



# Hard Creek Nickel CORPORATION

## President's letter to Shareholders



Our company had the most successful exploration season in its history in 2005 and we gained enormously in our understanding of the distribution of mineralization within the Turnagain ultramafic complex. We have advanced the project to the stage where we are getting mining engineers involved to help evaluate the economics of the project and to help guide future step-out drilling and exploration. Outside of the Horsetrail Zone we made two discoveries which we intend to follow up with a vigorous exploration effort this year.

Our evaluation process is on schedule. An independent consultant is creating a block model of the Horsetrail Zone for delivery to AMEC Americas Limited by month end. This model will be used to prepare a new NI 43-101 compliant resource calculation, which we expect to disclose in mid February. AMEC will then use the block model and metallurgical data from the ongoing metallurgical testing program to perform a Preliminary Economic Assessment (PEA) of the Horsetrail Zone. We expect to release this PEA in the second quarter of this year.

To me, the big story is that we have widened our exploration activities. Normally, exploration is a process of narrowing the search, but the opposite happened to us this past season. Our exploration outside of the Horsetrail Zone resulted in two discoveries and, in stepout drilling from the Horsetrail Zone, we learned that dunite, previously considered an unsuitable host rock for nickel sulphide mineralization, can in fact host this type of mineralization. This widens our search considerably because the Turnagain ultramafic complex contains a lot of dunite.

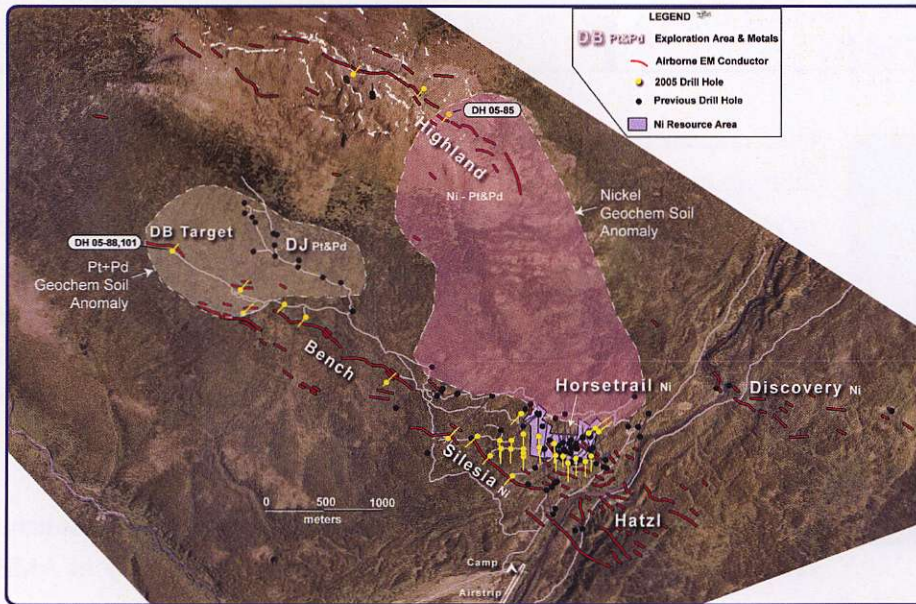


Diamond drill hole 05-85 discovered a new zone of nickel mineralization in the Highland area. This mineralization is hosted in dunite and has particularly favorable metallurgical characteristics. Starting 2 meters from surface, the hole intersected 138 meters grading 0.26% nickel (Ni) including 17.5 meters grading 0.38% Ni, and the hole bottomed in mineralization. The prospective strike length of this new zone is at least 1 kilometer and we are planning a drill program to thoroughly test this zone.



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# President's letter to Shareholders cont'd



Holes 05-88 and 05-101, drilled at different angles from the same location in the DJ area, hit wide intercepts of platinum (Pt) and palladium (Pd). Hole 05-88 contained 49.3 meters grading 0.96 g/t Pt+Pd and 0.11% copper (Cu), while hole 05-101 contained 71 meters grading 0.64 g/t Pt+Pd and 0.14% Cu. (The Pt and Pd are present in

roughly equal amounts.) These results have caused us to re-evaluate the DJ area, a Pt+Pd soil geochemical anomaly 1.5 kilometers long by 1 km wide, as a potential bulk tonnage, open pit platinum target. We are planning a grid of vertical drill holes over the entire DJ area this year to properly test this exciting target.

We discovered this year that sulphur is more widespread in the Turnagain intrusive than we had thought. For example, the presence of disseminated pentlandite (Ni sulphide) in dunite was a surprise. And this material responds well to standard froth flotation. This information really opens up the expansion potential of the Horsetrail Zone, as well the exploration potential of the entire complex. For example, a nickel soil geochemical anomaly measuring 3.0 by 1.5 kilometers lies between the Horsetrail and Highland zones, overlying dunite. We have uncovered evidence of sulphides in the area, which is now considered prospective and will be explored this year.

2006 is shaping up as a watershed year for our company. I have been told by some very smart brokers that the Turnagain project is too large for a little company like Hard Creek Nickel. I love to hear that. It leaves us two choices: either shrink the project or grow the company. We like the growth option.

I look forward to keeping you informed as the Turnagain story continues to unfold.

*Technical information in this letter has been reviewed and approved by Chris Baldys, P.Eng., a Qualified Person.*

*This letter includes "forward looking statements", the outcome of which are subject to risks, both known and unknown, which may materially affect the projected outcome. Risks include, but are not limited to, geological risk, commodity price uncertainty, financing risk and adverse weather conditions.*

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