

Lithium and Resource Nationalization: How Countries are Taking Control of Critical Minerals

written by Jack Lifton | April 29, 2023

A common joke among the credentialed is that the golden rule can be stated as “They, who have the gold, make the rules.”

A newer, more contemporary, version of the rule might be “They, who have the lithium, make the rules.”

Is China weaponizing Critical Minerals?

We are told repeatedly by American bureaucrats, academics, and elected policymakers that China is weaponizing critical minerals, such as lithium, in order to exert control over the “rules-based order” dominated by the United States that has shaped the world since the end of World War II.

The use of military analogies by developed world policymakers and industrialists and their captive media does not disguise their abject failure to realize that victimhood is not its own reward. In fact, to emphasize victimhood is to admit failure.

Developing nations paying the bill for the West’s assault on cheap energy

The apparent plan has been that the developing world, aka “the third world” should suicidally pay the bill in low-cost critical minerals for the West’s current assault on cheap energy – the only hope that developing nations have for growth in their

standards of living. This is necessary say the comfortable upper classes of the developed world to avoid a climate catastrophe that will victimize all.

Mining finance has been more and more directed towards tilting at the windmill of “climate change,” but is now facing the hard reality of the non-existent understanding of the consequences of their acts by the so-called Western elites.

Nationalizing the Critical Mineral industries

There is a growing national awareness, and resentment, in many developing countries of the importance of certain “critical” commodities and how developed nations (the West) are dependent on them.

However, the group-think, climate-change fighting, developed nations and the self-centered, not-so-bright, policymakers of the West have failed to understand this reality.

But it seems that the policymakers of the primary national owners of those commodities have noticed it. The national owners of the critical minerals are finally rejecting the resource imperialism of the now-closing Eurocentric era and asserting their rights to domestic self-sufficiency.

First Mexico and now Chile, just this year, are nationalizing their lithium industries. Both nations are requiring that lithium produced domestically be processed domestically to add value and create wealth for their people.

This is not the weaponization of a commodity but the realization of its value in the place where it is produced.

Indonesia has done the same with its nickel, Peru (and Chile)

are looking at nationalizing copper, and African nations who have restricted the activities and even thrown out Europeans are now pressuring the Chinese who replaced them to either add value to their mineral production locally or be nationalized and ejected.

Critical Minerals prices should increase

The fact that the world is heading into a global recession will temporarily derail the critical commodity price increase that will normally be capitalized through resource nationalization, but those prices will come roaring back when the recession ends and the ease of access to “third-world” natural resources has vanished forever.

Internal demand within critical minerals’ producing countries will also bolster prices.

China’s approach to Chile

While Americans concern themselves with the proper choice of pronouns, the Chinese have already approached Chile offering to add value within the Chilean domestic economy by setting up the processing of Chilean lithium into battery cathode material within Chile.

I have no doubt that the Chinese will ultimately offer to do the same for batteries and even vehicles within Chile and be paid by being allowed to export part of that finished production to other countries.

You need to understand the problem

You cannot solve a problem that you do not understand. The lack of technological and commercial issues awareness by the self-styled Western techno-journalists is appalling but

understandable.

These writers clearly lack both a general scientific education, such as American high schools gave after World War II, and they do not have the necessary basic education, or, perhaps, intellectual ability, to choose who to ask for the relevant explanations. The American academic community is today so specialized, and ideologically damaged, that it is unable to separate the forest from the individual trees.

A perspective informed by knowledge of data, a general understanding of the laws of nature, and the ability to reason logically has vanished from the policy sphere in the West.

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.

Five Companies Seeking to Capitalize on the Andes' Rich Geology Including NGEx that Hit 7.52% Copper Over 60m

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The Andes Mountains in South America present unique challenges for exploration due to their high altitude, frequent snowfall, and limited infrastructure. But it is one of the world's richest geological regions whose importance will only grow as the clean energy boom drives demand for copper, lithium, and other critical minerals. These five companies are seeking to capitalize on that potential.

1. [NGEx Minerals](#) (TSXV: NGEX)

- NGEx has seen its share price jump almost 50% since the company announced exciting drill results from its new Potro Cliffs project in Argentina.
- The latest hole from its 2023 campaign returned 60 meters at 7.52% copper equivalent (“CuEq”), including 10 meters at 18.0% CuEq, astounding grades considering that most large copper mines today are processing material containing a lot less than 1.0% Cu.
- The new target is located high in the Andes Mountains, close to the border with Chile (the world’s largest copper producer) and between NGEX’s Los Helados project (2.1 billion tonnes (“Bt”) at 0.48% CuEq) and [Filo Mining’s](#) (TSX: FIL) Filo del Sol deposit (644 million tonnes (“Mt”) at 0.3% Cu).

2. [New Pacific Metals](#) (TSXV: NUAG | NYSEAM: NEWP)

- New Pacific has discovered a first – a Chile-style epithermal gold deposit in Bolivia. Management initially thought the Carangas project hosted the same extensive silver mineralization present at its Silver Sands project (201.8 million ounces (“Moz” of silver (Ag)), which it is rapidly advancing towards a construction decision.
- But after management decided to sink a hole away from the old Spanish workings, they found it overlaid a much larger area of gold mineralization. The company has had up to five rigs drilling round the clock to assess the size of the deposit with a maiden mineral resource planned for mid-2023 and a Preliminary Economic Assessment by the end of the year.

3. [ATEX Resources](#) (TSXV: ATX)

- ATEX could win the prize for the best drill hole of the year. The company drilled more than a kilometer of mineralization grading at 0.7% Cu at its Valeriano project in northern Chile.
- Optioned from [Hochschild Mining plc](#) (LSE: HOC) in 2019, ATX originally saw the property as a potential epithermal gold deposit but, after reviewing historic drill results, decided to focus on the potential for a much larger and deeper-lying copper-gold porphyry deposit, leading to a series of impressive intercepts of which the new hole is just the latest.
- This will not be the first major Andean discovery for CEO Raymond Jannas. The Harvard-trained geologist previously led the teams that discovered Pascua Lama ([Barrick Gold](#) (TSX: ABX | NYSE: GOLD)), El Morro (Metallica Resources (*acquired*)) and, in Venezuela, Chocó 10 (Bolívar Gold (*acquired*)).

4. [Tincorp](#) (TSXV: TIN | OTCQX: TINFF)

- Tincorp is hoping to ride the rush to invest in metals required in the global switch to clean energy. While copper, cobalt, and lithium have grabbed most of the headlines, some tin is present in every single electronic device, large and small, and will become more omnipresent as our reliance on technology grows.
- Moreover, the [International Tin Organization](#) has warned that the world is facing a huge shortfall as demand accelerates and existing reserves are exhausted. To meet this demand, Tincorp has begun an aggressive exploration campaign at two properties in central Bolivia, once the largest supplier of the metal to the US.

5. [Challenger Exploration](#) (ASX: CEL)

- Challenger is making a comeback. After seeing shares plummet over the last year amid a falling gold price and skeptical investment climate, the stock appears to have turned a corner after it released a 2.8 Moz gold (“Au”) resource for its Hualilán project in Argentina’s San Juan province.
- The firm should receive another boost when it publishes a maiden mineral resource (scheduled for next month) for its El Guayabo project in Ecuador, which lies down strike from [Lumina Gold’s](#) (TSXV: LUM | OTCQX: LMGDF) Cangrejos deposit (17 Moz Au).

Final thoughts

The South American Andes region is a challenging yet rich geological region that is gaining attention as the clean energy boom drives demand for critical minerals. The five companies mentioned in the article are actively exploring and capitalizing on the potential of this region.

With impressive drill results, discoveries of new deposits, and aggressive exploration campaigns, these companies are poised to benefit from the increasing demand for copper, gold, lithium, tin, and other minerals necessary for the global switch to clean energy and the Andes region could become a key player in the global supply chain for critical minerals.

Andes Mountain Region of Western South America



Source: [iStock](#)