

Nickel 28 Annual Shareholder Letter

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Repayment of Operating Debt; Initial Cash Distribution from Ramu; Strong EPS; Share Buyback

[Nickel 28 Capital Corp.](#) ("Nickel 28" or the "Company") (TSXV: NKL) (FSE: 3JC0) provides the following update to shareholders from its Executive Chairman, Mr. Anthony Milewski.

As we close out 2021, I want to take a moment to provide an update to our shareholders and partners. As one of the few nickel producers listed on the Toronto Stock Exchange, Nickel 28 is a unique vehicle providing shareholders leverage to the price of nickel and cobalt through our interest in the producing Ramu nickel mine as well as royalties on quality Canadian-based nickel sulphide deposits - Dumont and Turnagain.

Some of the key highlights from Nickel 28's operating year include repayment of the first tranche of Ramu JV debt, first cash distributions from Ramu to the Company, initiation of the share buyback program, and strong earnings per share.

Although Covid continued to impact the global economy in 2021, Ramu continued to be one of the top performing nickel producing mines globally. Ramu's production in 2021 is on target to produce over 31,000 tonnes of nickel in product. Costs of production remain consistent at around \$2.00/lb of nickel making it the lowest cost HPAL producer according to Wood Mackenzie. As we have seen a significant appreciation in nickel prices in 2021, we see that Ramu is generating significant cash flow, which, with the retirement of the operating debt at Ramu, is being utilized to pay down the construction debt. In October, Nickel 28 received its first cash distribution from Ramu of US\$3.2 million representing 35% of our attributable cash flow from Ramu for the first six months of 2021 following repayment of the operating debt.

Early in 2021 we were pleased to report that independent analysis confirmed that Ramu is one of the lowest GHG emitting operations globally for nickel production. Independent analysis suggested that Ramu averaged 15.6 tCO₂e/t of Ni produced over the three years from 2018-2020. This compared extremely well to the industry average of 36.6 tCO₂e/t of Ni reported by Wood Mackenzie. In March 2021 we announced the purchase of offset credits, ensuring that Nickel 28's attributable nickel production from Ramu would be carbon neutral in 2021.

We are also encouraged by the progress at two of our important royalties. Both Dumont and Turnagain are two of the world's largest undeveloped nickel sulphide projects which are located in Canada. An investment bank lead process is underway to find a partner to advance Dumont and we are hopeful a result is achieved in 2022. Turnagain is also working toward bringing in a partner to help advance its feasibility studies and to put the project on track towards a construction decision. As we have observed in previous years the global energy transition continues, we believe that the Turnagain and Dumont projects have the potential to be low carbon footprint nickel mines and critical suppliers to OEMs and battery makers for decades to come.

We are excited about Nickel 28's portfolio. Its unique mix of producing and development nickel projects provide investors with significant leverage to higher nickel prices as the world continues its transition to a low carbon future.

Reflection on the 2021 Nickel Market

Similar to the previous year, 2021 started with a renewed optimism in the nickel market buoyed by anticipation that mass electrification of transportation would continue towards a tipping point where EV production would eventually eclipse internal combustion engine production. At the end of 2020 nickel prices were approaching \$8.00 per pound and in February 2021 reached a new high since 2014 of \$8.42 per pound. However, in February Tsingshan, the world's largest producer of nickel (all of it in NPI) announced

that they would make nickel matte later in 2021 to help feed the large demand being created by the battery industry for nickel units. This sent the price down 20% over the next month, however as the year has progressed it is evident that Tsingshan's announcement would have limited impact on nickel availability for battery production and the nickel price has recovered and exceeded the February high and currently is trading above \$9.00/lb. This is the highest price that nickel has attained since 2014 and does not show any signs of abatement.

It is evident that the world has embraced electrification and EV production is taking off. According to many global analysts, 2021 looks to set a record for EV production with almost 6 million vehicles expected to be produced in the year. Macquarie reported that EV sales in 2021 are up 83% over 2020 with nickel rich lithium ion batteries continuing to dominate the industry. 2021 saw major announcements from both Ford and GM committing to major shifts towards electrification sending a strong message to the industry that materials such as lithium, nickel, cobalt and graphite will be in strong demand to feed this transition in the years to come. Nor Nickel recently reported that almost 400,000 tonnes of nickel will be consumed by the battery industry in 2021, a number many analysts did not expect until 2025. At current levels it appears that the nickel market will require an additional 1 million tonnes of supply by 2030.

As we have seen the LME nickel price appreciate in 2021, we have also seen a steady decline in global nickel inventories. Over the course of 2021 approximately 150,000 tonnes of nickel has come off global stockpiles mainly in the form of briquettes used by the battery industry. At the time of this letter, LME inventories are just over 110,000 tonnes representing a 60% decline in available stocks. As the LME inventory continues to be depleted, we anticipate upward pricing pressure on the nickel price as available material for the battery industry becomes more limited.

This brings me back to Ramu which produces nickel and cobalt as mixed hydroxide (MHP). Last year we were encouraged by demand and pricing for this product which was contracting for 80-85% of the LME price. As availability and pricing of nickel briquettes has started to impact battery production, demand for MHP has only increased. MHP is moving towards being the preferred feed material in the battery manufacturing process and coupled with higher LME nickel prices in 2021 we have seen payability for nickel and cobalt in MHP improve to 90-95% in 2021. This is a trend we see continuing in 2022 which should provide another strong year of cash flow generation at Ramu.

Sincerely,

Anthony Milewski, Executive Chairman

Corporate Update

On December 8th, the Company granted an aggregate of 5.2 million incentive stock options and restricted share units ("RSUs") to certain of its directors, officers, advisers, and consultants. The incentive stock options granted are exercisable at \$0.87 per share for a period of five years expiring December 8, 2026. Following the award of stock options and RSUs, the company currently has an aggregate of 8,969,997 options and RSUs issued and outstanding, representing approximately 10 per cent of its issued and outstanding share capital.

Justin Cochrane will step down as the Chief Executive Officer on the last day of the year, but he will retain the title of President and remain on the board of directors.

About Nickel 28

[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.

Cautionary Note Regarding Forward-Looking Statements

This news release contains certain information which constitutes 'forward-looking statements' and 'forward-looking information' within the meaning of applicable Canadian securities laws. Any statements that are contained in this news release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often identified by terms such as "may", "should", "anticipate", "expect", "potential", "believe", "intend" or the negative of these terms and similar expressions. Forward-looking statements in this news release include, but are not limited to: statements and figures with respect to the operational and financial results; statements with respect to the prospects of nickel and cobalt in the global electrification of vehicles; statements related to the repayment of the Company's Ramu joint-venture debt; statements related to the production impacts of the Covid-19 pandemic; statements related to the development of Dumont and Turnagain; and statements with respect to the business and assets of the Company and its strategy going forward. Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties, most of which are beyond the Company's control. Should one or more of the risks or uncertainties underlying these forward-looking statements materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements.

The forward-looking statements contained herein are made as of the date of this release and, other than as required by applicable securities laws, the Company does not assume any obligation to update or revise them to reflect new events or circumstances. The forward-looking statements contained in this release are expressly qualified by this cautionary statement.

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