

# Nickel 28 Capital offers growing nickel-cobalt exposure as nickel prices eclipse a 10 year high

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Nickel has been shooting for the stars lately, having just recently eclipsed its 10 year high (see chart below).

The reasons are a combination of strong demand ([stainless steel](#) and [electric vehicles](#)) and some weaker supply during 2021 (Norilsk Nickel supply disruption, BHP & Vale weaker output).

As we look ahead to 2022, market forecasters see a 'balanced market' as both nickel demand and supply rise. A recovering China and a booming EV sector bode well for both nickel and cobalt in 2022 and in the years ahead.

**Nickel is at a 10 year high – Currently US\$24,320/t**



Source: [Trading Economics](#)

[Nickel 28 Capital Corp.](#) (TSXV: NKL) is a nickel-cobalt producer via its 8.56% joint venture interest in the producing Ramu Nickel-Cobalt Operation in Papua New Guinea (PNG).

Nickel 28 also manages a portfolio of 13 nickel and cobalt royalties on development and exploration projects in Canada, Australia and PNG.

**The Ramu Nickel-Cobalt Operation in PNG**



Source: [Nickel 28 website](#)

**The Ramu operation is performing well (Nickel 28's share is 8.56%)**

As shown below the Ramu operation in PNG is performing very well making a high gross profit margin due to its low costs and the current high nickel and cobalt prices. Nickel 28 received [US\\$3.2 million](#) in distributions from Ramu in H1, 2021 and these are expected to rise due to stronger nickel and cobalt prices in H2, 2021.

A not very well known fact is that Nickel 28's JV interest will increase from 8.56% to 11.3% once the JV loan is repaid ([forecast by mid 2024](#)), but likely to be earlier ([H2, 2023](#)) if strong nickel and cobalt prices hold. Once the JV loan is repaid Nickel 28 will see a very significant rise in their cash flow. As a next step, Nickel 28 has the option to acquire an additional 9.25% JV interest at fair market value. If Nickel 28 decides to take that option their share of the Ramu JV would rise to 20.55% (11.3% + 9.25%).

## **Ramu highlights**



Source: [Nickel 28 company presentation](#)

Nickel 28 Executive Chairman, Anthony Milewski, [stated](#) in the Company's December 2021 Annual Shareholder Letter:

"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.”

### **Nickel 28's royalties portfolio**

Nickel 28 has created a portfolio of 13 projects offering nickel-cobalt royalties. Think of this as a potential new revenue stream if the projects succeed.

### **Nickel 28's potential royalty streams if the projects succeed to production**



Source: [Nickel 28 company presentation](#)

Nickel 28 Executive Chairman, Anthony Milewski, [stated](#):

“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 sulfide 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.”

### **Closing remarks**

Nickel 28 offers investors a potential growing exposure to the well-performing Ramu Nickel-Cobalt Operation in PNG. Nickel 28 has the potential to grow its share from 8.56% to 11.3% at no expense (must repay JV debt) and then an option to increase its share to 20.55% should it wish to buy a further share.

Furthermore, Nickel 28 has a portfolio of 13 potential royalty stream projects led by investments in some of the best junior (non-producing) nickel assets globally.

Nickel 28 trades on a market cap of [C\\$109 million](#), which is certainly not a high market cap given the existing and potential upside exposure to global nickel-cobalt production.

### **Further reading**

- [Nickel 28's Anthony Milewski discusses the Impact of the Demand and Price Surges for Battery Grade Nickel](#)