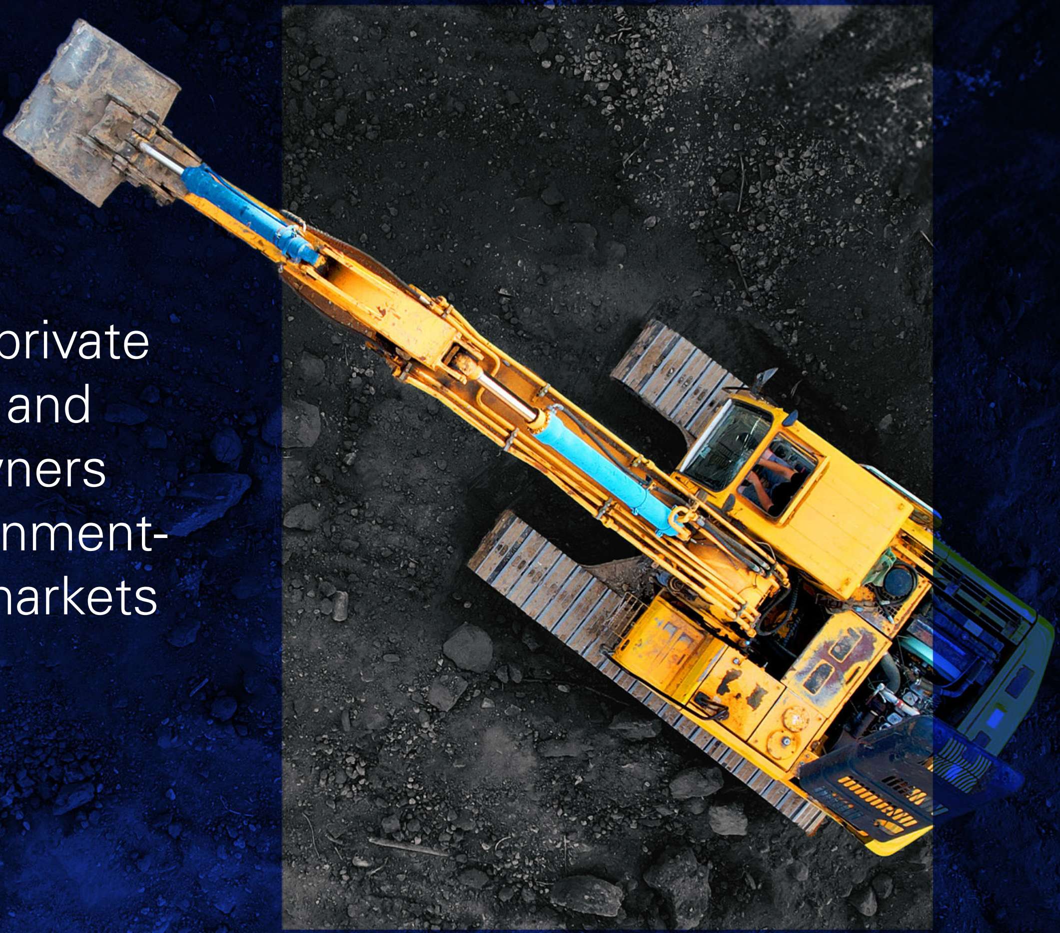
KPMG

How public capital is reshaping PE dealmaking in the mining sector



Implications for private equity sponsors and mining asset owners navigating government-shaped capital markets

kpmg.com

Table of Contents

Executive Summary

Mining M&A is being reshaped by a structural shift in how capital enters the market. Government participation now plays a defining role in determining which projects move forward, influencing financing, risk allocation, and timing.

This has narrowed the investable universe. Capital is concentrating around a smaller set of projects that meet both commercial thresholds and strategic criteria such as supply chain relevance and jurisdictional alignment. As a result, fewer deals are clearing, but at higher values, reflecting increased selectivity rather than reduced interest.

Public capital is also changing how and when deals take shape. By improving early-stage financing conditions, public capital establishes bankability sooner, accelerating viable projects and filtering out others long before formal sale processes begin. Projects that meet these conditions move forward more quickly, while others fall away before broad processes begin.

These shifts are altering competitive dynamics. Advantage is moving away from late-stage bidding and toward earlier positioning—understanding which assets are likely to align with public capital, and how that alignment affects timing, structure, and execution.

For investors and asset owners, the implication is not a wholesale change in strategy, but a change in emphasis: success increasingly depends on recognizing where capital will concentrate, engaging earlier in the process, and navigating the interaction between public and private funding.
In this environment, timing and alignment matter as much as asset quality in determining outcomes.

Mining M&A has entered a strategic era

The rules of mergers and acquisitions (M&A) in the mining sector have fundamentally changed. Today, government priorities—not just commodity cycles—dictate which minerals matter and which projects advance, demanding a completely new approach to underwriting and value creation.

In the US market, federal priorities have moved from the sidelines to the center of outcomes. Public-sector participation now influences bankability and timing.

For private equity (PE), the investable universe in mining is narrowing as government-linked capital introduces clearer eligibility thresholds, concentrating capital in projects with the scale, durability, and strategic relevance needed for long-dated underwriting.

At the same time, these dynamics are pulling deal work earlier, shifting advantage from late-stage pricing to early positioning and execution.

Mining has become strategically essential

The mining sector has reached a decisive turning point as critical minerals become central to national security, industrial policy, and long-term infrastructure.

Demand for critical minerals continues to accelerate as they underpin electrification, advanced manufacturing, and defense, with copper central to electrification and rare earth elements critical to advanced manufacturing and national security systems.

US government influence over mining has materially increased. This influence is exerted directly through equity stakes, financing, and permitting, which alters deal structures and reallocates risk.

What are "rare earths" and "critical minerals?"

- **Rare earth elements:** A group of 17 elements used in advanced manufacturing and national security systems. The most commonly referenced are neodymium, praseodymium, dysprosium, and terbium, but the full list includes lanthanum, cerium, praseodymium, neodymium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium, scandium, and yttrium.[1]
- **Critical minerals:** Defined by US government agencies as minerals essential to economic or national security and vulnerable to supply disruption. The US list includes lithium, cobalt, nickel, graphite, copper, rare earth elements, manganese, tin, tungsten, vanadium, zinc, and others.[2 3]

Note: Definitions and lists may vary by country and agency. In this report, "critical minerals" refers to those prioritized by US federal policy for supply chain resilience and strategic importance.

[1] U.S. Geological Survey. "Rare Earths Statistics and Information." National Minerals Information Center. Accessed June 2026.

[2] U.S. Geological Survey. "Interior Department releases final 2025 List of Critical Minerals." Accessed June 2026.

[3] U.S. Department of Energy. "What Are Critical Minerals and Materials?" Accessed June 2026.

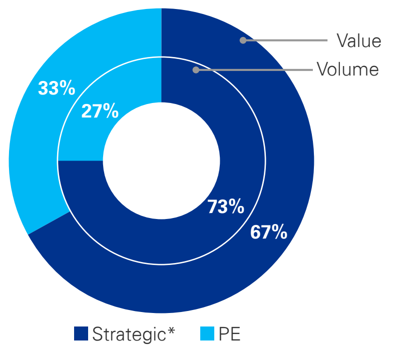
Deal activity signals concentration, not retreat

Mining M&A activity reflects continued capital commitment to the sector. Although deal volumes have declined, deal values are elevated, indicating that investors remain willing to deploy capital in mining (Exhibit 1).

Together, these patterns show fewer transactions clearing overall, reflecting concentration rather than retreat. Exhibit 2 shows that this pattern plays out over time, with deal volumes thinning while total value is driven by a small number of large, episodic transactions.

Exhibit 1: PE share of total mining M&A

PE share of total mining M&A (2001-2025)

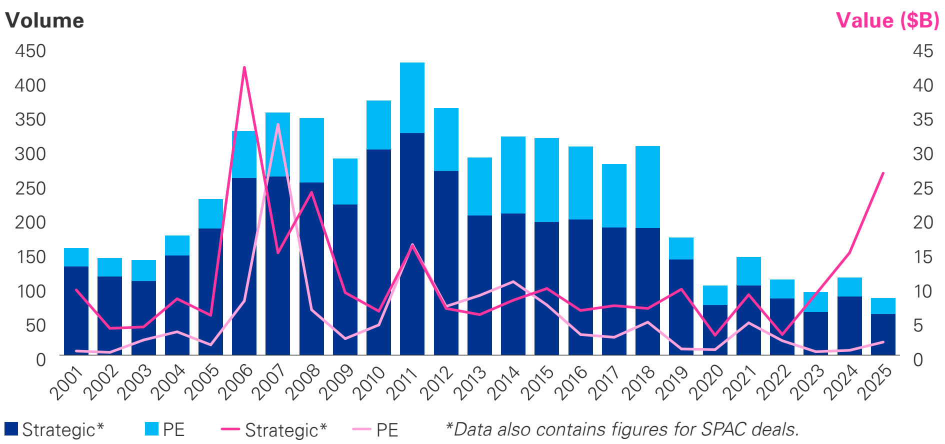


**In this context, strategic deals refer to acquisitions by o perating companies. Data also contains figures for SPAC deals.*

Source: Capital IQ and Pitchbook

Exhibit 2: Annual mining M&A volume and value PE/strategic split

Annual mining M&A volume and value (2001–2025) – PE/strategic split



Source: Capital IQ and Pitchbook

As assets become more strategic and capital more concentrated in North American mining M&A, the US federal government is playing a larger role in determining how projects are financed and on what terms.[4]

This dynamic can pose increased execution and policy risks for PE firms when government support, private capital commitments, and formal deal processes unfold out of sync. In this environment, early clarity on control, scale, and strategic alignment becomes more important than ever.

[4] Cecilia Jamasmie, "CHARTS: Mining M&A surges as Canada deal values hit post-2009 high." *Mining.com*, January 27, 2026.

Public capital reshapes mining M&A

Public capital has emerged as the primary force translating policy priorities into market outcomes in mining M&A. Government participation now influences financing structures, risk allocation, and project viability well before assets reach formal transaction processes.

Government operates at the market level

The recently announced Project Vault[5] marks a structural shift in government involvement in mining. Rather than influencing outcomes deal by deal, public actors are now operating at the market level, using centralized purchasing, financing, and stockpiling to dampen volatility and stabilize supply for civilian industries. These mechanisms move beyond traditional grantmaking or permitting and are becoming a persistent feature of mining economics.

Government now deploys a toolkit that mirrors many instruments used by institutional investors:[6]

- Equity injections that reduce up-front sponsor capital
- Concessional loans and credit guarantee that lower weighted average cost of capital (WACC) and lift debt capacity
- Price floors (currently limited to existing agreements, with unclear application in new federal stakes)
- Long-term offtake agreements that anchor revenue
- Advance purchase commitments that secure demand early in the lifecycle.

Government-backed capital has become a durable feature of mining M&A across market cycles, shaping project economics and deal viability regardless of administration.

Public capital now sets the conditions for bankability

The practical consequence of this toolkit is that bankability decisions—whether projects can attract committed debt and equity on workable terms—now occur earlier in the lifecycle. Taken together, these forms of government participation compress financing risk and stabilize early-life cash flows, determining which projects attract capital early, which advance through development, and which stall long before auctions or competitive processes begin. Once bankability is established, projects move faster, compressing timelines and shortening the path from diligence to funding.

On the capital side, US government-linked institutions such as the Department of Energy increasingly provide below-market financing and credit support.[7]

[5] U.S. Department of State, Office of the Spokesperson. "2026 Critical Minerals Ministerial." U.S. Department of State, February 4, 2026.

[6] Ibid.

[7] U.S. Department of Energy. "Energy Department Announces Actions to Secure American Critical Minerals and Materials Supply." Accessed April 1, 2026.

This lowers WACC, increases lender appetite for senior debt, and enables true project-finance structures in assets where capital intensity and commodity exposure would otherwise constrain debt capacity. In many cases, the presence of public capital determines whether an asset meets financing thresholds at all.[8]

Beyond direct financing, demand-side tools (as detailed on page 8) provide critical revenue certainty. These mechanisms reduce exposure to spot price volatility at the most vulnerable stages of development, narrowing downside risk without relying on explicit guarantees.

Cash-flow volatility compresses, base-case assumptions become more durable, and confidence in underwriting improves. Government support enhances bankability but does not absorb execution or operating risk, which sponsors continue to bear. Assets either advance decisively once these conditions are met or stall earlier in the process, reducing late-stage friction and wasted diligence.

Government applies commercial rigor plus strategic filters

Once bankability is established, the next question is how government decides where to deploy capital. As government has moved into a market-making role, investors increasingly focus on how public agencies evaluate, select, and structure investments. In mining, federal actors increasingly resemble private capital in their use of commercial underwriting frameworks, while applying an additional strategic screen that no private sponsor shares.

At the commercial level, public-sector teams evaluate projects using frameworks familiar to PE sponsors. Many of these teams include former investors from PE, infrastructure funds, and other institutional roles, narrowing the gap between public financing and private-market expectations.

Overlaying that commercial rigor is a second screen built around strategic value. Government agencies do not allocate capital solely on financial metrics. They assess how a project supports national security priorities, strengthens industrial resilience, and advances geopolitical positioning. Depending on administration priorities and agency leadership, this strategic screen can also incorporate environmental, community, or labor considerations, though their weight and consistency vary over time.

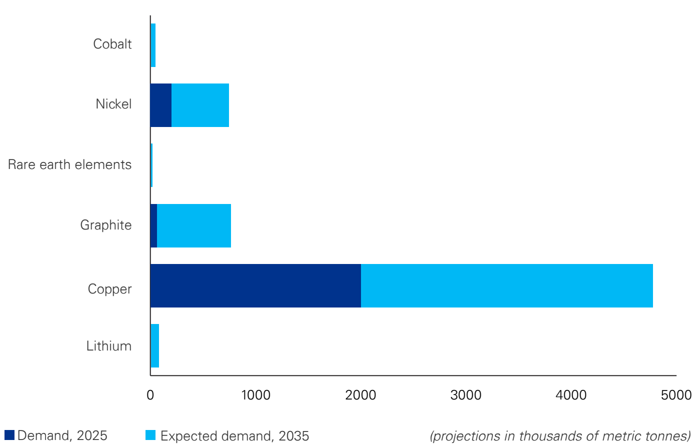
[8] Flatley, Daniel and Deaux, Joe. "US DFC Targets AI, Minerals in Expansion." Bloomberg, December 18, 2025.

This dual-logic evaluation framework is easiest to see side-by-side:

How government evaluates mining investments

Commercial logic	Strategic logic
Internal rate of return and multiple on invested capital thresholds	Mineral criticality to defense and industrial supply chains
Debt capacity modeling and leverage optimization	Geographic resiliency and friendshoring potential among trusted partners
Cash-flow stability and sensitivity analysis	Supply chain illumination and traceability from mine to processing to end-use systems
Technology readiness and operational risk	Connection to defense production priorities reliant on magnets, advanced batteries, and other critical components
Scalability and cost curve positioning	Reduction of vulnerabilities in segments heavily influenced or controlled by other nations

Exhibit 3: Critical minerals demand projections



Source: Bentley Allan, Jonas Goldman, "Securing America's Critical Minerals Supply," Carnegie Endowment for International Peace, October 8, 2025

The result is a landscape where opportunity is obvious, but the rules of engagement are not always clear. Government participation now fundamentally reshapes project economics, compelling private equity firms to adapt their underwriting from standardized models to new public-private frameworks. This environment creates natural selectivity in which assets attract sustained government and investor support (Exhibit 3).

While government decisions incorporate strategic priorities beyond purely commercial metrics, they follow learnable patterns. Investors can anticipate outcomes by recognizing the consistent tools, commercial standards, and demand signals that guide public-sector engagement.

How deal processes change when bankability moves upstream

When bankability is established earlier, deals unfold differently. Decisions that once played out inside competitive processes are increasingly made upstream, reshaping timing, competition, and the path assets take to market.

Deals now sort earlier—before formal processes begin

A direct consequence of establishing bankability upstream is that deal sorting now happens earlier, reshaping the nature of competition.

Advantage no longer comes solely from superior technical underwriting or jurisdictional positioning. It comes from understanding how government participation changes the order in which decisions get made—where capital is deployed first and which risks remain unresolved until late in the process (Exhibit 4). In this environment, timing, structure, and alignment increasingly shape outcomes as much as asset quality itself.

Exhibit 4: Selected examples of government-supported mining transactions

Asset/company	Deal type	Federal counterparty	Close date	Federal capital committed	Pricing support
MP Materials	Equity and loan and offtake	US Department of Defense	July 10, 2025	$550 million (equity and loan)	**Yes – NdPr price floor**
Thacker Pass (Lithium Americas)	Project loan	US Department of Energy	October 28, 2024	$2.26 billion	**No**
Vulcan Elements/ ReElement Technologies	Loans and equity	OSC/US Department of Commerce	November 3, 2025	Approximately $750 million	**No**
Orion Critical Minerals Consortium	Platform capitalizatwion	US DFC	October 23, 2025	$1.8 billion	**No**
USA Rare Earth	Equity and loan (proposed)	Department of Commerce (CHIPS)	January 2026*	$1.6 billion*	**No**

*Nonbinding/announced

Source: *Company press releases, Security and Exchange Commission filings (MP Materials; Lithium Americas; Vulcan Elements; ReElement Technologies), and US government releases (US Department of Energy; US DFC; US Department of Defense; US Department of Commerce CHIPS Program Office/NIST) for deal terms and announced commitments.*

Across these examples, the pattern is consistent—rigorous financial diligence, unmistakable national security relevance, and targeted government intervention that realigns the underlying economics. Together, they illustrate the new reality investors must navigate.

Why mining feels the impact first

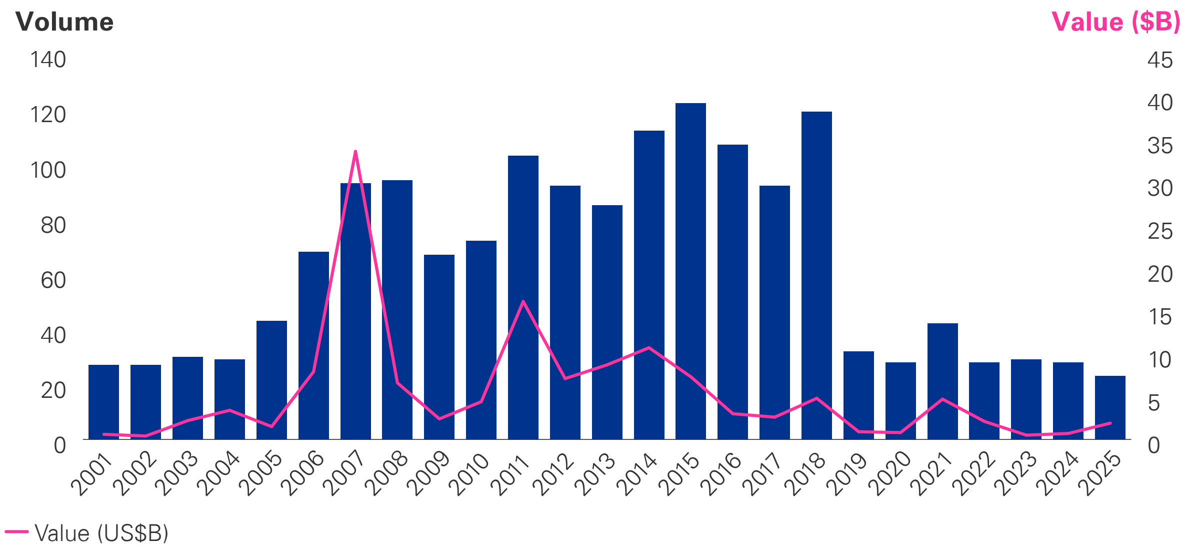
These dynamics surface earliest and most acutely in mining because the sector carries structural frictions that amplify uncertainty and depress bankability relative to other real asset classes such as renewables, infrastructure, and telecom (Exhibit 5):

- **Long development timelines:** Projects often span a decade or more, running from discovery through feasibility, permitting, financing, and construction.
- **Permitting risk:** Approval uncertainty widens discount rates and erodes bidder confidence.
- **Commodity price volatility:** Price swings destabilize cash-flow forecasts, covenant structures, and offtake assumptions.
- **High capital intensity:** Especially in midstream processing, large up-front capital requirements strain traditional debt capacity and force substantial equity commitments well ahead of cash generation.
- **Operational fragility:** Talent shortages, technology scale-up risk, and brittle logistics increase the likelihood of cost overruns and ramp-up delays.

Together, these frictions create binding constraints on financing, timing, and risk allocation, which is precisely where public capital has the greatest impact.

Exhibit 5: PE participation in mining M&A over time

PE deal volume and value in mining (2001–2025)



Source: Pitchbook

This data reflects the direction of PE engagement in mining and reinforces the behavioral shifts described above rather than introducing a new causal driver.

Capital concentrates where timing and certainty align

These shifts are already visible in how private capital structures transactions and how assets are brought to market. Capital first concentrates in segments where government support most directly intersects with scale, timing, and execution certainty. Midstream processing and refining hubs lead. These assets sit at the center of strategic supply chains and require large up-front capital, making them the earliest beneficiaries of structures that accelerate lender readiness.

Near-term producing assets and brownfield expansions follow. Their shorter path to first cash flow allows volume commitments, ramp-up support, or structured guarantees to translate more quickly into predictable revenue, narrowing uncertainty windows and reducing exposure to late-stage process risk.

Capital will also concentrate in allied jurisdiction supply-chain nodes—particularly in North America, Australia, and other aligned partners—where approvals move faster and development timelines are more predictable. Jurisdictional alignment shortens the distance between policy intent and project execution, making these assets more responsive to early derisking.

Finally, chokepoint components tied to defense and energy security, including neodymium-praseodymium (NdPr) magnets and key cathode and anode materials, will attract early capital. These segments combine clear demand visibility with strategic relevance, positioning them to reach lender-ready status sooner than broader upstream projects.

PE advantage comes from structure, sequencing, and execution

In response to these allocation dynamics, as deal sizes increase and development timelines extend, PE participation in mining is becoming more structurally complex. Sponsors are blending senior debt, government credit, and structured equity to stretch leverage while preserving downside protection. Capital stacks increasingly incorporate the types of public support described earlier, such as concessional loans and guarantees, without capping longer-term upside.

Syndication is also becoming more common, often enabled by these same public-capital tools to lower the cost of capital and accelerate early cash flows. These structures lower cost of capital and accelerate early cash flows, allowing sponsors to reach target IRRs more quickly while supporting larger, more durable platforms than private capital alone could underwrite. Cosponsor groups, lender clubs, and royalty or streaming overlays allow firms to manage larger check sizes, recycle capital, and maintain pacing across multiple investments. Execution capability increasingly separates winners from laggards. Sponsors that secure EPC capacity early, align commissioning schedules with government award cycles, and compress the path to first cash flow materially improve outcomes in capital-intensive projects, where timing, sequencing, and operational readiness increasingly matter as much as entry price.

In this environment, advantage no longer comes from predicting individual policy outcomes. It comes from positioning assets, timelines, and transaction structures to align with long-term strategic priorities once projects reach operational readiness. Firms that internalize this dynamic move earlier, underwrite with greater conviction, and avoid late-stage process risk that emerges when policy signals arrive too late to shape deal terms.

Asset owners must redesign processes, not just price

As capital becomes more selective and PE structures adapt, government involvement is expanding the universe of potential capital providers for mining assets. Projects aligned with federal priorities now attract both strategic buyers and PE sponsors, increasing competitive tension and accelerating processes for assets that meet both commercial and strategic screens. In many cases, this involves asset owners seeking to layer government capital alongside private investment rather than running a traditional sale process.

This dynamic is also widening valuation dispersion. Post-project valuations increasingly reflect a third axis—scarcity and strategic relevance—alongside asset quality and jurisdictional risk, contributing to the acquisition premiums shown in Exhibit 6. Assets with clear policy alignment and credible pathways to offtake or demand backing tend to command scarcity premiums, while others are priced at deeper discounts or rely on earnout structures to bridge uncertainty.

Process design is shifting accordingly. Asset owners should expect more extensive premarketing engagement with agencies, and term sheets that signal potential offtake, volume commitments, or price-stabilization mechanisms. These steps reduce counterparty friction, streamline diligence, and position assets to attract premium interest from capital providers whose investment theses depend on government-backed bankability.

Exhibit 6: Scarcity incurs valuation premiums

Acquisition premium patterns by commodity and project stage

Commodity	Project stage	Typical acquisition premiums
Gold	Varied stages	**25%–40%**
Battery metals	Advanced stage	**35%–60%**
Base metals	Established operations	**20%–35%**

Source: *Hidayat, Muflih. "Mining Industry Mergers and Acquisitions: Strategic Consolidation in 2025." Discovery Alert, October 30, 2025.*

Regional valuation premiums and jurisdictional differences

Tier-one (Canada, Australia, US) command a consistent 20 percent to 30 percent valuation premium, driven by stronger infrastructure, lower risk, and higher investor confidence.

Assets in North America and Australia typically trade 30 percent to 50 percent higher than comparable assets in Africa, Asia, or South America, reflecting jurisdictional risk differentials and capital-access advantages.

Public mining company acquisitions globally show premiums in the 20 percent to 35 percent range, with asset quality and jurisdiction being the primary determinants of where deals clear within this band.

Source: *Zadeh, John. "Mining Sector M&A Accelerates Amid Resource Challenges in 2025." Discovery Alert, May 10, 2025.*

What government capital does—and doesn't—solve

Public involvement materially improves financing certainty but does not eliminate execution exposure. Construction and ramp-up challenges remain the most persistent sources of value erosion. Commissioning delays, technology scale-up risk, and cost overruns continue to weigh on outcomes, especially in capital-intensive midstream assets where early cash flows are critical to underwriting assumptions.

Commodity cycles remain an additional stress test. Downturns can pressure the durability of offtake agreements, expose the limits of price-stabilization mechanisms, and test lender tolerance, particularly where government tools improve bankability without fully insulating revenue.

These risks do not negate the impact of government market making, but they define its limits. Discipline in asset selection, execution planning, and downside protection remains essential, even in a market where public capital increasingly shapes outcomes.

Conclusion

Mining M&A is now shaped by systems, not single policies

Mining M&A has entered a new era, driven not only by rising demand for critical minerals but also by durable public-sector mechanisms shaping supply, pricing, and capital formation. For investors and asset owners alike, success increasingly depends on understanding not only asset quality, but also how projects align with long-term strategic priorities, capital sequencing, and execution readiness.

How KPMG can help

For PE sponsors and buyers in critical minerals, government capital is no longer a slow, peripheral option. The emphasis is on execution—moving quickly once a project or acquisition clears strategic and commercial screens—and KPMG helps buy-side investors align to that pace.

We work with PE sponsors and operators early, often before formal processes, to assess whether government participation can expand the investable opportunity or improve outcomes. That includes evaluating where government credit or offtake support can complement traditional financing, enabling larger platforms, faster timelines, or better capital efficiency.

We support sponsors as they engage government counterparties—preparing materials aligned to agency expectations; managing reporting and compliance requirements tied to public funding; and augmenting deal teams so diligence, approvals, and closings stay on track.

As transactions progress, we help sponsors structure capital stacks that incorporate multiple sources of credit without slowing momentum. Our support spans sequencing private and public capital, aligning diligence and approvals, and translating government support into actionable bankability rather than late stage uncertainty.

The advantage is not simply access to public capital, but the ability to move faster with conviction—advancing assets, closing transactions, and scaling platforms while policy alignment and funding windows are open. In a market where bankability sorts earlier, speed and readiness increasingly determine who wins.

Authors

Richard Metzner

Principal, Advisory, Energy & Chemicals, Performance Transformation

Richard Metzner serves as the US sector leader for mining and the ENRC leader for Strategy at KPMG in Chicago. As an advisor to leading PE and corporate clients, Richard leads global transformation programs designed to sustainably reduce costs and optimize operational efficiency. His specialized experience spans mine site optimization, supply chain logistics, and back-office restructuring. Whether operating inside or outside of a deal environment, Richard is dedicated to helping investors and operators unlock hidden value through targeted operational due diligence and aggressive post-deal value creation strategies.

Paul Pan

Principal, Advisory, Private Equity, Performance Transformation

Paul Pan is the PE and asset management leader for the Deal Advisory & Strategy practice at KPMG, based in New York. He advises PE and corporate clients on complex transactions and transformations, with a particular focus on carve-outs. Paul has worked with many of the largest PE funds, providing operational due diligence and portfolio company value-creation support across multiple industry sectors, including consumer products and industrials. In his role, Paul helps align sector experience and firmwide capabilities across KPMG to support PE clients from transaction through transformation.

Margaret Yi Xu

Partner, Advisory, Financial Due Diligence

Margaret Yi Xu is a partner in the KPMG Deal Advisory practice based in New York. She provides buy-side and sell-side due diligence services to large- and mid-market infrastructure funds that are interested in investing in various infrastructure subsectors in the US. She has more than 15 years of experience spanning mining, telecommunication infrastructure, transportation logistics, renewables, and power and regulated utilities.

We would like to thank our contributors:

Varun Angirish, Astha Chopra, Sonali Garg, Michael Gelfand, Karen Henrie, Whitney La Bounty, Snehal Muley, Krishna Mridani, Muskan Maheshwari, and Kathy Nichols

Contacts

Carmen Alfieri
Principal, Advisory, Financial Due Diligence
KPMG LLP
calfieri@kpmg.com

Paul Pan
Principal, Advisory, Private Equity, Performance Transformation
KPMG LLP
paulpan1@kpmg.com

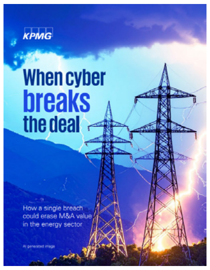
Richard Metzner
Principal, Advisory, Energy & Chemicals, Performance Transformation
KPMG LLP
richardmetzner@kpmg.com

Margaret Yi Xu
Partner, Advisory, Financial Due Diligence
KPMG LLP
yixu@kpmg.com

Related thought leadership-

2026 Global M&A Outlook

Q1'26 Pulse of Private Equity — United States insights



Cyber threats erode Energy M&A value during integration

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Please visit us: **kpmg.com** **Subscribe**