

COBALT BLUE HOLDINGS LIMITED

A C N 614 466 607

HALF YEAR RESULTS FOR THE PERIOD TO 31 DECEMBER 2017

Cobalt Blue Holdings Limited

DIRECTORS' REPORT

Half Year Report: Half Year to 31 December 2017

The directors present their report together with the financial report of Cobalt Blue Holdings Limited ("COB" or "the Company") for the half-year ended 31 December 2017 and the auditor's review report thereon.

The names of directors who held office during the half year and to the date of this report are:

Name	Position	Appointed
Robert Biancardi	Chairman	2 September 2016
Josef Kaderavek	Chief Executive Officer / Executive Director	31 October 2016
Hugh Keller	Non-Executive Director	31 October 2016
Anthony (Trangie) Johnston	Non-Executive Director	31 October 2016
Matt Hill	Non-Executive Director	30 June 2017

Operations Update

Mineral Exploration Activities

The Thackaringa Cobalt Project is located approximately 23 km South East of Broken hill NSW comprising EL 6622 and EL8143 totalling 63km². The Thackaringa project is located within the Broken Hill Block of the Curnamona Province and is composed of Willyama Supergroup high grade regional metamorphic gneisses, schists and amphibolites. Within the project area the local geology is dominated by quartz-albite-biotite gneiss, quartz-albite gneiss, and amphibolite dykes. The extensive stratabound cobalt-pyrite mineralisation at each prospect (Pyrite Hill, Big Hill and Railway) is hosted by quartz-albite gneiss.

Mineralisation at the three prospects has a combined strike length of 4.5 kilometres with widths varying from 25 metres to 100 metres. The increased thickness is typically due to the extensive development of tight isoclinal folding within the pyritic horizon.

During September, a major heliborne electromagnetic ('EM') survey (VTEM-Max) was completed at Thackaringa. The survey covered the entire project area at a nominal 100m line spacing and identified several strong EM responses.

Multiple targets were identified as extensions of, or nearby to, known Thackaringa Cobalt Pyrite deposits, with the survey also successfully 'fingerprinting' known mineralisation (i.e.: calibrating EM signatures with known drilling results). This calibration provides improved confidence in overall results, allowing

prioritisation of targets based on similar signatures to known mineralisation. Four high potential areas were identified.

A target occurring as a nearby extension of the Railway deposit forms an immediate high value focus, backed by existing drilling data. This target appears to reflect the folded nature of the Cobalt Pyrite mineralisation and has resulted in significant thickening.

The 2H 2017 drilling program comprised seventy-four (74) drill holes for 12,458.7 metres and included sixteen (16) DD holes, fifty-five (55) RC holes and three (3) RC holes with diamond tails. By deposit forty-eight (48) holes were drilled at Railway, seventeen (17) holes at Pyrite Hill and nine (9) holes at Big Hill. The drilling program was designed to reduce the drill hole section spacing providing added confidence in grade distribution and continuity to enable a significant portion of the current Inferred Resource to be upgraded to Indicated Resource. Many of the diamond drill holes were designed to provide structural information for pit design and further samples for metallurgical testing.

Final tabulation of the assay data is now complete and updating the geological models and mineralisation domains has commenced. New resource estimates for each of the deposits are expected by early March.

Pre-Feasibility Studies

Diamond drill core samples were collected in late 2016 and used for testwork in the Scoping Study which was completed on June 30 2017. Approximately 820 kg of the ore, representing Railway Hill and Pyrite Hill deposits, was composited in August 2017, and is being used to test the preferred process for the Pre-Feasibility Study (PFS). The grade of the composite used in the testwork is only 607 ppm cobalt, which is lower than the average grade of the resource estimate of 910 ppm. The results should therefore be considered as establishing a baseline set of data, with higher grade ore giving better recoveries and lower capital and operating costs compared to the baseline.

Recently, funds were raised by the Company to expand the PFS testwork program. A second 500-600 kg ore composite sample from the 2017 diamond drilling program has now been selected for testwork, and has now been sent for crushing studies prior to advancing through the process unit operations (concentrate, calcine, leaching, and product recovery). The grade of this composite is approximately 1000 ppm, and this sample represents a "typical" grade ore relative to the average resource estimate of 910 ppm. Thus, the two composites being tested cover the low-typical grade range for the resource. Results will be reported in due course in Q1 2018.

The PFS test work program is designed to deliver 'reliable and repeatable' results at a scale 10-50 times larger than the tests used in the Scoping Study (July 12), where the 'proof-of-concept' was determined. The results will be used to conduct engineering studies and cost estimates for the PFS.

Cobalt Blue Holdings Limited

DIRECTORS' REPORT

COB remains on track to deliver a resource upgrade (due under the farm-in obligations by 1 April 2018) and, following shortly thereafter, a PFS study for the Thackaringa Cobalt Project by 30 June 2018. Results to date continue to justify proceeding further along the pathway towards commercial development of the Thackaringa Cobalt Project.

Revenue

As the Thackaringa Project is in the exploration and evaluation stage, no sales revenues were derived during the period. The Company claimed a Research and Development incentive tax offset in relation to exploration activities during the Financial Year 2017. This \$281k tax refund was accrued at 31 December 2017 and received in January 2018. The Company also earns interest on term deposits.

Loss After Tax

The loss after tax for the period was \$0.4m compared with a loss of \$0.6m for the half year ended 31 December 2016.

Exploration and Evaluation

The Company invested \$3.4m in the Stage 1 and Stage 2 Earning Periods as required under the Thackaringa Joint Venture Agreement.

Changes in Equity

The following changes in equity took place during the half year period:

In November 2017 the Company issued 11.4m shares at 22c per share to raise AUD\$2.5 million (before the costs of the issue). 2.8m million free attaching listed options (1 for 4) were granted on the same terms and conditions as existing listed options.

The Placement was managed by NSW based stockbroker Blue Ocean Equities Pty Limited (Blue Ocean).

The Shares and Options were issued under the Company's available 15% capacity under Australian Securities Exchange Limited (ASX) Listing Rule 7.1.

In addition, 500,000 options were issued to Director Matthew Hill and 2,250,000 Options were issued to consultant Dr Andrew Tong, as approved by the Company at its AGM held on 24 November 2017.

Auditor's Independence

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

Cobalt Blue Holdings Limited

DIRECTORS' REPORT

Signed in accordance with a resolution of the Directors

A handwritten signature in black ink, appearing to read 'Robert Biancardi', with a long horizontal stroke extending to the right.

Robert Biancardi

Chairman, Cobalt Blue Holdings Limited

16 March 2018

To the Board of Directors of Cobalt Blue Holdings Limited

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

As lead audit director for the review of the financial statements of Cobalt Blue Holdings Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Nexia Sydney Audit Pty Limited



Stephen Fisher
Director

Date: 16 March 2018

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COBALT BLUE HOLDINGS LIMITED**Condensed statement of comprehensive income** for the half year ended 31 December 2017

	31/12/2017	31/12/2016
	\$	\$
R&D tax incentive fund	281,337	-
Interest income	43,314	1,250
Total revenue	324,651	1,250
ASX and Registry fees	(64,136)	(101,345)
Corporate Consultants / Public Relations	(93,140)	(4,908)
Employee expenses	(267,059)	(423,333)
Legal and professional costs	(189,158)	(57,321)
Occupancy expenses	(9,545)	(3,341)
Other expenses from ordinary activities	(55,470)	(13,406)
Loss before related income tax expense	(353,857)	(602,603)
Income tax expense	-	-
Loss from continuing operations	(353,857)	(602,603)
Other comprehensive income for the half year, net of tax	-	-
Total comprehensive loss for the half year	(353,857)	(602,603)
Loss attributable to members of the company	(353,857)	(602,603)
Total comprehensive loss attributable to members of the company	(353,857)	(602,603)
	Cents	Cents
Basic and dilutive loss per share	(0.4c)	(9.6c)

The condensed statement of comprehensive income should be read in conjunction with the notes to the financial statements.

COBALT BLUE HOLDINGS LIMITED

Condensed statement of financial position as at 31 December 2017

		31/12/2017	30/6/2017
	Notes	\$	\$
Current Assets			
Cash and cash equivalents		4,603,530	5,719,337
Receivables		628,213	141,631
Other assets		111,299	78,970
Total Current Assets		5,343,042	5,939,938
Non-current Assets			
Property, plant and equipment		30,306	28,830
Exploration and evaluation asset	3	6,717,762	3,289,220
Receivables		65,610	-
Total Non-current Assets		6,813,678	3,318,050
Total Assets		12,156,720	9,257,988
Liabilities & Equity			
Current Liabilities			
Trade and other payables		873,840	221,785
Short-term provisions	4	121,170	8,448
Total Liabilities		995,010	230,233
Equity			
Issued capital	5	12,317,130	9,904,975
Accumulated losses		(1,581,077)	(1,227,220)
Reserves		425,657	350,000
Total Equity		11,161,710	9,027,755
Total Liabilities & Equity		12,156,720	9,257,988

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

COBALT BLUE HOLDINGS LIMITED**Condensed statement of changes in equity** for the half year ended 31 December 2017

	Ordinary Share Capital	Options Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 26/8/2016*	-	-	-	-
Loss attributable to members of parent entity	-	-	(602,603)	(602,603)
Issue of ordinary securities	8,868,265	-	-	8,868,265
Issue of options	-	350,000	-	350,000
Cost of issuing ordinary securities	(110,170)	-	-	(110,170)
Balance at 31/12/2016	8,758,095	350,000	(602,603)	8,505,491
*Date of incorporation				
Balance at 1/7/2017	9,904,975	350,000	(1,227,220)	9,027 755
Loss attributable to members of parent entity	-	-	(353,857)	(353,857)
Issue of ordinary securities	2,501,233	75,657	-	2,576,890
Cost of issuing ordinary securities	(89,078)	-	-	(89,078)
Balance at 31/12/2017	12,317,130	425,657	(1,581,077)	11,161,710

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

COBALT BLUE HOLDINGS LIMITED**Condensed statement of cash flows** for the half year ended 31 December 2017

	31/12/2017	31/12/2016
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(770,484)	(210,298)
Interest received	52,562	1,250
Net cash flows used in operating activities	(717,922)	(209,048)
Cash flows from investing activities		
Investments in Exploration and Evaluation	(2,821,206)	-
Payments for plant and equipment	(7,206)	-
Net cash flows used in investing activities	(2,828,412)	-
Cash flows from financing activities		
Gross proceeds from issue of shares	2,517,066	8,868,434
Costs related to issue of shares	(86,540)	(92,830)
Net cash flows provided by financing activities	2,430,526	8,775,604
Net (decrease)/ increase in cash held	(1,115,807)	8,566,386
Cash at beginning of financial period	5,719,337	-
Cash at end of financial period	4,603,530	8,566,386

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

1 Statement of Significant Accounting Policies

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

The condensed interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the most recent annual financial report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

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

2 Operating Segment

The Company's activities during the period were related to a Cobalt resource drilling and exploration programme.

3 Exploration and evaluation asset

Recoverability of the carrying amount (\$6,717,762) of the exploration asset is dependent on the successful development of the Thackaringa Project. The increase in the carrying amount of \$3,428,542 during the period was due to ongoing Stage 1 and Stage 2 Earning Period activities.

4 Short Term Provisions

Short term provisions includes a \$120,000 provision for current site rehabilitation costs arising from the 2017 drilling programme.

5 Equity securities issued

During the period the Company raised funds from private placements and the exercise of options.

5 Equity securities issued (continued)

Ordinary Shares	Number
Shares on issue at 30 June 2017	95,000,000
Issue of shares to raise capital	11,363,635
Exercise of options	13,358
Shares on issue at 31 December 2017	106,376,993

The shares were issued at 22c per share with 1 option issued for every four shares.

Options over Ordinary Shares	Number
Options on issue at 30 June 2017	28,249,767
Unvested options	(6,936,215)
Unvested options adjusted – now vested	43,774
Issue of options to a director and consultant (i),(ii)	2,750,000
Issue of 1 option per 4 shares	2,840,911
Exercise of options	(13,358)
Options on issue at 31 December 2017	26,934,879

- (i) On 24 November 2017, 500,000 options over ordinary shares were issued to non-executive Director Matthew Hill for no consideration, under the same terms and conditions as options on issue. The options have a fair value of 12 cents each.
- (ii) On 24 November 2017, 2,250,000 options over ordinary shares were issued to a consultant to the Company, Dr Andrew Tong, for no consideration. The options will vest in separate tranches subject to the achievement of specific performance conditions. The options are otherwise issued under the same terms and conditions as options on issue. The options have a fair value of 12 cents each.

Subsequent to 31 December 2017, 152,765 shares were issued on exercise of options.

6 Related Party Transactions

In December 2017, 500,000 options over ordinary shares were issued to director Matthew Hill for no consideration. Each option has an exercise price of 25c and will expire on 2 May 2020. Refer also to Note 5(i).

7 Subsequent Events

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

Cobalt Blue Holdings Limited DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes set out in pages 7 to 12:
 - a) Comply with Accounting Standard AASB134 : Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) Give a true and fair view of the company's financial position as at 31 December 2017 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney this 16th March 2018



Rob Biancardi
Chairman

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cobalt Blue Holdings Limited (the Company), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Cobalt Blue Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Nexia Sydney Audit Pty Ltd



Stephen Fisher
Director
Sydney, 16 March 2018