

# Quarterly Report



25 January 2018

## December 2017 – Highlights

### Cobalt Blue Holdings Ltd A Green Energy Exploration Company



ASX Code:

**COB**

#### Commodity Exposure: Cobalt & Sulphur

#### Directors & Management:

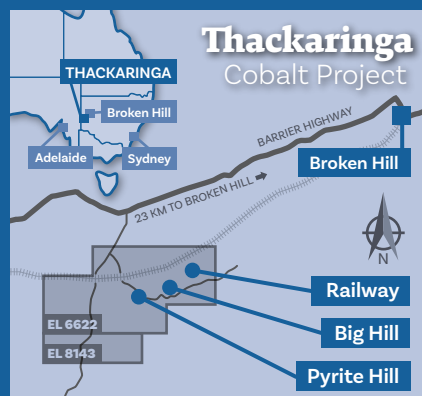
<b>Robert Biancardi</b>	Non-Exec Chairman
<b>Hugh Keller</b>	Non-Exec Director
<b>Trangie Johnston</b>	Non-Exec Director
<b>Matt Hill</b>	Non-Exec Director
<b>Joe Kaderavek</b>	CEO & Exec Director
<b>Ian Morgan</b>	Company Secretary

#### Capital Structure:

Ordinary Shares at 24/01/2018:	<b>106.5m</b>
Options (ASX Code: COBO):	<b>26.8m</b>
Market Cap (undiluted):	<b>\$79.9m</b>

#### Share Price:

Share Price at 24/01/2018:	<b>\$0.75</b>
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#### Cobalt Blue Holdings Limited

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[in cobalt-blue-holdings](#)

## Projects

### Thackaringa Project

- Thackaringa Drilling Campaign – 40Mt Indicated Resource Target – drilling completed, assays returned, undergoing resource modelling and upgraded estimate.
- Pre-Feasibility Study (PFS) work continues on bulk metallurgical test work, environmental, geotechnical and hydrogeological studies. PFS remains on track for delivery by 30 June 2018
- Cobalt Blue has now treated 40 kg of concentrate (out of 100 kg) through the calcine furnace, and 8 kg of calcine (out of 80 kg) through the leach circuit. Work is continuing into Q1 2018 to complete the testing of the calcine and leach unit operations.
- Recent funds raised by placement on 27 Nov 2017, has enabled the Company to double the quantity of cobalt ore being tested (additional 500–600 kg of ore at ~1000 ppm cobalt) in the current PFS program. This testwork will generate small scale commercial samples as part of COB's acceptance testing program with battery makers.
- Aerial geophysical survey launched and subsequently completed over the entirety of the Thackaringa tenements (EL6622, EL8143, ML86 & ML87). Awaiting final report.

## Cobalt Trends

- Strong Cobalt Market Pricing** continues – market deficits continue with the cobalt price up 126% over CY2017 to US\$34/lb.
- Electric Vehicle (EV)** pricing will start be similar to Internal Combustion Engine Vehicles by 2025F, with most EVs at price parity by 2029F.
- Thrifting** - Battery makers continue to “thrift” (lowering) cobalt content in the cathode.

## Corporate

- Thackaringa JV milestones** remain on track. Resource upgrade expected by end of February followed by PFS 30 June 2018.
- Cobalt Blue's quoted options (COBO)** each offer the right to be issued one ordinary fully paid Company share for A\$0.25 each, expiring 2 May 2020. The latest COB share price is A\$0.77 (23 January 2018).
- Placement** – Cobalt Blue successfully raised (27 November 2017) A\$2.5m gross proceeds by issuing 11.4m shares and 2.8m options (Strike \$0.25 Expiry 2 May 2020).

*continued >>>*

## Option Holders

- If a Company Option Holder exercises all or part of their Options, the Option Holder must exercise their Options and make a payment (A\$0.25 times the number of their Options exercised), by:
  1. Paying the total amount payable into a personalised BPay account (details are on the personalised Option exercise form); or
  2. Completing and returning a personalised Option exercise form, with a cheque for the total amount payable to Cobalt Blue Holdings Limited crossed "Not Negotiable", to:  
Cobalt Blue Holdings Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 505 Melbourne VIC 3001 Australia
- On 17 January 2018, all Option Holders were mailed a personalised Option exercise form.
- If an Option Holder requires another personalised Option exercise form, a form can be obtained by contacting the Company's securities registry Computershare by phone on 1300 855 080 (within Australia) or +61 (03) 9415 4000 (outside Australia).



Source: Cobalt Blue Holdings

Thackaringa – Logging Diamond Drilling Cores

## Projects

### Thackaringa Cobalt – Broken Hill NSW

The Thackaringa project is located within the Broken Hill Block of the Curnamona Province and is composed of Willyama Super-group high grade regional metamorphic gneisses, schists and amphibolites. The local geology is dominated within the project area by quartz-albite-biotite gneiss, quartz-albite gneiss, and amphibolite dykes. The extensive stratabound cobalt-pyrite mineralisation at each deposit (Pyrite Hill, Big Hill and Railway) is hosted by quartz-albite gneiss.

#### Thackaringa Drilling Campaign

An extensive resource definition drilling campaign was completed over December Quarter. Designed to underpin Mineral Resource and Ore Reserve estimation, this campaign will provide important geological and geotechnical information required for the PFS. The drill program will dramatically improve geological confidence by reducing the average drill spacing to 50m along strike. The majority of holes will target shallow mineralisation to 150m below surface, although previous drilling confirmed extensions to at least 300m below surface.



The results to date demonstrate strong continuity of cobalt mineralisation along both strike and down dip of the previous drilling. The 2017 drill results are currently being compiled into an upgraded resource estimate, which is scheduled for release in by 1 April 2018.

The current Total Mineral Resource estimate at Thackaringa is apportioned to the three main deposits as follows (minor rounding errors may have occurred in the compilation of this table):

Table One – **Thackaringa Total Mineral Resource – September 2017**

Category	Mt	Co ppm	Fe %	S %	Pyrite %	Co Tonnes	Py Mt	Density
<b>Pyrite Hill (at a 500ppm Co cut-off)</b>								
Indicated	2.8	1001	10.99	10.42	19.54	2,758	0.54	2.87
Inferred	20.8	948	11.03	10.22	19.16	19,710	3.98	2.87
<b>Total</b>	<b>23.5</b>	<b>954</b>	<b>11.02</b>	<b>10.24</b>	<b>19.21</b>	<b>22,468</b>	<b>4.52</b>	<b>2.87</b>
<b>Big Hill (at a 500ppm Co cut-off)</b>								
Indicated	0.8	787	7.41	6.77	12.7	596	0.1	2.76
Inferred	7.4	760	7.42	7.19	13.49	5,638	1	2.78
<b>Total</b>	<b>8.2</b>	<b>763</b>	<b>7.42</b>	<b>7.15</b>	<b>13.41</b>	<b>6,234</b>	<b>1.1</b>	<b>2.78</b>
<b>Railway (at a 500ppm Co cut-off)</b>								
Indicated	3	947	10.93	10.29	19.29	2,828	0.58	2.87
Inferred	20.2	913	10.23	9.63	18.05	18,456	3.65	2.85
<b>Total</b>	<b>23.2</b>	<b>917</b>	<b>10.32</b>	<b>9.71</b>	<b>18.21</b>	<b>21,284</b>	<b>4.22</b>	<b>2.85</b>
<b>Total (at a 500ppm Co cut-off)</b>								
Indicated	6.5	951	10.54	9.93	18.63	6,182	1.21	2.86
Inferred	48.4	905	10.14	9.51	17.83	43,804	8.63	2.85
<b>Total</b>	<b>54.9</b>	<b>910</b>	<b>10.19</b>	<b>9.56</b>	<b>17.92</b>	<b>49,986</b>	<b>9.84</b>	<b>2.85</b>

Source: Cobalt Blue Holdings

(Pyrite grade generated stoichiometrically from sulphur assay using formula  $\text{Pyrite} = (\text{sulphur}/53.333) * 100$ )

In addition, a global exploration target comprising 18–26Mt at 800–1000ppm cobalt, 8.5–10.5% sulphur and 8–12% iron is defined. The potential quantity and grade of this target is conceptual in nature. There is insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in determination of a Mineral Resource.

### Pre-Feasibility Study (PFS) work continues.

PFS work continues with bulk metallurgical test work, environmental, geotechnical and hydrogeological studies underway. Our timeline (further described later in this announcement) targets PFS delivery by 30 June 2018.

### PFS Metallurgical testwork

Diamond drill core samples were collected in late 2016 and used for testwork in the Scoping Study which was delivered on 12 July 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.

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 (12 Jul 2017), where the 'proof-of-concept' was determined. The results will be used to conduct engineering studies and cost estimates for the PFS.

The PFS is examining the processing path (Mine to Battery Ready Product) shown below:



## Summary of key test results to date:

**Concentrate:** Cobalt Blue has now completed gravity and flotation testwork on an 820 kg composite sample of Thackaringa ore.

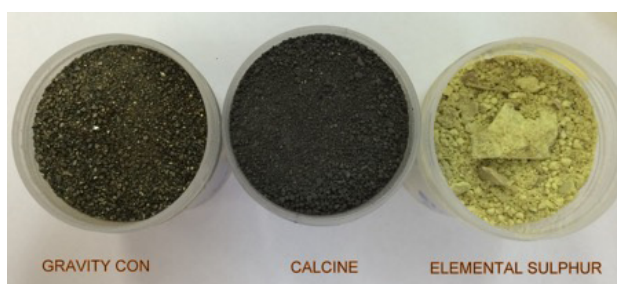
- Recovery of cobalt to the concentrate was 92%, and the mass recovery to concentrate was 17%. The cobalt recovery represents a strong result and a significant milestone in the development of the Thackaringa project.
- Recovery of cobalt was achieved with coarse crush size of 1.2 mm and gravity separation, indicating low capital and operating costs compared to fine milling and floating the entire ore.

**Calcine & Leach:** Cobalt Blue has subsequently treated 40 kg of concentrate (out of 100 kg) through the calcine furnace, and 8 kg of calcine (out of 80 kg) through the leach circuit. Work is continuing into Q1 2018 to complete the testing of the calcine and leach unit.

- Calcining the gravity concentrate typically removes ~35% of the sulphur from the pyrite.
- The resulting elemental sulphur condensed from the gas phases averaged 97.5% sulphur with 1.5% silica as the main contaminant. Improved engineering design of the off-gas handling is expected to improve the quality of the sulphur in future testwork.
- There are no losses of cobalt to the gas phases in the thermal treatment step.
- Leaching of the calcine achieved cobalt recoveries ranging from ~70% to 96%. The leach parameters are still being optimised.

A photo of the laboratory-scale furnace and elemental sulphur condenser is shown. Photos of the feed concentrate, residual calcine and collected elemental sulphur are also shown.

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 sent for crushing studies prior to advancing through the process unit operations (concentrate, calcine, leaching, and product recovery). The grade of this composite is ~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 should be available to be reported in Q1 2018.



Source: Cobalt Blue Holdings

## PFS – Metallurgical Testwork Breakdown/Schedule

Unit Operation	Scoping Study Options Tested	Pre-Feasibility Study Selected Process Testing	Schedule 2017–2018 Fourth Quarter
<b>Concentration</b>	<ul style="list-style-type: none"> <li>50–100 kg ore</li> <li>Flotation</li> <li>Gravity</li> <li>Magnetics</li> </ul>	<ul style="list-style-type: none"> <li>800 kg ore</li> <li>Gravity, flotation, dry ice chiller</li> </ul>	October 2017 complete
<b>Thermal Treatment</b>	<ul style="list-style-type: none"> <li>2 kg concentrate</li> <li>Roasting (SO<sub>2</sub> for acid)</li> <li>Decomposition (no acid) – elemental sulphur</li> </ul>	<ul style="list-style-type: none"> <li>100 kg concentrate</li> <li>Decomposition (no SO<sub>2</sub>) – elemental sulphur</li> </ul>	Q1 2018
<b>Leaching</b>	<ul style="list-style-type: none"> <li>2 kg concentrate</li> <li>High temp POX Atmospheric leach</li> <li>1 kg calcine</li> <li>Low temp POX Atmospheric leach</li> </ul>	<ul style="list-style-type: none"> <li>80 kg calcine</li> <li>Low temp POX / Atmospheric leach</li> </ul>	Q1 2018
<b>Product Recovery</b>	Not tested	<ul style="list-style-type: none"> <li>IX + crystallisation</li> <li>0.5 kg of cobalt</li> </ul>	Q1 2018

COMPLETED

We expect to complete the majority of testwork by Q1 2018. COB remains focused on proving up the processing and economics of our ore. Our goal is to prove a long-life mining operation capable of operating at cobalt cycle troughs, and of course generating substantial margins at current market pricing.

### **Aerial geophysical survey completed**

An aerial geophysical survey over the entirety of the Thackaringa tenements (EL6622, EL8143, ML86 & ML87) was commenced over the September Quarter and subsequently completed. This work involved a helicopter-borne electromagnetic system acquiring high resolution data over approximately 655 line-kilometres at 100m line spacing.

A 3D geological model will be completed in parallel and expected to be completed shortly. The survey represents a strong option to better understand Thackaringa's geological potential. The work could significantly expand the cobalt footprint currently mapped at Thackaringa. This additional potential could add further longevity and scale to an already world class project.

## **Cobalt Trends**

### **Strong cobalt market pricing continues**

The cobalt market continues to provide a strong backdrop to our substantial development activities. 2017 witnessed a tight but orderly cobalt market, with battery demand (actual + forecast) dominating, particularly for EVs. EVs are a rapidly growing source of demand for larger batteries and associated raw materials. Of these, the cobalt market is the smallest (~100ktpa). Investor anticipation of a cobalt demand surge has prompted aggressive stockpiling, lifting its spot price from \$15/lb a year ago to \$34/lb (LME 99.8%) today.

### **Democratic Republic of Congo (DRC) instability continues. Increased cobalt royalty nearing parliamentary approval.**

The Democratic Republic of Congo supplies 55% of global cobalt. It remains economically and politically unstable. At the start of a new year, the Democratic Republic of Congo is being rocked by violent protests. Protests demanding the President step down from office turned violent after a clash with state security forces. The government shut down internet and SMS services ahead of the protests citing "state security."

Further, the Democratic Republic of Congo is considering more than doubling royalties on cobalt (to 5%), a key ingredient in lithium-ion batteries, under a new mining code nearing parliamentary approval, the Mines Minister Martin Kabwelulu announced 10 Jan 2018.

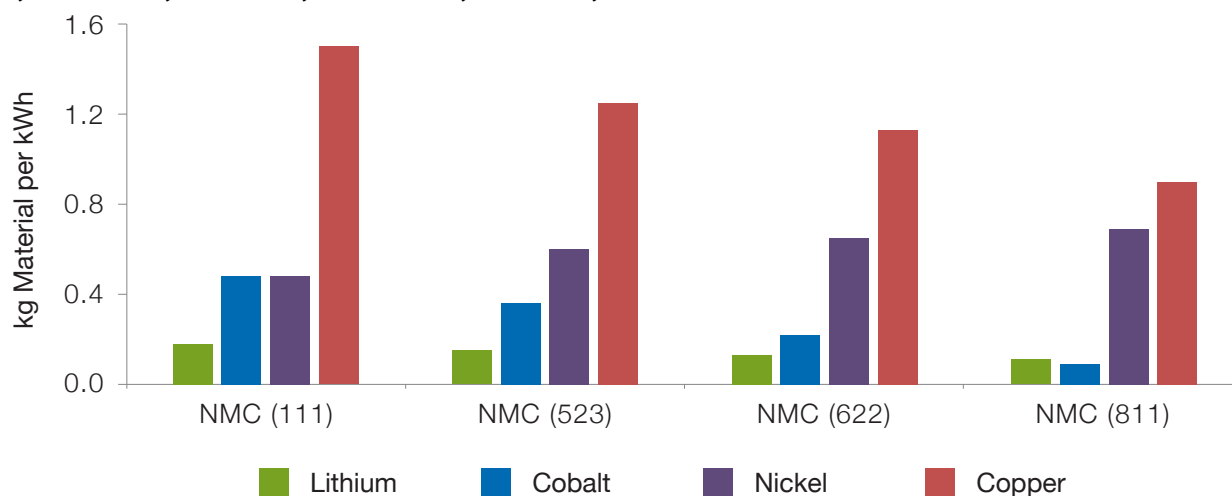
### **EV cost of ownership remains key**

According to Bloomberg New Energy Finance, EVs will achieve price parity with ICE vehicles on an unsubsidized basis from 2025F. Some segments will take longer, but by 2029F most will have reached parity with comparable ICE vehicles. Global household surveys consistently identify cost of ownership (purchase price plus running costs) as the tipping point for mass market EV adoption, therefore price parity is seen as a key EV catalyst.

### **Cobalt thrifting continues**

We have previously observed the phenomenon of cobalt "thrifting", that is lowering the cobalt content in the battery by changing cathode "recipe". For example; the traditional NMC (Nickel Manganese Cobalt) cathode contains NMC in the ratio 1:1:1. Today the focus is increasingly upon transitioning to a NMC 6:2:2 cathode as battery makers thrift out the expensive cobalt in favour of inexpensive nickel. The chart below highlights the long-term relationship between key raw material (as measured by weight versus the energy "size" of the battery in kilo Watt hours or kWh) as a battery transforms from an early technology NMC 1:1:1 through to NMC 6:2:2 and ultimately a NMC 822 battery, which remains a 3 year target for the industry to support larger scale EV batteries.

## Key Commodity Content by NMC Battery Chemistry



Source: Ellingsen L.A.-W, G. Majeau-Bettez, Cobalt Blue Holdings

## Our Cobalt Strategy

Our view is to produce a cobalt product required by battery makers, not today, but rather where demand will be in the future as these market and enabling technology trends rollout. Our metallurgical team is tasked to extract the maximum payable cobalt from our ore in a form that supports acceptance of Thackaringa cobalt against future specifications. We look forward to updating investors on our progress.

Importantly, our aim is to make this product on a globally significant scale at our Broken Hill site. This focus will enable Cobalt Blue to achieve attractive margins throughout the cobalt cycle whilst underpinning longevity by managing technological risks.

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. Cobalt Blue looks forward to closing this cobalt gap.

## Corporate News

### Thackaringa JV milestones remain on track - The Thackaringa Cobalt Project timeline.

COB remains on track to deliver a resource upgrade 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. The overall company timeline is shown below. We will look for opportunities to accelerate these timelines where possible.

### COB developmental timeline for the Thackaringa Cobalt Project

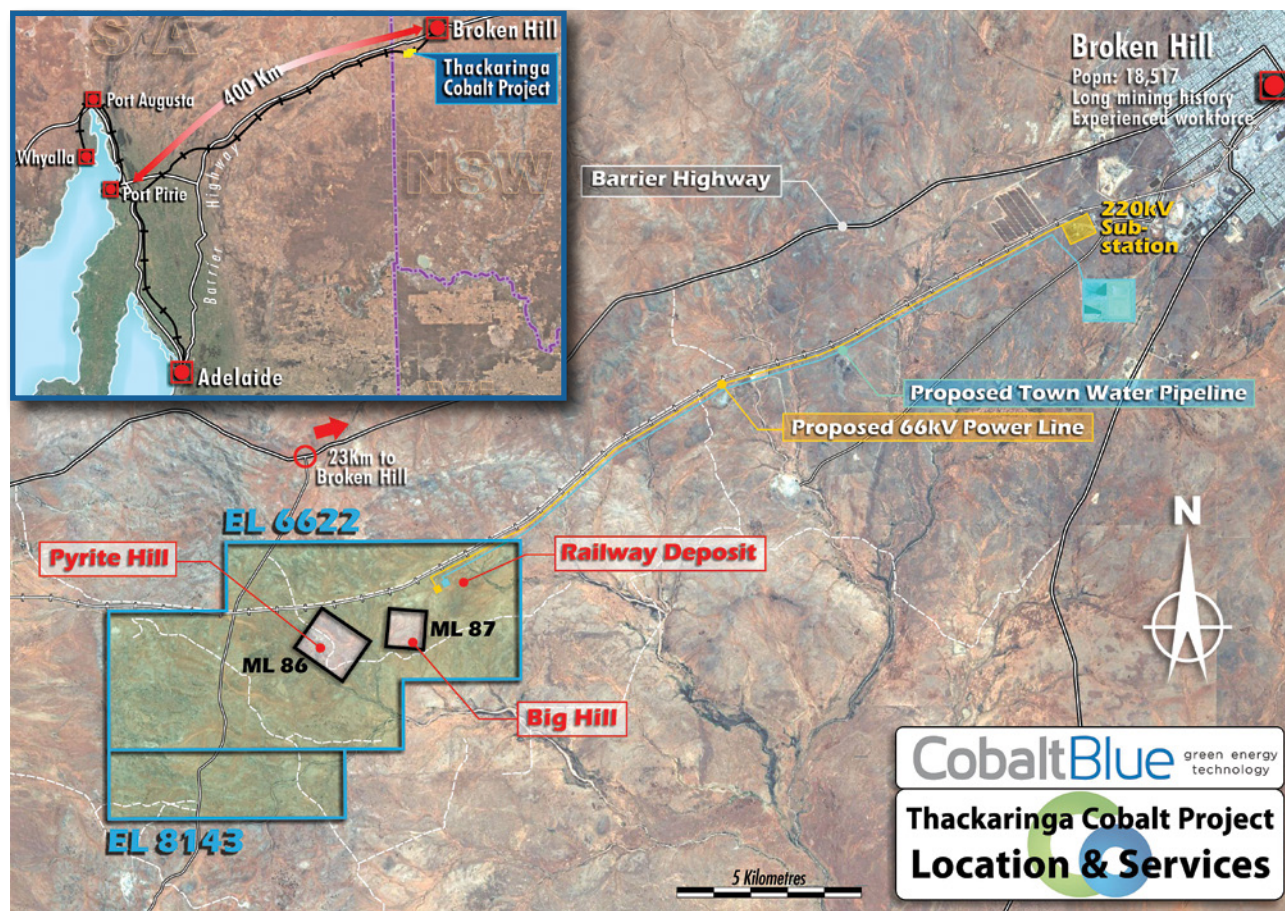
Aug 2016 – Feb 2017	1 April 2018	30 June 2018	30 June 2019	
<b>Complete</b>	<b>Stage One</b>	<b>Stage Two</b>	<b>Stage Three</b>	<b>Stage Four</b>
Cobalt Blue formed JV & Farm-in JORC 2012 upgrade Cobalt Blue listed	A\$2.0m expenditure in the ground delivered. Delivered: • Inferred Resource Upgrade • Scoping Study Deliver: • Indicated Resource Upgrade • Aerial Geophysical Program Target Date: 1 April 2018	A\$2.5m expenditure in ground – Indicated Resource Target Deliver: Preliminary Feasibility Study Target Date: 30 June 2018	A\$5.0m expenditure in ground – Measured Resource + Reserves Target Deliver: Bankable Feasibility Study + Project Approvals Target Date: 30 June 2019	Decision to Mine Project Finance

Source: Cobalt Blue Holdings

The Thackaringa district map below shows the proximity to Broken Hill, the supporting rail and road network, as well as the availability of both power and water utilities to support future production.



### Thackaringa Cobalt Project district map



COB's activities relate to exploration, there were no activities relating to production or development. Following is a summary of the expenditure incurred on exploration activities during the quarter:

	\$ '000
JV exploration	\$48
Technical services & consumables	\$451
Drilling	\$987
Assaying	\$180
PFS	\$385
Geophysics	\$97
Tenure maintenance	\$61
General and administration	\$253
<b>Total</b>	<b>\$2,462</b>

## Cobalt Blue Background

Cobalt Blue (“COB”) is an exploration company focussed on green energy technology and strategic development to upgrade its mineral resource at the Thackaringa Cobalt Project in New South Wales from Inferred to Indicated status. This strategic metal is in strong demand for new generation batteries, particularly lithium-ion batteries now being widely used in clean energy systems.

COB is undertaking exploration and development programs on the Thackaringa Cobalt Project pursuant to a farm-in joint venture agreement entered into with Broken Hill Prospecting Limited (“BPL”). Subject to the achievement of milestones, COB will be entitled to acquire 100% of the Thackaringa Cobalt Project. Currently, COB has a 51% beneficial interest in the tenements comprising the Thackaringa Cobalt Project. Until Cobalt Blue’s farm-in obligations have been satisfied, its interest in the tenements located at the Thackaringa Project is beneficial. Under the terms of the farm-in joint venture agreement, Cobalt Blue’s beneficial interest in the Thackaringa Project will be increased in tranches on satisfaction of certain exploration and development milestones. When Cobalt Blue has completed its farm-in obligations, it will become the registered holder of the Thackaringa Project tenements. Broken Hill Prospecting remains the registered holder of the Thackaringa Project tenements until the farm-in is complete.

The Thackaringa Project, 23 km west of Broken Hill, with railway line passing through the project area, consists of four granted tenements (EL6622, EL8143, ML86 and ML87) with total area of 63km<sup>2</sup>. The main targets for exploration are well known and document large tonnage cobalt-bearing pyrite deposits. The project area is under-explored, with the vast majority of historical exploration directed at or around the outcropping pyritic cobalt deposits at Pyrite Hill and Big Hill.

Potential to extend the Mineral Resource at Pyrite Hill, Big Hill, Railway and the other prospects is high. Numerous other prospects within COB’s tenement package are at an early stage and under-explored.

Looking forward, we would like our shareholders to keep in touch with COB updates and related news items, which we will post on our website, the ASX announcements platform, as well as social media such as Facebook (f) and LinkedIn (in). Please don’t hesitate to join the ‘COB friends’ on social media and also to join our newsletter mailing list at our website.



**Joe Kaderavek**  
Chief Executive Officer

info@cobaltblueholdings.com  
P: (02) 9966 5629

## Previously Released Information

This ASX announcement refers to information extracted from the following report, which is available for viewing on COB’s website <http://www.cobaltblueholdings.com>

- **27 December 2017:** PFS – Bulk Metallurgical Testwork – Progress Update
- **26 October 2017:** Bulk Metallurgical Testwork – Strong Concentration Results
- **27 September 2017:** CEO’s Letter to Shareholders – September 2017
- **12 July 2017:** Scoping Study update – Strong Potential for Commercialisation after Processing Testwork
- **3 July 2017:** Thackaringa Cobalt Project – Major Geophysical Survey – Positive news
- **5 June 2017:** Significant resource upgrade for the Thackaringa Cobalt Project
- **25 May 2017:** Stage One Drilling Program delivers robust results – resource upgrade to follow
- **4 May 2017:** 2017 Update – Strong Drilling Results Continue

COB confirms it is not aware of any new information or data that materially affects the information included in the original market announcements, and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. COB confirms that the form and context in which the Competent Person’s findings presented have not been materially modified from the original market announcement.



## Competent Person's Statement

The information in this report that relates to exploration results, Mineral Resources and Targets is based on information compiled by Mr Anthony Johnston, BSc (Hons), who is a Member of the Australian Institute of Mining and Metallurgy and who is a non-executive director of Cobalt Blue Holdings Limited, and the Managing Director of Broken Hill Prospecting Limited. Mr Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 & 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Johnston consents to the inclusion in the announcement of the matters based on his information in the form and context that the information appears.

## About Cobalt Blue Holdings Limited

Cobalt Blue ("COB") is an exploration company focussed on green energy technology and a strategy of fast-tracking development of the Thackaringa Cobalt Project in New South Wales to achieve commercial production of cobalt. This strategic metal is in strong demand for new generation batteries, particularly lithium-ion batteries now widely used in clean energy systems.

COB has entered into a farm-in joint venture agreement with Broken Hill Prospecting Limited ("BPL") in which COB seeks to acquire an initial 51% interest in the Thackaringa Cobalt Project. COB will undertake exploration and development programs on the Thackaringa Cobalt Project and, subject to the achievement of milestones, will acquire 100% of the Thackaringa Cobalt Project.

## Tenement Holding

The beneficial interests in tenements held by Cobalt Blue Limited at the end of the quarter and the related percentage of ownership:

### Thackaringa Cobalt Project – Tenement Holding

Tenement	Interest
EL 6622	51% beneficial interest Cobalt Blue Holdings Limited (earn-in conditions apply)
EL 8143	51% beneficial interest Cobalt Blue Holdings Limited (earn-in conditions apply)
ML 86	51% beneficial interest Cobalt Blue Holdings Limited (earn-in conditions apply)
ML 87	51% beneficial interest Cobalt Blue Holdings Limited (earn-in conditions apply)

Broken Hill Prospecting Limited and Cobalt Blue Holdings Limited have entered into a farm-in joint venture agreement in respect of the Thackaringa Project to finance and undertake exploration of the Thackaringa Project. Until Cobalt Blue's farm-in obligations have been satisfied, its interest in the tenements located at the Thackaringa Project is beneficial. Under the terms of the farm-in joint venture agreement, Cobalt Blue's beneficial interest in the Thackaringa Project will be increased in tranches on satisfaction of certain exploration and development milestones. When Cobalt Blue has completed its farm-in obligations, it will become the registered holder of the Thackaringa Project tenements. Broken Hill Prospecting remains the registered holder of the Thackaringa Project tenements until the farm-in is complete.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96. Origin Appendix 8, Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity: **Cobalt Blue Holdings Limited**

ABN: **90 614 466 607**

Quarter ended ("current quarter"): **31 December 2017**

Consolidated statement of cash flows		Q2 FY18	
		Current quarter A\$ '000	Year to date (6 months) A\$ '000
<b>1</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	–	–
1.2	Payments for:	–	–
	(a) exploration and evaluation	(2,461)	(2,821)
	(b) development	–	–
	(c) production	–	–
	(d) staff costs	(106)	(208)
	(e) administration and corporate costs	(434)	(562)
1.3	Dividends received (see note 3)	–	–
1.4	Interest received	24	53
1.5	Interest and other costs of finance paid	–	–
1.6	Income taxes paid	–	–
1.7	Research and development funds	–	–
1.8	Other (share issue costs)	–	–
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(2,977)</b>	<b>(3,537)</b>
<b>2</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(7)	(7)
	(b) tenements (see item 10)	–	–
	(c) investments	–	–
	(d) other non-current assets	–	–
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	–	–
	(b) tenements (see item 10)	–	–
	(c) investments	–	–
	(d) other non-current assets	–	–
2.3	Cash flows from loans to other entities	–	–
2.4	Dividends received (see note 3)	–	–
2.5	Other (provide details if material)	–	–
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(7)</b>	<b>(7)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b> A\$ '000	<b>Year to date (6 months)</b> A\$ '000
<b>3</b>	<b>Cash flows from financing activities</b>	2,517	2,517
3.1	Proceeds from issues of shares	–	–
3.2	Proceeds from issue of convertible notes	–	–
3.3	Proceeds from exercise of share options	–	–
3.4	Transaction costs related to issues of shares, convertible notes or options	(78)	(88)
3.5	Proceeds from borrowings	–	–
3.6	Repayment of borrowings	–	–
3.7	Transaction costs related to loans and borrowings	–	–
3.8	Dividends paid	–	–
3.9	Other (provide details if material)	–	–
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,439</b>	<b>2,429</b>
<b>4</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,149	5,719
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,977)	(3,537)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(7)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,439	2,429
4.5	Effect of movement in exchange rates on cash held	–	–
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,604</b>	<b>4,604</b>
<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> <i>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</i>	<b>Current quarter</b> A\$ '000	<b>Previous quarter</b> A\$ '000
5.1	Bank balances	1,104	1,648
5.2	Call deposits	3,500	3,501
5.3	Bank overdrafts	–	–
5.4	Other (provide details)	–	–
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,604</b>	<b>5,149</b>
<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter</b> A\$ '000	
6.1	Aggregate amount of payments to these parties included in item 1.2	(106)	
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	–	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	–	
6.1	Directors' salary / fees	(106)	
<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter</b> A\$ '000	
7.1	Aggregate amount of payments to these parties included in item 1.2	–	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	–	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		
n/a		–	



<b>8. Financing facilities available</b>		<b>Total facility amount at quarter end</b>	<b>Amount drawn at quarter end</b>
		A\$ '000	A\$ '000
8.1	Loan facilities	–	–
8.2	Credit standby arrangements	–	–
8.3	Other (please specify)	–	–
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
	n/a	–	–

<b>9. Estimated cash outflows for next quarter</b>	<b>A\$ '000</b>
9.1 Exploration and evaluation	1,375
9.2 Development	–
9.3 Production	–
9.4 Staff costs	108
9.5 Administration and corporate costs (net of \$320k GST rebate)	2
9.6 Other (remaining listing costs)	–
<b>9.7 Total estimated cash outflows</b>	<b>1,485</b>

#### 10. Changes in tenements (items 2.1(b) and 2.2(b) above)

There was no change in tenement during the period. The Company has earned a 51% beneficial interest in the joint venture assets.

## Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.



**Ian Morgan**  
Company Secretary

23 January 2018

## Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report.  
  
If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.