

Mining Minutes | The Big One

The highlight of this past week was news that Rio and Glencore are in merger discussions as the M&A frenzy in metals and mining continues. Megamergers are in vogue, and a Rio-Glencore deal would be a big one for sure. An interloper could emerge, however. There was also news this past week that Steel Dynamics and Australia's SGH have offered to buy Bluescope Steel for US \$8.8bn. Bluescope rejected the offer, but M&A is relevant in steel as well.

Our Key Research from this Past Week:

Glencore and Rio: Back on the Dance Floor (HERE): Glencore and Rio confirmed today that they are once again in discussions regarding a potential merger or other transaction. The structure of a possible merger between these two companies is unclear and would likely be complex, but we do believe there is a path to significant value creation for both. As we have said in our recent research, we would be surprised if Glencore is not involved in a major deal this year.

Copper Miners: Evaluating What Is 'Priced In' (HERE): We estimate that the major copper mining equities in our coverage are 'pricing in' a copper price of \$5.49/lb, which compares to current spot of \$5.75/lb. In response to incoming questions on sensitivities, we note that in a blue-sky (although not unreasonable) scenario of copper at \$8.00/lb, an argument can be made for FCX getting to \$91/sh, LUN to C\$63/sh, FM to C\$86/sh, ANTO to £49/sh, and TECK (if there were no Anglo deal) to C\$104/sh during this cycle.

CMC Delivers (HERE): CMC's reported 1Q FY26 EBITDA of \$317m beat consensus of \$295m. Shipment volumes were better than we had anticipated as the company was able to capitalize on the strong domestic market environment. On the call, management emphasized its near-term focus is to execute on the ramp-up of its organic growth, integrate the newly acquired assets and begin to pay down debt, and deliver a large portion of the company's cost savings program in FY2026. Reiterate Buy.

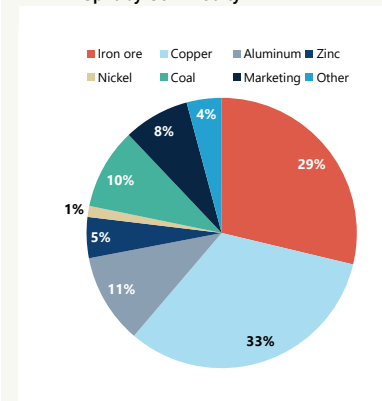
Iron Ore: Analysis of What is Priced-in (HERE): Shares of the major iron ore miners have outperformed the price of iron ore by ~40% since the start of 2025, on average. Our refreshed analysis of what iron ore price is discounted in the shares of Rio, BHP and Vale suggests the market is now 'pricing in' an average iron ore price of \$100/t for 2026—well above what has historically been priced in, but still ~8% below current spot.

STLD Backed Consortium Bids for BlueScope Steel (HERE): SGH Ltd and Steel Dynamics have confirmed the submission of an NBIO to acquire 100% of BlueScope Steel Ltd (ASX: BSL) for total equity value consideration of AUD\$13.2 billion (US\$8.8 billion). Under the proposed structure, STLD would acquire the North American operations, which include BSL's North Star Flat Rolled Steel Mill and Building and Coated Products North America businesses. A higher offer will be needed to get a deal done, in our view.

Freeport - Realized Price Strength in 4Q (HERE): Freeport disclosed its realized copper price for 4Q25 this morning, and we have updated our model accordingly. Assuming Freeport hit its operational targets for the quarter, we now estimate 4Q EBITDA of \$1.62bn and EPS of \$0.35 (vs. consensus of \$1.32bn and \$0.25/sh). We reiterate our Buy rating on FCX and raise our PT to \$68/sh to reflect upside risk to estimates due to continued strength in copper and gold prices.

Megamergers in mining are in vogue. A merger of Rio Tinto and Glencore would create the world's leading and largest diversified miner.

Chart of the Week: Proforma Rio-Glencore 27E EBITDA Split by Commodity



Source: Company filings, Jefferies' estimates
Note: Figures are shown on a consolidated basis, exclusive of potential synergies and including coal segment EBITDA.

Upcoming Podcasts:

- **Digging Deeper with Jefferies' Global Mining and Steel Team** (Wednesday, January 14th, at 10:00am EDT / 3:00pm BST. Register [HERE](#))
- **Heavy Metal with LaFemina and Sandilya** (Tuesday, February 3rd, at 3pm EDT. Register [HERE](#))

***Recent Podcast Replays:

- **Digging Deeper** (December 17th) - Merry and Bright ([HERE](#))
- **Heavy Metal Live** (December 9th) - 2026 Outlook ([HERE](#))

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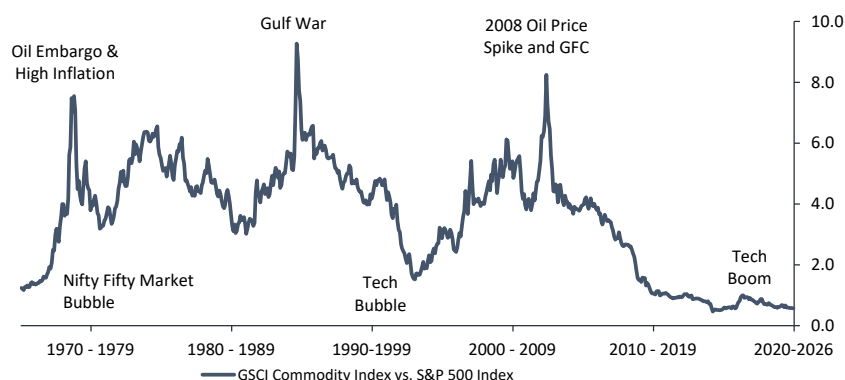
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Exhibit 1 - Ratio of Commodity Prices to the S&P500



Source: FactSet, Jefferies

Exhibit 2 - S&P GSCI Reference Percentage Dollar Weights

Commodity	2024 RPDW	2025 RPDW
Corn	6.00%	4.56%
Soybeans	3.97%	3.51%
Chicago Wheat	3.17%	2.50%
Sugar	1.89%	1.99%
Kansas Wheat	1.45%	1.26%
Coffee	0.85%	1.04%
Cotton	1.02%	1.03%
Cocoa	0.33%	0.82%
Live Cattle	4.00%	4.67%
Lean Hogs	2.10%	2.47%
Feeder Cattle	1.62%	2.16%
Brent Crude Oil	20.73%	20.73%
WTI Crude Oil	19.31%	20.26%
Gas Oil	5.73%	5.91%
Heating Oil	4.81%	4.22%
RBOB Gasoline	4.39%	3.90%
Natural Gas	3.47%	2.39%
Copper	4.49%	4.95%
Aluminum	3.50%	3.76%
Nickel	1.13%	0.90%
Zinc	0.83%	0.82%
Lead	0.54%	0.57%
Gold	4.25%	5.10%
Silver	0.42%	0.48%

Source: S&P Dow Jones Indices

S&P GSCI Reference Percentage Sector Weights

Sector	2024	2025
Energy	58.43%	57.41%
Agriculture	18.68%	16.69%
Industrial Metals	10.48%	11.01%
Livestock	7.73%	9.30%
Precious Metals	4.67%	5.59%

Source: S&P Dow Jones Indices

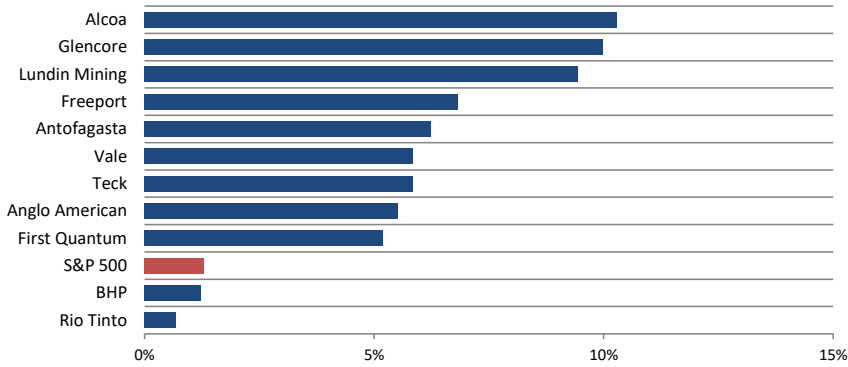
Exhibit 3 - Average quarterly total return by sector over the past 10 years

Sector/Subsector	Ticker	1Q	2Q	3Q	4Q
Technology	KXV	3.3%	7.6%	3.5%	6.6%
Financials	XLF	-0.4%	2.3%	3.1%	9.3%
Health Care	XLV	0.7%	2.8%	1.8%	4.0%
Energy	XLE	2.9%	4.4%	-0.5%	4.7%
Communication Services	XLC	3.7%	6.5%	0.7%	3.2%
Industrials	XLI	2.0%	2.9%	3.2%	6.3%
Consumer Discretionary	XLY	0.9%	4.5%	4.6%	4.5%
Utilities	XLU	3.0%	2.1%	2.7%	3.5%
Consumer Staples	XLP	1.5%	1.8%	1.1%	4.3%
Real Estate	XLRE	0.9%	2.7%	0.6%	3.3%
Materials	XLB	1.0%	3.2%	1.6%	5.7%
Global Metals & Mining	PICK	3.6%	1.5%	1.6%	7.7%

Source: FactSet

Note that the metals and mining sector tends to outperform in 1Q due to seasonal factors.

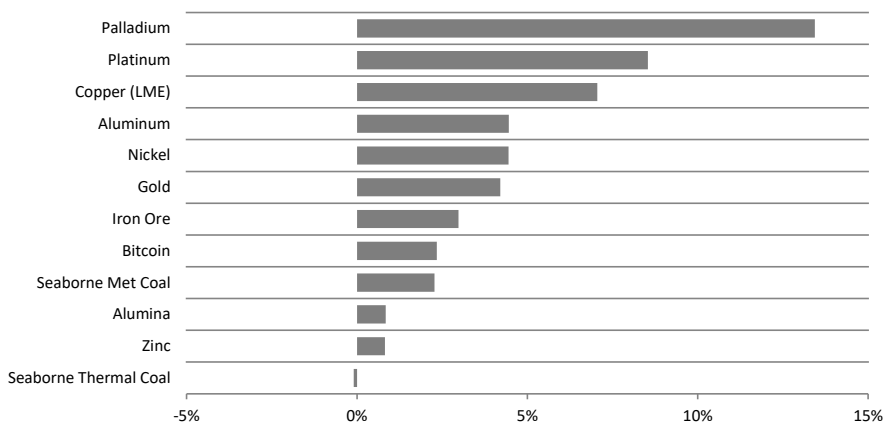
Exhibit 4 - Share Price Performance (\$US), WTD



Source: Factset, Jefferies

Mining shares strongly outperformed the S&P once again this past week.

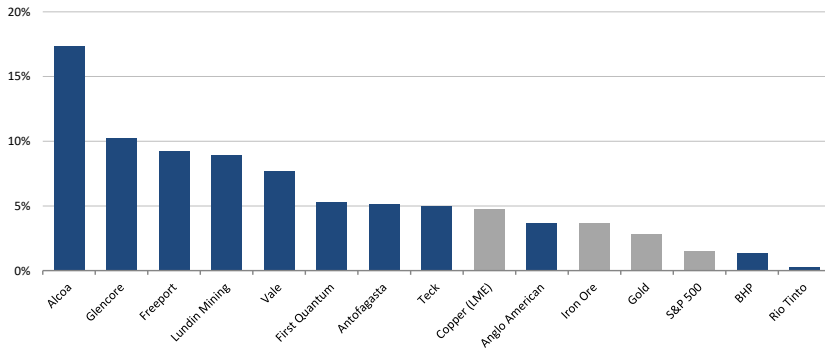
Exhibit 5 - Commodity Price Performance, WTD



Source: Factset, Jefferies

Commodity prices were strong as well.

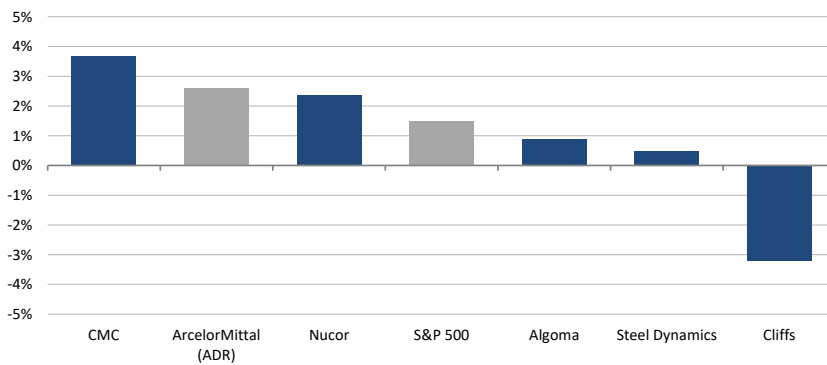
Exhibit 6 - YTD Performance (\$US), TSR



Source: Factset, Jefferies

Most copper miners are outperforming again this year, but Alcoa has really been the stand out so far.

Exhibit 7 - 2025 Steel Share Price Performance (\$US), TSR



Source: Factset, Jefferies

CMC leads the pack in steel.

Exhibit 8 - Total Shareholder Returns (In Local Currencies)

	TSR WTD	TSR YTD	TSR since March '20	TSR 1-yr
Alpha Metallurgical Resources	21.6%	23.5%	7003.3%	31.7%
Ramaco Resources	15.9%	20.5%	1189.6%	151.8%
Peabody Energy	12.9%	16.6%	995.0%	85.3%
Alcoa	11.2%	18.3%	1044.3%	76.9%
Glencore	9.7%	10.3%	346.2%	26.7%
Warrior Met Coal	9.3%	11.0%	674.6%	87.7%
Core Natural Resources	8.4%	10.1%	-	-
Algoma Steel	8.3%	3.4%	-	-50.4%
First Quantum	8.3%	7.2%	589.9%	98.0%
Freeport-McMoRan	8.3%	10.7%	1031.2%	43.6%
Teck Resources	6.3%	6.1%	766.2%	17.9%
Lundin Mining	5.9%	10.6%	735.9%	161.8%
Vale (ADR)	5.9%	7.8%	230.4%	85.2%
Anglo American	5.7%	4.0%	267.8%	39.6%
Antofagasta	5.5%	5.6%	514.4%	111.7%
Ivanhoe Electric	3.9%	6.3%	-	143.3%
South32	3.4%	10.4%	177.0%	19.4%
MMG	3.3%	6.6%	811.5%	272.5%
BHP Ltd	1.5%	1.7%	255.5%	21.9%
S&P 500	1.5%	1.7%	190.4%	17.7%
FTSE All-Share	1.1%	1.2%	95.9%	20.8%
CMC	0.9%	4.7%	592.2%	54.5%
Rio Tinto Plc	0.4%	0.3%	185.3%	35.2%
BHP Ltd (ADR)	-0.2%	2.1%	224.6%	31.8%
Rio Tinto Plc (ADR)	-0.7%	1.0%	228.0%	46.2%
Nucor	-1.3%	2.5%	539.4%	43.8%
Steel Dynamics	-2.9%	0.9%	1138.5%	48.9%
Cleveland Cliffs	-5.8%	-3.6%	317.0%	31.3%

Priced Intraday

Source: Factset, Jefferies

King Coal....and Alcoa

Exhibit 9 - Jefferies' Commodity Price Forecasts

	Spot	Jefferies' forecasts							
		2024A	2025A	2026E	2027E	2028E	2029E	2030E	Long-term
Base Metals (US\$ per lb)									
Aluminum	1.42	1.11	1.19	1.33	1.40	1.45	1.40	1.35	1.10
Copper (LME)	5.92	4.21	4.46	5.15	5.50	5.75	6.00	6.00	4.50
Nickel	7.98	7.64	6.90	7.13	7.50	7.75	7.75	7.75	8.00
Zinc	1.43	1.26	1.29	1.45	1.40	1.35	1.30	1.20	1.00
PGMs and Gold (US\$ per oz)									
Platinum	2,301	955	1,245	1,519	1,500	1,400	1,300	1,200	1,100
Palladium	1,883	981	1,124	1,300	1,200	1,150	1,100	1,100	1,100
Gold	4,508	2,388	3,418	4,200	4,000	3,800	3,600	3,400	3,000
Iron Ore (CFR China) (US\$ per tonne)									
Fines (62% Fe)	109	108	100	100	95	90	90	90	90
Coal (FOB) (US\$ per tonne)									
Australian hard coking coal	225	240	189	198	205	210	215	215	215
Australian thermal coal (Newcastle, 6000 kcal/kg)	107	135	106	105	100	100	100	95	95
US Steel (US\$ per short ton)									
US Midwest Domestic Hot-Rolled Coil	935	765	858	873	871	862	862	862	862
US Domestic Rebar	930	771	808	809	789	780	780	780	780
US Midwest Domestic Busheling Scrap	421	392	417	426	429	420	418	418	418
Alumina (US\$ per tonne)									
Alumina	310	500	396	328	330	340	360	375	375

Source: Bloomberg, Jefferies' estimates

Exhibit 10 - Global Mining and Steel Comparable Valuations, CY 2025E-2027E

January 9, 2026		Rating	Current	Price	P/E			EV/EBITDA			FCF Yield			Dividend Yield			P/NPV
Company	Ticker		Price	Target	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	
Europe																	
Anglo American	AAL LN	Buy	3216p	3500p	72.5x	25.7x	20.2x	10.5x	7.4x	6.1x	-1.6%	2.6%	4.7%	0.6%	1.6%	2.0%	1.6x
Antofagasta	ANTO LN	Hold	3473p	3000p	38.7x	32.2x	26.2x	15.0x	13.6x	11.6x	-2.0%	-0.8%	1.4%	0.9%	1.1%	1.3%	2.0x
BHP Ltd	BHP LN	Hold	2296p	2200p	14.1x	13.0x	12.7x	5.9x	5.6x	5.6x	5.3%	4.2%	5.1%	3.9%	3.9%	3.9%	1.2x
Glencore	GLEN LN	Buy	453p	475p	52.7x	17.3x	13.0x	8.3x	6.5x	5.7x	3.3%	7.0%	8.9%	1.6%	1.4%	2.2%	1.0x
Rio Tinto Plc	RIO LN	Hold	6006p	5700p	12.0x	10.2x	9.8x	6.2x	5.7x	5.4x	3.6%	5.8%	7.1%	4.6%	5.9%	6.1%	1.0x
Americas																	
Alcoa	AA US	Buy	\$63.12	\$55.00	15.3x	17.5x	13.7x	10.1x	8.3x	7.0x	2.0%	4.2%	5.5%	0.6%	0.6%	0.6%	1.2x
BHP Ltd (ADR)	BHP US	Hold	\$61.66	\$60.00	14.1x	13.0x	12.7x	5.9x	5.6x	5.6x	5.3%	4.2%	5.1%	3.9%	3.9%	3.9%	1.2x
First Quantum	FM CN	Buy	C\$39.75	C\$38.00	N/M	29.1x	10.6x	20.9x	11.7x	5.6x	4.7%	1.9%	9.8%	0.0%	0.0%	0.0%	1.2x
Freeport-McMoRan	FCX US	Buy	\$56.12	\$68.00	34.3x	22.3x	15.7x	14.9x	11.6x	8.4x	-0.4%	2.9%	6.1%	1.1%	1.0%	1.5%	1.5x
Lundin Mining	LUN CN	Buy	C\$32.77	C\$32.00	36.1x	29.8x	25.2x	13.5x	12.3x	11.4x	0.7%	0.4%	-0.8%	0.3%	0.3%	0.4%	1.4x
Rio Tinto Plc (ADR)	RIO US	Hold	\$81.01	\$76.00	12.1x	10.2x	9.8x	6.2x	5.7x	5.5x	3.6%	5.7%	7.1%	4.6%	5.9%	6.1%	1.0x
Teck Resources	TECK.B CN	Buy	C\$69.87	C\$71.00	30.1x	27.2x	22.4x	10.1x	8.1x	7.1x	-1.6%	2.3%	5.1%	0.7%	0.7%	1.0%	2.8x
Vale (ADR)	VALE US	Buy	\$14.12	\$16.50	6.6x	6.5x	6.6x	4.8x	4.4x	4.4x	5.1%	7.0%	8.2%	5.7%	11.1%	6.1%	0.7x
Asia Pacific																	
BHP Ltd	BHP AU	Hold	A\$47.72	A\$45.00	14.6x	13.4x	13.2x	6.1x	5.8x	5.7x	5.1%	4.1%	5.0%	3.7%	3.7%	3.8%	1.3x
MMG	1208 HK	Hold	HK\$9.35	HK\$8.50	19.1x	14.3x	13.2x	7.9x	6.3x	5.4x	5.9%	7.2%	9.0%	0.0%	0.0%	0.0%	1.3x
Rio Tinto Ltd	RIO AU	Hold	A\$143.06	A\$143.00	14.3x	12.1x	11.6x	7.3x	6.7x	6.4x	3.1%	4.9%	6.0%	3.9%	5.0%	5.2%	1.2x
Coal Miners																	
Alpha Metallurgical Resources	AMR US	Hold	\$230.91	\$165.00	N/M	38.8x	20.1x	22.7x	11.3x	8.3x	1.2%	3.9%	6.1%	N/M	N/M	N/M	1.6x
Core Natural Resources	CNR US	Buy	\$93.97	\$125.00	N/M	11.4x	10.6x	10.8x	5.6x	4.5x	1.1%	10.5%	12.0%	0.4%	0.4%	0.4%	0.8x
Peabody Energy	BTU US	Buy	\$34.81	\$42.00	N/M	18.2x	12.9x	9.0x	5.2x	4.0x	-1.0%	4.8%	8.4%	0.9%	0.9%	0.9%	0.8x
Ramaco Resources	METC US	Hold	\$21.72	\$33.00	N/M	N/M	47.1x	26.7x	14.7x	10.1x	-2.3%	2.0%	5.3%	1.3%	0.0%	0.0%	0.7x
Warrior Met Coal	HCC US	Buy	\$98.40	\$95.00	73.2x	15.1x	12.1x	20.5x	7.9x	6.3x	-3.7%	4.1%	8.3%	0.3%	0.3%	0.3%	1.1x
Steel Producers																	
Algoma Steel	ASTL CN	Hold	C\$5.91	C\$6.00	N/M	N/M	20.5x	N/M	N/M	6.8x	-55.0%	-13.5%	18.5%	1.7%	0.0%	0.0%	0.5x
Cleveland-Cliffs	CLF US	Hold	\$12.86	\$13.00	N/M	72.5x	18.1x	70.4x	7.8x	6.2x	-12.7%	5.8%	9.7%	0.0%	0.0%	0.0%	0.7x
CMC	CMC US	Buy	\$72.74	\$85.00	17.3x	10.7x	10.4x	8.4x	7.3x	6.7x	3.8%	7.4%	9.7%	1.0%	1.0%	1.0%	0.9x
Nucor	NUC US	Buy	\$167.17	\$190.00	19.9x	13.4x	14.5x	9.4x	7.1x	7.0x	0.8%	4.9%	7.7%	1.3%	1.3%	1.4%	0.9x
Steel Dynamics	STLD US	Buy	\$171.42	\$190.00	19.7x	13.1x	12.8x	12.1x	8.2x	7.4x	3.3%	8.5%	8.1%	1.2%	1.2%	1.2%	1.0x

Priced Intraday

Source: Factset, Jefferies

Company Valuation/Risks

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

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Recommendation Distributed	January 10, 2026 0:10 A.M.

Company Specific Disclosures

Hamish Wiltshire has an equity position in BHP Group Ltd (ASX: BHP).

The Analyst has visited the material operations of Royal Gold, Inc. The issuer has paid or reimbursed some or all of the Analyst's travel expenses with respect to that visit.

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Other Companies Mentioned in This Report

- Alcoa (AA: \$63.67, BUY)
- Algoma Steel Group Inc (ASTL CN: C\$5.90, HOLD)
- Alpha Metallurgical Resources, Inc. (AMR: \$242.32, HOLD)
- Anglo American (AAL LN: p3,216.00, BUY)
- Antofagasta (ANTO LN: p3,473.00, HOLD)
- ArcelorMittal (MT: \$46.97, HOLD)
- BHP Group Ltd (BHP: \$61.72, HOLD)
- BHP Group Ltd (BHP AU: AUD47.72, HOLD)
- BHP Group Ltd (BHP LN: p2,296.00, HOLD)
- BlueScope Steel Limited (BSL AU: AUD30.00, BUY)
- Cleveland-Cliffs Inc (CLF: \$12.76, HOLD)
- Commercial Metals Co. (CMC: \$72.46, BUY)
- Core Natural Resources, Inc (CNR: \$96.38, BUY)
- First Quantum (FM CN: C\$39.63, BUY)
- Fortescue Metals Group (FMG AU: AUD22.71, HOLD)
- Freeport-McMoRan (FCX: \$56.53, BUY)
- Glencore (GLEN LN: p452.65, BUY)
- Hudbay Minerals Inc (HBM CN: C\$30.00, BUY)
- Ivanhoe Electric Inc (IE: \$16.75, BUY)
- Lundin Gold (LUG CN: C\$116.58, HOLD)
- Lundin Mining Corp (LUN CN: C\$32.79, BUY)
- MMG Limited (1208 HK: HK\$9.35, HOLD)
- Nucor Corp. (NUE: \$163.77, BUY)
- Peabody Energy (BTU: \$33.80, BUY)
- Ramaco Resources, Inc. (METC: \$20.38, HOLD)
- Rio Tinto (RIO: \$81.13, HOLD)
- Rio Tinto (RIO AU: AUD143.06, HOLD)
- Rio Tinto (RIO LN: p6,006.00, HOLD)
- Royal Gold (RGLD: \$245.20, BUY)
- SGH Ltd (SGH AU: AUD47.53, HOLD)
- South32 Limited (S32 AU: AUD3.85, BUY)
- South32 Limited (S32 LN: p195.80, BUY)
- Southern Copper Corp (SCCO: \$170.52, BUY)
- Steel Dynamics, Inc. (STLD: \$169.27, BUY)
- Teck Resources Limited (TECK/B CN: C\$68.99, BUY)
- Vale (VALE: \$13.97, BUY)
- Warrior Met Coal, Inc. (HCC: \$96.97, BUY)

Distribution of Ratings

			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	2173	61.18%	373	17.17%	114	5.25%
HOLD	1215	34.21%	107	8.81%	15	1.23%
UNDERPERFORM	164	4.62%	2	1.22%	2	1.22%

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