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**EUROPEAN**COBALT

**ABN: 63 144 079 667**

**& CONTROLLED ENTITIES**

**ANNUAL FINANCIAL REPORT**

**For the year ended 30 June 2019**

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

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## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### CORPORATE DIRECTORY

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#### DIRECTORS

Tolga Kumova  
Robert Jewson  
Ariel (Eddie) King  
Don Carroll

#### SECRETARY

Oonagh Malone

#### REGISTERED OFFICE

Suite 23  
513 Hay Street  
Subiaco WA 6090

Ph: +61 8 6143 6740

Website: [www.europeancobalt.com](http://www.europeancobalt.com)

#### AUDITORS

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Perth WA 6000

#### SHARE REGISTRY

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#### STOCK EXCHANGE

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

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### DIRECTORS' REPORT

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Your Directors present their report on European Cobalt Ltd (“the Company”) and its controlled entities (together referred to as “the Group”) for the financial year ended 30 June 2019.

#### 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)
- Robert Jewson (Managing Director)
- Eddie King (Non-Executive Director)
- Don Carroll (Non-Executive Director)

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

#### Company Secretary

Oonagh Malone was appointed Company Secretary on 3 July 2019.

David Palumbo held the position of company secretary during the financial year and until 3 July 2019.

#### Principal Activities

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

#### Operating Results

Loss after income tax for the financial year was \$7,178,212 (2018: \$4,116,880).

#### Financial Position

The net assets of the Group at 30 June 2019 are \$10,804,125 (2018: \$18,010,806). The Group’s working capital, being current assets less current liabilities is \$10,704,089 at 30 June 2019 (2018: \$17,921,533).

#### 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 Group occurred during the financial year.

#### Review of Operations

During the year, the Company continued to explore and develop the Dobsina Project (Co-Ni-Cu-Ag), Slovakia.

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### DIRECTORS' REPORT

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#### Information on Directors

##### **Tolga Kumova**

Non-Executive Chairman (appointed 29 May 2017)

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.

##### *Interest in shares and options*

75,657,022 Fully Paid Ordinary Shares

7,333,334 Class A performance shares

7,333,334 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

##### *Current directorships in other listed entities:*

African Gold Limited

##### *Former directorships held in other listed entities in the past three years:*

Syrah Resources Limited (May 2013 – October 2016)

New Century Resources Limited (July 2017 – July 2019)

##### **Robert Jewson**

Managing Director (appointed 29 May 2017)

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.

##### *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

##### *Current directorships in other listed entities:*

None

##### *Former directorships held in other listed entities in the past three years:*

None

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### DIRECTORS' REPORT

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#### **Eddie King**

Non-Executive Director (appointed 4 October 2016)

Mr King holds a Bachelor of Commerce and Bachelor of Engineering (Mining Systems) from the University of Western Australia. His past experience includes being a manager for a boutique investment banking firm, where he specialised in the technical and financial analysis of global resource projects for equity research and mergers and acquisitions. He was also a representative for a stockbroking and corporate advisory firm where he specialised in providing corporate advisory services for micro-cap ASX-listed companies.

#### *Interest in shares and options*

4,000,000 options exercisable at \$0.0624 that expired on 26 May 2019

#### *Current directorships in other listed entities:*

Eastern Iron Limited  
Pure Minerals Limited  
Ragnar Metals Limited (formerly Drake Resources Limited)  
Six Sigma Metals Limited

#### *Former directorships held in other listed entities in the past three years:*

Axxis Technology Group Limited (May 2017 – March 2019)  
Sultan Resources Limited (June 2018 – March 2019)  
Bowen Coking Coal Limited (formerly Cabral Resources Limited) (April 2015 – December 2018)  
Lindian Resources limited (October 2014 – January 2018)

#### **Don Carroll**

Non-Executive Director (Appointed 7 September 2016)

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 that expired on 26 May 2019

#### *Current directorships in other listed entities:*

Kogi Iron Limited  
Crystal Peak Minerals Inc.

#### *Former directorships held in other listed entities in the past three years:*

None

DIRECTORS' REPORT

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COMPANY SECRETARIES

**Oonagh Malone** (appointed 3 July 2019)

Ms Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. She has over 10 years' experience in administrative and company secretarial roles for listed companies and is a member of the Governance Institute of Australia. She currently acts as company secretary for ASX-listed Bunji Corporation Limited, Caprice Resources Limited, Carbine Resources Limited, Hawkstone Mining Limited, New Century Resources Limited and Sagon Resources Limited. She is non-executive director of Carbine Resources Limited and Hawkstone Mining Limited.

**David Palumbo** (to 3 July 2019)

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, with a 3 month period required for termination without cause.

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.

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### DIRECTORS' REPORT

This table summarises the earnings of the Group and other factors that are considered to affect shareholder wealth for the five years to 30 June 2019.

	2019	2018	2017	2016	2015
Loss after income tax attributable to shareholders (\$)	(7,178,212)	(4,116,880)	(19,801,271)	(6,304,225)	(43,660,011)
Share price at financial Year end (\$)	0.018	0.062	0.089	0.065	1.885
Movement in share Price for the year (\$)	(0.044)	(0.027)	0.024	(1.82)	0.845
Total dividends declared (cents per share)	-	-	-	-	-
Returns of capital (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(0.94)	(0.58)	(8.09)	(39.73)*	(427.81)*

\* The 2016 and 2015 basic losses per share have been restated following the 1:13 share consolidation approved by shareholders on 29 November 2016.

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.

### 3. Options issued as part of remuneration for the year ended 30 June 2019

Nil



EUROPEAN COBALT LTD & CONTROLLED ENTITIES

DIRECTORS' REPORT

4. Details of remuneration for the year ended 30 June 2019:

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

2019  Key Management Person	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payments		Total	Performance Related	% of Options as Remuneration
	Cash, salary & commissions	Superannuation	Other	Equity	Options			
	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>								
Tolga Kumova	60,000	-	-	-	-	60,000	-	-
Robert Jewson	280,000*	26,600*	-	-	-	306,600	-	-
Eddie King	60,000	-	-	-	-	60,000	-	-
Don Carroll	60,000	-	-	-	-	60,000	-	-
	460,000	26,600	-	-	-	486,600	-	-

\* Includes annual leave provision movement for \$40,000 in salary and \$3,800 in superannuation.

2018  Key Management Person	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payments		Total	Performance Related	% of Options as Remuneration
	Cash, salary & commissions	Superannuation	Other	Equity	Options			
	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>								
Tolga Kumova	60,000	-	-	-	-	60,000	-	-
Robert Jewson	240,000	22,800	-	-	-	262,800	-	-
Eddie King	60,000	-	-	-	-	60,000	-	-
Don Carroll	60,000	-	-	-	-	60,000	-	-
	420,000	22,800	-	-	-	442,800	-	-

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### DIRECTORS' REPORT

#### 5. Equity holdings of KMP

##### Ordinary Shares

Number of ordinary shares held by KMP during the financial year ended 30 June 2019 was as follows:

30 June 2019	Balance at beginning of year/ appointment	Purchased during the year	Options exercised	Net change other	Balance at end of year
<b>Directors</b>					
Robert Jewson	53,901,489	-	-	-	53,901,489
Tolga Kumova	75,657,022	-	-	-	75,657,022
Eddie King	-	-	-	-	-
Don Carroll	-	-	-	-	-
	<u>129,558,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,558,511</u>

##### Option holdings

Number of options held by KMP during the financial year ended 30 June 2019 was as follows:

30 June 2019	Balance at beginning of year/ appointment	Granted as remuneration	Options purchased/ exercised/ expired	Net change other	Balance at end of year
<b>Directors</b>					
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)*	-	-
	<u>67,000,000</u>	<u>-</u>	<u>(7,000,000)</u>	<u>-</u>	<u>60,000,000</u>

\* The 4,000,000 options held by Mr Eddie King and 3,000,000 options held by Mr Don Carroll that lapsed during the year were granted during the year ended 30 June 2017.

##### Performance Shares

Number of performance shares held by KMP during the financial year ended 30 June 2019 was as follows:

30 June 2019	Balance at beginning of year/ appointment	Net change other	Balance at end of year
<b>Directors</b>			
Robert Jewson	12,173,334	-	12,173,334
Tolga Kumova	14,666,668	-	14,666,668
Eddie King	-	-	-
Don Carroll	-	-	-
	<u>26,840,002</u>	<u>-</u>	<u>26,840,002</u>

DIRECTORS' REPORT

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**6. Other KMP transactions**

The Company incurred no transactions with related parties.

**End of Remuneration Report (Audited)**

**After Balance Date Events**

No 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, 3 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	3	3
Tolga Kumova	3	3
Eddie King	3	3
Don Carroll	3	2

**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	2,731,506
26 May 2021	\$0.10	62,500,000
26 May 2021	\$0.15	30,000,000

During the year ended 30 June 2019, no shares of the Company were issued on the exercise of options and 10,000,000 options lapsed on expiry without being exercised.

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

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### DIRECTORS' REPORT

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#### Performance Shares

At the date of this report, the Company has 73,333,334 (2018: 73,333,334) performance shares on issue. The performance shares vest on the achievement of specified performance conditions (refer to Note 13).

#### 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](http://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 2019.

#### Auditor's Declaration of Independence

The auditor's independence declaration for the year ended 30 June 2019 has been received and is included within the financial statements.

Signed in accordance with a resolution of Directors.



Robert Jewson  
Managing Director  
26 September 2019

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(WA) Pty Ltd**

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To The Board of Directors

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

As lead audit Partner for the audit of the financial statements of European Cobalt Limited for the financial year ended 30 June 2019, 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**

**MARK DELAURENTIS CA**  
**Partner**

Dated at Perth this 26<sup>th</sup> day of September 2019

EUROPEAN COBALT LTD & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Revenue	2	344,645	298,354
Administration expenses		(155,568)	(153,608)
Corporate compliance expenses		(239,975)	(289,594)
Employee benefits and consulting expense		(486,600)	(417,800)
Exploration expenditure and acquisition costs	3	(6,640,714)	(3,554,232)
<b>Loss from continuing operations before income tax benefit</b>		<b>(7,178,212)</b>	<b>(4,116,880)</b>
Income tax expense	4	-	-
<b>Loss from continuing operations after income tax benefit</b>		<b>(7,178,212)</b>	<b>(4,116,880)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		(28,469)	(18,531)
<b>Total comprehensive loss</b>		<b>(7,206,681)</b>	<b>(4,135,411)</b>
Loss attributable to:			
Members of the parent entity		(7,178,212)	(4,116,880)
Non-controlling interest		-	-
		<b>(7,178,212)</b>	<b>(4,116,880)</b>
Total comprehensive loss attributable to:			
Members of the parent entity		(7,206,681)	(4,135,411)
Non-controlling interest		-	-
		<b>(7,206,681)</b>	<b>(4,135,411)</b>
Basic and diluted loss per share (cents)	5	(0.94)	(0.58)

The accompanying notes form part of these financial statements.

EUROPEAN COBALT LTD & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	11,397,289	3,214,295
Term deposits	9	-	15,000,000
Trade and other receivables	7	129,195	160,443
Other assets	8	27,562	42,108
<b>Total Current Assets</b>		<b>11,554,046</b>	<b>18,416,846</b>
<b>Non-Current Assets</b>			
Plant and equipment	10	100,036	89,273
<b>Total Non-Current Assets</b>		<b>100,036</b>	<b>89,273</b>
<b>Total Assets</b>		<b>11,654,082</b>	<b>18,506,119</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	806,157	495,313
Provisions		43,800	-
<b>Total Current Liabilities</b>		<b>849,957</b>	<b>495,313</b>
<b>Total Liabilities</b>		<b>849,957</b>	<b>495,313</b>
<b>Net Assets</b>		<b>10,804,125</b>	<b>18,010,806</b>
<b>EQUITY</b>			
Issued capital	12	97,201,759	97,201,759
Reserves	13	8,652,150	8,680,619
Accumulated losses		(95,043,999)	(87,865,787)
Non-controlling interest		(5,785)	(5,785)
<b>Total Equity</b>		<b>10,804,125</b>	<b>18,010,806</b>

The accompanying notes form part of these financial statements.

EUROPEAN COBALT LTD & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital \$	Foreign translation reserve \$	Share based payment reserve \$	Accumulated Losses \$	Non-controlling interest \$	Total \$
<b>Balance at 1 July 2017</b>	<b>78,009,799</b>	<b>138,159</b>	<b>8,470,991</b>	<b>(83,748,907)</b>	<b>(5,785)</b>	<b>2,864,257</b>
Loss for the period	-	-	-	(4,116,880)	-	(4,116,880)
Other Comprehensive Income	-	(18,531)	-	-	-	(18,531)
Total Comprehensive Income	-	(18,531)	-	(4,116,880)	-	(4,135,411)
Shares issued during the year (net)	19,191,960	-	-	-	-	19,191,960
Options issued during the year	-	-	90,000	-	-	90,000
<b>Balance at 30 June 2018</b>	<b>97,201,759</b>	<b>119,628</b>	<b>8,560,991</b>	<b>(87,865,787)</b>	<b>(5,785)</b>	<b>18,010,806</b>
<b>Balance at 1 July 2018</b>	<b>97,201,759</b>	<b>119,628</b>	<b>8,560,991</b>	<b>(87,865,787)</b>	<b>(5,785)</b>	<b>18,010,806</b>
Loss for the period	-	-	-	(7,178,212)	-	(7,178,212)
Other Comprehensive Income	-	(28,469)	-	-	-	(28,469)
Total Comprehensive Income	-	(28,469)	-	(7,178,212)	-	(7,206,681)
Shares issued during the year (net)	-	-	-	-	-	-
Options issued during the year	-	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>97,201,759</b>	<b>91,159</b>	<b>8,560,991</b>	<b>(95,043,999)</b>	<b>(5,785)</b>	<b>10,804,125</b>

The accompanying notes form part of these financial statements.



EUROPEAN COBALT LTD & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019

		2019 \$ Inflows/ (Outflows)	2018 \$ Inflows/ (Outflows)
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Interest received		388,448	161,410
Payments to suppliers and employees		(376,382)	(643,242)
Exploration and evaluation expenditure		(6,780,514)	(3,101,383)
Net cash (used in) operating activities	16(a)	<u>(6,768,448)</u>	<u>(3,583,215)</u>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(42,265)	(56,893)
Payments for acquisition of exploration assets		-	(37,264)
Proceeds from receipt of term deposits		15,000,000	-
Payment for term deposit		-	(15,000,000)
Net cash provided by/ (used in) investing activities		<u>14,957,735</u>	<u>(15,094,157)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options (net)		-	18,920,399
Net cash provided by financing activities		<u>-</u>	<u>18,920,399</u>
Net increase in cash held		8,189,287	243,027
Cash at beginning of the financial period		3,214,295	2,971,268
Exchange differences on cash and cash equivalents		(6,293)	-
Cash and cash equivalents at period end	6	<u><b>11,397,289</b></u>	<u><b>3,214,295</b></u>

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

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**1. Statement of Significant Accounting Policies**

These consolidated financial statements and notes represent those of European Cobalt Ltd (the "Company") and controlled entities (the "Group"). European Cobalt is a listed public company, incorporated and domiciled in Australia. The financial statements were authorised for issue on 26 September 2019 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.

Incomes and expenses 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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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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 9 'Financial Instruments' 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 as 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.

**NOTES TO THE FINANCIAL STATEMENTS  
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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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	20 - 30%

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**

Lease payments for operating leases where substantially all the risks and benefits remain with the lessor are changes 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.

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f) **Financial Instruments**

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and are solely principal and interest. All other financial instrument assets are 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. Financial assets may be impaired based on an expected credit loss model to recognise an allowance. Such impairment is measured with a 12-month expected credit loss model unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime expected credit loss model is adopted

For financial liabilities, the portion of the change in fair value that relates to the Group's credit risk is presented in other comprehensive income.

Hedge accounting requirements align the accounting treatment with the Group's risk management activities. The Group does not currently have any impaired financial assets, financial liabilities with changes in fair value due to credit risk presented in other comprehensive income, or financial instruments requiring hedge accounting.

**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.

**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.

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FOR THE YEAR ENDED 30 JUNE 2019

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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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**l) Borrowing Costs**

All borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

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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:

Level 1

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.

Level 2

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

Level 3

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**

Revenue from contracts with customers is recognised based on the transfer of promised goods or services to customers with an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services.

Other revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method.

Other revenue is recognised when it is received or when the right to receive payment is established.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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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.

**Term deposits**

In the prior year, term deposits with more than 3 months to mature were not classified as cash and cash equivalents because accrued interest receivable was expected to be forfeited if these term deposits were withdrawn before maturing. The Group held no term deposits with a remaining term exceeding 3 months at 30 June 2019.

q) **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.

The adoption of AASB 9 Financial Instruments from 1 July 2018 has not affected balances of the Group because no financial instrument held by the Group is recognised or measured differently by this standard. The Group has no expected credit losses on financial instruments. Future effects of the implementation of this standard will mostly depend on any form of hedging by the Group.

The adoption of AASB 15 Revenue from Contracts with Customers from 1 July 2018 has not affected balances of the Group because no revenue or potential revenue of the Group is recognised or measured differently by this standard. Future effects of the implementation of this standard will mostly depend on the wording and effect of relevant contracts.

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

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FOR THE YEAR ENDED 30 JUNE 2019**

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**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 2019. 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 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 Group does not expect implementation of this standard to have any effect on reported balances as the Group has no relevant leases. Future effects of the implementation of this standard will depend on details in future agreements.

**EUROPEAN COBALT LTD & CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
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<b>2. Revenue</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Interest received	344,645	220,857
Other revenue	-	77,497
	<u>344,645</u>	<u>298,354</u>
<b>3. Exploration expenditure and acquisition costs</b>		
Exploration expenditure and due diligence costs	(6,640,714)	(3,195,966)
Acquisition – Finland Projects	-	(358,266)
	<u>(6,640,714)</u>	<u>(3,554,232)</u>
<b>4. Income tax benefit</b>		
Net loss before tax	(7,178,212)	(4,116,880)
Income tax benefit on above at 30%	(2,153,464)	(1,235,064)
Increase/(decrease) in income tax due to the tax effect of:		
Non-deductible expenses	1,992,897	1,064,050
Current year tax losses not recognised	126,556	207,257
Movement in unrecognised temporary differences	54,037	(16,450)
Deductible equity raising costs	(20,026)	(19,793)
Income tax reported in the statement of comprehensive income	<u>-</u>	<u>-</u>
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following:		
Tax revenue losses	1,233,234	1,068,537
Deductible temporary differences	91,584	91,676
Tax capital losses	4,500	4,500
	<u>1,329,318</u>	<u>1,164,713</u>

EUROPEAN COBALT LTD & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS  
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5. Earnings per share	2019 Cents per Share	2018 Cents per Share
Basic/diluted loss per share	(0.94)	(0.58)

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

	2019 \$	2018 \$
Loss from continuing operations	(7,178,212)	(4,116,880)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic/ diluted loss per share	761,697,329	713,831,753

6. Cash and cash equivalents	2019 \$	2018 \$
Cash at bank and on hand	947,289	3,214,295
Short term deposits	10,450,000	-
	<u>11,397,289</u>	<u>3,214,295</u>

Short term deposits are held at bank, mature within 3 months and can be withdrawn on shorter terms with forfeiture of accrued interest.

7. Trade and other receivables		
Current		
GST / VAT receivable	105,831	93,276
Interest receivable	23,364	67,167
	<u>129,195</u>	<u>160,443</u>

8. Other assets		
Current		
Prepayments	27,562	42,108

9. Term deposits	2019 \$	2018 \$
Interest bearing deposits	-	15,000,000

Interest bearing deposits are held at bank and mature between 3 months and 12 months.

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EUROPEAN COBALT LTD & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS  
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10. Plant and equipment	2019 \$	2018 \$
<i>Plant and Equipment</i>		
At Cost	151,961	106,043
Accumulated Depreciation	(51,925)	(16,770)
	100,036	89,273

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

<i>Plant and Equipment</i>		
Opening balance	89,273	48,749
Additions	42,265	57,294
Foreign exchange revaluation	2,634	-
Depreciation	(34,136)	(16,770)
Closing balance	100,036	89,273

11. Trade and other payables

Current

Trade payables and accruals	806,157	495,313
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12. Issued capital	2019 \$	2018 \$
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(a) Issued and paid up capital

Ordinary shares fully paid of no par value	97,201,759	97,201,759
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(b) Movement in ordinary shares on issue	2019 Number	2019 \$	2018 Number	2018 \$
Balance at beginning of period	761,697,329	97,201,759	651,226,413	78,009,799
Shares issued during the year:				
- 29 September 2017 <sup>2</sup>	-	-	1,697,260	271,562
- 10 October 2017 <sup>1</sup>	-	-	7,974,710	155,507
- 6 November 2017 <sup>1</sup>	-	-	798,946	15,579
- 11 December 2017 <sup>3</sup>	-	-	100,000,000	20,000,000
Capital raising costs	-	-	-	(1,250,688)
<b>Balance at end of period</b>	<b>761,697,329</b>	<b>97,201,759</b>	<b>761,697,329</b>	<b>97,201,759</b>

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

2 Fully paid ordinary shares issued as consideration for the Juhineva Project in Finland.

3 Fully paid ordinary shares issued at a price of \$0.20 per share to raise \$20,000,000, to expedite the exploration and development of the Dobsina Project.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

(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 2019 was \$10,704,089 (2018: \$17,921,533) and the net decrease in cash and term deposits held during the year was \$6,817,006 (2018: increase of \$15,243,027).

(e) **Share Options**

At 30 June 2019, the Company has the following share options on issue:  
2,731,506 options exercisable at \$0.0195 on or before 12 December 2019;  
62,500,000 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.

13. Reserves	2019 \$	2018 \$
Foreign currency translation	91,159	119,628
Share based payment reserve	8,560,991	8,560,991
	<u>8,652,150</u>	<u>8,680,619</u>
<b>Share based payment reserve</b>		
Reserve at the beginning of the year	8,560,991	8,470,991
Issue of options to consultants <sup>1</sup>	-	90,000
Reserve at end of year	<u>8,560,991</u>	<u>8,560,991</u>

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.

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

On 29 September 2017, the Company issued 2,500,000 options exercisable at \$0.10 on or before 26 May 2021 to geological consultants. The options were 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
2,500,000	\$0.06	\$0.10	100%	1.5%	3.8	\$0.036

The total expense arising from share based payments (ordinary shares, performance shares and options) during the year was nil (2018: \$90,000).

#### Performance shares issued in 2017

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 were 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 was determined with reference to the prevailing share price at the grant date. The directors assessed probabilities of achieving performance milestones and eventually converting as at the date of acquisition. This estimate has not been revised because of the nature of the acquisition transaction. These performance shares have not yet converted.

	2019 \$	2018 \$
<b>Foreign currency translation reserve</b>		
Reserve at the beginning of the year	119,628	138,159
Exchange differences arising on translating foreign operations	(28,469)	(18,531)
Reserve at end of year	<u>91,159</u>	<u>119,628</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

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.

	2019 \$	2018 \$
<b>14. Auditors' remuneration</b>		
Amounts, received or due and receivable by auditors for:		
- an audit or review services	31,250	31,004

**15. 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 2019. The totals of remuneration paid to KMP of the Company during the year are as follows:

	2019 \$	2018 \$
Short term	460,000	420,000
Post-employment	26,600	22,800
Share based payments	-	-
	<u>486,600</u>	<u>442,800</u>

**(b) Other transactions**

The Company did not enter into any other transactions with related parties during the financial year ended 30 June 2019.

**16. Cash Flow Information**

**(a) Reconciliation of Cash Flow from Operations with**

**Loss after Income Tax**

Loss after income tax	(7,178,212)	(4,116,880)
Non cash flows in loss:		
Depreciation	34,136	16,368
Exchange differences	(24,810)	-
Share based payments	-	361,562
Acquisition of exploration assets	-	37,264
Changes in assets and liabilities:		
- decrease/ (increase) in trade and other receivables	31,248	(139,167)
- decrease/ (increase) in other assets	14,546	(34,985)
- increase in provisions	43,800	-
- increase in trade and other payables	310,844	292,623
	<u>(6,768,448)</u>	<u>(3,583,215)</u>

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### (b) Non Cash Investing & Financing Activities

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

#### 17. 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 2019.

#### 18. 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 2019 and 2018:

##### *Geographical information*

	Australia \$	Indonesia \$	Europe \$	Total
<b>Year ended 30 June 2019</b>				
<b>Revenue</b>				
Sales to external customers	-	-	-	-
Interest income	344,645	-	-	<b>344,645</b>
Discounts received	-	-	-	-
Segment revenue	<u>344,645</u>	<u>-</u>	<u>-</u>	<u><b>344,645</b></u>
<b>Other segment information</b>				
Exploration expenditure and acquisition costs	(89,123)	-	(6,551,591)	<b>(6,640,714)</b>
<b>Result</b>				
Loss before tax	(623,904)	(75)	(6,554,233)	<b>(7,178,212)</b>
Income tax expense	-	-	-	-
Loss for the year	<u>(623,904)</u>	<u>(75)</u>	<u>(6,554,233)</u>	<u><b>(7,178,212)</b></u>
<b>Asset and liabilities</b>				
Segment assets	11,147,480	116	506,486	<b>11,654,082</b>

**EUROPEAN COBALT LTD & CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

Segment liabilities	(293,171)	(8)	(556,778)	<b>(849,957)</b>
	<b>Australia</b>	<b>Indonesia</b>	<b>Europe</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Year ended 30 June 2018</b>				
<b>Revenue</b>				
Sales to external customers	-	-	-	-
Interest income	220,857	-	-	<b>220,857</b>
Discounts received	-	-	77,497	<b>77,497</b>
Segment revenue	<b>220,857</b>	<b>-</b>	<b>77,497</b>	<b>298,354</b>
<b>Other segment information</b>				
Exploration expenditure and acquisition costs	(486,526)	-	(3,067,706)	<b>(3,554,232)</b>
<b>Result</b>				
Loss before tax	(1,143,202)	(237)	(2,973,441)	<b>(4,116,880)</b>
Income tax expense	-	-	-	-
Loss for the year	<b>(1,143,202)</b>	<b>(237)</b>	<b>(2,973,441)</b>	<b>(4,116,880)</b>
<b>Asset and liabilities</b>				
Segment assets	18,197,821	-	308,298	<b>18,506,119</b>
Segment liabilities	(414,506)	(8)	(80,799)	<b>(495,313)</b>

**19. Controlled Entities**

	<b>Country of Incorporation</b>	<b>Equity Holding 2019</b>	<b>Equity Holding 2018</b>
		<b>%</b>	<b>%</b>
Subsidiaries of European Cobalt Ltd:			
NiCo Minerals Pty Ltd	Australia	100	100
CE Metals s.r.o	Slovakia	100	100
PT. WMN Indonesia <sup>1</sup>	Indonesia	99.8	99.8
PT. Persada Bumi Rawas <sup>1</sup>	Indonesia	75	75
EUC Finland Pty Ltd	Australia	100	100
EUC Sweden Pty Ltd	Australia	100	100
EUC Austria Pty Ltd <sup>2</sup>	Australia	100	100
Suomen Koboltti Oy	Finland	100	100

<sup>1</sup> Dormant subsidiaries

<sup>2</sup> This company changed its name from European Cobalt (Czech Republic) Pty Ltd to EUC Austria Pty Ltd on 23 July 2018.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

20. 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.

The totals of each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated	
		2019 \$	2018 \$
<b>Financial Assets</b>			
Cash and cash equivalents	6	11,397,289	3,214,295
Term deposits	9	-	15,000,000
Trade and other receivables	7	129,195	160,443
<b>Total Financial Assets</b>		<b>11,526,484</b>	<b>18,374,738</b>
<b>Financial Liabilities</b>			
Trade and other payables	11	806,157	495,313
<b>Total Financial Liabilities</b>		<b>806,157</b>	<b>495,313</b>

**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 is in the exploration and development phase, 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:

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Financial assets	2019	2018
	\$	\$
Cash and cash equivalents – held with major banks	11,397,289	3,214,295
Term deposits – held with major banks	-	15,000,000
Receivables – main counterparties are taxing authorities	129,195	160,443
	<u>11,526,484</u>	<u>18,374,738</u>

#### 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 exposed to risks of foreign exchange rates and interest rates moving.

#### Interest rate risk exposure and sensitivity analysis

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

2019	Floating Interest Rate \$	Fixed Interest Rate 1 Year or Less \$	Non-Interest Bearing \$	Total \$	Weighted Effective Interest Rate
<b>Financial Assets</b>					
Cash	402,657	10,450,000	544,632	11,397,289	2.1%
Trade and other receivables	-	-	129,195	129,195	-
<b>Total Financial Assets</b>	<b>402,657</b>	<b>10,450,000</b>	<b>673,827</b>	<b>11,526,484</b>	<b>2.1%</b>
<b>Financial Liabilities</b>					
Trade and other payables	-	-	(806,157)	(806,157)	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>(806,157)</b>	<b>(806,157)</b>	<b>-</b>
<b>Net Financial Instruments</b>	<b>402,657</b>	<b>10,450,000</b>	<b>(132,330)</b>	<b>10,720,327</b>	<b>2.2%</b>

EUROPEAN COBALT LTD & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

2018	Floating Interest Rate \$	Fixed Interest Rate 1 Year or Less \$	Non-Interest Bearing \$	Total \$	Weighted Effective Interest Rate
<b>Financial Assets</b>					
Cash	3,001,947	-	212,348	3,214,295	1.0%
Term deposits	-	15,000,000	-	15,000,000	2.7%
Trade and other receivables	-	-	160,443	160,443	-
<b>Total Financial Assets</b>	<b>3,001,947</b>	<b>15,000,000</b>	<b>372,791</b>	<b>18,374,738</b>	<b>2.4%</b>
<b>Financial Liabilities</b>					
Trade and other payables	-	-	(495,313)	(495,313)	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>(495,313)</b>	<b>(495,313)</b>	<b>-</b>
<b>Net Financial Instruments</b>	<b>3,001,947</b>	<b>15,000,000</b>	<b>(122,522)</b>	<b>17,879,425</b>	<b>2.4%</b>

As at 30 June 2019, if interest rates on interest bearing instruments had changed by +/-100 basis points from the weighted average rate at year end with all other variables held constant, post-tax loss for the Group would have been \$108,527 lower/higher (2018 - \$180,019 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

**Foreign exchange rate risk exposure and sensitivity analysis**

The Group is exposed to foreign exchange risk in relation to the acquisition of goods and services in Indonesian Rupiah (IDR) and Euro (Euro). The Group does not hedge this exposure by using financial instruments. The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2019 \$	2018 \$
<b>Financial Assets</b>		
Cash and cash equivalents (Euro)	299,895	131,232
Cash and cash equivalents (IDR)	115	178
Trade and other receivables (Euro)	101,469	52,049
<b>Financial Liabilities</b>		
Trade and other payables (Euro)	(556,778)	(80,799)
Trade and other payables (IDR)	(8)	(8)

The following tables show the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the presentation currency.

	Net Financial Assets/(Liabilities) in \$AUD		
	Euro	IDR	Total
2019	(155,387)	107	(155,280)
2018	102,482	170	102,652

## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

In respect of the above Euro and IDR foreign currency risk exposure in existence at the reporting date a sensitivity of 10% lower and 10% higher has been applied. With all other variables held constant, post tax loss and equity would have been affected as follows:

Euro: AUD \$15,528 loss; AUD \$15,528 gain (2018: AUD \$10,248 gain; AUD \$10,248 loss)

IDR: AUD \$11 gain; AUD \$11 loss (2018: AUD \$17 gain; AUD \$17 loss)

#### 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.

#### 21. Parent entity disclosures

Financial position	2019	2018
	\$	\$
Assets		
Current assets	11,147,480	18,197,642
Non-current assets	-	-
Total assets	<u>11,147,480</u>	<u>18,197,642</u>
Liabilities		
Current liabilities	293,172	414,506
Non-Current liabilities	-	-
Total liabilities	<u>293,172</u>	<u>414,506</u>
Equity		
Issued capital	97,201,759	97,201,759
Accumulated losses	(94,908,442)	(87,979,614)
Reserves	8,560,991	8,560,991
Total equity/(deficiency in equity)	<u>10,854,308</u>	<u>17,783,136</u>
Financial performance		
Profit/(loss) for the year	(6,928,828)	(4,344,162)
Total comprehensive income	<u>(6,928,828)</u>	<u>(4,344,162)</u>

Refer to Note 22 for commitments of the parent which are the same as the Group.

#### 22. 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 (2018: \$32,000).

The Group has a three month minimum period for terminating the Managing Director without cause. This creates an executive services commitment of \$65,700 (2018: \$65,700).

The Group has no other material commitments.

**23. Events Subsequent to Period End**

No 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.

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## EUROPEAN COBALT LTD & CONTROLLED ENTITIES

### DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2019

---

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 2019 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  
26 September 2019

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## 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 2019, 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 2019 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.



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### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Exploration Expenditure</b></p> <p>During the year the Consolidated Entity incurred exploration expenses of \$6,640,714 (Refer Note 3). Exploration expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>– The significance to the Consolidated Entity's statement of profit or loss and other comprehensive income; and</li> <li>– The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>– 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.</li> <li>– We assessed the Consolidated Entity's rights to tenure by corroborating to government registries; and</li> <li>– 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.</li> </ul>

### 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 2019, 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.

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### 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.

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## Independent Auditor's Report

To the Members of European Cobalt Limited (Continued)



- 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 2019. 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 2019, complies with section 300A of the Corporations Act 2001.

**BENTLEYS**  
Chartered Accountants

**MARK DELAURENTIS CA**  
Partner

Dated at Perth this 26<sup>th</sup> day of September 2019

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