

Mining • Nickel



Barry FitzGerald: Two stocks ready to ride the nickel boom into 2023... with a bit of gold on the side

Mining

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'Garimpeiro' columnist Barry FitzGerald has covered the resources industry for 35 year

Nickel stocks have started 2022 with a bang. And it looks as if there is more upside as the price for the stainless steel and battery material builds on its run to decade highs.

Garimpeiro ran through the nickel thematic back on December 4 when he suggested it might be time to do some switching into nickel from what he thought was an over-heated lithium sector.

He was right and wrong as both metals have charged higher in the opening weeks of 2022 in response to the rundown in nickel stocks – to the point where the activity is being investigated by the London Metal Exchange – and lithium's absolute supply shortage.

Focussing on the "right" portion of the December call on nickel, Garimpeiro can't help but notice the strong share price performance of the three nickel stocks he mentioned at the time.

Centaurus (ASX:CTM) was \$1.01 at the time and is now \$1.18. Mincor (ASX:MCR) is up from \$1.20 to \$1.81, and Panoramic (ASX:PAN) is up from 21c to 27.5c.

It has been like shooting fish in a barrel. But just like Garimpeiro's caution on lithium and the suggested switch to nickel in December, nickel investors need to ask if the party is over?

Better paid names than Garimpeiro with real expertise on calling commodity price movements think not.

Heavyweight US investment bank Goldman Sachs is particularly bullish on nickel's outlook. In fact, it's bullish on the entire base metals "complex" as it gets called.

In a January 11 outlook research note, Goldman said it had a 12-month price target for nickel of \$US10.88/lb.

That is pretty much where nickel is right now, remembering the metal is now some 78% higher than its \$US6.26/lb average for CY2020, and 30% higher than the CY2021 average of \$US8.38/lb.

More to the point though is Goldman expects nickel to trot off to \$US11.34/lb (\$US25,000/t) in 2023, more or less doubling revenues for a producer from what would have been the case in CY2020.

The point there is that nickel producers become highly profitable at \$USUS10/lb-plus prices and investors can't get enough of them. Witness the share price gains for the three stocks mentioned above.

Goldman predicts supply/demand to be closely balanced in 2023 and 2024, followed by "open-end large deficits from 2025", initially of 113,000t.

The investment bank acknowledged that the 300,000tpa increase in output over three years from nickel pig iron projects in Indonesia is a "softening" factor in nickel's outlook.

But Goldman added Jakarta's noise about restraining nickel exports could develop into a "particularly important bullish catalyst" for the metal.

Two bangs for your buck

Garimpeiro could add the Russian-Ukraine situation to potential bullish catalysts for the metal. The US has said it will come down like a ton of bricks on Russia if it invades, raising the prospect of Russian nickel being banned in the West.

Let's hope that doesn't happen. Strong demand from nickel's traditional market of stainless steel, and the tsunami of demand from the battery sector, is all the help the nickel price needs.

On that basis, Garimpeiro spreads his interest in nickel beyond the three stocks mentioned above (Centaurus has just pulled in \$75m from a placement for its project in Brazil) to some juniors.

AZURE (ASX:AZS) 41.5c: Garimpeiro likes two bangs for his buck. So Azure with its 60:40 Andover nickel-copper project with Mark Creasy gets included today for the just started 2022 drill program at the project, and its emerging gold leg.

A drill program has kicked off at its 100% owned Barton project gold in WA's Eastern goldfields. Initially at least, the program will target extensions of the Puzzle North discovery by Genesis Minerals.

ASTON MINERALS (ASX:ASO) 15c: Continuing the two bangs for a buck theme, Tolga Kumova's Aston, trading at 15c, gets included for the monster nickel hit at its Boomerang prospect at its Edleston project in Ontario.

Nickel exploration is a new thing for Aston at Edleston which remains a prime gold project. But the 163.5m hit grading 0.52% nickel from 186.5m (ending in higher grade mineralisation) now makes Edleston a dual play.

The timing could not be better thanks to nickel's advance to more than \$US10/lb. Some guys get all the luck.

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