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Mining and Resources Update: Mining Spin-Off Transactions Gain Momentum as Asset Valuations Rise

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Certain mineral and metal prices have risen sharply in recent years, with gold, silver, copper and others reaching record levels in 2026. This has prompted mining companies to think strategically about how to maximize the value of their gold assets, including whether those assets might command a higher valuation as standalone entities. In December 2025, for example, Barrick Mining Corporation announced that it was evaluating an initial public offering ("IPO") of its North American gold assets, a portfolio that produced approximately 2.0 million ounces of attributable gold in 2025. The following discussion outlines the principal structures available for separating assets, the strategic rationale for pursuing these transactions and recent tax developments relevant to spin-offs.

Two of the most common structures for separating assets mining companies should consider are an IPO and a spin-off. In an IPO, the parent transfers assets into a new entity and sells a portion of that entity's equity to the public. The parent will generally retain more than 80 percent of the separated entity during the IPO so that it has not foreclosed the ability to perform a tax-free spin-off of the remaining stake while establishing a market for the newly created entity. A spin-off takes a different approach: instead of selling shares to the public, the parent distributes shares in the separate entity to the parent's shareholders on a pro rata basis. So long as the requirements of the Internal Revenue Code are satisfied, including that the parent distributes at least 80 percent control of the new entity, the distribution of the shares can be tax-free for both the parent and shareholders.

There are several reasons why a parent may pursue a separation, whether through an IPO or a spin-off. Gold assets operating within a diversified mining company, for example, may command a higher valuation as a standalone entity than the market ascribes to them as part of the broader enterprise. Alternatively, a unit with slower growth or lower margins may be depressing the parent's overall valuation. In either scenario, the combined structure can prevent investors from appropriately valuing each business. Separation enables each entity to present a distinct investment opportunity, attract investors suited to its profile and adopt a capital structure aligned with its operational and strategic objectives.

Generally, to receive tax-free treatment of a spin-off, there are several requirements in the Internal Revenue Code that must be satisfied, including:

- The parent must control the subsidiary immediately before the distribution, meaning it must own stock representing at least 80 percnet of the total combined voting power and at least 80 percent of each non-voting class of stock.
- The parent must distribute stock constituting that control to its shareholders.
- Both the parent and the subsidiary must each be engaged in the active conduct of a trade or business that has been running continuously for at least five years before the distribution.
- The spin-off must be motivated by real and substantial non-tax corporate business purposes, such as increased operational focus, improved access to capital markets or regulatory compliance.

- The distribution must not be used principally as a device for the distribution of earnings and profits of either corporation.
- The historic shareholders of the parent must maintain a continuing interest in both resulting corporations after the separation, which is generally satisfied at the outset in a typical pro rata spin-off because the parent shareholders hold equity in both entities.

If any of the above requirements are not met, the entire distribution becomes taxable to both the corporation and its shareholders. For large transactions, this can result in billions of dollars in unplanned tax exposure. Companies pursuing a spin-off typically obtain an opinion of tax counsel confirming tax-free status and may also seek a private letter ruling from the IRS for additional certainty.

In addition to the Barrick Mining Corporation IPO in December, the following recent transactions illustrate other mining companies taking advantage of deal structuring separating its gold-producing units:

- In November 2025, Vedanta Resources Limited (LSE: VED) announced the formation of CopperTech Metals Incorporated, a new U.S.-domiciled company that will own and operate the Konkola Copper Mines in Zambia. CopperTech has since filed for a U.S. IPO, capitalizing on rising copper demand that helped more than triple net sales from Konkola to $1.33 billion in the year ended March 2026.
- In December 2025, Seabridge Gold Inc. (NYSE: SA) announced plans to spin-off its Courageous Lake gold project, one of Canada's largest undeveloped gold deposits, into a separately listed entity named Valor Gold Corporation. It is expected that the spin-off of the Valor Gold shares to Seabridge shareholders will be completed by way of a plan of arrangement under the provisions of the *Canada Business Corporations Act*. Seabridge shareholders approved the transaction in May 2026 and Valor Gold shares began trading on the Toronto Stock Exchange on June 5, 2026 (TSX: VGC).
- In May 2026, Gold Reserve Limited announced the formation of American Heralds Mining Corporation, a new U.S.-domiciled mining company. Gold Reserve disclosed that it is evaluating a spin-off under which its Venezuelan and Alaskan mining interests would be transferred to American Heralds, with the shares of American Heralds to be distributed to Gold Reserve's shareholders. If completed, Gold Reserve intends to pursue a U.S. IPO and stock exchange listing for American Heralds.

Companies considering a transaction to separate mining assets should engage experienced capital markets advisors early to ensure the structure aligns with their strategic objectives and regulatory requirements. Thoughtful planning at the outset can meaningfully improve execution and outcomes for both the parent and the separated entity.