

Quarterly Report

19 January 2021

Highlights

Cobalt Blue Holdings Limited
A Green Energy
Exploration
Company



ASX Code:

COB

Commodity Exposure:

Cobalt & Sulphur

Directors & Management:

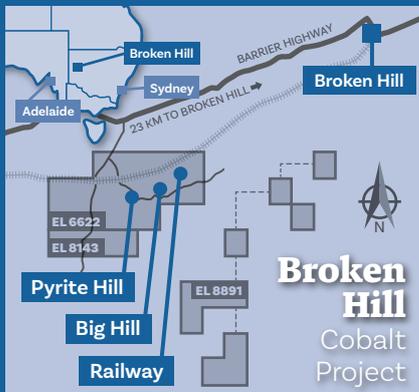
Robert Biancardi Non-Exec Chairman
Hugh Keller Non-Exec Director
Robert McDonald Non-Exec Director
Joe Kaderavek CEO & Exec Director
Robert Waring Company Secretary

Capital Structure:

Ordinary Shares at 19/01/2021: **237.4m**
Options (ASX Code: COBO): **8.8m**
Market Cap (undiluted): **\$104.5m**

Share Price:

Share Price at 18/01/2021: **\$0.44**



Cobalt Blue Holdings Limited

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Cobalt Blue December Quarterly Report

BROKEN HILL COBALT PROJECT

- Pilot Plant update
- BHCP Community Day
- Australian and NSW Government Critical Minerals Initiatives

COBALT PARTNERSHIPS

- Oz Minerals pyrite concentrate sample from Carrapateena (South Australia)

COBALT TRENDS

- EV Sales – inflection point ahead
- Cobalt sulphate trends

CORPORATE

- Expenditure
- Other

Broken Hill Cobalt Project (BHCP)

Pilot Plant update

During the quarter COB continued the construction of the Pilot Plant. Key equipment and steelworks were installed. Electrical and instrumentation works are expected to be completed shortly. We expect production of Mixed Hydroxide Product (MHP) to begin by late February 2021, with cobalt sulphate samples shortly after.

Figure 1 – Pilot Plant – installed belt filter on mezzanine level



Figure 2 – Pilot Plant – installed autoclave reactors in foreground



The Pilot Plant will test COB's process technology on a continuous basis. The throughput rates are nominally 1–2 t per hour for the concentrator circuit and 100–150 kg per hour for the leaching circuit. COB will process up to 90 t of ore (RC Chips) through the plant, using existing samples collected in previous drilling campaigns.

The Pilot Plant will allow COB to produce varying specifications of cobalt products (including mixed hydroxides and sulphates) and represents a significant milestone for our business. Our commercial aim is to make battery ready cobalt sulphate from this facility on a scale sufficient to provide test samples (each of ~10 kgs) for global commercial partners and will be used to define a larger Demonstration Plant, with activity scheduled for 2H 2021¹.

With the view to qualifying COB as a supplier to the global battery industry COB is currently working with 15 global groups who have expressed interest in receiving cobalt samples. To date LG International, Mitsubishi Corporation and Sojitz Corporation have become named partners. The battery industry is investing approximately US\$200Bn with 160 global manufacturing facilities ("Giga Factories") identified to date. (source: Benchmark Mineral Intelligence – 2020)

BHCP Community Day

Ahead of the Pilot Plant official opening in 2021, COB invited Broken Hill community members to the plant site for an introduction followed by Q&A. CEO Joe Kaderavek, Demonstration Plant Manager Adam Randall and Community Engagement Manager Andrea Roberts attended the event along with an estimated 50 people (COVID restrictions permitting).

The event included a video highlighting the aims and community impact of the BHCP as well as a banner/display that was the centre piece of extensive interest and discussions. The community response was very positive, looking forward to the BHCP providing local people with an opportunity for steady employment as well as supporting local businesses providing goods and services across its anticipated 20 year operating life.

Figure 3 – BHCP Community Day – 17 December 2020



Australian and NSW Government Critical Minerals Initiatives

During the quarter Austrade released the Australian Critical Minerals Prospectus 2020. The Prospectus details potential Australian investments in a wide range of critical minerals including cobalt. Of the seven cobalt projects detailed, the BHCP is the only primary cobalt project. The Australian Government will be using the Prospectus to engage investors and off-takers on the opportunities in Australia's critical minerals sector. The NSW Government has prepared a NSW Minerals Strategy, which highlights the endowment of critical minerals, including the BHCP, in NSW and their support for investment and development of critical minerals mining and processing opportunities.

¹ The Demonstration Plant will include all unit operations for the proposed BHCP at nominally a 1:500 to 1:1000 scale. The Demonstration Plant will focus on calcining cobalt-pyrite concentrate for production of sulphur, and an integrated hydrometallurgical circuit for leaching calcine and recovery of cobalt and sulphur. The data collected from operations will be used in the BHCP Feasibility Study to confirm the process recoveries of cobalt and sulphur. As part of these activities, larger sample cobalt and sulphur products will be generated for commercial assessment.

COB Partnerships

Oz Minerals pyrite concentrate sample from Carrapateena (South Australia)

During the quarter COB completed its testwork program and provided a testwork report to Oz Minerals. The results confirmed that the COB Process was suitable for treating and extracting copper, gold, and cobalt from the Carrapateena pyrite concentrate. It is anticipated that there will be further dialogue between the two companies to consider if there is potential for further collaboration.

Cobalt Trends

EV Sales - inflection point ahead

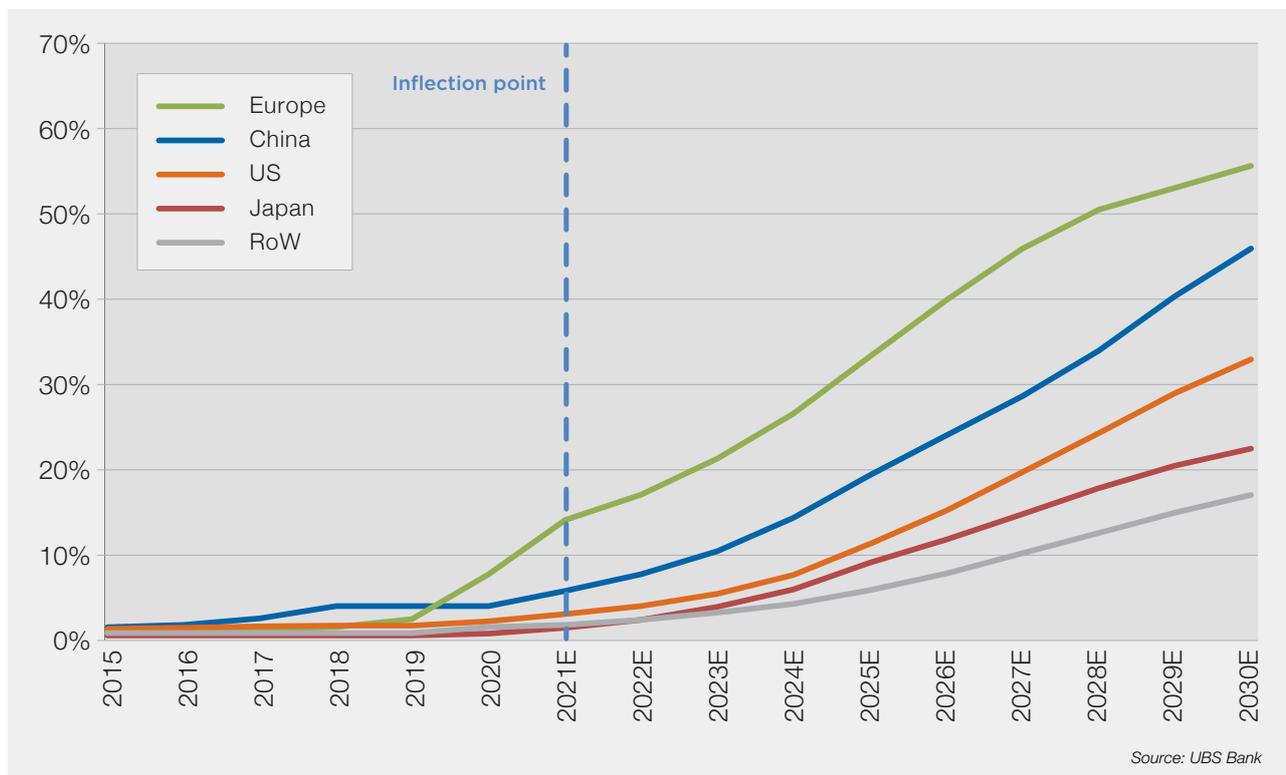
The auto industry is experiencing a revolution right now. As battery prices decline and performance improves, now for the first time in history, Electric Vehicles (EVs) will have a cost advantage over traditional Internal Combustion Engine (ICE) vehicles.

The optimisation of electric powertrains and the increasing availability of charging infrastructure are making EVs more competitive, while rising emission standards and increasingly strict fuel consumption requirements have made ICEs more expensive.

The change is not limited to powertrains—vehicles are also becoming smarter. Smart driver assistance systems can already relieve pressure on drivers on the road, and full autonomous driving is foreseeable. Sitting in the car has also become more comfortable than ever, with voice-controlled functions involving conversation, and infotainment systems providing personalised information and entertainment.

According to a major Investment Bank, UBS, the industry is currently at a crossroads, that will witness a global demand inflection point during 2021F. EV demand is on target to reach 15%/40% of sales by 25F/30F then dominating global auto markets beyond. Figure 4 shows this forecast by region.

Figure 4 – EV sales forecast by region (% of total passenger car sales)



(We acknowledge UBS content above)

Cobalt sulphate trends

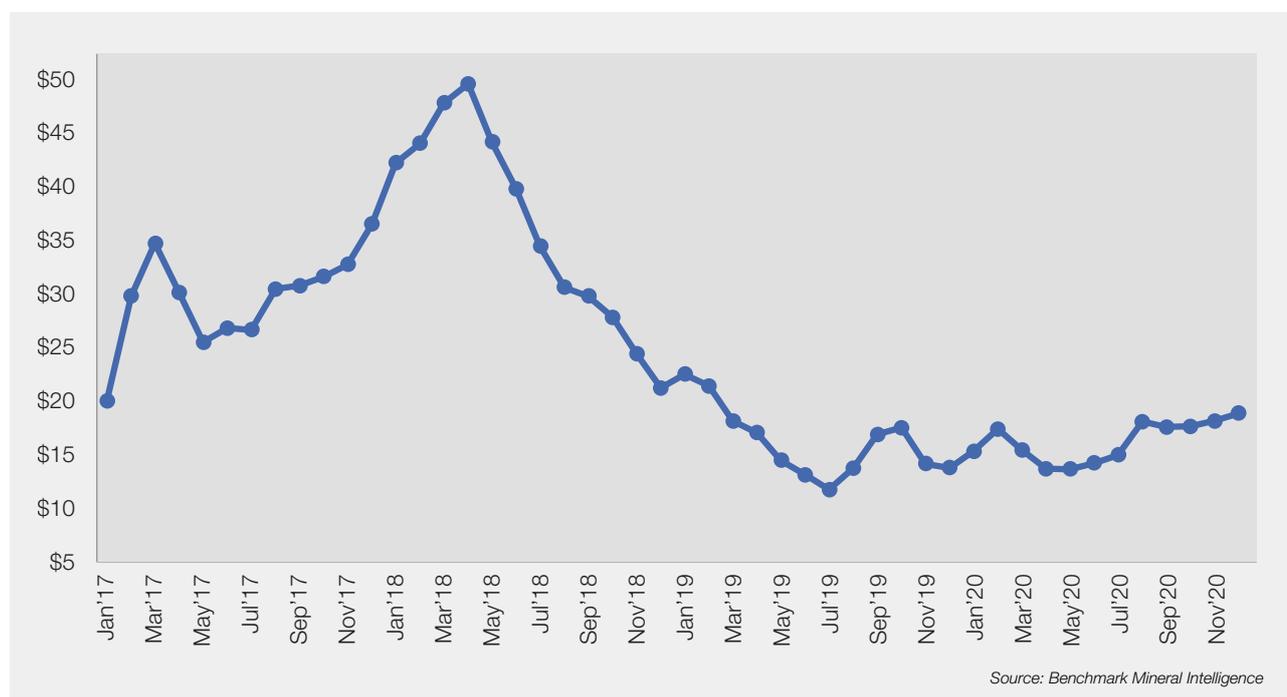
Cobalt sulphate is a cobalt based salt used specifically for the production of larger lithium-ion batteries, typically EV and Energy Storage System (ESS) batteries using a Nickel Cobalt Manganese (NCM) or a Nickel Cobalt Aluminium Oxide (NCA) cathode.

Cobalt sulphate prices continued their upward trajectory in December, increasing by 3.2% on average during the month, reaching a yearly high in US dollar terms. Despite early stability, prices started to climb in the latter part of December, partly in reaction to rumours that China's State Reserve Bureau (SRB) is set to conduct a further round of cobalt metal purchasing in 1H 2021.

Looking ahead, we expect further upside potential for cobalt sulphate prices in the coming months, as rumours of the imminent SRB purchase and continued concerns around the potential impacts of COVID on logistics.

Figure 5 shows cobalt sulphate prices over the last four years, including a 28% rise over 2020.

Figure 5 – Cobalt Sulphate Pricing (expressed as cobalt unit price US\$/lb)



(We acknowledge Benchmark Mineral Intelligence content above)

Corporate News

Expenditure

COB's activities primarily relate to exploration and evaluation of the Broken Hill Cobalt Project. There were no activities related to production or development. During the quarter COB incurred² \$771,000 on exploration and evaluation activities, primarily relating to technical services. COB's accompanying Appendix 5B (Quarterly Cashflow Report) includes an amount in item 6.1, which constitutes Directors' fees and salaries.

Other

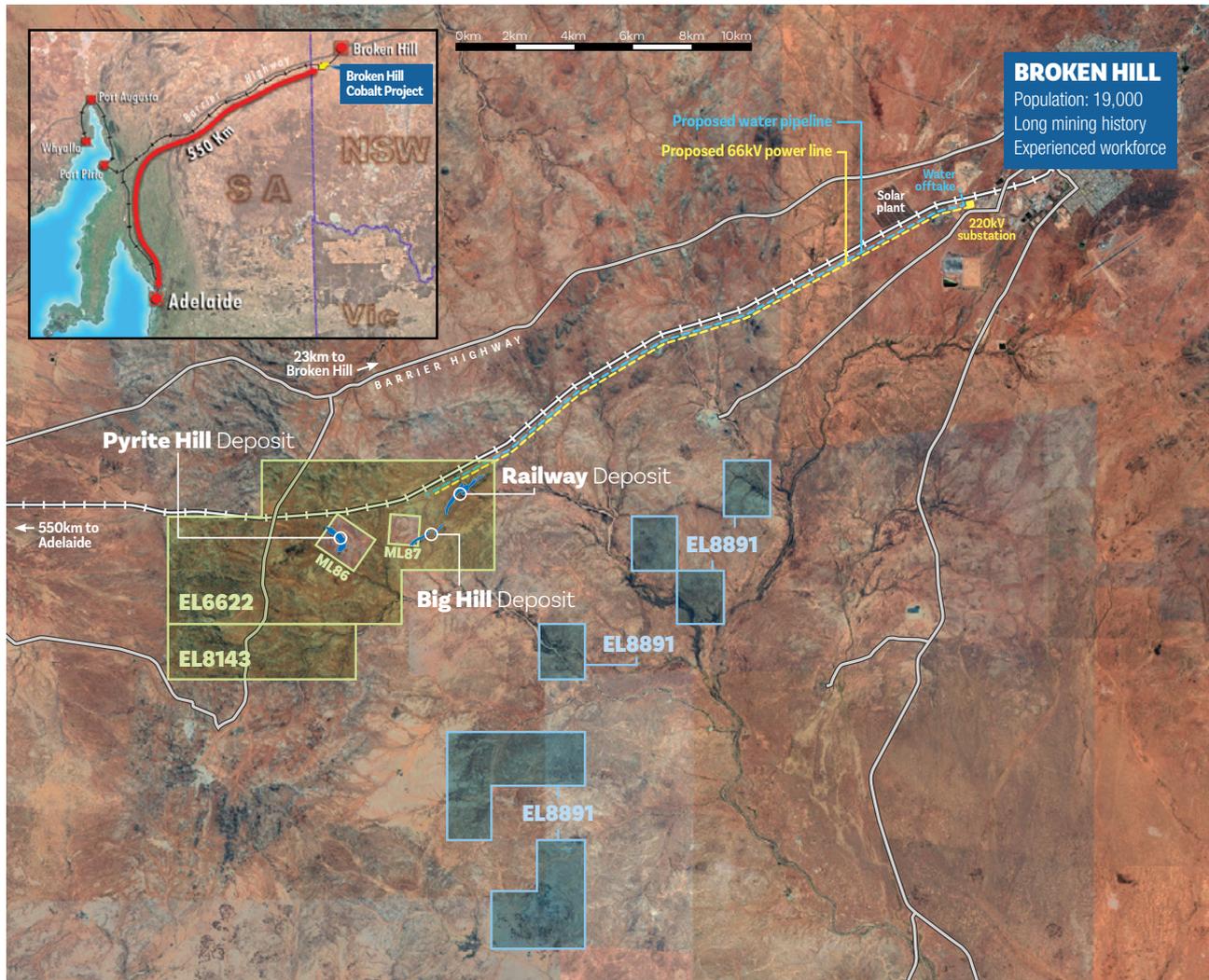
During the quarter COB's share price fluctuated between 8.3 cents and 18 cents.

² Refers to expenditure incurred on an accounting accruals basis as distinct from expenditure reported in the Appendix 5B, which refers to expenditure on a cash basis. The amounts were extracted from the unaudited accounts of the COB Group.

The Broken Hill Cobalt Project

The Broken Hill district map shows the proximity of the Broken Hill Cobalt Project to Broken Hill, the supporting rail line and road network, as well as the availability of both power and water utilities to support future production.

Figure 6 – Broken Hill District Map



Cobalt Blue Background

Cobalt Blue Holdings Limited (ASX: COB) is an exploration and project development company. Work programs advancing the Broken Hill Cobalt Project in New South Wales continue. Cobalt is a strategic metal in strong demand for new generation batteries, particularly lithium-ion batteries now being widely used in clean energy systems.

Looking forward, we would like our shareholders to keep in touch with COB updates and related news items, which we will post on our website, the ASX announcements platform, as well as social media such as Facebook (f) and LinkedIn (in). Please don't hesitate to join the 'COB friends' on social media and to join our newsletter mailing list at our website.



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Approved by the Board of Directors

Previously Released Information

This ASX announcement refers to information extracted from the following reports, which are available for viewing on COB's website <http://www.cobaltblueholdings.com>.

- 21 December 2020: Pilot Plant Progress Update
- 27 October 2020: Government Critical Mineral Initiatives

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

Tenement Holding

The COB Group held the following mining tenements at the end of the quarter:

Tenement	Location	Interest at end of quarter
EL 8891	Broken Hill Region, New South Wales	100% legal and beneficial interest
EL 6622	Broken Hill Region, New South Wales	100% legal and beneficial interest
EL 8143	Broken Hill Region, New South Wales	100% legal and beneficial interest
ML 86	Broken Hill Region, New South Wales	100% legal and beneficial interest
ML 87	Broken Hill Region, New South Wales	100% legal and beneficial interest

No tenements or farm-in or farm-out agreements were disposed of during the quarter.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

COBALT BLUE HOLDINGS LIMITED

ABN

90 614 466 607

Quarter ended ("current quarter")

December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	65	127
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(190)	(453)
(e) administration and corporate costs	(198)	(527)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	(5)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	25	50
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(301)	(811)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(519)	(552)
(d) exploration & evaluation (if capitalised)	(444)	(1,111)
(e) investments	-	-
(f) other non-current assets	(15)	(17)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (R&D tax incentive refund)	282	554
2.6	Net cash from / (used in) investing activities	(696)	(1,126)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,329
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(26)	(214)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (leased asset payments)	(75)	(175)
3.10	Net cash from / (used in) financing activities	(101)	6,940

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,158	2,057
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(301)	(811)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(696)	(1,126)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(101)	6,940
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,060	7,060

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	7,060	8,158
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,060	8,158

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1.
6.2	Aggregate amount of payments to related parties and their associates included in item 2.

**Current quarter
\$A'000**

134

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities available <i>Note: the term 'facility' includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>On 17 January 2020 the Company executed Final Agreements with American Rare Earths Limited (formerly Broken Hill Prospecting Limited (ASX: ARR) to acquire 100% ownership and legal title of the Broken Hill (Thackaringa) Cobalt Project (including all tenements). The consideration for the acquisition included a \$1,000,000 three-year unsecured Convertible Note (CN), with interest of 6% per annum payable annually in arrears. ARR is able to convert the CN to fully paid ordinary shares at maturity or on 18 January 2021 or 17 January 2022 (using a conversion price of \$0.20). COB can redeem the CN early. The consideration also included a five-year \$3,000,000 secured promissory note (PN) issued to ARR, with interest of 6% per annum payable in years 4 and 5. The PN can be repaid by COB at any time in whole or in part without penalty. Once the PN is repaid in full, the security will be extinguished.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(301)
8.2	Capitalised exploration & evaluation (Item 2.1 (d))	(444)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(745)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	7,060
8.5	Unused financing facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	7,060
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	9.48

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 19 January 2021

Authorised by: By the board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.