

Strategic Metals & Rare Earths Letter

INTERNATIONAL

the independent information and advisory publication on investing in Strategic Metals & Rare Earths

INVESTMENT ALERT – March 6, 2020

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Bolt Metals Corp.. (C\$ 0.25)

CNX : BOLT
OTCQB : PCRCF
Frankfurt : NXFE

H + L prices (12 months) : C\$ 0.34 - 0.11

Net shares issued : 67.6 million

Market Capitalization : C\$ 16.9 million
(US\$ 12.6 million)

2020 price target C\$ 0.70

INVESTMENT ALERT

- ▶ **Bolt Metals** signed non-binding Cooperation Agreement with Hunan Jinxin Material of China

On March 2, 2020, **Bolt Metals** announced that it has signed a non-binding Cooperation Agreement with **Hunan Shijiyintian New Material Co. Ltd.**, a 100% owned subsidiary of **Hunan Jinxin New Material Co.** (“Hunan Jinxin”) of **China**.

Bolt Metals and **Hunan Jinxin** will immediately commence negotiations with the intention of entering into one or more definitive binding agreements (“Definitive Agreement”) subject to further due diligence to be completed between the parties.



It is anticipated that there will be two primary components of a Definitive Agreement with 1) **Hunan Jinxin preliminary offtake** and 2) **investment**.

Subjective to successful negotiations the **preliminary offtake section** of the **Definitive Agreement** will grant Hunan Jinxin the right to purchase nickel sulphate and cobalt sulphate from the **Cyclops Nickel-Cobalt Project** or other projects owned or represented by **Bolt Metals**.

Bolt Metals will not be restricted from entering into subsequent offtake related agreement with third parties in respect of output, which has no been committed to **Hunan Jinxin**.

Subject to successful negotiations, the **investment section** of the Definitive Agreement will grant **Hunan Jinxin** the **option to purchase equity in Bolt Metals** or to make a strategic investment in the **Cyclops Project or other projects owned or represented by Bolt Metals**.

Bolt Metals also has an existing non-binding preliminary offtake agreement with **Beijing Easpring Material Technology** covering nickel sulphate and cobalt sulphate sourced from the **Cyclops Project**. The agreement similarly includes a strategic investment option. **Easpring** is recognized as the leader in **China** in its industry and was one of the first suppliers to export lithium cathode material.

Presently, **Easpring** supplies 5 of the world's 6 larger lithium-ion battery manufacturers and is one of the only Chinese suppliers that simultaneously sells high-quality cathode materials in **China** and internationally, including Japan and Korea's high-end lithium-ion battery markets.

Investment comments:

Thanks to its non-binding Cooperation Agreement with **Hunan Jinxin Material** of **China**, with two components to achieve a Definitive Agreement on preliminary offtake and investment, as well as a similar existing non-binding preliminary offtake agreement with **Beijing Easpring Material** of **China**, **Bolt Metals** has created a prominent position to take advantage of **Indonesia** to become the main player in lithium batteries that will control the world market for nickel.

Bolt Metals' Cyclops Nickel-Cobalt Project has a significant, shallow, historic estimate of 37 million tonnes grading 0.11% Co and 1.31% Ni at 0.8% cut-off grade and has the potential for considerable expansion as mineralization is open at and on strike (*historical not NI-43-101 compliant estimate*).

Having the official registration of its **Cyclops Nickel-Cobalt Project License** secured and to be transferred into a fully compliant Foreign Investment License, this is an important step forward to the development of the **Cyclops Project** to one of the major economically viable cobalt projects outside of the **DRC**, which country, as a geopolitically unstable destination, controls almost two-thirds of the global cobalt market.

The Company's efforts will primarily focus on historically identified and drill-tested prospects, as well as previously undrilled prospects. The goal of the program is to establish a compliant maiden resource on the **Cylops Project**, as well as to identify target location for exploration of mining bulk samples required to upcoming metallurgical process testing.

Thanks to the secured Indonesian approval for the registration of its **Cyclops Nickel-Cobalt Project**, which offers the opportunity of securing strategic partnership and participating in Asia's growing battery metals chain, the **Bolt Metals'** share price more than doubled from C\$ 0.14 to a high of C\$ 0.34 since the publication of my **Special Situation – January 2020 Update**.

Considering a current market valuation of just US\$ 12.6 million, **Bolt Metals**, in my view, remains strongly undervalued.

My 2020 price target remains C\$ 0.70.

► The EV market

The growth in global EV sales continues to expand rapidly. Deloitte's latest research projects global EV sales at 4 million units in 2020 and 21 million by 2030. The past 5 years have seen an annual 20% reduction in the cost of EV battery packs which Bloomberg now forecasts to become cheaper than equivalent combustion engine models by as soon as 2022.

According to **CRU Mobility** and **Energy Futures**, by 2030 the EV market will require an estimated 1.3 million tons per annum of nickel compared to just 600,000 tons in 2018.

For cobalt, the required total is forecast to be 314,000 tons per annum of, which equates to 332% of the metal's entire global supply in 2017.



Bolt Metals has always maintained that **Indonesia** is perfectly placed to take advantage of the burgeoning EV sector and 2019 has seen the continuation of a number of exciting trends and developments which lay the foundations for the continued future growth in every vertical of the EV supply chain.

These developments also strengthen Indonesia's ability to capitalize on its abundant resources, which includes 25% of global nickel reserves.

Spending on new nickel processing plants in Indonesia is expected to total US\$20 billion by 2024, supported by the Indonesian government's determination to create a world-leading EV supply chain.

This commitment extends to the very top of government, with **Joko Widodo – Indonesia's President** – stating in September 2019 that “for nickel, we want raw materials to be processed in Indonesia. We want added values”. This supports previous pronouncements from key officials, including **Indonesian Maritime Minister, Luhut Pandjaitan** who remarked that Indonesia will “become the main player in lithium batteries” and that it will “control the world market”.

In pursuit of this goal, in August 2019, the head of Indonesia's Investment Agency announced that a ban on the export of nickel ore would become effective on January 1, 2020. Anticipation of the export ban had pushed global nickel prices up by 40% between June and October 2019 to US\$17,500 per ton.

► Some key **Indonesian** based project and investment highlights include:

- **Investment in downstream nickel projects clustered around Sulawesi Island and Halmahera Island have already passed US\$9 billion, and are expected to increase to US\$20 billion within 5 years.**
- **PT Vale** and **Sumitomo Metal** plan to spend US\$5 billion on nickel projects during the next few years, including a US\$2.5 billion plant to make battery-grade metal.
- Chinese battery materials company **GEM** has stated its intention to work with **CATL** and **Tsingshan** to construct a US\$700m plant in Indonesia to produce nickel for the EV battery market.
- **Toyota Motor Corp.** has committed to invest US\$2 billion by 2023 to develop electric vehicles in Indonesia.