

ABN 63 144 079 667

& CONTROLLED ENTITIES

Interim Financial Report
For the Half-Year Ended December 2017

EUROPEAN COBALT LTD
& CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2017

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EUROPEAN COBALT LTD
& CONTROLLED ENTITIES

COMPANY DIRECTORY

NON-EXECUTIVE CHAIRMAN
Tolga Kumova

MANAGING DIRECTOR
Robert Jewson

NON-EXECUTIVE DIRECTORS
Eddie King
Don Carroll

COMPANY SECRETARY
David Palumbo

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PERTH WA 6000

SHARE REGISTRAR
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STOCK EXCHANGE CODE
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: EUC

DIRECTORS' REPORT

Your Directors submit the financial report of the Company for the half-year ended 31 December 2017.

DIRECTORS

The names of Directors who held office during or since the end of the half year are:

Tolga Kumova	Non-Executive Chairman
Robert Jewson	Managing Director
Eddie King	Non-Executive Director
Don Carroll	Non-Executive Director

RESULTS

The loss after tax for the half-year ended 31 December 2017 was $2,160,972 (31 December 2016: $335,871).

REVIEW OF OPERATIONS

Corporate

During the period an institutional placement of $20 million was completed. The raising was heavily oversubscribed with strong support from both existing and institutional shareholders. The equity raising was via the issuance of 100,000,000 new shares at $0.20 per share.

A development alliance was established with GBF Group to provide supervision with respect to underground refurbishment, input towards development plans and to act as preferred contractor to collaborate with local underground mining contractors.

Exploration

Dobsina, Slovakia (100% EUC)
An intensive field based exploration program commenced in July 2017 which included the sampling of historical waste dumps, trenching across mineralised trends, detailed geological mapping, environmental baseline monitoring and community relations programs.



Figure 1: Massive Sulphide Mineralisation from Pivo Zone

Massive sulphide mineralisation was identified at surface within the Pivo Zone which reported: 1.2m at 4.39% Co, 6.21% Ni and 1.13% Cu Including 0.7m at 7.3% Co, 10.45% Ni and 1.72% Cu. The Pivo Zone target has been mapped out over 400m strike length and is defined by shallow historical pits and previously undocumented adits.

Further channel sampling along strike from massive sulphide mineralisation reported:

- 0.3m at 794g/t Ag, 1.48% Cu, 5.78% Sb and 0.3g/t Au
- 0.5m at 120g/t Ag, 0.5% Cu, 0.88% Sb and 0.5g/t Au
- 2.0m at 40g/t Ag, 0.85% Cu and 0.36% Sb

Sampling of waste dumps across the Dobsina Licence reported multiple significant results including:

- 17RK047: 2.71% Co 8.57% Ni, 1.79% Cu
- 17RK034: 3.14% Co, 2.4% Ni
- 17RK049: 2.72% Co, 3.11% Ni
- 17RK051: 1.96% Co, 3.86% Ni
- 17RK056: 1.27% Co, 1.07% Ni
- 17RK057: 0.96% Co, 3.4% Ni
- 17RK023: 11.1% Cu
- 17RK012: 7.72% Cu
- 17RK022: 5.22% Cu, 329g/t Ag

The sampling of waste dumps consisted of testing 16 of a total of 42 dumps across the site.



Figure 2:Samuel Adit, Historical Waste Dump (Pink/Red Mineral, Erythrite $Co_3(AsO_4).8H_2O$)

Three additional licences were acquired adjacent to the initial Dobsina licence. Through this expansion of tenure, the total cumulative mapped five element vein strike length has increased to >26km.

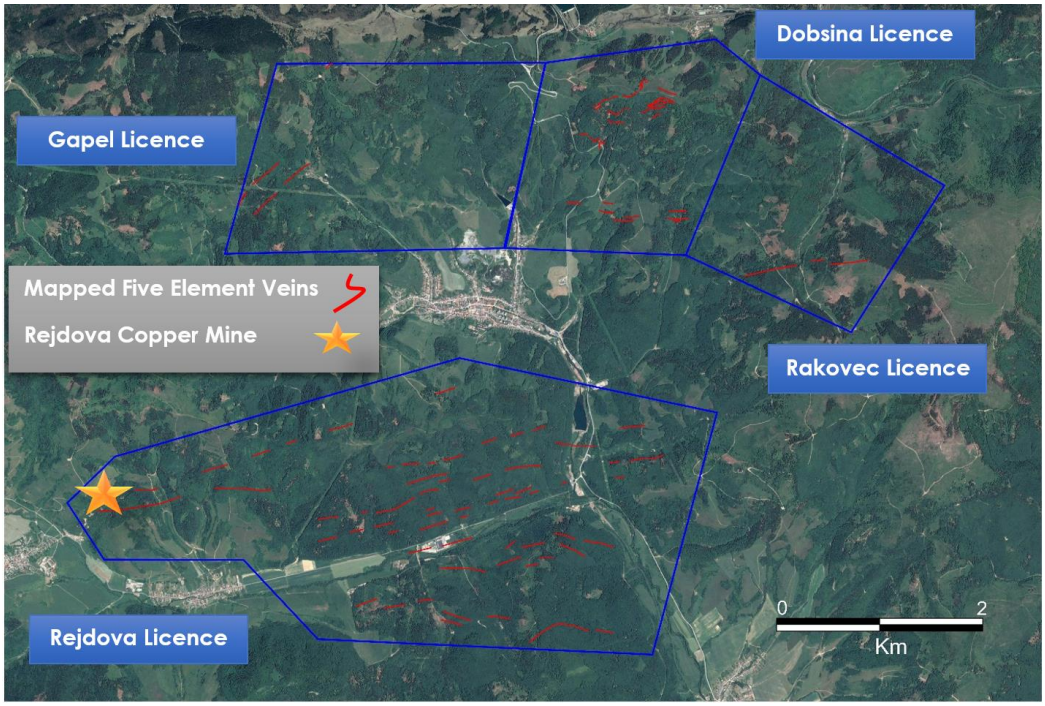


Figure 3: Current Dobsina Tenure

Refurbishment of the Joremeny Adit commenced in October 2017 with the objectives of: completing channel sampling, conducting bulk sampling, geotechnical assessment and providing underground diamond drilling access. The refurbishment is presently underway and further updates will be provided to market as the refurbishment progresses.



Figure 4: Joremeny Adit Entry- Box Cut Site Works

The maiden diamond drilling program was conducted across the Joremeny Adit. Initial results from four diamond drill holes completed reported:

- Do-12: 1m at 0.23% Co and 0.36% Ni
  - Including: 0.6m at 0.31% Co and 0.51% Ni
- Do-01: 0.6m at 0.13% Co and 0.16% Ni
  - Including: 0.2m at 0.37% Co and 0.47% Ni
- Do-04: 3.6m at 1.22% Cu
  - Including: 0.4m at 3.51% Cu
- Do-16: 1.3m at 1.17% Cu

Kolba, Slovakia (100% EUC)
Kolba was acquired during the period via direct licence application. Historical mining was conducted via two adits and stoping was completed to a limited extent across two levels to exploit cobalt-copper-nickel-silver mineralisation. The workings have been mapped over a strike length of >300m.

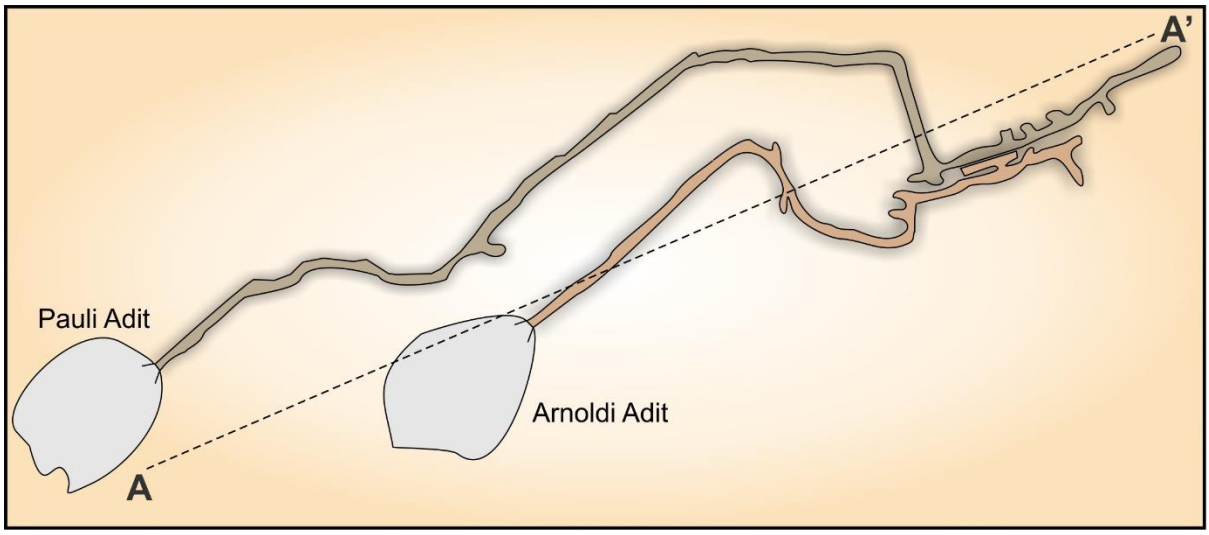


Figure 5: Kolba Plan View of Workings

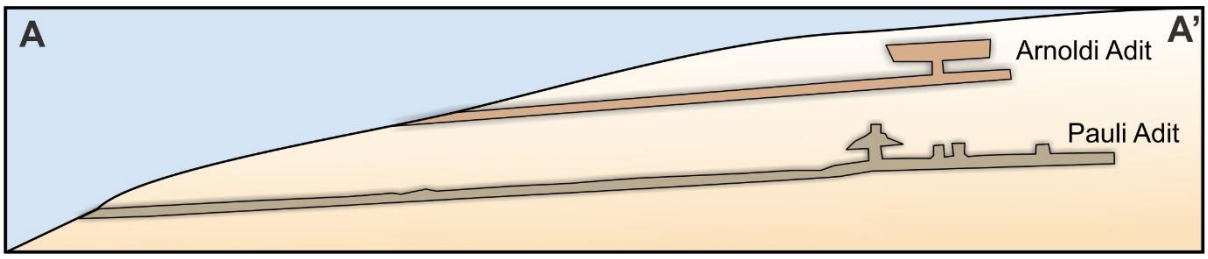


Figure 6: Kolba Long Section of Workings

Rock chip sampling completed during the initial ground reconnaissance across Kolba historical waste dumps reported significant cobalt-nickel-copper mineralisation including:

- 17K001: 0.66% Co, 3.73% Ni, 2.04% Cu
- 17K002: 0.51% Co, 5.02% Ni
- 17K003: 0.68% Co, 6.75% Ni



Figure 7: Kolba Rock Chip Samples

Jouhineva, Finland (100% EUC)

Jouhineva cobalt-copper-gold-silver Project was acquired during the period. Extensive exploration activities have been undertaken across the Project between 1980 and 1998 inclusive of 119 diamond drill holes for 14,000m of drilling.

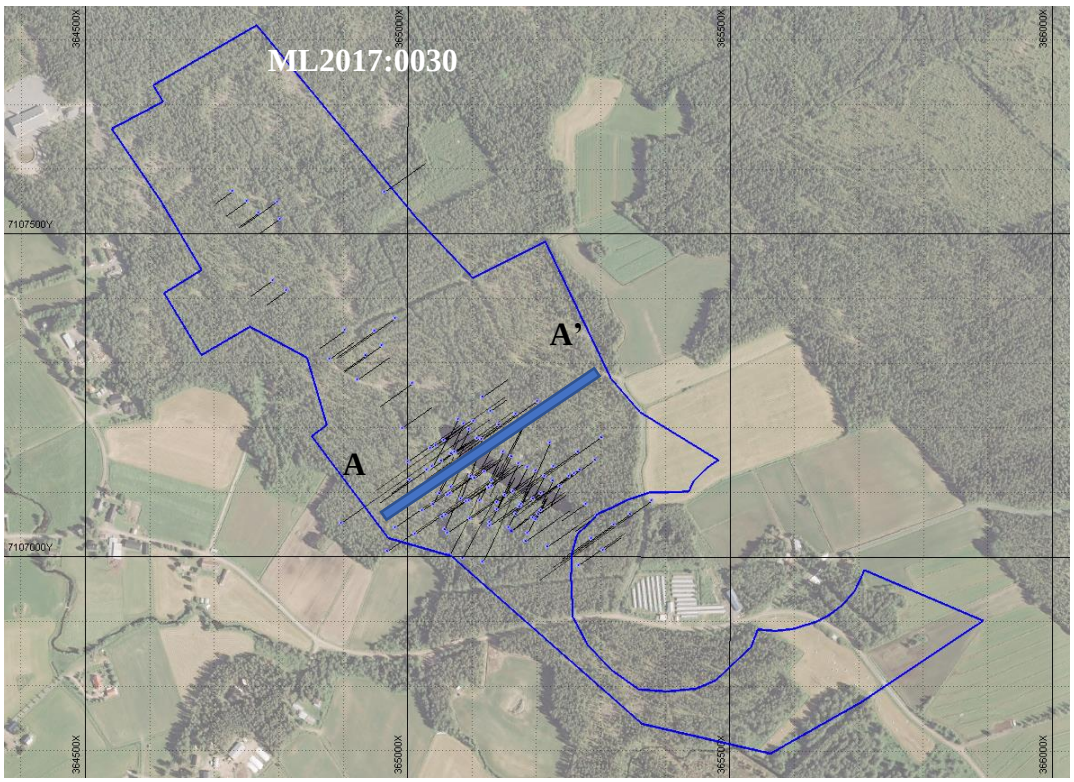


Figure 8: Jouhineva Drill Collar Plan

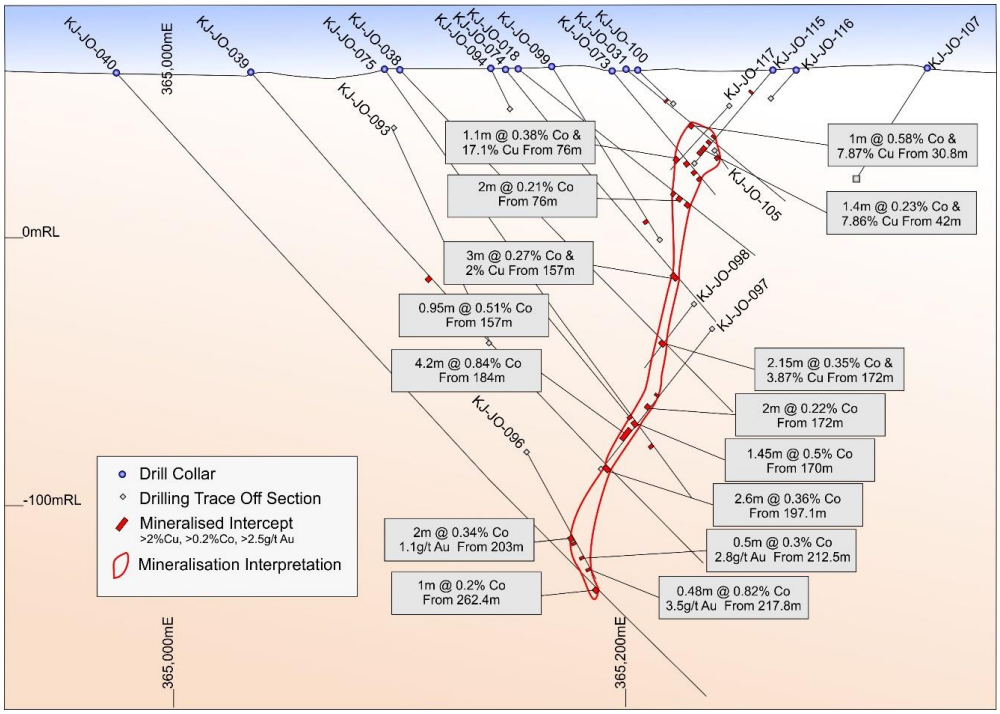


Figure 9: Jouhineva Drill Section

Sweden Portfolio (100% EUC)

A portfolio of cobalt-copper-nickel licences across Sweden was acquired via direct licence application. The Project are located within the Bergsalgen District of Sweden ranging from 50 to 225km from Stockholm. Numerous documented Co ± Cu ± Ni mines and occurrences are reported to occur within the Projects.

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

SUBSEQUENT EVENTS

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2017 is set out on page 16.

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



Robert Jewson
Managing Director
Dated: 14th March 2018

EUROPEAN COBALT LTD
& CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2017

	Note	31 December 2017 $	31 December 2016 $
Revenue		47,071	14,298
Administration expenses		(104,995)	(25,415)
Compliance and regulatory expenses		(187,838)	(136,131)
Employee benefits expense		(196,400)	(123,012)
Exploration and evaluation expenditure		(1,718,810)	(65,611)
Loss before income tax expense		**(2,160,972)**	**(335,871)**
Income tax expense		-	-
Loss from continuing operations		**(2,160,972)**	**(335,871)**
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(12,301)	423
Total comprehensive income		**(2,173,273)**	**(335,448)**
Loss attributable to:			
Members of the parent entity		(2,160,972)	(335,871)
Non-controlling interest		-	-
		(2,160,972)	**(335,871)**
Total comprehensive loss attributable to:			
Members of the parent entity		(2,173,273)	(335,448)
Non-controlling interest		-	-
		(2,173,273)	**(335,448)**
Basic loss per share (cents per share)		(0.32)	(0.22)

The accompanying notes form part of this financial report.

EUROPEAN COBALT LTD
& CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	31 December 2017 $	30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents		15,982,100	2,971,268
Term deposits		5,000,000	-
Trade and other receivables		95,504	21,276
Other current assets		9,473	7,123
TOTAL CURRENT ASSETS		**21,087,077**	**2,999,997**
NON-CURRENT ASSETS			
Plant and equipment		57,877	48,749
TOTAL NON-CURRENT ASSETS		57,877	48,749
TOTAL ASSETS		**21,144,954**	**3,048,416**
CURRENT LIABILITIES			
Trade and other payables		1,172,010	184,159
TOTAL CURRENT LIABILITIES		**1,172,010**	**184,159**
TOTAL LIABILITIES		**1,172,010**	**184,159**
NET ASSETS		**19,972,944**	**2,864,257**
EQUITY			
Issued Capital	2	97,201,759	78,009,799
Reserves		8,686,849	8,609,150
Accumulated losses		(85,909,879)	(83,748,907)
Non-controlling interest		(5,785)	(5,785)
TOTAL EQUITY		**19,972,944**	**2,864,257**

The accompanying notes form part of this financial report.

EUROPEAN COBALT LTD
& CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2017

	Issued Capital $	Foreign translation reserve $	Options reserve $	Accumulated Losses $	Non-controlling interest $	Total $
Balance at 1 July 2016	**59,807,055**	**141,952**	**3,762,791**	**(63,947,636)**	**(5,785)**	**(241,623)**
Loss for the period	-	-	-	(335,871)	-	(335,871)
Other Comprehensive Income	-	423	-	-	-	423
Total comprehensive income	-	423	-	(335,871)	-	(335,448)
Shares issued during the period (net)	2,550,040	-	-	-	-	2,550,040
Balance at 31 December 2016	**62,357,095**	**142,375**	**3,762,791**	**(64,283,507)**	**(5,785)**	**1,972,969**
Balance at 1 July 2017	**78,009,799**	**138,159**	**8,470,991**	**(83,748,907)**	**(5,785)**	**2,864,257**
Loss for the period	-	-	-	(2,160,972)	-	(2,160,972)
Other Comprehensive Income	-	(12,301)	-	-	-	(12,301)
Total comprehensive income	-	(12,301)	-	(2,160,972)	-	(2,173,273)
Shares issued during the period (net)	19,191,960	-	-	-	-	19,191,960
Options issued during the period	-	-	90,000	-	-	90,000
Balance at 31 December 2017	**97,201,759**	**125,858**	**8,560,991**	**(85,909,879)**	**(5,785)**	**19,972,944**

The accompanying notes form part of this financial report.

EUROPEAN COBALT LTD
& CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2017

	31 December 2017 $	31 December 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(412,402)	(499,066)
Payments for exploration expenditure	(1,218,187)	(65,611)
Interest received	23,747	-
Net cash used in operating activities	(1,606,842)	(564,677)
CASH FLOW FROM INVESTING ACITIVITIES		
Payments for term deposits	(5,000,000)	-
Payments for exploration assets	(37,264)	-
Payments for plant and equipment	(15,461)	-
Net cash used in investing activities	(5,052,725)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of convertible notes	-	500,000
Proceeds from issue of shares	20,171,086	2,179,100
Payments for capital raising costs	(500,687)	(147,065)
Net cash provided by financing activities	19,670,399	2,532,035
Effects of exchange rates changes on cash and cash equivalents		
Net decrease in cash held	**13,010,832**	**1,967,358**
Cash and cash equivalents at beginning of period	2,971,268	52,726
Cash and cash equivalents at end of reporting period	**15,982,100**	**2,020,084**

The accompanying notes form part of this financial report.

1. BASIS OF PREPARATION

a) Reporting entity

European Cobalt Ltd is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. These consolidated interim financial statements were approved by the Board of Directors on 14 March 2018.

b) Basis of Preparation

These interim financial statements constitute a general purpose financial report and have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB134 ensures compliance with IAS134: Interim Financial Reports. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30 June 2017.

c) Accounting Policies

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

d) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

e) Standards and Interpretations applicable to 31 December 2017

In the half-year ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 July 2017.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore no material change is necessary to Group accounting policies.

f) Standards and Interpretations in issue not yet adopted applicable to 31 December 2017

The Directors have also reviewed all of the new and revised Standards and interpretations in issue not yet adopted that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 January 2018.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Group and therefore no material change is necessary to Group accounting policies.

2. ISSUED CAPITAL

	31 December 2017 $	30 June 2017 $
(a) Issued and paid up capital		
Ordinary shares fully paid of no par value	97,201,759	78,009,799
	Number	**$**
(b) Movement in ordinary shares on issue		
Balance at 1 July 2017	651,226,413	78,009,799
29 September 2017 – Jouhineva Project	1,697,260	271,562
10 October 2017 – Option exercise	7,974,710	155,507
6 November 2017 – Option exercise	798,946	15,579
11 December 2017 – Placement	100,000,000	20,000,000
Less capital raising costs	-	(1,250,688)
Balance at 31 December 2017	761,697,329	97,201,759

(c) Share options

As at 31 December 2017, the Company had the following share options on issue:

- 2,731,506 options exercisable at $0.0195 on or before 12 December 2019
- 10,000,000 options exercisable at $0.0624 on or before 26 May 2019
- 62,500,000 options exercisable at $0.10 on or before 26 May 2021
- 30,000,000 options exercisable at $0.15 on or before 26 May 2021

(d) Performance Shares

As at 31 December 2017, the Company had the following performance shares on issue, which will each convert to one ordinary Share upon completion of the following milestones within 5 years:

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

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

No performance shares converted and no milestone was met, during the period.

3. OPERATING SEGMENTS

The Board considers that it has only operated in one segment, being mineral exploration.

The Board has considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed and used by the directors (the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources and have concluded at this time that there are no separately identifiable segments.

4. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

5. EVENTS SUBSEQUENT TO REPORTING PERIOD

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

EUROPEAN COBALT LTD
& CONTROLLED ENTITIES

DIRECTORS' DECLARATION
For the Half-Year Ended 31 December 2017

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 14 are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and

   (b) give a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the interim period 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 Board of Directors.



Robert Jewson
Managing Director

Dated this 14th March 2018

Bentleys
THINKING AHEAD

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To the Board of Directors

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

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

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

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 14th day of March 2018

KRESTON

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Accountants
Auditors
Advisors

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of European Cobalt Limited

We have reviewed the accompanying financial report of European Cobalt Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

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 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the 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 Consolidated Entity'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 the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 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.

KRESTON

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Accountants
Auditors
Advisors

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of European Cobalt Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the period ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 14th day of March 2018