

# Takeover Bids Return to Canadian Mining

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VANCOUVER, British Columbia, Feb. 20, 2014 (GLOBE NEWSWIRE) -- A rising tide of mining M&A doesn't necessarily lift all resource stocks, but it certainly raises the prices and profiles of the best looking ones, particularly juniors: And raises the prospect of more bids to come.

To wit: Hudbay Minerals offered Augusta Resource shareholders \$540 million (\$2.26 in cash and .315 of an HBM share) representing an 18% premium over the pre-announcement close.

Goldcorp bid \$5.95 a share in cash &mdash; a 15% premium over close - for Osisko Mining. Shares immediately traded to \$6 and change looking for a better offer. If closed, the \$2.6 billion deal would be the biggest Canadian mining transaction in over a year.

Both bids are hostile and analysts see the potential for rival or higher bids.

"We saw our share price rise significantly in the week after the Hudbay-Augusta bid was announced," stated Dale Corman, mining industry veteran and Chairman of Western Copper and Gold (TSX:WRN) (NYSE:MKT). "Negativity had swung the pendulum too far and is now correcting, as investors pay more attention to copper supply issues and look for companies with large deposits, cash and that are closer to production."

The market after these bids helped lift some good quality junior stocks such as WRN that the market had been ignoring for some time. Adding to the compelling picture for copper companies is the fact that Augusta is close to the end of its permitting process, which was likely a major factor in the bid timing.

With almost \$3 billion-plus potentially looking for a new home, post deals, the question arises, where will shareholders deploy their cash? They will likely be looking into situations similar to those that were just bought out.

In the Yukon, where WRN has its flagship Casino deposit, 4 mining permits have been granted in the last 7 years and they have taken just over 2 years on average to obtain. WRN has reported that they have spent the last 6 years and over \$18 million dollars in preparation of their Environmental Assessment Application (Casino Mining Proposal) that was submitted in January of 2014.

The clock appears to be ticking now toward production as WRN advances the permitting process. If you take a look at the highlights of the project and consider the management team that is advancing the project, you'll see why WRN might be on the radar of the majors:

- Large Deposit with over a billion tonnes of reserves
- Upside Potential of an additional 1.7 billion tonnes of Inferred Resource
- Great project economics (\$1.8B NPV and 21.1% IRR after-tax as defined by their bankable Feasibility Study in 2013)
- Located in a politically stable jurisdiction

The ongoing spectre of copper shortages, which lends more fuel to the current M&A activity, is evidenced by the London Metal Exchange (LME) inventory, which is down to 300,000 tonnes from record highs in the summer of 2013. With Chinese inventories also down, most commercial buyers have little choice than to buy LME grade copper, putting mounting upward pressure on price.

Energy and mining analysts Wood Mackenzie contend that 4.5Mt of greenfield (new sites) copper production will be needed by 2022. For context, that amount represents the equivalent of the production from 45 Casino

projects. Arguably, it's difficult to see much downside in the copper price at current levels or any slowdown in M&A activity in the sector.

WRN's shares are currently trading about 50% higher than they did two months ago. Western's Feasibility study for Casino showed excellent economics with a 20.1% after-tax IRR and a \$1.8-billion NPV at an 8% discount rate (based on US\$3 copper and US\$1,400 gold).

Probably the best asset WRN has going for it is the management team that Corman has kept together since he ran Western Silver and sold off the Penasquito project to Glamis (Goldcorp) for \$1.6 Billion in 2006.

For Corman's part, he brings a successful career that has spanned almost half a century. Given his experience, WRN, with its exceptional potential just seems like business as usual to hear him tell the story.

In a recent article on CEO.ca, Corman states: "I talk to investors, and some of them have never heard of the name Western Copper and Gold. When suddenly the light comes back on, they'll come to us rather than to another name." He continues, "As we move the project towards production they'll make out extremely well."

Sage advice.

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