

Power Nickel

Mineralisation at Lion Zone extended to depth of 600m; with Hole 93 the deepest intersection to date

Power Nickel Inc. (TSXV:PNPN) has reported visual interpretations of two additional drill holes from the winter drill programme which suggest the presence of relatively broad mineralised widths at the Lion copper discovery on its Nisk property in Quebec. Intervals of 7m in Hole 93 and 13m in Hole 95A confirmed mineralisation 125m below and 75m west of previously identified extents. While assays are still pending on several holes, the mineralised structure at Lion remains open at depth having now been shown to extend to at least 600m. These results follow Hole 80 - also pending assay results - which demonstrated the existence of mineralisation ~150m west along strike from previous drilling at Lion, announced by PNP on 2nd Dec. Our “base case” valuation of US\$165m for Lion is built on the approximate dimensions (500m deep by 350m lateral by 13.5m thick) and grades of 7% CuEq confirmed by drill results to date. Assuming Holes 80, 93 and 95A show continuity, these dimensions could, conservatively, increase to 600m x 550m x 11.5m, which at an assumed density of 4t/m³ could translate to a provisional H&Pe resource of 15.2Mt containing 835kt CuEq. This could in turn add 25% to our valuation for Lion and 16% to our target valuation per share for PNP (see “Enhanced” base case below). We continue to see an upside case for Lion of >US\$1bn assuming extensions laterally and to depths similar to other Quebecois base metal deposits. Our target valuation remains C\$1.70/sh.

Winter programme focused on assessing the limits of the Lion Zone

The 30,000m winter exploration programme at the Lion Zone is underway, with completion expected by the end of Apr'25. The winter programme is focused on defining the limits of the Lion Zone, drilling to the west of the current strike length, followed by the eastern extension, while also testing at depth. Exploring near-surface extensions aims to expand the top portion of the Lion Zone or discover a new near-surface zone. The programme includes 150m+ step outs, compared to the 50m fan drilling approach in the summer programme. Combined with downhole EM in all new holes, this will allow for a faster delineation of mineralisation to reveal the potential scale of Lion. Regionally, a scout drilling programme will target the area between the Nisk and Lion Zones, with relatively short holes and downhole EM surveys to guide deeper exploration.

Approval secured for spin-out of assets

On Dec 5th, PNP announced shareholder approval for a spin-out of its interest in the Golden Ivan property and certain Chilean exploration assets and liabilities to Chilean Metals Inc. (“Spinco”), a wholly owned subsidiary of the Company, with shareholders receiving shares in both companies. Approved by 96.81% of votes and with court approval secured, the transaction is expected to take effect on or around 31st Jan'25, pending final TSX Venture Exchange approval. Post-spin-out, PNP will focus on its Nisk project, while Spinco will develop the Golden Ivan property in British Columbia, alongside the Chilean assets (Zulema, Tierra de Oro, Palo Negro, Hornitos, and Tabaco). PNP shares will continue trading on the TSXV, OTC Market and Frankfurt Stock Exchange, while Spinco shares will not be listed but will comply with Canadian securities regulations. We currently assign nil value to the assets being placed into Spinco within our sum-of-the-parts for PNP. As such, we view the spin-out as a positive strategic move, allowing PNP management to focus on value-creation at Nisk while shareholders could also benefit from potential upside within SpinCo.

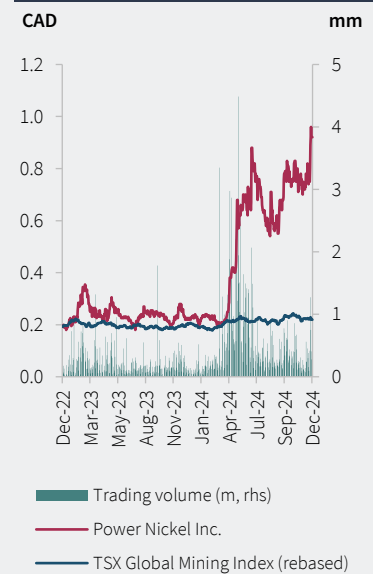
Valuation: C\$1.70/sh offers 91% upside; more to come if drilling hits continue

We value Nisk on a DCF basis with base (8-year LoM) and upside (21-year) cases giving a total NPV_{8%} of US\$211m, to which we apply a 0.4x multiple. We add US\$5m for the Copaque royalty. Results to date from Lion give confidence that high CuEq grades are repeatable, with further depth potential in the same structure and possible parallel structures as part of a bigger system. Exploration efforts remain well-funded with ~C\$20m raised in June via a flow-through offering. Assigning US\$165m to Lion, our target valuation is C\$1.70/sh, 91% above the current share price, with significant upside potential upon further success with the drill bit.

GICS Sector	Materials
Ticker	TSXV:PNPN
Market cap 16-Dec-24 (C\$m)	171
Share price 16-Dec-24 (C\$)	0.89
Target valuation Dec-24 (C\$/sh)	1.70

+91%

Upside from current share price to our C\$1.70/sh target valuation



Source: S&P Capital IQ

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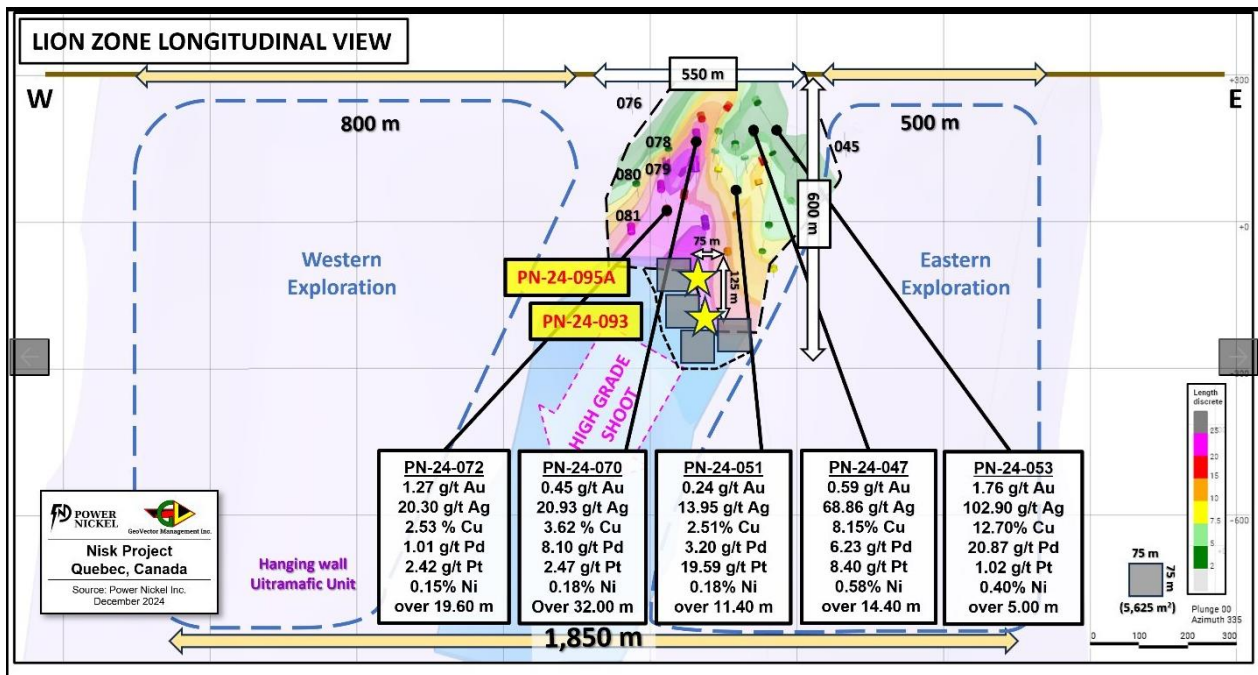
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Longitudinal view of Lion Discovery Zone



Source: Company Report

Further evidence of potential scale of Lion Discovery

While still at an early stage of exploration, we believe the confirmed dimensions of the Lion zone could support, according to our estimates, an initial resource of at least 9.4Mt at 7% CuEq, based on assays from PNP’s summer programme which had been returned as of October, followed by further positive results in November. See [October 7th note](#) for details. In the medium-term, assuming upcoming results continue to corroborate our current understanding, we see possible upside to these dimensions. Indeed, following visual inspections of Holes 80, 93 and 95A, PNP now believes the extents of the mineralised system have now been traced to 550m laterally by 600m deep. We note more recent assays have shown slightly lower grades over narrower intervals, but even taking this into consideration in our “Enhanced” base case scenario shown below, the potential exists to add ~25% to our current base case valuation for Lion, if lab results are as positive as the visual interpretations appear to be.

Based on peer-multiples we apply an EV/t (CuEq) of US\$250/t to derive a valuation of US\$165m for Lion alone (excluding PNP’s published resource at Nisk), increased from our provisional US\$60m estimate.

In the “upside” case the multiples-based valuation for Lion would increase to >US\$1bn, although in that scenario we should, logically, consider using a lower multiple as the prospect for further growth beyond the “upside” resource would be diminished. The table below summarises our base, enhanced base and upside resource scenarios and implied valuations.

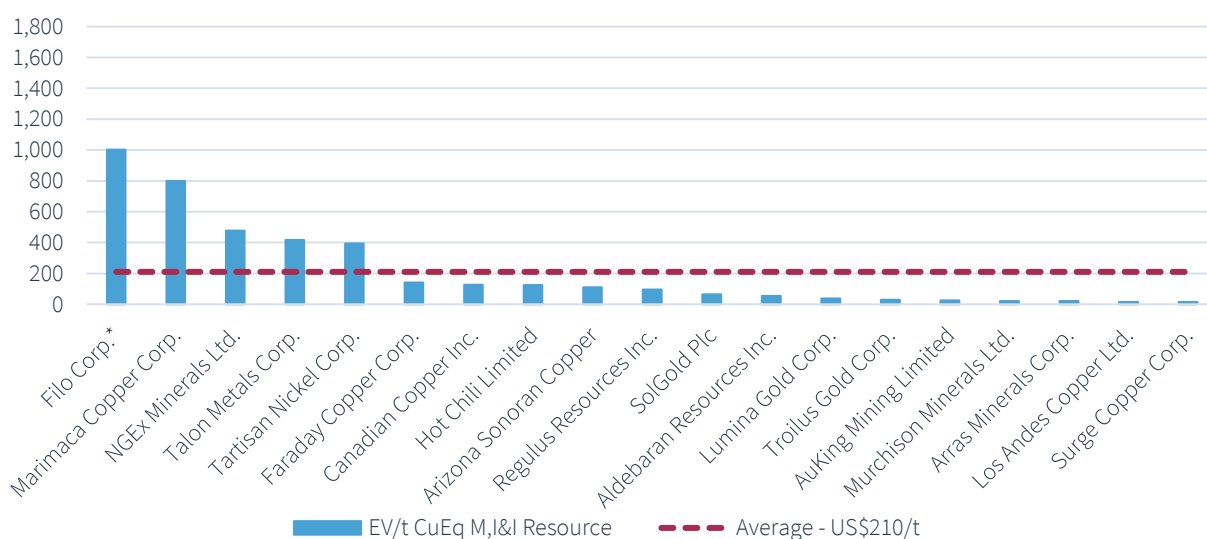
H&Pe provisional mineral resource target			Base case	Enhanced base case	Upside case
Lateral extent	m		350	550	700
Thickness	m		13.5	11.5	13.5
Depth	m		500	600	2,000
Rock volume	000 m ³		2,363	3,795	18,900
Rock density	t/m ³		4	4	4
Tonnage	kt		9,450	15,180	75,600
Grade - CuEq%	%		7	5.5	7
Contained CuEq	kt		662	835	5,292
Target EV/t	\$/t		250	250	200
Target value	US\$m		165	209	1,058

Source: H&P estimates, CapIQ, Company reports

Further drilling to the east and at depth could easily show multi-fold increases to this estimate, with deposits in the Abitibi often extending to 2km+ in depth and the possibility of finding a further thickening of the zone on the other side of the fault identified to the east. In an “upside” case where the lateral extent is doubled to 700m and depth traced to 2km, tonnage could be 8 times larger at over 75Mt. This is before considering the possibility that Lion and Nisk could be linked at depth by a common causative event. An underlying, common source could imply multiple additional pods of mineralisation exist in the 5.5km between the two discoveries, as PNP is currently attempting to target with its scout drilling and downhole EM programme.

We acknowledge a huge range in the EV/Resource multiples at which early-stage exploration peers trade and continue to use an assumed resource multiple of US\$250/t CuEq. This now sits at a premium to the average peer multiple which has fallen to US\$210/t after recent market declines. As noted previously, we believe a premium multiple - as displayed by the likes of Filo and NGEx - can be justified for Lion given its potential for multi-fold growth. Indeed, recent announcements provide compelling support for a larger assumed resource; moreover, applying the current US\$210/t average to our “enhanced base case” would still imply a boost to our current valuation.

EV/Resource multiples of Peer Group



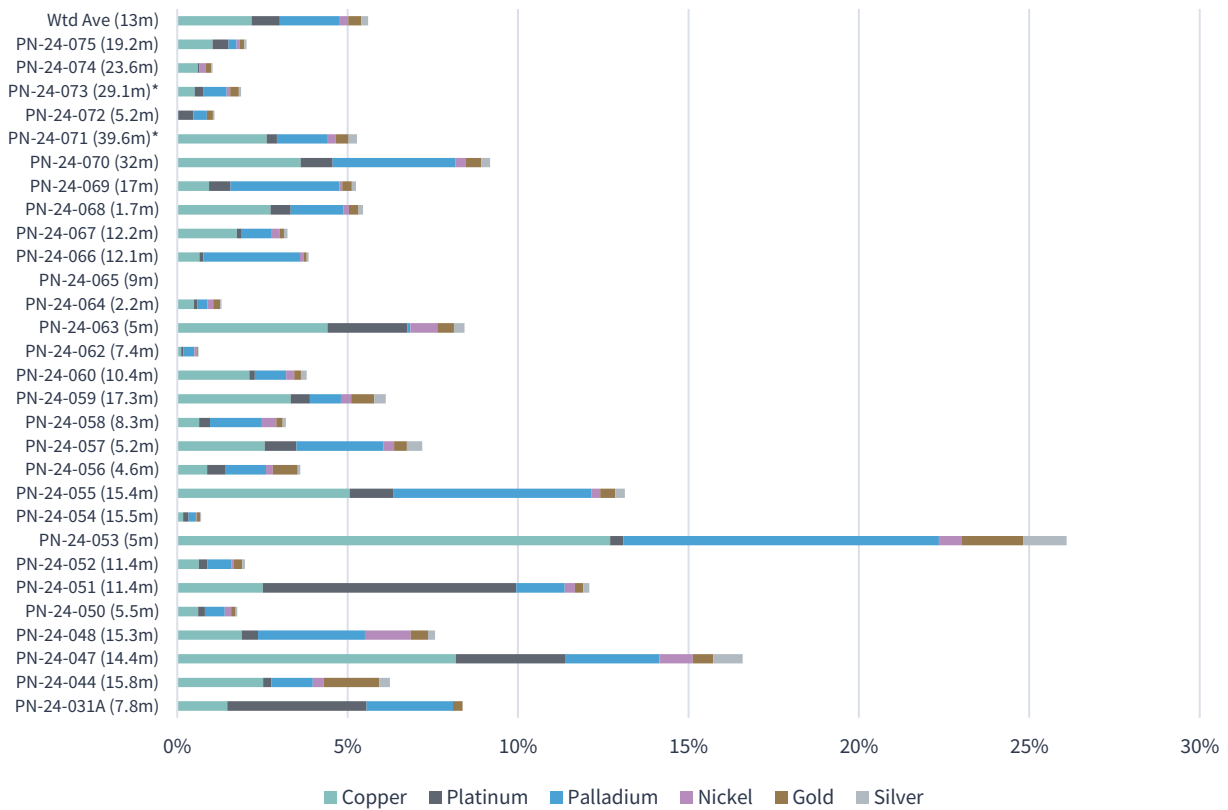
Source: Company Report

Lion Discovery Drill Results

	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Cu (%)	Pd (g/t)	Pt (g/t)	Ni (%)	CuEq [†] (%)
PN-24-031A	60.50	68.25	7.75	0.28	n/a	1.47	5.71	10.76	n/a	8.38%
PN-24-044	160.25	176.00	15.75	1.60	25.34	2.52	2.73	0.65	0.19	6.24%
PN-24-047	143.98	158.40	14.42	0.59	69.14	8.17	6.25	8.44	0.58	16.59%
PN-24-048	147.00	162.27	15.27	0.50	16.13	1.89	7.07	1.26	0.80	7.56%
PN-24-050	178.40	183.85	5.45	0.13	4.20	0.61	1.32	0.52	0.11	1.76%
PN-24-051	232.40	243.80	11.40	0.24	13.95	2.51	3.20	19.59	0.18	12.09%
PN-24-052	183.50	194.85	11.35	0.26	6.12	0.63	1.57	0.67	0.04	1.99%
PN-24-053	128.30	133.30	5.00	1.76	102.90	12.70	20.87	1.02	0.40	26.10%
PN-24-054	60.00	75.50	15.50	0.10	2.25	0.17	0.50	0.42	0.01	0.70%
PN-24-055	75.50	90.90	15.40	0.44	22.04	5.06	13.12	3.35	0.15	13.13%
PN-24-056	202.40	7.00	4.60	0.72	5.38	0.88	2.67	1.42	0.12	3.61%
PN-24-057	173.20	178.40	5.20	0.37	36.23	2.57	5.72	2.45	0.19	7.19%
PN-24-058	197.18	205.45	8.27	0.19	7.12	0.64	3.43	0.84	0.25	3.18%
PN-24-059	185.05	202.30	17.25	0.66	27.20	3.33	2.04	1.49	0.18	6.11%
PN-24-060	221.96	232.35	10.39	0.19	14.17	2.12	2.08	0.40	0.14	3.80%
PN-24-062	338.10	345.46	7.36	0.04	0.95	0.12	0.71	0.17	0.04	0.62%
PN-24-063	428.00	433.00	5.00	0.48	24.82	4.41	0.21	6.15	0.47	8.43%
PN-24-064	452.00	454.15	2.15	0.21	2.98	0.49	0.68	0.24	0.10	1.30%
PN-24-065	466.00	475.00	9.00				No Significant value			
PN-24-066	401.95	414.00	12.06	0.09	4.53	0.65	6.39	0.30	0.06	3.85%
PN-24-067	430.75	442.90	12.15	0.12	8.54	1.75	1.99	0.36	0.14	3.23%
PN-24-068	474.60	476.30	1.70	0.28	10.96	2.74	3.47	1.54	0.10	5.45%
PN-24-069	100.00	117.00	17.00	0.28	9.52	0.93	7.19	1.66	0.05	5.24%
PN-24-070	118.00	150.00	32.00	0.45	20.93	3.62	8.10	2.47	0.18	9.17%
PN-24-071	157.00	196.00	39.60	0.38	19.57	2.62	3.37	0.80	0.13	5.27%
PN-24-072	294.00	299.20	5.20	0.18	3.67	0.02	0.89	1.19	0.00	1.10%
PN-24-073	354.65	383.75	29.10	0.25	4.97	0.51	1.52	0.70	0.06	1.87%
PN-24-074	290.00	313.55	23.55	0.15	3.06	0.60	0.02	0.13	0.11	1.03%
PN-24-075	321.50	340.70	19.20	0.14	5.45	1.04	0.53	1.22	0.05	2.03%

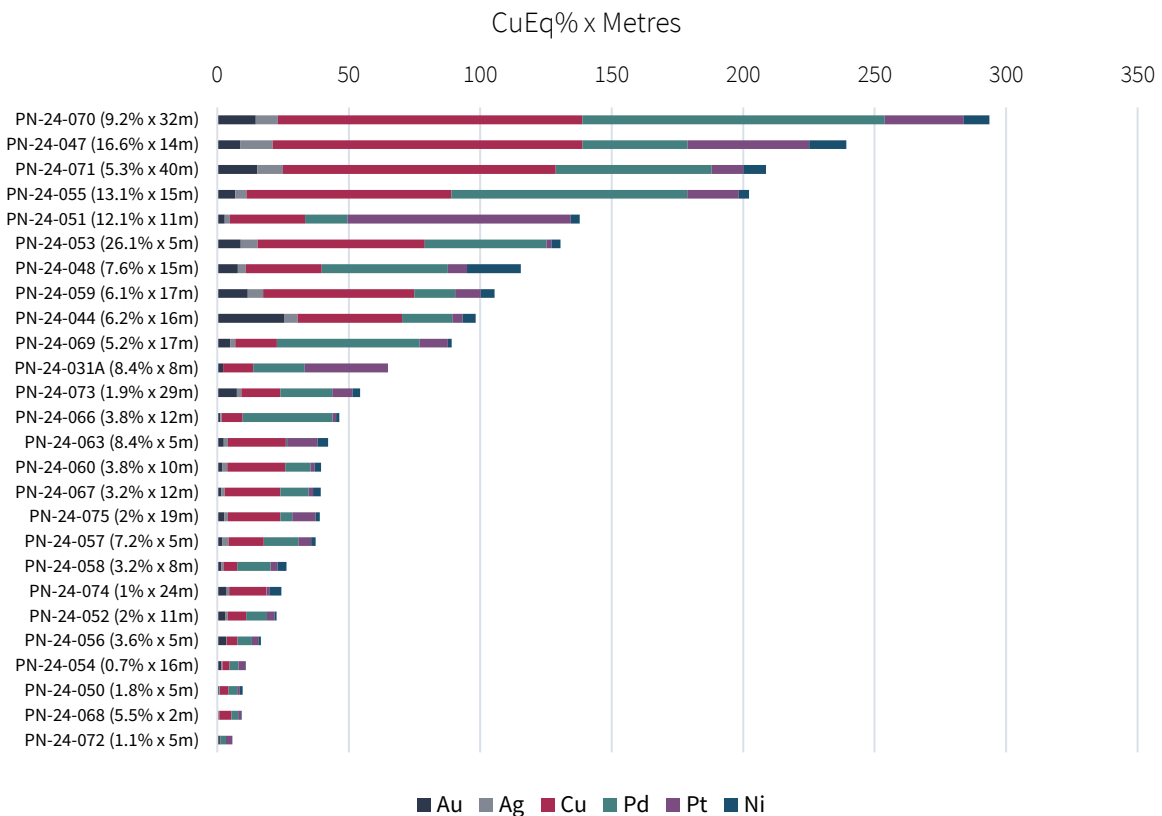
Source: Company Reports, H&P. [†]Copper-equivalent grade based on contained metals with spot prices as of 16/12/24

CuEq grades reported from assayed holes at Lion Zone



Source: Company Report, H&P estimates. †Copper equivalent grades calculated based on current spot commodity prices and before accounting for recovery losses.

CuEq grades x metres from reported Lion zone holes



Source: Company Report, H&P estimates. *Newly reported holes. †Copper equivalent grades calculated based on current spot commodity prices and before accounting for recovery losses.

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