

Nov. 27, 2020

Nevada Copper

Copper price 3.42

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Nevada Copper owns the mineral rights to nearly 17,500 contiguous acres know as Pumpkin Hollow and Tedeboy. Pumpkin Hollow has an underground mine and an open pit mine. Tedeboy is purely exploration. The property Nevada Copper controls is large. The underground mine is producing, the strip mine is expected to produce in 2023, and there is current exploration within other areas of Pumpkin Hollow. They have owned Pumpkin Hollow for quite some time and staked their Tedeboy claim in 2019. The area around the property is replete with copper mines. They had recent engineering and equipment trouble with their underground mine that slowed production and Covid didn't help.

Nevada Copper is unloved. The share price peaked at \$5.70 in May 2011 and closed recently at below \$.1 and currently trades at \$.11. Nevada Copper has become a swear word for many investors and they won't touch the stock with a 10-foot pole. Whether the company or the price of copper is to blame is unclear, but the hate creates opportunity.

The problems on the underground mine have been worked out and the mine should ramp up to 5000 tons daily of ore production in 2021.

Nevada Copper plans for the open pit mine to be in production in 2023. They need to raise between \$500U to \$700U million for capital expenditure to develop the mine. Their financial backers have invested a lot of money for little return so far. They must be getting nervous. However, the underground mine is producing and will soon create cash flow and the price of copper is attractive. Human nature suggests that they won't give up now. There are too many potential positive catalysts.

Nevada Copper recently hired a new CEO.

Their share count has increased dramatically over the years. Their current market capitalization is \$164C million

Price of Copper

The price of copper has rebounded strongly from the April lows of \$2.20. The current price has transformed marginal copper plays into viable copper plays providing the price sticks. However, it takes time to move copper projects into copper producing entities. In the meantime, I would not be surprised if copper prices surge higher. [Copper Faces Struggle To Keep Up With Growing Demand](#)

The bear market in copper prices since 2011 has led to a constrained supply. Exploration and mine development projects were shelved. This meets the present where the demand for copper is strong. The green movement has a thirst for copper and the electrification of the world accelerates. There are more Teslas on the road than ever before. How long until most vehicles are electric? This is merely one example of the electrification of the world.

We currently have constrained supply with accelerating demand, and we enter a Covid endpoint. I would not be surprised if the price of copper surpasses the 2011 high of \$4.5. This not a common

prediction simply because it is bold but surpassing all-time highs is not remarkable given the decades long bear market that copper, and most commodities, have suffered through.

What is Pumpkin Hollow?

Pumpkin Hollow is an 11597 acre property in a copper zone with an operating underground mine and a strip mine scheduled for production in 2023. Much of the 11597 acres are unexplored with exploration activity on-going. The probability of more deposit finds is substantial. Nevada Copper will be a mid-tier producer if all goes well.

What is Tedeboy?

Tedeboy is the remaining 5700 acres Nevada Copper staked the rights to from the Federal Government in 2019.

What is in the ground?

The underground mine has a deposit of ore Proven and Probable at 24 Mst with a 1.74% Cu equivalent grade and a mine life of 13.5 years. The mine is producing and the company targets producing 5000 tons per day in 2021. They expect to increase daily production in the future.

The strip mine has a deposit of ore Proven & Probable at 386 Mst of .47% Cu. The company targets production starting in 2023 with capital spending of approximately \$600 million between now and then.

Pumpkin Hollow is a large property with significant underexplored areas that hold promise. Exploration targets have been identified and the goal is to discover new deposits.

Tedeboy is contiguous to Pumpkin Hollow. The area has shown promise through trenching with many channel, dump, and grab samples in the +1% Cu grade range.

What is the value of the Pumpkin Hollow project?

I'm ignoring all ore categorized below Proven & Probable and am ignoring any exploration activity or results.

We calculate the net present value around \$1.5US billion using a discount rate of 11% and a copper price of \$3.20. The current price of copper (Nov 27, 2020) is \$3.42. Credits on the underground mine are included and not included on the strip mine. We use a relatively low tax rate because Nevada Copper has significant accumulated tax loss to offset future tax. They won't pay much tax in the first 5 years.

\$1.5US billion is \$1.96C billion. This is 11 times higher than Nevada Copper's current market capitalization.

Nevada Copper - Why the low valuation?

The market is worried that Nevada Copper will not be able to finance the strip mine. I think these fears are overblown. If the copper price holds, this is an inopportune time for major backers to realize loss.

Too many investors have lost money on Nevada Copper in the last nine years. This creates hate, and hate creates opportunity.

Honourable Mentions

The state of Nevada is one of the most mine-friendly jurisdictions on the planet.

The exciting potential is what they find through exploration efforts. They are situated in a copper rich zone.

Disclosure:

I am long Nevada Copper.

Appendix:

Numbers below. All charts and tables taken from company presentation or the Jan 2019 PFS study available on company website or SEDAR.

