

Quarterly Report

26 October 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
Danny Morgan CFO & Company Secretary

Capital Structure:

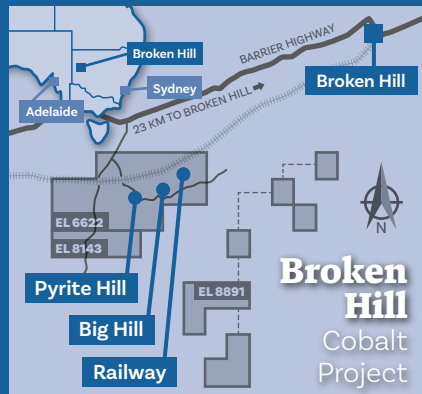
Ordinary Shares at 26/10/2021: **298.5m**

Unlisted Options: **33.0m**

Market Cap (undiluted): **\$135m**

Share Price:

Share Price at 26/10/2021: **\$0.455**



Cobalt Blue Holdings Limited

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September 2021 Quarterly Report

BROKEN HILL COBALT PROJECT

- Pilot Plant update
- Resource update
- Tenement update

COBALT TRENDS

- Electric Vehicle (EV) Take off
- Spotlight on India
- UBS Global EV Consumer Survey

CORPORATE

- Placement
- Expenditure
- Other

Broken Hill Cobalt Project (BHCP)

Pilot Plant update

During the quarter the Pilot Plant manufactured Mixed Hydroxide Product (MHP) and this product was despatched to global cobalt sample partners.

The samples (sourcing cobalt from 90 tonnes of ore) produced a range of assays within the following typical limits: 35%–41% Cobalt and 3–10% Nickel.

Feedback from sample partners received to date has been focused upon sample specifications and ability to process the cobalt/nickel balance along with residual trace elements. To date, we have received strong positive feedback on these samples.

The Pilot Plant has confirmed that the COB process can successfully be operated to treat samples of BHCP ore and produce 'clean' MHP. The process conditions such as oxygen and reagent usage, leach residence times, temperature and pressures are in-line with information from the Pre-Feasibility Studies. Further, the Pilot Plant has provided an opportunity to evaluate equipment suitability and materials of construction for pumps, valves, fittings, tanks, etc.

Figure 1 – Pilot Plant MHP samples



Resource update

COB announced on 16 September 2021 an updated Mineral Resource estimate for the BHCP. The update takes into account base metals, some of which have the potential to be converted into an Ore Reserve if sufficient economic grade and quantities exist.

The global Mineral Resource estimate now comprises¹ 118 Mt at 859 ppm cobalt-equivalent (CoEq) (687 ppm cobalt, 7.6% sulphur & 133 ppm nickel) for 81,100 t contained cobalt, (at a 275ppm CoEq cut-off). Measured and Indicated resources make up approximately 65% of the global Mineral Resource. Inputs derived from the 2018 PFS and 2020 Project Update have supported revision of the Mineral Resource cut-off grade with the inclusion of nickel as an additional revenue stream.

Tenement update

During the quarter COB was granted Exploration Licence No 9254. COB's tenement holding is now approximately 220 km². COB's tenement map is shown at Figure 6.

EL9254 is located approximately 35 km southwest of Broken Hill. The tenement is generally bound by the Mundi Mundi Fault to the east and is dominated by shallow Cenozoic cover sequences underlain by successions of the Willyama Supergroup including the Thackaringa Group. Comparative to areas of the Broken Hill Domain characterised by extensive outcrop, EL9254 has been subject to little historical exploration. The compilation and validation of this work will form an initial focus for the exploration team.

In addition, data obtained from an Airborne Electromagnetic ('AEM') survey, jointly commissioned by the Department of Regional NSW's Geological Survey and Geoscience Australia in April 2021, is expected to be released in Q4 2021. The heliborne survey was flown on east-west orientated flight lines at an average spacing of 2.5 km across EL9254 and will be used by COB to refine future exploration activities for the tenement.

Cobalt Trends

Electric Vehicle (EV) Take off

China recorded its strongest monthly sales for Battery Electric Vehicles (EVs) and Plug-in Hybrid Electric Vehicles (PHEVs) — in June and July, whilst European EV sales in the first six months of 2021 were up by almost 160% on the same period of what was already a record breaking 2020.

Even the US — the third-largest market after Europe and China, which has typically lagged behind both in EV sales, achieved its best 3-month period to date for EV sales. Historically, much of this growth in sales has been driven by government incentives in the shape of tax exemptions and purchasing grants. Both China and the EU have shown that EV demand is now able to withstand reductions in such incentives.

One of these new drivers is economic, in the form of falling EV battery prices. These are a key component of EV retail pricing and had made EVs more expensive than conventional Internal Combustion Engine (ICE) vehicles. Today, many EVs are already less expensive on a lifetime basis due to comparatively low cost of electricity, but consumers are sensitive to sticker prices which is why purchase grants had been so effective. Production economies of scale, technological advances and changes in the choice of battery chemistry have combined to push down EV battery prices, which will reach a nominal US\$100/kWh — a benchmark price level at which EVs will assume price parity with ICE vehicles — by 2022–23.

¹ The mineral resource estimate update was first announced by the Company on 16 September 2021 in BHCP Resource Update. The Company confirms it is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. $CoEq = Co + S \% \times 18.0078 + Ni\ ppm \times 0.2639$ – refer to page 6 for assumptions used in the cobalt equivalency calculation.

Figure 2 – Global EV car sales (million units)

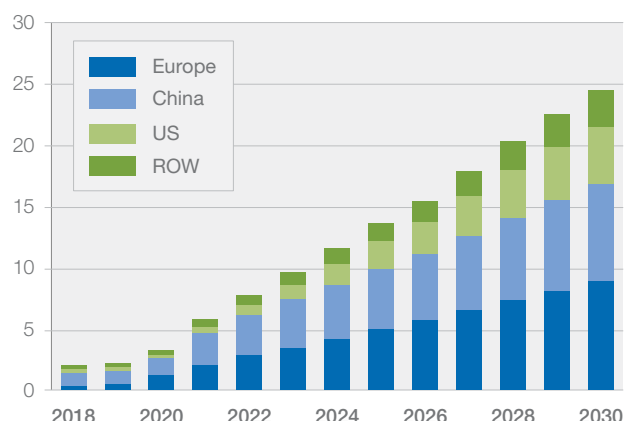
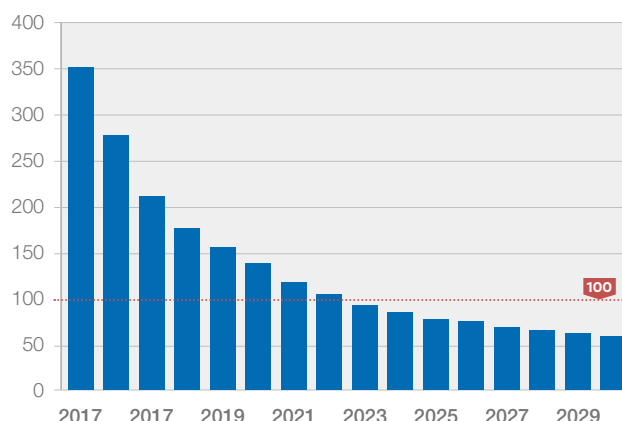


Figure 3 – Lithium-ion battery prices (\$/kwh)



Source: Argus Media Group. We acknowledge Argus Media Group content above

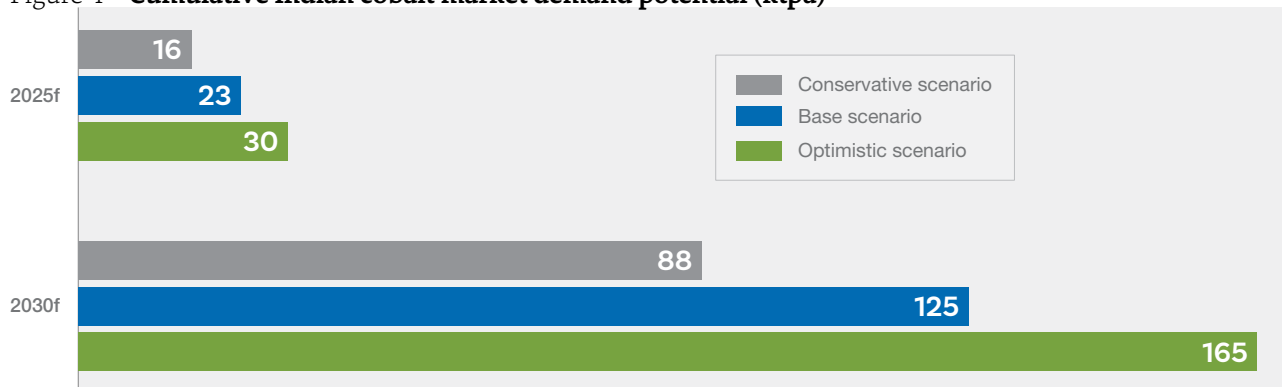
Spotlight on India

We take this opportunity to highlight the “cobalt potential” of the Indian market.

The Indian Government is implementing policy reforms to accelerate new low carbon sectors such as renewable energy, energy storage and electric mobility. These reforms include production linked incentives for multiple sectors such as advanced chemistry cell battery storage for electric vehicles. The current target is to have 30% of vehicles powered by electricity by 2030. The International Energy Agency (IEA) forecasts India to develop 50 Gigawatt hours (GWh) of cell manufacturing capacity by 2025, however by 2030, total demand for lithium-ion batteries will reach about 492 GWh, representing a >50% annual growth later this decade.

Demand will be driven by grid scale storage and EVs, which together are expected to account for ~98% of overall battery storage. As a result, India plans to establish significant downstream capacity for EVs and lithium-ion batteries. The figures below highlight the cobalt demand growth over the 2025–2030 period under three scenarios as defined by Australian Trade and Investment Commission; namely conservative, base and optimistic scenarios.

Figure 4 – Cumulative Indian cobalt market demand potential (ktpa)



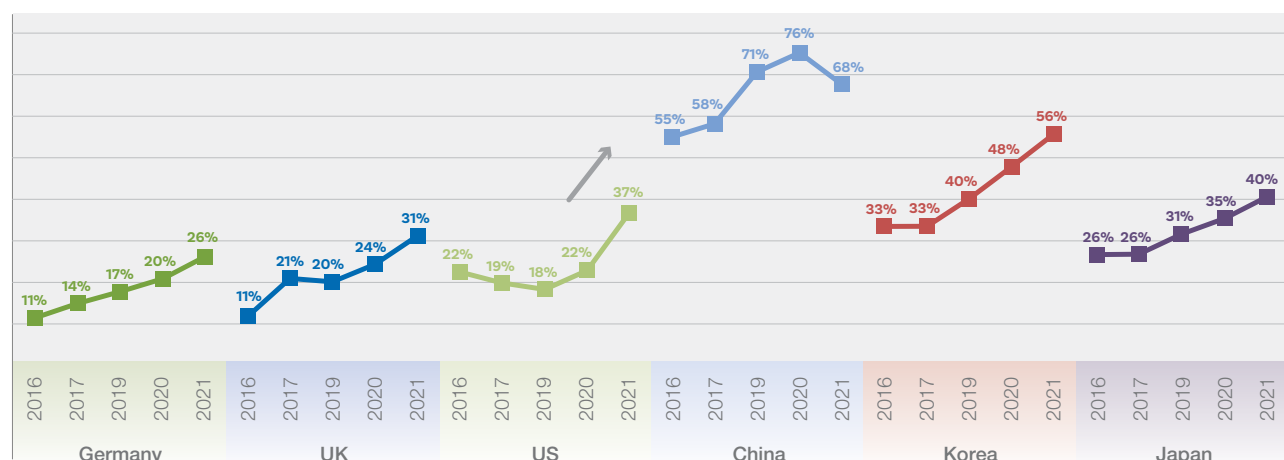
Source: Australian Trade and Investment Commission. We acknowledge Australian Trade and Investment Commission content above

UBS Global EV Consumer Survey

UBS Investment Bank recently conducted its 5th annual EV consumer survey in six of the largest global car markets. These trends are shown in the figure below and show a strong purchasing trend in play in the US, particularly after the 2020 Federal election.

The survey underpins that consumers are not only more likely to buy an EV than in previous surveys, but also that their key concerns and pushbacks about EVs (high price, limited range and access to charging) are easing.

Figure 5 – UBS Investment Bank survey – Are you likely to consider buying a BEV?
(%, by region) – Answer “Likely”



Source: UBS Investment Bank. We acknowledge UBS Bank content above

Interestingly, for the first time, purchase intentions for (full battery) EVs are also higher than for Plug in Hybrid Vehicles (PHEVs).

Corporate News

Placement

On 15 June 2021 COB announced that it had received firm commitments to raise A\$15.0 million (before costs) via a two-tranche share placement to institutional, sophisticated and professional investors, through the issue of 50 million new fully-paid ordinary shares at A\$0.30 per share and 25 million free-attaching options exercisable at \$0.45 each on or before 15 August 2022 (Options) on the basis of one (1) Option for every two (2) ordinary Shares issued.

- On 21 June 2021 the Company issued the Tranche 1 securities, comprising 25.9 million new ordinary shares and 12.95 million unquoted Options and raised approximately A\$7.8 million before costs.
- At a general meeting of shareholders, on 2 August 2021, shareholders approved the Tranche 2 securities comprising 24.1 million new ordinary shares at A\$0.30 per share and 12.05 million unquoted Options. The Tranche 2 securities were issued on 6 August 2021 and raised approximately A\$7.2 million before costs.

If all of the Options are ultimately exercised, the Company will raise a further A\$11.25 million, which will be directed towards project development and general working capital purposes.

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 \$1.1m 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

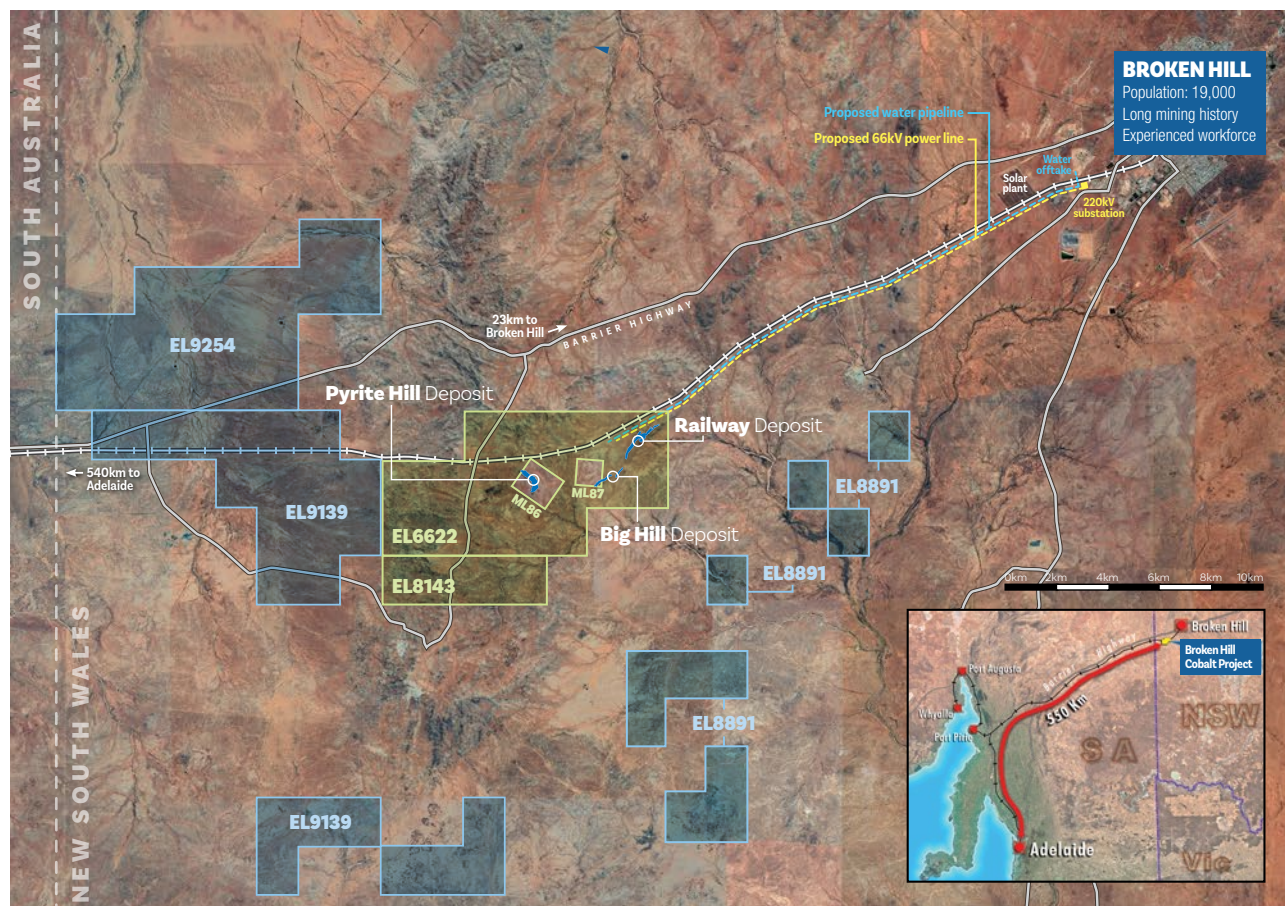
During the quarter COB's share price fluctuated between 23 cents and 35.5 cents. At the date of this release COB's share price was 45.5 cents, capitalising the company at \$135 million.

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.

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 records of the COB Group.

Figure 6 – Broken Hill Cobalt Project Tenement 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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This announcement was 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>.

- 11 October 2021: COB Expands Broken Hill Tenure
- 16 September 2021: BHCP Resource Update
- 10 September 2021: Premium cobalt samples finalised
- 9 August 2021: Cleansing Notice
- 15 June 2021: Successful A\$15m Institutional Placement

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 9254	Broken Hill Region, New South Wales	■ 100% legal and beneficial interest
EL 8143	Broken Hill Region, New South Wales	■ 100% legal and beneficial interest
EL 9139	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.

Mineral Resource Cut-Off Grade

The Mineral Resource has been reported at a cut-off of 275 ppm cobalt equivalent based on an assessment of material that has reasonable prospects of eventual economic extraction.

In addition to cobalt, the revised cut-off grade incorporates revenue streams from elemental sulphur and nickel; economic by-products of the processing pathway defined in the 2018 PFS and subsequent 2020 Project Update. The cobalt equivalent grade has been derived from the following calculation; $\text{CoEq ppm} = \text{Co ppm} + (\text{S ppm} \times (\text{S price} / \text{Co price}) \times (\text{S recovery} / \text{Co recovery})) + (\text{Ni ppm} \times (\text{Ni price} / \text{Co price}) \times (\text{Ni recovery} / \text{Co recovery}))$. This equates to $\text{CoEq} = \text{Co} + \text{S} \% \times 18.0078 + \text{Ni ppm} \times 0.2639$. The parameters used for this calculation are listed below:

Assumption	Input
Cobalt Price	US\$27.50/lb
Sulphur Price	US\$145/t
Nickel Price	US\$16,000/t
Cobalt Recovery	85%
Sulphur Recovery	64%
Nickel Recovery	85%
Exchange rate (A\$ to US\$)	0.70

The Company confirms all elements included in the metal equivalence calculation have reasonable potential to be recovered and sold.

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")

September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(267)	(267)
	(e) administration and corporate costs	(498)	(498)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(767)	(767)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(424)	(424)
	(d) exploration & evaluation	(1,153)	(1,153)
	(e) investments	-	-
	(f) other non-current assets	(6)	(6)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,583)	(1,583)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,526	6,526
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(402)	(402)
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 (provide details if material)	(41)	(41)
3.10	Net cash from / (used in) financing activities	6,083	6,083

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,438	9,438
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(767)	(767)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,583)	(1,583)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,083	6,083

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	13,171	13,171

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	13,171	9,439
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)	13,171	9,439

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	145
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
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.		
	On 17 January 2020 the Company executed agreements with American Rare Earths Limited (ASX: ARR) to acquire 100% ownership and legal title of the Broken Hill Cobalt Project (including all tenements). The consideration 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 the Company at any time in whole or in part without penalty. Once the PN is repaid in full, the security will be extinguished.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(767)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,153)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,920)
8.4	Cash and cash equivalents at quarter end (item 4.6)	13,171
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	13,171
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.86
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	8.8.1 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	
	8.8.2 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	

8.8.3 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

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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: 26 October 2021

Authorised by: The Board

(Name of body or officer authorising release – see note 4)

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.