

## Cobalt Blue Holdings Limited

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# CEO's Letter to Shareholders

Firstly, let me thank shareholders for their strong support in our recent capital raising.

These funds will be primarily used towards establishing a Broken Hill based Pilot Plant. As previously announced, COB has begun to receive key items of plant, with long lead items (ordered over 12 months ago) subsequently received over the course of this year.

Pilot Plant development is now shifting from design into tender/construction and I am pleased to confirm our earlier advice that Pilot Plant construction will be completed pre-Christmas. This will be followed by a commissioning period and expected first test production starting February 2021. We will begin local hiring of plant personnel shortly and look forward to continuing our long and fruitful relationship with the Broken Hill community.

Shipments of these test samples will begin in Q1 2021, with our aim that COB production satisfies raw material standards for global battery makers. Commercially, COB now has cobalt sample partners from Japan, Korea, India, Europe and Australia representing a strong selection of cathode precursor/battery makers, cobalt trading houses and mining companies. We expect to increase the size of this partner group as the project progresses.

The Pilot Plant will then be followed by a larger scale Demonstration Plant later in 2021. This overall investment will inform the Broken Hill Cobalt Project (BHCP) Feasibility Study, which is due for delivery in mid-2022. The resulting large-scale samples will also allow us to begin qualification of our cobalt products within the downstream battery industry. For a new supplier, this process can take over 12 months.

Pre-qualification represents a challenge for any new entrant, but success will allow COB to then create binding offtake contracts required by lending institutions. Further, COB is actively considering opportunities to form project partnerships that will assist with completion of the BHCP Feasibility Study, financing packages and ultimately implementation of the BHCP.

Our strategy is for the BHCP to produce an intermediate Mixed (cobalt-nickel) Hydroxide Product (MHP) which can be further refined onsite to high purity battery ready cobalt sulphate. There is potential for the MHP to be refined offsite, and COB is exploring opportunities to participate in the battery value chain through co-location of MHP refining and precursor production.

A number of shareholders have asked about our view on the future of cobalt based lithium ion batteries. We believe that the battery market is a large heterogeneous market where no one technology dominates. Within the Electric Vehicle (EV) market, there are multiple segments where different lithium ion battery chemistries will prevail. Cobalt is a staple for most of these segments, with the exception of smaller/lower cost/shorter range EVs with battery sizes typically below 25 kWh size.

Today, for most long range/mass market EVs cobalt is an essential component in lithium ion batteries, with non-cobalt based technologies unlikely to be commercialised in the foreseeable future. As an incoming, large scale ethical cobalt producer, our view is that the move to a cobalt free EV battery places battery operating stability at risk and is based on slender economic benefits. We believe cobalt free batteries are an aspirational goal only.

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 a promising future with significant milestones expected to be achieved over the next couple of years. We look forward to keeping investors updated over this time.

A handwritten signature in black ink, appearing to read 'Joe Kaderavek', written in a cursive style.

**Joe Kaderavek**  
Chief Executive Officer

**Cobalt Blue Holdings**

This announcement was authorised by the Board of Directors.