

COBALT BLUE HOLDINGS LIMITED (COB)

PIVOT TO KWINANA COBALT REFINERY MAKES SENSE

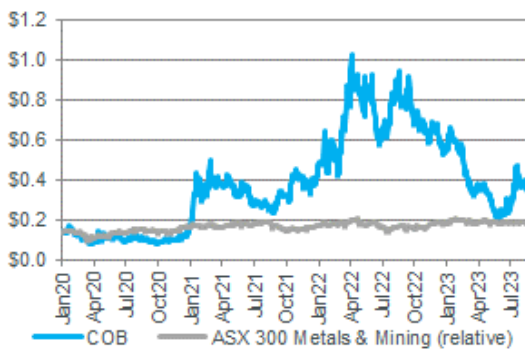
Analyst
Date

 Carlos Crowley Vazquez
22 August 2023

BUY

SHARE PRICE	TARGET PRICE	IMPLIED RETURN
\$0.33	\$1.45	346%

SHARE PRICE CHART – LAST 3 YEARS



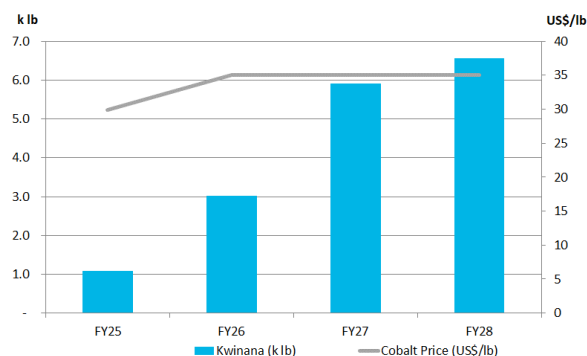
COMPANY DATA & RATIOS

Share Price (\$ per share)	0.33
Risk Adjusted NAV (\$ per share)	1.45
Implied Return (%)	346%
Enterprise Value (\$m)	107
Diluted MCap (\$m)	123
Diluted Shares (m)	378
Avg Daily Value (\$m)	0.58
Free Float (%)	100%
GICS	Metals & Mining
Commodity	Cobalt & Sulphur

MAJOR SHAREHOLDERS

Board & Management	5.2%
--------------------	------

PRODUCTION PROFILE



US INFLATION REDUCTION ACT: ONE YEAR ON

The US IRA was signed into law in August 2022 and has so far led to +US\$110Bn of capital investments for clean energy manufacturing projects, including +US\$70Bn on EVs and battery supply chains (14 new battery gigafactories). The IRA is the largest climate spending package in history (may exceed US\$1Tn) and was designed to position the US as the global leader in clean energy by attracting capital to re-establish US supply chains.

The IRA relies on subsidies and tax incentives and, so far, has mainly benefited downstream and midstream industries (i.e. Tesla and Panasonic). Miners and processors (in FTA countries) mainly benefit from higher demand for critical minerals (higher price and funding support to develop projects) although the bifurcation of supply chains away from “foreign entities of concern” (incl. China) within a short period of time may eventually push some of the benefits towards miners.

The US has the scale and internal market to reindustrialise itself, however, it does not have the endowment of critical resources and depends on allies (FTA countries) for most critical minerals. This is Australia’s key advantage, particularly on cathode materials (Li, Ni, Co, Mn) and there is potential to leverage further into the value chain if the Hiroshima Compact is ratified by the US Congress. As such, if Australia is deemed a domestic source producer under the US Defence Production Act, it will effectively treat Australian production of battery materials (not only critical minerals) as if they were manufactured in the US. This will allow more significant IRA benefits to flow to Australian companies as EV OEMs and LiB manufacturers scramble to secure IRA-compliant material, in turn capturing downstream economic benefits. In addition, we understand the Albanese Government is preparing a package to provide further incentives for value adding to critical minerals and supply chains associated with clean energy.

For COB, policy and market tailwinds are extremely favourable. The current short-term cobalt price weakness is expected to be over before first production from the Kwinana refinery and BHCP.

COB’S STRATEGIC PIVOT TO KWINANA REFINERY FIRST

We believe that the pivot to developing a cobalt sulphate refinery at Kwinana ahead of BHCP makes sense due to:

1. COB is in advanced discussions with a Japanese strategic partner with an ideal site and interest in funding + offtake.
2. A merchant refinery arbitraging between relatively low MHP payabilities (feedstock from 3rd parties) and higher cobalt sulphate payabilities for “US IRA” compliant battery ready product would be a capital efficient, low technical risk and highly profitable proposition (IRR of 30-40%, higher vs BHCP).
3. Kwinana is one of Australia’s major bulk cargo ports (easy access to 3rd party feedstock, chemicals and export markets) and site has infrastructure (roads, power, water) representing a relatively short construction and commissioning timeline.
4. De-risks BHCP by qualifying refinery cobalt sulphate ahead of BHCP and improves project economics via scalable expansion.

RETAIN BUY RECOMMENDATION, TARGET PRICE \$1.45

We have updated our model to reflect the NPV of the Kwinana Refinery, have updated cobalt price assumptions (reversion to the LT average ahead of the refinery’s first production in CY25, and higher following the re-emergence of supply/demand deficits and premia for “US IRA” compliant battery ready cobalt. Following our model update, we have increased our price target from \$1.35 to \$1.45 per share, reflecting a 346% potential return.

CONTENTS

POSITIVE MACRO AHEAD	3
One year since the US Inflation Reduction Act passed	3
Implications from the USA-Australia Climate, Critical Metals and Clean Energy Transformation Compact	5
Australian response to the US Inflation Reduction Act	5
OVERVIEW OF KWINANA COBALT REFINERY ECONOMICS	6
Pivot to develop a merchant cobalt refinery in Kwinana ahead of BHCP	6
Indicative Project Economics	7
Sensitivities	9
OTHER UPDATES AND NEAR TERM CATALYSTS	10
Flin Flon tailings testwork agreement with Hudbay Minerals Inc.	10
Near term catalysts	11
FINANCIAL MODEL SUMMARY	12
Summary of changes	12
Model Summary: Financials & NAV	13

POSITIVE MACRO AHEAD

ONE YEAR SINCE THE US INFLATION REDUCTION ACT PASSED

The US Inflation Reduction Act represents globally significant decarbonisation legislation, sponsored by US President Joe Biden and passed by the US Congress in August 2022. It includes US\$390Bn of spending / credits to 2032 (although it is estimated to reach over US\$1 trillion as tax credits on EVs are uncapped) with the goal of putting the US on a path to reduce emissions by 40% by 2030 and incentivise the establishment of clean tech innovation and manufacturing supply chains within the USA. A summary of incentives is illustrated below.

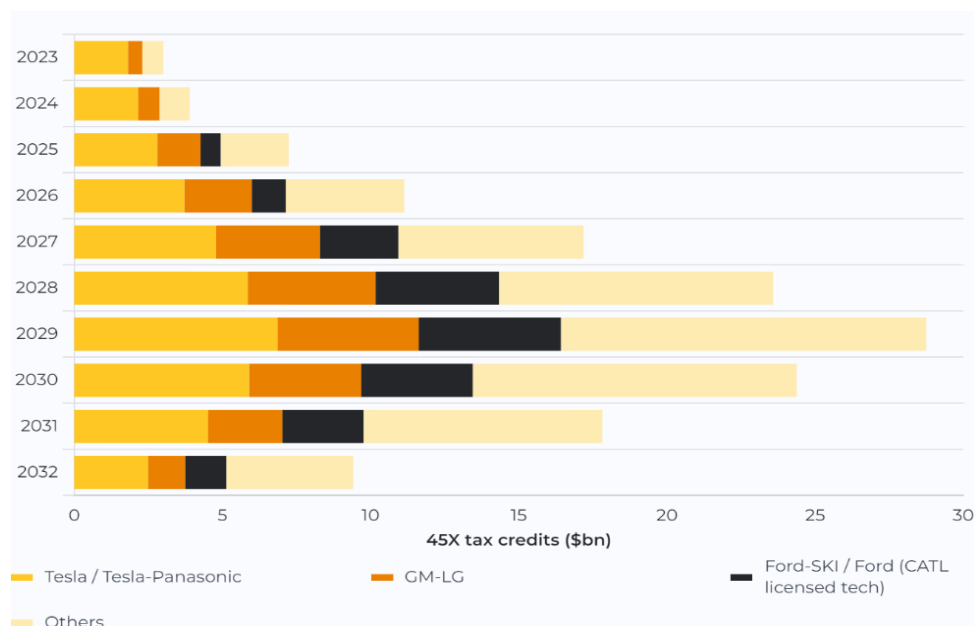
FIGURE 1: SUMMARY OF US IRA INCENTIVES

Value chain segment	Selected IRA incentives
Mining	Up to US\$500 million in federal support for US mining and refining of critical minerals for batteries.
Refining	Tax credits of up to 30% of the amount invested in establishing or upgrading a refining facility.
Active materials	Tax credits of up to 10% of the costs incurred to produce electrode active materials.
Cell and pack manufacturing	Up to US\$45/kWh in tax credits for cell and module manufacturing.
Recycling	Tax credits of up to 30% of the amount invested in establishing or upgrading a recycling facility.
EV manufacturing	Tax credits of up to US\$7,500 for the manufacture of clean vehicles, subject to supply chain requirements, with an estimated total value of US\$7.5 billion over 10 years .
EV adoption	Tax credits of up to 30% for businesses to adopt clean vehicles. US\$3 billion for the US Postal Service to purchase zero emission delivery vehicles.

Source: Cobalt Blue Holdings

Benchmark Mineral Intelligence recently estimated that automakers and battery producers could get over US\$140 billion in benefits from the battery production tax credits over the next decade. Tesla and its battery partner Panasonic are likely to be the main beneficiaries of these tax credits, with Tesla and Panasonic expected to receive US\$41 billion in tax credits by 2032.

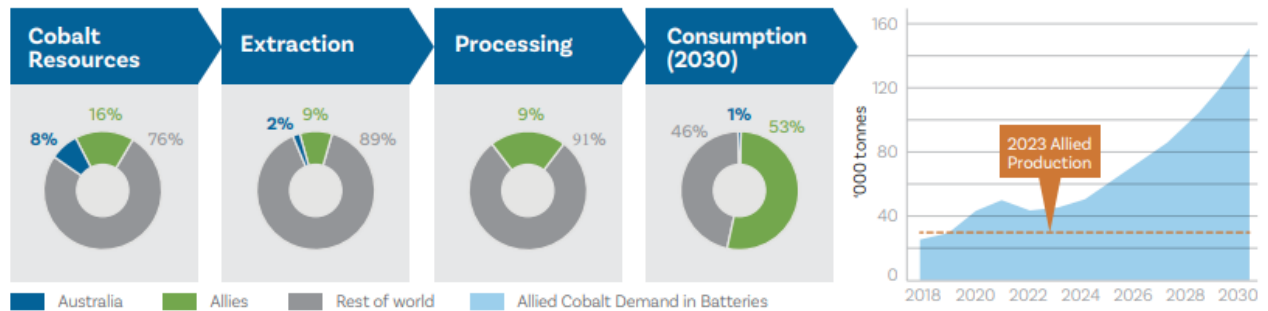
FIGURE 2: TESLA AND PANASONIC SET TO BE KEY IRA BENEFICIARIES



Source: Benchmark Mineral Intelligence

A key aspect of this legislation is the focus on the critical minerals, including cobalt, which are mostly mined and processed outside of the US, required to support production under the newly established supply chains. In the case of cobalt, 89% is mined and 91% is processed in non-FTA countries. The task ahead includes establishing new supply chains (incentivised by the US IRA and the European Union version called the Critical Raw Materials Act) so that by 2030 nearly half of the global cobalt demand is produced and/or processed in FTA countries.

FIGURE 3: COBALT SUPPLY CHAIN AND ALLIED NATIONS PRODUCTION



Source: Cobalt Blue Holdings

To incentivise the creation of new supply chains independent of those established by foreign entities of concern (China, Russia, Iran and North Korea), the IRA tax credits have compliance hurdles (40% FTA content in 2023 moving to 80% by 2027). However, we believe that due to the nature of this structural change and based on existing trade patterns it would be extremely difficult to meet local sourcing requirements without premium pricing attracting existing and future “compliant” material. We believe that for EV and LiB companies such as Tesla and Panasonic, the risk of losing tax credits due to non-compliance would incentivize them to pass some of these benefits through the supply chain. Cobalt Blue’s management estimate that the US IRA subsidy of US\$3,750 more than covers 100% of the critical minerals and associated processing costs for batteries up to 100kWh.

TABLE 1: INDICATIVE COST OF MATERIALS AND PROCESSING FOR A 100KWH NCM BATTERY

Mineral	Cell Part	Ave Battery Content kg	LT Price US\$/kg	Cost US\$	Materials Processing Cost	
					Sulphate + Cathode/Anode	US\$/kg
Nickel	Cathode	29	17	500	20% + 20%	200
Manganese	Cathode	10	1	10	20% + 20%	4
Cobalt	Cathode	8	61	480	20% + 20%	192
Lithium	Cathode	6	40	240	20% + 20%	96
Graphite	Anode	52	3	160	20% + 20%	64
Aluminium	Cathode, Casing, Current Collectors	35	2.6	90	30%	27
Total		140		1,481		583

Source: Cobalt Blue Holdings

IMPLICATIONS FROM THE USA-AUSTRALIA CLIMATE, CRITICAL METALS AND CLEAN ENERGY TRANSFORMATION COMPACT

In May 2023, PM Anthony Albanese and US President Joe Biden signed the Climate, Critical Minerals and Clean Energy Transformation Compact following a G7 Summit in Hiroshima, Japan (the Hiroshima Compact). The commercial rationale supporting this strategic alliance is underpinned by the lack of a stable supply of critical minerals into the US, required to support the IRA's objectives and build the already strong commercial and strategic relationship between Australia and the US.

While details, including timeframe for working group recommendations and implementation, are scarce, the key objectives include:

- establish the foundation of the "global clean energy economy",
- reduce the cost of clean energy,
- expand renewable energy generation, clean energy technologies manufacturing and critical minerals supply, and
- meet the climate adaptation and resilience needs of the Indo-Pacific.

Ratification of the Hiroshima Compact by the US Congress will be a key milestone and we understand President Biden will request Congress to legislate to treat Australian suppliers and activity as domestic activity in the US, under the US Defence Production Act and for the purposes of the IRA.

We expect that if passed by Congress, the Hiroshima Compact effectively grants domestic status to Australian industry and therefore incentivise US companies to import more Australian critical minerals and value enhanced products including cathode precursor (pCAM) and cathode active material (CAM). There could also be potential for Australian suppliers to access funding from the US\$40Bn loan program managed by the US Department of Energy and potentially grants and credits that subsidise downstream processing.

AUSTRALIAN RESPONSE TO THE US INFLATION REDUCTION ACT

One year after the passing of the US IRA, we believe that the Albanese Government is preparing an Australian response to the IRA with funds being set aside in the Clean Energy Finance Corporation, The Australian Renewable Energy Agency and the National Reconstruction Fund. Details have not yet been released but the motion passed last week at the Australian Labor Party Conference points to the 2% to 3% of GDP committed by the USA, Europe and Canada as a guide to facilitate the transition and meeting carbon reduction targets. It is expected that Australia's critical minerals industry, given the abundance of supply as well as mining expertise, will be a key beneficiary as the intention is to use minerals to create new industries, manufacturing skills and export markets in electric vehicle batteries.

OVERVIEW OF KWINANA COBALT REFINERY ECONOMICS

PIVOT TO DEVELOP A MERCHANT COBALT REFINERY IN KWINANA AHEAD OF BHCP

Cobalt Blue is advancing a mine to battery grade cobalt market model and recently provided an update in respect of its plans to fast track development of a cobalt sulphate ($\text{CoSO}_4 \cdot 7\text{H}_2\text{O}$) refinery in Kwinana ahead of the BHCP.

The Demonstration Plant at Broken Hill has proven Cobalt Blue can consistently and continuously produce high quality mixed hydroxide product (MHP) and cobalt sulphate (as well as nickel sulphate and elemental sulphur). The plan to de-couple refining of cobalt sulphate at Kwinana from MHP at Broken Hill is not new and the pivot to fast track development of the Kwinana refinery (3ktpa capacity) is based on sourcing 3rd party MHP ahead of development of the BHCP (requiring the refinery to expand by 4.5ktpa) and illustrates the following:

- Strategic interest by a leading Japanese multinational that:
 - Specialises in the production and trading of commodities to joint venture with COB to ultimately supply ethical and US IRA compliant battery grade cobalt sulphate
 - Has a suitable site at Kwinana, which provides the following benefits:
 - Established infrastructure as located in industrial land (road, power, water) which reduces capex and development timeline
 - Access to 3rd party feedstock (WA, Indonesia, Philippines) and export markets as Kwinana is a deep-water port with world class export facilities
 - Established chemicals district:
 - Circa 2/3 of the costs of converting MHP to cobalt sulphate are associated with reagents/chemicals
 - Already has a lithium refinery and other cathode materials are also processed in Kwinana providing an ideal location to co-operate on further down streaming options (i.e. cathode precursor or active cathode materials)
- Relative availability of cobalt and nickel feedstock (WA, Indonesia and Philippines) vs scarcity of “IRA compliant” refining capacity and a short timeframe for US EV / LiB manufacturers to switch to compliant sources or lose access to IRA benefits
- A strong view that a structural change across global supply chains (away from China and into Allied Nations with a US focus) is underway and driven by the incentives provided by the US IRA, Europe’s Critical Raw Materials Act and the impact that the Hiroshima Compact is expected to have on Australia, in addition to the expected Australian Government response to the US IRA. A key outcome for critical minerals and processing primarily dominated by China could ultimately be bifurcation of prices and potentially a premium for ethically sourced, “IRA + CRMA” compliant cobalt via the development of “IRA + CRMA” compliant cobalt price indexes.

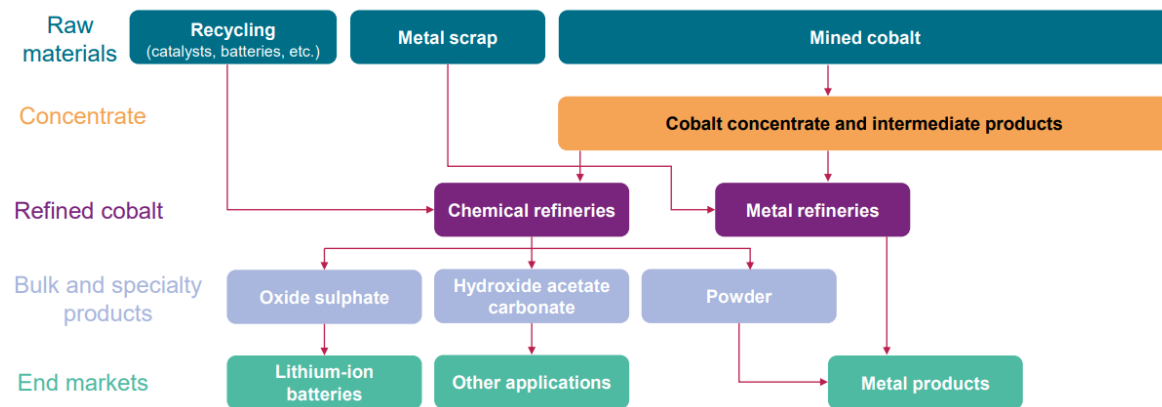
We believe that fast-tracking development of the Kwinana refinery is a good decision as it:

- Represents a capital efficient (circa \$70m capex), low risk (proven technology, JV with strategic partner holding established site at Kwinana and global commodity trading capabilities, 1:50 scale test work on 3rd party feedstock) initial project with strong returns (expect 30% to 40% IRR)
- De-risks development of BHCP as production of cobalt sulphate from the refinery in 2025 would qualify refinery production ahead of BHCP’s first MHP and refinery expansion (BHCP and CIWS) would provide further economies of scale.

INDICATIVE PROJECT ECONOMICS

We have modelled the indicative returns of a cobalt sulphate refinery based on a simple merchant model (not a toll treatment model) and historic long-term cobalt price (our view of higher cobalt prices from 2026 is reflected in our valuation section). The refinery is expected to have a simple business model (initial 3ktpa production based on 3rd party feedstock with stage 2 expansion to 7.5ktpa supported by BHCP) and due to Japanese JV partner a streamlined offtake and financing structure with 100% focus on producing cobalt sulphate (and some nickel sulphate) for the LiB market.

FIGURE 4: COBALT SUPPLY CHAINS



Source: S&P

Indicative project and financial metrics for Stage 1 of the Kwinana Refinery are illustrated below.

TABLE 2: KWINANA REFINERY KEY METRICS

Project Metric	BOEQ	BOEQ's Comments
Refinery life	20 years	Expect the refinery to operate for +20 years. NPV and depreciation analysis simplified to 20 years.
Initial Capex	\$80m	Assumed +10% inflation on COB's preliminary estimate.
Sustaining Capex	\$1.6m p.a.	Assumed at 2% p.a. of upfront capex
Working Capital, Other	\$36m	Assumed 3 months of feedstock (MHP) covered by an equivalent prepayment from off-take/end user
Avg prod. volume - LOM	<ul style="list-style-type: none"> 2.7ktpa contained Co 0.4ktpa contained Ni 	9.5ktpa MHP (30% Co, 5% Ni) with plant operating at 95% nameplate capacity from year 2 (80% year 1).
Recoveries	95%	MHP to cobalt sulphate – can be higher
Merchant (not tolling) model	Payabilities on LT Co Price of US\$27.5/lb <ul style="list-style-type: none"> MHP = 70% for +30% Co Cobalt sulphate = 100% +20.5% Co 	We expect hydroxide payabilities to remain below the LT average of 70% due to relative abundance (new cobalt supply from DRC and Indonesia as byproduct) and sulphate payabilities for IRA compliant product to go over 100% of metal as EV/LiB manufacturers scramble to secure compliant material
Costs	<ul style="list-style-type: none"> Processing \$2700/t MHP Logistics \$80/t MHP G&A \$100/t MHP 	Processing, logistics and G&A costs equivalent to \$4.6/lb (US\$3.2/lb)
C1 Costs, post credits	\$188.7m	Equivalent to \$30.6/lb (US\$21.4/lb)
AISC, post credits	\$190.3m (\$31.4/lb)	Equivalent to \$31.4/lb (US\$21.9/lb)
Operating Cash Margin	16%	
Avg Operating Cash Margin	A\$37.4m p.a.	
Corporate tax	30.0%	

Financial Metric	BOEQ	BOEQ's Comments
IRR, post-tax	32%	
Equity NPV, post-tax, un-risked	A\$165m	Compare to current MCap of A\$125m and excluding BHCP and CIWS
Discount rate	8%	8% real, 10% nominal

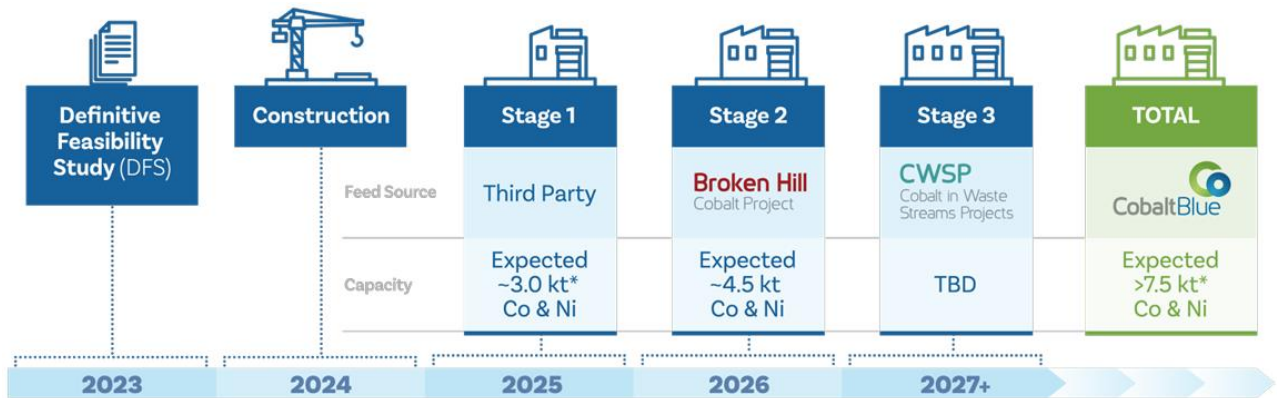
Source: Blue Ocean Equities

Following completion of the refinery DFS, we expect COB to form a 50/50 JV with the Japanese mining and trading house and expect the refinery to support and attract favourable debt funding of 55%. Under this scenario:

- COB's equity contribution would be circa \$18m and
- the \$83m NPV for COB's interest represents \$0.22 per share, equivalent to 67% of the current share price

Once established, the refinery could be expanded to accommodate BHCP and additional 3rd party feedstock from cobalt in waste streams projects.

FIGURE 5: INDICATIVE TIMELINE

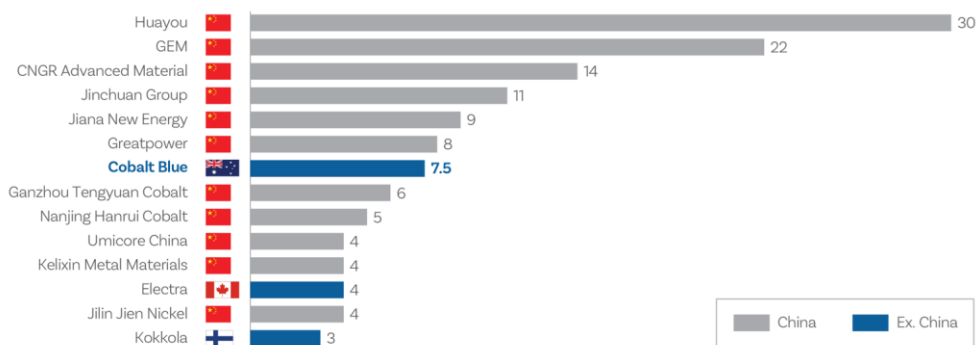


Source: Cobalt Blue

Cobalt Blue's Kwinana Refinery would be the largest LiB-focused cobalt refinery ex-China.

FIGURE 6: TOP 10 GLOBAL COBALT REFINERIES

Global battery-grade cobalt sulphate capacity, 2026 (Kt Co)



Source: Cobalt Blue, Wood Mackenzie

SENSITIVITIES

The tables below illustrate key sensitivities to Cobalt price, Fx, discount rates and MHP payability.

TABLE 2: REFINERY NPV SENSITIVITY TO COBALT PRICE AND DISCOUNT RATE

NPV post-tax (A\$m)		Co Price (US\$/t)				
		15	20	25	30	35
Discount rate (real)	6%	10	90	170	249	329
	7%	(2)	65	132	198	265
	8%	(12)	45	102	159	216

Source: Blue Ocean Equities

TABLE 3: REFINERY IRR SENSITIVITY TO COBALT PRICE

IRR post-tax (A\$m)		Co Price (US\$/t)				
		15	20	25	30	35
		8%	18%	28%	36%	45%

Source: Blue Ocean Equities

TABLE 4: REFINERY NPV SENSITIVITY TO COBALT PRICE AND FX

NPV post-tax (A\$m)		Co Price (US\$/t)				
		15	20	25	30	35
AUD/USD	0.75	(17)	45	107	170	232
	0.70	(2)	65	132	198	265
	0.65	16	88	160	232	303

Source: Blue Ocean Equities

TABLE 5: REFINERY NPV SENSITIVITY TO COBALT PRICE AND MHP PAYABILITY

NPV post-tax (A\$m)		Co Price (US\$/t)				
		15	20	25	30	35
MHP Payability	80%	(82)	(42)	(2)	38	78
	70%	(2)	65	132	198	265
	60%	78	172	265	359	452

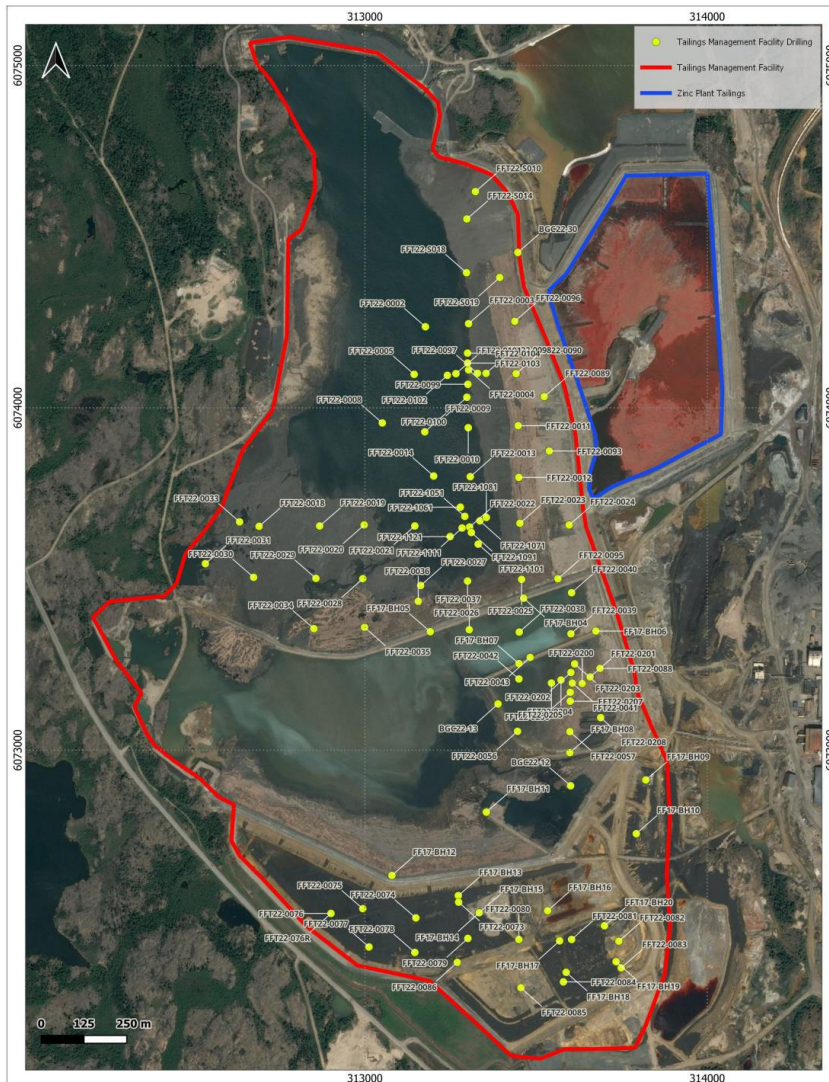
Source: Blue Ocean Equities

OTHER UPDATES AND NEAR TERM CATALYSTS

FLIN FLON TAILINGS TESTWORK AGREEMENT WITH HUSBAY MINERALS INC

Cobalt Blue recently announced a testwork co-operation agreement with Hudbay Minerals Inc. with respect of Hudbay’s wholly owned Flin Flon talings storage facility in Manitoba, Canada. Since 2021, Hudbay has been studying the opportunity to reprocess the +100Mt of tailings deposited at Flin Flon for over 90 years. In 2022, Hudbay conducted confirmatory drilling in 2/3rds of the facility and identified that the tails contain higher zinc (0.68%), copper (0.17%) and silver grades (8.84g/t) vs historic records and confirmed high grade gold records (0.61g/t).

FIGURE 7: RECENT FLIN FLON DRILLING PROGRAM



Source: Hudbay Minerals

We understand Hudbay is attracted to Cobalt Blue’s IP not only due to the potential to recover metals in the tailings but also because the process converts sulphides into elemental sulphur (i.e. converting acid generating rock into a revenue stream). Hudbay carries a total C\$311m in restoration liabilities, including those associated with Flin Flon.

Cobalt Blue expects to complete preliminary test work (and receive a fee to cover its costs) within a matter of months. Assuming a positive outcome, we see material value on a potential partnership with Hudbay to recover a significant amount of the metals left behind at Flin Flon, reduce Hudbay’s restoration and environmental liability, as well as producing elemental sulphur for sale in the renowned agricultural province of Manitoba. Furthermore, Flin Flon could open the door to a number of significant opportunities in North America.

NEAR TERM CATALYSTS

We expect several material milestones and catalysts over the next 6-12 months, including:

- Testwork on Flin Flon tailings and potential strategic agreement with Hudbay Minerals Inc.
- Testwork on multiple 3rd party samples of MHP for Kwinana Refinery and 1:50 scale up within Broken Hill's Cobalt Sulphate Demonstration Plant circuit
- Ratification of Hiroshima Compact by US Congress effectively making Australia a domestic source under the US Defence Procurement Act
- Australian Response to US IRA
- Completion of BHCP and Kwinana Refinery DFS
- Outline of Kwinana Refinery JV with Japanese Strategic Partner, financing and FID

FINANCIAL MODEL SUMMARY

SUMMARY OF CHANGES

We have updated our financial model to reflect:

- NPV of \$80m, including a 40% risking factor, attributable to a notional 50% interest in a 3ktpa cobalt sulphate refinery in Kwinana which commences operations 2H CY25
- We assume BHCP goes ahead as guided by management (construction CY25-CY26, commissioning and ramp up 2H CY26) and continue to assume that COB sells down 25% of the project (for 70% of NPV based on LT Co price) to assist in funding the capex associated with the mine and process plant (to MHP) at Broken Hill and the expansion (to 7.5ktpa) of the cobalt sulphate refinery in Kwinana
- Updated cobalt pricing assumptions to reflect the longer than previously expected period of weak cobalt metal prices until 2H CY24

MODEL SUMMARY: FINANCIALS & NAV

Cobalt Blue Holdings
Code: COB
Stock Details

Recommendation:	BUY		
Target	\$1.45	Share Price	\$0.33
NAV	\$1.45	52 Week High	\$0.92
Implied Return	346%	52 Week Low	\$0.21

Enterprise Value	\$107m
Diluted MCap	\$123m
Diluted Shares	378m
Free Float	100%
Avg Daily Value	\$0.58m

Macro Assumptions	FY22A	FY23E	FY24E	FY25E	FY26E
Exchange Rate (A\$/US\$)	0.73	0.66	0.70	0.70	0.70
Cobalt Price (US\$/lb)	33	21	21	30	35
Cobalt Price Realised (A\$/lb)	45	32	30	43	50

Profit & Loss (A\$m)	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-	-	-	-	-
Operating Costs	-	-	-	-	-
Operating Profit	-	-	-	-	-
Corporate & Other	(5)	(4)	(4)	(4)	(4)
Exploration Expense	-	-	-	(0)	(0)
EBITDA	(5)	(4)	(4)	(4)	(4)
D&A	(0)	(0)	(0)	(0)	(0)
EBIT	(5)	(4)	(4)	(4)	(4)
Net Interest Expense	(0)	(0)	(0)	(0)	(0)
Pre-Tax Profit	(5)	(4)	(4)	(4)	(4)
Tax Expense	-	-	-	-	-
Underlying Profit	(5)	(4)	(4)	(4)	(4)
Significant Items (post tax)	-	-	-	-	-
Reported Profit	(5)	(4)	(4)	(4)	133

Cash Flow (A\$m)	FY22A	FY23E	FY24E	FY25E	FY26E
Operating Cashflow	(4)	(4)	(4)	(4)	(4)
Tax	-	-	-	-	-
Net Interest	(0)	(0)	(0)	(0)	(0)
Net Operating Cash Flow	(4)	(4)	(4)	(4)	(4)
Exploration	-	-	-	(1)	(1)
Capex	(12)	(26)	(79)	(281)	(211)
Acquisitions / Disposals	-	-	181	-	-
Other	3	9	-	-	-
Net Investing Cash Flow	(9)	(18)	102	(282)	(212)
Equity Issue	14	26	20	100	-
Borrowing / Repayments	-	-	-	365	(46)
Dividends	-	-	-	-	-
Other	(0)	1	-	-	-
Net Financing Cash Flow	14	26	20	464	(46)
Change in Cash Position	1	5	118	179	(261)
FX Adjustments	-	-	-	-	-
Cash Balance	10	16	134	312	51

Balance Sheet (A\$m)	FY22A	FY23E	FY24E	FY25E	FY26E
Cash	10	16	312	51	111
Other Current Assets	1	1	1	1	1
PP&E	1	27	387	598	578
Exploration & Development	37	37	38	39	40
Other Non Current Assets	1	(8)	(8)	(8)	(8)
Total Assets	50	73	730	681	722
Debt	2	-	365	319	228
Other Liabilities	4	4	4	4	4
Net Assets	44	69	362	358	490

Ratio Analysis		FY22A	FY23E	FY24E	FY25E	FY26E
Diluted Shares	m	318	371	435	742	742
EPS - Diluted	Ac	(1.7)	(1.1)	(1.0)	(0.7)	(0.6)
P/E	x	n.m.	n.m.	n.m.	n.m.	n.m.
CFPS - Diluted	Ac	(1.2)	(1.1)	(0.9)	(0.7)	(0.5)
P/CF	x	n.m.	n.m.	n.m.	n.m.	n.m.
FCF - Diluted	Ac	(4.9)	(8.0)	(19.1)	(38.4)	(28.9)
P/FCF	x	n.m.	n.m.	n.m.	n.m.	n.m.

Dividends	Ac	-	-	-	-	-
Dividend yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-

Enterprise Value	A\$m	115	107	193	508	357
EV/EBITDA	x	-	-	-	-	-
ROE	%	-	-	-	-	-
ROA	%	-	-	-	-	-
Net Debt / (Cash)		(8)	(16)	52	268	116
Gearing (ND/(ND+E))	%	n.m.	n.m.	13%	43%	19%
Gearing (ND/E)	%	n.m.	n.m.	14%	75%	24%

Resource & Reserve Updated September 2021

BHCP	Tonnes	Grade	Cobalt
Resource	mt	ppm	kt
Measured	18	1,030	18.3
Indicated	59	631	37.1
Inferred	41	619	25.6
Total	118	687	81.1

Reserve	mt	ppm	kt
Probable	71.8	710	51.0

Earnings Sensitivity		FY25E	FY26E	FY25E	FY26E
		A\$m	A\$m	%	%
Cobalt Price	US\$/lb +10%	7	15	15%	16%
Exchange Rate	A\$/US\$ -10%	8	19	19%	20%

Valuation	Discount	Stake	A\$m	A\$/sh
Kwinana Refinery (unrisked)		50%	133	0.36
BHCP (unrisked)		100%	1,034	2.78
Kwinana Refinery (risk-adjusted)	40%	50%	80	0.21
BHCP (risk-adjusted)	40%	75%*	427	1.15
Processing Tech			50	0.13
Corporate & Other			(35)	(0.09)
Debt			-	-
Cash			16	0.04
Option Strikes			0	0.00
Risk adjusted NAV			537	1.45
				0.22x

*Our Base Case valuation assumes Cobalt Blue sells 25% of BHCP to a partner for ~70% of NPV

Source: Blue Ocean Equities

CONTACTS

RESEARCH

CARLOS CROWLEY VAZQUEZ

Senior Resources Analyst
P +61 2 8072 2909
E carloscrowley@boeq.com.au

MATHAN SOMASUNDARAM

Market Portfolio Strategy
P +61 2 8072 2916
E mathan@boeq.com.au

NICHOLAS O'SHEA

Equity Analyst
P +61 2 8072 2935
E nicholaso'shea@boeq.com.au

REX ADAMS

Mining Consultant
P +61 2 8072 2921
E radams@boeq.com.au

GARRY MARSDEN

Energy Analyst
P +61 2 8027 2919
E garrymarsden@boeq.com.au

TEYA MURRAY

Equity Associate
P +61 2 8072 2920
E teyamurray@boeq.com.au

VIC LEE

Senior Equity Analyst
P +61 2 8072 2921
E viclee@boeq.com.au

STUART TURNER

Senior Equity Analyst
P +61 2 8072 2923
E stuartturner@boeq.com.au

SALES & TRADING

ADAM STRATTON

Director Sales & Trading
P +61 2 8072 2913
E adamstratton@boeq.com.au

SCOTT CALCRAFT

Institutional Sales & Trading
P +61 2 8072 2916
E scalcraft@boeq.com.au

ANDREW MURPHY

Institutional Sales & Trading
P +61 2 8072 2904
E amurphy@boeq.com.au

SCOTT HILDEBRAND

Director Sales & Trading
P +61 2 8072 2922
E scotthildebrand@boeq.com.au

ADRIAN SCOTT

Institutional Sales & Trading
P +61 2 8072 2927
E adrianscott@boeq.com.au

GAVIN TODD

Institutional Sales & Trading
P +61 2 8072 2922
E gavintodd@boeq.com.au

JOSIE NICOL

Sales & Trading Associate
P +61 2 8072 2931
E josienicol@boeq.com.au

HEAD OFFICE

BLUE OCEAN EQUITIES PTY. LTD.

AFSL No. 412765
ABN 53 151186935

P +61 2 8072 2988
E info@boeq.com.au
W blueoceanequities.com.au

Level 29, 88 Phillip Street
Sydney NSW 2000
Australia

DISCLAIMER

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Blue Ocean Equities Pty Limited. This is general investment advice for Institutional and Sophisticated Investors only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives you should consult your own investment adviser before any investment decision is made on the basis of this document.

While this document is based on information from sources which are considered reliable, Blue Ocean Equities Pty Limited has not verified independently the information contained in the document and Blue Ocean Equities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or by implication, that the information contained in this document is complete or accurate. Nor does Blue Ocean Equities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.

Except insofar as liability under any statute cannot be excluded. Blue Ocean Equities Pty Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

DISCLOSURE

Blue Ocean Equities Pty Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document, and may from time to time hold interests in the securities referred to in this document.

Blue Ocean Equities Pty Limited and its associates may hold securities in Cobalt Blue Holdings Limited at the date of this report and this position may change at any time without notice.

The Analyst of this report does not own shares in Cobalt Blue Holdings Limited.

This page has been left blank for notes