

Cobalt Blue Holdings Limited

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27 January 2022

Chairman's Letter to Shareholders

Dear Shareholder

2021 Review and the year ahead

2021 represented another year of significant achievements for Cobalt Blue (COB) and the Broken Hill Cobalt Project (BHCP).

I am delighted to summarise our progress and provide an overview for the upcoming year. COB believes the successful development of BHCP will position it globally as a low cost, long-term supplier of ethically derived, battery grade cobalt sulphate.

Firstly, I would like to congratulate my fellow Directors and executive team for their unrelenting efforts throughout 2021, which have placed this company in a strong position as the cobalt cycle plays out. I would again like to thank our shareholders for their continued support, and finally, a welcome aboard for new shareholders for what I hope to be an eventful and exciting year going forward.

Commercial trends

Price is a signal, so let's examine the current cobalt market. Cobalt metal pricing has climbed steady to US\$35/lb (Asia) / US\$34/lb (EU) with cobalt sulphate pricing US\$36/lb (Asia). Of course, with BHCP's forecast All In Sustaining Costs (AISC) of US\$12/lb¹, a significant operating margin would be generated under current market conditions. Looking back over the course of 2021, our commercial discussions revealed three broad themes:

1. Customers are looking to fill larger (typically "Giga factory" quantities) orders for cobalt products. In the United States and European Union, some 50 Giga factories are currently being planned, almost exclusively relying on cobalt containing cathodes. The BHCP, a Top 5 cobalt project (ex Africa), can only supply 1/2 of a single 40 GWh facility.
2. Customers now seek to engage in longer duration offtake to support Electric Vehicle (EV) production runs, typically up to 7–8 year duration.
3. Non-African sustainably sourced cobalt is becoming a premium material as EV makers react to their consumer and legislative requirements and seek to influence upstream sourcing.

Whilst higher than our forecast long term average price (US\$27.50/lb), the current cobalt spot price reflects a tight, yet functioning market.

BHCP Value

In July 2020 we announced the BHCP – Project Update 2020, essentially an optimised PFS level study including updated economics. The study included cost reductions against an earlier PFS released in mid-2018. Investors are reminded that the BHCP is a rare primary cobalt producer with strong cobalt price leverage.

We have taken this opportunity to illustrate the impact of current commodity prices on the economics of the BHCP. Column A shows the key commodity price assumptions used in the Project Update 2020 Value Engineering Study economics. Column B reports the forecast BHCP project economics (NPV and IRR), based on current commodity prices, with all other assumptions unchanged. **It is important to note that COB is not revising its forecast economic assumptions for the BHCP. Column B illustrates the impact on project economics if current commodity prices were able to be achieved for the life of the project.**

1. The AISC of \$12.13/lb was derived from the Value Engineering Study as disclosed in "Broken Hill Cobalt Project (BHCP) Update 2020", 16 July 2020, Table 2, available to view at <https://www.cobaltblueholdings.com/>. All material assumptions underpinning that forecast financial information continue to apply and have not materially changed.

	Column A	Column B
	BHCP – Project Update 2020 Value Engineering Study²	Scenario – Project Update 2020 Value Engineering Study (modified for current spot prices)³
Long term cobalt price (cobalt as cobalt sulphate)	US\$27.50/lb	US\$36.05/lb (Asian reference price – S&P Global Platts 14/1/22)
Long term sulphur price (elemental sulphur)	US\$145/t	US\$280/t (Mitsubishi Corporation January 2022)
Long term nickel price (nickel as nickel sulphate)	US\$6.00/lb	US\$9.22/lb (UBS 7/1/22)
Long term Australian to US Dollar exchange rate	US\$0.70	US\$0.7214 (spot rate – 18/1/22)
Net Present Value (Post Tax 7.5% discount rate)	A\$554m	A\$1,350m
IRR (Post Tax)	18.9%	31.6%

2021 Review

Over the course of 2021 we built, commissioned and operated the BHCP Pilot Plant to gain larger scale confidence in the technology as well as its ability to produce commercial quality cobalt products. During May we held our official Pilot Plant opening and shareholder day. We were proud to note that over 150 local Broken Hill residents had become shareholders (a number that has risen to 240 today – 5 x greater than any other postcode in Australia, which speaks to the strong local support enjoyed by the BHCP).

By July 2021 we had finalised commercial samples of Mixed Hydroxide Product (MHP), then despatched to global partners. This was followed up in October by a campaign to produce cobalt sulphate. Interestingly, most requests were for the MHP product, which is seen as a strong alternative to African source cobalt hydroxides that currently dominate the market.

I would like to stress the importance of this milestone. The feedback received from these samples (and our ability, where priorities allowed, to follow up with more tailored samples) has put the BHCP on the global cobalt supply map. Sample recipients include major battery industry makers and end customers across the United States, the European Union, Korea, Japan, India and Australia. To fund the delivery of the Feasibility Study, in July we executed a successful \$15 million capital raising.

We appointed Cutfield Freeman & Co as COB's Strategic Financial Advisor. Cutfield Freeman is a global specialist resources corporate advisory business, having successfully advised on over 150 mandated transactions across 50 countries. The role of Strategic Financial Advisor includes Partner Search, Financial Advisory, Capital Raising and Takeover Defence.

In August we added to our local portfolio with the granting of EL9254, another step toward our continued consolidation of ground within the Broken Hill region. Now covering almost 220 km², COB has secured a commanding footprint to pursue our long-term exploration objectives. We remain of the view that the Broken Hill district has further cobalt bearing resource that will extend the life of the BHCP to well beyond 20 years. During September COB followed up with a BHCP Resource Update to include nickel and other base metals which will form the basis of the upcoming Feasibility Study in later 2022.

In parallel with Pilot Plant activities, we were delighted to announce in March our Cobalt in Waste Streams Project, a rollout of COB's existing technology and test facilities to examine cobalt recovery from waste streams. We had identified substantial quantities of cobalt in sulphide mine tailings in Australia, and we seek to apply our proprietary technology for recovery of cobalt from these waste streams. By November we had executed a cooperation Memorandum of Understanding (MOU) with the Queensland Department of Resources to assess opportunities for the recovery of cobalt (and any coexisting base and precious metals) from mine waste. Under the MOU, COB will undertake testwork to evaluate minerals processing options, including the application of its proprietary minerals processing technology to recover target metals from feedstocks provided by the Department.

COB takes its responsibilities to produce and source cobalt in an ethical and sustainable manner very seriously, and we were pleased to provide an initial assessment of our operations in accordance with the robust and well-regarded industry assessment

- The forecast financial information derived from the Value Engineering Study and production target is as released on 16 July 2020 in the market announcement titled 'Broken Hill Cobalt Project (BHCP) Project Update 2020' available to view at <https://www.cobaltblueholdings.com/>. All material assumptions underpinning that forecast financial information continue to apply and have not materially changed.
- The commodity prices in Column B are current spot prices from the sources quoted and represent neither predictions nor forecasts. There can be no guarantee of future commodity prices.

framework developed by the Cobalt Institute. We announced this inaugural assessment during September, demonstrating that COB has appropriate corporate policies and practices in place to meet requirements to address operational risk areas.

COB has been a member of the Future Battery Industries - Cooperative Research Centre (FBI-CRC) since its inception in 2019. One of the key projects is the flagship Cathode Precursor Pilot Plant in Perth for which BHCP cobalt sulphate will be used as a feedstock. Funding for the FBI-CRC pilot plant (A\$18m) was then confirmed during October 2021. COB is supplying the cobalt content to support the operations of this Australian technological first. In effect, COB is the “C” in the NCM cathode precursor pilot plant. We expect commissioning of this plant by end Q1 2022.

The Australian Government is looking to build global critical mineral relationships with sovereign partners. In December, COB participated in bi lateral discussions with the Korean Government during a visit to Australia by Korean President Moon Jae in. Key cabinet officials participated in a round table discussion with three emerging Australian critical minerals project developers. It is worth noting that COB was invited to participate directly by the Korean Government. The engagement is ongoing, and COB expects to contribute further to this bi lateral relationship over the course of 2022.

2022 Plans

COB expects to have the larger scale Demonstration Plant in operation by late Q1 2022 and shareholders can expect an update (highlighting new equipment received/installed and associated field work) by early March. The Demonstration Plant will aim to process over 3,000 tonnes of ore to produce approximately 3,000 kgs of cobalt products, including MHP and cobalt sulphate. We expect that, post successful sample discussions (arising from our previous Pilot Plant operations), cathode and integrated battery markers will require larger sample quantities. The aim of these next programs is to qualify BHCP cobalt as an approved cobalt feed material for the global battery market. Aside from proving BHCP cobalt product quality, the Demonstration Plant will provide large scale metallurgical proof that our proprietary processing technology can run on a 24/7 basis, a key de-risking step with the Feasibility Study to be delivered in late 2022.

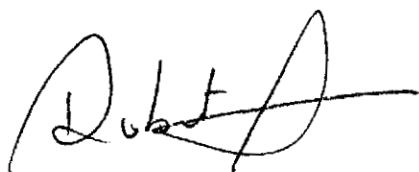
In parallel with the Demonstration Plant operations COB will continue to progress the remaining technical and environmental work programs associated with the Feasibility Study over the course of 2022.

Commercially, we remain in discussions to identify a project partner for the BHCP. The backdrop of the sample program and tightening cobalt market provide strong tailwinds.

Regarding the Cobalt in Waste Streams Program, we are in the process of receiving initial Queensland sourced samples and expect results by early Q2. Investors should note that COB may not be able to publicly release the results of any testwork in the short term.

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.

Regards,

A handwritten signature in black ink, appearing to read "Rob Biancardi".

Rob Biancardi

Chairman

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