Anthony Milewski, Chairman and CEO of Cobalt 27, displays cobalt metal in the LME bonded warehouse in Rotterdam, The Netherlands. Photo courtesy Cobalt 27 Capital Corp.

COBALT 27 CAPITAL growing quickly as battery metal streamer

by Ellsworth Dickson

COBALT 27 CAPITAL CORP. [KBLT-TSXV; 27O-FSE] is a rather unique resource company in that it is not a mineral explorer but a battery metals streamer that holds royalties on battery-related metals produced by others, much of it destined for electric vehicles. *Resource World Magazine* readers will be familiar with precious metal streamers such as Wheaton Precious Metals and Sandstorm Resources; however, Cobalt 27 is different in that, in addition to a portfolio of battery metals streams and royalties, it owns the world's second largest stockpile of physical cobalt stored in LME-bonded warehouses in Rotterdam, Antwerp and Baltimore.

The company recently made the national news when it announced that it signed a streaming agreement with a subsidiary of Brazilian mining giant, Vale S.A., for the world's first pure cobalt stream, being an amount of finished cobalt equal to 32.6% of the cobalt production from Vale's Voisey's Bay Mine, including from the proposed US$1.7 billion Voisey's Bay Mine Expansion.

This is not only a big deal for Cobalt 27 but for Vale itself. The Voisey's Bay Mine in coastal Labrador had underground potential; however, the price of nickel had not been high enough to justify expanding underground – until now.

Cobalt 27 paid Vale a total upfront cash consideration of US $300 million, which represents a prepayment of a portion of the purchase price for the sale of cobalt to Cobalt 27. Cobalt 27 will also make ongoing payments equal to 18% of the Cobalt Reference Price for each pound of cobalt delivered under the cobalt stream, until Cobalt 27 has recovered the full value of the advance amount through Vale's deliveries of finished cobalt under the cobalt stream. After this time, the ongoing payments will increase to 22% of the cobalt reference price.

Earlier, Cobalt 27 signed a streaming agreement for a metal stream over 55% and 27.5% of Highlands Pacific's attributable share of cobalt and nickel production, respectively, from the Ramu nickel-cobalt mine in Papua New Guinea in exchange for a US $113 million upfront deposit. The mine is expected to last some 30 years.

Anthony Milewski, Chairman and CEO of Cobalt 27, told *Resource World* that they will not be acquiring actual nickel and cobalt from the Ramu Mine. "We will financially settle it and what that means effectively is that we will have immediate cash flow for our company," he said.

As for Vale's Voisey's Bay Mine, "Our 32.6% cobalt stream is expected to deliver approximately 1.9 million pounds of cobalt per year to Cobalt 27, to be settled in physical delivery for the life of the mine. We have marketing rights over the cobalt which we intend to sell," said Milewski.

With the junior mining sector lagging and many juniors finding it hard to raise exploration funds, it is not so for Cobalt 27. Milewski points out that, "What we're doing is creating a mining company with an Excel spreadsheet and not a shovel. For us, we've really focused on creating a structured product that appeals to not only mining investors but general investors as well."

Milewski noted that Cobalt 27 has nine royalty and two stream agreements. "I think we will continue to model ourselves after companies such as the Franco Nevadas and Wheatons of the world. We plan on continuing to grow our asset base."

He added, "We're not focused on exploration. We're focused on currently producing or near production projects."

Milewski is of the view that streaming is a good idea for both investors and mining companies. "For investors, you isolate exposure to their particular metal of interest and, for the mining company, you are providing them with funds for a capital structure in a non-dilutive way. Stream financing is often cheaper than equity or debt."

Currently, there are many junior exploration companies with cobalt prospects. Some of them will probably be successful – will that make a dent in the looming cobalt shortage? Although Cobalt 27 is now primarily focusing on cobalt as a by-product of nickel production and, as a result, will continue to target both cobalt and nickel streams and royalties, Milewski believes that over time both cobalt and nickel demand will be met with new production. "I think that, inevitably, the nature of commodities is such that the market finds an incentive price so production is incentivized to come on line."

Cobalt 27 recently hired Martin Vydra as Head of Strategy. "Martin is considered to be an expert in nickel and cobalt on the technical side and he has been doing it for over 30 years, so bringing that experience into the company really allows us to make better decisions around the assets and physical metals that we own," commented Milewski.

"While the focus of our business is cobalt and nickel, we told our investors that we are not going to invest in the Congo," said Milewski. "Outside of the Congo, nickel and cobalt basically go together in the majority of cases. I would just note to investors, that in addition to cobalt, we have significant nickel exposure and I think that's overlooked by the market. I think that nickel has a great few years ahead of it."

Nickel is currently trading at about US $6.30/lb with cobalt at about US $39/lb. ■