Nickel 28 is in an enviable position for future nickel demand

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The headlines for the new green (low carbon) world tend to focus on security of supply of rare earths, with a decent helping of lithium, cobalt and copper supply news. However there is a commodity that doesn't seem to get its share of the attention when it comes to the build-out of EVs and battery storage – and that's nickel. Global primary nickel usage 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. EV nickel demand is forecast to grow to 1.3 million tonnes yearly by 2030, representing a whopping 48% of 2021 forecast nickel production. And let's not forget that presently about 65% of nickel is used to manufacture stainless steel. I'm pretty sure stainless steel will play an integral part in the US infrastructure spending the Biden administration has planned. So suffice it to say the supply/demand picture looks reasonably healthy for nickel for the foreseeable future.

There are several ways to add nickel to your portfolio if you are intrigued by these statistics. However, today we are going to look at a somewhat unique hybrid opportunity to get some nickel exposure. Nickel 28 Capital Corp. (TSXV: NKL) is a base metals company offering direct exposure to nickel and cobalt through its holding of 8.56% joint-venture interest in the producing, long-life and world class Ramu Nickel-Cobalt Operation located in Papua New Guinea. This provides Nickel 28 with significant attributable nickel and cobalt production, both

being critical elements of electric vehicles and energy storage systems. But where Nickel 28 differentiates itself from other miners and explorers is that it also manages a portfolio of eleven nickel and cobalt royalties in Canada, Australia and Papua New Guinea on nine exploration stage projects and two advanced / development stage projects. So an investor gets direct exposure to nickel and cobalt production today, with upside from a diverse set of potential royalties in the future. In other words, Nickel 28 is also a nickel/cobalt streaming company.

As interesting as that sounds, it's not even the most intriguing thing about Nickel 28 at present. The Company has reached a watershed moment in its deal with the Ramu mine majority owner and operator Metallurgical Corporation of China Limited ("MCC"). Without trying to get too deep into the financial nitty gritty, as part of the Joint Venture Agreement with MCC, MCC provided 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"). Up to this point, 100% of the operating surpluses from the mine are first allocated to repay the Operating Debt and related interest. Once the Operating Debt is repaid, the Company can repay the Construction Debt at any time without penalty and 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.

So what the heck does all that mean? The operating surplus for the 6 month period ended December 31, 2020, at Ramu was $15.4 million, which was applied to the Operating Debt in Q1/21 leaving $10.1 million outstanding. With the average price for nickel in H1/21 being higher than H2/20, it's reasonable to

assume Nickel 28 should soon be making its final payment on the Operating Debt thus freeing up some material free cash going forward. Back of the envelope math would suggest that number is almost $11 million per year based on H2/20 pricing and costs.

There are several options that Nickel 28 has available to it for deploying this cash. Following repayment of the $82.7 million Construction Debt still owed to MCC, Nickel 28's ownership interest in the Ramu Mine, will automatically increase to 11.3% at no cost. The Company can continue to invest in a battery metals focused portfolio of streams, royalties and direct interests in mineral properties. The Company recently announced a normal course issuer bid to repurchase its common shares, which it feels would be highly accretive to its net asset value per share and represents the highest rate of return on investment based on the current share price. Additionally, Nickel 28 has also indicated that there is an option to explore the institution of a dividend.

It's always an exciting time for a company when it is in the enviable position of having numerous options to deploy its cash. Nickel 28 is focused on IRR and will be making a decision on how to spend its capital accordingly once the Operating Debt is officially retired. Stay tuned for what's next.