

## Cobalt Blue Holdings Limited

ACN: 614 466 607  
Address: Suite 17.03, 100 Miller St, North Sydney NSW 2060  
Website: [www.cobaltblueholdings.com](http://www.cobaltblueholdings.com)  
Email: [info@cobaltblueholdings.com](mailto:info@cobaltblueholdings.com)  
Social: [f](#) Cobalt.Blue.Energy [in](#) cobalt-blue-holdings



13 January 2021

# Chairman's Letter to Shareholders

Throughout the 2020 calendar year, Cobalt Blue made important and substantial progress in achieving its strategic objectives.

I am delighted to summarise our positive achievements over the year and provide an overview for the upcoming year, as we look to progress our Broken Hill Cobalt Project (BHCP), as well as looking for commercial opportunities to deploy our proprietary processing technology.

I would like to thank our shareholders for their continued support, and all the members of the Cobalt Blue network for their continuing commitment to grow our company into a globally significant supplier of cobalt. I would especially like to congratulate our Board of Directors and executive team for their unrelenting efforts throughout 2020, which have placed this company in a strong position as the cobalt cycle plays out. I would like to welcome new shareholders for what I hope to be an eventful and exciting year going forward.

Cobalt Blue is committed to developing the BHCP, which remains one of the most advanced and unique cobalt projects in the world. Cobalt Blue believes the successful development of BHCP will position it globally as a low cost, long term supplier of ethically derived, battery grade cobalt sulphate.

Let me review just some of our achievements last year:

- Finalised the purchase of the BHCP and moved to 100% ownership.
- Awarded A\$2.4 million of Cooperative Research Centre (CRC) – Project Round 8 Funding from the Australian Government for applied research and development of the processing of cobalt-pyrite ore to generate battery ready cobalt sulphate over the next three years.
- Joined the Future Battery Industries (FBI) – CRC. The FBI CRC builds on the strengths of industry and researchers across Australia. The research partnership of 58 industry, academic and government partners will address industry-identified gaps in the battery industries value chain. The aim is to expand battery minerals and chemicals production, develop opportunities for specialist battery manufacture; support battery deployment; and optimise the circular economy for the use and re-use of battery systems.
- Delivered a formal BHCP Scoping Report to the NSW Department of Planning, Industry and Environment (DPIE). This is the first step in the process towards achieving State Significant Development (SSD) approval.
- Produced an intermediate Mixed Hydroxide Product (MHP) containing 37% cobalt and 7% nickel and final (battery ready) cobalt sulphate containing 20.8% cobalt.
- Delivered the BHCP Project Update 2020 (effectively an enhanced PFS level study), showcasing a longer project life with stronger economics. The study confirmed a highly profitable, long life, low capital intensity, large scale cobalt mine/refinery and provided the executive team with the tools needed to progress detailed commercial discussions.
- Designed, sourced and received major equipment items for our upcoming Pilot Plant based in Broken Hill. More on this below.

Looking forward, we expect to deliver significant developmental updates shortly.

These updates will include details of the calcination of approximately seven tonnes of BHCP concentrate, from which we will produce feedstock for the Pilot Plant. In parallel, the Pilot Plant is being finalised, and remains on track for commissioning during February with first product shortly after. We have begun local hiring of plant personnel and look forward to continuing our long and fruitful relationship with the Broken Hill community.

The Pilot Plant will supply both MHP and cobalt sulphate test samples for commercial partners. The sample programme (ranging from 100 to 200 kgs and from 2 to 3 tonnes for the later Demonstration Plant) is, from COB's knowledge, one of the largest undertaken within the global cobalt market, where typical project testwork normally ranges from 1–20 kgs. The facility will prove up the processing technology that COB has developed and de-risk the project for future investors.

I am pleased to report that to date, over 15 partners have raised their hands to receive samples. 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. Investors can therefore anticipate robust commercial project discussions from this point.

I have included some photos of current Pilot Plant progress below, showing the completion of structural steelwork with electrical works undergoing. We expect to start instrumentation work by mid-January.

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



Figure 2 – Pilot Plant Progress – installed autoclave reactors in foreground



The Pilot Plant will then be followed by a larger scale Demonstration Plant later in 2021. This overall investment will inform the BHCP Feasibility Study. 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.

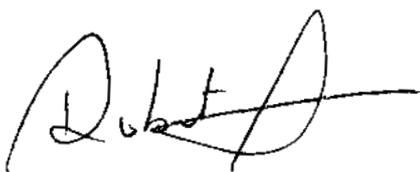
Examining the macro, the cobalt market is tightening from its COVID driven 2020 lows. Cobalt sulphate pricing has improved from (cobalt equivalent) US\$12/lb (April 2020) to over US\$19/lb at time of drafting. Our corporate view is that the metal is well on track to retrace its long-term average price of US\$25/lb in real terms. The BHCP, with an estimated ~US\$12/lb (All In Sustaining Cost) which is in the lowest quartile of global production, makes a significant margin in such a normalised market environment.

On the demand side, Electric Vehicle (EV) subsidies are occurring on an increasingly larger scale, targeting both EV purchase assistance and bailouts for incumbent auto manufacturers:

- a) Europe, China and other major countries are mandating lower CO2 emissions. To date over 30 countries globally have legislated the elimination of Internal Combustion Engine vehicles.
- b) Germany – increased subsidies to €9,000 for EVs (below €40k price); €5,000 for EVs (between €45k and €65k), Plug In Hybrid Electric Vehicles (PHEVs) receive €6750 (below €40k) and €3.75k (price between €45k and €65k); no subsidy above €65k.
- c) UK – government grants (through dealers) are 35% of EV purchase price, up to £3,500, and 20% of the purchase price for BEV vans up to £8,000. New cars and vans powered wholly by petrol and diesel will not be sold in the UK from 2030, and
- d) California – Governor has announced the ban the sale of Internal Combustion Engine (ICE) vehicles from 2035, mandating that all new cars sold from that point will be emissions-free.

The cobalt implications of Biden – Clean Energy Plan will become clearer during 2021. The scope of the plan includes US\$400Bn over 10 years targeting the creation of 10 million US jobs, and at present includes the targeted installation of 500,000 EV charging stations and will support an estimated 25 million EVs.

Our plans reflect a strong belief that cobalt prices will continue to strengthen over the coming few years. We intend, with your support, to be well positioned and 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.

A handwritten signature in black ink, appearing to read 'Rob Biancardi', with a long horizontal stroke extending to the right.

**Rob Biancardi**

Chairman

**Cobalt Blue Holdings**

Approved by the Board of Directors