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## **Two Nickel Explorers**

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As a general rule, the most successful man in life is the man who has the best information

It wasn't so long ago that the base metals were some of the most rewarding markets to be involved in during this commodities bull market. That of course changed drastically when all the base metals were subjected to very large price drops late in 2008.

It seems like copper, gold and oil have been hogging the commodity spotlight since then. Those sectors are so well covered that market interest has neglected other areas in the commodities markets and in my opinion this neglect has created some potentially lucrative opportunities for astute investors.

The nickel industry has responded to rising nickel inventories, and last year's stock market crash by closing or postponing many mines – you can see a list here: <http://www.estainlesssteel.com/nickelmineclosures.shtml>

But at almost \$8 per pound most nickel producers are making money. In fact, nickel began its run to \$25 per pound from under \$3, where it had been priced for several years. So \$8 is providing a great return for most of the industry.

Demand will pick back up but the new mines - and the development and exploration stage, the brown & greenfield stage projects won't exist, or the number of projects will be down severely. Your pipeline of different stage projects from the ground to the mill to market will have been damaged for quite some time by the cutbacks due to rising inventories and lowered prices.

This means that any junior exploration companies that do make a big nickel discovery should get rewarded. But it has been so long since speculative investors made big money on nickel – the last big one was when Vale bought Canico Resources' Onca Puma deposit in Brazil in 2005 for \$20/share - they have forgotten where to look.

Below, I have listed what are arguably two of the top nickel exploration plays in the world right now, and one junior that is active near each. The very low price of these two

junior stocks tells me they have likely not been able to finance since the market crash last year, but they are in two of the world's best areas for nickel.

### **Raglan Mine Area, northern Quebec, Canada**

Knight Resources (KNP-TSXv - \$0.08)

The high grade (>2% nickel) Raglan Mine in northern Quebec, Canada is the crown jewel of Xstrata's nickel properties. Production began at the Raglan Mine in 1997. The current mine life is estimated at more than 30 years.

It's mostly underground mining and a fly-in, fly-out operation. Geologically the deposits all rest in the Raglan formation, which is the contact point between two geological regions. Xstrata owns a 70 km stretch of the Raglan formation.

One hundred kilometers west, and along strike, another mining major, Anglo American, with its partner Knight Resources (KNP-TSXv; \$0.08), jointly owns another 70 km of this same Raglan formation. And they have had great success in outlining several pods of mineralization over the last couple of years.

Junior explorer Knight Resources and Anglo American are joint venture partners. Knight's management comes from Falconbridge, and CEO Harvey Keats was also a key member of the team at Diamond Fields that drilled out the large Voisey Bay nickel deposit in nearby Labrador. VP Exploration, Robin Adair, also worked for Falconbridge as manager of North American nickel exploration and was responsible for exploration at Raglan.

The Anglo-Knight team actually drilled some of their highest grade holes ever in the last program – 28 meters of 3.21% nickel and 1.1% copper, plus platinum and palladium credits. But the news came out in November 2008 as the markets were collapsing, and got ignored.

Shares Issued: 90.6 Million

Price - \$0.07

Cash: \$1.57 million

### **Kabanga Nickel Belt, Tanzania**

Castillian Resources (CT-TSXv: \$0.05)

The following comes from Xstrata's website and it's true:

The Kabanga nickel project is among the world's most attractive undeveloped nickel sulphide deposits, with a total estimated Indicated Mineral Resource of 23.23 million

tonnes grading 2.64% nickel and a total estimated Inferred Resource of 28.5 million tonnes grading 2.7% nickel. It's a 50-50 joint venture between Xstrata and Barrick Gold.

Kabanga is big. It's definitely what you would consider high grade. And one of juniors working near there is Castillian Resources. Castillian also has Dave Gower as CEO, who was previously the head of global nickel exploration at Falconbridge (now Xstrata).

Castillian has the Kagera Nickel Project, a 960 square kilometer land package along trend and the key claims lie within 10 km of Kabanga. This project has a lot of blue-sky potential; and Gower has said it is drill ready.

Shares Issued: 89.1 Million

Price - \$0.05

Cash: under \$1 million

### **Conclusion**

These two junior companies, Knight & Castillian, are exploring in two of the top nickel camps in the world, therefore increasing the opportunity for their shareholders to participate in a major discovery.

Nickel exploration has completely fallen off investor's radar screens, as the low share prices of these junior companies attest. However, nickel prices remain buoyant; and most producers are still making money. And that means the market should reward any new discovery.

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Bio - Richard is host of [www.aheadoftheherd.com](http://www.aheadoftheherd.com) and invests in the junior resource sector. His articles have been published on over 60 websites including - Wall Street Journal, Financial Post, 321Gold, Kitco, USA Today, SafeHaven, Stockhouse, Casey Research, The Gold/Energy Reports, Gold-Eagle, Market Oracle and Financial Sense.

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