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COBALT 27

Under what circumstances was Cobalt 27 established?

Cobalt 27 is a battery metals streaming and royalty company established to provide exposure to the electric vehicle (EV) space. With 98% of global cobalt supply mined as a by-product of nickel and copper mining, pure cobalt-linked equity opportunities had been limited historically, prior to Cobalt 27's IPO in June 2017. Concurrent with the IPO, we exercised 16 contracts and bought the world's largest physical position of cobalt outside of the Chinese government. We bought almost 2,200 metric tons (mt) and have added over 700 mt since. It is stored in LME-certified and insured warehouses in Europe and the US, and is worth almost C\$300 million today.

How has Cobalt 27 evolved since the IPO?

We always planned to expand the business from a physical starting point of holding refined cobalt, into a streaming and royalty business. Cobalt is the by-product of copper and nickel production and is thus the perfect metal to stream. For example, Cobalt 27's US\$300 million acquisition of a 32.6% cobalt stream on Vale's Voisey's Bay mine is expected to deliver approximately 1.9 million pounds of cobalt per year (lbs/y) to Cobalt 27, to be settled in physical delivery for an initial 14-year mine life, beginning in 2021. We have also announced a US\$200 million cobalt-nickel streaming transaction on the Ramu mine in Papua New Guinea. This would result in attributable stream production of approximately 700,000 lbs/y cobalt and 3 million lbs/y nickel to Cobalt 27, and provide immediate cash-flow.

How does Cobalt 27 ensure that its inventory comes from a clean source?

The cobalt market is divided into two different segments – metals and intermediates. It is the intermediate products which are most often challenged with supply chain transparency issues related to non-ethically sourced cobalt from the DRC. Cobalt 27 owns cobalt metal which is largely sourced from major producers with

integrated refineries such as Vale, Glencore, and Sumitomo. For ethical reasons, we do not source cobalt from the DRC – there are significant sources of clean cobalt outside of the DRC that provide investors with plenty of opportunity to invest in ethically-sourced cobalt. Cobalt 27's pipeline is well in excess of C\$2 billion, made up of opportunities all outside of the DRC.

From a market perspective, do you see the fundamentals of cobalt and nickel evolving?

Every nickel project in the world has cobalt. From a supply perspective, if nickel production is enhanced, it will directly lead to enhanced production of cobalt. From a demand perspective, within every lithium-ion battery there is nickel, manganese and cobalt. The trend moving forward will be an increase of the nickel content within batteries and a decrease of the cobalt content, as nickel is cheaper. However, cobalt provides stability and longevity and is not expected to be replaced anytime soon.

Cobalt usage in lithium-ion batteries alone is expected to grow at an annual rate of 12% from 2016 to 2022, and the commodity's role in supporting energy-related technology advances is expected to continue to grow at an unprecedented rate. This projected growth in demand is coupled with the fact that cobalt supply will be constrained, given the lack of investment in new nickel projects. I believe that analysts tend to underestimate how quickly people move from one technology to another, and the industry is most definitely moving towards sustainable EVs. ■

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COBALT27

Leading electric metals investment vehicle

Portfolio of world-class, low-cost and long-life assets in low political risk jurisdictions

Cobalt 27's assets includes:

- 32.6% Cobalt Stream on Vale's Voisey's Bay mine beginning in 2021
- Cash flowing Cobalt-Nickel Stream on the world-class Ramu Nickel-Cobalt Mine
- Holds one of the world's largest stockpiles of refined cobalt
- Nickel and cobalt royalties, including a royalty on Dumont, the largest construction-ready nickel-cobalt project

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