

# Quarterly Report



30 January 2019

October to December 2018 – Highlights

**Cobalt Blue Holdings Limited**  
A Green Energy  
Exploration  
Company



ASX Code:

**COB**

#### Commodity Exposure:

**Cobalt & Sulphur**

#### Directors & Management:

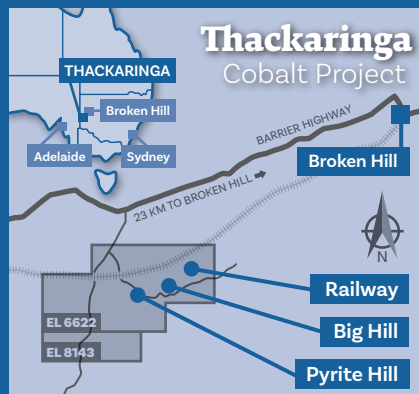
**Robert Biancardi** Non-Exec Chairman  
**Hugh Keller** Non-Exec Director  
**Rob McDonald** Non-Exec Director  
**Joe Kaderavek** CEO & Exec Director  
**Robert Waring** Company Secretary

#### Capital Structure:

Ordinary Shares at 30/01/2019: **124.6m**  
Options (ASX Code: COBO): **25.4m**  
Market Cap (undiluted): **\$21.2m**

#### Share Price:

Share Price at 30/01/2019: **\$0.17**



#### Cobalt Blue Holdings Limited

ACN: 614 466 607  
Address: Suite 1703, 100 Miller Street  
North Sydney NSW 2060  
Ph: (02) 8287 0660  
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](#)

## Cobalt Blue December Quarterly Report

#### THACKARINGA PROJECT:

- Strategic rationale.
- Optimisation studies.
- Drilling update.
- Water supply confirmed.
- Drilling campaign paused. Technical work programs continue.

#### COBALT TRENDS:

- Cobalt market update.

#### CORPORATE:

- COB withdraws from Thackaringa Joint Venture Earning Period Provisions.
- Dilution provisions in the JVA increased COB's project beneficial interest from 70.00% to 93.68%.
- Global technical visits.
- Director changes.
- Various dispute notices.

## Thackaringa Project

### Thackaringa Cobalt – Broken Hill NSW

#### Project Strategic Rationale

The strategic rationale for the Thackaringa Cobalt Project is founded upon four tenets.

#### ■ Cobalt – the opportunity:

Cobalt is a key metal required for both metallurgical and chemical industries. Cobalt demand is split into new and old economy drivers. New economy drivers include two components: (1) Battery materials, as a means of distributed energy storage in an era of high energy prices, decarbonisation of power grids and powering Electric Vehicles (EVs); and (2) Superalloys. Today, most portable applications are powered by cobalt based lithium ion batteries, initially commercialised in the 1990s. Battery materials will continue to dominate global consumption and drive demand over the next 10 years+.

Cobalt supply remains tightly held by a minority of commercial interests and is largely sourced geographically from Africa (66% of 2018 global supply is from the Democratic Republic of the Congo). Uncertainty of supply remains a key risk for global consumers and will add to the price premium commanded by cobalt over the next 10+ years.

### ■ Elemental Sulphur vs Sulphuric Acid

The mineral resource is composed of pyrite and silica/feldspars. Cobalt is substituted inside the pyrite mineral lattice and is not present as a discrete mineral. Minerals processing options are centred on recovering pyrite from the ore, and subsequent downstream treatment of the pyrite concentrate.

Historically, commercial operations have roasted pyrite, generating sulphuric acid. However, there is limited demand for sulphuric acid at/near Broken Hill, and any sales would compete against low-cost sulphuric acid generated at base metal refineries.

An alternative to production of sulphuric acid, is the production of elemental sulphur. Elemental sulphur is mainly sourced from treatment of sour-gas from the oil and gas industry. There is no local producer in Australia, and hence this presents an opportunity for COB. Further, there is a growing Australian demand for elemental sulphur for production of fertilisers, and on-mine-site generation of sulphuric acid for metallurgical consumption.

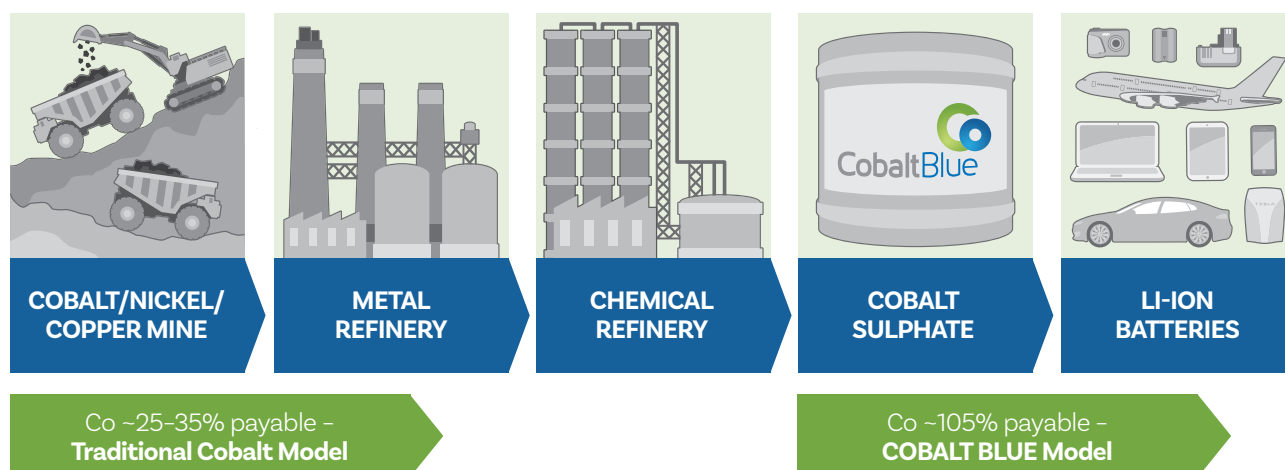
### ■ Primary producer of cobalt

Typically, cobalt is recovered as a by-product from copper or nickel operations. In contrast, the project is aiming to be a primary producer of cobalt, as there are only minor amounts of base metals in the ore. This means that COB is not beholden to copper or nickel pricing for project decision-making. The Mineral Resource has identified ~61,500 t of cobalt, and this provides COB with a significant resource base for developing the project.

### ■ Battery ready cobalt product – maximum margin over the project life cycle

Project strategy is an integrated mine/refinery concept. Traditionally, cobalt mines have sold cobalt as a by-product of either copper or nickel and received a fraction of the value of the contained cobalt. COB's strategic focus is upon the battery industry and producing a battery ready cobalt product (cobalt sulphate) at sufficient purity to enter the production chain directly. This allows COB to sell directly into the battery industry (specifically to cathode precursor manufacturers representing the front end of the industry).

Figure 1. Cobalt Blue and the cobalt sulphate production chain



Source: Cobalt Blue

### Thackaringa Project Optimisation Studies

COB, as manager of the Thackaringa Joint Venture, is progressing several option studies identified in the Pre-Feasibility Study (PFS) to enhance project value.

#### Target Revenue Increases:

- **Life of Mine:** The production target identified in the PFS provided an initial mine life of 12.8 years at a steady-state throughput of 5.25 million tonnes per annum ore. This mine life is limited largely by current available geological information, rather than economic factors. In other words, the mineral resource of 72 million tonnes limited the production target and remains the most significant upside factor in our focus. Given that the development capital is largely expended in the early years of the project, increasing mine life will drive significant free cash flow generation for the project. The market can expect a mineral resource update based on drilling through to 12 January 2019 by the end of Q1 2019.
- **Cobalt Recovery:** The PFS assumed a conservative 85.5% cobalt recovery (in ground to payable metal), including (negative) allowances for scale-up from the existing laboratory testwork results of 88.5% metal recovery. Our long-term target is to achieve a 90% recovery for cobalt. A bulk test work program is being commissioned that will enable COB to undertake more detailed marketing studies and build confidence with potential commercial partners. The market can expect an update on recoveries by the end of Q2 2019.

### Target Cost Reductions:

- **Power:** The PFS identified that approximately 22% of operational cash costs were related to grid power consumption. COB is currently evaluating the following:
  - Optimising waste heat capture and re-use – how much energy can be recycled? This will be evaluated in detail during the Process Plant Engineering component of future work programs, where the equipment design and unit process efficiencies will be considered.
  - Optimising the daily load profile – how much peak energy can be avoided? Due to the uptake of solar energy across the national energy market grid, peak energy prices are shifting away from daytime to evening demand profiles. Opportunities to lower the energy requirements of the process plant at key times of the week, through operational scheduling will be reviewed.
  - Distributed energy generation and storage – how much energy can be generated on-site? Can energy storage (e.g. Li-ion batteries) be used effectively to shift demand away from peak time-of-day prices? COB continues to monitor forecast national energy market prices and compare these with solar and battery storage opportunities.
- **Process Plant Tailings:** Tailings and associated handling represented approximately 10% of operational cash costs in the PFS. In the PFS, management of tailings amounted to approximately A\$260m over the life of the project, inclusive of capital and operating costs. A review study is being undertaken to identify cost saving measures.

### Thackaringa Cobalt Project Drilling Update.

On 5 December 2018, COB announced partial results from its major resource definition drilling program underway. These initial results reinforce potential for substantial increases in mine life. Drilling continues to reaffirm the geological model with a total of 5,686 metres completed to date.

These results are from the first three diamond drill (DD) holes (for 120 metres total) and four reverse circulation (RC) holes (for 766 metres total) that were drilled at the Pyrite Hill deposit. Significant intersections included:

- 18THR001 – 56m at 824ppm Co, 11.1% Fe & 9.4% S from 146m
- 18THR002 – 68m at 1218ppm Co, 13.4% Fe & 13.4% S from 116m
- 18THR003 – 52m at 1042ppm Co, 11.1% Fe & 11.2% S from 93m
- 18THR004 – 91m at 826ppm Co, 12.8% Fe & 10.2% S from 67m

The drilling campaign had five broad aims:

1. **Improved Mineral Resource classification** – defining Measured Resources. This will require in-fill drilling at approximately 40 m spacing to improve geological confidence and data density. COB is seeking to evaluate Measured Mineral Resources for conversion to Proven Ore Reserves. Typically, the target quantity for Proven Ore Reserves would be sufficient to fulfil the initial 3 to 5 year period of the proposed project production. Additional in-fill drilling will target improved classification of Inferred to Indicated Mineral Resources.
2. **Growth of Mineral Resources** – exploration along margins of existing mineralised bodies. COB is aiming to increase the Inferred Mineral Resources by targeting down-dip extensions at the Pyrite Hill deposit and shallow strike extensions at the Big Hill and Railway deposits. This element of the drilling campaign will be finalised after further site access is negotiated.
3. **Confirmation of the location of infrastructure and site layout** – geotechnical, and hydrogeological drilling for project infrastructure and process plant civil works. This element of the drilling campaign will be undertaken after further site access is negotiated.
4. **Overburden definition** – identification of oxide and/or transition layer(s). This element of the drilling campaign will be undertaken after further site access is negotiated.
5. **Blue-sky exploration** – follow up previously identified geophysical anomalies which may contribute to resource growth. This element of the drilling campaign will be undertaken after further site access is negotiated.

The project is located approximately 23 km west-southwest of Broken Hill and comprises four tenements for a total area of 63 km<sup>2</sup>. The tenements host three large tonnage cobalt-bearing pyrite deposits with a reported Mineral Resource of 72Mt at 852ppm cobalt (Co), 9.3% sulphur (S) & 10% iron (Fe) for 61Kt contained cobalt (at a 500ppm cobalt cut-off).

The Mineral Resource estimate at Thackaringa is apportioned to the three main deposits as detailed in Table 1.

Table 1. **The Mineral Resource estimates for the Thackaringa Cobalt deposits (at a cut-off of 500ppm Co) detailed by Mineral Resource classification and as released 19 March 2018.**

Note minor rounding errors may have occurred in the compilation of this table. Pyrite is estimated from block estimates by:  $\text{Pyrite} = \text{S}/53.333 \times 100$ .

Category	Mt	Co ppm	Fe %	S %	Pyrite %	Contained Co (t)	Py Mt	Density
<b>Railway (at a 500ppm Co cut-off)</b>								
Indicated	23	854	10.1	9.2	17	19,400	4	2.85
Inferred	14	801	10.4	9.2	17	11,100	2	2.85
<b>Total</b>	<b>37</b>	<b>842</b>	<b>10.2</b>	<b>9.2</b>	<b>17</b>	<b>30,800</b>	<b>6</b>	<b>2.85</b>
<b>Big Hill (at a 500ppm Co cut-off)</b>								
Indicated	7	712	7.2	6.9	13	5,200	1	2.77
Inferred	2	658	6.7	6.3	12	1,500	0	2.76
<b>Total</b>	<b>10</b>	<b>697</b>	<b>7.1</b>	<b>6.7</b>	<b>13</b>	<b>6,700</b>	<b>1</b>	<b>2.77</b>
<b>Pyrite Hill (at a 500ppm Co cut-off)</b>								
Indicated	22	937	10.9	10.3	19	20,300	4	2.87
Inferred	4	920	11.2	10.8	20	4,000	1	2.89
<b>Total</b>	<b>26</b>	<b>934</b>	<b>10.9</b>	<b>10.3</b>	<b>19</b>	<b>24,200</b>	<b>5</b>	<b>2.88</b>
<b>Total (at a 500ppm Co cut-off)</b>								
Indicated	52	869	10.0	9.3	17	44,900	9	2.85
Inferred	20	810	10.1	9.2	17	16,600	4	2.85
<b>Total</b>	<b>72</b>	<b>852</b>	<b>10.0</b>	<b>9.3</b>	<b>17</b>	<b>61,500</b>	<b>13</b>	<b>2.85</b>

### Project water supply confirmed

Essential Water confirmed that 1.2 GL per annum is available to COB without any upgrade to Essential's trunk main at a metered take off point on the western outskirts of Broken Hill. An additional 0.3 GL per annum is available if COB provides a capital contribution to increase the trunk main capacity. Essential Water notes that the water supply will soon be from a more reliable source on the Murray River at Wentworth.

The Process Plant Water Balance developed in the PFS identified a water supply requirement of 1.22 GL per annum, which included a 5% allowance for evaporation. With a 20% contingency, the processing water supply requirement is 1.5 GL per annum. COB believes that securing a reliable source of high-quality water that meets the processing requirements of the project is a significant milestone.

### Drilling Campaign Paused. Technical Work Programs Continue

COB, as the Thackaringa Joint Venture Manager, completed 9,561 metres of a campaign originally planned to exceed 15,000 metres. Results received to date continue to improve geological confidence with substantial increases in drilling density.

Previously, between 2H 2016 and 1H 2018, COB drilled a total of 20,445 metres (38 diamond drill holes, 93 RC drill holes, and 3 RC drill holes with diamond tails) over three campaigns:

- COB had previously announced commencement of the drilling campaign (13 September 2018) along with preliminary assay results (5 December 2018).
- Due to an inability to secure a land access agreement extension (13 January 2019), COB has paused drilling operations at the Thackaringa Project. Upon work recommencement, the focus will be largely upon finalising extensional work to the resource.
- While exploration activities have been paused, further work programs continue including bulk test work, mining, environmental and engineering studies.

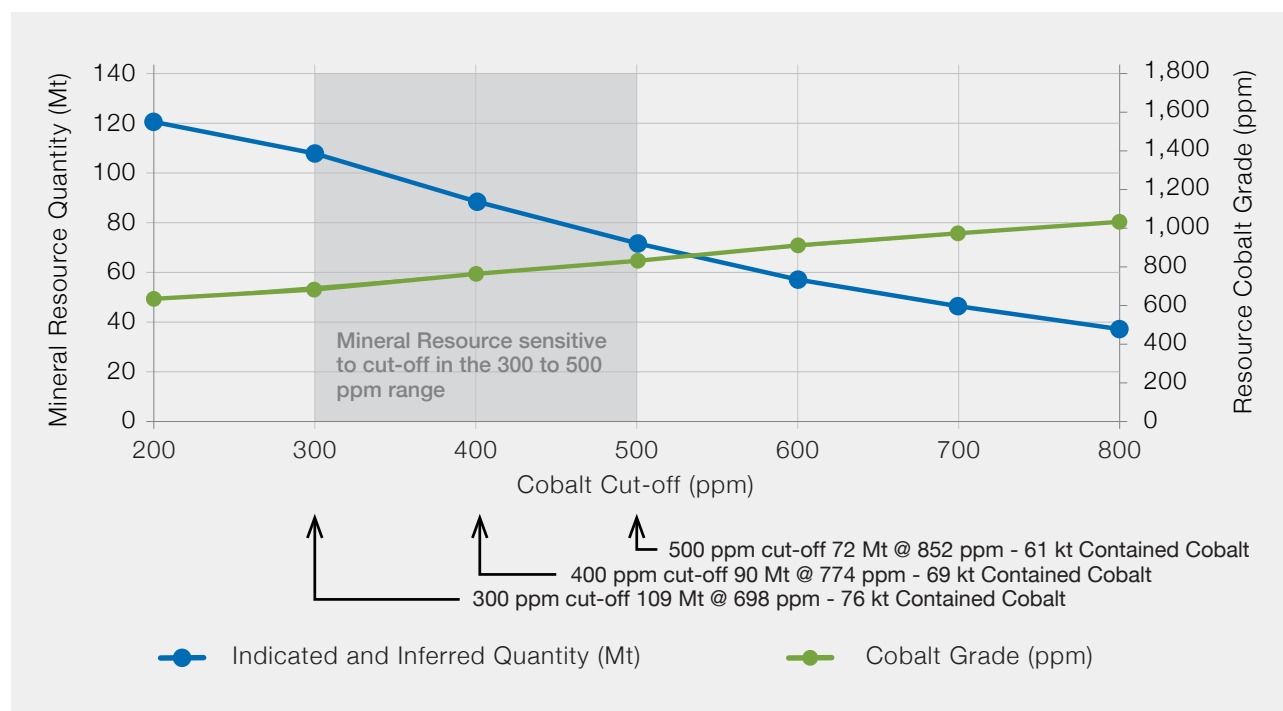
With the temporary suspension of drilling, COB has commenced updating the Mineral Resource estimate. The update is due by the end of Q1 2019 and is anticipated to consider a revised cut-off grade incorporating revenue streams from elemental sulphur; an economic by-product of the processing pathway defined in the Pre-Feasibility Study. Sulphur revenues were not considered when reporting the 19 March 2018 Mineral Resource estimate.



A revised cobalt equivalent cut-off grade has the potential to increase the reportable Mineral Resource where sulphur revenues are included. Mineral Resource quantities at selected lower cobalt cut-off grades include:

- 400 ppm Co cut-off: Potential for a Mineral Resource increase to 90 Mt with 69 kt contained cobalt (+13%).
- 300 ppm Co cut-off: Potential for a Mineral Resource increase to 109 Mt with 76 kt contained cobalt (+25%).

Figure 2. **Thackaringa Mineral Resource grade tonnage curve**



## Cobalt Trends

### Cobalt – Market Update

#### ■ Market Recap + Short Term View:

Cobalt metal prices dropped sharply in the last nine months driven by poor market sentiment and continued concerns of spot market oversupply of both cobalt metal and chemicals.

Analysis of the official Democratic Republic of Congo (DRC) Chamber of Mines statistics suggest that cobalt production from many of the smaller, mostly Chinese-run cobalt producers in the DRC peaked in June before declining over the following months. Mined cobalt production from other high cost sources appears to have peaked during the May-July period before steadily declining throughout Q3. This suggests that the high cobalt price likely caused a production “rush” over Q2 and Q3, with smaller mines and traders (who typically do not deal in cobalt) creating supply to benefit from the large arbitrage and significant demand in China.

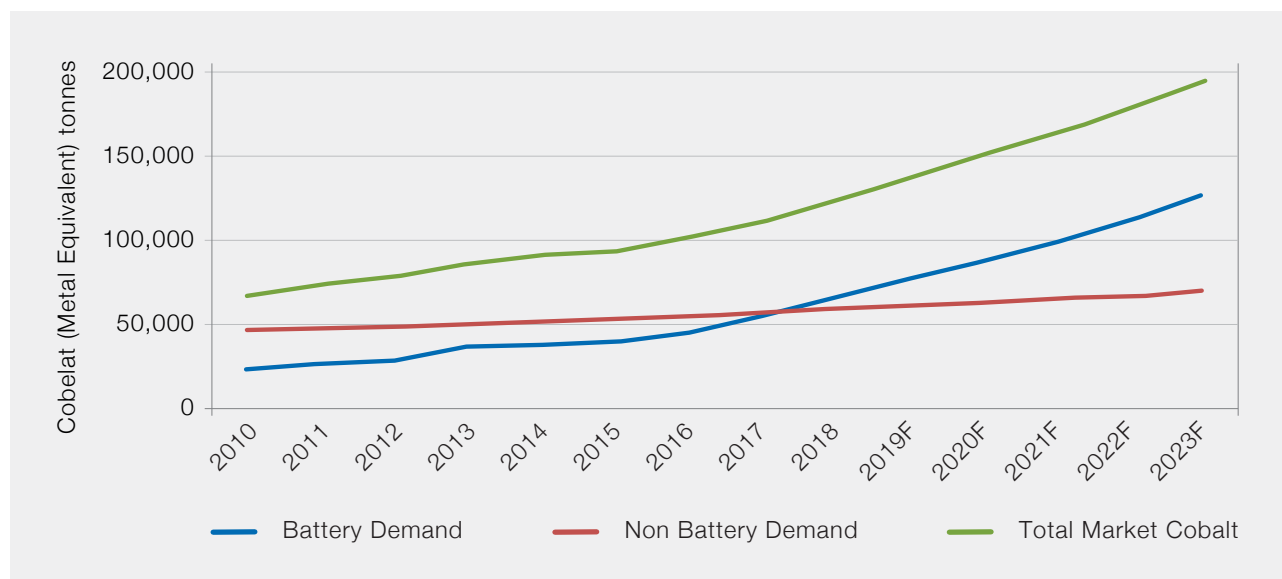
Glencore PLC (FTSE:GLEN) announced in November that it had halted cobalt exports from its Katanga mine (DRC) due to elevated levels of uranium. In order to lower uranium levels to the point where they consider the material acceptable for export, Katanga plans to build an ion exchange system (US\$25m). Glencore has announced that the system should be complete by the end of Q2 2019, provided it obtains the necessary permits. Katanga does exemplify how long-term cobalt supply is likely to remain dependent on a small number of high-risk assets.

#### ■ Long Term View:

Long term forecast for market deficit widens. Looking ahead, CRU's forecast suggests that the market will re-enter a balanced market by 2022F with a significant deficit emerging by 2023F. There are several new sources of supply which could potentially bridge this gap (i.e: increased recycling, mining expansions in the DRC, new mine supply).

On the demand side, the lithium ion battery segment finally outstripped the aggregate of other cobalt demand categories in 2018A and will continue to dominate the global cobalt market. By 2023F batteries will consume ~65% of cobalt, largely in either oxide or sulphate form. Put into perspective, the forecast size of the battery market in 2023F is approximately equal to the entire cobalt market today. Even a small underestimation of demand in this segment (as history notes) may well have the effect of driving material unforeseen market tightness.

Figure 3. **Global Cobalt Demand Forecast**



\* COB acknowledges that the data in the previous two paragraphs above is sourced from CRU Cobalt Market Outlook – November 2018.

## Corporate News

### COB withdraws from Thackaringa Joint Venture Earning Period Provisions

Following completion of a PFS (29 June 2018), the Thackaringa Joint Venture commissioned Wood PLC, a globally renowned engineering firm, to perform a PFS gap analysis review. Wood subsequently recommended up to a 24 month period for further Bankable Feasibility Study (BFS) work.

COB has concluded that the risk of attempting to fast track such studies into a period of only 12 months, to meet the BFS timetable in the Exploration Farmin Joint Venture Agreement (Farmin Agreement) with BPL, would significantly impair the project and pose undesirable risk. Subsequently, after a period of negotiations leading to no acceptable commercial outcomes, COB has now withdrawn (24 October 2018) from the Earning Period process of the Farmin Agreement.

Notwithstanding COB's decision, it will remain Manager of the Joint Venture and continue to hold its recently upgraded and announced beneficial interest in the project.

### Dilution triggered. COB advanced to a 93.68% beneficial interest in the Thackaringa Joint Venture

COB as Manager of the Thackaringa Joint Venture (TJV) issued a Billing Statement and Called Sum to the Joint Venture partners, COB and BPL.

- BPL failed to pay the Called Sum as required by the TJV Agreement and then issued an Optional Dilution Notice.
- COB has recalculated (04 December 2018) BPL's Joint Venture Interest and notified this to BPL as required by the TJV Agreement Dilution Provisions.

BPL was notified (4 December 2018) that as a result of this recalculation BPL held a 6.32% beneficial interest in the TJV, with COB holding the balance of 93.68%. COB has also requested BPL to transfer a 23.68% interest in the Joint Venture to COB to give effect to this dilution. The interest of BPL in the Joint Venture is required to be re-calculated throughout the period of the current approved program and budget.

### Global Technical Visits

Over the last quarter, COB executives have visited a number of equipment vendors in Australia (furnaces, pumps, float cells), China (pressure oxidation circuits, gravity, pumps, comminution equipment), Canada (sulphur recovery, sulphur granulation) and the US (furnaces, dry gravity separation, and oxygen/nitrogen supply). The purpose of the visits was to review the capabilities of each company and develop a list of preferred vendors for further collaboration. Discussions included technical evaluation of the unit operations defined in the PFS, preliminary commercial contracts, and process and throughput warranties. Strong commercial interest in the project continues to be expressed across the countries visited, with possible development partnerships now being negotiated.

### Director Changes

On 13 December 2018 Mr Matthew Hill resigned as a director. On 21 December 2018 COB announced that Mr Rob McDonald would join the COB Board as a director effective 1 January 2019.

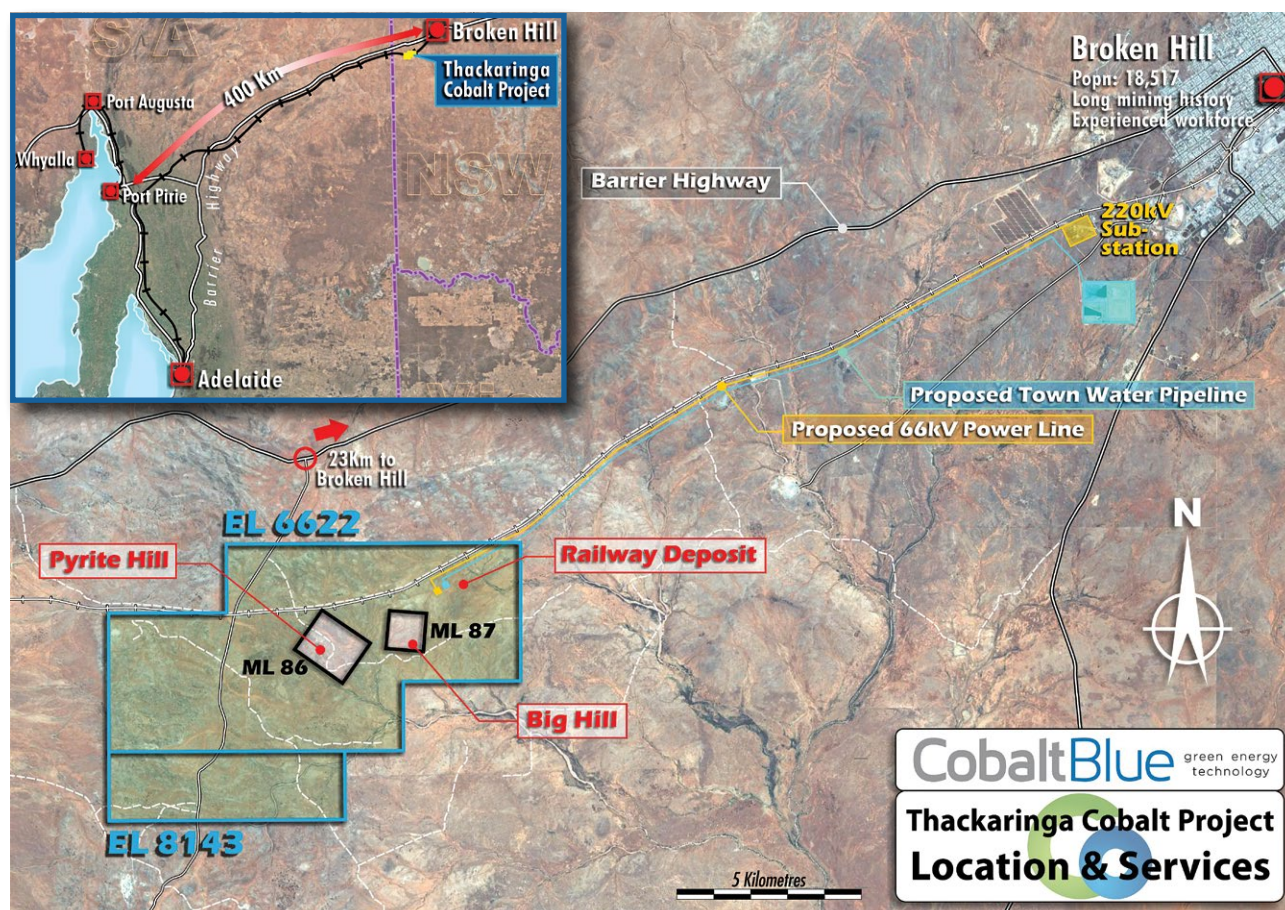
## Various Dispute Notices with BPL

BPL issued a number of dispute notices to COB over the quarter. COB remains of the view that it has acted in accordance with the Joint Venture Agreement and the issues raised by BPL have no merit. COB will vigorously defend its position.

## The Thackaringa Cobalt Project

The Thackaringa district map below shows the proximity to Broken Hill, the supporting rail and road network, as well as the availability of both power and water utilities to support future production.

Figure 4. Thackaringa Cobalt Project district map



COB's activities relate to exploration as the Thackaringa Joint Venture Manager. There were no activities relating to production or development. Following is a summary of the expenditure incurred<sup>1</sup> on exploration activities during the quarter:

Breakdown of Exploration Cost	\$'000
Technical services & consumables	3,540
Environmental	115
Geotechnical	23
Tenure maintenance	4
General and administration	261
Other	190
<b>Total</b>	<b>4,133</b>

<sup>1</sup> Refers to expenditure incurred on an accounting accruals basis. These amounts were extracted from the unaudited accounts of the Company.



## Finance

The Company continues to take steps to support the funding of its future exploration and project development activities. A placement of 8,435,000 shares at \$0.20, which raised \$1,687,000, was completed on 12 December 2018. This placement capacity will be refreshed and an additional placement will be put before shareholders to approve at a General Meeting planned for early March 2019. This will give COB the flexibility to further its various work programmes including bulk test work, mining, environmental and engineering studies, as well as exploration, as results from current work and its financial resources dictate.

COB is in active dialogue with several brokers and institutional fund managers regarding its planned activities, and believes that, when the Board forms the view that a capital raising is appropriate, a capital raising would be well supported by brokers, institutional fund managers and existing large shareholders. COB is also investigating other sources of funding. In addition, COB also can reduce operating expenses, if required, to more modest levels to allow for the timing of a future fundraising.

## Cobalt Blue Background

Cobalt Blue Holdings Limited (ASX:COB) is an exploration and project development company focussed on green energy technology and strategic development to upgrade its mineral resource at the Thackaringa Cobalt Project in New South Wales from Inferred to Indicated status. This strategic metal is in strong demand for new generation batteries, particularly lithium-ion batteries now being widely used in clean energy systems.

COB is in a Joint Venture with BPL to develop the Thackaringa Cobalt Project.

The Thackaringa Project, 23 km west of Broken Hill, with railway line passing through the project area, consists of four granted tenements (EL6622, EL8143, ML86 and ML87) with total area of 63km<sup>2</sup>. The main targets for exploration are well known and document large-tonnage cobalt-bearing pyrite deposits. The project area is under-explored, with the vast majority of historical exploration directed at or around the outcropping pyritic cobalt deposits at Pyrite Hill and Big Hill.

Potential to extend the Mineral Resource at Pyrite Hill, Big Hill, Railway and the other prospects is high. Numerous other prospects within COB's tenement package are at an early stage and under-explored.

Looking forward, we would like our shareholders to keep in touch with COB updates and related news items, which we will post on our website, the ASX announcements platform, as well as social media such as Facebook (f) and LinkedIn (in). Please don't hesitate to join the 'COB friends' on social media and to join our newsletter mailing list at our website.



**Joe Kaderavek**  
Chief Executive Officer  
info@cobaltblueholdings.com  
P: (02) 8287 0660



## Previously Released Information

This ASX announcement refers to information extracted from the following reports, which are available for viewing on COB's website <http://www.cobaltblueholdings.com>

- 16 January 2019: Drilling Campaign Paused. Technical Work Programs Continue
- 22 December 2018: Appointment of Director
- 13 December: Change of Board
- 07 December 2018: Capital Raising
- 05 December 2018: Thackaringa Cobalt Project Drilling and Water Supply Update
- 04 December 2018: Thackaringa JV dilution triggered
- 01 November 2018: Thackaringa Feasibility Study Drilling Campaign Commences
- 24 October 2018: COB decides not to exercise its rights to proceed further under Thackaringa Joint Venture Farmin Earning Period Provisions
- 18 September 2018: CEO's Letter to Shareholders
- 13 September 2018: Bankable Feasibility Study Commences with Drilling Campaign and Project Optimisation Studies
- 05 September 2018: Thackaringa TJV – Completion of Stage 2 Earning Obligations
- 04 July 2018: Thackaringa Pre Feasibility Study Announced
- 20 April 2018: Thackaringa JV – Stage One Completed
- 19 March 2018: Thackaringa – Significant Mineral Resource Upgrade
- 05 March 2018: PFS – Calcine and Leach Testwork Complete – Strong Results
- 24 January 2018: Significant Thackaringa Drilling Program complete – Resource Upgrade pending

COB confirms it is not aware of any new information or data that materially affects the information included in the original market announcements, and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. COB confirms that the form and context in which the Competent Person's findings presented have not been materially modified from the original market announcement.

## Competent Person's Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mr Peter Buckley, a Competent Person who is a Member of The Australian Institute of Geoscientists (MAIG). Mr Buckley is employed by Left Field Geoscience Services and engaged by Cobalt Blue Holdings on a consulting basis. Mr Buckley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Buckley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Metallurgical Testwork Results or Engineering Design Studies is based on information compiled by Dr Andrew Tong, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Andrew Tong is engaged by Cobalt Blue Holdings as Executive Manager. Dr Andrew Tong has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Andrew Tong consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

## Mineral Resource Estimate Overview

The revised Mineral Resource was independently prepared by SRK Consulting using a Co-Kriging ('CK') method of estimation, suitable for the style of mineralisation. Mr Danny Kentwell, Principal Consultant (Resource Evaluation) at SRK Consulting, was engaged to estimate the Mineral Resource as the independent Competent Person. The Mineral Resource has been estimated and reported in accordance with the guidelines of the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Minerals Resources and Ore Reserves ('2012 JORC Code').

## Tenement Holding

The beneficial interests in tenements held by Cobalt Blue Limited at the end of the quarter and the related percentage of ownership:

### Thackaringa Cobalt Project

- EL 6622 – 93.68%\* beneficial interest Cobalt Blue Holdings Limited
- EL 8143 – 93.68%\* beneficial interest Cobalt Blue Holdings Limited
- ML 86 – 93.68%\* beneficial interest Cobalt Blue Holdings Limited
- ML 87 – 93.68%\* beneficial interest Cobalt Blue Holdings Limited

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\* Refer COB's and BPL's ASX announcements dated 4 December 2018 for COB's explanation of the dilution of BPL's interest in the Joint Venture to 6.32% and for the steps BPL is taking to dispute this.

+Rule 5.5

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

<b>Name of entity</b>	
COBALT BLUE HOLDINGS LIMITED	
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
90 614 466 607	December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(282)	(511)
(e) administration and corporate costs	(201)	(581)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	62
1.5 Interest and other costs of finance paid	(11)	(22)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(475)</b>	<b>(1,052)</b>

+ See chapter 19 for defined terms

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3)	(16)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	(2,001)	(3,083)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,004)</b>	<b>(3,099)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	1,687	1,712
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(62)	(62)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(33)	(66)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,592</b>	<b>1,584</b>



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	8,119	9,799
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(475)	(1,052)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,004)	(3,099)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,592	1,584
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,232</b>	<b>7,232</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	7,134	119
5.2	Call deposits	98	8,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,232</b>	<b>8,119</b>

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	170
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Director fees/salary		

+ See chapter 19 for defined terms

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation - Thackaringa Cobalt Project	(3,300)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(250)
9.5 Administration and corporate costs	(500)
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>(4,050)</b>

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	EL 6622 EL 8143 ML 86 ML 87  All tenements are located in the Broken Hill region, NSW	Beneficial ownership	70.0%	93.68%

#### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

  
(Company secretary)

Date: 30 January 2019

Print name: Robert J Waring

#### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. Line item 2.1 (d) includes Exploration and Evaluation Expenditure for the Thackaringa Cobalt Project.