Canuc Resources' Chris Berlet on Targeting a Silver Dominant IOCG in Mexico

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In a recent Investor.Coffee interview with Investor.News host Tracy Weslosky, Chris Berlet, President, CEO and Director of Canuc Resources Corporation (TSXV: CDA | OTCQB: CNUCF), discussed the commencement of a geological mapping and sampling program at their San Javier Silver-Gold Project in Sonora State, Mexico. Highlighting the significance of the geological target being an IOCG (Iron oxide copper gold ore) deposit, Chris shared that the San Javier Project is surrounded by notable mining projects and encompasses 28 claims in a prime location within an established mining camp.

Chris emphasized the vast potential of IOCG deposits, noting their large size and significant metal accumulation. Chris said that the San Javier Project's focus is on silver, which is abundant in Mexico's mantle, contributing to the region's rich silver deposits. The San Javier Project has shown promising signs, including high-grade silver veins and substantial magnetite presence, indicative of IOCG geology.

The San Javier Project's strategic location in the middle of a mining camp with a trend of copper and gold deposits adds to its potential. Chris also shed light on Canuc's unique position in the industry, backed by cash flow from its natural gas wells in Texas, which helps minimize share dilution and funds their exploration initiatives. To access the complete Investor.Coffee Interview/Podcast, click here

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About Canuc Resources Corporation

Canuc is a junior resource company focusing on its San Javier Silver-Gold Project in Sonora State, Mexico. The Company also generates cash flow from natural gas production at its MidTex Energy Project in Central West Texas, USA where Canuc has an interest in eight (8) producing natural gas wells and has rights for further in field developments.

To learn more about Canuc Resources Corporation, click here

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Wedgemount Rapidly Moves to Oil Producer with Permian

Acquisition

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After announcing the signing of an agreement to acquire "producing" oil and gas assets in the Permian Basin in December 2022, Wedgemount Resources Corp. (CSE: WDGY | OTCQB: WDGRF) ("Wedgemount") has rapidly moved into the oil producer category. The Company has also quickly increased barrels of oil equivalent per day ("BOEPD") production as it implements its growth strategy.

On December 19, 2022, Wedgemount announced the signing of an agreement to acquire "producing" oil and gas assets (known as the Willowbend Light Oil Project) in the Permian Basin of West-Central Texas, North America's number 1 oil-producing region. Earlier this month, the Company announced production increases from well and formation chemical treatments and then last week announced further gains in production as it "shows" the market it can successfully execute on its plans.

Willowbend Light Oil Project (Texas)

Wedgemount's Definitive Agreement means that they will acquire a 100% working interest (purchased for US$1.5 million to be paid in installments) in 640 acres including five leases, eleven producing wells, and all surface facilities. At the time of purchase, production from the eleven wells was approximately 25 barrels of oil per day of high quality, low-decline, operated production (and some associated natural gas production). The area's geology consists of numerous hydrocarbon-producing formations which will also be targeted by the Company giving potential to expand operations in the future.

Production expands rapidly from 25 to 104 barrels of oil equivalent per day, with the potential for a lot more

In February 2023, Wedgemount announced that they had commenced a phase-one field program at the Project to optimize wells and improve production.

Wedgemount CEO Mark Vanry clearly outlined the Company’s strategy:

> *“Wedgemount is delighted to secure a highly scalable and profitable light oil asset in North America’s most prolific producing hydrocarbon basin. The asset has tremendous production upside potential including low-cost optimization of existing wells, new vertical and horizontal wells, targeting of underdeveloped zones and the implementation of secondary recovery through water-flood. We’re optimistic that together our local partner, we’ll be able to add additional highly prospective targets in the immediate area during calendar 2023.”*

Then on February 22, the Company announced its success from its initial work with the rise in barrels of equivalent oil per day to 104 from 25, a 316% increase:

> *“As of February 16, 2023, the five-day average Willowbend field production was 104 boepd, which represents a significant increase from the Q4 2022 average of 25 boepd.”*

From 25 to 104 barrels of oil equivalent per day produced (from the chemical treatments) is an incredible result. And done from treating only 3 of the 11 wells so far, with more to follow. Workovers of the wells infrastructure can improve this further. Wedgemount anticipates well workovers and surface optimizations will commence in April 2023, which Wedgemount is optimistic will continue to add incremental production to the field.

Wedgemount's CEO Mark Vanry sees further expansion potential later in 2023 and into 2024 stating:

> *"We've mapped 36 million barrels in place and on a primary recovery can probably get 10-12%……..that's just one of a multitude of these bypass pay zones that will be the real blue sky for Wedgemount…."*

The Petrosaurus partnership and its "proprietary oil well chemical treatments" are key competitive advantages for Wedgemount

Effectively Wedgemount is now a rapidly growing small oil producer, albeit with their partner Petrosaurus Inc. who is a San Antonio-based turn-key oil field services operator with over 40 years of track record in central Texas. Petrosaurus has key relationships with landowners and businesses in the area. Petrosaurus' proprietary oil well chemical treatments are a key component of Wedgemount's strategy of acquiring and optimizing under-performing conventional light oil assets in central Texas. Wedgemount estimates that it can add oil production by spending US$5,000 per flowing barrel increase and it results in a payback period of fewer than 100 days.

Wedgemount Resources and partner Petrosaurus are working to acquire and improve underperforming oil wells in Texas

Source: Wedgemount Twitter

Petrosauraus' Senior Operations Manager Heidi Flag and her colleagues have over 40 years of combined experience providing solutions for the oil and gas industry.

Wedgemount's CEO Mark Vanry has an excellent track record of success with over 20 years of experience in the resources and capital markets sector. In fact, he has personally raised over $2 billion of capital for resource companies which is an exceptional achievement. Wedgemount also has a very experienced team including 2 seasoned geologists. The combined Wedgemount management team has over 75 years of industry experience.

Closing remarks

Wedgemount's strategy is to acquire and dramatically improve the performance of underperforming oil wells in Texas using modern techniques. Their maiden oil acquisition can potentially provide near-term cash flow as production rapidly ramps using their partnership with Petrosaurus which is producing amazing results.

By the end of March 2023, all 11 wells should have received the Petrosaurus chemical treatment, potentially boosting oil production even higher. There is the potential for further upside once the well makeovers are also done and again when work begins on the bypass pay zones later in 2023.

Wedgemount Resources currently trades at a market cap of only C$6 million.

Experience, low-risk drilling inventory and strategic access helps Southern Energy raise US $31 million

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I always like a story where a hard-working, knowledgeable management team sets its nose to the grindstone to try and eke out a decent return for shareholders, and then almost overnight the world changes and you're one of the hottest stocks out there. Often times it has to do with finding something unexpected with the drill bit that changes the fortunes of the company. However, in this case, it was a commodity price that had languished for years but in the last six months has almost doubled. I'm talking about Henry Hub natural gas prices and if you look back a few weeks it hit a peak of 150% over where it started the year. The Sprott Physical Uranium Trust (TSX: U.UN) wishes it could have that kind of influence on prices. Unfortunately, it was a much larger event that has impacted natural gas prices, along with plenty of other commodities.

Source: StockCharts.com

Even though almost every natural gas leveraged company has seen a great run, the additional bonus for Southern Energy Corp. (TSXV: SOU) is the location of its assets. As a natural gas exploration and production company with its primary focus on acquiring and developing conventional natural gas and light oil resources in the southeast Gulf States of Mississippi, Louisiana, and East Texas, it's close to most of the U.S. LNG export capacity (even after the Freeport LNG facility, which provides about 20% of US LNG processing, tried to blow itself up). Albeit the Freeport LNG explosion actually caused U.S. gas prices to fall from their lofty heights as a result of 2 bcf/d or a little over 2% of demand for U.S. natural gas having been abruptly eliminated. Nevertheless, as the rest of the world becomes a little less stable, being close to export infrastructure should ultimately be a good thing, in my opinion.

For Southern, its assets in Mississippi are characterized by a stable, low-decline production base, a significant low-risk drilling inventory and strategic access to the best commodity pricing in North America. Southern's mission is to build a socially responsible and environmentally conscious natural gas and light oil company in the Southeast Gulf States. In these areas, Southern has access to major pipelines, significant Company-owned infrastructure, year-round access to drill, and the ability to shift focus between natural gas or crude oil development as commodity prices fluctuate; all factors that contribute to mitigating corporate risk.

Another factor that will mitigate corporate risk is the recently announced successful completion of a US$31 million equity financing, of which US$12.5 million came from strong demand in the U.K. Another indication that Europe is worried about its natural gas supply and Southern is located in a great place to help support that demand. Net proceeds of the Offering will primarily be used to accelerate the initiation of a continuous organic drilling program at Gwinville, where the Company operates and owns an average 96.7% working interest in approximately 12,000 acres. The Gwinville property represents about 53% of the company's Proved plus Probable (2P) reserves, and approximately 23% of Southern's 2021 average production.

At the end of Q1, corporate production stood at 11,515 Mcfe/d of 92% natural gas. Although I would anticipate production to start moving higher as Southern rig released two (2.0 net) wells of the three well program at Gwinville in Q1 2022 with the third well rig released in April 2022. In May 2022, completion operations began on the three-well horizontal padsite. The first well to begin flowback following the stimulation was the GH 19-3 #3 well, which came on-line on May 25, 2022. The GH 19-3 #2 and GH 19-3 #4 wells are expected to be on-line shortly, and the Company is looking forward to providing initial production results in the coming weeks. This may not have a lot of impact on Q2 results but it certainly sets the table for Q3.

The recently completed capital raise by Southern puts the Company on solid footing to start expanding production and take advantage of the best natural gas prices in over a decade. Production assets are ideally located for maximizing corporate netbacks and an experienced and successful management team, with a history of creating shareholder value together, bodes well for the future of Southern Energy. Subsequent to the closing of the latest share issuance (expected July 7th) the Company will have a market cap of roughly C$105 million (based on yesterday's closing price) and US$31 million to try and make that market cap grow.

Under the Hood: Methanex might be priced for perfection right now.

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Today we're going to try something a little different. If successful it could become a recurring feature here at InvestorIntel, and if it falls flat on its face then it will never be heard from again. We're calling it "Under the Hood" and the intention is to dig a little deeper into a Company, or perhaps a trading theme, or a trend that either doesn't make a lot of sense to me (as is the case today) or perhaps has a lot of room to run from where it is currently trading. It's simply my observations on a topic that is derived from spending far too much time watching the business news channels every day. Keep in mind, I am not a licensed investment advisor and may not extend buy or sell recommendations. Correspondingly, this should not be construed as investment advice, simple the ramblings of a curious investor. Disclaimer aside, let's get on with the show.

Despite yesterday's sell off, along with virtually everything energy related, I've been perplexed by how Methanex Corp. (TSX: MX | NASDAQ: MEOH) recently hit multi-year highs in an environment of super high natural gas prices. Why, you ask? As the world's largest producer and supplier of methanol to major international markets in North America, Asia Pacific, Europe and South America, their primary feedstock (or input cost) is natural gas. A quote directly from the Methanex website states – "On an industrial scale, methanol is predominantly produced from natural gas by reforming the gas with steam and then converting and distilling the resulting synthesized gas mixture to create pure methanol." Which made me wonder what the market sees that I don't, or is it the market that is missing something?

My first thought was that maybe methanol prices were inelastic and Methanex could flow through all operating cost increases as long as demand was there. This doesn't seem to be the case as witnessed in Q3/2019 when pricing for methanol was poor and the Company couldn't cover operating costs and posted both an operating loss and a net loss for the quarter. Q4/19 would also have been a loss except for a one-time insurance recovery. Moving on to 2020, three of the four quarters also resulted in weak methanol sales pricing and net losses. Without digging a lot deeper into each and every quarterly report, this signals to me that Methanex isn't able to dictate the sales price to end users.

Next, I thought, perhaps they have some great hedges in place such that, at least for the time being, they would make out like bandits with a low input cost and continually rising sales prices. This is getting closer to the heart of their current success. Several Methanex natural gas supply contracts include a base price plus a variable price component linked to methanol prices. It appears that there is a floor to the prices they have to pay for feedstock which is what hurt them in 2019 and 2020 but when natural gas prices are ripping, like they did in late 2021 and again recently, they are far less likely to get caught in a supply crunch and have to pay spot pricing for their feedstock.

It's all good, Methanex should be a great investment in a rising price environment, case closed. Or maybe not. After digging a little deeper through their financials, I found this gem under Cash Costs: “We apply the first-in, first-out method of accounting for inventories and it generally takes between 30 and 60 days to sell the methanol we produce or purchase. Accordingly, the changes in Adjusted EBITDA as a result of changes in Methanex-produced and purchased methanol costs primarily depend on changes in methanol pricing and the timing of inventory flows. In a rising price environment, our margins at a given price are higher than in a stable price environment as a result of timing of methanol purchases and production versus sales. Generally, the opposite applies when methanol prices are decreasing.”

Based on this, it appears they could be setting up to have a disappointing quarter in the future, albeit still profitable. I doubt it’s Q1/22, given the price of everything commodity related is rising due to the fallout from Putin’s insanity in Ukraine. However, if cooler heads prevail, hopefully, sooner than later, Q2/22 could prove to be somewhat disappointing to Methanex investors when natural gas prices either stop going up or even turn around and start to fall and this cash cost lag takes a bite out of EBITDA and Net Profit.

Another potential tailwind that becomes a headwind is that Methanex doesn’t suffer from supply chain issues as they own the world’s largest methanol ocean tanker fleet. This helped make them the supplier of choice for the methanol market when the rest of the world was watching boats get stuck in the Suez Canal. With that said, we all know that there aren’t any EBs out there right now so transportation costs will be rising quickly and sharply. This could turn the tide, so to speak, on something investors have been giving Methanex a market premium for when the world was fraught with supply chain issues but becomes a proverbial boat anchor as increased shipping costs hit hard.

Lastly, and this isn't just Methanex but every commodity producer, is demand destruction. I definitely don't know enough about methanol uses but like everything, at some price consumers will try and find a cheaper alternative or go without if they can't, in turn, pass along the increased costs to the ultimate consumer. Approximately 45% of global methanol demand is in the energy sector including direct gasoline blending, marine shipping fuel, and biodiesel. We've seen historically the impact an oil price of $130/bbl can have on demand, so I think one has to be overly optimistic to think methanol sales volumes will be unimpacted by rapidly rising prices. Albeit, demand destruction takes time, but I think this also potentially lines up for the Q2/22 results.

So, what does it all mean? I feel like Methanex might be priced for perfection right now. This latest quarterly earnings season saw some of the biggest moves I've seen in my life on disappointing results and/or forward guidance. If a stock isn't absolutely perfect every quarter, it can get a big haircut in very short order. Keep that in mind if you are long or thinking about going long Methanex.

Russia's War, Supply Chain Turmoil and What It Means to You

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What a week! Last Thursday, Russia invaded Ukraine. Then this week global supply chains went crazy, with skyrocketing price

moves and a global-scale sense of worry about where it all leads.

I won't dwell on war news, meaning stories and imagery from front lines. It's tragic and painful to witness, and no doubt you follow events.

But definitely, it's worth discussing the economic impacts of the war. In particular, consider the almost immediate commercial isolation of Russia that's now taking shape with a wide array of sanctions on Russia's government, her banks, businesses and people.

This is an entirely new page for the world economy. And what's happening is not as easy as just saying, "Russia is bad so let's punish her." Sad to say, though, that's where much thinking across the world is focused. Do something. Make it fast. Think about it later.

Another way to say it is that Russia is a major, global-scale source of key energy and industrial resources. These range from products straight from the well like crude oil and natural gas, to refined hydrocarbons like gasoline, diesel and chemicals. Plus, Russia produces a vast array of industrially critical elements, again ranging from ores and concentrates to highly refined and processed alloys.

For example, as Russian sanctions kicked into play over the past few days the price of oil pulled up into a strong climb, with Brent Crude hitting $114 per barrel at one point. This reflects market uncertainty over future access to Russian exports. Meanwhile, one sees stories of tanker-loads of Russian oil going "no bid" because traders are uncertain about the legality of even making an offer. It'll sort out, more or less. But for now, it's a serious mess.

Other important commodities with a Russia-trade angle are also rising in price. Wheat futures are soaring to two-decade highs, according to market tracking services. And lumber futures are up sharply as well, reflecting concern over diminishing Russian supply.

Other materials rising in price include aerospace-grade aluminum, now at record levels according to a market follower with whom I spoke earlier. Meanwhile, a significant fraction of the world's aerospace grade titanium – about 60% by some calculations – comes from Russia.

Or consider spot prices for other widely used, critical industrial elements like copper, nickel and uranium. All have a strong Russia supply angle, and all are at 10-year highs, per trading data.

You get the picture, right? Literally, overnight, anti-Russia sanctions have created uncertainty over future supplies of key energy resources and metals.

Meanwhile, share prices for important Russian producers have collapsed. Consider just two key companies in the Russian investment space, gas producer **Gazprom (OTC: OGZPY)** and metals producer **Norilsk Nickel (OTC: NILSY)**. Both companies' share prices have tumbled in recent days, as you can see here:

Is there an investment angle? Well, the possibilities are many and depend on your risk tolerance.

For the truly bold, the collapse of Russian share prices creates a contrarian setup. If you are aggressive, and perhaps a bit crazy, feel free to wade into the selloff and buy shares of Norilsk and Gazprom. Of course, we don't yet know what will happen as events unfold, so the “buy low” idea could also lead to even more losses, of not a complete wipeout. You’ve been warned.

Or frame it this way: Russia now has a very significant level of what’s called “war risk” in everything that has to do with its investment climate. Perhaps there’s an upside in the not-too-distant future, but for now the entire space is a very dangerous place to be for most investors.

The safer investment idea is to focus on U.S. and Canadian names that work in the resource space that’s affected by Russian sanctions. Of course, there are many names out there ranging from small exploration plays to large and mighty companies.

For example, let’s look at nickel. Large nickel producers include Brazilian play **Vale (NYSE: VALE)**, as well as Swiss-based **Glencore (OTC: GLNCY)** and Australia’s **BHP Group Ltd. (NYSE: BHP)**. These names have global operations and everything you would want in a major player. If customers need nickel and cannot obtain it from Russia and Norilsk, they can buy it from these other guys.

On the much smaller, exploration side, though, my strongest play is a Canadian junior operating in Montana, called **Group Ten Metals Inc.** **(TSXV: PGE | OTCQB: PGEZF)**. This company is relatively early stage in its efforts, but with significant progress on the books. The play is focused within the well-regarded Stillwater District, where the company holds a massive land package. Exploration has already revealed extensive mineralization in copper, nickel, platinum, palladium, rhodium, gold, silver and even chrome. It’s a superb asset (I’ve visited the site and seen the mineralization), with strong technical and management talent.

It’s also worth noting that Group Ten holds lands directly adjacent to Sibanye-Stillwater, Ltd. (NYSE: SBSW), currently producing minerals in the region. This situation makes it more likely that Group Ten can eventually obtain necessary mining permits and move towards development and production.

To sum up, we can't do anything about the tragic war in Ukraine. Meanwhile, the anti-Russia sanctions are a massive, international phenomenon, again out of our hands. But already these dynamics have set up severe supply chain issues, all based on just a few days of history being made. And more disruptions are, no doubt, in the pipeline as events unfold and politics play out.

Finally, looking ahead the world is not simply on a glide path to a new version of the Cold War. No, Western nations are on the path to a "Commodity War" scenario, firmly embedded inside the looming political, economic and perhaps military confrontations. In this sense, holding real assets – including ores in the ground – is critical to your investment future.

On that note, I rest my case.

That's all for now… Thank you for reading.

Best wishes…

Byron W. King