

Copper Mining M&A Continues as Green Energy Transition Drives Demand

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Copper mergers & acquisitions continue to shine as the transition to a green economy requires a significant increase in the use of renewable energy sources, such as solar and wind power, and these sources depend on various metals to produce and store electricity, such as copper, lithium, cobalt, and nickel.

Copper is especially important for renewable energy, as it is used in electric vehicles, wind turbines, solar panels, and power grids. According to the [International Energy Agency](#) (IEA), the demand for copper could increase by 40% by 2040 under various governments' [Net Zero](#) initiatives to cut greenhouse gas emissions.

This growing demand for copper has sparked a wave of mergers and acquisitions in the copper mining industry, as companies seek to secure access to high-quality deposits and expand their production capacity. Here are a couple of examples this year.

Teck to spin off steelmaking coal business to shareholders to create two independent companies

Teck Resources, a Canadian mining company, announced in February 2023 that it will spin off its steelmaking coal business to form two new companies: Teck Metals and Elk Valley Resources.

- Teck Metals ("TM") will retain Teck's existing base metals

operations and development projects, including copper mines in B.C. and Chile, a zinc mine in Alaska, a lead-zinc smelter in Trail, B.C., and copper projects in Chile and Peru.

- Elk Valley Resources (“EVR”) will become a pure-play steelmaking coal producer with four metallurgical coal mines in B.C. and an enterprise value of C\$11.5 billion.

Breakdown of the split

The split has been designed as a spin-off of Teck’s steelmaking coal business, with EVR common shares being distributed to existing Teck shareholders. Throughout a transition period, TM will maintain a significant stake in steelmaking coal cash flows, via an 87.5% interest in a gross revenue royalty (“Royalty”), as well as preferred shares of EVR (called the “Transition Capital Structure”).

As per the Transition Capital Structure, TM will receive quarterly payments consisting of Royalty payments and preferred share redemption amounts, which will collectively add up to 90% of EVR’s free cash flow.

Teck shareholders who are on record as of the relevant distribution record date will receive common shares of EVR in proportion to their Teck shareholdings, at an exchange ratio of 0.1 common shares of EVR for each Teck share (or roughly 51.9 million total EVR common shares), as well as around \$0.39 cash per share, resulting in a total of \$200 million in cash. Through a Dutch auction election process, shareholders will have the option to choose between receiving a greater amount of cash or common shares of EVR, subject to proration.

The separation is expected to be completed by the end of 2023, subject to regulatory and shareholder approvals with a

shareholder vote expected on April 26, 2023.

Consolidating coal operations

In exchange for their minority interests in the Elkview and Greenhills coal operations, Nippon Steel Corporation (“NSC”) and POSCO, a South Korean steel-making company, have agreed to exchange their interest in the Elkview and Greenhills coal operations so EVR can own 100% of its projects.

NSC will exchange its interest and add C\$1.025 billion in cash to acquire 10% of the common shares of EVR and POSCO will receive a 2.5% interest in EVR.

Strategic Move

The split will result in the formation of two resource companies, giving investors the option to allocate investments between two distinct businesses with different commodity fundamentals and value propositions.

TM will prioritize growth, boasting a copper development portfolio and premier low-cost base metals production. , while maintaining a disciplined capital returns policy.

EVR will be a Canadian high-margin steelmaking coal producer, focused on generating long-term cash flow and providing cash returns to shareholders, with ample potential for equity value accretion.

But suitors emerge

After the announcement, [Glencore](#) (LSE: GLEN), a Swiss mining company, announced an unsolicited bid to acquire Teck Resources for \$22.5 billion, mostly in Glencore shares and up to \$8.2 billion in cash.

According to recent reports, at least six other companies have

now approached Teck to explore deals to acquire the base metals business after the split including, [Anglo American](#) (LSE: AAL), [Freeport-McMoRan](#) (NYSE: FCX), and [Vale](#) (BOVESPA: VALE3).

Hudbay Minerals to acquire Copper Mountain for US\$439 million

[Hudbay Minerals](#) (TSX: HBM), a Canadian miner with operations in Canada, Peru, and the United States, announced on April 13, 2023, that it had entered into a definitive agreement to acquire Copper Mountain Mining Corporation (TSX: CMMC), a Canadian miner with assets in Australia and B.C. The transaction is expected to close in the third quarter of 2023.

The transaction, valued at US\$439 million, will be carried out through an exchange of shares, whereby Copper Mountain shareholders will receive 0.381 of a Hudbay share for each Copper Mountain share they own. The deal represents a 23% premium over the 10-day volume-weighted-average share prices of both companies as of April 12, 2023.

The combination of Hudbay and Copper Mountain will create a premier Americas-focused copper producer with a diversified portfolio of high-quality, long-life assets and a robust pipeline of growth projects.

The combined company will have an annual copper production capacity of approximately 150,000 tonnes, with the potential to increase to over 200,000 tonnes through organic growth initiatives. The transaction is expected to generate an estimated US\$30 million per year in operating synergies and enhance the financial position and flexibility of the combined company.

Lundin Mining to Acquire a Majority Interest in the Caserones Copper Mine in Chile

[Lundin Mining](#) (TSX: LUN), a Canadian company that operates several base metal mines, announced that it has entered into a purchase agreement with JX Nippon Mining & Metals Corporation, a subsidiary of ENEOS Holdings, Inc. (TSE: 5020), to acquire 51% of the Caserones copper mine in Chile for US\$950 million.

The deal is worth US\$800 million in upfront cash and US\$150 million in deferred cash over six years. Lundin Mining also has the option to buy up to an additional 19% of Caserones for \$350 million over five years.

Caserones is a large-scale, long-life copper-molybdenum operation located in the Atacama region of Chile. The acquisition leverages Lundin's existing investment in the region, will increase its copper production by 50% in 2022, and enhance its cash flow generation.

Copper exploration companies to watch

Here are some other mineral exploration companies with copper projects that might be of interest to larger companies and they progress with exploration and development.

- [Clean Air Metals Inc.](#) (TSXV: AIR | OTCQB: CLRMF): Clean Air Metals owns 100% of the high-grade Thunder Bay North Critical Minerals Project, a platinum, palladium, copper, and nickel project located near Thunder Bay, Ontario.
- [Critical Metals PLC](#) (LSE: CRTM): Critical Metals has a 100% stake in Madini Occidental Limited, which holds an indirect 70% interest in the Molulu copper and cobalt

project, an ex-producing, medium-scale asset in the Katangan Copperbelt in the Democratic Republic of Congo.

- [Fjordland Exploration Inc.](#) (TSXV: FEX): Fjordland is a mineral exploration company that is focused on a nickel-cobalt-copper project in Newfoundland, a nickel project in Quebec, and two copper-gold properties in B.C.
- [Geophysx Jamaica Ltd.](#) (*private*): Geophysx Jamaica is an exploration junior searching locally for new mineral discoveries in Jamaica and is focused on copper, gold, and rare earth metals.
- [Silver Bullet Mines Corp.](#) (TSXV: SBMI | OTCQB: SBMCF): Silver Bullet Mines is a silver and copper exploration and development company with projects in Arizona and Idaho.
- [Troilus Gold Corp.](#) (TSX: TLG | OTCQX: CHXMF): Troilus Gold is a mining company focused on the advancement and de-risking of the former gold and copper Troilus Mine in Quebec towards production.

Final thoughts

These deals reflect the strategic importance of copper for the green economy and the competitive advantage of owning low-cost, long-life assets that can meet the rising demand. They also indicate the challenges that copper miners face in finding new sources of supply, as existing mines are depleting, and new projects face environmental and social hurdles.

The copper mining industry is likely to see more consolidation and investment in the coming years, as the world shifts to more sustainable energy systems.

Power Nickel is building a nickel sulphide resource in Canada ready to potentially supply a new EV metals supply chain

written by Tracy Weslosky | April 19, 2023

Canada as an EV metals supply and processing hub for North America

One of the biggest upcoming trends for 2023-25 is the establishment of Canada as an EV metals supply and processing hub for North America. The past few months have seen numerous announcements by battery and cathode manufacturers planning new facilities in both Quebec and Ontario, Canada. Some examples from the past 6 months include:

- BASF – [Cathode active materials and recycling site](#) acquired in Bécancour, Quebec
- GM & POSCO – Plan to build a [\\$400 million facility](#) to make cathode active materials in Bécancour, Quebec
- “[Stellantis & LG Energy to construct a \\$5.1 billion Ontario battery plant](#) to begin Q2, 2022 with production slated to start in early 2024
- [Avalon Advanced Materials Inc.](#) (TSX: AVL | OTCQB: AVLNF) and Essar Group Company JV [to establish Ontario's first regional lithium battery materials refinery](#) in Thunder Bay
- Umicore plans [to construct a manufacturing facility for cathode active battery materials](#) and their precursor materials in Ontario, Canada. Construction planned to start in 2023 and operations by the end of 2025

Even Tesla [appears to be strongly considering Canada](#) for their next gigafactory.

The main reason for all this excitement towards Canada as an EV metals supply and processing hub for the U.S is that Canada has all the EV metals and is close to USA, where permitting can be much more difficult. The Canadian government is also [making great efforts](#) to support this. It is also the case that the U.S is rushing to develop their own EV supply chain, independent of China and Russia. The Inflation Reduction Act [mandates escalating battery critical minerals requirements](#) (40% for a vehicle placed in service before 1 January 2024 rising to 80% for a vehicle placed in service after 31 December 2026) to qualify for U.S EV tax credits, with a key basis being that the battery metals will need to be sourced from North America or U.S free trade countries.

This puts Canada right in the box seat.

Power Nickel Inc.

[Power Nickel Inc.](#) (TSXV: PNP | OTCQB: CMETF) is a Canadian junior miner with an [option to acquire 80%](#) of the [NISK nickel sulphide Project](#) in James Bay, Quebec, Canada. Power Nickel already has a solid initial [NI 43-101 Compliant Mineral Resource Estimate](#) on the NISK Project of more than 2.5 million Indicated tonnes at 1.20% NiEq. and 1.4 million Inferred tonnes at 1.29% NiEq. NISK has valuable bi-product metals such as copper, cobalt, palladium, and platinum.

Power Nickel 2022 N43-101 Resource estimate



Source: [Power Nickel company presentation](#)

Some exciting parts about the NISK Resource are: the resource is

well located in Quebec, is sulphide ore (easier and cheaper to process than laterite ore), has significant expansion potential from the current total ~4 million tonnes I&I Resource, the site benefits from a major highway adjacent to it and a Hydro Quebec major substation across the road, and a nearby airport. The local Cree Nation community are generally pro-mining. With regards to the expansion potential CEO Terry Lynch is optimistic the Company can expand the resource size towards 8-10 million tonnes and potentially larger over time. Similar geological ultra mafic style deposits in Canada include Lynn Lake (~22M tonnes) and Voisey's Bay (~50M tonnes).

The only negative, according to my experts is that some of the Resource is underground which typically is more expensive to mine.

NISK Resource model showing potential open pit and underground resource



Source: [Power Nickel company presentation](#)

A [second round of drilling is currently underway](#) at the NISK Project, so investors will need to wait to see if the promising drill results can continue at NISK. CEO Terry Lynch recently [stated](#):

“We are very excited to get back to drilling and building on our resource at Nisk. The initial round of drilling was done largely to verify the historic resource and allow us to post the inaugural NI 43-101 Technical Report and MRE. This round, based on what we've learned from the MRE study, will enable us to better explore and we hope to expand the resource as we look to demonstrate Nisk has the potential to become Canada's next Nickel Mine. The plan is to drill around 5,000 metres but will

adjust that to opportunities on the ground. We would expect the drilling program to continue into December and we will provide updates as progress dictates.”

With nickel currently trading at [US\\$23,130/t](#) and 3 month LME nickel future contracts at [US\\$24,562/t](#) you can see why nickel is such a valuable metal and why Power Nickel has plenty of potential.

A growing nickel sulphide resource, easy road access, and access to abundant low-carbon hydropower, makes Power Nickel look like a potential future ESG winner to supply nickel from Canada’s emerging EV metals hub.

Due to the early stage, the current market cap is only [C\\$9 million](#). A very exciting early stage nickel junior and one to watch closely in the months ahead.

Disclaimer: The editor Tracy Weslosky is both a shareholder of Power Nickel and a supporter of the CEO Terry Lynch’s Save Canadian Mining, which was created to stop predatory short selling. Tracy is the founder of InvestorIntel.com but she is not an investment advisor, and is neither licensed to make any buy or sell recommendations. For more information, she recommends SEDAR.com for you to do your own due diligence.

How to Lose Money in Cannabis.

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“Some of the massive cannabis stocks will die and disappear. The global market simply is not large enough to justify the combined market caps of these stocks. Why? It’s a risk-return scenario

and a lot of cannabis investors happily sit back chewing on a bag a Doritos instead of looking at the risks underlying the market and police involvement in Canada is a massive risk.” States Peter Clausi in an interview with InvestorIntel Corp. CEO Tracy Weslosky.

Tracy Weslosky: Today I have the pleasure of speaking with Peter Clausi about Canada’s legalization of marijuana. How are you today Peter?

Peter Clausi: Overall I am very pretty good but I am still confused about the process.

Tracy Weslosky: Are you confused about the legalization process or what exactly are we talking about here?

Peter Clausi: I have been calling for decriminalization for years. You knew it was coming. No reason why it shouldn’t have come but the Liberals have a done a terrible job in managing this process and as a result municipalities are unprepared, provinces are unprepared and most importantly police departments are unprepared. There is going to be a terrible social cost to the Liberals mishandling of this process.

Tracy Weslosky: I am going to ask you to dumb that down for some of us that are involved more specifically in investing in the cannabis sector. How is this going to impact cannabis stocks?

Peter Clausi: You remember WorldCom? Too big to fail? It failed. How about Global Crossing? Too big to fail? It failed. Enron, the list goes on and on. Some of the massive cannabis stocks will die and disappear. The global market simply is not large enough to justify the combined market caps of these stocks. Why? It’s a risk-return scenario and a lot of cannabis investors happily sit back chewing on a bag a Doritos instead of looking at the risks underlying the market and police involvement in

Canada is a massive risk...to access the complete interview, [click here](#)

West Red Lake Gold's John Kontak on the gold market

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March 19, 2018 – “I think Canada is a great place to be. For example, Canadian mining executives talk about this with projects in Canada or all their projects in Canada that they like the price of gold right now with \$1,300. They like it because of the exchange rate.” states John Kontak, President and Director of [West Red Lake Gold Mines Inc.](#) (CSE: RLG | OTCQB: RLGMF), in an interview with InvestorIntel's Jeff Wareham.

Jeff Wareham: John is both the President of West Red Lake Gold Mines and also a real industry expert and seasoned veteran of the mining space. Every year PDAC is different John. Some years it is exciting. Some years it is funereal. What are you seeing this year?

John Kontak: A lot of expectations. If I could just stick with the gold sector and not speak about the other minerals that are very topical here as well. In the gold sector gold peaked in terms of U.S. dollars at \$1,900.00 an ounce in the fall of 2011. Then it got tough for exploration and development companies, which is my side of the business. It is hard to raise money. It is hard to keep a drill turning. We fortunately were able to do that at our company. However, it was a tough time. In 2016 it was kind of the first leg up when that, kind of, bear cycle

ended. We moved our company forward, West Red Lake Gold Mines. We raised almost \$3 million dollars in 2016 and the price of gold moved. In 2017 it was kind of sideways. I am kind of feeding off of 2016 momentum. The sense now as we begin 2018 is this may be the year for the next leg up that began in 2016. Sideways in 2017 and would like in 2018 to have a strong year and a good leg up. A lot of the things are giving indications that that may be the case.

Jeff Wareham: Anything particularly you are seeing jurisdiction wise where people want to be or do not want to be?

John Kontak: I think Canada is a great place to be. For example, Canadian mining executives talk about this with projects in Canada or all their projects in Canada that they like the price of gold right now with \$1,300. They like it because of the exchange rate. With the Canadian dollar in the high seventies the price of gold in Canadian dollar terms is very handsome. When you compare it to their costs, which they pay their invoices in Canadian dollars of course before Canadian gold projects, they have a very handsome profit margin. We like that. On the exploration and development side that means the Canadian gold producers are using up their assets every day and they are going to need more projects to be mining down the road. We are cautiously optimistic. A next leg up with capital moving in the market would be a good thing for 2018.

Jeff Wareham: Good stuff. You mentioned actually, although we are talking about the industry, you did mention West Red Lake Gold has their own drills. Do you think that is something we are going to see important this year because I understand there is a lot of backlogs, both with drillers and with the labs in particular?

John Kontak: We do not own the drill, but our relationship with

our drilling contractor is one of true partnership with a service supplier so the drill is always on the property...to access the complete interview, [click here](#)

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