NORTHERN MINERALS LIMITED

ABN 61 119 966 353

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2023

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2023

The directors present their report together with the consolidated financial report of the Group, being Northern Minerals Limited ("Northern Minerals", the "parent entity" or "Company') and its controlled entities, for the financial year ended 30 June 2023 and the independent auditors report thereon.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors and officers were in office for the entire period unless otherwise stated.

Nicholas Curtis AM – *Executive Chairman*

Mr Curtis has an extensive background in mining and finance over more than 30 years, with a particular knowledge of the rare earths industry.

In 2001 Mr Curtis took control of ASX listed Lynas Corporation and refocussed it as a rare earths company developing the Mt Weld rare earth deposit in Western Australia and a large downstream rare earth processing plant in Kuantan in Malaysia. He retired from Lynas in 2015 after the plant in Malaysia was fully commissioned.

Earlier Mr Curtis founded Sino Gold Limited, as Executive Chairman. This company operated gold mines in China. It listed on the Australian Stock Exchange in 2001 and was taken over by Eldorado Gold of Canada in 2006 after becoming a top 100 company on the Australian Stock Exchange.

In 2011 Mr Curtis founded Forge Resources Ltd, a junior ASX mining exploration company. This company acquired the Balla Balla Mine in the Pilbara in Western Australia. The company was privatised by Nick and Todd Corporation in 2014, and is now BBI Group Pty Ltd, focussed on building a large-scale integrated iron ore system in the Pilbara in Western Australia.

In June 2011 Mr Curtis was awarded an AM (member of the Order of Australia) for his services to the community through executive roles supporting medical research and healthcare organisations and also for his work fostering Australia-China relations.

Mr Curtis is a Fellow of the Australian Institute of Company Directors.

Mr Curtis is the Chair of the Board.

During the past three years Mr Curtis has not served as a director of any other listed companies.

Bin Cai – *Executive Director*

Mr Cai is the Managing Director of Mr Conglin Yue's Brisbane-based, Australia Conglin International Investment Group Pty Ltd. Mr Cai has an outstanding record of successful strategic investments in emerging Australian resource companies based on his long experience in global resource industry investment. Prior to joining the Conglin Group, Mr Cai had eight years' experience with The China Investment Bank.

Mr Cai is currently a director of listed company Orion Metals Limited (Director July 2012 – present)

Mr Cai is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Shane Hartwig – *Executive Director – Finance (Appointed 2 December 2022)*

Mr Hartwig was a Founder and Director of Peloton Advisory, a well-established and highly successful corporate advisory firm with offices in Sydney and Perth. He has over twenty-five years' national and international experience in the finance industry.

DIRECTORS (Continued)

Mr Hartwig is a Certified Practicing Accountant and Chartered Company Secretary, with a Bachelor of Business majoring in Accounting and Taxation from Curtin University of Technology in Western Australia.

Mr Hartwig is accountable for the Company's financial governance and reporting and capital management and assists the Executive Chairman in all commercial matters associated with progressing Northern Minerals' Browns Range Project into development, including securing project funding.

During the past three years Mr Hartwig has served as a director of listed company Memphasys Limited, as a non-executive director until 26 April 2022.

Liangbing Yu – *Independent Non-executive Director*

Mr Yu has over 20 years' experience in business operation and management and is currently an Executive Partner at Beijing GloryHope Oriental Investment Centre. Mr Yu has a dual bachelor's degree in Investment Economics and Economic Law. Mr Yu is not currently a director of any other listed company.

Mr Yu is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Adam Handley – *Independent Non-executive Director*

Mr Handley is a Partner with more than 30 years' experience at a leading AsiaPacific law firm, MinterEllison, and is the Leader of MinterEllison's China Group.

Mr Handley specialises in advising North Asian investors and their Australian counterparts to build successful business relationships across a range of sectors including Energy & Resources, Mining and Project Development. He brings a wealth of experience in acquisition and development of major projects in Western Australia, including negotiating project development, joint venture and offtake arrangements.

He is widely regarded as one of the leading Australian legal advisers for major foreign government and non-government investors into Australia, particularly from China, and has advised on many notable Chinese trade and investment transactions. He also has a significant track record in advising Federal and State Governments on major regulatory and commercial projects within Western Australia and other States.

Mr Handley is the immediate past president of the Australia China Business Council (ACBC) Western Australia branch, and the immediate past National Vice President of the ACBC National Board. He was formerly a member of the Vice Chancellor's Advisory Board at Murdoch University.

Mr Handley is the Chair of the Remuneration and Nomination Committee and Chair of the Audit and Risk Committee.

During the past three years Mr Handley has not served as a director of any listed companies.

Ming Lu – *Independent Non-executive Director (Resigned 9 December 2022)*

Mr Lu is a CPA qualified senior finance leader with over a decade of commercial experience in successful multi-national businesses worldwide and is a member of the Australian Institute of Company Directors.

DIRECTORS (Continued)

Mr Lu has extensive experience in working with investors, boards and senior executive teams in modelling, strategic planning, providing financial support and delivering returns. Throughout his career as a finance professional, he has had hands-on experience in leading finance functions in multi-national businesses worldwide.

Mr. Lu was not a director of any other listed companies.

Mr Lu was a member of the Remuneration and Nomination Committee.

CHIEF EXECUTIVE OFFICER

Mark Tory

Mark Tory, who had been with the Company since December 2012 and had been Chief Executive Officer since July 2020, left the Company on 30 November 2022, following an orderly transfer of executive responsibilities.

COMPANY SECRETARY

Belinda Pearce

Ms Pearce is a Chartered Accountant qualified with the Institute of Chartered Accountants in England and Wales. Ms Pearce has been with Northern Minerals since 2016 and is currently Financial Controller of the Company. Previously Ms Pearce held positions with BDO Australia for 6 years, including as an Audit Manager, and held finance positions within the pearling, agriculture and oil and gas industries.

DIRECTOR AND COMMITTEE MEETINGS

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2023, and the number of meetings attended by each director while they were a director was as follows:

Director	Board Meetings		Audit and Risk Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Nicholas Curtis	11	11	2*	2*	1*	1*
Bin Cai	11	11	2	2	1	1
Shane Hartwig	5	5	2*	2*	1*	1*
Liangbing Yu	11	11	2	2	1	1
Adam Handley	9	11	2	2	1	1
Ming Lu	6	6	N/A	N/A	N/A	N/A

A – meetings attended
B – meetings held during the time the director held office
*Not a member of the relevant Committee – attended by invitation

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of the Company were:

Director (direct and indirect holdings)	Ordinary Shares	Performance Rights	Options
Nicholas Curtis [1]	106,600	70,000,000	-
Bin Cai	5,600,000	15,000,000	-
Shane Hartwig	-	40,000,000	-
Liangbing Yu	-	-	10,000,000
Adam Handley	-	-	10,000,000

1. Mr Curtis also holds an option to acquire 200,000,000 ordinary shares in Northern Minerals at an exercise price of $0.10 as set out in note 6.3 of the Remuneration Report.

DIVIDENDS

No dividends have been paid or declared by the Company during the financial year or subsequent to the year end.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Company consisted of undertaking a definitive feasibility study (DFS) for a commercial scale mining and processing operation at its Brown Range project (initially to process its Wolverine deposit ore) which will assist the Company in securing project funding and proceed towards a final investment decision targeted for H1 of the 2024 calendar year.

In addition, the Company continued to keep its existing mining and operational assets in good standing.

REVIEW OF OPERATIONS

A key milestone for the Company during the year was the forming of a strategic partnership with Iluka Resources Limited (ILU or Iluka) whereby Northern Minerals signed a rareearths concentrate supply agreement with Iluka covering the initial 8+ year mine life (30.5k tonnes of contained TREO) from the Browns Range HRE Project.

The entering into of these arrangements resulted in part from a strategic decision taken by the Board to focus on undertaking mining activities by processing its ore through to a mineral concentrate only and not progress through the next stage of processing through to a mixed rare earth carbonate (as the Company did during the pilot plant operations).

The Company felt Iluka were an excellent technical and financial partner and hence completed negotiations and executed the supply agreement in October 2022. The proposed production of dysprosium and terbium rare earth oxides in concentrate from Browns Range HRE Project will complement Iluka's suite of rare earths products.

As part of these arrangements Northern Minerals entered a funding package to raise up to $73 million from Iluka to contribute to the completion of the Company's Definitive Feasibility Study (DFS) (an update of the 2015 DFS) and the construction and development of the Browns Range HRE Project (subject to satisfaction or waiver of certain conditions).

Progressing the DFS is proposed as a precursor to taking a final investment decision (FID) (targeting H1 2024) for a mine and commercial-scale beneficiation plant at Browns Range HRE Project.

The initial $20 million of the funding package was drawn down in November 2022 as detailed below:

- An initial placement by Northern Minerals to Iluka of 125 million shares at $0.04 per share to raise $5 million completed on 28 October 2022; and

- An issue by Northern Minerals to Iluka of a convertible note totalling $15 million, convertible into up to 365.6 million shares at $0.048 per share (including assumed capitalised interest, and subject to various adjustment events), issued on 28 October 2022.

In addition to this initial investment, Iluka committed to provide additional equity funding towards Browns Range post Final Investment Decision (FID) through a further placement, subject to certain conditions as follows:

- A future placement by Northern Minerals to Iluka, to take place following the Browns Range Project FID and certain other conditions being satisfied or waived), pursuant to which Iluka will (subject to satisfaction or waiver of certain conditions) be issued up to an additional 230 million shares at a maximum price of $0.06 per share raising up to $13.8 million.
- A call option / put option arrangement pursuant to which Iluka will (subject to satisfaction or waiver of certain conditions) be issued up to an additional 653.3 million shares at a maximum price of $0.06 per share raising up to $39.2 million. The issue and grant of the call option and the put option was conditional on Northern Minerals shareholder approval which was received at the General Meeting on 12 December 2022.
- The call option can be exercised by Iluka at any time up until 31 December 2025. The exercise of the put option by Northern Minerals is conditional on (among other things) the Company making a positive FID in relation to the Browns Range Project and Iluka completing due diligence in respect of the Company's DFS to Iluka's satisfaction (acting in good faith). Once those conditions are satisfied, Northern Minerals may exercise the put option at any time up until 31 December 2025.

The Share Purchase Plan raised total funds of $3.66 million (before costs) with 91.5 million shares issued on 1 December 2022. The new shares were issued at $0.04 per share.

The continuing work programs within the Company were all primarily focused on reaching a Final Investment Decision (FID). These programs are to ultimately enable the design, construct and commissioning of the proposed commercial-scale mining and processing facility at Browns Range to produce a REO concentrate rich in dysprosium and terbium to sell to Iluka Resources Limited (ASX: ILU) pursuant to the terms of the Iluka Supply Contract executed in October 2022.

The DFS will outline the proposed Browns Range Project shape including definitive construction and operational CAPEX, mining and processing OPEX, mining schedule and process design and engineering, logistics and non-process infrastructure.

Significant advances have been made on the mining strategy including the development of a provisional open pit and underground design and mining schedule. This was a key output as it provides a basis to finalise a provisional mining and production schedules.

During the period, two appointed Early Contractor Involvement (ECI) contractors were engaged to undertake the process design and engineering of the proposed process plant. Both parties have submitted their preliminary designs and costings, with the successful tenderer to be appointed in Q4 2023.

In support of the DFS and to explore for potential continuations to the orebody at depth and down plunge beyond the current Mineral Resource wireframe, the Company completed a seven-hole diamond drilling (Wolverine Deeps Program).

During the year the Company was awarded $5.9 million in grant funding from the Australian Government's Critical Minerals Development Program to be applied to specific activities to accelerate Wolverine into production.

As part of its application, the Company outlined key work programs that the Company will apply to the grant funding, including:

- Resource definition drilling at NTU's Wolverine deposit, and
- Advanced Front-End Engineering and Design.

The Company continued to progress its project funding work program including engagement with commercial and Commonwealth Government financiers to secure debt finance to support the Browns Range HRE Project.

During the last quarter of FY23, Northern Australia Infrastructure Facility (NAIF) confirmed that the Browns Range Heavy Rare Earth Project has fulfilled the strategic assessment phase of NAIF's investment decision process and that NAIF will now advance to detailed due diligence. Northern Minerals will continue to work closely with NAIF during the due diligence phase to develop an Investment Proposal for the NAIF Board to consider an Investment Decision, which is required for NAIF to offer any loan or financial assistance. At this stage, NAIF has not made any decision to offer finance nor made any commitment to provide any financing and there is no certainty that an agreement will be reached between the parties.

In addition, the Company continues dialogue with Export Finance Australia surrounding its potential involvement in the provision of debt funding for the development of the Project.

SUMMARY OF FINANCIAL PERFORMANCE

A summary of key financial indicators for the Group, with prior two years comparison, is set out in the following table:

	30 June 2023 $	30 June 2022 $	30 June 2021 $
Total income	1,644,906	9,292,825	12,100,091
Net loss after tax	(22,288,780)	(24,356,842)	(8,528,318)
Basic EPS (cents)	(0.45)	(0.50)	(0.19)
Net cash used in operating activities	(14,087,158)	(16,929,326)	(885,013)
Net cash from/(used) in investing activities	699,558	(499,795)	(7,647,904)
Net cash from financing activities	22,228,468	259,697	21,818,349

The net loss of the Group for the year ended 30 June 2023 of $22.3 million (2022: $24.4 million) was impacted by a reduction in the R & D rebate on eligible expenditure, due to the nature of the operations in the year. Previous years R & D rebates were due to the operating of the pilot plant which went on care and maintenance in early 2021. In addition, the prior year included the sale of the final production from the pilot plant of $3.9 million for product sold to our then offtake partner ThyssenKrupp Materials Trading GmbH.

Depreciation expenses decreased to $0.6 million (2022: $7.7 million) due to a change in estimate of the useful life of assets held as part of the pilot plant in 2021, when test work was completed, and the plant entered care and maintenance, which resulted in $3.6 million of additional depreciation, after a review of useful lives.

In 2023 work continued on the feasibility study however the costs of project evaluation and pre-feasibility costs decreased significantly with the pilot plant operations entering care and maintenance.

The Group's cash receipts for the year FY23 were $6.5 million (2022: A$8.6 million). This included $3.9 million for the R&D refundable tax offsets due for FY23 and $2.07 million for the Critical Minerals Development Program (**CMDP**) awarded to the Company in May 2023.

Investing cash flows increased due to the receipt of $0.8 million for the sale of equipment from the Browns Range Pilot Plant.

Financing cash inflows for the FY23 was $22.2 million. The Group received $5 million for Tranche 1 of the placement with Iluka Resources Limited and received $15 million from the issue of the Convertible Note to Iluka.

In November 2022, the Company received funds for its Share Purchase Plan (SPP) raising $3.66 million before costs being received.

SUMMARY OF FINANCIAL POSITION

	30 June 2023 $	30 June 2022 $	30 June 2021 $
Total assets	17,403,732	12,774,300	37,766,284
Debt (current and non - current)	13,360,772	247,019	292,339
Other liabilities	10,509,832	6,945,051	8,476,797
Shareholder funds/net assets/(net liabilities)	(6,466,872)	5,582,230	28,997,148
Number of shares on issue (million)	5,082	4,864	4,846
Share price at reporting date (cents)	3.3	3.9	3.3

The Group's cash reserves as at 30 June 2023 totalled A$11.7 million compared to $2.8 million as at 30 June 2022 and was impacted by the receipt of funds for the Iluka Tranche 1 placement, convertible note and the SPP proceeds. Further receipts were received for the R & D refundable tax offset and the CMDP. Cash payments to employees and suppliers were also lower this financial year due to the pilot plant at Browns Range being placed on care and maintenance in the 2022 financial year lowering operating costs.

The Group's receivables at 30 June 2022 included $4.1 million in relation to the R&D claim by the Company for FY22. $3.9 million was received in FY23 with the balance received after 30 June 2023.

The Group's interest-bearing liabilities includes $15 million of the Iluka Convertible Note valued in accordance with applicable accounting standards.

Total interest-bearing liabilities also includes the lease liability for office premises.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year other than as disclosed elsewhere in this report.

FUNDING AND LIQUIDITY

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group reported a net loss for the period of $22.3 million (2022: $24.4million) and a cash outflow from operating activities of $14.1 million (2022: $16.9 million). The Group had a net working capital surplus of $7.3 million (2022: $5.6 million) including cash and term deposit balances of $11.7 million at 30 June 2023 (June 2022: $2.9 million). The loss mainly reflects the Company continuing its strategy of focussing on completing the feasibility study for its Brown Range Project and associated costs. The Group successful completed an institutional share placement after the reporting date of $25 million (before costs). The Group has also been awarded $5.9 million in grant funding from the Australian Government's Critical Minerals Development Program, of which up to $3.8 million is yet to be received subject to certain conditions being met.

Based on the Group's working capital surplus at 30 June 2023 (in particular its cash balance of $11.7 million), successful capital raising post the reporting date, and committed expenditure profile for the next twelve months from the date of this report, the Directors are satisfied that the Group will have access to sufficient cash to fund its forecast expenditure for a period of at least twelve months from the date of signing this report. Accordingly, the Directors consider that the going concern basis of preparation to be appropriate.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company proposes to continue with its development of the Browns Range Heavy Rare Earths Project as detailed in the Review of Operations in the Annual Report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The exploration and mining activities of the Company are subject to environmental regulations imposed by various regulatory authorities, particularly those relating to ground disturbance and the protection of rare and endangered flora and fauna. The Company has complied with all material environmental requirements up to the date of this report. The Directors believe that the Company has adequate systems in place for the management of its environmental responsibilities and are not aware of any breaches of the regulations during the period covered by this report.

RISK MANAGEMENT

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

Northern Minerals has developed a framework for a risk management policy and internal compliance and control system that covers the organisational, financial and operational aspects of the Company's affairs. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management, and management are required to regularly report back to the Board through the Audit and Risk Committee. This involves the tabling of a risk register which is monitored and updated by management periodically. The Executive Chair is responsible for ensuring the maintenance of, and compliance with, appropriate systems. The Board adopts practices to identify significant areas of risk and to effectively manage those risks in accordance with the Group's risk profile. Where appropriate the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

OPTIONS AND PERFORMANCE RIGHTS

As at the date of this report, there were the following unissued ordinary shares for which options and performance rights were outstanding:

	Number of options/rights	Exercise price (cents)	Expiry date
Unlisted options	26,500,000	$0.045	2 March 2024
Unlisted options	153,061,226	$0.074	22 February 2024
Unlisted options	51,020,408	$0.074	27 July 2024
Unlisted options	20,000,000	$0.06	22 June 2025
Unlisted performance rights*	136,816,666	Nil	Based on performance conditions
Option over Ordinary Shares	1	Subject to conditions	31 December 2025
Total	**387,398,301**		

*Included in these performance rights are rights granted as remuneration to the Directors and the five most highly remunerated officers during the year. Details of performance rights granted to key management personnel are disclosed in the Remuneration Report. In addition, there were no performance rights granted to officers who are among the five highest remunerated officers of the Company and the Group-but are not key management personnel and hence not disclosed in the Remuneration Report.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any other entity.

No performance rights were granted to the Directors or any of the five highest remunerated officers of the Company since the end of the financial year to the date of this report.

The following ordinary shares were issued during the year ended 30 June 2023 on the exercise of performance rights issued as remuneration to the Directors, key management personnel and employees of the Company (no amounts are unpaid on any of the shares):

Date performance rights were granted	Exercise price of shares (cents)	Number of shares issued
16 August 2021	$ Nil	1,130,000

There were no ordinary shares issued after the year ended 30 June 2023 on the exercise of performance rights issued as remuneration to the Directors, key management personnel and employees of the Company.

No options were exercised in the year. No ordinary shares were issued since the end of the financial year, as a result of the exercise of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year, the Company has paid premiums to insure the directors and secretary against liabilities incurred in the conduct of the business of the Company and has provided right of access to Company records. In accordance with common commercial practice, the insurance policy prohibits disclosure of the amount of the premium and the nature of the liability insured against. The amount of the premium is included as part of the directors' remuneration in the Remuneration Report.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court 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.

The Company was not a party to any such proceedings during the year.

REMUNERATION REPORT (Audited)

This Remuneration Report for the year ended 30 June 2023 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

This Remuneration Report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

Northern Minerals Limited (the Company) received more than 75% of the votes in favour of the Remuneration Report for the 2022 financial year.

Details of directors and key management personnel

Non-executive and Executive directors of Northern Minerals Limited during the year were:

- Nicholas Curtis AM - Executive Chairman
- Bin Cai - Executive Director
- Shane Hartwig – Executive Director- Finance (appointed 2 December 2022)
- Liangbing Yu - Non-executive Director
- Adam Handley - Non-executive Director
- Ming Lu - Non-executive Director (resigned 9 December 2022)

Other key management personnel during the year were:

- Mark Tory - Chief Executive Officer (until 30 November 2022)
- Robin Jones – Head of Projects
- Simon Pooley – Head of Exploration
- Angela Glover – Head of External Relations (appointed on 28 April 2023 -appointed Chief Operating Officer on 24 August 2023)
- Hayley Patton – Head of People and Culture

Changes since the end of the reporting period

Simon Pooley resigned from the Company on 24 August 2023.

1. Remuneration Policy

The Remuneration and Nomination Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and executives. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team.

Remuneration levels for Directors and executives are competitively set to attract and retain the most qualified and experienced candidates, taking into account prevailing market conditions and individual's experience and qualifications.

Remuneration packages contain the following key elements:

1. Short-term benefits − salary/fees and non-monetary benefits including the provision of motor vehicles;
2. Post-employment benefits – including superannuation; and
3. Share-based payments − including participation in option and share plans (refer to note 17 for more information).

Remuneration is not linked to profit performance. The Company's remuneration policy seeks to encourage alignment between the performance of the Company and total shareholder returns, and the remuneration of executives. Short term and, in particular, long term 'at risk' incentives only vest when predetermined Company performance objectives are achieved. These performance objectives are operational in nature (production outcomes) but are linked to financial performance and Company value indirectly.

Element	Purpose	Performance metrics	Potential value
Fixed remuneration	Competitively market salary including superannuation and non-monetary benefits	Nil	Competitively set to attract the most qualified and experienced candidates
Short- and long-term incentives	Reward for performance and retention	Link to short- and long-term production outcomes	Cash bonuses set at up to 5% of fixed remuneration for each tranche for executives under the existing plan. Performance rights dependent on share price
Long term incentives	Alignment to long-term shareholder value	3 year relative TSR performance	Performance rights dependent on share price

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

The Company does not currently have a policy pertaining to Directors hedging their exposure to risks associated with the Company's securities they receive as compensation.

The Company has not used any remuneration consultants in the year.

2. Non-executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to the shareholders.

Each of the Non-executive Directors receive a fixed fee for their services as a director. There is no direct link between cash remuneration paid to any of the directors and corporate performance such as bonus payments for achievement of certain key performance indicators.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors must be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was on 22 July 2021 when shareholders approved an aggregate remuneration of $800,000 per year. Annual Non-executive Chairman and Non-executive Directors' base fees are presently $85,000 and $65,000 respectively, inclusive of superannuation, with $5,000 per annum paid for representation on each board committee.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process.

All Non- executive Directors enter into a service agreement with the Company in the form of a letter of appointment. This letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

3. Executive Remuneration

Executives receive a fixed remuneration set to provide a base level commensurate with their position and responsibilities within the Company and so as to align the interests of executives with those of shareholders and ensure total remuneration is competitive by market standards.

Remuneration levels are reviewed annually by reviewing Company performance, personal performance, market trends, industry comparisons, employment market conditions and, where appropriate, external advice.

In addition, executives are entitled to participate in equity-based remuneration plans to recognise ability and effort, provide incentive to improve company performance, attract appropriate persons and promote loyalty.

Short and long term incentives

The structure of the incentive plan for executives is set out below.

Performance metrics for CEO and other key management personnel (excluding Executive directors)

- Completion of testing of 5,000 tonnes of crushed ore through the Company's ore sorter at Browns Range.
- Successful development and implementation of the Integrated Management System.
- Completion of the feasibility study for full scale beneficiation plant.
- Board final investment decision on decision to invest in full scale beneficiation plant.
- Practical completion of the full-scale beneficiation plant.

Vesting periods range from 31 December 2021 to 30 June 2025, with between 100% and 0% vesting between nominated dates. Maximum cash bonuses of 5% of base salary payable on each tranche with between 5% and 0% payable.

Performance metrics for former CEO

Relative Total Shareholder Returns (TSR) for the 12 months to 31 December 2021, 1 January 2022 to 31 December 2022, and 1 January 2023 to 31 December 2023 compared to peers. Rights vesting range from 100% with TSR at or above the 75th percentile, 65% with TSR at or above the 50% percentile but below the 74.9% percentile, 30% with TSR at or above the 25% percentile but below the 49.9%, 0% for less than the 25th percentile.

Delivery of incentives

Maximum specified cash bonuses vest on satisfaction of the above vesting conditions. The payment of the cash bonus for each tranche will be made after the vesting date for each relevant tranche and subject to conditions of continued service of the employee.

Performance rights vest on satisfaction of the vesting conditions. Each tranche of performance rights will expire 12 months from the vesting date of each relevant tranche. Performance rights lapse if conditions are not met.

All performance rights have a $nil exercise price.

Performance metrics for Executive Directors

The structure of the incentive plan for Executive directors is set out below:

Performance Rights (**Rights**) have the following performance hurdles:

(i) **First Tranche**: Subject to the Company's Shares achieving a 60-day volume-weighted average price (**VWAP**) of at least $0.06 on or before 22 June 2025.

(ii) **Second Tranche**: Subject to the Company's Shares achieving a 60-day VWAP of at least $0.08 on or before 22 June 2025.

(iii) **Third Tranche**: Subject to the occurrence of the Board making a final investment decision to proceed with the development of a mining and concentration operation at Browns Range in Western Australia and the Company's Shares achieving a 60-day VWAP of at least $0.08, both conditions being satisfied on or before 22 June 2025.

(iv) **Fourth Tranche**: Subject to the Company commencing first production of Xenotime concentrate and delivering it to Iluka Rare Earths Pty Ltd (**Iluka**) pursuant to the terms of the Xenotime Concentrate Sale and Purchase Agreement (**Supply Agreement**) between the Company and Iluka (dated on or around 26 October 2022) on or before 31 December 2026.

Calculation of the performance hurdles and achievement against the performance hurdles will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board considers appropriate).

Delivery of incentives

Each Right is entitled to receive one Share in the Company on satisfaction of the relevant vesting conditions. The Board retains a discretion to give cash in lieu of an allocation of Shares. The Rights have a $nil exercise price on vesting.

The Performance Rights will vest upon notification from the Company to the holder of the Performance Rights. Following vesting, the Company will allocate Shares to the holder of Performance Rights. Any Rights that do not vest by the relevant sunset date for the relevant tranche will lapse.

The Rights are subject to conditions of continued service of the Executive directors.

Non-Executive Directors

Granting Director Options to the Non-Executive Directors supports Non-Executive Directors in building their shareholding in the Company and continues to enhance the alignment of interests between Non-Executive Directors and shareholders generally.

The Company notes that governance bodies are supportive of non-executive directors holding a meaningful shareholding in the companies on which they serve, and the proposed grant of Director Options will help facilitate this for the company's Non-Executive Directors.

Director Options granted to Non-Executive Directors under the Plan will not be subject to performance conditions which could result in potential forfeiture. This is in line with best practice governance standards which recommend that non-executive directors generally should not receive equity with performance hurdles attached as it may lead to bias in their decision-making and compromise their objectivity.

The Director Options are subject to conditions of continued service of the Non-Executive directors.

Director Options will be issued at no cost to the Non-Executive Directors. Director Options do not carry any dividend or voting rights prior to vesting and exercise.

Each Director Option entitles the holder to one fully paid ordinary share in the Company, subject to the satisfaction of the conditions and payment of the exercise price. The exercise price per Director Option is $0.06. Any Director Options that have not been exercised by 22 June 2025 will immediately lapse.

The Board has discretion to determine that the Director Options will be exercised through a cashless exercise mechanism.

The Board retains a discretion to make a cash equivalent payment in lieu of an allocation of shares.

4. Contractual arrangement with executive KMP's

Key Management Personnel	Fixed Remuneration (exclusive of Superannuation) $	Contract Duration	Notice by the individual / company
Nicholas Curtis	720,000	Ongoing	3 months
Bin Cai	285,000	Ongoing	3 months
Shane Hartwig	450,000	Ongoing	3 months
Mark Tory[1]	484,000	Ongoing	3 months
Robin Jones	395,234	Ongoing	3 months
Simon Pooley[2]	310,000	Ongoing	3 months
Angela Glover	290,000	Ongoing	3 months
Hayley Patton	290,000	Ongoing	3 months

1 Mark Tory left the Company on 30 November 2022

2 Simon Pooley resigned from the Company after the reporting date on 24 August 2023.

Different contractual terms apply to the following individuals:

- In addition to the above Nicholas Curtis total remuneration package also includes a discretionary annual performance-based payment - the target for such performance-based payment if all objectives and KPI's have been achieved is $300,000.
- All executive KMP's (except for Nicholas Curtis, Bin Cai and Mark Tory) are entitled to short term incentives of a maximum of 30% of gross base salary including superannuation determined by references to KPI's pursuant to a short-term incentive package being established by the Company.
- All executive KMP's (except for Nicholas Curtis, Bin Cai and Mark Tory) are entitled to long term incentives pursuant to a long-term incentive package being established by the Company.
- Short and long term incentive plans are effective from 1 July 2023.

5. Details of Remuneration for the Year Ended 30 June 2023

	Short-term			*Post-Employment*			*Share-based Payments*	*Total*	*%*	*%*
	Salary & Fees $	*Other Benefits* $	*Cash Bonus* $	*Superannuation Benefits* $	*Long Service Leave* $	*Termination Benefits* $	*Options/ Performance Rights* $	$	*Fixed remuneration*	*Remuneration linked to performance*
Directors										
Nicholas Curtis	720,000	16,147	-	-	-	-	251,461	987,608	74.54%	25.46%
Bin Cai	283,456	16,147	-	1,545	-	-	53,885	355,033	84.82%	15.18%
Shane Hartwig[1]	261,290	9,316	-	25,292	-	-	143,692	439,590	67.31%	32.69%
Liangbing Yu	67,083	16,147	-	-	-	-	22,752	105,982	100.0%	0.00%
Adam Handley	75,000	16,147	-	-	-	-	22,752	113,899	100.0%	0.00%
Ming Lu[2]	29,558	7,142	-	3,104	-	-	-	39,804	100.0%	0.00%
Key Management Personnel										
Mark Tory[3]	297,431	6,743	-	23,149	(6,422)	247,078	53,312	621,291	91.42%	8.58%
Robin Jones	383,722	-	-	26,529	12,574	-	5,137	427,962	98.80%	1.20%
Simon Pooley	266,795	-	-	27,148	-	-	5,137	299,080	98.28%	1.72%
Angela Glover[4]	50,750	-	-	4,215	-	-	-	54,965	100.0%	0.00%
Hayley Patton[5]	245,149	-	-	23,592	-	-	5,137	273,878	98.12%	1.88%
TOTAL	**2,680,234**	**87,789**	**-**	**134,574**	**6,152**	**247,078**	**563,265**	**3,719,092**	**78.21%**	**15.15%**

Notes:

1. Appointed Executive Director – Finance on 2 December 2022.
2. Resigned on 9 December 2022.
3. Left the Company on 30 November 2022.
4. Appointed on 28 April 2023.
5. Designated as a KMP for the first time in 2023.

Details of Remuneration for the Year Ended 30 June 2022

	Short-term			Post-Employment		Share-based Payments		Total	%	%
	Salary & Fees $	Other Benefits $	Cash Bonus $	Superannuation Benefits $	Long Service Leave $	Share Plan $	Options/ Performance Rights $	$	Fixed remuneration	Remuneration linked to performance
Directors										
Nicholas Curtis[1]	67,321	9,472	-	-	-	-	-	76,793	100%	0%
Colin McCavana[2]	38,985	6,012	-	3,598	-	-	-	48,595	100%	0%
Ming Lu	60,606	15,744	-	6,061	-	-	-	82,411	100%	0%
Bin Cai[3]	172,583	15,744	-	5,417	-	-	-	193,744	100%	0%
Liangbing Yu	65,000	15,744	-	-	-	-	-	80,744	100%	0%
Adam Handley[4]	36,613	8,564		-	-	-	-	45,177	100%	0%
Yanchun Wang [5]	5,417	908	-	-	-	-	-	6,325	100%	0%
Key Management Personnel										
Mark Tory	455,941	15,744	22,000	28,059	22,063	-	117,673	661,480	78.88%	21.12%
Robin Jones	378,941	-	18,500	28,059	19,386	-	60,773	505,659	84.32%	15.68%
Simon Pooley	236,310	-	12,000	28,065	-	-	60,773	337,148	78.42%	21.58%
TOTAL	**1,517,717**	**87,932**	**52,500**	**99,259**	**41,449**	**-**	**239,219**	**2,038,076**	**85.69%**	**14.31%**

Notes:

1. Appointed Non-executive Chairman 23 November 2021 and Executive Chairman on 22 June 2022.
2. Resigned on 17 November 2021.
3. Ceased as Alternate Director on 22 July 2021 and was appointed as Non- executive Director on 27 July 2021. Appointed Executive Director on 22 June 2022.
4. Appointed on 14 December 2021.
5. Ceased on 22 July 2021.

6. Employee share/performance rights plan

6.1 Options/Performance Rights and Shares granted as compensation to key management personnel

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

Options/ Performance Rights

Grant date	Vesting and exercise date	Expiry date	Value per performance right/option at grant date	Performance achieved	% vested
12 December 2022	22 June 2025 and 31 December 2026	22 June 2025 and 31 December 2026	$0.0183-$0.0400	To be determined.	Nil
12 December 2022	22 June 2025	22 June 2025	$0.0105	N/A no performance hurdles.	Nil
16 August 2021	31 December 2023 - 30 June 2025	31 December 2024 – 30 June 2026	$0.041	To be determined.	Nil
16 August 2021	31 December 2023	31 December 2024	$0.0362	To be determined.	Nil

When exercisable, each performance right or option is convertible into one ordinary share of NTU. The exercise price of the performance rights is $nil and that of the options $0.06 per share.

There have been no alterations of the terms and conditions of the above share-based payment arrangements since the grant date.

Share-based payments granted as compensation to key management personnel during the 2023 financial year are shown in Note 5 of the Remuneration Report. The performance rights and options carry no dividend or voting rights.

During the year, key management personnel exercised their rights that were granted to them as part of their compensation. A number of performance rights were also forfeited due to performance conditions not being met. The number of performance rights and options exercised and forfeited are shown in Note 6.2 and 6.3, the value of performance rights exercised and forfeited are shown below in Note 6.1.

The table below shows for each key management personnel how much of their cash bonus was awarded and how much was forfeited.

6.1 Options/Performance Rights and Shares granted as compensation to key management personnel (continued)

30 June 2023

	Total STI			Total LTI		
	Total cash bonus			Performance rights and options		
	Total opportunity $	Awarded %	Forfeited %	Value of options/performance rights granted during the year* $	Value of options/performance rights exercised during the year $	Value of options/performance rights forfeited during the year $
Directors						
Nicholas Curtis	-	-	-	1,772,750	-	-
Bin Cai	-	-	-	379,875	-	-
Shane Hartwig	-	-	-	1,013,000	-	-
Liangbing Yu	-	-	-	105,000	-	-
Adam Handley	-	-	-	105,000	-	-
Ming Lu	-	-	-	-	-	-
Key Management Personnel						
Mark Tory	-	-	-	-	15,990	114,900
Robin Jones	-	-	-	-	-	61,500
Simon Pooley	-	-	-	-	-	61,500
Angela Glover	-	-	-	-	-	-
Hayley Patton	-	-	-	-	-	61,500
TOTAL	**-**	**-**	**-**	**3,375,625**	**15,990**	**299,400**

*The value at grant date calculated in accordance with AASB 2 Share-based Payments of performance rights granted during the year as part of remuneration.

The issue of performance rights and options to Directors was approved by shareholders under Listing Rule 10.14 at the General Meeting held on 12 December 2022.

6.2 Performance Rights Holdings of Key Management Personnel for 2023

	Held at Beginning of Year	Granted as Compensation	Exercise of Options/Performance Rights[1]	Lapsed/Forfeited	Other Changes[2]	Held at 30 June 2023	Vested	Unvested
Directors:								
Nicholas Curtis	-	70,000,000	-	-	-	70,000,000	-	70,000,000
Bin Cai	-	15,000,000	-	-	-	15,000,000	-	15,000,000
Shane Hartwig	-	40,000,000	-	-	-	40,000,000	-	40,000,000
Liangbing Yu	-	-	-	-	-	-	-	-
Adam Handley	-	-	-	-	-	-	-	-
Ming Lu	-	-	-	-	-	-	-	-
Key Management Personnel								
Mark Tory	7,316,665	-	(650,000)	-	(6,666,665)	-	-	-
Robin Jones	3,500,000	-	-	(1,500,000)	-	2,000,000	-	2,000,000
Simon Pooley	3,500,000	-	-	(1,500,000)	-	2,000,000	-	2,000,000
Angela Glover	-	-	-	-	-	-	-	-
Hayley Patton	-	-	-	-	2,000,000	2,000,000	-	2,000,000
	14,316,665	125,000,000	(650,000)	(3,000,000)	(4,666,665)	131,000,000	-	131,000,000

1. The amounts paid per ordinary share on the exercise of performance rights was nil.
2. Other changes include movements on performance rights held at resignation or commencement of being a KMP in the year.

Performance Rights Holdings of Key Management Personnel for 2022

	Held at Beginning of Year	Granted as Compensation	Exercise of Options/Performance Rights	Lapsed/Forfeited	Other Changes	Held at 30 June 2022	Vested	Unvested
Directors:								
Nicholas Curtis	-	-	-	-	-	-	-	-
Colin McCavana	-	-	-	-	-	-	-	-
Ming Lu	-	-	-	-	-	-	-	-
Bin Cai	-	-	-	-	-	-	-	-
Liangbing Yu	-	-	-	-	-	-	-	-
Adam Handley	-	-	-	-	-	-	-	-
Yanchun Wang	-	-	-	-	-	-	-	-
Key Management Personnel								
Mark Tory	-	9,666,665	(1,333,333)	(1,016,667)	-	7,316,665	650,000	6,666,665
Robin Jones	-	5,000,000	(1,000,000)	(500,000)	-	3,500,000	-	3,500,000
Simon Pooley	-	5,000,000	(1,000,000)	(500,000)	-	3,500,000	-	3,500,000
	-	19,666,665	(3,333,333)	(2,016,667)	-	14,316,665	650,000	13,666,665

6.3 Option Holdings of Key Management Personnel for 2023

	Held at Beginning of Year	Granted as Compensation	Exercise of Options	Lapsed/Forfeited	Other Changes[1]	Held at 30 June 2023	Vested	Unvested
Directors:								
Nicholas Curtis	-	-	-	-	-	-	-	-
Bin Cai	-	-	-	-	-	-	-	-
Shane Hartwig	-	-	-	-	-	-	-	-
Liangbing Yu	-	10,000,000	-	-	-	10,000,000	-	10,000,000
Adam Handley	-	10,000,000	-	-	-	10,000,000	-	10,000,000
Ming Lu	-	-	-	-	-	-	-	-
Key Management Personnel								
Mark Tory	-	-	-	-	-	-	-	-
Robin Jones	-	-	-	-	-	-	-	-
Simon Pooley	-	-	-	-	-	-	-	-
Angela Glover	-	-	-	-	-	-	-	-
Hayley Patton	-	-	-	-	-	-	-	-
	-	20,000,000	-	-	-	20,000,000	-	20,000,000

1. Other changes include movements on performance rights held at resignation or commencement of being a KMP in the year.

There were no options on issue to KMP's in the year ending 30 June 2022.

a. Shareholdings of Key Management Personnel for 2023

	Held at Beginning of Year	Granted as Compensation	Exercise of Options/Performance Rights	Other Changes [1]	Held at 30 June 2023	Vested	Not Vested
Directors							
Nicholas Curtis[3]	106,600	-	-	-	106,600	106,600	-
Bin Cai	5,600,000	-	-	-	5,600,000	5,600,000	-
Shane Hartwig[1]	-	-	-	-	-	-	-
Liangbing Yu	-	-	-	-	-	-	-
Adam Handley	-	-	-	-	-	-	-
Ming Lu[2]	-	-	-	-	-	-	-
Key Management Personnel							
Mark Tory[2]	2,685,847	-	650,000	(3,335,847)[2]	-	-	-
Robin Jones	1,612,154	-	-	-	1,612,154	1,612,154	-
Simon Pooley	1,000,000	-	-	(1,000,000)	-	-	-
Angela Glover[1]	-	-	-	-	-	-	-
Hayley Patton[1]	-	-	-	300,000	300,000	300,000	-
	11,004,601	-	650,000	(4,035,847)	7,618,754	7,618,754	-

1. Appointed or designated a KMP during the year – shares held prior to appointment are shown as movements in other changes. Other changes also includes sales and purchases on and off market.
2. Ceased officeholding during the year – their shares on resignation are shown as movements in other changes
3. Wilkes Holdings Pty Ltd (an entity in which Nicholas Curtis is a shareholder) has acquired a relevant interest in 200,000,000 ordinary shares in Northern Minerals. Hui Yun Chen, the registered holder of ordinary shares in Northern Minerals Limited has granted Wilkes Holdings Pty Ltd an option over 107,692,308 ordinary shares in Northern Minerals Limited pursuant to a Call Option Deed dated 22 December 2021. Under the deed, Wilkes Holdings Pty Ltd has an option to acquire 107,692,308 ordinary shares at an exercise price of $0.10. The expiry date of the option is 30 November 2023. Yun Zhen Ma, the registered holder of ordinary shares in Northern Minerals Limited has granted Wilkes Holdings Pty Ltd an option over 92,307,692 ordinary shares in Northern Minerals Limited pursuant to a Call Option Deed dated 22 December 2021. Under the deed, Wilkes Holdings Pty Ltd has an option to acquire 92,307,692 ordinary shares at an exercise price of $0.10. The expiry date of the option is 30 November 2023.

All equity transactions with Key Management Personnel other than those arising from the exercise of options granted as compensation have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Shareholdings of Key Management Personnel for 2022

	Held at Beginning of Year	Granted as Compensation	Exercise of Options/Performance Rights	Other Changes [1]	Held at 30 June 2022	Vested	Not Vested
Directors:							
Nicholas Curtis[2,4]	-	-	-	106,600	106,600	106,600	-
Colin McCavana	-	-	-	-	-	-	-
Ming Lu	-	-	-	-	-	-	-
Bin Cai	5,600,000	-	-	-	5,600,000	5,600,000	-
Liangbing Yu	-	-	-	-	-	-	-
Adam Handley	-	-	-	-	-	-	-
Yanchun Wang[3]	210,657,999	-	-	(210,657,999)[3]	-	-	-
Key Management Personnel							
Mark Tory	1,352,514	-	1,333,333	-	2,685,847	2,685,847	-
Robin Jones	612,154	-	1,000,000	-	1,612,154	1,612,154	-
Simon Pooley	-	-	1,000,000	-	1,000,000	1,000,000	-
	218,222,667	-	3,333,333	(210,551,399)	11,004,601	11,004,601	-

1. Other changes also includes sales and purchases on and off market.
2. Appointed during the year – shares held prior to appointment are shown as movements in other changes.
3. Ceased officeholding during the year – their shares on resignation are shown as movements in other changes
4. Wilkes Holdings Pty Ltd (an entity in which Nicholas Curtis is a shareholder) has acquired a relevant interest in 200,000,000 ordinary shares in Northern Minerals. Hui Yun Chen, the registered holder of ordinary shares in Northern Minerals Limited has granted Wilkes Holdings Pty Ltd an option over 107,692,308 ordinary shares in Northern Minerals Limited pursuant to a Call Option Deed dated 22 December 2021. Under the deed, Wilkes Holdings Pty Ltd has an option to acquire 107,692,308 ordinary shares at an exercise price of $0.10. The expiry date of the option is 30 November 2023. Yun Zhen Ma, the registered holder of ordinary shares in Northern Minerals Limited has granted Wilkes Holdings Pty Ltd an option over 92,307,692 ordinary shares in Northern Minerals Limited pursuant to a Call Option Deed dated 22 December 2021. Under the deed, Wilkes Holdings Pty Ltd has an option to acquire 92,307,692 ordinary shares at an exercise price of $0.10. The expiry date of the option is 30 November 2023.

All equity transactions with Key Management Personnel other than those arising from the exercise of options granted as compensation have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

b. Other transactions with key management personnel

A Director, Mr Adam Handley is a partner in the firm of MinterEllison. MinterEllison has provided legal services to the Company on normal commercial terms and conditions.

Amounts recognised as expense	**2023**	**2022**
	$	**$**
Legal fees	136,187	-
Amounts recognised in assets and liabilities		
Current liabilities (Trade payables)	-	-

There have been no other transactions with key management personnel in the reporting period.

*** End of Remuneration Report ***

CORPORATE GOVERNANCE STATEMENT

The Board of Northern Minerals Limited is committed to achieving and demonstrating the highest standards of corporate governance. The Board is responsible to its shareholders for the performance of the Company and seeks to communicate extensively with shareholders. The Board believes that sound corporate governance practices will assist in the creation of shareholder wealth and provide accountability.

In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its corporate governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's corporate governance practices is set out on the Company's website at www.northernminerals.com.au.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 70.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for audit and non-audit services during the year are disclosed in Note 18. There were no non-audit services carried out in the year ended 30 June 2023.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 30 August 2023, the Company announced it had successfully raised $25 million (before costs) via a placement to institutional and sophisticated investors. The placement comprised the issue of 833,333,334 new fully paid ordinary shares in the Company at an offer price of $0.030 per share. Settlement of the shares occurred on 5 September 2023 with allotment and the commencement of trading for the new shares on 6 September 2023. New shares issued under the placement rank equally with existing fully paid ordinary shares on issue.

In August 2023 the Company entered into a 3-year lease agreement for office premises at Aurora Place, 88 Phillip Street, Sydney commencing on 1 August 2023. The lease expense is $116,960 pa, net of incentives with a fixed 4% increase in year 2 and 3. The Company has provided a bank guarantee of $121,771, equivalent of 6 months net rental to the Lessor.

In September 2023 the Company entered into a 4-year lease agreement for office premises at 40 Kings Park Road, West Perth. The lease expense is $115,236 pa. The Company has provided a bank guarantee of $117,927 to the Lessor.

In July 2023 the Company entered into a finance lease agreement with Kubota Australia Pty Ltd to purchase a Kubota Excavator. The total amount financed was $178,187 with an interest rate of 5.05% pa, to be repaid monthly over 36 months. The finance lease is secured on the equipment purchased.

In July 2023 the Company entered into an insurance premium funding agreement with a facility amount of $345,595 repayable over 10 months commencing in July 2023 with an interest rate of 3.89%.

Signed in accordance with a resolution of the directors.

Nicholas Curtis AM

Executive Chairman

25 September 2023

NORTHERN MINERALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Revenue from continuing operations			
Revenue from contracts with customers	5	6,538	3,903,401
Interest	6	297,985	7,182
Research and development rebate	5	349,343	4,981,638
Other income	5	991,040	400,604
Total revenue		1,644,906	9,292,825
Corporate expenses			
Administration expenses		701,598	441,278
Depreciation expense	10(a)	644,947	7,744,125
Share-based payments expense	17	558,167	607,011
Legal and professional expenses		1,304,309	963,952
Occupancy expenses		104,619	184,579
Employee benefits expense		3,899,565	3,411,664
Other corporate expenditure		179,739	144,802
Royalty expense		61,552	160,977
Impairment loss		245,779	350,601
Total corporate expenses		7,700,275	14,008,989
Exploration and evaluation expenditure			
Exploration costs	4	6,093,594	6,564,777
Project evaluation and pre-feasibility	4	8,759,017	12,912,884
Total exploration and evaluation expenditure expenses		14,852,611	19,477,661
Total expenses		22,552,886	33,486,650
Operating loss for the year		(20,907,980)	(24,193,825)
Finance costs / (Income)	6	1,380,800	163,017
Loss before income tax for the year		(22,288,780)	(24,356,842)
Income tax expense	7	-	-
Loss for the year		(22,288,780)	(24,356,842)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to members of the entity		(22,288,780)	(24,356,842)
Loss per share attributable to ordinary equity holders of the company:			
Basic and diluted loss per share (cents per share)	19	(0.45)	(0.50)

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes

NORTHERN MINERALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 $	2022 $
Current assets			
Cash and cash equivalents	8 (a)	11,688,161	2,857,574
Trade and other receivables	8 (b)	1,340,523	4,764,413
Inventories	10 (b)	160,980	90,418
Other financial assets	8 (c)	59,525	-
Total Current Assets		13,249,189	7,712,405
Non-current assets			
Other financial assets	8 (c)	-	74,167
Derivative financial assets	8 (d)	-	-
Property, plant and equipment	10 (a)	4,154,543	4,987,728
Total Non-Current Assets		4,154,543	5,061,895
Total assets		17,403,732	12,774,300
Current liabilities			
Trade and other payables	8 (e)	3,102,084	1,183,219
Interest bearing liabilities	8 (f)	14,427	60,294
Deferred revenue	8 (g)	2,068,607	-
Provisions	10 (c)	784,181	851,980
Total Current Liabilities		5,969,299	2,095,493
Non-current liabilities			
Interest bearing liabilities	8 (f)	13,346,345	186,725
Derivative financial liabilities	8 (d)	-	-
Provisions	10 (c)	4,554,960	4,909,852
Total Non-Current Liabilities		17,901,305	5,096,577
Total liabilities		23,870,604	7,192,070
Net (liabilities)/assets		(6,466,872)	5,582,230
Equity			
Issued Capital	11 (a)	277,985,227	270,487,071
Reserves	11 (g)	4,136,430	1,394,908
Accumulated losses		(288,588,529)	(266,299,749)
Total equity		(6,466,872)	5,582,230

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

NORTHERN MINERALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2023

	Note	ISSUED CAPITAL $	ACCUMULATED LOSSES $	PERFORMANCE RIGHTS AND OPTIONS RESERVE $	OTHER RESERVES $	TOTAL $
Consolidated Entity						
Balance at 1 July 2021		**270,152,158**	**(242,298,539)**	**1,143,529**	**-**	**28,997,148**
Loss for the financial year		-	(24,356,842)	-	-	(24,356,842)
Total comprehensive loss for the financial year		-	(24,356,842)	-	-	(24,356,842)
Transactions with owners in their capacity as owners:						
Shares issued net of transaction costs	11(a)	334,913	-	-	-	334,913
Shares/options issued		-	-	607,011	-	607,011
Transfer of reserves to accumulated losses		-	355,632	(355,632)	-	-
Balance at 30 June 2022		270,487,071	(266,299,749)	1,394,908	-	5,582,230
Balance at 1 July 2022		**270,487,071**	**(266,299,749)**	**1,394,908**	**-**	**5,582,230**
Loss for the financial year		-	(22,288,780)	-	-	(22,288,780)
Total comprehensive loss for the financial year		-	(22,288,780)	-	-	(22,288,780)
Transactions with owners in their capacity as owners:						
Shares issued net of transaction costs	11(a)	7,498,156	-	-	-	7,498,156
Shares/options issued		-	-	558,167	-	558,167
Convertible notes issued	8(f)	-	-	-	2,183,355	2,183,355
Balance at 30 June 2023		277,985,227	(288,588,529)	1,953,075	2,183,355	(6,466,872)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

NORTHERN MINERALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		180,906	3,764,841
Payments to suppliers and employees		(20,621,824)	(25,447,462)
Interest received/(paid)		274,168	(39,558)
Research & development rebate and other government grants		5,977,290	4,396,282
Other income received		102,302	396,571
Net cash outflow from operating activities	12(a)	(14,087,158)	(16,929,326)
Cash flows from investing activities			
Payments for property, plant and equipment		(115,084)	(493,615)
Proceeds from the sale of property, plant and equipment		800,000	-
Decrease/(increase) in security deposits		14,642	(6,180)
Net cash inflow /(outflow) from investing activities		699,558	(499,795)
Cash flows from financing activities			
Proceeds from issues of shares		8,660,184	337,500
Proceeds from issue of convertible notes		15,000,000	-
Share and convertible note issue costs		(1,368,954)	(2,587)
Proceeds from borrowings		216,257	580,864
Repayment of borrowings		(217,657)	(597,176)
Payments for lease liabilities		(61,362)	(58,904)
Net cash inflow from financing activities		22,228,468	259,697
Net increase/(decrease) in cash and cash equivalents		8,840,868	(17,169,424)
Cash and cash equivalents at beginning of the financial year		2,857,574	19,897,420
Effects of exchange rate changes on cash and cash equivalents		(10,281)	129,578
Cash and cash equivalents at the end of the financial year	8(a)	11,688,161	2,857,574

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

This section sets out the accounting policies that relate to the financial statements of Northern Minerals Limited ("the Company") and its subsidiaries ("the Group"). Where an accounting policy, critical accounting estimate, assumption and judgement is specific to a note, these are described within the note to which they relate. These policies have been consistently applied to all periods presented, except as described in Note 23 New standards and Interpretations.

The consolidated financial statements of "the Company" and "the Group" for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 25 September 2023. The directors have the power to amend and reissue the financial statements.

1. Reporting Entity

Northern Minerals Limited is a company limited by shares incorporated and domiciled in Australia where its shares are publicly traded on the Australian Securities Exchange (ASX). Its registered office and principal place of business is 34 Colin Street, West Perth, WA 6005.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and certain other financial assets and liabilities, which are required to be measured at fair value.

The financial report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report is presented in Australian dollars which is the Group's functional and presentation currency and all values are rounded to the nearest dollar.

The Group has, where applicable, adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the year ended 30 June 2023. Refer to Note 23 New Standards and Interpretations for further details. The Group did not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

a) Funding and liquidity

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group reported a net loss for the period of $22.3 million (2022: $24.4million) and a cash outflow from operating activities of $14.1 million (2022: $16.9 million). The loss mainly reflects the Company continuing its strategy of focussing on completing the feasibility study for its Browns Range Project and associated costs. As at 30 June 2023, the Group had a net liability position of $6.5 million (2022: net asset position of $5.6 million) and a net working capital surplus of $7.3 million (2022: $5.6 million) including cash and term deposit balances of $11.7 million (June 2022: $2.9 million). The Group successful completed an institutional share placement after the reporting date of $25 million (before costs). The Group has also been awarded $5.9 million in grant funding from the Australian Government's Critical Minerals Development Program, of which up to $3.8 million is yet to be received subject to certain conditions being met.

Based on the Group's working capital surplus at 30 June 2023 (in particular its cash balance of $11.7 million), successful capital raising post the reporting date, and committed expenditure profile for the next twelve months from the date of this report, the Directors are satisfied that the Group will have access to sufficient cash to fund its forecast expenditure for a period of at least twelve months from the

2. Basis of Preparation (continued)

date of signing this report. Accordingly, the Directors consider that the going concern basis of preparation to be appropriate.

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Northern Minerals Limited and its subsidiaries as at and for the year ended 30 June 2023. A list of controlled entities at year end is contained within Note 13.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

3. Critical Accounting Judgements, Estimates, Assumptions and Errors

(a) Significant estimates and judgements

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the Directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, in respect of R & D.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees, vendors and suppliers by reference to the fair value of the equity instruments at the date at which they are granted. Details of valuation techniques used for share-based payments in the year, included model inputs are detailed in Note 17.

Rehabilitation provision

The recognition of closure and rehabilitation provisions require significant estimates and assumptions such as requirements of the relevant legal and regulatory framework and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Refer to Note 10(c).

Convertible note

The convertible note is a hydrid financial instrument with an equity and derivative liability component. The derivative liability is initially measured at fair value. For further details refer to Note 8 (f).

3. Critical Accounting Judgements, Estimates, Assumptions and Errors (continued)

Lease terms

In determining the lease terms for right-of-use-assets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of offices, the following factors are normally the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee.

4. Exploration and evaluation expenditure

The Group's accounting policy for exploration expenditure is to expense costs as incurred in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*. The Group has determined that expenditure in relation to the pilot plant can still be accounted for under AASB 6, given the main activity of the Group relates to evaluating the technical feasibility and commercial viability of extracting the mineral resource. Items of plant and equipment purchased as part of the pilot plant are capitalised.

	2023 $	2022 $
Exploration costs	6,093,594	6,564,777
Project evaluation and pre-feasibility	8,759,017	12,912,884
Total exploration and evaluation expenditure	14,852,611	19,477,661

5. Revenue

The Group derives the following types of revenue:

	2023 $	2022 $
Revenue from contracts with customers	6,538	3,903,401
R&D rebate on eligible expenditure	349,343	4,981,638
Net gain on disposal of property, plant and equipment	806,923	-
Gain on lease modification	59,306	-
Other	124,810	400,604
Total revenue from continuing operations	1,346,920	9,285,643

Revenue Recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods and services promised.

Current year revenue from contracts with customers has resulted from the sale of Rare Earth Carbonate (“REC”) to a single external customer. Revenue from REC sales is brought to account when the significant risks and rewards of ownership have transferred to the buyer and selling prices are known or can be reliably estimated.

R&D rebates and government grants

The Company’s accounting policy for R&D rebates and government grants is to recognise these when there is reasonable assurance that:

- The expenditure incurred during the financial period complies with relevant legislation and activities; and
- The rebates claimed will be received.

Rebates and grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

For details of unfulfilled conditions or other contingencies attaching to these grants see Note 14.

A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

6. Finance Income and Costs

	2023 $	2022 $
Finance income		
Interest income	297,985	7,182
Total finance income	297,985	7,182
Finance costs		
Interest and finance charges payable for financial liabilities not at fair value through profit or loss	1,466,495	16,545
Provisions: unwinding of discount	(115,785)	116,277
Right of use assets interest	29,540	29,895
Financing transactions and costs	550	300
Total finance costs	1,380,800	163,017
Amount capitalised	-	-
Finance costs expensed	1,380,800	163,017
Net finance costs/(income)	1,082,815	155,835

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income on financial assets at amortised cost is recognised in the statement of profit or loss as other income.

Interest cost

Finance costs include costs of interest-bearing liabilities held at amortised cost. Refer to Note 8(f).

Other borrowing costs are expensed in the period in which they are incurred.

7. Income Tax Expense

	2023 $	2022 $
(a) Income tax expense		
Reconciliation of income tax expense to prima facie tax payable:		
Loss from continuing operations before income tax expense	(22,288,780)	(24,356,842)
Tax calculated at 25% (2022: 25%) on loss before income tax	(5,572,195)	(6,089,210)
Add tax effect of:		
Share-based payments	139,542	151,753
Non-deductible expenses	4,297	5,642
Unused tax losses and temporary differences not recognised	5,341,019	1,071,347
R & D adjustments	87,336	4,860,468
Income tax expense/(benefit)	-	-
(b) Unrecognised deferred tax balances		
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Unused tax losses	49,122,767	43,854,262
Unused capital losses	159,692	159,692
Property, plant & equipment	1,718,283	1,955,851
Other deductible temporary differences	3,247,056	3,019,327
Total unrecognised deferred tax assets	54,247,798	48,989,132
Deferred tax liabilities		
Property, plant and equipment	-	(20,805)
Taxable temporary differences - other	(419,167)	-
Total unrecognised deferred tax liabilities	(419,167)	(20,805)
Net unrecognised deferred tax balances	53,828,631	48,968,327

The net deferred tax balances are not recognised since it is not probable at the reporting date that future taxable profits will be available to utilise deductible temporary differences and losses.

(c) Income tax expense/(benefit)

The income tax expense/(benefit) for the period is the tax payable on the current period's taxable income/(loss) based on the applicable income tax rate adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current tax is calculated using the tax rates enacted or substantively enacted at period end and includes any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax assessment or deduction purposes.

7. Income Tax Expense (continued)

The tax effect of certain temporary differences is not recognised, principally with respect to:

- Temporary differences arising on the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

- Temporary differences relating to investments and undistributed earnings in subsidiaries, to the extent that the company is able to control its reversal and it is probable that it will not reverse in the foreseeable future.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each balance date and amended to the extent it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Based on the disclosure in note 3, the current income tax position represents the Directors' best estimate, in respect of R&D.

8. Financial Assets and Financial Liabilities and other receivables and liabilities

(a) Cash and cash equivalents

	2023	2022
Current	**$**	**$**
Cash at bank and on hand	3,619,554	2,857,574
Deposits at call	8,068,607	-
	11,688,161	2,857,574

Cash in the statement of financial position comprises cash at bank and in hand and short-term deposits, with an original maturity of three months or less, that are readily convertible to known amounts of cash, and that are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(b) Trade and other receivables

	2023	2022
Current	**$**	**$**
Trade receivables	-	155,452
GST receivable	-	62,569
Prepayments	714,218	398,284
Other receivables	295,040	11,724
R&D rebate receivable	577,044	4,136,384
Loss allowance (see note 9 (b))	(245,779)	-
	1,340,523	4,764,413

8. Financial Assets and Financial Liabilities and other receivables and liabilities (continued)

(i) Other receivables

Other receivables are amounts that generally arise from transactions outside the usual operating activities of the Group. They are recognised at amortised cost, less any allowance for expected credit losses.

(ii) Research and development rebate receivable

The research and development rebate receivable recognises the estimate of the R & D rebate for the financial year at amortised cost.

(iii) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses as per AASB 9 *Financial Instruments*. Trade receivables are generally due for settlement within 30 days.

Information about the methods and assumptions used in determining fair value is provided in note 8(h). Information about the impairment of trade and other receivables, their credit quality and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 9.

(iv) Fair values of trade and other receivables

Due to their short-term nature, their carrying amount is approximate to their fair value. Information about the methods and assumptions used in determining fair value is provided in note 8(h). Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 9.

(c) Other financial assets

	2023 $	2022 $
Current		
Security deposits – rent and performance bonds	59,525	-
	59,525	-
Non-Current		
Security deposits – rent and performance bonds	-	74,167
	-	74,167

Other financial assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method**.**

8. Financial Assets and Financial Liabilities and other receivables and liabilities (continued)

(i) Fair values of other financial assets

Due to their short-term nature, the financial assets carrying amount is approximate to their fair value. Information about the methods and assumptions used in determining fair value is provided in note 8(h). Information about the impairment of other financial assets, their credit quality and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 9.

(d) Derivative financial instruments

During the year the Group entered into a call option / put option arrangement pursuant to which Iluka will (subject to satisfaction or waiver of certain conditions) be issued up to an additional 653.3 million shares.

The shares will be issued at the lower price per Share of:

- the lowest subscription price applicable to any Additional Browns Range Equity Fundraising; and
- $0.06 per Share (being a 50% premium to the Iluka Tranche 1 placement price of $0.04 per share in October 2022)

The issue and grant of the call option and the put option was conditional on Northern Minerals shareholder approval which was received at the General Meeting on 12 December 2022.

The call option can be exercised by Iluka at any time up until 31 December 2025.

The exercise of the put option by Northern Minerals is conditional on:

- NTU making a positive FID in relation to the Browns Range Project and the Project is reasonably likely to be capable of producing xenotime concentrate in sufficient quantities to substantially meet NTU's obligations under the Iluka Supply Agreement; and
- NTU having sufficient funds to fully fund the pre-production costs of the Browns Range Project; and
- ILU completing due diligence in respect of NTU's DFS to ILU's satisfaction (acting in good faith); and
- The Iluka Supply Agreement having not been terminated.

Once those conditions are satisfied, Northern Minerals may exercise the put option at any time up until 31 December 2025.

If NTU proposes to undertake Additional Browns Range Equity Fundraising after the Iluka Convertible Note has been converted, the Company must use reasonable endeavours to:

- Negotiate Iluka's participation in such fundraising on the same terms as other professional investors; and
- Maximise Ilukas participation (subject to it not exceeding 19.9% of the Company).

NTU must give Iluka a reasonable opportunity to participate in certain other equity raisings for up to 3 years following NTU making a positive FID in relation to the Browns Range Project, provided Iluka maintains a 10% shareholding in NTU or the earlier of 31 March 2025.

The option contracts are financial instruments which have been classified as at fair value through profit or loss. As the derivative is closely related to the host instrument the derivative asset and liability are measured together at fair value and initially recognised as $nil, with fair values determined by Level 1 valuation techniques. As at reporting date, the option contracts have a fair value of $nil and therefore no fair value remeasurements have been recognised.

8. Financial Assets and Financial Liabilities and other receivables and liabilities (continued)

(e) Trade and other payables

	2023 $	2022 $
Current		
Trade payables	1,173,155	562,647
Other payables	1,928,929	620,572
	3,102,084	1,183,219

Trade and other payables are classified as loans and are carried at amortised cost. They are non-interest bearing and represent liabilities for goods and services provided to the Group prior to the end of the financial period. They are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. These are included in current liabilities. Liabilities where payment is not due within 12 months from the reporting date, which are classified as non-current liabilities.

(i) Fair values of trade and other payables

Due to their short-term nature, current trade and other payables carrying amounts are approximate to their fair value. Information about the methods and assumptions used in determining fair value is provided in note 8(h). Information about the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 9. Details of the fair values of non-current trade and other payables can be found in note 8(h).

(f) Interest Bearing Liabilities

At Amortised Cost	Interest Rate	2023 $	2022 $
Current			
Equipment finance (Secured)	2.90%	-	1,401
Right of use asset lease liability (Refer to note 10)	15%	14,427	58,893
		14,427	60,294
Non-Current			
Convertible note – Iluka (Secured)	7%	13,346,345	-
Right of use asset lease liability (Refer to note 10)	15%	-	186,725
		13,346,345	186,725
Total Interest Bearing Liabilities			
Current		14,427	60,294
Non-Current		13,346,345	186,725
		13,360,772	247,019

8. Financial Assets and Financial Liabilities and other receivables and liabilities (continued)

(f) Interest Bearing Liabilities (continued)

	2023 $	2022 $
Commitments in relation to hire purchase leases are payable as follows:		
Within one year	-	1,407
Later than one year but not later than five years	-	-
Minimum lease payments	-	1,407
Future finance charges	-	(6)
Total lease liabilities	-	1,401

The present value of hire purchase lease liabilities is as follows:

	2023 $	2022 $
Within one year	-	1,401
Later than one year but not later than five years	-	-
Minimum lease payments	-	1,401

Convertible Note – Iluka Resources Limited (Iluka)

On 28 October 2022, Northern Minerals issued to Iluka a convertible note totalling $15.0 million, convertible into up to 365.6 million shares at $0.048 per share (including assumed capitalised interest, and subject to various adjustment events). Details of the Iluka Convertible Note are as follows:

Conversion Price: $0.048 per share, subject to various adjustment events.

Interest Rate: 7% per annum. Accrued interest is capitalised quarterly.

Face Value: $15.0 million

Maturity Date: 31 December 2024

Convertibility: Convertible by:

- ILU – at any time before the maturity date; and
- NTU – at any time after completion of both the Iluka Tranche 2A Placement and exercise of either the Iluka Tranche 2B Call Option or Put Option.

Redeemability: Redeemable at the maturity date or by:

- ILU – following an event of default; and
- NTU – at any time before the maturity date.

Security: NTU has entered into a combination security agreement under which it agrees to grant security over all of its present and after acquired property (including certain NTU mining tenements) to Iluka to secure the obligations of NTU under the Iluka Convertible Note. If an event of default occurs, Iluka may enforce the security granted under the combination security agreement.

Further, if requested by NTU, Iluka and NTU will use their respective reasonable endeavours to enter into a priority and subordination deed with NTU and its project debt financiers under which the security granted under the combination security agreement will rank behind any security granted in favour of the project debt financiers and the obligations under the Iluka Convertible Note will be subordinated to the project debt finance.

8. Financial Assets and Financial Liabilities and other receivables and liabilities (continued)

(f) Interest Bearing Liabilities (continued)

The convertible note is a hybrid financial instrument with an equity and derivative liability component. The derivative liability is initially measured at fair value. The derivative liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the convertible note. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders equity in other reserves and is not subsequently remeasured.

The convertible note is presented in the balance sheet as follows:

	2023 $	2022 $
Face value of notes issued	15,000,000	-
Value of conversion rights	(2,183,355)	-
Transaction costs	(143,156)	-
Interest expense	672,856	-
Non-current liability	13,346,345	-

Aside from amounts disclosed above as measured at fair value, borrowings are classified as loans and are initially recognised at fair value net of transaction costs incurred. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the liabilities using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised.

Interest bearing liabilities are classified as current liabilities, except when the Group has an unconditional right to defer settlement for at least 12 months after the reporting date in which case the liabilities are classified as non-current.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. The fee is capitalised as a prepayment and amortised over the remaining period of the facility to which it relates once it is drawn down.

Financial liabilities designated at fair value through profit or loss are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon de-recognition of the financial liability.

Leases, which transfer to the Group, substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

8. Financial Assets and Financial Liabilities and other receivables and liabilities (continued)

Equipment Finance

These loans are secured by a first charge over the equipment under finance and are for a period of between 36-48 months.

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2023 $	2022 $
Current		
Fixed Charge		
Cash and cash equivalents	11,688,161	-
Receivables	604,635	-
Inventory	160,980	-
Total current assets pledged as security	12,453,776	-
Non-Current		
Fixed charge		
Property, plant and equipment	4,154,543	-
Total non-current assets pledged as security	4,154,543	-
Total assets pledged as security	16,608,319	-

(g) Deferred revenue

	2023 $	2022 $
Current		
Deferred revenue	2,068,607	-

Refer to note 5 for the accounting policy in relation to R&D rebates and government grants.

8. Financial Assets and Financial Liabilities and other receivables and liabilities (continued)

(h) Accounting classification and fair value

Financial assets

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cashflows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to hold both assets in order to collect contractual cashflows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets with be either:

- held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
- designated as such upon initial recognition where permitted.

A gain or loss on the financial assets at fair value through the profit and loss that are subsequently remeasured are recognised in the profit or loss as other income in the period in which it arises.

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group’s assessment at the end of each reporting period as to whether the financial instruments credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the assets lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the assets lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

8. Financial Assets and Financial Liabilities and other receivables and liabilities (continued)

Financial liabilities

Financial liabilities other than derivatives are initially recognised at fair value of consideration received net of transaction costs as appropriate and are subsequently carried at amortised cost. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortisation is included in finance costs in the statement of profit or loss.

Derivatives, including those embedded in contractual arrangements but separated for accounting purposes because they are not clearly and closely related to the host contract, are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. Fair value changes are recognised immediately in the profit and loss.

For the interest-bearing liabilities, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate.

Fair value Measurements

There have been no transfers between fair value levels during the reporting period.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Specific valuation techniques used to value financial instruments include:

- Put and Call Option – Hoadley Trading and Investment Tools ESO2 binomial valuation model undertaken by an external, independent and qualified expert.
- Convertible note – valuation undertaken by an external, independent and qualified expert.

All financial instruments measured at fair value use Level 1 valuation techniques.

9. Financial Risk Management

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables and cash that derive directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Board provides policies for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and other price risk.

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures with respect to changes in USD/AUD exchange rates.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated or linked to a currency that is not the entity's functional currency. The Group did not enter into any FX hedging agreements in relation to its transactions.

Certain operating and capital expenditure is linked to currencies other than the Company's functional currency.

The financial assets and liabilities that are exposed to foreign exchange risk at the end of the reporting period, expressed in Australian dollars, are:

	2023	**2022**
	$	**$**
Cash and cash equivalents - USD	1,905	113,796
Trade receivables - USD	-	155,452
	1,905	269,248

As shown in the table above, the Group has limited exposure to changes in USD/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments.

The impact of a material movement of +/- 10% in the AUD/USD exchange rate will not have a material impact on revenue and therefore shareholder equity.

9. Financial Risk Management (continued)

Amounts recognised in the statement of profit or loss

During the year the following foreign exchange related amounts were recognised in the statement of profit or loss:

	2023 $	2022 $
Net foreign exchange gain included in other income	-	-
Foreign exchange gain/(loss) in administration expenses	25,359	82,564
Net foreign exchange gain/(loss)	25,359	82,564

Cash flow and fair value interest rate risk

Interest rate risk in relation to the fair value or future cash flow may arise from interest rate fluctuations. The Group's exposure to interest rate risk and the effective weighted average interest rate for classes is set out below:

	Weighted average interest rate	Floating Interest Rate	Fixed Interest	Non-Interest Bearing	Total
	%	$	$	$	$
30 June 2023					
Financial Assets					
Cash and cash equivalents	2.94%	1,816,925	8,068,607	1,803,258	11,688,790
Trade and other receivables	-	-	-	591,735	591,735
Other financial assets	3.00%	-	59,525	-	59,525
Total financial assets		1,816,925	8,128,132	2,394,993	12,340,050
Financial Liabilities					
Trade and other payables	-	-	-	1,237,352	1,237,352
Interest bearing liabilities	7.00%	-	15,719,502	-	15,719,502
Total financial liabilities		-	15,719,502	1,237,352	16,956,854

	Weighted average interest rate	Floating Interest Rate	Fixed Interest	Non-Interest Bearing	Total
	%	$	$	$	$
30 June 2022					
Financial Assets					
Cash and cash equivalents	0.06%	560,923	-	2,296,651	2,857,574
Trade and other receivables	-	-	-	4,303,559	4,303,559
Other financial assets	0.33%	-	74,167	-	74,167
Total financial assets		560,923	74,167	6,600,210	7,235,300
Financial Liabilities					
Trade and other payables	-	-	-	616,832	616,832
Interest bearing liabilities	2.90%	-	1,407	-	1,407
Total financial liabilities		-	1,407	616,832	618,239

9. Financial Risk Management (continued)

Financial assets are subject to underlying interbank cash rate movements as determined by the Reserve Bank of Australia.

The impact of a material movement of +/- 2.75% in the underlying cash rate will have an impact on revenue and therefore shareholder equity of $361,616. he assumed movement in basis point volatility for the interest rate sensitivity analysis is based on the observable market movements in interest rates in the recent past.

b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure relating to outstanding receivables and committed transactions. The Group has minimal credit risk with regards to its bank held deposits which are all held with reputable institutions. The Group has minimal credit risk in relation to its receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of the receivables. Collateral is not held as security. There are no significant concentrations of credit risk within the Group.

A loss allowance as at 30 June 2023 was determined for both trade and other receivables. A loss allowance was calculated for other receivables on a balance due from a third party at 100% based on indicators that there was little reasonable expectation of recovery, however negotiations were still on going for payment.

c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Group management aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group’s liquidity reserve and cash and cash equivalents. In addition, the Group’s liquidity policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these and monitoring debt financing plans.

The Company:

- continuously monitors forecasts and actual cash flows and the maturity profiles of financial assets and liabilities to manage its liquidity risk;
- manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are invested in short-term bank deposits.

Financing arrangements

The Group has no access to undrawn borrowing facilities at the end of the reporting period.

9. Financial Risk Management (continued)

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2-5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$	$
As at 30 June 2023						
Non-derivatives						
Trade payables	1,237,352	-	-	-	1,237,352	1,237,352
Interest bearing liabilities	-	-	17,462,812	-	17,462,812	14,065,847
Lease liabilities	15,509	-	-	-	15,509	14,427
Total non-derivatives	**1,252,861**	**-**	**17,462,812**	**-**	**18,715,673**	**15,317,626**

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2-5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$	$
As at 30 June 2022						
Non-derivatives						
Trade payables	616,832	-	-	-	616,832	616,832
Interest bearing liabilities	1,407	-	-	-	1,407	1,401
Lease liabilities	30,344	31,018	65,509	164,822	291,693	245,617
Total non-derivatives	**648,583**	**31,018**	**65,509**	**164,822**	**909,932**	**863,850**

10. Non-financial Assets and Liabilities

(a) Property, plant and equipment

2023	Plant and Equipment	Bulk earthworks	Browns Range Buildings	Right of Use – Assets – Office lease	Total
	$	$	$	$	$
Cost					
At beginning of the financial year	11,727,359	2,108,973	4,196,397	280,121	18,312,850
Additions	144,898	-	-	-	144,898
Transfers	-	-	-	-	-
Disposals	(815,288)	-	-	(256,777)	(1,072,065)
At the end of the financial year	**11,056,969**	**2,108,973**	**4,196,397**	**23,344**	**17,385,683**
Accumulated Depreciation					
At beginning of year	8,831,881	2,026,657	2,384,883	81,701	13,325,122
Depreciation charge for the year	297,181	82,316	218,763	46,687	644,947
Disposals	(622,213)	-	-	(116,716)	(738,929)
Accumulated depreciation at end of year	**8,506,849**	**2,108,973**	**2,603,646**	**11,672**	**13,231,140**
Carrying amount at end of the year	**2,550,120**	**-**	**1,592,751**	**11,672**	**4,154,543**

2022	Assets under construction	Plant and Equipment	Bulk earthworks	Browns Range Buildings	Right of Use – Assets – Office lease	Total
	$	$	$	$	$	$
Cost						
At beginning of the financial year	6,891,209	4,491,514	2,108,973	4,141,712	280,121	17,913,529
Additions	309,764	194,981	-	5,453	-	510,198
Transfers	(7,184,389)	7,135,157	-	49,232	-	-
Disposals	(16,584)	(94,293)	-	-	-	(110,877)
At the end of the financial year	**-**	**11,727,359**	**2,108,973**	**4,196,397**	**280,121**	**18,312,850**
Accumulated Depreciation						
At beginning of year	-	2,991,650	1,725,082	922,006	35,015	5,673,753
Depreciation charge for the year	-	5,932,987	301,575	1,462,877	46,686	7,744,125
Disposals	-	(92,756)	-	-	-	(92,756)
Accumulated depreciation at end of year	**-**	**8,831,881**	**2,026,657**	**2,384,883**	**81,701**	**13,325,122**
Carrying amount at end of the year	**-**	**2,895,478**	**82,316**	**1,811,514**	**198,420**	**4,987,728**

10. Non-financial Assets and Liabilities (continued)

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment charges. Cost is the fair value of consideration given to acquire the asset at the time of its acquisition or construction and includes the direct cost of bringing the asset to the location and condition necessary for operation and its estimated future cost of closure and rehabilitation.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

Any item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

Depreciation and amortisation

The carrying amounts of property, plant and equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated project, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date the asset is ready and available for use. The major categories of property, plant and equipment are depreciated on a straight-line basis using estimated lives indicated below:

Pilot plant in construction – based on life of pilot plant project – 3 years from being available for use

Office Equipment – 3 years

Fixtures and Fittings – 4 years

Exploration Equipment – 3 years

Vehicles – 4 years

Leasehold Improvements – 3-10 years

Buildings – 3-15 years for fixtures and fittings and portable building structures

Browns Range Site Equipment - 3-10 years and 20 years for mobile equipment

Site Plant Bulk Earthworks – 3-4 years based on life of pilot plant depending on commencement as available for use

Ore sorter based on period of use and has been depreciated to its estimated residual value in 2022.

Assets under construction

All assets included in assets under construction are reclassified to other categories in property, plant and equipment when the asset is available and ready for use in the location and condition necessary for it to be capable of operating in the manner intended.

Non-current assets pledged as security

Refer to note 8 (f) for information on non-current assets pledged as security by the Group.

10. Non-financial Assets and Liabilities (continued)

Leases

The Company has purchased items of plant and equipment under hire purchase lease agreements. These are presented as part of property, plant and equipment in the statement of financial position.

Plant and equipment under lease

	2023 $	2022 $
Plant and equipment – hire purchase	-	60,000
Less: Accumulated depreciation	-	(60,000)
	-	-

Lease liability

	2023 $	2022 $
Current lease liability	-	1,401
Non-current lease liability	-	-
	-	1,401

Interest charged on hire purchase lease liabilities during the year was $6. The average interest rate charged is 2.90%.

Right of Use Assets

The Company leases office space in West Perth, Western Australia, under a non-cancellable lease which expires on 30 September 2023 and had an option to extend for a further 3 years. Notice was given that the option would not be exercised by the Company in the financial year. The lease agreement does not impose any covenants.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in- substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- Makes adjustments specific to the lease, eg; term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which is not included in the lease liability until they take effect. When adjustments to lease

10. Non-financial Assets and Liabilities (continued)

payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the assets useful life and the lease term on a straight line basis.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

The statement of profit or loss shows the following amounts relating to leases:

	2023 **$**	**2022** $
Interest expense (included in finance costs)	29,540	29,895
Expense relating to short term leases (included in occupancy costs)	-	42,870
Expense relating to variable lease payments not included in lease liabilities (included in occupancy costs)	37,370	52,084

Income of $8,806 (2022: $66,634) has been recognised for sub-leasing of the office premises.

The total cash outflow for leases in 2023 was $61,589 (2022: $96,829).

(b) Inventories

Current	**2023** **$**	**2022** **$**
Diesel fuel and consumables	160,980	90,418

Inventories are valued at the lower of cost and net realisable value. Cost is determined using weighted average costs.

10. Non-financial Assets and Liabilities (continued)

(c) Provisions

	2023 $	2022 $
Current		
Employee benefits	784,181	851,980
Non-Current		
Employee benefits	24,853	-
Rehabilitation	4,530,107	4,909,852
	4,554,960	4,909,852

(i) Movements in provisions

2023	*Employee benefits* *$*	*Rehabilitation* *$*	*Total* *$*
Balance at the beginning of year	851,980	4,909,852	5,761,832
Additional amounts recognised for the year	538,454	(263,960)	274,494
Unwinding of discount	-	(115,785)	(115,785)
Amounts used during the year	(581,400)	-	(581,400)
Balance at the end of year	809,034	4,530,107	5,339,141

Employee benefits

Liabilities for unpaid wages and salaries are recognised in sundry creditors. Current entitlements to annual leave accrued for services up to the reporting date are recognised in the provision for employee benefits and are measured at the amounts expected to be paid. Entitlements to non-accumulating sick leave are recognised when the leave is taken.

The current liability for long service leave (for which settlement within 12 months of the reporting date cannot be deferred) is recognised in the current provision for employee benefits and is measured in accordance with annual leave described above. The non-current liability for long service leave is recognised in the non-current provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to current wage and salary levels to match as closely as possible, the estimated future cash outflows.

Rehabilitation

The mining, exploration and construction activities of the Group give rise to obligations for site closure and rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling, removal of waste materials, site and land rehabilitation.

Provisions for the cost of each closure and rehabilitation programme are recognised at the time the environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at, or after, the time of closure, for disturbance existing at the reporting date. Routine operating costs that may

10. Non-financial Assets and Liabilities (continued)

impact the ultimate closure and rehabilitation activities, are not included in the provision.

Costs arising from unforeseen circumstances, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

The timing of the actual closure and rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which they operate. Expenditure may occur before and after closure and can continue for an extended period of time dependent on closure and rehabilitation requirements.

Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of associated cash flows.

When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation, to the extent that the activity in which the provision is related to is capitalised. The capitalised cost of rehabilitation and closure activities is recognised in property, plant and equipment accordingly. The value of the provision is progressively increased over time due to the effect of discounting unwinding creating an expense recognised in finance expenses. Where the activity in which the provision relates is expensed in accordance with the exploration and evaluation expenditure, the provision expense is also expensed.

Closure and rehabilitation provisions are also adjusted for changes in costs and estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of the related assets, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised first against other items in property, plant and equipment and subsequently to the consolidated statement of profit or loss.

Changes to the capitalised cost result in an adjustment to future depreciation.

Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of significant judgements and estimates involved.

11. Equity

(a) Ordinary Shares

	Number	2023 $	Number	2022 $
Share Capital				
Ordinary Shares	5,081,999,308	277,985,227	4,864,364,699	270,487,071
Movement in Ordinary Share Capital				
Balance at the beginning of year	4,864,364,699	270,487,071	4,846,066,366	270,152,158
Conversion of Performance Rights	480,000	-	-	-
Issue of Shares to Iluka Tranche 1 at $0.04	125,000,000	5,000,000	-	-
Conversion of Performance Rights	650,000	-	-	-
Issue of Shares under Share Purchase Plan at $0.04	91,504,609	3,660,184	-	-
Conversion of Performance Rights	-	-	5,795,000	-
Option Conversion at $0.045	-	-	7,500,000	337,500
Conversion of Performance Rights	-	-	1,508,333	-
Conversion of Performance Rights	-	-	3,080,000	-
Conversion of Performance Rights	-	-	160,000	-
Conversion of Performance Rights	-	-	60,000	-
Conversion of Performance Rights	-	-	195,000	-
	5,081,999,308	279,147,255	4,864,364,699	270,489,658
Less: costs of issue	-	(1,162,028)	-	(2,587)
	5,081,999,308	277,985,227	4,864,364,699	270,487,071

(i) Ordinary shares

Issued capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Share Purchase Plan shares not taken up on termination are dealt with in accordance with the Share Plan rules. For further details on the nature of these shares, refer to note 17.

(b) Share Purchase Plan Shares

Included in ordinary shares are shares issued pursuant to the Share Purchase Plan as follows:

	2023 Number	2022 Number
Balance at beginning of year	4,353,400	4,353,400
Shares reverted to company and reissued during the year	-	-
Balance at end of year	4,353,400	4,353,400

11. Equity (continued)

(c) Performance Rights over ordinary shares

	2023 Number	2022 Number
Performance rights with conditions with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)		
Balance at beginning of year	-	145,750
Issued during the year	-	-
Forfeited/lapsed during the year	-	(145,750)
Exercised during the year	-	-
Balance at end of year	-	-
Performance rights with conditions with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)*		
Balance at beginning of year	22,016,665	-
Issued during the year	-	44,266,665
Forfeited/lapsed during the year	(9,069,999)	(11,451,667)
Exercised during the year	(1,130,000)	(10,798,333)
Balance at end of year	11,816,666	22,016,665
*Performance rights with conditions** with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)*		
Balance at beginning of year	-	-
Issued during the year	125,000,000	-
Forfeited/lapsed during the year	-	-
Exercised during the year	-	-
Balance at end of year	125,000,000	-

<u>* Performance conditions</u>

The Performance Rights Plan was approved by shareholders at the 22 July 2021 General Meeting. Under the plan, participants are granted performance rights which only vest if certain performance conditions are met.

Rights are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share and can be exercised at any time from and including the vesting date up to and including the date of expiry. The performance rights will expire if not exercised 12 months after they have vested.

The performance rights have been split across numerous tranches and performance conditions:

- Completion of testing of 5,000 tonnes of crushed ore through the Company's ore sorter at Browns Range.
- Successful development and implementation of the Integrated Management System.
- Production of 40 tonnes of rare earth carbonate.
- Processing ore stockpiles through the beneficiation plant to produce 2,000 tonnes of xenotime concentrate.
- Exploration resource upgrade to support a 10-year life of mine.
- Completion of the feasibility study for full scale beneficiation plant.
- Board final investment decision on decision to invest in full scale beneficiation plant.
- Practical completion of the full-scale beneficiation plant.

Vesting periods range from 31 December 2021 to 30 June 2025, with between 100% and 0% vesting between nominated dates.

Included in the total performance rights, a total of 3,000,000 performance rights were issued with the following conditions with 1,000,000 performance rights in each tranche:

11. Equity (continued)

Relative Total Shareholder Returns (TSR) for the 12 months to 31 December 2021, 1 January 2022 to 31 December 2022, and 1 January 2023 to 31 December 2023 compared to peers. Rights vesting range from 100% with TSR at or above the 75th percentile to 0% for less than the 25th percentile.

** Performance conditions

The Performance Rights were approved by shareholders at the 12 December 2022 General Meeting. Under the plan, participants are granted performance rights which only vest if certain performance conditions are met. The amount of rights that will vest depends on the following conditions.

Rights are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share and can be exercised at any time from and including the vesting date up to and including the date of expiry. The Performance Rights will vest upon notification from the Company to the holder of the Performance Rights. Following vesting, the Company will allocate Shares to the holder of Performance Rights. Any Rights that do not vest by the relevant sunset date for the relevant tranche will lapse.

The performance rights have been split across numerous tranches and performance conditions:

- **First Tranche**: 31.25 million Performance Rights are subject to the Company's shares achieving a 60- day volume-weighted average price (VWAP) of at least $0.06 on or before 22 June 2025.
- **Second Tranche**: 31.25 million Performance Rights are subject to the Company's shares achieving a 60-day VWAP of at least $0.08 on or before 22 June 2025.
- **Third Tranche**: 31.25 million Performance Rights are subject to the occurrence of the Board making a final investment decision to proceed with the development of a mining and concentration operation at Browns Range in Western Australia and the Company's shares achieving a 60-day VWAP of at least $0.08, both conditions being satisfied on or before 22 June 2025.
- **Fourth Tranche**: 31.25 million Performance Rights subject to the Company commencing first production of Xenotime concentrate and delivery pursuant to the terms of the Iluka Supply Agreement between the Company and Iluka Rare Earths Pty Ltd on or before 31 December 2026.

(d) Options over ordinary shares

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	Share options 30 June 2023	Share options 30 June 2022
2 March 2020	2 March 2024	$0.045	26,500,000	26,500,000
22 February 2021	22 February 2024	$0.074	153,061,226	153,061,226
22 February 2021	27 July 2024	$0.074	51,020,408	51,020,408
12 December 2022	22 June 2025	$0.060	20,000,000	-
Total			250,581,634	230,581,634
Weighted average remaining contractual life of options outstanding at end of period.			0.85 years	1.75 years

No options expired in the year ending 30 June 2023.10,000,000 options expired on 20 December 2021 at an exercise price of $0.1225.

11. Equity (continued)

(e) Capital management

When managing capital, the Board's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market.

Management monitors capital by reviewing the level of cash on hand, future revenue streams and assessing the impact of possible future commitments in respect of the potential capital structure that would be required to meet those potential commitments.

(f) Dividends

No dividends were paid or declared by the Company since the incorporation of the Company.

(g) Nature and purpose of other reserves

The share option reserve is used to recognise the value of options or performance rights issued in lieu of cash payments, issued to employees and Key Management Personnel as remuneration, and to recognise the proceeds received on issue of options and performance rights.

The share-based payments reserve is used to recognise the value of shares issued in lieu of cash payments and is allocated the vested portion of the employee share purchase plan over the vesting period.

The other reserve covers the equity component of the issued convertible notes. The liability component is reflected in financial liabilities. For the year ended 30 June 2023 the equity component of convertible notes issued was $2,183,355 (2022: $nil).

12. Cash Flow Information

	2023 $	2022 $
(a) Reconciliation of loss after income tax to net cash outflow from operating activities		
Net Loss after tax	(22,288,780)	(24,356,842)
Adjustments		
Depreciation expense	644,947	7,744,125
Amortisation of borrowing costs	736,627	-
Gain/(loss) on disposal of assets	(806,923)	1,539
Share-based payments (refer note 17)	558,167	607,011
Unrealised foreign exchange	10,706	126,864
Impairment of inventory	-	350,601
Impairment of receivables	245,779	-
Change in assets and liabilities		
(Increase) /decrease in other receivables	3,029,957	(106,047)
(Increase) / decrease in inventory	(70,563)	444,826
Increase / (decrease) in trade and other payables	1,827,265	(1,301,848)
Increase/(decrease) in deferred revenue	2,068,607	-
Increase / (decrease) in provisions	(42,947)	(439,555)
Net cash flows used in operating activities	(14,087,158)	(16,929,326)

(b) Non-cash investing and financing activities

There were no non-cash investing or financing activities in 2022 or 2023 reporting periods.

(c) Reconciliation of liabilities arising from financing activities

			Non-cash changes			
	Opening balance 2022 $	Cash flows * $	Foreign exchange movements $	Conversion of debt to equity $	Other non-cash movements $	Closing balance 2023 $
Equipment finance	1,401	(1,401)	-	-	-	-
Convertible Note	-	15,000,000	-	-	(1,653,655)	13,346,345
Total liabilities from financing activities	**1,401**	**14,998,599**	**-**	**-**	**(1,653,655)**	**13,346,345**

*Interest paid on liabilities has been included in the cash flows above, however, is shown as operating cash flows in the Statement of Cash Flows.

13. Subsidiaries

The following were wholly owned subsidiaries of the Company in 2023 and 2022:

- Northern Uranium Pty Ltd
- Northern Commodities Pty Ltd
- Northern P2O5 Pty Ltd
- Northern Rare Earth Metals Pty Ltd; and
- Northern Xenotime Pty Ltd.

Subsidiaries are entities controlled by the parent entity. Control exists where the parent entity is exposed, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A parent entity has power over the subsidiary, when it has existing rights to direct the relevant activities of the subsidiary which are those which significantly affect the subsidiary returns.

14. Contingent Liabilities

Co-Existence Agreement

Under the terms of the Browns Range Co-existence Agreement announced to ASX on 16 June 2014, the Company has an obligation to make certain payments as well as maximising local employment. The majority of payments are subject to the commencement of commercial production at the Company's Browns Range Project and cannot be reliably measured at this time.

During the Pilot Plant Phase, the payment obligations do not apply and are substituted with alternative payment obligations.

Guarantees

The Group has guarantees in the form of security deposits for rent and performance bonds of $59,525 (2022: $74,167).

Government Grants

On 7 August 2017, as part of a consortium led by the Wunan Foundation, Northern Minerals announced that funding has been awarded under the Federal Government's Building Better Regions Fund (BBRF) to develop an Aboriginal training-to-work (T2W) program at the Browns Range Pilot Plant Project.

The Company has received $2,068,607 under the Federal Governments Critical Minerals Development Grant in 2023.

If the Company does not comply with an obligation under the agreements and the Commonwealth believes that the non-compliance is incapable of remedy, or if the Company has failed to comply with a notice to remedy, the Commonwealth may by written notice reduce the scope of the Agreements. This can include return of any part of the Grant to the Commonwealth.

15. Commitments

(i) Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations can be reduced by selective relinquishment of exploration tenure or renegotiation. Due to the nature of the Company's operations in exploring and evaluating areas of interest, exploration expenditure commitments beyond twelve months cannot be reliably determined. It is anticipated that expenditure commitments in subsequent years will be similar to that for the forthcoming twelve months. These obligations are not provided for in the financial report and are payable:

	2023 $	2022 $
Exploration Tenements		
Within one year	1,412,600	1,033,900

16. Related Party Transactions

(a) Key management personnel compensation

The aggregate compensation made to directors and other key management personnel of the Group is set out below:

	2023 $	2022 $
Short-term employee benefits	2,768,023	1,658,149
Post-employment benefits	134,574	99,259
Other long-term benefits	6,152	41,449
Termination payments	247,078	-
Share-based payments	563,265	239,219
Total compensation	3,719,092	2,038,076

Detailed remuneration disclosures are provided in the Remuneration Report.

A Director, Mr Adam Handley is a partner in the firm of MinterEllison. MinterEllison has provided legal services to the Company on normal commercial terms and conditions.

Amounts recognised as expense	2023 $	2022 $
Legal fees	136,187	-
Amounts recognised in assets and liabilities		
Current liabilities (Trade payables)	-	-

There have been no other transactions with key management personnel in the reporting period.

17. Share-based Payments

Total expenses arising from share-based payment transactions recognised in share-based payments expense during the year:	2023 $	2022 $
Performance rights and options – refer to (i)	558,167	607,011
Share purchase plan shares – refer to (ii)	-	-
	558,167	**607,011**

Share-based payments

Share-based compensation benefits are provided to employees via the Performance Rights Plan and the Equity Incentive Plan.

The fair value of performance rights granted under the above plans is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. remaining an employee over a specified time period)
- including the impact of any non-vesting conditions (e.g. the requirement for employees to hold shares for a specific period)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(i) Options and Performance Rights

125,000,000 performance rights were granted to employees and directors (2022: 44,266,665) and 20,000,000 options were granted to employees and directors during the year (2022: 51,020,408 options were granted to third parties). Details on the performance rights and options issued are included in note 11(c) and 11(d). Details on the performance rights issues to key management personnel are included in the Remuneration Report section of the Directors' Report.

The number and weighted average exercise price of performance rights granted are as follows:

	2023 Number	Weighted average exercise price	2022 Number	Weighted average exercise price
Outstanding at the beginning of the year	22,016,665	$ nil	145,750	$ nil
Performance rights issued during the year	125,000,000	$ nil	44,266,665	$ nil
Performance rights forfeited / lapsed during the year	(9,069,999)	$ nil	(11,597,417)	$ nil
Performance rights exercised during the year	(1,130,000)	$ nil	(10,798,333)	$ nil
Outstanding at the end of the year	136,816,666	$ nil	22,016,665	$ nil
Vested and exercisable at the end of the year	-		775,000	

17. Share-based Payments (continued)

The outstanding balance as at 30 June is represented by:

Grant date	Expiry date	Exercise price	Performance rights as at 30 June 2023	Performance rights as at 30 June 2022
16 August 2021	20 August 2022	$ nil	-	290,000
16 August 2021	21 August 2022	$ nil	-	185,000
16 August 2021	31 December 2023	$ nil	-	3,816,667
16 August 2021	10 January 2023	$ nil	-	300,000
16 August 2021	30 June 2023	$ nil	-	4,965,833
7 December 2021	30 June 2023	$ nil	-	25,000
22 April 2022	30 June 2023	$ nil	-	37,500
16 August 2021	31 December 2023	$ nil	4,216,667	4,494,167
22 April 2022	31 December 2023	$ nil	25,000	37,500
16 August 2021	30 June 2024	$ nil	4,333,333	4,333,333
16 August 2021	31 December2023	$ nil	1,050,000	1,290,000
22 April 2022	31 December 2024	$ nil	25,000	75,000
16 August 2021	30 June 2025	$ nil	2,166,666	2,166,665
12 December 2022	22 June 2025	$ nil	62,500,000	-
12 December 2022	22 June 2025	$ nil	31,250,000	-
12 December 2022	31 December 2026	$ nil	31,250,000	-
			136,816,666	**22,016,665**

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2023 is 2.46 years (2022: 1.48 years).

The number and weighted average exercise price of options granted are as follows:

	2023 Number	Weighted average exercise price	2022 Number	Weighted average exercise price
Outstanding at the beginning of the year	-	$ nil	-	$ nil
Options issued during the year	20,000,000	$ 0.06	-	$ nil
Options forfeited / lapsed during the year	-	$ nil	-	$ nil
Options exercised during the year	-	$ nil	-	$ nil
Outstanding at the end of the year	20,000,000	$ 0.06	-	$ nil
Vested and exercisable at the end of the year	-		-	

The weighted average remaining contractual life for the options outstanding as at 30 June 2023 is 1.98 years.

17. Share-based Payments (continued)

(ii) Share Plan Shares

The following shares were issued under the Northern Minerals Share Purchase Plan.

	2023 Number	2022 Number
Opening Balance	4,353,400	4,353,400
Issued during the year	-	-
Shares for which loan has been repaid	-	-
Shares reverted back to the Company reissued in accordance with the Share Plan rules	-	-
Closing Balance	4,353,400	4,353,400

4,353,400 shares have reverted to the Company under the terms of the share plan. The shares are available to be issued by the Company as at 30 June 2023.

(iii) Valuation of Options and Performance Rights

The fair value of the equity-settled share options granted to third parties is estimated as at the date of grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options and shares were granted.

The initial undiscounted value of the performance rights issued under the Employee Performance Rights Plan is the value of an underlying share in the Company as traded on ASX at the date of deemed date of grant of the performance right. As the performance conditions are not market based performance conditions, no discount is applied.

The assessed fair value at grant date of the performance rights issued on 21 December 2021 was independently determined using an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the vesting period, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the right and the correlations and volatilities of the peer group companies.

The assessed fair value at grant date of the performance rights issued on 16 December 2022 was independently determined using the Hoadley Trading and Investment Tools Barrier 1 valuation model for Tranches 1,2 and 3 and detailed in Note 11(c).

For Tranche 4 as detailed in Note 11(c) and the options issued on 16 December 2022 the Hoadley Trading and Investment Tools ESO2 binomial valuation model has been used in the determining the value. The models take into account the exercise price, the vesting period, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the right and the correlations and volatilities of the peer group companies.

17. Share-based Payments (continued)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The following tables list the inputs to the models used for the years ended 30 June 2023 and 2022.

The following relates to the unlisted options and performance rights issued during the year ended 30 June 2023 and 30 June 2022:-

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price – at date of issue	Risk Free Rate	Volatility	Value Per Option/Right
27/07/2021	27/07/2024	51,020,408	22/02/2021	$0.048	n/a	n/a	n/a	$0.000*
24/09/2021	31/12/2021 -	40,416,665	16/08/2021	$0.041	Nil	Nil	Nil	$0.041
21/12/2021	31/12/2021 -	3,000,000	16/08/2021	$0.041	$0.043	0.04-0.25%	75%	$0.0246-$0.0362
17/01/2022	30/06/2022 - 31/12/2024	300,000 150,000 300,000	28/10/2021 07/11/2021 07/12/2021	$0.055 $0.053 $0.051	Nil	Nil	Nil	$0.055 $0.053 $0.051
23/06/2022	30/06/2022 - 31/12/2024	100,000	22/04/2022	$0.052	Nil	Nil	Nil	$0.052
16/12/2022	22/06/2025	20,000,000	12/12/2022	$0.040	$0.06	3.18%	60%	$0.0105
16/12/2022	22/06/2025 - 31/12/2026	125,000,000	12/12/2022	$0.040	Nil	3.02%-3.18%	60%	$0.0183-$0.040

* Relates to Tranche 2 free – attaching options on $20 million placement announced on 16 February 2021.

18. Auditor's Remuneration

Nexia Perth Audit Services Pty Ltd	2023 $	2022 $
During the year the following fees were paid or payable for services provided by the auditor:		
Audit and Other Assurance Services		
Audit and review of financial reports under the Corporations Act 2001	84,000	110,000
Other assurance services - audit of government grant final report	-	-
Total remuneration of auditors	84,000	110,000

19. Earnings per share

	2023 Cents per share	2022 Cents per share
a) Basic loss per share		
From continuing operations attributable to the ordinary equity holders of the Company	(0.45)	(0.50)
b) Loss used in calculating loss per share		
Loss attributable to ordinary equity holders of the Company for basic and diluted earnings per share	(22,288,780)	(24,356,842)
	Number	**Number**
c) Weighted average number of shares used as the denominator		
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic loss per share	5,002,396,629	4,856,488,010

As the Company has incurred a loss, any exercise of options would be antidilutive, therefore the diluted and basic earnings per share are equal.

Basic earnings / (loss) per share is calculated as net profit/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares; and
- dilutive potential ordinary shares, adjusted for any bonus element.

20. Parent Entity Information

Summary financial information
The individual financial statements for the parent entity, Northern Minerals Limited, show the following aggregate amounts:

	2023 $	2022 $
Statement of financial position		
Current assets	13,249,189	7,712,405
Total assets	17,403,732	12,774,300
Current liabilities	5,969,298	2,095,493
Total liabilities	23,870,603	7,192,070
Shareholder's equity		
Share capital	277,985,227	270,487,071
Reserves	4,136,430	1,394,908
Accumulated losses	(288,588,529)	(266,299,749)
	(6,466,872)	5,582,230
Net Loss for the year	(22,288,780)	(24,356,842)
Contingent liabilities	Refer to note 14	

The Parent entity had no guarantees and commitments other than detailed in Notes 14 and 15.

21. Segment Information

The Company operates in only one business and geographical segment, being the mineral exploration industry in Australia.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker (the Board of Directors) 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.

22. Events Occurring After the Reporting Period

On 30 August 2023, the Company announced it had successfully raised $25m (before costs) via a placement to institutional and sophisticated investors. The placement comprised the issue of 833,333,334 new fully paid ordinary shares in the Company at an offer price of $0.030 per share. Settlement of the shares occurred on 5 September 2023 with allotment and the commencement of trading for the new shares on 6 September 2023. New shares issued under the placement rank equally with existing fully paid ordinary shares on issue.

In August 2023 the Company entered into a 3-year lease agreement for office premises at Aurora Place, 88 Phillip Street, Sydney commencing on 1 August 2023. The lease expense is $116,960 pa, net of incentives with a fixed 4% increase in year 2 and 3. The Company has provided a bank guarantee of $121,771, equivalent of 6 months net rental to the Lessor.

In September 2023 the Company entered into a 4-year lease agreement for office premises at 40 Kings Park Road, West Perth. The lease expense is $115,236 pa. The Company has provided a bank guarantee of $117,927 to the Lessor.

22. Events Occurring After the Reporting Period (continued)

In July 2023 the Company entered into a finance lease agreement with Kubota Australia Pty Ltd to purchase a Kubota Excavator. The total amount financed was $178,187 with an interest rate of 5.05% pa, to be repaid monthly over 36 months. The finance lease is secured on the equipment purchased.

In July 2023 the Company entered into an insurance premium funding agreement with a facility amount of $345,595 repayable over 10 months commencing in July 2023 with an interest rate of 3.89%.

23. New Accounting Standards and Interpretations

The Group has where applicable, adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the year ended 30 June 2023.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

As at the date of the authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and have not been adopted by the Group for the annual reporting year ending 30 June 2023:

Standard	**Effective date for annual reporting periods beginning on or after**	**Application date for the Company**
AASB 17 Insurance Contracts	1 January 2023	1 July 2023
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	1 July 2023
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 July 2023
AASB 2020-1 and AASB 2022-6 Amendments to Australian Accounting Standards – Non- current Liabilities with Covenants	1 January 2024	1 July 2024
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024	1 July 2024
AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements	1 January 2024	1 July 2024
AASB 2023-3 Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2	1 January 2024	1 July 2024
AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASb 10 and AASB 128)	1 January 2025	1 July 2025

The Company has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Company's assessment of those new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below. The Group has not yet determined the impact of these pronouncements on its financial statements.

AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

This Standard amends:

(a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity’s financial statements;

(b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;

(c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;

(d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and

23. New Accounting Standards and Interpretations (continued)

(e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
The amendment narrowed the scope of the recognition exemption in paragraphs 15 and 24 of AASB 112 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendment applies to transactions that occur on or after the beginning of the earliest comparative period presented.

AASB 2020-1 and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*
The amendments to AASB 101 specify that conditions (covenants) to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, an entity discloses information about these conditions in the notes to the financial statements.

AASB 2023-3 *Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenant: Tier 2*
This Standard clarifies the classification of loan arrangements for which the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with specified conditions.

Management is currently assessing the effects of applying the new standards on the Group's financial statements. The Group will make more detailed assessments over the next 12 months.

NORTHERN MINERALS LIMITED

CORPORATE DIRECTORY

In accordance with a resolution of the directors of Northern Minerals Limited I state that:

1. In the opinion of the directors

   (a) The financial statements and notes of Northern Minerals Limited for the financial year ended 30 June 2023 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of their performance for the year then ended; and

   (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable having regard to the matters disclosed in note 2(a); and

   (c) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

On behalf of the Board

Nicholas Curtis AM

Executive Chairman

25 September 2023

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Auditor's independence declaration under section 307C of the Corporations Act 2001

To the Board of Directors of Northern Minerals Ltd

As lead auditor for the audit of the financial statements of Northern Minerals Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

NPAS

Nexia Perth Audit Services Pty Ltd

Muranda Janse Van Nieuwenhuizen
Director

Perth
25 September 2023

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Independent Auditor's Report to the Members of Northern Minerals Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Northern Minerals Ltd ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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:

(i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year then ended;

(ii) 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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.

Nexia Australia

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Funding and Liquidity *(Refer to note 2(a) in the financial report)* Northern Minerals owns 100% of the Browns Range Project in northern Western Australia, with tenements uniquely rich in the heavy rare earth elements dysprosium (Dy) and terbium (Tb). The Group is reliant on funding from external sources such as capital raisings, to support its operations and definitive feasibility study to bring the Wolverine project, the Group's flagship deposit, into production. We focused on whether the Group had sufficient cash resources and access to funding to allow the Group to continue as a going concern. The adequacy of funding and liquidity as well as the relevant impact on the going concern assessment is a key audit matter due to the inherent uncertainties associated with the future development of the Group's projects and the level of funding required to support that development.	We evaluated the Group's funding and liquidity position at 30 June 2023 and its ability to repay its debts as and when they fall due for a minimum of 12 months from the date of signing the financial report. In doing so, we: • Assessing the Group's working capital position as at 30 June 2023; • Vouching the cash and cash equivalents to supporting documentation; • Vouching funding received subsequent to year-end to supporting documentation; • Obtaining an understanding of management's cashflow forecast and evaluated the sensitivity of assumptions made by management; • Checking the mathematical accuracy of the cash flow forecast prepared by management for the 15 month period to 30 September 2024; • Assessing the reliability and completeness of management's assumptions by comparing the forecast cash flows to those of the current and previous years as well as our understanding of future planned events and operating conditions; • Considering events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment; and • Checking the accuracy of the disclosures of funding and liquidity in the financial statements.
Convertible Notes and Call & Put Options *(Refer to notes 8(d) and 8(f) in the financial report)* In October 2022, Northern Minerals Limited ("Northern Minerals") entered into a subscription and option agreement with Iluka WA Investments Pty Ltd ("Iluka"). Per the agreement, Iluka will make an initial investment of $20 million in Northern Minerals via a convertible note ($15 million) and a share placement ($5 million). In addition, a Call and Put option was entered into between Northern Minerals and Iluka. Together referred to as the "Iluka Agreement". This is a key audit matter due to the complexity and level of judgement involved in the valuation as well as accounting treatment of the convertible notes and call & put options.	Our procedures included, amongst others: • Verifying the key terms of the convertible notes and call & put options to the underlying board approvals and agreements; • Assessing the independent valuer's fair value calculation of the call & put options for the reasonableness of the assumptions made and accuracy of the model inputs used by the valuation expert, as well scrutinising the credentials of the expert; • Assessing the accounting advice provided by the independent accounting expert, as well scrutinising the credentials of the expert; • Obtaining the loan amortisation schedule provided by management for the convertible note and assessed the recognition and measurement in the financial report; and

	• Checking the accuracy of the disclosures of the call and put options and convertible notes in the financial statements.
Share- based payments *(Refer to note 17 in the financial report)* The Company has awarded its directors performance rights and options over shares to conserve cash and to provide long-term incentives. This is a key audit matter as the valuation of share- based payments is complex and subject to significant management estimates and judgment.	Our procedures included, amongst others: • Verifying the key terms of equity settled share-based payments in respect of the award of performance rights and options over common shares for rendering of services by directors to the underlying shareholder approval and award documents; • Assessing the independent valuer's fair value calculation of the performance rights and options awarded for the reasonableness of the assumptions made and accuracy of the model inputs used by the valuation expert, as well scrutinising the credentials of the expert; • Testing the accuracy of the share-based payments amortisation over the vesting periods and recording of expense in the Statemnet of profit or loss and other comprehensive income and increase to share-based payment reserve; and • Checking the accuracy of the disclosures of share-based payments arrangements in the financial statements.
Rehabilitation Provision *(Refer to note 10(c) in the financial report)* As a consequence of its operations, the Group has an obligation to rehabilitate and restore the disturbances to the environment arising from the construction of the Pilot Plant. The nature of the rehabilitation activities that will be required are governed by local legislative requirements. This is a key audit matter because estimating the costs associated with these future rehabilitation activities requires judgement and estimation for factors such as the timing of when the rehabilitation works will take place, the extent of the rehabilitation and restoration activities that will be required and inflation rates and discount rates pertinent to the rehabilitation provision calculation.	Our procedures included, amongst others: • Assessing the competency, objectivity and experience of management's internal expert who prepared the rehabilitation provision; • Reconciling the expert's calculations to the basis of the rehabilitation provision in the financial report; • Assessing the reasonableness of the costs used in the Group's rehabilitation estimates against external sources; • Agreeing the expected timing of the rehabilitation works in the cash flow model to the expected life of the Pilot Plant; • Testing the mathematical accuracy of management's cash flow model; and • Checking the accuracy of the disclosures of rehabilitation provision in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the 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 the 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 23 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Northern Minerals Ltd for the year ended 30 June 2023 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.

NPAS

Nexia Perth Audit Services Pty Ltd

Muranda Janse Van Nieuwenhuizen
Director

Perth
25 September 2023

NORTHERN MINERALS LIMITED

CORPORATE DIRECTORY

Directors
Nicholas Curtis AM
(Executive Chairman)

Bin Cai
(Executive Director)

Shane Hartwig
(Executive Director)

Liangbing Yu
(Non-executive Director)

Adam Handley
(Non-executive Director)

Company Secretary
Belinda Pearce

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National Australia Bank