



Top Canadian Nickel Stocks of 2023

Description

Nickel stocks are mining companies that mine and process the elemental metal, nickel. For Canadian investors looking for ways to capitalize on the EV revolution, nickel stocks might be a great investment, as nickel is used to make rechargeable batteries.

Below we'll break down the risks and rewards of investing in nickel and help you choose some great Canadian nickel stocks trading on the Toronto Stock Exchange.

What are nickel stocks?

Nickel stocks are mining companies responsible for feeding the world's ever-growing demand for nickel. Many of these companies are literally digging in the dirt for nickel, while others are financiers (royalty and streaming companies) who give nickel mines the funds they need to operate at full capacity.

Nickel is one of the most abundant resources in the world. It's highly resistant to corrosion, which makes it an essential metal for the manufacturing and [industrial industries](#).

Top uses of nickel

Demand for nickel has skyrocketed over the last few years, mainly due to three popular uses:

- **Renewable energy.** Nickel is used to manufacture cathode, which is the negatively charged part of batteries. As an essential ingredient in rechargeable batteries, nickel consumption is intricately tied to both the [renewable energy industry](#) and EV production.
- **Semiconductors.** "Electroless" nickel is used to produce [semiconductors](#), which is itself a booming industry.
- **Stainless steel.** Historically, nickel has been a primary ingredient in steelmaking, as its chemical

properties make it highly resistant to corrosion.

Top nickel stocks in Canada

Canada has a major presence in global nickel production. In 2020, it ranked sixth in terms of nickel production (167,243 metric tonnes of nickel mined) and seventh in reserve holders of nickel (2.2 million metric tonnes)¹.

Below are some of the top nickel stocks trading in Canada.

Nickel Stocks	Description
First Quantum Minerals (TSX:FM)	Global mining company with heavy reserves of copper, nickel, gold, and cobalt.
Lundin Mining (TSX:LUN)	Large diversified mining company with operations in North and South America and Europe.
Nickel 28 Capital (TSXV:NKL)	Toronto-based royalty and streaming companies with a heavy focus on battery minerals.

First Quantum Minerals

Headquartered in Toronto, First Quantum is a major producer of precious metals, including copper (around 80% of its revenues), gold, cobalt and, of course, nickel.

Although nickel makes up a small percentage of its mining operations, it still commands a powerful presence in the industry. Currently, First Quantum owns a 70% equity interest in the Ravensthorpe Nickel Mine in Western Australia.

With its combined interests and operations in nickel, cobalt, and copper, First Quantum stock could represent a major opportunity to invest in EV production, as all three are key ingredients in batteries.

Lundin Mining

Lundin Mining is a diversified metal company that produces nickel, copper, and zinc. The company operates primarily in the United States, Brazil, Chile, Sweden, and Portugal.

Lundin's largest nickel mine is the Eagle mine in Michigan, which has an output of 15,000 to 18,000 tonnes of nickel and a capital expenditure of \$10 million – not bad for an industry that sees mining operations with reserves worth hundreds of millions.

Nickel 28 Capital

Nickel 28 is a [micro-cap stock](#) that offers investors exposure to the royalties and streaming side of the nickel industry.

Recall that “royalties and streaming companies” are mining companies that *don't* mine for minerals. Instead, they're financiers who provide nickel mines with the funds they need to extract and produce

the mineral. Companies in this segment are usually repaid with an agreed-upon amount of the mineral-to-be-mined, in this case nickel.

As of 2022, Nickel 28 has royalty agreements with 13 nickel and cobalt mines. They also have an 8.6% joint venture interest in a Ramu nickel-cobalt operation in Papua New Guinea².

The combination of nickel and cobalt here isn't merely incidental. The two minerals — both major ingredients in renewable batteries — fit into Capital 28's overall strategy of investing in battery metals. Under this diversified plan, Capital 28 plans to capitalize off the EV and green energy revolution.

So far, it's been working splendidly. Though the company is still young (its IPO was in 2019), it's already surged in value, rising above 300% of its original share price. As a micro cap stock, investors should expect volatility in the short term. But in the coming decades, Nickel 28 could be a great long-term stock to buy and hold.

Other micro-cap Canadian nickel companies include:

- FPX Nickel ([TSXV:FPX](#))
- Talon Metals ([TSX:TLO](#))
- Canada Nickel Company ([TSXV:CNC](#))
- Polymet Mining ([TSX:POM](#))

Investing in foreign nickel stocks

Though Canada has a viable nickel market, you'll find the world's largest nickel producers trading on foreign exchanges. Below are three of the top nickel stocks in the world.

Nickel Stocks	Description
BHP Group (BHP)	Headquartered in Australia, BHP is one of the world's largest mining conglomerates.
Glencore (GLNCY)	Based in Switzerland, Glencore is a massive mining company with a heavy hand in copper, cobalt, and nickel.
Vale S.A (VALE)	A Brazilian company and the world's largest producer of nickel.

Pros of nickel stocks

- **Experts expect demand for nickel to increase.** Given its versatility, the global sentiment around nickel is overwhelmingly positive. In fact, since 2019, nickel demand has increased by 23%, from 2.4 million metric tonnes in 2019 to 3.2 metric tonnes in 2022.³
- **Nickel offers you exposure to a booming mining industry.** Since the pandemic, mining, mineral, and other raw materials have exploded in value. Supply chain hiccups, coupled with raging demand for EV vehicles and technology, have made these highly sought minerals extremely valuable.
- **Nickel is abundant in nature.** This mineral is literally the fifth-most common element on planet

earth. So you know the supply of nickel isn't going away anytime soon.

Cons of nickel stocks

- **Nickel stocks are highly cyclical.** Like other mineral stocks, nickel is heavily influenced by the ups and downs of the economy. If you're going to invest in nickel stocks, expect more volatility than consistency.
- **Nickel is expensive to mine.** And it's not getting cheaper. As inflation has made shipping, fuel, power, and labor more expensive, the profits on nickel mines have narrowed significantly.⁴ Couple that with the industry's mining expenses – also fairly high – and you can understand how operational costs can easily bog down a nickel company's revenues.
- **Nickel prices are vulnerable to geopolitical turmoil.** Right now, much of the world's supply of nickel comes from just a handful of countries: Indonesia, Australia, the Philippines, New Caledonia, Brazil, and Russia. When political events cause instability in these countries – above all the war in Ukraine – the price of nickel can fluctuate erratically.

Are nickel stocks right for you?

Nickel stocks have a promising future. But bear in mind the risks: mining companies have high operational costs. Their business is [cyclical](#), and there are plenty of factors outside their control that can negatively impact the business, such as geopolitical conflict and regular supply and demand.

If you'd like to invest in mining stocks, consider exposing only a small portion of your holdings, such as 5% or less.

You might also want to invest in a nickel-focused ETF, which can diversify your investing dollars. Some popular nickel-focused ETFs include:

- iShares S&P/TSX Global Base Metals Index ETF
- iPath Series B Bloomberg Nickel Subindex Total Return ETN
- VanEck Green Metals ETF

TICKERS GLOBAL

1. TSX:FM (First Quantum Minerals Ltd.)
2. TSX:LUN (Lundin Mining Corporation)
3. TSX:POM (PolyMet Mining)
4. TSX:TLO (Talon Metals Corp.)
5. TSXV:CNC (Canada Nickel Company Inc.)
6. TSXV:FPX (Fpx Nickel)
7. TSXV:NKL (Nickel 28 Capital)

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