Power Metals Corp. (TSXV:PWM) expects to begin a maiden resource estimate for its Case Lake project in 2019

Peter Kennedy | February 8, 2019 | SmallCapPower: The world’s largest automakers are gearing up for an unprecedented level of spending on electric vehicles. It’s a scenario that is prompting investors to focus on companies such as Power Metals Corp. (TSXV:PWM (https://smallcappower.com/module/?page=detailedquotetabchartnews&symboll=PWMC%3ACA)) (OTC:PWRRM (https://smallcappower.com/module/?page=detailedquotetabchartnews&symboll=PWRRM)) (OAA1-Frankfurt), which aims to supply lithium and other raw materials that are needed to support increased production of electric vehicle batteries.

After a successful year of exploration in 2018, Power Metals is poised to take a key step along that road by announcing a resource estimate for its flagship Case Lake project in northeastern Ontario. Work at the site is being led by Dr. Julie Selway, a renowned expert on lithium exploration, who is now Vice-President of Exploration at the Vancouver-based junior.

Hear directly from Investor Relations at Power Metals Corp. (TSXV:PWM)
The hope is that Power Metals can capitalize on expected growth in lithium demand, which analysts say will be driven by the white metal's key role in the production of batteries used to manufacture electric vehicles.

Over 60% of current lithium demand comes from industrial applications, such as glass, ceramics, lubricants and casting powders.

But forecasts of rising adoption rates in the electric vehicle sector and the development of huge battery factories by Tesla Motors Ltd. (NASDAQ:TSLA) and others caused lithium prices to more than double in 2016 and 2017.

More recently, lithium prices have retreated from previous highs as some miners ramp up their production. Prices in China, the world's largest consumer of lithium, plunged to US$13,000 per ton in August 2018, from a peak of $24,750 in March 2018, according to price tracker Benchmark Mineral Intelligence.

It explains why Power Metals has seen its share price slip back to $0.19 on January 28, 2019, from $0.88 in early 2018, leaving the Company with a market cap of $19.2 million, based on 101 million shares outstanding (122.05 million fully diluted). Institutional ownership includes Global X Management (5.85%) and Marquest Asset Management (4.89%). Company insiders current own 30%.

The lower valuation could be an opportunity for investors seeking exposure to the battery metals sector ahead of the rebound, which Power Metals Chairman Johnathan More believes is inevitable in light of the sea change that is occurring in the global auto industry.
Power Metals (TSXV: PWM) is Set to Take a Key Step Towards Lithium Production

That view is supported by Reuters news service, which said global automakers are preparing to spend USD 300 billion to develop electric vehicles and procure or manufacture batteries over the next five to 10 years. The report said China will be the driving force behind the growth in both EV and battery manufacturing, accounting for 45% of all EV sector spending.

Much of this activity is the result of various countries (including Norway, India, France and the U.K.) electing to impose a ban on internal combustion engines by 2030 to 2040.

Broker-dealer Eight Capital Corp. said this will spur lithium-ion battery demand growth of 20% CAGR (compounded annual growth rate) as the development of battery mega-factories drives demand for the raw material.

“We are going to get a solid move back into lithium once people start realizing that the lithium has to come from somewhere,” More said during a telephone interview from Phoenix, Arizona.

Brines (salt ponds) and spodumene (hard rock) represent the two main sources of commercial lithium production.

The fact that Power Metals is exploring in hard rock sets the Company apart from its competitors, who are aiming to produce lithium from salt water brines, primarily in countries such as Chile and Argentina.

Power Metals also hopes to distinguish itself by producing lithium hydroxide, which currently sells at a premium to lithium carbonate, a product also used to manufacture lithium-ion batteries but is mostly produced from brines.

In Power Metals’ case, it is exploring for spodumene, typically found in lithium-rich pegmatites, in association with other lithium minerals, such as lepidolite, eucryptite, and petalite.

A key target is a swarm of granite pegmatite dykes located on the Case Lake property, which is located about 80 kilometres east of Cochrane, near the Quebec border.
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More says the investment case for Power Metals has been enhanced by the work that the Company has completed in the past 12 months.

It includes 15,000 metres of drilling at Case Lake, where the Company planned to probe several targets that were identified in previous drilling campaigns.

That work included 4,571 metres (44 holes) of infilling the Main Dyke, additional drill holes on new dykes discovered between Main and South Dykes, East Dyke extension and the discovery of West Joe Dyke. Highlights from the newly-discovered West Joe Dyke include 3.88% Li2O, 925 ppm Tantalum over 1.0 m, in hole PWM-18-111 and 3.20% Li2O, 468.93 Tantalum over 2.10 m, in hole PWM-18-123. Additional drilling at West Joe Dyke is necessary and planned for 2019. Highlights from all drilling to date at Case Lake is available on Power Metals' website.

This work has prepared the Company to commence a maiden resource estimate, likely to be announced in the first half of 2019.

The Case Lake property hosts a pegmatite swarm that was thought to consist of five spodumene dykes that are present in a geological dome-like structure known as the Henry tonalite dome. They include North, Main, South, East and Northeast Dykes.

But new discoveries have since been made, including the New Dykes, West Joe Dyke, western extension of East Dyke and numerous new dykes in the NE Dyke area.
Aside from the geological potential, Case Lake benefits from its proximity to a lithium carbonate processing plant, which is located in western Quebec, about 140 kilometres by road from the Case Lake property. It means that instead of having to spend up to $700 million to build its own processing facility, Power Metals could elect to have its ore processed by North American Lithium's nearby processing plant.

A controlling stake in North American Lithium was recently purchased by China's largest battery maker Contemporary Amperex Technology (CATL), a company that is rapidly expanding its production of electric car batteries with the aim of becoming the world's largest producer by 2020.

Meanwhile, Power Metals is also hoping to drill this year on the Paterson Lake project near the town of Kenora in northwestern Ontario.

Paterson Lake is situated on the Separation Rapids Greenstone Belt, about 12 kilometers from Avalon Advanced Materials Inc.'s Separation Rapids Lithium Project (8.12 million tonnes at 1.37% Li2O in Measured and Indicated resources).

Power Metals said it has two lithium drill targets at Paterson Lake, which are situated along two parallel northeast-southwest petalite-pegmatite trends.

They are the Marko's and Jesse's pegmatites. Historic drilling showed that there is both lithium and tantalum mineralization at depth on the Marko's pegmatite and it is not just one pegmatite but two: Marko's and North Marko's.

Marko's pegmatite is one of the Top 3 pegmatites for lithium and tantalum mineralization in the Separation Rapid Greenstone Belt and is drill ready.

"I am looking forward to a drill program at Paterson Lake and Marko's pegmatite and stripping and drilling on Jesse's Pegmatite," Selway said. "The last historic drilling on the Marko's pegmatite was in 2002. There is potential to extend both pegmatites along strike," she said.

The Company has said previously it wanted to spend $1.2 million on drilling this year at Paterson Lake and a third lithium property known as Gullwing – Tot Lakes. But it may wait for market conditions to improve.

Gullwing – Tot Lake is located 30 kilometres northeast of Dryden, northwestern Ontario, and covers 1,216 hectares. The property hosts numerous spodumene pegmatite dykes, which have been outlined with minimal exploration drilling and assays. As a result, Power Metals is confident that additional pegmatite dykes are waiting to be found on the property.

To find out more about Power Metals Corp. (TSXV:PWM), please visit the company's Investor Hub.
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