



23 May 2018

Highlands Placement and Ramu Refinancing

Cobalt 27 Ramu Stream with Highlands

Attached is an announcement released from Cobalt 27 in Toronto overnight that relates to a transaction with Highlands Pacific Limited.

For further information see Highlands Pacific announcement released to the ASX market today at 8.24am.

Contacts

For further information, please contact:

Joe Dowling, Stockwork Corporate Communications

0421 587 755



NEWS RELEASE

TSX Venture: KBLT
FRA: 270

Cobalt 27 Acquires a Cash Flowing Cobalt-Nickel Stream on Producing Ramu Nickel-Cobalt Mine for US\$113 Million (C\$145 Million)

Cobalt 27 is pleased to announce the transformational acquisition of a producing cobalt-nickel stream over a long-life, world-class asset that provides immediate cash flow to the Company

The world's first producing cobalt-nickel stream on the world-class Ramu Nickel-Cobalt Mine

- Stream over 55.0% and 27.5% of Highlands Pacific Limited's ("Highlands") attributable share of cobalt and nickel production, respectively, from the Ramu Nickel-Cobalt Mine ("Ramu") in exchange for a US\$113 million (C\$145 million) upfront deposit (the "Transaction")
- Highlands management estimates a mine life in excess of 30 years
- As a result of the Transaction, Highlands' effective attributable ownership of Ramu will increase from 8.56% to 11.3%
- Estimated attributable stream production of approximately 450,000 lbs of cobalt and 2.25 million lbs of nickel in concentrate per year
- Expands and diversifies portfolio: cobalt and nickel are important battery metals positioned to benefit from global adoption of electric vehicles and grid storage systems
- Cobalt 27 is in advanced discussions with two local PNG stakeholders which own an equity interest in Ramu (collectively "MRDC") to negotiate a US\$87 million stream agreement on the same terms for a proportionate metal stream based on their aggregate attributable interest in Ramu
- Ramu has successfully ramped up since construction completed in 2012 and is now operating at peak production and in the 1st quartile of the global cost curve and maintains robust margins at spot and long-term consensus prices.

Transaction transforms Cobalt 27 into leading battery metals streaming and royalty company

- Long-life and low-cost nature of Ramu underscores strength and attractiveness of investment for Cobalt 27 shareholders
- Ramu is operated by a first in class operator, Metallurgical Corporation of China Ltd. ("MCC"), which has market capitalization of approximately US\$12 billion
- Stream has no impact on production cost structure from operator's perspective

- Transaction to be funded through Cobalt 27's cash on hand and new debt facility; no additional funding is required to complete the Transaction or the additional MRDC stream
- Expected to generate meaningful free cash flows and deliver significant value to Cobalt 27's shareholders
- Accretive to Cobalt 27's NAV per share
- Expected significant potential upside in cobalt and nickel pricing

Conference Call scheduled for May 23rd at 8:30 am EDT ahead of TSXV market open, dial in details below

Toronto, Ontario – May 22, 2018 - Cobalt 27 Capital Corp. (“Cobalt 27” or the “Company”) (TSXV: **KBLT**)(FRA: **270**), is pleased to announce that its wholly-owned subsidiary Electric Metals Streaming Corp. (“Electric Metals Streaming”) has entered into a Metal Purchase and Sale Agreement (“MPA”) with Ramu Nickel Limited (“RNL”), a wholly owned subsidiary of Highlands (ASX: **HIG**), for a cobalt-nickel stream on its attributable interest in the producing Ramu mine, located in Papua New Guinea (“PNG”) (the “Ramu Cobalt Nickel Stream”) which is operated by MCC.

Key Transaction Terms

- The Ramu Cobalt Nickel Stream is governed by the MPA, pursuant to which Cobalt 27 has agreed to acquire the right to purchase 55.0% of RNL's attributable share of the payable cobalt metal and 27.5% of RNL's attributable share of the payable nickel metal produced at Ramu, for the life of mine, in exchange for a US\$113 million (C\$145 million) upfront cash deposit payable to Highlands. Highlands, which owns 100% of RNL, currently holds an effective 8.56% ownership interest in Ramu. However, Highlands will use proceeds from the Transaction to increase its effective ownership interest in Ramu to 11.3% through the repayment of its share of outstanding Ramu construction and development loans. For clarity, the Ramu Cobalt Nickel Stream will be over RNL's pro forma 11.3% ownership interest in Ramu.
- In addition, Electric Metals Streaming will make ongoing payments of US\$4.00 per pound of payable cobalt and US\$1.00 per pound of payable nickel, each subject to annual inflation adjustments beginning on June 30, 2023.
- Cobalt 27's Ramu Cobalt Nickel Stream will be secured by a first-priority ranking pledge over Highlands' shares in RNL and a guarantee by Highlands.
- In connection with the Ramu Cobalt Nickel Stream, Cobalt 27 has also agreed to complete a strategic equity investment in the Common Shares of Highlands, which will result in the Company owning an approximate 13.0% pro forma interest in Highlands (the “Equity Investment”). Subject to ASX and POMsoX approvals, Cobalt 27 will be provided with anti-dilution rights with respect to the Equity Investment. In connection with the Equity Investment, Cobalt 27 will also have the right to appoint a member to Highlands' board of directors, and accordingly, concurrent with the close of the Equity Investment, Anthony Milewski, Chairman and CEO of Cobalt 27, will be appointed to the board of directors of Highlands.

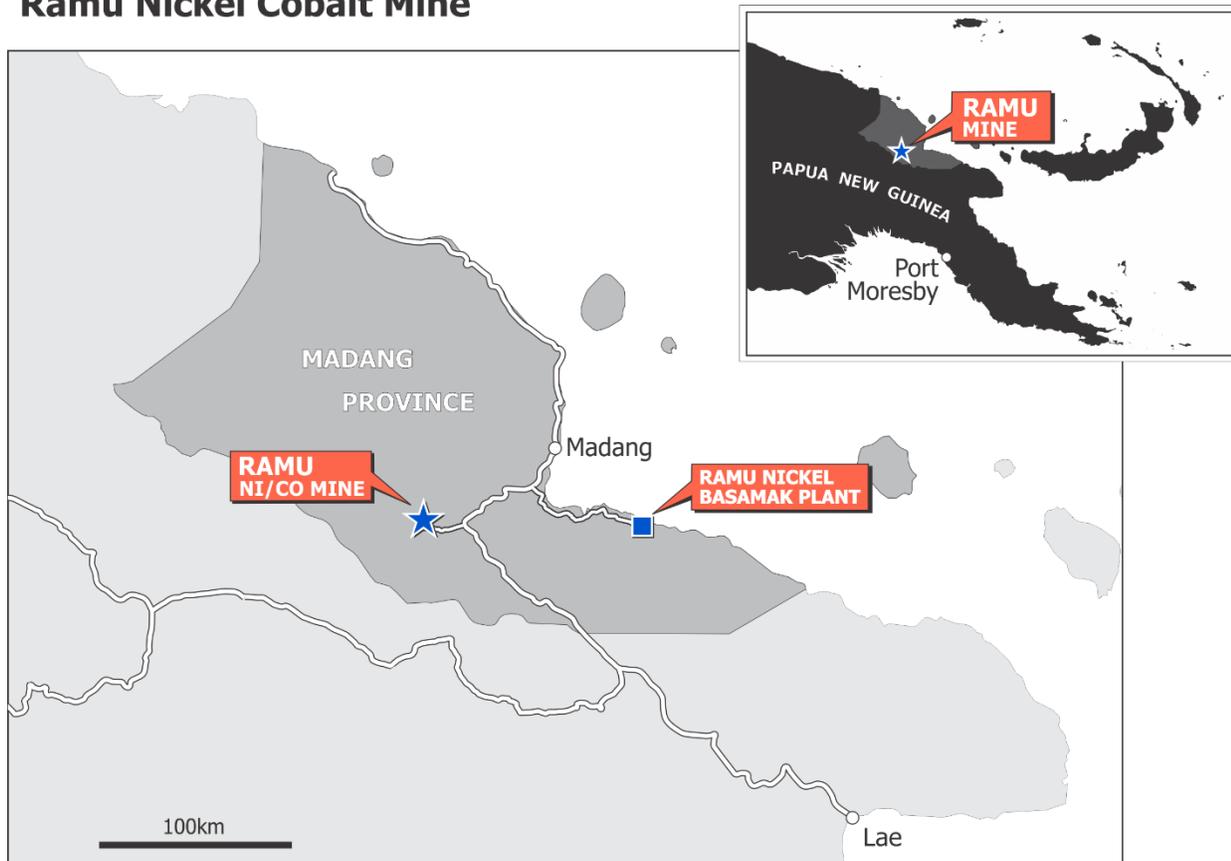
- Cobalt 27 and Highlands have agreed that the proceeds from the US\$113 million stream are to be used by Highlands to fund repayment of Highlands' attributable Ramu partner loans. Highlands currently owns an 8.56% interest in Ramu which, through the repayment of its outstanding attributable balance of the Ramu partner loans, will immediately increase to 11.3%.
- In addition to the MPA, Cobalt 27 has entered into advanced discussions with two local PNG stakeholders which own an equity interest in Ramu to negotiate a US\$87 million stream agreement on the same terms as the MPA with a proportionate metal stream based on their attributable aggregate interest in Ramu. MRDC currently holds a collective 6.44% interest in Ramu, which would increase to 8.7% through the repayment of their proportionate share of outstanding Ramu construction and development loans.
- Highlands has retained the right to purchase an interest in the Ramu Cobalt Nickel Stream from Cobalt 27 of up to approximately US\$15 million for a period of 90 days following closing on the same terms as the Transaction. In the event that MRDC enters into a streaming agreement with Cobalt 27, Highlands will have the right to purchase an additional interest in the Ramu Cobalt Nickel Stream from Cobalt 27 of up to approximately US\$10 million on the same terms.
- Highlands is the ideal project partner for Cobalt 27 due to its deep experience in the region having successfully operated in PNG for over 20 years. Cobalt 27 looks forward to partnering with Highlands to review additional opportunities in Australia and the broader Asia-Pacific region.
- In order to further strengthen the partnership between Cobalt 27 and Highlands, Mr Craig Lennon, CEO of Highlands Pacific, has agreed to join Cobalt 27's Advisory Board. Mr. Lennon has been with Highlands for 17 years and is an expert in the region.

“This transaction represents the fulfillment of our promise to investors to deliver a cash flowing cobalt stream on a world-class mine. Ramu is a large world-class, high-margin and long-life asset which we view as the ideal candidate for our inaugural stream. We believe the exposure to both cobalt and nickel, another key battery metal, will yield significant returns to our investors as electric vehicles begin to change our society in the coming years. Our partnership with Highlands will help Cobalt 27 continue to grow its position as the leader in battery metal streaming” commented Anthony Milewski, Chairman of Cobalt 27 Capital Corp.

Ramu, located near Madang on the north coast of PNG, is majority-owned and operated by MCC which holds a 67.02% stake in MCC-JJJ Mining Development Company Limited which owns 100% of MCC Ramu NiCo Ltd. (“MCC – Ramu”), holder of an 85% joint venture interest in Ramu. The Government of PNG and local landowners (the “PNG Stakeholders”) own a 6.44% stake in Ramu. Following repayment of the Ramu construction and development loans by Highlands, MCC - Ramu's ownership will decrease to 82.3%. The Ramu mine was financed and constructed by MCC for US\$2.1 billion which, at the time, was China's largest overseas mining investment. MCC is listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange with a market capitalization of approximately US\$12 billion. MCC's interest in Ramu is supported by a consortium of three of the largest enterprises in the Chinese nickel and stainless steel industry, namely Jinchuan Group Limited, Jilin Jien Nickel Industry Limited, and Jiuquan Iron & Steel Limited.

A regional map shows the location of the Ramu mine:

Cobalt 27 Acquires Stream on Ramu Nickel Cobalt Mine



The Ramu Cobalt Nickel Stream offers a number of positive benefits to the shareholders of Cobalt 27, Highlands and Ramu, including:

- The Transaction provides Cobalt 27 with its inaugural producing stream and represents a cornerstone asset for the Company to support continued growth through future acquisitions of producing battery metals streams, royalties and related investments.
- Cobalt 27 will receive immediate cash flow representing a short payback period on a world class stream.
- Ramu is a large scale nickel-cobalt mine, ranking first-quartile on the global cost curve, and has a long mine life with significant resource upside potential.
- The Ramu Cobalt Nickel Stream will reduce uncertainty for Highlands by allowing for immediate debt repayment of Highlands' Ramu partner loans and accelerate cash flows from Ramu to Highlands.

- With Cobalt 27's acquisition of the Ramu Cobalt Nickel Stream from a non-operating joint venture partner, MCC as operator will not experience any direct impact on its production costs as a result of the stream.

About the Ramu Mine

- Construction and commissioning of the US\$2.1 billion Ramu mine was completed in 2012 by owner/operator MCC, as its cornerstone asset in a nickel-focused resource portfolio.
- The Ramu Nickel Mine is a large scale nickel-cobalt asset with total estimated reserves of 1 billion pounds of nickel and 100 million pounds of cobalt. Management of Highlands currently estimates a mine life of 30+ years. Ramu produces approximately 3% of annual global mined cobalt as a co-product metal.
- Ramu exceeded annual production projections in 2017, reporting net cash flow of US\$170 million (unaudited), on production of 34,666 tonnes of contained nickel and 3,308 tonnes of contained cobalt, both in excess of nameplate capacity.
- Ramu is among the most efficient nickel-cobalt operations in the world, ranking in the first quartile of the 2017 global nickel asset cost curve. During the first quarter of 2018, nickel prices averaged US\$6.02/lb; cobalt prices averaged US\$39.30/lb and reached over US\$43/lb.

In addition to MCC's investment in Ramu, a number of other prominent resource companies successfully operate in PNG and are responsible for significant and widespread investment in, and economic development of, the country in recent years. The most notable of these include Harmony Gold and Newcrest Mining's proposed US\$2.8 billion Wafi-Golpu Joint Venture copper and gold mine; Newcrest's US\$7.2 billion merger with Lihir Gold Limited in 2010; and, Barrick Gold's US\$298 million sale of 50% interest in the producing Barrick Niugini (Porgera) Gold Mine to China's Zijin Mining Group in 2015. Additionally, oil and gas majors, ExxonMobil and France's Total recently announced plans to invest an additional US\$13 billion in LNG assets and Repsol has had upstream operations in PNG since 2015.

Closing

Closing of both the MPA and Equity Investment are conditional on certain conditions precedent including, among other things, the completion of guarantee and security documentation, the receipt of requisite approvals, consents and authorizations from governmental authorities and stock exchanges, and the satisfaction of certain other closing conditions customary in transactions of this nature.

About Highlands Pacific

Highlands is a mining and exploration company listed on the Australian Stock Exchange and the Port Moresby Stock Exchange in PNG. Highlands' primary assets include an 8.56% interest in the producing Ramu mine and a 20% interest in Frieda River Copper-Gold Project, both located in PNG. Frieda River is PNG's largest undeveloped copper-gold project and one of the largest undeveloped open pit copper projects

in the world. Highlands also wholly-owns the Star Mountains Copper Gold exploration project in PNG. The US\$113 million (C\$145 million) upfront cash deposit from the sale of the Ramu Cobalt Nickel Stream is expected to allow Highlands to retire its Ramu construction and development loans, increase its ownership interest in Ramu to 11.3% from 8.56% and significantly increase near-term free cash flows. Highlands is an ideal partner for Cobalt 27 given the company's 20+ year operating history in PNG through past involvement in the Porgera Gold Mine and Kainantu Gold Mine.

In connection with the Cobalt 27's Equity Investment, the Company will acquire beneficial ownership of 142.5 million Common Shares of Highlands, representing approximately 13.0% of the issued and outstanding Common Shares, following the completion of the Equity Investment. Cobalt 27 is acquiring the beneficial interest in the securities for investment purposes and will evaluate its investment in Highlands from time to time and may, based on such evaluation, market conditions and other circumstances, increase or decrease shareholdings as opportunities arise.

Advisors and Counsel

Scotiabank acted as financial advisor and Stikeman Elliott LLP, Piper Alderman, and Dentons acted as legal advisors to Cobalt 27. TD Securities acted as strategic advisor to board of directors of Cobalt 27.

Conference Call

Cobalt 27 will hold a conference call and audio webcast on Wednesday, May 23rd at 8:30 am Eastern Daylight Time for management to discuss details of the Ramu Cobalt Nickel Stream. The discussion will be followed by a question and answer period with research analysts and investors.

Live Dial-in Information

Date: Wednesday, May 23rd, 2018

Time: 8:30 am EDT

Toronto and international: (647) 427-7450

North America (toll-free): (888) 231-8191

To participate in the webcast and slide presentation live via your computer go to:
<https://event.on24.com/wcc/r/1677966/641F63FCE01A9E392B7229EF4CB84421>

Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to hear the webcast. An archived webcast will be available for one year.

Replay call information

Toronto and international: 416.849.0833, passcode: 5286827

North America (toll-free): 855.859.2056, passcode: 5286827

The conference call replay will be available from 11:30 am ET on May 23, 2018, until 11:59 pm ET on June 4, 2018. Participant audio webcast will also be available on the events page of the investors section of Cobalt 27's website at: <http://www.co27.com/investors/events/>

Scientific and Technical Information

The majority owner and operator of Ramu is MCC Ramu Nico Ltd., a 67.02% owned subsidiary of MCC, and is operated by Ramu NiCo Management (MCC) Limited, a wholly-owned subsidiary of MCC. MCC is listed on the Hong Kong Stock Exchange (Stock Code "1618") and on the Shanghai Stock Exchange, and has a market capitalization of approximately US\$12 billion. The MPA has been entered into with RNL, a wholly-owned subsidiary of Highlands which is listed on the Australian Stock Exchange under the symbol "HIG". The scientific and technical information in this news release, as well as additional material scientific and technical information with respect to the Ramu project, has been prepared by MCC in its capacity as operator of Ramu and disclosed by MCC and Highlands and is available on MCC's HKEX profile at <http://www.hkexnews.hk/index.htm> as well as on Highlands Pacific's website at <http://www.highlandspacific.com/asx-announcements>.

All estimates of mineral reserves and mineral resources in respect of Ramu in this news release are presented in compliance with the 2012 Australasian Code for Reporting of Exploration Results, Mineral Reserves and Ore Reserves established by the Australasian Joint Ore Reserves Committee (the "JORC Code").

Disclosures of a scientific or technical nature in this news release have been reviewed on behalf of Cobalt 27 by Mr. Robert Osborne P.Eng., geologist and President of Osborne Laterite Geology Service Inc., an independent consultant to Cobalt 27 and a "Qualified Person" as defined by Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

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. The Company owns over 2,980 Mt of physical cobalt and manages a portfolio of ten royalties and is acquiring the world's first producing cobalt nickel stream on the world-class Ramu Nickel-Cobalt Mine. The Company 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.

For further information please visit the Company website at www.co27.com or contact:

Betty Joy LeBlanc, BA, MBA
Director, Corporate Communications
+1-604-828-0999

Mineral Resource and Ore Reserve Estimates

The following are the ore reserves and Mineral resources (inclusive) for Ramu as at December 31, 2016, reported under the JORC Code. The report on reserves and resources was prepared for and are the responsibility of Ramu NiCo Management (MCC) Limited, the operator and manager of Ramu. For reporting in a NI 43-101 format, the inferred resources are not totaled with the measured and indicated mineral resources. The Ramu technical reports and data have been reviewed in relation to CIM best operating practices for reporting and for scope and content of JORC and NI 43-101 reporting through a due diligence conducted by an independent qualified person on behalf the Company. A site visit was conducted and a due diligence report was completed. The scope of this due diligence did not include new mineral resource/ore reserve evaluations from the operating mine (which is prepared by MCC).

In the following table note:

1. Ni and Co grades shown to 1 decimal only. Totals are rounded.
2. Dry ore tonnes reflect -2mm economic portion of the recoverable resource.
3. Ore reserve 2016 based on US\$17,045t nickel and US\$25,412/t cobalt.
4. Variable cut-off grade equated to 0.58% nickel equivalent including credit for recovered cobalt.

Ore Reserves		Nickel	Cobalt
	(Mt)	(%)	(%)
Proven	29	0.9	0.1
Probable	20	1.0	0.1
Total Reserves	49	1.0	0.1

Mineral Resources

Measured	37	0.9	0.1
Indicated	22	1.0	0.1
Measured and Indicated	59	1.0	0.1
Inferred	65	1.0	0.1

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. No securities regulatory authority has either approved or disapproved of the contents of this news release.

Forward-Looking Information: This news release contains certain information which constitutes 'forward-looking statements' and 'forward-looking information' within the meaning of applicable Canadian securities laws. Forward-looking statements in this news release include, without limitation: statements pertaining to the timing and completion of the acquisition of the Ramu Cobalt Nickel Stream and the Equity Investment, and the receipt of any regulatory and

stock exchange approvals therefor; statements pertaining to the timing and amounts of cash and proceeds related to the Ramu Cobalt Nickel Stream and Equity Investment in Highlands; statements pertaining to the use of proceeds from the Ramu Cobalt Nickel Stream and Equity Investment; statements pertaining to the exclusivity arrangements with MRDC; statements pertaining to estimates of mineral resources and mineral reserves at Ramu; statements pertaining to future production and mining costs at Ramu; statements pertaining to future prices of cobalt, nickel and other commodities; statements pertaining to the adoption of electric vehicles globally; and statements pertaining to impact of the Ramu Cobalt Nickel Stream on the future performance of the Company. Forward-looking statements involve known and unknown risks and uncertainties, most of which are beyond the Company's control. For more details on these and other risk factors see the Company's most recent Annual Information Form on file with Canadian securities regulatory authorities on SEDAR at www.sedar.com under the heading "Risk Factors". Should one or more of the risks or uncertainties underlying these forward-looking statements materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements. Accordingly, undue reliance should not be placed on these forward-looking statements. This news release also contains references to estimates of mineral resources and mineral reserves. The estimation of mineral resources is inherently uncertain and involves subjective judgments about many relevant factors. Estimates of mineral reserves provide more certainty but still involve similar subjective judgments. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including estimated future production from the company's projects, the anticipated tonnages and grades that will be mined and the estimated level of recovery that will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that ultimately may prove to be inaccurate. Mineral resource or mineral reserve estimates may have to be re-estimated based on: (i) fluctuations in mineral prices; (ii) results of drilling; (iii) metallurgical testing and other studies; (iv) proposed mining operations, including dilution; (v) the evaluation of mine plans subsequent to the date of any estimates and/or changes in mine plans; (vi) the possible failure to receive required permits, approvals and licences; and (vii) changes in law or regulation.

The forward-looking statements contained herein are made as of the date of this release and, other than as required by applicable securities laws, the Company does not assume any obligation to update or revise it to reflect new events or circumstances. The forward-looking statements contained in this release are expressly qualified by this cautionary statement.