

Pala Investments to acquire Cobalt 27 Capital Corp. for C\$501 million; creation of Nickel 28 Capital Corp.

18.06.2019 | [CNW](#)

- Acquisition to be completed at a 66% premium to current share price
- Offer of C\$5.75 per share, comprised of C\$3.57 in cash plus C\$2.18 in shares of the newly established Nickel 28
- Nickel 28 will provide shareholders with continued direct exposure to nickel and cobalt

TORONTO, June 18, 2019 - [Cobalt 27 Capital Corp.](#) (TSXV: KBLT) ("Cobalt 27" or the "Company") and Pala Investments Limited ("Pala") are pleased to announce that they have entered into an agreement (the "Arrangement Agreement") pursuant to which Pala will acquire 100% of Cobalt 27's issued and outstanding common shares, other than the approximately 19% that Pala already owns, for total consideration of approximately C\$501 million on a 100% basis. Under the terms of the transaction Cobalt 27 shareholders will receive C\$5.75 per common share, comprised of C\$3.57 in cash plus C\$2.18 in shares of a newly listed company to be named [Nickel 28 Capital Corp.](#) ("Nickel 28") (collectively, the "Consideration").

Nickel 28 will be created to hold Cobalt 27's joint venture interest in Ramu, a low-cost, long-life producing nickel-cobalt mine, its royalty portfolio on future projects including the Turnagain royalty, a royalty over one of the largest undeveloped nickel sulphide projects globally, the Dumont royalty, a shovel-ready nickel project in Canada and certain equity positions including in Giga Metals Corporation. Nickel 28 will be funded with US\$5 million in cash at inception with no corporate debt. The Company's management believes Nickel 28 will continue to provide shareholders with direct exposure to the electric vehicle market through nickel and cobalt exposure. Pala will retain a 4.9% interest in Nickel 28, and the current Cobalt 27 leadership team will continue as the board and management of Nickel 28.

The Company believes this is a highly attractive proposal for shareholders of Cobalt 27 as:

- The total consideration of C\$5.75 represents a 66% premium to Cobalt 27's closing price on the TSX Venture Exchange (the "TSX-V") on June 17, 2019 of C\$3.47 and a 46% premium to Cobalt 27's 20-day volume weighted average trading price on the TSX-V of C\$3.95 as at the same date; and
- Shareholders will retain exposure to the high-quality asset portfolio of Nickel 28.

Anthony Milewski, Chairman and CEO of Cobalt 27, commented: "We believe this is a highly compelling offer for Cobalt 27, as the transaction provides shareholders with a large upfront premium. It is also clear that nickel will be an increasingly critical component of the electric battery revolution, and the creation of Nickel 28 provides shareholders with significant incremental value and continued exposure to the strong fundamentals of battery metals."

Stephen Gill, Managing Partner of Pala commented:

"As a long-term investor, this transaction is aligned with our strategy of building sustainable value chains around the raw materials that support a changing economy. We look forward to remaining a supportive shareholder of Nickel 28, as it goes forward with a clean balance sheet to continue building its asset base, in particular, by leveraging its recently acquired exposure to the producing Ramu nickel-cobalt mine".

Terms of the Transaction

The transaction will be carried out pursuant to the Arrangement Agreement under a court-approved statutory plan of arrangement (the "Arrangement") governed by the Business Corporations Act (British Columbia). Under the Arrangement Agreement, Pala will acquire all of the issued and outstanding common shares of Cobalt 27, other than the approximately 19% that Pala already owns. Each common share of Cobalt 27 acquired will be exchanged for:

- C\$3.57 in cash; and
- One new common share of Nickel 28 with an implied value of C\$2.18 per share.

Pursuant to the Arrangement, certain assets of Cobalt 27 will be transferred to Nickel 28, the shares of which will be distributed to Cobalt 27 shareholders as part of the Consideration. Effective on closing of the Arrangement, the following key assets will be transferred to and held by Nickel 28:

- 8.56% joint venture interest in Ramu; a producing, long life, low-cost, nickel-cobalt mine;
- royalties relating to the Dumont, Turnagain, Flemington, Nyngan, Triangle, Rusty Lake, Professor & Waldman, North Canol and Sunset properties;
- certain equity stakes, including approximately 7.4% of Giga Metals Corporation; and
- US\$5 million of cash to provide for initial working capital.

In addition, the approximately US\$6 million of cash previously funded in escrow by Cobalt 27 to satisfy certain contingent payment obligations related to the acquisition of Highlands Pacific Limited will be transferred to Nickel 28 if the contingent consideration does not become payable pursuant to the terms of such transaction.

Following the completion of the Arrangement, Pala will retain a 4.9% interest in Nickel 28.

Transaction Value Highlights for Cobalt 27 Shareholders

- Premium valuation: The offer price represents a significant premium to the share price of Cobalt 27 based on the total consideration of C\$5.75 per share; the cash component of that consideration being C\$3.57 per share itself represents a premium.
- Significant cash component delivers immediate liquidity and value certainty: The transaction provides immediate liquidity and value certainty to shareholders at a time of significant market volatility and amidst an uncertain near-term outlook for the global economy. In particular, the transaction provides a significant cash component.
- Nickel 28 to provide Cobalt 27 shareholders with continued exposure to the electric vehicle revolution via its concentrated portfolio of nickel and cobalt interests.
- Improved exposure to high-quality assets: Nickel 28 will provide shareholders with exposure to high-quality assets including the low-cost, long-life Ramu joint venture. The asset portfolio of Nickel 28 will comprise a number of high-quality royalties, which have potential to add substantial cash flow once the underlying assets reach production. The creation of Nickel 28 is also accretive to shareholder pro-rata ownership of the assets held by Nickel 28, as Pala will retain a 4.9% interest, versus the approximate 19% it currently holds of Cobalt 27.
- Potential to unlock significant value through a well-funded Nickel 28 and enhanced exposure to nickel. Nickel 28 shareholders will benefit from a broad portfolio of nickel focused assets, a strong balance sheet and the proven track record of Cobalt 27's management team. With the implied value of Nickel 28 shares in the offer calculated based largely on the acquisition values paid by Cobalt 27 for each asset, plus a strong balance sheet with no corporate debt, the Cobalt 27 management team sees significant potential upside for shareholders of Nickel 28.

Other Matters

Cobalt 27's board of directors (the "Board") established a special committee of independent directors (the "Special Committee") to review and oversee the negotiation of the Arrangement Agreement. The Special Committee obtained a fairness opinion from its independent financial advisor to the effect that, subject to the assumptions, qualifications and limitations contained therein, as at June 17, 2019, the Consideration is fair, from a financial point of view, to the shareholders of Cobalt 27 (other than Pala). The Special Committee unanimously recommended to the Board that the Arrangement Agreement be approved.

The Board obtained a fairness opinion from Cobalt 27's financial advisor to the effect that, subject to the assumptions, qualifications and limitations contained therein, as at June 17, 2019, the Consideration is fair, from a financial point of view, to the shareholders of Cobalt 27 (other than Pala) (the "Company Fairness Opinion"). The Board has unanimously determined, based on, among other things, the recommendation of the Special Committee and the Company Fairness Opinion, that the Arrangement Agreement is in the best interests of Cobalt 27 and its shareholders and will recommend that Cobalt 27 shareholders vote in favour of the Arrangement. Directors and senior officers of Cobalt 27 holding in aggregate approximately 2% of the issued and outstanding common shares of Cobalt 27 have entered into voting and support agreements with

Pala, pursuant to which they have agreed to vote their shares in favour of the Arrangement.

The transaction is subject to the approval of Cobalt 27 shareholders by a two-thirds vote (and a majority vote excluding votes of Pala and certain other interested persons) at a meeting expected to be held in August 2019. The transaction is expected to close by late August 2019 following receipt of all shareholder, court, regulatory and TSX-V approvals.

Pursuant to the terms of the Arrangement Agreement, Cobalt 27 is subject to customary non-solicitation covenants and has the benefit of customary fiduciary-out provisions. In the event a superior proposal is made to Cobalt 27, Pala has a 5-business-day right to match such proposal, and under certain circumstances where the Board changes its recommendation or the Arrangement Agreement is terminated, Cobalt 27 has agreed to pay a termination fee of C\$15.5 million to Pala. In certain other circumstances where the transaction is not completed, Cobalt 27 has agreed to reimburse Pala's expenses up to an amount of C\$1.5 million.

Advisors and Counsel

Cobalt 27 has engaged Scotiabank and Regent Advisors as its financial advisors and Stikeman Elliott LLP as its legal advisor in connection with the Arrangement. The Special Committee engaged TD Securities Inc. to provide an independent fairness opinion in connection with the Arrangement.

Pala has engaged Goldman Sachs as its financial advisor and Torys LLP and White & Case LLP as its legal advisors in connection with the Arrangement.

Pala has mandated and received financing commitments from Société Generale and ING Capital LLC as Joint Lead Arrangers for loan facilities related to the transaction.

About Cobalt 27

[Cobalt 27 Capital Corp.](#) is a leading battery metals streaming company offering exposure to metals integral to key technologies of the electric vehicle and energy storage markets. Cobalt 27 holds an 8.56% joint venture interest in the long-life, world-class Ramu mine which currently delivers near-term attributable nickel and cobalt production. Cobalt 27 also manages a portfolio of 11 royalties. Cobalt 27 also owns physical cobalt and a cobalt stream on the Voisey's Bay mine.

About Pala

Pala is an investment company focused on the raw materials value chains that drive the global economy. Pala's team has extensive experience, with a strong track record of successful investments and value creation. Pala seeks to assist companies by providing strategic support and innovative solutions in development, growth and turnaround situations. Pala invests across all raw materials as well as the associated businesses critical to building sustainable value chains for the future, including extraction, processing, recycling, logistics and technology.

Additional Information

Further information regarding the Arrangement will be included in the information circular that Cobalt 27 will prepare, file, and mail in due course to shareholders in connection with its special meeting to be held to consider the Arrangement. The Arrangement Agreement will be filed on the SEDAR profile of Cobalt 27 on the SEDAR website at www.sedar.com.

None of the securities to be issued pursuant to the Arrangement Agreement have been or will be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and any securities issued in the Arrangement are anticipated to be issued in reliance upon the exemption from such registration requirements provided by Section 3(a)(10) of the U.S. Securities Act and applicable exemptions under state securities laws. This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The C\$2.18 implied value of each Nickel 28 share is based on the value ascribed to each asset by Cobalt 27, being the price paid at the time each was acquired with the exception of the Dumont Royalty which is valued at 0.4x NAV at 8% cost of capital based on the Dumont 2019 Feasibility Study as disclosed by Royal Nickel Corporation on May 30, 2019, plus cash on balance sheet and market value of shares held.

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 with respect to: the anticipated benefits associated with the Arrangement; the business and assets (including their implied value) of Nickel 28 and its strategy going forward; future prices of cobalt, nickel and other commodities; statements pertaining to the adoption of electric vehicles and battery storage globally; the timing for the completion of the Arrangement; the Consideration to be received by shareholders of Cobalt 27, which may fluctuate in value due to Nickel 28 common shares forming part of the Consideration; the composition of the future management team of Nickel 28 and the satisfaction of closing conditions including, without limitation (i) required Cobalt 27 shareholder approvals; (ii) necessary court approval in connection with the plan of arrangement; (iii) termination rights available to the parties under the Arrangement Agreement; (iv) Cobalt 27 obtaining the necessary approvals from the TSX-V for the listing of the common shares of Nickel 28 in connection with the Arrangement; and (v) other closing conditions, including, without limitation, compliance by Cobalt 27 and Pala with various covenants contained in the Arrangement Agreement. In particular, there can be no assurance that the Arrangement will be completed. 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. For more details on these and other risk factors see the Company's most recent Annual Information Form on file with Canadian securities regulatory authorities on SEDAR at www.sedar.com under the heading "Risk Factors". 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.

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.

SOURCE [Cobalt 27 Capital Corp.](#)

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/328518--Pala-Investments-to-acquire-Cobalt-27-Capital-Corp.-for-C501-million-creation-of-Nickel-28-Capital-Corp.html>

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