An Unlikely Trio Outperform in Metals Sector

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VANCOUVER, British Columbia, May 23, 2014 (GLOBE NEWSWIRE) -- Wellgreen Platinum Ltd. (TSX-V:WG) (OTC-QX:WGPLF)

From Africa to China to Russia and Indonesia, a perfect geopolitical storm has built up for dramatic global impact on platinum group metals (PGMs), which analysts predict will propel prices for these metals to new highs in the foreseeable future.

In South Africa, prolonged and deadly labor strikes over the last two years along with spiraling operating costs from deep underground mines have crippled the world's biggest platinum producers. South Africa sits on about 80 percent of known reserves of the white metal and Credit Suisse reports that the ongoing strike action will result in 1 million extra ounces of the precious metal remaining in the ground in 2014. Standard Bank Group (SBG) estimates this, coupled with ongoing demand increases, will create a market deficit of up to 795,000 ounces this year which equates to approximately 15% of global producer supply with no ease in sight.

These supply issues are largely structural in nature and, therefore, are anticipated to continue for the foreseeable future. According to Bank of America-Merrill Lynch, platinum should average $1,554 per ounce in 2014, up from $1,488 last year and average $1,775 next year before advancing to $1,899 in 2016. Supporting this assessment, SBG projects continued supply deficits for both platinum and palladium through 2020 with price projections reaching $2500/oz for platinum and $1250/oz for palladium, despite expected increases in recycling.

"There's no doubt that platinum miners are struggling in South Africa and it could take years for global production to recover," said Greg Johnson, President & CEO of Wellgreen Platinum Ltd., after marathon wage talks with 70,000 striking workers collapsed last week triggering a fresh round of violence in South Africa's platinum belt.

Alongside South Africa's platinum woes is the crisis in Ukraine, which is putting further pressure on the supply of palladium, platinum's sister metal, which has already been seeing falling mine production since 2004. International sanctions against Russia, which produces about 40 percent of the world's palladium, could push palladium prices to more than $1,000 an ounce, say analysts.

Geopolitics could be a major catalyst for the very few PGM-focused companies operating in first world jurisdictions. Stillwater, the largest North American PGM producer, and North American Palladium, the second largest palladium producer, are two of just a handful of producing companies offering investors exposure to PGMs outside of high political risk jurisdictions. But even Stillwater and North American Palladium have been working through recent corporate or financial restructurings. At the growth stage, developers Duluth and Polymet, both operating in Minnesota, have teamed up with Glencore-Xtrata and Antofagasta respectively, while Platinum Group Metals and Ivanhoe Mining are headquartered in Canada but have primary operations in South Africa.

Another growth stage developer, Wellgreen Platinum (TSX-V:WG), located in the Yukon Territory, is actively advancing one of the world's largest PGM deposits not controlled by a major mining company. Located northwest of the Yukon capital of Whitehorse along the Alaska highway on over 60 square kilometres of the territory, Wellgreen has an estimated open pit production potential of 7 million ounces of PGMs + gold along with 2 billion pounds of nickel over the life of the mine. The Company expects to publish results from an updated economic assessment and resource by July 2014.

"Given the anticipated supply crunch and the ongoing crisis in South Africa and the Crimea, investors are looking for projects with significant platinum group metals located in geo-politically stable, mining-friendly regions in order to guarantee supply stability," said Johnson.

Platinum and palladium are both precious and industrial metals, with the single largest use of both metals as an essential component of catalytic converters, which help to reduce harmful emissions from vehicle exhaust. Diesel vehicles require a greater percentage of platinum as a catalytic material, whereas gasoline engines are able to use a greater percentage of lower priced palladium along with platinum. New emissions rules in Europe, set to take effect September 2014 and into 2015 and rising Chinese environmental standards are also set to spike the demand for both platinum and palladium, Scotiabank's Global Auto

Report predicted in January.

Platinum and palladium are also used in jewelry, bullion coins and bars, electronics, chemical and petroleum refining, as well as dental and medical applications.

Unlike the somewhat predictable strength of the PGMs, many analysts have been surprised by the turn around in the nickel market, a metal that is often produced along with platinum and palladium and which is a key component in stainless steel. Coming out of a multi-year bear market which began in early 2011, nickel has been the top performing metal so far in 2014 followed by palladium and platinum.

Indonesia, one of the world's biggest suppliers of nickel, recently imposed an export ban on unprocessed ore in an attempt to encourage foreign investment in ore processing in the country.

"While the export ban was announced more than four years ago with an unchanged starting date of January 2014, few market observers, including ourselves, believed that Indonesia would have the resolve to stick with this agenda," Scotiabank said in a report.

"However, after three months and no signs of the ban being eased or watered down, the nickel market has begun to panic, with prices moving up sharply."

Nickel prices hit a twenty-seven month high of $9.70/lb early this week up over 60% from $6/lb in 2013, bolstered by the Indonesian export ban which sidelines 30% of global production, threats of sanctions against Russia, home to Norilsk Nickel, and the recent shutdown of Vale's Goro mine. Despite the subsequent pull back later in the week, nickel closed the week nearly 45% up from 2013 lows. Citigroup predicts nickel will resume its upward trajectory and could top $13/lb. in 2015.

Like most platinum and palladium bearing deposits, the Wellgreen project also contains a significant abundance of nickel, as well as a lesser amount of copper and cobalt.

"It is not often to see such a confluence of events on both the supply and demand side impact on a mining project in such dramatic fashion," said Johnson, who has over 25 years of experience in the exploration and development of large scale mining projects in Alaska, Canada, Africa, Australia and Russia.

Even copper has seen gains, recently touching a two month high on renewed hopes for accelerating Chinese growth.

"What's happening now around the world has propelled our vision of developing Wellgreen into a significant global platinum group metals producer with significant credits from nickel and other base metals potentially covering all the mining costs. That means we potentially could have a zero cash cost to produce an ounce of platinum or palladium net of credits or as a co-product PGM-nickel producer would likely be in the lowest quartile of producer costs," Johnson added.

"Even though we anticipate that platinum and palladium will to be our largest component of operating cash flow, we have significant leverage to nickel prices with each $1/lb increase in nickel price providing an estimated additional $50 million to the bottom line annually."

Results from an updated preliminary economic assessment of the Wellgreen project are expected to be released by July 2014, with pre-feasibility level studies to commence thereafter.

If, as they say, every cloud has a silver lining, shrewd investors in the PGM and nickel space could be in for a profitable deluge.

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