

# Quarterly Report



15 October 2019

July to September 2019 – Highlights

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



ASX Code:

**COB**

#### Commodity Exposure:

**Cobalt & Sulphur**

#### Directors & Management:

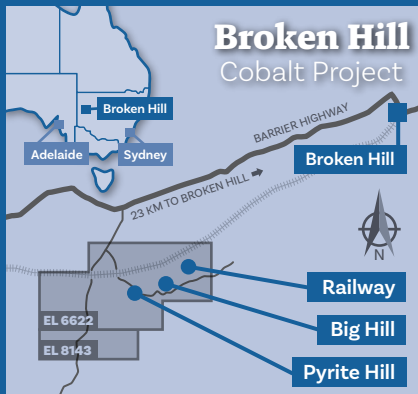
**Robert Biancardi** Non-Exec Chairman  
**Hugh Keller** Non-Exec Director  
**Robert McDonald** Non-Exec Director  
**Joe Kaderavek** CEO & Exec Director  
**Robert Waring** Company Secretary

#### Capital Structure:

Ordinary Shares at 15/10/2019: **149.9m**  
Options (ASX Code: COBO): **29.6m**  
Market Cap (undiluted): **\$21.0m**

#### Share Price:

Share Price at 15/10/2019: **\$0.14**



#### Cobalt Blue Holdings Limited

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## Cobalt Blue September Quarterly Report

### BROKEN HILL COBALT PROJECT

- Global Energy Metals Corporation (GEMC) testwork co-operation agreement
- COB strengthens Broken Hill exploration footprint

### COBALT TRENDS

- Glencore places Mutanda Mine on care and maintenance
- Electric Vehicle update

### CORPORATE NEWS

- Update on Joint Venture Dispute and Independent Expert

## Broken Hill Cobalt Project

### Global Energy Metals Corporation (GEMC) testwork co-operation agreement (18 July 2019)

During the quarter COB took another positive step in its pursuit of opportunities to apply its innovative minerals processing technology for extraction and recovery of cobalt and elemental sulphur from cobalt-pyrite feedstocks by entering into a co-operation agreement with Canadian Global Energy Metals Corporation (TSXV:GEMC) which recently completed the acquisition of the Millennium Cobalt Project (the "Millennium Property"), as well as the Mt. Dorothy Cobalt Project and the Cobalt Ridge Project.

COB's minerals processing technology is focussed on the treatment of pyrite to recover payable metals, elemental sulphur and to generate environmentally stable iron oxide leach residues. The process specifically avoids the production of sulphuric acid, which normally occurs when roasting pyrite or leaching pyrite via pressure oxidation.

As historical studies have shown that cobalt-pyrite concentrates can be floated from samples of drill core from the Millennium Project, the co-operation agreement allows COB to test the applicability of COB's pyrite processing technology to new cobalt-pyrite concentrate samples which GEMC will prepare and provide for this purpose.

### COB strengthens Broken Hill exploration footprint (22 August 2019)

During the quarter, Exploration Licence Application 5805 (ELA 5805) was granted as Exploration Licence 8891 (EL 8891) for Group 1 Minerals, inclusive of cobalt and sulphur. The tenement comprises eleven (11) units for approximately 32 km<sup>2</sup>. The units are positioned along a series of northeast-southwest trending shear zones

with basement geology dominated by stratigraphy of the Willyama Supergroup, including the Thackaringa and Broken Hill Group successions. In consideration of the strong, stratigraphically controlled metallogenic affinity, this sequence is considered highly prospective for the targeted cobaltiferous pyrite mineralisation.

Approximately 15km west of EL 8891, the characteristic quartz-albite gneiss of the Himalaya Formation (Thackaringa Group) hosts the Pyrite Hill, Big Hill and Railway cobalt deposits.

EL 8891 is 100% owned by COB and not part of any Joint Venture.

The tenement has significantly enhanced COB's existing exploration footprint with tenure to cover approximately 93km<sup>2</sup>. Initial activities are proposed to refine targeting through historical data compilation, geological mapping, geochemical sampling and applied geophysics.

## Cobalt Trends

During the September quarter, spot cobalt prices bottomed at (sub) US\$12/lb before steadily appreciating to US\$17/lb. We discuss market influences below.

COB acknowledges contributions from UBS and Citigroup in the following:

### Glencore places Mutanda Mine (Democratic Republic of Congo) on care and maintenance

Glencore PLC (FTSE:GLEN) announced (7 August 2019) that it will place Mutanda, the world's largest cobalt mine (26kt pa), on care and maintenance at the end of 2019. The closure came after Mutanda struggled with operational problems, legal challenges, depressed copper/cobalt pricing and a rift with the Democratic Republic of Congo (DRC) government over its new mining code.

Despite this news flow, supply forecasts are still expected to rise slightly as the closure of Mutanda is offset by the ramp up of other mines in the DRC, whilst supply outside of the DRC remains broadly flat.

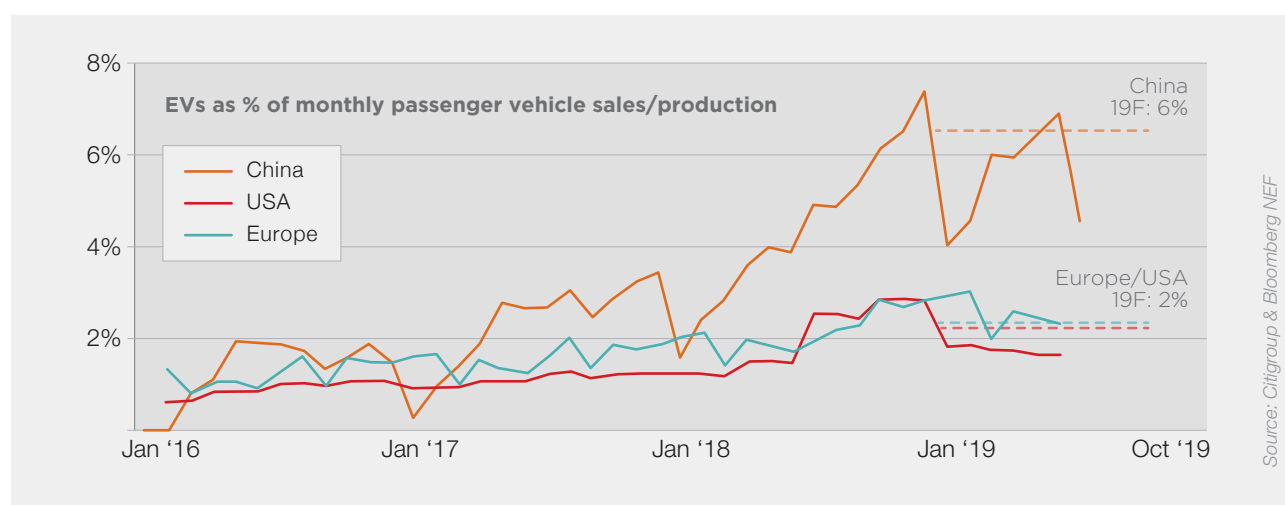
In our view, near term (2020-2023) prices will likely continue around US\$20/lb, which is slightly below the long-term average price since 1950 (UBS data) in real terms of ~US\$25/lb, and a level which starts to incentivise cobalt projects to be built outside the DRC. Except for COB's Broken Hill Cobalt Project, non-DRC project economics will continue to rely substantially upon the long-term nickel price.

### Electric Vehicle update

Cobalt demand over the last 12 months has been largely the result of weaker consumer electronic sales globally. Aggregate cobalt volumes in these much smaller batteries (such as in mobile phones, laptops and tablets) currently dominate cobalt demand. The much larger Electric Vehicle (EV) batteries will not overtake consumer electronics share of demand until 2022F, and for now cobalt is still significantly exposed to macro influences such as the current US-China trade "friction".

Whilst global passenger vehicle sales have been meaningfully affected by global market uncertainty, the EV revolution and its respective demand for metals has been far more resilient than expected. Overall, EV market shares have been volatile with Chinese growth continuing to dominate.

Figure 1. Global EV demand growth by key region.





For the consumer, the single biggest barrier to EV adoption compared to an Internal Combustion Engine (ICE) vehicle remains the higher upfront costs. The gap between EV and ICE vehicle costs is not expected to close until 2025. Analysts estimate that upfront EV costs are currently US\$10,000 more than its petrol fuelled equivalent (ex-China). In addition to having a higher entry price, EVs have also suffered from lower 3 year residual (resale) values. This is expected to improve once EV designs begin to plateau and stop so radically overtaking previous models but concerns over battery life will always remain (given an 8–10 years warranty on average).

## Corporate News

### Update on Joint Venture Dispute and Independent Expert

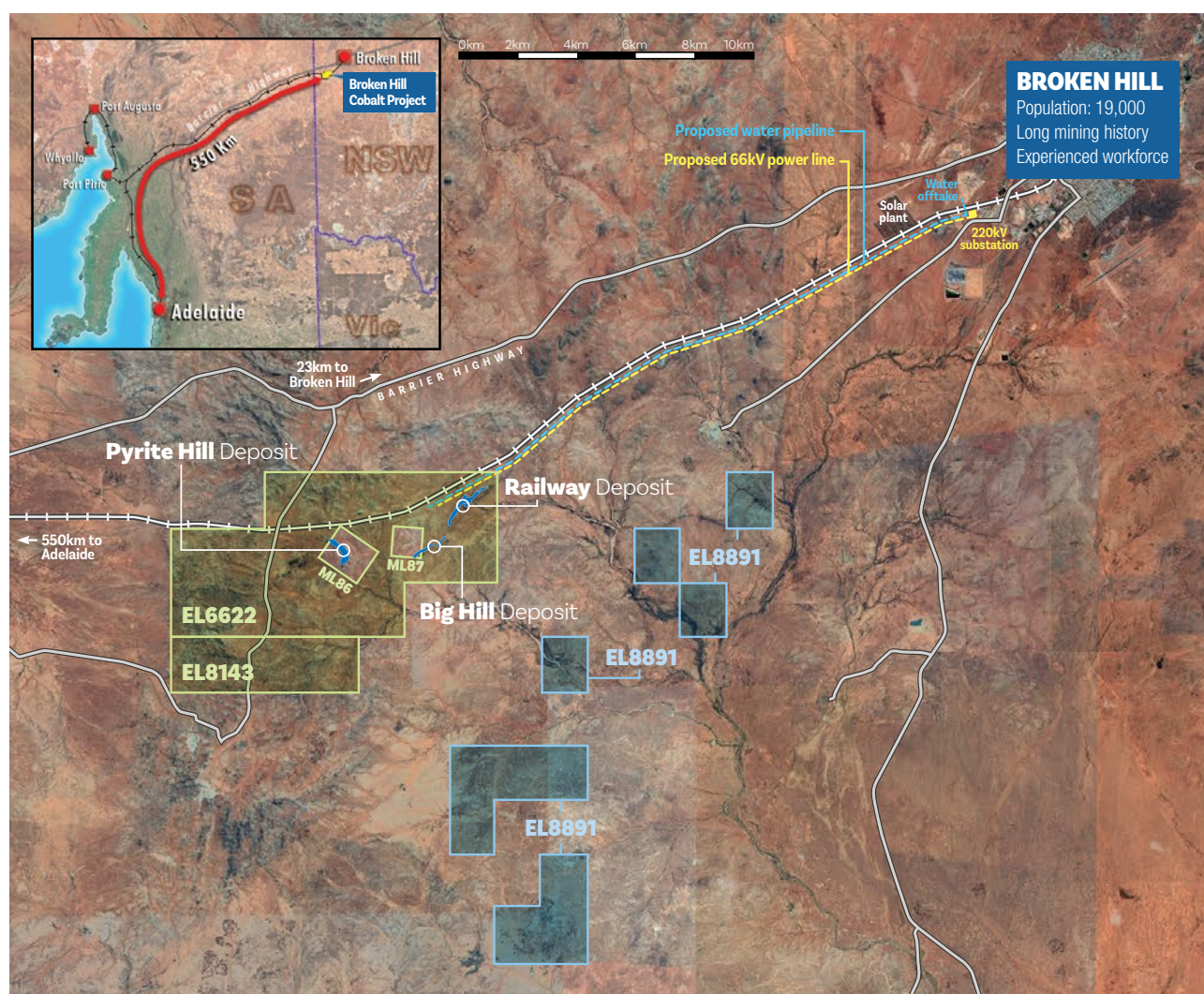
The decision of the Independent Expert had been expected during the quarter. COB will update the market when it has received and considered the determination. The determination will cover all Dispute Notices issued by BPL under the Thackaringa Joint Venture Agreement.

With respect to the remaining Dispute Notice issued by BPL (under the Royalty Deed), despite BPL advising earlier in the year it wished to “seek recommencement of the Dispute,” COB has yet to hear any further from BPL regarding this dispute notice.

### The Broken Hill Cobalt Project

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

Figure 2. **Broken Hill District Map.**



COB's activities primarily relate to exploration and evaluation of the Broken Hill Cobalt Project. There were no activities related to production or development. Following is a summary of COB's expenditure incurred<sup>1</sup> on exploration and evaluation activities during the quarter.

Exploration and Evaluation Expenditure	\$'000
Technical services & consumables	219
General and administration	34
<b>Total</b>	<b>253</b>

## Finance

During the quarter COB's daily share price fluctuated between 11 cents and 18.5 cents.

## Cobalt Blue Background

Cobalt Blue Holdings Limited (ASX: COB) is an exploration and project development company. Work programs advancing the Broken Hill Cobalt Project in New South Wales continue. Cobalt is a strategic metal in strong demand for new generation batteries, particularly lithium-ion batteries now being widely used in clean energy systems.

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  
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## 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>

- 22 August 2019: COB Strengthens Broken Hill Exploration Footprint
- 18 July 2019: Cobalt Blue (COB) and Global Energy Metals Corporation (GEMC) enter into testwork co-operation agreement
- 18 February 2019: JV Withdrawal Notice Served

COB confirms it is not aware of any new information or data that materially affects the information included in the original market announcements and where applicable 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.

<sup>1</sup> Refers to expenditure incurred on an accounting accruals basis as distinct from expenditure reported in the Appendix 5B, which refers to expenditure on a cash basis. The amounts were extracted from the unaudited accounts of the Company.

## 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 COB 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.

## Tenement Holding

The Company held the following mining tenements at the end of the quarter:

Tenement	Location	Interest at end of quarter
EL 8891	Broken Hill Region, New South Wales	<ul style="list-style-type: none"> <li>100% legal and beneficial interest</li> <li>Acquired during the quarter</li> </ul>
EL 6622	Broken Hill Region, New South Wales	<ul style="list-style-type: none"> <li>100% beneficial interest*</li> <li>No change during quarter</li> </ul>
EL 8143	Broken Hill Region, New South Wales	<ul style="list-style-type: none"> <li>100% beneficial interest*</li> <li>No change during quarter</li> </ul>
ML 86	Broken Hill Region, New South Wales	<ul style="list-style-type: none"> <li>100% beneficial interest*</li> <li>No change during quarter</li> </ul>
ML 87	Broken Hill Region, New South Wales	<ul style="list-style-type: none"> <li>100% beneficial interest*</li> <li>No change during quarter</li> </ul>

No tenements or farm-in or farm-out agreements were disposed of during the quarter.

\* Refer COB's announcement dated 18 February 2019 for the basis of COB's interest.

## 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

#### Name of entity

COBALT BLUE HOLDINGS LIMITED

#### ABN

90 614 466 607

#### Quarter ended ("current quarter")

September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<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	(255)	(255)
(e) administration and corporate costs	(509)	(509)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(9)	(9)
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>(771)</b>	<b>(771)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets (see note 4)	(314)	(314)
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>(314)</b>	<b>(314)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	-	-
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)	(58)	(58)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(58)</b>	<b>(58)</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	4,741	4,741
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(771)	(771)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(314)	(314)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(58)	(58)
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>3,598</b>	<b>3,598</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	3,598	3,598
5.2	Call deposits	-	-
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>3,598</b>	<b>3,598</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

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

**Current quarter  
\$A'000**

136

-

**7. Payments to related entities of the entity and their associates**

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*

**Current quarter  
\$A'000**

-

-



**8. Financing facilities available**

Add notes as necessary for an understanding of the position

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.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

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**9. Estimated cash outflows for next quarter****\$A'000**

9.1 Exploration and evaluation – Broken Hill Cobalt Project

(675)

9.2 Development

-

9.3 Production

-

9.4 Staff costs

(220)

9.5 Administration and corporate costs

(380)

9.6 Other (provide details if material)

-

**9.7 Total estimated cash outflows**

**(1,275)**

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 8891 Broken Hill Region, New South Wales	Legal and Beneficial Interest	-	100%

**Compliance statement**

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

Sign here:



(Company secretary)

Date: 15 October 2019

Print name:

Robert 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 Broken Hill Cobalt Project.
5. Call deposits of \$98,000 were classified as cash and cash equivalents in the June 2019 Appendix 5B quarterly report. These deposits are subject to a security interest and are not available for general use by the Company and have been reclassified from cash and cash equivalents to security deposits. Accordingly, the balance of cash and cash equivalents at the beginning of the period has been adjusted from the previously reported balance of \$4,839,000 to \$4,741,000.