



COBALT BLUE HOLDINGS LIMITED  
(ABN 90 614 466 607)

ANNUAL REPORT  
**2021**



# Highlights and **Achievements**

## Broken Hill Cobalt Project

- Construction and commissioning of Pilot Plant
- Dispatch of Global Sample Partner Program samples
- Expansion of tenement inventory
- Groundwater allocation rights acquired
- Project Update Study released

## COB Partnerships

- Announcement of Cobalt in Waste Streams Project

## Corporate

- \$22.4m of new capital raised<sup>1</sup>

<sup>1</sup> Including Tranche 2 placement, completed in August 2021.

*The Umbrellas* by Pierre-Auguste Renoir, shows a change in the painter's style, as it was finished around five years after it was begun. The vibrant blues on the right are a product of the artist's earlier use of **cobalt blue**, while the more muted tones on the left are a later re-working heavily featuring ultramarine.

## Table of Contents

Highlights and Achievements	<i>Inside Front Cover</i>
Chairman and CEO Review	<b>3</b>
Review of Operations and Activities	<b>7</b>
Mineral Resources and Ore Reserves	<b>17</b>
Directors' Report	<b>21</b>
Auditor's Independence Declaration	<b>33</b>
Financial Statements	<b>35</b>
Notes to the Financial Statements	<b>39</b>
Directors' Declaration	<b>59</b>
Independent Auditor's Report	<b>61</b>
Additional Information	<b>67</b>
Corporate Directory	<i>Inside Back Cover</i>



# Chairman and CEO Review



## Dear Fellow Shareholders,

We are pleased to report on substantive progress over the past year.

COB released a major Broken Hill Cobalt Project (BHCP) update (Project Update 2020) in July 2020, essentially an optimised Pre-Feasibility Study that included a major resource upgrade. Project Update 2020 increased BHCP operating life to 18 years (within sight of our ultimate 20-year target) and included significant operating/capital cost improvements. As a result, we estimated the BHCP could achieve an All-In Sustaining Cost of US\$12/lb for a premium cobalt sulphate, equivalent to the lowest cost quartile globally. Further, the capital intensity (US\$ Capital Cost/Cobalt Production) is just 25-30% of our peer group. Put another way, the BHCP is a very capital efficient investment in large volume, high quality, long life, ethical cobalt.

We made our first cobalt samples during the 2020 financial year. Our first Mixed Hydroxide Product (MHP), initially produced at a bench scale, established a premium standard (37% Co + 7% Ni) product followed by a high-grade cobalt sulphate (20.8% Co content) product. Our view, backed by our industry partners, was then to prove that our process technology works on a larger, continuous flow basis. A two stage Pilot Plant cum Demonstration Plant program has been designed to provide such validation and at the same time producing small/large scale commercial quality samples.

Over the course of the first half of the 2021 financial year we finalised construction of our Broken Hill based Pilot Plant, successfully commissioning during March 2021, then followed by steady state operations. At the same time, we partnered with Honeywell, a leading global process control and optimisation provider, to de-risk and cost optimise the BHCP and reduce our overall time to first production.

COB held a Community Day (Dec 2020), Shareholder Day (May 2021) and Opening Ceremony (May 2021) at the plant site. We have also taken the opportunity to purchase a sufficient groundwater allocation that will ensure the BHCP will comply with the requirements of the Water Management Act 2000 for the estimated groundwater interception attributed to the proposed open cut mining operations.

First commercial samples of MHP were dispatched in June 2021 and at the date of this review, MHP sample production was being finalised. During the course of the >1,000 operating hours of the Pilot Plant, our technical team gained a strong understanding on the scalability of the processing technology as well as optimising critical equipment selection. These lessons will underpin the transition to the Demonstration Plant and ultimately to the commercial BHCP operation.

## Chairman's Review continued

With Pilot Plant operations underway, we commenced our global cobalt sample partner program. We had initially anticipated that the program would see 6–10 members of the global battery industry register interest and then evaluate the quality of our product, as a stepping stone to a closer commercial relationship. We were pleased that the program surpassed 30 partners requesting cobalt samples. These partners represent battery industry participants, Energy Storage Systems (ESS) and Electric Vehicle (EV) manufacturers and mining companies.

COB remains opportunistic regarding land acquisitions, with the BHCP footprint expanded by 125 sq km or some 130% over the 2021 financial year. Since listing in 2017 we have ultimately expanded our land holdings by a significant 235%. Ultimately, the life of the BHCP refinery 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.

The BHCP has been included in both the Australian Government Critical Minerals Prospectus and NSW Government Minerals Strategy and is being actively promoted via government to overseas partners. 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 annum. Our relationships continue to grow, particularly within the key cobalt refining and consumer regions/countries of the European Union, the United States, Korea, Japan and India.

During the 2021 financial year, we were delighted to announce our Cobalt in Waste Streams Project, a rollout of existing technology and test facilities to examine cobalt recovery from waste streams. The work will involve reviews of Australian sulphide waste streams (potentially containing cobalt, copper and gold), with an initial focus on the resource rich district of Mt Isa/Cloncurry, where COB's research has identified substantial cobalt in tailings. The objective includes a prioritised set of opportunity targets for deeper investigation. In due course this review will examine opportunities across Australia.

Looking back, COB has maintained its steady focus on developing the BHCP, even during the lean 24-month period of low cobalt market pricing just witnessed. We believe that the market has now turned, and our shareholders are positioned strongly to take advantage of further cobalt price strength.

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 looks forward to closing this cobalt gap.



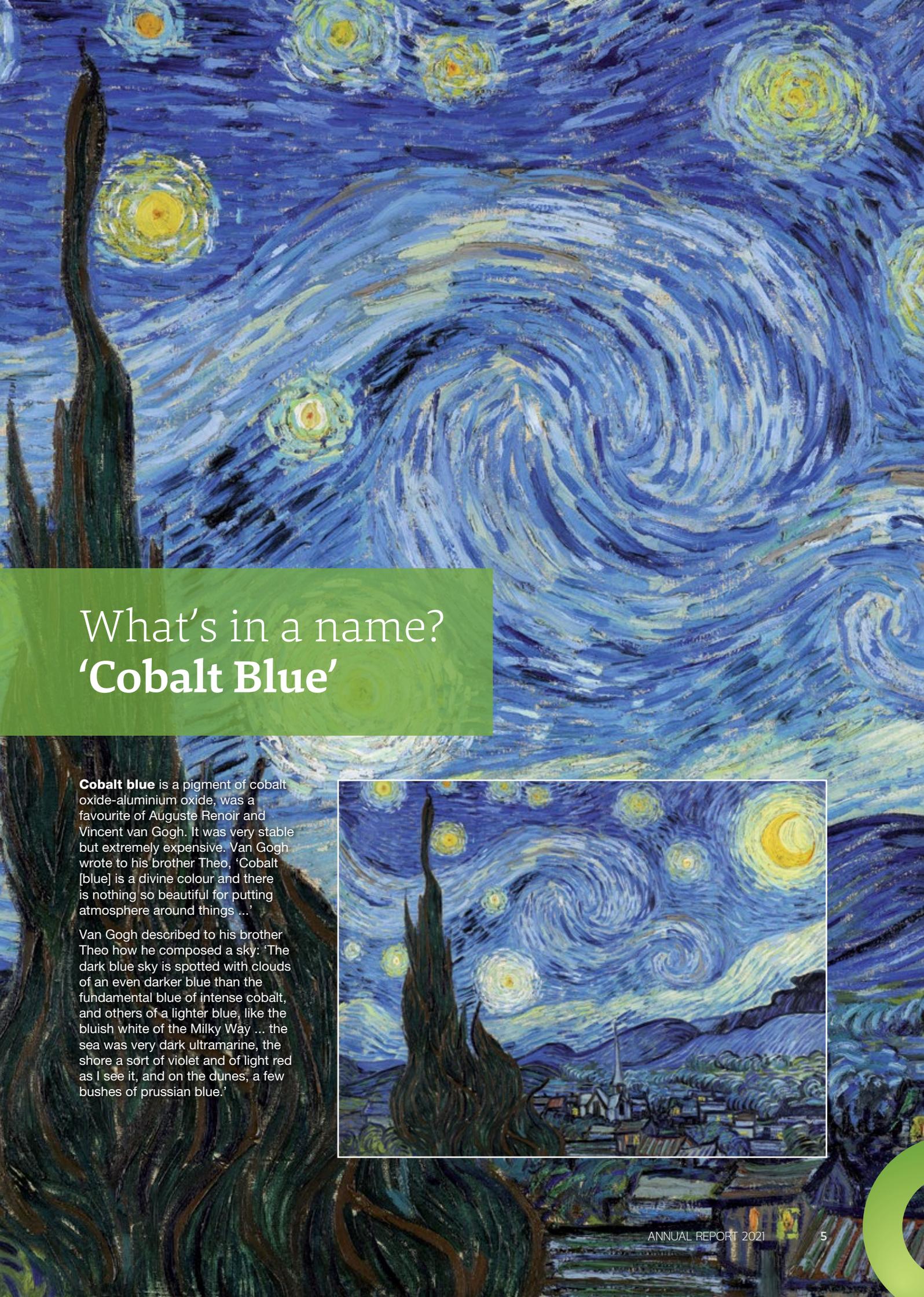
**Robert Biancardi**  
Chairman

Dated 28 September 2021



**Joe Kaderavek**  
Chief Executive Officer

Dated 28 September 2021

The background of the page is a reproduction of Vincent van Gogh's painting 'The Starry Night'. It features a dark, swirling blue sky filled with numerous bright, glowing yellow stars and a large, luminous crescent moon. Below the sky, a dark, turbulent sea is visible, and in the foreground, a small village with a prominent church spire is nestled on a hillside. The overall style is characterized by visible, expressive brushstrokes and a rich, textured appearance.

## 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.'





# Review of Operations and Activities

Cobalt Blue Holdings Limited (COB or the Group) is a green energy cobalt development and technology group focusing on advancing and developing cobalt mining and refining operations in Australia. Our current primary project is the Broken Hill Cobalt Project (BHCP), located approximately 23 km west of Broken Hill, NSW.

## Strategy

The project forms part of the Group's broader tenement holding comprising five Exploration Licenses and two Mining Leases, for a total area of approximately 220 km<sup>2</sup>. The project hosts three 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.

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 material 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, will affect the project economics of 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. To address this risk, the Group is developing a remuneration framework to provide competitive remuneration to retain key personnel.

**Exploration risk** – Whilst the Group has already established a global Mineral Resource estimate for the BHCP of 118 Mt at 859 ppm cobalt equivalent (CoEq) (687 ppm Co, 7.6% S and 133 ppm Ni 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 constructed a Pilot Plant to demonstrate cobalt sulphate can be produced at a much larger scale than completed to date and following successful operations at the Pilot Plant is now constructing a Demonstration Plant to treat pyrite ore on a larger and continuous basis.

**Government approvals/environmental standards** – Advancing the BHCP is dependent on obtaining approvals from

## Review of Operations and Activities continued

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 2021 financial year was \$2,680,000 (2020: \$2,384,000). The result reflects:

- higher employee benefits expenses due primarily to director and staff remuneration increases and the absence of COVID-19 government grant assistance as was made available in 2020.
- higher ASX and registry fees reflecting share issues made during the year.
- higher corporate costs, primarily associated with increased company promotion and financial advisory fees associated with COB's search for a project partner.
- lower legal and professional costs. The 2020 comparative included expenditure from the joint venture dispute.

During the financial year the Group received Industry Grants of \$1,097,000 (2020: \$791,000) from the Australian Government's Cooperative Research Centre (CRC) for applied research and development of the processing of cobalt-pyrite ore to generate battery ready cobalt sulphate.

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

Expenditure	\$'000
Exploration Expenditure	3,877
Plant and Equipment (primarily Pilot Plant related)	2,485
Corporate and Administration (including lease payments)	2,603
Convertible Note interest	60
Other	45
Cost of issuing shares	580
<b>Total expenditure</b>	<b>9,650</b>

The exploration expenditure was associated with the Broken Hill Cobalt Project, primarily Pilot Plant planning and operations, engineering and technical studies, advancing project permit and approval works.

At 30 June 2021 the Group had a cash position of \$9,439,000 (2020: \$2,057,000). The Group's net assets increased during the financial year by \$13,316,000 to \$32,632,000 (2020: \$19,316,000).

## Changes in Share Capital

During the 2021 financial year the Company issued a total of 114,455,747 new shares as follows:

Date	Purpose	No of shares	Price per share	Issued \$000
10/08/2020	Placement	39,840,538	\$0.095	3,785
7/09/2020	Share Purchase Plan	37,658,772	\$0.095	3,577
7/12/2020	Issue to non-executive directors (in lieu of cash fees)	624,999	\$0.096	60
7/12/2020	Issue to CEO and Executive Director (2020 short term incentive & make up for reduction in cash salary taken in 2020-21)	1,348,039	\$0.102	138
7/12/2020	Issue to staff and contractors (2020 short term incentives & 'make up' for reduction in cash remuneration taken in 2020-21)	3,808,399	\$0.098	373
19/01/2021	Issue to American Rare Earths Limited (on conversion of convertible note with carrying value of \$1.059m)	5,000,000	\$0.20	1,059
25/02/2021	Issue to consultant for services rendered	275,000	\$0.18	50
21/06/2021	Placement	25,900,000	\$0.30	7,770
<b>Total</b>		<b>114,455,747</b>		<b>16,812</b>

The placement shares issued in June 2021, were the first tranche of a two-tranche placement. 24,100,000 ordinary shares were issued under tranche two of the placement on 6 August 2021, which raised \$7,230,000 before costs.

The share placements made during the year received strong support from institutional investors. The share purchase plan offer was also very well supported by shareholders.

During the 2021 financial year the Company issued a total of 13,403,000 options as follows:

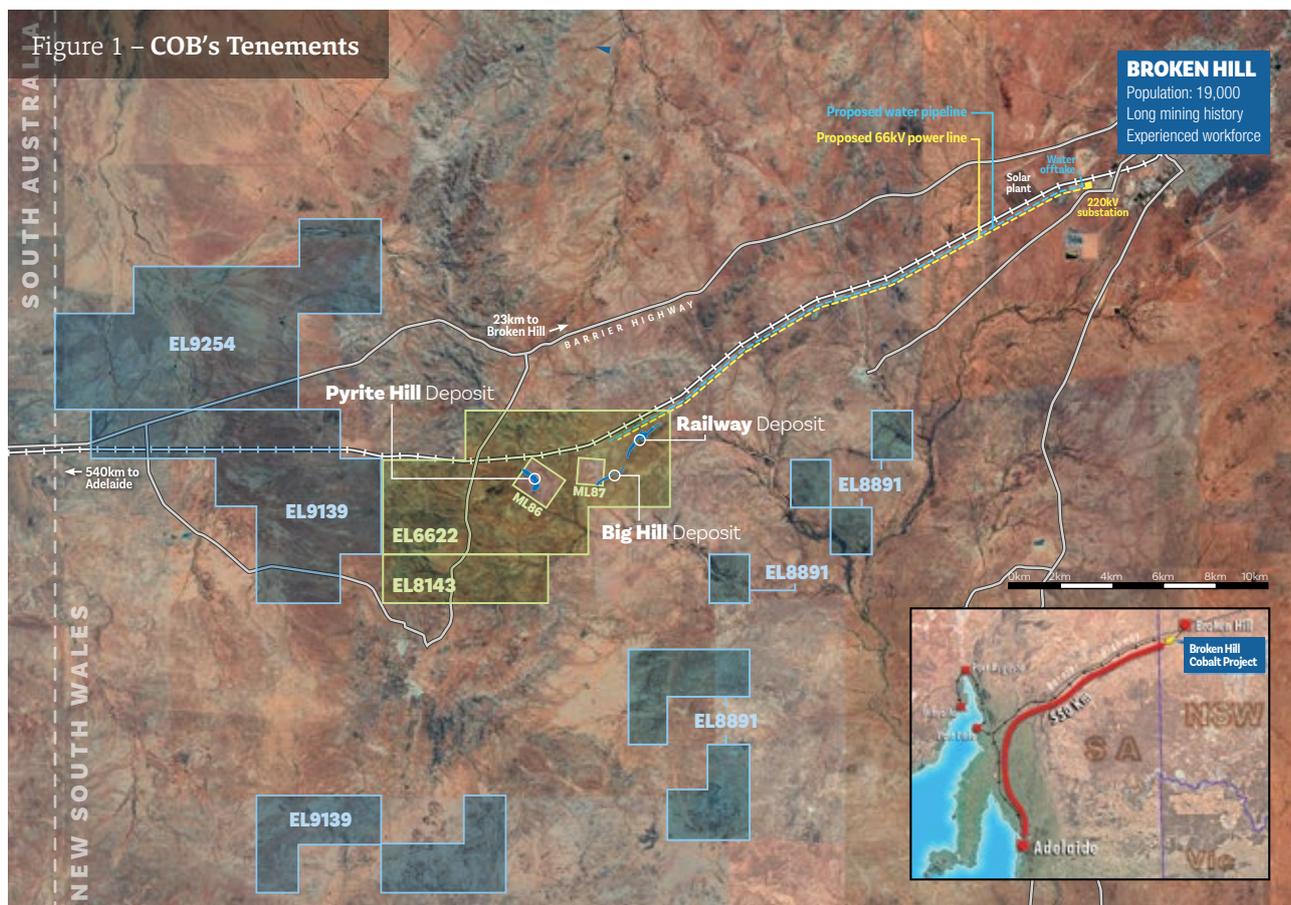
Grant date	Nature	Number	Exercise Price	Expiry Date
28/9/2020	Options issued to employees/contractors under Employee Share Option Plan	3,030,000	\$0.14	24/8/2023
28/9/2020	Options issued to contractors	150,000	\$0.14	24/8/2023
22/6/2021	Tranche one Placement options	12,950,000	\$0.45	15/8/2022

A further 12,050,000 options were issued on 6 August 2021 as free attaching options to the tranche two share placement. These options have the same terms as the tranche one placement options in the above table.

# Review of Operations and Activities continued

## 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.



## BHCP Feasibility Study

COB is carrying out a Feasibility Study for the BHCP, which is scheduled for completion by early 2023.

The Feasibility Study requires completion of a series of key work programs including the Demonstration Plant (see above), geological and resource drilling and studies, waste rock and tailings studies, metallurgical studies, engineering studies and project approvals.

## Pilot Plant

During the year COB's Pilot Plant at Broken Hill was successfully installed and commissioned. The commissioning of the Pilot Plant represented a significant milestone for our business. The commercial aim of the Pilot Plant was to make MHP or battery ready cobalt sulphate on a scale sufficient to provide test samples for global commercial partners and to define a larger Demonstration Plant.

The Pilot Plant has processed nearly 90 tonnes of ore (from RC drilling chips) to date, using existing samples collected in previous drilling campaigns, into an intermediate MHP or battery ready cobalt sulphate. MHP is a key feedstock supplying the global lithium-ion battery industry. Over 90% of samples requested by our more than 30 sample partners were for MHP. During Q1 financial year 2022, COB expects to have shipped samples to partners including cobalt trading companies and battery precursor manufacturers across EU, India, Korea, Japan, China, US and Australia.

COB welcomed local shareholders to the Pilot Plant on 18 May 2021 for an interpretative site tour and Q&A. On 19 May 2021, the Pilot Plant was officially opened before a crowd of more than 100 people, who represent the many relationships that have been formed across community, industry, government, and business over recent years. Those representatives included NSW and local government, sample partner delegates, local suppliers, training and employment agencies and community groups. Local and regional radio, print and TV media reported on the opening.

Figure 2 – Broken Hill Shareholder Open Day Group Photo



Figure 3 – Broken Hill Cobalt Project – Belt Filter & Pressure Oxidation Circuit



## Demonstration Plant

COB is currently in the process of transitioning the Pilot Plant into a Demonstration Plant. The Demonstration Plant uses most of the equipment used in the Pilot Plant, but operates on a continuous 24 hour, 7 days/week basis. The Demonstration Plant will include all unit operations for the proposed BHCP at nominally a 1:500 to 1:1000 scale.

The Demonstration Plant will focus on calcining cobalt-pyrite concentrate for production of sulphur, and an integrated hydro-metallurgical circuit for leaching calcine and recovery of cobalt and sulphur. The data collected from operations will be used in the BHCP Feasibility Study to confirm the process recoveries of cobalt and sulphur. The Demonstration Plant will nominally treat 3,000 tonnes of ore, with a focus on representative ore from the first 10 years of the mining operations.

The Demonstration Plant will allow COB to test market larger scale samples (up to 100kgs) in which the partner is examining purity and repeatability of production results. To date LG International, Mitsubishi Corporation and Sojitz Corporation have become named partners. The battery industry is investing approximately US\$200Bn with 160 global manufacturing facilities (“Giga Factories”) identified to date.

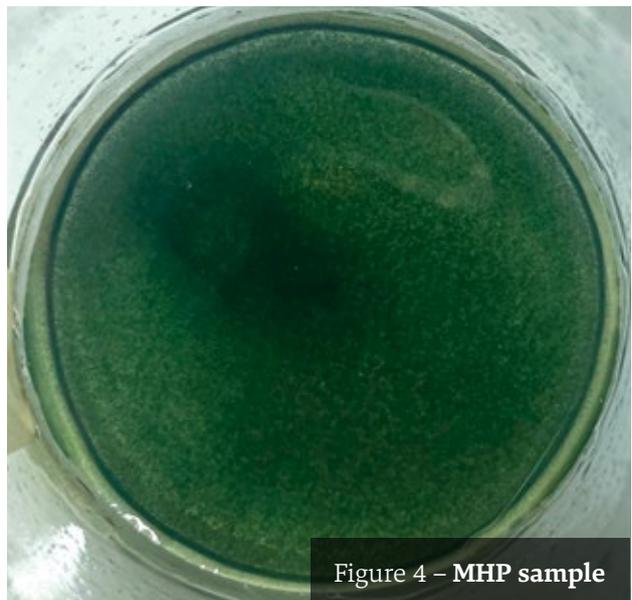
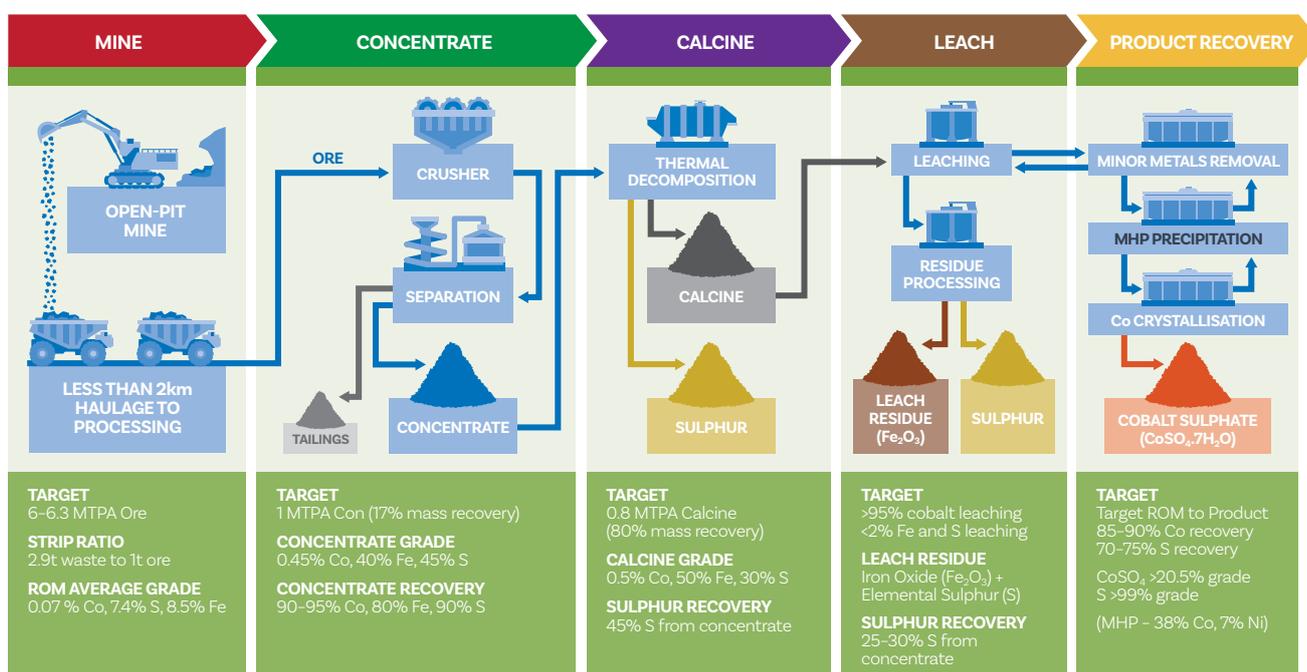


Figure 4 – MHP sample

## Review of Operations and Activities continued

Figure 5 – BHCP Process Flowsheet



### Tenement Summary

The continued consolidation of ground within the Broken Hill region remains a priority for the execution of COB's long-term exploration strategy targeting discovery and delineation of cobalt mineralisation considered to complement the existing Mineral Resource inventory and proprietary processing pathway of the Broken Hill Cobalt Project.

Accordingly, two exploration licence applications were lodged during 2021 with Exploration Licence ("EL") 9139 granted during April and EL9254 in August 2021. Following the grant of these licences COB's tenement holding increased to approximately 220 km<sup>2</sup>.

In April 2021, the area covering EL 9254 was subject to a regional scale airborne electromagnetic survey coordinated by the Department of Regional NSW's Geological Survey and Geoscience Australia. The heliborne survey was flown on east–west orientated flight lines at an average spacing of 2.5 km across the tenement. The data is expected to be released in 2H 2021 and will be used by COB to refine future exploration activities for the tenement.

Licence Number	Location	Percentage Interest (%)
EL6622	NSW	100
EL8143	NSW	100
ML86	NSW	100
ML87	NSW	100
EL8891	NSW	100
EL9254	NSW	100
EL9139	NSW	100

## Environmental Approvals

Development consent for the BHCP is being 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 status of the SSD application can be tracked at the Department of Planning, Industry and Environment 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 commenced relevant technical studies to support the Environmental Impact Statement (EIS) in 2021. The major aspects for investigation in the EIS will include various environmental studies including sustainable management of mine and process wastes, rehabilitation, water, biodiversity, Aboriginal heritage, and socio-economic issues.

COB expects that the EIS will be lodged with DPIE for exhibition and assessment during 2H 2022, however delivery will be influenced by technical and optimisation studies undertaken during the Feasibility Study.

Figure 6 – SSD Application major steps flowchart



# Review of Operations and Activities continued

## Project timelines

COB's project timelines are shown on the right.

Figure 7 – COB Project Timelines

	2021	2022	2023
<b>Broken Hill</b> Cobalt Project			
<b>Business Achievements</b>	Global Cobalt Sample program – Mid 2021	Cobalt Qualification Program	Final Investment Decision – Q1 2023
<b>Technical Studies</b>	Feasibility Study	Feasibility Study and Approvals – Q4 2022	
<b>Metallurgical Studies</b>	Pilot Plant – Mid 2021	Demonstration Plant – 1H 2022	
<b>Environmental Approvals</b>		EIS Submission – Q4 2022 SSD Determination – Q4 2022	
<b>Partnerships</b>			
<b>Business Achievements</b>	Cobalt in Waste Streams project – from 2H 2021		
<b>GOALS</b>			

## Groundwater Allocation

During the year COB purchased a 650-unit share allocation of groundwater within the Adelaide Fold Belt MDB Groundwater Source and Adelaide Fold Belt North Western Groundwater Source. This allocation of groundwater will ensure the BHCP will comply with the requirements of the NSW Water Management Act 2000 for the estimated groundwater interception attributed to the proposed open cut mining operations. As existing groundwater allocation shares are limited and tightly held amongst a small number of license holders within the Adelaide Fold Belt MDB Groundwater Source, the purchase represented a substantial building block for the BHCP and removes a significant project risk.

In accordance with the NSW Aquifer Interference Policy, the BHCP will be required to ensure that the necessary Water Access Licenses (WAL) are held with sufficient share component to account for all water taken from the groundwater sources as a result of an aquifer interference activity, both for the life of the activity and after the activity has ceased. The BHCP must also demonstrate in the Environmental Impact Statement (EIS) that sufficient water allocation(s) are available for the activity. The proposed open cut mining activity will interfere with the groundwater resource, and therefore WAL's with sufficient share components from the affected groundwater sources are required.

## Technology Commercialisation

During the year COB announced its Cobalt in Waste Streams Project, a rollout of its existing technology and test facilities to examine cobalt recovery from waste streams.

COB's research has identified substantial quantities of cobalt in sulphide mine tailings in Australia, and is looking to apply its proprietary technology for recovery of cobalt from these waste streams.

The existing Broken Hill based Pilot Plant will likely provide the facilities for this project testwork. Our strategy is focused upon maximising payable cobalt. Unlike the traditional cobalt mining model, COB is an integrated refinery model capable of delivering first an intermediate MHP, which can subsequently be further refined into battery grade cobalt sulphate.

During the year COB signed a cooperation Memorandum of Understanding (MOU) with Honeywell. Honeywell is a leading global process control and optimisation provider. The MOU will enable COB to de-risk and cost-optimize the BHCP and reduce our overall time to first production. In particular, the operator training and support will be valuable to minimise the BHCP commissioning period. The MOU includes the following objectives:

- Centralising engineering design to minimise the risk of rework.
- Ensure rapid scalability between Pilot Plant, Demonstration Plant and commercial operations.
- Energy optimisation.
- Remote/Integrated operations and support.
- Operator training and support.

## Strategic Financial Advisor Appointment

During the year COB appointed Cutfield Freeman & Co Limited (Cutfield Freeman) to act as its strategic financial advisor. Cutfield Freeman is a global specialist resources corporate advisory business, having successfully advised on over 150 mandated transactions across 50 countries.

The role of Strategic Financial Advisor includes:

- Global Project Partner Search – search for and engage with project partners.
- Financial Advisory – identify potentially viable funding options and execution plans.
- Capital Raising – identify and source providers of senior and junior debt, and alternative financing sources.

Cutfield Freeman brings global reach and solutions to COB's strategic financial needs. Cutfield Freeman was founded to provide financial services and is headquartered in London with offices in Toronto and Hong Kong.

## Australian Government Collaboration

In 2020, COB was awarded \$2.4 million of total Cooperative Research Centre (CRC) – Project Round 8 Funding from the Australian Government for applied research and development of the processing of cobalt-pyrite ore to generate battery ready cobalt sulphate. The grant is paid in stages over the life of the program, subject to satisfactory progress on the program. 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.

One post-doctoral fellow and two Masters students have been undertaking detailed research in regard to the thermal decomposition of pyrite to produce pyrrhotite. In addition, COB has constructed, commissioned and produced first product from the BHCP Pilot Plant. Lessons learned from the Pilot Plant and research will inform the design and operation of the Demonstration Plant.

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

- 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.

COB is a contributing partner in the Future Battery Industries Cooperative Research Centre (FBICRC) with a particular focus in the Resources, Processing and Recycling research stream. The FBICRC is enabling the growth of battery industries to power Australia's future. The FBICRC brings together industry, researchers, governments and the community to ensure Australia plays a leading role in the global battery revolution. The work is critical in making our industries more competitive by harnessing the research skills and industry expertise required to create new economic opportunities. Further information on the FBICRC is available at Resources, processing and recycling - Future Battery ([fbicrc.com.au](http://fbicrc.com.au))

## COVID-19

The Group has implemented a number of measures to ensure the safety of our people and continuity of our business operations during the COVID-19 pandemic. These measures include, on a case by case and business location basis, mandatory work from home policies. The Group has also implemented policies to restrict visitors to our Broken Hill operations. The Group actively monitors Government directives and recommendations in regard to COVID-19.

COB's corporate office has been able to successfully transition to a remote working model.

Some supply chains are slower than normal due to the economic effects of COVID-19.

To date, COVID-19 infections in Broken Hill have been relatively low. However, due to the town's few essential stores such as supermarkets and service stations, a single person with COVID-19, whilst out in the community, can result in a high level of close or casual contacts from those sites, impacting COB's suppliers and/or staff and in turn impacting COB's Broken Hill operations. To date those impacts have been minimal.



Broken Hill Cobalt Project – Origin Cobalt Sulphate

# Mineral Resources and Ore Reserves

## Mineral Resources Summary as at 30 June 2021

The Mineral Resource estimate for the BHCP 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 118 Mt at 859 ppm cobalt-equivalent (CoEq) (687 ppm cobalt, 7.6% sulphur & 133 ppm nickel) for 81,100 t contained cobalt, (at a 275ppm CoEq cut-off) and is summarised below by classification.

The Mineral Resource is inclusive of the Ore Reserve estimate.

Classification	Mt	CoEq (ppm)	Co (ppm)	S (%)	Ni (ppm)	Contained Co (kt)	Contained S (kt)	Contained Ni (kt)
<b>BHCP (inclusive of Pyrite Hill, Railway &amp; Big Hill)</b>								
Measured	18	1,276	1,030	10.9	191	18.3	1,935	3.4
Indicated	59	788	631	6.9	123	37.1	4,062	7.2
Inferred	41	781	619	7.2	123	25.6	2,979	5.1
<b>Total</b>	<b>118</b>	<b>859</b>	<b>687</b>	<b>7.6</b>	<b>133</b>	<b>81.1</b>	<b>8,968</b>	<b>15.7</b>

*The Mineral Resource estimate for the BHCP (at a 275ppm CoEq cut-off) detailed by Mineral Resource classification (CoEq = Co + S % × 18.0078 + Ni ppm × 0.2639). Note minor rounding errors may have occurred in compilation of this table.*

## 2021 Ore Reserves

The Ore Reserve estimate for the BHCP 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 the results of the 2020 Project Update). No Inferred Mineral Resources have been used in the estimation of the Ore Reserve.

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

## Mineral Resources and Ore Reserves continued

Mineral Resources Summary as at 30 June 2020

Classification	Mt	CoEq (ppm)	Co (ppm)	S (%)	Contained Co (kt)
<b>BHCP (inclusive of Pyrite Hill, Railway &amp; Big Hill)</b>					
Measured	18	1094	928	9.9	17.1
Indicated	64	731	619	6.7	39.9
Inferred	40	720	604	6.9	24.3
<b>Total</b>	<b>123</b>	<b>782</b>	<b>660</b>	<b>7.3</b>	<b>81.4</b>

The 30 June 2020 Mineral Resource estimate 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

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

### 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 can be attributed to the following:

- Refinement of mineralisation and waste domains**

The mineralisation and waste domains were updated to provide further geological constraint of the additional elements incorporated into the Mineral Resource estimate not only including nickel but sodium, potassium, manganese, aluminium, copper and zinc as well.

- Cut-Off Optimisation**

The 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.

In addition to cobalt, the revised cut-off grade incorporates revenue streams from elemental sulphur and nickel; economic by-products of the processing pathway defined in the 2018 PFS and subsequent 2020 Project Update. The cobalt equivalent grade has been derived from the following calculation;  $\text{CoEq ppm} = \text{Co ppm} + (\text{S ppm} \times (\text{S price} / \text{Co price}) \times (\text{S recovery} / \text{Co recovery})) + (\text{Ni ppm} \times (\text{Ni price} / \text{Co price}) \times (\text{Ni recovery} / \text{Co recovery}))$ . This equates to  $\text{CoEq} = \text{Co} + \text{S \%} \times 18.0078 + \text{Ni ppm} \times 0.2639$ . The parameters used for this calculation are listed below in comparison with the superseded 2020 inputs.

Assumption	Superseded 2020 Input	2021 Input
Cobalt Price	US\$25/lb	US\$27.50/lb
Sulphur Price	US\$123/t	US\$145/t
Nickel Price	–	US\$16,000/t
Cobalt Recovery	85.5%	85%
Sulphur Recovery	64.4%	64%
Nickel Recovery	–	85%
Exchange rate (A\$ to US\$)	0.70	0.70

The Company confirms all elements included in the metal equivalence calculation have reasonable potential to be recovered and sold.

## Ore Reserves

The BHCP Ore Reserve estimate, inclusive of Pyrite Hill, Railway and Big Hill was announced on 16 July 2020. The 30 June 2021 Annual Review indicates that the July 2020 reported reserves continue to be robust. The Company confirms that the material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed. Changes to the Mineral Resource estimate from 2020 to 2021 are not considered large enough to cause a material change to the 2020 Ore Reserve. An update to the July 2020 Ore Reserve estimate is planned with completion of a Feasibility Study including the assessment of applicable Modifying Factors.

## 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 on a full-time basis 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 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.

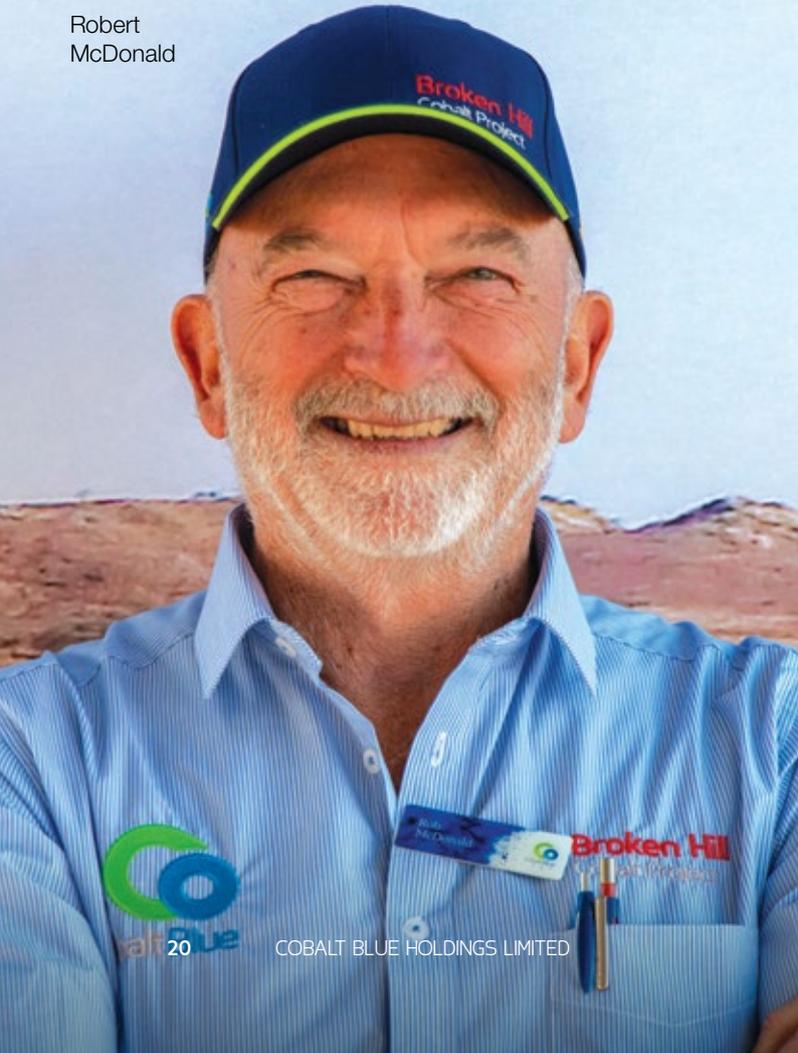
Robert  
Biancardi



Hugh  
Keller



Robert  
McDonald



Joe  
Kaderavek



# 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 2021.

## 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:

- **Robert Biancardi** Chairman, Independent
- **Hugh Keller** (Non-Executive Director, Independent)
- **Robert McDonald** (Non-Executive Director, Independent)
- **Joe 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 7 to 15.

## 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 7 to 15.

## Significant changes in the state of affairs

During the financial year issued capital increased by \$16,157,000 net of capital raising costs, (2020: \$1,364,000) 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.

## Directors' Report continued

### Information on Directors

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

---

<b>Name:</b>	<b>Mr Robert Biancardi</b>
<b>Title:</b>	<b>Chairman, Independent, Non-Executive Director</b>
<b>Qualifications:</b>	<i>B. Com (Management and Marketing) (Wollongong University)</i> <i>Diploma Corporate Management (AGSM – University of NSW)</i>
<b>Experience and Expertise:</b>	<p>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.</p> <p>He has served as a director and president of the Restaurant &amp; 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.</p>
<b>Other current directorships:</b>	None
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Member, Audit and Risk and Remuneration and Nomination Committees
<b>Interests in shares:</b>	3,963,444
<b>Interest in options:</b>	500,000

---

<b>Name:</b>	<b>Mr Hugh Keller</b>
<b>Title:</b>	<b>Independent Non-Executive Director</b>
<b>Qualifications:</b>	<i>LLB (University of Sydney)</i>
<b>Experience and Expertise:</b>	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Other current directorships:</b>	None
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Chair Audit and Risk Committee and member, Remuneration and Nomination Committee
<b>Interests in shares:</b>	1,689,990
<b>Interest in options:</b>	500,000

---

<b>Name:</b>	<b>Mr Robert McDonald</b>
<b>Title:</b>	<b><i>Independent Non-Executive Director</i></b>
<b>Qualifications:</b>	<i>B.Comm (University of Western Australia)</i> <i>MBA (Honours) (IMD)</i>
<b>Experience and Expertise:</b>	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.
<b>Other current directorships:</b>	New Century Resources Limited (Chairman)
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Chair Remuneration and Nomination Committee and member, Audit and Risk Committee
<b>Interests in shares:</b>	525,296
<b>Interest in options:</b>	750,000

---

<b>Name:</b>	<b>Mr Joe Kaderavek</b>
<b>Title:</b>	<b><i>Executive Director &amp; Chief Executive Officer</i></b>
<b>Qualifications:</b>	<i>B.Eng (Aeronautical Engineering) (University of Sydney)</i> <i>G.CertEng (Reliability Engineering) (Monash University)</i> <i>Master of Business Administration (MBA) (Deakin University).</i>
<b>Experience and Expertise:</b>	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.
<b>Other current directorships:</b>	None
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	None
<b>Interests in shares:</b>	6,443,145
<b>Interest in options:</b>	–

## Company Secretaries

---

<b>Danny Morgan</b> <i>CA, GradDipAppFin, BCom, MAppFin</i>	Mr Morgan serves as the Company's Chief Financial Officer and a company secretary and has over 30 years' commercial experience, principally in the resources industry.
--	--

---

<b>Grahame Clegg</b> <i>ACG, CA, BCom</i>	Mr Clegg serves as a company secretary and has extensive experience in company secretary and corporate governance practices within Australia.
--	---

## Directors' Report continued

### 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 2021, and the number of meetings attended by each director were:

DIRECTOR	Board		Audit & Risk Committee		Remuneration & Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
R Biancardi	7	7	3	3	5	5
H Keller	7	7	3	3	5	5
R McDonald	7	7	3	3	5	5
J Kaderavek	7	7	–	–	–	–

**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:

- Remuneration Policy
- Remuneration
- Contractual Arrangements with executive KMPs
- Share-based compensation
- Additional information
- Other transactions with key management personnel

#### A. Remuneration Policy

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

**Robert McDonald** Chairman, Independent, Non-Executive Director

**Robert Biancardi** Independent, Non-Executive Director

**Hugh Keller** Independent, Non-Executive Director

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 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 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 & Company Secretary

**Andrew Tong** Executive Manager

## Remuneration Framework

COB offers a fixed and variable (at-risk) pay for employees that incentivises both short term and long-term performance as follows:

### ■ 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 and Nominee Committee through a process that considers individual and overall performance of the Company.

### ■ Variable remuneration

Variable remuneration comprises short-term and long-term incentives.

Short-Term Incentives (STIs) are a variable performance-based remuneration strategy to strengthen the link between pay and performance over the short to medium term. STIs consist of cash bonuses and/or the issues of shares to employees.

Long-Term Incentives (LTIs) are designed to align employee interests directly with shareholders by linking employee remuneration to the Company's share price performance over the medium to long term. Historically, the Company has issued LTIs in the form of share options.

## Equity Settled share-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.

## 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' (cash) fee pool is \$450,000 per annum and was approved by shareholders at the annual general meeting on 27 November 2020.

Non-executive director fees are tabled below:

	2021	2020
Base Director Fee	\$70,000	\$43,800
Board Chair	\$16,000	\$11,200
Audit & Risk Committee Chair	\$4,000	\$2,850
Nomination & Remuneration Committee Chair	\$4,000	\$2,850

In order to preserve the Company's cash reserves, Directors received part of their remuneration in the form of shares in the Company. On an annualised basis, non-executive cash director fees were as follows:

Non-executive director	Position	2021	2020
Robert Biancardi	Chairman	\$66,000	\$27,500
Hugh Keller	Chairman of Audit & Risk Committee	\$54,000	\$24,750
Robert McDonald	Chairman of Nomination & Remuneration Committee	\$54,000	\$21,900
<b>Total</b>		<b>\$174,000</b>	<b>\$74,150</b>

In addition to the 2021 cash remuneration noted above, at the Company's 2020 AGM, Shareholders approved the issue of ordinary shares to Non-Executive Directors to the value of \$20,000 as payment of their Directors' Fees for the year ended June 2021. For the year ended June 2020, in addition to the cash remuneration above, at the Company's 2019 AGM, Shareholders approved the issue of ordinary shares to Non-Executive Directors as part of their remuneration as follows: \$27,500 to Mr Biancardi, \$24,750 to Mr Keller and \$21,900 to Mr McDonald, such that Non-Executive Directors received 50% of their remuneration in cash and 50% in shares.

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.

Non-executive directors have also received additional benefits as approved by shareholders by way of options to acquire shares at a certain share price. The last issuance of options in April 2019 had an exercise price of A\$0.25 and an expiry date of 21 December 2021.

## Directors' Report continued

### Voting and comments made at the Company's 27 November 2020 Annual General Meeting (AGM)

The Company received 98.08% of 'for' (1.92% against) votes in relation to the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### Remuneration Changes for 2022

#### Executives

The Board continually reviews the Company's remuneration framework. For the 2022 financial year, executives have been assigned a remuneration level which reflects their seniority, responsibility and industry wide remuneration practices. This level determines an executive's participation in STI and LTI plans and therefore, the proportion of their total remuneration which is linked to performance. Senior executives will receive a higher proportion of their total potential remuneration at risk.

The LTIs are anticipated to comprise grants of performance rights, pursuant to the Company's Employee Incentive Plan approved by Shareholders at the Company's 2020 AGM. Performance rights would be issued to employees by way of issue at nil cost at the time of grant and vesting. The performance rights are anticipated to be issued annually, with the at-risk value of the annual grant over a three year vesting period representing a percentage of the executive's Total Fixed Annual Remuneration (TFR). Vesting is contingent on the Company meeting or exceeding performance hurdles over the vesting period. The performance hurdle involves an assessment of the Company's total shareholder returns compared to a comparator peer group of companies.

#### Non-Executive Directors

For the 2022 financial year, the Board has approved the following remuneration changes:

- Board Chair fee - increase from \$16,000 to \$25,000.
- Committee Chair fees – increase from \$4,000 to \$10,000 per Committee.

In-line with previous practice, the Non-Executive Directors also propose to take \$20,000 of their annual remuneration in the form of Company shares, subject to shareholder approval, which will be sought at the Company's 2021 AGM, for the partial payment of Director fees in ordinary shares.

Additionally, as the outstanding options issued to Non-Executive Directors expire on 21 December 2021, the Company intends to issue performance rights to the Non-executive Directors as remuneration benefits, subject to shareholder approval. The terms and conditions of these securities will be detailed in the Notice of Meeting for the 2021 AGM.

## B. Remuneration

The following table outlines persons who are directors and other key management personnel ("KMP") of the Company at 30 June 2021 and the nature and amount of remuneration for those persons.

	Short-term benefits		Post-Employment Benefits	Share based payments		Total	Performance related
	Cash (salary and fees)	Bonus	Super-annuation	Shares	Options		
<b>2021</b>	\$	\$	\$	\$	\$	\$	
<b>Directors</b>							
R Biancardi	60,274	–	5,726	20,000 <sup>1</sup>	–	86,000	–
H Keller	49,315	–	4,685	20,000 <sup>1</sup>	–	74,000	–
R McDonald	54,000	–	–	20,000 <sup>1</sup>	–	74,000	–
J Kaderavek	338,582	100,000 <sup>4</sup>	20,793	15,625 <sup>2</sup>	–	475,000	21%
<b>Subtotal</b>	<b>502,171</b>	<b>100,000</b>	<b>31,204</b>	<b>75,625</b>	<b>–</b>	<b>709,000</b>	
<b>Other Key Management Personnel</b>							
D Morgan	251,789	–	21,398	50,813 <sup>3</sup>	8,236	332,236	16%
A Tong	215,625	–	–	54,375 <sup>3</sup>	23,144	293,144	23%
<b>Subtotal</b>	<b>467,414</b>	<b>–</b>	<b>21,398</b>	<b>105,188</b>	<b>31,380</b>	<b>625,380</b>	<b>–</b>
<b>Total</b>	<b>969,585</b>	<b>100,000</b>	<b>52,602</b>	<b>180,813</b>	<b>31,380</b>	<b>1,334,380</b>	

1 Not considered performance related given the shares were substantially for the purpose of providing a competitive base director fee.

2 Refers to value of shares issued, in lieu of cash, relating to services provided during the year. Not performance related.

3 Comprises (i) issue of shares as a short-term performance incentive payment and (ii) issue of shares, in lieu of cash, relating to services provided during the financial year (not performance related).

4 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		Total	Performance related
	Cash (salary and fees)	Bonus	Super-annuation	Shares	Options		
<b>2020</b>	\$	\$	\$	\$	\$	\$	
<b>Directors</b>							
R Biancardi	25,114	–	2,386	27,500 <sup>1</sup>	6,892	61,892	–
H Keller	37,603 <sup>4</sup>	–	2,147	24,750 <sup>1</sup>	6,892	71,392	–
R McDonald	21,900	–	–	21,900 <sup>1</sup>	10,339	54,139	–
J Kaderavek	304,395	75,000 <sup>3</sup>	23,730	46,875 <sup>2</sup>	–	450,000	17%
<b>Subtotal</b>	<b>389,012</b>	<b>75,000</b>	<b>28,263</b>	<b>121,025</b>	<b>24,123</b>	<b>637,423</b>	
<b>Other Key Management Personnel</b>							
D Morgan	238,870	–	22,693	17,437 <sup>2</sup>	6,989	268,552	2%
A Tong	196,875	–	–	28,125 <sup>2</sup>	–	196,875	–
<b>Subtotal</b>	<b>435,745</b>	<b>–</b>	<b>22,693</b>	<b>45,562</b>	<b>6,989</b>	<b>510,959</b>	<b>–</b>
<b>Total</b>	<b>824,757</b>	<b>75,000</b>	<b>50,956</b>	<b>166,587</b>	<b>31,112</b>	<b>1,148,412</b>	

<sup>1</sup> Not considered performance related given the options and shares were substantially for the purpose of providing a competitive base director fee.

<sup>2</sup> Refers to value of shares in lieu of cash, relating to services provided during the financial year. Not performance related.

<sup>3</sup> Bonus was paid in equivalent value of shares and relates to services provided during the financial year. Performance Related.

<sup>4</sup> Includes \$15,000 fee for consulting services.

### C. Contractual Arrangements with executive KMPs

Name	Position	Contract duration	TFR <sup>1</sup>	Notice	Maximum Termination Payout
J Kaderavek	Chief Executive Officer and Executive Director	Ongoing	2022: \$382,500 2021: \$375,000	3 months' notice except in the case of serious misconduct. In the case of serious misconduct, the agreement can be terminated summarily.	3 months
D Morgan	Chief Financial Officer	Ongoing	2022: \$295,000 2021: \$279,000	1 months' notice except in the case of serious misconduct. In the case of serious misconduct, the agreement can be terminated summarily.	1 month
A Tong	Executive Manager Dr Tong provides his services through Mineral and Residues Pty Ltd.	Ongoing	2022: \$260,000 2021: \$230,000	1 months' notice except in the case of serious misconduct. In the case of serious misconduct, the agreement can be terminated summarily.	1 month

<sup>1</sup> Including superannuation, where applicable, for relevant financial year.

## Directors' Report continued

### 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
D Morgan	21/12/2018	178,125	21/12/2020	21/12/2020	21/12/2021	\$0.30	\$0.08
D Morgan	21/09/2020	300,000	24/08/2021 <sup>1</sup>	24/08/2021	24/08/2023	\$0.14	\$0.02
D Morgan	21/09/2020	300,000	24/08/2022 <sup>1</sup>	24/08/2022	24/08/2023	\$0.14	\$0.02
A Tong	21/09/2020	650,000	30/06/2021 <sup>2</sup>	30/06/2021 <sup>2</sup>	24/08/2023	\$0.14	\$0.02
A Tong	21/09/2020	1,000,000	Various <sup>3</sup>	Various	24/08/2023	\$0.14	\$0.02

<sup>1</sup> Subject to satisfactory performance as determined by the Board.

<sup>2</sup> Vests subject to Pilot Plant trial processing agreed quantity of on-spec mixed hydroxide/cobalt sulphate by 30 June 2021 or alternative trials produce cobalt or sulphur for market assessment to levels satisfactory to the Board by 30 June 2021, or such later date as reasonably determined by the Board due to events outside of control of the option holder. Vesting also subject to continued employment. The Board also reserved its right to waive the above conditions in its absolute discretion. Subsequent to 30 June 2021 the Directors determined that the vesting conditions had been met.

<sup>3</sup> Vesting subject to (i) the Company securing project equity co-investment from a third party by agreed date or (ii) the Company completes Pilot Plant/ Demonstration Plant activities by 31 March 2022 or processing of ore not originating from the Broken Hill Cobalt Project through a Pilot Plant/Demonstration Plant by 31 March 2022, on a basis satisfactory to the Board. Vesting is also subject to continued employment. The Company reserves its rights to waive the above conditions in its absolute discretion.

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 2021 is set out below:

Directors and Other KMP	Number of options granted during the year		Number of options vested during the year	
	2021	2020	2021	2020
R Biancardi	–	–	–	250,000
H Keller	–	–	–	250,000
R McDonald	–	–	–	375,000
J Kaderavek	–	–	–	–
D Morgan	600,000	–	178,125	178,125
A Tong	1,650,000	–	–	–

The number of shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2021 is set out below:

Directors and Other KMP	Number of shares granted during the year	
	2021	2020
R Biancardi	208,333 <sup>1</sup>	199,743
H Keller	208,333 <sup>1</sup>	179,769
R McDonald	208,333 <sup>1</sup>	159,068
J Kaderavek	1,348,039 <sup>2</sup>	500,000
D Morgan	696,429 <sup>3</sup>	–
A Tong	841,837 <sup>4</sup>	–

<sup>1</sup> These shares were issued to Directors as payment for \$20,000 of their Directors' Fees for the year ended 30 June 2021.

<sup>2</sup> These shares were issued to Mr Kaderavek as payment for \$137,500 being the payment in shares of \$62,500 owing to him to 'make up' for the reduction in salary in the period from 1 April to 31 July 2020 as agreed because of economic uncertainty during the COVID-19 pandemic and the payment in shares for the short-term incentive bonus of \$75,000 relating to the 2020 financial year.

<sup>3</sup> These shares were issued to Mr Morgan as payment for \$68,250 being the payment in shares of \$23,250 owing to him to 'make up' for the reduction in salary in the period from 1 April to 31 July 2020 as agreed because of economic uncertainty during the COVID-19 pandemic and the payment in shares for the short-term incentive bonus of \$45,000 relating to the 2020/21 financial years.

<sup>4</sup> These shares were issued to Mr Tong as payment for \$82,500 being the payment in shares of \$37,500 owing to him to 'make up' for the reduction in salary in the period from 1 April to 31 July 2020 as agreed because of economic uncertainty during the COVID-19 pandemic and the payment in shares for the short-term incentive bonus of \$45,000 relating to the 2020/21 financial years.

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 2021 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
D Morgan	12,000	–	–	–
A Tong	33,000	–	–	–

## 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	Granted during the year as compensation	Other changes during the year	Balance at the end of the year
R Biancardi	3,715,111	–	208,333	40,000	3,963,444
H Keller	1,060,603	–	208,333	421,054	1,689,990
R McDonald	159,068	–	208,333	157,895	525,296
J Kaderavek	4,087,585	–	1,348,039	649,923	6,085,547
D Morgan	50,000	–	696,429	–	746,429
A Tong	188,605	–	841,837	168,422	1,198,864

### 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	500,000	–	–	–	–	–	500,000
H Keller	500,000	–	–	–	–	–	500,000
R McDonald	750,000	–	–	–	–	–	750,000
J Kaderavek	750,000	–	–	–	–	–	750,000
D Morgan	356,250	600,000	–	–	–	–	956,250
A Tong	–	1,650,000	–	–	–	–	1,650,000

## 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

## Directors' Report continued

### 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://cobaltblueholdings.com/resources/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	21/12/2021	\$0.30	394,250
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
28/09/2020	24/08/2023	\$0.14	3,180,000
22/06/2021	15/08/2022	\$0.45	12,950,000
6/08/2021	15/08/2022	\$0.45	12,050,000
<b>Total</b>			<b>33,022,500</b>

### 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 \$77,480 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 33 and forms part of the Directors' Report for the year ended 30 June 2021.

### 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 6 August 2021 the Company issued 24,100,000 new fully paid ordinary shares at \$0.30 per share and 12,050,000 free attaching unquoted options (Exercise Price: \$0.45 per option, Expiry Date 15 August 2022) under the second tranche of its two-tranche placement originally announced to shareholders on 15 June 2021.

The net proceeds from the issue of new shares will be used for the BHCP, including for construction and commissioning of the Demonstration Plant, for engineering and technical studies towards the Feasibility Study, to advance BHCP permits and approvals and for working capital and other general corporate purposes.

Refer to the Review of Operations and Activities for a discussion of the ongoing impact of Covid-19.

No other matter or circumstance has arisen since 30 June 2021 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 28 September 2021

# Integrated Waste Landform (IWL)



## Key Facts:

- Integrated Waste Landform (IWL) enables co-disposal of mine waste rock and tailings.
- IWL requires four key design components:
  - Base foundation to provide flood and groundwater protection.

## Integrated Waste Landform Conceptual Design



- Cover System to minimize runoff of rainwater into the IWL
- An IWL slope geometry provides a long-term stable

# Auditor's Independence Declaration



**Nexia Sydney Audit Pty Ltd**  
Level 16, 1 Market Street  
Sydney NSW 2000  
PO Box H195  
Australia Square NSW 1215  
p +61 2 9251 4600  
f +61 2 9251 7138  
e [info@nexiasydney.com.au](mailto:info@nexiasydney.com.au)  
w [nexia.com.au](http://nexia.com.au)

To the Board of Directors of Cobalt Blue Holdings Limited

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

As lead audit director for the audit of the financial statements of Cobalt Blue Holdings Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



**Nexia Sydney Audit Pty Limited**



**Stephen Fisher**  
Director

Date: 28 September 2021



# Financial Statements

## Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
<b>Revenues from ordinary activities</b>			
Revenue	2	116	124
<b>Expenses from ordinary activities</b>			
ASX and registry fees		(162)	(82)
Administrative expenses		(241)	(186)
Corporate costs		(697)	(432)
Depreciation and amortisation expenses		(244)	(282)
Employee benefits expenses	3	(1,287)	(1,005)
Interest expense	4	(18)	(171)
Legal and professional costs		(147)	(350)
<b>Loss before tax</b>		<b>(2,680)</b>	<b>(2,384)</b>
Income tax expense	5	–	–
<b>Loss from continuing operations</b>		<b>(2,680)</b>	<b>(2,384)</b>
Other comprehensive income for the year, net of tax		–	–
<b>Total comprehensive loss for the year</b>		<b>(2,680)</b>	<b>(2,384)</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings/(loss) per share	7	(1.1c)	(1.6c)

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

## Financial Statements continued

### Statement of Financial Position

AS AT 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	8	9,439	2,057
Receivables	9	488	148
Other assets	10	118	114
<b>Total Current Assets</b>		<b>10,045</b>	<b>2,319</b>
<b>Non-current Assets</b>			
Property, plant and equipment	11	3,206	1,041
Intangibles	12	101	105
Security deposits		176	156
Exploration and evaluation assets	13	23,461	20,172
<b>Total Non-current Assets</b>		<b>26,944</b>	<b>21,474</b>
<b>Total Assets</b>		<b>36,989</b>	<b>23,793</b>
<b>Current Liabilities</b>			
Trade and other payables	14	1,451	864
Provisions	15	310	163
Lease liabilities	17	259	246
Borrowings	18	–	849
<b>Total Current Liabilities</b>		<b>2,020</b>	<b>2,122</b>
<b>Non-current Liabilities</b>			
Provisions	16	37	24
Lease liabilities	17	262	559
Borrowings	18	2,038	1,772
<b>Total Non-current Liabilities</b>		<b>2,337</b>	<b>2,355</b>
<b>Total Liabilities</b>		<b>4,357</b>	<b>4,477</b>
<b>Net Assets</b>		<b>32,632</b>	<b>19,316</b>
<b>Equity</b>			
Issued capital	19	42,534	26,377
Other Equity	18	–	205
Reserves	20	933	889
Accumulated losses		(10,835)	(8,155)
<b>Total Equity</b>		<b>32,632</b>	<b>19,316</b>

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 2021

	Ordinary Share Capital \$'000	Other Equity \$'000	Options Reserve \$'000	Accumulated Losses \$'000	Total \$'000
<b>Balance at 1 July 2019</b>	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
<b>Balance at 30 June 2020</b>	<b>26,377</b>	<b>205</b>	<b>889</b>	<b>(8,155)</b>	<b>19,316</b>
<b>Balance at 1 July 2020</b>	26,377	205	889	(8,155)	19,316
Total loss for the year	–	–	–	(2,680)	(2,680)
Issue of ordinary securities	16,812	–	–	–	16,812
Issue of options	–	–	44	–	44
Value of conversion rights on convertible notes	–	(205)	–	–	(205)
Cost of issuing ordinary securities	(655)	–	–	–	(655)
<b>Balance at 30 June 2021</b>	<b>42,534</b>	<b>–</b>	<b>933</b>	<b>(10,835)</b>	<b>32,632</b>

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

## Financial Statements continued

### Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,224)	(1,885)
Interest received		5	15
Interest paid on leased assets		(18)	(30)
Other		127	47
<b>Net cash flows (used in) / provided by operating activities</b>		<b>(2,110)</b>	<b>(1,853)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation expenditure		(3,877)	(1,597)
Research and development tax incentive refunds		–	806
Industry Grants		1,097	791
Payments for plant and equipment		(2,485)	(253)
Payments to acquire tenements		–	(500)
Refund of tenement security deposits		–	229
Cash used as security deposit		(20)	(10)
Other non-current assets		(25)	(68)
<b>Net cash flows (used in) / provided by investing activities</b>		<b>(5,310)</b>	<b>(602)</b>
<b>Cash flows from financing activities</b>			
Gross proceeds from issue of shares		15,099	–
Costs related to issue of shares		(580)	–
Share monies received in advance		704	–
Payment of convertible note interest		(60)	–
Payment of lease liabilities		(361)	(229)
<b>Net cash flows provided by/ (used in) financing activities</b>		<b>14,802</b>	<b>(229)</b>
Net increase/ (decrease) in cash held		7,382	(2,684)
Cash at beginning of financial period		2,057	4,741
<b>Cash at end of financial period</b>	8	<b>9,439</b>	<b>2,057</b>

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 28 September 2021 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

No new or amended accounting standards adopted by the Consolidated Entity for the first time for its annual reporting period commencing 1 July 2020 had a material financial impact.

## Notes to Financial Statements continued

### (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 2021 the Consolidated Entity reported a loss of \$2,680,000 (30 June 2020: loss of \$2,384,000); net cash outflow from operating activities of \$2,110,000 (30 June 2020: outflow \$1,853,000) and net cash outflow from investing activities of \$5,310,000 (30 June 2020: outflow \$602,000). As at 30 June 2021, the Consolidated Entity had a working capital surplus of \$8,025,000 (30 June 2020: surplus \$197,000).

On 6 August 2021 the Company issued 24,100,000 new fully paid ordinary shares at \$0.30 per share and 12,050,000 free attaching unquoted options (Exercise Price: \$0.45 per option, Expiry Date 15 August 2022) under the second tranche of its two-tranche placement originally announced to shareholders on 15 June 2021.

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 amounts reflecting the consumption of assets used in exploration and evaluation activities are recognised in the exploration and evaluation asset.

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
Pilot Plant Equipment	8–10 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.

## Notes to Financial Statements continued

### (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. The amounts reflecting the consumption of assets used in exploration and evaluation activities are recognised in the exploration and evaluation asset.

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 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 or performance rights 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, Monte-Carlo simulation valuation models or available market prices. The 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.

## Notes to Financial Statements continued

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, except when capitalised to a qualifying asset in accordance with AASB 123 Borrowing Costs.

(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.

## Notes to Financial Statements continued

### 2 Revenue from operating activities

	2021	2020
	\$'000	\$'000
Interest received	5	14
Operating Revenue	50	65
Other Revenue	61	45
<b>Total Revenue</b>	<b>116</b>	<b>124</b>

### 3 Employee benefits expenses

	2021	2020
	\$'000	\$'000
Remuneration expenses	1,155	972
Government grants	–	(100)
<b>Post-employment benefits:</b>		
Accumulated benefit superannuation plans	70	63
<b>Share-based payments</b>		
Equity settled payments*	69	114
<b>Sub-total</b>	<b>1,294</b>	<b>1,049</b>
Less amounts capitalised as part of exploration and evaluation	(7)	(44)
<b>Total employee benefits expenses</b>	<b>1,287</b>	<b>1,005</b>

\* 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

	2021	2020
	\$'000	\$'000
Lease liabilities interest	18	30
Convertible note – interest	65	54
Promissory note – interest	265	87
<b>Sub-total</b>	<b>348</b>	<b>171</b>
Less amounts capitalised as part of exploration and evaluation	(330) <sup>1</sup>	–
<b>Total Interest expense</b>	<b>18</b>	<b>171</b>

<sup>1</sup> The convertible note and promissory note are specific borrowings in respect of the acquisition of the exploration and evaluation asset and accordingly all of the interest is eligible to be capitalised.

## 5 Income tax benefit

	2021 \$'000	2020 \$'000
The components of the tax benefit comprise:		
Current tax	–	–
Deferred tax – origination and reversal of temporary differences	–	–
<b>Aggregate income tax expense</b>	<b>–</b>	<b>–</b>

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

<b>Loss before income tax from continuing operations</b>	<b>(2,680)</b>	<b>(2,384)</b>
Tax at the statutory rate of 26% (2020: 27.5%)	(697)	(656)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Non-allowable items	18	210
Tax losses not brought to account	1,606	1,008
Exploration expenditure deductible	(762)	(299)
Other allowable items	(165)	(263)
<b>Income tax expense</b>	<b>–</b>	<b>–</b>
Unused tax losses for which no deferred tax loss has been recognised	27,034	21,766
Potential tax benefit at 26% (2020: 27.5%)	7,029	5,986

### Deferred tax assets (liability) not recognised on temporary differences are attributable to:

Exploration and evaluation expenditure	(4,603)	(3,853)
Prepayments	(31)	–
Employee entitlements	63	23
Accrued expenses	20	189

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

	2021 \$	2020 \$
Audit or review of the financial statements	45,750	44,500
Non-audit services by associated entities of the auditor: – other advisory services	–	–
	<b>45,750</b>	<b>44,500</b>

## 7 Earnings per share

	2020 \$'000	2019 \$'000
Earnings/(Loss) for the year used to calculate basic and diluted earnings per share	(2,680)	(2,384)
Weighted average number of shares outstanding during the year used for the calculation of basic and diluted earnings per share	233,450,310	153,574,658
Basic and diluted earnings/(loss) per share	(1.1c)	(1.6c)

## Notes to Financial Statements continued

### 8 Cash and cash equivalents

	2021 \$'000	2020 \$'000
Short term deposits	1,765	1,030
Cash at bank and on hand	7,674	1,027
	<b>9,439</b>	<b>2,057</b>

### 9 Trade and other receivables – current

	2021 \$'000	2020 \$'000
Other receivables	<b>110</b>	<b>148</b>
Research and development tax incentive receivable	<b>378</b>	<b>–</b>
	<b>488</b>	<b>148</b>

### 10 Other assets – current

	2021 \$'000	2020 \$'000
Prepayments	<b>118</b>	<b>114</b>

### 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
<b>Year ended 30 June 2020</b>						
Opening Balance	543	58	36	10	–	647
Additions	427	–	3	(36)	271	665
Disposals & Terminations	(80)	(1)	–	–	–	(81)
Depreciation expense	(180)	(20)	(16)	26	–	(190)
<b>Closing Balance</b>	<b>710</b>	<b>37</b>	<b>23</b>	<b>–</b>	<b>271</b>	<b>1,041</b>
At cost	1,077	80	55	–	271	1,483
Accumulated Depreciation	(367)	(43)	(32)	–	–	(442)
<b>At 30 June 2020</b>	<b>710</b>	<b>37</b>	<b>23</b>	<b>–</b>	<b>271</b>	<b>1,041</b>
<b>Year ended 30 June 2021</b>						
Opening Balance	710	37	23	–	271	1,041
Additions	29	–	43	–	2,527	2,598
Disposals & Terminations	(7)	–	(10)	–	–	(16)
Depreciation expense	(170)	(20)	(8)	–	–	(198)
Depreciation capitalised <sup>1</sup>	(107)	–	–	–	(112)	(219)
<b>Closing Balance</b>	<b>455</b>	<b>17</b>	<b>48</b>	<b>–</b>	<b>2,686</b>	<b>3,206</b>
At cost	1,099	80	89	–	2,798	4,066
Accumulated Depreciation	(644)	(63)	(41)	–	(112)	(860)
<b>At 30 June 2021</b>	<b>455</b>	<b>17</b>	<b>48</b>	<b>–</b>	<b>2,686</b>	<b>3,206</b>

<sup>1</sup> Depreciation capitalised as part of exploration and evaluation expenditure

## 12 Intangibles

	Software \$'000	Patents \$'000	Total \$'000
<b>Year ended 30 June 2020</b>			
Opening Balance	54	20	74
Additions	–	59	59
Amortisation expense	(26)	(2)	(28)
<b>Closing Balance</b>	<b>28</b>	<b>77</b>	<b>105</b>
At cost	76	79	155
Accumulated Amortisation	(48)	(2)	(50)
<b>At 30 June 2020</b>	<b>28</b>	<b>77</b>	<b>105</b>
<b>Year ended 30 June 2021</b>			
Opening Balance	28	77	105
Additions	–	25	25
Disposals of assets	(23)	–	(23)
Amortisation expense	(1)	(5)	(6)
<b>Closing Balance</b>	<b>4</b>	<b>97</b>	<b>101</b>
At cost	53	104	157
Accumulated Amortisation	(49)	(7)	(56)
<b>At 30 June 2021</b>	<b>4</b>	<b>97</b>	<b>101</b>

## 13 Exploration and evaluation expenditure

	2021 \$'000	2020 \$'000
Balance at beginning of the financial year	20,172	15,367
Additions	4,325	6,212
R&D tax incentive on exploration asset off-set	(339)	(806)
Government Grant off-set	(697)	(601)
<b>Balance at end of the financial year</b>	<b>23,461</b>	<b>20,172</b>

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 Consolidated Entity operates the BHCP as a wholly owned operation.

## 14 Trade and other payables – current

	2021 \$'000	2020 \$'000
Trade payables	432	439
Other creditors and accruals	315	425
Shares subscription monies in advance	704	–
	<b>1,451</b>	<b>864</b>

## Notes to Financial Statements continued

### 15 Provisions – current

	2021	2020
	\$'000	\$'000
Employee benefits	310	150
Provision for rehabilitation	–	13
	<b>310</b>	<b>163</b>

### 16 Provisions – non-current

	2021	2020
	\$'000	\$'000
Provision for rehabilitation	13	–
Make good provision	24	24
	<b>37</b>	<b>24</b>

### 17 Leases

	2021	2020
	\$'000	\$'000

(i) Amounts recognised in the statement of financial position

#### Right of use assets

Office and Factory Properties	413	663
Residential Properties	39	45
Office equipment	3	2
	<b>455</b>	<b>710</b>

2021 additions to leased assets: \$29,000 (2020: \$427,000).

	2021	2020
	\$'000	\$'000
<b>Lease Liabilities</b>		
Current	259	246
Non-current	262	559
	<b>521</b>	<b>805</b>

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

Depreciation charge of leased office and factory properties	250	170
Depreciation charge of leased residential properties	31	37
Depreciation of leased office equipment	2	2
	<b>283</b>	<b>209</b>
Interest expense	18	30

The lease terms are industry standard for the assets involved.

## 18 Borrowings

	2021 \$'000	2020 \$'000
<b>Current</b>		
Face value of convertible notes issued		1,000
Other equity securities – value of conversion rights	–	(205)
	–	<b>795</b>
Accrued interest	–	54
<b>Total current liability</b>	<b>–</b>	<b>849</b>
<b>Non-current</b>		
Fair value of promissory note issued	1,685	1,685
Accrued interest	353	87
<b>Non-current liability</b>	<b>2,038</b>	<b>1,772</b>

During the prior financial 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, ARR's, 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. During the year the Consolidated Entity received a conversion notice from ARR, and on 19 January 2021 the Company issued 5,000,000 new fully paid ordinary shares to ARR on the conversion of its \$1 million three-year Convertible Note at a deemed issue price of \$0.20 per share. These shares were issued in accordance with the Convertible Note Deed between the Company, its wholly owned subsidiary, Broken Hill Cobalt Project Pty Ltd and ARR.

During the prior financial year, the Consolidated Entity also issued to ARR, 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

Fully paid ordinary shares	2021		2020	
	Number	\$'000	Number	\$'000
<b>Balance at beginning of the financial year</b>	159,941,100	26,377	149,902,520	25,013
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
Share issued to American Rare Earths Limited (ARR) as part of acquisition of Broken Hill Cobalt Project	–	–	9,000,000	1,215
Share placement at \$0.095 per share	39,840,538	3,785	–	–
Shares purchase plan issue at \$0.095 per share	37,658,772	3,577	–	–
Shares issued to Non-Executive Directors in lieu of Directors' fees at \$0.096 per share (see Note 25)	624,999	60	–	–
Shares issued to CEO and Executive Director at \$0.102 per share (see Note 25)	1,348,039	138	–	–
Shares issued to staff and contractors at \$0.098 per share	3,808,399	373	–	–
Share issued to ARR on conversion of convertible note	5,000,000	1,059	–	–
Shares issued to services consultant at deemed price of \$0.18 per share	275,000	50	–	–
Share placement at \$0.30 per share	25,900,000	7,770	–	–
Capital raising costs	–	(655)	–	–
<b>Balance at end of the financial year</b>	<b>274,396,847</b>	<b>42,534</b>	<b>159,941,100</b>	<b>26,377</b>
Unescrowed, listed on ASX	274,396,847		159,941,100	
Escrowed	–		–	
<b>Total</b>	<b>274,396,847</b>		<b>159,941,100</b>	

## Notes to Financial Statements continued

### 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 \$	2021		2020	
		Number	\$'000	Number	\$'000
<b>Balance at beginning of the financial year</b>	\$0.25	5,592,500	889	29,547,900	829
Director Options issued for nil consideration	\$0.25	–	–	–	24
Options issued to employees under Employee Share Option Plan	\$0.30	–	4	–	16
Options issued to contractors under Employee Share Option Plan	\$0.30	–	3	–	20
Expired during the financial year	\$0.25	–	–	(23,955,400)	–
Options issued to employees/ contractors under Employee Share Option Plan	\$0.14	3,030,000	34	–	–
Options issued to contractors	\$0.14	150,000	3	–	–
Options issued attaching to Tranche one ordinary shares issued	\$0.45	12,950,000	–	–	–
<b>Balance at the end of the financial year</b>		<b>21,722,500</b>	<b>933</b>	<b>5,592,500</b>	<b>889</b>
Options quoted on ASX		–	–	–	–
Options not quoted on ASX		21,722,500	–	5,592,500	–
<b>Total</b>		<b>21,722,500</b>		<b>5,592,500</b>	

### Terms and Conditions of Options

Options 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

	2021 \$'000	2020 \$'000
Share based payments reserve	933	889
<b>Movement in reserve</b>		
Balance at beginning of the financial year	889	829
Share based payments	44	60
<b>Balance at end of the financial year</b>	<b>933</b>	<b>889</b>

## 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:

	2021	2020
Options outstanding at the beginning of the financial year	5,592,500	15,342,500
Options granted	16,130,000	–
Options lapsed during period	–	(9,750,000)
Options outstanding at the end of the financial year	21,722,500	5,592,500
Total expense or asset recognised from share-based payments*	\$43,680	\$55,893

\* \$31,998 of this amount was capitalised to Exploration and Evaluation Assets (2020: \$15,916).

Set out below are summaries of options granted during the current or prior years.

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
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
28/09/2020	24/08/2023	\$0.14*	D	–	1,380,000	–	–	1,380,000
28/09/2020	24/08/2023	\$0.14*	E	–	1,650,000	–	–	1,650,000
28/09/2020	24/08/2023	\$0.14*	A	–	150,000	–	–	150,000
22/06/2021	15/08/2022	\$0.45	A	–	12,950,000	–	–	12,950,000

Vesting conditions are summarised below:

- Vest immediately
- Subject to continuous service and satisfactory performance, 50% vest on 21/12/2019, with the remainder vesting on 21/12/2020.
- 50% vested on 1/04/2019, with the remainder vesting on 21/12/2019.
- Subject to satisfactory performance, 50% vest on 24/08/2021; with the remainder vesting on 24/08/2022.
- 650,000 options vest subject to (i) the achievement of milestones related to the production of agreed on-spec mixed hydroxide/cobalt sulphate quantity by 30 June 2021 by 30 June 2021, or such later date as reasonably determined by the Board due to events outside of control of the option holder and (ii) 1,000,000 options vest subject to the Company securing project equity co-investment from a third party by 30 December 2021 or (ii) the Company completes Pilot Plant/ Demonstration Plant activities by 31 March 2022 or processing of ore not originating from the BHCP through a Pilot Plant/Demonstration Plant) by 31 March 2022, on a basis satisfactory to the Board. Vesting is also subject to continued employment. The Company reserves its rights to waive the above conditions in its absolute discretion.

\* *Cashless Option Exercise*

On 2 August 2021, Shareholders approved at a general meeting of shareholders, an amendment to the option terms to provide that an option holder may elect (with 2 business days' notice prior to the option expiry date) to pay the exercise price by using a cashless exercise facility. If the option holder elects to use the cashless exercise facility, the option holder will only be entitled to that number of shares as are equal in value to the difference between the exercise price otherwise payable for the options and the market value of the shares. The market value will be based on the weighted average price of the Company's shares on ASX over the 5 business days prior to the option expiry date.

For the options granted during 2021 and prior financial years a Black-Scholes pricing model was used to value the options.

## Notes to Financial Statements continued

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
28/09/2020	24/08/2023	\$0.095	\$0.14	49%	–%	0.23%	\$0.02
22/06/2021 <sup>1</sup>	15/08/2022		\$0.45				

<sup>1</sup> These options were issued for nil consideration as part of the Tranche One Share Placement.

The Company's historical volatility was used to estimate expected volatility for options granted during the 2021 financial year. For options granted during the 2019 financial year the historical volatility of a basket of similar entities was used to estimate expected volatility.

## 22 Capital and other Expenditure Commitments

	2021 \$'000	2020 \$'000
Not longer than 1 year	638	100
Longer than 1 year and not longer than 5 years	1,255	128
	<b>1,893</b>	<b>228</b>

## 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.

	Carrying amount \$'000	Contractual cash flows			Total \$'000
		1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	
<b>30 June 2021</b>					
<i>Non-derivatives</i>					
Trade payables	432	432	–	–	432
Other creditors and accruals	1,019	1,019	–	–	1,019
Lease liabilities	521	305	131	104	540
Borrowings	2,038	–	–	2,038	2,038
<b>Total</b>	<b>4,010</b>	<b>1,756</b>	<b>131</b>	<b>2,142</b>	<b>4,029</b>

	Carrying amount \$'000	Contractual cash flows			Total \$'000
		1 year or less	Between 1 and 2 years	Between 2 and 5 years	
		\$'000	\$'000	\$'000	
<b>30 June 2020</b>					
<i>Non-derivatives</i>					
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
<b>Total</b>	<b>4,290</b>	<b>2,296</b>	<b>408</b>	<b>2,376</b>	<b>5,080</b>

### 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 \$'000	Fixed interest maturing		Non-interest bearing \$'000	Total \$'000
				1 year or less	1 year to 5 years		
				\$'000	\$'000		
<b>30 June 2021</b>							
<b>Financial Assets</b>							
Cash & cash equivalents	8	0.07%	1,765	–	–	7,674	9,439
Receivables	9	n/a	–	–	–	488	488
Security Deposits		0.07%	98	–	–	78	176
<b>Total financial assets</b>			<b>1,863</b>	<b>–</b>	<b>–</b>	<b>8,240</b>	<b>10,103</b>
<b>Financial Liabilities</b>							
Trade and other creditors	14	n/a	–	–	–	1,451	1,451
Lease Liabilities	17	12%	–	305	235	–	540
Borrowings	18	6%	–	–	2,038	–	2,038
<b>Total financial liabilities</b>			<b>–</b>	<b>–</b>	<b>2,038</b>	<b>1,972</b>	<b>4,029</b>
<b>Net Financial Assets</b>							<b>6,074</b>

## Notes to Financial Statements continued

	Note	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing		Non-interest bearing \$'000	Total \$'000
				1 year or less \$'000	1 year to 5 years \$'000		
<b>30 June 2020</b>							
<b>Financial Assets</b>							
Cash & cash equivalents	8	0.71%	1,944	–	–	113	2,057
Receivables	9	n/a	–	–	–	148	148
Security Deposits		0.77%	–	110	–	46	156
<b>Total financial assets</b>			<b>1,944</b>	<b>110</b>	<b>–</b>	<b>307</b>	<b>2,361</b>
<b>Financial Liabilities</b>							
Trade and other creditors	14	n/a	–	–	–	864	864
Lease liabilities	17	12%	–	372	620	–	992
Borrowings	18	6%	–	1,060	1,561	–	2,621
<b>Total financial liabilities</b>			<b>–</b>	<b>1,060</b>	<b>1,561</b>	<b>1,669</b>	<b>4,477</b>
<b>Net Financial Assets</b>							<b>(2,116)</b>

### 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:

	2021 \$	2020 \$
Increase in interest rate by 2%	141	292
Decrease interest rate by 2%	(141)	(292)

## 24 Cash Flow Information

	2021 \$'000	2020 \$'000
<b>(a) Reconciliation of loss after income tax to net cash inflow/(outflow) from operating activities</b>		
Loss after income tax	(2,680)	(2,384)
Adjustments for:		
Depreciation	244	282
Issue of options	12	40
Issue of shares	255	–
Change in assets and liabilities:		
Increase/ (Decrease) in employee entitlements	114	(54)
(Increase)/ Decrease in other receivables	146	87
(Increase)/ Decrease in other assets	(15)	(16)
Increase/ (Decrease) in payables – operating	(186)	192
<b>Net cashflows used in operating activities</b>	<b>(2,110)</b>	<b>(1,853)</b>

(b) Non-Cash financing and investing activities

	2021	2020
	\$'000	\$'000
Acquisition of right of use assets by means of leases (note 17)	29	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
Conversion of Convertible Notes to Share Capital (note 19)	1,000	–
Share based payments in exploration and evaluation assets	32	16
	<b>1,061</b>	<b>4,343</b>

## 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

	2021	2020
	\$	\$
Short Term Benefits (Salaries, fees and bonuses)	1,069,585	899,757
Post-Employment Benefits (Superannuation)	52,602	50,956
Equity Settled Share Based Payments	212,193	197,699
	<b>1,334,380</b>	<b>1,148,412</b>

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:

During the half-year, the Company issued 624,999 fully paid ordinary shares to Non-Executive Directors for \$20,000 of their Directors' Fees for the year ending 30 June 2021. The Company also issued 1,348,039 fully ordinary shares to the CEO and Executive Director in relation to a 'make up' for the reduction in salary during the COVID-pandemic period and his short-term incentive bonus for the year ending 30 June 2020. Shareholders approved the proposed issue of these shares at the 2020 Annual General Meeting.

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

## 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.

## Notes to Financial Statements continued

### 27 Parent Entity Information

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

	Parent	
	2021 \$'000	2020 \$'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Profit/(Loss) after income tax	(2,658)	(2,217)
<b>Total comprehensive income/(loss)</b>	<b>(2,658)</b>	<b>(2,217)</b>
<b>Statement of Financial Position</b>		
Total current assets	10,021	2,303
Total assets	34,444	20,713
Total current liabilities	1,568	1,165
Total liabilities	1,624	1,436
<b>Equity</b>		
Issued capital	42,533	26,377
Share-based payments reserve	933	889
Accumulated losses	(10,646)	(7,989)
<b>Total Equity</b>	<b>32,820</b>	<b>19,277</b>

### 28 Interest in Subsidiary

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2021 %	2020 %
Broken Hill Cobalt Project Pty Ltd	Australia	100%	100%

### 29 Subsequent Events

On 6 August 2021 the Company issued 24,100,000 new fully paid ordinary shares at \$0.30 per share and 12,050,000 free attaching unquoted options (Exercise Price: \$0.45 per option, Expiry Date 15 August 2022) under the second tranche of its two-tranche placement originally announced to shareholders on 15 June 2021.

The proceeds from the issue of new shares will be used for the BHCP, including for construction and commissioning of the Demonstration Plant, for engineering and technical studies towards the Feasibility Study, to advance BHCP permits and approvals and for working capital and other general corporate purposes.

Refer to Note 1(y) for a discussion of the ongoing impact of COVID-19.

No other matter or circumstance has arisen since 30 June 2021 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

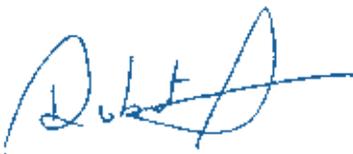
**In the directors' opinion:**

- (a) the financial statements and notes set out on pages 35 to 58 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 2021 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 28 September 2021



# Independent Auditor's Report



**Nexia Sydney Audit Pty Ltd**  
Level 16, 1 Market Street  
Sydney NSW 2000  
PO Box H195  
Australia Square NSW 1215  
p +61 2 9251 4600  
f +61 2 9251 7138  
e [info@nexiasydney.com.au](mailto:info@nexiasydney.com.au)  
w [nexia.com.au](http://nexia.com.au)

## 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 2021, 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 2021 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.

## Independent Auditor's Report continued

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
<p><b>Exploration and evaluation expenditure</b></p> <p><b><i>Refer to note 13 (Exploration and Evaluation Expenditure), note 11 (Property, Plant and Equipment) and Note 4 (Interest Expense)</i></b></p> <p>At 30 June 2021, the Group has capitalised exploration assets of \$23.461m and within property, plant and equipment has capitalised pilot plant with a carrying value of \$2.686m. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 1(j), in respect of plant and equipment at note 1(h) and in respect of borrowing costs at note 1(v).</p> <p>This is a key audit matter because the carrying value of the above assets are highly material to the financial statements. After acquisition of the remaining ownership interests in the Broken Hill Cobalt Project in FY2020, significant further amounts have been capitalised to the project in FY2021, which has heightened the risk of classification errors between property, plant and equipment and exploration and evaluation assets. Judgement has also been applied in determining whether an indicator of impairment exists in relation to capitalised expenditure assets in accordance with Australian Accounting Standard <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ We performed substantive procedures to: <ul style="list-style-type: none"> <li>i) test a sample of additions of capitalised exploration expenditure and pilot plant asset to supporting documentation.</li> <li>ii) verify the accuracy and classification of those tested samples of expenditure capitalised during the year as either intangible exploration and evaluation expenditure asset or tangible pilot plant asset classified under plant and equipment; and</li> <li>iii) ensure recognition criteria under <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i> have been met.</li> </ul> </li> <li>▪ 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 accordance with <i>AASB 120 Government Grants</i>.</li> <li>▪ In assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with <i>AASB 6 – Exploration for and Evaluation of Mineral Resources</i>, we: <ul style="list-style-type: none"> <li>i) reviewed the minutes of the Group's board meetings, market announcements and management assessment;</li> <li>ii) tested the significant inputs in the Group's cash flow forecasts for consistency with their future planned activity regarding the exploration assets; and</li> <li>iii) discussed with management the Group's ability and intention to undertake further exploration and evaluation activities.</li> </ul> </li> </ul>

### **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 2021, 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](http://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf). This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 24 to 29 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Cobalt Blue Holdings Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

## Independent Auditor's Report continued

### Responsibilities

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



**Nexia Sydney Audit Pty Ltd**



**Stephen Fisher**

Director

Dated: 28 September 2021





# Additional Information

The shareholder information set out below was applicable as at 17 August 2021.

## 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	314	169,195	0.06
1,001–5,000	1,800	4,967,230	1.66
5,001–10,000	822	6,517,315	2.18
10,001–100,000	1,739	60,495,591	20.27
100,001 Over	423	226,347,516	75.83
<b>Total</b>	<b>5,098</b>	<b>298,496,847</b>	<b>100.00</b>

As at 17 August 2021, there were 811 holders of less than a marketable parcel of ordinary shares based on the Company's share price at that date (26 cents). Under the ASX Listing Rules, a marketable parcel means a parcel of securities with a value of not less than \$500.

## Additional Information continued

### 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	19,505,663	6.53
2	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,624,674	2.89
3	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	7,082,910	2.37
4	AMERICAN RARE EARTHS LTD	6,000,448	2.01
5	HILL FAMILY GROUP PTY LTD	5,900,000	1.98
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,442,626	1.82
7	PEARCE FINANCIAL SERVICES PTY LTD <TOM PEARCE SUPERFUND A/C>	5,000,000	1.68
8	MRS KATIE ELIZABETH REECE	3,875,000	1.30
9	MR JOSEF THOMAS KADERAVEK + MRS ARIANE LOUISE KADERAVEK <KADERAVEK FAMILY A/C>	3,873,279	1.30
10	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	3,777,388	1.27
11	MRS KIM SORENSEN <SORENSEN FAMILY A/C>	3,424,809	1.15
12	MR ROBERT THOMAS VIRGONA	3,035,644	1.02
13	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	2,998,848	1.00
14	SEAHORSE CHAMBERS ENTERPRISES PTY LTD <SEAHORSE FAMILY A/C>	2,952,631	0.99
15	ZACOB PTY LTD <R&L BIANCARDI SUPER FUND A/C>	2,585,540	0.87
16	MR JOSEF THOMAS KADERAVEK + MRS ARIANE LOUISE KADERAVEK <KADERAVEK SUPERFUND A/C>	2,569,866	0.86
17	COONAN FAMILY SUPERANNUATION FUND PTY LTD <COONAN FAMILY S/F A/C>	2,500,000	0.84
18	RASK PTY LTD <GRANGER SUPER FUND A/C>	2,500,000	0.84
19	SOON ENTERPRISES PTY LTD <LOH FAMILY SUPER FUND A/C>	2,426,963	0.81
20	MR PETER JOHN BRUNTON	2,252,923	0.75
<b>Total</b>		<b>96,329,212</b>	<b>32.27</b>

### C. Unquoted Options

There are 245 holders of unquoted options. The 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
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
7 participants under Employee Option Plan	3,030,000	\$0.14	24 August 2023
Warinco Services Pty Ltd	100,000	\$0.14	24 August 2023
Alice Jo Waring	50,000	\$0.14	24 August 2023
CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	7,087,297	\$0.45	15 August 2022
222 other holders, each holding less than 20% of options in class	17,912,703	\$0.45	15 August 2022
<b>Total</b>	<b>33,022,500</b>		

### 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
Nil	–	–

### 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 2021 is available for members to download and access from <https://www.cobaltblueholdings.com/resources/>.



# Corporate Directory

## REGISTERED OFFICE

Suite 17.03  
Level 17, 100 Miller St  
North Sydney NSW 2060  
Telephone: +61 2 8287 0660

## DIRECTORS

<i>Name</i>	<i>Position</i>
Robert Biancardi	Chairman, Independent
Hugh Keller	Non-Executive Director, Independent
Robert McDonald	Non-Executive Director, Independent
Joe Kaderavek	Chief Executive Officer

## COMPANY SECRETARIES

Danny Morgan  
Grahame Clegg

## AUDITOR

**Nexia Sydney Audit Pty Limited**  
Level 16, 1 Market Street  
Sydney NSW 2000 Australia

## SHARE REGISTRY

**Computershare Investor Services Pty Limited**  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Telephone: +61 2 8234 5000



**Cobalt**Blue

Cobalt Blue Holdings Limited  
(ABN 90 614 466 607)