

Cobalt Blue Holdings Limited

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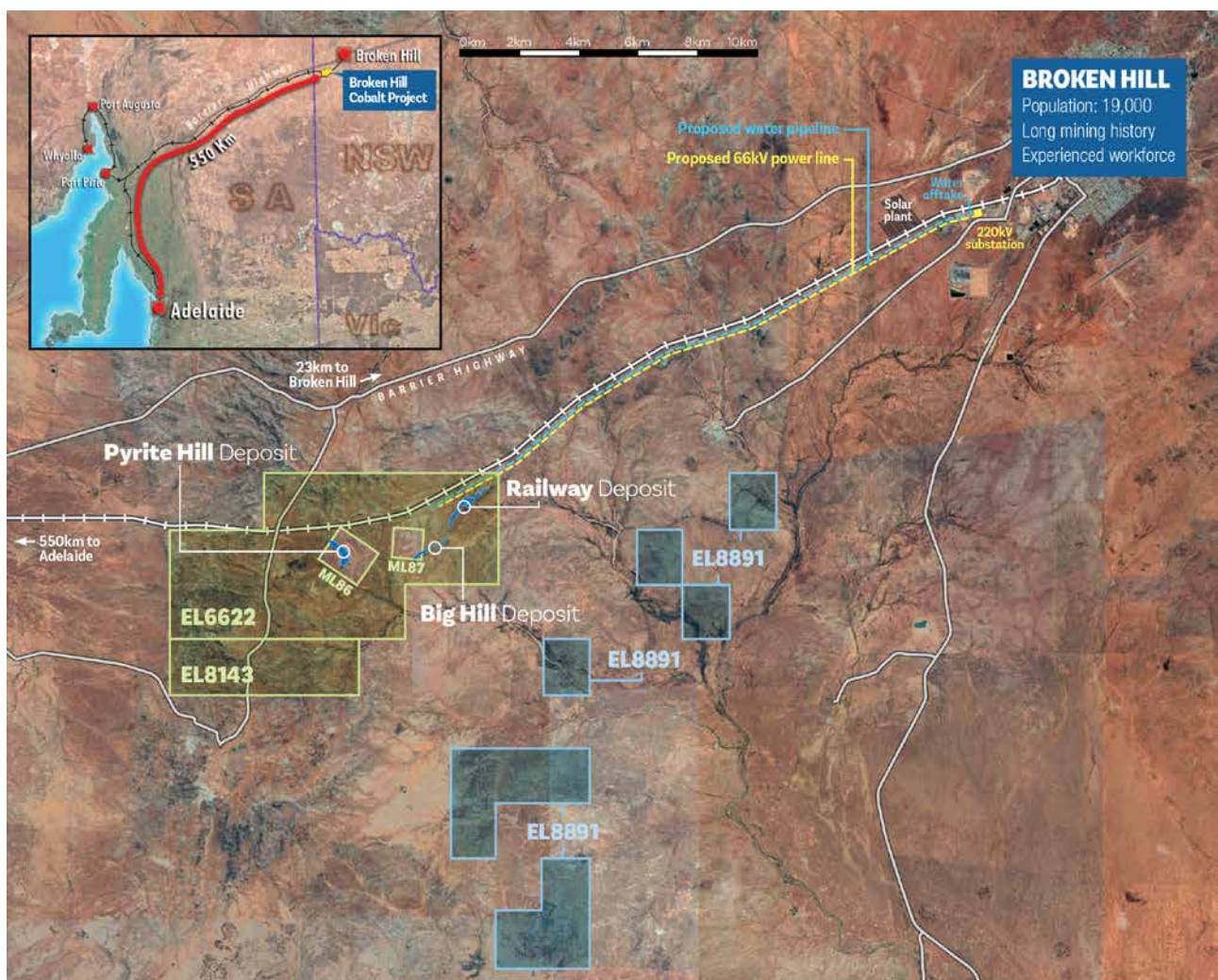
CEO's Letter to Shareholders

Post our successful negotiations* for the acquisition of 100% Ownership and Legal Title of the Broken Hill Cobalt Project, I wish to update shareholders on our business and refresh project timelines.

Over this last year, work programs have continued and our business model has evolved as confidence builds in the quality of our flagship Broken Hill Cobalt Project and associated proprietary cobalt-pyrite processing technology.

I wish to now unveil a two-part strategy for Cobalt Blue Holdings Limited (COB) for The Broken Hill Cobalt Project (BHCP) and COB Partnerships (commercialisation of COB proprietary technology).

Figure 1. **The Broken Hill Cobalt Project**



*Subject to final documentation

The Broken Hill Cobalt Project

COB has been busy since the delivery of the Pre-Feasibility Study (PFS) for the Broken Hill Cobalt Project. The 2018 PFS (4 July 2018 - **note 1**) reported strong cobalt recoveries of 85-86% from ore to final cobalt sulphate product and proved up a world class, long life primary cobalt project.

Earlier this year we delivered a significant resource upgrade (4 April 2019 - **note 1**) for the project (with over 30,000 metres drilled since 2016) representing a 235% in resource tonnes (111 million tonnes) and in the process identifying ~80,000 tonnes of contained cobalt.

In parallel, large scale testing (comprising 1,588 samples totalling 45 tonnes taken across the 3 deposits) of the concentration circuit was undertaken. This testwork (21 June 2019) confirmed earlier positive results, achieving strong recovery of cobalt to concentrate, confirming PFS results but now at 50x larger scale. The testwork also showed consistent circuit performance (as measured by concentrate grade and cobalt recovery) for a wide range of feed ore grades.

Whilst we will continue to develop our existing tenements, COB is focussed on exploring for further cobalt resources in the wider Broken Hill district. We recently announced (22 August 2019) a sizeable extension to our footprint via the granting of EL8891 (100% COB) that added 40% additional acreage.

Commercially, COB entered into an agreement (31 May 2019) with Mitsubishi Corporation for the market evaluation (100 tonnes) of elemental sulphur to be produced from bulk metallurgical testwork. This represents a second active interest in our project from a world class partner. The project is **hoped to** become a long-term, large scale (@ 300,000 t/yr) supplier of elemental sulphur. The sulphur will be in a prilled form, suitable for long-distance transport and rehandling. COB is aiming to be a new global supplier of elemental sulphur.

Looking back since our ASX listing reveals significant developmental progress:

Figure 2. **COB's Achievements**

2 0 1 7	2 0 1 8	2 0 1 9
<ul style="list-style-type: none"> ■ IPO ■ Resource upgrade Drilling: +8,000m Resource: 55Mt ■ Scoping Study 	<ul style="list-style-type: none"> ■ Resource upgrade Drilling: +12,500m Resource: 72Mt ■ LGI – Cobalt First Mover ■ Pre Feasibility Study 	<ul style="list-style-type: none"> ■ Mitsubishi – Sulphur Agreement ■ Concentration – Pilot Scale Testwork ■ Resource upgrade Drilling: +9,500m Resource: 111Mt ■ 100% Project Ownership ■ CPDP Submission
A C H I E V E M E N T S		

Looking ahead, we have reset project targets to include delivery of a Feasibility Study, Project Approvals and a Final Investment Decision by early 2022.

Our targets include delivering a Conceptual Project Development Plan (CPDP) to the NSW Government by year end, followed by an application for State Significant Development status. The approvals process is targeting the submission of an Environmental Impact Statement by late 2021.

We will require additional capital to achieve our objectives. Your board is willing to explore joint venture plans with well-funded and strategic commercial partners. Feedback from potential commercial partners indicates a desire to first see further large scale, continuous processing as proof of metallurgical concept.

To this end COB intends to build a Demonstration Plant in the Broken Hill area. Design, engineering and procurement is well underway, and we anticipate commissioning a smaller Pilot Plant by end Q2 2020. The Pilot Plant will be modular and can be sized upwards to demonstration scale (1:1,000 to full commercial size) by early 2021. Our commercial aim remains to make battery ready cobalt sulphate from this facility on a scale sufficient to provide production samples (150-300kg), from which test batteries can be manufactured and evaluated by our global partners.

COB is aiming to release an updated Ore Reserve Statement in mid 2020. This will be based upon the 2019 Mineral Resource and incorporate other modifications to the BHCP since the PFS, e.g. tailings and waste management, power supply and cost studies and updated mining schedules. The concurrent timing of the Ore Reserve Statement with the successful commissioning of the Pilot Plant will deliver significant project milestones. The development timeline to 2022 is shown in Figure 3.

Figure 3. COB's Development Timeline

2 0 2 0	2 0 2 1	2 0 2 2
<ul style="list-style-type: none"> ■ Pilot Plant – Q2 2020 ■ Ore Reserve Update – Q2 2020 	<ul style="list-style-type: none"> ■ Demonstration Plant – Q1 2021 ■ EIS Submission – Q4 2021 	<ul style="list-style-type: none"> ■ Feasibility Study and Approvals – Q1 2022 ■ Final Investment Decision – Q1 2022
G O A L S		

COB Partnerships

COB has successfully developed a processing technology for recovering cobalt from pyrite at the BHCP. We are excited that other companies are approaching us to evaluate applying our processing technology to their projects. In addition to the BHCP, COB aims to commercialise our processing technology at additional project sites.

COB continues to evaluate Australia wide projects at a desktop level, with four projects advancing to a testwork stage. From 2020, the BHCP Demonstration Plant will allow COB to test third-party samples in house, from initial testwork (typically 10-15 kgs) to bulk, continuous operations (>1,000 tonne) capable of supporting the technical requirements of project feasibility studies.

Two of these agreements have been with projects in the Mount Isa – Cloncurry district of Queensland. This is a region with a long history of successful base and precious metal projects. However, often the cobalt has not been recovered into a saleable product from the sulphide minerals as it is commonly associated with arsenic or pyrite.

Our most recent agreement was signed with OZ Minerals Ltd (ASX:OZL). OZL is scheduled to commission the Carrapateena copper-gold project in South Australia in Q4 2019. They are now evaluating optimisation opportunities and have engaged COB to complete testwork to assess whether copper, gold and cobalt can be recovered from a pyrite concentrate using the COB proprietary technology.

Discussion between the parties, have identified possible similarities between the cobalt-pyrite minerals at Broken Hill Cobalt Project and at Carrapateena. The initial testwork will focus on the technical viability of the COB technology, and will not optimise metal recoveries, which may be the subject of further studies.

Developments in the Australian Battery Industry

A robust global market for lithium ion batteries is presenting Australia with a strong opportunity to develop a battery minerals mining, processing and manufacturing capability. Australia currently produces nine out of the ten elements required to produce most lithium ion battery anodes and cathodes.

Cobalt remains an essential ingredient of the cathode within the battery. Yet, despite possessing 14% of global cobalt resources, Australia represents only 4% of global production. The lithium ion industry is focussed upon the cathode as it represents ~22% of battery costs and the purity/quality of the cobalt is fundamental to performance. Further, pressure continues to mount on battery manufacturers to source cobalt from suppliers with strong social and ethical responsibility commitments. A strong combination of resource potential and market demand therefore beckons.

COB has recently joined the Future Battery Industries Cooperative Research Centre (FBI CRC). The FBI CRC is a joint industry/government program that seeks to address challenges and opportunities for battery industry participants. The FBI CRC is a five-year, industry-led, research and development program. It builds on the strengths of industry and researchers to generate knowledge that will expand Australia's competitive advantages, promote research-informed policy options and help build the necessary skills for emerging battery industries.

We look forward to working with strong industry partners facing similar challenges, evolving to meet the global demand of the lithium ion battery industry. COB will be taking an active role in the FBI CRC cathode precursor pilot plant, which is aiming to produce cathodes using Australian sourced raw materials (e.g. $\text{CoSO}_4 \cdot 7\text{H}_2\text{O}$ and $\text{NiSO}_4 \cdot 6\text{H}_2\text{O}$).

Final Comments

Our plans reflect a strong belief that cobalt prices will strengthen over the coming few years. We intend, with your support, to be well positioned to be ready at a time the cobalt market will require the development of a major new cobalt mine, in a low political risk jurisdiction with well-established infrastructure.

As you can see, COB has an exciting journey with significant catalysts for investors over the next two years. We look forward to keeping investors updated over this time.

Regards

A handwritten signature in black ink, appearing to read "Joe Kaderavek".

Joe Kaderavek

Chief Executive Officer

Cobalt Blue Holdings Limited

Note 1

The Pre-Feasibility Study was released to ASX in an announcement titled 'Thackaringa Cobalt Project Pre-Feasibility Study' on 4 July 2018. The estimates of mineral resources were first announced by Cobalt Blue Holdings Limited in 'Thackaringa – Significant Mineral Resource upgrade' on 4 April 2018 and then in 'Significant Thackaringa Resource Upgrade' released on 4 April 2019. The Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements, and all material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed.

Note 2

The information in this report that relates to Metallurgical Testwork Results or Engineering Design Studies is based on information compiled by Dr Andrew Tong, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Andrew Tong is engaged by Cobalt Blue Holdings as Executive Manager. Dr Andrew Tong has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 JORC Code. Dr Andrew Tong consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.