

Nickel 28 Capital: A Nickel-Cobalt Producer Leading its Industry is Going Green

Global primary nickel demand is seen increasing by 12% in 2021 to 2.67 million tonnes, while primary nickel production is only expected to climb by 9% to 2.7 million tonnes, according to the International Nickel Study Group. Presently about 65% of annual nickel production is used to manufacture stainless steel. However, Electrified Vehicle (EV), nickel demand for use in batteries, is forecast to grow to 1.3 million tonnes yearly by 2030. You read that right, EV demand alone could consume almost 50% of current global nickel production within the foreseeable future. There's no renewable or low carbon replacement for stainless steel, so that demand isn't going away. Suffice it to say the supply/demand picture looks reasonably healthy for nickel for the foreseeable future, which might be why nickel prices have risen almost 10% year to date, despite being down 11% from their recent highs in September.

When we last visited an interesting opportunity to gain exposure to this commodity, Nickel 28 Capital Corp. (TSXV: NKL), was on the cusp of a transformational change whereby they were about to pay off the Operating Debt for the Company's principal asset, an 8.56% joint-venture interest in the Ramu Nickel-Cobalt operation in Papua New Guinea. As part of a Joint Venture Agreement with majority owner and operator of the mine, Metallurgical Corporation of China Limited (MCC), it, MCC, provided the financing for the construction and development of the Ramu Mine. Nickel 28 had two separate debt agreements with MCC – one to finance the original construction of the mine (Construction Debt) and a second amount to finance the ramp up and early operating expenses of the mine (Operating Debt). 100% of the operating surpluses from the

mine were first allocated to repay the Operating Debt and related interest, meaning that once this is paid off there is significant free cash flow available to Nickel 28.

Once the Operating Debt is repaid, Nickel 28 can repay the Construction Debt at any time without penalty but is entitled to its share of 35% of the mine's operating surpluses, with the remaining 65% used to repay any remaining Construction Debt and related interest. For the three months ended June 30, 2021, Nickel 28 Capital Corp. recognized \$8.4 million for its share of operating profit from the Ramu Mine and \$14.9 million for the first six months of 2021. Assuming, they make the final payment of \$10.2 million to the Operating Debt, that should leave \$1.6 million ($\$4.7 \text{ million} \times 35\%$) to add to the quarter end cash of \$4.6 million. Going forward, Nickel 28 could be adding 35% of \$7-\$10 million per quarter, depending on mine output and commodity pricing. But what to do with all that cash? That's material liquidity for a company that also manages a portfolio of eleven royalties (see below). Nickel 28 says that it intends to continue to invest in a cobalt and nickel-focused portfolio of streams, royalties and direct interests in mineral properties which could use up some of that extra cash.

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Stream ROFR
Dumont Nickel Project ⁽¹⁾	Waterton Global Res. Mgmt	Quebec	Advanced/ Development	Ni-Co	1.75% NSR	No
Turnagain Project ⁽²⁾	Giga Metals Corporation	British Columbia	Exploration	Ni-Co	2.0% NSR	Yes
Flemington Project ⁽³⁾	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc	1.5% GRR	No
Nyngan Project ⁽⁴⁾	Scandium International Mining Corp.	Australia	Advanced/ Development	Sc-Ni-Co	1.7%GRR	No
Star Mountains	Freeport Resources	Papua New Guinea	Exploration	Cu-Au	1% NSR	No
Sewa Bay	Pure Minerals	Papua New Guinea	Exploration	Ni-Co	5% FOB GRR	No
Professor & Waldman Properties ⁽⁵⁾⁽⁶⁾	70% Golden Deeps 30% New Found Gold Corp.	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Triangle Property ⁽⁶⁾	New Found Gold Corp.	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Rusty Lake Property ⁽⁶⁾	iCobalt Ltd.	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
North Canol Properties ⁽⁵⁾	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	Yes
Sunset Mineral Property	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	Yes

Source: Nickel 28 Capital Corp. Q2/2021 MD&A

But perhaps even more compelling than all the potential upside from the royalties is the path that the Company is taking on the Environmental, Social, and Governance (ESG) front. There is no question that more and more emphasis is being put globally on how safely and with minimum environmental footprint you provide your commodity. To that end, on February 9, 2021, the Company announced that it had completed an independent analysis on greenhouse gas (GHG) intensity for the Ramu nickel-cobalt operation, confirming that the operation is one of the lower GHG emitters in the world nickel industry. Ramu's average GHG intensity has been calculated at 15.6

tonnes of carbon dioxide equivalent per tonne of nickel (15.6 tCO₂e/t Ni) contained in mixed hydroxide product. This compares favorably to a nickel industry average GHG intensity of 36.6 tCO₂e/t Ni as calculated by Wood Mackenzie. Then on March 15, 2021, in an industry first, Nickel 28 bought carbon offsets for its share of Ramu nickel and cobalt production. The carbon offsets will fully offset Nickel 28's anticipated 2021 attributable GHG emissions from the Ramu integrated nickel-cobalt mine, and makes it the mining industry's first carbon neutral refined nickel-cobalt producer. This should put Nickel 28 in all green ETFs once everyone figures this out.

With 85.7 million shares outstanding, the Company has a market cap of roughly C\$79 million based on yesterday's close of C\$0.92. When you think about what the value of an 8.56% interest in a producing world class nickel-cobalt mine is, plus the cash flow that it's about to start generating, one can make a pretty compelling investment thesis. The fact that they might be the greenest miner out there right now should give it a premium over whatever other metric you want to use to measure this company by. So if you are interested in having some exposure to nickel, the commodity, you might want to look at Nickel 28 Capital Corp.