

'Cobalt for cobalt's sake': Electric vehicle boom changing the equation for a mining byproduct

Shares of First Cobalt have doubled in value since the company received shareholder approval for a three-way merger



A sign for the Cobalt Mining Museum is displayed in Cobalt, Ont. Global demand for cobalt, a component in batteries used to power electric cars for automakers from Tesla Inc. to Volkswagen AG, is changing the importance of the metal. Cobalt, both the town and the metal, are also attracting renewed attention as a buffer to rising political risks in the Democratic Republic of Congo. *Cole Burston/Bloomberg*



GEOFF ZOCHODNE

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Investors have renewed their interest in an historic Canadian cobalt play amid a recent boom brought on by the adoption of electric vehicles.

Toronto-based First Cobalt Corp. has seen its stock price double in value since announcing last week that it had received shareholder backing for a three-way merger with fellow juniors Cobaltech Mining Inc. and



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Cobalt One Ltd. The deal includes past-producing mines near Cobalt, Ont., a town named after the metal and located approximately 500 kilometres north of Toronto.

With its acquisitions expected to close in the coming week or so, First Cobalt says it now controls 45 per cent of the land in the so-called “Cobalt Camp,” in addition to owning the only permitted cobalt refinery on the continent that can produce battery-grade materials. While the camp is still in its exploratory stage, shares of First Cobalt are up nearly 280 per cent for the year, closing at \$1.47 Wednesday.

“We are the biggest (in the camp) and we’ll probably seek to grow from there,” said Trent Mell, president and chief executive of First Cobalt. “The reason you’re seeing the interest in our stock right now is we were the first to consolidate.”

Cobalt is used in batteries, and First Cobalt is consolidating its grasp on the Northern Ontario camp as electric automaker Tesla Inc. and other car manufacturers plan to boost production of their battery-powered vehicles. According to the London Metal Exchange, one metric ton of cobalt on Monday was priced at US\$64,000, nearly double the price from the start of 2017.

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That Canada is a stable regime with a strong human rights record is also playing in the company's favour. Caspar Rawles, analyst at London-based Benchmark Mineral Intelligence, noted that 64 per cent of the world's supply of cobalt last year came from the Democratic Republic of the Congo, a country plagued by political instability and human rights abuses.

UNICEF said in 2012 that there were an estimated 40,000 children working in mines in the southern part of the DRC and Amnesty International reported earlier this month that major electronics and electric vehicle companies "are still not doing enough to stop human rights abuses entering their cobalt supply chains."

Now Canada, along with Australia, is seeing a "boom" in interest for the exploration and development of cobalt, Rawles said.

"With such tight markets forecast, any additional cobalt units will be welcomed by the supply chain, but in addition, Canada can also offer material free of the issues associated with artisanal mining in the DRC," he said. "Something which will remain sought after for some time."

In September, First Cobalt said it had exited the DRC because the investment climate there had "deteriorated."

"Our investors didn't like it for a lot of reasons," Mell said. "Our focus right now has been on consolidating what we believe is probably the most prospective cobalt camp in the world in and around ... Cobalt."

Canada produces around 3,000 metric tons of cobalt a year, Rawles said, which is only a drop in the bucket when it comes to global demand for the metal. While global refined cobalt supply in 2016 was 93,000 tonnes, it will need to nearly double by 2025 to keep up with expected demand.

“The cobalt industry is going through a period of extreme change, the demands placed upon the sector by the lithium ion battery industry, primarily driven by the rise of EVs, means that significant expansions in production need to happen in order for supply to keep up with demand,” Rawles said.

Rawles also noted that 98 per cent of mined cobalt supply is the byproduct of copper and nickel mining, “and so therefore is at the mercy of two far larger markets.”

Cobalt rush in ... Cobalt brings nearly comatose Ontario town back to life

RBC Capital Markets said earlier this month that there was “a lot of hype” around electric vehicles, but that the big impacts on such metals as copper and nickel wouldn’t start to be felt until around 2025.

“Cobalt is the exception,” RBC said, “with the market scrambling to secure cobalt supplies.”

Meanwhile, First Cobalt said in October that it had started exploration on the Cobalt One and Cobaltech properties. The company’s most recent management’s discussion and analysis said the mining camps at Cobalt and nearby Silver Centre — where First Cobalt has also staked its claim — churned out 50 million pounds of cobalt from 1904 to 1985.

There has been only “minimal activity” at those sites since 1993, the filing added.

“It’s still an exploration play with a lot of near-term development potential,” Mell said.

However, the company reported earlier this month that results from a muckpile sampling in the northern part of the Cobalt Camp “suggest that an extensive high-grade cobalt vein system may exist in this area.”


What’s more, the world has “woken up” to the fact that it needs more cobalt, Mell said, and First Cobalt is now fielding calls from interested partners.

“Everything from a Chinese refiner to lithium players to diversified miners” have been in touch, Mell said. “But, candidly, the market is such that I don’t think we need that right now.”

“We’ve never as an industry been paid ... to go out and find cobalt for cobalt’s sake,” he added.

Gzochodne@postmedia.com

Twitter: [@geoffzochodne](https://twitter.com/geoffzochodne)

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