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Additional information on cobalt stock investing — FREE

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If demand does rise as much as some analysts are predicting, the cobalt price is bound to see some positive action.

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Cobalt Market Update: Q1 2019 in Review

What happened to cobalt in Q1 2019? Our cobalt market update outlines key market developments and explores what could happen moving forward.



Last year, negative sentiment hit the cobalt market, and, despite bullish demand forecasts, prices started to decline sharply — a trend that has intensified during the first three months of 2019.

Demand for cobalt, a key metal in the [lithium-ion](#) batteries used to power electric vehicles (EVs), is expected to surge in the next few years. That's why many analysts are optimistic about its fundamentals.

Read on to learn what happened in the cobalt market in Q1 2019, including the main supply and demand dynamics and what market participants are expecting for the rest of the year.

Cobalt market update: Supply and demand

Aside from the uptick in prices seen in the first quarter of 2018, cobalt has been under pressure since last year due to increased supply from the Democratic Republic of Congo (DRC) and market volatility.



Chart via [Benchmark Mineral Intelligence](#).

As a result of prices dropping from week to week, buyers have stayed on the sidelines, with the number and size of spot deals surging, Roskill Director Jack Bedder told the Investing News Network (INN).

He explained that significant amounts of cobalt were not committed to long-term contracts last year and many buyers, including those in China, are intending to purchase cobalt on a spot basis.

“While the outlook for demand, especially from the battery sector, remains very positive, sentiment remains depressed compared to one year ago,” he added.

Speaking about demand during Q1, CRU Group Senior Analyst George Heppel told INN that the main surprise in the first quarter was on the end-use side.

According to the expert, Europe is key for setting the cobalt price, and much of the demand in the region comes from chemical companies buying cobalt metal for processing into cobalt salts for chemical applications.

“What we’ve seen in the first quarter has been an increasing trend of these companies choosing to buy cheap cobalt salts from China as opposed to buying European metal, which has exacerbated the downward trend,” Heppel said.

Also impacting demand during the first three months of the year was the announcement of changes to China's new [energy](#) vehicle subsidy policy, with incentives cut in average by 50 percent. The Asian country accounts for more than half of all electric car sales in the world.

"We may see a run on production by Chinese automakers until [the transition period ends] to achieve the higher [subsidy] rate, and then will follow the market closely to see the impact the lower subsidy rate has on Chinese EV demand," Benchmark Mineral Intelligence Senior Analyst Caspar Rawles explained.

On the supply side, during the first three months of the year, the sector saw a lot of news about potential output disruptions.

In January, the DRC mines minister formally requested that [top cobalt producer](#) Glencore (LSE:[GLEN](#), OTC Pink:GLCNF) suspend construction of the ion exchange plant at its Katanga mine.

The company was set to build the US\$25 million ion exchange system to remove [uranium](#) found in its product, which exceeded the acceptable levels for export through the main African ports.

"The industry was expecting a wave of DRC cobalt hydroxide supply in 2019, which hasn't materialized so far, with the two key projects in focus being Katanga and ERG's RTR," Rawles said. Cobalt hydroxide is the main raw material feed for the battery industry.

In [February](#), ERG suspended production at its Boss mine in the DRC and at its Chambishi refinery in Zambia after the African country approved a new 5 percent duty on cobalt concentrates imported into the country this year.

"[These announcements] highlight how flexible supply can be dependent on prices and market conditions," Rawles said.

In [March](#), the DRC reported that it was banning cobalt concentrate exports — then overturned the ban a day later.

"Thankfully, cobalt concentrates only make up a tiny portion of DRC cobalt exports so this would not have a major impact on intermediate availability if permanent, but it is at the very least symptomatic of the high political and legislative risk associated with operating in the DRC," Heppel said.

For now, the intermediates market is sufficiently well stocked and oversupplied, so these announcements have not had a major effect on prices.

"But should disruption continue to be the theme of cobalt mining in Africa, this could impact prices further down the line," Heppel added.

Looking ahead, Roskill expects the market to roughly double in size over the next decade, reaching approximately 260,000 tonnes in 2028, which is going to require lots of new mine supply.

After the ramp up of the big projects in the DRC — Glencore's Katanga, ERG's RTR, Chemaf's Mutoshi, as well as the various Chinese projects — there's uncertainty as to where new supply will come from.

"We are tracking over 100 cobalt mine projects at the moment but outside Congo there are not many that are too big nor many at advanced stages ... The cobalt market will be dominated by the DRC (mine) and China (refined) for the foreseeable," Bedder added.

Cobalt market update: Price performance in Q1

Bedder pointed out that this time last year, cobalt prices were above US\$40 per pound. Since then, oversupply, especially of hydroxide, set against sluggish demand (and limited investor stockpiling), brought about a 12 month period of price decline.

"Prices stopped their declines recently and have tracked up a little. Destocking should push prices up a little further but how far is hard to say," Bedder added.

Roskill expects cobalt prices to recover over the course of 2019, and to remain volatile over the coming years.

For CRU, prices performed worse than the firm originally expected in Q1, mainly as a result of very aggressive trader selloffs, which pushed the market price below a stable level.

"We largely anticipated a drop in the market in early 2019, as several key western metal producers were left with very high stocks towards the end of last year and were forced to slash offer prices in order to compete with cheaper Chinese material," Heppel said.

The market is now beginning to bounce back as a result — CRU's 99.8 percent EU cobalt metal spread rose from US\$14 per pound on April 2 to US\$15.70 on April 4, with some deals heard over US\$17.

"Further price gains are expected, although the days of average prices in the US\$30s and US\$40s are probably over for the time being — barring any major unforeseen disruptions," Heppel added.

For his part, Rawles said prices performed as expected in Q1 but dropped a little faster and rose a little sooner than estimated.

"Whilst we have seen a slight recovery in cobalt prices in the final week of Q1 and going into Q2, I don't expect this rally to be long-lived," he said.

Cobalt Stocks and Companies to Watch

“[That’s because, even though] the price increase will likely trigger some restocking by the downstream in the near term, there are overhanging stocks of raw material feed in Africa as well as some pent up supply from a number of projects [plus] excess capacity in the supply chain.”

According to the expert, the price increases seem to have been driven more by trading activity than any fundamental shift in demand.

Cobalt hydroxide (100% Co contained basis), CIF Asia, USD/tonne

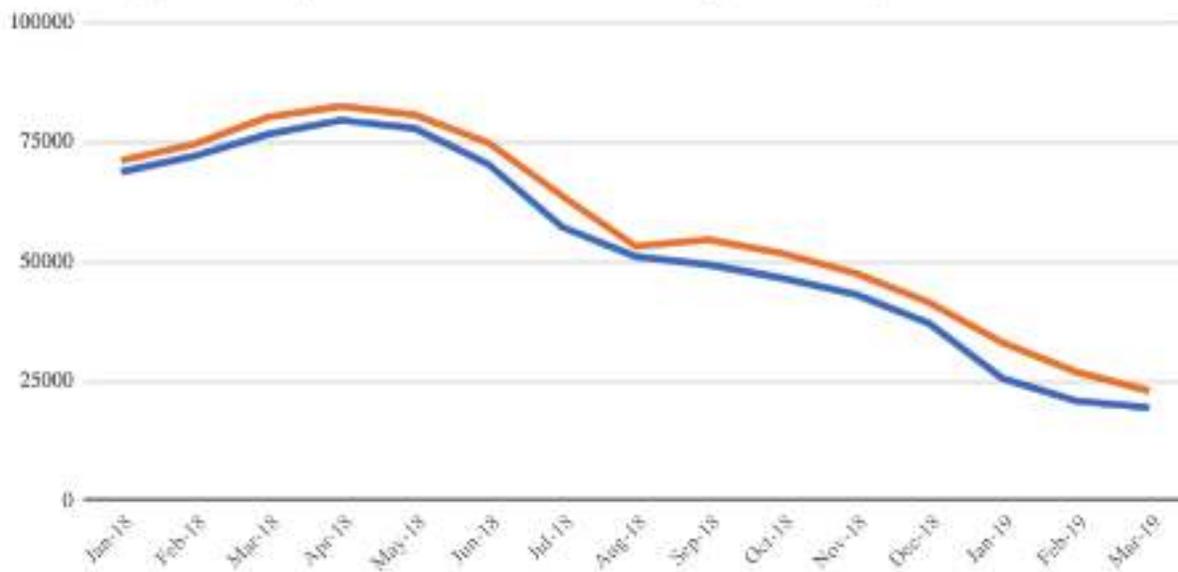


Chart via [Benchmark Mineral Intelligence](#).

Cobalt market update: What’s ahead?

As the second quarter of the year begins, there are key factors and announcements that could impact the cobalt market.

Heppel said investors should keep an eye on mining announcements from the DRC, as the market relies on the timely startup of several key projects in the African country to remain balanced into the early 2020s.

“Any delays or disruption from such projects could cause lower availability of feedstocks,” he said.

The expert also said cobalt-focused market watchers should pay attention to the softening of the cobalt price combined with increased political and legislative risk in the DRC, as this could scare off investors in the long term and, in return, accelerate the next price cycle.

According to Rawles, another factor to keep in mind is the impact that the change in subsidy policy in China has on EV production and demand over the space of the second quarter, as this could play a significant role in cobalt demand.

Rawles also highlighted that, during Q1, the first major deal for raw material supply was signed by a western original equipment manufacturer (OEM) other than Tesla (NASDAQ:[TSLA](#)) — in this case, a [lithium supply deal](#) between Volkswagen (OTC Pink:[VLKAF](#),FWB:VOW) and Ganfeng Lithium (OTC Pink:[GNENF](#),SZSE:002460).

“This shows the mindset of the major OEMs, and we may start to see deals of this nature announced in the cobalt market, particularly in the current oversupplied and low price environment,” he added.

Securities Disclosure: I, Priscila Barrera, hold no direct investment interest in any company mentioned in this article.

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Cobalt Demand to Rise 4 Times Despite Potential EV Battery Changes

Benchmark Mineral Intelligence expects cobalt demand to increase four-fold, rising to 219,679 tonnes by 2023 and 276,401 tonnes by 2028.



As the [energy](#) storage revolution continues to pick up pace, cobalt demand is set to rise four times by 2028, Benchmark Mineral Intelligence Managing Director Simon Moores [told the US Senate](#) on Tuesday (February 5).

“We are in the midst of a global battery arms race in which the US is presently a bystander,” Moores said.

Benchmark Mineral Intelligence is currently tracking 70 [lithium](#)-ion battery megafactories, with only five currently planned for the US. These megafactories will almost exclusively make battery cells using two chemistries: [nickel-cobalt-manganese](#) and nickel-cobalt-[aluminum](#).

As a result, the scaling up of lithium, cobalt, nickel and manganese assets has become a major challenge for the industry.

“The growth trajectory expected for lithium-ion battery raw material demand is unprecedented,” said Moores, who previously testified to the US Senate in 2017.

“Those who control these critical raw materials and those who possess the manufacturing and processing know-how, will hold the balance of industrial power in the 21st century auto and energy storage industries,” he added.

Speaking specifically about cobalt, if full battery capacity is achieved, the London-based firm expects demand to increase four-fold, rising to 219,679 tonnes by 2023 and 276,401 tonnes by 2028.

Benchmark’s forecast takes into account the trend of reducing cobalt usage in batteries, which many automakers, including US-based Tesla (NASDAQ:[TSLA](#)), have been looking into to avoid supply-side risks.

Despite automakers' efforts to decrease the content of cobalt, which is critical for safety in batteries, Moores said he believes the metal "will not be engineered out of a lithium-ion battery in the foreseeable future."

Another change that doesn't seem to be in the cards is reliance on supply from the Democratic Republic of Congo (DRC), where most cobalt is mined.

"In fact, we are seeing DRC supply-side dominance increasing from 64 percent of global supply in 2017 to 69 percent in 2018," Moores said.

Mining in the DRC has often been linked to child labor and human right abuses.

"What is key to understand is that less than 5 percent of total supply is affected by this. It is, however, a major social responsibility issue for electric vehicle and battery makers to manage," Moores explained.

Currently there is no large-scale output coming from other countries, but new resources could be developed, in particular in the US, which at present has little control over the cobalt supply chain.

"Regions such as the Idaho-cobalt belt, which is globally known as being a cobalt rich jurisdiction, presents one of the few opportunities for US cobalt supply security," Moores told the US Senate.

[First Cobalt](#) (TSXV:[FCC](#)), which owns the Iron Creek project, [eCobalt Solutions](#) (TSX:[ECS](#)), which holds the ICP project, and [International Cobalt](#) (CSE:[CO](#)), which owns Blackbird Creek property, are examples of companies developing assets in that region.

According to the expert, the metal remains "the highest risk lithium-ion battery raw material, both from a supply structure perspective and a geopolitical one."

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Ford Sees Cobalt Production Under Pressure in the Near Future

Ted Miller, Ford's head of energy storage strategy and research, says the cobalt supply situation might get “tricky” over the next few years.



The unprecedented increase in electric car demand forecasts and the issues surrounding security of supply of raw materials continue to be hot topics at this year's Mining Indaba conference, in Cape Town, South Africa.

At the event, which is celebrating its 25th anniversary, Ted Miller, head of [energy](#) storage strategy and research at Ford (NYSE:[F](#)), spoke at a panel about electric vehicles (EVs), the future of cobalt supply and its use in [lithium](#)-ion batteries.

[Miller said](#) that even though current cobalt supply should keep pace with demand, the situation might get “tricky” over the next three to five years.

“I fully anticipate we’re going to keep a lot of pressure on that cobalt production,” he said. “Today it looks feasible but it’s a scenario we’re going to have to watch.”

Ford has previously announced it is ready to launch new electric cars as soon as next year, with plans to invest US\$11 billion in EVs by 2022 — and EVs need batteries.

Currently, there are 68 lithium-ion battery megafactories in the pipeline, with a total capacity of 1.45 TWh by 2028, according to [Benchmark Mineral Intelligence](#). To meet this increasing demand, cobalt supply will need to reach over 200,000 tonnes by 2028.

However, one of the main cobalt supply-side issues is that more than 50 percent of the metal is mined in the Democratic Republic of Congo, where mining has often been linked to child labor and human rights abuses.

That’s why many automakers are looking for ways to secure supply and are expected to sign deals directly with miners to ensure transparency in the supply chain. For its part, at present, Ford doesn’t see the need to participate in mining, or have direct cobalt offtake agreements, but said it is “certainly a topic of conversation.”

“Cobalt is a unique case. One of the things we’re not used to in our industry is driving a commodities market and at this point cobalt is really driven by battery production,” he said. “Now that battery production is going to be dominated by automotive, that puts us in an awkward position.”

In fact, carmakers have been trying to reduce their dependence on cobalt, but [Miller warned](#) that the drive away from cobalt was playing into the hands of other metals. “We’re switching out cobalt dependency for [nickel](#),” he said.

Aside from EV maker Tesla (NASDAQ:[TSLA](#)), which uses nickel-cobalt-[aluminum](#) cathodes with [lower cobalt content](#), most automakers use nickel-cobalt-[manganese](#) (NCM) cathodes for their EV batteries with a 5:2:3 and 6:2:2 compositions currently being the most common.

Discussions around a change in composition to 8 parts nickel, 1 part cobalt and 1 part manganese have been going on for several months, but despite the stability nickel could bring to the supply chain compared to cobalt, [many analysts](#) still believe the switch to higher-nickel cathodes will not happen as fast as many expect.

“The shift to higher-nickel NCM is coming, but it won’t happen overnight,” Roskill’s Director [Jack Bedder](#) told the Investing News Network.

Similarly, Benchmark Mineral Intelligence Managing Director Simon Moores said in a [report](#) that even though electric vehicle manufacturers don’t like the supply chain risks cobalt has, they do, however, like the safety properties cobalt brings to an EV battery.

“This love-hate relationship is at the core of the EV revolution,” he added.

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Eight Capital's 4 Battery Metals Stocks to Watch

Eight Capital analysts David Talbot and Joseph Fars recently gave their four battery metals stocks to watch this year. INN looked into them.



The electric vehicle (EV) revolution continues to unfold at an unstoppable speed, with sales projections getting higher by the minute. Automakers' commitments total an unprecedented US\$300 billion to develop EVs and procure or manufacture batteries over the next 5-10 years.

As a result, demand for raw materials essential to lithium-ion batteries used to power electric cars, including lithium,

cobalt and graphite, is expected to surge in the coming decades.

Despite battery metals stocks having a rough 2018, there are some battery metals stocks worth watching this year for investors looking to gain exposure to the EV boom, according to Eight Capital's David Talbot and Joseph Fars.

Here, the Investing News Network looks at Eight Capital's battery metals top stocks. Read on to learn more about each company. Stock price data was retrieved on January 29, 2019.

1. Cobalt 27 Capital (TSXV:[KBLT](#))

Current price: C\$4.27; year-to-date gain: 17.89 percent

Cobalt 27 Capital is a [battery metals](#) streaming company offering exposure to metals integral to key technologies of the electric vehicle and [energy](#) storage markets. The company owns 2,905.7 Mt of physical cobalt and a 32.6 percent cobalt stream on Vale's (NYSE:[VALE](#)) Voisey's Bay mine, beginning in 2021.

Cobalt 27 is also undertaking a friendly acquisition of Highlands Pacific (ASX:[HIG](#)), which is expected to add increased attributable [nickel](#) and cobalt production from the Ramu mine.

“An emerging diversified barometer of the entire EV sector, a portfolio of royalties and battery metal streaming assets provide lower technical and financial risk than stand-alone projects,” said Eight Capital analysts.

2. [Nemaska Lithium \(TSX:NMX\)](#)

Current price: C\$0.64; year-to-date gain: -12.33 percent

Nemaska Lithium is engaged in the exploration and development of hard rock lithium mining properties and related processing of spodumene into lithium compounds.

The company’s wholly-owned Whabouchi spodumene mine project in Quebec, Canada, is estimated to be the second richest and largest lithium deposit in the world. The spodumene concentrate produced at the Whabouchi mine will be processed at the Shawinigan plant using a unique membrane electrolysis process for which the company holds several patents.

“Work continues on this world-class, financially de-risked LiOH project under construction, while its spodumene con mine is fast-tracked towards production in the near-term,” Eight Capital analysts said.

3. [Neo Lithium \(TSXV:NLC\)](#)

Current price: C\$0.77; year-to-date gain: 9.86 percent

Neo Lithium is rapidly advancing its newly discovered Tres Quebradas (3Q) project — a high-grade lithium brine lake and salar complex in Latin America’s lithium triangle.

The 3Q project is located in the province of Catamarca, the largest lithium-producing area in Argentina. The project covers approximately 35,000 ha and the salar complex within this area is approximately 160 km².

According to a PEA completed last year, 3Q is estimated to have an annual production rate of 35,000 tonnes lithium carbonate. That said, the company is looking to complete a prefeasibility study on the project by the end of the first quarter of 2019.

Speaking about the company, Eight Capital analysts added, “[This is a] large, high purity brine led by veterans looking to deliver qualification samples in Q1/19.”

4. [Nouveau Monde Graphite \(TSXV:NOU\)](#)

Current price: C\$0.26; year-to-date gain: -7.14 percent

Nouveau Monde is developing the Matawinie property in Saint-Michel-des-Saints, 150 km North of Montréal. Last year, the company completed a feasibility study which

showed strong economics with projected graphite concentrate production level of 100,000 tonnes per year over a 25.5-year period.

The company will operate its demonstration plant until 2020. During this period, it expects the production of 2,000 tonnes of concentrated flake graphite to qualify its products with North American and international clients.

Looking ahead, Nouveau Monde is planning the establishment of a large-scale graphite secondary transformation facility, catering the needs of the booming lithium-ion battery market.

“2019 should see Matawinie graphite project emerge from being a refractory story into an EV developer story by incorporating value added spherical purified graphite to its plan,” Eight Capital analysts said.

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Top Cobalt Stocks of 2019 on the TSXV

What are the top cobalt stocks of 2019? These TSXV-listed cobalt companies have all seen year-to-date share price increases.



While the decline in cobalt prices continued during the first quarter of 2019, demand for the [battery metal](#) is still expected to surge in the coming years, driven by electric vehicle (EV) uptake.

As the EV revolution continues to expand, demand for key battery metals like [lithium](#), [graphite](#) and cobalt is

expected to continue following suit accordingly.

Below we run through the three top cobalt stocks on the TSXV by share price performance. All year-to-date and share price information was obtained on April 10, 2019, from TradingView's [stock screener](#), and all companies listed had market caps above C\$10 million at that time.

1. Cobalt 27 Capital (TSXV:[KBLT](#))

Year-to-date growth: 24.85 percent; current share price: C\$4.12

Cobalt 27 Capital is a Toronto-based company that offers pure-play exposure to cobalt and other key EV battery metals. The company owns physical cobalt and has acquired a cobalt stream on Vale's (NYSE:[VALE](#)) Voisey's Bay mine beginning in 2021.

On January 2, the company [announced](#) the friendly acquisition of Highlands Pacific (ASX:[HIG](#)) to create a diversified battery metals streaming company, increasing its exposure to cobalt and [nickel](#) production from the Ramu mine. During the first three months of the year, Cobalt 27 Capital also acquired royalties on the producing [Mount Marion lithium](#) mine, the Flemington nickel-cobalt project and the Nyngan [scandium](#) project in Australia.

2. BlueBird Battery Metals (TSXV:[BATT](#))

Year-to-date growth: 14.89 percent; current share price: C\$0.27

Focused on exploring and developing strategic battery metals projects and striving to be a leader in the sector, BlueBird Battery Metals has a particular scope on [copper](#), cobalt, nickel and [vanadium](#). The company has two primary assets: its Canegrass project and its Ashburton project, both of which are located in Western Australia.

3. [First Cobalt \(TSXV:FCC\)](#)

Year-to-date growth: 11.76 percent; current share price: C\$0.19

First Cobalt is a vertically integrated cobalt exploration and development company with three significant assets located in Idaho, US, and Ontario, Canada. The company is focused on developing a supply of battery-grade cobalt in North America for the rapidly growing EV market.

First Cobalt's Iron Creek project, which covers 727 hectares in the Idaho Cobalt Belt, is one of the few cobalt projects in the US potentially nearing production over the next five years.

On April 3, the company [announced](#) that it had successfully produced battery-grade cobalt sulfate at its refinery in Ontario. First Cobalt is looking to restart the idled refinery within two years, and is in talks to supply the battery-grade product to four leading automakers, CEO Trent Mell told [Reuters](#) on April 10.

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