



**NORTHERN  
MINERALS**

Powering Technology.

**NORTHERN MINERALS LIMITED**

ABN 61 119 966 353

**INTERIM FINANCIAL REPORT  
31 DECEMBER 2016**

# **NORTHERN MINERALS LIMITED**

## **DIRECTORS' REPORT**

The directors of Northern Minerals ("Northern Minerals" or "The Company") submit their report for the half-year ended 31 December 2016 as follows:

### **DIRECTORS**

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire half-year unless otherwise stated.

Conglin Yue – Executive Chairman – (resigned 8 March 2017)

Kevin Schultz - Deputy Chairman – (resigned 8 March 2017)

George Bauk – Managing Director/CEO

Adrian Christopher Griffin – Non-Executive Director

Colin James McCavana – Non-Executive Director – appointed Non-Executive Chairman 8 March 2017

Yanchun Wang – Non-Executive Director

Nan Yang – Non-Executive Director (appointed 18 November 2016)

Bin Cai – Alternate Director

### **RESULTS OF OPERATIONS**

The net loss after tax for the half-year ended 31 December 2016 was \$4,655,696 (2015: \$4,469,258). The major items comprising the net loss for the half-year ended 31 December 2016 were exploration costs, evaluation and feasibility costs of \$1,576,964 (2015: \$2,560,931) and administration and corporate expenses totalling \$3,994,804 (2015: \$2,583,682).

### **REVIEW OF OPERATIONS**

A summary of the Company's operations is as follows:

#### **Browns Range Heavy Rare Earths Project**

- Browns Range Pilot Plant received Project Management Plan approval from WA Department of Mines and Petroleum
- In November 2016, the Company approved a \$3.4 million budget to undertake various programs for the Browns Range Pilot Plant Project, ahead of a Final Investment Decision in Q1 2017
- Engineering, procurement and construction (EPC) contract executed with Sinosteel Equipment and Engineering Co., Ltd (Sinosteel MECC)
- Sinosteel MECC agreed to defer payments representing 20% of the contract value for a period of 24 months, alternatively they have the right, at its election, within nine months of practical completion, to convert the deferred payment amount into ordinary shares in Northern Minerals at a conversion price of the lower of 15 cents per share or the 20 day VWAP prior to election
- Sinosteel appointed Worley Parsons to undertake the detailed design for the pilot plant. Final costings expected during the March quarter
- WA Department of Mines and Petroleum approves Mining Proposal for Browns Range Pilot Plant Project
- Works Approval and Licence with Western Australian Department of Environmental Regulation submitted
- 2,000m Reverse Circulation drilling program completed at Browns Range, including infill, groundwater monitoring and reconnaissance exploration holes
- The accommodation camp at Browns Range was expanded from 20 to 48 rooms. The Company acquired suitable second hand accommodation at auction
- The Company is in advanced negotiations with several potential offtake partners for product from Browns Range

## **NORTHERN MINERALS LIMITED**

### **DIRECTORS' REPORT**

#### **Corporate**

- Funding Subscription Agreement signed with Huatai Mining Pty Ltd to raise \$30 million at an average price of over 13 cents per share
- Initial \$3 million received in September quarter from Huatai Mining and \$9 million received in the December quarter. A further \$7.5 million was received in January 2017, resulting in a total of \$19.5m received under the subscription agreement out of the total expected of \$30m. Northern Minerals retains all of its rights and obligations under the Subscription Agreement in relation to the shortfall of \$10.5m
- Binding tenement sale agreement with Northern Star Resources to sell exploration licences for \$1.25 million in cash
- Mr Nan Yang, an experienced mining engineer, was appointed as a nominee of Huatai Mining to the Northern Minerals Board
- \$1.76 million R & D rebate received from the Australian Government in October 2016
- Debt free – following closure of R & D Loan facility with Innovative Funding during the December quarter and the closure of the Lind facility in January 2017

#### **AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors to provide the directors of Northern Minerals with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 15 and forms part of the directors report for the half-year ended 31 December 2016.

#### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

On 10 January 2017 the Company announced it had granted Huatai Mining Pty Ltd (Huatai Mining) a further extension for the \$18 million payment that was due by 10 January 2017 to 31 January 2017. The ASX also granted a waiver from ASX Listing Rule 14.7 to allow Northern Minerals to issue no later than 28 February 2017, 133,333,333 ordinary shares to Huatai Mining in connection with the \$30.0 million funding package, as previously announced on 2 August 2016, under the same terms and conditions as approved by shareholders on 29 September 2016.

On 12 January 2017 Northern Minerals received \$5.5 million in relation to the above transaction and issued 40,740,741 ordinary shares to Huatai Mining and a further \$2 million was received and 14,814,815 ordinary shares issued on 19 January 2017.

On 1 February 2017 Northern Minerals announced that Huatai Mining failed to complete the Subscription Agreement in relation to the remaining Subscription Shares by the agreed extension date of 31 January 2017. Northern Minerals has reserved all of its rights under the Subscription Agreement.

On 12 January 2017 1,997,059 ordinary shares at 10.2 cents per share were issued to Lind Partners LLC for partial repayment of the convertible security. On 19 January 2017 a further 3,949,684 ordinary shares at 10.2 cents were also issued as part of the final repayment of the facility. A cash repayment was also made of US\$340,000 and the Lind Funding was concluded.

On 10 January 2017 the Company announced that it had completed the Tenement sale Agreement with Northern Star Resources Limited (Northern Star), to sell a package of exploration licences in the Tanami region of the Northern Territory for \$1.25 million in cash. Under the Tenement Sale Agreement, Northern Star has paid \$1.25 million cash up front and will pay a further \$1.5 million in cash upon establishment of a one million-ounce JORC- compliant Inferred Mineral Resource on the tenements.

Northern Minerals will retain the rare earth rights on all ground, with Northern Star holding the rights to all other minerals. Northern Star also gains the gold exploration rights at Northern Minerals Boulder Ridge Rare Earth project. Northern Minerals will acquire the rights to rare earth elements in four exploration licences that Northern Star has agreed to acquire from Toro Energy Limited. This follows a mutually agreed restructure of the transaction originally announced on 14 March 2016. Following approval of the Tenement Sale

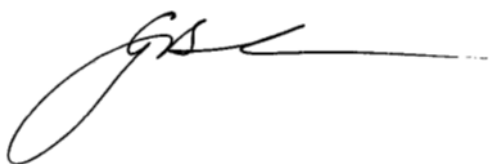
## **NORTHERN MINERALS LIMITED**

### **DIRECTORS' REPORT**

Agreement, Northern Minerals had a \$250,000 bond with the Central Land Council returned on 13 February 2017.

On 9 March 2017 the Company announced that following a strategic review, it was resolved to reduce the size of its Board of directors from seven to five positions. Former Chairman Mr Conglin Yue and former Deputy Chairman Mr Kevin Schultz both offered to step down from the Board to concentrate on their other business interests. Mr Colin McCavana was appointed non-executive chairman.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'GB' followed by a long horizontal stroke.

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**George Bauk**  
**Director**

Perth, Western Australia

15 March 2017

**NORTHERN MINERALS LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	Half Year 31 Dec 16 \$	Half Year 31 Dec 15 \$
<b>REVENUE FROM CONTINUING ACTIVITIES</b>			
Interest		12,402	8,729
Other income		1,227,620	1,041,821
<b>TOTAL REVENUE</b>		<b>1,240,022</b>	<b>1,050,550</b>
<b>EXPENSES</b>			
<b>Corporate</b>			
Administration		261,274	262,208
Depreciation expense		74,089	207,455
Share based payments		781,617	296,227
Legal and professional		855,017	477,109
Occupancy		244,214	234,990
Employee benefits		1,690,251	1,037,497
Other corporate expenditure		88,342	68,196
<b>Total Corporate</b>		<b>3,994,804</b>	<b>2,583,682</b>
<b>Exploration and Project Development</b>			
Exploration Costs		539,359	1,250,894
Project Evaluation and Pre -feasibility		1,037,605	1,310,037
<b>Total Exploration and Project Development</b>		<b>1,576,964</b>	<b>2,560,931</b>
<b>TOTAL EXPENSES</b>		<b>5,571,768</b>	<b>5,144,613</b>
<b>OPERATING LOSS</b>		<b>(4,331,746)</b>	<b>(4,094,063)</b>
Finance Costs		323,950	375,195
<b>LOSS BEFORE TAX</b>		<b>(4,655,696)</b>	<b>(4,469,258)</b>
Income tax expense		-	-
<b>NET LOSS</b>		<b>(4,655,696)</b>	<b>(4,469,258)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(4,655,696)</b>	<b>(4,469,258)</b>
Basic and diluted loss per share (cents per share)		<b>(0.8)</b>	<b>(1.0)</b>

The accompanying notes form part of these financial statements.

**NORTHERN MINERALS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	31 Dec 2016 \$	CONSOLIDATED 30 June 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		8,812,001	373,307
Trade and other receivables		1,349,651	2,243,545
Other financial assets		50,365	76,464
Inventory		76,748	33,025
<b>Total Current Assets</b>		<b>10,288,765</b>	<b>2,726,341</b>
<b>NON CURRENT ASSETS</b>			
Other financial assets		472,096	471,898
Plant and equipment		127,536	164,130
<b>Total Non-Current Assets</b>		<b>599,632</b>	<b>636,028</b>
<b>TOTAL ASSETS</b>		<b>10,888,397</b>	<b>3,362,369</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,505,083	1,203,350
Provisions		167,675	126,692
Interest bearing liabilities	7	911,905	2,604,401
<b>Total Current Liabilities</b>		<b>2,584,663</b>	<b>3,934,443</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		331,512	195,326
Interest bearing liabilities	7	7,358	14,715
<b>Total Non-Current Liabilities</b>		<b>338,870</b>	<b>210,041</b>
<b>TOTAL LIABILITIES</b>		<b>2,923,533</b>	<b>4,144,484</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>7,964,864</b>	<b>(782,115)</b>
<b>EQUITY</b>			
Issued Capital	3	99,229,180	86,234,622
Reserves		7,939,879	7,531,762
Accumulated losses		(99,204,195)	(94,548,499)
<b>TOTAL EQUITY</b>		<b>7,964,864</b>	<b>(782,115)</b>

The accompanying notes form part of these financial statements.

**NORTHERN MINERALS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENTS RESERVE	PERFORMANCE RIGHTS AND OPTIONS RESERVE	OTHER RESERVES	TOTAL
Consolidated Entity Balance at 1 July 2015		\$ <b>79,186,034</b>	\$ <b>(87,803,832)</b>	\$ <b>2,309,035</b>	\$ <b>4,464,731</b>	\$ <b>176,351</b>	\$ <b>(1,667,681)</b>
Loss for the financial period		-	(4,469,258)	-	-	-	(4,469,258)
Total recognised income and expense for the year		-	(4,469,258)	-	-	-	(4,469,258)
Shares issued net of transaction costs		5,742,317	-	-	-	-	5,742,317
Share based payments		176,351	-	126,242	354,985	(176,351)	481,227
Balance at 31 December 2015		<b>85,104,702</b>	<b>(92,273,090)</b>	<b>2,435,277</b>	<b>4,819,716</b>	-	<b>86,605</b>
Balance at 1 July 2016		<b>86,234,622</b>	<b>(94,548,499)</b>	<b>2,570,453</b>	<b>4,961,309</b>	-	<b>(782,115)</b>
Loss for the financial period		-	(4,655,696)	-	-	-	(4,655,696)
Total recognised income and expense for the year		-	(4,655,696)	-	-	-	(4,655,696)
Shares issued net of transaction costs		12,994,558	-	-	-	-	12,994,558
Shares based payments		-	-	24,385	383,732	-	408,117
<b>Balance at 31 December 2016</b>		<b>99,229,180</b>	<b>(99,204,195)</b>	<b>2,594,838</b>	<b>5,345,041</b>	-	<b>7,964,864</b>

The accompanying notes form part of these financial statements.

**NORTHERN MINERALS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	CONSOLIDATED Half Year 31 Dec 16 \$	Half Year 31 Dec 15 \$
<b>OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(4,351,871)	(5,603,399)
Interest received		11,957	14,974
Other income received		1,822,196	4,985,413
Finance costs		(95,387)	(107,667)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		<b>(2,613,105)</b>	<b>(710,679)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(37,495)	(3,462)
(Increase)/decrease in security deposits		-	(24,000)
Sale of tenements		170,000	-
<b>NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES</b>		<b>132,505</b>	<b>(27,462)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net of transaction costs		11,646,000	-
Proceeds from borrowings		412,570	3,022,429
Repayment of borrowings		(1,139,276)	(3,274,177)
<b>CASH FLOWS RECEIVED BY / (USED IN) FINANCING ACTIVITIES</b>		<b>10,919,294</b>	<b>(251,748)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>8,438,694</b>	<b>(989,889)</b>
Cash and cash equivalents at beginning of half year		373,307	1,941,826
<b>CASH AND CASH EQUIVALENTS AT END OF HALF YEAR</b>		<b>8,812,001</b>	<b>951,937</b>

The accompanying notes form part of these financial statements.



**NORTHERN MINERALS LIMITED**  
**FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.1 Corporate information**

Northern Minerals is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

This consolidated interim financial report was approved by the Board of Directors on 15 March 2017.

**1.2 Basis of preparation**

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Northern Minerals Limited during the half-year ended 31 December 2016 in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing rules.

**1.3 Statement of Compliance**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

**1.4 Adoption of new and revised Accounting Standards**

In the half-year ended 31 December 2016, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016. The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations, effective for or after 1 July 2016 on its business and, therefore, no change is necessary to Group accounting policies.

**2. SEGMENT INFORMATION**

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

**NORTHERN MINERALS LIMITED**  
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**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**3. ISSUED CAPITAL**

	Consolidated and Company Half Year 31 December 2016		Consolidated and Company Full Year 30 June 2016	
	Number	\$	Number	\$
<b>(a) Ordinary Shares</b>				
<b>Share Capital</b>				
Ordinary Shares	612,467,116	99,229,180	498,159,294	86,234,622
<b>Movement in Ordinary Share Capital</b>				
Balance at the beginning of year	498,159,294	86,234,622	448,605,670	79,186,034
Collateral shares issued to Lind Partners – Nov 2015	-	-	2,000,000	330,000
Convertible note and interest – Nov 2015	-	-	26,759,572	5,377,885
Issue of securities to Lind- Convertible Security repayment – Dec 2015	-	-	2,342,030	210,783
Issue of securities to Lind- Convertible Security repayment – Jan 2016	-	-	2,986,350	220,990
Issue of securities to Lind- Convertible Security repayment – Feb 2016	-	-	3,811,445	209,629
Argonaut – payment of fees – Feb 2016	-	-	176,056	15,000
Argonaut – payment of fees- Feb 2016	-	-	72,254	5,000
Issue of securities to Lind- Convertible Security repayment – Apr 2016	-	-	2,372,800	130,504
Argonaut – payment of fees – Apr 2016	-	-	165,071	10,000
Payment for Share Purchase Plan Shares – May 2016	-	-	6,434,722	373,214
Issued for acquisition of John Galt project - May 2016	-	-	203,382	15,010
Issue of Share Purchase Plan Shares – June 2016	-	-	2,023,615	135,573
Argonaut – payment of fees- June 2016	-	-	206,327	15,000
Argonaut – payment of fees- July 2016	71,043	5,000	-	-
Issue of shares for market advisory	500,000	37,000	-	-
Issue of securities to Lind- Convertible Security repayment – Jul 2016	2,955,877	201,000	-	-
Huatai Issue – July 2016	2,000,000	200,000	-	-
Huatai Issue – August 2016	28,000,000	2,800,000	-	-
Issue of securities to Lind- Convertible Security repayment – Aug 2016	4,147,965	261,322	-	-
Issue of securities to Lind- Convertible Security repayment – Sept 2016	3,062,023	232,714	-	-
Issue to employees – Aug 2016	300,000	28,500	-	-
Huatai Issue – December 2016	66,666,667	9,000,000	-	-
Issue of securities to Lind- Convertible Security repayment – Nov 2016	1,784,585	198,088	-	-
Issue of securities to Lind- Convertible Security repayment – Dec 2016	1,819,662	202,934	-	-
Issue of shares to employees – Dec 2016	3,000,000	345,000	-	-
Adjustment to collateral shares issued to Lind Partners	-	(204,000)	-	-
Cost of shares issued in lieu of cash / DRA and Stocks Digital	-	167,000	-	-
	612,467,116	99,709,180	498,159,294	86,234,622
Less: costs of issue	-	(480,000)	-	-
Balance at the end of year	612,467,116	99,229,180	498,159,294	86,234,622

# NORTHERN MINERALS LIMITED

## FINANCIAL REPORT

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

#### 3. ISSUED CAPITAL (continued)

##### (a) Ordinary Shares

(i) Share Purchase Plan shares not taken up on termination are brought to account at market value on date of termination.

The Company does not have authorised capital or par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

##### (b) Share Purchase Plan Shares

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

	<b>Consolidated and Company Half Year 31 Dec 16 Number</b>	<b>Full Year 30 June 16 Number</b>
Balance at beginning of reporting period	13,928,400	13,928,400
Shares issued during the period	(4,165,000)	-
Balance at end of reporting period	<u>9,763,400</u>	<u>13,928,400</u>

##### (c) Performance Rights over ordinary shares

	<b>Consolidated and Company Half Year 31 Dec 16 Number</b>	<b>Full Year 30 June 16 Number</b>
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*Exercise price of between \$0.19 and \$0.358 expiring between 06/05/16 and 30/09/16 (Unquoted)*

Balance at beginning of reporting period	650,000	1,300,000
Forfeited/ lapsed during the period	(650,000)	(650,000)
Balance at end of reporting period	<u>-</u>	<u>650,000</u>

*Performance rights with conditions\* with Nil exercise price expiring between 30/6/17 and 31/12/17 (Unquoted)*

Balance at beginning of reporting period	11,400,000	11,400,000
Forfeited/lapsed during the period	-	-
Balance at end of reporting period	<u>11,400,000</u>	<u>11,400,000</u>

*Performance rights with conditions\*\* with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)*

Balance at beginning of reporting period	-	-
Issued during the year	27,500,000	-
Forfeited / lapsed during the period	-	-
Balance at end of reporting period	<u>27,500,000</u>	<u>-</u>

##### \* Performance conditions

- 11,400,000 shares if the first commercial shipment of heavy rare earth mineral concentrate from any of the Company's rare earth projects to a buyer or buyers occurs on normal commercial terms prior to 30 June 2017; or

- 5,700,000 shares if the first commercial shipment of heavy rare earth mineral concentrate from any of the Company's rare earth projects to a buyer or buyers occurs on normal commercial terms subsequent to 30 June 2017 but prior to 31 December 2017.

- For the purposes of the conditions, a "commercial shipment" of the concentrate is regarded as a shipment or shipments in aggregate, of heavy rare earth mineral concentrates containing at least 250 tonnes of total rare earth oxides ("TREO") to one or more customers.

**NORTHERN MINERALS LIMITED**  
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**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**3. ISSUED CAPITAL (continued)**

**\*\* Performance conditions**

-5,500,000 shares will vest and be exercisable upon the Company making a final investment decision to proceed with its Browns Range Pilot Plant;  
- 5,500,000 will vest and be exercisable upon practical completion being achieved under a contract for the construction of the Browns Range Pilot Plant;  
- 5,500,000 shares will vest and be exercisable upon the first accumulated 100 tonnes of mixed rare earth carbonate being produced and sold from the Browns Range Pilot Plant;  
- 11,000,000 shares will vest and be exercisable upon the Browns Range Pilot Plant achieving production of mixed rare earth carbonate of at least 260 tonnes within a period of 90 consecutive days.

**(d) Options over ordinary shares**

	<b>Consolidated and Company Half Year 31 Dec 16 Number</b>	<b>Full Year 30 June 16 Number</b>
<i>Exercise price of \$0.25 expiring 12/06/20 (Unquoted)</i>		
Balance at beginning of reporting period	12,812,470	12,812,470
Issued during the period	-	-
Balance at end of reporting period	<u>12,812,470</u>	<u>12,812,470</u>
<i>Exercise price of \$0.25 expiring 08/11/18 (Unquoted)</i>		
Balance at beginning of reporting period	2,500,000	-
Issued during the period	-	2,500,000
Balance at end of reporting period	<u>2,500,000</u>	<u>2,500,000</u>

**4. EXPENDITURE COMMITMENTS**

**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:

	<b>Consolidated 31 Dec 16 \$</b>	<b>31 Dec 15 \$</b>
<b>Exploration Tenements</b>		
Within one year	<u>1,988,136</u>	<u>3,211,300</u>

**NORTHERN MINERALS LIMITED**  
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**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**Contingent Liability**

**Co-Existence Agreement**

Under the terms of the 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.

**Guarantees**

The Group has guarantees in the form of security deposits for rent & performance bonds of \$472,095 (30 June 16: \$471,898).

**6. RELATED PARTIES**

Northern Minerals have entered into agreements with companies associated with Non-Executive Directors, Adrian Griffin and Kevin Schultz and Managing Director George Bauk, to rent office accommodation at 675 Murray Street West Perth. The rent has been set at a rate which is at arms -length commercial rate for comparable premises.

	31 Dec 16 \$	31 Dec 15 \$
Rental income	<u>62,400</u>	-

**7. INTEREST BEARING LIABILITIES**

*Convertible Note- Lind Partners LLC*

In November 2015 the Company entered into a US\$4 million facility with the Lind Partners LLC. The unsecured convertible security was for a maximum of 18 months. The funding were payable over 11 months, the first payment was US\$1.5 million, followed by 10 monthly payments of US\$80,000 up to US\$250,000. The financing was repayable monthly over an 18 month period from the drawdown, at the Company's option, either through cash, shares or a combination. Repaying in cash incurred a premium of 2.5% and the repayment in shares was priced at 92.5% of the average of three consecutive days daily VWAP's during the 20 trading days before the issuance of shares.

The Company had the right to repay the convertible security in full anytime. The Company issued 2,000,000 million shares to the investor as collateral shares at the completion of the agreement. The Company also issued 2,500,000 options at an exercise price of 25 cents with a term of 36 months.

The facility concluded in January 2017 after final repayment as noted in Note 8.

*Equipment Finance*

This loan is secured by a first charge over the equipment under finance and is for a period of 36 months.

*R&D Loan facility*

As at 30 June 2016 the Company had secured a \$1.1million loan facility from Innovative Technology Funding Pty Ltd. The funding was drawdown via a facility offset against the Company's 2015/2016 Research and Development (R & D) rebate. This facility was extinguished once the R & D rebate was received in October 2016.

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**8. SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

On 10 January 2017 the Company announced it had granted Huatai Mining Pty Ltd (Huatai Mining) a further extension for the \$18 million payment that was due by 10 January 2017 to 31 January 2017. The ASX also granted a waiver from ASX Listing Rule 14.7 to allow Northern Minerals to issue no later than 28 February 2017, 133,333,333 ordinary shares to Huatai Mining in connection with the \$30.0 million funding package, as previously announced on 2 August 2016, under the same terms and conditions as approved by shareholders on 29 September 2016.

On 12 January 2017 Northern Minerals received \$5.5 million in relation to the above transaction and issued 40,740,741 ordinary shares to Huatai Mining and a further \$2 million was received and 14,814,815 ordinary shares issued on 19 January 2017.

On 1 February 2017 Northern Minerals announced that Huatai Mining failed to complete the Subscription Agreement in relation to the remaining Subscription Shares by the agreed extension date of 31 January 2017. Northern Minerals has reserved all of its rights under the Subscription Agreement.

On 12 January 2017 1,997,059 ordinary shares at 10.2 cents per share were issued to Lind Partners LLC for partial repayment of the convertible security. On 19 January 2017 a further 3,949,684 ordinary shares at 10.2 cents were also issued as part of the final repayment of the facility. A cash repayment was also made of US\$340,000 and the Lind Funding was concluded.

On 10 January 2017 the Company announced that it had completed the Tenement sale Agreement with Northern Star Resources Limited (Northern Star), to sell a package of exploration licences in the Tanami region of the Northern Territory for \$1.25 million in cash. Under the Tenement Sale Agreement, Northern Star has paid \$1.25 million cash up front and will pay a further \$1.5 million in cash upon establishment of a one million-ounce JORC- compliant Inferred Mineral Resource on the tenements.

Northern Minerals will retain the rare earth rights on all ground, with Northern Star holding the rights to all other minerals. Northern Star also gains the gold exploration rights at Northern Minerals Boulder Ridge Rare Earth project. Northern Minerals will acquire the rights to rare earth elements in four exploration licences that Northern Star has agreed to acquire from Toro Energy Limited. This follows a mutually agreed restructure of the transaction originally announced on 14 March 2016. Following approval of the Tenement Sale Agreement, Northern Minerals had a \$250,000 bond with the Central Land Council returned on 13 February 2017.

On 9 March 2017 the Company announced that following a strategic review, it was resolved to reduce the size of its Board of directors from seven to five positions. Former Chairman Mr Conglin Yue and former Deputy Chairman Mr Kevin Schultz both offered to step down from the Board to concentrate on their other business interests. Mr Colin McCavana was appointed non-executive chairman.

## NORTHERN MINERALS LIMITED

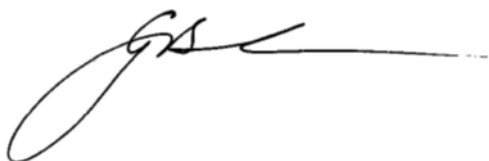
### DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date of the Company; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; 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.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'GB', with a long horizontal line extending to the right.

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**George Bauk**  
**Director**

Perth, Western Australia

15 March 2017

## **Independent Auditor's Review Report to the members of Northern Minerals Limited**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Northern Minerals Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the period.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Northern Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Northern Minerals Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Northern Minerals Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



**Nexia Perth Audit Services Pty Ltd**



**PTC Kloppe**

Director

Perth  
15 March 2017

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

To the directors of Northern Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2016 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**Nexia Perth Audit Services**

**PTC Kloppe**  
Director

Perth  
15 March 2017