Electra Battery Materials is leading the ‘charge’ for battery materials with a signed cobalt supply agreement

written by InvestorNews | October 13, 2022

South Korean LG Energy Solution Inc. (LGES), a leading global manufacturer of lithium-ion batteries for electric vehicles, mobility, IT, and energy storage systems, recently announced three agreements in a span of 24 hours with Canadian miners to source materials required to make batteries for EVs. It appears the Inflation Reduction Act, which requires that 40% of battery components be sourced from factories in the U.S. or its free trade agreement partners, and that Chinese components and minerals be phased out beginning in 2024, has lit a fire under those who want to lead the charge to manufacture EV batteries for North American built vehicles. This could be a very positive trend for North American miners and material processors/recyclers.

One of the “winners” of the LGES battery supply deals was Electra Battery Materials Corporation (TSXV: ELBM | NASDAQ: ELBM). Electra is a processor of low-carbon, ethically-sourced battery materials that is currently commissioning North America’s only cobalt sulfate refinery. Electra is executing a multipronged strategy focused on onshoring the electric vehicle supply chain. Keys to its strategy are integrating black mass recycling and nickel sulfate production at Electra’s refinery located north of Toronto, advancing Iron Creek, its cobalt-copper exploration-stage project in the Idaho Cobalt Belt, and expanding cobalt sulfate processing into Bécancour, Quebec.

We've made several references to the Bécancour area in previous InvestorIntel articles as it also becomes a rapidly emerging center for producing the advanced materials needed for lithium-ion batteries.

Electra's binding term sheet with LGES is a three-year agreement to supply LGES with 7,000 tonnes of battery grade cobalt from 2023 to 2025. Electra will supply 1,000 tonnes of cobalt contained in a cobalt sulfate product in 2023 and a further 3,000 tonnes in each of 2024 and 2025 under an agreed pricing mechanism. Cobalt sulfate provided under the term of the contract with LGES will be sufficient to supply up to 1.5 million full electric vehicles. In addition to the supply agreement, Electra and LGES have agreed to cooperate and explore ways to advance opportunities across North America's EV supply chain, including, but not limited to, securing of sustainable sources of raw materials. In my opinion, this marks validation of Electra's cobalt sulfate refinery as this is an actual binding agreement, not just a LOI or MOU or some other wishy washy type of agreement that makes great press but essentially means very little, at least initially.

Building on the momentum of the commercial agreement with LGES, Electra provided a September 28 update on the commissioning of its cobalt refinery, confirming that it remains on track to meet project timelines, including the launch of a black mass recycling demonstration. The Company anticipates launching the battery recycling demonstration plant at the Ontario refinery site this fall. Revenue generated from black mass recycling activities will be accretive to results expected from the sale of cobalt sulfate that is anticipated beginning in spring 2023 when the refinery is commissioned. Possibly even more critical to their operations in today's environment, Electra will use a hydrometallurgical process to treat black mass to recover contained lithium, nickel, cobalt, copper and graphite. This

process has a low carbon footprint and produces stable non-acid generating tailings, thereby reducing environmental impacts while meeting or exceeding water discharge effluent criteria as stipulated by both federal and provincial regulations.

However, Electra isn't simply a material processor/refiner/recycler, they also have the Iron Creek Project located within their Idaho property. Iron Creek is one of several cobalt-copper resources and prospects within the Idaho Cobalt Belt, a prospective mineralized system that contains the largest primary resources of cobalt in the United States, according to the U.S. Geological Survey. Last week the Company announced a new cobalt zone following the receipt of assay results from drilling at its Ruby prospect. The Ruby target is a new zone of cobalt mineralization located approximately 1.5 km southeast of Electra's flagship Iron Creek deposit. This project has the potential to become an important source of cobalt in the U.S. and reduce North America's reliance on foreign supply.

Electra finished Q2/22 with over C$40 million of cash, has completed 85 percent of all procurement and 90 percent of detailed engineering for its cobalt sulphate refinery, and has a binding cobalt offtake agreement with LG Energy Solution. That seems like a pretty good combination to successfully move forward in the race to be relevant in the battery materials business in North America. Is the C$135 million market cap a little rich at the moment? I guess it depends if they are successful at hitting their 5,000 tonnes per annum battery-grade cobalt goal in 2023. With spot prices over US$50,000/t, that suggests an annual revenue stream of US$275 million. I guess a lot depends on what kind of margins there are in cobalt refining.

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