Power Nickel’s Terry Lynch on “one of the hottest nickel holes in the last year anywhere in the world”

written by InvestorNews | January 23, 2023

In this InvestorIntel interview, Byron W King talks to Power Nickel Inc.’s (TSXV: PNPN | OTCQB: CMETF) CEO Terry Lynch about the recent drill results from their Nisk Project near James Bay, Québec. Confirming the presence of high-grade nickel, copper, cobalt, PGE mineralization at the Nisk Project, Terry says that Power Nickel has reported “one of the hottest nickel holes in the last year anywhere in the world.”

With a lot of operating mines in the region, Terry discusses how Power Nickel is advancing their Nisk Project towards commercialization. He goes on to provide an update on their recently closed private placement. As a North American source of class 1 nickel, Terry discusses the growing nickel demand from the stainless steel and lithium-ion battery industries.

To access the full InvestorIntel interview, click here

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About Power Nickel Inc.

Power Nickel is a Canadian junior exploration company focusing on high-potential copper, gold, and battery metal prospects in Canada and Chile.

On February 1, 2021, Power Nickel (then called Chilean Metals) completed the acquisition of its option to acquire up to 80% of the Nisk project from Critical Elements Lithium Corp. (CRE:TSXV)

The NISK property comprises a large land position (20 kilometers of strike length) with numerous high-grade intercepts. Power Nickel is focused on expanding its current high-grade nickel-copper PGE mineralization Ni 43-101 resource with a series of drill programs designed to test the initial Nisk discovery zone and to explore the land package for adjacent potential Nickel deposits.

To learn more about Power Nickel Inc., click here

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Byron King and Terry Lynch discuss drivers for the nickel market, critical minerals and Power Nickel

written by InvestorNews | January 23, 2023

In this InvestorIntel interview, Byron W King talks to Power Nickel Inc.'s (TSXV: PNPN | OTCQB: CMETF) CEO Terry Lynch about the current nickel market. With an annual growth rate of 6%, Terry discusses how the stainless steel market continues to be the top driver for nickel demand.

As the metal of choice for lithium-ion batteries, Terry discusses how electrification will also have a huge impact on nickel demand. With access to low-cost and low-carbon hydropower, Terry explains how Power Nickel's NISK Project in Québec is positioned to be one of the lowest cost and environmentally friendly sources of high-grade nickel in the world.

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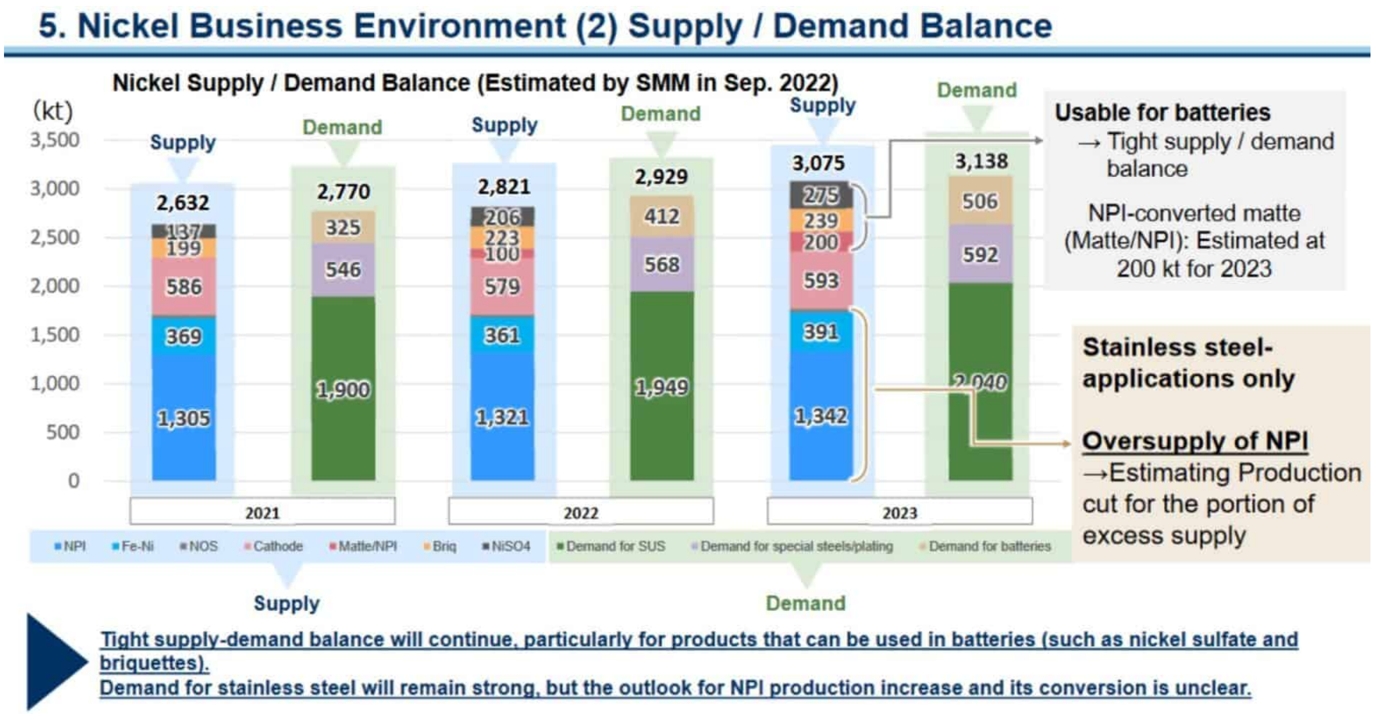
A look at the nickel sector and the leading companies as we head into 2023

written by Matt Bohlsen | January 23, 2023

Nickel prices have had a very good year in 2022, up 43% YTD to US$28,199/t at the time of writing. This has been mostly due to a tight market with demand remaining strong and limited new supply.

2023 is forecast to be another tight year for the nickel market, although some analysts are concerned with potential new supply from Indonesia. Sumitomo sees a tight nickel supply/demand balance for the battery sector with some potential oversupply of nickel pig iron (NPI) in 2023. Nickel pig iron is a low grade ferronickel commonly used in China as a cheaper alternative to pure nickel for the production of stainless steel.

Sumitomo Metal Mining forecasts (as of Sept. 2022) small nickel deficits for 2022 and 2023



Source: Sumitomo Metal Mining (see page 11)

A huge demand wave ahead for nickel this decade and next

Looking out further, in 2021 the **IEA forecast that nickel demand is set to increase by 7x to 19x from 2020 to 2040.** This is driven by conventional demand from stainless steel plus surging demand from batteries, mostly to supply the electric vehicle boom. Not all batteries will use nickel; however nickel, manganese, cobalt (NMC) cathode batteries are set to remain as a dominant battery chemistry in Western markets due to their superb energy density, combined with a good long cycle life. In 2022, the IEA **forecast** that **60 new nickel mines would be needed by 2030**.

Jessica Farrell, BHP's Asset President of Nickel West, recently was quoted as stating: "We anticipate demand for nickel in the next 30 years will be 200% to 300% of the demand in the previous 30 years".

The leading nickel companies

Vale S.A. (NYSE: VALE) is consistently in the top 3 global leading producers of nickel. In 2020 they ranked second producing 215,000t. In 2021, Vale was the world's largest iron ore and nickel producer with iron ore and pellets making up 81% of revenue in Q2, 2022, nickel making up 9%, and copper 3%. Vale has been working on expanding production capacity of both iron ore and nickel. Vale's key nickel assets are well located in Voisey's Bay in Canada. Vale has nickel supply agreements to supply nickel to Tesla (NASDAQ: TSLA), Ford Motor Co. (NYSE: F), Northvolt, and more recently General Motors (NYSE: GM). Vale's stock currently trades on a 2023 PE of only 5.97 and an indicative 2023 dividend yield of 6.6%.

Norilsk Nickel was the leading global nickel producer in 2020 with 236,000t. Being a Russian company 2022 has not been kind for investors in Nornickel with the stock price plunging and stock trading being suspended from all Western stock exchanges. Nornickel recently stated: "MMC Norilsk Nickel shares are listed on the Moscow and on the Saint-Petersburg Stock Exchanges, ADRs are accepted for trading on the Saint-Petersburg Stock Exchange."

Glencore PLC (LSE: GLEN | OTC: GLCNF) ranked the number 3 leading global nickel producer in 2020 with 110,000t of production. Glencore's 2022 production for the first 9 months of the year was 81,600t, 15% up on the same period in 2021.

BHP Group Limited (NYSE: BHP) is ranked 4th in 2020 with 80,000t of nickel production. BHP's Nickel West mine has been ramping up operations in recent times with ore sent to BHP's Kwinana Nickel Refinery which can produce 100,000tpa of nickel sulphate. BHP is looking to grow their nickel business and recently announced a takeover offer of OZ Minerals Limited (ASX: OZL) (who themselves have an option deal to acquire Havilah Resources' Kalkaroo Project in SA that contains copper, gold and cobalt).

BHP's Nickel West operations in Western Australia

Source: BHP website

Others – Other key global nickel producers include **Jinchuan Group (HK: 2362)**, **Sumitomo Metal Mining Co. (TYO: 5713 | OTC: SMMYY)**, **Anglo American (LSE: AAL | OTC: AAUKF)**, **Eramet (OTC: ERMAY)**, **Sherritt International (TSX: S | OTC: SHERF)**, **IGO Limited (ASX: IGO | OTC: IIDDY)**, **Panoramic Resources (ASX: PAN | OTC: PANRF)**, **Nickel Industries Limited (ASX: NIC | OTC: NICMF)**, **Nickel 28 Capital Corp. (TSXV: NKL)**, **Mincor Resources (ASX: MCR | OTC: MCRZF)**, and a few more.

Closing remarks

2022 was a great year for the nickel sector. 2023 looks like being a bit tougher as a global slowdown looms and as new Indonesia supply comes online; however, looking out this decade it looks hard to see where the 60 new nickel mines needed will come from.

There are several exciting nickel juniors working to fill the impending nickel supply gap this decade. Some are ii8 members here at InvestorIntel, such as Power Nickel (TSXV: PNPN), so feel free to read up on them over the upcoming Christmas break.

Molybdenum – securing a domestic supply of the vital but underappreciated mineral

written by | January 23, 2023

Element 42 on the periodic table is Molybdenum (Mo), commonly referred to in the industry as the easier to pronounce moly. Most of the world's moly production comes as a byproduct from copper or tungsten mining. Most people know it as a lubricant. The main use of moly is in steel production as it gives weather and acid resistance in certain steel alloys, particularly stainless steel. This is an element largely overlooked as current production is in the range of 290,000-300,000 metric tonnes per year, which makes it a $10 billion annual business at its current pricing of $16/lb. Pricing earlier this year reached $20 per pound. Those are prices that have not been seen since 2008. Two years ago, the price was under $8 per pound.

According to the CPM Group, there are 76 mines globally that produce moly and 36 are inside China, with China producing over 40% of the world's output. Between 70-80% of that output is from copper mines. In 2021 the world's top 10 moly producing countries were:

Outside China, there are only two pure moly plays, and both of these are in Colorado and operated by Freeport-McMoRan (NYSE: FCX) subsidiary Climax Molybdenum. 90% of western-sourced moly comes from copper production. This means that the main driver for moly production is copper production, so output and pricing can be counterintuitive. An example of this was in 2020 when prices dropped 30% but production went up, while in 2021 prices climbed 96% but production went down.

According to a World Bank report on the impact of low carbon technologies (LCT) in 2018, 21 million tonnes of copper were produced compared to 0.3 million tonnes of moly, or about 1 tonne of moly per 7,000 tonnes of copper. Moly is used in wind turbines, with one megawatt of output requiring 130 kilograms of moly. A typical offshore turbine is 12MW, which requires 1.56 tonnes of molybdenum.

One of the issues facing the industry is Chile's production. According to CPM, moly production in 2021 dropped 7.5% from 2020. The main drop was from Codelco, a state owned Chilean company, whose production declined 24%. A presentation by Codelco in 2019 indicated they needed new investment, otherwise production would fall by 74% by 2029. The Chilean government has asked Codelco to find $1 billion in annual savings and make a $8 billion cut in planned investments. This may delay investments. The Chilean government is talking about privatizing the mining industry and taking a royalty of up to 12%. These steps will likely give companies pause for thought on new investments. Based on this, the CPM Group is looking at a deficit position for moly over the next five years.

There is one potential new moly mine opportunity that is intriguing – Stuhini Exploration Ltd. (TSXV: STU) based in British Columbia. The CEO, David O'Brien, pulls a monthly salary of $2,000 which is different than a lot of junior mining companies. The share structure is very tight with 26.1 million shares issued and fully diluted at 28.3 million shares. Insiders hold 43% and Eric Sprott is a strategic investor.

Stuhini’s project is in Northwestern British Columbia and is called Ruby Creek. It has an option to earn 100% interest with a 1% NSR. There is a $22 million road built by a previous operator so there is access to the site. The mine was under construction by Adanac Molybdenum Corp. when it went bankrupt because of the 2008 financial crisis. This is a pure moly play, like the two mines in Colorado. A resource was released earlier this year with a measured and indicated resource of 433 million pounds. This gives an in situ value of $6 billion at current prices. Additionally, there are gold and silver indications on the property. Interestingly the market cap is $14 million while the previous operator had a market cap of $300 million.

It bears keeping an eye on this moly as low carbon technologies expand and what decisions Chile makes over the next few years. At present pricing, it can support new mines but there are few stand-alone opportunities. It is well worth keeping an eye on this market.

Nickel 28 Capital offers growing nickel-cobalt exposure as nickel prices eclipse a 10 year high

written by InvestorNews | January 23, 2023
Nickel has been shooting for the stars lately, having just recently eclipsed its 10 year high (see chart below).

The reasons are a combination of strong demand (stainless steel and electric vehicles) and some weaker supply during 2021 (Norilsk Nickel supply disruption, BHP & Vale weaker output).

As we look ahead to 2022, market forecasters see a 'balanced market' as both nickel demand and supply rise. A recovering China and a booming EV sector bode well for both nickel and cobalt in 2022 and in the years ahead.

Nickel is at a 10 year high – Currently US$24,320/t

Source: Trading Economics

Nickel 28 Capital Corp. (TSXV: NKL) is a nickel-cobalt producer via its 8.56% joint venture interest in the producing Ramu Nickel-Cobalt Operation in Papua New Guinea (PNG).

Nickel 28 also manages a portfolio of 13 nickel and cobalt royalties on development and exploration projects in Canada, Australia and PNG.

The Ramu Nickel-Cobalt Operation in PNG

Source: Nickel 28 website

The Ramu operation is performing well (Nickel 28's share is 8.56%)

As shown below the Ramu operation in PNG is performing very well making a high gross profit margin due to its low costs and the current high nickel and cobalt prices. Nickel 28 received US$3.2 million in distributions from Ramu in H1, 2021 and these are expected to rise due to stronger nickel and cobalt prices in H2, 2021.

A not very well known fact is that Nickel 28's JV interest will increase from 8.56% to 11.3% once the JV loan is repaid (forecast by mid 2024), but likely to be earlier (H2, 2023) if strong nickel and cobalt prices hold. Once the JV loan is repaid Nickel 28 will see a very significant rise in their cash flow. As a next step, Nickel 28 has the option to acquire an additional 9.25% JV interest at fair market value. If Nickel 28 decides to take that option their share of the Ramu JV would rise to 20.55% (11.3% + 9.25%).

Ramu highlights

Source: Nickel 28 company presentation

Nickel 28 Executive Chairman, Anthony Milewski, stated in the Company's December 2021 Annual Shareholder Letter:

"Ramu continued to be one of the top performing nickel producing mines globally. Ramu's production in 2021 is on target to produce over 31,000 tonnes of nickel in product. Costs of production remain consistent at around $2.00/lb of nickel making it the lowest cost HPAL producer according to Wood Mackenzie. As we have seen a significant appreciation in nickel prices in 2021, we see that Ramu is generating significant cash flow, which, with the retirement of the operating debt at Ramu, is being utilized to pay down the construction debt."

Nickel 28's royalties portfolio

Nickel 28 has created a portfolio of 13 projects offering nickel-cobalt royalties. Think of this as a potential new revenue stream if the projects succeed.

Nickel 28's potential royalty streams if the projects succeed to production

Source: Nickel 28 company presentation

Nickel 28 Executive Chairman, Anthony Milewski, stated:

“We are also encouraged by the progress at two of our important royalties. Both Dumont and Turnagain are two of the world’s largest undeveloped nickel sulfide projects which are located in Canada. An investment bank lead process is underway to find a partner to advance Dumont and we are hopeful a result is achieved in 2022. Turnagain is also working toward bringing in a partner to help advance its feasibility studies and to put the project on track towards a construction decision.”

Closing remarks

Nickel 28 offers investors a potential growing exposure to the well-performing Ramu Nickel-Cobalt Operation in PNG. Nickel 28 has the potential to grow its share from 8.56% to 11.3% at no expense (must repay JV debt) and then an option to increase its share to 20.55% should it wish to buy a further share.

Furthermore, Nickel 28 has a portfolio of 13 potential royalty stream projects led by investments in some of the best junior (non-producing) nickel assets globally.

Nickel 28 trades on a market cap of C$109 million, which is certainly not a high market cap given the existing and potential upside exposure to global nickel-cobalt production.

Further reading

- Nickel 28’s Anthony Milewski discusses the Impact of the Demand and Price Surges for Battery Grade Nickel

Nickel 28 Capital: A Nickel-Cobalt Producer Leading its Industry is Going Green

written by InvestorNews | January 23, 2023

Global primary nickel demand is seen increasing by 12% in 2021 to 2.67 million tonnes, while primary nickel production is only expected to climb by 9% to 2.7 million tonnes, according to the International Nickel Study Group. Presently about 65% of annual nickel production is used to manufacture stainless steel. However, Electrified Vehicle (EV), nickel demand for use in batteries, is forecast to grow to 1.3 million tonnes yearly by 2030. You read that right, EV demand alone could consume almost 50% of current global nickel production within the foreseeable future. There's no renewable or low carbon replacement for stainless steel, so that demand isn't going away. Suffice it to say the supply/demand picture looks reasonably healthy for nickel for the foreseeable future, which might be why nickel prices have risen almost 10% year to date, despite being down 11% from their recent highs in September.

When we last visited an interesting opportunity to gain exposure to this commodity, Nickel 28 Capital Corp. (TSXV: NKL), was on the cusp of a transformational change whereby they were about to pay off the Operating Debt for the Company's principal asset, an 8.56% joint-venture interest in the Ramu Nickel-Cobalt operation in Papua New Guinea. As part of a Joint Venture Agreement with majority owner and operator of the mine, Metallurgical Corporation of China Limited (MCC), it, MCC, provided the financing for the construction and development of the Ramu Mine. Nickel 28 had two separate debt agreements with MCC – one to finance the original construction of the mine (Construction Debt) and a second amount to finance the ramp up and early operating expenses of the mine (Operating Debt). 100% of the operating surpluses from the mine were first allocated to repay the Operating Debt and related interest, meaning that once this is paid off there is significant free cash flow available to Nickel 28.

Once the Operating Debt is repaid, Nickel 28 can repay the Construction Debt at any time without penalty but is entitled to its share of 35% of the mine's operating surpluses, with the remaining 65% used to repay any remaining Construction Debt and related interest. For the three months ended June 30, 2021, Nickel 28 Capital Corp. recognized $8.4 million for its share of operating profit from the Ramu Mine and $14.9 million for the first six months of 2021. Assuming, they make the final payment of $10.2 million to the Operating Debt, that should leave $1.6 million ($4.7 million x 35%) to add to the quarter end cash of $4.6 million. Going forward, Nickel 28 could be adding 35% of $7-$10 million per quarter, depending on mine output and commodity pricing. But what to do with all that cash? That's material liquidity for a company that also manages a portfolio of eleven royalties (see below). Nickel 28 says that it intends to continue to invest in a cobalt and nickel-focused portfolio of streams, royalties and direct interests in mineral properties which could use up some of that extra cash.

Source: Nickel 28 Capital Corp. Q2/2021 MD&A

But perhaps even more compelling than all the potential upside from the royalties is the path that the Company is taking on the Environmental, Social, and Governance (ESG) front. There is no question that more and more emphasis is being put globally on how safely and with minimum environmental footprint you provide your commodity. To that end, on February 9, 2021, the Company announced that it had completed an independent analysis on greenhouse gas (GHG) intensity for the Ramu nickel-cobalt operation, confirming that the operation is one of the lower GHG emitters in the world nickel industry. Ramu's average GHG intensity has been calculated at 15.6 tonnes of carbon dioxide equivalent per tonne of nickel (15.6 tCO_2e/t Ni) contained in mixed hydroxide product. This compares favorably to a nickel industry average GHG intensity of 36.6 tCO_2e/t Ni as calculated by Wood Mackenzie. Then on March 15, 2021, in an industry first, Nickel 28 bought carbon offsets for its share of Ramu nickel and cobalt production. The carbon offsets will fully offset Nickel 28's anticipated 2021 attributable GHG emissions from the Ramu integrated nickel-cobalt mine, and makes it the mining industry's first carbon neutral refined nickel-cobalt producer. This should put Nickel 28 in all green ETFs once everyone figures this out.

With 85.7 million shares outstanding, the Company has a market cap of roughly C$79 million based on yesterday's close of C$0.92. When you think about what the value of an 8.56% interest in a producing world class nickel-cobalt mine is, plus the cash flow that it's about to start generating, one can make a pretty compelling investment thesis. The fact that they might be the greenest miner out there right now should give it a premium over whatever other metric you want to use to measure this company by. So if you are interested in having some exposure to nickel, the commodity, you might want to look at Nickel 28 Capital Corp.