

# How First Cobalt Is Handling The Rapid Growth Of The Cobalt Industry



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In December 2017, First Cobalt closed a merger with Cobalt One to form the largest landowner in the Cobalt Camp in Ontario and owns the only cobalt refinery in North America for producing battery materials. First Cobalt's primary focus is on the Greater Cobalt Project, which is over 10,000 hectares of prospective land including more than 50 past producing mines, a mill and the only permitted cobalt refinery in North America that is capable of producing battery materials. And First Cobalt was formed with the intent of providing investors access to the growing cobalt market, which is largely driven by the electric vehicle revolution.

To learn more about First Cobalt's CEO and President Trent Mell and the company, I conducted an interview with him. Mell told me that he grew up in rural Canada with his mother, older sister and younger brother. His parents went bankrupt and divorced during the recession in 1981. As his mother did not want to chase their father for support, the family made their home out of a sea container and old summer cottage 10 miles outside the nearest town. Mell said that it was a loving home, but it was very cold in the winter and there were periods where running water was hard to come by. The family drank powdered milk, struggled to pay the bills and hitchhiked to get around.



First Cobalt

*First Cobalt CEO Trent Mell*

Mell vowed to never again live on social assistance in his early teenage years and his mother incessantly pushed him to get an education. And he also benefited from being in a country where a person can pull themselves out of poverty. Mell ended up getting five university degrees and started his professional career as a corporate lawyer at one of Canada's most prestigious law firms.

When I asked Mell where cobalt is mined today, he said that it is a byproduct of copper and nickel mines. And it is mostly produced by large diversified base metals companies so it is not easy for investors to get exposure to the commodity.

The First Cobalt team recognized that the automotive industry is in the "early innings of a fundamental change" and the mining industry was not prepared to answer the call for a 100% increase in demand for cobalt over the next seven to eight years.

When Mell joined the company in March 2017, there was not a team or assets in place so he started recruiting a few industry veterans to help identify prospective cobalt properties around the world. Now the senior leadership team and the board of directors have well over 200 years of combined experience in mining. Mell began his mining career with Barrick Gold and then joined Sherritt, which produces nickel and cobalt. But he said he now prefers the junior mining space as there are better opportunities to create shareholder value.

First Cobalt started its expedition for assets in the Democratic Republic of the Congo (DRC) as nearly two-thirds of global cobalt production is currently mined there. Mell said that even though there were some great properties, the company abandoned the chase for two reasons. The first reason is the geopolitical conditions in the DRC are getting worse and there is a growing concern about child labor being used in some Congolese cobalt mines. And the second reason for leaving the Congo is the appeal of exploring what the company believes is among the most prospective cobalt camps near a small Canadian town called Cobalt. “Yes, the town is actually called Cobalt,” Mell pointed out.

This area is known as The Cobalt Camp, which was discovered more than a century ago. But despite its impressive history of cobalt production, it has been perceived as a silver camp as more than 600 million ounces of silver was produced from 100 small underground mines. Those mines also produced 50 million pounds of cobalt, but this was not a focus for mining in that era.

Under Mell’s leadership, First Cobalt’s market capitalization went from C\$20 million to C\$325 million in under a year. So I asked him what sorts of changes he implemented to make this happen. “The vision we brought into the Cobalt Camp was to consolidate an old, fragmented silver camp under one roof and explore the area for near-surface cobalt mining opportunities. The Camp has never seen meaningful land assembly on the scale achieved by First Cobalt nor has it been studied for its cobalt endowment and bulk mining potential. By combining historic data with today’s computing power and current-day mining techniques, we believe that this mining district is ripe for a rebirth. I led a similar strategy as CEO of Falco Resources, where we compiled decades of historic data to revive a former world class copper-gold mine,” Mell answered.



First Cobalt

*First Cobalt team members*

Mell became interested in building a cobalt company since it is a scarce resource and nearly two-thirds of production was coming from the Congo. And miners “have never been paid to explore for cobalt for cobalt’s sake. Rather, we have mined the metal as a by-product of copper and nickel mines around the world. Thus, on the one hand, I see a scarcity factor but I also see an opportunity for smart teams to identify new cobalt deposits that may have been overlooked until now.”

Since mining is a cyclical industry and the timing is crucial, it is important to follow the global economy. Cobalt is a key metal in lithium-ion batteries, which is known for driving a mobility revolution that extends well beyond Tesla Motors. The automotive industry is in the very early stages of a move away from combustion engines to electric vehicles and currently, electric vehicles only account for 1% of global vehicle sales. However, nearly every auto manufacturer has committed to introducing a line of electric vehicles over the next few years. And so Mell believes that the timing could not be better for a new cobalt company.

Last year, there were approximately 121,000 tons of cobalt produced worldwide, compared to about 9.4 million tons of refined copper production. Nearly half of that cobalt was used in lithium-ion batteries used in mobile devices, laptops, power tools and electric vehicles. To double the number of electric vehicles purchased annually from 1% to 2% globally, the automotive market would require an additional 26,000 tons of cobalt production.

First Cobalt’s efforts to accumulate as much land as possible in the Cobalt Camp led to a 3-way merger that provided the company with 45% of the Cobalt Camp, 50 past producers and the only permitted refinery in North America that can produce cobalt battery material. Mell added

that the refinery has been a key strategic asset that cannot be easily replicated by First Cobalt's peers given the lead time to permit, engineer, build and test such a facility.



First Cobalt  
*First Cobalt's refinery*

“There is growing concern over where new supply will come from but I am very confident there will be new cobalt discoveries in the coming years, both inside and outside the DRC. As I said earlier, miners have never been incentivized to spend money finding new sources of cobalt – we are entering a new era of exploration,” Mell explained. “I believe that parts of North America, including the Cobalt Camp in Ontario, could become an important source of ethically-sourced cobalt and early indications have been encouraging. My objective is to be the first to identify a new and meaningful supply of cobalt.”

As of right now, mobile devices are the largest end-uses for cobalt. And outside of the electric vehicle and battery market, the largest use of cobalt is in super alloys for the aerospace industry with the second largest end use of cobalt in recent years being turbine blades.

“For the first time in my mining career, we have caught the attention of younger consumers. Cobalt is not just in Tesla vehicles but is found in their iPhones and will play an important role in reducing global greenhouse gas emissions. Cobalt also has a promising future in grid storage, another area of interest to millennials,” Mell concluded. “Mining bears many similarities to the tech and biotech industries, but we have not enjoyed the same level of retail investor interest over the past 20 years. My hope is that by connecting the dots between the values of today’s young people and what we pull out of the ground, we can nurture a dialogue and a new generation of resource investors.”

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