



'Garimpeiro' columnist Barry FitzGerald has covered the resources industry for 35+ years.

## Two small cap nickel players with resources to see through the 30-year 'transition'

February 26, 2023 | Barry FitzGerald

BHP reckons it has 9 million tonnes in nickel sulphide resources in Western Australia. It is pretty proud of them too as it ranks BHP as the second biggest owner of nickel resources in the world at a time when demand for the stuff is taking off.

Nickel's traditional use in stainless steel chugs along at global economic growth rates which is nice. But it is the zoom zoom growth in demand from batteries for EVs and the storage of renewable energy that really excites.

Nickel content in a premium EV battery weighs in at about 40kg and by BHP's reckoning, three out five cars sold in 2030 will be EVs, rising to nine out of 10 cars in 2040.

It is why it believes the worst case scenario is for demand to "only" double in the next 30 years. Should the world remain serious about meeting climate change targets, the increase in demand could be fourfold in the next 30 years.

BHP has big plans to grow its nickel business, and took a step recently with the agreed \$9.6 billion takeover bid for OZ Minerals, the South Australian copper producer and owner of the \$1.7 billion West Musgrave nickel-copper project in WA.

Today's interest though is in the junior companies out there with big nickel sulphide resources under their belt to play the nickel thematic for all it is worth in coming decades, not just for the next 5-10 years. Garimpeiro has settled on two – Aston (ASX:ASO) and Centaurus (ASX:CTM).

But first a little update on the nickel market. The price has risen by 14% from its December half year average of \$10.73/lb – which was a good price anyway – to \$US12.21/lb. That's a good \$US5/lb more than companies with development projects on their hands like to see.

There is currently a lot of noise in the nickel market about supply surpluses (not though in Class 1 nickel that comes from nickel sulphide deposits). For a snapshot on what the longer term looks like for the metal, Garimpeiro will go with what BHP said during the week:

“We believe that nickel will be a substantial beneficiary of the global electrification mega-trend and that nickel sulphides will be particularly attractive. This is due to their relatively lower cost, as well as the favourable position of integrated sulphide operations on the greenhouse gas emissions intensity curve.”

## Small caps, large resources

**Aston Minerals: (ASX:ASO):** Trading at 9.9c mid-week for a market cap of \$110 million. The company's Edleston project in Ontario has been delivering the goods in 2023, no doubt pleasing executive chairman and 11% shareholder Tolga Kumova.

Back in January it delivered a 1.5 million ounce gold resource across two prospect areas. The gold resource may or may not be sold or spun-out so Aston can concentrate on the main event at Edleston – the Boomerang nickel-cobalt discovery.

It has just weighed in with a maiden resource estimate of 1.04 billion tonnes grading 0.27% nickel and 0.011% cobalt for 2.82Mt of contained nickel, and 115,000 tonnes of cobalt. So it is big alright, almost one third the size of BHP's total resource base in the metal.

And like the gold resource, the maiden nickel-cobalt resource estimate is just the start of the story as exploration is in its infancy.

Give the cobalt a nickel value, and the grade can be stated as 0.3% on a nickel equivalent basis. It doesn't sound like much but Boomerang is an open-cut proposition in a region rich in mining infrastructure, support and supply.

Most notably, cheap hydro power cuts across the property and if there is one thing we all know, the "greener" the metal supply source, the more interested end users across the battery supply chain become.

Like BHP's Mt Keith mine in WA (0.52% nickel) it is a bulk tonnage disseminated deposit, capable of producing world-scale amounts of nickel for multi decades. Again, that is what the battery space wants to see. Similar-scale projects held by juniors in Canada have been attracting the attention of the big end of town.

Anglo American recently took up a 10% stake in the Toronto-listed Canada Nickel which owns the Crawford project (3.48Mt contained grading 0.24% nickel), and Japan's Mitsubishi took a 15% interest in the Turnagain project (4.8Mt grading 0.21% nickel).

Apart from multi-decades of mine life, their scale of operation means they could potentially produce in the bottom half of the nickel industry cost curve (Turnagain has reported a \$US2.81/lb cash cost potential). Boomerang is in the same league, with a higher grader too.

So don't think "low" grade means low profits. These things can throw off huge amounts of cash when mining and processing treatment rates get up to 40mtpa-plus. Kumova's challenge now is to get some of that upside into Aston's currently moderate market cap.

Finally, projects like Boomerang stand to benefit from the strategic metals incentive schemes both Canada and the US have around nickel.

**Centaurus (ASX:CTM):** Trading midweek at \$1.04 for a market cap of \$445m. It has been mentioned here before on the strength of its August 2019 pick-up of the Jaguar nickel project in Brazil from Vale.

It was a \$25m company back then, with the growth in its market cap reflecting Jaguar maturing to a 940,000t nickel deposit (grading 0.87% nickel), with further growth to more than 1mt just around the corner.

Planning to become a 20,000tpa nickel-in-sulphate producer is well in hand. A feasibility study is due mid-year, with a final investment decision expected in late 2023.

Source: <https://stockhead.com.au/experts/barry-fitzgerald-two-small-cap-nickel-players-with-resources-to-see-through-the-30-year-transition/>