles with this, not least of all that these so-called "Green" technologies aren't really green. But I'll save that for another day. Sometimes, you just have to play the cards where they lie.

And at this point, the Green Transition *will* happen. And copper is going to play a key role in it.

### **Copper in Renewable Energy Technologies**

Copper is a key component in renewable energy systems due to its high electrical conductivity, durability, and efficiency. It is used extensively in solar photovoltaic cells, wind turbines, and energy storage systems. For instance, a single wind turbine can contain up to 4.7 tons of copper. Similarly, solar energy systems require approximately 5.5 tons of copper per megawatt. As the adoption of these technologies accelerates, so does the demand for copper.

### **Electric Vehicles and Infrastructure**

Then there's electric vehicles (EVs).. Copper is essential in the production of EVs and their charging infrastructure. An average electric car uses up to four times as much copper as a

conventional car. Furthermore, the charging infrastructure for these vehicles, including charging stations and updated power grids, also requires substantial amounts of copper.

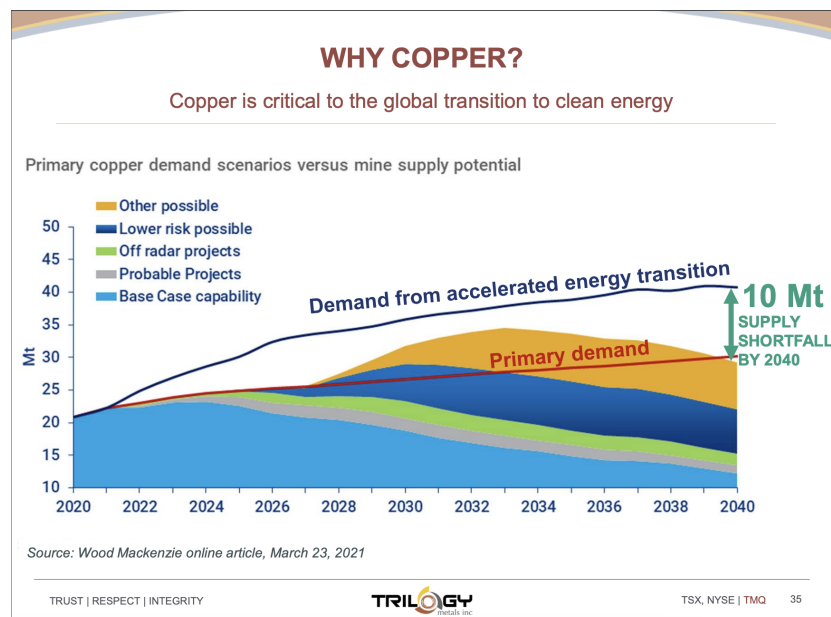
## Global Infrastructure Development

Infrastructure development, particularly in emerging economies, is another factor driving copper demand. Copper is widely used in construction due to its durability, corrosion resistance, and thermal conductivity. It is a critical component in electrical wiring, plumbing, and HVAC systems. As countries invest in infrastructure to support economic growth, the need for copper is expected to rise.

## Supply Constraints

On the supply side, copper mining is a complex and capital-intensive process, with new mines taking up to 10 years to come online. Furthermore, the quality of copper ore in existing mines is decreasing, requiring more ore to be processed to produce the same amount of copper. These factors could lead to supply constraints, further increasing copper's value.

So, to sum it up, the growing demand for renewable energy, the rise of electric vehicles, and global infrastructure development are creating a robust demand for copper. Companies like Trilogy Metals, which are focused on copper mining, are well-positioned to benefit from these macro trends.



## A Deep Dive into Trilogy's Financials

Trilogy Metals Inc. (NYSE: TMQ) is a mineral exploration company that holds significant interests in the Upper Kobuk mineral projects in Alaska. These projects include the Arctic copper-zinc-lead-gold-silver project and the Bornite carbonate-hosted copper project. The company's strategic focus on copper, a key resource in the renewable energy sector, positions it well to capitalize on the increasing global demand for this metal.

## Financial Health

Trilogy Metals' financial health is robust, with total assets of \$143.5 million as of Q1 2023. The company's total debt stands at a relatively low \$176,000. This strong financial position provides Trilogy Metals with the stability and flexibility to invest in its mining operations and capitalize on the growing demand for copper.

	February 28, 2023 \$
<b>Assets</b>	
<b>Current assets</b>	
Cash	1,682
Accounts receivable	26
Deposits and prepaid amounts	163
Total current assets	1,871
Investment in Ambler Metals LLC (note 3)	141,380
Fixed assets	10
Right of use asset (note 5 (a))	276
<b>Total assets</b>	<b>143,537</b>

However, it's important to note that Trilogy Metals is still in the exploration and development stage, with no revenue generation as of Q1 2023. The company's operating expenses stood at \$3.6 million for the quarter, leading to an operating income of -\$3.6 million. Despite these figures, I believe the company's substantial assets and low debt levels provide a solid foundation for future growth.

## Earnings Estimates

Trilogy Metals' earnings are, well, negative. Which makes sense since the company is pre-revenue. However, there are some promising signs. The company's actual EPS for Q1 2023 was -\$0.0343, slightly better than the estimated -\$0.0133. The narrowing gap between actual and estimated EPS indicates improving operational efficiency, which can be a make or break factor when it comes to junior miners. The better run Trilogy is now, the more money it will be able to make faster when it finally starts pulling copper out of the ground.

## Mining Operations: High-Grade Ore and Strategic Location

AMBLER MINING DISTRICT <sup>1</sup>				
	COPPER billion pounds	ZINC billion pounds	GOLD million ounces	SILVER million ounces
ARCTIC (INDICATED)	2.35	3.22	0.675	52.0
ARCTIC (INFERRED)	0.19	0.29	0.062	5.0
BORNITE (INFERRED)	6.51			

- High-Grade Copper with Zinc and Precious Metals
- 50/50 Joint Venture with South32 Limited
- Located in Alaska a Safe, Rule of Law Jurisdiction
- Ambler Mining District with Significant Exploration Upside

**JV Focused on Developing the Upper Kobuk Mineral Projects (UKMP)**

<p><b>ARCTIC</b></p> <ul style="list-style-type: none"> <li>Feasibility Study results released Feb 14, 2023</li> <li>Mineral Reserves: 46.7 Mt @ 2.11% Cu, 2.9% Zn, 0.56% Pb, 0.42 g/t Au, 31.8 g/t Ag</li> </ul> <p><b>Pre-Tax \$1.5 Billion NPV and 25.8% IRR</b></p>	<p><b>BORNITE</b></p> <ul style="list-style-type: none"> <li>6.5 billion lbs of copper (Inferred)</li> <li>Cobalt mineralization at Bornite is comprised of cobaltiferous pyrite within and enveloping the copper mineralized zones</li> </ul>
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1. See the Arctic Report & Bornite Report (referenced on Slide 3) and the resource and reserve tables in Appendix for additional information, including details with respect to grade, quantity and metal or mineral content. See also Technical Information and Cautionary Statements on Slide 3.

TRUST | RESPECT | INTEGRITY **TRILGY** metals inc. TSX, NYSE | TMQ 4

Trilogy Metals' mining operations are primarily focused on the Upper Kobuk Mineral Projects (UKMP) in the Ambler mining district of Northwest Alaska. The UKMP is a joint venture between Trilogy and South32 Limited, a global mining company. The joint venture, known as Ambler Metals LLC, is advancing two significant projects: the Arctic and Bornite projects.

### Arctic Project

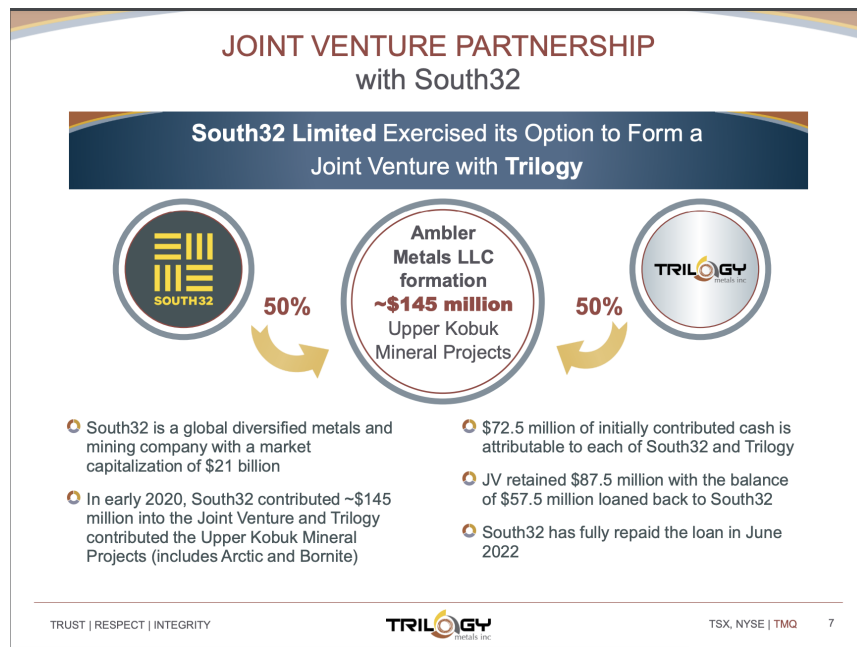
The Arctic project is considered one of the highest-grade copper deposits known globally. It is a polymetallic project, meaning it contains multiple metals. The deposit includes not only copper but also zinc, lead, gold, and silver. According to the company's pre-feasibility study, the Arctic project has a probable reserve of 43 million tonnes, with an average copper grade of 2.24%. This high ore grade is significant as it can potentially lead to more efficient production and higher profit margins once the company transitions from exploration to production.

The Arctic project is expected to be an open-pit mine, which is generally less expensive and safer to operate than an underground mine. The project is currently in the permitting phase, and once operational, it is expected to have a mine life of 12 years with a production rate of 10,000 tonnes per day.

### Bornite Project

The Bornite project is a carbonate-hosted copper deposit. It is located approximately 16 miles southwest of the Arctic project, which could potentially allow for operational synergies between

the two projects. The Bornite project has an inferred resource of 182.4 million tonnes, with an average copper grade of 1.57%. The project also contains a significant amount of cobalt, a critical component in rechargeable batteries for electric vehicles.



## Strategic Location

The UKMP is located in a mining-friendly jurisdiction with a long history of resource extraction. The State of Alaska also has a clear and established permitting process, which can help mitigate regulatory risks. However, the remote location of the projects presents logistical challenges. To address this, Trilogy is working with the Alaska Industrial Development and Export Authority to develop the Ambler Mining District Industrial Access Project, a proposed 211-mile road that would provide surface access to the UKMP.

## Leadership

To top everything off, Trilogy Metals' leadership team brings a wealth of experience in the mining industry. The team is led by CEO Tony Giardini, a seasoned executive with over 30 years of experience. His extensive experience in financial and operational management, coupled with his deep understanding of the mining sector should serve the company well as they continue to mature.

## Conclusion

In conclusion, Trilogy's strong balance sheet, high-grade copper ore deposits, and experienced leadership team make it a compelling consideration for investors interested in the mining sector and renewable energy trends. Additionally, its strategic location in a mining-friendly jurisdiction makes me bullish that this company will avoid the regulatory red tape that can often stop junior miners in their tracks.

With all the considered, we're adding this baby to the model portfolio. Of course, this is a very small company, in a very hard industry. So, it's the definition of a speculative play. If you choose to invest, never risk more than you're willing to lose.