EUROPEANCOBALT

ABN: 63 144 079 667

& CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2017

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Tolga Kumova
Robert Jewson
Ariel (Eddie) King
Don Carroll

SECRETARY

David Palumbo

REGISTERED OFFICE

Level 11
216 St Georges Terrace
Perth WA 6000

Ph: +61 8 9481 0389
Fax: +61 8 9463 6103

Website: www.europeancobalt.com

AUDITORS

Bentleys
Level 3
216 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009

Ph: +61 8 9389 8033
Fax: +61 8 9262 3723

STOCK EXCHANGE

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: EUC

CHAIRMAN'S LETTER

Dear Shareholders

On behalf of the Board of European Cobalt Ltd ("EUC" or "the Company"), I present to you the Annual Report for the year ending 30 June 2017.

Over the last six years I have been completely focussed on finding solutions to the incredible problem which is only beginning to emerge. This problem is of such a magnitude that I believe very few analysts have been able to place their reputations on correctly and publicly identifying its magnitude.

The impending issue is ensuring the lithium ion battery / electric vehicle industry has the confidence in their raw material supply chain. The confidence will be driven around their need for mitigating various risks in their complicated supply chain. It is companies like ours and investors like yourselves who are tasked with providing these solutions. Only with us working together will these lithium ion battery and electric vehicle producers have the confidence to make the significant investments required to propel this change.

In previous role I spent an incredible amount of time with lithium ion battery scientists and supply chain managers for lithium ion battery and electric vehicle producers. In those meetings I was focussed on the anode of the battery which I feel now has a major solution. However, with the cathode and cobalt in particular there is still a significant issue with availability of supply and various other associated risks surrounding the supply chain.

In becoming a part of the solution, European Cobalt announced the acquisition of the Dobsina Cobalt-Nickel-Copper Sulphide Mine on the 27th of February 2017. This represented our first step of a dramatic transformation of the Company into a European focussed cobalt explorer striving to acquire and develop cobalt projects throughout Europe. The 100% acquisition of the Dobsina Project was completed on the 22nd of May 2017.

The Dobsina mine is a historical producer of nickel and cobalt. The mine producing 430,000 tonnes of hand sorted ore. The initial focus of the Zemberg vein system which had an average production of 4% cobalt and 16% nickel. The work completed to date has led us to identify that very limited stoping has occurred between the adit levels which represents a considerable target.

The team has identified 25 kilometres of strike length throughout our expanding tenement package which we will evaluate through modern exploration activities. In addition to Dobsina, the Company will evaluate and acquire additional cobalt focussed projects as and when we see value for our shareholders and our customers.

I believe Robert Jewson is a highly talented Managing Director who will lead the fantastic team he has built around himself to provide a solution for our customers whilst generating rewards for all who support us on this mission.

I would like to take this moment to thank all stakeholders surrounding the Company and more specifically the Slovakian mines department for all of their assistance over the past year.

Your Chairman

Tolga Kumova

DIRECTORS' REPORT

Your Directors present their report on European Cobalt Ltd (formerly Western Mining Network Limited) and its controlled entities (referred hereafter as "the Company") for the financial year ended 30 June 2017.

Directors

The names of the Directors of the Company in office during the financial year and up to the date of this report are:

- Tolga Kumova (Non-Executive Chairman) – Appointed 29 May 2017
- Robert Jewson (Managing Director) – Appointed 29 May 2017
- Eddie King (Non-Executive Director) – Appointed 4 October 2016
- Don Carroll (Non-Executive Director) – Appointed 7 September 2016
- Nathan Taylor (Former Non-Executive Director) – Resigned 29 May 2017
- Budi Santoso (Former Non-Executive Director) – Resigned 4 October 2016
- Andrew Houtas (Former Non-Executive Director) – Resigned 4 October 2016

Unless noted above, all directors have been in office since the start of the financial year to the date of this report.

Company Secretary

The following persons held the position of company secretary during the financial year:
- David Palumbo

Details of the company secretaries' experience are set out below under 'Information on Directors'.

Principal Activities

The principal activities of the Company during the year was the acquisition, exploration and evaluation of resource based projects.

Operating Results

Loss after income tax for the financial year was $19,801,271 (2016: $6,304,225).

Financial Position

The net assets/(liabilities) of the Company at 30 June 2017 are $2,864,257 (2016: net liabilities of $241,623). The Company's working capital, being current assets less current liabilities is $2,815,508 at 30 June 2017 (2016: deficit of $241,623).

Dividends Paid or Recommended

No dividends were paid during the year and no recommendation is made as to dividends.

Significant Changes in State of Affairs

Other than those disclosed in this annual report, there were no significant changes in the state of affairs of the Company occurred during the financial year.

Review of Operations

Dobsina Project

On 27 February 2017, the Company secured an exclusive Option to acquire 100% of NiCo Minerals Pty Ltd and its 100% wholly owned subsidiary CE Metals s.r.o, owner of 100% of the Dobsina Licence (License number 2466/2017-5.3). The Company issued 18,333,334 fully paid ordinary shares on 27 February 2017 for the exclusive option.

The Dobsina Project is located in central Slovakia, directly to the north of the small mining town of Dobsina. Excellent infrastructure exists within the vicinity of Dobsina including power, water and proximity to a railhead.

On 27 April 2017, the Company legal and technical due diligence had been completed and that it has elected to exercise the Option to purchase 100% of the Dobsina Project.

On 22 May 2017, shareholders approved the consideration for the Dobsina Project. On 26 May 2017, the Company issued the consideration of 286,666,667 fully paid ordinary shares and 73,333,334 performance shares which will each convert to one ordinary Share upon completion of the following milestones within 5 years:

- Performance Milestone 1: 36,666,667 fully paid ordinary shares upon the delineation of an Inferred Mineral Resource reported in accordance with the JORC Code of at least 500,000 metric tons at a minimum grade of 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code) or 50,000 metric tons of production from the Tenement of cobalt bearing an ore grading of at least 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code).

- Performance Milestone 2: 36,666,667 fully paid ordinary shares upon the delineation of an Inferred Mineral Resource reported in accordance with the JORC Code of at least 1,000,000 metric tons at a minimum grade of 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code) or 100,000 metric tons of production from the Tenement of cobalt bearing an ore grading of at least 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code).

Subsequent to the acquisition of the Dobsina Project, the Company uncovered numerous high grade cobalt-nickel sulphide channel sampling results from the Jormeny Adit (reported on 26/06/2017) including:

- *DZ-325:* *1.0m at 3.52% Co & 4.34% Ni*
- *DZ-338 to 339:* *0.6m at 3.32% Co & 6.72% Ni*
- *DZ-342 to 344:* *2.6m at 1.37% Co & 1.22% Ni*
    - *Including* *0.9m at 3.28% Co & 1.90% Ni*
- *DZ-1074 to 1075:* *1.7m at 2.1% Co & 4.42% Ni*
- *DZ-1079:* *1.7m at 0.63% Co & 3.49% Ni*
- *DZ-1097:* *2.5m at 0.74% Co & 3.23% Ni*
- *DZ-1098:* *2.5m at 0.65% Co & 4.89% Ni*

Jormeny Adit is located towards the eastern extent of the Zemberg Vein System which reported average production grades of 4% Cobalt and 16% Nickel (Rozlozsnika, 1935). The Adit was conducted for the purpose of exploring for the eastern extent of the Zemberg Vein System.

The Jormeny Adit has been developed over a length of 764m, it is1.5m high by 1.5m wide. The Adit was constructed for the purposes of exploring for the eastern extensions to the historical Zemberg Mine Workings and as such is peripheral to the main mine working area. The last documented access to the Adit was in 1992 for the purposes of conducting surveying, geological mapping and channel sampling.

The channel sampling was completed in 1992 and based on the mapping appears to be conducted perpendicular to the mineralisation and as such is true widths.

The results from Jormeny Adit only represents analysis of the first 764m of a total of >110,000m historical Adit development throughout the Dobsina Project.

WA Gold Portfolio

On 1 December 2016, the Company announced the acquisition of a prospective gold portfolio with multiple significant drill intersections in the Eastern Goldfields Province of Western Australia for $60,000. The Company secured the following four Licenses:

- E38/3062, or "Defiance", lies 10km immediately southwest of Laverton, in one of the best endowed gold regions in Australia with over 28 million ounces of gold produced in recent history (the Laverton Tectonic Zone that includes Granny Smith, Sunrise Dam and Wallaby gold deposits);

- E39/1878 and 1879 or "Mt Howe", lies on the southern extensions of the aforementioned Laverton Tectonic Zone, immediately adjacent to the structure that hosts the Granny Smith, Red October and Safari Bore gold deposits; and

- P27/2005 or "Unknown Project" with historic gold workings located just north of Bulong.

During the year, a literature review of the historical exploration activities across the portfolio was conducted. A field based exploration program has been devised to determine the potential of the gold targets identified.

Persada

The Persada tenement expired on 12 August 2016. After extended discussions with the Central Sulawesi Government regarding the renewal application, the Company was advised that it was required to convert the Exploration IUP to a Production IUP in order to maintain tenure. The Company formed a view that this was to be very costly exercise and not in the best interests of shareholders and therefore allowed the Exploration IUP over the Persada tenement to lapse.

Corporate

On 8 July 2016, the Company announced that it had obtained an agreement with a number of sophisticated and professional investors to provide bridging finance for the total amount of $535,584 which comprised a $35,384 placement of 35,584,502 fully paid ordinary shares at an issue price of

$0.001; and $500,000 in convertible loans. The bridging finance was applied to creditor settlements and general working capital purposes.

The Company lodged a prospectus dated 14 July 2016 and a supplementary prospectus dated 28 July 2016 for a renounceable, pro rata offer of fully paid ordinary shares to eligible shareholders at an issue price of $0.001 each on the basis of 8 new shares for every 1 share held. A total of 2,182,516,136 fully paid ordinary shares were issued over the period August to October 2016 to raise approximately $2,182,516 before costs.

On 7 September 2016, Don Carroll was appointed to the Board as a non-executive director. On 4 October 2016, the Company announced the appointment of Eddie King as a non-executive director and the resignation of non-executive directors Andrew Houtas and Budi Santoso. Additionally, Don Carroll was appointed chairman with Nathan Taylor resigning from the role but continuing as a non-executive director for an interim period.

At the Company's AGM on 29 November 2016, Shareholders approved a 1 for 13 consolidation of the Company's securities. Post consolidation trading commenced on 1 December 2016.

Also at the Company's AGM, Shareholders approved the conversion of $500,000 in converting loans plus accrued interest into 39,583,667 ordinary shares and 39,583,667 options exercisable at $0.0195 on or before 12 December 2019. The securities were issued by the Company on 12 December 2016.

On 27 February 2017, the Company issued 84,615,385 fully paid ordinary shares at an issue price of $0.013 per share to raise $1,100,000, to progress the proposed acquisition of the Dobsina Licence, exploration activities across the Company's Western Australian gold portfolio and general working capital purposes.

On 27 February 2017, the Company issued 5,076,923 fully paid ordinary shares in lieu of cash payment for broking fees associated with the $1,100,000 placement.

On 2 March and 8 March 2017, the Company issued 2,692,309 and 9,533,720 fully paid ordinary shares respectively on conversion of $0.0195 options to raise $238,408.

On 26 May 2017, 10,000,000 options exercisable at $0.0624 on or before 26 May 2019 were issued to directors.

On 26 May 2017, 60,000,000 options exercisable at $0.10 on or before 26 May 2021 were issued for total consideration of $6,000 and 30,000,000 options exercisable at $0.15 on or before 26 May 2021 were issued for total consideration of $1,500.

On 29 May 2017, Tolga Kumova and Rob Jewson were appointed non-executive chairman and Managing Director respectively. On the same day, Don Carroll stepped from the role of non-executive chairman but continued as a non-executive director and Nathan Taylor resigned as a non-executive director.

During June 2017, the Company issued a total of 15,852,476 fully paid ordinary shares respectively on conversion of $0.0195 options to raise $309,123.

The information in this annual report that relates to the Exploration Results is based on information compiled and fairly represented by Mr Robert Jewson, who is a Member of the Australian Institute of Geoscientists and Managing Director of European Cobalt Ltd. Mr Jewson has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Jewson consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Information on Directors

Tolga Kumova
Non-Executive Chairman (Appointed 29 May 2017)

Background
Mr Kumova is a resource industry entrepreneur and corporate finance specialist with over 15 years' experience in stockbroking, IPOs and corporate restructuring. Throughout his career, Mr Kumova has raised in excess of $500 million for ASX listed mining ventures associated with a variety of projects from early stage exploration through to construction and operations.

Mr Kumova was previously Managing Director and founding shareholder of Syrah Resources Limited (ASX: SYR), which is now an ASX200 mining company. During his period of tenure at Syrah, he led to the Company's development activities from delineation of the mineral resource through to being fully funded for development of the world class Balama graphite deposit in Mozambique, including the completion of offtake negotiations and agreements with numerous globally recognised counterparties. The results of these activities generated significant returns for shareholders.

The focus of Mr Kumova within European Cobalt is to deliver the same successful strategy of applied to Syrah in terms of marketing, promotion, funding and offtake negotiation.

Interest in shares and options
32,842,458 Fully Paid Ordinary Shares
2,566,667 Class A performance shares
2,566,667 Class B performance shares
20,000,000 Options exercisable at $0.10 on or before 26 May 2021
10,000,000 Options exercisable at $0.15 on or before 26 May 2021

Directorships held in other listed entities in the past three years
Syrah Resources Limited (May 2013 – October 2016)
New Century Resources Limited (July 2017 – present)

Robert Jewson
Managing Director (Appointed 29 May 2017)

Background
Mr Jewson is a geologist with 11 years of experience from junior to major mining and exploration companies throughout a variety of jurisdictions and commodities. He has conducted both corporate and technical roles within the mining and exploration sectors inclusive of due diligence, business development, exploration management, acquisitions/divestment and corporate structuring.

Throughout his career, Mr Jewson has identified, acquired and transacted on numerous resource projects globally. The focus of Mr Jewson within European Cobalt will be to devise, manage and implement the substantial exploration and development of Dobsina. In addition, Rob will be responsible for identification of additional value adding Cobalt focussed projects throughout Europe.

Interest in shares and options
53,901,489 Fully Paid Ordinary Shares
6,086,667 Class A performance shares
6,086,667 Class B performance shares
20,000,000 Options exercisable at $0.10 on or before 26 May 2021
10,000,000 Options exercisable at $0.15 on or before 26 May 2021

Directorships held in other listed entities in the past three years
None

Eddie King
Non-Executive Director (Appointed 4 October 2016)

Background
Eddie is a qualified Mining Engineer and holds a Bachelor of Commerce and Bachelor of Engineering from the University of Western Australia. Mr King is currently a Representative for CPS Capital Group, a boutique corporate finance and stockbroking firm that specialises in providing strategic advice to both retail and wholesale investors. Eddie's past experience includes being a manager for an investment banking firm, specializing in the analysis of technical and financial aspects of resource projects.

Interest in shares and options
4,000,000 options exercisable at $0.0624 on or before 26 May 2019

Directorships held in other listed entities in the past three years
Lindian Resources limited (October 2014 – present)
Cabral Resources Limited (April 2015 – present)
Drake Resources Limited (February 2017 – present)
Axxis Technology Group Limited (May 2017 – present)
Eastern Iron Limited (July 2017 – present)

Don Carroll
Non-Executive Director (Appointed 7 September 2016)

Background
Mr. Carroll is a senior resources executive with over 37 years' experience with BHP Billiton and Rio Tinto. Mr. Carroll has worked in a variety of leadership, technical, strategy, marketing and business development roles throughout his career. Mr. Carroll also has extensive experience across a diversified range of commodities including iron ore, coal and aluminium, and has deep networks across Asia, in particular, India and Japan.

Interest in shares and options
3,000,000 options exercisable at $0.0624 on or before 26 May 2019

Directorships held in other listed entities in the past three years
Kogi Iron Limited (December 2010 – present)
Crystal Peak Minerals Inc. (January 2011 – present)

Nathan Taylor
Former Non-Executive Director (Resigned 29 May 2017)

Interest in shares and options (at resignation)
7,974,710 ordinary fully paid shares
7,974,710 options exercisable at $0.0195 on or before 12 December 2019
3,000,000 options exercisable at $0.0624 on or before 26 May 2019

Budi Santoso
Former Non-Executive Director (Resigned 4 October 2016)

Interest in shares and options (at resignation)
Nil

Andrew Houtas
Former Non-Executive Director (Resigned 4 October 2016)

Interest in shares and options (at resignation)
Nil

COMPANY SECRETARY
David Palumbo
Mr Palumbo is a Chartered Accountant with over ten years' experience in the accounting and financial reporting of ASX listed and unlisted companies, which includes five years as an external auditor. Mr Palumbo provides corporate advisory and financial management advice and specialises in corporate compliance, statutory reporting and financial accounting services. He currently acts as Company Secretary for a number of ASX listed/unlisted and private companies.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of European Cobalt Ltd and for the executives receiving the highest remuneration.

1. Employment Agreements
Mr Robert Jewson worked in an executive capacity for the Company during the financial period from 1 June 2017. Under the terms of the agreement, Mr Jewson's annual salary was $240,000 plus superannuation.

Appointments of non-executive directors are formalised in the form of service agreements between themselves and the Company. Their engagements have no fixed term but cease on their resignation or removal as a director in accordance with the Corporations Act.

2. Remuneration policy
The Company's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board;
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and are entitled to the issue of share options. The remuneration committee reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Company's shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

Any executive director, who is an Australian resident for tax purposes, receives a superannuation guarantee contribution required by the government, which was 9.5%. No other retirement benefits are paid.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed, or capitalised to exploration expenditure if appropriate. Options, if given to directors and executives in lieu of remuneration, are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee share option plan.

3. Options issued as part of remuneration for the year ended 30 June 2017

70,000,000 options (2016: nil) were issued to Directors as part of their remuneration during the year.

The options comprised 10,000,000 options exercisable at $0.0624 on or before 26 May 2019, 40,000,000 options exercisable at $0.10 on or before 26 May 2021 and 20,000,000 options exercisable at $0.15 on or before 26 May 2021. Valuation details are set out in note 14: Reserves.

4. Details of remuneration for the year ended 30 June 2017:

The remuneration for each key management personnel of the Company during the period was as follows:

2017	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payments		Total	Perfor-mance Related	% of Options as Remunera tion
Key Management Person	Cash, salary & commissions	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	%	%
Directors								
Tolga Kumova	5,000	-	-	-	963,800	968,800	-	99.5
Robert Jewson	20,000	1,900	-	-	963,800	985,700	-	97.8
Eddie King	57,794	-	-	-	90,120	147,914	-	60.9
Don Carroll	50,000	-	-	-	67,590	117,590	-	57.5
Nathan Taylor	80,000	-	-	-	67,590	147,590	-	45.8
Andrew Houtas	32,500	1,425	-	-	-	33,925	-	-
Budi Santoso	7,500	-	-	-	-	7,500	-	-
	252,794	3,325	-	-	2,152,900	2,409,019	-	89.3

2016	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payments		Total	Perfor-mance Related	% of Options as Remunera tion
Key Management Person	Cash, salary & commissions	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	%	%
Directors								
Nathan Taylor	5,000	-	-	-	-	5,000	-	-
Andrew Houtas	28,800	950	-	-	-	29,750	-	-
Budi Santoso	85,000	-	-	-	-	85,000	-	-
Chris Clower	37,500	-	-	-	-	37,500	-	-
Roger Pooley	5,000	475	-	-	-	5,475	-	-
R Muhammadsyah	7,500	-	-	-	-	7,500	-	-
M Sah Bandar	12,500	1,188	-	-	-	13,688	-	-
Gordon Lewis	88,260	-	-	-	-	88,260	-	-
Executives							-	-
David Putnam[1]	383,130	-	-	-	-	383,130	-	-
	652,690	2,613	-	-	-	655,303	-	-

[1] Not included in the above amounts was the grant of options (which were never issued) with a grant date fair value of $5,971,181 to Mr. Putnam. In June 2016 after Mr. Putnam's resignation, the parties executed a settlement agreement for the issue of 1,998,597 shares with a fair value at 30 June 2016 of $9,993, in full satisfaction of outstanding monies and unissued options owing to Mr Putnam.

5. Equity holdings of key management personnel

Ordinary Shares

Number of ordinary shares held by key management personnel during the financial year ended 30 June 2017 was as follows:

30 June 2017	Balance at beginning of year/ appointment	Purchased during the year	Options exercised	Net change other	Balance at end of year
Directors					
Robert Jewson	53,901,489	-	-	-	53,901,489
Tolga Kumova	32,842,458	-	-	-	32,842,458
Eddie King	-	-	-	-	-
Don Carroll	-	-	-	-	-
Nathan Taylor	-	7,974,710	-	(7,974,710)*	-
Andrew Houtas	-	-	-	-	-
Budi Santoso	-	-	-	-	-
	86,743,947	7,974,710	-	(7,974,710)	86,743,947

* Balance of shares at resignation

Option holdings

Number of options held by key management personnel during the financial year ended 30 June 2017 was as follows:

30 June 2017	Balance at beginning of year/ appointment	Granted as remuneration	Options purchased/ exercised/ expired	Net change other	Balance at end of year
Directors					
Robert Jewson	30,000,000	-	-	-	30,000,000
Tolga Kumova	30,000,000	-	-	-	30,000,000
Eddie King	-	4,000,000	-	-	4,000,000
Don Carroll	-	3,000,000	-	-	3,000,000
Nathan Taylor	-	3,000,000	7,974,710	(10,974,710)*	-
Andrew Houtas	-	-	-	-	-
Budi Santoso	-	-	-	-	-
	60,000,000	10,000,000	7,974,710	(10,974,710)	67,000,000

* Balance of options at resignation

Performance Shares

Number of performance shares held by key management personnel during the financial year ended 30 June 2017 was as follows:

30 June 2017	Balance at beginning of year/ appointment	Net change other	Balance at end of year
Directors			
Robert Jewson	12,173,334	-	12,173,334
Tolga Kumova	5,133,334	-	5,133,334
Eddie King	-	-	-
Don Carroll	-	-	-
Nathan Taylor	-	-	-
Andrew Houtas	-	-	-
Budi Santoso	-	-	-
	17,306,668	-	17,306,668

6. Other Key Management Personnel Transactions

The Company incurred no transactions with related parties.

"End of Remuneration Report (Audited)"

After Balance Date Events

On 3 July 2017, the Company announced that 108,173 options exercisable at $7.80 on or before 30 June 2017 and 576,923 options exercisable at $3.51 on or before 30 June 2017 expired unexercised.

On 26 July 2017, the Company acquired the Kolba Licence through direct application. The Kolba Licence is located 70km east of the Dobsina Project and has been subject to historical mining to exploit cobalt-copper-nickel-silver mineralisation.

On 2 August 2017, the Company executed an option to acquire the Jouhineva Cobalt-Copper-Gold-Silver Project in Finland. Extensive exploration activities have been undertaken across the Project between 1980 and 1998 inclusive of 119 diamond drill holes for 14,000m of drilling. The Company has paid AUD $7,335 as a non-refundable option fee to secure a 60-day exclusive option period to acquire 100% of Jouhineva Project (License number ML2017:0030). Upon successful completion of due diligence and exercise of the option, the consideration payable is AUD$29,343 and issue of 1,697,260 shares.

On 15 September 2017, the Company acquired the Rejdova Licence through direct application. The Rejdova Licence is located 2km south of the Dobsina Project. On 27 September 2017, the Company acquired the Rakovec Licence through direct application. The Rakovec Licence adjoins the eastern extent of the Dobsina Project. Mapping completed to date indicates that the mineralised veins at Rejdova and Rakovec appear to be similar to that of the mineralised veins mapped at Dobsina.

On 29 September 2017, the Company advised that it will proceed with the 100% acquisition of Jouhineva High Grade Cobalt-Copper-Gold Project, Finland for consideration of $29,943 and 1,697,260 ordinary shares.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Meetings of Directors

During the financial year, 7 meetings of directors were held. Attendances by each director during the period were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Robert Jewson	-	-
Tolga Kumova	-	-
Eddie King	4	4
Don Carroll	4	4
Nathan Taylor	7	7
Andrew Houtas	3	3
Budi Santoso	3	3

Environmental Issues

The Company is not aware of any breaches in relation to environmental matters.

Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Exercise Price	Number under Option
12 December 2019	$0.0195	11,505,162
26 May 2019	$0.0624	10,000,000
26 May 2021	$0.10	60,000,000
26 May 2021	$0.15	30,000,000

During the year ended 30 June 2017, 28,078,505 shares of the Company were issued on the exercise of options.

No shares have been issued as a result of the exercise of options since year end.

Performance Shares

At the date of this report, the Company has 73,333,334 (2016: nil) performance shares on issue. The performance shares vest on the achievement of specified performance conditions (refer to Note 14).

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Indemnifying of Officers

During the year the Company paid premiums in respect of a contract insuring all the directors and officers of the Company against liabilities, past, present and future.

In accordance with normal commercial practice, the disclosure of the total amount of premiums under and the nature of the liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support, and adhere to, good corporate governance practices. Refer to the Company's Corporate Governance Statement at www.europeancobalt.com.

Non-Audit Services

There were no fees paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2017.

Auditor's Declaration of Independence

The auditor's independence declaration for the year ended 30 June 2017 has been received and is included within the financial statements.

Signed in accordance with a resolution of directors.

Robert Jewson
Managing Director
29 September 2017

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

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

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

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

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 29th day of September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Revenue	2	42,649	135,887
Administration expenses		(100,784)	(627,490)
Corporate compliance expenses		(304,375)	(422,858)
Diminution in fair value of financial assets	10	-	(4,811,363)
Employee benefits and consulting expense		(3,372,819)	(696,030)
Exploration expenditure and acquisition costs	3	(16,053,655)	-
Travel expenses		(12,287)	(93,091)
Loss from continuing operations before income tax benefit		**(19,801,271)**	**(6,514,945)**
Income tax expense	4	-	-
Loss from continuing operations after income tax benefit		**(19,801,271)**	**(6,514,945)**
Discontinued operations after income tax			
Gain/(loss) from discontinued operations after income tax	5	-	210,720
Loss attributable to owners		**(19,801,271)**	**(6,304,225)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(3,793)	154,692
Reclassification adjustments			
Reclassification to profit or loss on loss of control of subsidiary		-	(156,023)
Total comprehensive loss		**(19,805,064)**	**(6,305,556)**
Loss attributable to:			
Members of the parent entity		(19,801,271)	(6,251,622)
Non-controlling interest		-	(52,603)
		(19,801,271)	**(6,304,225)**
Total comprehensive loss attributable to:			
Members of the parent entity		(19,805,064)	(6,252,953)
Non-controlling interest		-	(52,603)
		(19,805,064)	**(6,305,556)**
Basic and diluted loss per share–continuing operations(cents)	6	(8.09)	(41.05)
Basic and diluted loss per share-discontinued operations(cents)	6	-	1.32
Basic and loss per share(cents)	6	(8.09)	(39.73)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	2,971,268	52,726
Trade and other receivables	8	21,276	1,023
Other assets	9	7,123	-
Financial assets	10	-	-
Total Current Assets		**2,999,667**	**53,749**
Non-Current Assets			
Plant and equipment	11	48,749	-
Total Non-Current Assets		**48,749**	**-**
Total Assets		**3,048,416**	**53,749**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	184, 159	295,372
Total Current Liabilities		**184,159**	**295,372**
Total Liabilities		**184,159**	**295,372**
Net Assets/(Liabilities)		**2,864,257**	**(241,623)**
EQUITY			
Issued capital	13	78,009,799	59,807,055
Reserves	14	8,609,150	3,904,743
Accumulated losses		(83,748,907)	(63,947,636)
Non-controlling interest		(5,785)	(5,785)
Total Equity/(Deficiency in Equity)		**2,864,257**	**(241,623)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital $	Foreign translation reserve $	Share based payment reserve $	Accumulated Losses $	Non-controlling interest $	Total $
Balance at 1 July 2015 (restated)	53,381,471	143,283	3,762,791	(57,696,014)	(443,240)	(851,709)
Loss for the period	-	-	-	(6,251,622)	(52,603)	(6,304,225)
Other Comprehensive Income	-	(1,331)	-	-	-	(1,331)
Total Comprehensive Income	-	(1,331)	-	(6,251,622)	(52,603)	(6,305,556)
Shares yet to be issued	35,584	-	-	-	-	35,584
Shares issued during the year (net)	6,390,000	-	-	-	-	6,390,000
Derecognition of non-controlling interest	-	-	-	-	490,058	490,058
Balance at 30 June 2016	**59,807,055**	**141,952**	**3,762,791**	**(63,947,636)**	**(5,785)**	**(241,623)**

	Issued Capital $	Foreign translation reserve $	Share based payment reserve $	Accumulated Losses $	Non-controlling interest $	Total $
Balance at 1 July 2016	59,807,055	141,952	3,762,791	(63,947,636)	(5,785)	(241,623)
Loss for the period	-	-	-	(19,801,271)	-	(19,801,271)
Other Comprehensive Income	-	(3,793)	-	-	-	(3,793)
Total Comprehensive Income	-	(3,793)	-	(19,801,271)	-	(19,805,064)
Shares issued during the year (net)	18,202,744	-	-	-	-	18,202,744
Performance shares issued during the year	-	-	1,584,000	-	-	1,584,000
Options issued during the year	-	-	3,124,200	-	-	3,124,200
Balance at 30 June 2017	**78,009,799**	**138,159**	**8,470,991**	**(83,748,907)**	**(5,785)**	**2,864,257**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $ Inflows/ (Outflows)	2016 $ Inflows/ (Outflows)
Cash flows from operating activities			
Interest received		22,714	38
Payments to suppliers and employees		(819,120)	(1,311,339)
Exploration and evaluation expenditure		(336,906)	(40,747)
Net cash (used in) operating activities	17(a)	(1,133,312)	(1,352,048)
Cash flows from investing activities			
Payments for plant and equipment		(48,749)	-
Payments for acquisition of exploration assets		(60,000)	-
Net cash inflow on acquisition of entities		3,363	-
Net cash outflow on disposal of entities		-	(3,443)
Net cash (used in investing activities		(105,386)	(3,443)
Cash flows from financing activities			
Proceeds from issue of shares and options (net)		4,157,240	1,225,637
Net cash provided by financing activities		4,157,240	1,225,637
Net increase (decrease) in cash held		2,918,542	(129,854)
Effects of exchange rate changes on balance sheet held in foreign currencies		-	-
Cash at beginning of the financial period		52,726	182,580
Cash and cash equivalents at period end	7	**2,971,268**	**52,726**

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

These financial statements and notes represent those of European Cobalt Ltd (Formerly Western Mining Network Limited) (the "Company"). European Cobalt is a listed public Company, incorporated and domiciled in Australia. The financial statements were authorised for issue on 29 September 2017 by the directors of the Company.

Basis of Preparation
The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars unless otherwise stated.

Accounting Policies
The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

b) **Income Tax**

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c) **Plant and Equipment**

Items of plant and equipment are measured on the cost basis.

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 asset's employment and subsequent disposal.

Depreciation
The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%
Computer and Other Electronic Equipment	33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 profit or loss. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d) **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

e) **Exploration and evaluation expenditure**

Exploration and evaluation expenditure, including the costs of acquiring tenements, are expensed as incurred.

Expensing exploration and evaluation expenditure as incurred is irrespective of whether or not the Board believe expenditure could be recouped from either a successful development and commercial exploitation or sale of the respective assets.

f) **Financial Instruments**

Initial recognition and measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and reduction for impairment, and adjusted for any cumulative amortisation of the difference between the amount initially recognised and the maturity amount calculated using the effective interest method.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit and loss

Financial assets are classified 'at fair value through profit or loss' when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance valuation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in the carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).
If during the period the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those, which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets).

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

De-recognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g) **Impairment of Assets**

At the end of each reporting date, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associate or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed. Impairment testing is performed annually for intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within a 12 month period have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation
The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black –Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

i) **Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

j) **Foreign currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

k) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

l) **Borrowing Costs**

All borrowing costs are recognised as expense in the period in which they are incurred.

m) **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. 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 in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

n) **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.
Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques
In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy
AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

<u>Level 1</u>
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

<u>Level 2</u>
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

<u>Level 3</u>
Measurements based on unobservable inputs for the asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

o) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

p) Critical Accounting Estimates and Judgments

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

Taxation
Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. 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 profit or loss and equity.

Determination of probability of achieving milestones for vesting of performance shares
In determining the probability of the Group achieving each of the respective milestones for Class A and B performance shares, which would permit vesting of the performance shares, the Directors took into account that no drilling and only early stage geophysics, detailed geological mapping, digitising of underground workings have been completed as at the date of acquisition.

It was determined that as at acquisition date, the Group had a 45% likelihood of achieving each of the respective milestones under class A and B performance shares, which would result in the vesting of each class of the performance shares into ordinary shares. This percentage was applied to the fair value of each class of the performance shares at issue date thereby resulting in the valuation of each class of performance shares (refer to note 14).

s) **New accounting standards for application in the current period**

New, revised or amending Accounting Standards and Interpretations adopted
The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest.

All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

2. Revenue

	2017 $	2016 $
Interest received	30,434	38
Discount received	12,215	135,849
	42,649	135,887

In June 2016, the Company entered into a settlement agreement with Mr. David Putnam resulting in the cancelation and reversal of options to be issued and the settlement of outstanding salaries of $95,308. The Company Entered into a separate settlement agreement with a third party creditor resulting in a discount of $40,541 on amount owed.

3. Exploration expenditure and acquisition costs

	2017	2016
Exploration expenditure and due diligence costs	376,102	-
Acquisition – WA Gold Projects	60,000	-
Acquisition – Dobsina Project	15,617,553	
	16,053,655	-

On 22 May 2017, shareholders approved the consideration to complete the acquisition of NiCo Minerals Pty Ltd and its wholly owned subsidiary CE Metals s.r.o which holds the Dobsina Project. The acquisition of NiCo Minerals Pty Ltd and CE Metals s.r.o has been treated as an asset acquisition via the issue of equity under AASB 2 Share-based Payment ("AASB 2").

Consideration:	
18,333,334 Ordinary shares (Option Fee)	275,000
286,666,667 Ordinary shares	13,760,000
36,666,667 Class A Performance Shares	792,000
36,666,667 Class B Performance Shares	792,000
	15,619,000
Identifiable assets acquired:	
Cash and cash equivalents	3,363
Exploration expenditure	15,617,553
Trade and other receivables	237
Trade and other payables	(2,153)
	15,619,000

The value of the performance share consideration is calculated on probability estimates from directors of the likelihood of achievement of specified milestones as at acquisition date. Refer to note 14 for valuation details.

4. Income tax benefit

	2017 $	2016 $
Net loss before tax	(19,801,271)	(6,304,225)
Income tax benefit on above at 30%	(5,940,381)	(1,891,268)
Increase/(decrease) in income tax due to the tax effect of:		
Non-deductible expenses	5,770,936	1,823,183
Current year tax losses not recognised	141,151	86,160
Movement in unrecognised temporary differences	33,079	(15,393)
Deductible equity raising costs	(4,785)	(2,682)
Income tax reported in the statement of comprehensive income	-	-

Unrecognised deferred tax assets

	2017 $	2016 $
Deferred tax assets have not been recognised in respect of the following:		
Tax revenue losses	890,742	735,901
Deductible temporary differences	72,195	23,959
Tax capital losses	4,500	4,500
	967,437	764,360

Availability of Tax Losses

The availability of the tax losses for future years is uncertain and will be dependent on the Company satisfying strict requirements with respect to continuity of ownership and the same business test imposed by income tax legislation. The recoupment of available tax losses as at 30 June 2017 is contingent upon the following:

- the Company deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;

- the conditions for deductibility imposed by income tax legislation continuing to be complied with; and there being no changes in income tax legislation which would adversely affect the Company from realising the benefit from the losses.

Given the Company is currently in a loss making position, a deferred tax asset has not been recognised with regard to unused tax losses, as it has not been determined that the Company will generate sufficient taxable profit against which the unused tax losses can be utilised at this stage.

5. Discontinued operations

On 21 June 2016, the Company terminated the option agreement to acquire 75% of the shares in PT. Mekongga Sejahtera, which owns the Tamboli Graphite Project ("Tamboli"). Additionally, the Company terminated the option agreement to acquire 99% of the shares in PT. Eagle Rich Nusantara.

Up until the option termination, Western Mining Network Limited was deemed to have control over PT Mekongga and PT Eagle Rich and as such in accordance with Australian Accounting Standards were consolidated on their fully exercised basis being 75% (PT Mekongga) and 99% (PT Eagle Rich).

The financial performance of the discontinued operation, which is included in the loss from discontinued operations per the statement of comprehensive income, is as follows:

	2017 $	2016 $
Revenue	-	26
Administration expenses	-	(311,902)
Employee benefits expense	-	(262,834)
Exploration expenditure and acquisition costs	-	(26,843)
Travel expenses	-	(4,120)
Loss before income tax	-	(605,673)
Income tax expense	-	-
Loss after income tax expense	-	(605,673)
Gain on disposal of assets and liabilities on loss of control of subsidiaries before income tax	-	1,351,429
Reclassification of items within other comprehensive income	-	(156,023)
Derecognition of non-controlling interest	-	(394,393)
Income tax expense	-	-
Gain on disposal of assets and liabilities on loss of control of subsidiaries after income tax	-	801,013
Total loss after tax attributable to the discontinued operation	-	195,340
The net cash flows of the discontinued division, which have been incorporated into the statement of cash flows, are as follows:		
Net cash outflow from operating activities	-	(312,711)
Net cash outflow from investing activities	-	(3,192)
Net cash inflow from financing activities	-	-
Net cash outflow from the discontinued operation	-	(315,903)

On 30 June 2016, the company disposed of its shares in PT. Genesis Berkat Utama for nil consideration.

The financial performance of the discontinued operation, which is included in the loss from discontinued operations per the statement of comprehensive income, is as follows:

	2017 $	2016 $
Revenue	-	-
Administration expenses	-	(3,825)
Employee benefits expense	-	-
Exploration expenditure not capitalised	-	(13,904)
Travel expenses	-	-
Loss before income tax	-	(17,729)
Gain on disposal of assets and liabilities on loss of control of subsidiaries before income tax	-	128,773
Reclassification of items within other comprehensive income	-	-
Derecognition of non-controlling interest	-	(95,664)
Income tax expense	-	-
Gain on disposal of assets and liabilities on loss of control of subsidiaries after income tax	-	33,109
Total loss after tax attributable to the discontinued operation	-	15,380

The net cash flows of the discontinued division, which have been incorporated into the statement of cash flows, are as follows:		
Net cash outflow from operating activities	-	(17,729)
Net cash outflow from investing activities	-	(251)
Net cash inflow from financing activities	-	-
Net cash outflow from the discontinued operation	-	(17,980)

Total gain/(loss) after tax attributable to the discontinued operation reconciled as follows:		
PT. Mekongga Sejahtera and PT. Eagle Rich Nusantara	-	195,340
PT. Genesis Berkat Utama	-	15,380
	-	210,720

6. Earnings per share

	2017 Cents per Share	2016 Cents per Share
Basic/diluted loss per share from continuing operations	(8.09)	(41.05)
Basic/diluted loss per share from discontinued operations	-	1.32
Basic/diluted loss per share in total	(8.09)	(39.73)

The loss and weighted average number of ordinary shares used in this calculation of basic/diluted loss per share are as follows:

	2017 $	2016 $
Loss from continuing operations	(19,801,271)	(6,514,945)
Loss from discontinued operations	-	210,720
Total loss attributable to owners	(19,801,271)	(6,304,225)
	Number	**Number**
Weighted average number of ordinary shares for the purposes of basic/ diluted loss per share	244,837,498	15,869,218*

* Post 13/1 consolidation

As the Company is in a loss position the options outstanding at 30 June 2017 have no dilutive effects on the earnings per share calculation.

7. Cash and cash equivalents

	2017 $	2016 $
Cash at bank and on hand	569,626	52,726
Short term deposits	2,401,642	-
	2,971,268	52,726

8. Trade and other receivables

Current		
GST receivable	13,556	1,023
Interest receivable	7,720	-
	21,276	1,023

As at 30 June 2017, current trade and other receivables do not contain amounts which are past due and not impaired. It is expected that these amounts will be received when due.

9. Other assets

Current		
Prepayments	7,123	-

10. Financial assets

	2017 $	2016 $
Current		
Derivative financial asset - Lanstead sharing agreement	-	-

The fair value of the derivative financial assets as at 30 June 2017 has been estimated as follows:

	Share Price* $	**Fair Value** **$**
Value recognised on inception	2.60	5,100,000
Consideration received up to 30 June 2016	-	(288,637)
Loss on revaluation of derivate financial asset at 30 June 2016	-	(4,811,363)
Value of the derivative financial assets as at 30 June 2016	0.22	-
Consideration received up to 30 June 2017	-	-
Loss on revaluation of derivate financial asset at 30 June 2017	-	-
Value of the derivative financial assets as at 30 June 2017	0.08	-

* On a post-consolidated basis

As announced to ASX on 29 October 2015, the Company entered into a Sharing Agreement with Lanstead whereby the Company retained A$900,000 of the aggregate A$6,000,000 placement, with the remaining $5,100,000 provided as security to Lanstead for the Sharing Agreement under which the Company will receive 18 monthly cash settlements determined by the Company's share price performance as measured against a benchmark price of A$3.51 per share (on a post-consolidated basis). The nature of the arrangements is that, for each of those 18 months (commencing January 2016), Lanstead makes a payment to the Company determined by the relevant 5 day VWAP of the Company's shares.

The final monthly settlement notice was received in July 2017, with no further capital received under the Lanstead Sharing Agreement.

11. Plant and equipment

	2017 $	2016 $
Plant and Equipment		
At Cost	48,749	-
Accumulated Depreciation	-	-
	48,749	-

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial period:

	2017 $	2016 $
Plant and Equipment		
Opening balance	-	88,628
Additions	48,749	-
Depreciation	-	(63,041)
Effect of foreign currency exchange differences	-	5,406
Disposals - discontinued operations	-	(18,833)
Disposals	-	(12,160)
Closing balance	48,749	-

12. Trade and other payables

	2017 $	2016 $
Current		
Trade payables and accruals	184,159	293,956
Share application funds	-	1,416
	184,159	295,372

13. Issued capital

	2017 $	2016 $
(a) Issued and paid up capital		
Ordinary shares fully paid of no par value	78,009,799	59,807,055

(b) Movement in ordinary shares on issue	**2017 Number**	**2017 $**	**2016 Number**	**2016 $**
Balance at beginning of period	237,230,015	59,807,055	164,746,512	53,381,471
Shares issued during the year:				
- 29 October 2015	-	-	30,000,000	6,000,000
- 29 December 2015	-	-	39,483,503	-
- 29 December 2015	-	-	3,000,000	390,000
- 8 July 2016[1]	35,584,502	-	-	35,584
- 5 August 2016[2]	532,080,637	532,081	-	-
- 7 September 2016[2]	1,053,944,570	1,053,945	-	-
- 18 October 2016[2]	290,000,000	290,000	-	-
- 28 October 2016[2]	306,490,929	306,491	-	-
- 29 November 2016[3]	(2,266,458,721)	-	-	-
- 12 December 2016[4]	39,583,667	514,588	-	-
- 27 February 2017[5]	18,333,334	275,000	-	-
- 27 February 2017[6]	84,615,385	1,100,000	-	-
-27 February 2017[7]	5,076,923	66,000	-	-
- 2 March 2017[8]	2,692,309	52,500	-	-
- 8 March 2017[8]	9,533,720	185,908	-	-
- 26 May 2017[9]	286,666,667	13,760,000	-	-
- 16 June 2017[8]	2,000,000	39,000	-	-
- 21 June 2017[8]	5,000,000	97,500	-	-
- 26 June 2017[8]	8,852,476	172,623	-	-
Capital raising costs	-	(242,892)	-	-
Balance at end of period	**651,226,413**	**78,009,799**	**237,230,015**	**59,807,055**

1 As at 30 June 2016, the Company had received $35,584 in share application funds. On 8 July 2016, 35,584,502 fully paid ordinary shares were issued at a price of $0.001 per share.

2 Fully paid ordinary shares issued pursuant to the prospectus dated 14 July 2016 and supplementary prospectus dated 28 July 2016 for a renounceable, pro rata offer of fully paid ordinary shares to eligible shareholders at an issue price of $0.001 each on the basis of 8 new shares for every 1 share held.

3 On 29 November 2016, shareholders approved at the Company's annual general meeting, a consolidation of capital on a 1 for 13 basis.

4 On 29 November 2016, shareholders approved at the Company's annual general meeting, the conversion of $500,000 in converting loans plus accrued interest of $14,588 into 39,583,667 fully paid ordinary shares and 39,583,667 options exercisable at $0.0195 on or before 12 December 2019. The securities were issued on 12 December 2016.

5 Fully paid ordinary shares issued to secure an exclusive option to acquire 100% of NiCo Minerals Pty Ltd and its 100% wholly owned subsidiary CE Metals s.r.o, owner of 100% of the Dobsina Licence (License number 2466/2017-5.3).

6 Fully paid ordinary shares issued at a price of $0.013 per share to raise $1,100,000, to progress the proposed acquisition of the Dobsina Licence, exploration activities across the Company's Western Australian gold portfolio and general working capital purposes.

7 Fully paid ordinary shares issued in lieu of cash payment for $66,000 in broking fees associated with the $1,100,000 placement.

8 Fully paid ordinary shares issued on conversion of $0.0195 options.

9 Fully paid ordinary shares issued as part consideration for the Dobsina Project, which was approved by shareholders on 22 May 2017.

(c) Terms and conditions of contributed equity

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

(d) Capital Management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The net working capital position of the Company at 30 June 2017 was $2,815,508 (2016: deficit of $241,623) and the net increase in cash held during the year was $2,918,542 (2016: decrease of $129,854).

(e) Share Options

At 30 June 2017, the Company has the following share options on issue:

- 11,505,162 options exercisable at $0.0195 on or before 12 December 2019;
- 10,000,000 options exercisable at $0.0624 on or before 26 May 2019;
- 60,000,000 options exercisable at $0.10 on or before 26 May 2021;
- 30,000,000 options exercisable at $0.15 on or before 26 May 2021;

Options carry no rights to dividends and have no voting rights.

14. Reserves

	2017 $	2016 $
Foreign currency translation	138,159	141,952
Share based payment reserve	8,470,991	3,762,791
	8,609,150	3,904,473

Share based payment reserve		
Reserve at the beginning of the year	3,762,791	3,762,791
Issue of performance shares [1]	1,584,000	-
Issue of options to directors [2]	225,300	-
Issue of options to directors and consultants [3]	2,898,900	-
Reserve at end of year	8,470,991	3,762,791

The share based payment reserve arises on the grant of share options to directors as part of their remuneration and to consultants for services provided, as well as for funds raised for the issue of options and the fair value of performance shares issued as consideration for acquisitions.

[1] On 26 May 2017, the Company issued 73,333,334 performance shares which will each convert to one ordinary Share upon completion of the following milestones within 5 years:

- Performance Milestone 1: 36,666,667 fully paid ordinary shares upon the delineation of an Inferred Mineral Resource reported in accordance with the JORC Code of at least 500,000 metric tons at a minimum grade of 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code) or 50,000 metric tons of production from the Tenement of cobalt bearing an ore grading of at least 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code).

- Performance Milestone 2: 36,666,667 fully paid ordinary shares upon the delineation of an Inferred Mineral Resource reported in accordance with the JORC Code of at least 1,000,000 metric tons at a minimum grade of 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code) or 100,000 metric tons of production from the Tenement of cobalt bearing an ore grading of at least 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code).

The Performance Shares also convert on sale of a majority interest in the Company's tenements or on a change of control of the Company (subject to a cap of 10% of fully diluted issued capital.)

No consideration will be payable upon the vesting of the Performance Shares.

Based on the above, the performance share valuations have been calculated as follows:

Class	No. of Shares	Grant Date	Lapse Date	Fair Value	Probability	Total Value
A	36,666,667	22 May 2017	26 May 2022	$0.048	45%	$792,000
B	36,666,667	22 May 2017	26 May 2022	$0.048	45%	$792,000

Fair value: this was determined with reference to the prevailing share price at the grant date.

Probability: for each performance milestones described above, the Directors assessment of the probability of achievement and eventually vesting as at the date of acquisition.

2 On 26 May 2017, the Company issued 10,000,000 options to directors as part of their remuneration.

The options were valued using the Black and Scholes methodology with the following inputs:

No. of Options	Share Price	Exercise Price	Volatility	Interest Rate	Time to Expiry (years)	Fair value per Option
10,000,000	$0.048	$0.0624	100%	2.5%	2	$0.02253

The fair value of ordinary shares issued were determined by reference to market price.

3 On 26 May 2017, the Company issued 60,000,000 options exercisable at $0.10 on or before 26 May 2021 and 30,000,000 options exercisable at $0.15 on or before 26 May 2021 to directors and consultants. Consideration paid for the options was $7,500 in total with the options valued using the Black and Scholes methodology applying the following inputs

No. of Options	Share Price	Exercise Price	Volatility	Interest Rate	Time to Expiry (years)	Fair value per Option
60,000,000	$0.056	$0.10	100%	2%	4	$0.03356
30,000,000	$0.056	$0.15	100%	2%	4	$0.02951

The fair value of ordinary shares issued were determined by reference to market price.

The total expense arising from share based payments (ordinary shares, performance shares and options) during the year was $18,816,288 (2016:$390,000).

	2017 $	2016 $
Foreign currency translation reserve		
Reserve at the beginning of the year	141,952	143,283
Exchange differences arising on translating foreign operations	(3,793)	(1,331)
Reserve at end of year	138,159	141,952

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

15. Auditors' remuneration

	2017 $	2016 $
Amounts, received or due and receivable by auditors for:		
- an audit or review services	36,550	59,092

16. Key Management Personnel (KMP) and Related Party Transactions

(a) Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Company's KMP for the financial year ended 30 June 2017. The totals of remuneration paid to KMP of the Company during the year are as follows:

	2017 $	2016 $
Short term	252,794	652,690
Post-employment	3,325	2,613
Share based payments	2,152,900	-
	2,409,019	655,303

(b) Other transactions

The Company did not enter into any other transactions with related parties during the financial year ended 30 June 2017.

17. Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax

Loss after income tax	(19,801,271)	(6,304,225)
Non cash flows in loss:		
Depreciation	-	63,041
Loss on disposal of plant and equipment	-	12,160
Discounts received	(12,215)	(135,849)
Diminution in fair value of financial assets	-	4,811,363
Share based payments	18,750,288	390,000
Acquisition of exploration assets	60,000	-
Gain on disposal of assets and liabilities on loss of control of subsidiary	-	(834,122)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(20,253)	186,029
- (increase)/decrease in other assets	(7,153)	-
- increase/(decrease) in trade and other payables	(102,708)	459,555
	(1,133,312)	(1,352,048)

(b) Non Cash Investing & Financing Activities

On 27 February 2017, the Company issued 5,076,923 fully paid ordinary shares in lieu of cash payment for $66,000 in broking fees associated with the $1,100,000 placement and also issued 18,333,334 fully paid ordinary shares with a value of $275,000 for the exclusive option to acquire 100% of NiCo Minerals Pty Ltd and its 100% wholly owned subsidiary CE Metals s.r.o, owner of the Dobsina Licence.

On 26 May 2017, the Company issued the consideration of 286,666,667 fully paid ordinary shares and 73,333,334 performance shares with a value of $15,344,000 to acquire NiCo Minerals Pty Ltd

There were no other non-cash investing or financing activities during the year.

18. Contingent liabilities and contingent assets

The Company is required to pay certain vendors a 2% net smelter royalty on the proceeds of any minerals sold from the Dobsina tenement.

In the opinion of the Directors, the Company has no other contingent liabilities or assets as at 30 June 2017.

19. Financial reporting by segments

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Group operates predominately in one industry, being mineral exploration.

The main geographic areas that the entity operates in are Australia, Indonesia and Europe. The parent entity is registered in Australia. The Group's exploration assets are held in Australia and Europe.

The following tables present revenue, expenditure and certain asset and liability information regarding geographical segments for the years ended 30 June 2017 and 2016:

Geographical information

	Australia $	Indonesia $	Europe $	Total
Year ended 30 June 2017				
Revenue				
Sales to external customers	-	-	-	**-**
Interest income	30,434	-	-	**30,434**
Discounts received	12,215			**12,215**
Segment revenue	42,649	-	-	**42,649**
Other segment information				
Exploration expenditure and acquisition costs	673,353	-	15,380,302	**16,053,655**
Result				
Loss before tax	(4,398,223)	(22,727)	(15,380,321)	**(19,801,271)**
Income tax expense	-	-	-	**-**
Loss for the year	(4,398,223)	(22,727)	(15,380,321)	**(19,801,271)**
Asset and liabilities				
Segment assets	2,989,958	431	58,027	**3,048,416**
Segment liabilities	(146,364)	(7)	(37,788)	**(184,159)**

	Australia $	Indonesia $	Europe $	Total
Year ended 30 June 2016				
Revenue				
Sales to external customers	-	-	-	**-**
Interest income	38	-	-	**38**
Discounts received	135,849			**135,849**
Segment revenue	135,887	-	-	**135,887**
Other segment information				
Exploration expenditure and acquisition costs	-	-	-	**-**
Result				
Loss before tax	(5,937,654)	(366,571)	-	**(6,304,225)**
Income tax expense	-	-	-	**-**
Loss for the year	(5,937,654)	(366,571)	-	**(6,304,225)**
Asset and liabilities				
Segment assets	50,435	3,314	-	**53,749**
Segment liabilities	(295,364)	(8)	-	**(295,372)**

20. Controlled Entities

	Country of Incorporation	Equity Holding 2017 %	Equity Holding 2016 %
Subsidiaries of European Cobalt Ltd:			
NiCo Minerals Pty Ltd[1]	Australia	100	-
CE Metals s.r.o[1]	Slovakia	100	-
PT. WMN Indonesia[4]	Indonesia	99.8	99.8
PT. Persada Bumi Rawas[4]	Indonesia	75	75
PT. Mekongga Sejahtera[2]	Indonesia	-	-
PT. Eagle Rich Nusantara[2]	Indonesia	-	-
PT. Genesis Berkat Utama[3]	Indonesia	-	-

[1] Acquired on 26 May 2017 (see notes 3 and 14)

[2] Disposed on 21 June 2016 (see note 5)

[3] Disposed on 30 June 2016 (see note 5)

[4] Dormant subsidiaries

21. Financial risk management

Overview
The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables
As the Company has just started operations, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Exposure to credit risk
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

Financial assets	**2017**	**2016**
	$	**$**
Cash and cash equivalents – AAA rated counterparties	2,971,268	52,726
Receivables – other	21,276	1,023
	2,992,544	53,749

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is not currently exposed to any material interest rate risk.

Interest rate risk sensitivity analysis
The Company does not have any material exposure to interest rate risk as there were no external borrowings at 30 June 2017 (2016: nil). Any borrowings were intercompany related and unsecured and interest free and therefore there is no exposure to interest rate risk associated with these amounts. Interest bearing assets are all short term liquid assets and the only interest rate risk is the effect on interest income by movements in the interest rate. There is no other material interest rate risk.

Fair value of financial instruments
The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value. There are no financial assets or liabilities which are required to be measured at fair value on a recurring basis.

22. Parent entity disclosures

Financial position	2017 $	2016 $
Assets		
Current assets	2,989,587	50,435
Non-current assets	-	-
Total assets	2,989,587	50,435
Liabilities		
Current liabilities	144,249	295,363
Non-Current liabilities	-	-
Total liabilities	144,249	295,363
Equity		
Issued capital	78,009,799	59,807,055
Accumulated losses	(83,635,452)	(63,814,774)
Reserves	8,470,991	3,762,791
Total equity/(deficiency in equity)	2,845,338	(244,928)
Financial performance		
Profit/(loss) for the year	(19,820,678)	(15,459,241)
Total comprehensive income	(19,820,678)	(15,459,241)

Refer to Note 23 for commitments of the parent which are the same as the Group.

23. Commitments

In order to maintain current rights of tenure to Western Australia exploration tenements, the Company is required to perform minimum exploration requirements specified by the Department of Mines and Petroleum of $32,000 (2016: nil). The Group has no other commitments.

Pursuant to Share Sale and Purchase Agreement between the Company and the vendors of NiCo Minerals Pty Ltd, the Company is required to spend a minimum of $300,000 on exploration of the Dobsina Project during the period to 26 November 2017.

24. Events Subsequent to Period End

On 3 July 2017, the Company announced that 108,173 options exercisable at $7.80 on or before 30 June 2017 and 576,923 options exercisable at $3.51 on or before 30 June 2017 expired unexercised.

On 26 July 2017, the Company acquired the Kolba Project through direct licence application. The Kolba Project is located 70km east of the Dobsina Project and has been subject to historical mining to exploit cobalt-copper-nickel-silver mineralisation.

On 2 August 2017, the Company executed an option to acquire the Jouhineva Cobalt-Copper-Gold-Silver Project in Finland. Extensive exploration activities have been undertaken across the Project between 1980 and 1998 inclusive of 119 diamond drill holes for 14,000m of drilling. The Company has paid AUD $7,335 as a non-refundable option fee to secure a 60-day exclusive option period to acquire 100% of Jouhineva Project (License number ML2017:0030). Upon successful completion of due diligence and exercise of the option, the consideration payable is AUD$29,343 and issue of 1,697,260 shares.

On 15 September 2017, the Company acquired the Rejdova Licence through direct application. The Rejdova Licence is located 2km south of the Dobsina Project. On 27 September 2017, the Company acquired the Rakovec Licence through direct application. The Rakovec Licence adjoins the eastern extent of the Dobsina Project. Mapping completed to date indicates that the mineralised veins at Rejdova and Rakovec appear to be similar to that of the mineralised veins mapped at Dobsina.

On 29 September 2017, the Company advised that it will proceed with the 100% acquisition of Jouhineva High Grade Cobalt-Copper-Gold Project, Finland for consideration of $29,943 and 1,697,260 ordinary shares.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017

The directors of the Company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
    a) comply with Accounting Standards and the Corporations Regulations 2001; and
    b) give a true and fair view of the Company's financial position as at 30 June 2017 and its performance for the year ended on that date; and
    c) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
2. the Managing Director and Company Secretary have each declared that:
    a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
    b) the financial statements and notes for the financial year comply with the Accounting Standards; and
    c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.

Robert Jewson
Managing Director
29 September 2017

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Report

To the Members of European Cobalt Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of European Cobalt Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

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

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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
Acquisition of the Dobsina Project As disclosed in note 3 to the financial statements, the Consolidated Equity acquired Nico Minerals Pty Ltd and its subsidiary which holds the Dobsina Project ("the acquisition") via the issue of ordinary and performance shares to the value of $15,619,000. The acquisition has been accounted for as a share based payment measured in accordance with AASB 2 Share Based Payments. Accounting for the acquisition constituted a key audit matter due to: - The size and scope of the acquisition; - The complexities inherent in such a transaction; and - The judgement required in determining the value of the consideration transferred.	Our procedures included, amongst others: - Reviewing the Share Sale and Purchase Agreement ("the agreement") to obtain an understanding of the key terms and conditions; - Critically evaluating the accounting treatment in accordance with the relevant Australian Accounting Standards; - Assessing management's valuation of the consideration issued including relevant assumptions; - Evaluating the acquisition date balance sheet of the acquiree with reference to the acquisition agreement and supporting documentation; and - Assessing the appropriateness of relevant disclosures in note 3 to the financial statements.
Exploration Expenditure During the year the Consolidated Entity incurred exploration expenses of $16,053,655 (including acquisition costs referred to above). Exploration expenditure is a key audit matter due to: - The significance to the Consolidated Entity's statement of profit or loss and other comprehensive income; and - The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge.	Our procedures included, amongst others: - Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Consolidated Entity holds an interest and the exploration programs planned for those tenements. - We assessed the Consolidated Entity's rights to tenure by corroborating to government registries; and - We tested exploration expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6.

Key audit matter	How our audit addressed the key audit matter
Share Based Payments Expense As disclosed in note 14 to the financial statements, during the year ended 30 June 2017 the Consolidated Entity incurred share based payments totaling $18,816,288 including $15,619,000 for the acquisition of the Dobsina Project (refer key audit matter above). Share based payments are considered to be a key audit matter due to: - the value of the transactions; - the complexities involved in the recognition and measurement of these instruments; and - the judgement involved in determining the inputs used in the valuations. Management used the share price at grant date to determine the fair value of shares issued and the Black-Scholes option valuation model to determine the fair value of the options granted. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.	Our procedures included, amongst others: - Analysing agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments; - Evaluating management's Black-Scholes Valuation Models and assessing the assumptions and inputs used; - Assessing the amount recognised during the year in accordance with the vesting conditions including performance milestones of the agreements; and - Assessing the adequacy of the disclosures included in Note 14 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors’ report for the year ended 30 June 2017. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor’s Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 29th day of September 2017

The following additional information is required by the ASX Limited in respect of listed public companies and was applicable at 22 September 2017:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	**Number (as at 22 September 2017) Shareholders**	**Ordinary Shares**
1 – 1,000	227	86,473
1,001 – 5,000	138	383,112
5,001 – 10,000	139	1,100,310
10,001 – 100,000	646	30,589,275
100,001 – and over	506	619,067,243
	1,656	**651,226,413**

b. The number of shareholdings held in less than marketable parcels is 354 shareholders amounting to 316,619 shares.

c. There are no restricted securities at 22 September 2017.

d. The names of substantial shareholders listed in the company's register as at 22 September 2017 are:

Shareholder	**Ordinary Shares**	**% Held of Total Ordinary Shares**
KINGSLANE PTY LTD <CRANSTON SUPER FUND A/C>	66,637,792	10.23
MRS ELEANOR JEAN REEVES <ELANWI A/C>	55,051,528	8.45
MR ROBERT ANDREW JEWSON	53,901,489	8.28
BILGI INVESTMENTS PTY LTD	39,564,564	6.08
SISU INTERNATIONAL PTY LTD	32,842,458	5.04

e. The voting rights attached to the ordinary shares are as follows:

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

f. At 22 September 2017, the following unquoted options were on issue:

- 11,505,162 options exercisable at $0.0195 on or before 12 December 2019 held by 6 holders.
- 10,000,000 options exercisable at $0.0624 on or before 26 May 2019 held by 3 holders.
- 60,000,000 options exercisable at $0.10 on or before 26 May 2021 held by 3 holders.
- 30,000,000 options exercisable at $0.15 on or before 26 May 2021 held by 3 holders.

Persons holding greater than 20% of unlisted options:

- Nathan Taylor – 7,974,710 options exercisable at $0.0195 on or before 12 December 2019 and 3,000,000 options exercisable at $0.0624 on or before 26 May 2019.
- Eddie King – 4,000,000 options exercisable at $0.0624 on or before 26 May 2019.
- Don Carroll - 3,000,000 options exercisable at $0.0624 on or before 26 May 2019.
- Kitara Investments Pty Ltd <Kumova Family A/C> - 20,000,000 options exercisable at $0.10 on or before 26 May 2021 and 10,000,000 options exercisable at $0.15 on or before 26 May 2021.
- Robert Jewson - 20,000,000 options exercisable at $0.10 on or before 26 May 2021 and 10,000,000 options exercisable at $0.15 on or before 26 May 2021.
- Konkera Pty Ltd - 20,000,000 options exercisable at $0.10 on or before 26 May 2021 and 10,000,000 options exercisable at $0.15 on or before 26 May 2021.

g. At 22 September 2017, the following performance shares were on issue:

- 36,666,667 Class A Performance shares which convert into 36,666,667 fully paid ordinary shares upon the delineation of an Inferred Mineral Resource reported in accordance with the JORC Code of at least 500,000 metric tons at a minimum grade of 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code) or 50,000 metric tons of production from the Tenement of cobalt bearing an ore grading of at least 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code).

- 36,666,667 Class A Performance shares which convert into 36,666,667 fully paid ordinary shares upon the delineation of an Inferred Mineral Resource reported in accordance with the JORC Code of at least 1,000,000 metric tons at a minimum grade of 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code) or 100,000 metric tons of production from the Tenement of cobalt bearing an ore grading of at least 0.5% cobalt equivalence (reported in accordance with clause 50 of the JORC Code).

The Performance Shares also convert on sale of a majority interest in the Company's tenements or on a change of control of the Company (subject to a cap of 10% of fully diluted issued capital.)

The Performance Shares expire on 26 May 2022. The Performance Shares are not transferable, and do not confer voting or dividend rights on their holders. The full terms and conditions of the Performance Shares are set out in the Company's Notice of Meeting released on 19 April 2017.

No Performance Shares converted and no Milestone was met, during the year.

There are 12 holders of Class A and Class B performance shares, none of which hold greater than 20%.

h. 20 Largest Shareholders as at 22 September 2017 — Ordinary Shares

		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	KINGSLANE PTY LTD <CRANSTON SUPER FUND A/C>	66,637,792	10.23
2.	MRS ELEANOR JEAN REEVES <ELANWI A/C>	55,051,528	8.45
3.	MR ROBERT ANDREW JEWSON	53,901,489	8.28
4.	BILGI INVESTMENTS PTY LTD	39,564,564	6.08
5.	SISU INTERNATIONAL PTY LTD	32,842,458	5.04
6.	UBS NOMINEES PTY LTD	25,187,613	3.87
7.	LAKE SPRINGS PTY LTD <THE LAKE SPRINGS S/F A/C>	16,775,044	2.58
8.	GASMERE PTY LTD	11,018,888	1.69
9.	ZERO NOMINEES PTY LTD	10,134,997	1.56
10.	TYF HOLDINGS PTY LTD <TYF INVESTMENT A/C>	9,997,483	1.54
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,440,873	1.30
12.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	7,838,559	1.20
13.	WYMOND INVESTMENTS PTY LTD <DEE WHY SALES P/L SUPER A/C>	6,852,000	1.05
14.	CITICORP NOMINEES PTY LIMITED	6,485,648	1.00
15.	MR CARLO CHIODO	6,123,771	0.94
16.	MR ALEJANDRO MENDIETA	6,005,461	0.92
17.	NEESMITH PTY LTD <HELPMERHONDA SUPER FUND A/C>	5,000,000	0.77
18.	MR ADAM GARY CORNWALL JAGO	4,656,291	0.72
19.	BNP PARIBAS NOMS PTY LTD <DRP>	4,423,325	0.68
20.	MR ANDREW NEIL TAYLOR	4,418,049	0.68
		381,355,833	**58.58**

1. The name of the company secretary is David Palumbo.

2. The address of the principal registered office in Australia is:
Level 11, 216 St Georges Terrace Perth WA 6000.

3. Registers of securities are held at the following address:
Advanced Share Registry, 110 Stirling Hwy, Nedlands, WA 6009

4. Stock Exchange Listing
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the ASX Limited.

5. Corporate Governance
A copy of the Company's Corporate Governance Statement is available on the Company's website: www.europeancobalt.com

SCHEDULE OF MINERAL TENEMENTS
AS AT 22 SEPTEMBER 2017

Project/Licence	*Tenement*	*Interest held by European Cobalt Ltd*
Dobsina	2466/2017-5.3	100%
Rejdova	7007/2017-5.3	100%
Rakovec	7586/2017-5.3	100%
Kolba	4207/2017-5.3	100%
Jouhineva	ML2017:0030	-*
Defiance	E38/3062	100%
Mt Howe	E39/1878	100%
Mt Howe	E39/1879	100%
Unknown	P27/2005	100%

* The Company holds an option to purchase 100% of the Jouhineva Project. The option was exercised on 29 September 2017.