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**COBALT BLUE HOLDINGS LIMITED**

**ACN 614 466 607**

**HALF YEAR**

**FINANCIAL REPORT**

**31 DECEMBER 2019**

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# Directors' Report

The directors present their report together with the financial report of the Consolidated Entity consisting of Cobalt Blue Holdings Limited ('the Company') and the entities it controlled (referred to hereafter as the 'COB Group' or 'Consolidated Entity') for the half-year ended 31 December 2019.

## Directors

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

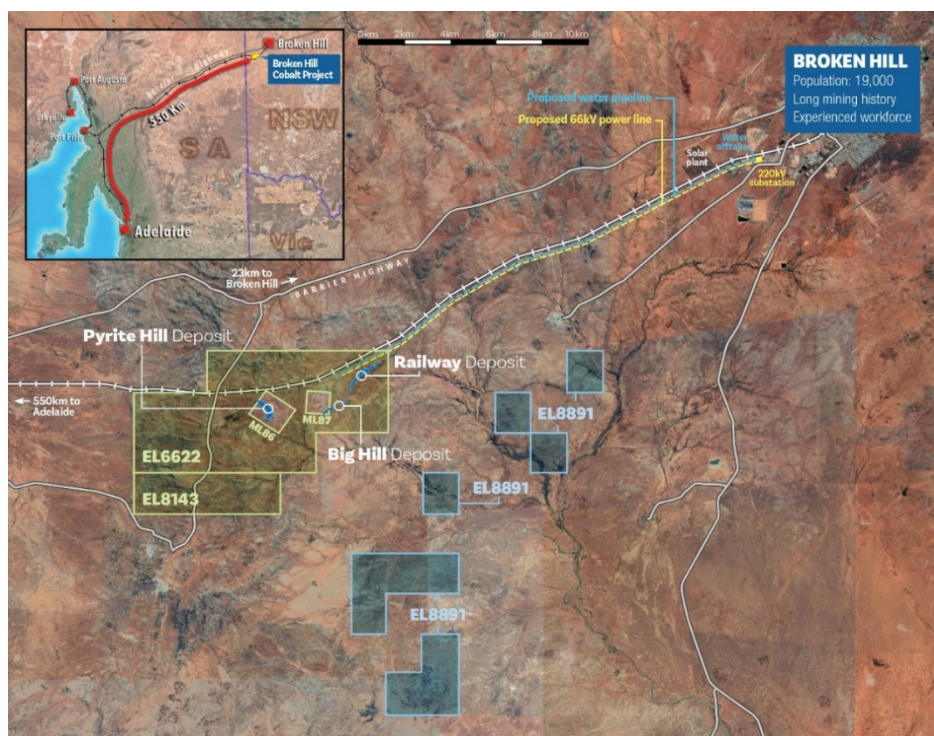
- R Biancardi** (Chairman)
- H Keller** (Independent Non-Executive Director)
- R McDonald** (Independent Non-Executive Director)
- J Kaderavek** (Chief Executive Officer & Executive Director)

## Review of operations

The COB Group's focus during the half-year remained the ongoing development of the Broken Hill Cobalt Project, Broken Hill, NSW.

COB strengthened its Broken Hill exploration footprint in August 2019 by acquiring a 100% interest and legal ownership of Exploration Licence 8891 (EL 8891) for 'group 1 minerals', inclusive of cobalt and sulphur. The tenement comprises approximately 32 km<sup>2</sup>. The tenement significantly enhanced the COB Group's existing exploration footprint with tenure now covering approximately 93 km<sup>2</sup>. Initial activities for EL 8891 are proposed to refine targeting through historical data compilation, geological mapping, geochemical sampling and applied geophysics.

Figure 1. Broken Hill District Map



On 4 December 2019 COB announced that the Independent Expert had confirmed COB had a 70% interest in the Broken Hill Cobalt Project. COB also announced that it had executed a binding Heads of Agreement with Broken Hill Prospecting Limited ('BPL') to acquire 100% ownership and legal title of the Broken Hill Cobalt Project (including all tenements).

On 17 January 2020 COB, its wholly owned subsidiary, Broken Hill Cobalt Project Pty Ltd ('BHCP') and BPL executed final agreements for the assignment of BPL's interests (including legal title). The consideration for the assignment was:

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

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

During the half-year, COB announced its intention to build a metallurgical testing centre in Broken Hill. This will include a Demonstration Plant in support of the Broken Hill Cobalt Project. The plant will provide reliable testwork data for incorporation into the upcoming Feasibility Study in 2021 and will be focused on testing the COB Group patented minerals processing technology to produce cobalt sulphate from pyrite samples. Design, engineering and procurement works associated with the proposed Demonstration Plant were carried out during the half-year.

In addition to testing samples for the Broken Hill Cobalt Project, COB intends to make the Demonstration Plant facilities available for the evaluation of the technology for application to other projects. This work will be conducted under the COB Partnerships framework. Initially, COB will use the existing 90 tonnes of samples stored from previous drilling campaigns to commission the plant. This step is expected to be completed in mid-2020. COB then intends to treat up to 4,000 tonnes of sample through the plant.

COB continued work on the approvals process for the Broken Hill Cobalt Project during the half-year. This included presenting the 'Conceptual Project Development Plan' (CPDP) for the project to the NSW Department of Planning, Infrastructure and Environment (Division of Resources and Geoscience) (DPIE) during December 2019. The purpose of the CPDP is to demonstrate that a project is a responsible and sustainable mining proposal that can develop the mineral resources of NSW in a sound manner. The presentation included detailed information on COB and the Broken Hill Cobalt Project including Deposit geology, Mineral Resource and Ore Reserve, Mining methods and optimisation, Geotechnical stability, Mineral Processing flowsheet, Project Economics, Environmental Issues, Stakeholder consultation and Assessment timeframes.

COB has successfully developed a processing technology for recovering cobalt from pyrite at the Broken Hill Cobalt Project. Other companies are approaching us to evaluate applying our processing technology to their projects. During the half-year, COB entered testwork co-operation agreements with Global Energy Metals Corporation (TSXV: GEMC) for its Millennium Cobalt Project in Queensland and Oz Minerals Limited (ASX: OZL) for its Carrapateena copper-gold project in South Australia.

During the half-year, COB applied for a grant under the Australian Government's Co-operative Research Centre (CRC) Projects Program for applied research and development of the processing of cobalt-pyrite ore to generate battery ready cobalt sulphate over the next three years. In February 2020, COB was awarded a \$2,400,000 grant, of which COB will receive \$1,570,000 for the development and operation of its planned Demonstration Plant, with the remainder being allocated to the University of New South Wales and the Australian Nuclear Science and Technology Organisation for applied research on the pyrolysis stage of the metallurgical process. The grant will be paid in stages, over the life of the program, subject to satisfactory progress on the program.

## Review of results of operations

The net loss of the Consolidated Entity for the half-year was \$1,315,806, in-line with the loss for the corresponding prior half-year (2018: \$1,312,792).

The continuing development of the Broken Hill Cobalt Project resulted in \$1,004,612 of expenditure being capitalised as an exploration and evaluation asset during the half-year. This was a significant reduction from the corresponding prior half-year (2018: \$5,032,732), which included expenditure on the extensive 2018 drilling program.

The Consolidated Entity's expenditure was financed from existing cash reserves.

During the half-year, the Company issued 538,580 fully paid ordinary shares to Non-Executive Directors for 50% of their Director Fees' for the year ending 30 June 2020 and a further 500,000 shares to the CEO and Executive Director in relation to his short-term incentive bonus. Shareholders approved the proposed issue of these shares at the 2019 Annual General Meeting.

The Consolidated Entity's net assets decreased during the half-year by \$1,114,827, which primarily reflects the current half-year loss.

## Auditor's Independence Declaration

The Company has received the Auditor's Declaration of Independence as required by section 307C of the Corporations Act 2001 and is set out on page 6 of this report.

Signed in accordance with a resolution of the Directors.



**Robert Biancardi**  
Chairman  
9 March 2020

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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 review of the financial statements of Cobalt Blue Holdings Limited for the half year ended 31 December 2019, 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 review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely

**Nexia Sydney Audit Pty Limited**



**Stephen Fisher  
Director**

Date: 9 March 2020

**Nexia Sydney Audit Pty Ltd**

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Notes	Consolidated	
		31 December 2019 \$	31 December 2018 \$
<b>Revenues from ordinary activities</b>			
Revenue	3	36,256	54,616
<b>Expenses from ordinary activities</b>			
ASX and registry fees		(45,756)	(79,198)
Administrative expenses		(88,610)	(107,855)
Corporate costs		(282,266)	(285,185)
Depreciation and amortisation expenses		(128,568)	(105,612)
Employee benefits expenses		(546,797)	(476,400)
Interest expense		(16,672)	(21,982)
Legal and professional costs		(243,393)	(291,176)
<b>Loss before tax</b>		<b>(1,315,806)</b>	<b>(1,312,792)</b>
Income tax expense		-	-
<b>Loss from continuing operations</b>		<b>(1,315,806)</b>	<b>(1,312,792)</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,315,806)</b>	<b>(1,312,792)</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings/(loss) per share		(0.9c)	(1.1c)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	Notes	Consolidated 31 December 2019 \$	30 June 2019 \$
<b>Current Assets</b>			
Cash and cash equivalents		2,431,182	4,741,180
Security deposits		190,000	190,000
Receivables		91,187	46,339
Other assets		192,282	86,379
<b>Total Current Assets</b>		<b>2,904,651</b>	<b>5,063,898</b>
<b>Non-current Assets</b>			
Property, plant and equipment		534,446	647,184
Intangibles		66,476	72,756
Security deposits		183,739	173,739
Exploration and evaluation assets	4	16,371,698	15,367,086
<b>Total Non-current Assets</b>		<b>17,156,359</b>	<b>16,260,765</b>
<b>Total Assets</b>		<b>20,061,010</b>	<b>21,324,663</b>
<b>Current Liabilities</b>			
Trade and other payables	5	464,300	461,975
Provisions	6	85,415	146,844
Lease liabilities		168,563	168,563
<b>Total Current Liabilities</b>		<b>718,278</b>	<b>777,382</b>
<b>Non-current Liabilities</b>			
Provisions		24,115	24,115
Lease liabilities		363,030	452,752
<b>Total Non-current Liabilities</b>		<b>387,145</b>	<b>476,867</b>
<b>Total Liabilities</b>		<b>1,105,423</b>	<b>1,254,249</b>
<b>Net Assets</b>		<b>18,955,587</b>	<b>20,070,414</b>
<b>Equity</b>			
Issued capital	7	25,161,671	25,012,521
Reserves		881,036	829,207
Accumulated losses		(7,087,120)	(5,771,314)
<b>Total Equity</b>		<b>18,955,587</b>	<b>20,070,414</b>

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Ordinary Share Capital	Options Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2018	20,428,609	551,670	(2,861,776)	18,118,503
Total loss for the half-year	-	-	(1,312,792)	(1,312,792)
Issue of ordinary securities	1,712,444	-	-	1,712,444
Share-based payments	-	103,113	-	103,113
Cost of issuing ordinary securities	(61,850)	-	-	(61,850)
<b>Balance at 31 December 2018</b>	<b>22,079,203</b>	<b>654,783</b>	<b>(4,174,568)</b>	<b>18,559,418</b>
Balance at 1 July 2019	25,012,521	829,207	(5,771,314)	20,070,414
Total loss for the half-year	-	-	(1,315,806)	(1,315,806)
Issue of ordinary securities	149,150	-	-	149,150
Share-based payments	-	51,829	-	51,829
<b>Balance at 31 December 2019</b>	<b>25,161,671</b>	<b>881,036</b>	<b>(7,087,120)</b>	<b>18,955,587</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,282,528)	(1,094,021)
Interest received	10,979	62,118
Interest paid on leased assets	(16,672)	(21,982)
Other	1,290	-
<b>Net cash flows (used in) / provided by operating activities</b>	<b>(1,286,931)</b>	<b>(1,053,885)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration expenditure	(915,011)	(3,031,009)
Payments for plant and equipment	(2,289)	(15,510)
Payments for intangible assets	-	(52,550)
<b>Net cash flows (used in) / provided by investing activities</b>	<b>(917,300)</b>	<b>(3,099,069)</b>
<b>Cash flows from financing activities</b>		
Gross proceeds from issue of shares	-	1,712,444
Costs related to issue of shares	-	(61,850)
Payment of lease liabilities	(95,767)	(65,660)
Payment of security deposit	(10,000)	-
<b>Net cash flows (used in) / provided by financing activities</b>	<b>(105,767)</b>	<b>1,584,934</b>
Net increase / (decrease) in cash held	(2,309,998)	(2,568,020)
Cash at beginning of the half-year	4,741,180	9,799,566
<b>Cash at end of the half-year</b>	<b>2,431,182</b>	<b>7,231,546</b>

*The consolidated 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 half-year financial statements cover the Cobalt Blue Holdings Limited group as a Consolidated Entity consisting of Cobalt Blue Holdings Limited ('the Company') and its subsidiaries ('the Consolidated Entity').

### Basis of preparation

The interim financial report is a general-purpose financial report, prepared in accordance with AASB 134 "Interim Financial Reporting" and the requirements of the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the most recent annual financial report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as were used in the most recent annual financial statements.

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Consolidated Entity's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the Consolidated Entity's presentation of, or disclosure in, its half-year financial statements.

### Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. For the half-year ended 31 December 2019 the Consolidated Entity reported a loss of \$1,315,806 (31 December 2018: loss of \$1,312,792); net cash outflow from operating activities of \$1,286,931 (31 December 2018: outflow \$1,053,885) and net cash outflow from investing activities of \$917,300 (31 December 2018: outflow \$3,099,069). As at 31 December 2019, the Consolidated Entity had a working capital surplus of \$2,186,373 (31 December 2018: surplus \$4,673,569) and cash of \$2,431,182 (30 June 2019: \$4,741,180).

The Consolidated Entity will require further funding during the next 12 months to meet day to day obligations as they fall due and to progress the Broken Hill Cobalt Project. The Directors are satisfied that at the date of signing the financial report, there are reasonable grounds to believe that the Consolidated Entity will be able to meet its debts as and when they fall due and that it is appropriate for the financial report to be prepared on a going concern basis.

The Directors plan to raise additional capital during the next 12 months. The Directors believe that future funding will be available to meet the Consolidated Entity's objectives and debts as and when they fall due.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

## 2 Segment

The Consolidated Entity is organised into one operating segment being the exploration and evaluation of cobalt resources predominantly in the Broken Hill region of New South Wales, Australia.

## 3 Revenue from operating activities

	31 December 2019 \$	31 December 2018 \$
Interest received	10,685	54,366
Contract Revenue	10,571	-
Other Revenue	15,000	250
	<b>36,256</b>	<b>54,616</b>

## 4 Exploration and evaluation assets

Recoverability of the carrying amount of \$16,371,698 of the exploration and evaluation assets is dependent on the successful development of the Broken Hill Cobalt Project. The increase in the carrying amount of \$1,004,612 during the half-year reflects continued expenditure on activities associated with the project.

## 5 Trade and other payables – current

	31 December 2019 \$	30 June 2019 \$
Trade payables	299,120	245,253
Other creditors and accruals	165,180	216,722
	<b>464,300</b>	<b>461,975</b>

**6 Provisions - current**

	31 December 2019 \$	30 June 2019 \$
Employee Benefits	72,613	134,042
Provision for rehabilitation	12,802	12,802
	<b>85,415</b>	<b>146,844</b>

**7 Issued Capital**

Ordinary Shares	Number	\$
<b>Fully paid ordinary shares on issue at 30 June 2019</b>	149,902,520	25,012,521
Shares issued to Non-Executive Directors In lieu of Directors' fees at average \$0.136 per share (see Note 8)	538,580	74,150
Shares issued to CEO and Executive Director at \$0.15 per share (see Note 8)	500,000	75,000
<b>Fully paid ordinary shares on issue at 31 December 2019</b>	<b>150,941,100</b>	<b>25,161,671</b>
<b>Options</b>	<b>Number</b>	
<b>Options issued at 30 June 2019</b>	29,547,900	
<b>Options issued at 31 December 2019</b>	<b>29,547,900</b>	

**8 Related Party Transactions**

During the half-year, the Company issued 538,580 fully paid ordinary shares to Non-Executive Directors for 50% of their Director Fees' for the year ending 30 June 2020 and a further 500,000 shares to the CEO and Executive Director in relation to his short-term incentive bonus. Shareholders approved the proposed issue of these shares at the 2019 Annual General Meeting.

During the half-year, the Company, incorporated a subsidiary, Broken Hill Cobalt Project Pty Ltd. The subsidiary did not trade during the half-year.

**9 Commitments for expenditure**

At 31 December 2019 exploration expenditure contracted but not yet provided for or payable amounted to \$582,664, of which \$415,664 is payable within 1 year, with the remainder payable within 1-5 years.

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## 10 Subsequent Events

On 17 January 2020 COB and its wholly owned subsidiary, Broken Hill Cobalt Project Pty Ltd ('BHCP'), and Broken Hill Prospecting Limited ('BPL') executed final agreements for the assignment of BPL's interests (including legal title) to BHCP. This resulted in the dissolution of the Thackaringa Joint Venture and once title transfer documents are approved and registered by the NSW Department of Planning & Environment, BHCP will be recognised as the legal title holder of the Broken Hill Cobalt Project tenements.

The consideration for the assignment was:

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

In February 2020, COB was awarded a \$2,400,000 grant under the Australian Government's Co-operative Research Centre program for applied research and development of the processing of cobalt-pyrite ore to generate battery ready cobalt sulphate over the next three years. Of the total grant amount, COB will receive approximately \$1,570,000 for the development and operation of its Demonstration Plant with the remainder being allocated to the University of New South Wales and the Australian Nuclear Science and Technology Organisation for applied research on the pyrolysis stage of the metallurgical process. The grant will be paid in stages, over the life of the program, subject to satisfactory progress on the program.

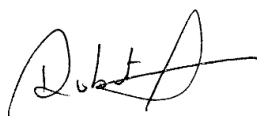
No other matter or circumstance has arisen since the end of the reporting period which significantly affected or could significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

# Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 14 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 31 December 2019 and of its performance for the half-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.

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



**Robert Biancardi**

Chairman

9 March 2020

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cobalt Blue Holdings Limited and the entities controlled by it during the period (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Cobalt Blue Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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## Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 has been given to the directors of Cobalt Blue Holdings Limited.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cobalt Blue Holdings Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the interim financial statements, which discloses that during the half-year period ended 31 December 2019 the Group incurred a net loss of \$1,315,806 and net cash outflows from operating and investing activities of \$1,286,931 and \$917,300 respectively. As stated in Note 1, the Group will require to raise funds within the next 12 months to meet the day to day activities of the Group and to progress the Broken Hill Cobalt Project. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

## Nexia Sydney Audit Pty Ltd



### Stephen Fisher

Director

Sydney, 9 March 2020