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## MARKET COMMENTARY

**eResearch Corporation** is pleased to provide an investment newsletter, courtesy of **Rick Mills** of **AHEADOFTHEHERD.COM**. (Referred to as AOTH)

Rick Mills publishes pertinent investment articles on his website on a regular basis. He also publishes a regular investment newsletter.

Richard Mills is owner and host of **AHEADOFTHEHERD.COM**. His articles have been published on over 400 websites.

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### Ahead of the Herd Newsletter - 2019 Issue Four Saturday January 19<sup>th</sup>



BW: Rick's latest Newsletter, while highly informative, is very extensive. For this reason, we are separating the newsletter into six reports for publication over the ensuing days on the eResearch website. If you want to read it in its entirety all at once, just <Ctrl-Click> on the link provided below. The general theme is Commodities and why Rick believes that NOW is the right time to take or add to positions in commodities: Our six AOTH reports are as follows: (1) Why and Which Commodities?; (2) Copper; (3) Lithium; (4) Rare Earths; (5) Gold; and (6) Uranium.

**COMMENT:** *Yesterday, we published the first of six excerpts from the Newsletter. Today is the second excerpt, focused on COPPER.*

Link to the entire January AOTH Newsletter is [HERE](#).

**NOTE:** If you want to sign up to Rick's website/blog, and subscription is FREE, you can do so here: [www.Aheadoftheherd.com](http://www.Aheadoftheherd.com).



# Commodities are the right story for 2019



*As a general rule, the most successful man in life is the man who has the best information*

## PART 2: COPPER

At Ahead of the Herd we are invested in commodities that support the electrification of the transportation system. These include copper, lithium, and rare earths, all of which are critical components of electric vehicles.

By 2047, there are expected to be upwards of 1 billion electric cars on the road. All these EVs will need lithium-ion batteries containing lithium, graphite, nickel and cobalt, plus other mined metals that go into EVs, like copper.

### Copper

While the copper price has lagged in recent months over fears of slowing Chinese growth and the U.S.-China trade war, the market fundamentals are solid. Over 200 copper mines currently in operation will reach the end of their productive life before 2035. Most of the low-hanging copper “fruit” has been picked. New copper mines will be lower-grade and farther afield, meaning higher capex and production costs.

Demand for the “[red metal](#)” needed for construction (copper wiring), communication,s and transportation, is now being wired in, pun intended, to the electrification trend. Copper is an essential component of EVs. An average electric vehicle contains 85 kilograms of copper compared to 25 kg for regular vehicles. That means copper demand is going to soar even higher than it already is.

Second, we are on the cusp of a major change in the copper market, where supply is not going to be able to keep up with demand. A supply deficit is expected as soon as 2020. There are already signs. Copper stockpiles at London Metal Exchange warehouses are at a decade low.

See the chart on the following page.



Without new mines to fill the gap, a 15-million-tonne deficit is expected by 2035.

If supply cannot meet demand, then that means one thing: higher prices. It also means that governments (and companies) will be scrambling to get their hands on new copper properties to meet the demand. Nothing less than their economic growth is at stake. Without copper, the construction, communications and transportation industries would grind to a halt. Maintaining a smooth supply chain is critical to growth.

See next chart on the following page.

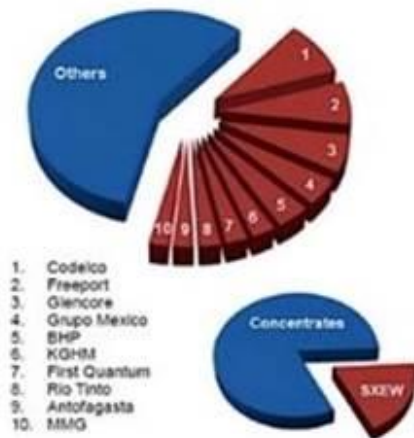


## The ICSG forecasts mine supply to slow to 1.2 percent next year

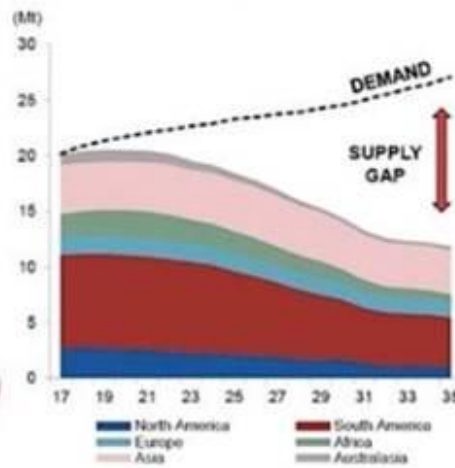


### Without projects supply gap will exceed 15Mt by 2035

1. Copper Mine Production 2017: 20.4Mt



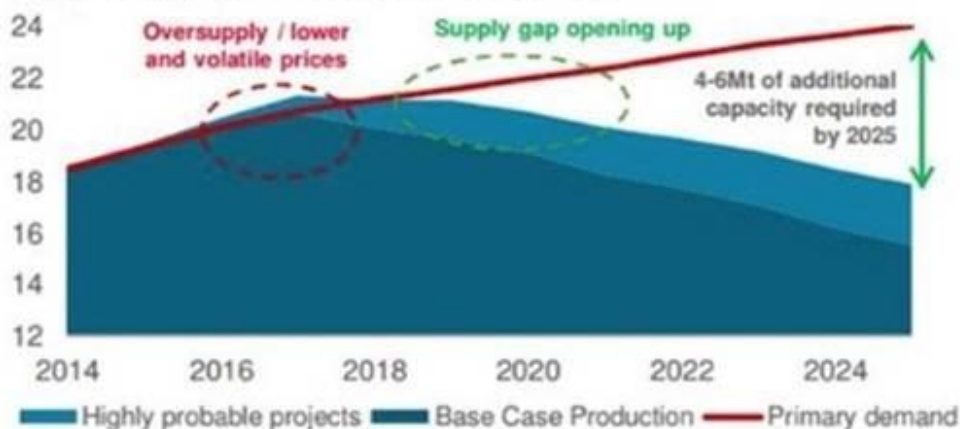
2. Committed\* Mine Supply Forecast



\* Committed = Existing Operations and Firm Expansions

Graph courtesy of Hamish Sampson / Analyst at CRU's Copper Team.

### Copper supply/demand (million tonnes)



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Copper miners are on the hunt for new deposits that can help slow the inevitable decline of their aging mines. Consider this: we have seen a recent flurry of mergers and acquisitions (M&A) in the copper space.

Barrick Gold, which took over Randgold Resources recently in a \$6.1 billion deal, wants to get back into copper. And multi-mineral behemoth Rio Tinto is [rumored to be setting up an offer for a minority stake in Teck Resources' Quebrana Blanca](#) copper mine in northern Chile.

For more on M&A and the copper market read our [Copper fundamentals still solid](#)

[According to Bloomberg](#), a survey of eight diversified major miners showed that copper is eating up an outsized share of their capital spending right now, just shy of \$8 billion between June 2017 and June 2018.

A great place for major and mid-tier copper producers to look for new acquisitions is Canada. The country has a storied copper mining history, particularly in BC (copper-gold) and Saskatchewan (VMS deposits), ample power and water, and an experienced mining workforce.

We have identified a copper junior in Saskatchewan with a property well worth looking into. Rockridge Resources (TSX-V:ROCK) has an option on the [Knife Lake Copper VMS project](#) currently owned by Eagle Plains Resources (TSX-V:EPL).

The project is an advanced-stage copper, zinc and cobalt exploration property. Over 400 diamond drill holes have been completed. Characterized as a “remobilized VMS deposit,” Knife Lake has about a 15m-thick mineralized zone containing copper, silver, zinc and cobalt. It dips 30 to 45 degrees eastward over a 4,500m-long strike.

Rockridge's option agreement with Eagle Plains was [recently approved by the TSX Venture Exchange](#).

Flush with over \$2 million in its treasury, Rockridge is planning a \$700,000 drill program to begin in February or March. The program will focus on confirmation drilling as well as expansion drilling and some exploratory holes. This will provide ample news flow for the first half of the year.

**BW: We will publish tomorrow the next installment of the January 19 Newsletter from AheadOfTheHerd.com. It will focus on LITHIUM.**

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