



23 May 2018

## Highlands agrees A\$15 million placement and US\$113 million streaming agreement with Cobalt 27

- A\$15 million to be raised in private placement to Cobalt 27 at a premium price of A10.5 cents per Highlands share
- Cobalt 27 to pay Highlands US\$113 million under a streaming agreement in respect of future production from the Ramu Nickel Cobalt Mine
- Highlands to fully repay Ramu project debt which will increase its interest in Ramu to 11.3%
- Highlands to receive immediate material uplift in Ramu project free cash flows
- Cobalt 27 representative to join Highlands Board of Directors
- Cobalt 27 and Highlands to work collaboratively in respect of investment opportunities

**Highlands Pacific Limited (ASX:HIG)** has entered into binding agreements relating to a streaming arrangement, private placement and strategic relationship with Canadian battery metals company, Cobalt 27 Capital Corp.

Under the terms of the streaming agreement, Cobalt 27's wholly owned subsidiary, Electric Metals Streaming Corp, will pay Highlands an upfront deposit of US\$113 million to secure an entitlement to 55.0% of Highlands' share of cobalt production and 27.5% of Highlands' share of nickel production from the Ramu Nickel Cobalt Mine for the life of the project. Electric Metals will also make ongoing volume based payments to Highlands of US\$1.00/lb<sup>1</sup> of nickel and US\$4.00/lb<sup>1</sup> of cobalt for product it is entitled to under the streaming agreement. The streaming agreement is on usual market terms including allowing for cash settlement.

Highlands currently holds an 8.56% interest in the Ramu project, which is operated under a joint venture with a subsidiary of Metallurgical Corporation of China Limited (MCC) (85% interest) and entities managed by the PNG Mineral Resources Development Company (MRDC) (combined 6.44% interest).

Highlands will use the upfront deposit to fully repay loans outstanding to MCC that relate to the construction and operation of the Ramu mine. Under the terms of the joint venture agreement, the repayment of the loans will immediately increase Highlands' interest in the Ramu project from

<sup>1</sup> Subject to an inflation adjustment from 30 June 2023



8.56% to 11.30% and allow Highlands to access an immediate material uplift in Ramu project cash flows.

Highlands has retained the right to purchase up to a 13.27% interest in the cobalt nickel stream from Cobalt 27 for up to approximately US\$15 million, enabling it to gain increased exposure to potential upside in metal prices fuelled by changes in battery technology. This right must be exercised within 90 days of financial close of the streaming agreement.

Exercise of this right in full by Highlands would result in the effective streaming percentages reducing to 47.7% of Highlands' share of cobalt production and 23.9% of Highlands' share of nickel production from the Ramu mine.

In addition, Highlands has agreed to issue 142.5 million shares<sup>2</sup> to Cobalt 27 through a private placement at a price of A10.5 cents per share, to raise approximately A\$15 million. The issue price represents a 14.8% premium to the 5 day volume weighted average price of Highlands shares on the ASX. Completion of the placement is conditional on Highlands obtaining the PNG Securities Commission's approval under the Capital Market Act.

Following the placement, Cobalt 27 will have a 13.04% shareholding in Highlands<sup>2</sup> and has agreed to hold its shares in escrow for 12 months from their date of issue. The net proceeds of the placement are expected to be used to purchase an interest in the cobalt nickel stream.

Cobalt 27 Executive Chairman Anthony Milewski is to be appointed to the Highlands Board on completion of the placement, and Cobalt 27 has been granted customary anti-dilution rights to maintain its shareholding in Highlands, subject to ASX and POMSoX approval.

Under the subscription and relationship agreement, Highlands and Cobalt 27 also have agreed to work collaboratively to identify mutually beneficial investment opportunities in the Asia Pacific Region in relation to cobalt, nickel and other strategic metals.

Highlands Managing Director, Mr Craig Lennon, has been invited to join Cobalt 27's Advisory Board, reflecting the long term strategic partnership between the companies.

Mr Lennon said the transactions being undertaken represent a fundamental transformation for the company.

"Highlands will emerge from this deal in a much stronger financial position, debt free with enhanced access to cashflows from the Ramu mine.

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<sup>2</sup> The number of shares to be issued to Cobalt 27 is subject to scale back in the event of exercise of existing anti-dilution rights, but any such exercise will result in A\$15m in aggregate being raised.



“The repayment of Ramu project loans allows Highlands to increase its ownership interest in the Ramu Nickel Cobalt Mine over five years earlier than expected and will result in an immediate substantial increase in the project cashflows released to Highlands.

“Furthermore, it creates a valuable strategic partnership with Cobalt 27, which is a highly innovative and entrepreneurial company that has the potential to offer Highlands an opportunity to be a partner in exciting, value creating transactions in the future,” he said.

Highlands Chairman Ron Douglas said he was delighted to welcome Anthony Milewski to the Board. “Anthony’s outstanding experience in the battery metals industry including the formation and successful listing of Cobalt 27 will provide invaluable expertise to the Company.

“We intend to appoint a further independent non-executive director to the board of Highlands in the near future to enhance our board skills and to position Highlands for the next leg of its transformation,” he said.

Mr Milewski said the transaction created significant value for both Highlands and Cobalt 27. “This meets our strategic needs by enhancing our cobalt and nickel exposures, and it enables Highlands to draw on our financial resources to increase its ownership of Ramu and access to project cashflows. We are delighted to be a partner and significant shareholder in Highlands and we look forward to working collaboratively with them to take full advantage of the unfolding battery metals revolution,” he said.

Highlands is targeting financial close of the streaming agreement by 30 June 2018.

The streaming agreement is subject to certain conditions precedent including execution of a clarification agreement by MCC and MRDC. MCC and MRDC have already expressed in-principle support for the transaction.

In addition to the streaming agreement with Highlands, Cobalt 27 is in discussions with MRDC in relation to an equivalent streaming arrangement in respect of MRDC’s interests in the Ramu project. It is anticipated that such an arrangement would involve an upfront deposit of up to US\$87 million being paid by Cobalt 27 to MRDC to facilitate repayment of its outstanding loans to MCC. Upon repayment of these loans, the participating interests of MRDC in the Ramu Nickel Cobalt Mine would increase from 6.44% to 8.70%.

In the event that MRDC enters into an equivalent streaming arrangement with Cobalt 27, Highlands will have a right to purchase up to an 11.5% interest in the cobalt and nickel stream from Cobalt 27 for up to US\$10 million.

Grant Samuel and Allens are advising Highlands on the streaming agreement, placement and associated transactions.





### **About the Ramu project**

The Ramu Nickel Cobalt Mine is located 75km west of the provincial capital of Madang, on the north coast of PNG. The project consists of a nickel laterite mine at Kurumbukari, where the project has a deposit with a JORC resource of 124 million tonnes of ore at 1% nickel and 0.1% cobalt.

The mine is linked by a 135km slurry pipeline to a process plant and deep water port at Basamuk, east of Madang, where a concentrate (mixed hydroxide product or MHP) is produced for shipment to offshore markets. The MHP is particularly sought after for use in battery manufacturing.

The Ramu project cost a total of US\$2.1 billion to develop and commenced commissioning in 2012. In 2017, the project exceeded nameplate rates of production achieving output of 34,666 tonnes of nickel and 3,308 tonnes of cobalt in concentrate. Ramu realised a net cash inflow (unaudited) of US\$170 million for the year to December 2017 after capital expenditure of US\$17 million, and cashflows have increased during the current year as metal prices have risen.

Ramu is one of the largest producers of cobalt outside of the Democratic Republic of the Congo and a real success story of the PNG mining industry.

### **About Cobalt 27 Capital Corp.**

Cobalt 27 Capital Corp is a minerals company that offers direct exposure to cobalt, an integral element in key technologies of the electric vehicle and battery energy storage markets. Cobalt 27 owns over 2,980 tonnes of physical cobalt and manages a portfolio of 10 royalties and is acquiring the world's first producing cobalt nickel stream on the world-class Ramu Nickel Cobalt Mine. Cobalt 27 intends to continue investing in a cobalt-focused portfolio of streams, royalties and direct interests in mineral properties containing cobalt, while potentially adding to its cobalt physical holdings when opportunities arise. Cobalt 27 is a publicly listed company trading on the TSX Venture Exchange under the symbol 'KBLT' and on the Frankfurt Stock Exchange under the symbol '270'.

### **Contacts**

**For further information, please contact:**

**Joe Dowling, Stockwork Corporate Communications**

**0421 587 755**



**ASX Code: HIG**  
**POMSoX Code: HIG**  
**Shares on Issue: 950 million**  
**Performance Rights: Nil**

**Directors**

Ron Douglas, Chairman  
Craig Lennon, MD/CEO  
Bart Philemon  
John Wylie

**Management**

Sylvie Moser, CFO  
Ron Gawi, GM Port Moresby

**Investor and Media Enquiries to:**

Joe Dowling,  
Stockwork Corporate  
0421 587 755

**Website:**

**[www.highlandspacific.com](http://www.highlandspacific.com)**

**About Highlands Pacific Limited**

Highlands Pacific is a PNG incorporated and registered mining and exploration company listed on the ASX and POMSoX. Its major assets are interests in the producing Ramu nickel cobalt mine and the Frieda River copper gold project; with exploration in progress in the Star Mountains. Highlands also has exploration tenements at on Normanby Island (Sewa Bay).

**Star Mountains Prospects**

The Star Mountains exploration tenements are located approximately 20km north of the Ok Tedi mine, in the West Sepik Province, PNG. They lie within the highly prospective New Guinean Orogenic Belt, which hosts the Grasberg, Ok Tedi, Porgera and Hidden Valley mines, as well as the Frieda deposit.

**Ramu Nickel Cobalt Mine**

The producing Ramu nickel cobalt mine is located 75km west of the provincial capital of Madang, PNG. Highlands' 8.56% interest in Ramu will increase to 11.3% at no cost to Highlands after repayment of its share of project debt. Highlands also has an option to acquire an additional 9.25% interest in Ramu at fair market value, which could increase the company's interest in the mine to 20.55% if the option were exercised.

**Frieda River Copper/Gold Project**

The Frieda River copper gold project is located 175km north-west of the Porgera gold mine and 75km north-east of the Ok Tedi mine. Highlands has a 20% interest in the project and Frieda River Limited (a wholly owned subsidiary of PanAust Limited which in turn is a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd.) has 80%.