

Cobalt Blue Holdings

Mining-to-refining cobalt for global battery supply chain

Cobalt Blue Holdings Ltd (ASX:COB) is a mining and mineral processing company focused on advancing cobalt mining and refining operations in Australia. The company is developing the Broken Hill Cobalt Project (BHCP) in far west NSW and concurrently in planning on a Kwinana cobalt refinery in WA with a definitive feasibility study underway. Cobalt Blue Holdings was founded in 2016 and listed on the ASX in early 2017. The company has a clearly-defined runway to first revenue, following its decision to relocate its refinery from Broken Hill to Kwinana in WA where it will initially process third-party material from both Australia and offshore to produce battery-grade cobalt sulfate. Processing operations will allow the company to generate revenue from the refinery from 2025 whilst in tandem, building the BHCP which is expected to be operational by 2026.

Project description

Cobalt Blue Holdings is developing the Broken Hill Cobalt Project (BHCP) which includes three granted tenements with a total area of 49km² containing large tonnage cobalt-bearing pyrite deposits. The tenements, which are located 23km west of Broken Hill, have a JORC resource of 118Mt at 859 ppm of cobalt equivalent (comprising 687ppm cobalt, 7.6% sulphur and 133 ppm nickel) for 81,100t contained cobalt, using a 275ppm CoEq cut-off. The company completed an extensive drilling programme earlier this year and plans to release an updated mineral resource in November. Cobalt Blue has also developed a patented mineral processing technology for treating pyrite feedstocks targeting 85-95% recovery of cobalt from ore to product. The company recently decided to shift the location of its cobalt refinery from Broken Hill to Kwinana in WA and is progressing a definitive feasibility study with plans to begin construction in 2024 with a target to process third-party feedstock in 2025. Initial processing capacity is expected to be ~3.0kt of cobalt/nickel, with this ramping up to ~4.5kt in 2026 with the addition of BHCP and ~7.5kt at full production.

Mining lease submitted, new mineral resource estimate due Nov

The company recently submitted its mining lease for the development of BHCP which contemplates the construction, operation and maintenance of a dual lane, sealed road from the Barrier Highway to the site, a 220kV power line to connect the project to TransGrid, a buried pipeline to transmit raw water to the site, co-located with a buried fibre-optic cable; and a creek diversion required for the development of the Railway deposit. Cobalt Blue has flagged that it anticipates a new mineral resource estimate in November which follows on from an extensive drilling programme undertaken earlier this year in which 78 drill holes were completed for 12,280m, increasing the drilling effort to more than 40,000m.

Well positioned to deliver into the global battery supply chain

Cobalt Blue is well positioned to play into the demand for cobalt in the global battery supply chain. According to the Cobalt Institute, battery applications now account for 72% of cobalt demand, up from 55% in 2018. Industry estimates are for consumption of 210,000 tonnes of cobalt in 2023, up 24% on 2022, with Benchmark Minerals Intelligence forecasting global demand will grow to 390,000 tonnes by 2030 with 84% of this driven by battery applications for EVs. Cobalt sourcing has become a major focus for many countries with the US introducing the Inflation Reduction Act (IRA) and the European Union passing the Critical Raw Materials Act (CRMA), both of which provide incentives for supply of critical minerals, including cobalt, from allied nations, including Australia. Allied nations currently produce an estimated 30,000tpa of the 210,000tpa consumed with this forecast to rise to 140,000tpa by 2030 and the shortfall likely to come from new mines and refineries.

Share Details

ASX code	COB
Share price (26-Oct)	\$0.235
Market capitalisation	\$87.0M
Number of shares	370.1M
Options on issue	10M
Net cash at 30-Jun-2023	\$15.6M

Share Price Performance (12 months)



Upside Case

- Expanded mineral resource estimate
- Opportunity to leverage nearby significant existing infrastructure
- Global demand for cobalt continues to grow ahead of forecasts

Downside Case

- Refinery development delayed
- Competitive alternative sources of cobalt emerge
- Geopolitical uncertainty alters market growth expectations/demand

Catalysts

- Granting of the mining lease for the BHCP
- Financing secured for Kwinana, operating permits issued, construction commences
- DFS released for BHCP

Comparative Companies (Australia & NZ)

ARL, ASN, SRL

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FINANCIAL SERVICES GUIDE

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