

## 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



21 July 2020

# CEO's Letter to Shareholders

My fellow directors and I are happy to share good news with you regarding the Broken Hill Cobalt Project (BHCP). With our latest testwork and Project Update 2020 announcements, COB has established important building blocks for the BHCP.

## Benchmark Cobalt & Sulphur Products

We recently (14 July 2020) released testwork results confirming that COB can produce 20.8% cobalt sulphate, MHP (38% cobalt and 7% nickel) and >99% elemental sulphur from BHCP ore samples (BHCP testwork – High purity cobalt and sulphur products). We are now aiming to produce larger quantities of these products from the upcoming Pilot and Demonstration Plant activities across 2020–2021.

For an incoming cobalt project looking to sell directly to the battery industry, purity is critical. Current cobalt sulphate specifications for the pre-cursor industry have a minimum cobalt content of 20.5%. We expect this to incrementally increase to 20.8% due to demand for higher quality (longer-life) batteries. Aside from cobalt, the individual trace metals are now trending to <1 ppm each.

## Project Update 2020

Following our successful acquisition of the BHCP (COB now 100% owners), last week (16 July 2020) we delivered a major project review (Broken Hill Cobalt Project – Project Update 2020), identifying significant optimisation; including:

- Increased Ore Reserve;
- Longer Operating Life;
- Lower Capital Costs; and
- Lower Operating Costs.

The work defined an integrated mine/refinery producing 3,500–3,600 tonnes pa of cobalt (in 17,500–18,000 tonnes pa of battery ready cobalt sulphate). The BHCP is aiming to be a top ten global operation (by size of annual cobalt production), in a safe and stable jurisdiction. Importantly, the BHCP has the potential to be one of the largest suppliers of ethical cobalt (ex-Africa).

All in pre-production capital (mine, plant, infrastructure, environment) is US\$400m. This equates to US\$110,000/t of annual cobalt production, which is ~1/3 the capital intensity of any other proposed greenfield cobalt project. Finally, and critically, the BHCP can produce cobalt sulphate at US\$9.34/lb (C1 net of byproducts), or US\$12.13/lb All In Sustaining Costs across its 17-year operating life. With the 50-year average cobalt price at US\$25/lb (2020 real), that is, a project that will operate through the cobalt cycle delivering strong returns as the cobalt cycle improves.

## Pilot Plant Update

The Pilot and Demonstration Plants are aiming to deliver cobalt products (cobalt sulphate or MHP) to the battery supply chains in Asia, Europe and North America. Extensive acceptance testing is required to qualify BHCP cobalt products as suitable for cathode precursor feedstock.

The first shipment of plant equipment was received and delivered to site in Broken Hill in early March (2 March 2020). This included key long-lead equipment, including an autoclave, flash vessel and a belt filter. I am happy to report that a second delivery of equipment has now arrived in Adelaide and is in transit to Broken Hill. This includes gravity spirals, reactors, storage tanks and processing pumps. COB will provide a further update in due course.

We anticipate that the initial stages of site preparation and pre-construction works will be undertaken in Q3 2020, moving into construction and commissioning later in the year. We are aiming to despatch cobalt samples in Q1 2021. Potential commercial partners will be able to visit the project mine site as well as the Demonstration Plant in 2021, providing inspection of the entire production chain of the BHCP.

## Commercial Relationships

Despite “noise” surrounding the use of cobalt in batteries, recent discussions have emphasised that cobalt remains a vital ingredient to lithium ion batteries, with strong demand forecasts from today’s levels across major battery producers. The testwork results and Project Update 2020 releases have provided us with fresh momentum for commercial discussions. Successful production of a >100 kgs sample of 20.8% cobalt sulphate will, in my view, provide a commercial catalyst for our business.

I am delighted to report that COB has appointed Newland Global Group (NGG), a leading corporate advisory firm specialising in creating cross border commercial relationships between Australia and India. With the recent (5 June 2020) signing of the Australia/India Critical Materials MOU (which includes cobalt) we look forward to introducing the BHCP to one of the world’s largest and most exciting lithium ion battery markets. In particular, the ‘Make in India’ programme announced by the Indian government is expected to increase demand for critical minerals in the country.

## Conclusion

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/refinery, 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.

**This announcement was authorised by the Board of Directors.**

A handwritten signature in black ink, appearing to read "Joe Kaderavek".

Joe Kaderavek

Chief Executive Officer

**Cobalt Blue Holdings**