

21 May 2019

Dear Shareholder

## Non- Renounceable Rights Issue

On 14 May 2019, Northern Cobalt Limited ACN 617 789 732 (ASX: N27) (**Company**) announced it had secured a placement of 9 million shares at 5 cents each to raise \$450,000, with one free attaching listed option for every two shares subscribed for (subject to shareholder approval) (**Placement**) and that the Placement would be followed by a rights issue at the same price.

On 20 May 2019, the Company announced a non-renounceable pro-rata rights issue of one (1) new share for every three (3) shares held by eligible shareholders on the Record Date, at an issue price of 5 cents per share, together with one (1) free attaching option for every two (2) shares subscribed for, to raise up to \$1,046,900 (before costs and expenses) (**Rights Issue**).

The issue price for the Rights Issue represents a discount of approximately 8.9% to the volume weighted average market price of the Company's shares on the 5 ASX trading days on which those shares traded the volume weighted average price of Shares on the 5 days that the Company's Shares traded prior to 10 May 2019 (being the day the Company entered a trading halt pending announcement of the Placement and Rights issue).

Shareholders participating in the Rights Issue may be eligible for Junior Minerals Exploration Incentive (JMEI) credits. The JMEI scheme entitles investors to a refundable tax offset of up to 30% of their investment in their 2018/19 income tax return. Full details of the scheme are detailed in the prospectus.

The shares offered under the Rights Issue are fully paid ordinary shares (**Shares**), ranking equally with all other ordinary shares on issue.

Each Option offered under the Rights Issue is exercisable for one fully paid share in the Company at \$0.10 each on or before 30 June 2022 (**Option**). The full terms and conditions of the Options are set out in the Prospectus. If the Rights Issue is fully subscribed and all Options are exercised, this will raise approximately a further \$1,046,900 for the Company.

After payment of the costs and expenses of the Rights Issue, the Company intends to apply the funds raised from the Rights Issue (and from the exercise of the Options) as follows:

- (a) progress the Company's Snettisham project in Alaska;
- (b) progress the Company's Wollogorang project in the Northern Territory; and
- (c) for the Company's general working capital requirements.

Full details of the Rights Issue are set out in the Prospectus and Appendix 3B lodged with ASX on 20 May 2019. The Prospectus is available to download at [www.asx.com.au](http://www.asx.com.au) using ASX code “N27” and at the Company’s web-site [www.northerncobalt.com.au](http://www.northerncobalt.com.au). A copy will be posted to eligible shareholders on 28 May 2019.

Under the Rights Issue, every person who is registered as the holder of Shares with an address within Australia or New Zealand at 6:30 pm Adelaide time on 23 May 2019 (**Record Date**) will be entitled to participate in the Rights Issue. Fractional entitlements will be rounded up to the nearest whole number.

Shareholders with registered addresses in countries other than Australia and New Zealand will not be eligible to participate in the Rights Issue. Shareholders holding shares on behalf of persons who are resident outside of Australia and New Zealand are responsible for ensuring that subscribing for the shares and options under the Offer does not breach regulations in the relevant overseas jurisdiction.

Please note that the Company’s shares will be quoted on an “ex” basis from 22 May 2019 and therefore any of the Company’s shares bought or sold on market on and from this date will not carry entitlements under the Rights Issue.

The Company has applied for quotation of the Shares and the Options on ASX. If either the Shares or the Options are not admitted to quotation within 3 months of the date of the Prospectus, no new securities will be issued under the Prospectus.

The Rights Issue is open for acceptance by eligible shareholders from 28 May 2019 until 5.00 pm Adelaide time on 17 June 2019 (subject to the Directors varying the closing date in accordance with the ASX Listing Rules).

The table below sets out the capital structure of the Company as at 17 May 2019 (a further 9,000,000 shares will be issued under the Placement):

	Number	Expiry date	Exercise price
<b>Shares</b>			
Listed Shares	45,303,406	n/a	n/a
Unlisted Shares	8,510,000 (escrowed to 22 September 2019)	n/a	n/a
<b>Total shares</b>	<b>53,813,406</b>		
<b>Other securities</b>			
Listed options	6,323,337	14 September 2019	\$0.20
Unlisted Options	6,450,000 (6,000,000 escrowed to 22 September 2019)	21 March 2021	\$0.25
	5,800,000 (escrowed to 22 September 2019)	6 September 2021	\$0.25
<b>Total options</b>	<b>18,573,337</b>		

Performance rights	2,500,000	31 December 2020	Nil (performance based KPI vesting criteria)
Performance Shares (escrowed to 22 September 2019)	9,600,000 Class A Performance Shares	6 September 2022	Nil (converts to ordinary shares upon meeting the performance milestones)
	3,575,000 Class B Performance Shares	6 September 2022	
	Total 13,175,000		

If some or all of the existing options on issue are exercised, or some or all of the performance rights or performance shares convert to ordinary shares prior to the Record Date this will impact the maximum number of securities to be issued under the Rights Issue.

Assuming that:

- (a) no existing options are exercised;
- (b) no performance rights or performance shares convert to ordinary shares;
- (c) no shares are issued during the Offer Period;
- (d) the Company receives shareholder approval to issue 4,500,000 Options to Placement participants at the upcoming general meeting on 21 June 2019; and
- (e) the Rights Issue is fully subscribed,

the capital structure following completion of the Rights Issue and issue of the Placement options will be as above, however:

- (a) the number of listed shares will increase from 45,303,406 to 75,241,208 (with the total number of Shares to increase from 53,813,406 to 83,751,208) – the increase includes the Placement; and
- (b) the number of listed Options will increase from 6,323,337 to 21,292,238 (with total Options to increase from 18,573,337 to 33,542,238).

Shareholder approval is not required for the Rights Issue.

The Rights Issue is not underwritten, but PAC Partners is Lead Manager to the Placement and the Rights Issue and will receive a fee of 6% in connection with this.

The Company will not pay any broker handling fees on successful applications.

The anticipated timetable for the Rights Issue is as follows:

Notice sent to Optionholders	17 May 2019
Lodgement of Prospectus with ASIC and ASX	20 May 2019
Lodgement of Appendix 3B with ASX	
Notice sent to Shareholders	21 May 2019
Ex date	22 May 2019
Record Date for determining Entitlements	6:30pm Adelaide time on 23 May 2019
Prospectus despatched to Shareholders & Company announces despatch has been completed	28 May 2019
Closing Date*	5pm Adelaide time 17 June 2019
Shares quoted on a deferred settlement basis	18 June 2019
ASX notified of under subscriptions	20 June 2019
Issue date for new securities	24 June 2019
Shares and Options issued under the Offer to commence trading	25 June 2019
Despatch of holding statements	27 June 2019

\*These dates are determined based upon the current expectations of the Directors and, subject to the Listing Rules, may be changed without notice. The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such, the date the Shares are expected to commence trading on ASX may vary.

You are encouraged to read the Prospectus lodged with ASX on 20 May 2019 fully before making a decision in respect of the Rights Issue.

Should you have any questions in relation to the above matters, you should consult your stockbroker or other professional adviser or please contact Security Transfer Australia on telephone 1300 992 916.

Yours sincerely,

Jaroslav (Jarek) Kopias  
Company Secretary  
**Northern Cobalt Limited**