



Battery stock Cassini is in an investor blind spot

Columnists

8 hours ago | Barry FitzGerald

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

The big name commodity forecasters and analysts have been busy putting out their new year price predictions.

Nickel is widely tipped to be one of the best performers. On the basis they can't all be wrong, the metal will be one to watch.

Underpinning the brighter outlook for nickel is the electric vehicle (EV) revolution — remembering that it was **Tesla's Elon Musk who said lithium-ion batteries should be called nickel-graphite batteries, with lithium just the "salt on the salad"**.

That was a year ago. More recently, **Glencore's Ivan Glasenberg** quantified just how radically the battery boom could impact nickel markets which have traditionally been underpinned by demand from the stainless steel industry.

In essence, Glencore pointed to the creation of a whole new source of demand for nickel from lithium salted nickel-graphite batteries, to paraphrase Musk.

Assuming EVs account for 30 per cent of global car sales by 2030, the world is going to need an extra 1.1 million tonnes of nickel or a whopping 56 per cent of 2016 supply.

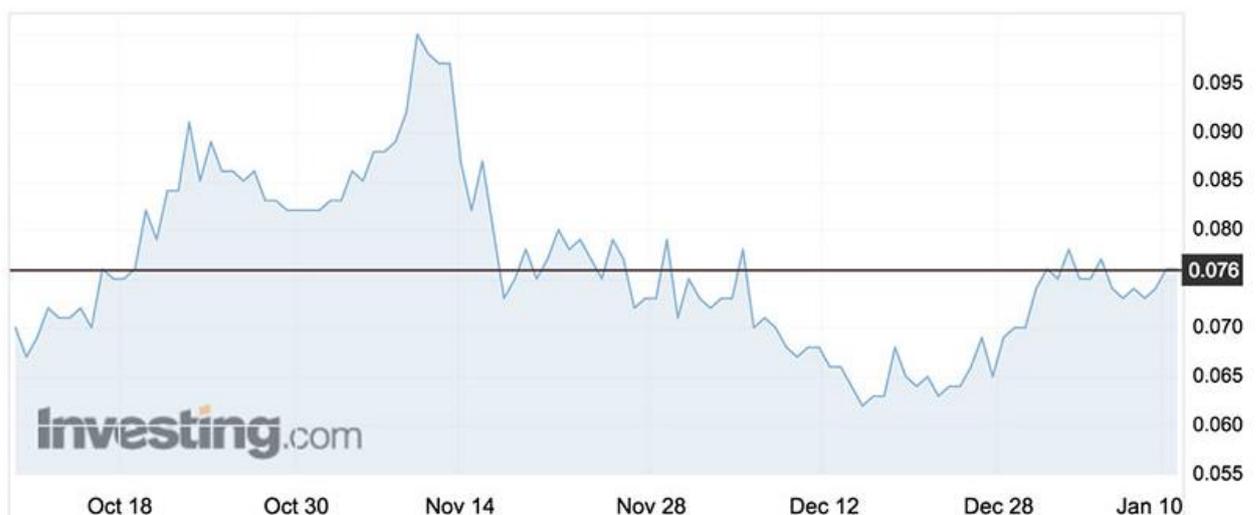
That just won't happen at the current nickel price of \$US5.68/lb.

While the current price is heading in the right direction from last year's calendar average of \$US4.73/lb, it has more to go if miners are to be "incentivised" to invest in expansions and new mine developments to meet the forecast demand.

UBS is one of the big names to predict better prices for nickel as the EV thematic begins to bite on demand. It is forecasting \$US6/lb prices in 2019, rising to \$US7.80/lb in 2020.

The rosier outlook for nickel thanks to the EV revolution can be expected to spill over in to ASX-listed nickel stocks in 2018.

Having said that, investors are slow out of the blocks when it comes to recognising the upside at the nickel junior with a free ride on the potential development of one of the biggest undeveloped nickel/copper/cobalt projects in the country – Cassini Resources (ASX:CZI).



Cassini Resources shares over the past three months. Source: Investing.com

Cassini owns the remote West Musgrave project in Western Australia, originally a WMC discovery. But as its 7.6c share price for a market cap of \$20 million suggests, Cassini needed a big brother to come in and move things along.

The big brother turned out to be OZ Minerals (ASX:OZL). It struck a deal under which it can earn a 70 per cent interest in the project by spending \$36 million in stages.

Much to Cassini's delight (but ignored by the market to date), OZ committed in November last year to the second earn-in phase.

That means it will now spend \$19 million over the next 18 months to take its interest to 51 per cent.

The trigger for the commitment was the decision to advance the project to the pre-feasibility study stage after a scoping study in to a development yielded positive results.

Cassini is free-carried to a decision to mine. And its remaining 30 per cent interest will be well worth having given the scale of proposed development.

The scoping study found that annual production from a \$730 million to \$800 million development could weigh in at 20,000-25,000 tonnes of nickel, 25,000-30,000 tonnes of copper, and 700-1000 tonnes of high value cobalt.

Cassini's share would be 6000 to 7000 tonnes of nickel, 7500-9000 tonnes of copper, and 200-300 tonnes of cobalt. Cassini's market cap does not reflect that potential, even if first production could in four years.

But there is a long way to go before West Musgrave becomes a reality. Having OZ on board helps, as does the previously unrecognised impact of the EV revolution on nickel, and copper and cobalt for that matter.

Link: <https://stockhead.com.au/columnists/battery-stock-cassini-investor-blind-spot/>

Barry **FitzGerald's Garimpeiro column appears weekly in** Stockhead.

Barry has covered the resources industry for 35 years and has written for The Australian, The Financial Review and The Age. The inaugural winner of the Diggers & Dealers Media Award in 2003, Barry is a committee member of the Melbourne Mining Club, a non-profit organisation formed to foster industry debate.