



**Cobalt Blue Holdings Limited ABN 90 614 466 607**  
**Address:** Level 17, 100 Miller Street, North Sydney, NSW 2060  
**Website:** [www.cobaltblueholdings.com](http://www.cobaltblueholdings.com)  
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31 October 2018

Ms C Porta  
Adviser, Listings Compliance (Sydney)  
ASX Compliance Pty Limited  
20 Bridge Street, Sydney NSW 2000

Dear Clare

I refer to your letter of 30 October 2018 and to the issues you raised in relation to the Company's Appendix 5B Quarterly Report, and respond to each of your questions and requests for information below.

**1. Does Cobalt Blue Holdings Limited (COB) expect that it will continue to have negative operating cash flows for the time being and, if not, why not?**

The Company expects to have negative operating cash flows for the time being due to the current state of the Company's activities, operating as an exploration company with no source of revenue other than interest income.

**2. Has COB taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?**

COB noted in its Quarterly Activities Report that it visited Korea and Japan, representing the fourth round of commercial visits since listing in February 2017. These visits included detailed discussions and exchanges of views. Robust commercial interest continues to be expressed in the project across the Asian countries visited. COB then undertook marketing visits to Asia and UK/US to introduce the project to over 50 global fund managers and potential debt providers. Strong fundamental demand across UK and the USA was noted and COB expects to follow up with these relationships. Management has also begun discussions with potential project debt facility providers, to better understand how banks and other debt facilitators will interact with the project as we progress through feasibility studies.

The Company has a very supportive shareholder base, including LG International (LGI), the resources investment arm of LG Corporation, acting in cooperation with LG Chem, and a number of large sophisticated investors. LG Chem possesses strong technical leadership in the development of next generation batteries, in particular for fixed storage and Electric Vehicles (EVs). Under the First Mover partnership LG will provide capital and technical assistance for Cobalt Blue to make a high purity battery grade cobalt sulphate. COB has continuous active dialogue with a number of brokers and institutional fund managers regarding its opportunities and activities, and believes that, if the Board forms the view that when a capital raising is appropriate, a capital raising would be well supported by brokers, institutional fund managers and existing shareholders.

**3. Does COB expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

Yes, the Company does expect to be able to continue its operations to meet its core operating requirements through 2018-19 and beyond, based on the anticipated advances in its business, as summarised in its various releases to ASX.

**4. Please provide any other information that COB considers may be relevant to ASX forming an opinion on whether COB is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).**

On 4 July 2018 the Company announced the results of the Preliminary Feasibility Study (PFS) for the Thackaringa Cobalt Project. The results justify proceeding further towards commercial development of the Thackaringa Cobalt Project. A maiden Ore Reserve has been declared for the Thackaringa Cobalt Project and announced on 19 March 2018 and a Probable Ore Reserve and a Production Target (Potential Upside Mining Case) was modelled using the cobalt included the Probable Ore Reserve and a partial component of the Inferred Resource (see announcement on 4 July 2018). 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. COB is confident that the Thackaringa Cobalt Project will prove to be very valuable and that its future exploration, feasibility studies and, if successful, its mine development and construction will be well supported by both debt and equity investment.

**5. Please confirm that COB is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.**

COB confirms that it is in compliance with ASX Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

**6. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy, or otherwise by its board or an officer of COB with delegated authority from the board to respond to ASX on disclosure matters.**

The Company confirms that COB's responses to the questions above have been authorised and approved in accordance with its published Continuous Disclosure Policy and by its Board.

**7. Is the \$835,000 expenditure incurred on exploration activities drawn from an unaudited statement of profit or loss?**

The Company advises that the Breakdown of Exploration Cost table on page 7 of the Quarterly Report details exploration expenditure costs incurred on an accruals basis for the September 2018 quarter. These amounts were extracted from an unaudited Balance Sheet.

**8. Does item 9.1 relate to estimated cash outflows for exploration and evaluation at the Thackaringa Cobalt Project?**

The Company confirms that item 9.1 represents its estimated cash outflows of \$3,650,000 for exploration and evaluation for the Thackaringa Cobalt Project for the December 2018 quarter.

**Please confirm COB's beneficial interest in the Thackaringa Cobalt Project (given the announcement dated 5 September 2018 (as summarised on page 6) stated that COB now holds a 70% beneficial ownership, and item 10 of the previous Appendix 5B lodged on 30 July 2018 stated "The Company completed its Stage 2 Earning Period obligations during the quarter by completing a Pre-Feasibility Study and expending amounts in accordance with the Exploration Farmin Joint Venture Agreement to which it is a party. The Company believes it has now earned a 70% beneficial interest in the Joint Venture (last quarter: 51%).")**

COB confirms that it has received notice from Broken Hill Prospecting Limited (ASX:BPL) that BPL has accepted to its satisfaction the completion of the Stage Two earning obligations under the Joint Venture Agreement on the Thackaringa Cobalt Project in Broken Hill NSW (TJV). BPL advised that it completed a review of the TJV Stage Two deliverables. Accordingly COB announced to ASX on 5 September 2018 that it had earned a 70% beneficial ownership over the Thackaringa JV tenements as follows:

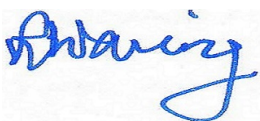
- EL 6622 - 70% beneficial ownership.
- EL 8143 - 70% beneficial ownership.
- ML 86 - 70% beneficial ownership.
- ML 87 - 70% beneficial ownership.

Accordingly COB's interest in the JV increased from 51% in the June 2018 Quarterly Report and Appendix 5B to a 70% JV interest in the September 2018 Quarterly Report and Appendix 5B.

If you require any additional information, please contact the undersigned.

Yours sincerely

**Cobalt Blue Holdings Limited**



**Robert J Waring**  
Company Secretary

30 October 2018

Mr Robert Waring  
Company Secretary  
Cobalt Blue Holdings Limited  
Suite 17.03  
100 Miller Street  
North Sydney NSW 2060

By email

Dear Mr Waring,

**Cobalt Blue Holdings Limited (“COB”): Appendix 5B Query**

I refer to COB’s Appendix 5B quarterly report for the period ended 30 September 2018 lodged with ASX Market Announcements Platform on 29 October 2018 (the “Appendix 5B”).

ASX notes that COB has reported:

- negative net operating cash flows for the quarter of \$577,000;
- cash at the end of the quarter of \$8,119,000; and
- estimated cash outflows for the next quarter of \$4,400,000.

It is possible to conclude, based on the information in the Appendix 5B that if COB were to continue to expend cash at the rate indicated by the Appendix 5B, COB may not have sufficient cash to continue funding its operations. In view of that, ASX asks COB to respond separately to each of the following questions and requests for information:

1. Does COB expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has COB taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does COB expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that COB considers may be relevant to ASX forming an opinion on whether COB is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
5. Please confirm that COB is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.
6. Please confirm that COB’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of COB with delegated authority from the board to respond to ASX on disclosure matters.

In addition, ASX notes that COB has reported:

- expenditure incurred on exploration activities of \$835,000 (on page 7);

- estimated cash outflows for the next quarter of \$3,650,000 for “Thackaringa Cobalt Project” (at item 9.1); and
- it has earned a 51% beneficial interest in the joint venture assets and there was no change in tenements during the period (at item 10).

ASX asks COB to respond separately to each of the following queries regarding the abovementioned information contained in the Appendix 5B:

7. Is the \$835,000 expenditure incurred on exploration activities drawn from an unaudited statement of profit or loss?
8. Does item 9.1 relate to estimated cash outflows for exploration and evaluation at the Thackaringa Cobalt Project?
9. Please confirm COB’s beneficial interest in the Thackaringa Cobalt Project (given the announcement dated 5 September 2018 (as summarised on page 6) stated that COB now holds a 70% beneficial ownership, and item 10 of the previous Appendix 5B lodged on 30 July 2018 stated *“The Company completed its Stage 2 Earning Period obligations during the quarter by completing a Pre-Feasibility Study and expending amounts in accordance with the Exploration Farmin Joint Venture Agreement to which it is a party. The Company believes it has now earned a 70% beneficial interest in the Joint Venture (last quarter: 51%).”*)

#### **When and where to send your response**

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30am AEDT on **Thursday, 1 November 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in COB’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, COB’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

#### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to COB’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that COB’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

#### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in COB’s securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;

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- how long you want the trading halt to last;
  - the event you expect to happen that will end the trading halt;
  - that you are not aware of any reason why the trading halt should not be granted; and
  - any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

*[Sent electronically without signature]*

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**Clare Porta**

Adviser, Listings Compliance (Sydney)