The Dean's List – Part 2: What nickel company will benefit from Canada's commitment to critical minerals?

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Part 2: Canada Nickel Company Inc.

Last week we started a series to look at Canadian companies in the mining sector that could be impacted by Federal and Provincial government announcements with respect to critical materials, supply chain, EV battery manufacturing, etc. As a reminder, the province of Ontario first announced in March its strategy for 'critical minerals' followed shortly by a C$4.9 billion electric vehicle battery plant in Windsor, Ontario. This was followed in April by the Federal Government's Budget 2022 proposing up to C$3.8 billion in support over eight years to implement Canada's first Critical Minerals Strategy. The Fed's followed this up in late June with a House of Commons Standing Committee on Industry and Technology report entitled: Positioning Canada as a Leader in the Supply and Processing of Critical Minerals.

I'll start by saying I'm a little skeptical of how effective the Caandian Federal Government will be in doing anything useful to advance the cause of critical materials. But as long as it is a topic that appears to be at the forefront and politically in vogue, my simple hope is that they will at least stay out of the way and let smart, innovative people get on with doing what's best for Canada and its allies.

With that in mind, I'm going to stick with Ontario companies for now as I feel there is a slightly better plan and path to success with the focus on all aspects of the value chain, from mining, to processing to end use (like the Windsor battery plant). Perhaps as this series progresses I'll find it in my heart to cut the Federal government a little slack and explore some of our country's non-Ontario companies… maybe. In the meantime, today we're going to talk about another major ingredient in EV batteries – nickel.

As noted above, Ontario has already announced a C$4.9 billion EV battery plant, and the Provincial Government has stated their strategy is the encouragement of domestic processing and creating resilient local supply chains. In recent years, automakers have discovered that adding more nickel to the cathode can boost a battery's energy density, which translates into more range per pound of batteries. Automakers have increased the percentage of nickel in cathodes to boost the batteries' energy density and increase vehicle range with most now using cathodes that contain at least 60% nickel. Some use even more, in part to reduce or eliminate cobalt, and in part to increase density for premium applications. And to quote the infamous Elon Musk from a July 2020 Tesla earnings call: "Please mine more nickel… Tesla will give you a giant contract for a long period of time if you mine nickel efficiently and in an environmentally sensitive way." Hopefully Stellantis and LG Energy Solution feel the same way.

And if they do happen to share Elon's attitude towards nickel, one company that could be the beneficiary of all this is Canada Nickel Company Inc. (TSXV: CNC | OTCQX: CNIKF) which is advancing the Crawford nickel-cobalt sulphide discovery with large scale potential located in the established Timmins mining camp. Not only has the company recently announced an updated mineral resource estimate more than doubling the project's

Measured & Indicated (M&I) mineral resources but it is pursuing the development of processes to allow the production of net zero carbon nickel, cobalt, and iron products. I've got to think politicians around the world would be trying to make a company like this the poster child of the 'green revolution'. And with the Ontario government's commitment to exploring how to support R&D and access to and/or development of intellectual property related to critical minerals processing, perhaps Canada Nickel can tap into some government funding for its net zero initiatives.

Source: Canada Nickel Company Corporate Presentation

Based on PEA results, the company also boasts that once the mine reaches Phase III (approximately year 8), its peak production will among the top 5 nickel sulphide operations globally, with #1 being Norilsk in Russia and #2 Jinchuan in China. Additionally, Crawford is expected to be one of the largest base metal mines in Canada, surpassing Teck's Highland Valley mine, Glencore's Raglan operation in Quebec and Vale's Voisey's Bay operation. Once again, numbers like this should put Canada Nickel on the radar of any politician trying to ride the coattails of the critical minerals trend.

In April, the Company raised C$51.5 million, of which 37% was via flow-through shares. However, the deal closed 2 days before the effective date of the Federal Budget announcement of the Critical Mineral Exploration Tax Credit. Given the expenses haven't been undertaken yet, I don't know if Canada Nickel shareholders are in for an unexpected bonus of renounced flow-through expenses but I suspect it would sure be a welcome surprise. Regardless, this new, expanded tax credit is still a tool available to Canada Nickel and all Canadian critical mineral explorers for raising capital on or before March 31,

2027.

To repeat what I said at the end of Part 1, as long as governments don’t get in the way of their good intentions, we could be on the verge of a golden era for critical mineral explorers, miners and processors in Canada. To that end, we will continue to look at companies that find themselves positioned to take advantage of this renewed focus on the security of supply to exploit Canada’s abundance of valuable critical minerals in a responsible, ESG-friendly manner.