NORTHERN COBALT LTD
ACN: 617 789 732

ACN 617 789 732

Interim Consolidated Financial Statements

for the half-year ended 31 December 2018

Contents

This Interim Report covers Northern Cobalt Ltd ("N27" or the "Company") as a Group consisting of Northern Cobalt Ltd and its subsidiaries, collectively referred to as the "Group". The financial report is presented in the Australian currency.

N27 is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Northern Cobalt Ltd
67 Goodwood Road
Wayville SA 5034

Website www.northerncobalt.com.au

Directors' Report

The Directors of Northern Cobalt Ltd present their Report together with the financial statements of the consolidated entity, being Northern Cobalt ("N27" or "the Company") and its controlled entities ("the Group") for the half year ended 31 December 2018 and the Independent Review Report thereon.

DIRECTORS

The following persons were directors of N27 throughout the period.

- Leonard Dean
- Michael Schwarz
- Duncan Chessell
- Andrew Shearer

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Northern Cobalt Ltd holds exploration projects comprising tenements in highly prospective geology for cobalt and lithium in the Northern Territory and vanadium prospective tenements in Alaska, USA.

In the half year to 31 December 2018, the Company continued exploration programs at its 100%-owned tenements in the Wollogorang region and commenced exploration at the Northern Arunta Pegmatite Province project, both in the Northern Territory. In December 2018, the Company announced that it had acquired the Snettisham project in Alaska, USA.

The net loss of the Company, from the six months to 31 December 2018 was $901,328 (2017: $522,767). The main factors contributing to the increased loss are an impairment expense of $409,601 resulting from relinquishment of tenements in the Arunta project and an increase in exploration expense of $86,575 due to expenditure on exploration licence applications that cannot be capitalised and project development costs.

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* (Cth) is included on page 3 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors.

Michael Schwarz
Managing Director

22 February 2019

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Auditor's Independence Declaration

To the Directors of Northern Cobalt Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Northern Cobalt Ltd for the half-year ended 31 December 2018. I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 22 February 2019

Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2018

	Notes	31 December 2018 $	31 December 2017 $
Interest income		19,216	7,888
Broker and investor relations		(101,000)	(169,015)
Employee benefits expense		(117,717)	(172,550)
Exploration expense		(99,577)	(13,002)
Impairment expense		(409,601)	-
Depreciation		(20,743)	(5,201)
Other expenses		(171,906)	(170,887)
Loss before tax		(901,328)	(522,767)
Income tax benefit		-	-
Loss for the period from continuing operations attributable to owners of the parent		(901,328)	(522,767)
Other Comprehensive income attributable to owners of the parent		-	-
Total Comprehensive loss for the period attributable to owners of the parent		(901,328)	(522,767)
Earnings Per Share from Continuing Operations			
Basic and diluted Loss – cents per share	2	(1.77)	(2.01)

This statement should be read in conjunction with the notes to the financial statements.

Statement of Financial Position
As at 31 December 2018

	Notes	31 December 2018 $	30 June 2018 $
ASSETS			
Current assets			
Cash and cash equivalents		1,125,712	3,991,941
Other current assets		262,507	192,131
Total current assets		1,388,219	4,184,072
Non-current assets			
Exploration and evaluation expenditure	3	6,458,460	4,467,108
Plant and equipment		185,110	181,152
Total non-current assets		6,643,570	4,648,260
TOTAL ASSETS		8,031,789	8,832,332
LIABILITIES			
Current liabilities			
Trade and other payables		608,436	551,495
Employee provisions		5,386	20,499
Total current liabilities		613,822	571,994
TOTAL LIABILITIES		613,822	571,994
NET ASSETS		7,417,967	8,260,338
EQUITY			
Issued capital	4	9,006,025	8,958,098
Reserves	5	731,888	720,858
Accumulated losses		(2,319,946)	(1,418,618)
TOTAL EQUITY		7,417,967	8,260,338

This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity
For the half year ended 31 December 2018

	Issued capital	Option reserve	Accumulated losses	Total equity
	$	**$**	**$**	**$**
Balance at 1 July 2017	**606,170**	**4,447**	**(296,046)**	**314,571**
IPO shares	4,213,500	-	-	4,213,500
Fair value of shares issued for the acquisition of projects	702,000	-	-	702,000
Fair value of shares issued in consideration for services	38,500	-	-	38,500
Exercise of quoted options	405,269	-	-	405,269
Issue costs (including IPO promoter options)	(1,054,431)	663,001	-	(391,430)
Fair value of options issued to officers	-	53,410	-	53,410
Transactions with owners	4,304,838	716,411	-	5,021,249
Comprehensive income:				
Total profit or loss for the reporting period	-	-	(522,767)	(522,767)
Total other comprehensive income for the reporting period	-	-	-	-
Balance 31 December 2017	**4,911,008**	**720,858**	**(818,813)**	**4,813,053**

	Issued capital	Option / rights reserve	Accumulated losses	Total equity
	$	**$**	**$**	**$**
Balance at 1 July 2018	**8,958,098**	**720,858**	**(1,418,618)**	**8,260,338**
Fair value of shares issued for the acquisition of projects	50,000	-	-	50,000
Issue costs	(2,073)	-	-	(2,073)
Fair value of rights issued to officers	-	11,030	-	11,030
Transactions with owners	47,927	11,030	-	58,957
Comprehensive income:				
Total profit or loss for the reporting period	-	-	(901,328)	(901,328)
Total other comprehensive income for the reporting period	-	-	-	-
Balance 31 December 2018	**9,006,025**	**731,888**	**(2,319,946)**	**7,417,967**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows
For the half year ended 31 December 2018

	31 December 2018 $	31 December 2017 $
Operating activities		
Interest received	22,972	3,713
Payments to suppliers and employees	(459,367)	(335,404)
Net cash used in operating activities	(436,395)	(331,691)
Investing activities		
Payments for plant and equipment	(49,270)	(70,762)
Payments for capitalised exploration expenditure	(2,380,564)	(1,669,100)
Net cash used in investing activities	(2,429,834)	(1,739,862)
Financing activities		
Proceeds from issue of share capital	-	4,213,500
Proceeds from issue of exercise of options	-	405,269
Payments for capital raising costs	-	(460,603)
Net cash from financing activities	-	4,158,166
Net change in cash and cash equivalents	(2,866,229)	2,086,613
Cash and cash equivalents, beginning of reporting period	3,991,941	327,885
Cash and cash equivalents, end of period	1,125,712	2,414,498

This statement should be read in conjunction with the notes to the financial statements.

Notes to the consolidated financial statements
For the period ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of operations

The Group's principal activities are the exploration for cobalt and lithium deposits in the Northern Territory and vanadium in Alaska, USA.

b) General information and basis of preparation

The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2018 and are presented in Australian dollars ($), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and AASB 134 *Interim Financial Reporting.* They do not include all of the information required in annual financial statements in accordance with AIFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 and any public announcements made by the Group during the half-year in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001* (Cth). The Company is a for profit entity for the purposes of preparing its financial statements.

The interim financial statements have been approved and authorised for issue by the board of directors on 22 February 2019.

c) Significant accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018 with the exception of the following:

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* became effective beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 31 December 2018.

AASB 15 replaces AASB 118 *Revenue* and several revenue related interpretations. The new Standard has been applied as at 1 January 2018. There is no impact to the Group's historical financial results given the company is not currently in production.

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement requirements*. AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets. There has been no impact on the Group's previously reported financial performance or financial position following the adoption of AASB 9.

d) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends of economic data, obtained both externally and within the Group.

i) Key estimates - impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

ii) Key judgements - exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

2. EARNINGS PER SHARE

The weighted average number of shares for the purpose of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	6 months to December 2018 #	6 months to December 2017 #
Weighted average number of shares used in basic earnings per share	50,846,015	26,058,565
Weighted average number of shares used in diluted earnings per share	50,846,015	26,058,565
Loss per share – basic and diluted (cents)	1.77	2.01

There were 34,248,337 options, rights and performance shares outstanding at the end of the year (2017: 33,932,407) that have not been taken into account in calculating diluted EPS due to their effect being anti-dilutive.

3. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2018 $	30 June 2018 $
Opening balance	4,467,108	-
Expenditure on exploration during the period	2,450,530	3,503,897
Acquisition of projects	50,000	1,053,792
Transfer of prior year expenditure classified as financial assets	-	28,000
Impairment expense	(409,601)	-
Exploration expenditure expensed	(99,577)	(118,581)
Closing balance	6,458,460	4,467,108

In the half-year to 31 December 2018, acquisition of projects is represented by the fair value of share based payments of $50,000 for the acquisition of the Snettisham project in Alaska, USA.

As further consideration, for the Snettisham Project, Northern Cobalt will pay 1,000,000 Shares, subject to future shareholder approval, at the earlier of satisfaction of the conditions below in relation to the project or any other related tenure:

- the 3-year anniversary of execution of the agreement whereby N27 has title to the Project; or
- $1,500,000 expenditure on or related to the Project; or
- the disposal of the Project for an amount not less than $3,000,000 within the 3-year anniversary of the agreement;
- or the announcement of a maiden resource estimate in relation to the Project.

During the year ended 30 June 2018, acquisition of projects includes fair value of share based payments of $954,000 ($702,000 for the Wollogorang project and $252,000 for the Arunta project) as detailed below as well as stamp duty and other incidental costs of acquisition. A further $100,000 was incurred on cash acquisition costs.

On 16 June 2017, Northern Cobalt Limited entered into a Share Sale Agreement to acquire 100% of the issued share capital of Mangrove Resources Pty Limited (Mangrove). Under the principles of AASB 3 Business Combinations, Northern Cobalt Limited is the accounting acquirer in the business combination. Under the principles of AASB 3 Business Combinations, when an entity acquires a group of assets or net assets that does not constitute a business, it shall allocate the cost of the group between the individual identifiable assets and liabilities in the group based on their relative fair value at the date of the acquisition. As Mangrove Resources Pty Limited is not carrying on a business, the acquisition was accounted for as an asset acquisition and the purchase consideration allocated to the individual identifiable assets and liabilities based on their relative fair value.

The fair value of the acquisition of Mangrove was 3,510,000 shares in the Company at $0.20 per share (IPO share issue price) totalling $702,000. This amount accounted for the three exploration licences acquired upon ASX listing. Further, Northern Cobalt acquired nine exploration licences in the Arunta region of the Northern Territory. The fair value of the acquisition of these exploration licences was 600,000 shares in the Company at $0.42 per share totalling $252,000.

4. SHARE CAPITAL

31 December 2018	Number of shares	31 December 2018 $
(a) Issued and paid up capital		
Fully paid ordinary shares	51,313,406	9,006,025
	51,313,406	9,006,025
(b) Movements in fully paid shares		
Balance as at 1 July 2018	50,813,406	8,958,098
Fair value of shares issued for the acquisition of projects	500,000	50,000
Capital raising costs	-	(2,073)
Balance as at 31 December 2018	51,313,406	9,006,025

30 June 2018	Number of shares	30 June 2018 $
(a) Issued and paid up capital		
Fully paid ordinary shares	50,813,406	8,958,098
	50,813,406	8,958,098
(b) Movements in fully paid shares	**Number**	**$**
Balance as at 1 July 2017	11,000,000	606,170
Initial Public Offering	21,067,500	4,213,500
Fair value of shares issued for the acquisition of projects	4,110,000	954,000
Exercise of quoted options	4,210,413	842,083
Fair value of shares issued in consideration for services	192,500	38,500
Share Placement	8,568,674	2,999,036
Share Purchase Plan	1,664,319	582,512
Capital raising costs	-	(1,277,703)
Balance as 30 June 2018	50,813,406	8,958,098

5. RESERVES

Share based payments are in line with the Northern Cobalt Ltd remuneration policy. Listed below are summaries of options granted:

Reconciliation of options / rights reserve	**31 December 2018 $**	**30 June 2018 $**
Opening balance	720,858	4,447
Fair value of options issued during the period	-	716,411
Fair value of rights issued during the period	11,030	-
Closing balance	731,888	720,858
Options reserve	720,858	720,858
Performance rights reserve	11,030	-
Total options / rights reserve	731,888	720,858

During the six months to 31 December 2018, 2,500,000 unlisted KPI based performance rights were issued to officers of the Company. The rights have no exercise price and fair value of 4.41 cents each. The rights expire on 28 September 2020.

Nature and purpose of reserves
The share option reserve and performance rights reserve is used to recognise the fair value of all options and performance rights.

6. OPERATING SEGMENTS

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources have concluded that at this time there are no separately identifiable segments. It is anticipated that there will be separately identifiable segments at 30 June 2019 upon further expenditure on assets in Alaska.

7. COMMITMENTS AND CONTINGENT LIABILITIES

In order to maintain rights of tenure to exploration permits, the Group has certain obligations to perform minimum exploration work and expend minimum amounts of money.

Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature or amount of future expenditure. It will be necessary for the Group to incur expenditure in order to retain present interests in exploration licences.

The Group has no contingent liabilities at reporting date.

8. PERFORMANCE SHARES

The following disclosure is a condition of the Company's admission to ASX. On 4 September 2017 the Company issued 13,175,000 class A and class B performance shares as detailed in the table below:

Class of performance shares	Grant date	Expiry date	Exercise price of shares	Number on issue
Class A	4 September 2017	4 September 2022	$Nil	9,600,000
Class B	4 September 2017	4 September 2022	$Nil	3,575,000
Total performance shares				**13,175,000**

There were no performance shares converted or cancelled during the reporting period and no vesting conditions were met during the reporting period.

Terms associated with performance shares:

1. Conversion and expiry of Class A Performance Shares and Class B Performance Shares

(a) **(Conversion on achievement of Class A Milestone)**

Each Class A Performance Share will convert into a Share on a one for one basis upon the earlier of:

(i) the Company announcing to ASX the delineation of an Inferred (or higher category) Mineral Resource in accordance with the JORC Code containing at least 6,000 tonnes Cobalt equivalent, at a grade of 0.12% Cobalt equivalent or greater (reported in accordance with clause 50 of the JORC Code), on the Tenements (**Class A Resource Estimate Milestone**); or

(ii) the Company selling or transferring (directly or indirectly) for value of at least $5 million to a third party (being any person or entity other than a wholly-owned subsidiary of the Company) 100% of the shares of Mangrove, or 100% of the Company's legal or beneficial interest in the Tenements (**Class A Disposal Milestone**),

within 5 years after Completion (each a **Class A Milestone**).

(b) (**A Expiry**) A Class A Milestone must be determined to have been achieved or not achieved by no later than 5:00 pm on the date that is one month after the conclusion of the time period for satisfaction set out in paragraph 1(a) (**A Expiry Date**).

(c) **(Conversion on achievement of Class B Milestone)**

Each Class B Performance Share will convert into a Share on a one for one basis upon the earlier of:

(i) the Company announcing to ASX the delineation of an Inferred (or higher category) Mineral Resource in accordance with the JORC Code containing at least 15,000 tonnes Cobalt equivalent, at a grade of 0.12% Cobalt equivalent or higher (reported in accordance with clause 50 of the JORC Code), on the Tenements (**Class B Resource Milestone**); or

(ii) the Company selling or transferring (directly or indirectly) for value of at least $20 million to a third party (being any person or entity other than a wholly-owned subsidiary of the Company) 100% of the shares of Mangrove, or 100% of the Company's legal or beneficial interest in the Tenements, (**Class B Disposal Milestone**),

within 5 years after Completion (each a **Class B Milestone**).

(d) (**B Expiry**) A Class B Milestone must be determined to have been achieved or not achieved by no later than 5:00 pm on the date that is one month after the conclusion of the time period for satisfaction set out in paragraph 1(c) (**B Expiry Date**).

(e) (**No conversion**) To the extent that Performance Shares in a Class have not converted into Shares on or before the Expiry Date applicable to that Class, then all such unconverted Performance Shares in that Class held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share.

(f) (**Conversion procedure**) The Company will issue a Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Performance Share.

(g) (**Ranking of shares**) Each Share into which a Performance Share will convert will upon issue:

(i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;

(ii) be issued credited as fully paid;

(iii) be duly authorised and issued by all necessary corporate action; and

(iv) be issued free from all liens, charges, and encumbrances, whether known about or not, including statutory and other pre-emptive rights and any transfer restrictions.

(h) (**Disposal exclusions**) Entering into a joint venture, farm-in or other similar transaction relating to the Tenements, or any disposal or relinquishment of the Tenements due to failure to renew, failure to comply with conditions of grant, or any government action, will not be capable of constituting a Class A Disposal Milestone or a Class B Disposal Milestone.

2. Conversion on change of control

If there is a Change of Control Event in relation to the Company prior to the conversion of the Performance Shares, then:

(a) the Milestone will be deemed to have been achieved; and

(b) each Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of all Performance Shares due to a Change in Control Event in relation to the Company is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Performance Shares to be converted will be pro-rated so that the aggregate number of Shares issued upon conversion of all Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

3. Rights attaching to Performance Shares

(a) (**Share capital**) Each Performance Share is a share in the capital of the Company.

(b) (**General meetings**) Each Performance Share confers on a Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. A Holder has the right to attend general meetings of Shareholders of the Company.

(c) (**No Voting rights**) A Performance Share does not entitle a Holder to vote on any resolutions proposed at a general meeting of Shareholders of the Company.

(d) (**No dividend rights**) A Performance Share does not entitle a Holder to any dividends.

(e) (**Rights on winding up**) A Performance Share does not entitle a Holder to participate in the surplus profits or assets of the Company upon winding up of the Company.

(f) (**Not transferable**) A Performance Share is not transferable.

(g) (**Reorganisation of capital**) If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Holder will be varied (as appropriate) in accordance with the ASX Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

(h) (**Quotation of shares on conversion**) An application will be made by the Company to ASX for official quotation of the Shares issued upon the conversion of each Performance Share within the time period required by the ASX Listing Rules.

(i) (**Participation in entitlements and bonus issues**) A Performance Share does not entitle a Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.

(**No other rights**) A Performance Share does not give a Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

9. GOING CONCERN BASIS OF ACCOUTING

The interim financial report has been prepared on the basis of a going concern. During the six months ended 31 December 2018 the consolidated group recorded a net cash outflow from operating and investing activities of $2,866,229 and an operating loss of $901,328. These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the entity successfully continuing the development of its exploration assets or raising additional funds which may be from a variety of means inclusive of, but not limited to issue of new equity, debt, asset sales or entering into joint venture arrangements on mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because Directors have an appropriate plan to meet conditions.

If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the interim financial report. No allowance for such circumstances has been made in the interim financial report.

10. EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

No matters or circumstances, have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company or Group, the results of those operations or the state of affairs of the Company and Group in subsequent financial years.

Directors' Declaration

In the opinion of the Directors of Northern Cobalt Ltd:

a) the consolidated financial statements and notes of Northern Cobalt Ltd are in accordance with the *Corporations Act 2001* (Cth), including:

   i. giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

   ii. complying with Accounting Standard 134 Interim Financial Reporting; and

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

Signed in accordance with a resolution of the Directors:

Michael Schwarz
Managing Director

Adelaide
22 February 2019

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Independent Auditor's Review Report

To the Members of Northern Cobalt Ltd

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Northern Cobalt Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Northern Cobalt Ltd does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 9 in the financial report, which indicates that the Group incurred a net loss of $901,328 during the half year ended 31 December 2018 and, as of that date, the Group recorded a net cash outflow from operating and investing activities of $2,866,229. As stated in Note 9, these events or conditions, along with other matters as set forth in Note 9, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half year 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 half year 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 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 half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 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 Northern Cobalt Ltd, 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.

Independence

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 22 February 2019