

NORTHERN²⁷ CoBALT

ACN 617 789 732

2019

ANNUAL REPORT



Corporate Information

Northern Cobalt Ltd ACN 617 789 732

Directors

Leonard Dean
NON-EXECUTIVE CHAIRMAN

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

Telephone: +61 (0) 8 8120 0456

Postal Address:

67 Goodwood Road
WAYVILLE SA 5034

Auditors

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

Solicitors

Piper Alderman Lawyers
Level 16/70 Franklin Street
ADELAIDE SA 5000

Home Stock Exchange

Australian Securities Exchange
20 Bridge Street,
SYDNEY NSW 2000

ASX Codes

N27 – fully paid ordinary shares

N27O – quoted options exercise price \$0.1993
and expiry 14 September 2019

N27OA – quoted options exercise price
\$0.10 and expiry 30 June 2022

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”, “N27” 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:

Northern Cobalt Ltd
67 Goodwood Road
WAYVILLE SA 5034

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Review of Operations

SNETTISHAM IRON ORE – VANADIUM POTENTIAL

Northern Cobalt Limited has staked 48 mineral claims over the Snettisham Vanadium Project in south-western Alaska. In its global search for a new vanadium project, the company identified the potential for large scale mineralisation and its unique position regarding fundamental infrastructure requirements such as cheap electricity, transport options and proximity to the mining town of Juneau in southern Alaska. The Snettisham Vanadium Project occurs within titaniferous magnetite, concentrated within an Alaskan-style mafic-ultramafic intrusion, extending over 3.2 km along the coast of the Snettisham Peninsula and up to 1.5 km inland.

On 4 June 2019, the Company released a geophysical exploration target for the Snettisham Project as part of an assessment of the value of the magnetite iron ore to contribute to the economics of the project in addition to vanadium. The results from metallurgical

testing confirm the potential for Snettisham to produce a high-quality magnetite concentrate with significant vanadium credits at a very coarse grind size.

The Snettisham Project contains several critical infrastructure requirements for processing a vanadium-rich magnetite concentrate and exporting it to market (Figure 1). These include:

- Close proximity to cheap electricity to undertake magnetic separation and operation of grinding facilities, a high voltage transmission line and several existing and proposed hydropower projects nearby.
- Access to bulk material handling and transport facilities to move the concentrate to steel markets in either the USA or China, deep water channel adjacent to project.
- Access to an experienced mining workforce to support year-round operations.

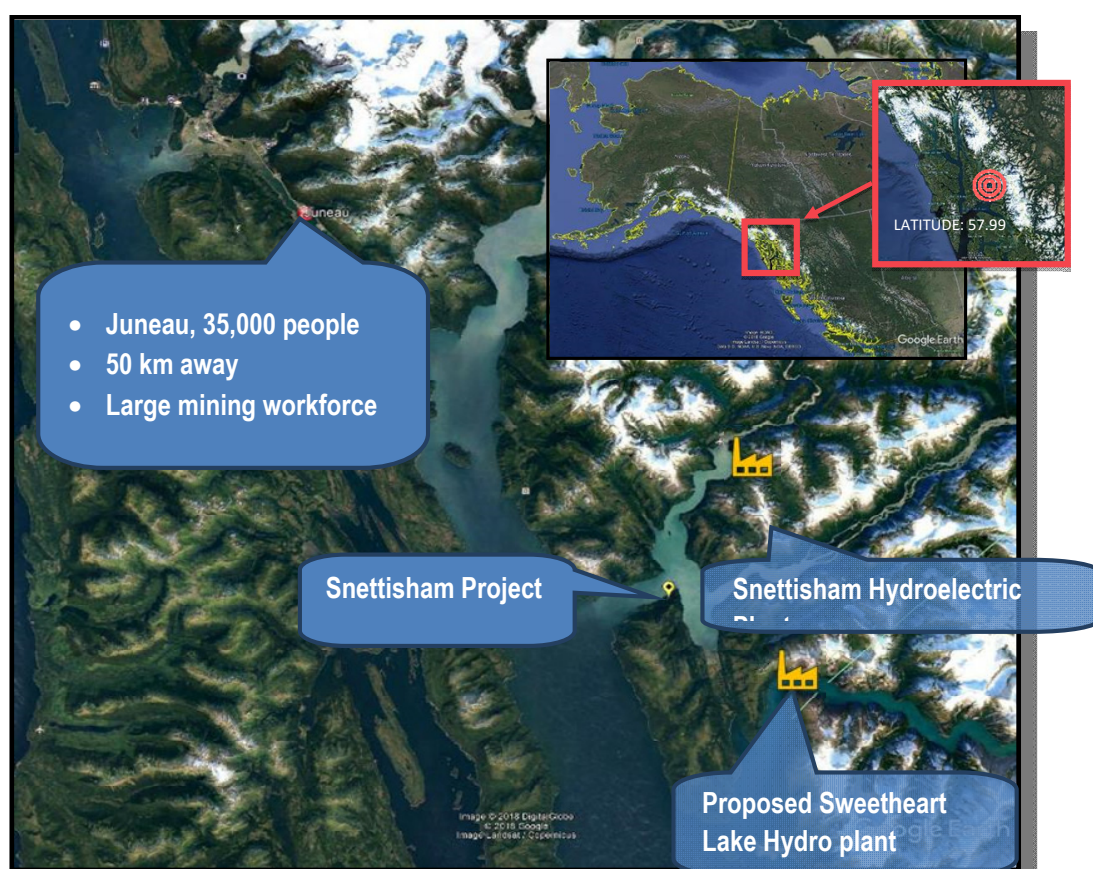


Figure 1 Location of the Snettisham Project in relation to the capital city of Juneau and surrounding infrastructure.

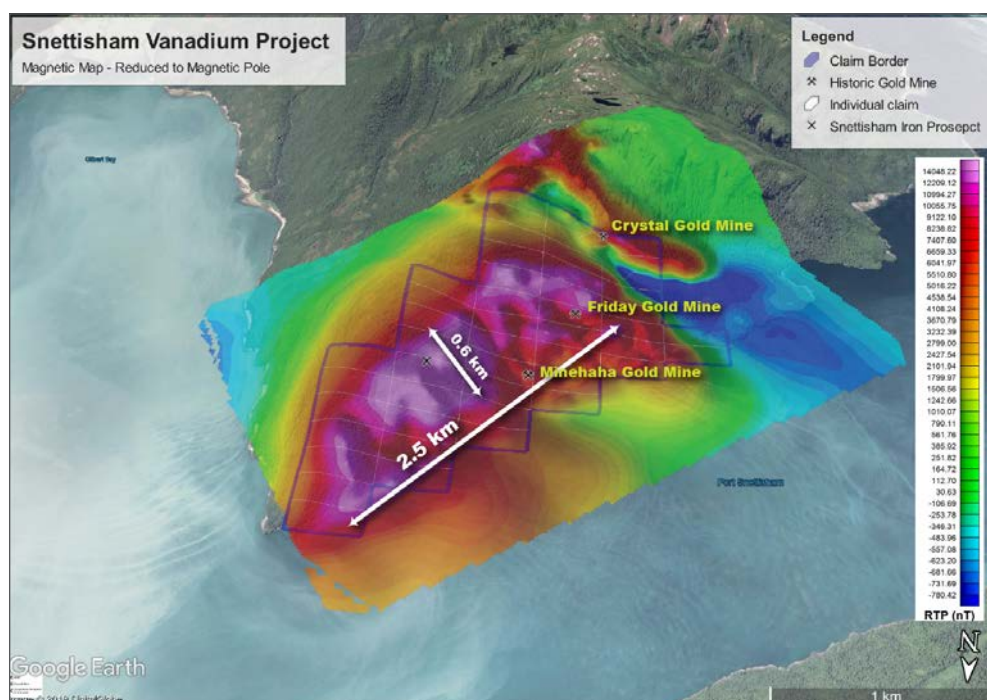


Figure 2 Magnetic map – reduced to magnetic pole of Snettisham Vanadium Project on Google Earth image.

Table 1 Magnetite iron ore Exploration Target (ET) for the Snettisham Project (ASX Release, June 4, 2019).

Prospect	Low-grade*		High-grade**	
	Tonnage (Bt)	Grade (Fe%)	Tonnage (Mt)	Grade (Fe%)
Snettisham	1.1-2.1	14-26	297-551	28-52

The potential quantity and grade of the ET are 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.

Project geology

The mineralised body in Port Snettisham is an elliptical intrusion about 3.2 kilometres maximum outcrop that is mainly composed of hornblende-magnetite clinopyroxenite, biotite-magnetite pyroxenite, and hornblende-biotite-magnetite clinopyroxenite (Figure 2). There appear to be numerous metasomatic replacement episodes. The pyroxenite locally grades into diorite. As in several other such bodies in south-eastern Alaska, the magnetite content is locally high enough to be considered as a source of iron, titanium, vanadium, and possibly platinum-group elements.

Most of the claim area is composed of an igneous rock termed pyroxenite. At the northern end near Sentinel Point, the vanadium bearing magnetite pyroxenite is bordered by phyllite and the borders to the south and southwest are composed mostly of diorite. The main vanadium bearing phase is in the form of magnetite as an accessory mineral in the pyroxenite.

Review of Operations

Pacific Rim Minerals visited the project in November 2010 and documented the following description of magnetite in the pyroxenite; "Massive magnetite is easily located with a simple pencil magnet along the coast by the Port of Snettisham and to the north near Sentinel Point. Moving into the interior from Port Snettisham and up to the 300+ metre elevation, magnetite is easily locatable with a pencil magnet. Outcrops of massive magnetite are well exposed along the coast and in cliffs and ledges that are found in the steeper hill sides along the southeast portions of the claim block".

Exploration history and acquisition of the property:

- The Snettisham Project has been a focus of magnetite style iron ore exploration since the early 1950s.
- Based on work undertaken from 1950 to 1956, the U.S. Bureau of Mines produced a report titled "Studies of the Snettisham Magnetite Deposit South East Alaska, Bureau of Mines Report of Investigations 5195", United States Department of the Interior, February 1956. In this report they completed a magnetic survey, drilled 11 holes for a total length of 1,995 metres (in 1953), completed detailed geochemistry and petrographic studies and collected enough samples to beneficiate the iron ore using dry magnetic separation.
- In 1969, Marcona Corporation completed a drilling program and feasibility study for production with Marubeni Corporation, unfortunately no reports from this work have been found.
- In 2011, Arrowstar Resources (Arrowstar) entered into an option agreement with Gulfside Minerals to acquire 100% of the property. Arrowstar undertook a detailed ground magnetic survey, rock chip sampling and Davis Tube Separation studies. A sharp decline in the iron ore price in 2013 led them to relinquish all interest in the project.
- In 2013, Arrowstar commissioned Burton Consulting Limited to undertake a NI43-101 Technical report on the Port Snettisham Iron Ore Property. In this report they detail eight rock chip samples of magnetite bearing pyroxenite sampled from scree and outcrop along the beach.

Gold potential

The Snettisham Project is within the Juneau Gold Belt of SE Alaska which has produced over 7 Moz (million ounces). The historical Crystal, Friday and Minehaha Gold mines all occur with the boundary of the project area. In the late 1800s to early 1900s the Alaska Snettisham Gold Mining Company had a 20-stamp mill in the township of Snettisham processing ore from the local mines. As a result of the recently flown magnetic survey, Northern Cobalt has identified significant potential for further gold mineralisation within the project area (Figure 3).

The local geology is well suited to hosting Juneau Gold Belt style mineralisation which occurs as lode gold within fault and shear structures in the host rocks. At Snettisham a mafic-ultramafic intrusive complex and granite intrude layered metasediments and metavolcanics. This geological scenario, when subjected to deformation and metamorphism during the gold producing event, produces an ideal environment for the deposition of gold mineralisation in space forming structures. These structures are produced as a result of the contrasting competency of the intrusive rocks and metasediments where deformation is focussed around the margins of the intrusive bodies and in discrete zones within them. The Crystal, Friday and Minehaha Gold Mines appear to occur on these types of structures.

The detailed magnetic survey recently undertaken by Northern Cobalt allows the mapping of these structures obscured by vegetation and overburden (Figure 2). Targeted sampling to identify and test these structures is planned for the upcoming field season (Figure 4).

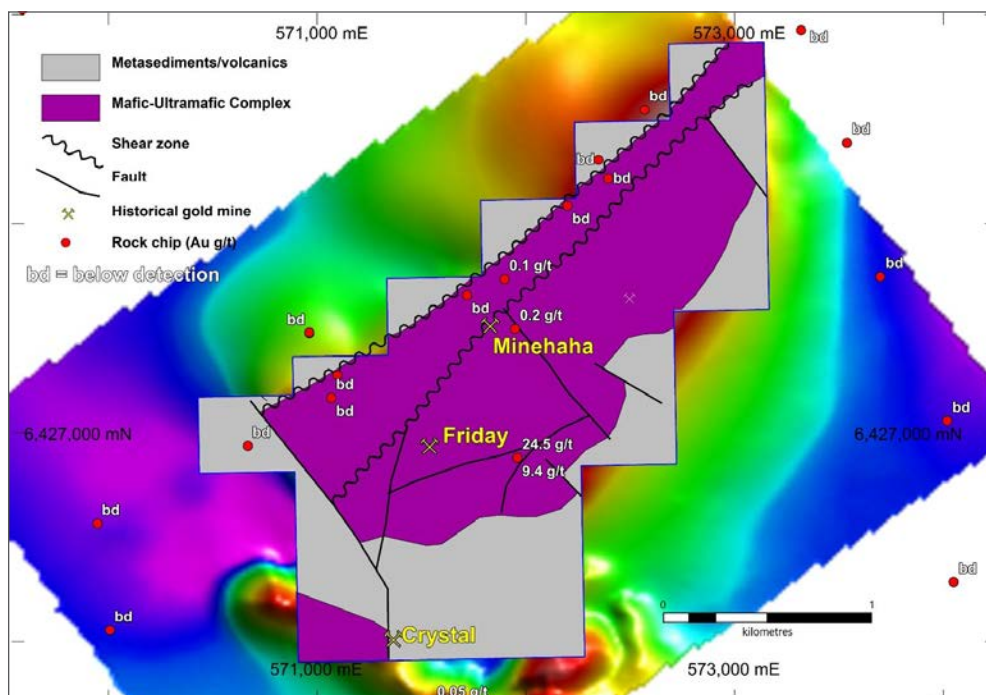


Figure 3 Interpreted geology on 1VD of TMI, with rock chips and historic gold mine locations.

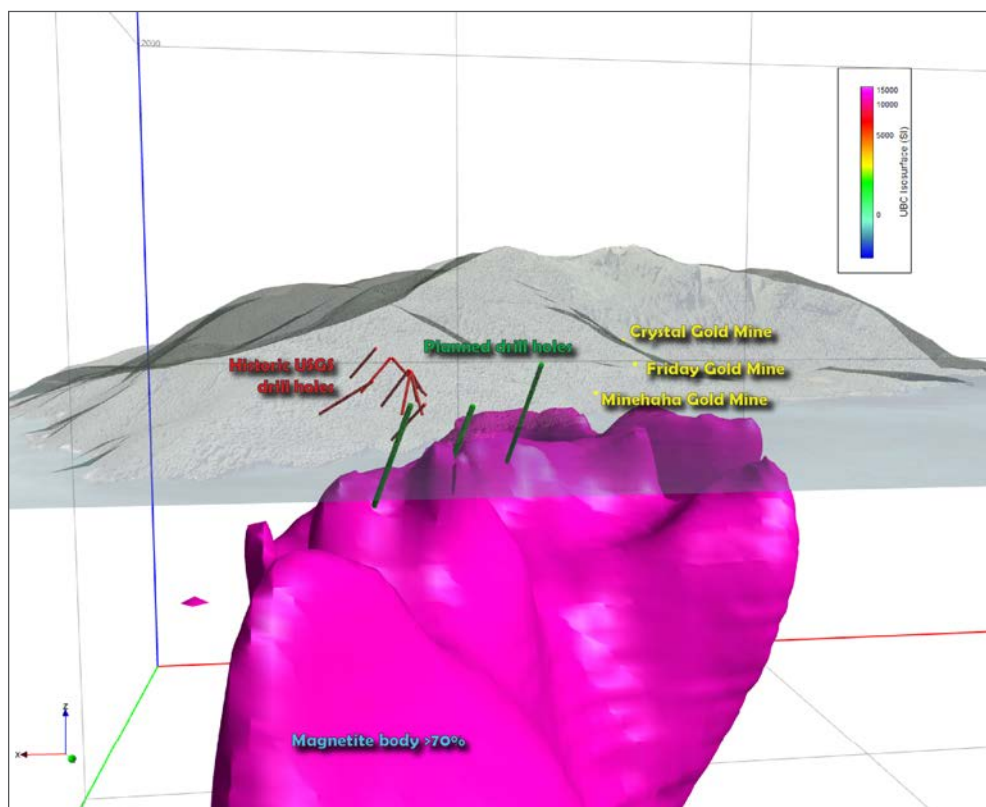


Figure 4 Location of planned drilling (green holes) in 3D model of Snettisham magnetite body (>70% magnetite shell).

Review of Operations

Table 2 Summary DTR results from high- and low- grade rock chip samples.

Summary high grade			Davis tube mag assay					
Sample ID	Hed grade Fe (%)	Recovery (DTR%)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	TiO ₂ (%)	V ₂ O ₅ (%)
SNET 19RO0011	41.0	60.2	63.1	0.70	3.30	0.0005	5.36	0.64

Summary low grade			Davis tube mag assay					
Sample ID Composite	Hed grade Fe (%)	Recovery (DTR%)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	TiO ₂ (%)	V ₂ O ₅ (%)
Average (1,5,6,7,8,9,10,12)	19.0	20.9	62.7	3.31	1.88	0.028	3.74	0.63

Titaniferous and vanadiferous magnetite mineralisation

Mineralisation at the Snettisham Prospect is interpreted to be associated with a mafic-ultramafic Alaskan zoned intrusive complex and consists of a titaniferous magnetite style of mineralisation. The main host to mineralisation is a pyroxenite unit which outcrops over an area of approximately 3.2 km by 1.5 km along the coast of the Snettisham Peninsula. Magnetite mineralisation within this body averages approximately 20% Fe based on historical drilling and rock chip sampling undertaken by the United States Geological Survey and confirmed by recent sampling by Northern Cobalt (Figure 5). A higher grader body of magnetite mineralisation within the pyroxenite body is indicated by a significant magnetic anomaly extending for over 2500m by 600m in the south-eastern part of the intrusion (Figure 1). This body averages >40% Fe based on magnetic susceptibility calculations (represented by sample SNET19RO0011) (Figure 6).

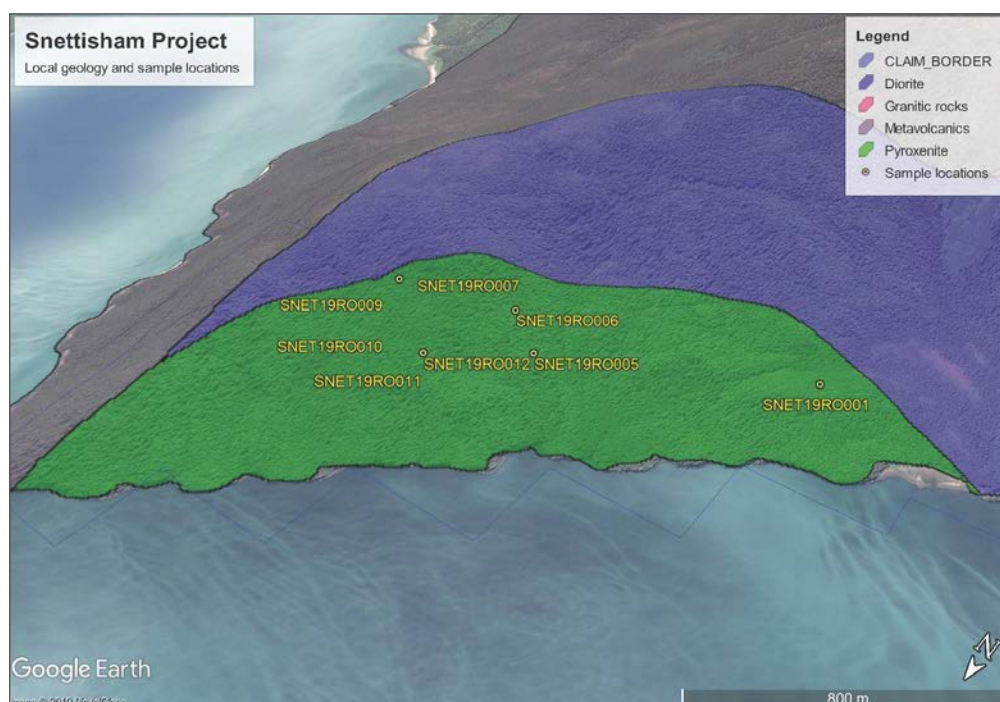


Figure 5 Samples were taken at within the magnetite bearing pyroxenite unit at Snettisham.

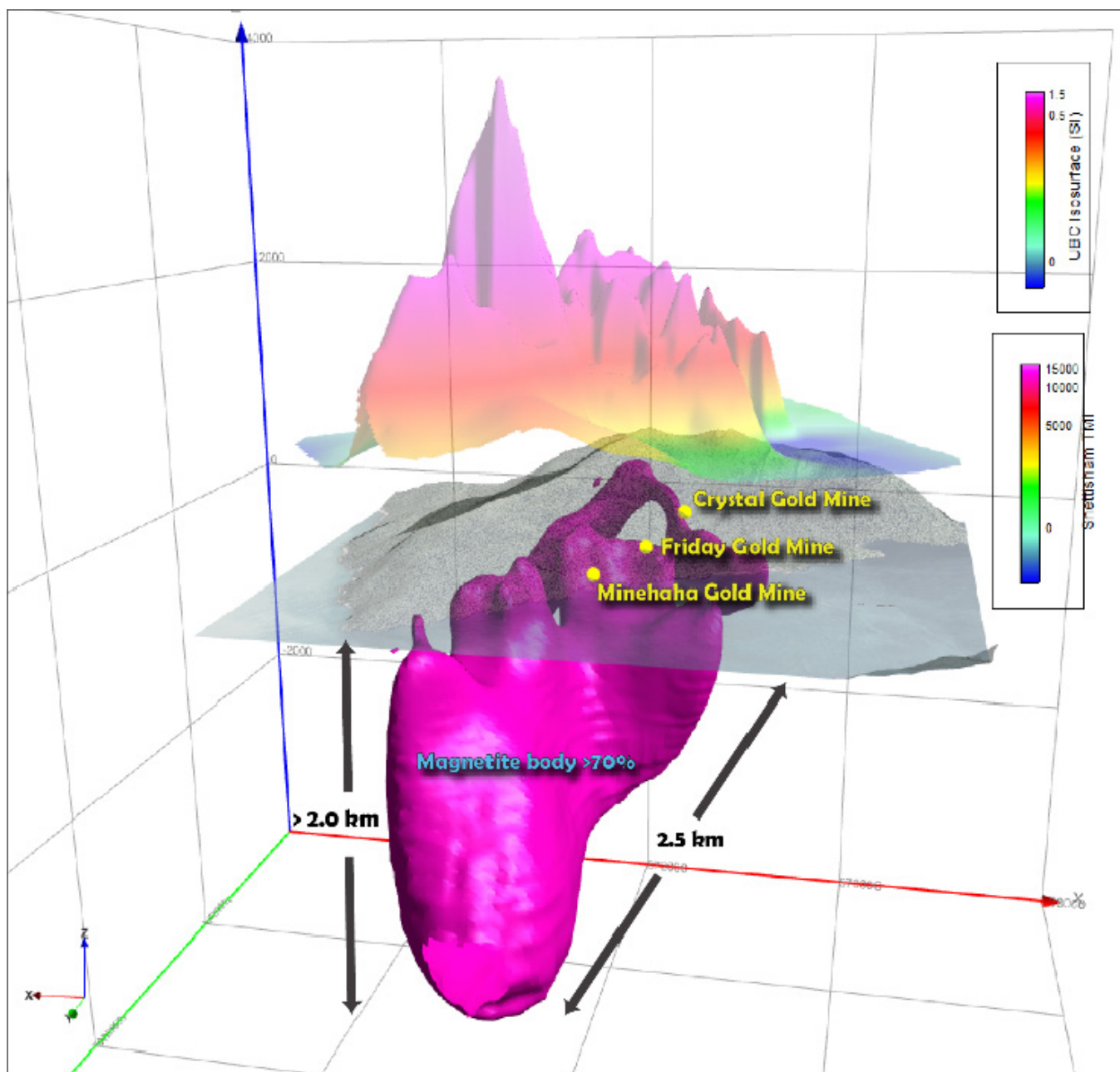


Figure 6 3D model (UBC Inversion) of the Snettisham magnetic anomaly.

WOLLOGORANG COBALT PROJECT, NT

Location

The Wollogorang Cobalt Project covers 1131 km² located on pastoral land, wholly within NT pastoral lease No 1113, Wollogorang Station, in the north-eastern corner of the Northern Territory (Figures 7 and 8). 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.

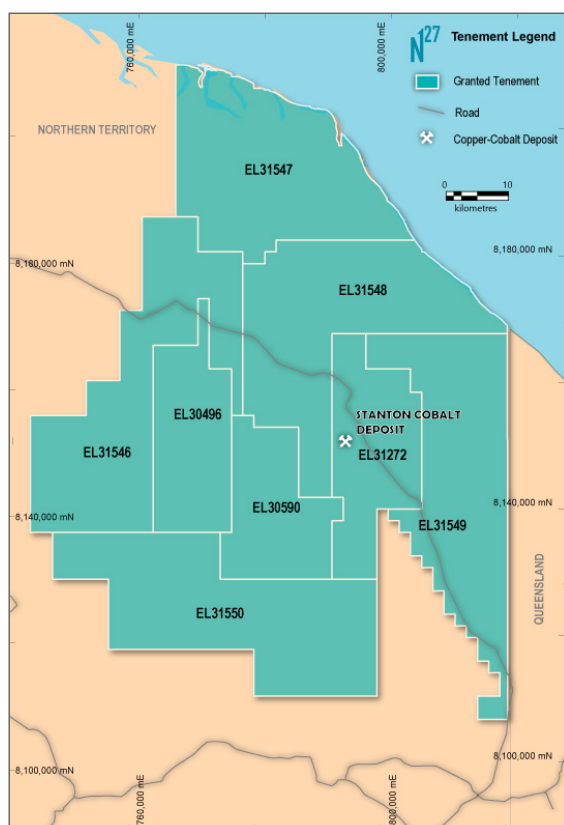


Figure 7 Wollogorang Cobalt Project tenement location diagram.

Regional geology

The Wollogorang Cobalt Project occurs on the “Wearyan Shelf” of the Proterozoic to Mesoproterozoic McArthur Basin, a 5–12 km 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.

The Wollogorang Cobalt Project – Historic exploration

The Wollogorang 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”.

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.

Exploration and drilling programs

The Stanton Cobalt Deposit contains an Indicated and Inferred Resource of 942,000t @ 0.13% Co, 0.06% Ni and 0.12% Cu (JORC 2012). This deposit occurs within one of many breccia pipes known to occur within EL31272.

As a result of this exploration Northern Cobalt Limited has discovered further significant copper and cobalt mineralisation at its Wollongorang Project in the NT. The best mineralisation was identified in drill hole 18RAB102 which contained a thick intersection of high-grade copper mineralisation with associated cobalt mineralisation.

Much higher cobalt values reported from assays compared with pXRF field results (280%), including 5m @ 1604 ppm Co from 20m (18RAB123). Assays at Running Creek Prospect confirm copper from surface to the end of hole at 55m:

- 55m @ 0.78% Cu from 0m (hole 18RAB102)
 - including 33m @ 1.08% Cu from 11m
 - including 13m @ 2.01% Cu from 11m
 - and 12m @ 380 ppm Co from 22m

This drill hole ends in mineralisation with the last metre assaying 0.37% Cu and 450 ppm Co.

An IP survey, recently undertaken by Northern Cobalt across the Running Creek Prospect has identified a large chargeable feature beneath the currently identified mineralisation (Figure 11). Northern Cobalt interprets this feature to represent an extension of high-grade copper-cobalt mineralisation at depth.

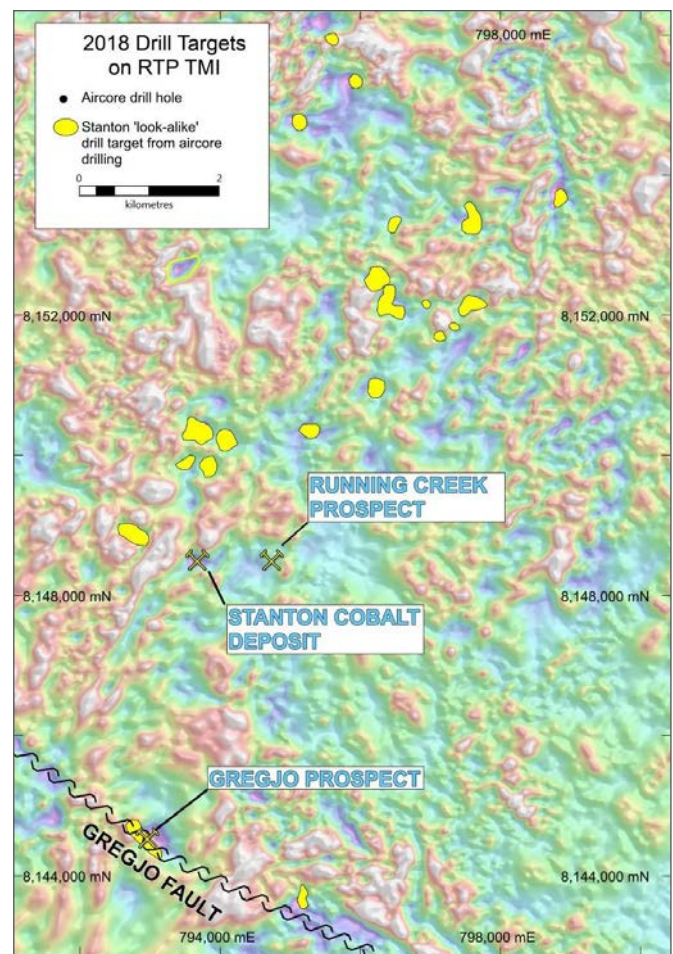


Figure 8 2018 RTP magnetic image showing the Stanton Deposit and Running Creek and Gregjo Prospects.



Review of Operations

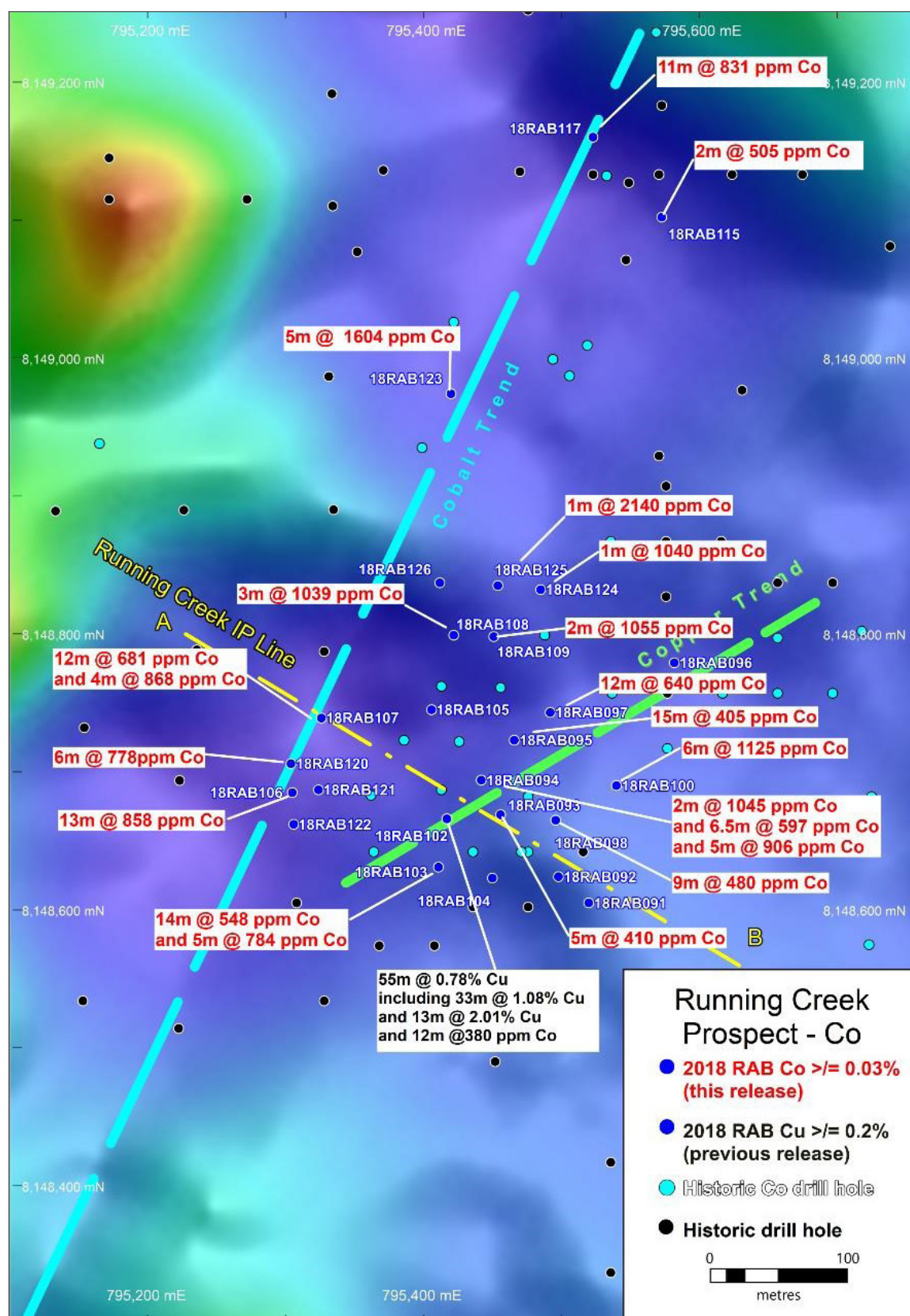


Figure 9 Significant cobalt results at Running Creek on total magnetic image.

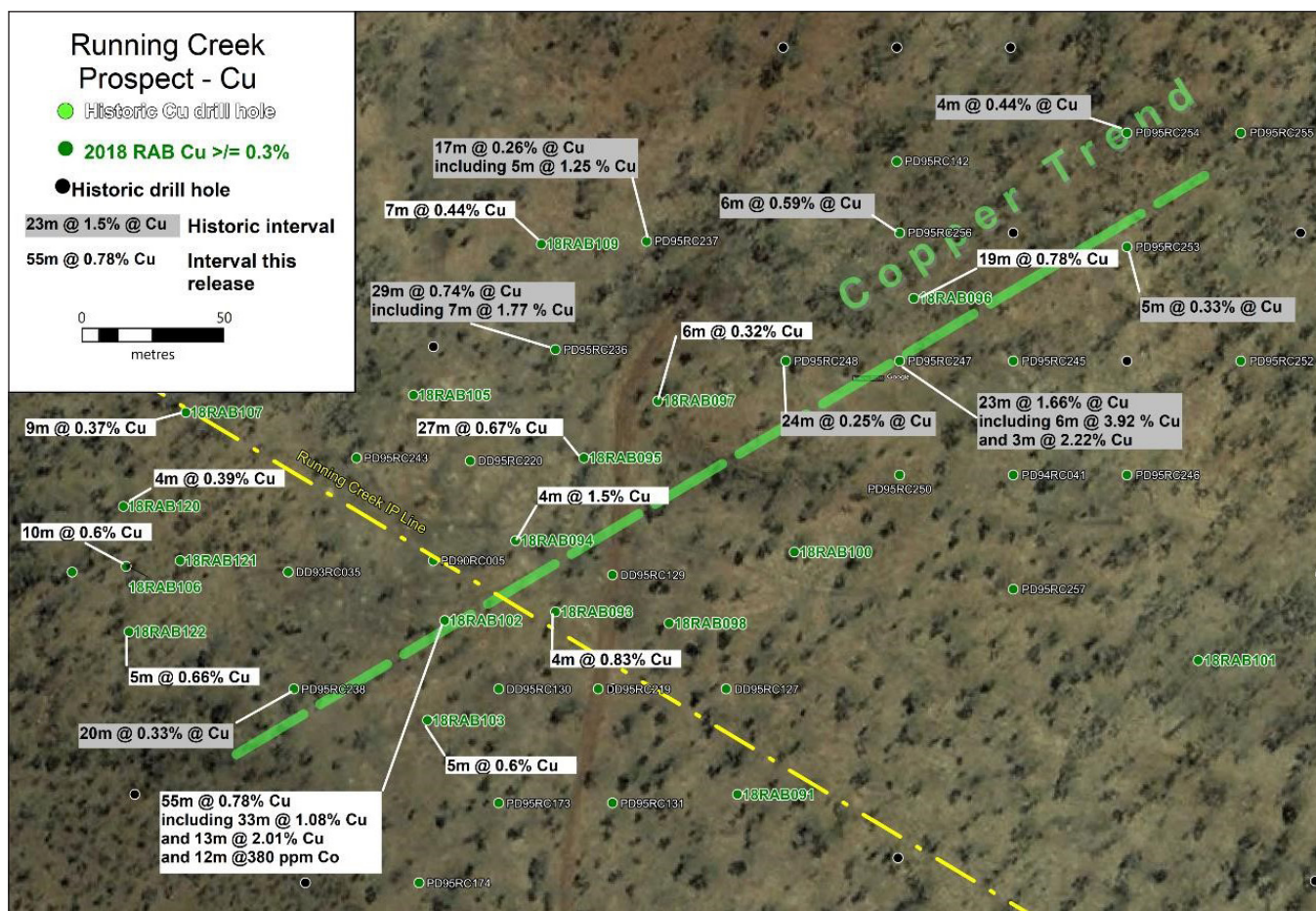


Figure 10 Google Earth image with RAB hole locations and copper results.

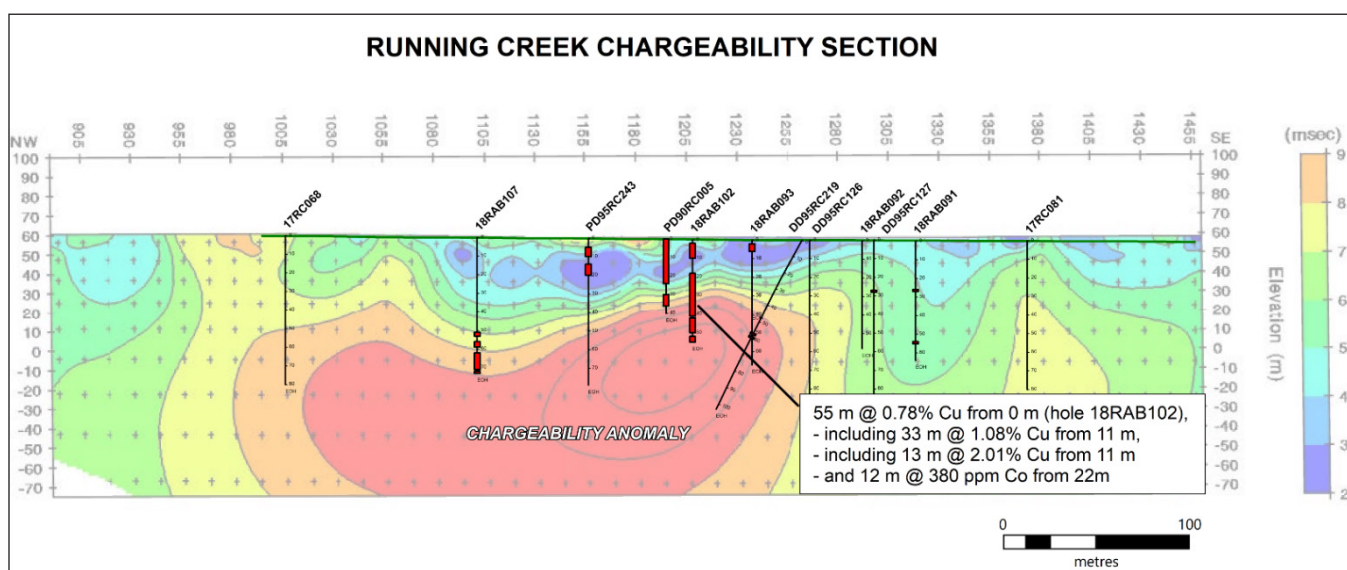


Figure 11 Induced polarisation chargeability section at Running Creek.

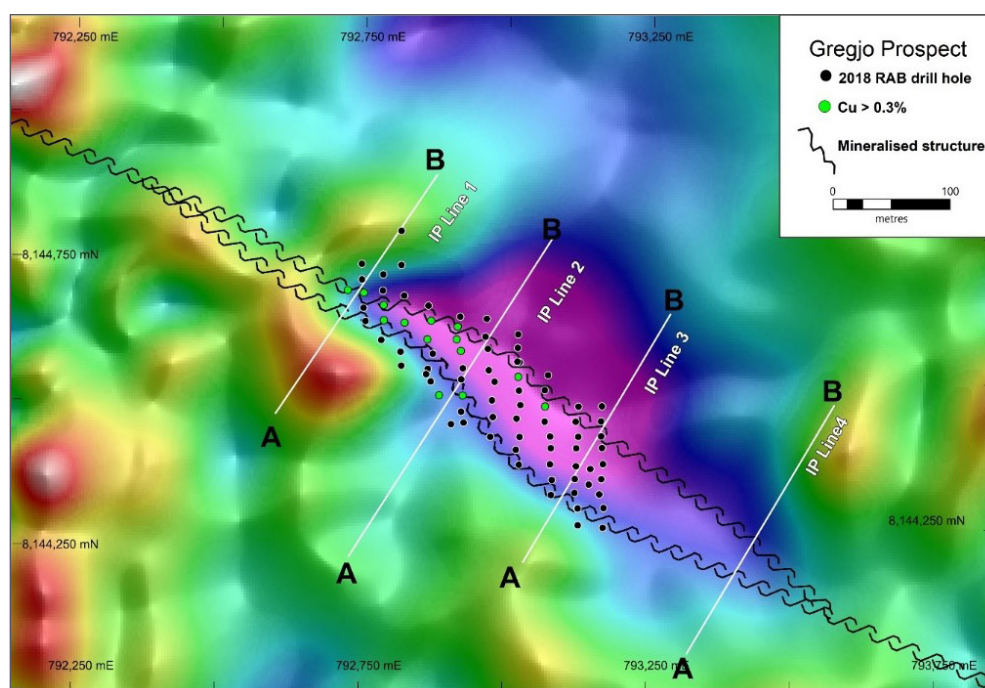
Review of Operations

GREGJO PROSPECT, NT

Mineralisation at the Gregjo Prospect, located approximately 3.4 km south of the Stanton Cobalt Deposit, is associated with a north-west trending structure (Figure 12). The Gregjo Prospect was originally identified by CRA in the 1990's, as a surface geochemical anomaly with minor copper mineralisation, with limited extent. Reinterpretation of the main controls of mineralisation by Northern Cobalt along north-west trending structures and subsequent drill testing in 2018, has identified the source of the copper mineralisation causing the surface geochemical anomaly. Following the drilling an IP survey was undertaken across the Gregjo Prospect to define possible depth extensions to copper mineralisation (Figure 13). The results of the IP survey identified a large chargeable feature beneath the currently identified mineralisation (Figure 12). Northern Cobalt interprets this feature to represent an extension of high-grade oxide copper mineralisation identified at surface to primary mineralisation at depth. The anomaly can be identified in sections 1,2 and 4 but appears to be missing from section 3, possibly due to unfavourable host rocks at this location or being offset by a cross cutting fault. The distance between sections 1 and 4 exceeds 800m of strike.

Northern Cobalt Limited announced it has identified a significant IP chargeability anomaly beneath the previously identified copper mineralisation at the Gregjo Prospect in the Northern Territory, Australia (Figure 13). Laboratory results confirm copper mineralisation along the Gregjo Fault with at least five (5) drill holes along the fault intersecting mineralisation over 1% Cu along a distance of >300m (Figure 14).

- 18RAB013 - 7m @ 1.23% Cu from 1m
 ↳ including 1m @ 4.24% Cu
- 18RAB009 - 15m @ 0.53% Cu from 5m
 ↳ including 4m @ 1.08% Cu
- 18RAB020 - 20m @ 0.72% Cu from 1m
 ↳ including 1m @ 1.4% Cu
 ↳ and 3m @ 1.67% Cu
- 18RAB031 - 11m @ 0.65% Cu from 16m
 ↳ including 1m @ 1.97% Cu
- 18RAB051 - 3m @ 1.57% Cu from 13m
 ↳ and 1m @ 0.78% Cu



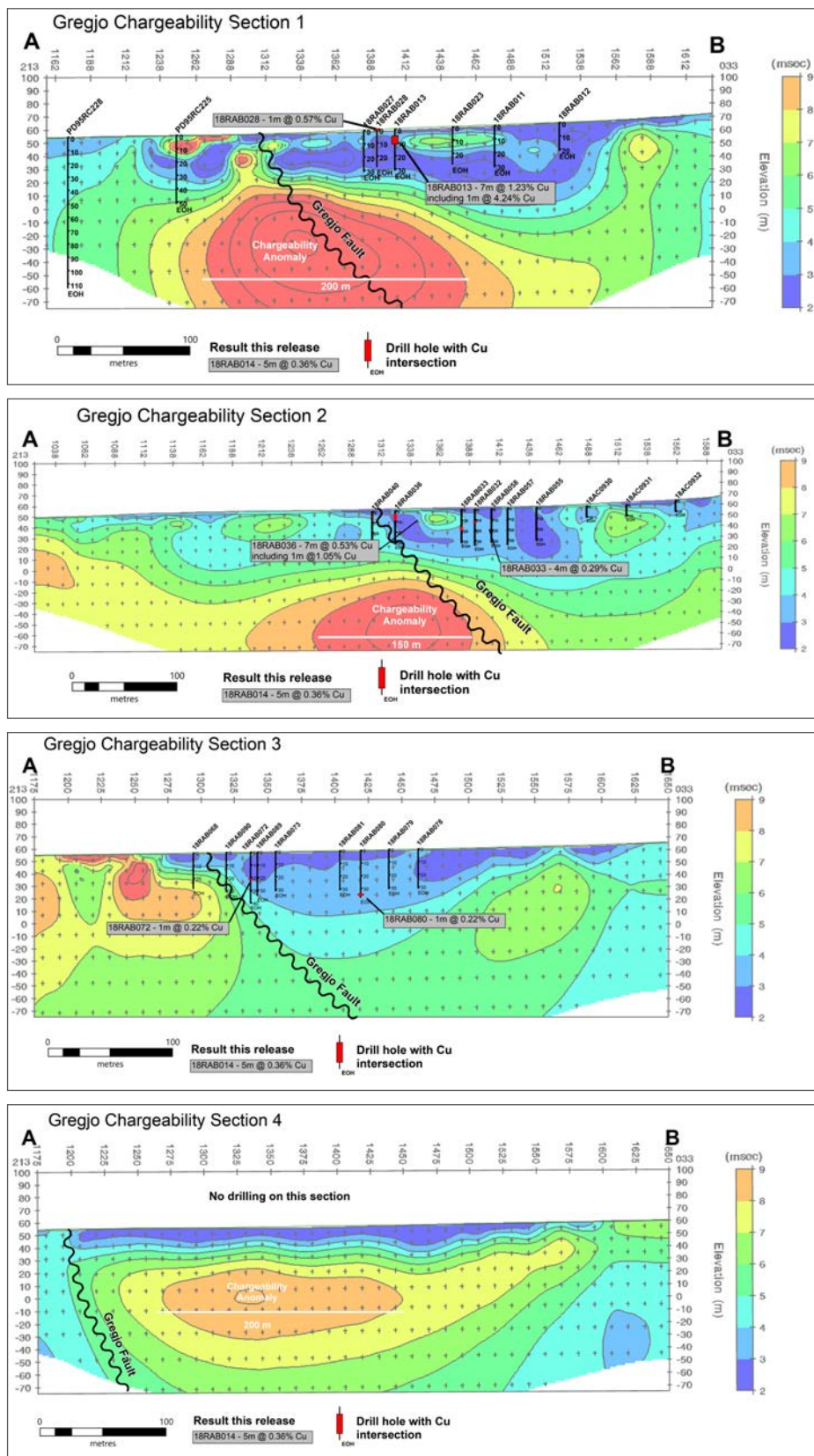


Figure 13 Induced polarisation chargeability sections at Gregjo.

Review of Operations

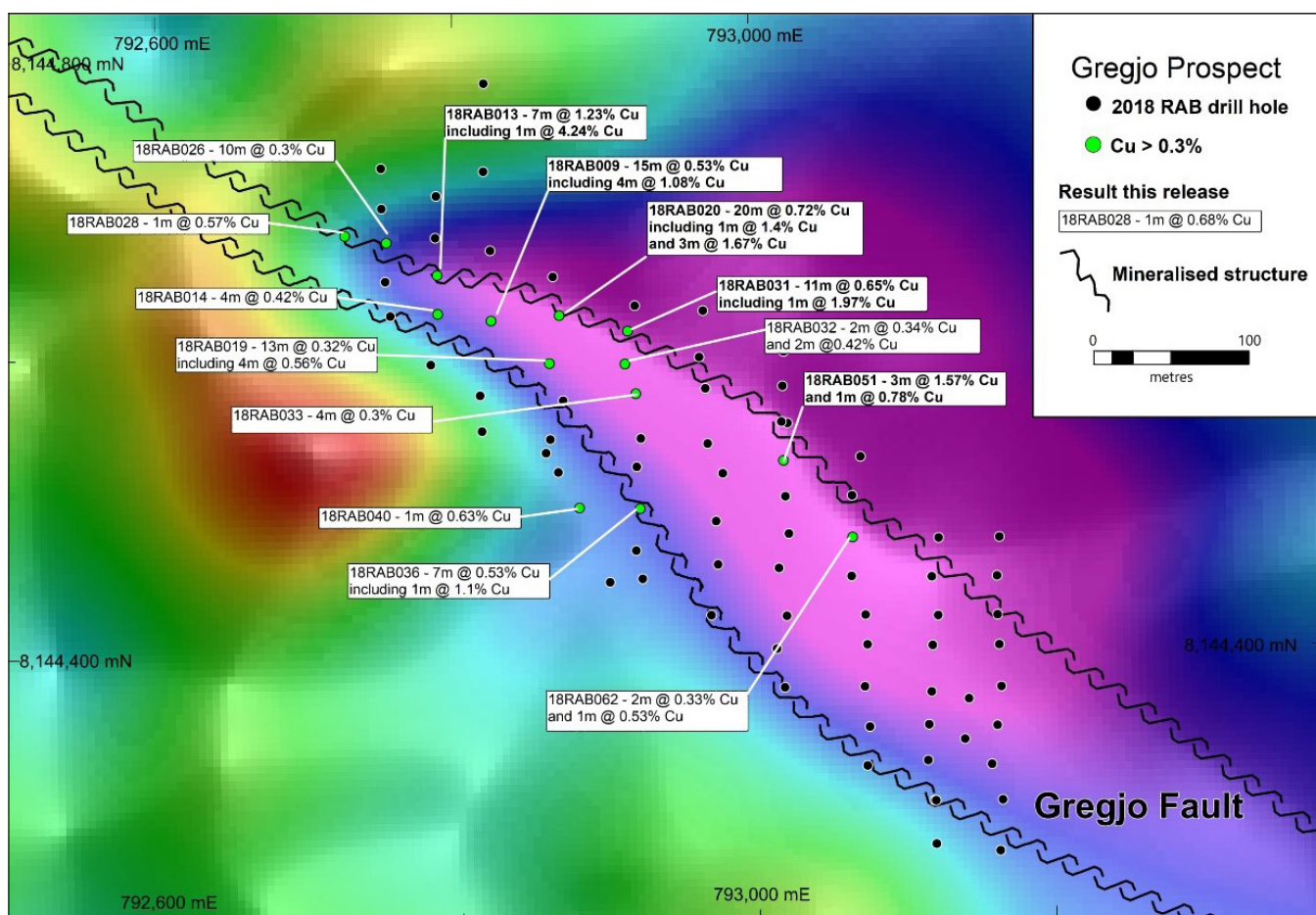


Figure 14 RAB drilling results at Gregjo.



ARUNTA LITHIUM PROJECT, NT

Northern Cobalt has acquired 100% interest in nine (9) prospective tenements in the Northern Arunta Pegmatite Province, Northern Territory and applications made for four (4) adjoining tenements. The tenements are prospective for lithium and strategic metals, Li-Cs-Ta, REE (La-Ce)-Y-Nb and Co, used in the production of electric vehicles (Figure 15).

These new hard rock lithium tenements in central Australia are also prospective for other strategic metals used in electric vehicles such as the permanent magnets in electric motors and wind generators; typically, lithium-caesium-tantalum pegmatites and associated rare earth elements and niobium can be found in the project area. The Company has completed mapping, soils, and rock chipping to work up drill targets in 2018. We see this project as complementary to the advanced Wollongorang Cobalt Project further to the north. It aligns with our company strategy to pursue commodities essential to the renewable future.

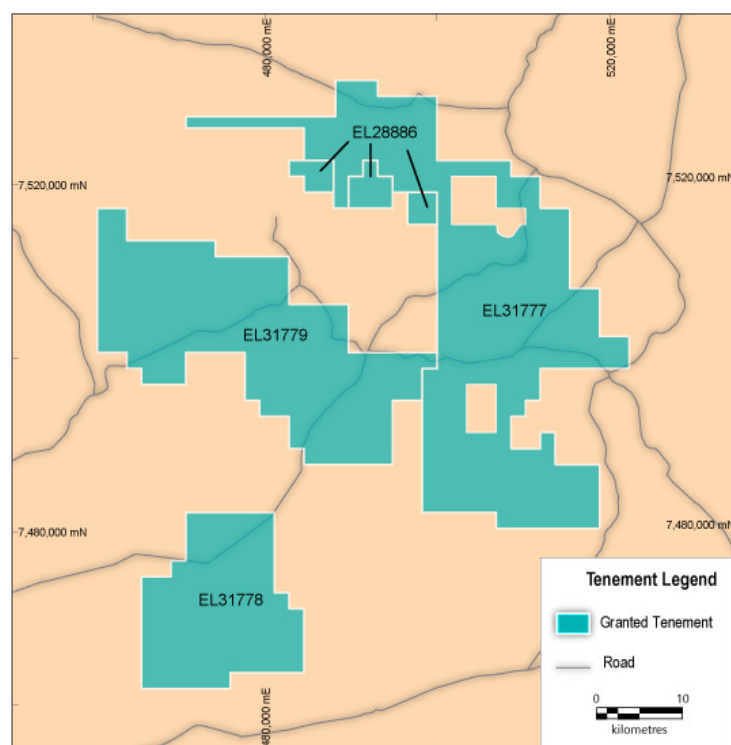


Figure 15 Arunta Lithium Project tenement locations.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Michael Schwarz who is a member of the Australian Institute of Geoscientists. Mr Michael Schwarz is a full-time employee of the company and 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 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Michael Schwarz consents to the inclusion in the report of the matters based on his information in the form in which it appears.

The information in this report that relates to exploration results is based on, and fairly represents, information and supporting documentation compiled by Mr Michael Schwarz who is a member of the Australian Institute of Geoscientists. Mr Michael Schwarz is an employee of Northern Cobalt and 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 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Michael Schwarz consents to the inclusion in the report of the matters based on his information in the form in which it appears and confirms that the data reported as foreign estimates are an accurate representation of the available data and studies of the material mining project. This report includes results that have previously been released under JORC 2012 by the Company as "Copper Discovery at the Gregjo Prospect" on the 28th August 2018, "Copper Intersection

Confirms New Model at Running Creek on the 9th October 2018 ", "Geophysics Highlight Potential at Gregjo" on 22nd January 2019, "Snettisham Iron Ore Potential and Exploration Target" on 4 June 2019, "Southern Alaska Vanadium Project Acquired" on 18 December 2018 "Magnetic Survey Identifies Vanadium and Iron Ore Potential" on 26 February 2019 and "3D Model confirms Vanadium and Gold Potential at Snettisham" on 14 March 2019.

The Company is not aware of any new information or data that materially affects the information included in this announcement and all material assumptions and technical parameters underpinning the Mineral Resource and/or Exploration Target continue to apply and have not materially changed.

- * The low-grade exploration target is based on the calculated volume of 20% Fe material based on the UBC inversion with a +/- 30% variation applied. The volume of the 20% Fe material was calculated at 434 million m³ which was then multiplied by the density of pyroxenite containing 20% Fe in the form of magnetite which has a specific gravity of 3.75 s.g. units. This gives a calculated weight of 434,000,000 m³ x 3.75 = 1,628,000,000 t or 1.63 Bt (subject to rounding).
- ** The high-grade exploration target is based on the calculated volume of 40% Fe material based on the UBC inversion with a +/- 30% variation applied. The volume of the 40% Fe material was calculated at 91.8 million m³ which was then multiplied by the density of pyroxenite containing 40% Fe in the form of magnetite which has a specific gravity of 4.62 s.g. units. This gives a calculated weight of 91,800,000 m³ x 4.62 = 424,000,000 t or 424 Mt (subject to rounding).

MINERAL RESOURCE STATEMENT AT 30 JUNE 2018 and 30 JUNE 2019 (unchanged)

Stanton Cobalt Mineral Resource, Northern Territory

Weathering	Tonnage (Tonnes)	Cobalt (ppm)	Nickel (ppm)	Copper (ppm)
Inferred				
Oxide	8,000	500	300	2,100
Transition	242,000	800	400	800
Indicated				
Oxide	406,000	1,200	500	1,600
Transition	286,000	1,800	900	900
TOTAL	942,000	1,300	600	1,200

The information in this release that relates to the Estimation and Reporting of Mineral Resources at 30 June 2018 and 30 June 2019 is based on, and fairly represents, information and supporting documentation compiled by Dr Graeme McDonald. Dr McDonald acts as an independent consultant to Northern Cobalt Limited on the Stanton Deposit Mineral Resource estimation. Dr McDonald is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience with the style of mineralisation, deposit type under consideration and to the activities 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" (The JORC Code). Dr McDonald consents to the inclusion in this report of the contained technical information relating to the Mineral Resource Estimation in the form and context in which it appears.

The Stanton Project Mineral Resource Estimate at 30 June 2018 has remained unchanged as at 30 June 2019. The information related to the Stanton Project Mineral Resource Estimate at 30 June 2018 and 30 June 2019 was detailed in the market announcement released as "Stanton Resource Upgrade Increases Contained Cobalt" on 9 April 2018. 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 relies on drilling results from accredited laboratories in providing assay results used to estimate Mineral Resources.

The Company ensures that all Mineral Resource estimates are subject to appropriate levels of governance and internal controls. Exploration results are collected and managed by an independent competent qualified geologist. All data collection activities are conducted to industry standards based on a framework of quality assurance and quality control protocols covering all aspects of sample collection, topographical and geophysical surveys, drilling, sample preparation, physical and chemical analysis and data and sample management. Mineral Resource estimates are prepared by qualified independent Competent Persons. If there is a material change in the estimate of a Mineral Resource, the estimate and supporting documentation in question is reviewed by a suitable qualified independent Competent Persons. The Company reports its Mineral Resources on an annual basis in accordance with JORC Code 2012.

Tenement Schedule

At 30 June 2019

Tenement name	Tenement number	Status	Equity
Australia, Northern Territory			
WOLLOGORANG			
Karns	EL30496	Granted	100%
Selby	EL30590	Granted	100%
Stanton / Running Creek	EL31272	Granted	100%
Calvert	EL31546	Granted	100%
Stinking Lagoon	EL31547	Granted	100%
Sandy Creek	EL31548	Granted	100%
Camel Creek	EL31549	Granted	100%
Madulgina Creek	EL31550	Granted	100%
ARUNTA			
Alcoota Pegmatite Field	EL28886	Granted	100%
Alcoota Pegmatite Field	EL31777	Granted	100%
Undippa Pegmatite Field	EL31778	Granted	100%
Alcoota Pegmatite Field	EL31779	Granted	100%
USA, Alaska			
SNETTISHAM			
Snettisham	AKAA 095408 - AKAA 095455	Granted	100%



Area _____
County _____
Sample N _____
Remarks _____
907
HUB

006
N23-LLC

Directors' Report

Northern Cobalt's Directors have pleasure in submitting their report on the Group for the year ended 30 June 2019.

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 and Non-Executive Director of WPG Resources Limited.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

None

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

WPG Resources Ltd (ASX:WPG) from 20 August 2007 to 30 November 2016.

INTEREST IN SHARES

390,478 Ordinary Shares held directly and by an entity in which Mr Dean has a beneficial interest.

INTEREST IN OPTIONS AND RIGHTS

48,810 quoted options with exercise price of \$0.10 and expiry of 30 June 2022 (N270A).

1,000,000 unquoted options with exercise price of \$0.2493 and expiry of 21 March 2021.

500,000 unquoted performance rights subject to share price vesting conditions and an expiry of 31 December 2020.

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 was the founding Chairman of the Himalayan Development Foundation Australia Inc, a not-for-profit entity delivering assistance to the people of Nepal. He is currently a Director of Coolabah Group, the project Vendor of the Wollogorang Project. Coolabah Group is a project generation team which advances mineral exploration projects towards development.

Mr Chessell also has a decade of 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, RIGHTS AND PERFORMANCE SHARES

697,500 unquoted options with exercise price of \$0.2493 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.

500,000 unquoted performance rights subject to share price vesting conditions and an expiry of 31 December 2020.

Andrew Shearer

Non-executive Director (appointed 6 March 2017)

BSc (Geology), Hons (Geophysics), MBA

EXPERIENCE AND EXPERTISE

Mr Shearer has been involved in the mining and finance industries for 25 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, Phillip Capital, Austock, South Australian Government, Mount Isa Mines Limited and Glengarry Resources Limited. He is currently Senior Analyst at PAC Partners Pty Ltd.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Andromeda Metals Limited (ASX:ADN) from 27 October 2017.

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

None

INTEREST IN SHARES

940,000 Ordinary Shares held directly and by an entity in which Mr Shearer has a beneficial interest.

INTEREST IN OPTIONS, RIGHTS AND PERFORMANCE SHARES

50,000 quoted options with exercise price of \$0.10 and expiry of 30 June 2022 (N27OA).

450,000 unquoted options with exercise price of \$0.2493 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.

500,000 unquoted performance rights subject to share price vesting conditions and an expiry of 31 December 2020.

Michael Schwarz

Managing Director (appointed 6 March 2017 and resigned as Director 26 August 2019)

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.

Directors' Report

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

None

INTEREST IN SHARES

405,335 Ordinary Shares held directly and by an entity in which Mr Schwarz has a beneficial interest.

INTEREST IN OPTIONS AND RIGHTS

50,668 quoted options with exercise price of \$0.10 and expiry of 30 June 2022 (N27OA).

3,000,000 unquoted options with exercise price of \$0.2493 and expiry of 21 March 2021.

500,000 unquoted performance rights subject to share price vesting conditions and an expiry of 31 December 2020.

COMPANY SECRETARY

Jaroslav (Jarek) Kopias

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 (now BHP) 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 Company Secretary of Core Lithium Ltd (ASX: CXO), Iron Road Limited (ASX: IRD) and Lincoln Minerals Limited (ASX: LML). Mr Kopias has held similar roles with other ASX entities in the past and has other business interests with numerous unlisted public and private entities.

PRINCIPAL ACTIVITIES

Northern Cobalt's ongoing principal activities are the exploration for cobalt and other battery metals in the Northern Territory and Queensland and Vanadium and Iron Ore in Alaska, USA.

OPERATING AND FINANCIAL REVIEW

The net loss of the Group for the period after providing for income tax amounted to \$1,370,357 (2018: \$1,122,572) primarily due to administrative costs, employee benefit expense and preliminary exploration expenditure not capitalised.

During the year, the Group raised a further \$610k through a share placement and rights issue to progress its existing and newly acquired exploration tenements.

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 Group'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 Group's own cash reserves or through joint venture arrangements.

Further technical detail on each of the prospects listed below is in the Review of Operation in the Annual Report.

The Wologorang Cobalt Project, as detailed in the Group's IPO prospectus, covers 1,131 km² of pastoral land, wholly within NT pastoral lease No 1113, Wologorang 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 Wologorang Station Homestead.

The Project is approximately 1,000 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. Since listing on ASX, the Group has acquired a further five tenements adjacent to the initial three tenements adding a further 3,855 km² to the project area.

The Stanton Cobalt Mineral Resource Estimate has been upgraded since the Group's initial listing on ASX in the market announcement "Stanton Resource Upgrade Increases Contained Cobalt" released on 9 April 2018.

The future strategy at the Wollongorang Cobalt Project is for Northern Cobalt to focus on increasing the global Mineral Resource inventory and to assess further exploration targets in the vicinity of the Stanton resource and to assess the prospectivity of the Snettisham vanadium and iron ore prospect in Alaska.

The future strategy at the Snettisham Project is for Alaska, USA is to drill exploration targets and determine the potential of the project.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the reporting period that have 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years other than the termination of the Managing Director's employment on 26 August 2019.

LIKELY DEVELOPMENTS

The Group continues its exploration program focussed on battery metals and will assess other complementary projects.

DIRECTORS' MEETINGS

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

	Board meetings		Audit and Risk Committee meetings		Remuneration Committee meetings	
Directors	A	E	A	E	A	E
LA Dean	15	15	3	3	1	1
MP Schwarz	15	15	3	3	1	1
DC Chessell	15	15	3	3	1	1
AN Shearer	15	15	3	3	1	1

A = Attended E = Entitled to attend

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

Directors' Report

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 2021	\$0.2493	6,450,000
6 September 2017	6 September 2021	\$0.2493	5,800,000
Total unquoted options			12,250,000
14 September 2017	14 September 2019	\$0.1993	6,323,337
25 June 2019	30 June 2022	\$0.10	6,098,225
Total quoted options			12,421,562
Total options on issue			24,671,562

During the year, 6,098,225 quoted options (N27OA), forming a new class of quoted security, were issued to participants in the Company's rights issue.

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

PERFORMANCE RIGHTS

Unissued ordinary Shares of Northern Cobalt subject to vesting and exercise of performance rights at the date of this report are:

Date rights granted	KPI vesting	Expiry date	Number of rights
28 September 2018	28 September 2020	31 December 2020	2,500,000
Total rights on issue			2,500,000

During the year, 2,500,000 unquoted performance rights were issued to officers as remuneration under the Company's Performance Share Plan.

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

PERFORMANCE SHARES

The Company has on issue 13,175,000 class A and class B performance shares as detailed in the table below:

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

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

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 Group'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 Group. The key management personnel of the Group are the Board of Directors, Company Secretary and Executive Officers.

The Board's policy for determining the nature and amount of remuneration for its members and key management personnel of the Group 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 Group'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 and announced on ASX.
- 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 (currently \$400,000). Fees for non-executive Directors are not linked to the performance of the Group, 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 Group during the period.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board will have regard to a number of key performance metrics such as profitability, shareholders' equity and the Company's share price.

Directors' Report

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 Group believes this policy will be effective in increasing shareholder wealth.

Voting and comments made at the Company's 2018 Annual General Meeting

Northern Cobalt received 92.7% "yes" votes on its remuneration report for the 2018 financial year. The Group did not receive any specific feedback at the AGM on its remuneration report.

B. Details of remuneration

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

All KMP were appointed on 6 March 2017. All directors were issued with unvested KPI based performance rights during the 2018/19 year.

Director and other key management personnel remuneration

2019	Short term benefits			Post-employment benefits	Share-based payments		
	Salary and fees \$	Contract payments \$	Other benefits \$	Superannuation \$	Options / rights ¹ \$	Total \$	At risk ² %
Non-executive directors							
L Dean	60,000	-	-	-	22,057	82,057	27
D Chessell ³	98,678	-	-	9,374	22,057	130,109	17
A Shearer	31,964	-	-	3,036	22,057	57,057	39
Executive directors							
M Schwarz ⁴	161,333	-	-	15,327	22,057	198,717	11
Other key management personnel							
J Kopias ⁵	-	109,063	-	-	22,057	131,120	17
Total	351,975	109,063	-	27,737	110,285	599,060	

1) Performance rights issued in September 2018 as approved at the 2018 AGM.

2) Represents share based payments linked to performance conditions.

3) Mr Chessell acted in the capacity of an executive director to 17 November 2018.

4) Mr Schwarz reduced his time to 4 days per week commencing 1 February 2019.

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

2018	Short term benefits			Post-employment benefits	Share-based payments		
	Salary and fees \$	Contract payments \$	Other benefits \$	Superannuation \$	Options / rights ⁶ \$	Total \$	At risk ⁷ %
Non-executive directors							
L Dean	46,833	-	-	-	-	46,833	-
A Shearer	24,949	-	-	2,370	-	27,319	-
Executive Directors							
M Schwarz ⁸	137,587	-	-	13,071	-	150,658	-
D Chessell ⁹	103,189	-	-	9,803	-	112,992	-
Other key management personnel							
J Kopias ¹⁰	-	98,663	-	-	53,410	152,073	35
Total	312,558	98,663	-	25,244	53,410	489,875	

6) Options issued in October 2017.

7) Represents share based payments linked to performance conditions.

8) Remuneration commenced on 20 September 2017 – upon admission to ASX.

9) Remuneration as non-executive director commenced on 20 September 2017 – upon admission to ASX - and on 15 December 2017 as executive director.

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

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

Directors' Report

D. Share-based remuneration

Details of performance rights convertible to ordinary shares in the Company that were granted as remuneration to each KMP during the year are set out below. All performance rights refer to a right to convert one right to one ordinary share in the Company, under the terms of the performance rights. Details of performance rights convertible to ordinary shares in the Company that were granted as remuneration to each KMP during the year are set out below:

2019 Granted	Number granted	Grant date	Fair value at grant date		First vesting date ¹	Last vesting date
			per right	Full value \$		
L Dean	500,000	28/09/2018	\$0.0441	22,057	N27 share price	28/09/2020
M Schwarz	500,000	28/09/2018	\$0.0441	22,057	N27 share price	28/09/2020
D Chessell	500,000	28/09/2018	\$0.0441	22,057	N27 share price	28/09/2020
A Shearer	500,000	28/09/2018	\$0.0441	22,057	N27 share price	28/09/2020
J Kopias	500,000	28/09/2018	\$0.0441	22,057	N27 share price	28/09/2020
Total	2,500,000					

¹ Meeting criteria of the KPI listed below determines vesting of rights.

The performance rights will vest upon the Company's share price exceeding a \$0.75 VWAP at any time in the 2 year period after grant for a period of at least 1 month.

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	Held at 30 June 2018	Movement during year ¹	Options / rights exercised	Held at 30 June 2019
L Dean	292,858	97,620	-	390,478
M Schwarz ²	214,286	191,049	-	405,335
D Chessell	4,908,750	-	-	4,908,750
A Shearer	840,000	100,000	-	940,000
J Kopias	400,000	40,000	-	440,000
Total	6,655,894	428,669	-	7,084,563

¹ Movement represents participation in the Company's rights issue.

² Movement represents acquisition of shares on-market (89,715) and participation in the Company's rights issue (101,334).

Option holdings of key management personnel

The number of quoted 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:

UNQUOTED OPTIONS – Exercise price of \$0.2493 and expiry of 21 March 2021						
Directors and company secretary	Held at 30 June 2018	Granted during year	Disposed during year	Exercised	Held at 30 June 2019	Vested and exercisable at 30 June 2019
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
J Kopias	450,000	-	-	-	450,000	450,000
Total	5,597,500	-	-	-	5,597,500	5,597,500

QUOTED OPTIONS – Exercise price of \$0.10 and expiry of 30 June 2022						
Directors and company secretary	Held at 30 June 2018	Granted during year ¹	Disposed during year	Exercised	Held at 30 June 2019	Vested and exercisable at 30 June 2019
L Dean	-	48,810	-	-	48,810	48,810
M Schwarz	-	50,668	-	-	50,668	50,668
D Chessell	-	-	-	-	-	-
A Shearer	-	50,000	-	-	50,000	50,000
J Kopias	-	20,000	-	-	20,000	20,000
Total	-	169,478	-	-	169,478	169,478

¹ Represents issue of quoted options for participation in the Company's rights issue.

Performance rights holdings of key management personnel

The number of performance rights 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:

Key management personnel	Held at 30 June 2018	Acquired during year ¹	Disposed during year	Exercised	Held at 30 June 2019	Vested and exercisable at 30 June 2019
L Dean ¹	-	500,000	-	-	500,000	-
M Schwarz	-	500,000	-	-	500,000	-
D Chessell	-	500,000	-	-	500,000	-
A Shearer	-	500,000	-	-	500,000	-
J Kopias	-	500,000	-	-	500,000	-
Total	-	2,500,000	-	-	2,500,000	-

¹ Represents issue of performance rights as remuneration to officers as approved at 2018 AGM (to Directors) under the Company's Performance Share Plan.

Directors' Report

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	Held at 30 June 2018	Acquired during year	Disposed during year	Exercised	Held at 30 June 2019	Vested and exercisable at 30 June 2019
Class A						
D Chessell	1,800,000	-	-	-	1,800,000	-
A Shearer	800,000	-	-	-	800,000	-
Class B						
D Chessell	658,125	-	-	-	658,125	-
A Shearer	325,000	-	-	-	325,000	-
Total	3,583,125	-	-	-	3,583,125	-

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 sought the provision of consultancy services and hire of a vehicle and equipment from Magill Consulting Pty Ltd on commercial terms - Mr Chessell is a director and shareholder of the company. During the year \$7,390 + GST has been paid in relation to these services. The total amount of fees due to Magill Consulting Pty Ltd as at 30 June 2019 was \$Nil (2018: \$Nil).

Andrew Shearer

Northern Cobalt has entered into an agreement with PAC Partners Pty Ltd, the employer of Mr Shearer, lead manager in relation to the Company's capital raisings and provider of broker support services. During the year PAC has been paid fees of \$73,820 + GST. The total amount of fees due to PAC Partners Pty Ltd as at 30 June 2019 was \$1,320 (2018: \$10,000).

Jarek Kopias

Kopias Consulting, a business of which Jarek Kopias is a Director, was paid consulting fees in relation to the year totalling \$109,063 (2018: \$98,633) and is disclosed in the remuneration report. The total amount of fees due to Kopias Consulting as at 30 June 2019 was \$9,413 (2018: \$12,188).

END OF AUDITED REMUNERATION REPORT

ENVIRONMENTAL LEGISLATION

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

The Group's operations are subject to various environmental regulations under the Commonwealth and State Laws of Australia and Alaska, USA. 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 Group's management for each permit or lease in which the Group 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

During the reporting period Grant Thornton performed certain other services in addition to its statutory duties.

The Board has considered the non-audit services provided during the reporting period by the auditor and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Group and its related practices for audit and non-audit services provided during the reporting period are set out in note 13 to the Financial Statements.

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

ROUNDING OF AMOUNTS

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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.



Leonard Dean
Chairman

Adelaide

9 September 2019

Auditor's Independence Declaration



Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666
F +61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Northern Cobalt Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Northern Cobalt Ltd for the year ended 30 June 2019, 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J. L. Humphrey
Partner – Audit & Assurance

Adelaide, 9 September 2019

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	30 June 2019 \$	30 June 2018 \$
Interest income		25,030	45,383
Other income		-	11,000
Broker and investor relations		(168,500)	(281,515)
Employee benefits expense		(364,495)	(377,898)
Exploration expense	7	(121,897)	(118,581)
Impairment expense	7	(409,601)	-
Depreciation	8	(41,360)	(29,661)
Loss on sale of assets		(308)	-
Other expenses	2	(289,226)	(371,300)
Loss before tax		(1,370,357)	(1,122,572)
Income tax (expense) / benefit	3	-	-
Loss for the year from continuing operations attributable to owners of the parent		(1,370,357)	(1,122,572)
Other comprehensive income attributable to owners of the parent		-	-
Total comprehensive loss for the year attributable to owners of the parent		(1,370,357)	(1,122,572)
Earnings per share from continuing operations			
Basic and diluted loss – cents per share	4	(2.55)	(3.17)

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

Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 \$	30 June 2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	741,889	3,991,941
Trade and other receivables	6	23,163	192,131
Total current assets		765,052	4,184,072
Non-current assets			
Exploration and evaluation expenditure	7	6,809,980	4,467,108
Plant and equipment	8	137,573	181,152
Total non-current assets		6,947,553	4,648,260
TOTAL ASSETS		7,712,605	8,832,332
LIABILITIES			
Current liabilities			
Trade and other payables	9	138,784	551,495
Employee provisions		10,930	20,499
Total current liabilities		149,714	571,994
TOTAL LIABILITIES		149,714	571,994
NET ASSETS		7,562,891	8,260,338
EQUITY			
Issued capital	10	9,520,723	8,958,098
Reserves	11	831,143	720,858
Accumulated losses		(2,788,975)	(1,418,618)
TOTAL EQUITY		7,562,891	8,260,338

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

Statement of Changes in Equity

For the year ended 30 June 2019

2019	Issued capital \$	Option / rights reserve \$	Accumulated losses \$	Total equity \$
Opening balance	8,958,098	720,858	(1,418,618)	8,260,338
Share placement and rights issue	609,820	-	-	609,820
Fair value of shares issued for the acquisition of projects	50,000	-	-	50,000
KMP remuneration rights	-	110,285	-	110,285
Issue costs	(97,195)	-	-	(97,195)
Transactions with owners	562,625	110,285	-	672,910
Comprehensive income:				
Total profit or loss for the reporting year	-	-	(1,370,357)	(1,370,357)
Total other comprehensive income for the reporting year	-	-	-	-
Balance 30 June 2019	9,520,723	831,143	(2,788,975)	7,562,891
2018	Issued capital \$	Option reserve \$	Accumulated losses \$	Total equity \$
Opening balance	606,170	4,447	(296,046)	314,571
IPO shares	4,213,500	-	-	4,213,500
Fair value of shares issued for the acquisition of projects	954,000	-	-	954,000
Share placement and share purchase plan	3,581,548	-	-	3,581,548
Exercise of quoted options	842,083	-	-	842,083
Fair value of shares issued in consideration for services	38,500	-	-	38,500
Issue costs (including IPO promoter options)	(1,277,703)	663,001	-	(614,702)
KMP remuneration options	-	53,410	-	53,410
Transactions with owners	8,351,928	716,411	-	9,068,339
Comprehensive income:				
Total profit or loss for the reporting year	-	-	(1,122,572)	(1,122,572)
Total other comprehensive income for the reporting year	-	-	-	-
Balance 30 June 2018	8,958,098	720,858	(1,418,618)	8,260,338

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

Statement of Cash Flows

For the year ended 30 June 2019

	Notes	30 June 2019 \$	30 June 2018 \$
Operating activities			
Interest received		30,166	40,247
Other receipts		-	11,000
Payments to suppliers and employees		(832,540)	(711,490)
Net cash used in operating activities	12	(802,374)	(660,243)
Investing activities			
Payments for capitalised exploration expenditure		(2,926,452)	(3,393,768)
Payments for plant and equipment		(49,270)	(224,487)
Net cash used in investing activities		(2,975,722)	(3,618,255)
Financing activities			
Proceeds from issue of share capital		609,820	7,795,047
Proceeds from exercise of options		-	842,083
Payments for capital raising costs		(81,776)	(694,576)
Net cash from financing activities		528,044	7,942,554
Net change in cash and cash equivalents		(3,250,052)	3,664,056
Cash and cash equivalents, beginning of reporting period		3,991,941	327,885
Cash and cash equivalents, end of year	5 (a)	741,889	3,991,941

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

Notes to the Financial Statements

For the year ended 30 June 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial statements of the Group 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 a listed 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 2019 were approved and authorised by the Board of Directors on 9 September 2019.

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

Comparative information for 2018 is for the full year commencing on 1 July 2017.

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

a) Principles of consolidation

Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 30 June 2019. Subsidiaries are all entities (including structured entities) over which the Group control. The Group controls an entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is fully transferred to the Group. They are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 30 June.

A list of controlled entities is contained in note 17 to the Financial Statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted, where necessary, to ensure consistency with the accounting policies adopted by the Group.

Profit or loss of subsidiaries acquired or disposed of during the reporting period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

b) 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 Group 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 based on the level of expenditure.

c) 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).

d) 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 diminishing value method to allocate asset costs over their estimated useful lives, as follows:

Exploration equipment	6 years
Office equipment	5 years
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. The method was changed from the straight-line method in the prior year.

e) 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.

f) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- » amortised cost
- » fair value through profit or loss (FVPL)
- » equity instruments at fair value through other comprehensive income (FVOCI)
- » debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- » The entities business model for managing the financial asset
- » The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

FINANCIAL ASSETS AT AMORTISED COST

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- » they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- » the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

IMPAIRMENT OF FINANCIAL ASSETS

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- a) financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- b) financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- c) 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
- d) '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

g) Impairment of assets

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h) 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 Group 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 reporting 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.

i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group 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.

j) 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 Group 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 Group 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.

The Company and its wholly-owned Australian resident subsidiaries have formed a tax-consolidated group. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

k) 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.

l) 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 Group. 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.

m) 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.

n) Share-based payments

The Group 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 of share options is determined using a Black and Scholes methodology depending on the nature of the option terms. The fair value in relation to performance rights is calculated using a Monte Carlo simulation.

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 Monte Carlo simulation used in pricing the performance rights takes into account the target share price resulting from meeting the KPI, the term of the right, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

The fair value of the options and performance rights 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 and performance rights that are expected to become exercisable / vested. At each reporting date, the entity revises its estimates of the number of options and performance rights that are expected to become exercisable / vested.

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 Group, will ultimately vest. This opinion is formed based on the best available information at reporting 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.

o) Employee benefits

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

A defined contribution plan is a superannuation plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group 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 Group 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 Group 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.

p) 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.

q) Critical accounting estimates and judgements

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

i) Key estimates – impairment

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

ii) Key judgements – exploration and evaluation expenditure

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

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

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

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

iii) Share-based payment transactions

The Group 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 17. 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.

r) 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 other than:

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

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

s) 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 2019 but will be applicable to the Group 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 Group.

Standard / Interpretation	Nature of change	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	Requires all leases to be accounted for 'on-balance sheet' for lessees other than short-term and low value asset leases.	1 January 2019	30 June 2020

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- » there will be a minor increase in lease assets and financial liabilities recognised on the balance sheet
- » the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- » EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- » operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

Per Note 14, the Group's commitments relating to operating leases for the 2020 financial year is \$9,200 and nil beyond 1 July 2020, the group does not believe the adoption of this standard will materially impact the financial statements.

2 OTHER EXPENSES

	2019 \$	2018 \$
Compliance	78,831	76,529
Office expenses	98,633	100,547
Legal, insurance and registry	73,300	65,951
IPO costs expensed	-	35,378
Other expenses	38,462	92,895
Total other expenses	289,226	371,300

3 INCOME TAX BENEFIT / (LOSS)

	2019 \$	2018 \$
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)	(1,370,357)	(1,122,572)
Income tax rate	30%	27.5%
Prima facie tax benefit on loss from activities before income tax	(411,107)	(308,707)
Non-deductible amounts	88,216	-
Tax effect of temporary differences not brought to account as they do not meet the recognition criteria	(689,778)	(958,405)
Deferred tax asset not realised as recognition criteria not met	1,012,669	1,267,112
Subtotal	-	-
c) Deferred tax assets have not been recognised in respect of the following:		
Deferred tax liabilities	5,539,849	2,745,995
Deferred tax asset not recognised	1,661,955	755,149

A net deferred tax asset of \$1,661,955 (2018: \$755,149) 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 Group 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 Group estimates its tax liabilities based on the Group'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:

	2019 #	2018 #
Weighted average number of shares used in basic earnings per share	52,865,118	35,463,593
Weighted average number of shares used in diluted earnings per share	52,865,118	35,463,593
Profit / (loss) per share – basic and basic (cents)	(2.55)	(3.17)

There were 40,346,562 options, performance rights and performance shares outstanding at the end of the year (2018: 31,748,337) 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:

	2019 \$	2018 \$
Cash at bank and in hand	741,889	3,991,941
Cash and cash equivalents	741,889	3,991,941
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	741,889	3,991,941

6 TRADE AND OTHER RECEIVABLES

Other current assets include the following:

	2019 \$	2018 \$
Exploration bond deposits	16,767	137,007
GST receivable	3,481	41,722
Other current assets	2,915	13,402
Total receivables	23,163	192,131

No receivables are considered past due and / or impaired.

7 EXPLORATION AND EVALUATION EXPENDITURE

	2019 \$	2018 \$
Opening balance	4,467,108	-
Expenditure on exploration during the year	2,659,228	3,385,316
Acquisition of projects ¹	93,245	1,053,792
Transfer of prior year expenditure classified as financial assets	-	28,000
Exploration expenditure impaired	(409,601)	-
Closing balance	6,809,980	4,467,108

¹ Includes fair value of share based payments of \$50,000 (2018: \$954,000) as well as stamp duty and other incidental costs of acquisition.

8 PLANT AND EQUIPMENT

2019	Exploration equipment \$	Office Equipment \$	Software and IT equipment \$	Total \$
Gross carrying amount				
Opening balance	128,584	19,793	77,382	225,759
Additions	47,157	-	2,113	49,270
Disposals	-	-	(1,496)	(1,496)
Closing balance	175,741	19,793	77,999	273,533
Depreciation and impairment				
Opening balance	(14,735)	(2,154)	(27,718)	(44,607)
Depreciation ¹	(51,181)	(7,036)	(34,324)	(92,541)
Disposals	-	-	1,188	1,188
Closing balance	(65,916)	(9,190)	(60,854)	(135,960)
Carrying amount 30 June	109,825	10,603	17,145	137,573

¹ Exploration equipment depreciation is charged to exploration assets. The remaining depreciation of \$41,360 is charged to the statement of profit or loss.

2018	Exploration equipment \$	Office Equipment \$	Software and IT equipment \$	Total \$
Gross carrying amount				
Opening balance	-	-	1,272	1,272
Additions	128,584	19,793	76,110	224,487
Closing balance	128,584	19,793	77,382	225,759
Depreciation and impairment				
Opening balance	-	-	(211)	(211)
Depreciation ¹	(14,735)	(2,154)	(27,507)	(44,396)
Closing balance	(14,735)	(2,154)	(27,718)	(44,607)
Carrying amount 30 June	113,849	17,639	49,664	181,152

¹ Exploration equipment depreciation is charged to exploration assets. The remaining depreciation of \$29,661 is charged to the statement of profit or loss.

9 TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
Trade creditors	28,409	384,809
Payroll liabilities	5,435	29,592
Accrued expenses	104,940	137,094
Total trade and other payables	138,784	551,495

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

10 ISSUED CAPITAL

	2019 \$	2018 \$
a) Issued and paid up capital		
Fully paid ordinary shares	9,520,723	8,958,098
	9,520,723	8,958,098
	Number	\$
b) Movements in fully paid shares		
Balance as 1 July 2017	11,000,000	606,170
Initial Public Offering	21,067,500	4,213,500
Fair value of shares issued for the acquisition of projects	4,110,000	954,000
Exercise of quoted options	4,210,413	842,083
Fair value of shares issued in consideration for services	192,500	38,500
Share placement	8,568,674	2,999,036
Share purchase plan	1,664,319	582,512
Capital raising costs	-	(1,277,703)
Balance as 30 June 2018	50,813,406	8,958,098
Fair value of shares issued for the acquisition of projects	500,000	50,000
Controlled placement agreement collateral shares	2,500,000	-
Share placement	9,000,000	450,000
Rights issue and shortfall	3,196,400	159,820
Capital raising costs	-	(97,195)
Balance as 30 June 2019	66,009,806	9,520,723

The 2,500,000 collateral shares were issued pursuant to controlled placement agreement (CPA) with Acuity Capital that provides up to \$2 million of standby equity capital to 31 December 2020. Under the terms of the CPA, the Company retains full control of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). As collateral for the CPA, the Company has agreed to place 2,500,000 fully paid ordinary shares at nil consideration to Acuity Capital.

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 Group's capital by assessing the Group'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 Group's capital is shown as issued capital in the statement of financial position.

11 RESERVES

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

Share option reserve	Number of options	\$	Weighted average exercise price
Balance at 1 July 2017	6,000,000	4,447	\$0.25
Granted – IPO shareholders	10,533,750	-	\$0.20
Granted – IPO promoters	5,800,000	663,001	\$0.25
Granted – KMP	450,000	53,410	\$0.25
Exercised	(4,210,413)	-	\$0.20
Balance at 30 June 2018	18,573,337	720,858	\$0.23
Granted – rights issue and placement	6,098,225	-	\$0.10
Balance at 30 June 2019	24,671,562	720,858	\$0.20

All options vested upon issue except as stated above.

The exercise price of options on issue prior to the rights issue in June 2019 was reduced by \$0.0007.

Performance rights reserve	Number of Rights	\$
Balance at 1 July 2018	-	-
Granted – KMP	2,500,000	110,285
Balance at 30 June 2019	2,500,000	110,285

	2019 \$	2018 \$
Options / rights issued to directors / employees	110,285	53,410
Options issued to IPO promoters	-	663,001
Total share based payments	110,285	716,411
Options recognised in equity	-	(663,001)
Net share based payments recognised in statement of financial position	110,285	53,410
Share based payment classified as employee benefit expense in profit or loss	(110,285)	(53,410)
Net share based payment expense in profit or loss	-	-

During the 2018/19 year 6,098,225 quoted options were issued under a placement and rights issue. The quoted options have an exercise price of \$0.10 and expiry of 30 June 2022. No fair value has been allocated to the quoted options as the options were issued under a placement and rights issue attaching to the shares issued.

During the 2017/18 year:

- 450,000 unquoted options were issued to the Company Secretary as remuneration;
- 5,800,000 unquoted options were issued to IPO promoters as remuneration; and
- 4,210,413 quoted options were exercised.

Nature and purpose of reserves

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

12 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2019 \$	2018 \$
Operating activities		
Loss after tax	(1,370,357)	(1,122,572)
Share based payments	110,285	91,910
Depreciation	41,360	29,611
IPO capital raising costs expensed	-	35,378
Exploration costs expensed	121,897	118,581
Impairment expense	409,601	-
Net change in working capital	(115,160)	186,849
Net cash used in operating activities	(802,374)	(660,243)

13 AUDITOR REMUNERATION

	2019 \$	2018 \$
Audit services		
Auditors of Northern Cobalt Limited – Grant Thornton		
Audit and review of financial reports	29,900	29,700
Audit services remuneration	29,900	29,700
Other services		
Auditors of Northern Cobalt Limited – Grant Thornton		
Taxation compliance	7,400	4,100
Total other services remuneration	7,400	4,100
Total remuneration received by Grant Thornton	37,300	33,800

14 COMMITMENTS AND CONTINGENCIES

Lease commitments

The Group has entered into a two year operating lease in relation to its head office premises at 67 Goodwood Road, Wayville commencing 25 September 2017. Minimum lease payments recognised as an expense during the year amount to \$38,855 (2018: \$28,500). Remaining amounts due are:

	2019 \$	2018 \$
Within one year	9,200	38,000
Within two years to five years	-	9,500
	9,200	47,500

The Group's operating lease agreements do not contain any contingent rent clauses.

Exploration commitments

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

The Group's exploration licence tenements are renewable on an annual basis at various renewal dates throughout the year and the amount of each expenditure covenant is set by the relevant state's Minister at the time of each renewal grant.

	2019 \$	2018 \$
Within one year	984,000	225,000
Within two years to five years	2,365,000	3,351,000
	3,349,000	3,576,000

Not meeting the expenditure commitments detailed does not mean that the relevant tenements will require relinquishment.

15 RELATED PARTY TRANSACTIONS

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

a) Transactions with key management personnel

Key Management Personnel remuneration includes the following are disclosed in detail in the remuneration report:

	2019 \$	2018 \$
Short-term benefits	461,038	411,221
Post-employment benefits	27,737	25,244
Share based payments	110,285	53,410
Total remuneration	599,060	489,875

The following transactions occurred with KMP:

Payment for professional services to entities associated with entities associated with KMP as listed below.	201,728	681,563
Payables for professional services at reporting date	10,733	22,188

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 sought the provision of consultancy services and hire of a vehicle and equipment from Magill Consulting Pty Ltd on commercial terms - Mr Chessell is a director and shareholder of the company. During the year \$7,390 + GST has been paid in relation to these services. The total amount of fees due to Magill Consulting Pty Ltd as at 30 June 2019 was \$Nil (2018: \$Nil).

Andrew Shearer

Northern Cobalt has entered into an agreement with PAC Partners Pty Ltd, the employer of Mr Shearer, lead manager in relation to the Company's capital raisings and provider of broker support services. During the year PAC has been paid fees of \$73,820 + GST. The total amount of fees due to PAC Partners Pty Ltd as at 30 June 2019 was \$1,320 (2018: \$10,000).

Jarek Kopias

Kopias Consulting, a business of which Jarek Kopias is a Director, was paid consulting fees in relation to the year totalling \$109,063 (2018: \$98,633) and is disclosed in the remuneration report. The total amount of fees due to Kopias Consulting as at 30 June 2019 was \$9,413 (2018: \$12,188).

16 EMPLOYEE REMUNERATION

	2019 \$	2018 \$
a) Employee benefits expense		
Expenses recognised for employee benefits are analysed below:		
Salaries / contract payments for Directors and employees	940,966	650,429
Share based payments – Director and employee options	110,285	53,410
Defined contribution superannuation expense	76,834	34,367
Other employee expenses	11,388	49,421
Less: Transfer to exploration assets	(774,978)	(409,729)
	364,495	377,898

b) Share based employee remuneration

As at 30 June 2019 the Group maintained a share option plan and performance share plan for employee and director remuneration. During the year there were 2,500,000 performance rights granted as KMP remuneration.

The table below outlines the inputs used in the Monte Carlo fair value calculation for the performance rights:

	Range of values
Exercise price	Nil
Right life	2.0 years
Underlying share price	\$0.12
Expected share price volatility	86.7%
Risk free interest rate	2.0%
Weighted average fair value per right	\$0.0441
Weighted average contractual life	2.0 years

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

Share options and weighted average exercise prices are as follows:

2018 and 2019	Number of options	Weighted average exercise price (\$)
Opening balance - remuneration options	4,900,000	0.25
Granted as remuneration during 2017/18	450,000	0.25
Outstanding as at 30 June 2018 and 2019	5,350,000	0.25

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.

Fair value of performance rights granted

The fair value at grant date of the Director, KMP and employee performance rights has been determined using a Monte Carlo pricing model that takes into account the term of the right, the impact of dilution, the impact of the KPI on the underlying share price, the non-tradeable nature of the right, 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 right.

17 INVESTMENTS IN CONTROLLED ENTITIES

Controlled entities

The Company has the following subsidiaries:

Name of subsidiary	Country of incorporation	Class of shares	Percentage held	
			2018	2019
Mangrove Resources Pty Ltd	Australia	Ordinary	100%	100%
Xavier Resources Pty Ltd	Australia	Ordinary	100%	100%
Northern Vanadium LLC ¹	USA	Ordinary	0%	100%
N23 LLC ²	USA	Ordinary	0%	100%

¹ Registered on 8 November 2018.

² Registered on 12 November 2018.

18 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Group'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	2019 \$	2018 \$
Financial assets			
Cash and cash equivalents	5	741,889	3,991,941
Trade and other receivables	6	23,163	192,131
		<u>765,052</u>	<u>4,184,072</u>
Financial liabilities			
Trade and other payables	9	138,784	551,495
		<u>138,784</u>	<u>551,495</u>

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 Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group 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 Group'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 Group's only financial asset exposed to fluctuating interest rates.

The Group 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 Group's operating activities. The Group's net exposure to interest rate risk at 30 June 2019 approximates the value of cash and cash equivalents.

c) Sensitivity analysis

Interest rate

The Group 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.

2019	Sensitivity*	Effect on profit \$	Effect on equity \$
Interest rate	+ 1.30%	+19,267	+19,267
	- 1.30%	-19,267	-19,267
2018	Sensitivity*	Effect on profit \$	Effect on equity \$
Interest rate	+ 1.30%	+35,765	+35,765
	- 1.30%	-35,765	-35,765

* 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 Group 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 Group 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.

19 PARENT ENTITY INFORMATION

Information relating to Northern Cobalt Limited (the parent entity).

	2019 \$	2018 \$
Statement of financial position		
Current assets	761,152	4,184,072
Total assets	7,299,104	8,832,332
Current and total liabilities	145,813	571,994
Issued capital	9,520,723	8,958,098
Retained losses	3,198,576	1,418,618
Share based payments reserve	831,143	720,858
Statement of profit of loss and other comprehensive income		
Loss for the year	1,779,958	1,122,572
Total comprehensive loss for the period	1,779,958	1,122,572

All contingent liabilities and contractual commitments disclosed elsewhere in this report are entered into by the parent entity.

There are no guarantees entered into in relation to debts of subsidiaries.

20 PERFORMANCE SHARES

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

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

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

Terms associated with performance shares:

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

a) (Conversion on achievement of Class A Milestone)

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

- i) the Company announcing to ASX the delineation of an Inferred (or higher category) Mineral Resource in accordance with the JORC Code containing at least 6,000 tonnes Cobalt equivalent, at a grade of 0.12% Cobalt equivalent or greater (reported in accordance with clause 50 of the JORC Code), on the Tenements (**Class A Resource Estimate Milestone**); or
- ii) the Company selling or transferring (directly or indirectly) for value of at least \$5 million to a third party (being any person or entity other than a wholly-owned subsidiary of the Company) 100% of the shares of Mangrove, or 100% of the Company's legal or beneficial interest in the Tenements (**Class A Disposal Milestone**),

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

b) (A Expiry)

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

c) (Conversion on achievement of Class B Milestone)

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

- i) the Company announcing to ASX the delineation of an Inferred (or higher category) Mineral Resource in accordance with the JORC Code containing at least 15,000 tonnes Cobalt equivalent, at a grade of 0.12% Cobalt equivalent or higher (reported in accordance with clause 50 of the JORC Code), on the Tenements (**Class B Resource Milestone**); or
- ii) the Company selling or transferring (directly or indirectly) for value of at least \$20 million to a third party (being any person or entity other than a wholly-owned subsidiary of the Company) 100% of the shares of Mangrove, or 100% of the Company's legal or beneficial interest in the Tenements, (**Class B Disposal Milestone**),
- iii) 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.
- j) **(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.

21 GOING CONCERN BASIS OF ACCOUNTING

The financial report has been prepared on the basis of a going concern. During the year ended 30 June 2019 the Group recorded a net cash outflow from operating and investing activities of \$3,778,096 and an operating loss of \$1,370,357. These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the entity successfully:

- continuing the development of its exploration assets
- raising additional funds which may be from a variety of means inclusive of, but not limited to issue of new equity, debt, asset sales or entering into joint venture arrangements on mineral properties.

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

If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the interim financial report.

No allowance for such circumstances has been made in the interim financial report.

22 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years other than the termination of the Managing Director's employment on 26 August 2019.

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 2019 and of its performance for the financial year 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.

Note 1 confirms that the consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Leonard Dean
Chairman

Adelaide

9 September 2019

Independent Audit Report



Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666
F +61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Northern Cobalt Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Northern Cobalt Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2018 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 auditor 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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Material uncertainty related to going concern

We draw attention to Note 21 in the financial statements, which indicates that the Group incurred a net loss of \$1,370,357 during the year ended 30 June 2019, the Group recorded a net cash outflow from operating and investing activities of \$3,778,096. As stated in Note 21, these events or conditions along with other matters as set forth in Note 21, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets – Note 1(e) and Note 7	
At 30 June 2019, the carrying value of exploration and evaluation assets was \$6,809,980.	Our procedures included, amongst others:
In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> , the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.	<ul style="list-style-type: none"> obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; reviewing management's area of interest considerations against AASB 6; conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including; <ul style="list-style-type: none"> tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure; understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; assessing the accuracy of impairment recorded for the year as it pertained to exploration interests; evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and assessing the appropriateness of the related financial statement disclosures.
The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.	
This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.	

Independent Audit 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 2019, 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 the Directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Northern Cobalt Ltd, for the year ended 30 June 2019 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.

A stylized blue signature logo for Grant Thornton, written in a cursive script.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A blue ink signature of J L Humphrey, written in a cursive script.

J L Humphrey
Partner – Audit & Assurance

Adelaide, 9 September 2019



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 31 August 2019.

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 31 August 2019 are:

Coolabah Group Pty Ltd	4,875,000
Mr Yuyang Luo	3,800,000

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.
Performance Rights	No voting rights

Distribution of equity by security holders

Holding	Quoted			Unquoted			
	Ordinary Shares	Options 14Sep19 \$0.1993	Options 30Jun22 \$0.10	Performance Shares Class A	Performance Shares Class B	Performance Rights	Options
1 – 1,000	89	2	33	-	-	-	-
1,001 – 5,000	410	56	47	-	-	-	-
5,001 – 10,000	239	15	13	-	-	-	-
10,001 – 100,000	466	79	28	-	1	-	-
100,001 and over	118	12	14	7	6	5	10
Number of holders	1,322 ¹	164	135	7	7	5	10
Securities on issue	66,009,806	6,323,337	6,098,225	9,600,000 ²	3,575,000 ³	2,500,000	12,250,000 ⁴
Restricted securities	8,510,000 ⁵	-	-	9,600,000 ⁵	3,575,000 ⁵	-	11,800,000 ⁵

¹ There were 776 holders of less than a marketable parcel of ordinary shares (\$500 amounts to 12,500 shares at \$0.04).

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

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

⁴ 6,450,000 unlisted options with an exercise price of 24.93 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 24.93 cents each and expiry of 6 September 2021 – 5,000,000 held by PAC Partners Pty Ltd.

⁵ Securities restricted to 22 September 2019.

ASX Additional Information

TWENTY LARGEST HOLDERS OF ORDINARY SHARES – N27

		No. of shares held	% held
1	Coolabah Group Pty Ltd	4,875,000	7.39
2	Mr Yuyang Luo	3,800,000	5.76
3	PAC Partners Pty Ltd	3,300,000	5.00
4	Acuity Capital Investment Management Pty Ltd <Acuity Investments A/C>	2,500,000	3.79
5	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP A/C>	1,592,780	2.41
6	Citicorp Nominees Pty Limited	1,330,933	2.02
7	Mr Roger Scott Alter	1,018,654	1.54
8	Valas Investments Pty Ltd <Valas Investments A/C>	940,000	1.42
9	Mr Nicholas Peter Haines	885,757	1.34
10	Serlett Pty Ltd <Diligent Inv Superfund A/C>	800,000	1.21
11	Mr Mark Jones & Mrs Margaret Tai <Tai-Jones Super A/C>	700,000	1.06
12	Gorbach Super Pty Ltd <Gorbach Family Super A/C>	666,667	1.01
13	Mr Gagan Gupta	599,999	0.91
14	Varley Nominees Pty Ltd <Varley Super Fund A/C>	542,600	0.82
15	Gempart (NT) Pty Ltd	525,000	0.80
16	Fireant Resources Pty Ltd	510,000	0.77
17	Robertson Architectural Services Pty Ltd <Robertson Fam S/F A/C>	500,000	0.76
18	Westwood KBE Pty Ltd <Westwood KBE Investment A/C>	476,700	0.72
19	Mrs Cassandra Kopias	440,000	0.67
20	Mr Nigel Robert Strong	423,169	0.64
		26,427,259	40.04
Total ordinary shares on issue		66,009,806	100.00

TWENTY LARGEST HOLDERS OF QUOTED OPTIONS – N270A (\$0.10 / 30 JUNE 2022)

		No. of options held	% held
1	National Nominees Limited <DB A/C>	1,000,000	16.40
2	Mr Daniel John Baker	1,000,000	16.40
3	PAC Partners Pty Ltd	762,500	12.50
4	M & K Korkidas Pty Ltd <M&K Korkidas P/L S/Fund A/C>	400,000	6.56
5	Mr Konstantinos Korkidas	345,000	5.66
6	Mr Sean Foley	250,000	4.10
7	Serlett Pty Ltd <Diligent Inv Superfund A/C>	250,000	4.10
8	Rivacre Investments Pty Ltd <Colin Marland Fam #2 Dis A/C>	200,000	3.28
9	Mr Perry Julian Rosenzweig	200,000	3.28
10	Neut Pty Ltd	150,000	2.46
11	Mr Eli Ekman	150,000	2.46
12	Denk Associates Pty Ltd <Kiellerup Provident Fund A/C>	125,000	2.05
13	Robertson Architectural Services Pty Ltd <Robertson Fam S/F A/C>	125,000	2.05
14	Nintieth Y Pty Ltd <I K Caldwell & Co Staff A/C>	125,000	2.05
15	Mr Simon John Spinks	100,000	1.64
16	Gorbach Super Pty Ltd <Gorbach Family Super A/C>	83,334	1.37
17	Valas Investments Pty Ltd <Valas Investments A/C>	50,000	0.82
18	Mr Andre Szarukan & Ms Rose Braniska <The A & R Super A/C>	50,000	0.82
19	Mr Leonard Dean & Mrs Carolyn Dean <LA & CA Dean Super Fund A/C>	48,810	0.80
20	Mr Craig Russell Stranger	46,667	0.77
		5,461,311	89.57
Total quoted options on issue		6,098,337	100.00

ASX Additional Information

TWENTY LARGEST HOLDERS OF QUOTED OPTIONS – N270 (\$0.1993 / 14 SEPTEMBER 2019)

		No. of options held	% held
1	Mr Nigel Robert Strong	500,000	7.91
2	J P Morgan Nominees Australia Limited	468,305	7.41
3	UBS Nominees Pty Ltd	372,499	5.89
4	Mr Yuyang Luo	350,000	5.54
5	International Business Network Services Pty Ltd	300,000	4.74
6	Fareview Pty Ltd <The A&M Family A/C>	250,000	3.95
7	Mr Ian Douglas Phelan & Mrs Helen Emily Phelan <ID Phelan Super Fund A/C>	212,500	3.36
8	Clarkson's Boathouse Pty Ltd <Clarkson Super Fund A/C>	155,100	2.45
9	International Business Network Services Pty Ltd <International Business Services Super Fund A/C>	150,000	2.37
10	Mr Rowan Crosbie-Goold	141,396	2.24
11	Mr Steven Ray Blair	132,121	2.09
12	A P O'Brien Advisory Services Pty Ltd <The Filli A/C>	108,000	1.71
13	54697 Pty Ltd <54697 Super Fund A/C>	105,000	1.66
14	Ms Kerry Stevenson & Mr John Stevenson <KAS Superannuation Fund A/C>	100,000	1.58
15	AG-Richfoods Pty Ltd <Granet Family A/C>	100,000	1.58
16	Mrs Joanne Rachel Callaghan	100,000	1.58
17	Ms Fatema Nasreen	95,833	1.52
18	Mr Craig Christie	90,000	1.42
19	Samal Holdings Pty Ltd <Samal Family A/C>	75,000	1.19
20	BT Portfolio Services Limited <Mr D McDougall App A/C>	70,000	1.11
		3,875,754	61.30
Total quoted options on issue		6,323,337	100.00

