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Cobalt 27 is Ready to Ride the EV Revolution



In June 2018, Cobalt 27 acquired a US\$300 million cobalt stream for 32.6% cobalt production beginning January 1, 2021, from Vale on the Voisey's Bay mine, including the proposed US\$1.7 billion Voisey's Bay mine underground expansion which will extend the life of mine to 2034. Cobalt 27's Voisey's Bay Cobalt Stream is scheduled 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. Credit: Vale

Cobalt 27 Capital Corp. (TSXV: KBLT; OTCQX: CBLLF; FRA: 270) is ramping up its exposure to the electric vehicle (EV) revolution with substantial cobalt stream acquisitions to complement its portfolio of battery metal royalties and inventory of physical cobalt.

This year Cobalt 27 acquired from Vale, the world's first pure cobalt stream for US\$300 million on Vale's Voisey's Bay mine located in Labrador. The stream, which is expected to deliver approximately 1.9 million pounds of cobalt per year to Cobalt 27, is to be settled in physical delivery for the life of the mine.

Also in 2018, Cobalt 27 acquired a 1.75% net smelter return royalty (NSR) on RNC Minerals' construction-ready Dumont nickel-cobalt project in Quebec, which includes the world's largest undeveloped cobalt reserve; and, a 2% NSR on Giga

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ANTHONY MILEWSKI
CHAIRMAN AND CEO, COBALT 27 CAPITAL CORP.

Metals' Turnagain nickel-cobalt project located in British Columbia, one of the largest undeveloped sulphide nickel-cobalt deposits in the world (in terms of total contained nickel).

The Voisey's Bay stream entitles Cobalt 27 to 32.6% of the mine's finished cobalt production commencing January 1, 2021,

until it receives 23.8 million lb. cobalt, and then 16.3% of the mine's finished cobalt production for the rest of the mine's life.

"The Voisey's Bay Cobalt Stream is a world-class, once in a lifetime opportunity to partner on the greatest nickel-sulfide discovery in the past 30 years. Vale is currently undergoing a US\$1.7 billion

underground expansion at the open pit mine, which is expected to extend the life of mine to 2034. The low-cost nickel mine is run and operated by Vale, with a guarantee that they will build out the underground mine by 2021," commented Anthony Milewski, Cobalt 27's chairman and CEO.

The Voisey's Bay cobalt stream will be settled by Vale delivering to Cobalt 27 cobalt metal stored in warehouse in the form of warehouse certificates. At current cobalt spot prices, the Voisey's Bay cobalt stream is expected to add significant cash flow to Cobalt 27, for an initial 14 year mine life.

The Voisey's Bay open-pit mine produced 1,800 tonnes cobalt, 52,000 tonnes nickel and 34,000 tonnes copper in 2017.

"Voisey's Bay is particularly interesting because we will actually get the physical cobalt delivered to us and we're the agents of that cobalt," says Milewski. "We think that creates tremendous strategic value. We have the stream but we also control the product."

Since its IPO in June 2017, Cobalt 27 has built up a portfolio of battery metals streams and royalties designed to capitalize on the EV revolution and the more nascent grid-power storage revolution. In doing so, it considered the prospects of various battery minerals, including copper and lithium.

"When we first evaluated cobalt, including current and projected supply and demand fundamentals, what we realized was that today, 50% of all cobalt is used in batteries of some form and, with accelerated global adoption on EVs, cobalt demand is expected to grow at double digit rates over the next 5-10 years," says Milewski. "What we saw in cobalt is that it's really a great proxy for the adoption of electric vehicles."

Conservative estimates suggest that EVs will represent 8%-20% of the vehicle market by 2025, and 17%-38% by 2030. That could help propel the demand for cobalt from 106,000 tonnes in 2017 to 190,000 tonnes by 2025.

If 100 million EVs are on the road by 2030, Cobalt 27 estimates this could require more than four times the current annual cobalt production, which totalled 102,800 tonnes in 2017 and is expected to rise to 118,100 tonnes in 2018. More than 29 automakers have invested in electric and hybrid vehicles, including Volvo, which



Cobalt rounds from the Voisey's Bay Long Harbour processing plant which became operational in 2014, and has total production capacity of 50,000 tonnes of nickel per annum. In addition to nickel and copper, the Long Harbour plant produces high purity cobalt rounds from Voisey's Bay concentrate. Credit: Vale

aims to make only electric and hybrid vehicles by 2019.

Several countries are targeting future bans on gasoline and diesel vehicle sales: Norway and the Netherlands by 2025; India and Germany by 2030; and the United Kingdom and France by 2040. China is also planning bans, but has not yet set a timeline.

"When you look at September 2018, the percentage of new car sales in Canada being EVs was 8%, and in California it was 10%," says Milewski. "Those numbers exceed any analyst's forecasts that we are aware of."

"The adoption of the electric vehicle is happening at a much more accelerated rate than what the market anticipates. That is going to materially impact not just cobalt, but also nickel, copper and lithium."

Apart from the streams and royalties, Cobalt 27 also has in storage 2,906 tonnes of physical cobalt valued at C\$286 million in October 2018.

Shares of Cobalt 27 are trading at \$4.88 within a 52-week range of \$4.55 to \$14. The company has a \$412 million market

capitalization.

"In terms of investment opportunities, metals streaming and royalties continue to be the top performing asset class across all TSX-listed mining companies," says Milewski. "With Cobalt 27, we have combined the best-performing asset class — metals streaming and royalties — with battery metals, which we believe will continue to emerge as the top performing commodities globally due to the electrification of the transportation and energy storages sectors. It's really worth thinking about the impact of the changes that are currently underway and what it's going to mean for a whole host of companies across the set of battery-linked commodities."

"It's going to be tremendously impactful in terms of valuations of these companies and the underlying commodities in the coming years."

— The preceding Joint-Venture Article is promoted content sponsored by Cobalt 27 Capital Corp., and compiled in cooperation with The Northern Miner. Visit www.cobalt27.com for more information.