

Cobalt 27 Acquires a Cash Flowing Cobalt-Nickel Stream on Producing Ramu Nickel-Cobalt Mine for US\$113 Million (C\$145 Million)

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TSX Venture: KBLT
FRA: 27O

Cobalt 27 is pleased to announce the transformational acquisition of a producing cobalt-nickel stream over a long-life, v asset that provides immediate cash flow to the Company

The world's first producing cobalt-nickel stream on the world-class Ramu Nickel-Cobalt Mine

- Stream over 55.0% and 27.5% of [Highlands Pacific Ltd.](#)'s ("Highlands") attributable share of cobalt and nickel pro respectively, from the Ramu Nickel-Cobalt Mine ("Ramu") in exchange for a US\$113 million (C\$145 million) upfro (the "Transaction")
- Highlands management estimates a mine life in excess of 30 years
- As a result of the Transaction, Highlands' effective attributable ownership of Ramu will increase from 8.56% to 11
- Estimated attributable stream production of approximately 450,000 lbs of cobalt and 2.25 million lbs of nickel in co per year
- Expands and diversifies portfolio: cobalt and nickel are important battery metals positioned to benefit from global electric vehicles and grid storage systems
- Cobalt 27 is in advanced discussions with two local PNG stakeholders which own an equity interest in Ramu (coll "MRDC") to negotiate a US\$87 million stream agreement on the same terms for a proportionate metal stream bas aggregate attributable interest in Ramu
- Ramu has successfully ramped up since construction completed in 2012 and is now operating at peak production 1st quartile of the global cost curve and maintains robust margins at spot and long-term consensus prices.?

Transaction transforms Cobalt 27 into leading battery metals streaming and royalty company

- Long-life and low-cost nature of Ramu underscores strength and attractiveness of investment for Cobalt 27 share
- Ramu is operated by a first in class operator, Metallurgical Corporation of China Ltd. ("MCC"), which has market o of approximately US\$12 billion
- Stream has no impact on production cost structure from operator's perspective
- Transaction to be funded through Cobalt 27's cash on hand and new debt facility; no additional funding is require the Transaction or the additional MRDC stream
- Expected to generate meaningful free cash flows and deliver significant value to Cobalt 27's shareholders
- Accretive to Cobalt 27's NAV per share
- Expected significant potential upside in cobalt and nickel pricing

Conference Call scheduled for May 23rd at 8:30 am EDT ahead of TSXV market open, dial in details below

TORONTO, May 22, 2018 /CNW/ - Cobalt 27 Capital Corp. ("Cobalt 27" or the "Company") (TSXV: KBLT)(FRA: 27O), announce that its wholly-owned subsidiary Electric Metals Streaming Corp. ("Electric Metals Streaming") has entered in Purchase and Sale Agreement ("MPA") with Ramu Nickel Limited ("RNL"), a wholly owned subsidiary of Highlands (AS a cobalt-nickel stream on its attributable interest in the producing Ramu mine, located in Papua New Guinea ("PNG") (t Cobalt Nickel Stream") which is operated by MCC.

Key Transaction Terms

- The Ramu Cobalt Nickel Stream is governed by the MPA, pursuant to which Cobalt 27 has agreed to acquire the purchase 55.0% of RNL's attributable share of the payable cobalt metal and 27.5% of RNL's attributable share of nickel metal produced at Ramu, for the life of mine, in exchange for a US\$113 million (C\$145 million) upfront cash payable to Highlands. Highlands, which owns 100% of RNL, currently holds an effective 8.56% ownership interest in Ramu. However, Highlands will use proceeds from the Transaction to increase its effective ownership interest in Ramu through the repayment of its share of outstanding Ramu construction and development loans. For clarity, the Ramu Cobalt Nickel Stream will be over RNL's pro forma 11.3% ownership interest in Ramu.
- In addition, Electric Metals Streaming will make ongoing payments of US\$4.00 per pound of payable cobalt and US\$1.00 per pound of payable nickel, each subject to annual inflation adjustments beginning on June 30, 2023.
- Cobalt 27's Ramu Cobalt Nickel Stream will be secured by a first-priority ranking pledge over Highlands' shares in Ramu, guaranteed by Highlands.
- In connection with the Ramu Cobalt Nickel Stream, Cobalt 27 has also agreed to complete a strategic equity investment in the Common Shares of Highlands, which will result in the Company owning an approximate 13.0% pro forma interest in Highlands (the "Equity Investment"). Subject to ASX and POMsoX approvals, Cobalt 27 will be provided with anti-dilution rights with respect to the Equity Investment. In connection with the Equity Investment, Cobalt 27 will also have the right to appoint a member to Highlands' board of directors, and accordingly, concurrent with the close of the Equity Investment, Anthony Milewski, Chairman and CEO of Cobalt 27, will be appointed to the board of directors of Highlands.
- Cobalt 27 and Highlands have agreed that the proceeds from the US\$113 million stream are to be used by Highlands for the repayment of Highlands' attributable Ramu partner loans. Highlands currently owns an 8.56% interest in Ramu through the repayment of its outstanding attributable balance of the Ramu partner loans, which will immediately increase to 11.3% upon completion of the Transaction.
- In addition to the MPA, Cobalt 27 has entered into advanced discussions with two local PNG stakeholders which hold an equity interest in Ramu to negotiate a US\$87 million stream agreement on the same terms as the MPA with a payable cobalt metal stream based on their attributable aggregate interest in Ramu. MRDC currently holds a collective 6.44% interest in Ramu, which would increase to 8.7% through the repayment of their proportionate share of outstanding Ramu construction and development loans.
- Highlands has retained the right to purchase an interest in the Ramu Cobalt Nickel Stream from Cobalt 27 of up to approximately US\$15 million for a period of 90 days following closing on the same terms as the Transaction. In the event MRDC enters into a streaming agreement with Cobalt 27, Highlands will have the right to purchase an additional interest in the Ramu Cobalt Nickel Stream from Cobalt 27 of up to approximately US\$10 million on the same terms.
- Highlands is the ideal project partner for Cobalt 27 due to its deep experience in the region having successfully operated mines in PNG for over 20 years. Cobalt 27 looks forward to partnering with Highlands to review additional opportunities in the broader Asia-Pacific region.
- In order to further strengthen the partnership between Cobalt 27 and Highlands, Mr Craig Lennon, CEO of Highlands, has agreed to join Cobalt 27's Advisory Board. Mr. Lennon has been with Highlands for 17 years and is an expert in the region.

"This transaction represents the fulfillment of our promise to investors to deliver a cash flowing cobalt stream on a world-class mine. Ramu is a large world-class, high-margin and long-life asset which we view as the ideal candidate for our inaugural streaming project. We believe the exposure to both cobalt and nickel, another key battery metal, will yield significant returns to our investors as electric vehicles begin to change our society in the coming years. Our partnership with Highlands will help Cobalt 27 continue to grow its position as the leader in battery metal streaming" commented Anthony Milewski, Chairman of [Cobalt 27 Capital](#)

Ramu, located near Madang on the north coast of PNG, is majority-owned and operated by MCC which holds a 67.02% interest in MCC-JJJ Mining Development Company Limited which owns 100% of MCC Ramu NiCo Ltd. ("MCC & Ramu"), in an 85% joint venture interest in Ramu. The Government of PNG and local landowners (the "PNG Stakeholders") own a 6.44% interest in Ramu. Following repayment of the Ramu construction and development loans by Highlands, MCC - Ramu's ownership interest will decrease to 82.3%. The Ramu mine was financed and constructed by MCC for US\$2.1 billion which, at the time, was the largest overseas mining investment. MCC is listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange with a market capitalization of approximately US\$12 billion. MCC's interest in Ramu is supported by a consortium of three of the largest enterprises in the Chinese nickel and stainless steel industry, namely Jinchuan Group Limited, Jilin Jien Nickel Industry and Jiuquan Iron & Steel Limited.

The Ramu Cobalt Nickel Stream offers a number of positive benefits to the shareholders of Cobalt 27, Highlands and RNL, including:

- The Transaction provides Cobalt 27 with its inaugural producing stream and represents a cornerstone asset for the Company to support continued growth through future acquisitions of producing battery metals streams, royalties and related investments.
- Cobalt 27 will receive immediate cash flow representing a short payback period on a world class stream.
- Ramu is a large scale nickel-cobalt mine, ranking first-quartile on the global cost curve, and has a long mine life with significant resource upside potential.
- The Ramu Cobalt Nickel Stream will reduce uncertainty for Highlands by allowing for immediate debt repayment on Ramu partner loans and accelerate cash flows from Ramu to Highlands.

- With Cobalt 27's acquisition of the Ramu Cobalt Nickel Stream from a non-operating joint venture partner, MCC will not experience any direct impact on its production costs as a result of the stream.

About the Ramu Mine

- Construction and commissioning of the US\$2.1 billion Ramu mine was completed in 2012 by owner/operator MCC as a cornerstone asset in a nickel-focused resource portfolio.
- The Ramu Nickel Mine is a large scale nickel-cobalt asset with total estimated reserves of 1 billion pounds of nickel and 1 billion pounds of cobalt. Management of Highlands currently estimates a mine life of 30+ years. Ramu produces approximately 3% of annual global mined cobalt as a co-product metal.
- Ramu exceeded annual production projections in 2017, reporting net cash flow of US\$170 million (unaudited), on production of 34,666 tonnes of contained nickel and 3,308 tonnes of contained cobalt, both in excess of nameplate capacity.
- Ramu is among the most efficient nickel-cobalt operations in the world, ranking in the first quartile of the 2017 global asset cost curve. During the first quarter of 2018, nickel prices averaged US\$6.02/lb; cobalt prices averaged US\$43/lb.

In addition to MCC's investment in Ramu, a number of other prominent resource companies successfully operate in PNG and are responsible for significant and widespread investment in, and economic development of, the country in recent years. Two notable of these include Harmony Gold and Newcrest Mining's proposed US\$2.8 billion Wafi-Golpu Joint Venture copper-gold mine; Newcrest's US\$7.2 billion merger with [Lihir Gold Ltd.](#) in 2010; and, Barrick Gold's US\$298 million sale of 50% interest in producing Barrick Niugini (Porgera) Gold Mine to China's Zijin Mining Group in 2015. Additionally, oil and gas majors, including the U.S.'s ExxonMobil and France's Total recently announced plans to invest an additional US\$13 billion in LNG assets and Repsol has had upstream operations in PNG since 2015.

Closing

Closing of both the MPA and Equity Investment are conditional on certain conditions precedent including, among other things, completion of guarantee and security documentation, the receipt of requisite approvals, consents and authorizations from governmental authorities and stock exchanges, and the satisfaction of certain other closing conditions customary in transactions of this nature.

About Highlands Pacific

Highlands is a mining and exploration company listed on the Australian Stock Exchange and the Port Moresby Stock Exchange in PNG. Highlands' primary assets include an 8.56% interest in the producing Ramu mine and a 20% interest in Frieda River Copper-Gold Project, both located in PNG. Frieda River is PNG's largest undeveloped copper-gold project and one of the world's largest undeveloped open pit copper projects in the world. Highlands also wholly-owns the Star Mountains Copper Gold exploration project in PNG. The US\$113 million (C\$145 million) upfront cash deposit from the sale of the Ramu Cobalt Nickel Stream is expected to allow Highlands to retire its Ramu construction and development loans, increase its ownership interest in Frieda River from 11.3% from 8.56% and significantly increase near-term free cash flows. Highlands is an ideal partner for Cobalt 27 given the company's 20+ year operating history in PNG through past involvement in the Porgera Gold Mine and Kainantu Gold Mine.

In connection with the Cobalt 27's Equity Investment, the Company will acquire beneficial ownership of 142.5 million Common Shares of Highlands, representing approximately 13.0% of the issued and outstanding Common Shares, following the completion of the Equity Investment. Cobalt 27 is acquiring the beneficial interest in the securities for investment purposes and will continue to hold investment in Highlands from time to time and may, based on such evaluation, market conditions and other circumstances, increase or decrease shareholdings as opportunities arise.

Advisors and Counsel

Scotiabank acted as financial advisor and Stikeman Elliott LLP, Piper Alderman, and Dentons acted as legal advisors to the Company. TD Securities acted as strategic advisor to board of directors of Cobalt 27.

Conference Call

Cobalt 27 will hold a conference call and audio webcast on Wednesday, May 23rd at 8:30 am Eastern Daylight Time for management to discuss details of the Ramu Cobalt Nickel Stream. The discussion will be followed by a question and answer session.

period with research analysts and investors.

Live Dial-in Information

Date: Wednesday, May 23rd, 2018
Time: 8:30 am EDT
Toronto and international: (647) 427-7450
North America (toll-free): (888) 231-8191

To participate in the webcast and slide presentation live via your computer go to:
<https://event.on24.com/wcc/r/1677966/641F63FCE01A9E392B7229EF4CB84421>

Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that is required to hear the webcast. An archived webcast will be available for one year.

Replay call information

Toronto and international: 416.849.0833, passcode: 5286827
North America (toll-free): 855.859.2056, passcode: 5286827

The conference call replay will be available from 11:30 am ET on May 23, 2018, until 11:59 pm ET on June 4, 2018. The audio webcast will also be available on the events page of the investors section of Cobalt 27's website at:
<http://www.co27.com/investors/events/>

Scientific and Technical Information

The majority owner and operator of Ramu is MCC Ramu Nico Ltd., a 67.02% owned subsidiary of MCC, and is operated by NiCo Management (MCC) Limited, a wholly-owned subsidiary of MCC. MCC is listed on the Hong Kong Stock Exchange (Code "1618") and on the Shanghai Stock Exchange, and has a market capitalization of approximately US\$12 billion. There has been entered into with RNL, a wholly-owned subsidiary of Highlands which is listed on the Australian Stock Exchange under the symbol "HIG". The scientific and technical information in this news release, as well as additional material scientific and technical information with respect to the Ramu project, has been prepared by MCC in its capacity as operator of Ramu and disclosed by MCC and Highlands and is available on MCC's HKEX profile at <http://www.hkexnews.hk/index.htm> as well as on Highlands Pacific's website at <http://www.highlandspacific.com/asx-announcements>.

All estimates of mineral reserves and mineral resources in respect of Ramu in this news release are presented in compliance with the 2012 Australasian Code for Reporting of Exploration Results, Mineral Reserves and Ore Reserves established by the Australasian Joint Ore Reserves Committee (the "JORC Code").

Disclosures of a scientific or technical nature in this news release have been reviewed on behalf of Cobalt 27 by Mr. Robert Osborne P.Eng., geologist and President of Osborne Laterite Geology Service Inc., an independent consultant to Cobalt 27, who is a "Qualified Person" as defined by Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects (the "NI 43-101").

About Cobalt 27 Capital Corp.

[Cobalt 27 Capital Corp.](#) is a minerals company that offers direct exposure to cobalt, an integral element in key technologies for the electric vehicle and battery energy storage markets. The Company owns over 2,980 Mt of physical cobalt and manages a portfolio of ten royalties and is acquiring the world's first producing cobalt nickel stream on the world-class Ramu Nickel-Cobalt Project. The Company intends to continue investing in a cobalt-focused portfolio of streams, royalties and direct interests in mineral projects containing cobalt, while potentially adding to its cobalt physical holdings when opportunities arise.

For further information please visit the Company website at www.co27.com or contact:

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Mineral Resource and Ore Reserve Estimates

The following are the ore reserves and Mineral resources (inclusive) for Ramu as at December 31, 2016, reported under Code. The report on reserves and resources was prepared for and are the responsibility of Ramu NiCo Management (MCC) Limited, the operator and manager of Ramu. For reporting in a NI 43-101 format, the inferred resources are not totaled with measured and indicated mineral resources. The Ramu technical reports and data have been reviewed in relation to CIM operating practices for reporting and for scope and content of JORC and NI 43-101 reporting through a due diligence conducted by an independent qualified person on behalf the Company. A site visit was conducted and a due diligence report was completed. The scope of this due diligence did not include new mineral resource/ore reserve evaluations from the operating mine (which were prepared by MCC).

In the following table note:

1. Ni and Co grades shown to 1 decimal only. Totals are rounded.
2. Dry ore tonnes reflect -2mm economic portion of the recoverable resource.
3. Ore reserve 2016 based on US\$17,045/t nickel and US\$25,412/t cobalt.
4. Variable cut-off grade equated to 0.58% nickel equivalent including credit for recovered cobalt.

Ore Reserves	Nickel	
	(Mt)	(%)
Proven	29	0.9
Probable	20	0.0
Total Reserves	49	0.0
Mineral Resources		
	37	0.9
Measured		
Indicated	22	0.0
Measured and Indicated	59	0.0
Inferred	65	0.0

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. No securities regulatory authority has either approved or disapproved of the contents of this news release.

Forward-Looking Information: This news release contains certain information which constitutes 'forward-looking statements' or 'forward-looking information' within the meaning of applicable Canadian securities laws. Forward-looking statements in this release include, without limitation: statements pertaining to the timing and completion of the acquisition of the Ramu Cobalt Nickel Stream and the Equity Investment, and the receipt of any regulatory and stock exchange approvals therefor; statements pertaining to the timing and amounts of cash and proceeds related to the Ramu Cobalt Nickel Stream and Equity Investment in Hillmead; statements pertaining to the use of proceeds from the Ramu Cobalt Nickel Stream and Equity Investment; statements p

