RESOURCEWORLD magazine

# Cobalt Streaming – How did we get here?

***Cobalt 27 Capital combines the best performing asset class on the Toronto Stock Exchange – metals streaming and royalties, with the top performing commodity of 2017***

INTERVIEW with Anthony Milewski, Chairman and C.E.O., Cobalt 27 Capital Corp.

**RESOURCE WORLD (RW)** – Anthony, could you please tell our readers about Cobalt 27 Capital and the company's progress since its successful IPO last year?

**ANTHONY MILEWSKI (AM)** – Yes, in June 2017, Cobalt 27 completed the single largest IPO on the Toronto Stock Exchange and the TSX Venture Exchange since 2012, raising over C$200 million in equity financing and signaling to Canadian and international capital markets the beginning of a large and fast growing battery metals upcycle.

Cobalt 27 was formed to build a pure-play portfolio of cobalt streaming, royalty and physical cobalt assets and, in December 2017, we raised an additional C$100 million for a total of over C$300 million in equity financing in 2017. During this time, Cobalt 27 acquired 2,982 tonnes of physical cobalt which is the world's second largest above ground inventory of refined cobalt after the Chinese government's strategic stockpiles. All cobalt owned by Cobalt 27 is insured and stored at secure, LME certified warehouses located in Baltimore, Antwerp and Rotterdam.

Cobalt 27 is currently negotiating cobalt streaming agreements with producing mining companies where cobalt is mined as a byproduct metal and we intend to finalize the first of several cobalt streaming agreements over the next year.

**RW** – Cobalt streaming, could you walk us through how we got here?

**AM** – I'm sure we don't have to remind your readers that the mining industry is capital intensive. During the 2008-2016 commodities cycle, streaming and royalties quickly grew as an alternative mine financing source, particularly for byproduct metals such as gold and silver.

Many of the base metal producers sold streams or royalties on byproduct metals as an alternative to debt and equity financing. And, streaming and royalties continue to be a popular option as mining companies seek alternative, non-dilutive sources of capital for mine expansion, maintenance and site exploration.

We believe Cobalt 27 is ideally positioned to take advantage of the early stages of the technology metals upcycle where large-scale, base metal producers are actively seeking to leverage cobalt byproducts to fund mine expansion and repay debt using alternative, non-dilutive sources of capital. Also, development stage projects are rapidly establishing cobalt reserves and require significant capital including low cost, non-dilutive financing to move through construction, commissioning and into production.

**RW** – In terms of investment performance, how does the metals streaming and royalties group perform relative to the larger mining industry?

**AM** – In 2017, the metals streaming and royalty group continued to outperform the broader mining equity markets. So yes, in terms of the natural resource sector, metals streaming and royalties are the top performer on the TSX.

In 2017, the market cap of TSX-listed streaming and royalty companies increased 33% to C$36 billion, from C$27 billion in 2016. And, shares of TSX-listed streaming and royalty companies continue to achieve premium valuations trading at a sector average of 1.5x P/NAV in 2017.

These are really big shoes to fill. Some of the largest and most successful resource companies trading on the TSX are metals streaming and royalties companies. Over the past 10 years, precious metals streamers like Franco Nevada with C$18 billion market cap and Wheaton with C$12 billion market cap, consistently delivered strong returns to their shareholders.

We hope to follow in their footsteps, on the technology metals side, cobalt specifically – to follow the majors who really pioneered this asset class, carved out the TSX metals streaming and royalty space and made it possible for Cobalt 27 to go forward and do what we are doing today.

**RW** – Considering all the technology metals that could be targeted in a streaming or royalty transaction – lithium, vanadium, graphite, nickel, copper – why cobalt?

**AM** – I have been involved with battery metals for some time now and have carefully considered many investment scenarios in this space. We view cobalt's supply and demand dynamics as ideally suited to streaming and royalties.

As many of your readers will know, around 97% of global cobalt production is mined as a by-product of copper and nickel. However, cobalt revenues only represent around 6.7% of nickel miners' total revenue and approximately 1.3% of copper miners' total revenue.

Due to the relatively small percentage of total mine revenues derived from cobalt production, it is difficult to secure financing for projects based on cobalt prices alone, despite cobalt's performance as the top performing commodity of 2017. We believe cobalt will continue to be one of the best performing battery metals over the near, mid- and long-term horizons owing to its favorable supply and demand fundamentals.

**RW** – Could you tell us a little about cobalt's underlying supply and demand and why you believe this commodity is best suited to streaming and royalty financing?

**AM** – The cobalt market is currently around 100,000 mt annually. However, according to a recent study by CRU commodity analysts, electric vehicles are forecasted to require 316,000 mt of cobalt by 2030, representing 314% of current global supply. When we add all the other cobalt markets, metallurgical applications primarily driven by the aerospace industry, etc., projected demand is estimated at up to 500,000 mt of cobalt by 2030, or 500% of global 2017 supply.

As you can see, significant additional mine financing will be needed over the next 10-15 years to meet projected cobalt production demand. Existing production, mine expansion and new production will all require considerable new sources of capital, while the forecasted global cobalt supply deficit is expected to keep pressure on prices.

**RW** – In closing, could you tell us about Cobalt 27's management and the company's objectives for 2018?

**AM** – Cobalt 27 combines the best performing asset class on the Toronto Stock Exchange – metals streaming and royalties, with the top performing commodity of 2017. Cobalt 27's management has significant royalty and streaming experience and is actively pursuing cobalt streaming opportunities that could provide the Company with near-term cash flow and royalties on exploration-stage cobalt properties to provide longer-term optionality on the price of cobalt.

**Cobalt 27 Capital Corp.**
**4 King Street West, Suite 401**
**Toronto, Ontario**
**Canada, M5H 1B6**

**TSXv: KBLT**
**FSE: 270**
**www.co27.com**
**Email: info@co27.com**