

Nickel 28 Books Record Distribution from Nickel & Cobalt JV as it Battles Pelham for Control

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[Nickel 28 Capital Corp.](#) (TSXV: NKL) (“Nickel 28”) is an innovative metals streaming and royalty company recognized for its leadership in developing a battery metals focused investment vehicle. The Company has an [8.56%](#) joint venture interest in the producing Ramu Nickel-Cobalt Operation in Papua New Guinea (“PNG”) and has a [portfolio of 13 nickel and cobalt royalties](#) on development and exploration projects in Canada, Australia, and PNG.

Note: Nickel 28’s Ramu JV interest increases to 11.3% at no cost once Nickel 28 pays down their Ramu JV loan, targeted by early 2025.

Ramu JV performing well with a record distribution to Nickel 28

On April 19, 2023, Nickel 28 [announced](#) that they had received their “largest ever cash distribution from Ramu joint venture of US\$9.7 million”. Furthermore, the news stated:

“These payments reflect Ramu’s previously announced strong operational, production and sales performance during the second half of calendar 2022 and further demonstrate the financial and strategic value of the Company’s interest in the Ramu Nickel joint venture project.”

Nickel 28 also mentioned that they had paid down a further [US\\$18.1 million](#) of their share of the Ramu JV construction debt, reducing Nickel 28's attributable debt balance to approximately [US\\$55.8 million](#) as of January 2, 2023.

So all up, a very impressive result.

FIGURE 1: Aerial view of the Ramu JV nickel-cobalt operation in PNG



Source: [Nickel 28 website](#)

Nickel 28 is battling against an unsolicited offer for their Company shares

Nickel 28 is battling Pelham Investment Partners LP ("Pelham"), who first tried to place a US\$15 million financing in February to gain more control of the Company and then in March submitted an all-cash tender offer for up to 10 million shares at C\$1.20.

Nickel 28's response is very clear, [stating](#):

*“Pelham’s Scheme is a coercive vote-buying ploy designed to create uncertainty in the market. Pelham is trying to gain influence over Nickel 28 for virtually **no premium** at the expense of Nickel 28’s other shareholders in order to advance its self-interested agenda. The global market for electric vehicles continues to ascend with high-grade Nickel sulphides increasingly in demand. Nickel 28 cautions shareholders about selling their shares before Nickel 28 benefits from significant near-term catalysts that are expected to drive further value creation for Nickel 28 shareholders. Management and the Board remain strongly of the view that the intrinsic value of the Company’s shares are far in excess of the price Pelham is attempting to acquire shares for under the Scheme.....”*

Naturally, Nickel 28's response to its shareholders has been to **“TAKE NO ACTION”** and to **“DISREGARD** any materials or communications received from Pelham or its agent.”

In response to the above Nickel 28 has adopted a 'Shareholder Rights Plan' to protect against “creeping” bids and unequal treatment of shareholders. The Plan details can be [read here](#).

Pelham's response to Nickel 28 on April 26, 2023, [stated](#):

“Pelham Investment Partners LP announces completion of its tender offer for shares of Nickel 28 Capital Corp. and expresses disappointment with management’s actions.....Following taking-up and paying for the tendered shares, Pelham LP will own and control a total of 9,635,778 shares, representing approximately 10.50% of the total issued and outstanding shares, which will make Pelham LP (to its knowledge), the Company’s single largest shareholder.....”

It should be mentioned that 'unsolicited offers' in the mining business are common, especially if stock prices are down and bargains can be found. Recent examples include:

- A bid for super-cheap lithium miner [Essential Metals Limited](#) (ASX: ESS) by the [IGO/Tianqi Joint Venture](#). [The offer was rejected](#) by Essential Metals shareholders and effectively blocked by [Mineral Resources Limited](#) (ASX: MIN) buying a blocking [19.55%](#) stake in Essential Metals shares.
- [Teck Resources](#) (TSX: TECK.A | TSX: TECK.B | NYSE: TECK) and [Glencore](#) (LSE: GLEN), which has seen Glencore come back and 'up' the bid.
- UAE-based [Fujairah Holding](#) and its bid for the West Africa-focused miner [Asante Gold](#) (CSE: ASE).
- [Newmont](#) (NYSE: NEM | TSX: NGT) & [Newcrest](#) (ASX: NCM | TSX: NCM), which has recently moved to the 'exclusivity' stage so now becoming more 'friendly'.

FIGURE 2: Nickel 28 investment highlights

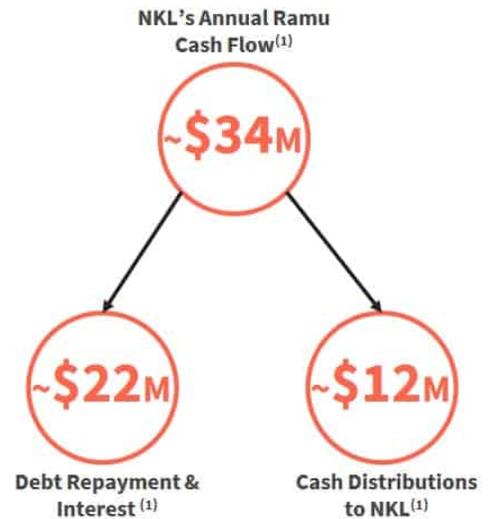
Investment Highlights

Cash-Flow Generating Low-Cost Nickel Mine + Only Pure Ni-Play on TSX-V

- **Low cost open-pit nickel-cobalt mine** located in Papua New Guinea
- Mine generating **substantial free cash flow**
- **Operational debt** repaid in early 2021, NKL now receiving **cash flow distributions**
- **Significant cash flow leverage to Ni and Co prices**
- **Upside in portfolio of royalties** in some of the most prospective Ni-Co projects in the world

13 Royalties in tier-one jurisdictions

~\$4M Cash



Source: [Nickel 28 company presentation](#)

Closing remarks

The takeaway message for investors is that when unsolicited takeover offers start arriving you know the stock is usually a bargain. It's the market's way of letting you know that opportunist investors have arrived to collect great value. Of course, only time will tell and investors should make up their own minds regarding their views on Nickel 28 and their stock price and the Pelham C\$1.20 offer.

The renewable energy and electrification trends are still in the early days, so companies that can progress or build quality portfolios stand to do very well over the next decade or two.

Nickel 28 trades on a market cap of [C\\$104 million](#) and a stock price of C\$1.16 at the time of writing.

Nickel 28's Anthony Milewski on the role of nickel and environmental commodities in the EV revolution

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In a recent InvestorIntel interview, Tracy Weslosky speaks with Anthony Milewski, Chairman of [Nickel 28 Capital Corp.](#) (TSXV: NKL) about “the revolution underway here to electrify not only cars but the grid and a lot of aspects where a key component of those batteries is nickel.”

In this InvestorIntel interview, which may also be viewed on YouTube ([click here to subscribe to the InvestorIntel Channel](#)), Anthony went on to discuss Nickel 28's investment in the Ramu Project and the strong fundamentals for nickel. Discussing nickel's role in electric vehicles, energy storage he explores the overall market fundamentals for nickel in any portfolio. Speaking on the competitive advantages of Nickel 28, Anthony said that in addition to being a nickel producer, Nickel 28 has a strong royalty portfolio in several nickel-cobalt projects that are located in safe mining jurisdictions in the world.

To watch the full interview, [click here](#)

About Nickel 28 Capital Corp.

Nickel 28 Capital Corp. is a nickel-cobalt producer through its 8.56% joint-venture interest in the producing, long-life and world-class Ramu Nickel-Cobalt Operation located in Papua New

Guinea. Ramu provides Nickel 28 with significant attributable nickel and cobalt production thereby offering our shareholders direct exposure to two metals which are critical to the adoption of electric vehicles. In addition, Nickel 28 manages a portfolio of 13 nickel and cobalt royalties on development and exploration projects in Canada, Australia and Papua New Guinea.

To learn more about Nickel 28 Capital Corp., [click here](#)

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If you have any questions surrounding the content of this interview, please email info@investorintel.com.

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.