The Mining Coup of the Millennium

The price of copper fell steadily for five years, it lost nearly 50% of its value before it finally bottomed in 2018.

Take a look:

The fall in copper prices from 2011 to 2016 led mining companies to slash production. Many took this opportunity to revamp older mines to reduce costs and update infrastructure.

That’s going on right now at giant copper and gold mine Grasberg in New Guinea. The mine will cut 1 million tons of production in 2019 as it develops a new orebody underground.

That’s nearly 5% of the world supply offline.

As a result, we are facing a tight market for 2019. Supply is falling and demand is rising, creating a classic supply/demand pinch. That should push prices higher.

In fact, mining industry analysts expect copper to rebound in 2019 and climb 33% by 2020.

Now is the ideal time for us to grow our wealth in copper miners.

In this report, we’ll look at the world’s copper market and introduce the single best mining company to take advantage of rising copper prices.

It’s one of the world’s greatest copper deposits. Its copper will be the supply we use over the next decade.
World Copper Demand Looks Strong for the Next Decade

When we think about copper’s supply and demand, there are two main countries to consider: Chile for supply and China for demand.

Chile produces over 25% of the world’s mined copper supply every year — more than double that of Peru, the second-largest producer, in 2017. You can see the four largest copper-producing countries in the table below:

<table>
<thead>
<tr>
<th>Country</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>5,750</td>
<td>5,700</td>
<td>5,550</td>
<td>5,330</td>
</tr>
<tr>
<td>Peru</td>
<td>1,380</td>
<td>1,600</td>
<td>2,350</td>
<td>2,390</td>
</tr>
<tr>
<td>China</td>
<td>1,760</td>
<td>1,750</td>
<td>1,860</td>
<td>1,900</td>
</tr>
<tr>
<td>U.S.</td>
<td>1,360</td>
<td>1,250</td>
<td>1,430</td>
<td>1,270</td>
</tr>
<tr>
<td>World Mined Total:</td>
<td>18,500</td>
<td>18,700</td>
<td>20,100</td>
<td>19,700</td>
</tr>
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Copper supply took a hit in early 2017. Copper demand looks great in the long term.

Jerry Jiao, vice president of major copper miner China Minmetals Corp., says that renewable energy will drive copper demand in the future. Demand could rise by 2.4 million tons by 2030 from renewables alone.

That doesn’t take into account electric cars. The Chinese car fleet will include 20% electric vehicles by 2030. That will result in another 2.8 million tons of copper demand.

In addition, India will drive new copper demand in the next decade. Indian copper demand could double by 2026. That would require 1.4 million tons of new copper supply by 2026 from power and construction. Electric vehicles could add another 2 million-plus tons of supply over the next decade.

However, copper prices are surprisingly bearish right now.

With the exception of the dip during the financial crisis of 2008, copper prices recently hit their lowest point in this decade. The average price is over $3 per pound for the last 10 years.

Check out this chart to see what I mean:
**Recent History: A Poor Performance**

Copper was one of the worst-performing commodities of the last five years. At its peak in 2011, a pound of copper sold for more than $4.50. In early 2016, the metal plunged below $2 per pound. That’s a decline in price of more than 56%.

As you can imagine, copper miners’ stocks plunged, too. Copper and gold producer Freeport-McMoRan, one of the world’s largest copper miners, took a beating during that five-year period. Shares fell from over $50 in 2011 to under $4 by early 2016 — a decline of more than 92%.

While it would be understandable to see that as total destruction, here’s the thing about good natural resource investors: We know it’s an opportunity. This is a critical skill — the ability to see value in a commodity even after its share price is 10% of its previous value.

The reason is simple: Natural resource prices are volatile. They can go up and down further than many believe possible. However, the mines and oil wells last for decades in most cases. While the price of copper can fall more than 50% in five years, that doesn’t mean copper is worthless. When the price falls, the market sells shares of companies like Freeport-McMoRan.

Extremely low copper prices lead to absurdly low, end-of-the-world stock prices. At its lowest point, the market priced Freeport-McMoRan shares as if we’d never see copper prices rise again … which is absurd.

Copper is one of the most important metals in the world today. There’s a reason for that old saying: Copper is a metal with a Ph.D. in economics. It’s in all sorts of stuff we use every day: batteries, plumbing, electronics, construction materials and even our money. As you can see in the chart below, copper prices began to recover in 2017.

![Copper’s Fall and Recovery](chart)

**A Giant Copper Deposit on China’s Doorstep**

The company that could help you maximize the profit potential during the surge phase of this green rock is headquartered in Vancouver, British Columbia.

However, this company’s marquis mine is located almost 5,400 miles across the world in Mongolia.

What makes this company — and its showcase mine — so attractive is that it’ll be a major supplier of copper to China, which uses 46% of the worldwide copper supply.
Ranking among the world’s 10 largest copper deposits, Oyu Tolgoi is huge. It contains about 24 billion pounds of copper reserves. As shown here, it’s also one of the world’s largest gold deposits, based on its 11.9 million ounces of gold reserves.

It’s an enormous deposit, and the reserves don’t cover the entire thing. That’s just the metal that’s ready to be mined. The actual orebody contains about twice that much metal. It’s so large, the company is still exploring deposits around the main mine.

Four main zones make up the mine: Hugo North, Oyut, Hugo South and Heruga. Oyut was mined first because it was near the surface. The miners could dig the ore out of a pit rather than go underground.

<table>
<thead>
<tr>
<th>Metal</th>
<th>Oyu Tolgoi’s Reserve Volume</th>
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<tbody>
<tr>
<td>Copper</td>
<td>24 billion pounds</td>
</tr>
<tr>
<td>Gold</td>
<td>11.9 million ounces</td>
</tr>
<tr>
<td>Silver</td>
<td>75 million ounces</td>
</tr>
</tbody>
</table>
Oyu Tolgoi is primarily a copper mine. As I mentioned above, now is a great time to own a huge copper mine.

The company’s operations are already selling metal from the mine. The table here shows a snapshot of its recent financial info:

As you can see, the company’s revenue declined in 2018 after a reduction in metal concentrate volume. The company shifted its focus to develop the underground portion of the mine at Hugo North.

Hugo North holds 16.7 billion of the 24 billion pounds of copper reserves. That’s 70% of its current total. This development is critical for the future of both Oyu Tolgoi and Turquoise Hill. The table below shows the how much copper and gold the mine will produce through 2025:

<table>
<thead>
<tr>
<th>Oyu Tolgoi’s Projected Production</th>
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</thead>
<tbody>
<tr>
<td>2018</td>
</tr>
<tr>
<td>Copper *</td>
</tr>
<tr>
<td>Gold **</td>
</tr>
</tbody>
</table>

We’re set for a huge leap in volume from 2020 to 2023. Copper production jumps 202%! In the short term, gold production keeps the mine profitable. Gold production climbs from 120,000 ounces in 2017 to 397,000 ounces by 2020. That’s a 231% increase in just three years.

Mines as large as Oyu Tolgoi take time to build. However, this project has the good fortune of being rich in gold ore that can be mined while the copper gets developed. The expansion of Hugo North will take some time, but the payoff will be enormous.

The best news for us? This potential isn’t reflected in the share price at all. The chart below shows the stock’s price from 2014 to 2019:

Turquoise Hill’s shares peaked around $28.50 in March 2011. In January 2016, they fell to $1.72. That was a 94% collapse in share price. It was utter destruction — without regard for the quality of its asset.

Shares rallied from that low to a high of $3.70 in early 2017. Then they hit a low of $1.14 per share — a fall of 69%. This plummet in Turquoise Hill’s shares came on fears of slowing Chinese growth. However, as the trade war between the U.S. and China eases, the highest-quality projects will rebound.

Make no mistake: Oyu Tolgoi is a premium asset.

It’s one of — if not the absolute — the best early stage copper and gold mines in the world. However, the market isn’t giving the company credit for a rising copper price. The declining production, which is due to the underground development, gives us a fantastic opportunity to buy this stock cheaply.
This stock traded for more than $28 per share when copper prices were up around $4 per pound. We could easily see copper reach that high again. If that happens, I expect to see Turquoise Hill shoot past $30 per share. As I write this, that's more than 10 times its current price!

As copper continues to rally, I’m confident that we could see shares soar by several hundred percent. Let’s take advantage of those triple-digit gains and get in while it’s still low.

**Action to take:** Buy Turquoise Hill Resources Ltd. (NYSE: TRQ). Please refer to our model portfolio on the Real Wealth Strategist website for the most recent buy-up-to price. We’ll use a 25% trailing stop to protect our investment. For more information on why we use trailing stops and how they work, please check out our video here.

Good investing,

Matt Badiali
Editor, Real Wealth Strategist
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