

Power Nickel Inc. (TSXV:PNPN)

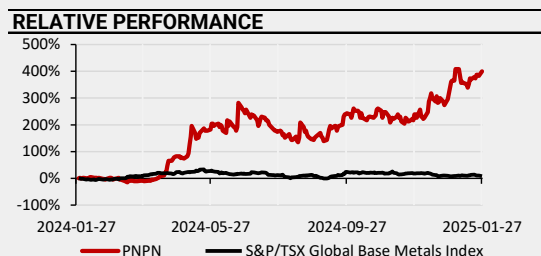
New Zone of Massive Sulfide Mineralization Presents Expansion Potential

Exploration Update

January 28, 2025

(Currency is CAD\$ unless noted otherwise)

Closing Price (C\$/sh)	\$1.15
Rating	BUY
Target (C\$/sh)	\$2.50
Return to Target	117%
P/NAV	0.46x
52 Week Low / High	\$0.19 / \$1.23
CAPITALIZATION	Basic Diluted
Shares Outstanding (M)	194.4 251.2
Market Capitalization (C\$M)	\$223.6
Enterprise Value (C\$M)	\$211.3
Cash and Equivalents (C\$M)	\$12.2
Total Debt (C\$M)	\$0.0



VALUATION	C\$/sh
Nisk	\$2.30
Other projects	\$0.10
Net cash	\$0.06
NAVPS	\$2.50
RELATIVE VALUATION	EV (C\$M)
Power Nickel Inc.	\$211.3
Peer Group*	\$255.7

*RCS Estimates and S&P Capital IQ

MAJOR SHAREHOLDERS
Lynch Family (20%), Critical Elements Lithium Corp. (10%), Stern Family (10%), CVMR (4%), Board of Directors (4%), BT Global (3%), Palos Cap (3%)

DISCLOSURE CODE: 1,2,3,8

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, Capital IQ

Company Description

Power Nickel Inc. is a Canadian exploration company prospecting for nickel, copper and other battery metals in Canada and Chile. It is actively advancing its Nisk property in Quebec, which is host to a high-grade Ni-Cu-Co-PGM sulphide deposit. Additionally, through its subsidiary Consolidated Gold & Copper, the company owns the Palo Negro, Hornitos, Tierra de Oro and Zulema properties in Chile and the Golden Ivan property in British Columbia. Power Nickel also owns a 3% NSR royalty interest on the Copacquire Cu-Mo deposit in Chile, following the sale of the property to Teck Resources Ltd. (TSX:TECK.B, Not Rated).

Impact: Positive

Power Nickel (PNPN) announced the discovery of a new zone of massive sulphide mineralization and provided an update on the overall drilling plan at its 80%-owned Nisk polymetallic project in Quebec. **In our opinion, this is a positive, significant update for Power Nickel. While assays from hole PN-24-094 remain pending, the visual observations and on-site XRF indicate the presence of a new zone of mineralization in a different host rock from Nisk Main and Lion. This opens the door wide open to further exploration along the now +6km trend, including targets already identified through geophysics. We believe that the discovery of a new zone warrants more attention and increase our target to C\$2.50/sh (was C\$1.25/sh). We also note that we are now transferring coverage of Power Nickel to Ron Stewart (was Timothy Lee).**

- **Discovery of a third zone of massive sulphide mineralization.** PN-24-094 tested a geophysical anomaly ~700m east of the Lion zone and encountered massive sulphides with strong Ni in on-site XRF analysis. This mineralization is hosted in felsic gneisses, an unusual host rock, which indicates that this represents a third deposit type on the project. Assays are pending for this hole and 14 holes from autumn 2024 drilling.
- **Planning to have three drill rigs operating on Nisk by mid-February.** One rig will continue delineating the Lion zone at depth, particularly stepping out down-plunge. The other two rigs will conduct exploration of the SW-NE trend, including the newly discovered zone and the 5.5km-long corridor between the Nisk Main and Lion zone. As well, Nisk Main is open for expansion, with further potential at depth.
- **Reviewing geophysics to identify new targets for 2025 drilling.** PNPN has now brought on a geophysicist to review borehole EM and ground EM surveys to identify new drill targets for 2025. Holes PN-24-082 to 85, which were drilled west of Lion, are expected to become priorities for borehole EM surveys and follow-up drilling.
- **Unlocking size potential.** 2025 winter drilling has begun with hole -96, which will test the depth extension along the trend of the Lion zone. PNPN plans to complete 15,000m by the end of Apr/25. We note that further positive exploration results could expand the existing resource at Nisk, which is host to 178M lb NiEq of I&I ([read note](#)) at Nisk Main.
- **We updated our probability-weighted valuation for Nisk** by increasing our middle and upper-case estimates, in-situ US\$/lb CuEq metric, and adjusting our probability weights to put more emphasis on the middle case. We believe this change in valuation is warranted as positive exploration results are pointing to a high-quality opportunity that could confirm Nisk as being a high-end outlier in this Cu market.

We maintain our BUY rating and increase our target price to C\$2.50/sh (was C\$1.25/sh). Power Nickel trades at a discount at an EV at C\$211.3M vs. peers at C\$255.7M. We believe that further exploration success and development work could help drive its share price upwards. **Upcoming catalysts:** 1) Assays from autumn drilling (H1/25), 2) Results from EM ground/borehole surveys (H1/25), and 3) Updated Nisk MRE (H1/25).

Table 1: Significant assay results previously reported - Lion zone

Hole	From	To	Length	Au	Ag	Cu	Pd	Pt	Ni	CuEq Rec*
	(m)	(m)	(m)	(g/t)	(g/t)	(%)	(g/t)	(g/t)	(%)	(%)
PN-24-063	428	433	5	0.48	24.82	4.41	0.21	6.15	0.47	5.93
Including	429	432	3	0.73	37.9	7.1	0.3	9.26	0.5	9.3
PN-24-064	452	454.2	2.15	0.21	2.98	0.49	0.68	0.24	0.1	0.87
Including	452	453	1	0.27	3.9	0.85	1.03	0.31	0.19	1.35
PN-24-065	No significant values									
PN-24-066	402	414	12.05	0.09	4.53	0.65	6.39	0.3	0.06	2.97
Including	411	414	3	0.2	12.5	1.95	2.26	0.62	0.12	2.78
With	413	414	1	0.28	32.4	5.08	4.44	0.44	0.16	6.22
PN-24-067	431	442.9	12.15	0.12	8.54	1.75	1.99	0.36	0.14	2.36
Including	431	433.4	2.65	0.16	8.47	1.27	1.01	0.84	0.11	1.8
With	432	432.4	0.5	0.77	43.1	6.38	1.46	4.24	0.38	7.74
and Including	441	442.9	2.35	0.31	32.77	7.41	8.59	0.64	0.32	9.64
With	442	442.9	0.75	0.34	70	15.7	12.7	0.49	0.41	18.01
PN-24-068	475	476.3	1.7	0.28	10.96	2.74	3.47	1.54	0.1	4.15
Including	475	475.1	0.5	0.94	36.3	8.55	11.4	5.19	0.28	13.34
PN-24-069	100	117	17	0.28	9.52	0.93	7.19	1.66	0.05	4.05
Including	100	106	6	0.42	19.33	0.96	11.68	3.69	0.04	6.43
With	100	102	2	0.66	47.3	2.15	19.35	2.87	0.08	10.26
and Including	112	117	5	0.35	7.8	1.78	9.69	0.74	0.09	5.38
With	114	115	1	0.57	12.9	6.09	33.8	0.85	0.36	18.39
PN-24-070	118	150	32	0.45	20.93	3.62	8.1	2.47	0.18	6.97
Including	120	130	10	0.5	12.94	1.76	10.82	5.98	0.08	7.44
With	120	12	2	0.53	28.2	5.77	7.61	1.86	0.25	8.45
and Including	139	150	11.4	0.6	44.51	8.39	11.52	1.24	0.42	11.94
With	141	147.4	6	0.79	60.98	12.9	15.21	1.6	0.51	17.22
PN-24-071	157	196.6	39.6	0.38	19.57	2.62	3.37	0.8	0.13	4.19
Including	157	160	3	0.25	8.93	0.68	6.2	0.04	0.02	3.04
and Including	185	196.6	11.6	0.88	49.9	8.25	9.57	2.64	0.34	12.46
With	193	196.6	3.6	1.56	63.03	10.39	11.42	7.9	0.32	16.89
PN-24-072	294	345	51	0.54	9.1	1.01	0.06	1.14	0.53	1.94
Including	294	299.2	5.2	0.18	3.67	0.02	0	1.19	0.89	0.86
and Including	308	309.8	1.9	0.45	4.43	0.11	0	0.99	0.71	0.99
and Including	321	323	2	0.15	3.45	0.32	0.03	1.18	0.51	1
and Including	325	332.5	7.1	0.68	18.14	0.66	0.08	0.73	0.15	1.61
and Including	333	345	12.5	0.31	16.22	3.01	0.17	3.14	1.49	4.63
With	333	337	4.5	0.53	32.71	6.4	0.35	5.73	3.74	9.59
PN-24-073	355	383.8	29.1	0.25	4.97	0.51	1.52	0.7	0.06	1.49
Including	367	369	2.1	0.21	20.67	3.53	4.05	0.1	0.27	5.14
and Including	376	379.3	3	1.67	14.93	0.89	10.36	5.71	0.04	7.41
PN-24-074	290	313.6	23.55	0.15	3.06	0.6	0.11	0.13	0.02	0.89
Including	295	295.8	1	0.09	7.2	0.5	0.02	0.93	0.02	0.9
and Including	311	313.6	2.5	1.27	18.57	5.1	0.52	0.78	0.13	6.46
PN-24-075	322	340.7	19.2	0.14	5.45	1.04	0.05	1.22	0.53	1.65
Including	322	324.9	3.4	0.6	13.02	0.24	0.01	3.38	3.6	2.97
and Including	330	331	0.75	0.27	15.4	1.94	0.06	0.52	0	2.16
and Including	338	340.7	3.05	0.23	15.29	5.31	0.23	4.36	0.27	6.62
PN-24-076	No significant values									
PN-24-078	158	187	29.4	0.53	11.95	1.15	1.08	0.36	0.06	2.34
Including	158	169.2	11.55	0.44	11.55	0.59	1.25	0.76	0.02	1.92
With	159	160.6	2	0.64	14.85	0.49	2.71	2.32	0.02	3.24
And With	164	168.2	4.65	0.59	15.83	0.97	1.25	0.5	0.04	2.38
and Including	174	187	13.35	0.77	15.86	1.98	1.29	0.14	0.12	3.43
With	174	176.6	2.9	3.16	21.62	5.84	4.72	0.44	0.48	11.03
And With	183	187	4	0.23	35.78	2.3	0.73	0.11	0.03	3.23
PN-24-079	177	197	20.05	0.88	23.2	2.36	3.3	0.53	0.14	4.29
including	187	197	10.25	1.28	33.1	3.7	4.63	0.34	0.2	6.26
and	205	206.7	1.9	2.73	43.2	1.15	0.42	0.07	0.04	3.41
and	217	220	3.25	0.14	8.6	0.4	0.04	0.01	0.01	0.52
PN-24-080	Isolated individual assay values									
PN-24-081	348	353	4.85	0.65	6.7	0.32	2.1	0.76	0.06	1.84
including	349	350	1	2.84	27.8	1.04	8.77	3.11	0.06	7.15
and	358	359.2	0.95	0.05	7.4	1.15	0.22	0.01	0.13	1.35

Source: Company Reports

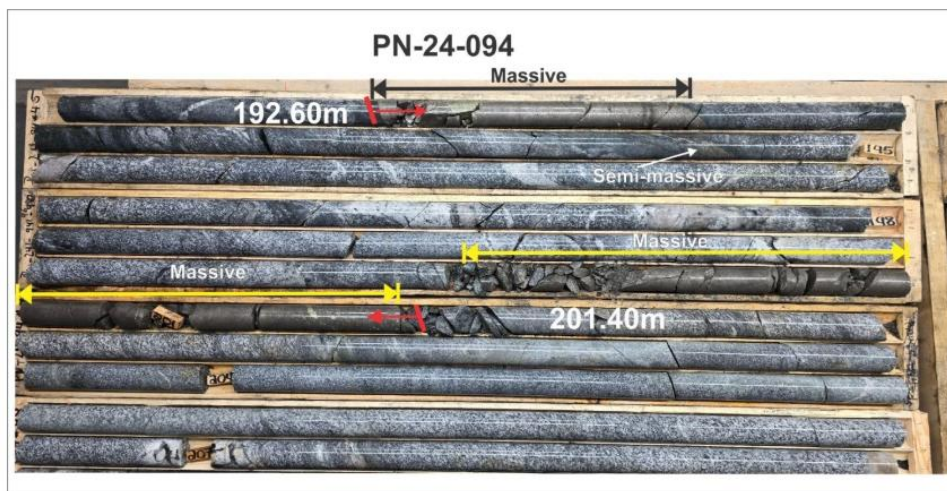
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Figure 2: Example of minor Cu mineralization in PN-24-090 drill core that led to BH EM discovery in PN-24-094



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Figure 3: Massive sulphide intersections in PN-24-094



Source: Company Reports

Figure 4: Updated probability-weighted valuation estimate

Scenario	Description	Potential Value (CSM)	Cost to Achieve (CSM)	Shares to be issued to achieve this case	Est. Share Count When Achieved	Per Share (C\$)	Time to Achieve (Years)	Time Adjusted Per Share Value (C\$)	Probability
Lower Case	~625M lb CuEq (US\$0.15/lb)	\$86.8	\$0.0	0.0	194.4	\$0.45	0.0	\$0.45	20%
Middle Case	~2500M lb CuEq (US\$0.15/lb)	\$520.8	\$15.0	13.5	207.9	\$2.50	1.0	\$2.32	70%
Upper Case	~4000M lb CuEq (US\$0.15/lb)	\$1,388.9	\$30.0	13.5	221.4	\$6.27	2.0	\$5.38	10%
Probability Weighted Valuation Estimate								\$2.30	

Source: RCS Estimates

Figure 5: Updated sum-of-parts valuation summary

Description	Status	Valuation Method	In-situ value (C\$/sh)	(%)
Nisk	Exploration/Development	Blended valuation	\$2.30	92%
Other projects	Exploration/Development	Estimated market value	\$0.10	4%
Project NAV			\$2.40	
<u>Corporate adjustments</u>				
Net cash			\$0.06	3%
NAVPS			\$2.50	

Source: RCS Estimates



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Disclosure Statement
Updated January 28, 2025

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2024-01-29	BUY	0.40	BUY	62%
2024-02-14	BUY	0.40	BUY (S)	27%
2024-02-22	BUY	0.40	HOLD	0%
2024-03-04	BUY	0.40	TENDER/ SELL	5%
2024-03-05	BUY	0.40	NA	6%
2024-03-21	BUY	0.40	UNDER REVIEW	0%
2024-04-16	BUY	0.40		
2024-05-13	BUY	0.40		
2024-05-21	BUY	0.40		
2024-06-06	BUY	0.90		
2024-06-12	BUY	0.90		
2024-08-14	BUY	0.90		
2024-08-20	BUY	0.90		
2024-09-04	BUY	0.90		
2024-09-11	BUY	0.90		
2024-10-02	BUY	0.90		
2024-10-04	BUY	1.05		
2024-10-21	BUY	1.05		
2024-10-21	BUY	0.90		
2024-10-29	BUY	1.05		
2024-11-11	BUY	1.05		
2024-11-21	BUY	1.05		
2024-12-03	BUY	1.05		
2024-12-13	BUY	1.05		
2024-12-19	BUY	1.05		
2025-01-07	BUY	1.05		
2025-01-22	BUY	1.25		
2025-01-28	BUY	2.50		

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Company Name	Ticker Symbol	Disclosures
Power Nickel Inc.	TSXV:PNPN	1,2,3,8

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