
Analyst Ideas of the Week – Consolidating Cobalt Projects

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Consolidating Cobalt Projects / Partnership with Chinese Cathode Manufacturer

This week, we are introducing a brand new TSXV listed company - Global Energy Metals Corporation (TSXV: GEMC). **The company is focused on building a diversified portfolio of projects focused on battery metals, primarily cobalt.** GEMC currently owns the Werner Lake Cobalt Mine in Ontario, Canada, and has an option to acquire a 75% interest in the Millennium cobalt-copper project in Australia.

One of the major highlights of this company is a **strategic agreement with Beijing Easpring Material Technology Co.** to jointly invest, develop and commercialize cobalt projects. Easpring is a cathode manufacturer and supplier to the world's largest lithium battery manufacturers. According to the company, Easpring is the only Chinese supplier of high-quality cathode materials to China, Japan and Korea's high-end lithium ion battery market.

The **Werner Lake project** hosts two past-producing primary cobalt mines – one produced 146,386 lbs of cobalt from 1940 to 1944, and the other produced 10,000 tonnes of cobalt ore between 1996 and 1997.

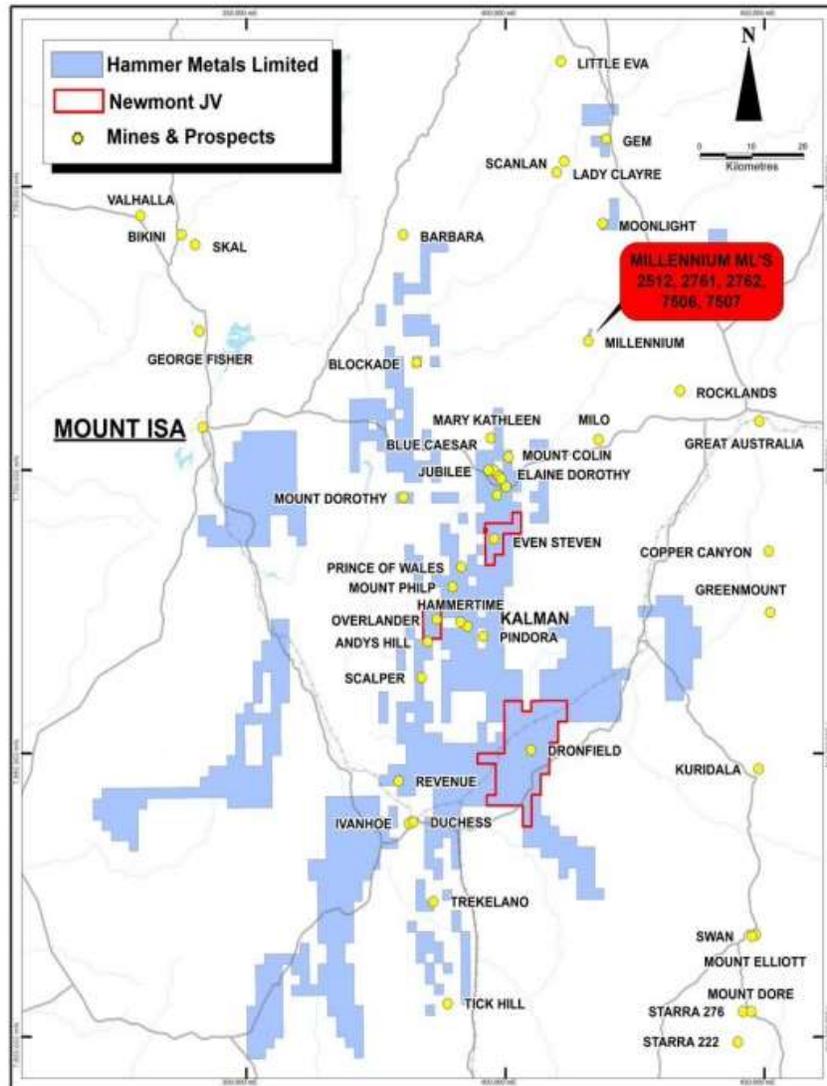
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In May 2017, the company entered into a binding agreement with Hammer Metals Ltd. (ASX: HMX) for the exclusive right to acquire up to a 75% interest in the **Millennium Cobalt project**, located in the Mount Isa mining region of Australia. The acquisition price is \$2.70 million paid over three years, including \$2.50 million in exploration and development expenses, and \$0.20 million in cash.

The project's location is shown in the map below.



Source: Company

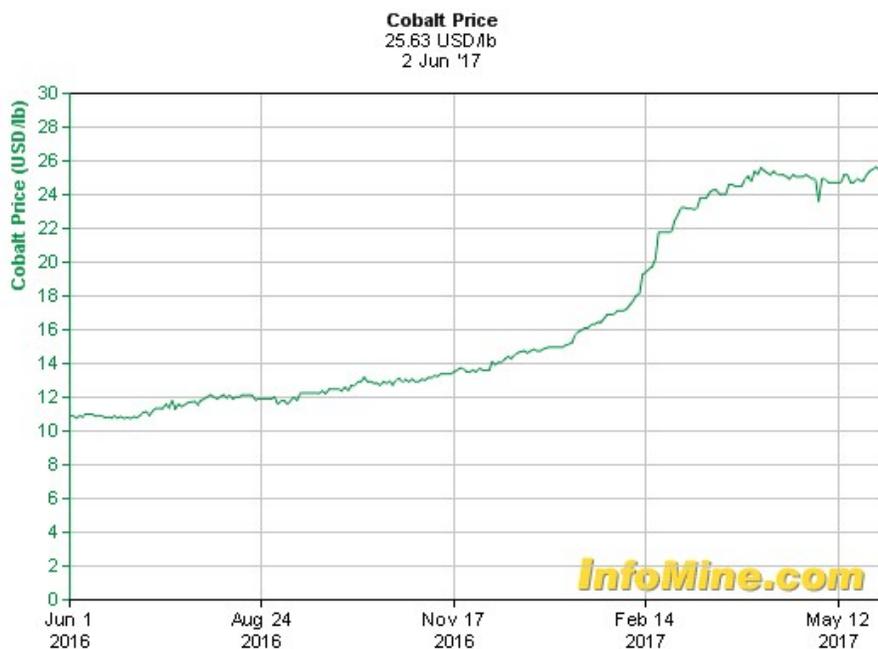
The project has a 2012 JORC compliant inferred resource estimate, as shown in the table below.

Cu-Eq Cut Off	Tonnes	Cu Eq (%)	Co (%)	Cu (%)	Au (ppm)
1.0%	3,070,000	1.29	0.14	0.35	0.12

According to the company, preliminary hydrometallurgical studies have demonstrated the potential for the recovery of saleable cobalt and copper concentrates. A drill program last year indicated results of 8 m at 0.35% Co and 4 m at 0.51% Co.

The company completed a site visit on the project earlier this month and has indicated that they are moving towards a definitive agreement.

The price of cobalt is up 83% over the past six months to the current price of US\$25.63/lb.



The following chart from Bloomberg shows the strong demand growth of cobalt for batteries.



We expect the demand for cobalt in rechargeable batteries will continue to be the key demand driver of cobalt going forward. The most common rechargeable batteries in the market today are Lithium-Ion batteries (“LIB”). In a LIB, lithium is used as the electrolyte, graphite as the anode (negative electrode) and cobalt typically as the cathode (positive electrode). LIBs are used in a wide range of electronic equipment, such as mobile phones, laptops, and digital cameras to name a few. However, the biggest growth driver is the use of LIBs in electric cars. **To put things in perspective, a smartphone uses approximately 5-10 grams of cobalt, a laptop uses approximately 30 grams, while an electric car uses 5 – 15 kg of cobalt.** Cobalt’s superior energy density and ability to retain a charge for a longer period make cobalt-bearing batteries preferred for use in EVs.

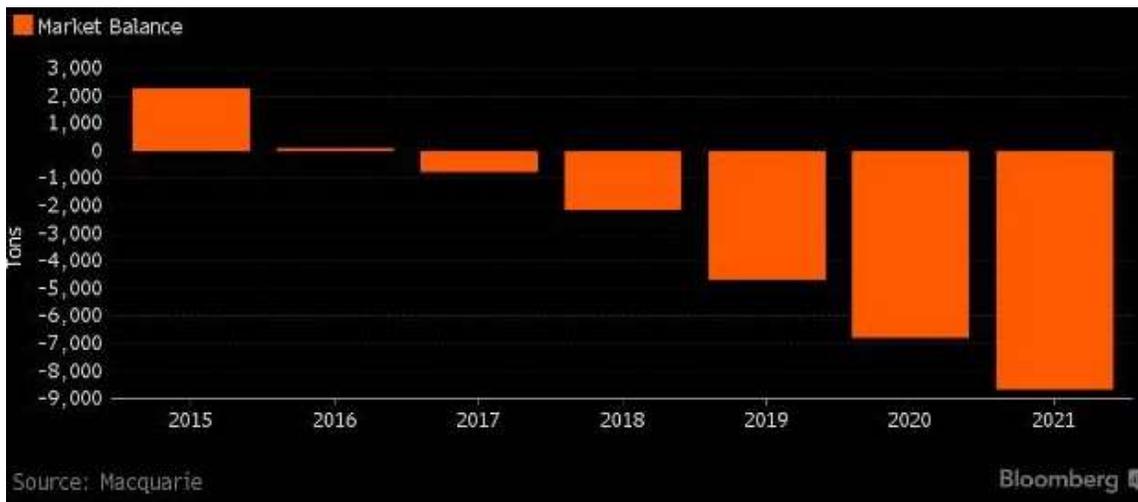
One of the biggest concerns with cobalt supply is that there are growing concerns over cobalt ore supplies from the DRC. First, the DRC has had an unstable political history including several civil wars. Second, in early 2016, Amnesty International (a non-governmental organization focused on human rights) stated in a study that approximately 20% of the cobalt mining in the DRC is by artisanal miners, and that there are approximately **40,000 child miners in the southern DRC.** Amnesty International suggested that most of the leading technology and automotive companies are likely to be using cobalt in their products that has been mined by child labour. The study strongly encourages these large players to further investigate their cobalt supply chain and prove that they are addressing human rights abuses. Third, various sources suggest that a significant amount of the DRC’s readily available, near-surface oxide copper-cobalt ores have been depleted – the primary material shipped to China for refining. Additional mining will

transition into deeper sulphide ores, and this will increase processing costs.

Most of the major electronics manufacturers have expressed their intent to increase scrutiny of how all of their cobalt is obtained

Another key factor to note regarding cobalt supply is that, as cobalt is produced primarily as a by-product of copper and nickel mining, cobalt production is highly dependent on copper and nickel prices.

The following chart shows the estimated supply deficit:



Based on the strong demand growth forecast, and the high potential of users to seek supply outside of the DRC, we maintain a positive outlook on cobalt prices.

GEMC is headed by Mitchell Smith, President & CEO, and Erin Chutter, Executive Chairperson. The company’s other directors are:

- Raymond Castelli
- Gaston Reymenants
- Peter Reynolds
- Paul Sarjeant

Management holds 30% of the outstanding shares.

With 35.38 million shares outstanding at \$0.16 per share, GEMC currently has a market capitalization of just \$5.48 million. The company is planning multiple acquisitions in the coming 12 months and we consider this a good stock for investors to start monitoring. We will be initiating coverage in the coming weeks.

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