CobaltBlue

COBALT BLUE HOLDINGS LIMITED
(ABN 90 614 466 607)

Annual Report 2023

Highlights and **Achievements**

Broken Hill Cobalt Project

- Demonstration Plant achieved sustained steady state operations
- First large-scale production of Mixed Hydroxide Precipitate (MHP) achieved
- $0.5m Critical Minerals and High-Tech Metals Activation Fund grant
- Testwork agreement signed with Hudbay Minerals Inc.
- Significant progress on Definitive Feasibility Studies

Kwinana Refinery Project

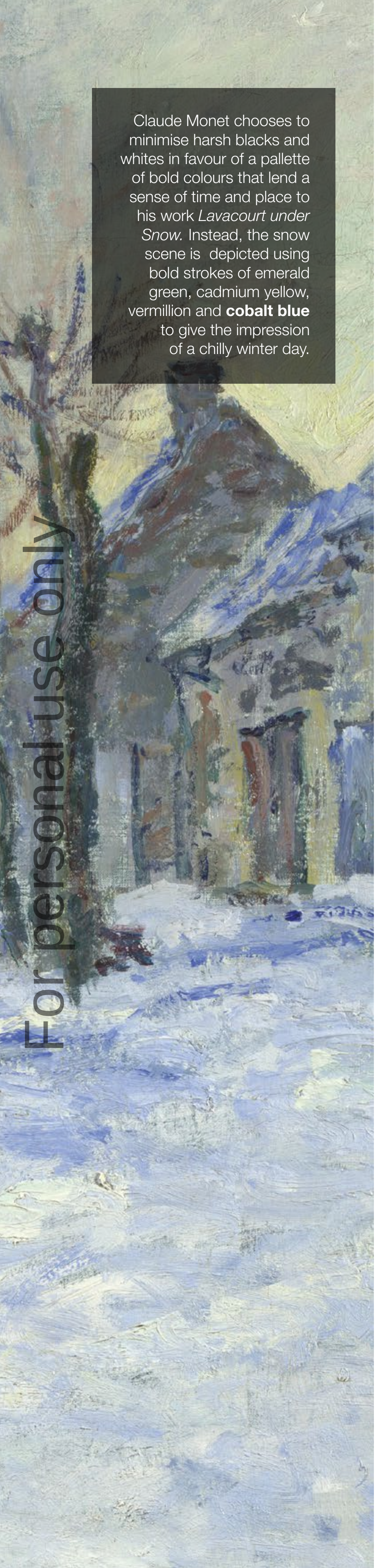
- Concept study on the Kwinana Refinery Project completed

COB Partnerships

- Memorandum of understanding signed with a leading Japanese multinational regarding the Kwinana Refinery Project

Corporate

- $25.6 million of new capital raised
- Appointment of senior executives to key roles overseeing project financing, human resources, and business development



Claude Monet chooses to minimise harsh blacks and whites in favour of a pallette of bold colours that lend a sense of time and place to his work *Lavacourt under Snow.* Instead, the snow scene is depicted using bold strokes of emerald green, cadmium yellow, vermillion and **cobalt blue** to give the impression of a chilly winter day.

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Cautionary statement

This report contains forward-looking statements, including timetables that relate to our activities, plans and objectives. Actual results may differ from these statements, depending on a variety of factors. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and circumstances that will occur in the future and may be outside COB's control. Given these risks and uncertainties, undue reliance should not be placed on forward-looking statements.

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Chairman and CEO **Review**

Dear Fellow Shareholders,

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

During FY23 we articulated a strategy comprising three building blocks for the business, namely: (1) BHCP, (2) the Kwinana Refinery Project, and (3) Cobalt in Waste Stream Projects (CWSP). The BHCP remains our core focus, but the other building blocks remain integral to the realisation of our strategy.

We are completing a Definitive Feasibility Study (DFS) for the BHCP as well as progressing financing/securing commercial partners. As part of our technical program, we transitioned to quasi-commercial, continuous operations at the Demonstration Plant at Broken Hill. The Demonstration Plant is a significant component of the DFS as it provides engineering data that informs equipment selection and operating parameters while providing funders and partners confidence that our proprietary processing technology is scalable.

The Demonstration Plant consists of field operations as well as a processing facility within the Broken Hill township. Feedstock for these operations was sourced via a portal accessing the Pyrite Hill deposit. A total of 148m of development drives were executed, with ore extracted typically 40–50m below the surface.

Following on from our mining operation we announced the completion of large-scale concentration test work (500t). While cobalt grade in ore varied from ~500 ppm to >1,000 ppm a gravity circuit upgraded the cobalt grade in concentrate to ~4,434 ppm (with ~80% mass rejection). The consistency of the upgrade was confirmed and replicated in our earlier Pre-Feasibility Study (PFS) results. The concentration upgrade is a key project advantage that reduces the amount of material required to be refined by 80%, thus reducing capital and operating costs.

In total across our field campaign ~5,000t of ore was extracted, and we announced that 680t of concentrate (wet basis) was produced with a 93%+ recovery rate into concentrate achieved under optimum processing conditions. Demonstration Plant operations continue, systematically addressing scaling risks in our transition toward commercial operation.

Other fieldwork included a drilling campaign targeting resource definition, geotechnical, waste rock and groundwater characterisation completed with a total of 78 drill holes for 12,281m. Further, substantial progress on the Environmental Impact Statement (EIS) was achieved, with the “Approvals Case” mining study completed determining the scope and scale of the project. The mining and infrastructure footprint has been determined to ensure that all disturbance aspects of the BHCP are assessed in the EIS. Ecology, Aboriginal heritage and soil surveys of the maximum disturbance footprint have been completed. Where it has been possible to do so, the Project has amended the site layout to avoid or minimise impacts on watercourses and sensitive ecological or cultural heritage attributes.

COB has now applied for a new site access road, with the target of creating all-weather road access to the site from the Barrier Highway significantly improving the safety of the associated highway crossing as well as reducing the commute to the site to ~18km (one way).

During our DFS process, we identified and selected the option to refine BHCP cobalt Mixed Hydroxide Precipitate (MHP) into cobalt sulphate at a separate location, namely in the Kwinana district south of Perth. There are strategic reasons for this decision:

- Kwinana has a deep-water port and export facilities.
- Kwinana is a major chemicals district and provides ready access to low-cost chemicals.
- A single, larger refinery allows COB to process material initially sourced from third parties then BHCP and (in future) other COB-owned cobalt projects, rather than build out individual refineries at dispersed mine sites throughout Australia.

The Kwinana Refinery Project represents one of few Western World investments in cobalt sulphate refining over the last 30 years. In addition to processing BHCP originated MHP, COB is examining the option to refine ~ 3,000 tonnes per year of 3rd party feedstock with first operations expected by late 2025. This capacity is expected to position the Kwinana Refinery Project to be a gateway for cobalt to high-growth electric vehicle markets within the EU and US.

Presently, COB is engaging with a leading Japanese multinational as a potential partner for the Kwinana Refinery Project.

COB believes that partnering with an existing property owner would substantially reduce development time. Our potential partner is currently considering proposing an appropriate level of equity ownership in the Kwinana Refinery Project via a funding contribution.

Moving onto CWSP, the opportunity presented by the application of COB's processing technology to pyrite-rich mine waste was recognised by the Queensland Government's interest in the process, and integration of COB's process for selected sites in the Geological Survey of Queensland Secondary Prospectivity project. This project aims to define the potential for critical mineral endowment in Queensland's mine waste. COB has now completed testing of the first sample.

Globally, COB is conducting a desktop study on waste stream opportunities and we have reached out to engage with government and mine owners to understand how our technology can assist in the rehabilitation of mining waste. We executed a test work co-operation agreement with Hudbay Minerals Inc ("Hudbay") (TSX, NYSE: HBM) with respect to their Flin Flon tailings storage facility located in the Province of Manitoba, Canada. COB has agreed to utilise its proprietary minerals processing technology to assess its ability to recover gold, silver, copper, zinc, cobalt and sulphur from a pyrite/pyrrhotite concentrate produced from the tailings. The test work program is underway. We expect further opportunities to be identified over the coming quarters.

In late 2022 COB executed the Critical Minerals Accelerator Initiative (CMAI) grant agreement for the BHCP with the Australian Government. The grant totals $15m and is payable over time, with instalments between December 2022 and March 2025. COB has now received $7.5m of these monies. The CMAI funding enables COB to accelerate the development of the BHCP by expanding the scope of the DFS, bringing forward infrastructure and services work packages, and decreasing start-up commissioning risks. The BHCP was also awarded $0.5m ($0.25m received to date) through the Critical Minerals Activation Fund (CMAF) provided by the NSW Government. The CMAF funding will be used for the environmental studies required in the EIS.

Multiple project partner and offtake discussions continue with the BHCP seen as both commercially attractive and compliant with the respective Inflation Reduction Act (US) and Critical Raw Material (CRM) Acts (EU). The more recent market guidance from US Treasury and EU Commission respectively remains highly supportive of Australian extracted and processed cobalt. The sheer commercial and financial scale of these policies will likely shape significant industry responses. It remains our belief that geopolitical legislation backed by strong financial incentives will build out entire integrated production chains, including critical minerals extracted and processed in Australia.

The recent compact between the US and Australia (Australia-United States Climate, Critical Minerals and Clean Energy Transformation Compact) advances the prospects for Australian critical minerals projects with greater availability of grants, loans, rebates, incentives, and investments. Given Australia's relatively large reserves of all the major components in lithium-ion battery chemistry, these developments present significant opportunities for the domestic critical minerals industry.

During the year we hired new and significant talent across the business, including a Project Acquisition Manager (Dr Helen Degeling) who is running our CWSP arm, a Project Finance Manager (Jan Fuchter) looking to source financing for our future needs together with our advisor, Cutfield Freeman, as well as a Human Resources (HR) Executive (Emma Jenkins) whose mandate includes HR requirements for the BHCP and the Kwinana Refinery Project.

Community and stakeholder engagement continues to be a priority for our business. During the year COB held a Shareholder Day at the Demonstration Plant site with over 300 local shareholders and dignitaries attending. A 'Town Hall' presentation was also held to provide community leaders and key suppliers with a project update. COB also sponsored the Far West NSW Business Awards, a community film festival, a science fair, the Broken Hill Australian Rules Football League, and the Royal Flying Doctor Service Women's Auxiliary. These projects target social and economic enhancement, while supporting our future capability to attract and retain an operational workforce.

COB is committed to working as part of the global cobalt industry and other stakeholders to further develop a robust framework for the delivery of sustainable and ethically sourced cobalt. Our efforts will support the decarbonisation of the global economy and provide an enduring legacy within the communities in which we operate. We look forward to producing cobalt in a responsible and transparent manner that is consistent with our corporate values of honesty, integrity, fairness, and respect.

Australia has more than 16% of global cobalt resources but produces only 6% of supply. There is little doubt that we have plenty of potential, particularly considering our stable jurisdiction and ethical credentials. COB looks forward to closing this cobalt gap.

Robert Biancardi
Chairman

Dated 22 September 2023

Joe Kaderavek
Chief Executive Officer

Dated 22 September 2023


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Review of
Operations and Activities

Cobalt Blue Holdings Limited (COB, or the Group) is a mining and mineral processing company focusing on advancing and developing cobalt mining and refining operations in Australia. Our current primary project is the Broken Hill Cobalt Project (BHCP), located approximately 25km west of Broken Hill, NSW.

The project forms part of the Group's broader tenement holding comprising five Exploration Licenses and two Mining Leases, for a total area of approximately 220 km^2. The project hosts three large tonnage cobalt-bearing pyrite deposits, Pyrite Hill, Big Hill and Railway.

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

Financial Review

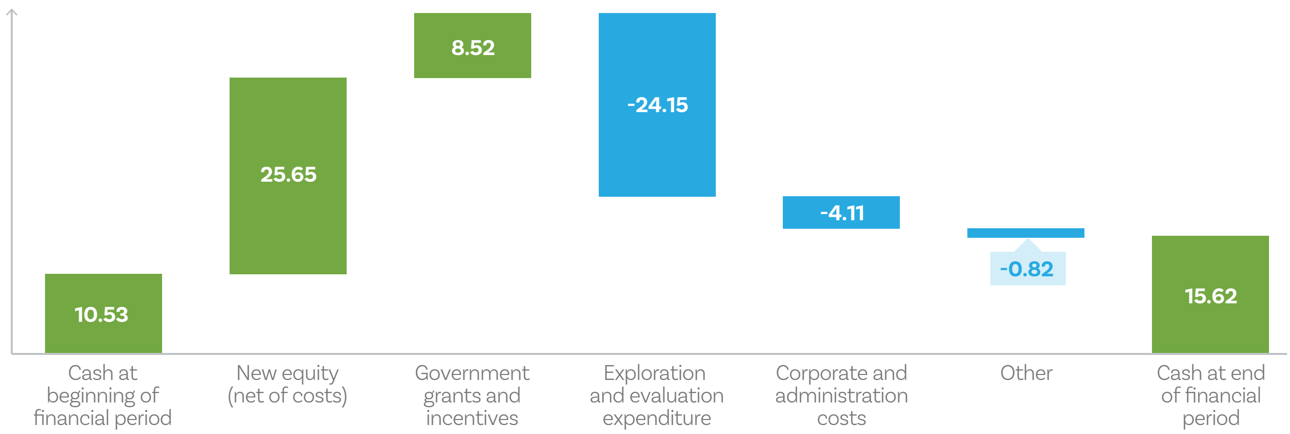
The Group's net loss for the 2023 financial year was $5.47 million (2022: $5.23 million).

Revenue increased this financial year to $0.23 million (2022: $nil), reflecting interest earned on cash deposits. However, this was offset by an increase in corporate costs of $0.50 million, primarily associated with project partner/financing and advisory services.

During the 2023 financial year, the Group issued 48,196,947 new shares, raising $25.65 million (net of costs). In addition, the Group received a further $8.52 million in Government grants and incentives from the following sources:

- $0.26 million (2022: $0.33 million) from the Australian Government's Cooperative Research Centre (CRC);
- $7.50 million (2022: $Nil) from the Australian Government's Critical Minerals Accelerator Initiative (CMAI);
- $0.25 million (2022: $Nil) from the NSW Government's Critical Minerals and High-Tech Metals Activation Fund (CMAF); and
- $0.51 million (2022: $0.3 million) in research and development tax incentive refunds.

During the 2023 financial year, the Group's funds were broadly applied as follows:



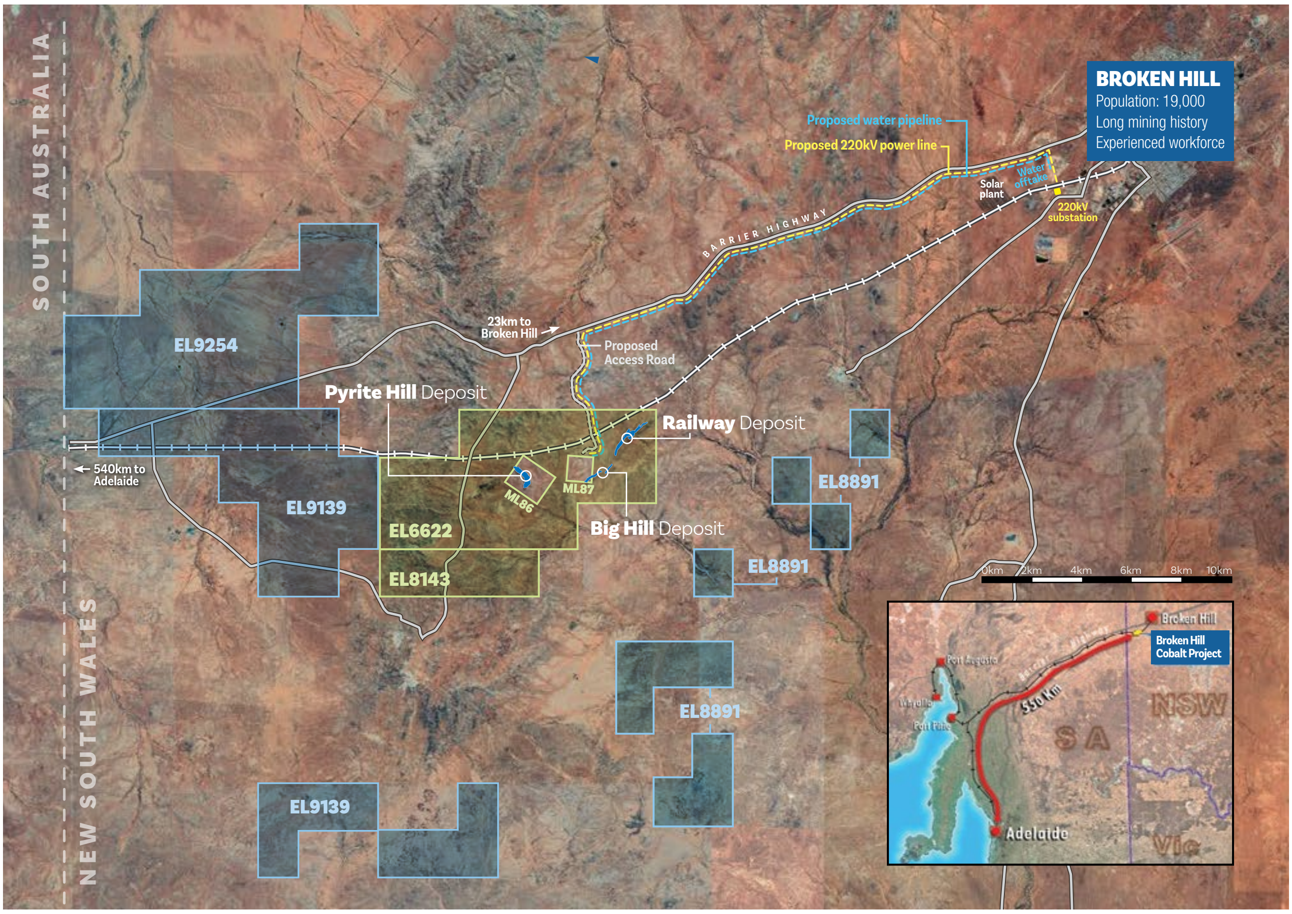
The exploration and evaluation expenditure was associated with BHCP, primarily Demonstration plant operations, the associated bulk sample extraction, drilling, engineering technical studies, and advancing project permitting and approvals.

At 30 June 2023, the Group had a cash position of $15.62 million (2022: $10.53 million), and the Group's net assets increased during the financial year by $21.89 million to $65.99 million (2022: $44.10 million).

Operating Review

The BHCP is located approximately 25 kilometres south-west of Broken Hill, in far western New South Wales and hosts three large tonnage cobaltiferous pyrite deposits referred to herein as Pyrite Hill, Big Hill and Railway (collectively the 'Broken Hill Cobalt deposits').

Figure 1 – **COB's Tenements**



Tenement Schedule

The BHCP covers an area of approximately 39 km^2 subject to two granted Mining Leases (Mining Lease (ML) No. 86 and ML 87) and two Mining Lease Applications (Mining Lease Application (MLA) No. 614 and MLA 634), collectively comprising the "BHCP Tenements". The BHCP Mineral Resources and Ore Reserves are hosted entirely within ML 86, ML 87, and MLA 614.

The BHCP Tenements are a subset of the Company's broader tenement holding detailed in the table below.

Tenement (Act)	Area (km^2)	Percentage Interest (%)
Exploration Licences		
EL 6622 (1992)	46.39	100
EL 8143 (1992)	11.62	100
EL 9139 (1992)	66.79	100
EL 9254 (1992)	58.14	100
EL 8891 (1992)	31.94	100
Mining Leases		
ML 86 (1973)	2.01	100
ML 87 (1973)	0.99	100
Mining Lease Applications		
MLA 614 (1992)	33.04	100
MLA 634 (1992)	2.51	100

Cobalt Blue's Strategy

COB's strategy comprises three key building blocks:

1. BHCP;
2. Kwinana Refinery Project; and
3. Cobalt in waste streams project(s) (CWSP).

BHCP

Definitive Feasibility Study

DFS works for the BHCP continued during the financial year. The DFS requires the completion of a series of key work programs, including Demonstration Plant operations, geological and resource drilling and studies, waste rock and tailings studies, metallurgical studies, engineering studies and project approvals.

The following major DFS work packages are being undertaken by a team of leading engineering firms as outlined below:

Lead service provider	Work package(s)
Worley Services Pty Limited	Process plant design and capital and operating cost estimation
GHD Pty Limited	Non-process infrastructure Integrated waste landform Environmental impact statement
SRK Consulting (Australasia) Pty Limited	Mining and resource Integrated waste landform

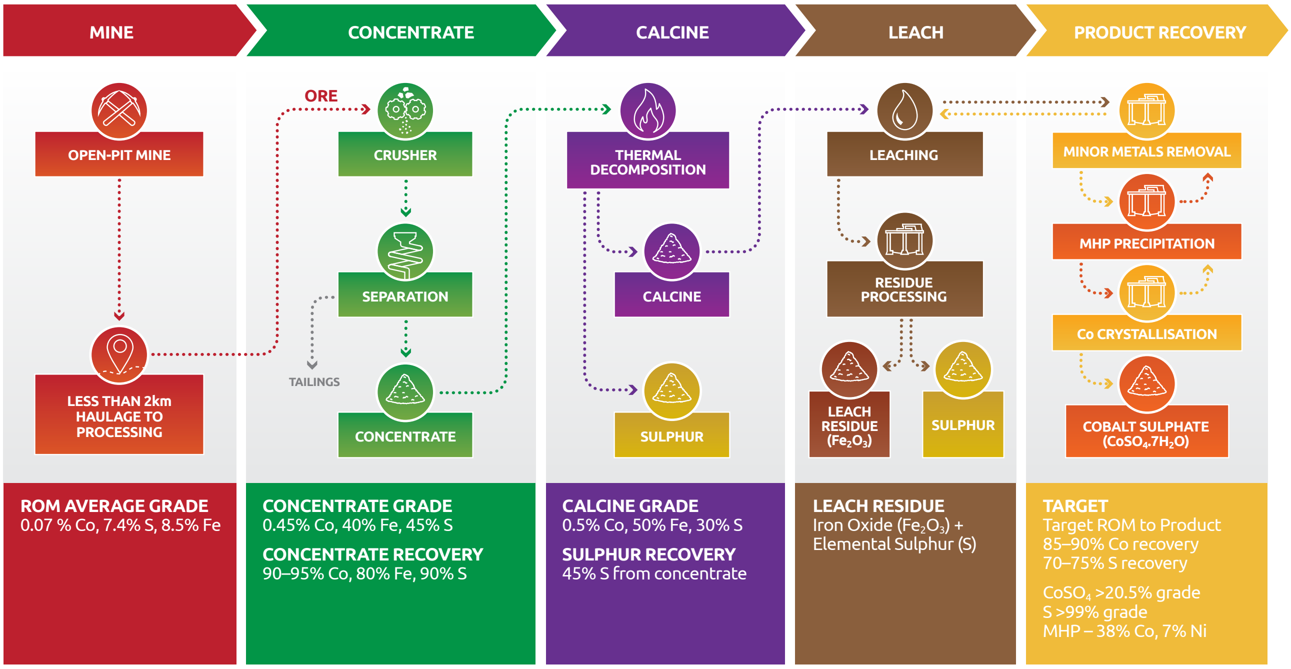
COB is managing/completing the balance of the remaining key DFS work studies in-house. These include product marketing and offtake, recruitment strategies and housing, pricing for site services, and overall project financial modelling.

The BHCP DFS is expected to be completed by the end of 2023.

Demonstration Plant

A key part of the DFS was testing the adopted process flowsheet (shown in Figure 2) at a Demonstration Plant scale. COB elected to mine ore from the Pyrite Hill deposit, prepare cobalt-pyrite concentrate, and then process the concentrate through the unit operations to produce cobalt-nickel MHP. The MHP was then further treated to produce cobalt and nickel sulphate crystals. These activities are described in the following sections.

Figure 2 – **BHCP Process Diagram**



Bulk Sample for Demonstration Plant works

Ore for the Demonstration Plant was sourced from the Pyrite Hill deposit, which extends over 1.2 km along strike, over 300m down dip and varies in thickness from 10 to 100m. Mineralisation is hosted by a quartz-albite gneiss and is characterised by the presence of disseminated pyrite concentrated parallel to primary foliation.

An underground portal was developed in late April 2022 with the decline advancing 85 m to enable the commencement of an ore drive and subsequent extraction of the targeted ore tonnage.

The decline intersected mineralisation from approximately 68 m and delivered some 5,000–5,200 tonnes of ore for processing via the Demonstration Plant, compared to the original plan to mine 3,500–4,000 tonnes. Additional material for scaled geometallurgical studies has been used to support process plant optimisation.

Ore drive development extracted material between 257 mRL and 262 mRL, approximately 40 to 50m below the surface and 3 to 6m below the interpreted top of fresh rock.

Mining activities ceased during Q3 2022.

Figure 3 – **Multi-stage crushing plant processing ore stockpile in preparation for milling**

Concentrator operations

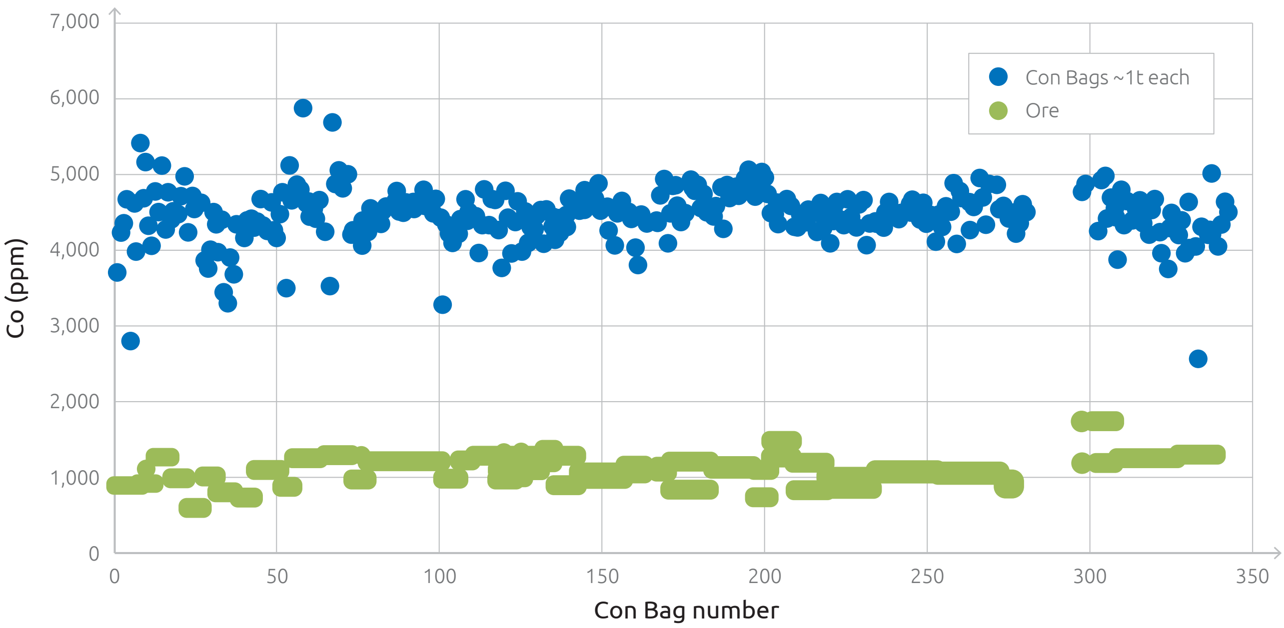
Concentrator operations continued through to December 2022. The concentrator used gravity separation to separate cobalt-pyrite from the ore extracted from the Pyrite Hill deposit. Using a roller mill, the ore was milled from a 4mm top size to a target of 1.5–2.0mm top size. This simulated the use of a High-Pressure Grinding Roll (HPGR) mill in the circuit. Testing was also completed using a ball mill on 0.6–0.8mm top size ore. This simulated the use of a SAG or Ball Mill in the circuit.

Figure 4 – **Pyrite Hill site concentrator including gravity spirals**

Figure 5 – **Feed ore milled to <4 mm on left hand, and gravity concentrate on right hand**

A total of 4,200t of ore was processed to produce 680t of wet concentrate (typical moisture 5–10%). A further 800–1,000t of ore remains for optimisation studies in the future. Operations were held over 65 days with the longest run of over 100 hours recorded. Mass recovery of ~17–20% was consistently achieved, with an average concentrate grade of 4,434 ppm Co (see Figure 6).

Figure 6 – **Grade of ore and concentrate for operations**



Demonstration Plant operations

Following successful Pilot Plant operations in 2021, the site was fully refurbished to accommodate higher throughputs and the addition of a kiln circuit. The Demonstration Plant includes all key unit operations for the proposed BHCP (at a nominal 1:500 to 1:1000 scale) to deliver the initial 'process plant design criteria' for the DFS.

The treatment of cobalt-pyrite concentrate involves two key steps:

1. conversion of pyrite into pyrrhotite and elemental sulphur; and
2. leaching of the pyrrhotite.

The solubilised cobalt is then recovered by precipitation as MHP with grades of 30% cobalt and 7% nickel (consistent with Pilot Plant results from 2021). The MHP is then further refined into separate cobalt and nickel sulphate crystals.

During the financial year, the Demonstration Plant treated more than 145 tonnes of concentrate. Operations are expected to continue through the 2024 financial year. The large volume of ore treated allows COB to produce larger scale samples (up to 100kgs) of MHP and/or cobalt sulphate for market acceptance, and to obtain reliability data.

Key milestones for Demonstration Plant operations included:

- Kiln commissioning in September 2022, which has since operated on a continuous basis (feed rates of between 150–300 kg/hr) and with parameters optimised to maximise pyrite to pyrrhotite conversion. Ongoing optimisation of the kiln operations has included changing temperature, feed rate, nitrogen flow rate, and residence time. Analysis of the samples by X-ray diffraction has confirmed the conversion of pyrite to pyrrhotite across the particle size range. Ahead of leaching, the kiln calcine was upgraded to 75–85% pyrrhotite and 0.6% cobalt, with residual gangue to be recycled to the float cell to recover unreacted pyrite. This upgrade step reduces the load of inert material progressing into the leach.
- Leaching autoclave commissioning in December 2022, followed by additional modifications to the feed pumping system, reactor agitation and the flash letdown system to improve reliability and continuity of operations. Up to 30 June 2023, 18 tonnes of calcine were leached, including a 100-hour continuous campaign at a feed rate of 65kg/hr.
- Leach liquor is treated for iron removal ahead of cobalt and nickel recovery. The first large-scale MHP production from the Demonstration Plant was achieved in June 2023.
- Approximately 500 kg of sulphur was dispatched to Enersul (Canada) for purification and prilling test work. Initial results show >99.97% purity, using samples from the Demonstration Plant. Prills are the saleable form of sulphur being targeted.

Figure 7 – **Demonstration Plant. Commissioning of the kiln with concentrate**

Figure 8 – **Comparison of BHCP dry concentrate (grey) and magnetic fraction of the calcine (black)**

Figure 9 – **Demonstration Plant. Left: Iron oxidation and precipitation circuit. Right: Installation of iron polishing and MHP precipitation circuits**

Figure 10 – **Demonstration Plant – nickel sulphate and cobalt sulphate**

Figure 11 – **Sulphur collected during June 2023**

Cobalt Sulphate Refinery

During the financial year, COB completed a concept study for a 3,000tpa cobalt/nickel refinery in the Kwinana district.

The concept study indicated that a Kwinana Refinery Project was feasible. The concept study estimated a ~A$70m pre-production capital cost, based on locating the refinery on an existing industrial land parcel. The capital amount will likely be shared between Kwinana Refinery Project partners. Domestic and international government interest is also being examined.

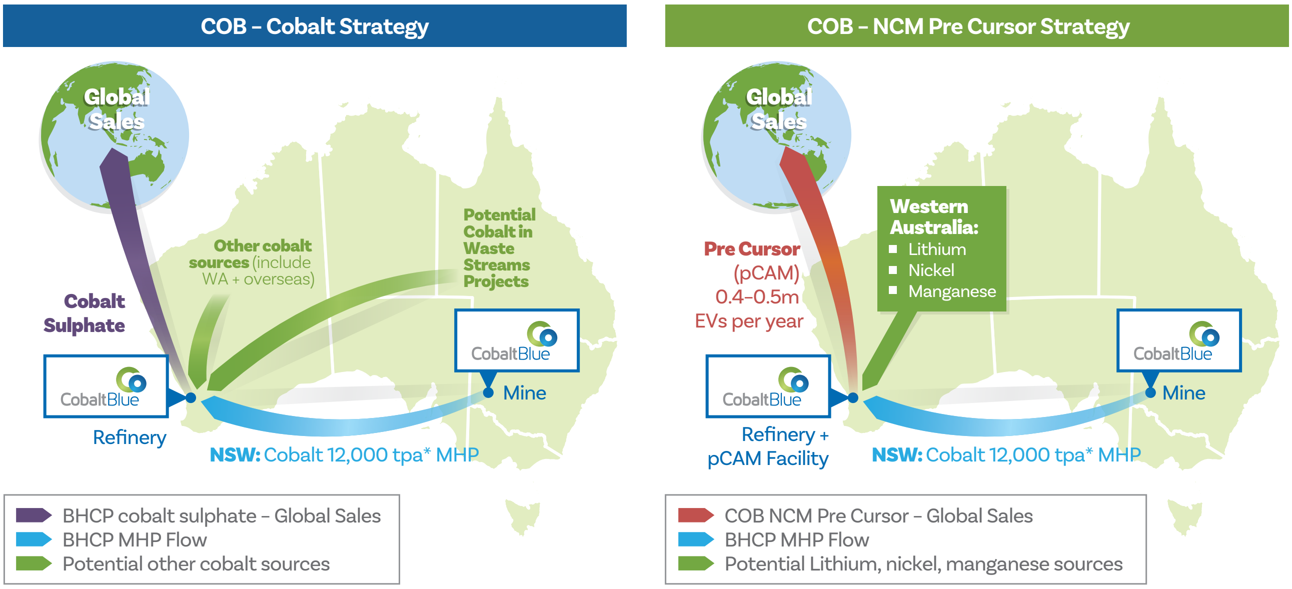
Whilst the initial refinery plan was to build capacity to refine only BHCP output (~3.5ktpa Co equivalent), a Kwinana located refinery would likely be built on a larger scale, in order to treat both BHCP and 3rd party feedstock, thus providing an economy of scale build-out and reducing operating costs. COB is targeting an existing Kwinana footprint that will lower site/construction costs as well as equipment delivery costs (vs building the refinery in Broken Hill).

There are strategic reasons for building a refinery in Kwinana. These include:

- **Access to export markets:** Kwinana has a deep-water port and world-class export facilities. Cobalt sulphate is a fragile product that absorbs water (particularly in hot/humid regional conditions) if left exposed and needs to be stored/ shipped carefully. Direct port access provides a meaningful advantage.
- **Cost advantage:** Kwinana is a major chemicals district. Approximately 60–70% of the costs associated with conversion from MHP to cobalt sulphate come from reagent/chemical costs.
- **Integrated business:** Refining is fundamentally an economy-of-scale business. A single, larger refinery would allow COB to process future material sourced from BHCP and (in future) other COB-owned cobalt projects, rather than build out individual refineries at mine sites dispersed throughout Australia:
  - the BHCP is expected to produce ~12,000 tonnes of MHP per annum which equals ~four rail wagons per week (~200 tonnes). The transcontinental railway line (linking Broken Hill with Kwinana) passes through COB's tenements;
  - new Australian mining projects (typically nickel/cobalt producers) that wish to enter the battery production chain (providing the COB Refinery with a "first mover advantage"). The projects are typically based in Western Australia;
  - globally sourced materials (for example, Philippines, Indonesia) may qualify for significant US and EU financial incentives if processed via an approved country; and
  - a Cobalt in Waste Streams Project/s (CWSP).
- **Australia's advantage:** Australia is the only country that mines all four cathode elements. These metals are processed through Kwinana and represent an ideal location to cooperate with battery industry peers to make cathode precursor or active cathode materials for global markets.

The overall strategy has been condensed into the graphics below:

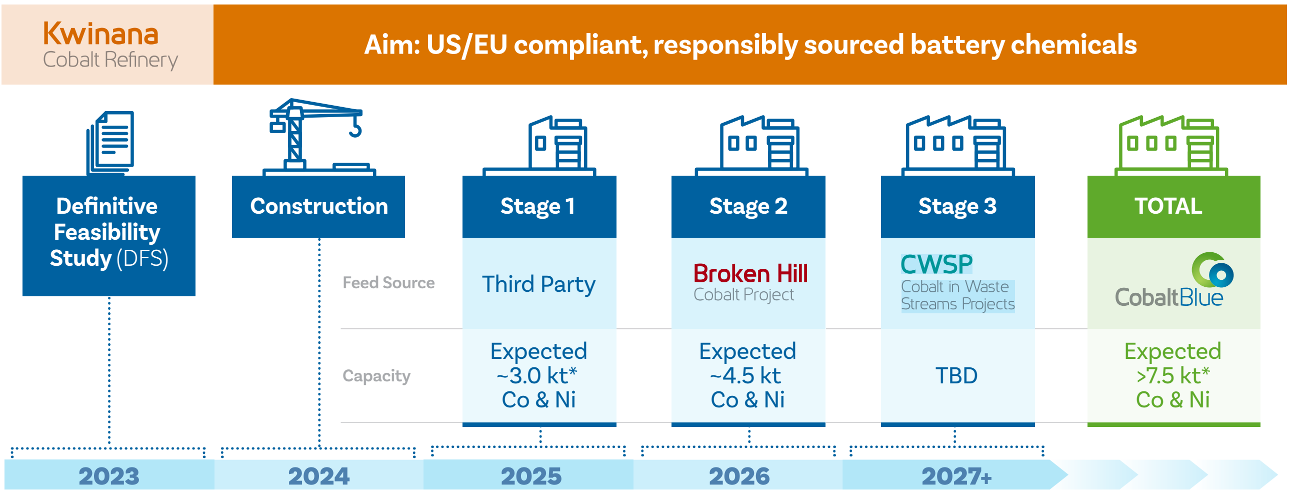
Figure 12 – **Cobalt and NCM Pre Cursor Strategy**



Source: Cobalt Blue Holdings Limited

* *These estimates were reported in the announcement titled 'Definitive Feasibility Study Update' dated 5 June 2023. Cobalt Blue confirms it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed.*

Figure 13 – **COB Refinery – multiple feedstock sourcing**



Timetable and goals are indicative. Capacity refers to metal content basis.

* *These estimates were reported in the announcement titled 'Definitive Feasibility Study Update' dated 5 June 2023. Cobalt Blue confirms it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed.*

COB is engaging with a potential partner for the Kwinana Refinery Project, a leading Japanese multinational that specialises in producing and trading of commodities.

COB believes that partnering with an existing property owner should substantially reduce development time for the Kwinana Refinery Project. The potential partner is currently considering proposing an appropriate level of equity ownership in the Kwinana Refinery Project via a funding contribution.

Resource Definition, Geotechnical and Waste Rock Characterisation Drilling

A resource definition, geotechnical and waste rock characterisation drilling program was completed from September 2022 to February 2023. Seventy-eight (78) drill holes were completed for 12,281m, comprising 8,738m reverse circulation and 3,543m diamond core. The program included:

- dedicated geotechnical drilling to inform pit slope stability analysis for mine design and optimisation at the Big Hill and Railway deposits;
- investigation of zones of potential resource extension at the Big Hill and Railway deposits;
- infill drilling targeting improved resource classification at the Big Hill deposit; and
- drilling for waste rock characterisation at the Pyrite Hill, Big Hill and Railway deposits, to inform detailed design criteria for the Integrated Waste Landforms.

Following drilling, the exploration team completed site rehabilitation works and commenced routine monitoring of areas subject to surface disturbance to ensure rehabilitation objectives and completion criteria were fulfilled.

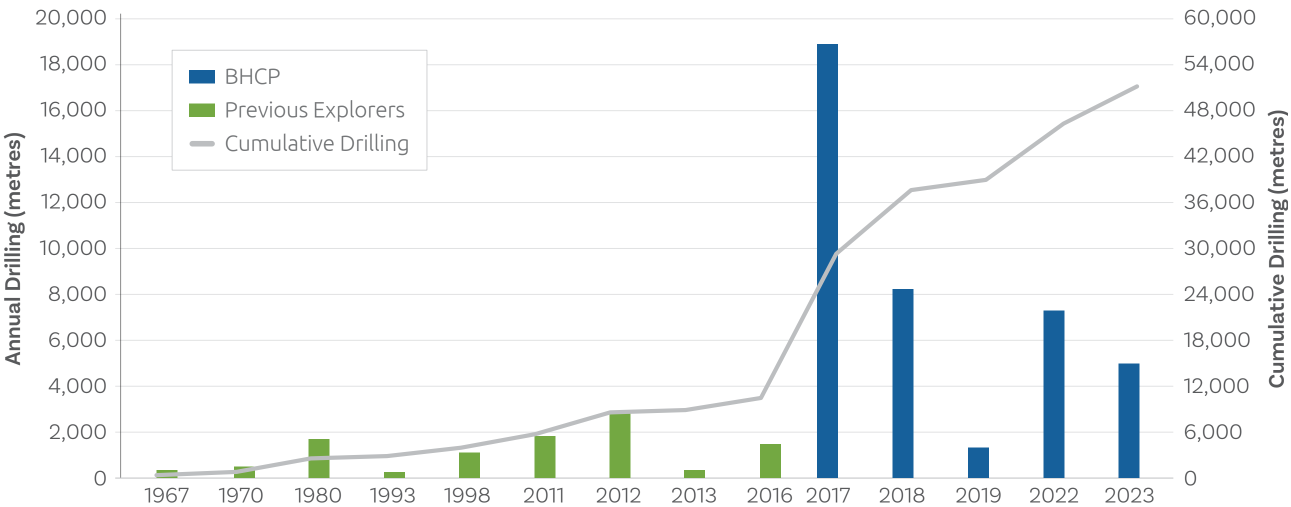
Data and samples obtained during the 2022–2023 drilling program have supported the advancement of continuing technical studies:

- **Mineral Resource Estimation** – the geological models for the Pyrite Hill, Big Hill and Railway deposits are currently subject to revision for the purposes of Mineral Resource estimation.
- **Mine/Processing Waste Management** – waste rock samples (core) were prepared and despatched with process tailings from the Demonstration Plant for further geotechnical and geochemical analysis as a precursor to kinetic testwork. This work will ultimately contribute to the optimisation of detailed design criteria for the proposed Integrated Waste Landforms (IWLs).
- **Pit Slope Stability Analysis** – geotechnical analyses of the Big Hill and Railway deposits are progressing with the completion of:
  - further laboratory testwork to determine critical rock mass properties; and
  - downhole acoustic/optical imaging to calibrate and supplement orientated structural information on features such as faults, fractures and bedding routinely derived from diamond (core) drilling.

Assays from the 2022–23 drilling program were received during the June 2023 quarter, allowing the commencement of a revised Mineral Resource estimate for the Broken Hill Cobalt deposits. Results of the estimate are expected to be available in the December 2023 quarter.

Figure 14 – **Reverse circulation drilling operations**

Figure 15 – **Metres drilled at the Broken Hill Cobalt Project since 1967 with COB completing/managing over 40,000 metres since 2017**



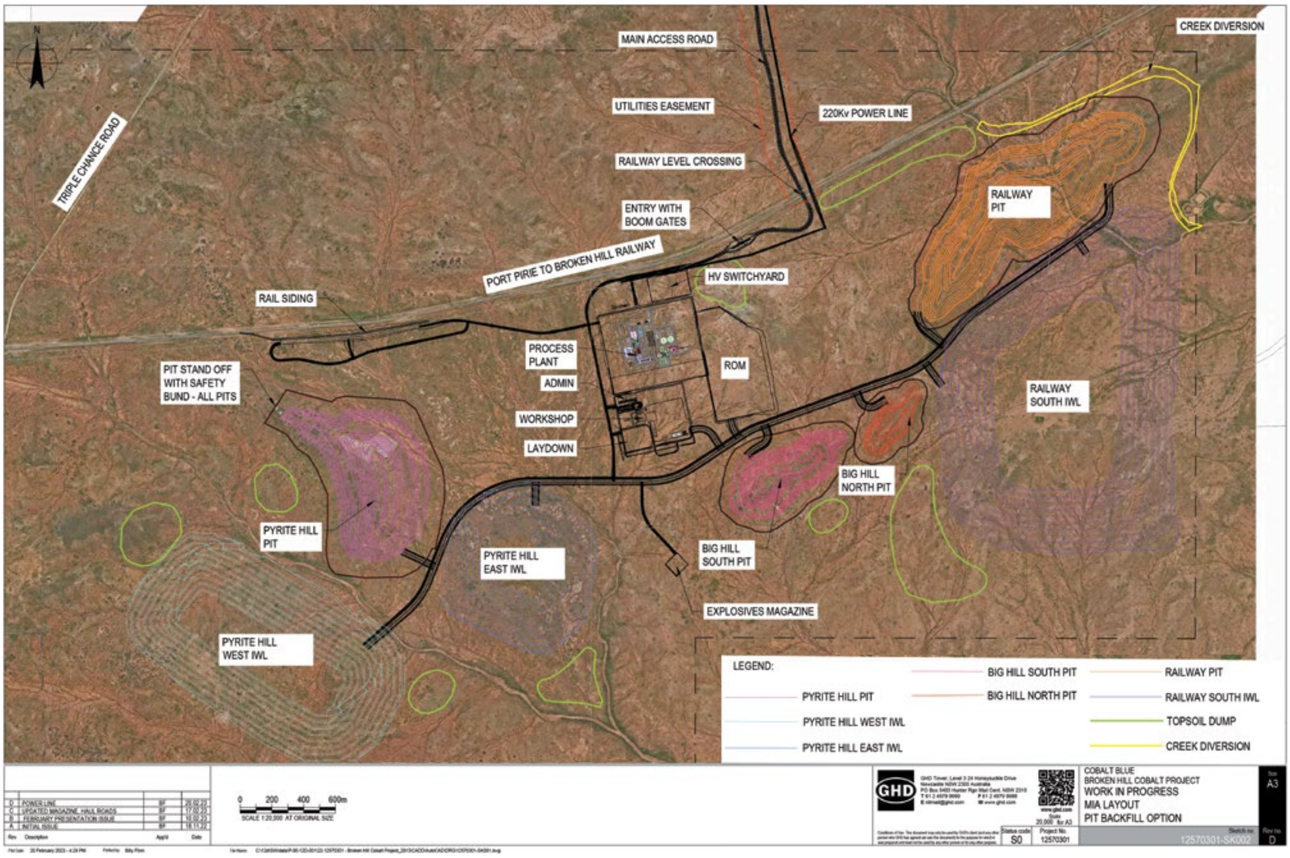
Permitting and approvals

Disturbance, and no-go areas within the BHCP footprint were finalised during the financial year. The mining and infrastructure footprint was determined to ensure that all disturbance aspects of the BHCP are assessed in the Environmental Impact Statement. Ecology, Aboriginal heritage, and soil surveys of the maximum disturbance footprint were completed. The site layout seeks to avoid or minimise impacts on watercourses and sensitive ecological or cultural heritage attributes where possible.

The significant drilling campaign (referred to above) completed during the year provided samples of waste rock for determining acid and metal leachate generation characteristics of the waste rock and tailings, as well as 19 new piezometers to measure groundwater characteristics at the site. These results have been used to design the IWLs (and in-pit backfill options) and to assess the potential groundwater impacts of both the open-cut pit and waste management strategies. Groundwater data collected to date demonstrates that the existing groundwater quality is poor, with low pH and high dissolved cobalt near the mineral deposits with high salinity generally present across the BHCP site.

A map of the current Project layout is shown below, with the location of open cut pits, IWLs, processing plant and non-process infrastructure all having been determined.

Figure 16 – **Project layout**



A site inspection with officers from a number of NSW Government departments and Broken Hill City Council was held on 21 February 2023. The inspection included a comprehensive tour of the BHCP site as well as the Demonstration Plant. This inspection provided the opportunity for government agencies to gain a first-hand appreciation of the scope and scale of the Project, as well as the environmental, social and economic aspects of the Project.

Figure 17 – **Officers from the NSW Government and Broken Hill City Council with the BHCP Approvals Manager**

Project timelines

An indicative development schedule for the BHCP (including the refinery project) is shown below:

Figure 18 – **BHCP Indicative Development Schedule**[1]

Broken Hill Cobalt Project	PRE-2021	2021	2022	2023	2024	2025
Business Achievements	100% Project Ownership CRC-P Grant	Global Cobalt Sample Program	Global Cobalt Sample Program Major Project Status CMAI Grant	Partner/Offtake discussions	Completion of financing EPC Renewable Power Contracts Commence construction	Construction
Technical Studies	Project Update 2020 PFS 2018	Definitive Feasibility Study	Definitive Feasibility Study	Definitive Feasibility Study	Detailed Engineering	
Process Testing	Pilot Scale Testwork	Pilot Plant – 30 Tier 1 Partners Offtake Contract Negotiations (begin)	Demonstration Plant – Bulk Sample & Concentrate	Demonstration Plant – Larger Scale (24/7) Operations Commercial Qualification Samples		
Environmental Approvals		EIS Field Studies	EIS Field Studies		EIS Submission SSD Determination Operating Permits	ESG/CO_2 Reporting
Refinery Project Milestones				WA Refinery Announced Definitive Feasibility Study	Completion of financing Operating Permits Commence Construction	Construction Commence Operations
	PRE-2023				MILESTONES	

1 *Note cautionary statement on page 1 regarding forward-looking statements.*

Cobalt in Waste Streams Project

COB has previously announced its Cobalt in Waste Streams Project (CWSP), a rollout of its existing technology and test facilities to examine cobalt recovery from waste streams. During the year COB made the following progress on its CWSP:

- Completed testwork on a CWSP sample under the Memorandum of Understanding ('MOU') with the Queensland Department of Resources (Department). Discussions with the Department on the results of this testwork to determine the next steps continue.
- Execution of a testwork co-operation agreement with Hudbay Minerals Inc. (Hudbay) with respect to Hudbay's wholly owned Flin Flon tailings storage facility located in the Province of Manitoba, Canada. COB has agreed to utilise its proprietary minerals processing technology to assess the ability to recover gold, silver, copper, zinc, cobalt and sulphur from a pyrite/pyrrhotite concentrate produced from the tailings. COB's technology offers the potential to convert sulphides into elemental sulphur, which is stable and benign. The testwork program is expected to take up to four months to complete once the tailings sample is received from Hudbay. COB will receive a fee for undertaking the testwork program, which is expected to cover its costs.
- Appointed Helen Degeling as Project Acquisition Manager. Helen is a PhD qualified geologist and a former Director, Minerals Geoscience for the Geological Survey of Queensland. Helen's mandate is to realise commercial opportunities for green metal extraction from mine waste to support the energy transition.
- Initiated discussions with industry players holding waste stream assets.

Community engagement

COB welcomed the local community through the gates of the Demonstration Plant on 25 May 2023. This is the third year running this on-site event, which enables the community to meet our Board, senior executives and members of our operational, administrative and technical teams.

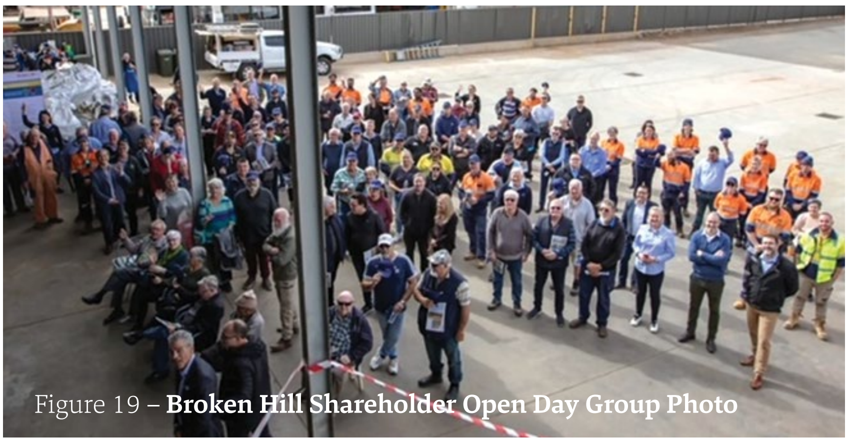


Figure 19 – **Broken Hill Shareholder Open Day Group Photo**

Government Collaboration and Interaction

During the financial year COB executed a Critical Minerals Accelerator Initiative Grant (CMAI) agreement with the Australian Government and a Critical Minerals and High-Tech Metals Activation Fund (CMAF) deed with the NSW Government.

The CMAI grant totals $15 million with instalments to be paid between December 2022 and March 2025. During the financial year, COB received the first two instalments, totalling of $7.5 million.

The CMAI grant agreement includes standard industry conditions, including anticipated payment dates, reporting requirements and using monies only on eligible project expenditure.

The CMAI grant will deliver significant benefits and value by:

- Facilitating the acceleration of BHCP to "Execution Ready Status" for Project Finance. This is defined as having offtake agreements, approvals/ permits, contracts, or deposits paid for long-lead items, and a defined schedule and contract for Engineering, Procurement, Construction & Management (EPCM).
- Reducing BHCP implementation risks, by expanding the technical scope of FS-DFS studies and commencing workforce planning and regulatory approvals earlier.

The CMAF is designed to drive investment into the critical minerals and high-tech metals sectors. The CMAF provides for up to $0.5 million in grant funding. The CMAF grant contains standard industry grant conditions, including anticipated payment dates, expenditure and reporting requirements. The first CMAF instalment of $0.25 million was received in March 2023.

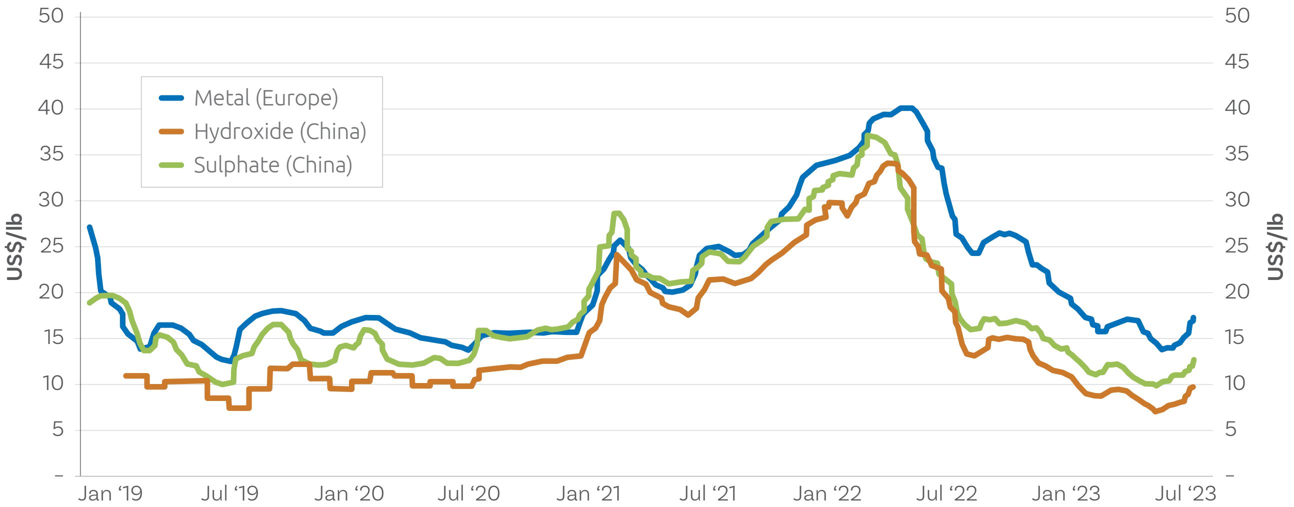
The $2.4 million Cooperative Research Centre (CRC) – Project Round 8 funding awarded in 2020 by the Australian Government was closed out during the financial year with all grant conditions satisfied.

Cobalt Price Review

Cobalt prices weakened during the year, falling below US$14/lb in June 2023, close to a historic, nominal price low. A period of unusually high supply growth is the main factor behind cobalt's price weakness, with softness in demand also a contributing cause.

Strong supply growth since 2021 is a result of a large pipeline of project expansions and additions in the Democratic Republic of the Congo (DRC) which has led to a global supply increase of 13% CAGR from 2021–2023. In 2021, the DRC produced 121kt cobalt (74% of total global output) and is expected to produce 164kt in 2023, a 36% increase. This level of increase is unusual in any commodity and from 2024 will steadily normalise toward a longer-term growth rate of 3% p.a., according to Benchmark Minerals.

Figure 20 – **Cobalt metal, intermediate and sulphate prices**



Source: Fastmarkets, COB

Lower than expected consumption has also been a driver of the weakened price. Around a third of cobalt demand derives from consumer electronics, and over the past several quarters, demand, especially from mobile devices and tablets, has been uncharacteristically weak. According to International Data Corporation (IDC), worldwide smartphone shipments declined 15% Year on Year (YoY) in the March 2023 quarter, the seventh consecutive quarter of decline as the market continues to struggle with lukewarm demand, inflation, and macro uncertainties. However, IDC expects the sector will return to growth later this year and into 2024.

Although global cobalt supply growth has outpaced demand growth since last year, this imbalance is expected to shift next year. Total supply over 2022–2030 is forecast to grow by 6.5% CAGR while demand over the same period is forecast to grow by 9.9% CAGR, according to Benchmark Minerals.

Key external and business risks

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

Availability of Finance – The Group has no material operating revenue and is unlikely to generate any material operating revenue unless and until the BHCP is successfully developed and production commences, the Group's cobalt in waste streams project(s) or the Kwinana Refinery project is commercialised or alternatively the Group acquires a revenue-generating asset. Therefore, the Group will be required to raise additional capital or enter alternative development structures to meet its obligations and implement its strategy.

Commodity prices – The global cobalt market is subject to demand and supply fluctuations. These fluctuations, along with fluctuations in the A$:US$ exchange rate, will affect the project economics of the Group's projects. Climate change risk may create additional demand for lithium-ion batteries as a means to store renewable energy as part of global 'decarbonisation' strategies. Such additional demand may create upside pressure on cobalt prices in the future.

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

Exploration risk – Whilst the Group has already established a global Mineral Resource estimate for the BHCP of 118 Mt at 859 ppm cobalt equivalent (CoEq) (687 ppm Co, 7.6% S and 133 ppm Ni at a 275 ppm CoEq cut-off) see Mineral Resource Summary for a complete breakdown of Mineral Resources by classification) there can be no guarantee that future exploration programs will lead to positive exploration results. Mineral exploration is a speculative endeavour, and the Group cannot guarantee that it will achieve any of its mineral exploration objectives.

Metallurgical recoveries – The economic viability of cobalt recovery depends on a number of factors such as the development of an economic process for the treatment of the pyrite ore. Further, changes in mineralogy may result in inconsistent recovery of cobalt. To address this risk, the Group constructed a Pilot Plant to demonstrate cobalt sulphate can be produced at a much larger scale than completed to date and following successful operations at the Pilot Plan, commissioned and operated a Demonstration Plant to treat pyrite ore on a larger and continuous basis.

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

Water supply – The BHCP is located near Broken Hill, New South Wales (NSW). Broken Hill has a hot arid desert climate with minimal rainfall. The project's water requirements are currently estimated at 1.2–1.5 GL per annum, which are expected to be supplied from Essential Water's trunk main on the western outskirts of Broken Hill, which is supplied via a pipeline from the Murray River at Wentworth, NSW. If this water is unable to be supplied or supplied at lower levels, whether due to climate change or not, the project would be significantly affected. If Essential Water cannot provide water to meet BHCP's requirements, the company can utilise existing subsurface water rights to potentially source up to 0.70 GL per annum.

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

What's in a name?
'Cobalt Blue'

Cobalt blue is a pigment of cobalt oxide-aluminium oxide, was a favourite of Auguste Renoir and Vincent van Gogh. It was very stable but extremely expensive. Van Gogh wrote to his brother Theo, 'Cobalt [blue] is a divine colour and there is nothing so beautiful for putting atmosphere around things ...'

Van Gogh described to his brother Theo how he composed a sky: 'The dark blue sky is spotted with clouds of an even darker blue than the fundamental blue of intense cobalt, and others of a lighter blue, like the bluish white of the Milky Way ... the sea was very dark ultramarine, the shore a sort of violet and of light red as I see it, and on the dunes, a few bushes of prussian blue.'

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Mineral Resources
and Ore Reserves

Mineral Resources Summary as at 30 June 2023

The Company has conducted its annual review and the Mineral Resource estimate for the BHCP as at 30 June 2023 remains unchanged from last year.

As noted in the review of operations, a resource definition, geotechnical and waste rock characterisation drilling program was completed during the financial year, which included investigation of zones of potential resource extension at the Big Hill and Railway deposits and infill drilling targeting improved resource classification at the Big Hill deposit. Data and samples obtained during the drilling program are currently being reviewed, and geological models are subject to revision. It is currently anticipated that the results of the revised Mineral Resource for BHCP will be available during the December 2023 quarter.

The 30 June 2022 estimate was, and the 30 June 2023 estimate is, reported in accordance with the guidelines of the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves ('2012 JORC Code') and comprises 118 Mt at 859 ppm cobalt equivalent (CoEq) (687 ppm cobalt, 7.6% sulphur & 133 ppm nickel) for 81,100 t contained cobalt (at a 275ppm CoEq cut-off). The estimate is summarised below by classification.

The Mineral Resource is inclusive of the Ore Reserve estimate.

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

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

Mineral Resources and Ore Reserves continued

The 30 June 2022 Mineral Resource estimate was, and the 20 June 2023 estimate is, reported at a cut-off of 275 ppm cobalt equivalent based on an assessment of material that has reasonable prospects of eventual economic extraction. In addition to cobalt, the cut-off grade incorporates revenue streams from elemental sulphur and nickel, economic by-products of the processing pathway defined in the 2018 Preliminary Feasibility Study (PFS) and subsequent 2020 Project Update also completed to a PFS level. The cobalt equivalent grade has been derived from the following calculation: CoEq ppm = Co ppm + (S ppm × (S price / Co price) × (S recovery / Co recovery)) + (Ni ppm × (Ni price / Co price) × (Ni recovery / Co recovery)). This equates to CoEq = Co + S % × 18.0078 + Ni ppm × 0.2639. The parameters used for this calculation are listed below.

Assumption	Input
Cobalt Price	US$27.50/lb
Sulphur Price	US$145/t
Nickel Price	US$16,000/t
Cobalt Recovery	85%

Assumption	Input
Sulphur Recovery	64%
Nickel Recovery	85%
Exchange rate (A$ to US$)	0.70

The Company confirms all elements included in the metal equivalence calculation have reasonable potential to be recovered and sold. For further information regarding the Mineral Resource is available in the updated 2021 Mineral Resource (see ASX announcement dated 16 September 2021 titled 'BHCP Resource Update').

2023 Ore Reserves

The Ore Reserve estimate for the BHCP at 30 June 2023 also remains unchanged from last year. As noted above, the Company is currently completing a DFS for the BHCP and completed a drilling program during the year, and the results of that drilling program on mineral resources are expected to be available during the December 2023 quarter.

The 2023 estimate is reported in accordance with the guidelines of the 2012 JORC Code and comprises 71.8 Mt at 710 ppm cobalt for 51,000 t contained cobalt. The estimate is summarised below by classification.

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

The Ore Reserve estimate is based on and inclusive of the 2019 Mineral Resource initially released on 4 April 2019 and re-reported in 2020 (with an updated cut-off based on the results of the 2020 Project Update). No Inferred Mineral Resources have been used in the estimation of the Ore Reserve.

Annual Review of Mineral Resources and Ore Reserves

Mineral Resources

There were no changes to the Mineral Resource estimate from 2022 to 2023.

Ore Reserves

The BHCP Ore Reserve estimate, inclusive of Pyrite Hill, Railway and Big Hill was announced on 16 July 2020.

An update to the July 2020 Ore Reserve estimate is planned with completion of a Definitive Feasibility Study (DFS) during the December 2023 quarter, including the assessment of applicable Modifying Factors.

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

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

Competent Persons Statement

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

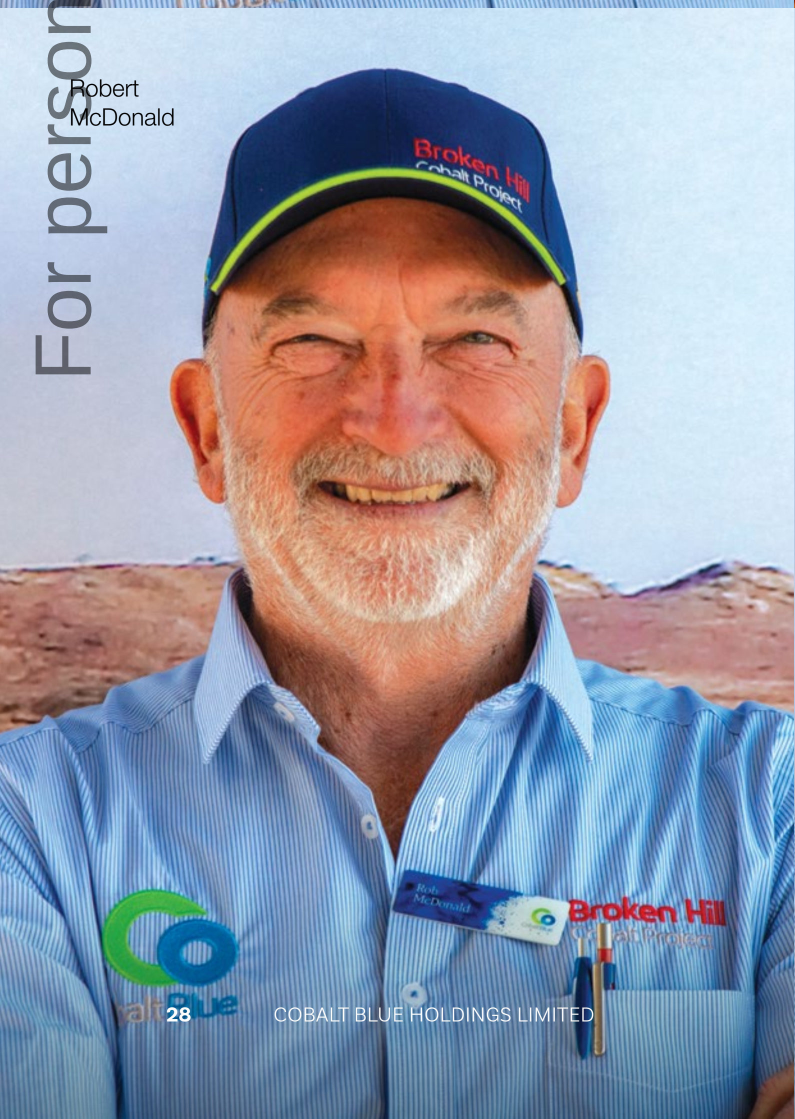
The Mineral Resources and Ore Reserves Statement (Statement) is based on and fairly represents information and supporting documentation prepared by Competent Persons. The Statement as a whole has been approved by Dr Andrew Tong, a Competent Person who is a Member of The Australian Institute of Mining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

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

Robert
Biancardi

Hugh
Keller

Robert
McDonald



Joe
Kaderavek

Directors' Report

The Directors of Cobalt Blue Holdings Limited (COB or the Company) present their report together with the financial statements for the year ended 30 June 2023.

Directors

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

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

Principal Activities

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

Review of operations, financial position, business strategies and prospects

A detailed discussion of these matters is set out within the 'Review of Operations and Activities' section on pages 7 to 22.

Likely developments and expected results of operations

A detailed discussion of future developments is set out within the 'Review of Operations and Activities' on pages 7 to 22.

Significant changes in the state of affairs

During the financial year issued capital increased by $26,340,000 net of capital raising costs, (2022: $15,531,000) due to share issues. Details of the changes in share capital are disclosed in Note 20 to the financial statements.

Dividends

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

Information on Directors

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

Name:	**Mr Robert Biancardi**
Title:	***Chairman, Independent, Non-Executive Director***
Qualifications:	*B. Com (Management and Marketing) (Wollongong University)* *Diploma Corporate Management (AGSM – University of NSW)*
Experience and Expertise:	Mr Biancardi is an experienced executive with more than 35 years' commercial experience across the finance, IT, healthcare and services sectors. Mr Biancardi has previously held senior roles at IBM, Citibank and Westpac. His recent roles include director of Evolution Healthcare, a leading private hospital operator. He has been a director and chief executive officer of a number of companies, including Rockridge Group (Private Equity) and Hutchisons (Child Care Services) Limited, previously an ASX listed services company. He has served as a director and president of the Restaurant & Catering Association of NSW for 13 years and has been a board member of the Heart Foundation of Australia (FIPOC) for over 7 years. Mr Biancardi is also currently chair of the Diabetes Research Foundation. He has extensive corporate advisory and capital management experience with a specialisation in corporate marketing and substantial public/private board experience.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member, Audit and Risk and Remuneration and Nomination Committees
Interests in shares:	4,870,575
Interest in performance rights:	333,333

Name:	**Mr Hugh Keller**
Title:	***Independent, Non-Executive Director***
Qualifications:	*LLB (University of Sydney)*
Experience and Expertise:	After graduating with a law degree, Mr Keller had a successful career as a solicitor in Sydney and became a partner at Dawson Waldron (now Ashurst) in 1976 and remained a partner in its successor firms for 34 years until retirement from full time legal practice in 2010. During his time at the firm, Mr Keller served as joint national managing partner, Sydney office managing partner, chairman of the staff superannuation fund, one of the practice leaders and as a board member. Mr Keller was a non-executive director of ASX listed Thakral Holdings Limited and a member of its Audit Committee until the company was acquired in a public takeover by Brookfield. Mr Keller was also a non-executive director of LJ Hooker Limited and a member of its audit committee. He has also served as chairman of a large private investment company, several small investment companies and a private small exploration company. Mr Keller currently provides consulting services to several companies and is, and has been for over 10 years, a non-executive director of a charity and chairman of its audit committee. He has extensive legal experience and expertise in the review of commercial contracts and arrangements, as well as experience in public company audit committee procedures and requirements and hands on experience in the dynamics of managing people and resources in long term large projects.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair Audit and Risk Committee and member, Remuneration and Nomination Committee
Interests in shares:	2,787,378
Interest in performance rights:	333,333

Name:	**Mr Robert McDonald**
Title:	***Independent, Non-Executive Director***
Qualifications:	*B.Com (University of Western Australia)* *MBA (Honours) (IMD)*
Experience and Expertise:	Mr McDonald is a seasoned mining industry executive who commenced his career with Rio Tinto before assuming senior roles in investment banking and private equity. He has a background in project development and optimisation, strategy and business development, transaction management and capital markets. He is an experienced board director, having held non-executive director roles with a number of listed mining companies at different stages of evolution.
Other current directorships:	None
Former directorships (last 3 years):	New Century Resources Limited (Chairman, resigned 9 November 2022)
Special responsibilities:	Chair Remuneration and Nomination Committee and member, Audit and Risk Committee
Interests in shares:	1,709,339
Interest in performance rights:	333,333

Name:	**Mr Joe Kaderavek**
Title:	***Chief Executive Officer & Executive Director***
Qualifications:	*B.Eng (Aeronautical Engineering) (University of Sydney)* *G.CertEng (Reliability Engineering) (Monash University)* *Master of Business Administration (MBA) (Deakin University)*
Experience and Expertise:	Mr Kaderavek commenced his career as a RAAF Engineering Officer before transitioning to Price-waterhouseCoopers, where he was responsible for preparing operational reviews and examining strategic options across mining, processing, railway and port facilities throughout Australia, North America and Europe. Over the last 15 years he has been involved in equities/investment research (including senior roles with Deutsche Bank and Five Oceans Asset Management) focused on mining, minerals processing and energy storage technologies. Most recently, he held an international consulting role with a focus on renewable energy and battery storage technologies. Mr Kaderavek has significant experience in managing investments in the global resources and minerals processing industries, and in managing turnaround projects supporting corporate targets, merger and divestment activities. He also has a detailed understanding of the energy storage market and battery technology.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	6,896,429
Interest in performance rights:	2,619,744

Company Secretaries

Danny Morgan *CA, GradDipAppFin, B. Com, MAppFin*	Mr Morgan serves as the Company's Chief Financial Officer and a company secretary and has over 30 years' commercial experience, principally in the resources industry.
Grahame Clegg *ACG, CA, B. Com*	Mr Clegg serves as a company secretary and has extensive experience in company secretary and corporate governance practices within Australia.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Board		Audit & Risk Committee		Remuneration & Nomination Committee	
DIRECTOR	Held	Attended	Held	Attended	Held	Attended
R Biancardi	8	8	2	2	2	2
H Keller	8	8	2	2	2	2
R McDonald	8	8	2	2	2	2
J Kaderavek	8	8	–	–	–	–

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

REMUNERATION REPORT (AUDITED)

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

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

1. Remuneration Policy
2. Remuneration
3. Contractual Arrangements with executive KMPs
4. Share-based compensation
5. Additional information
6. Other transactions with key management personnel

1. Remuneration Policy

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

Robert McDonald	Chairman, Independent, Non-Executive Director
Robert Biancardi	Independent, Non-Executive Director
Hugh Keller	Independent, Non-Executive Director

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment, and responsibilities. The Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice may be sought when required.

The Company's remuneration objective is to attract high-calibre executives and reward them for performance that results in both short and long-term growth in shareholder wealth.

The compensation structures take into account:

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

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

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

Remuneration Framework

Executive Remuneration

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

- **Fixed remuneration**

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

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

- **Performance-linked remuneration**

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

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

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

Under the Company's remuneration framework executives are assigned a remuneration level that reflects their seniority, responsibility, and industry-wide remuneration practices. This level determines an executive's participation in STI and LTI plans, and therefore, the proportion of their total remuneration which is linked to performance. Senior executives will receive a higher proportion of their total potential remuneration at risk. The applicable maximum annual STI and LTI metrics are detailed below.

Percentage of Total Fixed Remuneration	Level 1 (CEO)	Level 2	Level 3 and higher
STI – bonus	50%	30%	Up to 25%
LTI – performance rights	50%	35%	Up to 20%

The Board retains the right to apply higher incentive metrics.

Long-term performance and LTI outcomes

During the year the Company issued the 2022 LTI award to senior executives. These performance rights have a nil cost both at the time of grant and vesting. These performance rights have a vesting period expiring on 1 July 2025. Vesting is contingent on the Company meeting performance hurdles over the vesting period. The following table sets out the percentage of performance rights that may vest based on the Company's Total Shareholder Return (TSR) ranking over the performance period:

Company's TSR ranking in the comparator group	Percentage of Performance Rights available to vest
TSR below 50th percentile	Nil
TSR at 50th percentile	50%
TSR between 50th and 75th percentile	Between 50% and 100%, increasing on a straight-line basis
TSR above 75th percentile	100%

The number of performance rights issued to senior executives was based on their total fixed remuneration, their maximum LTI opportunity and the value-weighted average share price of COB shares over the 10 trading days preceding and including 1 July 2023.

The percentage of performance rights that vest and become exercisable (if any) will be determined by the Board and will depend on the achievement of the Company's TSR relative to two comparator groups as set out below:

1st Comparator Group (ASX companies) (50% weighting)	▪ Sheffield Resources Ltd (SFX) ▪ Sunrise Energy Metals Ltd (SRL) ▪ Jervois Global Ltd (JRV) ▪ Australian Vanadium Ltd (AVL) ▪ Ardea Resources Ltd (ARL) ▪ 5E Advanced Materials Inc (5EA) ▪ Aeon Metals Ltd (AML) ▪ Rex Minerals Ltd (RXM) ▪ Arafura Resources Ltd (ARU) ▪ Havilah Resources Ltd (HAV)	▪ KGL Resources Ltd (KGL) ▪ Liontown Resources Limited (LTR) ▪ Peel Mining Ltd (PEX) ▪ Hillgrove Resources Limited (HGO) ▪ Poseidon Nickel Ltd (POS) ▪ Greenwing Resources Ltd) (GW1) ▪ Queensland Pacific Metals Ltd (QPM) ▪ Lake Resources NL (LKE) ▪ Lithium Australia NL (LIT) ▪ Develop Global Limited (DVP)
2nd Comparator Group (ASX 300 Metals and Mining Index companies) (50% weighting)	ASX listed mining companies making up the ASX 300 Mining and Metals index on 1 July 2022. The Board has the discretion to make changes to the Comparator group (for example if there is a corporate action at a comparator organisation).	

Directors' Report continued

The relative TSR hurdle for the 2020 LTI award was tested following the end of the performance period on 30 June 2023. The result (an absolute TSR over the period 1 July 2020 to 30 June 2023 of 169.1%) was at the 62nd percentile of the 1st Comparator Group and at the 79th percentile for the 2nd Comparator Group. The 2020 LTI award vested as follows:

	1st Comparator Group (50%)	2nd Comparator Group (50%)	Total
COB's TSR Ranking	62nd	79th	
Vesting %	74%	100%	87%

Non-executive Directors

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

Fees are reviewed annually by the board considering comparable roles and market data. The maximum aggregate directors' (cash) fee pool is $450,000 per annum and was approved by shareholders at the Company's 2020 AGM.

Non-executive director fees are tabled below:

	2023	2022
Base Director Fee	$70,000	$70,000
Board Chair	$25,000	$25,000
Audit & Risk Committee Chair	$10,000	$10,000
Nomination & Remuneration Committee Chair	$10,000	$10,000

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

Non-executive director	Position	2023	2022
Robert Biancardi	Chairman	$75,000	$75,000
Hugh Keller	Chairman of Audit & Risk Committee	$60,000	$60,000
Robert McDonald	Chairman of Nomination & Remuneration Committee	$60,000	$60,000
Total		**$195,000**	**$195,000**

In addition to the 2023 cash remuneration noted above, at the Company's 2022 AGM, Shareholders approved the issue of 29,028 ordinary shares to each of the Non-Executive Directors as an additional payment of their Directors' Fees for the year ended June 2023.

All non-executive directors enter into a service arrangement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms including remuneration, relevant to the office of director. non-executive directors are not entitled to receive retirement benefits.

Non-executive directors are entitled to be reimbursed for certain expenses incurred and may be paid additional amounts as fees as the Board may determine where a non-executive director performs extra services or makes any special exertions, which in the opinion of the Board are outside the scope of the ordinary duties of a non-executive director.

Non-executive directors are encouraged to hold shares in the Company to align themselves with the interest of the shareholders.

Voting and comments made at the Company's 25 November 2022 Annual General Meeting (AGM)

The Company received 98.80% of votes 'for' in relation to the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Equity Settled share-based payment expense

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

Remuneration Changes for 2024

Executives and staff

The Board decided to increase executive and staff remuneration by up to 6.5% for the 2024 financial year.

Non-Executive Directors

The Board decided to increase Non-Executive Director remuneration by 6.5% for the 2024 financial year.

In line with previous practice, the Non-Executive Directors also propose to take $20,000 of their annual remuneration in the form of Company ordinary shares, subject to shareholder approval, which will be sought at the Company's 2023 AGM, for the partial payment of Director fees in ordinary shares.

2. Remuneration

The following table outlines persons who are directors and other key management personnel ("KMP") of the Company at 30 June 2023 and the nature and amount of remuneration for those persons.

					Share based payments				
2023	Cash salary/ fees $	Cash bonus $	Accrued annual & long service leave $	Super-annuation $	Shares $	Options $	Perfor-mance Rights $	Total $	Perfor-mance related
Non-Executive Directors									
R Biancardi	67,873	–	–	7,127	19,013^	–	22,370	116,383	19%
H Keller	54,299	–	–	5,701	19,013^	–	22,370	101,383	22%
R McDonald	60,000	–	–	–	19,013^	–	22,370	101,383	22%
Executive Director									
J Kaderavek	407,208	81,000	(6,798)	25,292	–	–	429,196	935,898	55%
Executive KMP									
D Morgan	284,708	–	25,511	25,292	78,168	940	206,954	621,573	46%
A Tong	328,500	–	14,934	–	78,168	–	170,470	592,072	42%
Total	**1,202,588**	**81,000**	**33,647**	**63,412**	**213,375**	**940**	**873,730**	**2,468,692**	

^ *Shares issued to non-executive directors not considered performance related as the director salary sacrificed cash fees for the equivalent value of shares*

Performance based remuneration granted & forfeited during the year

	Total STI		
2023	Total Opportunity $	Awarded %	Forfeited %
J Kaderavek	216,250	37.5	62.5
D Morgan	77,500	100.0	–
A Tong	77,500	100.0	–

2022	Cash salary/fees $	Cash bonus $	Accrued annual & long service leave $	Superannuation $	Share based payments: Shares $	Share based payments: Options $	Share based payments: Performance Rights $	Total $	Performance related
Non-Executive Directors									
R Biancardi	68,182	–	–	6,818	20,650^	–	203,714	299,364	68%
H Keller	54,545	–	–	5,455	20,650^	–	203,714	284,364	72%
R McDonald	60,000	–	–	–	20,650^	–	203,714	284,364	72%
Executive Director									
J Kaderavek	358,932	130,000	38,214	23,568	27,943	–	227,938	806,595	48%
Executive KMP									
D Morgan	271,432	–	(123)	23,568	77,900	6,239	119,514	498,530	41%
A Tong	260,000	–	11,631	–	77,900	9,856	112,209	471,596	42%
Total	**1,073,091**	**130,000**	**49,722**	**59,409**	**245,693**	**16,095**	**1,070,803**	**2,644,813**	

^ *Shares issued to non-executive directors not considered performance related as the director salary sacrificed cash fees for the equivalent value of shares.*

3. Contractual Arrangements with executive KMPs

Name	Position	Contract duration	Notice	Maximum Termination Payout
J Kaderavek	Chief Executive Officer and Executive Director	Ongoing	3 month's notice except in the case of serious misconduct. In the case of serious misconduct, employment can be terminated summarily.	3 months
D Morgan	Chief Financial Officer and Company Secretary	Ongoing	1 month's notice except in the case of serious misconduct. In the case of serious misconduct, employment can be terminated summarily.	1 month
A Tong	Executive Manager Dr Tong provides his services through Mineral and Residues Pty Ltd.	Ongoing	1 month's notice except in the case of serious misconduct. In the case of serious misconduct, the agreement can be terminated summarily.	1 month

4. Share-Based Compensation

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

Grantee	Grant Date	Number of Options Granted	Vesting date	Exercisable date	Expiry Date	Exercise Price	Fair value per option at grant date
D Morgan	21/09/2020	300,000	24/08/2022[1]	24/08/2022	24/08/2023	$0.14	$0.02

1 *subject to satisfactory performance as determined by the Board. On 31/08/2022 the directors determined that the vesting conditions had been met.*

Grantee	Grant Date	Number of Performance Rights Granted	Vesting date	Exercisable date	Expiry Date	Exercise Price	Fair value per option at grant date	Note
R Biancardi	26/11/2021	333,333	Note 3	On vesting	28/11/2024	$nil	$0.201	1,2
H Keller	26/11/2021	333,333	Note 3	On vesting	28/11/2024	$nil	$0.201	1,2
R McDonald	26/11/2021	333,333	Note 3	On vesting	28/11/2024	$nil	$0.201	1,2
J Kaderavek	26/11/2021	1,867,529	30/06/2023	30/06/2023	30/06/2023	$nil	$0.290	3,4
J Kaderavek	26/11/2021	643,939	30/06/2024	30/06/2024	30/06/2024	$nil	$0.270	3,4
J Kaderavek	25/11/2022	351,055	01/07/2025	01/07/2025	01/07/2025	$nil	$0.490	3,4
D Morgan	26/11/2021	972,610	30/06/2023	30/06/2023	30/06/2023	$nil	$0.290	3,4
D Morgan	26/11/2021	347,643	30/06/2024	30/06/2024	30/06/2024	$nil	$0.270	3,4
D Morgan	10/05/2023	176,136	01/07/2025	01/07/2025	01/07/2025	$nil	$0.200	3,4
A Tong	26/11/2021	784,363	30/06/2023	30/06/2023	30/06/2023	$nil	$0.290	3,4
A Tong	26/11/2021	306,397	30/06/2024	30/06/2024	30/06/2024	$nil	$0.270	3,4
A Tong	10/05/2023	197,159	01/07/2025	01/07/2025	01/07/2025	$nil	$0.200	3,4

Notes

1. *Automatically vest if the 10-day volume weighted average price (VWAP) of the Company's fully paid ordinary shares on the Australian Stock Exchange is $1.00 or more.*
2. *If the performance rights vest, the holder is entitled to one ordinary COB share for each performance right that has vested. If a holder ceases to act as a director of the Company, whether through retirement, death or incapacity, the Board will have the discretion to determine the number of performance rights of those that have not vested, that will vest to that holder or their estate.*
3. *The performance rights automatically vest according to the terms set out under the Performance Linked Remuneration section of the remuneration report on page 33, save for the performance rights tranches, having different expiry dates.*
4. *If a holder's employment is summarily terminated by the Company prior to the expiry date of the performance rights any unvested performance rights will automatically lapse, unless the board determines otherwise. The board has discretion to determine a different treatment if the holder's employment ceases due to death, redundancy, retirement, incapacity, or other circumstances where the board determines good leave treatment is appropriate.*

The number of options over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2023 is set out below:

	Number of options granted during the year		Number of options vested during the year	
Name	2023	2022	2023	2022
D Morgan	–	–	300,000	300,000
A Tong	–	–	–	1,650,000

The number of performance rights over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2023 is set out below:

	Number of performance rights granted during the year		Number of performance rights vested during the year	
Name	2023	2022	2023	2022
R Biancardi	–	1,000,000	–	666,667
H Keller	–	1,000,000	–	666,667
R McDonald	–	1,000,000	–	666,667
J Kaderavek	351,055	2,511,468	1,624,750	–
D Morgan	176,136	1,320,253	846,171	–
A Tong	197,159	1,090,760	682,396	–

The number of shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2023 is set out below:

Name	Number of shares granted during the year	
	2023	2022
R Biancardi	29,028[1]	54,342[1]
H Keller	29,028[1]	54,342[1]
R McDonald	29,028[1]	54,342[1]
J Kaderavek	–	336,692[2]
D Morgan	133,621[3]	205,000[3]
A Tong	133,621[3]	205,000[3]

1 *These shares were issued to Directors as payment for $20,000 of their Directors' Fees.*
2 *These shares were issued in respect of Mr Kaderavek's 2021 short-term incentive.*
3 *These shares were issued in respect of the recipient's short-term incentive for the relevant year.*

Value of options over ordinary shares granted, and exercised for directors and other key management personnel as part of compensation during the financial year ended 30 June 2023 are set out below:

Name	Value of options granted during the year ($)	Value of options exercised during the year ($)	Number of options forfeited during the year	Date of grant of lapsed options
J Kaderavek	–	–	–	–
D Morgan	–	198,900	–	–
A Tong	–	–	–	–

Value of performance rights over ordinary shares granted, and forfeited for directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

Name	Value of performance rights granted during the year ($)	Value of performance rights exercised during the year ($)	Number of performance rights forfeited during the year	Financial year in which forfeited performance rights were granted
J Kaderavek	170,262	–	(242,779)	2022
D Morgan	35,227	–	(126,439)	2022
A Tong	39,432	–	(101,967)	2022

5. Additional Information

Movement in shares held

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

Name	Balance at the start of the year	Received during the year on the exercise of options and performance rights	Granted during the year as compensation	Other changes during the year	Balance at the end of the year
R Biancardi	4,871,953	–	29,028	(30,406)	4,870,575
H Keller	2,598,499	–	29,028	159,851	2,787,378
R McDonald	1,527,555	–	29,028	152,756	1,709,339
J Kaderavek	6,779,837	–	–	116,592	6,896,429
D Morgan	1,340,491	300,000	133,621	164,050	1,938,162
A Tong	1,403,864	–	133,621	34,482	1,571,967

Movement in options and performance rights held

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

Name	Balance at the start of the year	Granted as part of remuneration	Exercised	Additions	Forfeited	Balance at the end of the year (vested & exercisable)
D Morgan	300,000	–	(300,000)	–	–	–
A Tong	1,650,000	–	–	–	–	1,650,000

			Vested		Forfeited		Balance at the end of the year	
Performance Rights Name and Grant Date	**Balance at the start of the year**	**Granted as part of remuneration**	**Number**	**%**	**Number**	**%**	**Vested & exercisable**	**Unvested**
R Biancardi								
26/11/2021	333,333	–	–		–	–	–	333,333
H Keller								
26/11/2021	333,333	–	–		–	–	–	333,333
R McDonald								
26/11/2021	333,333	–	–		–	–	–	333,333
J Kaderavek								
26/11/2021	1,867,529	–	1,624,750	87%	(242,779)	13%	1,624,750	–
26/11/2021	643,939	–	–		–		–	643,939
25/11/2022	–	351,055	–		–		–	351,055
D Morgan								
26/11/2021	972,610	–	846,171	87%	(126,439)	13%	846,171	–
26/11/2021	347,643	–	–		–		–	347,643
10/05/2023	–	176,136	–		–		–	176,136
A Tong								
26/11/2021	784,363	–	682,396	87%	(101,967)	13%	682,396	–
26/11/2021	306,397	–	–		–		–	306,397
10/05/2023	–	197,159	–		–		–	197,159

6. Other transactions with key management personnel

Details of other transactions with key management personnel are set out in Note 26.

END OF REMUNERATION REPORT

Directors' Report continued

Corporate Governance

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

Shares under option

Unissued shares

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

Shares issued on the exercise of options

The following ordinary shares were issued by the Company during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

Grant Date	Exercise Price	Number of shares issued
28/09/2020	$0.14	1,782,412
21/06/2021	$0.45	8,201,169
		9,983,581

D & O Insurance: Indemnification of Officers or Auditor

The Company has agreed to indemnify and keep indemnified the Directors and Company Secretary against all liabilities incurred as directors and officers of the Company and all legal expenses incurred as directors and officers of the Company.

The indemnity only applies to the extent and in the amount that the directors and officers are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company, under the general law or otherwise. The indemnity does not extend to any liability:

- To the Company or a related body corporate of the Company; or
- Arising out of conduct of the directors and officers involving a lack of good faith.

No indemnities have been given or insurance premiums paid, during the year, for any person who is or has been an auditor of the Company.

During this financial period, the Company paid insurance premiums of $135,000 in respect of directors' and officers' liability insurance and corporate reimbursement, for directors and officers of the Company. The insurance premiums relate to:

- Any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer, first made against them jointly or severally during the period of insurance; and
- Indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the Company.

Environmental Regulations

The Company's operations are subject to Commonwealth and State laws. As far as the directors are aware the Company has not breached any environmental regulations.

Proceedings on Behalf of the Company

As far as the directors are aware no person has applied for leave of a Court to bring proceedings on behalf of the Company or to intervene in any proceeding to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Rounding of amounts

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 43 and forms part of the Directors' Report for the year ended 30 June 2023.

Non-audit Services

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

Matters subsequent to the end of the financial year

On 25 August 2023, the Company issued 1,357,412 fully paid ordinary shares to staff and contractors on the exercise of 2,330,000 options. Each option had an exercise price of $0.14. 2,230,000 options were exercised using the company's cashless exercise mechanism, whereby the exercise price was set off against the number of shares that the holder would otherwise be entitled to receive upon exercise of the option.

On 21 August 2023, the Company issued 3,712,231 fully paid ordinary shares to senior executives and the CEO & Executive Director on the exercise of 3,712,331 performance rights that had been subject to performance tests set by the board, and in the case of the CEO & Executive Director, was also approved by shareholders. The performance rights had an exercise price of $nil.

On 25 August 2023, the Company issued 254,918 fully paid ordinary shares to staff and contractors as part of their base remuneration.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years.

Signed in accordance with a resolution of the Board.

Robert Biancardi

Chairman

Dated 22 September 2023

Auditor's
Independence Declaration

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To the Board of Directors of Cobalt Blue Holdings Limited

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

As lead audit director for the audit of the financial statements of Cobalt Blue Holdings Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia

Nexia Sydney Audit Pty Limited

Mark Boyle
Director

Date: 22 September 2023


CAUTION

CobaltBlue

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
Revenues from ordinary activities			
Revenue	2	233	–
Expenses from ordinary activities			
ASX and registry fees		(332)	(262)
Administrative expenses		(430)	(363)
Corporate costs		(1,872)	(1,607)
Depreciation and amortisation expenses		(160)	(228)
Employee benefits expenses	3	(2,706)	(2,606)
Interest expense	4	(42)	(16)
Legal and professional costs		(158)	(151)
Loss before tax		**(5,467)**	**(5,233)**
Income tax expense	5	–	–
Loss from continuing operations		**(5,467)**	**(5,233)**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive loss for the year		**(5,467)**	**(5,233)**
		Cents	**Cents**
Basic and diluted earnings/(loss) per share	7	(1.6)	(1.7)

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

Statement of Financial Position

AS AT 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
Current Assets			
Cash and cash equivalents	8	15,616	10,530
Receivables	9	3,115	712
Other assets	10	287	184
Total Current Assets		**19,018**	**11,426**
Non-current Assets			
Property, plant and equipment	11	1,699	976
Intangibles	12	191	140
Security deposits		417	420
Exploration and evaluation assets	13	55,092	37,471
Total Non-current Assets		**57,399**	**39,007**
Total Assets		**76,417**	**50,433**
Current Liabilities			
Trade and other payables	14	4,317	2,718
Deferred income	15	1,945	31
Provisions	16	566	483
Lease liabilities	18	252	184
Borrowings	19	180	–
Total Current Liabilities		**7,260**	**3,416**
Non-current Liabilities			
Provisions	17	456	171
Lease liabilities	18	197	399
Borrowings	19	2,515	2,343
Total Non-current Liabilities		**3,168**	**2,913**
Total Liabilities		**10,428**	**6,329**
Net Assets		**65,989**	**44,104**
Equity			
Share capital	20	84,405	58,065
Reserves	21	3,119	2,107
Accumulated losses		(21,535)	(16,068)
Total Equity		**65,989**	**44,104**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2023

	Share Capital $'000	Share-Based Payments Reserve $'000	Accumulated Losses $'000	Total $'000
Balance at 1 July 2021	42,534	933	(10,835)	32,632
Total loss for the year	–	–	(5,233)	(5,233)
Issue of ordinary shares	15,891	–	–	15,891
Issue of options/performance rights	–	1,174	–	1,174
Cost of issuing ordinary shares	(360)	–	–	(360)
Balance at 30 June 2022	**58,065**	**2,107**	**(16,068)**	**44,104**
Balance at 1 July 2022	58,065	2,107	(16,068)	44,104
Total loss for the year	–	–	(5,467)	(5,467)
Issue of ordinary shares	26,721	–	–	26,721
Issue of options/performance rights	–	1,012	–	1,012
Cost of issuing ordinary shares	(381)	–	–	(381)
Balance at 30 June 2023	**84,405**	**3,119**	**(21,535)**	**65,989**

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Payments to suppliers and employees		(3,794)	(3,495)
Interest received		212	–
Interest paid on leased assets		(42)	(16)
Other		–	39
Net cash flows (used in)/provided by operating activities	25	**(3,624)**	**(3,472)**
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(24,146)	(9,330)
Research and development tax incentive refunds		508	339
Industry Grants		8,011	325
Payments for plant and equipment		(938)	(307)
Refund of/(cash used as) security deposit		3	(244)
Payments for other non-current assets		(59)	(45)
Net cash flows (used in)/provided by investing activities		**(16,621)**	**(9,262)**
Cash flows from financing activities			
Gross proceeds from issues of shares		26,003	14,550
Costs related to issues of shares		(356)	(360)
Payment of lease liabilities		(316)	(365)
Net cash flows provided by/(used in) financing activities		**25,331**	**13,825**
Net increase/(decrease) in cash held		5,086	1,091
Cash at beginning of financial period		10,530	9,439
Cash at end of financial period	8	**15,616**	**10,530**

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

Notes to the Financial Statements

1 Statement of Significant Accounting Policies

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

Basis of preparation

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

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

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

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

The financial statements were authorised for issue on 22 September 2023 by the Board of Directors.

Principles of consolidation and equity accounting

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

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

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

(a) New and amended standards

No new or amended accounting standards adopted by the Consolidated Entity for the first time for its annual reporting period commencing 1 July 2022 had a material financial impact.

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

(b) Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. For the year ended 30 June 2023 the Consolidated Entity reported:

- a loss of $5,467,000 (30 June 2022: loss of $5,233,000);
- net cash outflow from operating activities of $3,624,000 (30 June 2022: outflow $3,472,000): and
- net cash outflow from investing activities of $16,621,000 (30 June 2022: outflow $9,262,000).

As at 30 June 2023, the Consolidated Entity had a working capital surplus of $11,758,000 (30 June 2022: surplus $8,010,000).

The directors are confident that the Consolidated Entity can continue to access equity funding to meet any additional capital requirements.

On the basis of the above and the ability of the Consolidated Entity to scale back planned activities if required to preserve cash, the directors are satisfied that at the date of signing the financial report, there are reasonable grounds to believe that the Consolidated Entity will be able to meet its debts as and when they fall due and that it is appropriate for the financial report to be prepared on a going concern basis.

(c) Revenue recognition

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

Interest Income

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

Government Grants

Grants that compensate the Consolidated Entity for expenditure expensed are recognised in the profit or loss as other income on a systematic basis consistent with the periods in which the underlying expenditure is recognised. Grants that compensate the Consolidated Entity for capitalised expenditure are progressively recognised as a reduction in the carrying value of the asset when there is a reasonable assurance that the Consolidated Entity will satisfy the conditions associated with the grant.

(d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are shown inclusive of GST. The amounts of GST recoverable from, or payable to, the ATO are included as a current asset or liability in the statement of financial position.

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

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

(e) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax expense or benefit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

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

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

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

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

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

(f) Earnings per share

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

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

(g) Fair Value

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

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

(h) Plant and equipment

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

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation and amortisation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Consolidated Entity commencing from the time the asset is held ready for use. The amounts reflecting the consumption of assets used in exploration and evaluation activities are recognised in the exploration and evaluation asset.

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

Plant	3–10 years
Furniture and office equipment	2–4 years
Buildings	25 years
Leasehold improvements	4 years
Right-of-use assets	3–4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(i) Exploration and Evaluation assets

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. Transactions involving the acquisition of an individual exploration and evaluation asset or a group of evaluation and evaluation assets, that do not constitute a business, are treated as asset acquisitions. Asset acquisitions are measured at their fair value or in those instances where the fair value cannot be measured reliably, the assets are measured at the fair value of the consideration offered and liabilities assumed. Exploration and Evaluation costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

Exploration and evaluation expenditure is classified as either tangible or intangible according to the nature of the assets acquired. Where a tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset.

A provision is raised against exploration and evaluation assets where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

(j) Leases

The Consolidated Entity leases properties and office equipment. Rental contracts are typically made for fixed periods of 2 to 4 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants.

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

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

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

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

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

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

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

(k) Cash and Cash Equivalents

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

(l) Impairment of Assets

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

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

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

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

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

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

(m) Share capital

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

(n) Trade and other receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Trade and other receivables are stated at cost less expected credit losses. Refer to Note 1(x).

(o) Trade and other payables

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

(p) Provisions

Provision for legal claims, make good obligations and other claims are recognised when a legal or constructive obligation exists as a result of a past event, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

The Consolidated Entity recognises a provision for the estimate of the future costs of restoration activities on a discounted basis at the time of exploration disturbance. The nature of these restoration activities includes dismantling and removing structures and the restoration, reclamation and re-vegetation of affected areas. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related assets to the extent that it was incurred by the exploration and evaluation asset. If a change to the estimated provision results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the related asset, the Consolidated Entity considers whether this is an indication of impairment of the asset. If the revised assets, net of rehabilitation provisions, exceed the recoverable amount, that portion of the increase to the provision is charged directly to the income statement.

(q) Employee entitlements

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

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

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

(r) Share-based payments

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

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

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

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

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

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

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

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

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

A share-based payments reserve is used to recognise the grant date fair value of options or performance rights issued to employees and contractors.

(s) Current and non-current classification

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

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

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

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

(t) Intangibles

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

(u) Borrowings

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

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

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

Interest related to the financial liability component is recognised in profit or loss, except when capitalised to a qualifying asset in accordance with AASB 123 Borrowing Costs.

(v) Comparatives

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

(w) Rounding of amounts

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

(x) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity. Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Impairment

The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated Entity that may be indicative of impairment triggers. When required, recoverable amounts of relevant assets are reassessed using the higher of fair value less cost to sell and value in use calculations which incorporate various key estimates and assumptions. Changes in these estimates and assumptions as new information becomes available, may impact the assessment of the recoverable amount.

Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences and tax losses only when management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised. Based on the uncertainty of the timing of future profits management have not recognised any deferred tax assets.

Exploration and evaluation asset

As set out in Note 1(i) exploration and evaluation expenditure is capitalised for an area of interest in respect for which the rights of tenure are current and where it is considered likely to be recoverable from successful development, future exploitation or sale. The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, including estimates and assumptions as to ore reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under the accounting policies, a judgment is made that the recovery of the expenditure is unlikely, an impairment loss is recorded in the profit or loss.

Borrowings

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

Share based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with Directors, employees or third parties by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using option price models or market valuations. The related assumptions are detailed in Note 22. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

2 Revenue from operating activities

	2023 $'000	2022 $'000
Interest received	233	–
Total Revenue	**233**	**–**

3 Employee benefits expenses

	2023 $'000	2022 $'000
Remuneration expenses	1,683	1,286
Accumulated benefit superannuation plans	105	82
Equity settled share-based payments	918	1,238
Total employee benefits expenses	**2,706**	**2,606**

4 Interest expense

	2023 $'000	2022 $'000
Lease liabilities interest	70	56
Promissory note – interest	351	306
Sub-total	**421**	**362**
Less: amounts capitalised as part of exploration and evaluation expenditure[1]	(379)	(346)
Total Interest expense	**42**	**16**

1 *Includes promissory note interest. The promissory note relates specifically to the acquisition of exploration and evaluation assets and accordingly all of the interest is eligible to be capitalised.*

5 Income tax benefit

	2023 $'000	2022 $'000
The components of the tax benefit comprise:		
Current tax	–	–
Deferred tax – origination and reversal of temporary differences	–	–
Aggregate income tax expense	**–**	**–**

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

	2023 $'000	2022 $'000
Loss before income tax from continuing operations	**(5,467)**	**(5,233)**
Tax at the statutory rate of 25% (2022: 25%)	(1,367)	(1,308)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-allowable items	745	568
Non-assessable items	(5)	–
Tax losses not brought to account	6,134	3,111
Exploration expenditure deductible	(4,878)	(2,124)
Other allowable items	(629)	(247)
Income tax expense	**–**	**–**
Unused tax losses for which no deferred tax loss has been recognised	62,046	40,373
Potential tax benefit at 25% (2022: 25%)	15,512	10,093
Deferred tax assets (liability) not recognised on temporary differences are attributable to:		
Exploration and evaluation expenditure	(10,837)	(7,211)
Employee entitlements	164	68
Accrued expenses	391	101

The benefit of deferred tax assets and tax losses will only be obtained if the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; continues to comply with the conditions for deductibility imposed by the tax legislation; and there are no changes in tax legislation adversely affecting the Consolidated Entity in realising the benefit from the deductions for the losses.

6 Auditor’s remuneration

	2023 $	2022 $
Audit or review of the financial statements	77,500	78,000
Other assurance services – audit of government grant acquittal	12,000	–
	89,500	**78,000**

7 Earnings per share

	2023	2022
Earnings/(Loss) for the year used to calculate basic and diluted earnings per share ($’000)	(5,467)	(5,233)
Weighted average number of shares outstanding during the year used for the calculation of basic and diluted earnings per share	352,267,404	299,667,121
Basic and diluted earnings/(loss) per share	(1.6c)	(1.7c)

8 Cash and cash equivalents

	2023 $’000	2022 $’000
Short term deposits	13,000	1,833
Cash at bank and on hand	2,616	8,697
	15,616	**10,530**

9 Trade and other receivables – current

	2023 $’000	2022 $’000
Other receivables	21	205
Research and development tax incentive receivable	3,094	507
	3,115	**712**

10 Other assets – current

	2023 $’000	2022 $’000
Prepayments	287	184
	287	**184**

11 Property, plant and equipment

	Land and buildings $'000	Right of use assets $'000	Leasehold Improvements $'000	Furniture and Office Equipment $'000	Plant $'000	Total $'000
Year ended 30 June 2022						
Opening Balance	–	455	17	48	2,686	3,206
Additions	–	371	149	41	239	800
Transfer to Exploration and Evaluation asset	–	–	–	–	(2,686)	(2,686)
Depreciation expense	–	(171)	(17)	(31)	–	(219)
Depreciation capitalised[1]	–	(107)	(2)	–	(16)	(125)
Closing Balance	**–**	**548**	**147**	**58**	**223**	**976**
At cost	–	897	229	130	239	1,495
Accumulated Depreciation	–	(349)	(82)	(72)	(16)	(519)
At 30 June 2022	**–**	**548**	**147**	**58**	**223**	**976**
Year ended 30 June 2023						
Opening Balance	–	548	147	58	223	976
Additions	891	286	–	45	–	1,222
Disposals	–	(150)	–	–	–	(150)
Depreciation expense	–	(134)	–	(16)	–	(150)
Depreciation capitalised[1]	(21)	(123)	(16)	(15)	(24)	(199)
Closing Balance	**870**	**427**	**131**	**72**	**199**	**1,699**
At cost	891	660	229	165	239	2,184
Accumulated Depreciation	(21)	(233)	(98)	(93)	(40)	(485)
At 30 June 2023	**870**	**427**	**131**	**72**	**199**	**1,699**

1 *Depreciation capitalised as part of exploration and evaluation expenditure*

12 Intangibles

	Patents $'000	Total $'000
Year ended 30 June 2022		
Opening Balance	97	97
Additions	49	49
Amortisation expense	(6)	(6)
Closing Balance	**140**	**140**
At cost	153	153
Accumulated Amortisation	(13)	(13)
At 30 June 2022	**140**	**140**
Year ended 30 June 2023		
Opening Balance	140	140
Additions	60	60
Amortisation expense	(9)	(9)
Closing Balance	**191**	**191**
At cost	213	213
Accumulated Amortisation	(22)	(22)
At 30 June 2023	**191**	**191**

13 Exploration and evaluation expenditure

	2023 $'000	2022 $'000
Balance at beginning of the financial year	37,471	23,461
Transfer from plant	–	2,686
Additions	26,812	12,156
R&D tax incentive on exploration asset off-set	(3,094)	(507)
Government grant off-set	(6,097)	(325)
Balance at end of the financial year	**55,092**	**37,471**
At cost	68,175	41,363
Accumulated Government grant and R&D tax incentive offsets	(13,083)	(3,892)
Balance at end of the financial year	**55,092**	**37,471**

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation of the Broken Hill Cobalt Project (BHCP). The Consolidated Entity operates the BHCP as a wholly owned operation.

14 Trade and other payables – current

	2023 $'000	2022 $'000
Trade payables	2,218	1,485
Other creditors and accruals	2,099	1,233
	4,317	**2,718**

15 Deferred income

	2023 $'000	2022 $'000
Government grants	1,945	31
	1,945	**31**

16 Provisions – current

	2023 $'000	2022 $'000
Employee benefits	566	483
	566	**483**

17 Provisions – non-current

	2023 $'000	2022 $'000
Provision for rehabilitation	333	103
Employee benefits	93	44
Make good provision	30	24
	456	**171**

18 Leases

	2023 $'000	2022 $'000
(i) Amounts recognised in the statement of financial position		
Right-of-use assets		
Office and factory properties	287	418
Residential properties	139	10
Office equipment	1	2
	427	**430**

2023 additions to leased assets: $286,000 (2022: $370,000).

	2023 $'000	2022 $'000
Lease Liabilities		
Current	252	184
Non-current	197	399
	449	**583**

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

	2023	2022
Depreciation charge of leased office and factory properties	123	140
Depreciation charge of leased residential properties	10	30
Depreciation of leased office equipment	1	1
	134	**171**
Interest expense	**42**	**16**

The lease terms are industry standard for the assets involved.

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19 Borrowings

	2023 $'000	2022 $'000
Current		
Accrued interest	180	–
	180	**–**
Non-current		
Fair value of promissory note issued	1,685	1,685
Accrued interest	830	658
	2,515	**2,343**
Total borrowings	**2,695**	**2,343**

In January 2020, the Consolidated Entity moved to 100% ownership and legal title of the Broken Hill Cobalt Project (BHCP) by acquiring American Rare Earth Limited's (ARR) interest in the BHCP. As part of the acquisition a $3,000,000 five-year Promissory Note (PN) was issued to ARR. The PN is interest free for years 1,2 and 3 and in years 4 and 5 interest of 6% per annum is payable in arrears. The PN is secured over the title to the tenements. The PN can be repaid at any time in whole or in part, without penalty. Once the PN is repaid in full, the security over the tenements will be extinguished.

20 Share Capital

	2023		2022	
Fully paid ordinary shares	**Number**	**$'000**	**Number**	**$'000**
Balance at beginning of the financial year	321,860,583	58,065	274,396,847	42,534
Share placement at $0.30 per share	–	–	24,100,000	7,230
Shares issued on exercise of staff and contractor options	425,000	60	787,187	102
Shares issued on exercise of non-executive Director options	–	–	656,250	–
Shares issued to CEO and executive Director as short-term incentive	–	–	336,692	128
Shares issued to staff and contractors as remuneration	1,015,778	602	1,047,737	396
Shares issued on exercise of non-executive Director performance rights	–	–	2,000,001	–
Shares issued on exercise of consultant options	–	–	2,000,000	600
Shares issued on exercise of placement options	8,201,169	3,691	16,272,843	7,323
Shares issued to services consultant	–	–	100,000	50
Shares issued to non-executive Directors in lieu of Directors' fees at $0.66 per share (2022: $0.38 per share). See Note 25.	87,084	57	163,026	62
Share placement (at $0.58/share)	10,344,828	6,000	–	–
Non-renounceable Entitlement Issue (at $0.58/share)	28,123,088	16,311	–	–
Capital raising costs	–	(381)	–	(360)
Balance at end of the financial year	**370,057,530**	**84,405**	**321,860,583**	**58,065**
Unescrowed, listed on ASX	**370,057,530**		**321,860,583**	

Terms and Conditions of Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. The Company does not have a limited amount of authorised capital and ordinary shares have no par value.

Capital Management

Management effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of share issues and debt levels. Capital refers to total shareholders' equity. There has been no change to capital management objectives.

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

21 Share-Based Payments Reserve

	2023 $'000	2022 $'000
Share-based payments reserve	3,119	2,107
Movement in reserve		
Balance at beginning of the financial year	2,107	933
Share-based payments	1,012	1,174
Balance at end of the financial year	**3,119**	**2,107**

Options and rights	Weighted average exercise price $	2023 Number	2023 $'000	2022 Number	2022 $'000
Balance at beginning of the financial year	$0.24	18,274,340	2,107	21,722,500	933
Amortisation of share-based payments			1,012		1,174
Options issued attaching to Tranche 2 share placement	$0.45	–		12,050,000	
Exercise of options by directors, staff and contractors	$0.25	(425,000)		(3,196,250)	
Issue of non-executive director performance rights	–	–		3,000,000	
Issue of CEO and executive director performance rights	–	351,055		2,511,468	
Issue of performance rights to executive managers	–	490,178		3,280,716	
Exercise of non-executive director performance rights	–	–		(2,000,001)	
Exercise of consultant options	$0.30	–		(2,000,000)	
Exercise of placement options	$0.45	(8,201,169)		(16,272,843)	
Forfeited options and rights	$0.30	(1,080,689)		(821,250)	
Balance at the end of the financial year	**$0.03**	**9,408,715**	**3,119**	**18,274,340**	**2,107**
Options and rights not quoted on ASX		9,408,715		18,274,340	

Terms and Conditions of Options and Performance Rights

Options and performance rights have the terms set out in Note 22.

22 Share-based Payments

The Company has issued options and performance rights to Directors, employees, consultants and third parties of the Consolidated Entity.

Options

Set out below is a summary of outstanding options:

	2023	2022
Options outstanding at the beginning of the financial year	2,755,000	8,772,500
Options granted	–	–
Options exercised	(425,000)	(5,196,250)
Options forfeited during the period	–	(821,250)
Options outstanding at the end of the financial year	**2,330,000**	**2,755,000**
Total expense or asset recognised from share-based payments*	$2,162	$24,207

* *$1,207 of this amount was capitalised to Exploration and Evaluation Assets (2022: $17,863).*

Set out below is a reconciliation of share-based payment options outstanding.

Grant Date	Expiry Date	Exercise Price	Vesting conditions	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ Other	Balance at the end of the year
28/09/2020	24/08/2023	$0.14*	A	955,000	–	(425,000)	–	530,000
28/09/2020	24/08/2023	$0.14*	B	1,650,000	–	–	–	1,650,000
28/09/2020	24/08/2023	$0.14*	C	150,000	–	–	–	150,000
				2,755,000		(425,000)		2,330,000

Vesting conditions are summarised below:

A. 50% vested on 24/08/2021; with the remainder vesting on 24/08/2022.

B. Vesting was subject to the achievement of milestones related to the production of agreed on-spec mixed hydroxide/ cobalt sulphate quantities (Tranche 1:650,000 options), the Company securing project equity co-investment from a third party, completing Pilot Plant/ Demonstration Plant activities or processing of ore not originating from the BHCP through a Pilot Plant/ Demonstration Plant on a basis satisfactory to the Board (Tranche 2: 1,000,000 options). The Board determined that the Tranche 1 and Tranche 2 options had vested on 16 July 2021 and 24 June 2022, respectively.

C Vested immediately

* *Cashless Option Exercise*

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

For options granted during the 2021 and prior financial years, a Black-Scholes pricing model was used to value options granted to employees, directors and consultants. The valuation model inputs to determine the fair value at the grant date are as follows:

Grant Date	Expiry Date	Share Price at grant date	Exercise Price	Expected volatility	Dividend Yield	Risk-free Interest Rate	Fair value at grant date
27/11/2018	10/07/2021	$0.22	$0.30	70%	–%	2.13%	$0.08
21/12/2018	21/12/2021	$0.20	$0.30	70%	–%	2.13%	$0.08
5/03/2019	21/12/2021	$0.15	$0.25	70%	–%	1.53%	$0.04
14/06/2019	26/06/2022	$0.15	$0.30	70%	–%	1.00%	$0.04
14/06/2019	21/12/2021	$0.15	$0.30	70%	–%	1.00%	$0.04
28/09/2020	24/08/2023	$0.095	$0.14	49%	–%	0.23%	$0.02

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

Performance rights

Set out below is a summary of outstanding performance rights:

	2023	2022
Rights outstanding at the beginning of the financial year	6,792,183	–
Rights granted	841,233	8,792,184
Rights exercised	–	(2,000,001)
Rights forfeited during the period	(554,701)	–
Rights outstanding at the end of the financial year	**7,078,715**	**6,792,183**
Rights exercisable at the end of the financial year	3,712,231	–
Total expense or asset recognised from share-based payments**	$1,010,169	$1,149,597

** *$306,909 of this amount was capitalised to Exploration and Evaluation Assets (2022: $190,997).*

Set out below is a reconciliation of outstanding performance rights.

							Balance at the end of the year	
Grant Date	Expiry Date	Vesting and other conditions	Balance at the start of the year	Granted	Vested	Forfeited	Unvested	Vested and Exercisable
26/11/2021	28/11/2024	A	999,999	–	–	–	999,999	–
26/11/2021	30/06/2023	B	4,266,932	–	3,712,231	(554,701)	–	3,712,231
26/11/2021	30/06/2024	C	1,525,252	–	–	–	1,525,252	–
25/12/2022	1/07/2025	D	–	351,055	–	–	351,055	–
20/05/2023	1/07/2025	D	–	490,178	–	–	490,178	–
			6,792,183	**841,233**	**3,712,231**	**(554,701)**	**3,366,484**	**3,712,231**

Vesting and other conditions are summarised below:

i. All performance rights have a $Nil exercise price.

ii. Vesting conditions

A Automatically vest if the 10-day volume weighted average price (VWAP) of the Company's fully paid shares on the Australian Stock Exchange is $1.00 or more.

B Vests on expiry and is contingent on the Company meeting performance hurdles over the performance period (1 July 2020–30 June 2023).

The following table sets out the percentage of performance rights that may vest based on the Company's Total Shareholder Return (TSR) ranking over the performance period:

Company's TSR ranking in the comparator group	Percentage of Performance Rights available to vest
TSR below 50th percentile	Nil
TSR at 50th percentile	50%
TSR between 50th and 75th percentile	Between 50% and 100%, increasing on a straight-line basis
TSR above 75th percentile	100%

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The percentage of performance rights that vest and become exercisable (if any) will be determined by the Board and will depend on the achievement of the Company's TSR relative to two comparator groups as set out below:

1st Comparator Group (ASX companies) (50% weighting)	▪ Sheffield Resources Ltd (SFX) ▪ Sunrise Energy Metals Ltd (SRL) ▪ Jervois Global Ltd (JRV) ▪ Australian Vanadium Ltd (AVL) ▪ Ardea Resources Ltd (ARL) ▪ 5E Advanced Materials Inc (5EA) ▪ Aeon Metals Ltd (AML) ▪ Rex Minerals Ltd (RXM) ▪ Arafura Resources Ltd (ARU) ▪ Havilah Resources Ltd (HAV)	▪ KGL Resources Ltd (KGL) ▪ Liontown Resources Limited (LTR) ▪ Peel Mining Ltd (PEX) ▪ Hillgrove Resources Limited (HGO) ▪ Poseidon Nickel Ltd (POS) ▪ Greenwing Resources Ltd) (GW1) ▪ Queensland Pacific Metals Ltd (QPM) ▪ Lake Resources NL (LKE) ▪ Lithium Australia NL (LIT) ▪ Develop Global Limited (DVP)
2nd Comparator Group (ASX 300 Metals and Mining Index companies) (50% weighting)	ASX listed mining companies making up the ASX 300 Mining and Metals index on 1 July 2020. The Board has the discretion to make changes to the Comparator group (for example if there is a corporate action at a comparator organisation).	

C As per B, save for a 1 July 2021–30 June 2024 performance period and the ASX 300 Mining and Metals index constituents as of 1 July 2021.

D As per B, save for a 1 July 2022–1 July 2025 performance period and the ASX 300 Mining and Metals index constituents as of 1 July 2022.

Non-Executive Director performance rights were valued using a barrier option pricing model. The Executive performance rights were valued in a combined Monte Carlo simulation and a trinomial lattice option model. The valuation model inputs used to determine the fair value of the performance rights granted during the current and prior financial year at the grant date are as follows:

Type	Grant Date	Share Price at grant date	Volatility	Expiry Date	Risk Free rate	Dividend yield
Non-Executive Director Performance Rights	26/11/2021	$0.38	66%	28/11/2024	0.9%	–%
Executive Performance Rights (2020 Tranche)	26/11/2021	$0.38	66%	30/06/2023	0.9%	–%
Executive Performance Rights (2021 Tranche)	26/11/2021	$0.38	66%	30/06/2024	0.9%	–%
Executive Performance Rights (2022 Tranche)	25/11/2022	$0.66	91%	01/07/2025	3.23%	–%
Executive Performance Rights (2022 Tranche)	10/5/2023	$0.27	76%	01/07/2025	3.33%	–%

23 Capital and other Expenditure Commitments

	2023 $'000	2022 $'000
Not longer than 1 year	102	684
Longer than 1 year and not longer than 5 years	778	726
	880	**1,410**

These commitments relate to obligations contained in exploration licence work programs.

24 Financial instruments

Financial Risk Management

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

Liquidity Risk Management

Liquidity risk arises from the possibility that the Consolidated Entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Consolidated Entity manages this risk through the Board which meets on a regular basis to review financial risk exposure and to evaluate treasury management strategies in the context of current economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Consolidated Entity to meet its financial targets while minimising potential adverse effects on financial performance. The following tables detail the Consolidated Entity's remaining contractual maturity for its financial liabilities at the reporting date. The amounts are gross and undiscounted.

		Contractual cash flows			
	Carrying amount	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Total
	$'000	$'000	$'000	$'000	$'000
30 June 2023					
Non-derivatives					
Trade payables	2,218	2,218	–	–	2,218
Other creditors and accruals	2,099	2,099	–	–	2,099
Government grants	1,945	1,945	–	–	1,945
Lease liabilities	449	347	239	13	599
Borrowings	2,695	180	3,180	–	3,360
Total	**9,406**	**6,789**	**3,419**	**13**	**10,221**
30 June 2022					
Non-derivatives					
Trade payables	1,485	1,485	–	–	1,485
Other creditors and accruals	1,233	1,233	–	–	1,233
Industry grants	31	31	–	–	31
Lease liabilities	583	305	257	133	695
Borrowings	2,343	–	180	3,180	3,360
Total	**5,675**	**3,054**	**437**	**3,313**	**6,804**

Financial Risk Exposure and Management

The main risk the Consolidated Entity is exposed to through its financial instruments is interest rate risk. This risk is considered low risk given the low rate of interest paid on deposits. Interest rate risk is managed with a mixture of fixed and floating rate deposits. It is the policy of the Consolidated Entity to keep generally surplus cash in higher yielding deposits.

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Credit risk

Exposure to credit risk relating to financial assets arises from potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Consolidated Entity. Credit risk is managed through the maintenance of procedures ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. The maximum exposure to credit risk at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statements of financial position. Receivables represent GST and bank interest receivable. The maximum exposure to credit risk at balance date in respect of these receivables is therefore considered to be nil. The Consolidated Entity's exposure to interest rate risk and the effective interest rate on financial assets and liabilities at reporting date are set out below:

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing		Non-interest bearing	Total
				1 year or less	1 year to 5 years		
			$'000	$'000	$'000	$'000	$'000
30 June 2023							
Financial Assets							
Cash & cash equivalents	8	3.79%	13,000	–	–	2,616	15,616
Receivables	9	–	–	–	–	3,115	3,115
Security Deposits		–	–	–	–	417	417
Total financial assets			**13,000**	**–**	**–**	**6,148**	**19,148**
Financial Liabilities							
Trade and other payables	14	–	–	–	–	4,317	4,317
Deferred income	15	–	–	–	–	1,945	1,945
Lease Liabilities	18	15%	–	246	203	–	449
Borrowings	19	6%	–	180	2,515	–	2,695
Total financial liabilities			**–**	**426**	**2,718**	**6,262**	**9,406**
Net Financial Assets							**9,742**
30 June 2022							
Financial Assets							
Cash & cash equivalents	8	0.04%	1,833	–	–	8,697	10,530
Receivables	9	–	–	–	–	712	712
Security Deposits		0.07%	–	–	–	420	420
Total financial assets			**1,833**	**–**	**–**	**9,829**	**11,662**
Financial Liabilities							
Trade and other payables	14	–	–	–	–	2,718	2,718
Deferred income	15	–	–	–	–	31	31
Lease Liabilities	18	15%	–	23	560	–	583
Borrowings	19	6%	–	–	2,343	–	2,343
Total financial liabilities			**–**	**23**	**2,903**	**2,749**	**5,675**
Net Financial Assets							**5,987**

Net Fair Value

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

Interest Rate Sensitivity Analysis

At financial year end, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

Change in profit and equity:

	2023 $	2022 $
Increase in interest rate by 2%	260	–
Decrease interest rate by 2%	(260)	–

25 Cash Flow Information

	2023 $'000	2022 $'000
(a) Reconciliation of loss after income tax to net cash inflow/(outflow) from operating activities		
Loss after income tax	(5,467)	(5,233)
Adjustments for:		
Depreciation/amortisation	160	228
Share-based payments	975	1,323
Change in assets and liabilities:		
(Increase)/ Decrease in receivables	184	(56)
(Increase)/ Decrease in other assets	(45)	(66)
Increase/ (Decrease) in payables/provisions – operating	569	332
Net cashflows used in operating activities	**(3,624)**	**(3,472)**

(b) Non-Cash financing and investing activities

	2023 $'000	2022 $'000
Acquisition of right of use assets by means of leases (note 18)	286	370
Share-based payments in exploration and evaluation assets	701	489
	987	**859**

26 Related Party Transactions

Key Management Personnel compensation

Disclosures relating to directors and key management personnel, including remuneration and equity instruments disclosures, are provided in the Remuneration Report contained within the Directors' Report.

	2023 $	2022 $
Short-Term Benefits (Salaries, fees and bonuses)	1,317,235	1,252,813
Post-Employment Benefits (Superannuation)	63,412	59,409
Equity Settled Share-Based Payments	1,088,045	1,332,591
	2,468,692	**2,644,813**

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27 Operating Segments

Business segment

The Consolidated Entity is organised into one operating segment, the exploration and evaluation of early-stage Cobalt resources. Therefore, the segment details are fully reflected in the results and balances reported in the Statement of Profit or Loss and Statement of Financial Position. This is based on the internal reports reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

Segment accounting policies

Segment results, assets and liabilities include items directly attributable to a segment and those that can be allocated reasonably. Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one period.

28 Parent Entity Information

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

	Parent	
	2023	**2022**
	$'000	$'000
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	(5,081)	(5,036)
Total comprehensive income	**(5,081)**	**(5,036)**
Statement of Financial Position		
Total current assets	15,285	10,530
Total assets	68,032	47,125
Total current liabilities	1,022	2,298
Total liabilities	1,271	2,635
Equity		
Share capital	84,405	58,065
Share-based payments reserve	3,119	2,107
Accumulated losses	(20,763)	(15,682)
Total Equity	**66,761**	**44,490**

29 Interest in Subsidiary

		Ownership interest	
		2023	**2022**
Name	**Principal place of business/ Country of incorporation**	%	%
Broken Hill Cobalt Project Pty Ltd	Australia	100%	100%

30 Subsequent Events

On 25 August 2023, the Company issued 1,357,412 fully paid ordinary shares to staff and contractors on the exercise of 2,330,000 options. Each option had an exercise price of $0.14. 2,230,000 options were exercised using the company's cashless exercise mechanism, whereby the exercise price was set off against the number of shares that the holder would otherwise be entitled to receive upon exercise of the option.

On 21 August 2023, the Company issued 3,712,231 fully paid ordinary shares to senior executives and the CEO & Executive Director on the exercise of 3,712,331 performance rights that had been subject to performance tests set by the board, and in the case of the CEO & Executive Director, approved by shareholders. The performance rights had an exercise price of $nil.

On 25 August 2023, the Company issued 254,918 fully paid ordinary shares to staff and contractors as part of their base remuneration.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Directors' **Declaration**

In the directors' opinion:

(a) the financial statements and notes set out on pages 45 to 69 are in accordance with the Corporations Act 2001, including:

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

  (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

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

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

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

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

Robert Biancardi
Chairman

Dated 22 September 2023


CobaltBlue

Independent
Auditor's Report

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cobalt Blue Holdings Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation expenditure *Refer to note 13 (Exploration and evaluation expenditure)* As at 30 June 2023, the Group has capitalised exploration and evaluation assets of $55.1 million, which include capitalised expenses of $67.6 million, offset by grants recognised over time of $12.5 million. The Group's accounting policy in respect of exploration and evaluation assets is outlined in note 1(i), and in respect of government grant recognition in note 1(c). This is a key audit matter because: ▪ The carrying value of the above assets is highly material to the financial statements. The exploration and evaluation assets account for approximately 72% of the total assets of the Group; and ▪ Judgement has been applied in determining whether an indicator of impairment exists in relation to capitalised expenditure assets in accordance with Australian Accounting Standard AASB 6 *Exploration for and Evaluation of Mineral Resources*.	Our procedures included, amongst others: ▪ We evaluated the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard AASB 6 *Exploration for and Evaluation of Mineral Resources*. ▪ We confirmed the existence and tenure of the exploration assets in the Broken Hill Cobalt Project area in which the Group has a sole ownership interest by obtaining confirmation of title. ▪ We performed substantive procedures including: i) testing a sample of additions of capitalised exploration expenditure to supporting documentation to ensure their accuracy; and ii) that those amounts met the recognition criteria in AASB 6 *Exploration for and Evaluation of Mineral Resources*. ▪ We performed a site visit to the Group's operations and discussed with management to ensure the existence of assets and obtaining an understanding of current operations. ▪ We tested whether research and development tax incentives and other government grants received had been appropriately recognised as a reduction to exploration and evaluation assets in accordance with the Group's accounting policy and AASB 120 *Government Grants*. ▪ In assessing whether an indicator of impairment exists in relation to the Group's exploration and evaluation assets in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, we: i) reviewed the minutes of the Group's board meetings, market announcements and management's assessment; ii) tested the significant inputs in the Group's cash flow forecasts for consistency with their future planned activity regarding the exploration assets; and iii) discussed with management the Group's ability and intention to undertake further exploration and evaluation activities.

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Other information

The directors of the Company are responsible for the other information. The other information comprises the information in Cobalt Blue Holdings Limited's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 39 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Cobalt Blue Holdings Limited for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Nexia Australia

Responsibilities

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

Nexia

Nexia Sydney Audit Pty Ltd

Mark Boyle
Director

Dated: 22 September 2023

Sydney


MSV004
CobaltBlue
Broken Hill
Cobalt Project

Additional **Information**

The shareholder information set out below was applicable as at 4 September 2023.

Distribution of equity securities holdings

Shares	Numbers of shareholders	Ordinary Shares Held	% Units
1–1,000	1,775	1,282,527	0.34
1,001–5,000	5,310	13,971,879	3.72
5,001–10,000	2,151	16,585,786	4.42
10,001–100,000	3,379	101,189,298	26.96
100,001 and over	462	242,352,601	64.56
Total	**13,077**	**375,382,091**	**100.00**
The number of shareholders holding less than a marketable parcel (a parcel of securities with a value of not less than $500)	**3,178**	**3,130,652**	

Unquoted Performance Rights

There are 8 holders of unquoted performance rights. The holders of unquoted equity securities are listed below:

Name of Performance Rights Holder	Number of rights	Expiry Date
4 participants under Employee Option Plan	881,313	30/06/2024
4 participants under Employee Option Plan	490,178	01/07/2025
Mr Josef Thomas Kaderavek & Mrs Ariane Louise Kaderavek <Kaderavek Family A/C>	351,055	01/07/2025
Mr Josef Thomas Kaderavek & Mrs Ariane Louise Kaderavek <Kaderavek Family A/C>	643,939	30/06/2024
Mr Hugh Keller	333,333	28/11/2024
Mr Robert Biancardi	333,333	28/11/2024
The Minera Group Pty Limited	333,333	28/11/2024
Total	**3,366,484**	

Equity security holders

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

Rank		Ordinary Shares Held	% Units
1	CITICORP NOMINEES PTY LIMITED	22,955,579	6.12
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,271,935	2.20
3	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,071,415	2.15
4	MR JOSEF THOMAS KADERAVEK + MRS ARIANE LOUISE KADERAVEK <KADERAVEK FAMILY A/C>	5,874,973	1.57
5	PEARCE FINANCIAL SERVICES PTY LTD <TOM PEARCE SUPERFUND A/C>	5,540,000	1.48
6	MRS KATIE ELIZABETH REECE	4,568,000	1.22
7	AMERICAN RARE EARTHS LIMITED	4,396,001	1.17
8	ZACOB PTY LTD <R&L BIANCARDI SUPER FUND A/C>	4,120,538	1.10
9	ST IVES NO5 PTY LTD <ST IVES NO5 A/C>	3,998,276	1.07
10	MR ROBERT THOMAS VIRGONA	3,418,383	0.91
11	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	3,323,463	0.89
12	BNP PARIBAS NOMS PTY LTD <DRP>	3,303,275	0.88
13	MINERALS AND RESIDUES PTY LTD <ANDREW & LISA TONG FAM A/C>	3,162,798	0.84
14	HILL FAMILY GROUP PTY LTD	3,100,000	0.83
15	MR PAUL STUART NICHOLS + MS THERESE MARY NICHOLS <NICHOLS SUPER FUND A/C>	2,835,000	0.76
16	EMNARA PTY LTD <DANNY MORGAN FAMILY A/C>	2,784,333	0.74
17	ALIGNED CAPITAL PARTNERSHIP PTY LTD <ALIGNED C PARTNERSHIP A/C>	2,714,561	0.72
18	MR JOSEF THOMAS KADERAVEK + MRS ARIANE LOUISE KADERAVEK <KADERAVEK SUPERFUND A/C>	2,646,206	0.70
19	COONAN FAMILY SUPERANNUATION FUND PTY LTD <COONAN FAMILY S/F A/C>	2,500,000	0.67
20	MR PETER JOHN BRUNTON	2,478,216	0.66
	Total: Top 20 holders of ORDINARY FULLY PAID SHARES	**100,062,952**	**26.66**
	Total Remaining Holders Balance	**275,319,139**	**73.34**

A. Substantial holders

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

Shareholder name	Number of Votes held	Percentage of total votes
Nil	–	–

B. On market buy back

There is no current on market buy back.

C. Voting rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. Option and performance rights holders have no rights until these securities are exercised.

D. Securities Exchange Listing

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

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

E. Corporate Governance Statement

The Company's Corporate Governance statement for the financial year ended 30 June 2023 is available for members to download and access from https://www.cobaltblueholdings.com/resources/.

Corporate **Directory**

REGISTERED OFFICE

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

DIRECTORS

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

COMPANY SECRETARIES

Danny Morgan
Grahame Clegg

AUDITOR

Nexia Sydney Audit Pty Limited
Level 2, 22 Market Street
Sydney NSW 2000 Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited
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CobaltBlue
Cobalt Blue Holdings Limited
(ABN 90 614 466 607)