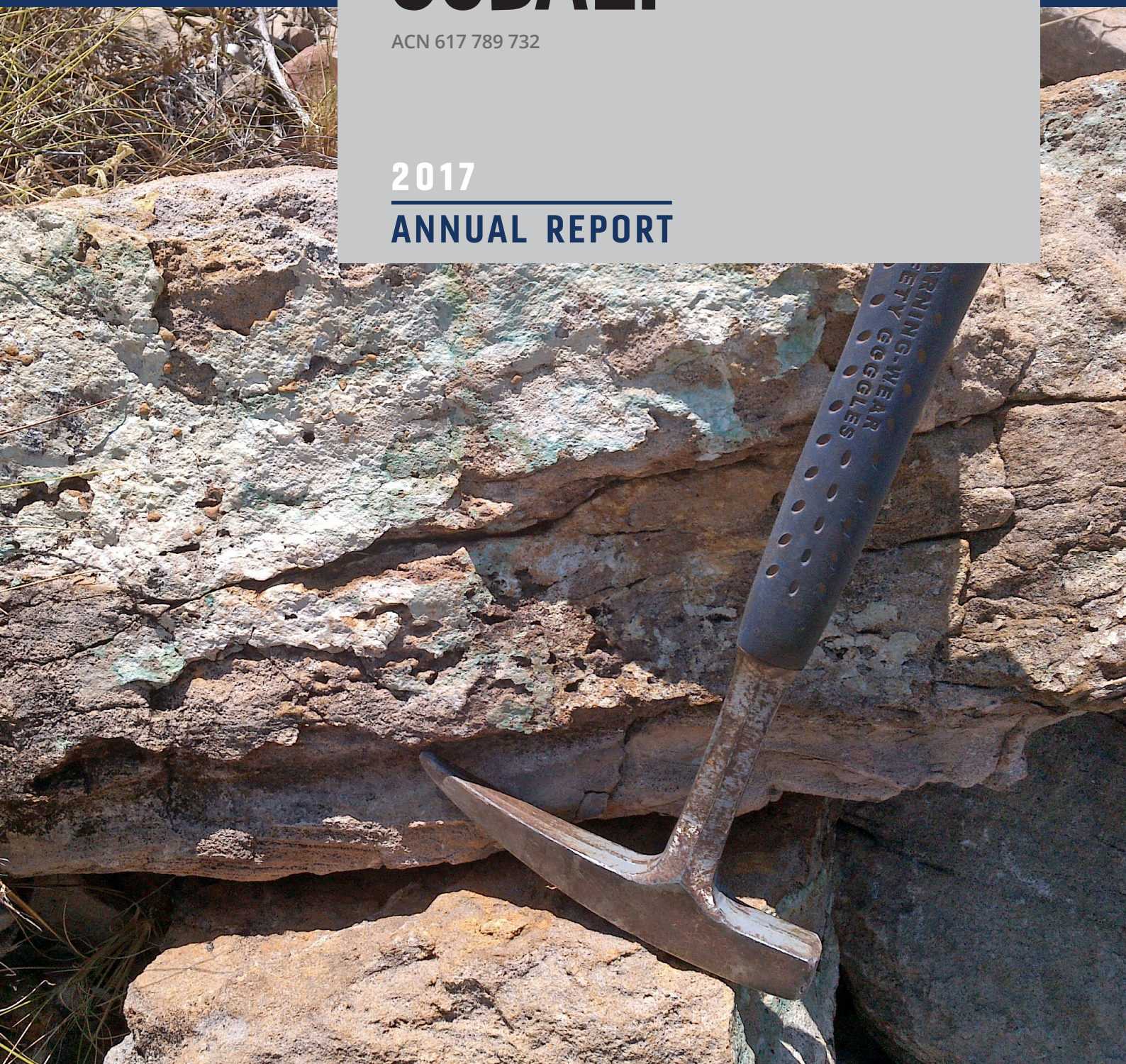


NORTHERN²⁷ CoBALT

ACN 617 789 732

2017

ANNUAL REPORT



Corporate information

Northern Cobalt Ltd ACN 617 789 732

Directors

Leonard Dean
NON-EXECUTIVE CHAIRMAN

Michael Schwarz
MANAGING DIRECTOR

Duncan Chessell
NON-EXECUTIVE DIRECTOR

Andrew Shearer
NON-EXECUTIVE DIRECTOR

CFO/Company Secretary

Jaroslav (Jarek) Kopias

Registered & Principal Office

67 Goodwood Road
Wayville SA 5034

Postal Address:

67 Goodwood Road
Wayville SA 5034
Telephone: +61 8 7200 3137

Auditors

Grant Thornton Audit Pty Ltd
Level 3
170 Frome Street
Adelaide SA 5000

Solicitors

Edwards Mac Scovell
Level 7, 140 St Georges Terrace,
Perth WA 6000

Home Stock Exchange

Australian Securities Exchange
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

ASX Codes

N27 – fully paid ordinary shares
N27O – quoted options exercise price \$0.20 and
expiry 14 September 2019

Share Registry:

Security Transfer Australia Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: +61 8 9315 2333

This Annual Report covers Northern Cobalt Ltd (“Northern Cobalt” or the “Company”). The financial report is presented in the Australian currency.

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

67 Goodwood Road
Wayville SA 5034

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Chairman's Letter

Dear fellow Shareholders,

It is with great pleasure that I write this first Chairman's letter for Northern Cobalt (ASX: N27). In just six months of committed and very professional effort by Board members and associated colleagues, your Company was admitted to the official list of ASX on 20 September 2017 and commenced trading on Friday 22 September 2017. To date trading has been very positive.

We are very pleased to report that there is now a reverse circulation drill rig on site at the Stanton Cobalt deposit with drilling having commenced on Sunday 8th October. The rig will focus on expanding the existing JORC resource. It will be joined by a diamond drill rig mid-October to provide samples for metallurgical testing. Both rigs will then test a number of nearby prospects. This is all very exciting and we look forward to sharing the results with you.

The fundamentals of the Cobalt market remain strong. Recent market visits by Board members have confirmed continued strong demand and tight supply. This underpins a very favourable position for the Company as we move forward.

I thank you for your support and look forward to you continuing to be a part of N27 story as we move forward.

Regards and best wishes

A handwritten signature in dark ink, appearing to read 'Len Dean', with a stylized flourish at the end.

Leonard (Len) Dean
CHAIRMAN

Review of Operations

WOLLOGORANG COBALT PROJECT

Location

The Wollogorang Cobalt Project covers 1131.44 km² located on pastoral land, wholly within NT pastoral lease No 1113, Wollogorang Station, in the north-eastern corner of the Northern Territory. The Project area is most readily accessible from the Wollogorang Station Roadhouse 70 km to the south and via the population centre of Borroloola 180 km to the north-west. The capital city of Darwin is 870 km to the north-west and the McArthur River Mine is approximately 150 km to the west-northwest. Access to the area is via all-weather gravel roads and station tracks. Beyond this, access within the tenements access is via partially rehabilitated station and exploration tracks. The area is seasonally inaccessible due to rain and wet ground, with work possible in the dry season between the start of June and the end of October in most years.

Regional Geology

The Wollogorang Cobalt Project occurs on the “Wearyan Shelf” of the Proterozoic to Mesoproterozoic McArthur Basin, a 5–12km thick unmetamorphosed sedimentary succession containing dolostone, sandstone and shale units with minor felsic and mafic volcanics. The McArthur Basin unconformably overlies various Palaeoproterozoic terrains, such as the Pine Creek Orogen, and is host to mineral deposits such as the McArthur River zinc-silver-lead mine. The main geological units of interest in the Project area are the Wollogorang Formation (carbonaceous shales, sandstone and dolostone) and Gold Creek Volcanics (interlayered basalt lavas and sediments). In the west, these formations are overlain by the flat-lying 250m-thick Pungalina Member-Echo Sandstone couplet and, in turn, by the Karns Dolomite.



Figure 1 Regional location map showing population centres and project location (Source: Google Earth 21/6/2017).

The Wollgorang Cobalt Project – Historic Exploration

The Wollgorang Cobalt Project consists of the Stanton-Running Creek Co-Cu-Ni prospects and Stanton Cobalt Deposit, which occur within EL31272. From the period 1987 to 1996, W.J. Fisher and CRAE identified about 10 individual breccia pipes, up to 100m diameter, in a “cluster”.

Table 1 Mineral prospects and occurrences in the Wollgorang Project. GDA94 datum.
Key to abbreviations: Ptg = Gold Creek Volcanics, Pk = Karns Dolomite (Modified after Rawlings, 2006).

Prospect/ locality	AMG east	AMG north	EL	Unit	Commodities	Minerals	Description	References
Arch Angel	794700	8148300	EL31272	Ptg	Cu	chalcopyrite	Sediment and breccia hosted ('breccia pipe')	Fisher (1989, 1991a), Palmer (1992, 1993b)
Felix	794800	8146300	EL31272	Ptg	Cu	chalcopyrite	Sediment and breccia hosted ('breccia pipe')	Palmer (1991a, 1995), Palmer et al (1995)
Stout	796000	8151500	EL31272	Ptg	Cu	chalcopyrite	Manganiferous debris flow breccia	Rawlings et al (1996), Rawlings (2006)
Running Creek	795500	8148900	EL31272	Ptg	Cu	chalcopyrite	Sediment and breccia hosted ('breccia pipe')	Bathey (1958), Campe and Gausden (1970), Shannon (1971), Fisher (1977, 1980, 1989, 1991b), Palmer (1991a, 1994, 1995), Palmer et al (1995)
Saltlick	793500	8146700	EL31272	Ptg	Cu	chalcopyrite	Sediment and breccia hosted ('breccia pipe')	Palmer (1991a), Palmer et al (1995)
Stanton	793700	8148500	EL31272	Ptg	Co+Ni+Cu±Au	siegenite, chalcopyrite	Sediment and breccia hosted ('breccia pipe')	Fisher (1989), Palmer (1992, 1993a, b), Palmer et al (1995), Morris et al (1996), Rawlings et al (1996)
Selby (West)	784100	8134900	EL30590	Pk	P±Cu+U+REE	apatite	Stratiform sedimentary, hosted in granular sandstone and stromatolites	Davies (1982), Cardno (1983), Girschik (1992), NTGS (pers obs 2000)
Selby (Ridge)	785000	8134600	EL30590	Pk	P±Cu+U+REE	apatite	Stratiform sedimentary, hosted in granular sandstone and stromatolites	Davies (1982), Cardno (1983), Girschik (1992), NTGS (pers obs 2000)
Selby (Camp)	785500	8134800	EL30590	Pk	P±Cu+U+REE	apatite	Stratiform sedimentary, hosted in granular sandstone and stromatolites	Davies (1982), Cardno (1983), Girschik (1992), NTGS (pers obs 2000)
Selby (East)	788200	8134400	EL30590	Pk	P±Cu+U+REE	apatite	Stratiform sedimentary, hosted in granular sandstone and stromatolites	Davies (1982), Cardno (1983), Girschik (1992), NTGS (pers obs 2000)

The first mineralisation was discovered in the area by Mt Isa Mines Limited who mined secondary copper from a small open pit in the 1930s. Other companies explored in the region for various commodities, including uranium and diamonds, but it was not until the late 1980s that W.J. Fisher, a consultant geologist, identified breccia pipes in the region. CRA Exploration Pty Ltd (CRA) joint ventured into the Project between 1990 and 1996 undertaking an extensive amount of exploration including 21,468m in 257 drill holes, various geophysical surveys, soil geochemistry and metallurgical testing. When CRA merged with Rio Tinto, in 1997, the Project was no longer a focus for the company and it was divested to Chemmet Pty Ltd. The company commissioned a resource calculation between 1999 and 2000 along with a scoping study for development options. In 2000 Mineral Estates Pty Ltd, a wholly subsidiary of Hydromet Ltd, acquired the Project and undertook an independent Mineral Resource estimate. The company also commissioned a scoping study of mining and processing options by Resource Engineers Pty Ltd. The tenements were then acquired by Toro Energy Ltd then Coolabah Group Pty Ltd and now Northern Cobalt Ltd holds the tenements over the Project area.



Members of the W.J. Fisher exploration party at the discovery of the Stanton group of breccia pipes in 1989 (CR19890588).

Recent Developments

The portfolio of Tenements in the Wollgorang Cobalt Project comprises: Exploration Licence 31272 (Running Creek, EL 31272), Exploration Licence 30950 (Selby, EL 30950) and Exploration Licence 30486 (Karns, EL 30486).

Table 2 Wollgorang Cobalt Project – Exploration Licences

Tenement schedule at 30 June 2017

Tenement name	Tenement number	Status	Equity
Northern Territory			
Karns	EL30496	Granted	100%
Selby	EL30590	Granted	100%
Stanton / Running Creek	EL31272	Granted	100%

Northern Cobalt Ltd commissioned Ravensgate International Pty Ltd (Ravensgate) to undertake an independent assessment of the historical Co-Ni-Cu resource at the Stanton Cobalt Deposit and upgrade it to JORC 2012 compliance.

The JORC 2012 compliant Inferred Resource comprises 500,000t @ 0.17% Co, 0.09% Ni and 0.11% Cu.

In addition, Ravensgate defined a global Exploration Target with a range of 2Mt grading 0.03% cobalt, 0.008% nickel and 0.5% copper to 10Mt grading 0.12% cobalt, 0.06% nickel and 0.3% copper.

The Exploration Target quantity and grade is highly conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource in any of the prospects.



Table 3 Stanton Project Mineral Resource Estimates (JORC 2012)*Mineral Resource Statement at 30 June 2017*

Weathering	Volume (BCM)	Tonnage (tonnes)	Cobalt (ppm)	Nickel (ppm)	Copper (ppm)
Sulphide	70,000	180,000	2,000	1,200	900
Oxide	140,000	320,000	1,600	700	1,300
TOTAL	210,000	500,000	1,700	900	1,100

The information in this report that relates to Mineral Resources is based on information compiled by Mr David Reid, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Reid is an employee of Ravensgate. Mr Reid has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code (2012 edition). Mr Reid consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information related to the Stanton Project Mineral Resource Estimate was detailed in the market announcement "Prospectus" released on 20 September 2017. Northern Cobalt confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Northern Cobalt has recently published its Mineral Resource and has not undertaken further verification of the results since first published in the Prospectus on 20 September 2017. As this is the first year that the Mineral Resource has been published, there is no comparative information. Northern Cobalt relies on drilling results from accredited laboratories in providing assay results used to estimate Mineral Resources.



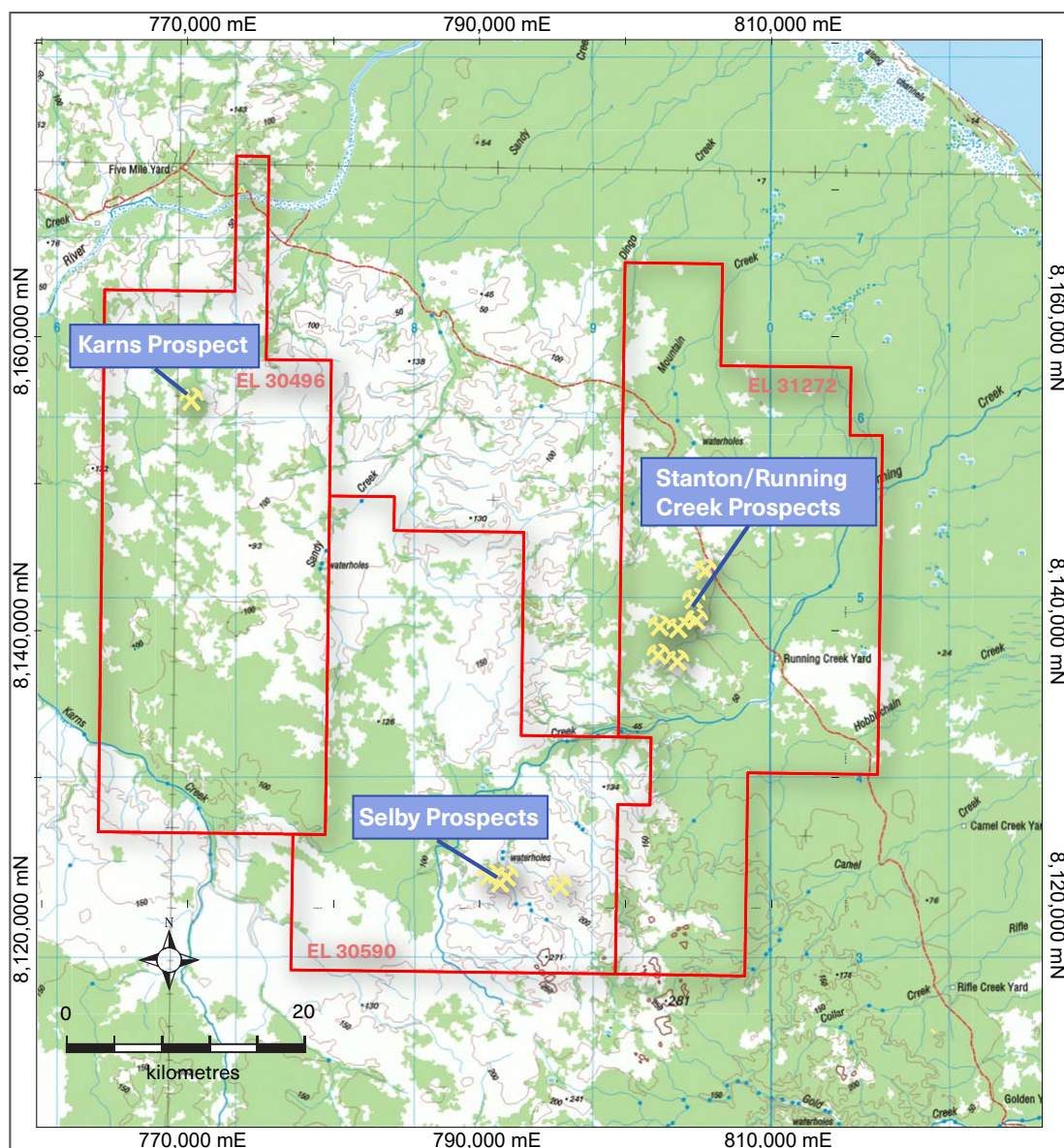


Figure 2 Location map showing tenements and project location (21/6/2107).

Exploration and Drilling Programs

The Stanton Cobalt Deposit contains an Inferred Resource of 500,000t @ 0.17% Co, 0.09% Ni and 0.11% Cu (JORC 2012). This deposit occurs within one of many breccia pipes known to occur within EL31272.

The initial phase of exploration will aim to increase the global Mineral Resource Inventory to the stated Exploration Target. The secondary objective will be to upgrade the Inferred Mineral Resource at the Stanton Deposit to the Indicated category.

Once these targets have been achieved the Company aims to quickly move to assess the development options for the Project.

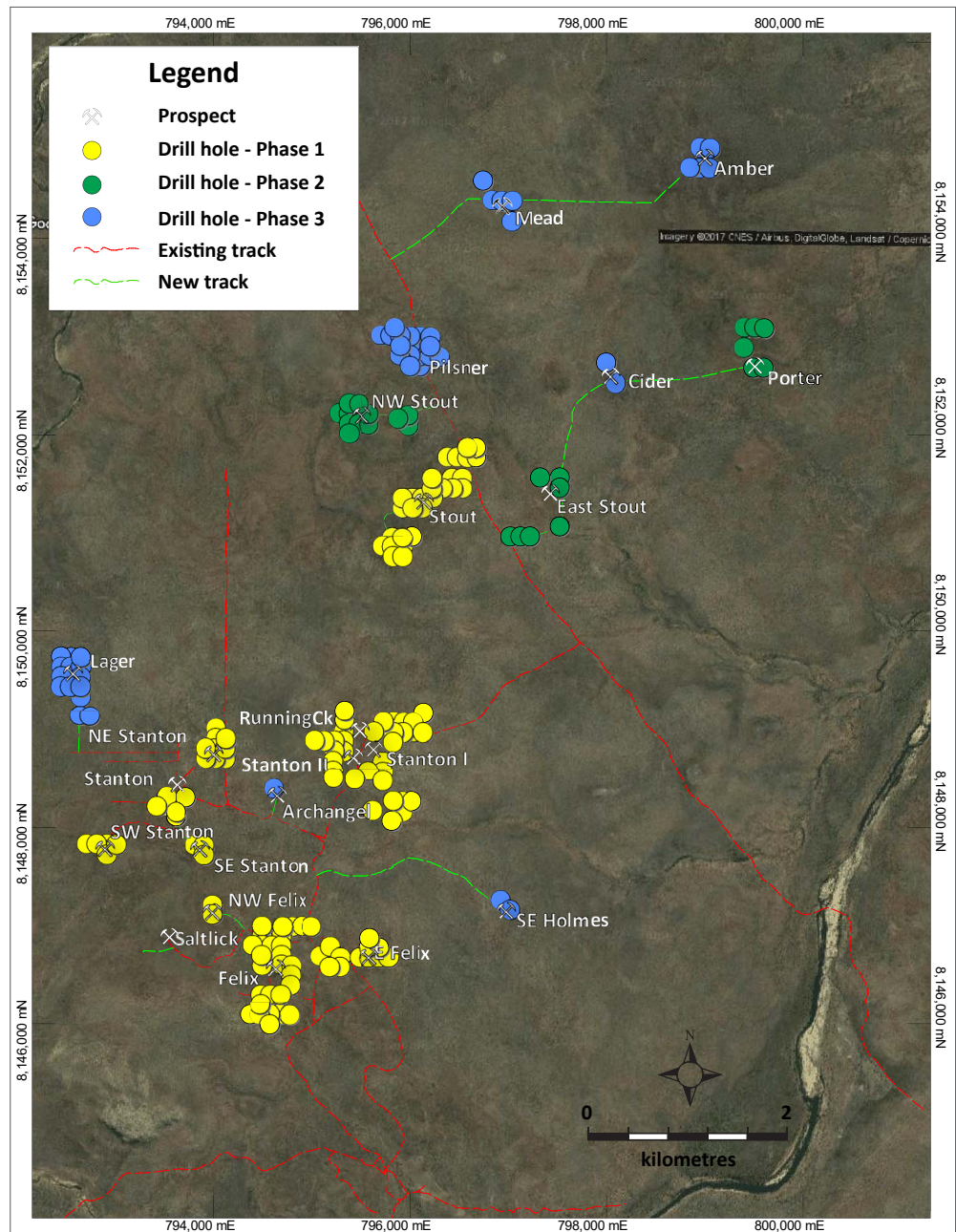


Figure 3 Location map showing prospect locations (21/6/2107).

Infrastructure

The Wollgorang Project is in a semi-remote location (Figure 4). There is, however, the advantage of proximity to two major ports. Bing Bong, the major port servicing the McArthur River Mine, lies approximately 200 km to the north-west and Karumba lies approximately 340 km to the east-south-east across the border in Queensland. A network of maintained unsealed roads connects Wollgorang Station Homestead to Bing Bong via Borroloola and a combination of maintained unsealed roads and all weather sealed roads connect the homestead with Karumba in Queensland. Electricity and water infrastructure is limited in the region and would need to be provisioned.

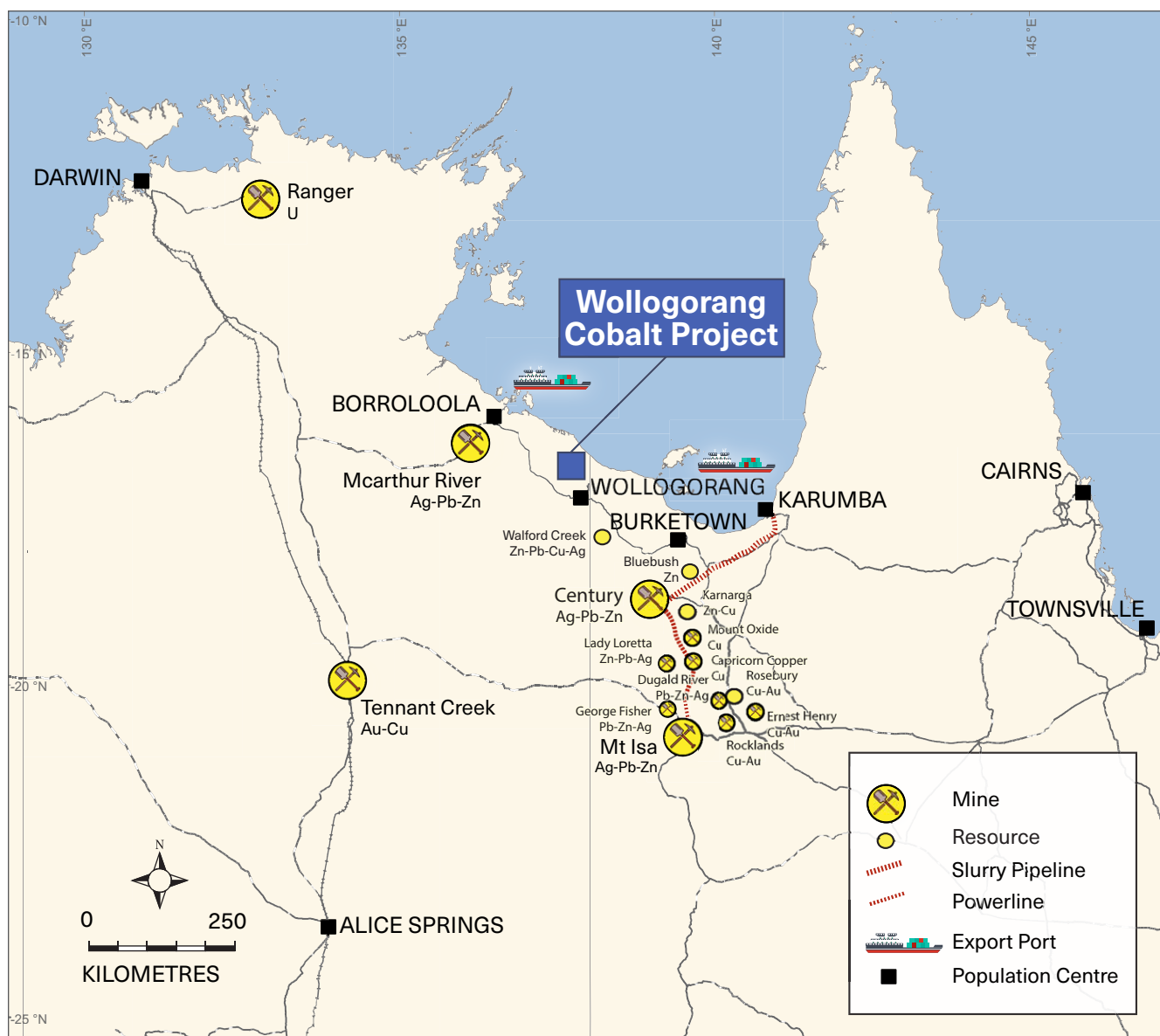


Figure 4 Transport infrastructure for the Wologorang Cobalt Project (21/6/2017).

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Michael Schwarz (BSc(Hons) Geol, AIG) as Managing Director of Northern Cobalt Ltd who is a member of the Australian Institute of Geoscientists and is bound by and follows the Institute's codes and recommended practices. He has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Schwarz consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Directors' Report

Northern Cobalt's Directors have pleasure in submitting their report on the Company for the period ended 30 June 2017.

DIRECTORS

The names and details of Directors in office at any time during the reporting period are:

Leonard Dean - Non-executive Chairman (appointed 6 March 2017)

BSc Metallurgy, MAICD

Experience and expertise

Mr Dean has over 50 years' experience across various operational, marketing and management roles in the resources industry covering a number of jurisdictions.

Mr Dean has previously held senior roles with BHP Billiton including as Marketing Director Iron Ore and Group General Manager Minerals Marketing. Following his career at BHP Billiton, Mr Dean consulted to a number of companies providing marketing, commercial and technical services to the iron ore industry.

Mr Dean has held a number of board positions including Managing Director of Sesa Goa Ltd, Indian's largest publicly listed iron ore company, Non-executive Director of WPG Resources Limited and Northern Cobalt Limited.

Other current directorships of listed companies

None

Other directorships held in listed companies in the last three years

Non-executive Director of WPG Resources Ltd from 20 August 2007 to 30 November 2016.

Interest in shares

100,000 Ordinary Shares held directly and by an entity in which Mr Dean has a beneficial interest.

Interest in options

1,000,000 unquoted options with exercise price of \$0.25 and expiry of 21 March 2021.

Michael Schwarz - Managing Director (appointed 6 March 2017)

BSc (Hons) Geology, AIG

Experience and expertise

Mr Schwarz has over 20 years' senior experience in mineral exploration spanning industry and government as a geologist and director of several exploration companies. Mr Schwarz has extensive experience both at a senior corporate level and in the hands-on roles of a geologist. He has high level negotiation and communication skills, and has managed competing stakeholder interests successfully, specifically balancing the needs of shareholders, land owners, corporate financiers, joint venture partners and government to ensure a positive outcome for his organisations. Mr Schwarz has significant technical knowledge and experience in South Australian and Northern Territory geology and mineralisation styles and has led research projects with State Governments, Geoscience Australia and various universities.

As a founding Director and Executive Director Exploration for Core Exploration Limited (ASX:CXO), Mr Schwarz established exploration programs for iron-oxide copper-gold (IOCG) mineralisation in the Olympic Dam Copper-Gold Province in South Australia and in silver and base metal mineralisation in the Arunta Inlier in the Northern Territory.

As Managing Director of Monax Mining Ltd (ASX:MOX), Mr Schwarz was responsible for building a solid portfolio of highly prospective tenements with a focus on iron-oxide copper-gold and uranium. This strong foundation enabled the company to list on the ASX in 2005.

Mr Schwarz was also a founding Director of Marmota Energy Ltd (ASX:MEU), a role he performed concurrently while Managing Director of Monax Mining Ltd, where Mr Schwarz built a strong portfolio of prospective uranium tenements and successfully managed the company's oversubscribed listing on the ASX.

Other current directorships of listed companies

None

Other directorships held in listed companies in the last three years

Core Exploration Limited from 10 September 2010 to 28 February 2015.

Interest in shares

200,000 Ordinary Shares held directly and by an entity in which Mr Schwarz has a beneficial interest.

Interest in options

3,000,000 unquoted options with exercise price of \$0.25 and expiry of 21 March 2021.

Duncan Chessell – Non-executive Director (appointed 6 March 2017)

BSc, GAICD, MAusIMM

Experience and expertise

Mr Chessell is a geologist with over 20 years' experience in business and in oil, gas and mineral exploration. He was Managing Director of Endeavour Group from 2010 to 2016 during which time he raised over \$5,000,000 and made new gold discoveries at the Double Dutch, Minos and Ariadne prospects in the Gawler Craton in South Australia.

He is a Graduate of the Australian Institute of Company Directors and a Member of the Australian Institute of Mining & Metallurgy. He is currently part time CEO of the Himalayan Development Foundation Australia Inc, a not-for-profit entity delivering assistance to the people of Nepal of which he was the founding Chairman. He is currently a non-executive Director of Coolabah Group, the project Vendor. Coolabah Group advances mineral exploration projects towards development.

Mr Chessell also has 12 years' international business experience in adventure tourism, founding companies DCXP and PNG Expeditions in New Zealand, Australia and Papua New Guinea. He is also a triple Mt Everest summitter and leader of numerous adventures including 'world firsts' in Antarctica and has guided the "Seven Summits" – the highest peak on each continent.

Other current directorships of listed companies

None

Other directorships held in listed companies in the last three years

None

Interest in shares

4,908,750 Ordinary Shares held directly and by an entity in which Mr Chessell has a beneficial interest.

Interest in options / performance shares

697,500 unquoted options with exercise price of \$0.25 and expiry of 21 March 2021.

1,800,000 class A performance shares subject to exploration based performance hurdles expiring on 6 September 2022.

658,125 class B performance shares subject to exploration based performance hurdles expiring on 6 September 2022.

Andrew Shearer – Non-executive Director (appointed 6 March 2017)

BSC (Geology), Hons (Geophysics), MBA

Experience and expertise

Mr Shearer is an experienced Geologist and has been involved in the mining and finance industries for 23 years. With a geoscientific and finance background he has experience in the resources industry from exploration through to development. As a Resources Analyst, Mr Shearer has been exposed to the global resources sector covering small to mid-cap resource stocks across a broad suite of commodities. Prior to moving into the finance sector he spent over a decade working in the minerals exploration industry in technical and senior management roles. Mr Shearer brings to Northern Cobalt strong professional skills and experiences in equity research, investor relations, valuations, supply and demand analysis and capital markets.

Mr Shearer's experience includes roles with PAC Partners Pty Ltd, PhillipCapital, Austock, South Australian Government, Mount Isa Mines Limited and Glengarry Resources Limited. He is currently Senior Resource Analyst at PAC Partners Pty Ltd.

Other current directorships of listed companies

None

Other directorships held in listed companies in the last three years

None

Interest in shares

840,000 Ordinary Shares held directly and by an entity in which Mr Shearer has a beneficial interest.

Interest in options / performance shares

450,000 unquoted options with exercise price of \$0.25 and expiry of 21 March 2021.

800,000 class A performance shares subject to exploration based performance hurdles expiring on 6 September 2022.

325,000 class B performance shares subject to exploration based performance hurdles expiring on 6 September 2022.

COMPANY SECRETARY

Jaroslav (Jarek) Kopias - Joint Company Secretary / Chief Financial Officer

(appointed 6 March 2017)

BCom, CPA, AGIA, ACIS

Mr Kopias is a Certified Practising Accountant and Chartered Secretary. Mr Kopias has over 20 years' industry experience in a wide range of financial and secretarial roles within the resources industry. As an accountant, Mr Kopias worked in numerous financial roles for companies, specialising in the resource sector – including 5 years at WMC Resources Limited's Olympic Dam operations, 5 years at Newmont Mining Corporation - Australia's corporate office and 5 years at oil and gas producer and explorer, Stuart Petroleum Limited (prior to its merger with Senex Energy Limited).

He is currently the CFO and Company Secretary of Core Exploration Limited (ASX: CXO) and Lincoln Minerals Limited (ASX: LML) and Company Secretary of Iron Road Limited (ASX: IRD). Mr Kopias has held similar roles with other ASX entities in the past and has other business interests with numerous unlisted entities.

Jay Stephenson - Joint Company Secretary

MBA, FCPA, CPA, CMA, FGIA, FCIS, MAICD

Mr Stephenson has been involved in business development for over 25 years including approximately 21 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, IT, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

Mr Stephenson holds a Master of Business Administration, is a Fellow of the Certified Practising Accountants (Australia), a Chartered Professional Accountant (Canada), a Certified Management Accountant (Canada), a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

PRINCIPAL ACTIVITIES

Northern Cobalt's principal activities are the exploration for cobalt deposits in Northern Territory.

OPERATING AND FINANCIAL REVIEW

The net loss of the Company for the period after providing for income tax amounted to \$296,046 primarily due to expensed IPO costs and preliminary exploration expenditure and administrative costs incurred in the Company's formation and promotion.

The principal activities of the Company during the period were the issue of 11,000,000 founder and seed shares raising \$643,070 and entering into a binding Heads of Agreement (HoA) with Coolabah Group Pty Ltd ahead of a proposed ASX listing. Upon satisfaction of conditions under the HoA, the Company will hold all shares in Mangrove Resources Pty Ltd (Mangrove) and undertake cobalt exploration in the Northern Territory.

On 31 March 2017, the Company entered into a binding HoA to acquire all issued shares in Mangrove. Mangrove holds three exploration licences in the Northern Territory, EL31272, EL30496 and EL30590. The Company is required to pay an option fee of \$28,000 (subject to ASX approval) and may exercise the option to acquire all shares in Mangrove subject

to various due diligence conditions and approval to list on ASX. As consideration for the acquisition of shares in Mangrove, the Company will issue 6,500,000 ordinary shares and 14,500,000 performance shares – performance shares will vest subject to meeting certain exploration based conditions.

The risks associated with the projects listed below are those common to exploration activities generally. Exploration targets are conceptual in nature such that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

The main environmental and sustainability risks that Northern Cobalt currently faces are through ground disturbance when undertaking sampling or drilling activities. The Company's approach to exploration through environmental, heritage and other clearances allows these risks to be minimised.

The financial impact of the projects listed below is a requirement for further expenditure where successful exploration leads to follow-up activities. All exploration activities may be funded by the Company's own cash reserves or through joint venture arrangements.

Further technical detail on each of the prospects listed below is in the Project Overview of the Annual Report.

The Wollogorang Cobalt Project covers 1,131 km² of pastoral land, wholly within NT pastoral lease No 1113, Wollogorang Station, in the north-eastern corner of the Northern Territory – NT Exploration Licences EL30496, EL30590 and EL31272. The Project area lies 15 km west of the Queensland border and 80 km north of Wollogorang Station Homestead. The Project is approximately 1000 km by road from Darwin and a similar distance from Cairns in Queensland. The MacArthur River Mine is approximately 200 km to the west and the large mining service centre of Mount Isa lies 500 km to the southeast in Queensland. Other smaller service centres are Borroloola and Burketown, 150 km to the west and east respectively.

The first mineralisation was discovered in the area by Mt Isa Mines Limited who mined secondary copper from a small open pit in the 1930s. Other companies explored in the region for various commodities, including uranium and diamonds, but it was not until the late 1980s that breccia pipes were identified in the region. More recently, Northern Cobalt commissioned Ravensgate International Pty Ltd (Ravensgate) to undertake an independent assessment of the historical Co-Ni-Cu resource at the Stanton Cobalt Deposit and upgrade it to JORC 2012 compliance resulting in an Inferred Mineral Resource of 500,000t @ 0.17% Co, 0.09% Ni and 0.11% Cu. This deposit occurs within one of many breccia pipes known to occur within EL31272.

The Stanton Cobalt Mineral Resource Estimate will be detailed in the market announcement "Prospectus" to be released on the Company's admission to ASX. Northern Cobalt confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

The future strategy at the Wollogorang Cobalt Project is for Northern Cobalt to focus on increasing the global Mineral Resource inventory and to upgrade the existing Mineral Resource.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company that occurred during the reporting period that has not otherwise been disclosed in this report or the financial statements.

DIVIDENDS

There were no dividends paid or declared during the reporting period or to the date of this report

EVENTS ARISING SINCE THE END OF THE REPORTING YEAR

No matters or circumstances have arisen since the end of the financial year 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 subsequent financial years other than those listed below.

On 6 September 2017, the Company completed the acquisition of Mangrove Resources Pty Ltd having successfully raised \$4.2 million via an IPO and moved towards listing on ASX under codes N27 and N27O, being admitted to the official list of the ASX on 20 September 2017. The completion and listing involved the issue of 21,067,500 fully paid ordinary shares (ASX: N27), 3,510,000 vendor shares, 10,533,750 quoted options (ASX: N27O), 9,600,000 A class performance shares and 3,575,000 B Class performance shares.

LIKELY DEVELOPMENTS

The Company has moved towards an initial ASX listing and will commence exploration activities at its projects in the Northern Territory.

DIRECTORS' MEETINGS

The number of Directors' meetings held during the reporting period and the number of meetings attended by each Director is as follows:

Directors	Board meetings	Audit and Risk Committee meetings		
	Meetings attended	Meetings entitled to attend	Meetings attended	Meetings entitled to attend
LA Dean	5	5	-	-
MP Schwarz	5	5	-	-
DC Chessell	5	5	-	-
AN Shearer	5	5	-	-

At this time there are no separate Board committees, other than the Audit and Risk Committee, as all matters usually delegated to such committees are handled by the Board as a whole.

UNISSUED SHARES UNDER OPTION

Unissued ordinary Shares of Northern Cobalt under option at the date of this report are:

Date options Granted	Expiry date	Exercise price of options	Number under option
21 March 2017	21 March 2019	\$0.25	6,000,000
4 September 2017	4 September 2021	\$0.25	5,800,000
Total unquoted options			11,800,000
14 September 2017	14 September 2019	\$0.20	10,533,750
Total quoted options			10,533,750
Total options on issue			22,333,750

Options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

During the year 6,000,000 unlisted options were issued to founders of the Company.

Subsequent to the end of the financial year, at completion of the Mangrove Resources acquisition and ASX listing, 5,800,000 promoter options and 10,533,750 investor options were issued on the terms noted in the table above.

PERFORMANCE SHARES

Subsequent to the end of the reporting period, and upon completion of the acquisition of Mangrove Resources Pty Ltd, 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

As the shares were issued subsequent to the reporting period, 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.



REMUNERATION REPORT (AUDITED)

The Directors of Northern Cobalt Limited present the Remuneration Report in accordance with the *Corporations Act 2001 (Cth)* and the *Corporations Regulations 2001 (Cth)*.

The Remuneration Report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based remuneration
- E. Other information

A. Principles used to determine the nature and amount of remuneration

The Company's remuneration policy has been designed to align objectives of key management personnel with objectives of shareholders and the business, by providing a fixed remuneration component and offering specific long-term incentives through the issue of options and / or performance rights. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel and Directors to run and manage the Company. The key management personnel of the Company are the Board of Directors and Executive Officers.

The Board's policy for determining the nature and amount of remuneration for its members and key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the executive Directors and key management personnel, was developed by the Board. All key management personnel are remunerated on a consultancy or salary basis based on services provided by each person. The Board annually reviews the packages of key management personnel by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses, options and performance rights. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.
- Key management personnel are also entitled to participate in the Company's Share Option Plan and Performance Share Plan as disclosed to shareholders in the Company's IPO prospectus.
- The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting (currently \$400,000). Fees for non-executive Directors are not linked to the performance of the Company, except in relation to exploration based KPI performance shares issued as part of the IPO process. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the Company's Share Option Plan and Performance Share Plan, which may exist from time to time.

During the reporting period, performance reviews of senior executives were not conducted.

There were no remuneration consultants used by the Company during the period.

Consequences of performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth, the Board will have regard to a number of indices upon successful listing on ASX.

Performance based remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and other key management personnel. Currently, this is facilitated through the issue of options and/or performance rights to key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. There is currently no relationship of board policy for KMP remuneration and the entity's performance for the last 5 years.

Voting and comments made at the Company's 2016 Annual General Meeting

As the Company was registered on 6 March 2017, it has not held an AGM to date.

B. Details of remuneration

Details of the nature and amount of each element of the remuneration of the Company's key management personnel (KMP) are shown below:

Director and other Key Management Personnel Remuneration

2017	Short term benefits	Post-employment benefits	Share-based payments		Options and performance rights ¹	Total	At risk ³
	Salary and fees	Contract payments	Other benefits	Superannuation			
	\$	\$	\$	\$	\$	\$	%
Non-executive Directors							
L Dean	-	-	-	-	741	741	-
D Chessell	-	-	-	-	517	517	-
A Shearer	-	-	-	-	334	334	-
Executive Directors							
M Schwarz	-	-	-	-	2,224	2,224	-
Other Key Management Personnel							
J Kopias ²	-	-	-	-	-	-	-
Total	-	-	-	-	3,816	3,816	-

1) Options issued in 2017.

2) Contract payments are made to Kopias Consulting – an entity associated with Mr Kopias.

3) Represents share based payments linked to performance conditions

All KMP were appointed during the year on 6 March 2017. All directors were issued with vested options during the year.

C. Service agreements

Remuneration and other terms of employment for the Executive Directors and other KMP are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below:

Name	Base remuneration	Unit of measure	Term of agreement	Notice period	Termination benefits
M Schwarz Managing Director	\$192,720	Salaried employee	Indefinite	Six months	Six months
J Kopias CFO & Company Secretary	variable	hourly rate contract	Unspecified	One month	None

D. Share-based remuneration

Details of options convertible to ordinary shares in the Company that were granted as remuneration to each KMP during the year are set out below:

Granted 2017	Number granted	Grant date	Fair value at grant date		First vesting date	Last vesting date
			per option	Full value \$		
L Dean	1,000,000	21/03/2017	\$0.00074	741	21/03/2017	21/03/2021
M Schwarz	3,000,000	21/03/2017	\$0.00074	2,224	21/03/2017	21/03/2021
D Chessell	697,500	21/03/2017	\$0.00074	517	21/03/2017	21/03/2021
A Shearer	450,000	21/03/2017	\$0.00074	334	21/03/2017	21/03/2021
TOTAL	5,147,500					

Share holdings of key management personnel

The number of ordinary shares of Northern Cobalt Limited held, directly, indirectly or beneficially, by each Director and Company Secretary, including their personally-related entities as at reporting date:

Directors and Company Secretary 2017	Held at 6 March 2017 ¹	Movement during year ²	Options / Rights exercised	Held at 30 June 2017
L Dean	-	100,000	-	100,000
M Schwarz	-	200,000	-	200,000
D Chessell	-	1,398,750 ³	-	1,398,750
A Shearer	-	840,000	-	840,000
J Kopias	-	400,000	-	400,000
Total	-	2,938,750	-	2,938,750

1) Company registration date.

2) Movement represents issue of founder shares.

3) In addition to founder shares, movement represents purchase of 1,365,000 shares by an entity in which Mr Chessell holds a beneficial interest.

Option holdings of key management personnel

The number of options over ordinary shares in Northern Cobalt Limited held, directly, indirectly or beneficially, by each specified Director and KMP, including their personally-related entities as at reporting date, is as follows:

Unlisted options

Directors 2017	Held at 6 March 2017 ¹	Granted during year ²	Disposed during year	Exercised	Held at 30 June 2017	Vested and exercisable at 30 June 2017
L Dean	-	1,000,000	-	-	1,000,000	1,000,000
M Schwarz	-	3,000,000	-	-	3,000,000	3,000,000
D Chessell	-	697,500	-	-	697,500	697,500
A Shearer	-	450,000	-	-	450,000	450,000
Total	-	5,147,500	-	-	5,147,500	5,147,500

1) Company registration date.

2) Movement represents issue of founder options.

Performance Share holdings of key management personnel

The number of performance shares over ordinary shares in Northern Cobalt Limited held, directly, indirectly or beneficially, by each specified Director and KMP, including their personally-related entities as at reporting date, is as follows:

Directors and Company Secretary 2017	Held at 6 March 2017 ¹	Acquired subsequent to the end of the year ²	Disposed during year	Exercised	Held at 30 June 2017	Vested and exercisable at 30 June 2017
Class A						
D Chessell	-	1,800,000	-	-	-	-
A Shearer	-	800,000	-	-	-	-
Class B						
D Chessell	-	658,125	-	-	-	-
A Shearer	-	325,000	-	-	-	-
Total	-	3,583,125	-	-	-	-

1) Company registration date.

2) Issued upon completion of acquisition of Mangrove Resources Pty Ltd on 6 September 2017.

E. Other information

Transactions with key management personnel

Transactions with key management personnel are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Duncan Chessell

Northern Cobalt has entered into an agreement with Coolabah Resources Pty Ltd to acquire all shares in Mangrove Resources Pty Ltd. Mr Chessell is a director and ultimate shareholder of both companies. The transaction is further detailed in note 7.

Northern Cobalt has entered into an agreement with Coolabah Resources Pty Ltd to provide consultancy services related to project management, geological services and business management services. The agreement is on arms-length terms, commencing on 14 April 2017 at a rate of \$11,500 per month.

Andrew Shearer

Northern Cobalt has entered into an agreement with PAC Partners Pty Ltd (PAC), the employer of Mr Shearer, as sole lead manager of the Company's listing on ASX. During the period PAC has been paid fees of \$36,000 +GST.

END OF AUDITED REMUNERATION REPORT

ENVIRONMENTAL LEGISLATION

The Directors believe that the Company has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

The Company's operations are subject to various environmental regulations under the Commonwealth and State Laws of Australia. The majority of its activities involve low level disturbance associated with exploration drilling programs. Approvals, licences, hearings and other regulatory requirements are performed, as required, by the Company's management for each permit or lease in which the Company has an interest.

INDEMNITIES GIVEN AND INSURANCE PREMIUMS PAID TO AUDITORS AND OFFICERS

During the reporting year, the Company paid a premium to insure officers of the Company. The officers of the Company covered by the insurance policy include all officers.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the reporting period, except to the extent permitted by law, indemnified, or agreed to indemnify any current or former officer or auditor of the Company against a liability incurred as such by an officer or auditor.

NON-AUDIT SERVICES

There were no services provided by the Company's auditor, Grant Thornton, during the reporting period other than audit of the financial report.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001 (Cth)* is included on page 29 of this Financial Report and forms part of this Directors' Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

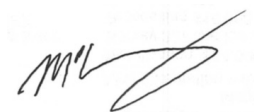
No person has applied to the Court under section 237 of the *Corporations Act 2001 (Cth)* for leave to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

CORPORATE GOVERNANCE

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition" (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

A summary of the Company's ongoing corporate governance practices is set out annually in the Company's Corporate Governance Statement and can be found on the Company's website at www.northerncobalt.com.

Signed in accordance with a resolution of the Directors.



Michael Schwarz
MANAGING DIRECTOR

Adelaide

21 September 2017

Auditor's Independence Declaration



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Auditor's Independence Declaration To the Directors of Northern Cobalt Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Northern Cobalt Limited for the year ended 30 June 2017, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized, handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to be "J L Humphrey".

J L Humphrey
Partner - Audit & Assurance

Adelaide, 21 September 2017

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Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2017

	Notes	30 June 2017 \$
Interest income		682
Exploration expense	8	(85,041)
IPO costs expensed		(173,387)
Depreciation	9	(211)
Other expenses	2	(38,089)
Profit / (loss) before tax		(296,046)
Income tax (expense) / benefit	3	-
Loss for the period from continuing operations attributable to owners of the parent		(296,046)
Other comprehensive income attributable to owners of the parent		-
Total comprehensive loss for the period attributable to owners of the parent		(296,046)

Earnings Per Share from Continuing Operations

Basic and diluted profit / (loss) – cents per share	4	(3.26)
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As the Company was registered on 6 March 2017 there is no comparative financial information.

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

Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 \$
ASSETS		
Current assets		
Cash and cash equivalents	5	327,885
Other current assets	6	129,376
Total current assets		457,261
Non-current assets		
Financial asset	7	28,000
Property, plant and equipment	9	1,061
Total non-current assets		29,061
TOTAL ASSETS		486,322
LIABILITIES		
Current liabilities		
Trade and other payables	10	171,751
Total current liabilities		171,751
TOTAL LIABILITIES		171,751
NET ASSETS		314,571
EQUITY		
Issued capital	11	606,170
Reserves	12	4,447
Accumulated losses		(296,046)
TOTAL EQUITY		314,571

As the Company was registered on 6 March 2017 there is no comparative financial information.

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

Statement of Changes in Equity

For the period ended 30 June 2017

2017	Issued capital \$	Option reserve \$	Accumulated losses \$	Total equity \$
As at incorporation – 6 March 2017	-	-	-	-
Founder and seed shares	643,070	-	-	643,070
Capital raising costs – IPO	(36,900)	-	-	(36,900)
Founder and KMP options	-	4,447	-	4,447
Transactions with owners	606,170	4,447	-	610,617
Comprehensive income:				
Total profit or loss for the reporting period	-	-	(296,046)	(296,046)
Total other comprehensive income for the reporting period	-	-	-	-
Balance 30 June 2017	606,170	4,447	(296,046)	314,571

As the Company was registered on 6 March 2017 there is no comparative financial information.

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

Statement of Cash Flows

For the period ended 30 June 2017

	Notes	30 June 2017 \$
Operating activities		
Interest received		682
Payments to suppliers and employees		(26,087)
Net cash used in operating activities	13	(25,405)
Investing activities		
Acquisition of financial assets		(28,000)
Payments for exploration expenditure		(85,041)
Payments for plant and equipment		(1,061)
Net cash used in investing activities		(114,102)
Financing activities		
Proceeds from issue of shares		643,070
Share Issue expenses		(175,678)
Net cash from financing activities		467,392
Net change in cash and cash equivalents		327,885
Cash and cash equivalents, beginning of reporting year		-
Cash and cash equivalents, end of period	5 (a)	327,885

As the Company was registered on 6 March 2017 there is no comparative financial information.

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

Notes to the financial statements

For the period ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Northern Cobalt Ltd is an unlisted public company, registered and domiciled in Australia. Northern Cobalt Ltd is a for profit entity for the purpose of preparing the financial statements.

The financial statements for the reporting period ended 30 June 2017 were approved and authorised by the Board of Directors on 21 September 2017.

The Financial Report has been prepared on an accruals basis, and is based on historical costs, modified by the measurement at fair value of selected on-current assets, financial assets and financial liabilities.

Comparatives

There is no comparative information as the Company was registered on 6 March 2017.

The significant policies which have been adopted in the preparation of this financial report are summarised below.

a) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board.

The Company aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria, as prescribed by AASB 8, are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the Board in allocating resources have concluded that at this time there are no separately identifiable segments.

b) Finance income and expense

Finance income comprises interest income on funds invested, gains on disposal of financial assets and changes in fair value of financial assets held at fair value through profit or loss. Finance expenses comprise changes in the fair value of financial assets held at fair value through profit or loss and impairment losses on financial assets.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method. All income is stated net of goods and services tax (GST).

c) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the items. Repairs and maintenance are charged to profit or loss during the reporting period in which they were incurred.

Depreciation is calculated using the straight-line method to allocate asset costs over their estimated useful lives, as follows:

Office and IT equipment	3 years
-------------------------	---------

The assets residual values and useful lives are reviewed and adjusted at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Company's policy to transfer any amounts included in other revenues in respect of those assets to retained earnings.

d) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that right of tenure is current and those costs are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing.

Accumulated costs, in relation to an abandoned area, are written off in full against profit in the period in which the decision to abandon the area is made.

e) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the provisions to the instrument. For financial assets, this is equivalent to date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified as 'fair value through profit and loss', in which case the costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value or amortised cost using the interest method or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settle, between knowledgeable willing parties. Where available, quoted prices in an active market are used to determine fair value.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets except for those not expected to mature within 12 months after the end of the reporting period.

ii) Financial liabilities

Non-derivative financial liabilities are subsequently measured at cost.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired.

f) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where it is not probable to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less provision for impairment. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

h) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently amortised cost using the effective interest rate method.

Trade and other payables are stated at amortised cost.

i) Income Tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set-off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

j) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

k) Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease. All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

l) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

m) Share-based payments

The Company has provided payment to related parties in the form of share-based compensation, whereby related parties render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black and Scholes methodology depending on the nature of the option terms.

The Black and Scholes option pricing model takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimates of the number of options that are expected to become exercisable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

n) Employee benefits

The Company provides post-employment benefits through various defined contribution plans.

A defined contribution plan is a superannuation plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Company contributes to several plans and insurances for individual employees that are considered defined contribution plans. Contributions to the plans are recognised as an expense in the period that relevant employee services are received.

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Company expects to pay as a result on the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Company does not expect all annual leave for all employees to be used wholly within 12 months of the end of the reporting period. Annual leave liability is still presented as a current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

p) 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 Company.

i) Key estimates – impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company 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 Company 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.

iii) Share-based payment transactions

The Company measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors with reference to quoted market prices or using the Black-Scholes valuation method taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in note 18. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

q) Adoption of the new and revised accounting standards

In the current year, there are no new and/or revised Standards and Interpretations adopted in these Financial Statements affecting presentation or disclosure and the reported result or financial position.

r) Recently issued accounting standards to be applied in future accounting periods

The accounting standards that have not been early adopted for the year ended 30 June 2017 but will be applicable to the Company in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future periods but are considered insignificant to the Company.

Standard / Interpretation	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-1 'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2016-5 'Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions'	1 January 2018	30 June 2019

We do not expect these accounting standards will have any material impact on our financial results upon adoption.

2. OTHER EXPENSES

	2017 \$
Compliance	12,305
Employee benefits expense	8,645
Office expenses	667
Legal, insurance and registry	11,429
Other expenses	5,043
Total other expenses	38,089

3. INCOME TAX BENEFIT / (LOSS)

	2017 \$
a) The components of income tax expense comprise:	
Current income tax expense / (benefit)	-
b) The prima facie tax loss before income tax is reconciled to the income tax (benefit) / expense as follows:	
Net gain / (loss)	(296,046)
Income tax rate	27.5%
Prima facie tax benefit on loss from activities before income tax	(81,413)
Tax effect of temporary differences not brought to account as they do not meet the recognition criteria	32,783
Deferred tax asset not realised as recognition criteria not met	48,630
Subtotal	-
c) Deferred tax assets have not been recognised in respect of the following:	
Deferred tax liabilities	173,203
Deferred tax asset not recognised	47,631

A net deferred tax asset of \$47,631 has not been recognised as it is not probable that within the immediate future that taxable profits will be available against which temporary differences and tax losses can be utilised.

The Company is subject to income taxes in Australia. Significant judgement is required in determining the provision of income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company estimates its tax liabilities based on the Company's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4. 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:

	2017 #
Weighted average number of shares used in basic earnings per share	9,076,923
Weighted average number of shares used in diluted earnings per share	14,307,692
 Profit / (loss) per share – basic and basic (cents)	 (3.26)

There were 6,000,000 options outstanding at the end of the year (2016: Nil) that have not been taken into account in calculating diluted EPS due to their effect being anti-dilutive.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	2017 \$
Cash at bank and in hand	327,885
Cash and cash equivalents	327,885

a) Reconciliation of cash at the end of the period.

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Cash and cash equivalents	327,885
---------------------------	---------

6. OTHER CURRENT ASSETS

Other current assets include the following:

	2017 \$
Prepaid IPO costs	126,794
Other current assets	2,582
Total receivables	129,376

No receivables are considered past due and / or impaired.

7. FINANCIAL ASSET

On 31 March 2017, the Company entered into a binding HoA to acquire all issued shares in Mangrove. Mangrove holds three exploration licences in the Northern Territory, EL31272, EL30496 and EL30590. The Company paid an option fee of \$28,000 and exercised the option to acquire all shares in Mangrove subject to various due diligence conditions and approval to list on ASX. As consideration for the acquisition of shares in Mangrove, the Company will issued 3,510,000 ordinary shares and 10,925,000 performance shares – performance shares will vest subject to meeting certain exploration based conditions.

8. EXPLORATION AND EVALUATION EXPENDITURE

	2017 \$
Opening balance	-
Expenditure on exploration during the year	85,041
Impairment of capitalised exploration	-
Exploration expenditure expensed	(85,041)
Closing balance	-

Exploration expenditure incurred during the year relates to preliminary exploration on mineral licences to be acquired.

9. PLANT AND EQUIPMENT

2017	Software \$	Total \$
Gross carrying amount		
Opening balance	-	-
Additions	1,272	1,272
Closing balance	1,272	1,272
Depreciation and impairment		
Opening balance	-	-
Depreciation	(211)	(211)
Closing balance	(211)	(211)
Carrying amount 30 June	1,061	1,061

10. TRADE AND OTHER PAYABLES

	2017 \$
Trade creditors	30,060
Payroll liabilities	1,050
Accrued expenses	140,641
Total trade and other payables	171,751

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

11. ISSUED CAPITAL

	2017 \$
a) Issued and paid up capital	
Fully paid ordinary shares	606,170

	Number	\$
b) Movements in fully paid shares		
Balance at 30 June 2016	-	-
Capital issued	11,000,000	643,070
Capital raising costs	-	(36,900)
Balance as 30 June 2017	11,000,000	606,170

The share capital of Northern Cobalt Ltd consists only of fully paid ordinary shares. All shares are eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Northern Cobalt Ltd.

The shares do not have a par value and the Company does not have a limited amount of authorised capital.

In the event of winding up the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

c) Capital management

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure accordingly. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's capital is shown as issued capital in the statement of financial position.

12. RESERVES

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

Share option reserve	Number of options	\$	Weighted average exercise price
Balance as at registration	-	-	-
Granted	6,000,000	4,447	\$0.25
Lapsed	-	-	-
Balance at 30 June 2017	6,000,000	4,447	\$0.25

All options vested upon issue except as stated above.

Nature and purpose of reserves

The share option reserve is used to recognise the fair value of all options.

13. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Operating activities	2017 \$
Profit / (loss) after tax	(122,659)
Share based payments	3,633
Net change in working capital	93,621
Net cash used in operating activities	(25,405)

14. AUDITOR REMUNERATION

	2017 \$
Audit services	
Auditors of Northern Cobalt Limited – Grant Thornton	
Audit and review of Financial Reports	11,635
Audit services remuneration	11,635
Other services	
Auditors of Northern Cobalt Limited – Grant Thornton	
Taxation compliance	-
Total other services remuneration	-
Total remuneration received by Grant Thornton	11,635

15. COMMITMENTS AND CONTINGENCIES

Exploration commitments

The Company currently does not have exploration commitments as it is in the process of acquiring exploration licences in the Northern Territory as detailed below.

Contingent liabilities and assets

On 31 March 2017, the Company entered into a binding Heads of Agreement (HoA) to acquire all issued shares in Mangrove Resources Pty Ltd (Mangrove). Mangrove holds three exploration licences in the Northern Territory, EL31272, EL30496 and EL30590. The Company has paid an option fee of \$28,000 and will exercise the option to acquire all shares in Mangrove subject to various due diligence conditions and approval to list on ASX. As consideration for the acquisition of shares in Mangrove, the Company will issue 3,510,000 ordinary shares and 10,925,000 performance shares – performance shares will vest subject to meeting certain exploration based conditions.

16. RELATED PARTY TRANSACTIONS

The Company's related party transactions include its key management personnel.

a) Transactions with key management personnel

Transactions with key management personnel are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash (all amounts are exclusive of GST).

Duncan Chessell

Northern Cobalt has entered into an agreement with Coolabah Resources Pty Ltd to acquire all shares in Mangrove Resources Pty Ltd. Mr Chessell is a director and ultimate shareholder of both companies. The transaction is further detailed in note 7.

Northern Cobalt has entered into an agreement with Coolabah Resources Pty Ltd to provide consultancy services related to project management, geological services and business management services. The agreement is on arms-length terms, commencing on 14 April 2017 at a rate of \$11,500 per month.

Andrew Shearer

Northern Cobalt has entered into an agreement with PAC Partners Pty Ltd (PAC), the employer of Mr Shearer, as sole lead manager of the Company's listing on ASX. During the period PAC has been paid fees of \$36,000 +GST.

17. RELATED PARTY TRANSACTIONS

a) Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2017 \$
Salaries / contract payments for Directors and employees	-
Employee benefits expense	-
Share based payments	3,816
	<u>3,816</u>

18. EMPLOYEE REMUNERATION

a) Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2017 \$
Salaries / contract payments for Directors and employees	2,832
Share based payments – Director and employee options	3,633
Defined contribution superannuation expense	217
Other employee expenses	1,963
	<u>8,645</u>

b) Share based employee remuneration

As at 30 June 2017 the Company maintained a share option plan and performance share plan for employee and director remuneration. There were 4,900,000 options granted to directors as remuneration.

The table below outlines the inputs used in the Black and Scholes fair value calculation for the options:

	Range of values
Exercise price	\$0.25
Option life	4.0 years
Underlying share price	\$0.01
Expected share price volatility	84%
Risk free interest rate	2.08%

Details of options issued to KMP are provided in the remuneration report.

Share options and weighted average exercise prices are as follows:

2017	Number of options	Weighted average exercise price (\$)
Opening balance - remuneration options	-	-
Granted as remuneration during 2016/17	4,900,000	0.25
Expired	-	-
Outstanding as at 30 June 2017	<u>4,900,000</u>	<u>0.25</u>

Fair value of options granted

The fair value at grant date of the Director options has been determined using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

19. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The total for each category of financial instruments are as follows:

	Note	2017 \$
Financial assets		
Cash and cash equivalents	5	327,885
		327,885
Financial liabilities		
Trade and other payables	10	171,751
		171,751

Financial risk management policy

Risk management is carried out by the Managing Director under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate and credit risk.

a) Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained for the coming months. Upcoming capital needs and the timing of raisings are assessed by the board.

Financial liabilities are expected to be settled within 12 months.

b) Interest rate risk

The Company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result in changes in market interest rates. Cash is the only asset affected by interest rate risk as cash is the Company's only financial asset exposed to fluctuating interest rates.

The Company is exposed to interest rate risk on cash balances and term deposits held in interest bearing accounts. The Board constantly monitors its interest rate exposure and attempts to maximise interest income by using a mixture of fixed and variable interest rates, whilst ensuring sufficient funds are available for the Company's operating activities. The Company's net exposure to interest rate risk at 30 June 2017 approximates the value of cash and cash equivalents.

c) Sensitivity analysis

Interest rate

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

2017	Effect on:		
	Sensitivity*	Profit \$	Equity \$
Interest rate	+ 1.30%	+2,110	+2,110
	- 1.30%	-2,110	-2,110

* The method used to arrive at the possible change of 130 basis points was based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. Historical rates indicate that for the past five financial years, interest rate movements ranged between 0 to 130 basis points. It is considered that 130 basis points a 'reasonably possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

The fair values of all financial assets and liabilities of the Company approximate their carrying values.

d) Net fair values of financial assets and financial liabilities

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The net fair values of financial assets and liabilities are determined by the Company based on the following:

- Monetary financial assets and financial liabilities not readily traded in an organised financial market are carried at book value.
- Non-monetary financial assets and financial liabilities are recognised at their carrying values recognised in the statement of financial position.

The carrying amount of financial assets and liabilities is equivalent to fair value at reporting date.

20. 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.

21. EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year 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 subsequent financial years other than those listed below.

On 6 September 2017, the Company completed the acquisition of Mangrove Resources Pty Ltd having successfully raised \$4.2 million via an IPO and moved towards listing on ASX under codes N27 and N27O, being admitted to the official list of the ASX on 20 September 2017. The completion and listing involved the issue of 21,067,500 fully paid ordinary shares (ASX:N27), 3,510,000 vendor shares, 10,533,750 quoted options (ASX:N27O), 9,600,000 A class performance shares and 3,575,000 B Class performance shares.

22. GOING CONCERN BASIS OF ACCOUNTING

The financial report has been prepared on the basis of a going concern.

The Company incurred a net loss before tax of \$122,659 during the period ended 30 June 2017, and had a net cash outflow of \$139,507 from operating and investing activities. The consolidated entity continues to be reliant upon the completion of capital raising through the proposed ASX listing process for continued operations and the provision of working capital. Subsequent to the end of the financial year, this process has been completed and Northern Cobalt Limited was admitted to the official list of ASX on 20 September 2017 raising \$4.2 million.

If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the Company 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 financial report. No allowance for such circumstances has been made in the annual financial report.

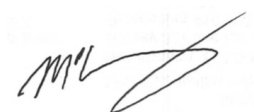
Directors' Declaration

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 30 June 2017 and of its performance for the financial period ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 (Cth); and
- b) there are reasonable grounds to believe that Northern Cobalt Ltd will be able to pay its debts when they become due and payable.

The consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Michael Schwarz
MANAGING DIRECTOR

Adelaide

21 September 2017

Independent Audit Report



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Independent Auditor's Report To the Members of Northern Cobalt Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Northern Cobalt Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. For the period ended 30 June 2017 we have determined that there are no key audit matters to communicate in our report

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' 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 internal 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Northern Cobalt Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner - Audit & Assurance

Adelaide, 21 September 2017

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 30 September 2017.

The Company is listed on the Australian Securities Exchange.

The Company confirms that it has used its cash (and assets in a form readily convertible to cash) that it had at the time of admission to ASX in a way consistent with its business objectives.

SUBSTANTIAL SHAREHOLDERS

There substantial shareholders at 30 September 2017 are:

Coolabah Group Pty Ltd	4,875,000
PAC Partners Pty Ltd	2,075,000

VOTING RIGHTS

Ordinary shares	On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
Performance shares – Class A and B	No voting rights.
Options	No voting rights.

DISTRIBUTION OF EQUITY BY SECURITY HOLDERS

Holding	Ordinary Shares (Quoted)	Options (Quoted)	Performance Shares Class A (Unquoted)	Performance Shares Class B (Unquoted)	Options (Unquoted)
1 – 1,000	11	-	-	-	-
1,001 – 5,000	24	109	-	-	-
5,001 – 10,000	115	23	-	-	-
10,001 – 100,000	218	147	-	1	-
100,001 and over	56	17	7	6	10
Number of holders	424 ¹	296	7	7	10
Securities on issue	35,577,500	10,533,750	9,600,000 ²	3,575,000 ³	11,800,000 ⁴
Restricted securities	11,510,000 ⁵	-	9,600,000 ⁶	3,575,000 ⁶	11,800,000 ⁶

1 There were 14 holders of less than a marketable parcel of ordinary shares (\$500 amounts to 2,380 shares at \$0.21).

2 Ms Michelle Braham holds 2,600,000 Class A Performance shares.

3 Ms Michelle Braham holds 950,625 Class B Performance shares.

4 6,000,000 unlisted options with an exercise price of 25 cents each and expiry of 21 March 2021 – 3,000,000 held by Mr Michael Peter Schwarz <Michael Schwarz Family A/C>.

5,800,000 unlisted options with an exercise price of 25 cents each and expiry of 6 September 2021 – 5,000,000 held by PAC Partners Pty Ltd.

5 8,510,000 shares restricted to 22 September 2019 and 3,000,000 restricted shares to 31 March 2018.

6 All securities restricted to 22 September 2019.

TWENTY LARGEST HOLDERS OF ORDINARY SHARES – N27

		No. of Shares held	% Held
1	Coolabah Group Pty Ltd	4,875,000	13.70
2	PAC Partners Pty Ltd	2,175,000	6.11
3	Resilient Investment Group Pty Ltd	1,250,000	3.51
4	J P Morgan Nominees Australia Limited	1,191,266	3.35
5	CS Fourth Nominees Pty Ltd <HSBC Custody Nominees AU Ltd 11 A/C>	1,000,000	2.81
6	Mr Nigel Robert Strong	1,000,000	2.81
7	Valas Investments Pty Ltd <Valas Investments A/C>	840,000	2.36
8	Fairborn Holdings Pty Ltd	800,000	2.25
9	Fareview Pty Ltd <The A&M Family A/C>	500,000	1.41
10	Raven Investment Holdings Pty Ltd <Raven Investment A/C>	465,000	1.31
11	Chad Fletcher Investments Pty Ltd <Chad Fletcher Super A/C>	450,000	1.26
12	Sunset Capital Management Pty Ltd <Sunset S/F A/C>	400,000	1.12
13	Mrs Cassandra Kopias	400,000	1.12
14	Mr Rex Seager Harbour	350,000	0.98
15	Simman Investments Pty Ltd <Cameron Super A/C>	330,148	0.93
16	Pershing Australia Nominees Pty Ltd <Accum A/C>	310,000	0.87
17	Mr Nicholas Hughes-Jones	300,000	0.84
18	Nutsville Pty Ltd <Indust Electric Co Super A/C>	300,000	0.84
19	Chifley Portfolios Pty Ltd <David Hannon A/C>	300,000	0.84
20	RFL Capital Pty Ltd <The Ryan Legudi A/C>	300,000	0.84
		17,536,414	49.26
	Total ordinary shares on issue	35,577,500	100.00

TWENTY LARGEST HOLDERS OF QUOTED OPTIONS – N270

		No. of options held	% held
1	J P Morgan Nominees Australia Limited	625,000	5.93
2	Pershing Australia Nominees Pty Ltd <Accum A/C>	557,500	5.29
3	CS Fourth Nominees Pty Ltd <HSBC Custody Nominees AU Ltd 11 A/C>	500,000	4.75
4	Mr Nigel Robert Strong	500,000	4.75
5	Resilient Investment Group Pty Ltd	425,000	4.03
6	Bluesteel Trading Pty Ltd	275,000	2.61
7	Mrs Cynthia Anderson	262,500	2.49
8	Fareview Pty Ltd <The A&M Family A/C>	250,000	2.37
9	Mr Bill Kapnoullas & Mrs Michelle Kapnoullas <Sandbelt Indus (Vic) S/F A/C>	250,000	2.37
10	Fairborn Holdings Pty Ltd	250,000	2.37
11	Ralt Investments (Vic) Pty Ltd	200,000	1.90
12	Sunset Capital Management Pty Ltd <Sunset S/F A/C>	200,000	1.90
13	Mr Roger Short & Mrs Anne Short <Roger Short S/F A/C>	152,500	1.45
14	CS Third Nominees Pty Ltd <HSBC Custody Nominees AU Ltd 13 A/C>	150,000	1.42
15	Walsal Nominees Pty Ltd <No2 A/C>	125,000	1.19
16	Kembla No 20 Pty Ltd <CAA A/C>	125,000	1.19
17	Citicorp Nominees Pty Limited	125,000	1.19
18	Pointing Investments Pty Ltd	100,000	0.95
19	Mr Rowan Crosbie-Goold	100,000	0.95
20	Chad Fletcher Investments Pty Ltd <Chad Fletcher Super A/C>	100,000	0.95
		5,272,500	50.05
	Total quoted options on issue	10,533,750	100.00

