



01 SEP, 2021

ELON MUSK POWERS NICKEL MINERS

Australian Resources & Investment, Melbourne

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Australia's nickel sector is on a high after a major agreement was secured by the country's largest producer of the metal.



Drilling at Poseidon Nickel's Golden Swan prospect.

Nickel miners are basking in the global 'clean energy' limelight after a deal between the world's biggest miner and the planet's leading electric vehicle (EV) maker.

On July 22, BHP announced the signing of a nickel supply agreement with Tesla, with the Australian miner to supply Elon Musk's EV powerhouse from its Nickel West mines in Western Australia.

Commenting on the deal, BHP chief commercial officer Vandita Pant says: "Demand for nickel in batteries is estimated to grow by over 500 per cent over the next

decade, in large part to support the world's rising demand for electric vehicles.

"We are delighted to sign this agreement with Tesla Inc., and to collaborate with them on ways to make the battery supply chain more sustainable through our shared focus on technology and innovation."

BHP states the two companies will also "collaborate on ways to make the battery supply chain more sustainable, with a focus on end-to-end raw material traceability using blockchain; technical exchange for battery raw materials production; and promotion of the importance of sustainability in the

resources sector, including identifying partners who are most aligned with BHP and Tesla Inc.'s principles and battery value chains."

The Australian miner will also collaborate with the United States company on energy storage solutions "to identify opportunities to lower carbon emissions in their respective operations through increased use of renewable energy paired with battery storage."

Nickel West's production is estimated at between 85,000 and 95,000 tonnes in fiscal 2022, with first output from its nickel sulphate



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Tesla boss Elon Musk.

plant expected in the September 2021 quarter, according to BHP.

BHP chief executive officer Mike Henry has described copper and nickel as “future facing commodities” for their role in supplying EVs and supporting decarbonisation.

The Tesla deal follows Musk’s February 26 tweet, where he stated that “nickel is our biggest concern for scaling lithium-ion cell production.”

The move by the ‘Big Australian’ supercharged the ASX-listed nickel sector, with Mincor Resources and Western Areas, both current or future suppliers to BHP’s nickel business, seeing share price gains on the announcement.

Announcing a high-grade nickel intercept between its Long and Durkin North mines in Western Australia, Mincor Resources also congratulated BHP on its Tesla deal.

“Our nickel concentrate off-take agreement with BHP means that Mincor will be a key participant in the ESG-friendly global EV battery supply chain,” Mincor managing director David Southam says.

Nickel explorers Auroch Minerals, Lunnon Metals and Poseidon Nickel also gained ground on the positive news from BHP.

With most of the world’s nickel currently supplied by producers in Indonesia and Russia, BHP’s move has effectively put Australia’s nickel industry at the centre of an ethical supply chain for the ESG-conscious battery sector.

PRICE RISE

Australia’s nickel miners are enjoying the increased attention. The nickel price is projected to average \$US17,360 (\$23,620) a tonne in 2021, up 26 per cent on last year, due to “strong demand from stainless steel producers and rising expectations about EV demand,” according to the Office of

the Chief Economist.

New projects and expansions are expected to increase Australia’s nickel export volumes from an estimated 197,000 tonnes in fiscal 2021 to around 251,000 tonnes in fiscal 2023.

Nickel export earnings are also expected to grow, reaching \$4.6 billion in fiscal 2023, up from \$3.8 billion in fiscal 2020, according to the government forecaster’s June 2021 Resources and Energy Quarterly.

Australia, which has around a quarter of global nickel resources, is expected to contribute more than 25 per cent of new global mined supply by 2030, boosted by restarts and new projects.

In April, Panoramic Resources announced it will restart the Savannah nickel operation in Western Australia, with the company detailing a 12-year mine life with annual average nickel production of around 9100 tonnes. The first concentrate shipment is targeted for December 2021.

Elsewhere, Poseidon Nickel plans to make a final investment decision on its Golden Swan project by the end of 2021, with first production likely by mid-2022.

Mincor Resources officially opened its Cassini nickel mine in late March and is projecting first delivery of nickel concentrates in the March quarter 2022.

Significant potential also exists in refinery capacity, with First Quantum successfully restarting the Ravensthorpe nickel operation in the March quarter 2021.

Exploration expenditure has also risen, with spending on nickel and cobalt exploration totalling \$46 million in the December 2020 quarter, up 24 per cent year-on-year.

Among those seeking to capitalise are Brisbane-based Superior Resources, which has reported its Big Mag and Dido prospects in Queensland are “highly prospective

“Demand for nickel in batteries is estimated to grow by over 500 per cent over the next decade.”

for Voiseys Bay-style Ni-Cu-PGE magnetic sulphide ore deposit systems.”

SUPPLY DEFICIT

Nickel supplies are expected to be tight for the next three years and there could even be a significant deficit as early as 2023 as demand rises, according to BloombergNEF analyst Allan Ray Restauero.

While currently used mainly in stainless steel production, which accounts for 70 per cent of global consumption (batteries account for 5 per cent) analysts see increasing demand for nickel as a key component in lithium-ion batteries used in EVs.

Although the development of a new technology by China’s Tsingshan Holding Group that can process nickel pig iron (NPI) into battery nickel (nickel matte) hit prices earlier in 2021, analysts at ANZ Research consider it a long-term positive for the industry.

“Margins for NPI and stainless steel are currently much higher than for nickel matte. If growth in demand for battery nickel exceeds expectations, the market could remain tight, keeping nickel prices high and stimulating nickel matte production,” the bank states in a March report.

“Overall, the nickel industry is likely to become a more reliable supplier of raw material for batteries, supporting nickel demand and therefore price in the long term.”

Benjamin Bell, managing director of Australian Mines, has described the opportunity for Australia’s nickel miners.

“For a nickel producer, the electric vehicle sector is the equivalent of what China was to iron ore producers 20 years ago,” he says in an *Australian Financial Review* article. **AR&I**