

Analysts Say Cobalt 27 Capital Corp. Transforming into Premier Battery Metals Investment Vehicle; Continued EV Demand Set to "Drive" Cobalt and Nickel Consumption

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TORONTO, February 13, 2019 - Analysts say [Cobalt 27 Capital Corp.](#)'s (OTCQX: CBLLF) (TSXV: KBLT) growing portfolio of battery metal streams and royalties is positioning the Company as an attractive investment vehicle that offers direct exposure to the positive, long-term fundamentals in minerals such as cobalt and nickel, and now lithium.

RBC Capital Markets analyst Andrew Wong, who recently initiated coverage of the Company and gave it an outperform rating, says "Cobalt 27 provides the most direct investment exposure in cobalt through a combination of physical cobalt holdings and streaming assets free from potential sourcing conflicts" and that "...the company's cobalt assets are well positioned to capitalize on two emerging trends- the growing deficit in cobalt metal markets, and the increasing focus on cobalt supply that is free from potential conflict." Wong says he "believes that electric vehicle (EV) adoption is still in the early stages and expect[s] significant growth through 2025, with nickel and cobalt critical to this trend as key elements in advanced battery chemistries."

Meanwhile National Bank of Canada analysts believe that the Company is becoming more diversified and shares could be finding a bottom. In a recent bulletin its analysts maintained their outperform rating on the Company while noting that its macro theme for EV growth remains intact.

Near-Term Cobalt Supply Concerns

As pointed out by Wong, acquiring battery metal assets in conflict-free regions of the world is becoming increasingly difficult. The Democratic Republic of Congo alone accounts for approximately 70% of global cobalt production each year, yet as recent events have shown the country represents a highly unstable and unpredictable jurisdiction for mining companies to operate in.

Take for example the DRC's recent decision to declare cobalt a strategic metal, which made the mineral subject to a 10% royalty. This new royalty directly increases the cost of production for operators within the DRC and could reduce future output or even restrict new, semi-marginal cobalt mines from coming online all together.

The DRC government also suspended exports from one of the world's largest sources of cobalt, the Kamoto mine, in late 2018 after detecting elevated levels of uranium above those allowed for exports. Kamoto is owned by a subsidiary of [Glencore plc](#) called Katanga Mining. Katanga has recently said it expects the export ban to last until late 2019 to allow time to permit and build an ion exchange plant to reduce the levels of uranium in its cobalt hydroxide product. The DRC's Minister of Mines has requested that construction of the ion exchange plant be suspended after citing concerns around the technical solutions offered by Katanga Mining.

Kamoto was projected to produce 26,000 tons of cobalt in 2019, which would have made it one of the world's single largest sources of cobalt. With its future unclear, at least in the near term, spot prices of cobalt could rise as new supplies are unable to come online quickly enough to fill the void.

Long-Term EV Demand to "Drive" Cobalt and Nickel Consumption

In addition to short-term supply shortages, long-term demand fundamentals for battery metals continue to look robust as well. In a recent report RBC Capital Markets said that it expects the cobalt market to enter into a significant long-term deficit in the early-2020's as EV demand outpaces planned supply. RBC also stated that it believes the cobalt market may be nearing a bottom and could stabilize in 2019 as prices approach marginal cost, while the long-term price outlook rises as the cobalt market tightens starting 2022.

National Bank of Canada analysts see robust demand on the EV side as well, noting that sales of "pure electric and plug-in hybrid vehicles are up ~65% YTD to the end of November, with a total of ~1.7 mln new EV's entering the market. With visibility on new vehicle models and battery plants under construction, we believe the market could grow at a CAGR of >30% for the next 7 years, putting increased pressure on the materials supply chain."

National Bank also pointed out that the automotive industry has seen over \$300 billion of procurement and investment commitments in just the last few years from the likes of Tesla, Ford, General Motors and many other large automakers. Analysts believe that these types of investments underpin their forecasted cobalt demand over the next few years and creates the potential for a shortage, which could lead to higher battery metal prices across the board.

This could hold well for Cobalt 27 shareholders as the Company holds one of the world's largest private stockpiles of physical cobalt totaling over 2,900 metric tonnes. In addition, the Company continues to invest in its cobalt, nickel and lithium-focused portfolio of streams, royalties and direct interests in mineral properties containing battery metals.

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