COBALT BLUE HOLDINGS LIMITED
(ABN 90 614 466 607)

ANNUAL REPORT 2020

Highlights and **Achievements**

Broken Hill Cobalt Project

- **Move to 100% ownership**
- **Significant Mineral Resource Upgrade**[1] a combined 123 Mt (Inferred, Indicated and Measured Resource) @ 782 ppm cobalt equivalent
- **Significant Ore Reserve Upgrade**[1] – 55% increase in probable reserves from 46.4Mt (at 819 ppm cobalt) to 71.8 Mt (at 710 ppm cobalt)
- **Project Update Study released** including a lowering of pre-production capex of ~$70m, identification of future production targets and engineering optimisation opportunities

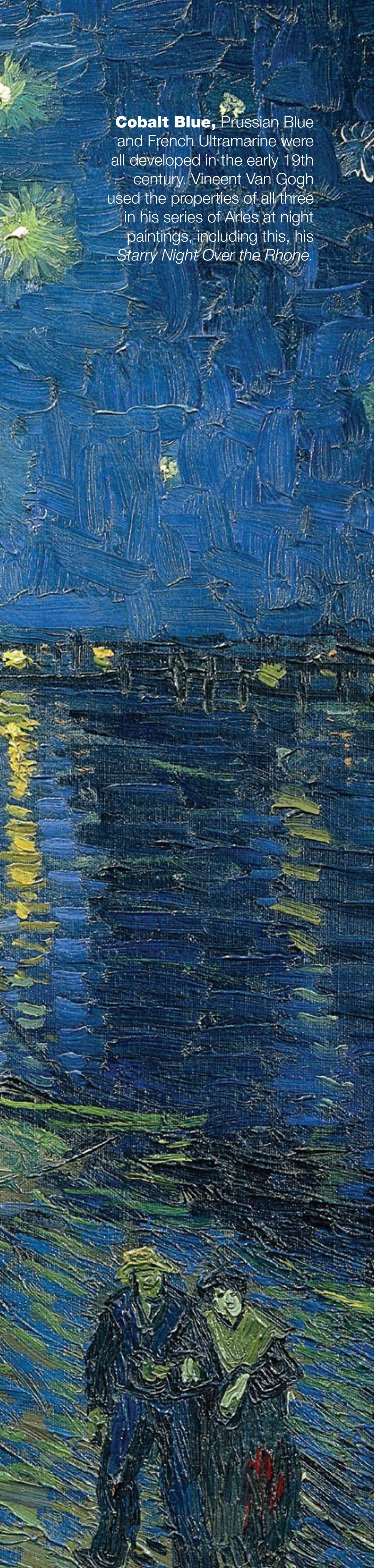
COB Partnerships

- **Agreements with Oz Minerals & GEMC**

Corporate

- **Government Grant awarded** – $2.4m
- **R&D Tax Refund** – $0.8m

1 Refer COB's Mineral Resources and Ore Reserves Statement at page 18 for details.



Cobalt Blue, Prussian Blue and French Ultramarine were all developed in the early 19th century. Vincent Van Gogh used the properties of all three in his series of Arles at night paintings, including this, his *Starry Night Over the Rhone.*

Table of **Contents**

Image by Vlad Vasnetsov

Chairman's **Review**

Dear Fellow Shareholders,

I am pleased to present this report which contains some extremely positive milestones for our business.

Attaining 100% ownership of the Broken Hill Cobalt Project (BHCP) represents a significant stage of our evolution. This has both simplified project development and created a singular owner that is more attractive for project partners. Commercial deployment of our propriety COB Processing Technology is also made easier.

Coming into FY20 we executed a sulphur marketing agreement with Mitsubishi Corporation (an active global sulphur and sulphuric acid market trader). This agreement will allow marketing shipments of sulphur (up to 100 tonnes) to be placed with key customers so they can assess the quality of our future sulphur product.

COB remains opportunistic regarding land acquisitions, with the BHCP footprint expanded by 50% over the last year, as EL8891 was granted. Ultimately, the life of the processing facilities may well extend beyond the resources currently identified, as our team continues to examine cobalt in resource opportunities within the broader Broken Hill District. We believe cobalt exploration across the region is in its infancy and are excited by the potential for resource growth.

In January, we were delighted to secure $2.4[1] million funding from the Australian Government's CRC-Projects Program to develop and optimise the processing of our cobalt-pyrite ore to battery grade cobalt sulphate and elemental sulphur products. COB looks forward to working with our research and development partners, University of New South Wales (UNSW), Australian Nuclear Science and Technology Organisation (ANSTO) and Anergy Australia over the next three years to undertake applied processing and larger scale test work to demonstrate and optimise the processing of our ore to generate battery ready cobalt sulphate.

COB also joined the Future Battery Industries – Cooperative Research Centre (FBI CRC). The FBI CRC is a joint industry/government program that seeks to address challenges and opportunities for battery industry participants. The FBI CRC is a five-year, industry-led, research and development program. The Australian Government is developing a national strategic goal to become a globally significant battery materials supplier.

Turning to project approvals, a Conceptual Project Development Plan (CPDP) for the BHCP was delivered to the NSW Department of Planning, Infrastructure and Environment (Division of Resources and Geoscience). COB has now commenced the formal application process for State Significant Development approval.

1 *COB will receive net $1.57 million from the grant, with the remainder being allocated to the University of New South Wales and the Australian Nuclear Science and Technology Organisation (ANSTO).*

Chairman's Review continued

Test work continues to prove up our ability to make commercially acceptable products and in the case of cobalt sulphate, a premium, battery ready product. As a stepping stone to making cobalt sulphate, the BHCP will produce a Mixed Hydroxide Product (MHP). This is a readily tradeable, intermediate form of cobalt (70% of global cobalt is traded as a MHP). The MHP, which we hope to establish as our benchmark product, contains 37% cobalt and 7% nickel, well in excess of the industry standard (30% cobalt).

Our intention, of course, is to produce cobalt sulphate that will be sold directly to the precursor industry (a raw form of battery cathode). We have recently delivered a (20.8% cobalt) cobalt sulphate test sample, in excess of the global benchmark (20.5% cobalt). We believe that industry specifications for cobalt sulphate will continue to tighten with purity remaining paramount as battery quality and performance improves, in particular batteries for electric vehicles.

Testwork programs also included producing sulphur (from a 150kg sample) then converted into a prilled form. Prilled sulphur is a pellet that represents a simpler handling form (with reduced dust). We have already begun to ship this product for broader commercial evaluation.

Our "first mover" commercial partner, LG International (the resources investment arm of LG Corporation), continues to be supportive, with regular progress meetings held. As part of its global commercial commitments, COB executives visit (today via conference calls) our partners and other interested parties several times per year. Our relationships continue to grow within the key cobalt consuming countries of Korea, Japan, Europe and India.

A key development stepping stone is to build a pilot plant in Broken Hill. COB plans to convert the Pilot Plant (producing >100 kilograms of cobalt sulphate) to a larger scale, fully integrated Demonstration Plant (producing 1– 2 tonnes of cobalt sulphate from processing up to 2,000 tonnes of ore). The results will form the basis for the engineering designs and cost estimates for the BHCP Feasibility Study.

The Demonstration Plant will also allow COB to produce varying specifications of cobalt products. It is anticipated that 100kg+ samples will ultimately be sent to partners, allowing them to make test batteries, which are then subject to rigorous quality control testing. If these samples meet expectations, then COB will have qualified as a cobalt supplier to some of the largest battery makers in the world. Lithium ion batteries are highly customised chemical devices and can take 2+ years to qualify into an electric vehicle design. Hence, there is strong desire to know more about the BHCP now, from a range of partners as they look to satisfy their long-term raw material needs.

We have now delivered a major project optimisation study, "Project Update – 2020" which followed the earlier Pre- Feasibility Study (PFS – 2018). At the time the PFS was delivered, we highlighted a number of potential project studies, with a focus on cost optimisation. The Project Update – 2020 study delivered these studies and drove stronger project economics, including (a) longer project life (b) capital cost reductions and (c) operating cost reductions. Namely, the BHCP is now a projected 17-year, large scale (~3,500 tonnes cobalt per annum), low capital intensity, low cash cost (C1 basis) of US$9.34 per cobalt pound, ethical producer located in a stable, Australian jurisdiction.

Parallel to the development of the BHCP, we are looking for opportunities to deploy our COB Processing Technology via the COB Partnerships business. We had previously identified a number of cobalt districts throughout Australia and signed testwork agreements to assess whether the technology may be used to recover cobalt (and other metals) in sulphide deposits across Australia. Over the last year we have undertaken test work for the Millennium Copper/Cobalt Project (QLD), which resulted in high levels of metal recoveries, as well as the Carrapateena Copper/Gold Project (SA) whose results are due shortly. The use of our technology can add substantial value to these projects, and we look forward to keeping shareholders informed.

I would also like to welcome new shareholders that participated in our recent placement (29-30 July 2020). We have a world class project and an exciting development journey ahead of us and I appreciate the consistent support from all shareholders.

Finally, COB is aware of the current spot cobalt price and the pressures it places upon most cobalt developers. Contrary to a "wait for the cycle to improve" philosophy, we believe that now is exactly the right time to progress our project and ambitions so as to deliver value to shareholders when the cobalt price tightens in the future. We do not believe in marking time, rather progressing our technological capabilities and commercial relationships so that COB is positioned strongly in the upcoming cycle.

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. COB aims to close this cobalt gap.

Robert Biancardi
Chairman

Dated 10 September 2020

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.'


Photo by John Cameron

CEO's **Review**

The Project Update – 2020 study represents a significant milestone in the development of the Broken Hill Cobalt Project (BHCP). We had previously guided the market to a stronger project resulting from a potentially larger reserve (longer life), reduced capital and operating costs.

To put the BHCP into a global perspective, it is forecast to be a top ten global producer of cobalt, one of only 3 large non-African sources, aiming to produce a premium (battery ready) cobalt sulphate. From a commercial partner view, the BHCP is a projected large (~3,500 tonnes per annum), long life supplier of cobalt sulphate at ~US$12 per pound (All In Sustaining Cost) versus cobalt sulphate price forecast of US$27 per pound (Roskill Consultants) or long term price average US$25 per pound.

In conjunction with the Project Update – 2020 we have also released product specifications of our intermediate and final cobalt products as well as elemental sulphur. These specifications meet or exceed relevant industry standards.

Our planned Broken Hill Pilot Plant, followed by a planned larger Demonstration Plant is important to our success. Our aim is now to make these products on a larger scale to prove our process and determine the ideal equipment build (and subsequently de-risk the BHCP), as well as prove our ability to consistently replicate these product specifications.

Investment and commercial partners will also be invited to visit the Pilot Plant (COVID restrictions allowing) to perform due diligence. Our "one roof" concept (i.e. partners can witness the entire refining chain from ore into cobalt sulphate within the same facility) will make project due diligence studies simpler.

Outside of the BHCP, the Demonstration Plant will be used for assessing whether COB Proprietary Technology can process other (non BHCP) ore. To date we have successfully treated ore from South Australia and Queensland. Throughout Australia there are a number of cobalt/copper sulphide districts suggesting strong potential and the use of our technology could add substantial value to these projects.

COB's strategic focus remains upon the battery industry and producing a premium battery ready cobalt product (cobalt sulphate) to enter the production chain directly.

Joe Kaderavek
Chief Executive Officer

Dated 10 September 2020

Broken Hill Cobalt Project – Origin Cobalt Sulphate

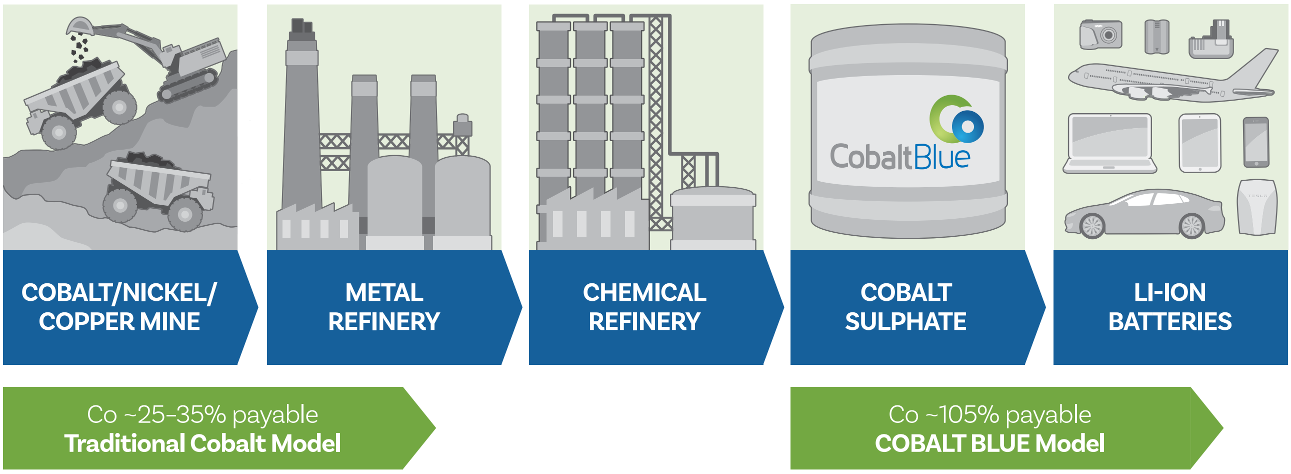
Review of
Operations and Activities

Strategy

Cobalt Blue Holdings Limited (COB or the Group) is focused on the development and commercialisation of the Broken Hill Cobalt Project (BHCP), approximately 23 km west of Broken Hill, NSW. The BHCP comprises five (5) granted tenements for a total area of approximately 93 km^2 which is dissected by the Broken Hill to Port Pirie railway. The main targets for development are the well documented, large tonnage cobalt-bearing pyrite deposits, Pyrite Hill, Big Hill and Railway.

Cobalt is a strategic metal, in strong demand for new generation batteries, particularly lithium-ion batteries now being widely used in clean energy systems.

The Group's mine to battery strategy is set out in in the diagram below.



Key external and business risks which could impact on the Group's ability to deliver its strategy are:

Availability of Finance – The Group has no material operating revenue and is unlikely to generate any operating revenue unless and until the BHCP is successfully developed and production commences, or alternatively the Group acquires a revenue generating asset. The Group will therefore be required to raise additional capital or enter alternative development structures in order to meet its obligations and implement its strategy.

Commodity prices – The global cobalt market is subject to demand and supply fluctuations. These fluctuations, along with fluctuations in the A$:US$ exchange rate, may result in market prices at which it is not economic to develop the BHCP. Climate change risk may create additional demand for lithium ion batteries as a means to store renewable energy as part of global 'decarbonisation' strategies. Such additional demand may create upside pressure to cobalt prices in the future.

Management retention – The Group is reliant on its team of employees and consultants. There is a risk that the Group may not be able to retain those key personnel or be able to find effective replacements for those key personnel in a timely manner. The loss of such personnel or any delay in their replacement, could have a negative impact on the Group's ability to achieve its strategy.

Exploration risk – Whilst the Group has already established a global Mineral Resource estimate for the BHCP of 123 Mt at 782 ppm cobalt equivalent (CoEq) (660 ppm Co & 7.3% S at a 275 ppm CoEq cut-off; see Mineral Resource Summary for a complete breakdown of Mineral Resources by classification) there can be no guarantee that future exploration programs will lead to positive exploration results. Mineral exploration is a speculative endeavour and there can be no guarantee that the Group will achieve any of its mineral exploration objectives.

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 the pyrite ore. Further, changes in mineralogy may result in inconsistent recovery of cobalt. To address this risk, the Group is aiming to construct a Pilot Plant to demonstrate cobalt sulphate can be produced at a much larger scale than completed to date.

Government approvals/environmental standards – Advancing the BHCP is dependent on obtaining approvals from government agencies. With increasing government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent. The Group could be subject to higher levels of environmental responsibility and liability, including laws and regulations dealing with air quality, water and noise pollution, plant and wildlife protection, greenhouse gas emissions and the storage, treatment and disposal of wastes.

Water supply – The BHCP is located near Broken Hill, New South Wales (NSW). Broken Hill has a hot arid desert climate with minimal rainfall. The project's water requirements are currently estimated at 1.2–1.5 GL per annum, which are expected to be supplied from Essential Water's trunk main on the western outskirts of Broken Hill, which is supplied via a pipeline from the Murray River at Wentworth, NSW. In the event that this water is unable to be supplied or supplied at lower levels, whether due to climate change or not, the project would be significantly affected.

Power Supply – The project would also require significant power use. Increased pricing of electricity would increase project operating costs. In order to reduce this risk COB is working on power related studies, seeking to optimise waste heat capture and re-use, optimising the daily load profile and evaluating distributed energy generation and storage.

Summary of Financial Performance

The net loss of the Group for the 2020 financial year was $2,384,000 (2019: $2,909,000). The improved result is primarily attributable to:

- lower employee benefits expenses of $92,000 principally due to the receipt of government grants.
- lower legal and professional costs of $201,000. The 2019 comparative included significant expenditure from the joint venture dispute
- lower corporate costs of $186,000 reflecting lower use of consultants and lower travel costs in 2020.

During the financial year the Group received a refund of $837,000 (2019: $348,000) relating to the Research and Development Tax Incentive Scheme (R&D) and recorded Interest Revenue of $14,000 (2019: $59,000). The R&D refund was accounted for in accordance with the Group's accounting policies for Government Grants. Consequently, of the R&D refund, $806,000 (2019: $338,000) was accounted for as a reduction in the carrying value of exploration, with the balance recorded as revenue.

During the financial year the Group's funds were applied as follows:

Expenditure	$'000
Outflows directly related to the BHCP	2,107
Corporate and Administration (including lease payments)	2,144
Plant and Equipment	253
Other	68
Total expenditure	**4,572**

The BHCP Expenditure was primarily associated with the Project Status Update, Pilot Plant planning and the concentrate circuit work.

At 30 June 2020 the Group had a cash position of $2,057,000 (2019: $4,741,000). The Group's net assets decreased during the financial year by $755,000 to $19,316,000 (2019: $20,071,000).

Changes in Share Capital

During the 2020 financial year the Company issued:

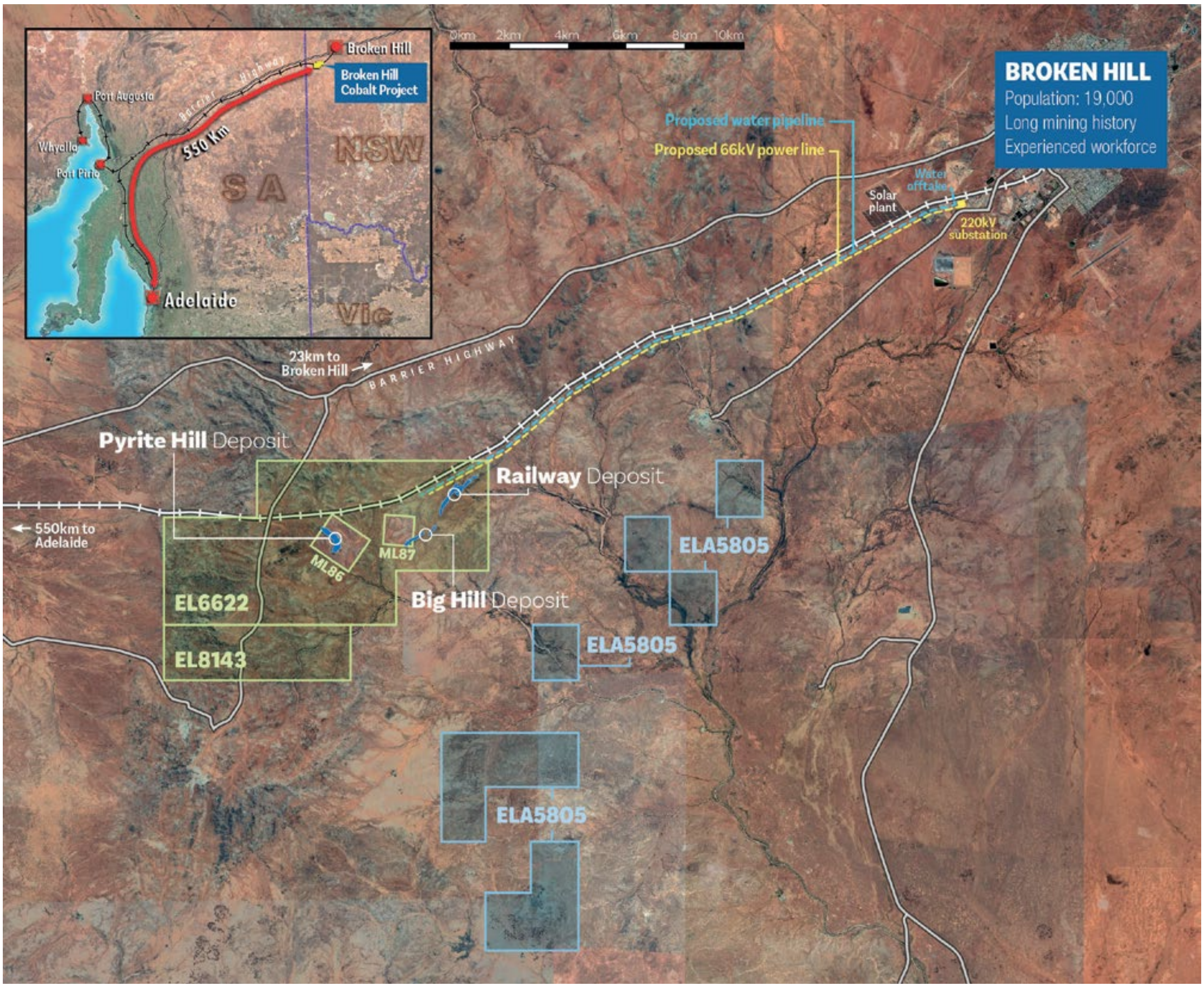
- 9,000,000 new shares associated with the acquisition of AREL's interest in the BHCP
- 1,038,580 new shares issued to Directors (in lieu of cash) as part of their remuneration entitlements

No cash was received on issue of these shares. No options were issued during the year.

Operating Review

The BHCP is located within the Broken Hill Domain of the Curnamona Province. The project covers portions of the Broken Hill and Thackaringa group successions of the Willyama Supergroup; a deformed and metamorphosed Proterozoic supracrustal rock succession. Mineralisation comprises moderate to steeply dipping stratabound zones of cobaltiferous pyrite that form three deposits referred to herein as Pyrite Hill, Railway and Big Hill.

Location of BHCP



Tenement Summary

Licence Number	Location	Percentage Interest 2020 (%)
EL6622	NSW	100
EL8143	NSW	100
ML86	NSW	100
ML87	NSW	100
EL8891	NSW	100*

** This licence did not form part of the acquisition of tenement interests from AREL. The Group was granted EL 8891 during the year.*

Move to 100% ownership of the BHCP

On 4 December 2019 the Company announced that the Independent Expert hearing the dispute between the Group and Broken Hill Prospecting Limited (now known as American Rare Earths Limited), AREL, had confirmed COB had a 70% interest in the BHCP. COB also announced that it had executed a binding Heads of Agreement with AREL to acquire all of AREL's interests in the BHCP (including all tenements).

On 17 January 2020 the Group and AREL executed final agreements for the assignment of AREL's interests (including legal title). The consideration for the assignment was:

- $500,000 cash.
- 9,000,000 COB fully paid shares.
- A $1,000,000 three-year Convertible Note (CN), with interest of 6% per annum payable annually in arrears.
- A $3,000,000 five-year Promissory Note (PN) from BHCP, with interest of 6% per annum payable annually in arrears (interest free for years 1, 2 and 3).

As a result of the assignment, the Thackaringa Joint Venture was dissolved.

BHCP Update 2020

During the year, the Group completed a project update study with results announced on 16 July 2020. The Study delivered significant project enhancements identified via optimisation studies commissioned since the PFS 2018. These study highlights were:

- Ore Reserve (Probable) increased 55% from 46.3 Mt (at 819 ppm cobalt) to 71.8 Mt (at 710 ppm cobalt).
- Ore Reserve contained cobalt increased by 34% from 38,000 tonnes to 51,000 tonnes.
- Pre-Production capital expenditure lowered by ~ $70m, inclusive of a 20% increase in front-end mining and concentrate throughput capacity from 5.25 Mtpa to 6.3 Mtpa.
- Capital intensity (US$ capital/cobalt production) typically 25-30% of required capital for comparable cobalt greenfield projects.
- Replacement of standalone process plant Tailings Storage Facility, with Integrated Waste Landform for co-disposal of mine waste rock and process tailings, resulting in a lower environmental footprint.

The Production Target highlights[2] were:

- Production Target increased 67% from 58.7Mt (at 802 ppm cobalt) to 98Mt (at 690 ppm cobalt).
- Production Target contained cobalt increased 43% from 47,000 tonnes to 67,000 tonnes.
- Operating Life (Production Target) extended from 13 years to 17 years.
- Average annual production (excluding ramp up/down) of 3,500 – 3,600 tpa Co, targeting a high-grade cobalt sulphate with >20.5% cobalt content.
- Cobalt sulphate cash costs (C1 basis – net of by products) down 20% to US$10.34/lb. Places the BHCP in the lowest quartile (cash cost basis) globally.
- Cobalt sulphate – All in Sustaining Cost down to US$13.10/lb. This compares to US$27.50/lb long term price assumption (Roskill Consultants).
- BHCP forecast to generate $1,391m Free Cash Flow (FCF) over project life.

COB also conducted a value engineering study during the year to examine the potential contribution of nickel to the project. Drill sample assays have shown that nickel is present in the mineral deposits. Metallurgical testwork has reported that nickel will be recovered into the Mixed Hydroxide Product (MHP). While the study was not based upon a JORC 2012 Resource or Reserve estimate, it concluded that a MHP containing 7% nickel (and 38% cobalt) could be produced from processing samples of RC chips obtained from the mineral deposits. Further work is required to confirm the quantities of nickel (and other minor metals such as copper and zinc) in the Mineral Resource and Ore Reserve estimates.

The inclusion of nickel credits (at a ratio of 1:6 with cobalt) was estimated to add 3.0% to Project revenue and decreases C1 and All-In-Sustaining Costs to US$9.34/lb and US$12.13/lb respectively.

2 *Further details are contained in the ASX Announcement 'Broken Hill Cobalt Project (BHCP) Project Update 2020' which was released to the market on 16 July 2020 and is available to view at www.cobaltblueholdings.com. The Company confirms that all material assumptions underpinning the Ore Reserve estimate, production target and forecast financial information contained in the original ASX Announcement continue to apply and have not materially changed. The Production Target is, in part, based on Inferred Mineral Resources. There is a low level of geological confidence associated with inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the Production Target itself will be realised.*

While COB is pleased with the Project Update 2020 Study, there remain key optimisation opportunities to be examined during the upcoming Feasibility Study:

- **Capital cost reductions:** Process Plant Engineering optimisation of rotary furnaces, dryer kilns, autoclaves and processing filters will be undertaken as a result of upcoming pilot and demonstration plant testwork. Further: (1) mining fleet/infrastructure capital ($30m) represents an opportunity for outsourcing to contractor-based operations and (2) High Voltage (HV) power ($36m) capital represents an opportunity to engage in a Build Own Operate Model (BOOM) contract with an energy provider. Trade-off studies will be completed to evaluate the optimal capital cost versus operating cost scenarios.
- **Metal recoveries:** Design criteria used during the PFS 2018 and the Project Update 2020 Study was based on batch testwork. Larger scale testing will be conducted as part of our pilot and demonstration plant testwork, incorporating recycle streams, which may increase overall metal recoveries.
- **Energy costs:** Energy is 19% of annual site cash costs – related to electrical power consumption from the National Electricity Market. Piping Compressed Natural Gas (CNG) to site (feeding from the Moomba to Adelaide gas pipeline) will be examined as a lower cost energy alternative. Further, diesel costs represent a significant 25-30% of total mining costs, which will be subject to further optimisation studies.
- **Project life extension:** Further resource development work will be undertaken as part of the Feasibility Study. This work may convert to additional Ore Reserves, and in turn extend project life.

Pilot Plant

COB intends to build a Pilot Plant in Broken Hill. The Pilot Plant will test the leaching of calcined material and allow COB to produce varying specifications of cobalt products.

During the year COB took delivery of long-lead items for the Pilot Plant in Broken Hill. These items (leaching tanks and filter equipment) were ordered in September 2019 (well ahead of the outbreak of COVID-19). Remaining Pilot Plant equipment will be largely sourced domestically. However, supply chains are anticipated to be slower than normal due to the economic effects of COVID-19, as well as hiring of shift personnel required to operate the facility. COB currently expects a Q1 2021 commissioning.

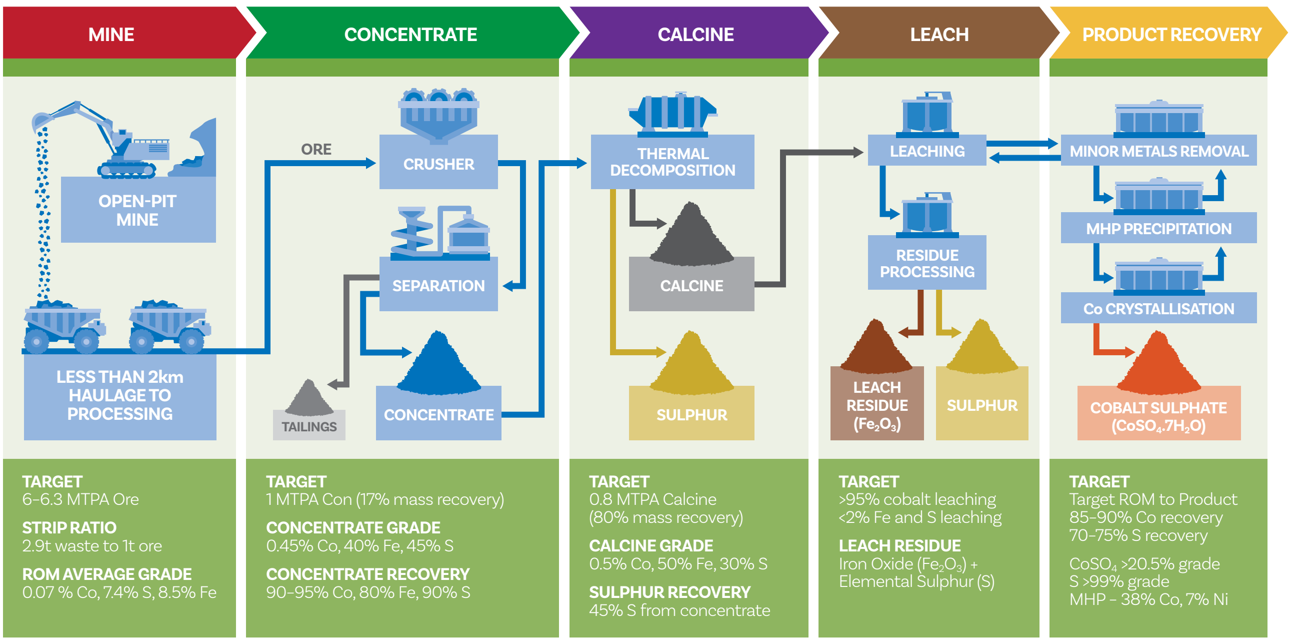
The Pilot Plant test results will then be used to inform a larger Demonstration Plant and provide early confirmation of inputs in the BHCP Feasibility Study. COB intends to operate the Demonstration Plant in 2H 2021, focusing on calcining cobalt-pyrite concentrate for production of sulphur and an integrated hydrometallurgical circuit for leaching calcine and recovery of cobalt and sulphur.

Initially, COB plans to use the existing 90 tonnes of sample stored from previous drilling campaigns to commission the Pilot Plant. COB then intends to treat up to 4,000 tonnes of sample through the larger Demonstration Plant.

In addition to testing samples for the BHCP, COB will make the Demonstration Plant available for the evaluation of the technology for application to other projects. This work will be conducted under the COB Partnerships framework.

A simplified process flowchart is shown below.

Conceptual flowchart for processing ore and production of cobalt sulphate



Metallurgy

In preparation for the planned Pilot Plant trials, COB has been advancing laboratory-scale testwork at ALS Metallurgy. A 45-tonne pilot concentrate trial was completed in early 2019, producing a 7.7t concentrate sample. A 200kg sub-sample of concentrate was taken for the laboratory-scale process development testwork program.

COB has been actively optimising the processing unit operations to reduce iron, copper, zinc, manganese and calcium in the cobalt-nickel hydroxide intermediate precipitate. The current elemental specification of the hydroxide intermediate (which will then be refined into high-purity cobalt sulphate) is set out below.

BHCP MHP – assay results[3]

Ca %	Co %	Cu %	Fe %	Mn %	Ni %	Zn %	Cl %
2.22	37.00	0.01	0.07	0.85	6.94	0.12	7.10

The hydroxide precipitate was readily filtered from the chloride mother liquor, with residual moisture at 10–15%. This contrasts with hydroxides precipitated from sulphate mother liquors, which are typically sticky and often contain 50–60% moisture, necessitating a dedicated dryer unit in addition to the filter.

Hydroxide intermediates represent approximately 75% of total global cobalt trade. The supply side of hydroxides is dominated by production from the Democratic Republic of Congo (DRC) whose contribution is expected to increase over the near term. Hydroxide intermediaries are typically purchased by specialist refining companies. Cobalt hydroxide intermediate is sold on a pricing formula with two components, prior to adjustment for penalty elements (impurities). The first is the floating payables which are relative to the underlying cobalt metal price. The second is the cobalt content.

Fastmarkets quote prices for 30% minimum cobalt content within intermediate hydroxide, with typical cobalt content of hydroxide from the DRC being 25–40%. Strong expected nickel credits will likely command a further payable metal for the COB MHP product. Overall, the extremely low levels of impurities in the COB MHP are considered attractive.

In order to take advantage of prospective cobalt market conditions, the BHCP is planned to have a flexible production strategy. By adopting a metallurgical process which produces a commercially saleable intermediate product, the project will be able to optimise its suite of products to suit varying market conditions, taking advantage of MHP (50-80% cobalt payable) vs cobalt sulphate (90-110% cobalt payable) pricing.

The BHCP expects to produce:

- An intermediate MHP nominally containing 37% Co and 7% Ni. This high cobalt to nickel ratio is unique and is likely to command a premium sale price.
- A final cobalt sulphate which will be produced from further refining of the MHP. The target product specification is >20.5% Co content sulphate crystal, suitable for use in cathode precursor manufacture.

MHP vs Cobalt Sulphate Markets

BHCP Product	Payable % Co metal price	Purity	End Use Typical	Customers
Cobalt Sulphate	90 –110%	Very High	Li ion batteries	Precursor/Cathode Makers Commodity Trading Houses Mining Companies
Mixed Hydroxide Product	50 – 80%	Low	Metallic cobalt and Li ion batteries	

3 *Further details are contained in the ASX Announcement 'Mixed Hydroxide Product (MHP) testwork delivers premium product' which was released to the market on 28 April 2020 and is available to view at www.cobaltblueholdings.com. The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcement and that the form and context in which any Competent Person's findings presented have not been materially modified from the original market announcement.*

Environmental Approvals

During the year COB presented the Conceptual Project Development Plan (CPDP) for the BHCP to the Department of Planning, Infrastructure and Environment (Division of Resources and Geoscience) (DPIE). The presentation including detailed information on COB and the BHCP including Deposit geology, Mineral Resource and Ore Reserve, Mining methods and optimisation, Geotechnical stability, Mineral Processing flowsheet, Environmental Issues, Stakeholder consultation and Assessment timeframes.

The purpose of the CPDP is to demonstrate that a project is a responsible and sustainable mining proposal that can develop the mineral resources of NSW in a sound manner.

The current BHCP development timeline is shown below.

The BHCP Development Timeline

	2017	2018	2019	2020	2021	2022
Business Achievements	IPO	**LGI** – Cobalt First Mover	**Mitsubishi** – Sulphur Agreement **100% Project Ownership**		**Global cobalt sample program** – Q1 2021	**Final Investment Decision** – H1 2022
Technical Studies	**Resource upgrade** Drilling: +8,000m Resource: 55Mt **Scoping Study**	**Resource upgrade** Drilling: +12,500m Resource: 72Mt **Pre Feasibility Study**	**Resource upgrade** Drilling: +9,500m Resource: 111Mt	**Project Update 2020** – July 2020		**Feasibility Study and Approvals** – H1 2022
Metallurgical Studies			**Concentration** – Pilot Scale Testwork	**Pilot Plant** – Q4 2020	**Demonstration Plant** – Q2 2021	
Environmental Approvals			**CPDP Submitted**	**Scoping Report** – Jan 2020 **SEARs issued** – Feb 2020	**EIS Submission** – H2 2021	**SSD Determination** – H1 2022
	ACHIEVEMENTS				GOALS	

Development consent will be sought under Part 4 of the *NSW Environmental Planning and Assessment Act, 1979.* The BHCP qualifies as a State Significant Development (SSD) as its purpose and size (capital value in excess of $30m) qualify. SSD Approval provides an integrated assessment pathway and minimises the number of secondary environmental approvals that must be attained for a project.

The Scoping Meeting follows substantial consultation with government, community and infrastructure stakeholders in respect of the various environmental, socio-economic, and infrastructure / logistical considerations that must be considered by the Project. The subsequently prepared Scoping Report provides a comprehensive overview of the nature, scale and planning issues associated with the BHCP. The Scoping Report facilitates the preparation of the Secretary's Environmental Assessment Requirements (SEARs), which forms the basis of the EIS. During the year the SEARs were also issued for the BHCP and preparation work has now begun towards delivering a BHCP EIS.

The status of the SSD application can be tracked at the DPIE Major Projects Portal: https://www.planningportal.nsw.gov.au/major-projects. A flowchart with the major steps in the SSD Application process with indicative timeframes is shown in the figure below, along with their current completion status.

COB will commence the relevant technical studies to support the Environmental Impact Statement in 2020 (EIS). The major aspects for investigation in the EIS will include sustainable management of mine and process wastes, rehabilitation and open cut voids, ground and surface water, biodiversity, Aboriginal heritage, air quality, and socio-economic issues. Work on many of these aspects has already commenced.

SSD Application major steps flowchart

Achievements

Conceptual Project Development Plan	Completed: **17 December 2019**
Application for SEARs/ Scoping Meeting and Report	Completed: **21 January 2020**
SEARs issued by DPIE	Completed: **18 February 2020**

Goals

Prepare and Submit EIS	Expected: **2020–21**
DPIE Exhibition, Assessment and Determination of SSD Project	Expected: **H1 2022**

COB expects that the EIS will be lodged with DPIE for exhibition and assessment during 2H 2021, however delivery will be influenced by technical and optimisation studies undertaken during the Feasibility Study.

Cobalt Product and Sulphur Sample Program

During the year the Group launched a Cobalt Product Sample Program using mixed hydroxide and cobalt sulphate. The aim of the program is to provide samples for technical and market assessments to top-tier companies in the cobalt-for-battery supply chain.

During the year the Group also entered into an agreement with Mitsubishi Corporation to conduct marketing trials for elemental sulphur. If the trials are successful, it is then the intention of both parties to negotiate an offtake contract for the commercial production and sale of elemental sulphur from the BHCP.

COB Partnerships

COB has been developing mineral processing technology for the extraction and recovery of cobalt and elemental sulphur from cobalt-pyrite feedstocks. The technology was evaluated in the 2018 PFS for the BHCP and was successfully shown to be technically and economically viable.

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

During the year COB was engaged by GEMC, the owner of the Millennium Cobalt Project in Queensland to prepare new cobalt-pyrite concentrate samples and then test the applicability of COB's pyrite processing technology to the cobalt-pyrite concentrates.

COB developed a successful flotation scheme for GEMC's Millennium Project to produce two separate copper and cobalt concentrates. The total flotation recovery of metal to concentrates achieved was 93% cobalt, 90% copper and 80% gold. The concentrate grades and recoveries are shown below:

Millennium Project grades and recoveries[4]

		Co	Cu	As	Fe	S	Si	Au
Copper Concentrate	Grade	0.5%	30.9%	0.15%	27.7%	32.7%	1.7%	9.5 g/t
	Recovery	5%	87%	2%	18%	33%	<0.5%	56%
Cobalt Concentrate	Grade	2.9%	0.9%	2.9%	19.0%	21.9%	15.8%	1.6 g/t
	Recovery	88%	7%	94%	36%	63%	1%	26%

The process successfully treated the cobalt concentrate, with leach extractions of 90% of the cobalt and 95% of the copper. Interestingly,10% of the gold was also leached into solution, on account of the formation of gold-chloride complexes. The leach residue was filtered and washed and then subjected to a further cyanide leach to recover free gold. The total gold extracted from the cobalt concentrate was 90% (10% in the chloride leach and a further 80% in the cyanide leach).

COB was also engaged by Oz Minerals Limited (ASX: OZL) to conduct amenability testing of the COB Process on OZL's Carrapateena copper-gold project in South Australia. The initial testwork is expected to be completed towards the end of Q3 2020.

Project and Future Battery Industries CRC success

During the year COB was awarded $2.4 million of total Cooperative Research Centre (CRC) – Project Round 8 Funding form the Australian Government for applied research and development of the processing of cobalt-pyrite ore to generate battery ready cobalt sulphate. The grant will be paid in stages over the life of the program, subject to satisfactory progress on the program. COB will receive $1.57 million for the development and operation of its planned Demonstration Plant, with the remainder being allocated to the University of New South Wales (UNSW) and the Australian Nuclear Science and Technology Organisation (ANSTO) for applied research on the pyrolysis state of the metallurgical process.

In partnership with the UNSW, ANSTO and furnace manufacturer Anergy Australia, COB will further develop and optimise at larger scale the processing of cobalt-pyrite ore at Broken Hill to produce battery grade cobalt sulphate and elemental sulphur products.

The innovate COB process has two key components, firstly, the thermal decomposition of pyrite to produce pyrrhotite and elemental sulphur and secondly, the leaching of artificial pyrrhotite to reclaim the cobalt.

The first of these processes will be researched by a select team of chemists and minerals analysis experts at UNSW Sydney, ANSTO and COB, and include a team of two post-graduate researchers.

COB has worked with equipment vendor Anergy Australia to scale up from batch tests undertaken at ALS Metallurgy in a small furnace designed by COB, to a continuous equipment system. To date, trials comprising 150kg of pyrite concentrate have been undertaken at a throughput rate of 4–8 kg/h. COB is now planning calcine trials at Anergy Australia to treat 10t of Broken Hill cobalt-pyrite concentrate to form pyrrhotite and sulphur.

The work at Anergy Australia will investigate:

- Material handling systems for the solids
- Off-gas handling and recovery of sulphur to ensure no unintended cooling and deposition of sulphur with the system
- Energy requirements for steady state operation
- Better understanding of steady state conditions including bed temperature in the furnace, residence time and bed rotation.

The outcomes of this work will also inform the design and operation of the Demonstration Plant.

Cobalt sulphate produced at the Demonstration Plan will be provided to battery manufacturers for acceptance testing as a battery precursor material.

By undertaking the CRC-P grant program, COB will achieve the following outcomes:

4 *Further details are contained in the ASX Announcement 'COB Partnerships – Testwork Success + QLD Minerals Initiatives' which was released to the market on 6 April 2020 and is available to view at www.cobaltblueholdings.com. The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcement and that the form and context in which any Competent Person's findings presented have not been materially modified from the original market announcement.*

- De-risk technical aspects of minerals processing to produce battery ready cobalt sulphate
- New method for elemental sulphur production in Australia
- Trained personnel that can be employed in future operations
- Ability to apply technology to other projects in Australia

COVID-19

During the year the Group implemented strategies to reduce the transmission of COVD-19 to staff, contractors and its potential impact on the Group's business activities. Office-based employees and contractors successfully transitioned to a remote working model.

At present there have been no material adverse impacts on the Group's ongoing operations. The Group's recent share placement and announced share purchase plan will assist the group during the current period of near-term uncertainty.

Supply chains are anticipated to be slower than normal due to the economic effects of COVID-19, as well as hiring of shift personnel required to operate the facility. Notwithstanding these factors COB still currently expects a Q1 2021 commissioning of the Pilot Plant.

With countries imposing prevention and control measures against COVID-19, a number of cobalt-producing operations have closed for maintenance over the past few months. Further control measures could lead to cobalt refiners increasing their demand for cobalt feedstocks to protect their processing businesses, potentially resulting in higher cobalt prices.

Mineral Resources and Ore Reserves

Mineral Resources Summary as at 30 June 2020

The Mineral Resource estimate for the Broken hill Cobalt project was independently prepared by SRK Consulting and is reported in accordance with the guidelines of the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves ('2012 JORC Code'). The Mineral Resource estimate comprises 123 Mt at 782 ppm cobalt equivalent (CoEq) (660 ppm Co & 7.3% S) for 81,400 t contained cobalt (at a 275 ppm CoEq cut-off) and is summarised below by classification.

The Mineral Resource is inclusive of the Ore Reserve estimate.

Category	Mt	Co ppm	CoEq ppm	Fe %	S %	Pyrite %	Contained Co t	Pyrite Mt
Pyrite Hill | Cut-off Grade 275 ppm CoEq								
Measured	18	928	1094	10.7	9.9	19	17,100	3
Indicated	8	700	827	9.6	7.6	14	5,800	1
Inferred	7	811	957	10.4	8.7	16	5,700	1
Total	**34**	**847**	**1000**	**10.4**	**9.1**	**17**	**28,700**	**6**
Railway | Cut-off Grade 275 ppm CoEq								
Indicated	45	605	718	7.8	6.7	13	27,400	6
Inferred	29	568	681	8.1	6.8	13	16,300	4
Total	**74**	**591**	**704**	**7.9**	**6.7**	**13**	**43,700**	**9**
Big Hill | Cut-off Grade 275 ppm CoEq								
Indicated	11	613	714	6.6	6.1	11	6,600	1
Inferred	5	517	605	6.0	5.2	10	2,400	0
Total	**15**	**584**	**681**	**6.4**	**5.8**	**11**	**9,000**	**2**
Total | Cut-off Grade 275 ppm CoEq								
Measured	18	928	1094	10.7	9.9	19	17,100	3
Indicated	64	619	731	7.8	6.7	13	39,900	8
Inferred	40	604	720	8.3	6.9	13	24,300	5
Total	**123**	**660**	**782**	**8.4**	**7.3**	**14**	**81,400**	**17**

*The Mineral Resource estimates for the BHCP deposits (at a 275 ppm CoEq cut-off) detailed by Mineral Resource classification (CoEq = Co ppm + S % * 16.74). Note minor rounding errors may have occurred in compilation of this table.*

2020 Ore Reserves

The Ore Reserve estimate for the Broken Hill Cobalt project was independently prepared by Australian Mine Design and Development Pty Ltd and is reported in accordance with the guidelines of the 2012 JORC Code. The Ore Reserve estimate comprises 71.8 Mt at 710 ppm cobalt for 51,000 t contained cobalt and is summarised below by classification. The Ore Reserve estimate is based on, and inclusive of the 2019 Mineral Resource initially released on 4 April 2019 and re-reported in 2020 (with an updated cut-off based on Project Update 2020 results). No Inferred Mineral Resources have been used in the estimation of the Ore Reserve.

Project	Classification	Tonnes Mt	Co ppm	S %
BHCP (inclusive of Pyrite Hill, Railway & Big Hill)	Proved	–	–	–
	Probable	71.8	710	7.6
Total		**71.8**	**710**	**7.6**

Mineral Resources Summary as at 30 June 2019

Category	Mt	Co ppm	CoEq ppm	Fe %	S %	Pyrite %	Contained Co t	Pyrite Mt
Pyrite Hill (at a 400 ppm CoEq cut-off)								
Measured	18	928	1150	10.7	9.9	19	17,100	3
Indicated	7	759	940	9.7	8.1	15	5,600	1
Inferred	7	820	1020	10.4	8.9	17	5,700	1
Total	**33**	**867**	**1070**	**10.4**	**9.3**	**17**	**28,400**	**6**
Railway (at a 400 ppm CoEq cut-off)								
Indicated	37	677	843	8.5	7.4	14	25,100	5
Inferred	24	650	821	9.0	7.7	14	15,300	3
Total	**61**	**667**	**834**	**8.7**	**7.5**	**14**	**40,500**	**9**
Big Hill (at a 400 ppm CoEq cut-off)								
Indicated	11	629	767	6.7	6.2	12	6,800	1
Inferred	7	553	678	6.2	5.6	11	3,900	1
Total	**18**	**599**	**732**	**6.5**	**6.0**	**11**	**11,000**	**2**
Total (at a 400 ppm CoEq cut-off)								
Measured	18	928	1150	10.7	9.9	19	17,100	3
Indicated	55	679	841	8.3	7.3	14	37,500	8
Inferred	38	663	831	8.8	7.5	14	24,900	5
Total	**111**	**715**	**889**	**8.9**	**7.8**	**15**	**79,500**	**16**

The 30 June 2019 Mineral Resource estimates for the Broken Hill Cobalt deposits (at a 400 ppm CoEq cut-off) detailed by Mineral Resource category. The cobalt equivalent grade has been derived from the following cut-off calculation: CoEq ppm = Co ppm + [S ppm x (S price/ Co price) x (S recovery/ Co recovery)]. Using the Mineral Resource parameters, the CoEq equation simplifies to: CoEq ppm = Co ppm + [S% x 22.235]. Note minor rounding errors may have occurred in the compilation of this table.

2019 Ore Reserves

Project	Classification	Tonnes Mt	Co ppm	S %
BHCP (inclusive of Pyrite Hill, Railway & Big Hill)	Proved	–	–	–
	Probable	46.3	819	8.83
Total		**46.3**	**819**	**8.83**

Annual Review of Mineral Resources and Ore Reserves

Mineral Resources

The material changes in the BHCP Mineral Resource estimates, inclusive of Pyrite Hill, Railway and Big Hill are solely resultant from the revision of cut-off parameters and pit optimisation inputs derived from the assessment of modifying factors to support the 2020 Ore Reserve estimate.

Pit Optimisation Inputs

A series of pit shells with a 1.3 revenue factor were used to constrain the re-reporting of the 2019 Mineral Resources, considering updated assumptions derived from the assessment of modifying factors supporting the 2020 Ore Reserve estimate. A comparison of key assumptions used for the generation of pit shells to constrain the reporting of Mineral Resources in 2019 and 2020 is provided below.

Key assumptions used for the generation of pit shells to constrain the reporting of the Mineral Resources

Assumption	Superseded 2019 Input	2020 Input
Mineral Resource Classifications	All classifications including unclassified	All classifications including unclassified
Whittle Model Base Setup	Mining One Model used for 2018 Ore Reserves	AMDAD Model used for 2020 Ore Reserves
Cobalt Price	US$27/lb Co	US$25/lb Co
Sulphur Price	US$150/t (mine gate price)	US$123/t (mine gate price)
Cobalt Recovery	85%	85.5%
Sulphur Recovery	75%	64.4%
A$/US$ Exchange Rate	0.74	0.70

Cut-Off Optimisation

The PFS 2018 and Ore Reserve estimate established a technically feasible and economic project for production of cobalt sulphate heptahydrate and elemental sulphur from the Broken Hill cobalt deposits. Accordingly, a revised cut-off grade considering modifying factors guided by the PFS 2018 was developed to appropriately incorporate revenue streams from elemental sulphur in addition to cobalt: the previous 500 ppm cobalt cut-off did not take into account sulphur as a revenue producing co-product.

The cobalt equivalent grade has been derived from the following calculation; CoEq ppm = Co ppm + (S ppm × (S price / Co price) × (S recovery / Co recovery)).

Considering updated assumptions derived from the assessment of modifying factors supporting the 2020 Ore Reserve estimate, key inputs into this calculation have been adjusted since release of the 2019 Mineral Resource estimate. Accordingly, the revised cobalt equivalency formula equates to CoEq ppm = Co ppm + (S% × 16.74). The Company confirms all elements included in the metal equivalence calculation have reasonable potential to be recovered and sold.

The parameters used for this calculation are listed below in comparison with the superseded 2019 inputs which equated to CoEq ppm = Co ppm + (S% × 22.235).

Assumptions used for the cobalt equivalency calculation

Assumption	Superseded 2019 Input	2020 Input
A$/US$ Exchange Rate	0.74	0.70
Cobalt Price	US$27/lb Co	US$25/lb Co
Sulphur Price	US$150/t	US$123/t
Cobalt Recovery	85%	85.5%
Sulphur Recovery	75%	64.4%

The current Mineral Resource has been reported at a cut-off of 275 ppm cobalt equivalent based on an assessment of material that has reasonable prospects of eventual economic extraction. Comparatively, the Ore Reserve cut-off grade is determined by calculating the net value per tonne (NSR) after applying recoveries, ore costs, product prices and selling costs. The cut-off net value per tonne (NVPT) is $0.00/tonne and expressed in terms of cobalt equivalency equates to 328 ppm CoEq considering current recoveries, ore costs, product prices and selling costs.

Ore Reserves

The material changes in the BHCP Ore Reserve estimate, inclusive of Pyrite Hill, Railway and Big Hill can be attributed to:

- **Updated Mineral Resource Estimate**

  The 2020 Ore Reserve estimate is based on, and inclusive of the 2019 Mineral Resource initially released on 4 April 2019 and re-reported in 2020 which included data obtained during the 2018–2019 drilling campaign at Pyrite Hill; 64 drill holes for approximately 8,700 m.

- **Cut-Off Revision**

  A reduced cut-off grade resulted from cost decreases (namely waste management and power) and economies of scale due to increased processing rates from 5.25 Mtpa envisaged in the 2018 PFS.

- **Updated Exchange Rates**

  Updated exchange rate assumptions from USD:AUD 0.763 to 0.70 for the derivation of the Ore Reserve quantities.

Summary of governance arrangements and internal controls in place for the reporting of mineral resources and ore reserves

Ore Reserves and Mineral Resources are estimated by suitably qualified consultants in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('2012 JORC Code'), using industry standard techniques and guidelines for the estimation and reporting of Ore Reserves and Mineral Resources. These estimates and the supporting documentation were reviewed by suitably qualified Competent Persons prior to inclusion in this Annual Report. The Company's Board approves revisions to Ore Reserves and Mineral Resources prior to public release.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Heath Porteous, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Porteous is employed by Xploremore Pty Ltd and engaged by Cobalt Blue Holdings Limited as Exploration Manager. Mr Porteous has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 JORC Code. Mr Porteous consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Metallurgical Testwork Results or Engineering Design Studies is based on information compiled by Dr Andrew Tong, a Competent Person who is a Member of The Australian Institute of Mining and Metallurgy (AusIMM). Dr Tong is employed by Mineral and Residues Pty Ltd and acts as the Company's Executive Manager. Dr Tong has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 JORC Code. Dr Tong consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resources Statement is based on and fairly represents information compiled by Competent Persons and the Mineral Resources Statement as a whole has been approved by Mr Danny Kentwell, a Competent Person who is a Member of The Australian Institute of Mining and Metallurgy (AusIMM). Mr Kentwell is a Principal Consultant (Resource Evaluation) at SRK Consulting. Mr Kentwell has had sufficient experience that is relevant to the style of mineralisation and type of deposit and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 JORC Code. Mr Kentwell consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Ore Reserves Statement is based on and fairly represents information and supporting documentation prepared by Competent Persons and the Ore Reserves Statement as a whole has been approved by Mr John Wyche, a Competent Person who is a Fellow of The Australian Institute of Mining and Metallurgy (AusIMM). Mr Wyche is an employee of Australian Mine Design and Development Pty Ltd Mining One. Mr Wyche has had sufficient experience that is relevant to the style of mineralisation and type of deposit and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 JORC Code. Mr Wyche consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Ore Reserves and Mineral Resources have been estimated and reported in accordance with the guidelines of the 2012 JORC Code.


Joe Kaderavek
Hugh Keller
Robert Biancardi

Directors' Report

The Directors of Cobalt Blue Holdings Limited (COB or the Company) present their report together with the financial statements for the year ended 30 June 2020.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

- **R Biancardi** (Chairman)
- **H Keller** (Independent Non-Executive Director)
- **R McDonald** (Independent Non-Executive Director)
- **J Kaderavek** (Chief Executive Officer & Executive Director)

Principal Activities

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

Review of operations, financial position, business strategies and prospects

A detailed discussion of these matters is set out within the 'Review of Operations and Activities' section on pages 9 to 21.

Likely developments and expected results of operations

A detailed discussion of future developments is set out within the 'Review of Operations and Activities' on pages 9 to 21.

Significant changes in the state of affairs

During the financial year issued capital increased by $1,364,000, net of capital raising costs, (2019: $4,584,000) due to Share Issues. Details of the changes in issued capital are disclosed in Note 19 to the financial statements.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Information on Directors

The following information is current as at the date of this report.

Name:	**Mr Robert Biancardi**
Title:	***Chairman, Independent, Non-Executive Director***
Qualifications:	*B. Com (Management and Marketing) (Wollongong University)* *Diploma Corporate Management (AGSM –University of NSW)*
Experience and Expertise:	Mr Biancardi is an experienced executive with more than 35 years' commercial experience across the finance, IT, healthcare and services sectors. Mr Biancardi 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. Mr Biancardi is also currently chair of the Diabetes Research Foundation. He has extensive corporate advisory and capital management experience with a specialisation in corporate marketing and substantial public/private board experience.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member, Audit and Risk and Remuneration and Nomination Committees.
Interests in shares:	3,715,111
Interest in options:	500,000

Name:	**Mr Hugh Keller**
Title:	***Independent Non-Executive Director***
Qualifications:	*LLB (University of Sydney)*
Experience and Expertise:	After graduating with a law degree, Mr 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, Mr Keller 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. Mr Keller 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. Mr Keller was also a non-executive director of LJ Hooker Limited and a member of its audit committee. He has also served as chairman of a large private investment company, several small investment companies and a private small exploration company. Mr Keller 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. He 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..
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair Audit and Risk and Remuneration and Nomination Committees up to 30 June 2020. From 1 July 2020 Chair Audit and Risk Committee and member, Remuneration and Nomination Committee.
Interests in shares:	1,060,603
Interest in options:	500,000

Name:	**Mr Robert McDonald**
Title:	***Independent Non-Executive Director***
Qualifications:	*B.Comm (University of Western Australia)* *MBA (Honours) (IMD)*
Experience and Expertise:	Mr McDonald is a seasoned mining industry executive who commenced his career with Rio Tinto before assuming senior roles in investment banking and private equity. He has a background in project development and optimisation, strategy and business development, transaction management and capital markets. He is an experienced board director, having held non-executive director roles with a number of listed mining companies at different stages of evolution.
Other current directorships:	New Century Resources Limited (Chairman)
Former directorships (last 3 years):	None
Special responsibilities:	Member, Audit and Risk and Remuneration and Nomination Committee up to 30 June 2020. From 1 July 2020, Chair Remuneration and Nomination Committee and member, Audit and Risk Committee.
Interests in shares:	159,068
Interest in options:	750,000

Name:	**Mr Joe Kaderavek**
Title:	***Executive Director & Chief Executive Officer***
Qualifications:	*B.Eng (Aeronautical Engineering) (University of Sydney)* *G.CertEng (Reliability Engineering) (Monash University)* *Master of Business Administration (MBA) (Deakin University)*
Experience and Expertise:	Mr Kaderavek commenced his career as a 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, he held an international consulting role with a focus on renewable energy and battery storage technologies. Mr Kaderavek 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. He also has a detailed understanding of the energy storage market and battery technology.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	4,087,585
Interest in options:	750,000

Company Secretary

Mr Robert Waring was appointed to the position of Company Secretary on 29 June 2018. Mr Waring is a Chartered Accountant and has over 40 years' experience in financial accounting and company secretarial roles, principally in the resources industry and provides secretarial services to a number of public companies listed on the Australian Securities Exchange.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Board		Audit & Risk Committee		Remuneration & Nomination Committee	
DIRECTOR	Held	Attended	Held	Attended	Held	Attended
R Biancardi	6	6	2	2	1	–
H Keller	6	6	2	2	1	1
R McDonald	6	6	2	2	1	1
J Kaderavek	6	6	–	–	–	–

Held: *represents the number of meetings held during the time the Director held office or was a member of the relevant committee.*

REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the Director and executive remuneration arrangements of the Company, in accordance with the requirements of the Corporations Act 2001 and Regulations. Remuneration is referred to as compensation throughout the Remuneration Report.

The Remuneration Report is set out under the following main headings:

A. Remuneration Policy
B. Details of Remuneration
C. Service Agreements
D. Share-based compensation
E. Additional information
F. Additional disclosures relating to key management personnel

A. Remuneration Policy

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

H Keller (Chair) Independent, non-executive director
R Biancardi Independent, non-executive director
R McDonald Independent, non-executive director

The Committee has determined that formal policies are not appropriate given the Company's size, and therefore individual negotiation will be conducted as required. The Company's remuneration objective is to attract high calibre executives and reward them for performance that results in both short and long-term growth in shareholder wealth.

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.

The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control their relevant assigned activities
- the Company's performance, including earnings, share price growth and achievement of objectives.

Key Management personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Company. Key Management personnel as identified for the purpose of this report by the criteria set out above are:

Robert Biancardi Chairman, Independent, Non-Executive Director
Hugh Keller Independent Non-Executive Director
Robert McDonald Independent Non-Executive Director
Joe Kaderavek Executive Director & Chief Executive Officer
Danny Morgan Chief Financial Officer
Andrew Tong Executive Manager

Fixed remuneration

Fixed remuneration consists of base compensation (calculated on a total cost basis and includes any fringe benefits tax charges related to any benefits provided) as well as leave entitlements and employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board/ Remuneration Committee through a process that considers individual and overall performance of the Company.

Equity Settled based payment expense

These amounts represent the expense related to the issue of ordinary shares and/or participation of KMP in equity settled (options) benefit schemes as measured by the fair value of the options granted on grant date and the fair value of shares issued.

Performance-linked remuneration

Performance-linked compensation may include both short-term and long-term incentives and is designed to reward employees and directors for meeting or exceeding their financial and personal objectives. The short-term incentive can be provided in the form of options, shares or a cash bonus.

Non-executive Directors

Non-executive directors receive a board fee and fees for chairing board committees.

Fees are reviewed annually by the board taking into account comparable roles and market data. The maximum aggregate directors' fee pool is $275,000 per annum and was approved by shareholders at the annual general meeting on 24 November 2017.

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

Non-executive director	Position	2020	2019
R Biancardi	Chairman	$55,000	$55,000
H Keller	Head of Audit and Remuneration Committees	$49,500	$49,500
R McDonald	Non-executive director	$43,800	$43,800
Total		**$148,300**	**$148,300**

- All non-executive directors enter into a service arrangement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms including remuneration, relevant to the office of director. Non-executive directors 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.

Voting and comments made at the Company's 25 November 2019 Annual General Meeting (AGM)

The Company received 81.13% of 'for' (18.87% against) votes in relation to the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

B. Remuneration

The following table outlines persons who are directors and other key management personnel ("KMP") of the Company at 30 June 2020 and the nature and amount of remuneration for those persons.

	Short-term benefits		Post-Employment Benefits	Share based payments			
	Short Term Cash (salary and fees)	Bonus	Super-annuation	Shares	Options	Total	Performance related
2020	$	$	$	$	$	$	%
Directors							
R Biancardi	25,114	–	2,386	27,500[1]	6,892	61,892	–
H Keller	37,603	–	2,147	24,750[1]	6,892	71,392	–
R McDonald	21,900	–	–	21,900[1]	10,339	54,139	–
J Kaderavek	304,395	75,000[3]	23,730	46,875[2]	–	450,000	17%
Subtotal	**389,012**	**75,000**	**28,263**	**121,025**	**24,123**	**637,423**	
Other Key Management Personnel							
D Morgan	238,870	–	22,693	17,437[2]	6,989	285,959	2%
A Tong	196,875	–	–	28,125[2]	–	225,000	–
Subtotal	**435,745**	**–**	**22,693**	**45,562**	**6,989**	**510,959**	**–**
Total	**824,757**	**75,000**	**50,956**	**166,587**	**31,112**	**1,148,412**	

1 *Not considered performance related given the options and shares were substantially for the purpose of providing a competitive base director fee.*
2 *Refers to value of shares yet to be issued, in lieu of cash, relating to services provided during the financial year. Not performance related.*
3 *Bonus expected to be paid in equivalent value of shares and relates to services provided during the financial year. Performance Related.*

	Short-term benefits		Post-Employment Benefits	Share based payments			
	Short Term Cash (salary and fees)	Bonus	Super-annuation	Shares	Options	Total	Performance related
2019	$	$	$	$	$	$	%
Directors							
R Biancardi[2]	42,060	–	12,941	–	14,023[6]	69,024	–
H Keller[2]	38,503	–	10,997	–	14,023[6]	63,523	–
R McDonald[1]	21,900	–	–	–	21,034[6]	42,934	–
J Kaderavek[3]	354,469	75,000	20,531	–	61,427	511,427	27
M Hill[4]	20,205	–	–	–	–	20,205	–
Subtotal	**477,137**	**75,000**	**44,469**	**–**	**110,507**	**707,113**	
Other Key Management Personnel							
D Morgan[5]	166,667	30,000	15,833	–	11,259	223,759	18
A Tong	185,000	–	–	–	70,998	255,998	28
Subtotal	**351,667**	**30,000**	**15,833**	**–**	**82,257**	**479,757**	
Total	**828,804**	**105,000**	**60,302**	**–**	**192,764**	**1,186,870**	

1 *Mr McDonald was appointed on 1 January 2019. Mr McDonald's services are provided by a consulting entity. On 5 March 2019, shareholders agreed to the issue of 750,000 options to Mr McDonald or his nominee for no cash consideration.*
2 *On 5 March 2019, shareholders agreed to the issue of 500,000 options to Mr Biancardi or his nominee and Mr Keller or his nominee for no cash consideration.*
3 *On 27 November 2018, shareholders agreed to the issue of 750,000 options to Mr Kaderavek or his nominee for no cash consideration under his employment contract.*
4 *Mr Hill resigned effective 13 December 2018.*
5 *Mr Morgan was appointed CFO effective 1 September 2018.*
6 *Not considered performance related given the options were substantially for the purpose of providing a competitive base director fee.*

C. Service Agreements (audited)

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name	Joe Kaderavek
Title	Chief Executive Officer and Executive Director
Agreement commenced	1 November 2016
Term of agreement	No fixed term
Remuneration	Through to 31 March 2020 annualised cash salary was $375,000 including superannuation. Cash remuneration from 1 April 2020 through to 30 June 2020 was $187,500 on an annualised basis. The contract includes a three-month notice period for termination.

Name	Danny Morgan
Title	Chief Financial Officer
Agreement commenced	1 September 2018
Term of agreement	No fixed term
Remuneration	Through to 31 March 2020 annualised cash salary was $279,000 including superannuation. Cash remuneration from 1 April 2020 through to 30 June 2020 was $209,250 on an annualised basis. The contract includes a one-month notice period for termination.

Name	Andrew Tong
Title	Executive Manager
Agreement commenced	1 October 2017
Term of agreement	No fixed term
Remuneration	Dr Tong's services are provided through a management services agreement with Minerals & Residues Pty Ltd, of which Dr Tong is a director. Through to 31 March 2020, annualised cash remuneration was $225,000 (plus GST). Cash remuneration from 1 April 2020 through to 30 June 2020 was $112,250 (plus GST) on an annualised basis. The agreement can be terminated with reasonable notice. The Company may also terminate the agreement where the other party commits a material breach or persistent breach or non-observance of a term of this agreement.

D. Share-Based Compensation

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grantee	Grant Date	Number of options	Vesting date	Exercisable date	Expiry Date	Exercise Price	Fair value per option at grant date
J Kaderavek	27/11/2018	750,000	21/12/2018	21/12/2018	10/07/2021	$0.30	$0.08
D Morgan	21/12/2018	178,125	21/12/2019	21/12/2019	21/12/2021	$0.30	$0.08
D Morgan	21/12/2018	178,125	21/12/2020	21/12/2020	21/12/2021	$0.30	$0.08
R Biancardi	5/03/2019	250,000	1/04/2019	1/04/2019	21/12/2021	$0.25	$0.04
R Biancardi	5/03/2019	250,000	21/12/2019	21/12/2019	21/12/2021	$0.25	$0.04
H Keller	5/03/2019	250,000	1/04/2019	1/04/2019	21/12/2021	$0.25	$0.04
H Keller	5/03/2019	250,000	21/12/2019	21/12/2019	21/12/2021	$0.25	$0.04
R McDonald	5/03/2019	375,000	1/04/2019	1/04/2019	21/12/2021	$0.25	$0.04
R McDonald	5/03/2019	375,000	21/12/2019	21/12/2019	21/12/2021	$0.25	$0.04

The number of options over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2020 is set out below:

	Number of options granted during the year		Number of options vested during the year	
Directors and Other KMP	2020	2019	2020	2019
R Biancardi	–	500,000	250,000	250,000
H Keller	–	500,000	250,000	250,000
R McDonald	–	750,000	375,000	375,000
J Kaderavek	–	750,000	–	750,000
D Morgan	–	356,250	178,125	–
A Tong	–	–	–	300,000

The number of shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2020 is set out below:

	Number of shares granted during the year	
Directors and Other KMP	2020	2019
R Biancardi	199,743	–
H Keller	179,769	–
R McDonald	159,068	–
J Kaderavek	500,000[1]	–
D Morgan	–	–
A Tong	–	–

1 *These shares were issued in satisfaction of Mr Kaderavek's 2019 bonus and approved by shareholders on 25 November 2019.*

Value of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Directors and Other KMP	Value of options granted during the year ($)	Value of options exercised during the year ($)	Value of options lapsed during the year ($)	Date of grant of lapsed options
R Biancardi	6,892	–	100,000	31/10/2016
H Keller	6,892	–	75,000	31/10/2016
R McDonald	10,339	–	–	–
J Kaderavek	–	–	137,500	31/10/2016
D Morgan	–	–	–	–
A Tong	–	–	270,000	24/11/2017

E. Additional Information

Movement in shares held

The number of shares in the Company held during the financial year by each director and other key management personnel of the Company, including their personally related parties is set out below:

Ordinary Shares	Balance at the start of the year	Received during the year on the exercise options	Received on vesting of rights to deferred shares	Granted during the year as compensation	Other changes during the year	Balance at the end of the year
R Biancardi	3,515,368	–	–	199,743	–	3,715,111
H Keller	880,834	–	–	179,769	–	1,060,603
R McDonald	–	–	–	159,068	–	159,068
J Kaderavek	3,387,585	–	–	500,000[1]	200,000	4,087,585
D Morgan	50,000	–	–	–	–	50,000
A Tong	188,605	–	–	–	–	188,605

1 These shares were issued in satisfaction of Mr Kaderavek's 2019 bonus and approved by shareholders on 25 November 2019.

Other than for H Keller, none of the shares above are held nominally by the directors or any of the key management personnel.

Movement in options held

The number of options in the Company held during the financial year by each director and other key management personnel of the Company, including their personally related parties is set out below:

Options	Balance at the start of the year	Granted as part of remuneration	Exercised	Additions	Other changes during the year	Lapsed	Balance at the end of the year
R Biancardi	2,806,758	–	–	–	–	(2,306,758)	500,000
H Keller	2,183,186	–	–	–	–	(1,683,186)	500,000
R McDonald	750,000	–	–	–	–	–	750,000
J Kaderavek	3,500,000	–	–	–	-	(2,750,000)	750,000
D Morgan	356,250	–	–	–	–	–	356,250
A Tong	2,250,000	–	–	–	–	(2,250,000)	–

F. Other transactions with key management personnel

Details of other transactions with key management personnel are set out in Note 25.

END OF REMUNERATION REPORT

Corporate Governance

The Company's Corporate Governance Statement and Appendix 4G checklist are released to ASX on the same day the Annual Report is released. The Corporate Governance Statement, and corporate governance policies and charters can both be found at https://www.cobaltblueholdings.com/corporate-governance/.

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number under option
21/12/2018	10/07/2021	$0.30	1,144,250
1/04/2019	21/12/2021	$0.25	1,750,000
26/06/2019	21/12/2021	$0.30	698,250
26/06/2019	26/06/2022	$0.30	2,000,000
Total			**5,592,500**

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 $64,156 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.

Rounding of amounts

The company is of a kind referred to in instruments 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 35 and forms part of the Directors' Report for the year ended 30 June 2020.

Non-audit Services

No non-audit services were provided by the auditor during the financial year.

Matters subsequent to the end of the financial year

On 16 July 2020 the Consolidated Entity issued a Project Update for the Broken Hill Cobalt Project (BHCP). The update noted an increase in Ore Reserves, a lowering of pre-production expenditure and the replacement of a standalone process plant Tailings Storage Facility, with an integrated Waste Landform for co-disposal of mine waste rock and process plant tailings, resulting in a planned lower environmental footprint.

On 31 July 2020 the Consolidated Entity announced all existing shareholders would be offered the opportunity to subscribe for COB shares under a Share Purchase Plan (SPP). The SPP was conducted at $0.095 per share and closed on 31 August 2020. $3,578,000 in applications was received from shareholders under the SPP.

On 10 August 2020 the Company announced it had allotted 39,840,538 new fully paid ordinary shares to investors, via a placement to institutional and professional investors, raising $3,751,000 before costs.

The net proceeds from the issue of new shares will be used for the BHCP, including for construction and commissioning of the pilot plant, for engineering and technical studies towards the Feasibility Study, to advance BHCP permits and approvals, to fund the process of obtaining a major joint venture partner for the BHCP and for working capital and other general corporate purposes.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years.

Signed in accordance with a resolution of the Board.

Robert Biancardi
Chairman

Dated 10 September 2020

COB Promotional Evening, November 2018

Auditor's
Independence Declaration

Nexia Australia

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 2020, 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

Nexia Sydney Audit Pty Limited

Stephen Fisher
Director
Dated: 10 September 2020

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Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Revenues from ordinary activities			
Revenue	2	124	70
Expenses from ordinary activities			
ASX and registry fees		(82)	(203)
Administrative expenses		(186)	(236)
Corporate costs		(432)	(618)
Depreciation and amortisation expenses		(282)	(233)
Employee benefits expenses	3	(1,005)	(1,097)
Interest expense	4	(171)	(41)
Legal and professional costs		(350)	(551)
Loss before tax		**(2,384)**	**(2,909)**
Income tax expense	5	–	–
Loss from continuing operations		**(2,384)**	**(2,909)**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive loss for the year		**(2,384)**	**(2,909)**
		Cents	**Cents**
Basic and diluted earnings/(loss) per share	7	(1.6c)	(2.4c)

The statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents	8	2,057	4,741
Security deposits		–	190
Receivables	9	148	46
Other assets	10	114	86
Total Current Assets		**2,319**	**5,063**
Non-current Assets			
Property, plant and equipment	11	1,041	647
Intangibles	12	105	74
Security deposits		156	174
Exploration and evaluation assets	13	20,172	15,367
Total Non-current Assets		**21,474**	**16,262**
Total Assets		**23,793**	**21,325**
Current Liabilities			
Trade and other payables	14	864	461
Provisions	15	163	147
Lease liabilities	17	246	169
Borrowings	18	849	–
Total Current Liabilities		**2,122**	**777**
Non-current Liabilities			
Provisions	16	24	24
Lease liabilities	17	559	453
Borrowings	18	1,772	–
Total Non-current Liabilities		**2,355**	**477**
Total Liabilities		**4,477**	**1,254**
Net Assets		**19,316**	**20,071**
Equity			
Issued capital	19	26,377	25,013
Other Equity	18	205	–
Reserves	20	889	829
Accumulated losses		(8,155)	(5,771)
Total Equity		**19,316**	**20,071**

The statement of financial position should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary Share Capital $'000	Other Equity $'000	Options Reserve $'000	Accumulated Losses $'000	Total $'000
Balance at 1 July 2018	20,429	–	552	(2,862)	18,119
Total loss for the year	–	–	–	(2,909)	(2,909)
Issue of ordinary securities	4,791	–	–	–	4,791
Issue of options	–	–	277	–	277
Cost of issuing ordinary securities	(207)	–	–	–	(207)
Balance at 30 June 2019	**25,013**	**–**	**829**	**(5,771)**	**20,071**
Balance at 1 July 2019	25,013	–	829	(5,771)	20,071
Total loss for the year	–	–	–	(2,384)	(2,384)
Issue of ordinary securities	1,364	–	–	–	1,364
Issue of options	–	–	60	–	60
Value of conversion rights on convertible notes	–	205	–	–	205
Balance at 30 June 2020	**26,377**	**205**	**889**	**(8,155)**	**19,316**

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Payments to suppliers and employees		(1,885)	(2,167)
Interest received		15	66
Interest paid on leased assets		(30)	(41)
Other		47	10
Net cash flows (used in) / provided by operating activities		**(1,853)**	**(2,132)**
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,597)	(7,531)
Research and development tax incentive refunds		806	338
Industry Grants		791	–
Payments for plant and equipment		(253)	(16)
Payments to acquire tenements		(500)	–
Refund of tenement security deposits		229	–
Cash used as security deposit		(10)	–
Other non-current assets		(68)	(53)
Net cash flows (used in) / provided by investing activities		**(602)**	**(7,262)**
Cash flows from financing activities			
Gross proceeds from issue of shares		–	4,791
Costs related to issue of shares		–	(207)
Payment of lease liabilities		(229)	(151)
Net cash flows (used in) / provided by financing activities		**(229)**	**4,433**
Net increase/ (decrease) in cash held		(2,684)	(4,960)
Cash at beginning of financial period		4,741	9,701
Cash at end of financial period	8	**2,057**	**4,741**

The statement of cash flows should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

1 Statement of Significant Accounting Policies

The financial statements cover Cobalt Blue Holdings Limited group as a Consolidated Entity, consisting of Cobalt Blue Holdings Limited (COB or the Company) and its subsidiary ('Consolidated Entity').

Basis of preparation

These financial statements are general purpose financial statements, prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the financial statements.

These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared under the historical cost convention unless otherwise described in the accounting policies.

The financial statements are presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

The financial statements were authorised for issue on 10 September 2020 by the Board of Directors.

Principles of consolidation and equity accounting

Subsidiaries are all entities (including structured entities) over which Consolidated Entity has control. The consolidated entity controls an entity where the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that the control ceases. The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(a) New and amended standards

New and amended standard adopted by the Consolidated Entity

The Consolidated Entity adopted early AASB 2018-6 Amendments to Australian Accounting Standards (AASB 3) Definition of a Business from 1 January 2020. The adoption of this amendment did not have any impact on the amounts recognised in prior periods.

No other new or amended accounting standards adopted by the Consolidated Entity for the first time for its annual reporting period commencing 1 July 2019 had a material financial impact.

New Accounting Standards and interpretations not early adopted

Conceptual Framework for Financial Reporting

The AASB has issued a Conceptual Framework for Financial Reporting ('Framework'). The main purpose of the Framework is to assist the AASB in developing accounting standards and assist financial report preparers to develop accounting policies when there is no specific or similar standard that addresses a particular issue and to assist all parties to understand and interpret the standards. The Framework include the definition and recognition criteria for assets, liabilities, income and expenses and other relevant financial reporting concepts. The Framework is mandatorily effective for the Consolidated Entity's annual reporting period beginning on or after 1 January 2020. The Consolidated Entity is currently considering the impact of the Framework and timing of adoption.

(b) Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. For the year ended 30 June 2020 the Consolidated Entity reported a loss of $2,384,000 (30 June 2019: loss of $2,909,000); net cash outflow from operating activities of $1,853,000 (30 June 2019: outflow $2,132,000) and net cash outflow from investing activities of $602,000 (30 June 2019: outflow $7,262,000). As at 30 June 2020, the Consolidated Entity had a working capital surplus of $197,000 (30 June 2019: surplus $4,286,000).

On 10 August 2020 the Company announced it had allotted 39,840,538 new fully paid ordinary shares to investors, raising $3,751,000 before costs. On 31 July 2020 the Consolidated Entity announced all existing shareholders would be offered the opportunity to subscribe for COB shares under a Share Purchase Plan (SPP). The SPP was conducted at $0.095 per share and closed on 31 August 2020. $3,578,000 in applications was received from shareholders under the SPP.

On the basis of the above, the directors consider that the Consolidated Entity remains a going concern and these financial statements have been prepared on this basis.

(c) Revenue recognition

Revenue is recognised when the consolidated entity fulfils its performance obligations to its customers and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable.

Interest Income

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

Government Grants

Government Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they intend to compensate. Grants that compensate the Consolidated Entity for expenditure capitalised are recognised as a reduction in the carrying value of the asset and grants that compensate the Consolidated Entity for expenditure recognised in profit or loss are recognised as government grant income.

(d) 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 presented on a gross basis. The GST components of cashflows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO.

(e) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense or benefit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the Consolidated Entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to members of the Consolidated Entity by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(g) Fair Value

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(h) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Entity. Ongoing expenses and maintenance are expensed as incurred.

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.

Depreciation and amortisation

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

The estimated useful lives for each class of assets are as follows for the current and preceding financial year:

Plant and equipment	3 – 4 years
Leasehold improvements	4 years
Leased Assets	3 – 4 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.

(i) 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 Consolidated Entity's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the Consolidated Entity's financial statements. Where the Consolidated Entity participates in, but does not have joint control of, a joint operation, the Consolidated Entity 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 Consolidated Entity 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.

(j) Exploration and Evaluation assets

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. Transactions involving the acquisition of an individual exploration and evaluation asset or a group of evaluation and evaluation assets, that do not constitute a business, are treated as asset acquisitions. Asset acquisitions are measured at their fair value or in those instances where the fair value cannot be measured reliably, the assets are measured at the fair value of the consideration offered and liabilities assumed. Exploration and Evaluation 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 or loss 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.

(k) Leases

The Consolidated Entity leases properties and office equipment. Rental contracts are typically made for fixed periods of 3 to 4 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Consolidated Entity. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss, (unless the costs are included in the carrying amount of another asset applying other applicable Accounting Standards) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Consolidated Entity's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and restoration or make good requirements.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment is loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the equity proceeds.

(o) 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 expected credit losses. Refer to Note 1(y).

(p) Trade and other payables

These amounts represent liabilities for goods and services received by the Consolidated Entity that remain unpaid at the end of the financial year. Trade and other payables are measured at amortised cost and not discounted. Trade payables are non-interest bearing and are normally paid within 30 days of recognition.

(q) Provisions

Provision for legal claims, make good obligations and other claims are 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 at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expected future payments are discounted using market yields at the reporting date on Australian Corporate bonds with terms to maturity and currency that match, as closely as possible, the estimate future cash outflows.

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(s) Share-based payments

Equity-settled share-based compensation benefits are provided to Directors, employees and third parties that provide services to the Consolidated Entity. There were no cash settled share-based payments during the financial year.

Equity-settled transactions are awards of shares or options over shares that are provided to parties in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date.

Fair value is determined using either option pricing models or available market prices. Option pricing models take into account the exercise price, the term of the option, the strike price of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that are not dependent on whether the Consolidated Entity receives the services that entitle the party to receive payment.

No account is taken of any other vesting conditions. When the services received or acquired in a share-based payment transaction do not qualify for recognition as assets, the cost is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss (or as an asset where applicable) for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining grant date fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or grantee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or grantee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(t) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(u) Intangibles

The cost of purchased software is capitalised as an intangible asset and amortised over its effective life, usually between 3-5 years. Costs associated with maintaining software programmes are recognised as an expense as incurred.

The cost of separately acquired trademarks and licences are shown at historical cost. Costs associated with patents are deferred and amortised on a straight-line basis over the period of their expected benefits, being 20 years.

(v) Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax.

Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Interest related to the financial liability component is recognised in profit or loss.

(w) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

(x) Rounding of amounts

The Consolidated Entity is of a kind referred to in instruments 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements 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 Consolidated Entity.

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.

Impairment

The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated Entity 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.

Exploration and evaluation asset

As set out in Note 1(j) exploration and evaluation expenditure is capitalised for an area of interest in respect for which the rights of tenure are current and where it is considered likely to be recoverable from future exploitation or sale. The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available.

Borrowings

Lease payments are discounted using the interest rate implicit in the lease if that rate can be determined or the Consolidated Entity's incremental borrowing rate. Borrowings, including the liability portion of Convertible Notes and Promissory Note liability are measured at fair value using market rates for comparable transactions. Judgement is required in determining market/comparable borrowing or discount rates.

Share based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with Directors, employees or third parties by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using option price models or market valuations. The related assumptions are detailed in Note 21. 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the Consolidated Entity's business operations, supply chain and staffing. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

2 Revenue from operating activities

	2020 $'000	2019 $'000
Interest received	14	59
Operating Revenue	65	–
Other Revenue	45	11
Total Revenue	**124**	**70**

3 Employee benefits expenses

	2020 $'000	2019 $'000
Remuneration expenses	972	966
Government grants	(100)	–
Post-employment benefits:		
Accumulated benefit superannuation plans	63	79
Share-based payments		
Equity settled payments*	114	123
Sub-total	**1,049**	**1,168**
Less amounts capitalised as part of exploration and evaluation	(44)	(71)
Total employee benefits expenses	**1,005**	**1,097**

* *Equity-settled share-based payments expense relates to the amortisation of employee share options granted during the current or prior financial years. Share options do not represent cash payments and share options granted may or may not be exercised by the holder.*

4 Interest expense

	2020 $'000	2019 $'000
Lease liabilities interest	30	41
Convertible note – interest	54	–
Promissory note – interest	87	–
	171	**41**

5 Income tax benefit

	2020 $'000	2019 $'000
The components of the tax benefit comprise:		
Current tax	–	–
Deferred tax – origination and reversal of temporary differences	–	–
Aggregate income tax expense	**–**	**–**

Numerical reconciliation of income tax expense and tax at the statutory rate:

	2020	2019
Loss before income tax from continuing operations	**(2,384)**	**(2,909)**
Tax at the statutory rate of 27.5%	(656)	(800)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-allowable items	210	79
Tax losses not brought to account	1,008	2,729
Exploration expenditure deductible	(299)	(1,912)
Other allowable items	(263)	(96)
Income tax expense	**–**	**–**
Unused tax losses for which no deferred tax loss has been recognised	21,766	18,297
Potential tax benefit @27.5%	5,986	5,032

	2020	2019
Deferred tax assets (liability) not recognised are attributable to:		
Exploration and evaluation expenditure	3,853	3,527
Prepayments	–	13
Interest receivable	–	–
Employee entitlements	23	16
Accrued expenses	189	20

The benefit of deferred tax assets and tax losses will only be obtained if the Consolidated Entity 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; continues to comply with the conditions for deductibility imposed by the tax legislation; and there are no changes in tax legislation adversely affecting the Consolidated Entity in realising the benefit from the deductions for the losses.

6 Auditor's remuneration

	2020 $	2019 $
Audit or review of the financial statements	44,500	42,000
Other advisory services	–	2,556
Non-audit services by associated entities of the auditor:		
– other advisory services	–	3,154
	44,500	**47,710**

7 Earnings per share

	2020 $'000	2019 $'000
Earnings/(Loss) for the year used to calculate basic and diluted earnings per share	(2,384)	(2,909)
Weighted average number of shares outstanding during the year used for the calculation of basic and diluted earnings per share	153,574,658	122,176,466
Basic and diluted earnings/(loss) per share	(1.6c)	(2.4c)

Notes to Financial Statements continued

8 Cash and cash equivalents

	2020 $'000	2019 $'000
Short term deposits	1,030	–
Cash at bank and on hand	1,027	4,741
	2,057	**4,741**

9 Trade and other receivables – current

	2020 $'000	2019 $'000
Other receivables	**148**	**46**

10 Other assets – current

	2020 $'000	2019 $'000
Prepayments	**114**	**86**

11 Property, plant and equipment

	Right of use assets $'000	Leasehold Improvements $'000	Furniture and Office Equipment $'000	Site Buildings $'000	Plant $'000	Total $'000
Year ended 30 June 2019						
Opening Balance	554	79	39	23	–	695
Additions	151	–	12	–	–	163
Depreciation expense	(162)	(21)	(15)	(13)	–	(211)
Closing Balance	**543**	**58**	**36**	**10**	**–**	**647**
At cost	730	81	52	36	–	899
Accumulated Depreciation	(187)	(23)	(16)	(26)	–	(252)
At 30 June 2019	**543**	**58**	**36**	**10**	**–**	**647**
Year ended 30 June 2020						
Opening Balance	543	58	36	10	–	647
Additions	427	–	3	(36)	271	665
Disposals & Termination of leases	(80)	(1)	–	–	–	(81)
Depreciation expense	(180)	(20)	(16)	26	–	(190)
Closing Balance	**710**	**37**	**23**	**–**	**271**	**1,041**
At cost	1,077	80	55	–	271	1,483
Accumulated Depreciation	(367)	(43)	(32)	–	–	(442)
At 30 June 2020	**710**	**37**	**23**	**–**	**271**	**1,041**

12 Intangibles

	Software $'000	Patents $'000	Total $'000
Year ended 30 June 2019			
Opening Balance	23	10	33
Additions	53	10	63
Amortisation expense	(22)	–	(22)
Closing Balance	**54**	**20**	**74**
At cost	76	20	96
Accumulated Amortisation	(22)	–	(22)
At 30 June 2019	**54**	**20**	**74**
Year ended 30 June 2020			
Opening Balance	54	20	74
Additions	–	59	59
Amortisation expense	(26)	(2)	(28)
Closing Balance	**28**	**77**	**105**
At cost	76	79	155
Accumulated Amortisation	(48)	(2)	(50)
At 30 June 2020	**28**	**77**	**105**

13 Exploration and evaluation expenditure

	2020 $'000	2019 $'000
Balance at beginning of the financial year	15,367	8,593
Additions	6,212	7,112
R&D tax incentive on exploration asset off-set	(806)	(338)
Government Grant off-set	(601)	–
Balance at end of the financial year	**20,172**	**15,367**

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation of the Broken Hill Cobalt Project (BHCP). The BHCP was previously carried out through a joint operation. During the year the joint operation was terminated and the Consolidated Entity now operates the BHCP as a wholly owned operation.

14 Trade and other payables – current

	2020 $'000	2019 $'000
Trade payables	439	244
Other creditors and accruals	425	217
	864	**461**

15 Provisions – current

	2020 $'000	2019 $'000
Employee benefits	150	134
Provision for rehabilitation	13	13
	163	**147**

16 Provisions – non-current

	2020 $'000	2019 $'000
Make good provision	**24**	**24**

17 Leases

	2020 $'000	2019 $'000
(i) Amounts recognised in the statement of financial position		
Right of use assets		
Office and Factory Properties	663	406
Residential Properties	45	133
Office equipment	2	4
	710	**543**

2020 additions to leased assets: $427,000.

Lease Liabilities

	2020 $'000	2019 $'000
Current	246	169
Non-current	559	453
	805	**622**

(ii) Amounts recognised in the statement of profit and loss

	2020 $'000	2019 $'000
Depreciation charge of leased office and factory properties	170	142
Depreciation charge of leased residential properties	37	17
Depreciation of leased office equipment	2	2
	209	**161**
Interest expense	30	41

The lease terms are industry standard for the assets involved.

18 Borrowings

	2020 $'000	2019 $'000
Current		
Face value of convertible notes issued	1,000	–
Other equity securities – value of conversion rights	(205)	–
	795	**–**
Non-current		
Fair value of promissory note issued	1,685	–
Total	**2,480**	**–**
Current		
Convertible Note – accrued interest	54	–
Non-current		
Promissory Note – accrued interest	87	–
Total Accrued Interest	**141**	**–**

During the year the Consolidated Entity moved to 100% ownership and legal title of the Broken Hill Cobalt Project (BHCP) by acquiring American Rare Earth Limited's, AREL's, (formerly Broken Hill Prospecting Limited) interest in the BHCP. The acquisition cost included a $1,000,000 three-year Convertible Note (CN), with interest of 6% per annum payable annually in arrears. AREL is able to convert the CN to COB fully paid ordinary shares at maturity or on 18 January 2021 or 17 January 2022. The CN is convertible with a $0.20 conversion price. The Consolidated Entity has the ability to redeem the CN early in cash, subject to the terms of issue of the CN.

The Consolidated Entity also issued to AREL, a $3,000,000 five-year Promissory Note (PN), interest free for years 1,2 and 3 and in years 4 and 5 interest of 6% per annum payable in arrears. The PN is secured over the title to the tenements. The PN can be repaid at any time in whole or in part, without penalty. Once the PN is repaid in full, the security over the tenements will be extinguished.

19 Issued capital

	2020		2019	
Fully paid ordinary shares	**Number**	**$'000**	**Number**	**$'000**
Balance at beginning of the financial year	149,902,520	25,013	116,056,758	20,429
Exercise of options – proceeds received	–	–	423,673	106
Share placement at $0.12 per share	–	–	4,166,666	500
Share entitlement issue at $0.12 per share	–	–	20,820,423	2,498
Share placement at $0.20 per share	–	–	8,435,000	1,687
Shares issued to Directors as remuneration entitlement at $0.136 per share	538,580	74	–	–
Shares issued to Chief Executive Officer as remuneration entitlement at $0.15 per share	500,000	75	–	–
Capital raising costs	–	–	–	(207)
Shares issued to American Rare Earths Limited (formerly Broken Hill Prospecting Limited) as part of the acquisition of its interests in the Broken Hill Cobalt Project	9,000,000	1,215	–	–
Balance at end of the financial year	**159,941,100**	**26,377**	**149,902,520**	**25,013**
Unescrowed, listed on ASX	159,941,100		149,902,520	
Escrowed	–		–	
Total	**159,941,100**		**149,902,520**	

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. The Company does not have a limited amount of authorised capital and ordinary shares have no par value.

Options	Weighted average exercise price $	2020 Number	2020 $'000	2019 Number	2019 $'000
Balance at beginning of the financial year	$0.25	29,547,900	829	24,354,073	552
Director Options issued for nil consideration	$0.25	–	24	1,750,000	49
Exercised during the financial year	$0.25	–	–	(423,673)	–
Options issued for nil consideration as part of prospectus	$0.25	–	–	25,000	–
Options issued for nil consideration issued to contractor	$0.25	–	–	–	72
Options issued to Chief Executive Officer for no consideration	$0.30	–	–	750,000	61
Options issued to employees under Employee Share Option Plan at $0.30 per share	$0.30	–	16	394,250	12
Options issued to contractors under Employee Share Option Plan at $0.30 per share	$0.30	–	20	698,250	–
Options issued to Blue Ocean Equities Pty Ltd as part of the remuneration for its corporate advisory role at $0.30 per share	$0.30	–	–	2,000,000	83
Expired during the financial year	$0.25	(23,955,400)	–	–	–
Balance at the end of the financial year		**5,592,500**	**889**	**29,547,900**	**829**
Options quoted on ASX		–		22,005,400	
Options not quoted on ASX		5,592,500		7,542,500	
Total		**5,592,500**		**29,547,900**	

Terms and Conditions of Options

Options quoted on the ASX expire on 2 May 2020 and have an exercise price of $0.25.

Options not quoted on the ASX have the terms set out in Note 21.

Capital Management

Management effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity'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 share issues and debt levels. Capital refers to total shareholders' equity. There has been no change to capital management objectives.

The Consolidated Entity is not subject to externally imposed capital requirements.

20 Share Based Payments Reserve

	2020 $'000	2019 $'000
Share based payments reserve	889	829
Movement in reserve		
Balance at beginning of the financial year	829	552
Share based payments	60	277
Balance at end of the financial year	**889**	**829**

21 Share-based payments

The Company has issued options to Directors, employees and consultants of the Consolidated Entity. Set out below are summaries of options granted:

	2020 $	2019 $
Options outstanding at the beginning of the financial year	15,342,500	9,750,000
Options granted	–	5,592,500
Options lapsed during period	(9,750,000)	–
Options exercised during period	–	–
Options outstanding at the end of the financial year	**5,592,500**	**15,342,500**
Total expense or asset recognised from share-based payments*	55,839	277,537

* *$15,916 of this amount was capitalised to Exploration and Evaluation Assets (2019: $71,344).*

Set out below are summaries of options granted during the current or prior year:

2019/2020

Grant Date	Expiry Date	Exercise Price	Vesting conditions	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ Other	Balance at the end of the year
12/12/2017	2/05/2020	$0.25	D	2,250,000	–	–	(2,250,000)	–
12/12/2017	2/05/2020	$0.25	A	500,000	–	–	(500,000)	–
27/11/2018	10/07/2021	$0.30	A	–	750,000	–	–	750,000
21/12/2018	21/12/2021	$0.30	B	–	394,250	–	–	394,250
5/03/2019	21/12/2021	$0.25	C	–	1,750,000	–	–	1,750,000
14/06/2019	26/06/2022	$0.30	A	–	2,000,000	–	–	2,000,000
14/06/2019	21/12/2021	$0.30	B	–	698,250	–	–	698,250

Vesting conditions are summarised below:

A. Vest immediately

B. Subject to continuous service and satisfactory performance, 50% vest on 21/12/2019, with the remainder vesting on 21/12/2020.

C. 50% vest on 1/04/2019, with the remainder vesting on 21/12/2019.

D. Vesting was based on the achievement of milestones related to the delivery of pre-feasibility and feasibility studies and the processing of ore and metallurgical testing. 600,000 of these options issued had vested. The options expired unexercised during the year. These expired options are included in the total of 23,955,400 options noted as expired in Note 19.

For the options granted during the 2019 financial year a Black-Scholes pricing model was used to value the options. The valuation model inputs to determine the fair value at the grant date are as follows:

Grant Date	Expiry Date	Share Price at grant date	Exercise Price	Expected volatility	Dividend Yield	Risk-free Interest Rate	Fair value at grant date
27/11/2018	10/07/2021	$0.22	$0.30	70%	–%	2.13%	$0.08
21/12/2018	21/12/2021	$0.20	$0.30	70%	–%	2.13%	$0.08
5/03/2019	21/12/2021	$0.15	$0.25	70%	–%	1.53%	$0.04
14/06/2019	26/06/2022	$0.15	$0.30	70%	–%	1.00%	$0.04
14/06/2019	21/12/2021	$0.15	$0.30	70%	–%	1.00%	$0.04

Historical volatility of a basket of similar entities was used to estimate expected volatility. For options granted during the 2018 financial year, the market price of the Company's traded options at the date of grant was used to determine fair value.

22 Capital and other Expenditure Commitments

	2020	2019
	$'000	$'000
Not longer than 1 year	100	625
Longer than 1 year and not longer than 5 years	128	7
	228	**632**

23 Financial instruments

Financial Risk Management

The Consolidated Entity's financial instruments consist of deposits with banks, accounts receivable, borrowings and payables.

Liquidity Risk Management

Liquidity risk arises from the possibility that the Consolidated Entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Consolidated Entity 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 Consolidated Entity to meet its financial targets while minimising potential adverse effects on financial performance. The following tables detail the Consolidated Entity's remaining contractual maturity for its financial liabilities at the reporting date. The amounts are gross and undiscounted.

		Contractual cash flows			
	Carrying amount	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	$'000	$'000	$'000	$'000	$'000
30 June 2020					
Non-derivatives					
Trade payables	439	439	–	–	439
Other creditors and accruals	425	425	–	–	425
Lease liabilities	805	372	348	272	992
Borrowings	2,621	1,060	60	2,104	3,224
Total	**4,290**	**2,296**	**408**	**2,376**	**5,080**
30 June 2019					
Non-derivatives					
Trade payables	245	245	–	–	245
Other creditors and accruals	217	217	–	–	217
Lease liabilities	621	228	253	216	697
Total	**1,083**	**690**	**253**	**216**	**1,159**

Financial Risk Exposure and Management

The main risk the Consolidated Entity is exposed to through its financial instruments is interest rate risk. This risk is considered low risk given the low rate of interest paid on deposits. Interest rate risk is managed with a mixture of fixed and floating rate deposits. It is the policy of the Consolidated Entity to keep generally surplus cash in higher 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 Consolidated Entity. Credit risk is managed through the maintenance of procedures 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. Receivables represent GST 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 Consolidated Entity's exposure to interest rate risk and the effective interest rate on financial assets and liabilities at reporting date are set out below:

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing 1 year or less	Fixed interest maturing 1 year to 5 years	Non-interest bearing	Total
			$'000	$'000	$'000	$'000	$'000
30 June 2020							
Financial Assets							
Cash & cash equivalents	8	0.71%	1,944	–	–	113	2,057
Receivables	9	n/a	–	–	–	148	148
Security Deposits		0.77%	–	110	–	46	156
Total financial assets			**1,944**	**110**	**–**	**307**	**2,361**
Financial Liabilities							
Trade and other creditors	14	n/a	–	–	–	864	864
Lease Liabilities	17	n/a	–	–	–	805	805
Borrowings	18	6%	–	1,060	1,561	–	2,621
Total financial liabilities			**–**	**1,060**	**1,561**	**1,669**	**4,290**
Net Financial Assets							**(1,929)**
30 June 2019							
Financial Assets							
Cash & cash equivalents	8	0.47%	4,626	–	–	115	4,741
Receivables	9	n/a	–	–	–	46	46
Security Deposits		1.5%	–	98	–	266	364
Total financial assets			**4,626**	**98**	**–**	**427**	**5,151**
Financial Liabilities							
Trade and other creditors	14	n/a	–	–	–	462	462
Lease liabilities	17	n/a	–	–	–	621	621
Total financial liabilities			**–**	**–**	**–**	**1,083**	**1,083**
Net Financial Assets							**4,068**

Net Fair Value

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

Interest Rate Sensitivity Analysis

At financial year end, 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:

	2020	2019
	$	$
Increase in interest rate by 2%	292	492
Decrease interest rate by 2%	(292)	(492)

24 Cash Flow Information

	2020 $'000	2019 $'000
(a) Reconciliation of loss after income tax to net cash inflow/(outflow) from operating activities		
Loss after income tax	(2,384)	(2,909)
Adjustments for:		
Depreciation	282	233
Issue of options	40	206
Change in assets and liabilities:		
Increase in employee entitlements	(54)	70
Increase in other receivables	87	57
Increase in other assets	(16)	24
Increase in payables – operating	192	187
Net cashflows used in operating activities	**(1,853)**	**(2,133)**

(b) Non-Cash financing and investing activities

Acquisition of right of use assets by means of leases (note 17)	427	–
Acquisition of exploration and evaluation assets by means of borrowings (note 18)	2,685	–
Acquisition of exploration and evaluation assets through issue of shares (note 19)	1,215	–
Share based payments in exploration and evaluation assets	16	71
	4,343	**71**

25 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.

	2020 $	2019 $
Short Term Benefits (Salaries, fees and bonuses)	899,757	933,804
Post-Employment Benefits (Superannuation)	50,956	60,302
Equity Settled Share Based Payments	197,699	192,764
	1,148,412	**1,186,870**

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:

Mr Hugh Keller, Director, was paid $15,000 during the financial year ending 30 June 2020 in relation to the consulting services rendered by him to the Consolidated Entity (2019:Nil).

The Minera Group Pty Ltd was paid $30,000 during the financial year ending 30 June 2019 in relation to the financial period for consulting services rendered to the Consolidated Entity by Mr McDonald, prior to his appointment as a director. Mr McDonald was appointed to the position of Director of the Company effective 1 January 2019.

26 Operating Segments

Business segment

The Consolidated Entity is organised into one operating segment being the exploration and evaluation of early stage Cobalt resources. Therefore, the segment details are fully reflected in the results and balances reported in the Statement of Profit or Loss 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.

27 Parent Entity Information

Set out below is the supplementary information about the parent entity.

	Parent	
	2020	**2019**
	$'000	$'000
Statement of Profit or Loss and Other Comprehensive Income		
Profit (loss) after income tax	(2,217)	(2,909)
Total comprehensive income/(loss)	**(2,217)**	**(2,909)**
Statement of Financial Position		
Total current assets	2,303	5,237
Total assets	20,713	21,324
Total current liabilities	1,165	777
Total liabilities	1,436	1,253
Equity		
Issued capital	26,377	25,013
Share-based payments reserve	889	829
Accumulated losses	(7,989)	(5,771)
Total Equity	**19,277**	**20,071**

28 Interest in Subsidiary

		Ownership interest	
		2020	**2019**
Name	**Principal place of business/ Country of incorporation**	%	%
Broken Hill Cobalt Project Pty Ltd*	Australia	100	–

* *New Australian entity established during the year ended 30 June 2020.*

29 Subsequent Events

On 16 July 2020 the Consolidated Entity issued a Project Update for the Broken Hill Cobalt Project (BHCP). The update noted an increase in Ore Reserves, a lowering of pre-production expenditure and the replacement of a standalone process plant Tailings Storage Facility, with an integrated Waste Landform for co-disposal of mine waste rock and process plant tailings, resulting in a planned lower environmental footprint.

On 31 July 2020 the Consolidated Entity announced all existing shareholders would be offered the opportunity to subscribe for COB shares under a Share Purchase Plan (SPP). The SPP was conducted at $0.095 per share and closed on 31 August 2020. $3,578,000 in applications was received from shareholders under the SPP.

On 10 August 2020 the Company announced it had allotted 39,840,538 new fully paid ordinary shares to investors, via a placement to institutional and professional investors, raising $3,751,000 before costs.

The net proceeds from the issue of new shares will be used for the BHCP, including for construction and commissioning of the pilot plant, for engineering and technical studies towards the Feasibility Study, to advance BHCP permits and approvals, to fund the process of obtaining a major joint venture partner for the BHCP and for working capital and other general corporate purposes.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Directors' **Declaration**

In the directors' opinion:

(a) the financial statements and notes set out on pages 37 to 59 are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards and the Corporations Regulations 2001; and

   (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act.

This declaration is made in accordance with a resolution of the directors.

Robert Biancardi
Chairman

Dated 10 September 2020

Broken Hill Cobalt Project – Diamond Drill Core

Independent
Auditor's 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 and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2020 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 Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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. These matters were 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 these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation expenditure ***Refer to note 13 (Exploration and Evaluation Expenditure)*** At 30 June 2020, the Group has capitalised exploration assets of \$20.172m. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 1(j). This is a key audit matter because the carrying value of the assets are material to the financial statements, the nature of the settlement agreement to acquire the remaining ownership interests in the Broken Hill Cobalt Project 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.*	Our procedures included, amongst others: ▪ We confirmed the existence and tenure of the exploration assets in the Broken Hill Cobalt Project area in which the Group has a sole ownership interest by obtaining confirmation of title. ▪ We assessed management's accounting for the fair value of exploration and evaluation assets acquired from the Group's former joint venture partner – refer to separate Key audit matter below. ▪ We tested a sample of additions of capitalised exploration expenditure to supporting documentation. ▪ We assessed the appropriateness of the accounting treatment of research and development tax incentive and grant received as amounts set-off against the exploration and evaluation asset carrying value. ▪ In assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with AASB 6 – *Exploration for and Evaluation of Mineral Resources*, we: • reviewed the minutes of the Group's board meetings, market announcements and management assessment. • tested the significant inputs in the Group's cash flow forecasts for consistency with their future activity regarding the exploration assets. • discussed with management the Group's ability and intention to undertake further exploration and evaluation activities.

Key audit matter	How our audit addressed the key audit matter
Accounting for the transfer of Broken Hill Cobalt Project from American Rare Earths Limited (AREL) to the Company ***Refer to notes* 1(j), 1(y), 13, 18 and 19** The company has been in a dispute with its JV partner in the Broken Hill Cobalt Project, American Rare Earth Limited (formerly Broken Hill Prospecting Limited (BPL)), regarding the farm-in earning stages and since October 2018 has been actively trying to resolve the situation and come to a conclusion. In December 2019, this dispute was resolved and COB entered into a detailed agreement with BPL structuring the terms of transfer of the mining tenements to COB and the termination of the JV agreement with BPL. There are a number of agreements to give effect to this resolution. This is a key audit matter due to the accounting complexity of the transaction and the significant audit effort involved in the assessment and testing of the accounting transactions.	Our procedures included, amongst other things: ▪ We reviewed the agreements in relation to the settlement with BPL in detail and assessed whether management's accounting treatment for the transactions that the Company needed to recognise in the financial statements are in accordance with the applicable Accounting Standards. ▪ We tested the key aspects of this accounting treatment which included a determination that exploration and evaluation assets were acquired and it was not a business combination, and determinations of the fair value of the equity component of the consideration provided, the classification of the convertible note consideration component into host contract liability and equity conversion option parts and the fair value of the promissory note consideration component, all of which together resulted in a fair value of the acquired exploration and evaluation recognised of $4.4 million. ▪ We verified the material transactions arising from the agreements to appropriate supporting evidence. ▪ We checked the accuracy of the disclosures for the convertible notes and promissory notes issued as partial consideration for the acquisition at Note 18.

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 2020, 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 Group'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 Group 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/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 31 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Cobalt Blue Holdings Limited for the year ended 30 June 2020, 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

Nexia Sydney Audit Pty Ltd.

Stephen Fisher
Director
Dated: 10 September 2020

Additional **Information**

The shareholder information set out below was applicable as at 13 August 2020.

A. Distribution of equity securities

Analysis of equity security holders by size of holding:

Shares	Numbers of shareholders	Ordinary Shares Held	% Units
1–1,000	344	198,182	0.10
1,001–5,000	956	2,854,847	1.43
5,001–10,000	500	3,960,261	1.98
10,001–100,000	1,021	35,413,804	17.73
100,001 Over	287	157,354,544	78.76
Total	**3,108**	**199,781,638**	**100.00**

There were 1,113 holders of less than a marketable parcel of ordinary shares (12 cents each share).

B. Equity security holders

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

Rank		Ordinary Shares Held	% Units
1	CITICORP NOMINEES PTY LIMITED	20,915,745	10.47
2	BROKEN HILL PROSPECTING LIMITED	9,000,448	4.51
3	HILL FAMILY GROUP PTY LTD	5,900,000	2.95
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,003,665	2.50
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,947,005	2.48
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,271,196	2.14
7	PEARCE FINANCIAL SERVICES PTY LTD <TOM PEARCE SUPERFUND A/C>	2,905,614	1.45
8	RASK PTY LTD <GRANGER SUPER FUND A/C>	2,581,754	1.29
9	COONAN FAMILY SUPERANNUATION FUND PTY LTD <COONAN FAMILY S/F A/C>	2,500,000	1.25
10	ZACOB PTY LTD <R&L BIANCARDI SUPER FUND A/C>	2,377,207	1.19
11	MRS KATIE ELIZABETH REECE	2,200,000	1.10
12	TREASURY SERVICES GROUP PTY LTD <NERO RESOURCE FUND A/C>	2,105,264	1.05
13	MR JOSEF THOMAS KADERAVEK + MS ARIANE LOUISE KADERAVEK <KADERAVEK SUPERFUND A/C>	1,895,834	0.95
14	ONMELL PTY LTD <ONM BPSF A/C>	1,889,473	0.95
15	PONDEROSA INVESTMENTS WA PTY LTD <THE PONDEROSA INVEST-MENT A/C>	1,877,632	0.94
16	MR JOSEF THOMAS KADERAVEK + MS ARIANE LOUISE KADERAVEK <KADERAVEK FAMILY TRUST A/C>	1,666,667	0.83
17	SEAHORSE CHAMBERS ENTERPRISES PTY LTD <SEAHORSE FAMILY A/C>	1,500,000	0.75
18	ARACAPITAL INVESTMENTS PTY LTD	1,470,176	0.74
19	SEAHORSE CHAMBERS ENTERPRISES PTY LTD <SEAHORSE FAMILY A/C>	1,352,631	0.68
20	JOHN WARDMAN & ASSOCIATES PTY LTD <THE WARDMAN SUPER FUND A/C>	1,264,204	0.63
Total		**77,624,515**	**38.85**

C. Unquoted Options

There are 14 holders of unquoted options. The names of holders of unquoted equity securities are listed below:

Name of Option Holder	Shares the Option Holder is Entitled to	Exercise Price	Option Expiry Date
Zacob Pty Ltd (R&L Biancardi Super Fund A/C)	500,000	$0.25	21 December 2021
Votraint (HK Super) Pty Ltd <Travinto No 20 Superannuation Fund>	500,000	$0.25	21 December 2021
The Minera Group Pty Ltd	750,000	$0.25	21 December 2021
Josef Thomas Kaderavek	750,000	$0.30	10 July 2021
9 participants under Employee Option Plan	1,092,500	$0.30	21 December 2021
Blue Ocean Equities Pty Ltd	2,000,000	$0.30	26 June 2022
Total	**5,592,500**		

D. Substantial holders

Substantial holders in the Company, as disclosed in substantial notices to the ASX and Company are set below:

Shareholder name	Number of Votes held	Percentage of total votes
American Rare Earths Limited	9,000,448	5.63%

E. On market buy back

There is no current on market buy back.

F. Voting rights

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. Option holders have no rights until the Options are exercised.

G. Securities Exchange Listing

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

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

H. Corporate Governance Statement

The Company's Corporate Governance statement for the financial year ended 30 June 2020 is available for members to download and access from https://www.cobaltblueholdings.com/corporate-governance/.


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Co
Cobalt
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Corporate Directory

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DIRECTORS

Name	*Position*
Robert Biancardi	Chairman, Independent
Hugh Keller	Non-Executive Director, Independent
Robert McDonald	Non-Executive Director, Independent
Joe Kaderavek	Chief Executive Officer

COMPANY SECRETARY

Robert J. Waring

AUDITOR

Nexia Sydney Audit Pty Limited

Level 16, 1 Market Street
Sydney NSW 2000 Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited

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Commonwealth Bank of Australia

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