

Positive feasibility study results reinforce eCobalt's leadership position in U.S. cobalt market

Over the last twelve months, amid a complex interplay of supply constraints and positive demand pressures, the price of cobalt has gone from around \$12/lb to just over \$27/lb. While we can resultantly expect a number of new projects to begin exploration efforts, there remains a single near term, primary supply of cobalt in the United States. As a company that has recently received confirmation of functional project economics from a positive feasibility study (FS), eCobalt Solutions Inc. (TSX: ECS | OTCQB: ECSIF) ("eCobalt") has become perhaps the safest junior cobalt investment that the States has to offer.

Anyone who hasn't yet heard of the imminent explosion in the electric vehicle market likely doesn't care, so I won't go too far into the details, but half of the vehicle manufacturing cost will be taken up by the battery unit, making key ingredients such as lithium and cobalt the next hot commodities. In terms of the manufacturers creating the demand, Tesla may have the Nevada gigafactory, but China has numerous megafactories that deserve far more attention than Mr Musk's hype-fuelled affairs. The fact that Chinese companies such as CATL and Lishen are already producing large quantities of lithium ion units means that their scaling will have a greater effect on the marketplace than a single factory, regardless of size.

In 2016, megafactories burned through 46,000 tonnes of cobalt, but by 2020, it'll be more like 76,000 tonnes. eCobalt's Idaho Cobalt Project (ICP) is slated to provide a weighted average

annual production of 2.4M lbs of cobalt, 3.3M lbs of copper and 3,000 oz of gold over a 12.5 year mine life with an estimated pre-production period of 24 months utilizing a 0.25% cobalt cut-off grade. The economic model uses a 34% corporate tax rate and a 7.5% discount rate, resulting in an after-tax NPV of \$135.8M and an IRR of 21.3% using an average base case price of \$26.65/lb for contained cobalt in cobalt sulphate.

The authors of the study have concluded that it contains adequate detail and information to support a positive outcome for the ICP. Standard industry practices, equipment and design methods were used, and it was further concluded that the ICP contains a viable cobalt and base metal resource that can be successfully mined by underground methods and recovered to concentrate with conventional milling processes. Using the assumptions contained in the FS, the project's economics merit promoting the ICP to the financing and execution stage.

Moving forward, management's primary goal is to evaluate all opportunities for the ICP. eCobalt is considering securing offtake agreements for cobalt sulphate heptahydrate, which eCobalt has produced from recent metallurgical testwork and shipped to potential offtakers for evaluation. Initial feedback regarding product quality has been positive and requests for additional sample material are being fulfilled, but side projects aside, the fact that cobalt will likely move into supply deficit sometime (very shortly) after 2020 means that those producers lucky enough to be near-term in 2017 should be able to catch the very sharpest edge of the battery upside.

For me, the timing of this operation is just impeccable; looming market expansion and supply constraints will most certainly send explorers running for the drills, but with eCobalt almost powering up the conveyor belts for the first time, this is a company positioned so well as to be difficult to believe. Share performance on eCobalt has been immensely strong over the past two years, but this is nothing compared

to what will likely happen over the next five. Congratulations are certainly due for the positive feasibility study results, since this represents a culmination of many years of hard work, but investment is what the ICP needs now, and I don't think it's going to struggle.