

CEO Blog – April 2019 Earth Day

BMW, Climate Change, EV's and Grid Metals

The global shift towards electric vehicles (EV's) is a phenomenon that has far reaching consequences. However, the effects will be felt locally – both positive and negative. The Bloomberg article attached about how BMW and the German car industry are adapting to the shift to EV's poignantly conveys the uncertainty to families, businesses and entire economies. The recent Federal Budget here in Canada is an example of regulatory response seen elsewhere. A carbon tax on gasoline and a subsidy for the purchase of certain EV's is now coming into effect, tilting the needle ever more so slightly to the cost competitiveness of EV's.

The underlying cause for the shift to EVs is the global concern about climate change. Whatever ones own belief in the urgency of the climate change issue, there is no doubt that globally there is widespread concern and this concern is driving major regulatory change worldwide such as the recent policy change in Canada. Led by China, countries are looking for ways to reduce greenhouse gas emissions which automobile exhaust is a major contributor the idea of powering automobiles by clean electricity makes sense. As renewable energy sources proliferate and become cost effective with fossil fuels while the capital and operating costs of EVs go down, the market share of EVs will increase. By how much and how quickly we will see. So far it has been faster than most pundits have thought.

Why is this important for a junior mining explorer/developer like Grid Metals? The answer is that the demand for the commodities used in the batteries that power EVs will grow and under most reasonable assumptions the growth will be such that a major supply response will be required. It is widely thought that nickel usage in batteries will be at the forefront of the commodity focus when it comes to EVs. (For direct insights on Nickel's role in the Electric Vehicle Battery, please see our tweet on April 15)

For our shareholders to benefit from EV phenomenon our projects must be competitive to other prospective projects in the global mining industry pipeline. We must demonstrate through the study phase that our projects can be built and operated profitably using reasonable cost and revenue assumptions while producing marketable metal concentrate products. In short that we have a relevant project.

Our current focus at our Manitoba project (Makwa Mayville) is metallurgical testwork that is focused on improving nickel recoveries from the Mayville ore. Any increase in recoveries will have a positive effect on the current project economics. An associated benefit of this metallurgical program that was confirmed is that cobalt occurs along with nickel in the key mineral that is the focus of metallurgical recovery. As well there is both platinum and palladium that occur in the Makwa and Mayville ores and the recovery of the these metals will be an important by-product. Both platinum and palladium are precious industrial metals used in automotive catalytic converters (also used to reduce emissions). For Grid Metals, having a significant resource of palladium and platinum at Makwa Mayville is a source of revenue as well as a practical hedge between metals used in EVs and metal usage in internal combustion engines. As emission standards continue to rise globally, the demand for platinum and palladium will only increase.

Despite the doldrums of the junior equity market this is an exciting time for Grid Metals as the key metals in our portfolio become more relevant to the mainstream discussion about products and technologies used to mitigate the effects of climate change. In the coming weeks, months and years we are focused on doing the work required to increase the value of our projects. We encourage to follow our success in project development as we continue to make the case to both industry and the investment community that a valuation re-rating of our Company is warranted.