Someone steal your catalytic converter? Call Canadian Palladium.

written by InvestorNews | April 1, 2021

Have you heard in the news about a rash of thefts of catalytic converters from vehicles, either in your neighbourhood or all over the country? The reason for that is simple, the value of the components inside these exhaust emission control devices. Catalytic converters contain Platinum, Palladium and Rhodium, amongst other materials, and these minerals are now some of the most expensive materials on the planet. Palladium is trading at over US$2,600/oz while Rhodium trades at an eye-popping US$26,000/oz.

Seems like there might be more demand than supply for something to be trading at these kinds of prices! That's what makes the East Bull Palladium deposit of Canadian Palladium Resources Inc. (CSE: BULL | OTCQB: DCNNF) so exciting. On Tuesday, the company announced the latest drilling results from the East Bull property, located 90 km West of Sudbury, Ontario. Those results are summarized in the table below:

Notably, the company is still awaiting the Rhodium results and with the above pricing, Rhodium becomes the second most important contributor to Palladium equivalent (PdEq) at East Bull after Palladium itself. For context, generally speaking, palladium grades from 1.5 g/t to 5 g/t are considered medium grade and anything above 5 g/t is considered high grade (23.5 grams = 1 ounce).

An NI 43-101 compliant technical report from early 2019 shows a resource estimate of 11.1 M tonnes of ore at a grade of 1.46 g/t PdEq for a total of 523,000 ounces of Palladium at East Bull. Since then the company has reported 13 additional sets of drilling results extending the Valhalla zone from 1.5 kms to almost 3 kms today. Needless to say, an updated NI 43-101 would likely show a lot bigger number.

Additionally, the East Bull property benefits from close proximity to the city of Sudbury and is accessible by an all-weather road extending north from Highway 17 at Massey, Ontario. Sudbury is home to the fully integrated base and precious metal mining, processing, smelting and refining complexes of Vale Canada Limited and Glencore PLC. The availability of this infrastructure not too far away means Canadian Palladium could achieve initial production with lower initial CapEx, as they would only have to mine and crush rock on-site before shipping to Sudbury for processing.

As with most junior exploration companies, Canadian Palladium is in the raise cash/drill cycle meaning an investor has to be patient and watch the shares outstanding continue to drift higher. However, with the results the company is achieving and the steady increase in the underlying commodity prices, someone is likely to take notice of the East Bull Palladium development and validate management’s and shareholder’s belief that this could be a significant deposit.

Can the palladium market continue to defy gravity?

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Palladium prices have risen from US$316/oz in January 2016 to US$2,329/oz today, representing an impressive 637% gain in just under 5 years. The big question investors want to know is where will the prices go from here? To get a feel for the answer, today I look at palladium supply and demand and what the industry expects.

Palladium prices have had an impressive rally since January 2016 up 637%

Source

2020 palladium supply vs demand forecast

Palladium supply decreased in 2020 due to COVID-19 related supply disruptions from South Africa, but palladium demand also weakened in 2020 due to a slowdown in conventional car sales due to COVID-19.

According to the world's largest palladium producer, Norilsk Nickel, 2020 global palladium supply is forecast to fall 14% and demand is forecast to fall 16%. Effectively balancing a market that was previously in deficit. This forecast suggests that palladium prices should remain relatively high in 2020, especially if auto demand continues to pick up in Q4, 2020.

Palladium (Pd) supply estimated to fall 14% and demand to fall an estimated 16% in 2020

Source

Mid term palladium demand continues to look strong as tightening auto-emissions rules are requiring larger volumes of palladium in exhaust systems (75% of palladium demand comes from catalytic converters). By 2030 onward 100% battery electric vehicles (EVs) may be taking significant market share that palladium auto demand begins to decline. At that point the EV and battery metals such as lithium, cobalt, copper, nickel, manganese and graphite should be doing very well as EV sales start to dominate.

In the mid term new palladium supply is expected to continue to be slow to come online as palladium is usually mined as a by-product of nickel or platinum mining. In the long term high palladium prices will most likely lead to more supply and some price reductions for palladium.

Best palladium performers on Sept. 30, 2020 from InvestorIntel's Palladium Watchlist

Source

A palladium company we have been watching lately is Canadian Palladium Resources Inc. (CSE: BULL | OTCQB: DCNNF | FSE: DCR1). Canadian Palladium is an exploration stage company that has a 100% interest in the East Bull Palladium Property in the Sudbury Mining Division in Ontario, Canada. The company recently found high grade palladium at their East Bull Palladium Property. Canadian Palladium also owns the Tisova Copper/Cobalt Project which gives them exposure to the EV metals market in the longer term. You can click the link below to read more.

- Canadian Palladium strikes high grade palladium at their East Bull Project

The palladium market continues to perform very well in 2020 despite COVID-19 related supply and demand issues. In the short term palladium demand should continue to recover as global auto sales recover. In the mid term palladium demand is expected to remain strong due to tightening emission standards globally. Norilsk Nickel forecasts the medium term outlook for palladium as neutral and the long term outlook as positive. Longer term, by 2030, palladium demand should begin to fall as we move faster to EVs and conventional internal combustion Engine (ICE) car sales decline rapidly.