CobaltBlue

green energy technology

COBALT BLUE HOLDINGS LIMITED
(ABN 90 614 466 607)

ANNUAL REPORT 2017

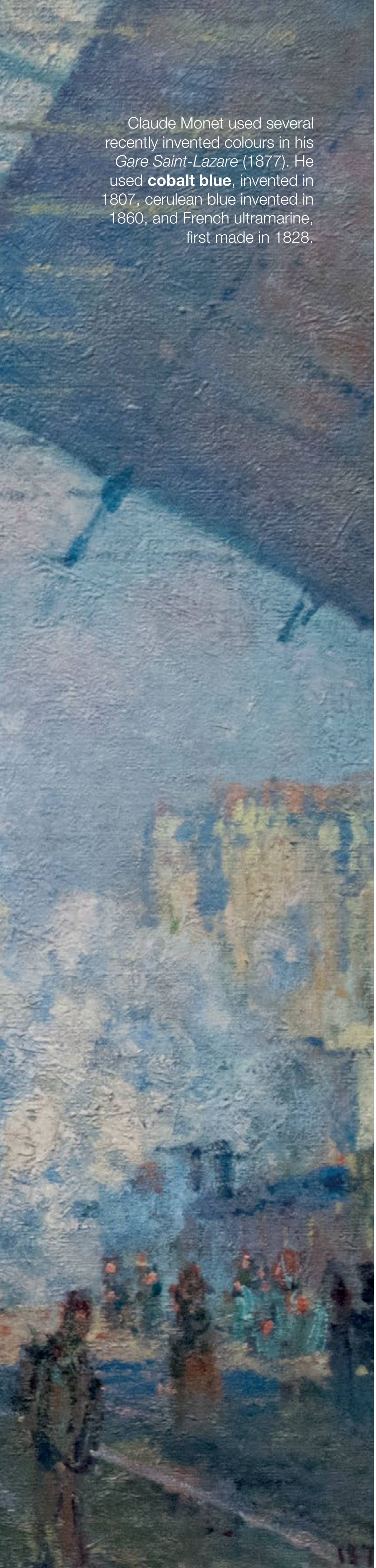
Highlights and **Achievements**

Thackaringa

- **Substantial drilling campaign** completed at Thackaringa (8,000 metres) – 25 May 2017
- **Declared** a combined 55Mt Inferred and Indicated Resource @ 910 ppm cobalt – 05 June 2017
- **Scoping Study completed** – strongly supporting progression to Preliminary Feasibility Study. Key conclusions included a long life, low cost, large scale operation. Identified options for processing concentrate, including cobalt and by-product monetisation. Optimal processing established > 90% metal recovery – 30 June 2017

Corporate

- **Incorporated** – 26 August 2016
- **Raised $10m** in oversubscribed offer – 18 January 2017
- **ASX listed** – 02 February 2017
- **Commercial Visit** – China cobalt refining industry – 06 April 2017



Claude Monet used several recently invented colours in his *Gare Saint-Lazare* (1877). He used **cobalt blue**, invented in 1807, cerulean blue invented in 1860, and French ultramarine, first made in 1828.

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Table of **Contents**

Chairman's Review

Dear Fellow Shareholders,

The cobalt market continues to provide a strong backdrop to our substantial development activities for the Thackaringa Cobalt Project.

It is a significant fillip to the progress being made onsite. Cobalt Blue listed on the ASX in February 2017 after a strongly subscribed share offering. Whilst the listing process was underway, we began work in late 2016, culminating in an 8,000m drilling campaign that drove a significant increase in contained cobalt (50,000t). A comprehensive Scoping Study followed in June, delivering a highly positive geological, mining, engineering and metallurgical assessment.

In particular, the metallurgical studies demonstrated very robust cobalt recoveries (~90%) from in-ground to payable metal. This is a significant result for us and indicates potential total revenue of ~A$3.5Bn from our cobalt alone, based on the existing declared resource.

Commercially, our relationships now span the key cobalt refining countries of China, Japan and Korea which have been optimising the processing of cobalt for in excess of 50 years. The future of Cobalt Blue will be driven by choosing the best available technologies globally. These relationships, combined with our industry research, have identified an exciting market opportunity.

Today, the rapidly evolving battery market demands a premium cobalt product, such as cobalt sulphate. This product receives 100-105% LME cobalt pricing, rather than pennies on the dollar for concentrates traditionally supplied by cobalt miners. By focusing on making a cathode ready product, Cobalt Blue can sell straight into the end battery market and capture this significant premium for our shareholders.

We are also examining processing alternatives that enable the production of elemental sulphur. This would displace costly imports when used as a feedstock for fertiliser. Cobalt Blue aims to produce a premium sulphur product, with direct sales into the domestic Australian market, which currently imports more than one million tonnes per annum.

Looking forward, we will conduct around 10,000m of drilling in the next six months, with a target to declare a 40Mt Indicated Resource. Whilst large, this resource is just a stepping stone. Even after the considerable ground work done so far, the mineralisation remains open at depth and along the entire 4.5km resource strike length that covers several low lying ridge lines. An airborne geophysical program is also planned to be finalised within six months. That is expected to dramatically enhance targeting across the project area.

Chairman's Review continued

Our metallurgical team will begin bulk sampling of ore to better understand the five potential processes identified in the Scoping Study, and to build project confidence culminating in the delivery of a Preliminary Feasibility Study by mid-2018.

Technological advances in batteries continue at a brisk pace. Recently, Toyota (the world's second largest car maker) announced it was nearing a technological breakthrough in electric car batteries. The technology uses a solid electrolyte, which would allow lithium ion batteries to store larger amounts of energy and dramatically increase the range of the electric vehicle. These batteries would be able to withstand higher temperatures and more aggressive charging than conventional electrolytes. The prize is substantial. It would deliver electric vehicles with extended range, similar to an internal combustion engine vehicle, that could charge in as little as 7 minutes.

Australia has more than 16% of global cobalt resources, but produces only 6% of supply. There is little doubt that we have plenty of potential, particularly considering our stable jurisdiction and ethical credentials. Cobalt Blue looks forward to closing this cobalt gap.

The Board will continue to keep investors updated of all developments as they occur.

Thank you for your continued support.

Robert Biancardi
Chairman

Dated 22 September 2017

What's in a name?
'Cobalt Blue'

Cobalt blue is a pigment of cobalt oxide-aluminium oxide, was a favourite of Auguste Renoir and Vincent van Gogh. It was very stable but extremely expensive. Van Gogh wrote to his brother Theo, 'Cobalt [blue] is a divine colour and there is nothing so beautiful for putting atmosphere around things ...'

Van Gogh described to his brother Theo how he composed a sky: 'The dark blue sky is spotted with clouds of an even darker blue than the fundamental blue of intense cobalt, and others of a lighter blue, like the bluish white of the Milky Way ... the sea was very dark ultramarine, the shore a sort of violet and of light red as I see it, and on the dunes, a few bushes of prussian blue.'

Operating and **Financial Review**

Strategy

The Company's focus is upon the development and commercialisation of the Thackaringa Cobalt Deposit, Broken Hill, NSW. The Company has entered into a Farm in Joint Venture Agreement ('JVA') with Broken Hill Prospecting Limited ('BHPL'). The JVA targets a series of accelerated milestones designed to create certainty over size and quality of the deposit, in addition to identifying an optimal processing path.

During the financial period the Company was granted a 51% equity interest upon the commencement of the JVA. Some of the Stage 1 Earning Period milestones were subsequently completed by their due date of 30 June 2017, with the remainder of Stage 1 to be delivered by 1 April 2018. In order to retain the 51% under the terms of the JVA as revised on 30 June 2017 the Company must, by no later than 1 April 2018:

- complete a further program of works with a maximum in-ground expenditure of $1.2 million inc GST to achieve an Indicated Resource of 40 million tonnes (to JORC 2012 standards) or such other tonnage as may be agreed unanimously by the Joint Venture Committee; and
- spend between $200,000 and $400,000 to undertake an aerial geophysical survey of the tenements.

During FY18 the Company must also complete 'Stage 2 Earning Period' milestones, in which the Company must complete an approved program of works (with a minimum expenditure of $2.5m inc GST) in conjunction with defining an Indicated Resource that will support the production targets identified in the Scoping Study. The Company must also complete a Pre-feasibility Study (to JORC 2012 standards). This will earn the Company an additional 19% interest in the Joint Venture.

FY19 is the 'Stage 3 Earning Period' in which the Company must complete a further approved program of works (with a minimum expenditure of $5m inc GST) sufficient to define an identified Measured Mineral Resource to a target level identified in and supported by the Pre-feasibility Study. The Company must also complete a Bankable Feasibility Study (to JORC 2012 standards). This will earn the Company an additional 15% interest in the Joint Venture.

FY20 is the 'Stage 4 Earning Period' in which the Company must

a) make a Decision to Mine; and

b) procure all necessary project approvals,

c) procure approval for project financing for the development of a mine; and

d) pay to BPL the sum of AUD 7.5 million (inclusive of GST).

The Company will then earn the final 15% beneficial interest, thus achieving 100% beneficial interest. Full legal title over the leases will then be transferred to the company.

The Board remains open to examining assets outside of our current portfolio, should an opportunity arise.

Operating and Financial Review continued

External and business risks which could impact on the Company's ability to deliver its strategy are set out below:

FUTURE CAPITAL REQUIREMENTS

The Company has no operating revenue and is unlikely to generate any operating revenue unless and until the Thackaringa Cobalt Project is successfully developed and production commences. The Company will therefore be required to raise additional capital in order to meet its obligations under the Farm in Joint Venture Agreement. The Company's ability to meet its obligations and develop the project is dependent on its ability to raise additional funding as and when required.

TITLE RISK

Rights in relation to mining rights in New South Wales are governed under The Mining Act 1992 which provides the mechanism for the NSW Government to regulate exploration and mining by granting authorities. The authority gives holders exclusive rights to explore or mine for the mineral group(s) for which the authority is granted.

They are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if the licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise or if the relevant authority determines not to renew the licence for any reason.

NATIVE TITLE RISK

The effect of the Native Title Act 1993 (Cth) (NTA) is that existing and new tenements held by the Company may be affected by native title claims and procedures. There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held or to be held by the company which may affect the operation of the Company's business and exploration activities.

EXPLORATION RISK

There can be no guarantee that planned exploration programs will lead to positive exploration results and the discovery of a commercial deposit or further, a commercial mining operation. There are risks inherent with the nature of the Company's business, being that of mineral exploration. Mineral exploration is a speculative endeavour and there can be no guarantee that the Company will achieve any of its mineral exploration objectives.

COMMODITY PRICE VOLATILITY AND EXCHANGE RATE RISK

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of product exposes the potential income of the Company to commodity prices and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand for minerals, technological advancements, forward selling activities and other macro-economic factors.

METALLURGICAL RECOVERIES

The economic viability of cobalt recovery depends on a number of factors such as the development of an economic process for the treatment of Thackaringa iron pyrite ore. Further, changes in mineralogy may result in inconsistent recovery of cobalt.

CONTRACTUAL RISK

The Company holds its interest in the Thackaringa Cobalt Project through the Farm In Joint Venture Agreement it has entered into with Broken Hill Prospecting Limited. The Farm In Joint Venture Agreement is capable of being terminated in the event of certain events of default. If such a default occurs, and the Farm In Joint Venture Agreement is terminated in accordance with its terms, the Company may lose some or all of its interest in the Thackaringa Cobalt Project. Such termination will reduce the Company's future revenue and have a material adverse effect on the Company's business and operations.

ACTIONS OF COMPETITORS

The Company may face competition from other entities in the mineral exploration sector who may have significant advantages including greater name recognition, longer operating history, lower operating costs, pre-existing relationships with current or potential clients and greater financial, marketing and other resources.

RISK RELATING TO LOSS OF KEY MANAGEMENT

The Company's business and future success heavily depends upon the continued services of management and other key personnel. If one or more of the Company's management or key personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. The Company's business may be severely disrupted, its financial condition and results of operations may be materially adversely affected, and it may incur additional expenses to recruit, train and retain personnel.

THIRD PARTY RISK

The operations of the Company require the involvement of a number of third parties, including suppliers, contractors and clients. In particular, the Company engages a number of external contractors to provide exploration/drilling works in relation to the Thackaringa Cobalt Project. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the operations and performance of the Company. It is not possible for the Company to predict or protect the Company against all such risks.

Summary of Financial Performance

The net loss of the Company for the 2017 financial period was $1,227,220. As the Company's project is in an exploration stage the only revenue generated during the year was interest of $35,498.

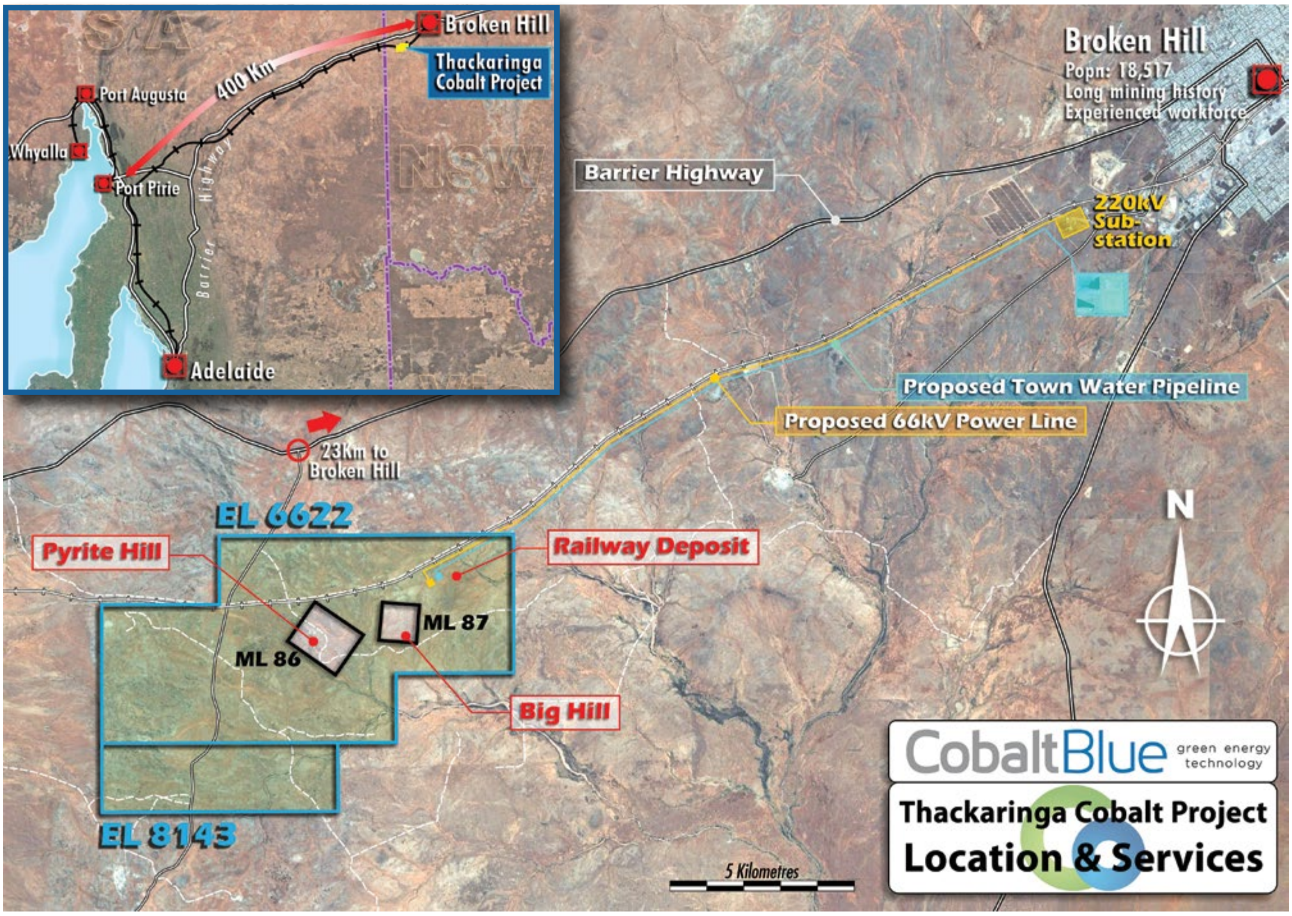
The Company was incorporated in August 2016. Therefore, there are no comparative financials reported for the year ended June 2016 or as at 30 June 2016.

During the financial period, with $10,000 capital on incorporation, the Company raised $555,000 in seed funding and $10,000,000 through an Initial Public Offering in January 2017. A further $2,106 was raised in June 2017 through the exercise of options.

The Company has used the cash that it had at the time of ASX admission in a way consistent with its business objectives. During the financial period, the Company's funds have been applied as follows:

Expenditure	$'000
Outflows directly related to the Thackaringa Project, including a Scoping Study	3,156
Corporate and Administration costs	1,010
Plant and Equipment	29
Cost of issuing capital	653
Total expenditure	**4,848**

At the end of the year the Company has a cash position of $5.7m and no corporate debt.



Changes in Share Capital

The Company was incorporated in August 2016 as a fully owned subsidiary of Broken Hill Prospecting Limited ('BHPL').
On 3 February 2017, the Company issued:

- 50,000,000 shares under an Initial Public Offering;
- 35,000,000 shares through an in-specie distribution to the shareholders of BHPL; and
- 10,000,000 shares to seed investors of the Company.

The Company also issued the following options:

- 12,500,000 Loyalty Options attached to the IPO shares
- 8,750,000 Options attached to the in-specie distribution to the shareholders of BHPL; and
- 7,000,000 Director Options to directors Rob Biancardi, Josef Kaderavek, Hugh Keller and Anthony Johnston.

These options have an exercise price of A$0.25 and expiry date of 9 May 2020.

Operating Review

The Thackaringa project is located within the Broken Hill Block of the Curnamona Province and is composed of Willyama Super-group high grade regional metamorphic gneisses, schists and amphibolites. The local geology is dominated within the project area by quartz-albite-biotite gneiss, quartz-albite gneiss, and amphibolite dykes. The extensive stratabound cobalt-pyrite mineralisation at each deposit (Pyrite Hill, Big Hill and Railway) is hosted by quartz-albite gneiss.

Cobalt Blue demonstrated considerable exploration success during FY17 culminating in a significant resource upgrade at the Thackaringa Project. This upgrade is the result of a major drilling campaign including 7,957m of diamond drilling (DD) and reverse circulation (RC) drilling completed.

The global Mineral Inferred Resource estimate at Thackaringa now comprises 54.9Mt at 910ppm cobalt, 9.56% sulphur & 10.19% iron for 50Kt contained cobalt (at a 500ppm cobalt cut-off) – Compared to the January 2017 Mineral Resource estimate (detailed in ASX release of 31 January 2017) the new estimate reflects a 66% increase in overall tonnes and a 9% increase in cobalt grade[1].

Increased geological confidence has supported the classification of approximately 12% of the Mineral Resource as Indicated.

The updated Total Mineral Resource estimate at Thackaringa is apportioned to the three main deposits as follows (minor rounding errors may have occurred in the compilation of this table):

Category	Mt	Co ppm	Fe %	S %	Pyrite %	Co Tonnes	Py Mt	Density
Pyrite Hill (at a 500ppm Co cut-off)								
Indicated	2.8	1001	10.99	10.42	19.54	2,758	0.54	2.87
Inferred	20.8	948	11.03	10.22	19.16	19,710	3.98	2.87
Total	**23.5**	**954**	**11.02**	**10.24**	**19.21**	**22,468**	**4.52**	**2.87**
Big Hill (at a 500ppm Co cut-off)								
Indicated	0.8	787	7.41	6.77	12.7	596	0.1	2.76
Inferred	7.4	760	7.42	7.19	13.49	5,638	1	2.78
Total	**8.2**	**763**	**7.42**	**7.15**	**13.41**	**6,234**	**1.1**	**2.78**
Railway (at a 500ppm Co cut-off)								
Indicated	3	947	10.93	10.29	19.29	2,828	0.58	2.87
Inferred	20.2	913	10.23	9.63	18.05	18,456	3.65	2.85
Total	**23.2**	**917**	**10.32**	**9.71**	**18.21**	**21,284**	**4.22**	**2.85**
Total (at a 500ppm Co cut-off)								
Indicated	6.5	951	10.54	9.93	18.63	6,182	1.21	2.86
Inferred	48.4	905	10.14	9.51	17.83	43,804	8.63	2.85
Total	**54.9**	**910**	**10.19**	**9.56**	**17.92**	**49,986**	**9.84**	**2.85**

(Pyrite grade generated stoichiometrically from sulphur assay using formula Pyrite = (sulphur/53.333) * 100)

1 05 June 2017 – Significant Resource upgrade for the Thackaringa Cobalt Project

Diamond Drilling – Pyrite Hill

Stage One activities have been focused on the three known deposits; namely Pyrite Hill, Big Hill and the Railway. Resource definition work will continue during Stage Two of the JV, targeting conversion of exploration targets to Mineral Resources.

In addition, a global exploration target comprising 18-26Mt at 800-1000ppm cobalt, 8.5 -10.5% sulphur and 8 - 12% iron has been defined.

Prospect	Mt	Co ppm	Fe %	S %	Pyrite %
Pyrite Hill	5 to 7	850 to 1050	10 to 13	9.5 to 11.5	18 to 22
Big Hill	2.5 to 3.5	650 to 750	6.5 to 7.5	7 to 8	11.5 to 13.5
Railway	11.5 to 15.5	850 to 950	9 to 10	8.5 to 9.5	16 to 18
Total	**18 to 26**	**800 to 1000**	**8 to 12**	**8.5 to 10.5**	**16 to 20**

The potential quantity and grade of these targets is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in determination of a Mineral Resource.

The COB Board, encouraged by the total potential resource at Thackaringa, approved the use of aerial geophysical survey techniques to determine additional exploration targets.

The resource upgrade represents a major stepping stone in the development of the Thackaringa Project, as shown in the figure below:

Aug 2016 – Feb 2017	1 April 2018	30 June 2018	30 June 2019	
Complete	**Stage One**	**Stage Two**	**Stage Three**	**Stage Four**
Cobalt Blue formed **JV & Farm-in** **JORC 2012 upgrade** **Cobalt Blue listed**	**A$2.0m expenditure in the ground delivered.** Delivered: • **Inferred Resource Upgrade** • **Scoping Study** Deliver: • **Indicated Resource Upgrade** • **Aerial Geophysical Program** Target Date: **1 April 2018**	**A$2.5m expenditure in ground – Indicated Resource Target** Deliver: **Preliminary Feasibility Study** Target Date: **30 June 2018**	**A$5.0m expenditure in ground – Measured Resource + Reserves Target** Deliver: **Bankable Feasibility Study + Project Approvals** Target Date: **30 June 2019**	**Decision to Mine** **Project Finance**

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Anthony Johnston, BSc (Hons), who is a Member of the Australian Institute of Mining and Metallurgy and who is a non-executive director of Cobalt Blue Holdings Limited, the Chief Executive Officer of Broken Hill Prospecting Limited and the Technical Manager of the Joint Venture.

The information in this report that relates to Mineral Resource estimates is based on information compiled by Mr Simon Tear, Director and Consulting Geologist – H & S Consultants Pty Ltd. Mr Tear is a member of the Australasian Institute of Mining and Metallurgy and a full-time employee of H & S Consultants Pty Ltd, a geological consultancy which has been paid at usual commercial rates for the work which has been completed for Cobalt Blue Holdings Limited.

Mr Johnston and Mr Tear have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 & 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Johnston and Mr Tear consent to the inclusion in this report of the matters based on the information in the form and context in which it appears.

RC Drilling – Railway Trend


TESLA

Market **Outlook**

Demand

The global cobalt market is evolving rapidly, with more than half of demand driven by the large-scale rollout of lithium ion batteries to power Electric Vehicles (EVs) and to store household and utility scale electrical power. Batteries serve two very simple purposes. They allow consumers to use energy **when** and **where** they want.

Today's market for batteries is a far cry from their humble beginnings in the late 1990s, when their primary use was in consumer electronics such as laptops and mobile phones. A single EV today can contain more cobalt than 1,000 laptops and is driving global end market demand growth of 20% p.a. Overall, we believe that cobalt demand growth will average over 9% in the coming decade.

The world is undergoing a dramatic revolution as governments regulate vehicle emission standards to stealthily eliminate the highest polluting Internal Combustion Engines (ICEs), one model at a time. Government policy is being complimented by market forces. Research consistently confirms that households globally will begin large scale adoption of EVs when two thresholds are satisfied:

1. **Cost parity** – EVs vs ICE vehicles – for mass market vehicles, households are reluctant to pay premiums to purchase an EV.
2. **Range anxiety** – 'Will there be a charging station where I need it?' or 'Will the vehicle become stranded?'

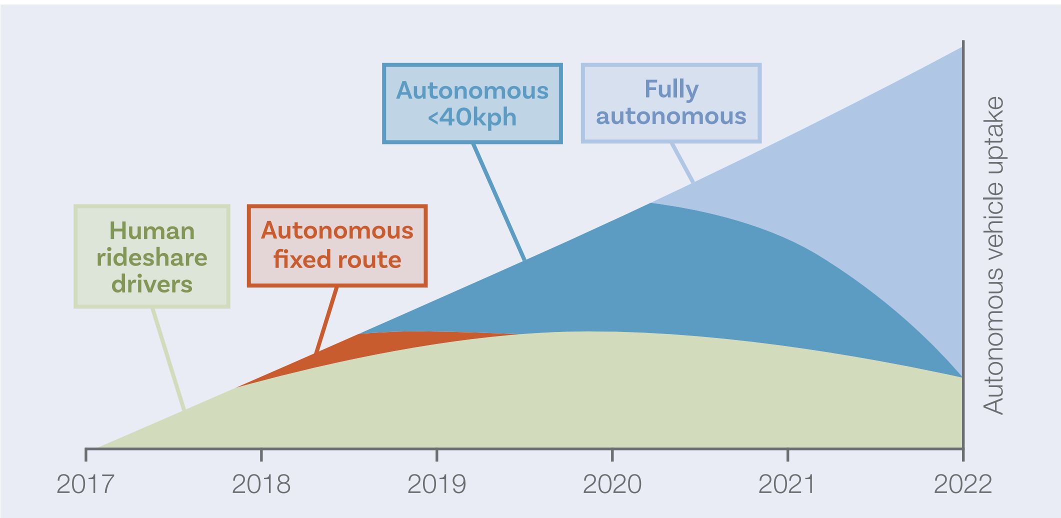


Figure One – **Batteries enable rideshare and autonomous vehicles**

Market Outlook continued

Cost parity is fast becoming a reality with the introduction of mass market EVs. This is occurring concurrently with a rollout of EV charging infrastructure, reducing consumer range anxiety. The world witnessed a parallel phenomenon after the introduction of the mass market Model T Ford in 1908. History has a habit of repeating itself.

Looking forward, Cobalt Blue is excited by the increasing adoption of car-pooling, or ride sharing. This permits the costs of owning and maintaining a vehicle to be shared by larger numbers of owners. With >90% of people living in urban areas, travelling less than 100km on a daily basis, EVs become a strong solution. Vehicles can effortlessly charge while not being used. This increased penetration will go hand in hand with the development of vehicular autonomous guidance systems.

Household and utility electricity storage provides a second and important mass market for lithium ion batteries. Storing energy during periods of daily excess, to be discharged when peak demand dictates, allows power infrastructure providers to 'right size' the grid, matching excess supply with excess demand, as shown in the figure below.

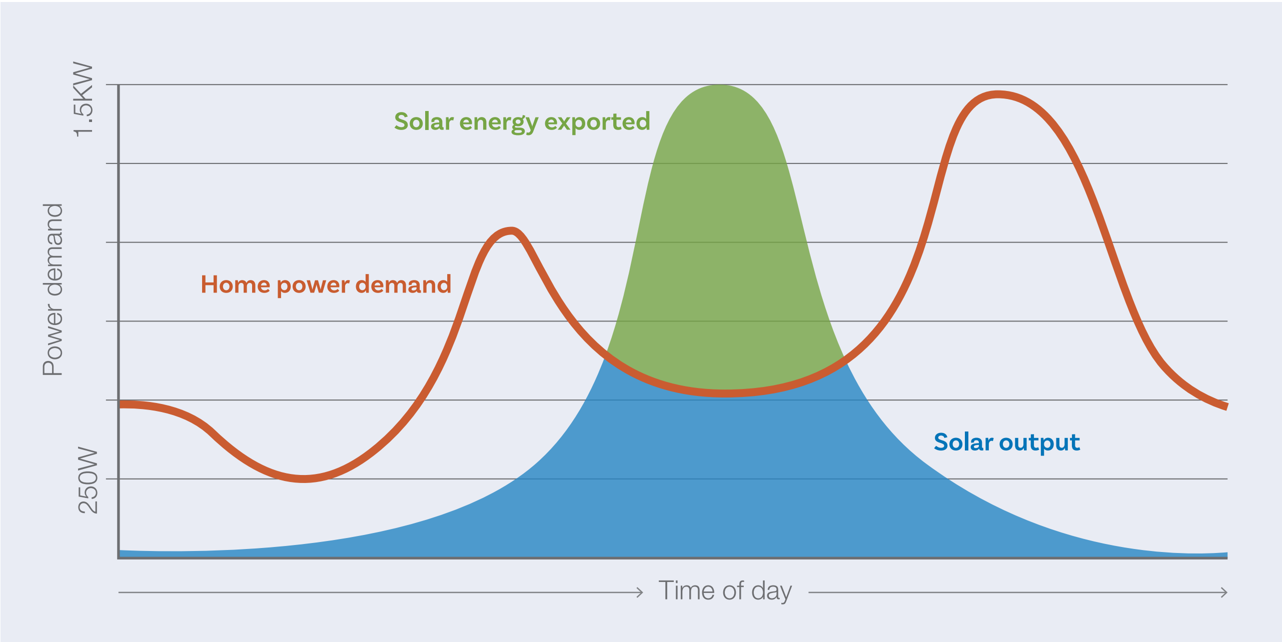


Figure Two – **Peak solar energy can be stored**

Interestingly, AGL Energy is currently trialling a Virtual Power Plant (VPP) concept, connecting 5,000 Adelaide households with lithium ion batteries. The trial will allow AGL to aggregate and dispatch power to the grid during peak times. Again, batteries allow consumers to use energy when and where they want.

Supply

Cobalt supply remains fragile. Some 55% is sourced from the Democratic Republic of Congo (DRC), a country at war with itself. Overall, DRC sovereign risk remains high, but the inclusion of non-ethical sources of cobalt, particularly when mined at the village level by women and children under duress, remains a cause of global concern.

The first building blocks of ethical cobalt sourcing, created by well-intended battery consumer businesses, are beginning to fall into place. But such programs have yet to change industry behaviour. We look forward to updating investors on progress here.

Globally, we are witnessing a period of low cobalt supply growth. About 98% of cobalt produced is a by-product of either nickel or copper mining, operations that on average generate only 15-25% of revenues from cobalt.

Looking forward, nickel market supply overhang continues, with the marginal global supply being Indonesian nickel pig iron which has zero cobalt content. A more balanced market exists for copper. Marginal supply is a South American copper molybdenum style ore, again with zero cobalt content. Our analysis concludes that cobalt market supply growth will only be 4-5% over the coming decade.

For more than 50 years, cobalt miners have been willing to supply concentrates to the largest three Asian processing hubs (China, Japan and Korea). We believe that a significant opportunity exists for a new producer to side step the front end of the industry and sell directly to the lithium ion battery makers. This would enable Cobalt Blue to receive 100% LME pricing for its cobalt versus the 20-30% traditionally payable for concentrates.

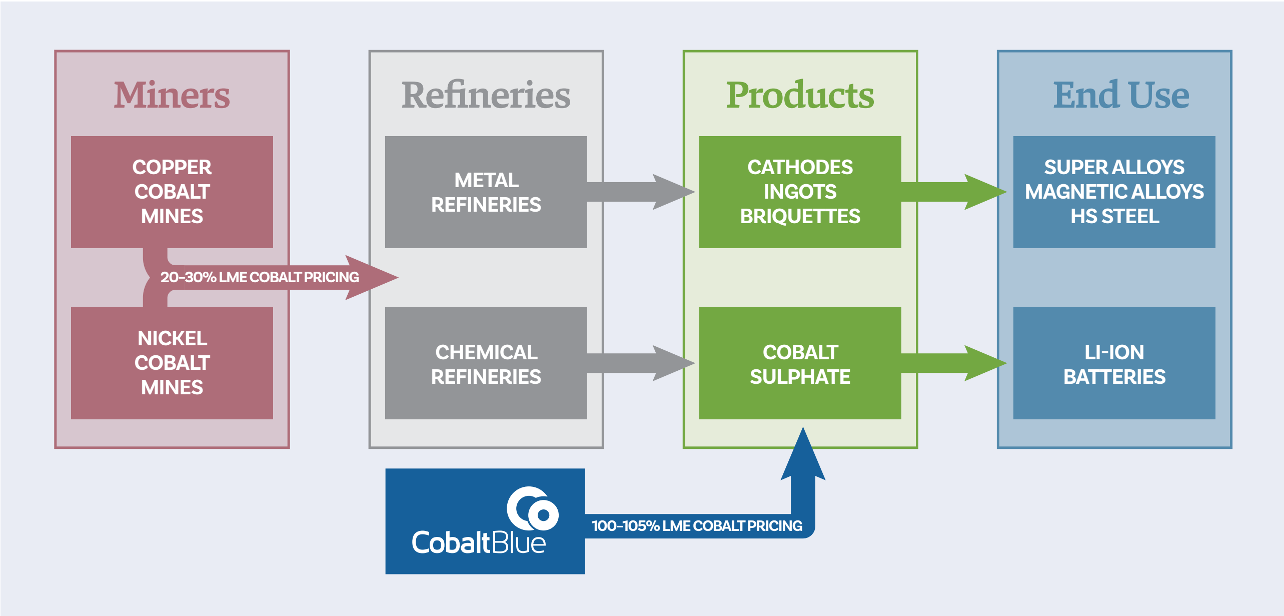


Figure Three – **Cobalt Market Supply Chain**

The Cobalt Cliff

We are often asked whether COB believes in a 'cobalt cliff' emerging over the coming decade. We don't. To be sure, pricing will remain significantly above trend for the foreseeable future, reflecting a very tight market. However, there are a number of circuit breakers that will ensure pricing does not run away.

Firstly, on the demand side, battery makers can reduce the amount of cobalt used. For example, a NMC battery nominally contains nickel, manganese and cobalt in the ratio 1:1:1 in its cathode. Battery makers can alter the cobalt consumption to use less in their cathode recipes as required (for example a 6:2:2 NMC battery). However, the resulting battery is of an inferior quality.

Secondly, high cost supply is always available. Examining the global supply response to the previous price peak (US$50/lb in 2008) revealed a number of high cost suppliers entering into the market, in particular Norilsk Nickel extracting cobalt from its tailings. This is a normal price incentive which creates supply response reaction. We believe that cobalt spot pricing will need to reach US$35/lb and above for history to repeat itself.


Joe Kaderavek
Hugh Keller
Robert Biancardi

Director's **Report**

The Directors of Cobalt Blue Holdings Limited ('Cobalt') present their report together with the financial statements for the period 26 August 2016 (incorporation) to 30 June 2017.

Information about the Directors and Company Secretary

The names of the directors and company secretary of Cobalt during the financial period and up to the date of this report are as set out below.

Name	Position	Appointed	Resigned
Robert Biancardi	Chairman	2 September 2016	
Josef Kaderavek	Chief Executive Officer/Executive Director	31 October 2016	
Hugh Keller	Non-Executive Director	31 October 2016	
Anthony (Trangie) Johnston	Non-Executive Director	31 October 2016	
Matt Hill	Non-Executive Director	26 August 2016	31 October 2016
Matt Hill	Non-Executive Director	30 June 2017	
Geoff Hill	Non-Executive Director	26 August 2016	31 October 2016
Denis Geldard	Non-Executive Director	26 August 2016	31 October 2016
Creagh O'Connor	Non-Executive Director	26 August 2016	31 October 2016
Ian Morgan	Company Secretary	10 October 2016	

The experience, independence and qualifications of the directors are as set out below:

Robert Biancardi

Chairman, Independent, Non-Executive Director *(appointed 2 September 2016)*

Robert Biancardi is an experienced executive with more than 35 years' commercial experience across the finance, IT, healthcare and services sectors. Robert has previously held senior roles at IBM, Citibank and Westpac. His recent roles include director of Evolution Healthcare, a leading private hospital operator. He has been a director and chief executive officer of a number of companies, including Rockridge Group (Private Equity) and Hutchisons (Child Care Services) Limited, previously an ASX listed services company. He has served as a director and president of the Restaurant & Catering Association of NSW for 13 years and has been a board member of the Heart Foundation of Australia (FIPOC) for over 7 years. Robert is a member of the Board of The Bread & Butter Project, a social enterprise.

Robert holds the following qualifications:

- a BCom (Management and Marketing) (Wollongong University)
- a Diploma Corporate Management (AGSM – University of NSW)

Robert has extensive corporate advisory and capital management experience with a specialisation in corporate marketing and substantial public/private board experience.

Robert is a member of the Audit and Risk and the Remuneration and Nomination Committees.

Josef Kaderavek

Chief Executive Officer and Executive Director *(appointed 24 October 2016)*

Josef Kaderavek commenced his career as an RAAF Engineering Officer before transitioning to PricewaterhouseCoopers, where he was responsible for preparing operational reviews and examining strategic options across mining, processing, railway and port facilities throughout Australia, North America and Europe. Over the last 15 years he has been involved in equities/investment research (including senior roles with Deutsche Bank and Five Oceans Asset Management) focused on mining, minerals processing and energy storage technologies. Most recently, Josef held an international consulting role with a focus on renewable energy and battery storage technologies.

Josef holds the following qualifications:

- a BEng (Aeronautical Engineering) (University of Sydney)
- a GCertEng (Reliability Engineering) (Monash University)
- a Master of Business Administration (MBA) (Deakin University)

Josef has significant experience in managing investments in the global resources and minerals processing industries, and in managing turnaround projects supporting corporate targets, merger and divestment activities. Josef also has a detailed understanding of the energy storage market and battery technology.

Hugh Keller

Independent, Non-Executive *(appointed 31 October 2016)*

After graduating with a law degree, Hugh Keller had a successful career as a solicitor in Sydney and became a partner at Dawson Waldron (now Ashurst) in 1976 and remained a partner in its successor firms for 34 years until retirement from full time legal practice in 2010. During his time at the firm, Hugh served as joint national managing partner, Sydney office managing partner, chairman of the staff superannuation fund, one of the practice leaders and as a board member.

Hugh was a non-executive director of ASX listed Thakral Holdings Limited and a member of its Audit Committee until the company was acquired in a public takeover by Brookfield.

Hugh was also as a non-executive director of LJ Hooker Limited and a member of its audit committee. Hugh has also served as chairman of a large private investment company, several small investment companies and a private small exploration company. Hugh currently provides consulting services to several companies and is, and has been for over 10 years, a non-executive director of a charity and chairman of its audit committee.

Hugh holds a LLB from the University of Sydney.

Hugh has extensive legal experience and expertise in the review of commercial contracts and arrangements, as well as experience in public company audit committee procedures and requirements and hands on experience in the dynamics of managing people and resources in long term large projects.

Hugh is Chair of Cobalt's Audit and Risk and Remuneration and Nomination Committees.

Anthony (Trangie) Johnston

***Non-Executive Director** (appointed 31 October 2016)*

Anthony (Trangie) Johnston is a geologist with 20 years' experience in exploration, project development and mining activities. His diversified career spans the private, public, consulting and government sectors, with experience extensively throughout Australia and internationally.

Trangie is currently the Chief Executive Officer of Broken Hill Prospecting Limited (BPL), an exploration company focused on the development of strategic technology metals. His previous roles include corporate and senior management positions at KBL Mining Limited, MM Mining Limited, Compass Resources Limited and SRK Consulting Pty Ltd.

Trangie holds the following qualifications:

- a BSc Hons 1st Class (Newcastle University) (AusIMM Charles Marshall Thesis Award)
- a MSc (Economic and Mining Geology) (University of Tasmania – CODES)

Trangie is experienced in a diverse range of ore deposit types, commodities and operations and has a sound understanding of geo-scientific, metallurgical and engineering principles. He has previously implemented programs for resource and reserve expansion through maiden discoveries and deposit extensions across the base and precious metals, bulks, energy and rare earth markets.

Trangie is a Competent Person with detailed knowledge of JORC 2012 compliance and regulatory framework.

Trangie is a member of the Audit and Risk and Remuneration and Nomination committees.

Matthew Hill

***Independent, Non-Executive Director** (appointed 30 June 2017)*

Mr Hill is the Executive Director of New Talisman Gold Mines (ASX:NTL), and Managing Director of Asia Pacific Capital Group Limited. Matthew is an experienced merchant banker having worked previously at Potter Warburg (now UBS); Eventures (a joint venture between Newscorp and Softbank); Pitt Capital and Souls Private Equity Limited. Matthew specializes in resources and company listings on the ASX and NZX and acts for a number of multinational clients.

Matthew has been responsible for leading the company into the development phase at the Talisman mine since his appointment in late 2012 and is primarily responsible for day to day operations and capital raising initiatives of the company. Mr. Hill is an Alternate Director of Pacific American Coal and a director of Broken Hill Prospecting Limited, both listed on the ASX.

Matthew holds the following qualifications:

- Graduate Diploma in Applied Finance (Securities Institute Australia)
- Master of Business Administration (University of South Pacific Suva, Fiji)

Mr Hill has been an Alternate Director of New Talisman since 1999, and has served for nearly 11 years since his appointment as Director on 10 October 2006 and Managing Director on 3 September 2012. Matthew is a Director of Broken Hill Prospecting Limited ASX:BPL which holds a heavy mineral sands project near Broken Hill in NSW Australia. He is also Alternate Director for Geoffrey Hill on Pacific American Coal ASX:PAK.

Matthew is a member of the Audit and Risk committee.

Mr Hill had previously been a Director of the Company between 26 August 2016 and 31 October 2016.

The following were directors from the time of the Company's formation on 26 August 2016 to 31 October 2016.

Mr Geoffrey Hill

Mr Hill has extensive experience in the identification and implementation of mergers and takeovers and has acted for a wide range of corporate clients in Australia and overseas.

Mr Denis Geldard

Mr Geldard is a mining engineer with considerable technical and operational experience in project development including more than 20 years of experience in the Heavy Mineral Sands Industry where he has held positions in Western Titanium Limited, Associated Minerals Consolidated and Iluka Resources.

Mr Creagh O'Connor

Mr O'Connor has approximately 40 years' senior management experience in providing consulting and advisory services for oil, gas and mineral projects throughout Australia and overseas. He is a leading consultant for Australian construction and development consortiums. He has served as a Director and Chairman on a number of listed and private companies.

Ian Morgan

Company Secretary *(appointed 10 October 2016)*

B Bus (NSW Institute of Technology), M Com Law (Macquarie University), Grad Dip App Fin (Securities Institute of Australia) CA, ACIS, MAICD, F Fin

Ian is a Chartered Accountant and Chartered Company Secretary with over 35 years' experience and provides secretarial and advisory services to a range of companies, including holding the position of Company Secretary for other listed public companies.

Remuneration Report (Audited)

Remuneration Policy

The Company has formed a Remuneration and Nomination Committee. The Committee comprises:

Hugh Keller (Chair):	Independent, non-executive director
Robert Biancardi:	Independent, non-executive director
Anthony Johnston:	Non-executive director

The Committee has determined that formal policies are not appropriate as the Company only has one employee, and therefore individual negotiation will be conducted as required.

The Company's remuneration is designed to attract high calibre executives and reward them for performance that results in both short and long-term growth in shareholder wealth.

Executive Service Agreement

Chief Executive Officer and Executive Director Joe Kaderavek is employed under an executive services contract effective 1 November 2016. The terms of his contract are as follows:

- Mr Kaderavek is a permanent employee and the contract has no fixed term.
- Annualised gross salary for the financial year to June 2017 was $195,000 including superannuation.
- The contract includes a three-month notice period for termination.

Until 31 October 2016 Mr Kaderavek was remunerated on a consultancy basis.

Remuneration is based on factors such as experience, skills and responsibility and market rates, as well as superannuation at the superannuation guarantee rate. There are no performance pay plans in place at this date. The Committee has negotiated with Mr Kaderavek to increase his annual gross salary with effect from 1 July 2017 to $250,000 including superannuation.

Non-executive Directors

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice may be sought when required.

On an annualised basis, non-executive director fees are as follows:

Non-executive director	Position	Annual Fees
Robert Biancardi	Chairman	$50,000
Hugh Keller	Head of Audit and Remuneration Committees	$45,000
Anthony Johnston	Non-executive Director	$40,000
Matthew Hill	Non-executive Director	$40,000
Total		**$175,000**

- The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting, and is currently $220,000 per annum in total.
- Non-executive directors are paid on a consultancy basis and are not entitled to receive retirement benefits.
- Non-executive directors are entitled to be reimbursed for certain expenses incurred and may be paid additional amounts as fees as the Board may determine where a non-executive director performs extra services or makes any special exertions, which in the opinion of the Board are outside the scope of the ordinary duties of a non-executive director.
- Non-executive directors are encouraged to hold shares in the Company to align themselves with the interest of the shareholders.

Remuneration

The following table outlines persons who are directors and key management personnel ('KMP') of the Company at 30 June 2017 and the nature and amount of remuneration for those persons.

	Position	Date appointed	Short Term Benefits (Salaries & fees)	Post-Employment Benefits (Super-annuation)	Director Options	Total
Directors			$	$	$	$
Robert Biancardi	Chairman, Independent	2-Sept-2016	41,662	–	100,000	141,662
Josef Kaderavek	Chief Executive Officer	24-October-2016	218,721	11,279	137,500	367,500
Hugh Keller	Non-Executive Director, Independent	24-October-2016	30,000	–	75,000	105,000
Anthony (Trangie) Johnston*	Non-Executive Director	24-October-2016	26,667	–	37,500	64,167
Matt Hill	Non-Executive Director, Independent	30-June-2017	–	–	–	–
Subtotal			**317,050**	**11,279**	**350,000**	**678,329**
Key Management Personnel						
Ian Morgan	Company Secretary	24-October-2016	38,721	–	–	38,721
Total			**355,771**	**11,279**	**350,000**	**717,050**

100% of the proportion of each element of remuneration of all KMPs is unrelated to performance.

* In addition, Broken Hill Prospecting Limited ('BHPL') was paid $165,825 in relation to the financial period for services rendered to the company. Anthony Johnston is the Chief Executive Officer of BHPL.

Short-term salary, bonus, fees and leave

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as salary, paid leave benefits and fringe benefits awarded to executive Directors and other KMPs.

Post-employment benefits

This amount represents the cost of providing for superannuation contributions made during the financial period.

Share based payment expense (Director Options)

These amounts represent the expense related to the participation of KMP in equity settled benefit schemes as measured by the fair value of the options granted on grant date.

The following were Non-executive Directors between the formation of the Company on 26 August 2016 and 31 October 2016, and received no remuneration for that period:

- Matt Hill
- Geoff Hill
- Denis Geldard
- Creagh O'Connor

Directors' Interests: Equity Holdings

Directors' interests in shares and options of the Company at 30 June 2017 are as follows:

SHARES	Robert Biancardi	Josef Kaderavek	Hugh Keller	Anthony Johnston	Matt Hill	Total
Escrowed	2,952,035	2,275,000	255,000	343,471	1,184	5,826,690
Unescrowed	275,000	350,000	500,000	75,000	–	1,200,000
Total	**3,227,035**	**2,625,000**	**755,000**	**418,471**	**1,184**	**7,026,690**

OPTIONS	Robert Biancardi	Josef Kaderavek	Hugh Keller	Anthony Johnston	Matt Hill	Total
Escrowed	2,306,758	2,750,000	1,500,000	807,742	296	7,364,796
Unescrowed	–	–	82,500	–	–	82,500
Total	**2,306,758**	**2,750,000**	**1,582,500**	**807,742**	**296**	**7,447,296**

Directors' options

Included in the escrowed options are 7 million Director options distributed as follows:

DIRECTOR		Robert Biancardi	Josef Kaderavek	Hugh Keller	Anthony Johnston	Total
Number of options		2,000,000	2,750,000	1,500,000	750,000	7,000,000
Value per option	$0.05	100,000	137,500	75,000	37,500	350,000

The options have an exercise price of $0.25 and expire on 9 May 2020, which is three years from the date of vesting of the options. The Directors have valued the options at 5c per option. The value of these options has been included in KMP remuneration in the table presented on page 23.

The opening balances of the Directors' Interest in shares and options was nil, as the Company was incorporated on 26 August 2016. Hence the above tables also represent the movement in their equity holdings during the period.

There were no movements in directors' equity holdings subsequent to year end.

End of Remuneration Report

Details of Board and Committee meetings held during the Financial period are as follows:

	Board		Audit & Risk Committee		Remuneration & Nomination Committee	
DIRECTOR	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend
Robert Biancardi	6	6	1	1	–	–
Josef Kaderavek	5	5	–	–	–	–
Hugh Keller	5	5	1	1	–	–
Anthony (Trangie) Johnston	5	5	–	1	–	–
Matt Hill	1	1	–	–	–	–
Geoff Hill	1	1	–	–	–	–
Denis Geldard	1	1	–	–	–	–
Creagh O'Connor	1	1	–	–	–	–

Principal Activities

The Company's focus is upon the development and commercialisation of the Thackaringa Cobalt Deposit, Broken Hill, NSW.

Future Developments

A detailed discussion of future developments is set out within 'Operating and Financial Review' and 'Market Outlook' on pages 7 to 17.

Shareholder Returns

Loss per share was 2.4 cents.

Corporate Governance

The Board has adopted the ASX Corporate Governance Council's 'Corporate Governance Principles /and Recommendations – 3rd Edition' ('ASX Recommendations'). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and the status of its activities. Good corporate governance practices are also supported by the ongoing activities of the Audit Committee.

The Company's Corporate Governance Statement provides a summary of the Company's ongoing corporate governance practices in accordance with the ASX Recommendations. The Corporate Governance Statement is supported by a number of policies, procedures, code of conduct and charters, all of which are located in the Corporate Governance section of the Company's website: www.cobaltblueholdings.com.au.

D & O Insurance: Indemnification of Officers or Auditor

The Company has agreed to indemnify and keep indemnified the Directors and Company Secretary against all liabilities incurred as directors and officers of the Company and all legal expenses incurred as directors and officers of the Company.

The indemnity only applies to the extent and in the amount that the directors and officers are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company, under the general law or otherwise. The indemnity does not extend to any liability:

- To the Company or a related body corporate of the Company; or
- Arising out of conduct of the directors and officers involving a lack of good faith.

No indemnities have been given or insurance premiums paid, during the year, for any person who is or has been an auditor of the Company.

During this financial period, the Company paid insurance premiums of $18,665 in respect of directors' and officers' liability insurance and corporate reimbursement, for directors and officers of the Company. The insurance premiums relate to:

- Any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer, first made against them jointly or severally during the period of insurance; and
- Indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the Company.

Environmental Regulations

The Company's operations are subject to Commonwealth and State laws. As far as the Directors are aware the Company has not breached any environmental regulations.

Proceedings on Behalf of the Company

As far as the Directors are aware no person has applied for leave of a Court to bring proceedings on behalf of the Company or to intervene in any proceeding to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Auditor's Independence Declaration

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 27 and forms part of the Directors' Report for the year ended 30 June 2017.

Non-audit Services

During the financial period, Nexia Sydney Audit Pty Ltd, the Company's auditor, and its associated entities, performed the following non-audit services:

- Acting as Independent Investigating Accountant for the purposes of the Company's prospectus.
- Providing share registry services.

Signed in accordance with a resolution of the Board.

Robert Biancardi
Chairman

Dated in Sydney 22 September 2017

Auditor's
Independence Declaration

Nexia Australia

The Board of Directors
Cobalt Blue Holdings Limited
Level 2
66 Hunter Street
Sydney NSW 2000

To the Board of Directors of Cobalt Blue Holdings Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the audit of the financial statements of Cobalt Blue Holdings Limited for the financial period ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia Sydney Audit Pty Limited

Stephen Fisher

Director

Dated: 22 September 2017

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Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

FOR THE PERIOD ENDED 30 JUNE 2017

	Notes $	**2017** $
Revenues from ordinary activities		
Revenues	2	35,498
Expenses from ordinary activities		
ASX and Registry Fees		(230,104)
Corporate Consultants / Public Relations		(69,145)
Employee expenses	3	(687,237)
Joint Venture expenses		(30,150)
Legal and professional costs		(165,032)
Occupancy expenses		(12,886)
Other expenses from ordinary activities		(68,164)
Loss before tax		**(1,227,220)**
Income tax expense	4	–
Loss from continuing operations		**(1,227,220)**
Other comprehensive income for the year, net of tax		–
Total comprehensive loss for the year		**(1,227,220)**
		Cents
Basic and diluted loss per share	6	(2.4c)

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements set out on pages 33 to 45.

Statement of Financial Position

AS AT 30 JUNE 2017

	Notes $	2017 $
Current Assets		
Cash and cash equivalents	7	5,719,337
Receivables	8	141,631
Other assets	9	78,970
Total Current Assets		**5,939,938**
Non-current Assets		
Property, plant and equipment	10	28,830
Exploration and evaluation asset	11	3,289,220
Total Non-current Assets		**3,318,050**
Total Assets		**9,257,988**
Liabilities & Equity		
Current Liabilities		
Trade and other payables	12	221,785
Short-term provisions	13	8,448
Total Current Liabilities		**230,233**
Equity		
Issued capital	14	9,904,975
Reserves	15	350,000
Accumulated losses		(1,227,220)
Total Equity		**9,027,755**
Total Liabilities & Equity		**9,257,988**

The Statement of Financial Position should be read in conjunction with the notes to the financial statements set out on pages 33 to 45.

Statement of Changes in Equity

FOR THE PERIOD ENDED 30 JUNE 2017

	Ordinary Share Capital $	Options Reserve $	Accumulated Losses $	Total $
Balance at 26 August 2016	–	–	–	–
Total loss for the year	–	–	(1,227,220)	(1,227,220)
Issue of ordinary securities	10,567,106	–	–	10,567,106
Issue of options		350,000		350,000
Cost of issuing ordinary securities	(662,131)			(662,131)
Balance at 30 June 2017	9,904,975	350,000	(1,227,220)	9,027,755

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements set out on pages 33 to 45.

Statement of Cash Flows

FOR THE PERIOD ENDED 30 JUNE 2017

	Notes $	2017 $
Cash flows from operating activities		
Payments to suppliers and employees		(1,029,608)
Interest received		19,184
Net cash flows used in operating activities	19	**(1,010,424)**
Cash flows from investing activities		
Payments for exploration expenditure		(3,156,049)
Payments for plant and equipment		(28,830)
Net cash flows used in investing activities		**(3,184,879)**
Cash flows from financing activities		
Gross proceeds from issue of shares		10,567,106
Costs related to issue of shares		(652,466)
Net cash flows provided by financing activities		**9,914,640**
Net increase in cash held		5,719,337
Cash at beginning of financial period		–
Cash at end of financial period		**5,719,337**

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements set out on pages 33 to 45.

Notes to the Financial Statements

1 Statement of Significant Accounting Policies

This financial report covers Cobalt Blue Holdings Limited, incorporated and domiciled in Australia, ('Cobalt' or 'The Company'). The Company has no subsidiaries or controlled entities.

The Company was incorporated on 26 August 2016 and therefore there is no comparative financial information in relation to Financial Year 2016.

Basis of preparation

This financial report is a general purpose financial report, prepared in accordance with the Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial reports containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cashflow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities

The financial report is presented in Australian dollars.

The financial report was authorised for issue on 22 September 2017 by the Board of Directors.

(a) Revenue recognition

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial assets.

All revenue is stated net of the amount of goods and services tax ('GST').

(b) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are shown inclusive of GST. The amounts of GST recoverable from, or payable to, the ATO are included as a current asset or liability in the statement of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cashflows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows included in receipts from customers or payments to suppliers.

(c) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the net profit or loss attributable to members of the entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue. Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive ordinary shares adjusted for any bonus issue.

(e) Fair Value

The Company subsequently measures some of its assets at fair value on a non-recurring basis when impairment indicators are identified. Fair value is the price the Company would receive to sell an asset in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

(f) Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation and amortisation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use.

The expected useful lives for each class of assets are as follows:

Plant and equipment: 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(g) Interest in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Company's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the Company's financial statements. Where the Company participates in, but does not have joint control of, a joint operation, the Company recognises its beneficial interest in each of the assets, liabilities, revenues and expenses of that operation.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Company makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

(h) Evaluation and Exploration asset

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A provision is raised against exploration and evaluation assets where the directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

(i) Leased assets

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

(k) Impairment of Assets

At the reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, in normal operational circumstances the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Issued capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(m) Trade and other receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Trade and other receivables are stated at cost less impairment losses. Refer to Note 1 (t).

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. Trade and other payables are stated at cost. Trade payables are non-interest bearing and are normally settled on 15–30 day terms.

Notes to Financial Statements continued

(o) Financial Instruments

Initial recognition and measurement of financial assets and financial liabilities occurs when the company becomes a party to the contractual provisions to the instrument.

(p) Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

(q) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amount required to settle the obligation at the end of the reporting period.

(r) Employee entitlements

Wages, salaries, annual leave and sick leave

The provisions for employee entitlements to wages, salaries, annual leave and long service leave represent present obligations resulting from employees' services provided up to the balance date. Employee benefits are expected to be settled within one year, and have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Superannuation plans

The Company contributes to a defined contribution superannuation plan. Contributions are charged against income as they are made. The Company has no legal or constructive obligation to fund any deficit.

(s) Comparatives

The Company was incorporated on 26 August 2016 and there are no comparative amounts in relation to financial year 2016.

(t) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(u) Key estimates

Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. When required, recoverable amounts of relevant assets are reassessed using the higher of fair value less cost to sell and value in use calculations which incorporate various key assumptions.

Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences and tax losses only when management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised. Based on the uncertainty of the timing of future profits management have not recognised any deferred tax assets.

(v) Key judgements

Exploration and evaluation asset

In respect of the expenditure recognised as an Exploration and Evaluation asset under AASB 6 'Exploration for and Evaluation of Mineral Resources', the Company has assessed that the exploration activities are not yet sufficiently advanced to make an assessment about the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the area of interest are continuing.

Share based payment transactions

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using the Black Scholes model. The related assumptions are detailed in Note 15. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

		2017 $
2	**Revenue from operating activities**	
	Interest	35,498
	Total Revenue	**35,498**
3	**Employee expenses**	
	Wages and salaries	218,721
	Contribution to accumulation superannuation fund	11,279
	Other associated employee expenses	8,908
	Non-executive director fees	98,329
	Directors' options*	350,000
	Total employee expenses	**687,237**

* The Company has issued 7 million Directors' Options with an exercise price of $0.25. The options vested on 9 May 2017, being three months following the commencement of trading of the Company's shares on the ASX. The options will expire on 9 May 2020. The directors have valued the options at $0.05 using the Black Scholes model.

		2017 $
4	**Income tax benefit**	
	The components of the tax benefit comprise:	
a	Current tax	–
b	The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:	
	Prima facie tax on loss from ordinary activities before income tax at 27.5%	(337,485)
	Add: tax effect of:	
	– Non-allowable items	119,018
	– Tax assets not brought to account	608,514
	Deduct: tax effect of:	
	– Exploration expenditure	(354,179)
	– Other allowable items	(35,868)
	Income tax charge attributable to entity	**–**

Deferred tax losses not brought to account

The Directors estimate that at 30 June 2017 the amount of deferred tax assets not brought to account are:

- In respect of tax operating losses: $420,570

This amount has no expiry date.

Notes to Financial Statements continued

4 Income tax benefit continued

Deferred tax liabilities of $187,943 arising from exploration expenditure have been applied against deferred tax assets arising from revenue losses.

The benefit of deferred tax assets and tax losses will only be obtained if:

i The company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

ii The company continues to comply with the conditions for deductibility imposed by the tax legislation; and

iii No changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

		2017 $
5	**Auditor's remuneration**	
	Audit of the financial report	19,000
	Non-audit services by associated entities of the auditor:	
	– share registry	81,786
	– prospectus due diligence	41,950
		142,736
6	**Earnings per share**	
	Loss for the year used to calculate basic and diluted EPS	(1,227,220)
	Weighted average number of shares outstanding during the year used for the calculation of basic and diluted EPS	50,177,995
	Basic and diluted EPS	(2.4c)
7	**Cash and cash equivalents**	
	Short term deposits	4,300,000
	Cash at bank and on hand	1,419,337
		5,719,337
	The effective interest rate on the short term deposit is 2.22%.	
	The short term deposit has a maturity term of 90 days.	
8	**Trade and other receivables – current**	
	Other receivables	141,631
		141,631
9	**Other assets – current**	
	Prepayments	78,970
		78,970

		2017 $
10	**Property, plant and equipment**	
	Plant and equipment at cost	28,830
	Less: accumulated depreciation	–
		28,830

Plant and equipment consists of site facilities constructed in June 2017.

No depreciation had been charged as at 30 June 2017.

		2017 $
11	**Exploration and evaluation expenditure**	
	Cost carried forward in respect of areas of interest in:	
	Exploration and evaluation asset at cost	3,289,220
		3,289,220

i. Recoverability of the carrying amount of exploration asset is dependent on the successful development of the Thackaringa Cobalt Project ('The Project').

ii. The Project is carried on through a joint operation as the parties are tenants in common in the assets and liabilities relating to the Project.

iii. The main elements of the joint operation are set out below:

   a) The joint operation is titled the Exploration Farmin Joint Venture Agreement ('Thackaringa') ('The JVA'). The joint operation commenced on 31 October 2016.

   b) The participants are Broken Hill Prospecting Limited ('BHPL') and Cobalt Blue Holdings Limited ('Cobalt'). The purpose of the JVA is to determine the extent of economically recoverable reserves of cobalt in the tenements through exploration, and then to proceed to mining once those reserves are proven.

   c) Cobalt is sole funder of the operation until the 4-stage Earning Obligations are completed.

   d) Cobalt was granted a 51% beneficial interest ('the Stage 1 interest') in the Project on execution of the JVA and is in the process of earning the retention of the Stage 1 interest, having met certain Stage 1 Earning period milestones at 30 June 2017 with the remainder of Stage 1 to be delivered by 1 April 2018.

   e) The JVA allows Cobalt to move to 100% equity following the completion of the 4-Stage Earning Obligations.

   f) The Company is a participant in, but does not have joint control over, the JVA.

		2017 $
12	**Trade and other payables – current**	
	Trade payables	138,827
	Other creditors and accruals	82,958
		221,785
13	**Provisions – current**	
	Employee entitlements	**8,448**

14 Issued Capital

Fully paid securities:	Number	$
Fully paid ordinary shares on issue at incorporation (26 August 2016)	10,000	10,000
Share split	34,990,000	–
In-specie distribution to Broken Hill Prospecting Limited (ASX:BPL) shareholders	35,000,000	10,000
Shares issued for cash: seed investors	10,000,000	555,000
Shares issued for cash at IPO	50,000,000	10,000,000
Costs of raising capital	–	(662,131)
Share application monies received on exercise of options	–	2,106
Fully paid ordinary shares on issue at 30 June 2017	95,000,000	9,904,975

Unescrowed, listed on the ASX	72,325,316
Escrowed	22,674,684
Total	**95,000,000**

Terms and Conditions of Ordinary Shares:

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options:	Number	$
Options issued to company directors	7,000,000	350,000
In-specie distribution to existing shareholders	8,749,793	–
Loyalty options issued at IPO	5,458,072	–
Options on issue at 30 June 2017	21,207,865	350,000

Unescrowed, listed on the ASX	10,345,451
Escrowed	10,862,414
Total	**21,207,865**

Terms and Conditions of Options:

The options vested on 9 May being 3 months after commencement of trading of the Company's shares on the ASX. Each option has an exercise price of A$0.25 and will expire on 9 May 2020 being three years from the date of vesting. Refer to Note 15 for fair value details of the Directors' Options.

Capital Management

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distribution to shareholders and share issues.

	2017 $
15 Share Based Payments Reserve	
Share based payments reserve	**350,000**

The share based payments reserve consists of the fair value of options issued to directors pursuant to AASB 2 Share Based Payments. The following table outlines all options of the above type issued since the inception of the Company.

Grant date	31/10/2016
Options originally issued	7,000,000
Exercise price	$0.25
Life of options	3.5 years
Underlying share price at grant date	$0.1880
Expected share price volatility	58%
Risk free interest rate	1.74%
Fair value	$0.05
Options remaining at 30 June 2017	7,000,000

Historical volatility of a basket of similar entities has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility, which may not eventuate.

16 Capital and other Expenditure Commitments

The Company has been granted 51% of continued Stage 1 Earning Period and commenced the Stage 2 Earning Period under the Farm in Joint Venture Agreement ('JVA') as revised on 30 June 2017. Under the terms of the JVA the Company must, by no later than 1 April 2018:

- complete a further program of works with a maximum in-ground expenditure of $1.2 million (GST inclusive); and
- spend not less than $200,000 and not more than $400,000 to undertake an aerial geophysical survey of the tenements.

Furthermore by no later than 30 June 2018 the Company must complete a further approved Stage 2 exploration program with a expenditure of $2.5 million (GST inclusive).

The directors acknowledge that the Company will need to raise further funds in 2018 to complete Stage 3 under the JVA. While the Company will retain its interest in the JVA, if the funds are not raised in 2018 the Company will defer the commencement of Stage 3 and consider alternative strategies.

The Company leases a serviced office on a month-to-month basis at a cost of $1,750 per month.

17 Contingent Liability

The transfer of the 51% equity interest in the JVA granted during the financial period ending 30 June 17 and which will be retained upon completion of the Stage 1 Earning Period, has not yet been legally completed. When the transfer is completed it is possible that a Stamp Duty liability will arise. The extent of that liability cannot be quantified to a high degree of certainty. The balance sheet does not include any provision or liability in relation to that contingent liability.

18 Financial Instruments

Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payables.

Liquidity Risk Management

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the Board which meets on a regular basis to review financial risk exposure and to evaluate treasury management strategies in the context of current economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Company to meet its financial targets while minimising potential adverse effects on financial performance.

18 Financial Instruments continued

Financial Risk Exposure and Management

The main risk the company is exposed to through its financial instruments is interest rate risk.

Interest rate risk is managed with a mixture of fixed and floating rate deposits. It is the policy of the Company to keep surplus cash in high yielding deposits.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

Credit risk is managed through the maintenance of procedure ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness.

The maximum exposure to credit risk at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statements of financial position.

Other receivables at 30 June 2017 represent GST receivable and bank interest receivable. The maximum exposure to credit risk at balance date in respect of these receivables is therefore considered to be nil.

The totals for each category of financial instruments, measured in accordance with AASB139 as detailed in the accounting policies to these financial statements, are as follows:

				Fixed interest maturing			
	Note	Weighted average interest rate	Floating interest rate	1 year or less	1 year to 5 years	Non-interest bearing	Total
		$	$	$	$	$	$
30 June 2017							
Financial Assets							
Cash and cash equivalents	7	1.93%	1,378,442	4,300,000	–	40,895	5,719.337
Receivables	8	n/a	–	–	–	141,631	141,631
Total financial assets			**1,378,442**	**4,300,000**	**–**	**182,526**	**5,860,968**
Financial Liabilities							
Trade and other creditors	11	n/a	–	–	–	221,785	221,785
Total financial liabilities			**–**	**–**	**–**	**221,785**	**221,785**
Net Financial Assets							**5,639,183**

Net Fair Value

The net fair value of financial assets and liabilities at balance date approximates their carrying amount.

Interest Rate Sensitivity Analysis

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	$
Change in profit and equity:	
Increase in interest rate by 2%	2,212
Decrease interest rate by 2%	(2,212)

	2017
	$
19 Cash Flow Information	
Reconciliation of Cash Flow from Operations with Loss from ordinary activities after Income Tax	
Loss after income tax	(1,227,220)
Add: non-cash items:	
Issue of director options	350,000
Change in assets and liabilities:	
Increase in employee entitlements	8,448
Increase in receivables	(141,631)
Increase in other assets	(78,970)
Increase in payables – operating	78,949
Net cashflows used in operating activities	**(1,010,424)**

Non Cash financing and investing activities

There have been no non cash financing and investing activities during the financial period.

20 Related Party Transactions

i) Key Management Personnel compensation

Disclosure relating to directors and key management personnel including remuneration and equity instruments disclosures are provided in the Remuneration Report contained within the Directors' Report. A summary of that information is included the table below:

2017	Short Term Benefits (Salaries & fees) $	Post Employment Benefits (Superannuation) $	Director Options $	Total $
Total	**355,771**	**11,279**	**350,000**	**717,050**

Short-term salary, bonus, fees and leave

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as salary, paid leave benefits and fringe benefits awarded to executive Directors and other KMPs.

Post-employment benefits

This amount represents the cost of providing for superannuation contributions made during the financial period.

Share based payment expense (Director Options)

These amounts represent the expense related to the participation of KMP in equity settled benefit schemes as measured by the fair value of the options granted on grant date.

ii) Other transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

Broken Hill Prospecting Limited ('BHPL') was paid $165,825 in relation to the financial period for services rendered to the company by director Anthony Johnston, who is the Chief Executive Officer of BHPL.

21 Operating Segments

Business segment

The company is organized into one operating segment being the exploration and evaluation of early stage Cobalt resource. Therefore, the segment details are fully reflected in the results and balances reported in the Income Statement and Statement of Financial Position. This is based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

Segment accounting policies

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one period.

22 New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company are discussed below. These new and amended Standards are not expected to have a significant impact on the Company's financial statements.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

This Standard amends AASB 112 Income Taxes to clarify the circumstances in which the recognition of deferred tax assets may arise in respect of unrealised losses on debt instruments measured at fair value.

AASB 2016-2 Amendments to Australian Accounting Standards –Disclosure Initiative: Amendments to AASB 107

This Standard amends AASB 107 Statement of Cash Flows to include additional disclosures and reconciliation relating to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)

Amends AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2015-10.

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets and incorporates amendments to the accounting for financial liabilities and hedge accounting rules to remove the quantitative hedge effectiveness tests and have been replaced with a business model test.

AASB 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139 as follows:

a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

   i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI)

   ii) The remaining change is presented in profit or loss.

AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were made to other standards as a result of AASB 9 by AASB 2014-7 and AASB 2014-8. The mandatory application date of AASB 9 has been deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2014-1.

Adoption of AASB 9 is not expected to have a material impact on the Company's financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and four Interpretations issued by the AASB and amends the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Standard requires an entity to recognise revenue on a basis that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, an entity shall apply all of the following steps:

a) identify the contract with a customer;

b) identify the separate performance obligations in the contract;

c) determine the transaction price;

d) allocate the transaction price to the separate performance obligations in the contract; and

e) recognise revenue when (or as) the entity satisfies a performance obligation.

Consequential amendments to other Standards are made by AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15. The mandatory application date of AASB 15 has been deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2015-8.

Adoption of AASB 9 is not expected to have a material impact on the Company's financial statements.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

A lessee measures right-of-use asset similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided the entity also applies AASB 15 Revenue from Contracts with Customers at or before the same date.


DESIGN STUDIO
DÉCOR

Director's **Declaration**

In accordance with a resolution of the directors of Cobalt Blue Holdings Limited, the directors of the Company declare:

1. that the financial statements and notes set out in pages 29 to 45 are in accordance with the Corporations Act 2001, and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Company; and
   (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
2. that the Chief Executive Officer and Chief Financial Officer have each declared that:
   (a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
   (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial period give a true and fair view.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated this 22 day of September 2017

Signed in accordance with a resolution of the Directors:

Robert Biancardi
Chairman

Audit
Report

Independent Auditor's Report to the Members of Cobalt Blue Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cobalt Blue Holdings Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001,* including:

i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have determined the matter described below to be the key audit matter to be communicated in our report. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Exploration and evaluation expenditure

Refer to note 11 (Exploration and Evaluation Expenditure)

At 30 June 2017, the Company has capitalised exploration assets of $3.29m. The Company's accounting policy in respect of exploration and evaluation assets is outlined in Note 1(h).

This is a key audit matter because the carrying value of the assets are material to the financial statements, the nature of the farm-in agreement entered into with a third party for the exploration of the mining tenements is complex and significant judgements have been applied in determining whether an indicator of impairment exists in relation to capitalised expenditure assets in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources.</td><td>Our procedures included, amongst others:

▪ We confirmed the existence and tenure of the exploration assets in the Thackaringa Project area in which the Company has a contracted interest by obtaining confirmation of title.

▪ We obtained executed agreements evidencing the Company's interest in those exploration assets and confirmed the currency and good standing of those agreements.

▪ We determined that the classification of the Company's activities under the farm-in agreement is appropriate.

▪ In assessing whether an indicator of impairment exists in relation to the Company's exploration assets in accordance with AASB 6 – Exploration for and Evaluation of Mineral Resources, we:
• reviewed the minutes of the Company's board meetings and market announcements.
• checked that those Stage 1 deliverables to be provided under the farm-in agreement by the Company by 30 June 2017 have been met.
• tested the significant inputs in the Company's cash flow forecasts for consistency with their future activity regarding the exploration assets.
• Discussed with management the Company's ability and intention to undertake further exploration activities.

▪ We tested a sample of additions of capitalised exploration expenditure to supporting documentation.</td></tr>
</table>

Other information

The Directors are responsible for the other information. The other information comprises the information in Cobalt Blue Holdings Limited's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 28 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Cobalt Blue Holdings Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

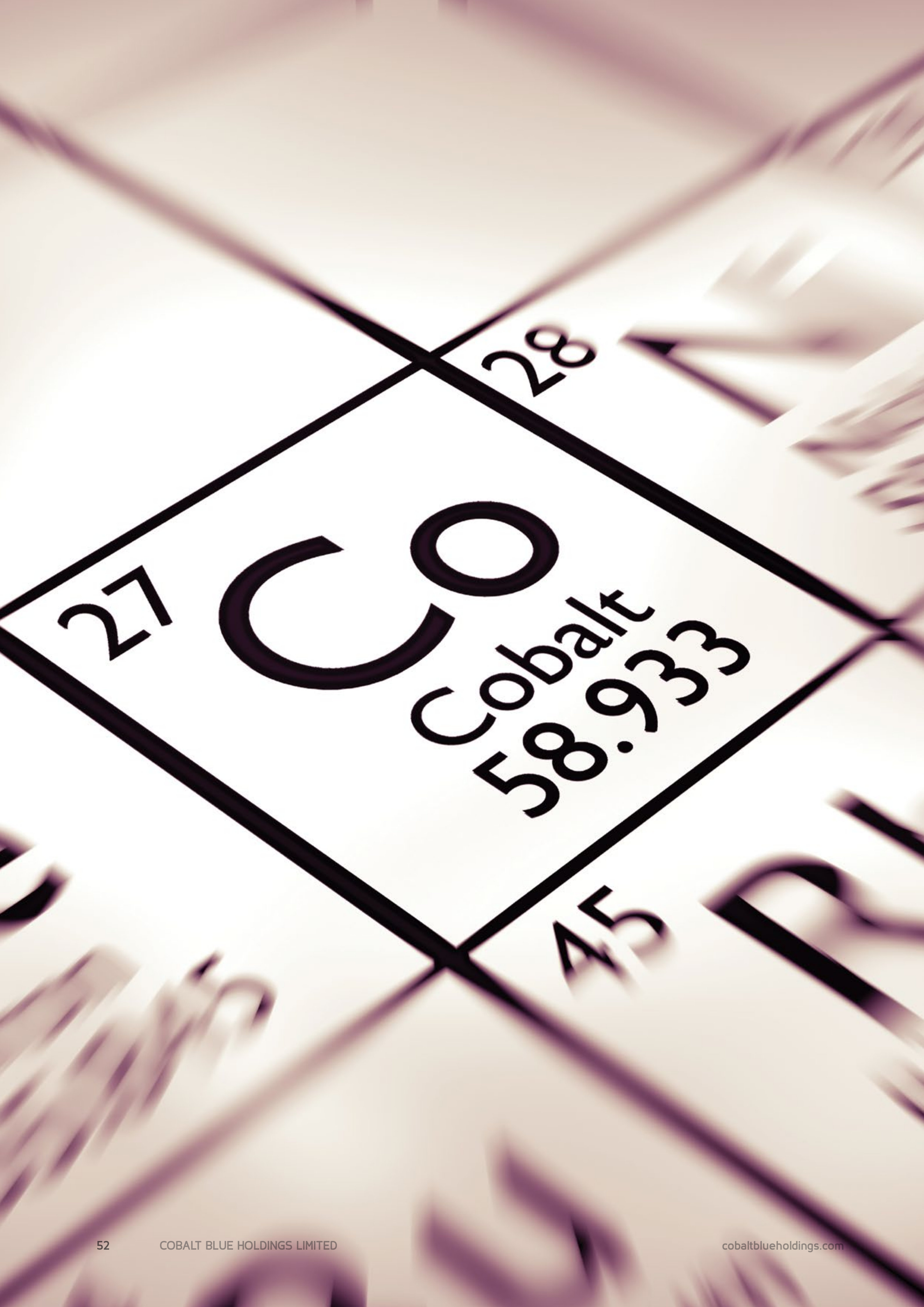
Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Dated: 22 September 2017
Sydney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Additional **Information**

The shareholder information set out below was applicable as at 15 September 2017

A. Distribution of equity securities

Analysis of equity security holders by size of holding

	Number of share holders	Ordinary Shares Held
1–1000	35	12,687
1,001–5,000	598	1,830,725
5,001–10,000	360	2,952,716
10,001–100,000	808	28,633,293
More than 100,000	167	61,579,003
Total	**1,968**	**95,008,424**

There were 300 holders of less than a marketable parcel of ordinary shares (19.5 cents each share).

	Number of option holders	Options Held
1–1000	281	156,126
1,001–5,000	303	762,241
5,001–10,000	132	915,429
10,001–100,000	200	5,898,317
More than 100,000	28	13,573,015
Total	**952**	**21,305,128**

There were 697 holders of less than a marketable parcel of options (5.5 cents each option).

Additional Information continued

B. Equity security holders

The names of the twenty largest holders of quoted shares are listed below:

		Ordinary Shares Number held	Percentage of issued Shares
1	LIDO TRADING LTD	2,500,000	2.6%
2	SJSB PTY LTD	2,150,000	2.3%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,370,076	1.4%
4	ILWELLA PTY LTD	1,053,818	1.1%
5	SEAHORSE CHAMBERS ENTERPRISES PTY LTD	1,000,000	1.1%
6	JILLIBY PTY LTD	939,252	1.0%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	756,936	0.8%
8	NIMADE PTY LIMITED	688,707	0.7%
9	ANNLEW INVESTMENTS PTY LTD	650,000	0.7%
10	SOON ENTERPRISES PTY LTD	596,947	0.6%
11	MS ELLIE BARIKHAN	592,122	0.6%
12	BNP PARIBAS NOMINEES PTY LTD	524,383	0.6%
13	GLOBAL CONSORTIUM HOLDINGS PTY LTD	500,000	0.5%
14	ARACAPITAL INVESTMENTS PTY LTD	500,000	0.5%
15	MR HUGH D H KELLER	500,000	0.5%
16	MCGEE CONSTRUCTIONS PTY LTD	500,000	0.5%
17	BT PORTFOLIO SERVICES LIMITED	500,000	0.5%
18	SOON ENTERPRISES PTY LTD	453,513	0.5%
19	YUCAJA PTY LTD	437,363	0.5%
20	AYERS PTY LTD	406,136	0.5%
	Total	**16,619,253**	**17.5%**

B. Equity security holders continued

The names of the twenty largest holders of quoted options are listed below:

		Options Number held	Percentage of issued Options
1	LIDO TRADING LTD	625,000	2.9%
2	SJSB PTY LTD	487,500	2.3%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	342,519	1.6%
4	SEAHORSE CHAMBERS ENTERPRISES PTY LTD	250,000	1.2%
5	SOON ENTERPRISES PTY LTD	225,572	1.1%
6	NIMADE PTY LIMITED	172,176	0.8%
7	BOUNDARY CAPITAL PTY LTD,	150,000	0.7%
8	MS ELLIE BARIKHAN	148,030	0.7%
9	ANNLEW INVESTMENTS PTY LTD	125,000	0.6%
10	GLOBAL CONSORTIUM HOLDINGS PTY LTD	125,000	0.6%
11	ARACAPITAL INVESTMENTS PTY LTD	125,000	0.6%
12	HAROLLIEQ PTY LTD	125,000	0.6%
13	DENLIN NOMINEES PTY LTD	125,000	0.6%
14	JILLIBY PTY LTD,	103,552	0.5%
15	HAMERGIN PTY LTD	100,000	0.5%
16	MR CHARLES PETER YACOPETTI	100,000	0.5%
17	MCGEE CONSTRUCTIONS PTY LTD	89,837	0.4%
18	MR HUGH DOUGLAS HILTON KELLER	82,500	0.4%
19	PETHOL (VIC) PTY LTD	82,347	0.4%
20	P & Y PTY LTD	75,000	0.4%
	Total	**3,659,033**	**17.4%**

There are no other categories of securities on issue.

The name of the holder with more than 20% of unquoted shares is listed below:

	Shares Number held	Percentage of unquoted Shares
HILL FAMILY GROUP PTY LTD	8,145,477	35.9%

The names of the holders with more than 20% of unquoted options are listed below:

	Options Number held	Percentage of unquoted Options
MR JOSEF THOMAS KADERAVEK + MS ARIANE LOUISE KADERAVEK	2,750,000	25.3%

Additional Information continued

C. Restricted Securities

Ordinary Fully Paid Shares	Expiry of Restriction	Number of Share holders	Number of Shares held
ASX escrowed 12 months from Issue Date	11/10/2017	1	60,000
ASX escrowed 12 months from Issue Date	13/10/2017	1	187,500
ASX escrowed 12 months from Issue Date	14/10/2017	4	622,500
ASX escrowed 12 months from Issue Date	16/10/2017	3	195,000
ASX escrowed 12 months from Issue Date	17/10/2017	6	817,500
ASX escrowed 12 months from Issue Date	18/10/2017	1	300,000
ASX escrowed 24 months from Official Quotation	2/02/2019	31	20,492,184
Total		**47**	**22,674,684**

Options each to acquire one fully paid share for $0.25 expiring 9 May 2020		Number of option holders	Number of options held
ASX escrowed 24 months from Official Quotation	2/02/2019	**25**	**10,862,414**

D. Substantial holders

Substantial holders in the company are set out below:

Shareholder name	Number of Votes held	Percentage of total votes
Hill Family Group Pty Ltd	8,145,477	8.57%

E. On market buy back

There is no current on market buy back

F. Voting rights

The voting rights attaching to ordinary shares are set out below:

G. Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

H. Securities Exchange Listing

The Company's securities are listed on the Australian Securities Exchange.

The Company's ASX code for ordinary shares is COB and options COBO.

I. Corporate Governance Statement

The Company's Corporate Governance statement for the financial year ended 30 June 2017 is available for members to download and access from https://www.cobaltblueholdings.com/

Corporate Directory

COMPANY
Cobalt Blue Holdings Limited
ABN 90 614 466 607

Level 2, 66 Hunter Street
Sydney NSW 2000 Australia

DIRECTORS

Name	*Position*
Robert Biancardi	Chairman, Independent
Josef Kaderavek	Chief Executive Officer
Hugh Keller	Non-Executive Director, Independent
Matt Hill	Non-Executive Director, Independent
Anthony (Trangie) Johnston	Non-Executive Director

COMPANY SECRETARY
Ian Morgan

AUDITOR
Nexia Sydney Audit Pty Ltd

Level 16, 1 Market Street
Sydney NSW 2000 Australia

LEGAL ADVISERS
HWL Ebsworth Lawyers

Australia Square, Level 14
264–278 George Street
Sydney NSW 2000 Australia

BANKER
Commonwealth Bank of Australia

SHARE REGISTRY
Computershare Investor Services Pty Ltd

Level 4, 60 Carrington Street
Sydney NSW 2000

WEBSITE
www.cobaltblueholdings.com

CobaltBlue

Cobalt Blue Holdings Limited
(ABN 90 614 466 607)