

## Cobalt Blue Holdings Limited

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05 July 2018

### **PFS: FURTHER DETAILS ON POTENTIAL PROJECT FINANCING**

Cobalt Blue Holdings Limited (**Company**) refers to the Pre-Feasibility Study (**PFS**) announced to the ASX on 4 July 2018.

The quantum of funding required to produce the Bankable Feasibility Study (**BFS**) is currently the subject of a budgeting process which has not been finalised. The projected costs from the BFS stage until the operations stage are outlined in the capital costs described in the announcement made yesterday. The Company has considered a range of options for funding prior to and during the expenditure of capital costs. It is anticipated that finance will be sourced through strategic partnerships, including the use of debt and equity – see the LGI discussion below. The Company Board is confident it will be able to obtain the funding to complete the BFS without difficulty. The Company Board considers that it has reasonable grounds for project financing and availability of funding as set out in the announcement made yesterday, including:

#### **COB Commercial Strategy – Maximise the Margin**

The Thackaringa Cobalt Project strategy is to examine an integrated mine/refinery concept. Traditionally, cobalt mines have sold cobalt as a byproduct of either copper or nickel and received a fraction of the value of the contained cobalt. Cobalt Blue's strategic focus is upon the battery industry and producing a battery ready cobalt product (cobalt sulphate) at sufficient purity to enter the production chain directly. This allows Cobalt Blue to sell directly into the battery industry (specifically to cathode precursor manufacturers representing the front end of the industry). The long-term commercial strategy is to extract the maximum cobalt margin. This is detailed in the announcement made yesterday.

#### **COB Processing Technology – Commercial Acceptance – World Class Partner**

The Board and management have a strong track record of attracting partner interest and attracting new capital – refer to the 2 successful raisings in the past 8 months, including US\$6 million from LGI, detailed in the following paragraph.

COB has previously announced (23 March 2018) a Strategic First Mover partnership with LG International (LGI), which was also summarised in the announcement made yesterday. LGI is the resources investment arm of LG Corporation, acting in cooperation with LG Chem. LG Chem is one of the largest lithium ion battery makers in the world. LG Chem possesses strong technical leadership in the development of next generation batteries, in particular for fixed storage and Electric Vehicles (EVs). LG Chem is also one of the leading EV battery makers globally. Under the First Mover partnership LG will provide capital and technical assistance to COB.

There are also specific results of the PFS which the Company considers make the project particularly attractive to third party strategic partners:

#### **Attractive Project Returns**

Thackaringa Cobalt Project capital costs are estimated at \$A550 million (including \$A66 million in contingencies) and approximately \$A24 million in pre strip. The (Production Target) project return is \$A544 million delivering an IRR of 22%, well in excess of commercial cost of capital assumptions.

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The Thackaringa Cobalt Project (Production Target) has a payback period of less than 4 years. Examining capital intensity (US\$/t cobalt production), at approximately US\$115K per tonne, the project is a standout amongst its global peer group.

### Project Operating Costs – Economically Resilient

The PFS delivered an operating cost (C1 US\$/lb - net of sulphur) of ~US\$12.80/lb of cobalt. This is before the upcoming cost optimisation studies (tailings and power). The Company believes that US\$10-12/lb is a world class benchmark and provides economic resilience (the ability to operate under depressed market conditions). The (real) cobalt price has dropped below US\$12/lb only once in the last 40 years. This is detailed in the announcement made yesterday.

### Extension of Mine Life

This is a very significant point indeed. There is potential to extend the project life by treating ore from inferred inventories from the known resources and from other sources beyond Thackaringa, which represent opportunities for Cobalt Blue that would have significantly positive returns on capital. This potential is also highlighted in the announcement made yesterday.

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COB confirms it is not aware of any new information or data that materially affects the information included in the original market announcement of 4 July 2018, and that all material assumptions and technical parameters underpinning the estimates in the market announcement continue to apply and have not materially changed. COB confirms that the form and context in which the Competent Person's findings presented have not been materially modified from the original market announcement.

Some statements in this announcement regarding estimates or future events are forward-looking statements, including prospective financial material which is predictive in nature. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Forward-looking statements include, but are not limited to, statements preceded by words such as "planned", "expected", "projected", "estimated", "may", "scheduled", "intends", "anticipates", "believes", "potential", "could", "nominal", "conceptual" and similar expressions. Forward-looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which may be inaccurate, and are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance.

Forward-looking statements may be affected by a range of variables that could cause actual results to differ from estimated results, and may cause Cobalt Blue's actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include but are not limited to liabilities inherent in mine development and production, geological, mining and processing technical problems, the inability to obtain mine licenses, permits and other regulatory approvals required in connection with mining and processing operations, competition for among other things, capital, skilled personnel, changes in commodity prices and exchange rate, currency and interest rate fluctuations, various events which could disrupt operations and/or the transportation of mineral products, including labour stoppages and severe weather conditions, the demand for and availability of transportation services, the ability to secure adequate financing and management's ability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward-looking statements will prove to be correct.

Statements regarding plans with respect to Cobalt Blue's mineral properties may contain forward-looking statements in relation to future matters that can only be made where the Company has a reasonable basis for making those statements. Cobalt Blue has concluded that it has a reasonable basis for providing forward looking statements included in this announcement.