



**NORTHERN**  
MINERALS

# 2017 ANNUAL REPORT

# KEY ACHIEVEMENTS

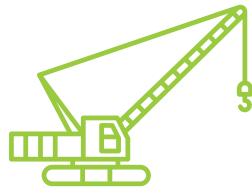


APPROVAL  
TO PROCEED WITH  
DEVELOPMENT OF

Browns Range  
Pilot Plant

PROJECT

# KEY ACHIEVEMENTS



COMMENCEMENT  
OF CONSTRUCTION OF

Browns Range



STRATEGICALLY  
POSITIONING  
NORTHERN MINERALS  
AS THE

Only Supplier of  
Dysprosium

OUTSIDE OF CHINA

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Note: All production estimates and forecasts in this report are from the Northern Minerals Limited announcement dated 18 April 2017 "Board approves Browns Range Pilot Plant production"

# Chairman's Letter

# Chairman's Letter

Dear Shareholder,

I am pleased to present to you the Company's 2017 Annual Report.

2017 was a truly transformative year for Northern Minerals. The Company has achieved significant success in re-engineering the Browns Range Project to incorporate a three-year pilot plant phase. This new strategy has been embraced by equity and debt markets and has allowed the Company to progress the project from an advanced exploration project that has been the result of several levels of study, to a mining project that is now under construction and on track for first heavy rare earth carbonate production in mid-2018.

The construction of Browns Range could not come at a better time commodity price wise. The electric vehicle revolution is gaining momentum as more and more Governments look to legislate changes from petrol and diesel vehicles to electric ones over the next 20 years.

The UK and Europe have both signalled that there will only be new electric vehicles sold in those markets post 2040. China has also signalled that it will be moving towards 100% electric vehicles and we believe that this move, from a volume perspective, will become the dominant theme.

The electric vehicle revolution has impacts across a number of commodities, from lithium, nickel, cobalt and manganese used in batteries through to neodymium, praseodymium, terbium and dysprosium used in electric motors.

The development of the Browns Range Project sets Northern Minerals up as the only producer of dysprosium outside of China, positioning us as strategic from a global supply perspective.

## Key achievements in 2017 included:

- Completing placements totalling \$26 million at an average placement price of 12.5 cents per share;
- Executing debt agreements with Brevet and Lind Partners, totalling \$52 million, to support the development of Browns Range;
- Execution of an offtake sales agreement with Lianyungang Zeyu New Materials Sales Co Ltd (JFMAG), a 51% owned subsidiary of Guangdong Rare Earths Group. The agreement includes a \$10 million prepayment, due in early 2018;
- Execution of an EPC contract with Sinosteel MECC, with processing plant modules to be constructed in China and reassembled at site;

- Approval of the Browns Range Pilot Plant Project, and

- Commencement of site works, including mining at Wolverine and Gambit West and clearing of land for site infrastructure.

One of the most pleasing aspects of the Browns Range development has been the resilience and spirit of the Northern Minerals' team to ensure that the project is successful. We have a number of staff members who have been with us since the start and many of our consultants and contractors are parties we know who are keen to be associated with the Browns Range development.

Northern Minerals continues to manage its balance sheet in a prudent and innovative manner. We have utilised non-traditional debt facilities, prepayments and deferred payment plans to minimise dilution and provide upside leverage for shareholders.

During the year, our share price increased by 48%, however we recognise this was off a very low base. During the reporting period, the share price climbed to a high of 17.5 cents, before settling into a 11-13 cent range for the remainder of the year. We are starting to see significantly increased volumes of shares being traded on a daily basis, something we hope bodes well for the year ahead.

## Our key priorities for 2018 are:

- Complete construction of the Browns Range Pilot Plant Project and commence commissioning & first production;
- Commence feasibility level research & development on ore from Browns Range; and
- Maintain our safety, environmental and social governance track record.

The Company is well funded to develop and progress the Browns Range Pilot Plant Project. We have recruited and retained a quality team that is committed to seeing the Company deliver on its ambition to be a significant supplier of dysprosium outside China.

While the Company faced a number of challenges over the past few years, we are now more confident than ever in the realisation of the electric vehicle revolution, and with it, significantly increased demand for heavy rare earth minerals. We look forward to delivering on our strategy over the year ahead and creating value for our shareholders.

**Colin McCavana**  
Chairman



# Managing Director's Report

# Managing Directors' Report

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## 2017 was a landmark year for Northern Minerals.

In 2017, the Company became a heavy rare earths development company following the decision to proceed with the Browns Range Pilot Plant Project.

With this decision, Browns Range is set to become the only dysprosium operation outside of China. As such, Browns Range dysprosium is likely to be viewed as a strategic commodity as the world moves to a clean energy future, embracing electric vehicles and renewable energy.

The three-year pilot plant project will allow the Company to learn more about the geology and processing characteristics of the ore as well as producing mixed rare earth carbonates for offtake sales. In many ways, the pilot plant project can be viewed as a self-financed feasibility study, with revenue exceeding costs.

The Northern Minerals' Board approved the Pilot Plant Project in April 2017 and work has progressed rapidly since then. The accommodation village has been upgraded, a new airstrip installed and surface infrastructure clearing commenced.

Mining for the pilot plant project is being undertaken on a campaign basis, with approximately 180,000 tonnes of ore being mined and stockpiled during 2017, with the stockpiles to be drawn down over the next three years.

Over the course of the pilot plant project, we will produce 573,000kg of mixed rare earth carbonate, containing 49,400kg dysprosium as well as terbium, lutetium, neodymium and praseodymium. All of the mixed rare earth carbonate will be purchased by Lianyungang Zeyu New Materials Sales Co Ltd (JFMAG), a 51% owned subsidiary of Guangdong Rare Earths Group.

The mixed rare earth carbonate will be processed in Lianyungang, China, into its various components for use in the energy metals sector.

The heavy rare earths that Northern Minerals will produce are critical for the electric vehicle and renewables revolution that is gathering pace. Moves by various Governments to restrict the sale of non-electric cars over time are increasing, with China that the largest player signalling this move.

This shift towards electric cars has not happened overnight. It is over 20 years since Toyota released the first Prius, however it has taken a while for the mainstream car makers to get on board. Following the strong performance by Tesla in this sector, nearly every carmaker has shifted its focus towards an electric future. Earlier this year, UBS released a research report indicating that cost parity between electric and non-electric cars

would occur in late 2018, at which point sales were expected to take off.

With price parity and Government intervention, we are confident that the level of demand for our heavy rare earths products will increase over the coming years. With an increase in demand and limited new supply sources coming online, we are hopeful that this will continue to translate into increasing commodity prices.

Northern Minerals plans to produce dysprosium, terbium, lutetium, praseodymium and neodymium in a mixed carbonate blend from the Browns Range Pilot Plant Project.

Some of the prices of these commodities have moved up in line with our budgeted numbers, while some have moved slightly ahead of our forecasts. We will have a better understanding of the financial benefits of these price gains as we get closer to Pilot Plant production.

The development of Browns Range is only possible because of the high quality of the Northern Minerals team. A key part of the attraction and retention of the great team has been the commitment to our mission and culture, as typified by the Northern Minerals SPIRIT – Safety, People, Integrity, Results, Initiatives and Teams.

The Northern Minerals' team embodies the SPIRIT culture every day and is the main reason why we are moving forward with the realisation of the Browns Range dream – to be an active part of the energy metals and clean energy revolution.



Ore mining at Browns Range



# 2017 HIGHLIGHTS



## \$26M

### EQUITY FINANCING

Placements completed at average price of 12.5 cents per share

## \$52M

### DEBT FACILITIES

\$38m R&D Financing Facility plus \$14m Lind Facility

### OFFTAKE AGREEMENT

100% of Pilot Plant production contracted to JFMAG



## COMMENCED

### BOARD APPROVAL FOR PILOT PLANT



### MINING

180,000t mining campaign to be completed by end 2017.

### PILOT PLANT DEVELOPMENT

3 year project to assess feasibility of full scale operation



### HSE

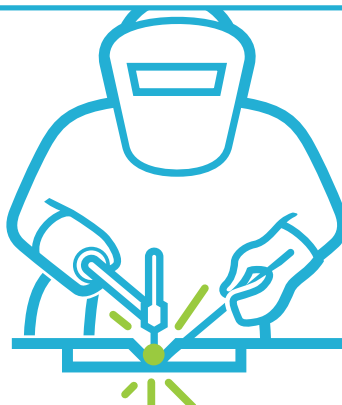
Maintained excellent safety, environment & social record.



## +48%

### SHARE PRICE

Increase in share price during FY17



### FABRICATION COMMENCED

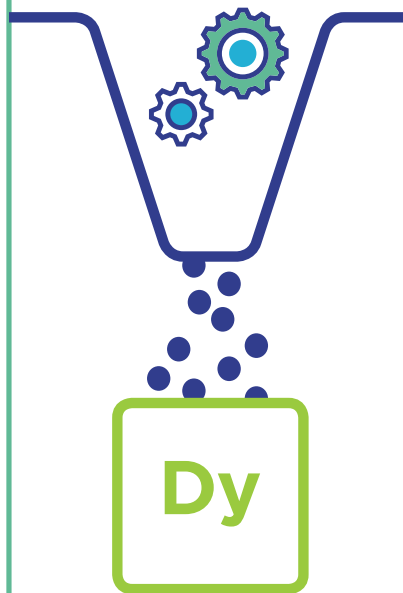
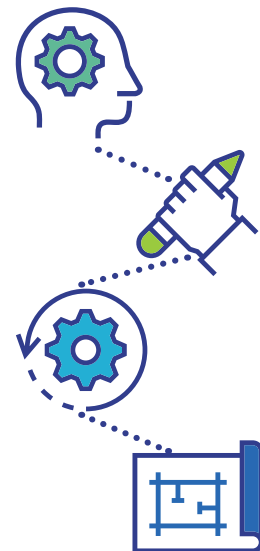
Sinosteel MECC constructing modular plant in China

**TRAIN & LEARN**Implementation of  
Training-to-Work Program**SHARE PRICE  
PERFORMANCE****2018  
PLANS****HSE**

Maintain excellent record

**FIRST PRODUCT  
DELIVERY**

Mixed rare earth carbonates

**CASHFLOW**Commence product sales from  
Browns Range**EXPLORE  
BOULDER  
RIDGE**Identify new  
production  
opportunities**RESEARCH &  
DEVELOPMENT**Assess the feasibility of  
the larger scale operation**REFINE PLANS**Commence Research &  
Development studies



# Operations Report

# Operations Report

## RARE EARTHS MARKET

Rare earth elements are not known widely when people think of commodities. However, this is likely to change significantly over the coming years as rare earths are critical to the future of renewable energy and the electric vehicle (EV) revolution.

The rare earth element (REE) group is considered to include the 15 lanthanide elements: lanthanum, cerium, praseodymium, promethium (does not occur naturally), neodymium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, and lutetium. The elements yttrium and scandium are also included as they have similar chemical properties, making 17 REEs in total.

While most of the focus has been on the lithium-ion batteries that power the electric vehicles, just as critical is the electric motors that drive them. Electric motors used in EV's use rare earth permanent magnets. Importantly, it is the addition of the rare earth elements to the permanent magnets that allows the electric motors to be made smaller, be more efficient and, with the addition of dysprosium or terbium, perform at higher temperatures required by EVs.

The vehicle industry, both EV and internal combustion driven, is projected to be the fastest growing end-use industry segment in the global permanent magnet market over the next 5-10 years, mainly due to the rising permanent magnet demand in the drive motor, electric steering, electric braking, electric throttle actuation, auto-clutch, and gearbox actuation application.

The rare earth permanent magnet demand in the vehicle industry is estimated to witness the highest growth in the Asia-Pacific region

due to the increasing demand for electric and hybrid vehicles in the region. In addition, improving standards of living and increasing disposable income in emerging countries such as India, China, and South Korea are driving the growth of the vehicle industry.



10%  
RAPID COMPOUND  
GROWTH UP TO 2024

In addition to growth in the electric vehicle sector, increased wind energy demand and developments of other renewable energy sources, energy generation application will be a rapidly growing application segment with compound growth of more than 10% up to 2024.

Once again, permanent magnets containing heavy rare earths are used in the generators in large wind turbines due to their efficiency and performance at high temperatures.

China has more than 95% of the world rare earth reserve, making Asia Pacific a key manufacturer of rare earth based products with several small and medium level companies.

Outside of China, rare earths production is limited with Australian producer, Lynas Corporation the only significant non-Chinese supplier following suspension of production by MolyCorp in the US.

The emergence of Northern Minerals' Browns Range Project as a new source of heavy rare earths production has the potential to mark a major shift in the supply side dynamics for dysprosium and terbium.

With these commodities already tipped to move into supply deficit over the coming years, any increase in demand has the potential to result in an increase in prices for the commodities that Northern Minerals will produce.

## PILOT PLANT PROJECT

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In April 2017, the Northern Minerals' Board approved the development of a three-year Pilot Plant Project at its 100% owned Browns Range Project in Western Australia.

The Pilot Plant Project is being used to assess the economic and technical feasibility of a full-scale project and forms part of a broader ongoing feasibility underpinning the Browns Range Project.

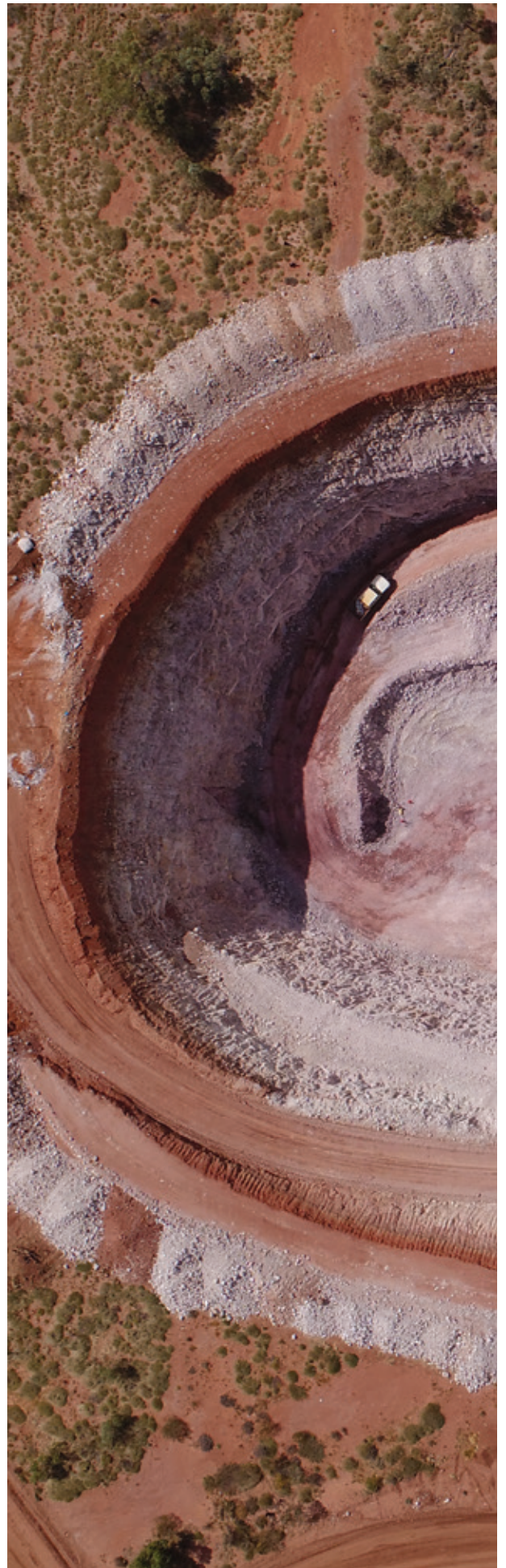
Browns Range is one step closer to becoming Australia's first heavy rare earths project with a focus on the production of dysprosium. Browns Range is globally significant as it could provide an alternative source of supply outside of China.

The Browns Range Pilot Plant Project has a capital cost of A\$56 million and is planned to operate for an initial period of three years, commencing in mid-2018.

The pilot plant processing facility is being constructed with a capacity of 72,000 tonnes per annum. It will be operated on a ten month per year basis for an annualised ore throughput of 60,000 tonnes per annum for 3 years. This is approximately 10% of the size of the proposed full-scale development to assess the economic and technical feasibility of the full-scale project.

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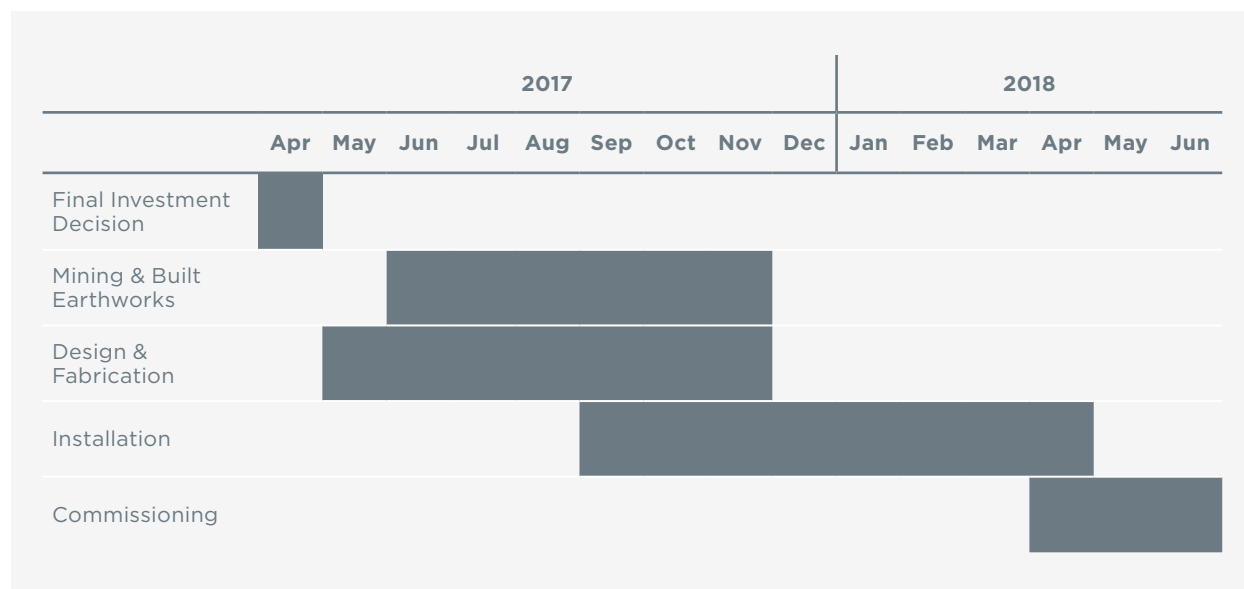
Browns Range is globally significant as it could provide an alternative source of supply outside of China.



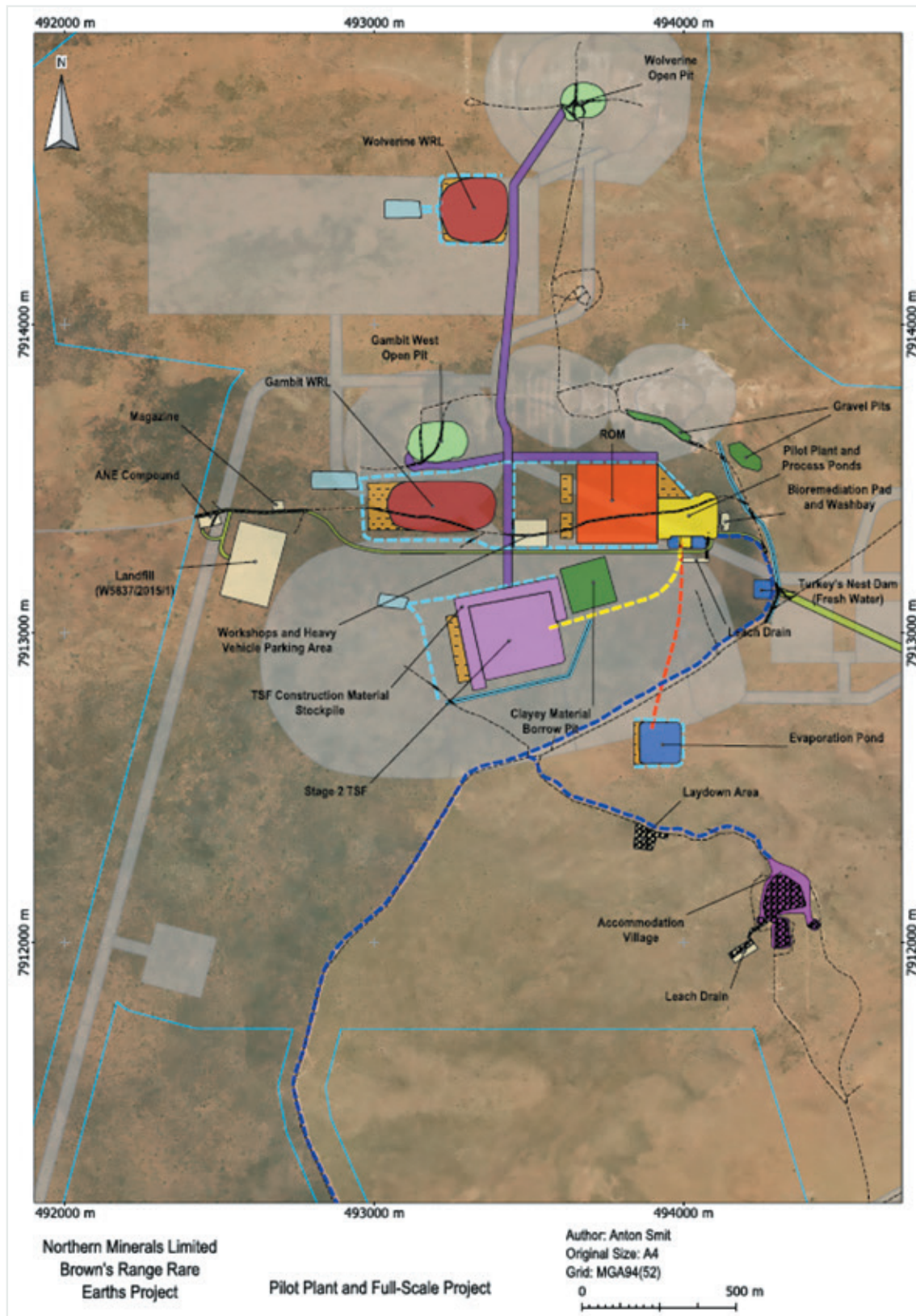
The overall construction period for the Pilot Plant Project is 11 months, with first mixed rare earth carbonate production in mid-2018.

Sinosteel MECC is responsible for the engineering, procurement and construction of the Pilot Plant.

The Pilot Plant equipment and modules are being fully constructed in the People's Republic of China (China) and will then be transported and installed on site in Australia. Sinosteel MECC will be the lead contractor on site with other Australian groups sub-contracting as required.



Over the three years, the pilot plant project is expected to produce 1,719,000kg of mixed rare earth carbonate containing 148,200kg of dysprosium.



Browns Range Pilot Plant - Site Layout Plan

The Pilot Plant Project is planned to be the first stage in a three-stage process for Browns Range. This initial phase, being developed at 10% of the proposed full-scale operation, is planned to provide critical information towards determining the economic and technical viability of a larger operation.

Stage 2 of the process will refine the mining and processing routes to optimise the operation.

If feasible, Stage 3 will be developed as a large, globally significant dysprosium operation.



## Stage 1

### TEST PILOT PLANT

- 10% of full scale capacity
- Production 11 months from funding
- Low capital cost
- Develop mining, processing & offtake experience

## Stage 2

### DEVELOP PROJECT

- Reduce mining cost - modify mining method
- Boost production - increase head grade
- Develop premium product - yttrium rejection
- Increase reserve - drilling

## Stage 3

### BUILD FULL SCALE

- 585,000tpa operation
- 1,500,000kg TREO in a premium product
- Significant dysprosium supplier
- Initial 11 year life with significant upside

**MEASURED. SUSTAINABLE. ACHIEVABLE**

## MINING

In order to efficiently mine the ore required for the Pilot Plant Project, the Company has contracted MACA Limited to mine ore from the Wolverine and Gambit West deposits in a single six-month campaign.

Ore is being stockpiled on the run-of-mine (ROM) pad and will be drawn down over the three-year pilot phase as part of the overall research project.



Mining underway at Gambit West

Waste material mined during the mining campaign is being used to construct surface infrastructure such as the tailings storage facility.

During the mining phase, the following amounts of ore will be mined at Browns Range:

|              |                 |                |
|--------------|-----------------|----------------|
| Gambit West  | 135,000t        | 4.3 : 1        |
| Wolverine    | 45,000t         | 7.3 : 1        |
| <b>Total</b> | <b>180,000t</b> | <b>5.0 : 1</b> |

Pilot Plant Planned Mining Statistics

Total material movements (ore + waste) over the life of the trial operation are estimated at 1,089,000t, of which approximately 909,000t is waste.

As at 30 June 2017, no ore had been mined from the Gambit West or Wolverine deposits.

At the end of September, post the reporting period, a total of 94,000 tonnes of Ore had been mined. This represents 52% of the total ore to be mined in the Pilot Plant campaign.

The open pits at Gambit West and Wolverine represent starter pits of the full-scale pits for these deposits. If the full-scale project is approved, these pits will be opened up and will be significantly larger.

Ore that has been stockpiled on the ROM pad for the Pilot Plant Project has been segregated based on deposit, grade and material type.

This will allow for analysis of variations in geology and the different processing requirements that may need to be applied to a potential larger scale development.

Since mining commenced at Browns Range, there have been no significant operational, safety, environmental or personnel issues with the mining project.

The mining campaign is on track for completion in late 2017.

In October 2017, post the reporting period, the Company announced that the surface infrastructure development had been completed ahead of the first processing plant components arriving on site.

The safety and environmental management programs at Browns Range have ensured that the mining campaign has been incident free during the reporting period.

## PROCESSING & SALES



Ore being stockpiled on the ROM pad at Browns Range

## Ore produced from the Pilot Plant phase will be processed through a 72,000tpa capacity modular processing plant for the production of a mixed rare earth carbonate.

The Pilot Plant will be operated for 10 months per year with an annualised throughput of 60,000tpa.

Xenotime ore is being mined and stored on the ROM pad, with ore segregated according to deposit, grade and material type.

This zoning of ore will allow the Company to assess variations in the metallurgical properties of the different ore types over the three-year processing plant campaign.

The process consists of a beneficiation circuit followed by a hydrometallurgical circuit.

In the 60,000tpa beneficiation circuit, ore from the ROM pad will be processed through a comminution circuit comprising single stage crushing followed by semi-autogenous grinding before reporting to a two stage wet high gradient magnetic separation process to produce a magnetic concentrate rich in xenotime and iron oxide and also a non-magnetic stream containing largely silica and mica that is rejected as tailings.

The xenotime rich magnetic concentrate will then be processed through a flotation circuit to produce a 20% total rare earth oxide (TREO) mineral concentrate.

The 20% TREO mineral concentrate will be processed further in a 3,200tpa hydrometallurgical circuit.

The hydrometallurgical plant will process the mineral concentrate to extract the rare earths and to remove contaminants such as iron, phosphate and aluminium and small amounts of thorium and uranium. An estimated 1,100 tpa of mixed rare earth carbonate (REC) product containing around 52% TREO would be produced.

## The hydrometallurgical plant process comprises:

- drying of the mineral concentrate followed by acidification and roasting to crack the mineral structure;
- water leaching to bring metals into solution;
- purification and ion exchange;
- precipitation of the rare earths using sodium carbonate;
- drying and packaging the REC for transport; and
- neutralisation and thickening of waste streams prior to co-mingling with the beneficiation tailings and subsequent delivery to the tailings storage facility.

## Sales Agreement

The final mixed rare earth carbonate will be containerised for sale to Chinese offtake partner Lianyugang Zeyu New Materials Sales Co Ltd (JFMAG), a 51% owned subsidiary of Guangdong Rare Earths Group.

The sales agreement terms are based on CIF Incoterms 2010, with pricing referenced from a 2-month average of quoted prices on Asian Metals and Beijing Ruidow Information Technology.

The sales agreement also includes a A\$10 million pre-payment, receivable from JFMAG in early 2018. Northern Minerals has also issued JFMAG 40 million unlisted options at \$0.25 exercise price.

Upon receipt of the \$10m pre-payment, a representative of JFMAG will be invited to join Northern Minerals' Board.



## FINANCING

# The capital cost of the Browns Range Pilot Project is \$56 million.

Financing for the project has been completed using a number of different financing processes and methods.

### R&D Financing Facility

The Browns Range Pilot Plant Project is expected to be eligible for Australian Government's R&D tax incentives.

The Research and development (R&D) tax incentive encourages companies to engage in R&D benefiting Australia, by providing a tax offset for eligible R&D activities. It has two core components:

- a refundable tax offset for certain eligible entities whose aggregated turnover is less than \$20 million; and
- a non-refundable tax offset for all other eligible entities.

The Browns Range Pilot Plant Project is expected to be eligible for up to \$38 million in R&D tax incentives under the scheme.

In August 2017, the Company announced that it has executed a two and a half year US\$30 million secured R&D Loan Facility with New York-based financier Innovation Structured Finance Co., LLC, a company associated with Brevet Capital Management.

Under the R&D Loan Facility, the Company will work with its tax advisor, Deloitte, to estimate the level of tax offsets at the end of each quarter. ISF will then provide funding up to 80% of the estimated tax offset, with the principal and accrued interest repayable out of actual tax offsets received at the end of the financial year.

The R&D Loan Facility has a term of two and a half years, aligning with the timeline for the Browns Range Pilot Plant Project.

### Equity Placements

To date, over \$29 million has been raised via equity placements, at an average placement price of 12.5 cents per share.

The placements have been completed with a range of sophisticated and institutional investors out of Australia and China.

### Sinosteel MECC Deferred Payment

Under the EPCM contract with Sinosteel MECC, Sinosteel MECC has agreed to defer payments totalling up to A\$11 million for a period of 24 months.

Alternatively, Sinosteel MECC has the right, at its election, within nine months of practical completion, to convert the deferred payment amount into Ordinary Northern Minerals' shares at a conversion price of the lower of 15 cents per share or the 20-day VWAP prior to election.

### Lind Financing Facility

In June 2017, Northern Minerals executed a Private Placement Term Sheet with Lind Asset Management X, LLC, (the Investor) for a funding agreement of up to A\$14 million.

The funding will be provided as second ranking secured Convertible Securities with a 30-month term and 0% interest rate. The funding agreement allows for two \$6 million tranches and two \$1 million tranches based on specific events.

The funding agreement includes provisions for the conversion into Ordinary shares or early repayment as is typical in an agreement of this nature. As a facilitation fee, the Company has agreed to issue the Investor 22.5 million Options with a term of 36 months and an exercise price of \$0.25.

To date, A\$6 million has been drawn down on the Lind Financing Facility, with A\$8 million available.

## ENVIRONMENT AND SAFETY

Northern Minerals aims to develop the Browns Range Project in a safe and environmentally friendly manner.

**All of the employees and contractors on site have been inducted to take into consideration safe working practices and minimisation of environmental harm.**

With mining just over 50% complete and the surface infrastructure for the process plant completed ahead of first deliveries of the module processing plant components, there have been no Lost Time Injuries.

Likewise, there have been no environmental incidents recorded in the reporting period for the Browns Range Pilot Plant Project.

## COMMUNITY ENGAGEMENT

Northern Minerals is proud of its community engagement efforts and its role in providing positive outcomes for the communities that we operate in.

In the East Kimberley region of WA, the Browns Range Pilot Plant Project is located close to the community of Ringer Soak.

The Company has developed a strong relationship with the Ringer Soak community over a number of years and has an excellent working relationship with many of the traditional owners, some of whom are currently employed on the Pilot Plant Project.

### Native Title Agreement

With the changed development focus towards the construction of the Pilot Plant Project at Browns Range, the native title agreement covering Browns Range needed to be updated and agreed to.

With a significant amount of goodwill on both sides, we were extremely proud of the fact that the revised agreement was developed and signed in a two-month period.

The timeliness of the agreement indicates that we have aligned the expectations of the stakeholder groups to deliver positive outcomes

### Training-to-Work Program

As part of our commitment to provide positive outcomes to our local communities, the Company has joined a consortium led by The Wunan Foundation for the development of an Aboriginal training-to-work (T2W) program at the Pilot Plant Project.



WA Premier, the Hon Mark McGowan MP onsite for the turning of the first sod

In August 2017, the Company announced that the consortium had been awarded \$4.8 million towards the program under the Federal Government's Building Better Regions Fund.

The \$4.8 million funding will contribute towards the total T2W project cost of \$8.1 million, which includes the establishment of economic infrastructure at Browns Range.

In partnership with Northern Minerals, Wunan will develop and implement the new T2W program at the Browns Range Pilot Plant Project. The T2W program presents a significant opportunity for Wunan to build on its capabilities and create pathways for Aboriginal communities to achieve tangible outcomes, and improved life choices in the East Kimberley. It will also be essential to Northern Minerals achieving its aspirational, long-term Aboriginal employment target of 20 per cent.

The T2W initiative has been designed as a benchmark model for long term Aboriginal engagement that will be disseminated nationally. The model has been developed from first principles to integrate on-site classroom training with process line experience, supported by a curriculum designed for an Aboriginal audience.

As the catalyst to the potential full scale \$329 million Browns Range Project, which has the potential to deliver up to 400 construction and 300 operation jobs over its 11-year life of mine, the Pilot Plant Project presents a significant opportunity for future employment and business prospects in the region, particularly for local Aboriginal communities.

## PEOPLE

Northern Minerals takes great pride in its people and the role that they have made in developing the Company to where it is today.

Many of our staff have been with us for many years, some since inception, and have seen a number of challenges and difficult times over this period.

Throughout all of this, the Northern Minerals team has maintained its focus on becoming a globally significant heavy rare earths producer.

A key part of the attraction and retention of the great team has been the commitment to our mission and culture, as typified by the Northern Minerals SPIRIT.

### (S)afety

Safety is our leading core value. It encompasses the physical health of every employee and the success and profitability of the Company. Safety and production are considered inseparable and equally important.

### (P)eople

Our strategy is to employ and retain talented and motivated people to lead the organisation.

### (I)ntegrity

The Company is committed to responsible and ethical business practices. We care about safety, the environment and local communities, and act with honesty and integrity.

### (R)esults

We deliver on commitment and take accountability to achieve our long-term objectives.

### (I)ntiative

The Company moves forward in its operations by encouraging and rewarding creativity, and initiative among its employees. We embrace great ideas and lateral thinking from everywhere and everyone.

### (T)eams

All company functions are equally important. It's only by working together productively and sharing ideas, technologies and talent that we achieve and sustain profitable growth.



### SPIRIT Awards 2017

On 25 May 2017, the Company awarded its annual SPIRIT Awards, which recognises the contributions that the Northern Minerals' team and contractors made over the year.

## EXPLORATION

With the main focus of the Company being the approval and commencement of the Browns Range Pilot Plant Project, the level of exploration was lower than in previous years.

During the reporting period, Northern Minerals completed an 1,800 metre RC drilling program at Browns Range, undertaken during the December quarter.

The RC drilling campaign was primarily aimed at drilling around the margins of the central, western and eastern Gambit first stage open pits, in areas where infill drilling is required.



# Resources and Reserves

# Mineral Resources And Ore Reserves Statement

## ORE RESERVE

The Ore Reserve at 30 June 2017, reported in accordance with the JORC 2012 code, is detailed in Table 1.

Table 1- Browns Range Ore Reserve Statement as at 30 June 2017

| Deposit     | Classification | Ore Tonnes | TREO  |              | Dy2O3 |              | Tb4O7 |              | Y2O3 |              |
|-------------|----------------|------------|-------|--------------|-------|--------------|-------|--------------|------|--------------|
|             |                |            | Kg/t  | Kg Contained | Kg/t  | Kg Contained | Kg/t  | Kg Contained | Kg/t | Kg Contained |
| OPEN PIT    |                |            |       |              |       |              |       |              |      |              |
| Wolverine   | Probable       | 833,000    | 6.15  | 5,124,000    | 0.55  | 460,000      | 0.08  | 66,000       | 3.59 | 2,989,000    |
| Gambit West | Probable       | 219,000    | 10.10 | 2,212,000    | 0.83  | 182,000      | 0.11  | 25,000       | 5.52 | 1,209,000    |
| Gambit      | Probable       | 37,000     | 8.05  | 298,000      | 0.68  | 25,000       | 0.09  | 3,000        | 4.74 | 176,000      |
| Area 5      | Probable       | 467,000    | 2.24  | 1,048,000    | 0.14  | 65,000       | 0.02  | 10,000       | 0.99 | 463,000      |
| UNDERGROUND |                |            |       |              |       |              |       |              |      |              |
| Wolverine   | Probable       | 2,104,000  | 8.00  | 16,833,000   | 0.70  | 1,483,000    | 0.10  | 221,000      | 4.71 | 9,908,000    |
| Gambit West | Probable       | 90,000     | 9.54  | 860,000      | 0.88  | 79,000       | 0.11  | 10,000       | 5.78 | 521,000      |
| RESERVE     |                |            |       |              |       |              |       |              |      |              |
| Total       | Probable¹      | 3,750,000  | 7.03  | 26,375,000   | 0.61  | 2,294,000    | 0.09  | 335,000      | 4.07 | 15,266,000   |

<sup>1</sup> Rounding may cause some computational discrepancies

## MINERAL RESOURCE

The Mineral Resource at 30 June 2017, reported in accordance with the JORC 2012 Code, is stated below in Table 2. The Mineral Resource is inclusive of the Ore Reserves.

Table 2 – Browns Range Mineral Resource Estimate as at 30 June 2017

| Deposit                  | Category                 | Mt          | TREO        | Dy2O3       | Y2O3        | Tb4O7       | HREO      | TREO              |
|--------------------------|--------------------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------------|
|                          |                          |             | %           | Kg/t        | Kg/t        | Kg/t        | %         | Kg                |
| Wolverine                | Indicated                | 2.99        | 083         | 0.73        | 4.86        | 0.11        | 89        | 24,952,000        |
|                          | Inferred                 | 1.97        | 0.89        | 0.76        | 5.13        | 0.11        | 88        | 17,609,000        |
|                          | <b>Total<sup>1</sup></b> | <b>4.97</b> | <b>0.86</b> | <b>0.74</b> | <b>4.97</b> | <b>0.11</b> | <b>89</b> | <b>42,560,000</b> |
| Gambit West              | Indicated                | 0.27        | 1.26        | 1.07        | 7.06        | 0.14        | 90        | 3,424,000         |
|                          | Inferred                 | 0.12        | 0.64        | 0.54        | 3.67        | 0.07        | 85        | 753,000           |
|                          | <b>Total<sup>1</sup></b> | <b>0.39</b> | <b>1.07</b> | <b>0.91</b> | <b>6.04</b> | <b>0.12</b> | <b>89</b> | <b>4,177,000</b>  |
| Gambit                   | Indicated                | 0.05        | 1.06        | 0.92        | 6.62        | 0.12        | 97        | 533,000           |
|                          | Inferred                 | 0.06        | 1.2         | 1.01        | 6.8         | 0.15        | 95        | 671,000           |
|                          | <b>Total<sup>1</sup></b> | <b>0.11</b> | <b>1.13</b> | <b>0.97</b> | <b>6.72</b> | <b>0.13</b> | <b>96</b> | <b>1,204,000</b>  |
| Area 5                   | Indicated                | 1.38        | 0.29        | 0.18        | 1.27        | 0.03        | 69        | 3,953,000         |
|                          | Inferred                 | 0.14        | 0.27        | 0.17        | 1.17        | 0.03        | 70        | 394,000           |
|                          | <b>Total<sup>1</sup></b> | <b>1.52</b> | <b>0.29</b> | <b>0.18</b> | <b>1.26</b> | <b>0.03</b> | <b>69</b> | <b>4,347,000</b>  |
| Cyclops                  | Indicated                | -           | -           | -           | -           | -           | -         | -                 |
|                          | Inferred                 | 0.33        | 0.27        | 0.18        | 1.24        | 0.03        | 70        | 891,000           |
|                          | <b>Total<sup>1</sup></b> | <b>0.33</b> | <b>0.27</b> | <b>0.18</b> | <b>1.24</b> | <b>0.03</b> | <b>70</b> | <b>891,000</b>    |
| Banshee                  | Indicated                | -           | -           | -           | -           | -           | -         | -                 |
|                          | Inferred                 | 1.66        | 0.21        | 0.16        | 1.17        | 0.02        | 87        | 3,484,000         |
|                          | <b>Total<sup>1</sup></b> | <b>1.66</b> | <b>0.21</b> | <b>0.16</b> | <b>1.17</b> | <b>0.02</b> | <b>87</b> | <b>3,484,000</b>  |
| <b>Total<sup>1</sup></b> | <b>Indicated</b>         | <b>4.69</b> | <b>0.70</b> | <b>0.59</b> | <b>3.95</b> | <b>0.09</b> | <b>87</b> | <b>32,862,000</b> |
|                          | <b>Inferred</b>          | <b>4.28</b> | <b>0.56</b> | <b>0.46</b> | <b>3.15</b> | <b>0.07</b> | <b>87</b> | <b>23,802,000</b> |
|                          | <b>Total<sup>1</sup></b> | <b>8.98</b> | <b>0.63</b> | <b>0.53</b> | <b>3.56</b> | <b>0.08</b> | <b>87</b> | <b>56,663,000</b> |

<sup>1</sup> - Rounding may cause some computational discrepancies (TREO (metal) tonnes estimated from Mt x TREO%)

**TREO = Total Rare Earth Oxides** – Total of: La2O3, CeO2, Pr6O11, Nd2O3, Sm2O3, Eu2O3, Gd2O3, Tb4O7, Dy2O3, Ho2O3, Er2O3, Tm2O3, Yb2O3, Lu2O3, Y2O3

**HREO = Heavy Rare Earth Oxides** – Total of: Sm2O3, Eu2O3, Gd2O3, Tb4O7, Dy2O3, Ho2O3, Er2O3, Tm2O3, Yb2O3, Lu2O3, Y2O3

**Comparison with previous years Mineral Resource estimate**

The Total Mineral Resource at the Browns Range Project has not changed from the prior year – 30 June 2016. Details of the classification of the total Mineral Resource into Indicated and Inferred Resource categories are stated in Table 2 above.

## COMPETENT PERSON AND COMPLIANCE STATEMENT

The information in this report that relates to Exploration Results or Mineral Resources was compiled by Mr Robin Wilson who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Wilson is a full-time employee of Northern Minerals and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Wilson consents to the inclusion of this information in the form and context in which it appears.

The information in this announcement that relates to the Ore Reserve Estimates was compiled by Mr Dan Donald who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Donald is a full-time employee of Entech Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Donald consents to the inclusion of this information in the form and context in which it appears.

The information in the announcement that relates to the Mineral Resource Estimates of the Wolverine Deposit is extracted from the report entitled "Increased Mineral Resource delivers more good news" dated 23 February 2015 and is available to view on the Company's website ([www.northernminerals.com.au](http://www.northernminerals.com.au)). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in the announcement that relates to the Mineral Resource Estimates of the Cyclops and Banshee deposits is extracted from the report entitled "Further Increase in Brown Range Mineral Resource" dated 15 October 2014 and is available to view on the Company's website ([www.northernminerals.com.au](http://www.northernminerals.com.au)). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in the announcement that relates to the Mineral Resource Estimates of the Gambit, Gambit West and Area 5 deposits is extracted from the report entitled "Wolverine Total Resource Doubled in a Major Upgrade of Browns Range HRE Mineral Resource Estimate" dated 26 February 2014 and is available to view on the Company's website ([www.northernminerals.com.au](http://www.northernminerals.com.au)). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in the announcement that relates to Ore Reserves is extracted from the report entitled Increased Ore Reserve for Browns Range created on 2 March 2015 and is available to view on the Company's website ([northernminerals.com.au](http://northernminerals.com.au)). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## CORPORATE GOVERNANCE AND INTERNAL CONTROLS - MINERAL RESOURCES AND ORE RESERVES

Northern Minerals has ensured that the Mineral Resources estimates quoted above are subject to governance arrangements and internal controls. The Mineral Resource estimates have been derived by various practitioners and then reviewed by Northern Minerals' employees who have substantial knowledge of best practice in modelling and estimation techniques. Internal reviews of the Mineral Resource estimate have been completed by Northern Minerals' management and executives prior to public release. All Mineral Resource estimates that are disclosed by the Company are subject to review and approval by the Company's Board of Directors whose qualifications are disclosed in the Directors Report.

Northern Minerals has ensured that the Ore Reserve estimates quoted above are subject to governance arrangements and internal controls. The Ore Reserve estimates have been derived by external consultants and then reviewed by Northern Minerals' employees who have substantial knowledge of mine design and Ore Reserve estimation techniques. Internal reviews of the Ore Reserve estimate have been completed by Northern Minerals management and executives prior to public release. All Ore Reserve estimates that are disclosed by the Company are subject to review and approval by the Company's Board of Directors whose qualifications are disclosed in the Directors Report.





# Director's Report

The directors present their report together with the consolidated financial report of the Group, being Northern Minerals Limited (the “parent entity” or “Company”) and its controlled entities, for the financial year ended 30 June 2017 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.

### **Colin James McCavana – *Non-executive Chairman (appointed 9 March 2017), previously Non-executive Director***

Mr McCavana has more than 30 years of management experience worldwide in the earthworks, construction and mining industries. Much of this has been related to acquisition, development and operation of mining and mineral recovery projects. Mr McCavana is a member of the remuneration and nomination committee. Mr McCavana is a Fellow of the Australian Institute of Company Directors. During the past three years Mr McCavana has served as a director of the following listed company:

- Reward Minerals Limited (Director February 2010 – Present)

### **George Bauk – *Managing Director / Chief Executive Officer***

Mr Bauk is an experienced executive, with over 25 years’ experience in the resources industry. Mr Bauk holds a Bachelor of Business from Edith Cowan University and an MBA from the University of New England. Prior to Northern Minerals, Mr Bauk held global operational and corporate roles with WMC Resources, Arafura Resources and Western Metals and has a strong background in strategic management, business planning, building teams, finance and capital/debt raising, and experience with a variety of commodities in particular rare earths and nickel.

As Managing Director of Northern Minerals since 2010, he has led its rapid development from a greenfields heavy rare earth explorer to now being poised to become the next global producer of high value dysprosium outside China. Mr Bauk is a passionate member of the WA resources industry holding a number of senior governing positions with the Chamber of Minerals and Energy including Vice-President. During the past three years Mr Bauk has served as a director of the following listed company:

- Lithium Australia NL (Non-executive chairman July 2015 – Present)

### **Adrian Christopher Griffin – *Non-executive Director***

Mr Griffin is an Australian trained mining professional with exposure to metal mining and processing throughout the world. Mr Griffin has been involved in the development of extraction technology for a range of metals and was a pioneer of the WA lateritic nickel processing industry. He specialises in mine management and production. Mr Griffin is a member of the remuneration and nomination committee. During the past three years Mr Griffin has also served as a director of the following listed companies:

- Lithium Australia NL (Director February 2011 – Present)
- Parkway Minerals NL (October 2010 – Present)
- Reedy Lagoon Corporation Ltd (June 2014 – Present)

### **Yanchun Wang – *Non-executive Director***

Ms Wang acts as a strategic investor for a number of Chinese based companies. Ms Wang is Vice Chairman of Conglin Baoyuan International Investment Group and also a Director of Huachen. During the past three years Ms Wang has also served as a director of the following listed company:

- Orion Metals Limited (Director August 2012 – 21 July 2016)

**DIRECTORS (Continued)****Nan Yang – *Non-executive Director – appointed 18 November 2016***

Mr Yang is an Australian mining engineer with more than 10 years' experience in mine planning, design, and mergers and acquisitions. Mr Yang completed a Bachelor of Mechanical Engineering at the Yan Tai University in China before completing a Postgraduate Diploma in Mining and Master of Science in Mining at the Western Australian School of Mines. Mr Yang was appointed as a nominee of Huatai Mining.

**Bin Cai – *Alternate 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 the following listed companies:

- Orion Metals Limited (Director July 2012 - present)
- Carpentaria Exploration Limited (Director May 2011 – present)

**Conglin Yue – *Executive Chairman – resigned 8 March 2017***

Mr Yue is involved with businesses having long standing relationships with a number of major steel producing companies in China, having developed a successful coking coal and iron ore trading business in China over many years. Mr Yue is the Chairman of Australian Conglin International Investment Group and Conglin Baoyuan International Investment Group, Chief Executive Officer of Huachen and a Director of the Chinese University of Political Science and Law. During the past three years Mr Yue has also served as a director of the following listed company:

- Orion Metals Limited (Director July 2012 – 21 July 2016)

**Kevin Schultz – *Deputy Chairman – resigned 8 March 2017***

Mr Schultz, a geologist and mining engineer from the Western Australia School of Mines and a Fellow of the Australasian Institute of Mining and Metallurgy, has extensive experience in mining, mineral exploration, international consulting and company management. His experience ranges across a wide variety of mineral commodities, with gold and rare earths of particular relevance to Northern Minerals. Mr Schultz was the founding Chairman of the Company from its inception and listing as Northern Uranium Limited in 2006 until October 2013. Since then he has continued to serve the Company as the Deputy Chairman and he is a member of the Nomination Committee.

**COMPANY SECRETARY****Mark Tory**

Mr Tory is a Chartered Accountant with an MBA majoring in finance. He is a highly-experienced executive in the mining and resources sector having held senior finance and strategic positions with both large and small resource companies. He was most recently Managing Director of Crescent Gold Limited after two years as CFO and Company Secretary. Before this Mr Tory held executive positions with Anglo American Exploration and Homestake Gold of Australia (now Barrick Gold).

## DIRECTORS' MEETINGS & AUDIT AND REMUNERATION 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 2017, and the number of meetings attended by each director while they were a director was as follows:

| Director       | Board Meetings |   | Audit Committee |     | Remuneration Committee |     |
|----------------|----------------|---|-----------------|-----|------------------------|-----|
|                | A              | B | A               | B   | A                      | B   |
| Colin McCavana | 7              | 7 | 2               | 2   | 1                      | 1   |
| George Bauk    | 7              | 7 | 2               | 2   | N/A                    | N/A |
| Adrian Griffin | 7              | 7 | 2               | 2   | 1                      | 1   |
| Yanchun Wang   | 0              | 7 | N/A             | N/A | N/A                    | N/A |
| Nan Yang       | 3              | 3 | N/A             | N/A | N/A                    | N/A |
| Bin Cai        | 5              | 7 | N/A             | N/A | N/A                    | N/A |
| Conglin Yue    | 0              | 5 | N/A             | N/A | N/A                    | N/A |
| Kevin Schultz  | 5              | 5 | 1               | 1   | N/A                    | N/A |

A – meetings attended

B – meetings held during the time the director held office

## 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 |
|---|-----------------|--------------------|---------|
| Colin McCavana                          | 4,200,000       | 3,000,000          | -       |
| George Bauk                             | 8,025,238       | 6,000,000          | -       |
| Adrian Griffin                          | 3,579,150       | 3,000,000          | -       |
| Yanchun Wang <sup>1</sup>               | 145,630,731     | 3,000,000          | -       |
| Nan Yang                                | -               | 2,500,000          | -       |
| Bin Cai                                 | 3,000,000       | 3,000,000          | -       |

<sup>1</sup> Includes Ordinary shares held by Australian Conglin International Investment Group Pty Ltd

## DIVIDENDS

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

## PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial year was exploration and evaluation of rare earth element mineral interests and the commencement of its three year Browns Range Pilot Plant Project. The project will undertake research and development and assess the technical and economic feasibility of a full-scale project. Further information is detailed below.

The activities of the group changed significantly during the year with the approval to develop the Browns Range pilot plant. Details of these activities are summarised in the review of operations below.

## REVIEW OF OPERATIONS

A review of the Group's exploration projects and activities during the year is discussed in the Review of Operations included in the Annual Report.

The focus during the financial year has been the commencement of works for the \$56 million Browns Range pilot plant project, which was approved by the Board on 18 April 2017.

Northern Minerals has commenced works at the pilot plant project for its 100% owned, dysprosium-rich Browns Range heavy rare earth element project, located 160km south east of Halls Creek in Western Australia.

The project is a three-year research and development project, to assess the technical and economic feasibility of a full-scale project and forms part of a broader ongoing feasibility study underpinning the Browns Range project. This phase of the project will employ up to 90 people during mining and construction, and 56 full time equivalent staff on site.

During the June quarter the mining and bulk earthworks contract was issued to ASX-Listed MACA Limited. Following this MACA mobilised equipment and personnel to site and has commenced works for the pilot plant. Under the \$10 million Mining Agreement, MACA will mine 180,000 tonnes of ore and associated waste from the Wolverine and Gambit West pits. Waste material will be used to construct the tailings storage facility and other surface infrastructure. MACA will clear the site for the pilot plant and construct internal road access.

In May 2017 grade control drilling was undertaken. Approximately 2,800m of Reverse Circulation (RC) grade control drilling was undertaken at Gambit West and Wolverine open pits, encompassing the areas to be mined in the pilot phase. This drilling was required to assess the ore material for future use in the three year pilot plant trials. The development envisages the processing of 180,000 tonnes of ore from the two separate open pits of varying depths and mineral concentrations to determine the optimal flowsheet for the proposed full- scale development.

It is anticipated that the mining component of the project will be completed by the end of 2017 and stockpiled for processing in the research and development project

Pilot Plant components are currently being fabricated by Sinosteel MECC in China, ahead of delivery to site and installation by local contractors in September. Sinosteel MECC and Northern Minerals have entered into a fixed price agreement for the construction of the pilot plant. Sinosteel MECC signed a contract with WA-based Primero Group Limited for the civils component of the project in September 2017. The scope of works includes the civils, installation, and testing of the Browns Range pilot plant project.

Northern Minerals aims to commence trials at the 60,000 tonne per annum pilot plant by the end of the 2018 financial year. The pilot processing plant will be approximately 10% of the size of the proposed full-scale development to assess, refine and confirm the optimal flowsheet.

The expansion of the accommodation camp from 21 to 49 rooms has also been completed. In addition to increasing the number of rooms, the expansion includes a larger kitchen/diner and additional ablution and laundry facilities.

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.

## SUMMARY OF FINANCIAL PERFORMANCE

A summary of key financial indicators for the Company, with prior year comparison, is set out in the following table:

|   | Consolidated<br>2017 | Consolidated<br>2016 |
|---|----------------------|----------------------|
| Total revenue   | \$4,271,987          | \$1,904,278          |
| Net loss for the year after tax                         | (\$12,631,143)       | (\$6,744,667)        |
| Basic loss per share (cents) from continuing operations | (2.1) cents          | (1.4) cents          |
| Net cash from /(used in) operating activities           | (\$4,975,687)        | (\$3,487,367)        |
| Net cash from /(used in) investing activities           | (\$11,337,332)       | \$174,035            |
| Net cash from /(used in) financing activities           | \$24,304,692         | \$1,744,813          |

The net loss of the Group for the year ended 30 June 2017 of \$12.6 million (2016: \$6.7 million) was due to the significant increase in activities for the period in relation to the development of the pilot plant at Browns Range and the commencement of mining activities at the end of the financial year. Mining expenditure in the profit and loss totalled \$1.3 million and there was a further \$5.05 million in exploration and project related costs. Mining expenditure was incurred to stockpile ore for future processing over the three year research and development project. \$2.2 million of direct costs in relation to the pilot plant were expensed in the year where they did not meet the criteria of being capitalised as part of construction in progress.

Revenue was impacted by a higher Research and Development rebate in the year due to the increased expenditure on eligible research and development activity - \$2.67 million compared to \$1.77 million in 2016.

Cash used in investing activities increased due to the pilot plant development costs incurred in the year – primarily payments in relation to the construction of the Beneficiation and Hydromet Plant. Cashflows from financing activities were \$20.5 million from share issues and placements net of transaction costs incurred. There was another \$4.89 million advanced as part of the Lind Financing facility during the year net of repayments made.

## SUMMARY OF FINANCIAL POSITION

The Company's cash reserves at the end of 2017 totalled \$8.36 million compared to \$373k as at 30 June 2016.

The movement in cash reserves was due to the share issues within the year as detailed elsewhere in this report and the funding drawdown from the Lind facility in June.

Plant and equipment costs increased \$12.25 million due to development of the pilot plant commencing in the year. A majority of these costs related to the design work for the beneficiation and hydromet plant - \$8.97 million. A further \$861k relates to costs of purchasing and installing the upgraded and extended camp accommodation, \$306k on water bore pump, design and supply work, \$175k on plant infrastructure such as power stations and workshops and offices. It also includes bulk earthworks, including ROM pad, tailings storage, airstrip and road earthworks.

The Company's receivables balance increased from \$2.24 million to \$6.85 million due to a higher R and D rebate receivable for the year. In addition, prepayments were significantly higher due to facility fees and borrowing costs incurred during the year that will be amortised over the terms of the funding.

The Company's total liabilities increased from \$4.14 million to \$12.60 million in 2017. Trade and other payables increased to \$4.1 million, primarily due to the increase in activity in the last quarter of the year with commencement of both mining and earthworks on Browns Range Site.

Interest bearing liabilities increased from \$2.6 million to \$4.1 million. As at end of June 2017 this represented the Lind facility drawdown at the end of June.

Provisions increased to \$3.96 million from \$322k reflecting the provision for rehabilitation that has been raised due to the significant increase in disturbance from construction, earthworks and mining activity at Browns Range.

### **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.

### **FINANCIAL POSITION AND GOING CONCERN**

The Company has sufficient funds to repay debts as and when they fall due. The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the year of \$7.99 million (2016 - decrease of \$1.57 million). Analyses of the components of the changes are detailed in the consolidated statement of cash flows. \$1.36 million of debt was repaid during 2017 compared to \$3.56 million in 2016. As detailed in note 22, the Group secured additional funding subsequent to year-end. The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activity and realization of assets and the settlement of liabilities in the normal course of business.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Company proposes to continue with its development of the Browns Range pilot plant 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. This involves the tabling of a risk register which is monitored and updated by management periodically. The CEO 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 consolidated entity'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                           | 2,500,000                | \$0.25                 | 6 November 2018                 |
| Unlisted options                           | 12,812,470               | \$0.25                 | 12 June 2020                    |
| Unlisted options                           | 22,500,000               | \$0.25                 | 20 June 2020                    |
| Unlisted options                           | 3,000,000                | \$0.15                 | 24 May 2021                     |
| Unlisted performance rights <sup>1</sup>   | 4,500,000                | Nil                    | 31 December 2017                |
| Unlisted performance rights <sup>2,3</sup> | 26,800,000               | Nil                    | Based on performance conditions |
| <b>Total</b>                               | <b>72,112,470</b>        |                        |                                 |

Note 1 - Vesting of the rights are subject to the Company meeting a performance condition during the performance period beginning on grant of the performance right and ending 31 December 2017. The performance condition is the company making the first commercial shipment, being 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 from any of the Company's rare earth projects, to a buyer or buyers on normal commercial terms, prior to 31 December 2017.

Note 2 - Included in these performance rights were rights issued 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 referred to in the remuneration report.

Note 3 - Vesting of the rights are subject to the Company meeting numerous performance conditions beginning on grant of the performance right and subject to meeting various hurdles. The performance conditions are set out in note 11(c).

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 ordinary shares were issued during the financial year, or since the end of the financial year, as a result of the exercise of options.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company has entered into an Access, Indemnity and Insurance Deed with the directors to indemnify them to the maximum extent permitted by law against liabilities and legal expenses incurred in, or arising out of, the conduct of the business of the Company or the discharge of their duties as directors.

Also, pursuant to the Deed, the Company has paid premiums to insure the directors 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 2017 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2011 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 Ltd received more than 75% of the votes in favour of the Remuneration Report for the 2016 financial year.

### Details of directors and key management personnel

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

- Colin McCavana (Non-executive Chairman)
- George Bauk (Managing Director/ Chief Executive Officer)
- Adrian Griffin (Non-executive Director)
- Yanchun Wang (Non-executive Director)
- Nan Yang (Non-executive Director - appointed 18 November 2016)
- Bin Cai (Alternate Director)
- Conglin Yue (Executive Chairman - resigned 8 March 2017)
- Kevin Schultz (Deputy Chairman - resigned 8 March 2017)

Other key management personnel were:

- Robin Wilson (Exploration Manager)
- Robin Jones (Chief Operating Officer)
- Mark Tory (Company Secretary and Chief Financial Officer)

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

### 1. Remuneration Policy

The Remuneration 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 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.

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 29 November 2013 when shareholders approved an aggregate remuneration of \$500,000 per year. Annual Non-executive Chairman and Non-executive directors' base fees are presently \$70,000 and \$60,000 respectively, inclusive of superannuation, with \$5,000 per annum paid for representation on board committees.

Non-executive directors' fees were reduced by 50% effective from 1 November 2015 following a decision by the Board to assist in addressing cost pressures. In November 2016, upon completion of the \$10 million or more of new capital being raised, the directors received their entitlement to back pay of the amount of 80% of their previous fees, less fees paid during the period.

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.

## **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. There is no direct link between remuneration paid and corporate performance such as bonus payments for achievement of certain key performance indicators.

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.

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

Executives remuneration were reduced by 50% effective from 1 November 2015 following a decision by the Board to assist in addressing cost pressures. In November 2016, upon completion of the \$10 million or more of new capital being raised, the executives received their entitlement to backpay of the amount of 80% of their previous remuneration, less remuneration paid during the period.

## **4. Service agreements**

*Employment Contract – Mr George Bauk (Managing Director/Chief Executive Officer)*

The employment contract commenced on 2 March 2010 and is not for a fixed period.

The main terms of the employment contract with Mr Bauk for the year under review are as follows:

- Remuneration package (inclusive of superannuation) of \$385,000 pa.
- Salary reviewed in June each year
- The Company is entitled to terminate the agreement by giving no less than 12 months' notice
- Mr Bauk is entitled to terminate the agreement by giving no less than 3 months' notice
- On redundancy, the Company will be obliged to make a payment of one year's salary

Other executives are employed under contracts with no fixed term and can be terminated by either party by three months' notice in writing.

*Employment Contract – Mr Robin Wilson (Exploration Manager)*

The employment contract commenced on 26 June 2006 and is not for a fixed period.

The main terms of the employment contract with Mr Wilson for the year under review are as follows:

- Remuneration package (inclusive of superannuation) of \$240,000 pa.
- Salary reviewed in June each year
- The Company is entitled to terminate the agreement by giving no less than 3 months' notice
- Mr Wilson is entitled to terminate the agreement by giving no less than 3 months' notice

*Employment Contract – Mr Robin Jones (Chief Operating Officer)*

The employment contract commenced on 1 June 2012 and is not for a fixed period.

The main terms of the employment contract with Mr Jones for the year under review are as follows:

- Remuneration package (inclusive of superannuation) of \$300,000 pa.
- Salary reviewed in June each year
- The Company is entitled to terminate the agreement by giving no less than 3 months' notice
- Mr Jones is entitled to terminate the agreement by giving no less than 3 months' notice

*Employment Contract – Mr Mark Tory (CFO/Company Secretary)*

The employment contract commenced on 3 December 2012 and is not for a fixed period.

The main terms of the employment contract with Mr Tory for the year under review are as follows:

- Remuneration package (inclusive of superannuation) of \$260,000 pa.
- Salary reviewed in June each year
- The Company is entitled to terminate the agreement by giving no less than 3 months' notice
- Mr Tory is entitled to terminate the agreement by giving no less than 3 months' notice.

## 5. Details of Remuneration for the Year Ended 30 June 2017

|                                | Short-term       |                | Post Employment |                         | Share-based Payments |                | Total                       | % Fixed remuneration | % Remuneration linked to performance |
|--------------------------------|------------------|----------------|-----------------|-------------------------|----------------------|----------------|-----------------------------|----------------------|--------------------------------------|
|                                | Salary & Fees    | Other Benefits | Cash Bonus      | Superannuation Benefits | Long Service Leave   | Share Plan     | Options/ Performance Rights |                      |                                      |
|                                | \$               | \$             | \$              | \$                      | \$                   | \$             | \$                          |                      |                                      |
| <b>Directors</b>               |                  |                |                 |                         |                      |                |                             |                      |                                      |
| Conglin Yue 1,3,5              | 60,285           | 2,672          | -               | -                       | -                    | -              | -                           | 62,957               | 100%                                 |
| Kevin Schultz <sup>1,3,5</sup> | 47,540           | 2,672          | -               | 4,516                   | -                    | -              | -                           | 54,728               | 100%                                 |
| George Bauk <sup>3,4</sup>     | 459,390          | 3,890          | 200,000         | 19,616                  | 13,204               | 35,800         | 65,374                      | 797,274              | 62.22%                               |
| Adrian Griffin <sup>3,4</sup>  | 66,975           | 3,890          | -               | 6,363                   | -                    | -              | 32,687                      | 109,915              | 70.26%                               |
| Colin McCavana <sup>3,4</sup>  | 69,790           | 3,890          | -               | 6,630                   | -                    | -              | 32,687                      | 112,997              | 71.07%                               |
| Yanchun Wang <sup>3,4</sup>    | 64,117           | 3,890          | -               | -                       | -                    | -              | 102,554                     | 170,561              | 39.87%                               |
| Bin Cai <sup>3,4</sup>         | 248,497          | 3,890          | -               | -                       | -                    | 345,000        | 114,652                     | 712,039              | 35.45%                               |
| Nan Yang 2                     | 36,667           | 2,394          | -               | -                       | -                    | -              | 2,391                       | 41,452               | 94.23%                               |
| <b>Specified Executives</b>    |                  |                |                 |                         |                      |                |                             |                      |                                      |
| Robin Wilson <sup>3,4</sup>    | 297,382          | 7,541          | 51,000          | 19,616                  | (39,275)             | 3,215          | 147,494                     | 486,973              | 58.58%                               |
| Robin Jones <sup>3,4</sup>     | 365,142          | -              | 63,000          | 19,616                  | 21,673               | 3,553          | 147,494                     | 620,478              | 65.50%                               |
| Mark Tory <sup>3,4</sup>       | 283,223          | 3,890          | 55,000          | 19,616                  | 17,393               | 3,575          | 161,679                     | 544,376              | 59.54%                               |
| <b>TOTAL</b>                   | <b>1,999,008</b> | <b>38,619</b>  | <b>369,000</b>  | <b>95,973</b>           | <b>12,995</b>        | <b>391,143</b> | <b>807,012</b>              | <b>3,713,750</b>     | <b>57.80%</b>                        |
|                                |                  |                |                 |                         |                      |                |                             |                      | <b>42.20%</b>                        |

Notes:

- Conglin Yue and Kevin Schultz resigned 8 March 2017
- Nan Yang was appointed Non- Executive Director 18 November 2016
- Executives remuneration were reduced by 50% effective from 1 November 2015 following a decision by the Board to assist in addressing cost pressures. In November 2016, upon completion of the \$10 million or more of new capital being raised, the executives received their entitlement to back pay of the amount of 80% of their previous remuneration, less remuneration paid during the period. This is included within the salary and fees amounts.
- Cash bonuses were paid based on successful completion and receipt of Huatai Mining funding received.
- Share-based payments for Conglin Yue and Kevin Schultz are nil for the period due to forfeiture of performance rights creating a reversal of share based payments in the reporting period resulting in credit balances.

## Details of Remuneration for the Year Ended 30 June 2016

|                             | Short-term       |                | Post Employment         |                    | Share-based Payments |                             | Total            | % Fixed remuneration | % Remuneration linked to performance |
|-----------------------------|------------------|----------------|-------------------------|--------------------|----------------------|-----------------------------|------------------|----------------------|--------------------------------------|
|                             | Salary & Fees    | Other Benefits | Superannuation Benefits | Long Service Leave | Share Plan           | Options/ Performance Rights |                  |                      |                                      |
|                             | \$               | \$             | \$                      | \$                 | \$                   | \$                          | \$               |                      |                                      |
| <b>Directors</b>            |                  |                |                         |                    |                      |                             |                  |                      |                                      |
| Conglin Yue                 | 46,832           | 3,122          | -                       | -                  | -                    | 44,126                      | 94,080           | 53.10%               | 46.90%                               |
| Kevin Schultz               | 42,202           | 3,122          | 4,009                   | -                  | -                    | 29,063                      | 78,396           | 62.93%               | 37.07%                               |
| George Bauk                 | 252,122          | 3,122          | 17,978                  | 3,385              | 85,336               | 58,126                      | 420,069          | 65.85%               | 34.15%                               |
| Adrian Griffin              | 39,144           | 3,122          | 3,719                   | -                  | -                    | 29,063                      | 75,048           | 61.27%               | 38.73%                               |
| Colin McCavana              | 39,144           | 3,122          | 3,719                   | -                  | -                    | 29,063                      | 75,048           | 61.27%               | 38.73%                               |
| Yanchun Wang                | 38,250           | 3,122          | -                       | -                  | -                    | 44,126                      | 85,498           | 48.39%               | 51.61%                               |
| Bin Cai                     | 155,876          | 3,122          | -                       | -                  | 1,436                | 38,672                      | 199,106          | 79.86%               | 20.14%                               |
| <b>Specified Executives</b> |                  |                |                         |                    |                      |                             |                  |                      |                                      |
| Robin Wilson                | 157,167          | -              | 14,931                  | (25,859)           | 14,090               | 15,336                      | 175,665          | 83.25%               | 16.75%                               |
| Robin Jones                 | 194,873          | -              | 17,071                  | (8,365)            | 15,116               | 15,336                      | 234,031          | 86.99%               | 13.01%                               |
| Mark Tory                   | 168,196          | 3,122          | 15,979                  | (5,421)            | 15,184               | 25,834                      | 222,894          | 81.60%               | 18.40%                               |
| <b>TOTAL</b>                | <b>1,133,806</b> | <b>24,976</b>  | <b>77,406</b>           | <b>(36,260)</b>    | <b>131,162</b>       | <b>328,745</b>              | <b>1,659,835</b> | <b>72.29%</b>        | <b>27.71%</b>                        |

There were no cash bonuses or termination benefits payable as at 30 June 2016.

## 6. Employee share/performance rights plan

### 6.1 Options/Performance Rights and Shares granted as compensation to key management personnel during the current financial year

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 at grant date | Performance achieved   | % vested |
|--------------------------------|---------------------------|-------------|---|--|----------|
| Between 6/7/2012 and 16/5/2014 | Various                   | 31/12/2017  | Between \$0.14 and \$0.28                 | 50% lapsed at 30 June 2017 as conditions not met. To be determined for remainder | N/A      |
| 30/11/2016                     | Various                   | Various     | \$0.12                                    | To be determined   | 15%      |
| 27/06/2017                     | Various                   | Various     | \$0.10                                    | To be determined   | N/A      |

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

Details of share-based payments granted as compensation to key management personnel during the current financial year:

|                | Grant date | No. granted | Value at grant date \$ | No. vested | % of grant vested | % of grant forfeited |
|----------------|------------|-------------|------------------------|------------|-------------------|----------------------|
| Conglin Yue    | 30/11/2016 | 2,500,000   | 207,000                | -          | -                 | 100%                 |
| Kevin Schultz  | 30/11/2016 | 2,500,000   | 207,000                | -          | -                 | 100%                 |
| George Bauk    | 30/11/2016 | 5,000,000   | 522,000                | 1,000,000  | 20%               | 0%                   |
| Adrian Griffin | 30/11/2016 | 2,500,000   | 207,000                | 500,000    | 20%               | 0%                   |
| Colin McCavana | 30/11/2016 | 2,500,000   | 207,000                | 500,000    | 20%               | 0%                   |
| Yanchun Wang   | 30/11/2016 | 2,500,000   | 207,000                | 500,000    | 20%               | 0%                   |
| Bin Cai        | 30/11/2016 | 2,500,000   | 207,000                | 500,000    | 20%               | 0%                   |
| Nan Yang       | 27/06/2017 | 2,500,000   | 225,000                | -          | 0%                | 0%                   |
| Robin Wilson   | 30/11/2016 | 2,500,000   | 207,000                | 500,000    | 20%               | 0%                   |
| Robin Jones    | 30/11/2016 | 2,500,000   | 207,000                | 500,000    | 20%               | 0%                   |
| Mark Tory      | 30/11/2016 | 2,500,000   | 207,000                | 500,000    | 20%               | 0%                   |

During the year, no key management personnel exercised their rights that were granted to them as part of their compensation.

**Share Plan Shares – 30 June 2017**

No share plan shares were issued as compensation to key management personnel during the financial year.

**Other share Issues – 30 June 2017**

On 30 November 2016 3,000,000 shares were granted to Mr Bin Cai. These shares were issued when the Company received funds of not less than \$12 million from Huatai Mining Pty Ltd under the Subscription Agreement between the Company and Huatai announced to the market on 2 August 2016. The issue was to compensate Mr Cai for time spent sourcing and procuring on behalf of the Company the funding from Huatai. These shares were valued at the share price on the issue date of \$0.115.

## 6.2 Performance Rights Holdings of Key Management Personnel for 2017

|                             | Held at Beginning of Year | Granted as Compensation | Exercise of Options/Performance Rights | Other Changes | Held at 30 June 2017 | Vested    | Unvested   |
|-----------------------------|---------------------------|-------------------------|--|---------------|----------------------|-----------|------------|
| <b>Directors:</b>           |                           |                         |  |               |                      |           |            |
| Conglin Yue                 | 1,000,000                 | 2,500,000               | -                                      | (3,500,000)   | -                    | -         | -          |
| Kevin Schultz               | 1,000,000                 | 2,500,000               | -                                      | (3,500,000)   | -                    | -         | -          |
| George Bauk                 | 2,000,000                 | 5,000,000               | -                                      | (1,000,000)   | 6,000,000            | 1,000,000 | 5,000,000  |
| Adrian Griffin              | 1,000,000                 | 2,500,000               | -                                      | (500,000)     | 3,000,000            | 500,000   | 2,500,000  |
| Colin McCavana              | 1,000,000                 | 2,500,000               | -                                      | (500,000)     | 3,000,000            | 500,000   | 2,500,000  |
| Yanchun Wang                | 1,000,000                 | 2,500,000               | -                                      | (500,000)     | 3,000,000            | 500,000   | 2,500,000  |
| Bin Cai                     | 1,000,000                 | 2,500,000               | -                                      | (500,000)     | 3,000,000            | 500,000   | 2,500,000  |
| Nan Yang                    | -                         | 2,500,000               | -                                      | -             | 2,500,000            | -         | 2,500,000  |
| <b>Specified Executives</b> |                           |                         |  |               |                      |           |            |
| Robin Wilson                | 1,000,000                 | 2,500,000               | -                                      | (500,000)     | 3,000,000            | 500,000   | 2,500,000  |
| Robin Jones                 | 1,000,000                 | 2,500,000               | -                                      | (500,000)     | 3,000,000            | 500,000   | 2,500,000  |
| Mark Tory                   | 1,000,000                 | 2,500,000               | -                                      | (500,000)     | 3,000,000            | 500,000   | 2,500,000  |
|                             | 11,000,000                | 30,000,000              | -                                      | (11,500,000)  | 29,500,000           | 4,500,000 | 25,000,000 |

## Performance Rights Holdings of Key Management Personnel for 2016

|                             | Held at Beginning of Year | Granted as Compensation | Exercise of Options | Other Changes | Held at 30 June 2016 | Vested | Unvested   |
|-----------------------------|---------------------------|-------------------------|---------------------|---------------|----------------------|--------|------------|
| <b>Directors:</b>           |                           |                         |                     |               |                      |        |            |
| Conglin Yue                 | 1,000,000                 | -                       | -                   | -             | 1,000,000            | -      | 1,000,000  |
| Kevin Schultz               | 1,000,000                 | -                       | -                   | -             | 1,000,000            | -      | 1,000,000  |
| George Bauk                 | 2,000,000                 | -                       | -                   | -             | 2,000,000            | -      | 2,000,000  |
| Adrian Griffin              | 1,000,000                 | -                       | -                   | -             | 1,000,000            | -      | 1,000,000  |
| Colin McCavana              | 1,000,000                 | -                       | -                   | -             | 1,000,000            | -      | 1,000,000  |
| Yanchun Wang                | 1,000,000                 | -                       | -                   | -             | 1,000,000            | -      | 1,000,000  |
| Bin Cai                     | 1,000,000                 | -                       | -                   | -             | 1,000,000            | -      | 1,000,000  |
| <b>Specified Executives</b> |                           |                         |                     |               |                      |        |            |
| Robin Wilson                | 1,000,000                 | -                       | -                   | -             | 1,000,000            | -      | 1,000,000  |
| Robin Jones                 | 1,000,000                 | -                       | -                   | -             | 1,000,000            | -      | 1,000,000  |
| Mark Tory                   | 1,000,000                 | -                       | -                   | -             | 1,000,000            | -      | 1,000,000  |
|                             | 11,000,000                | -                       | -                   | -             | 11,000,000           | -      | 11,000,000 |

In 2017 – Conglin Yue and Kevin Schultz resigned forfeiting their rights – these are shown within other changes.

Other changes also include those performance rights that expired on 30 June 2017 when certain performance conditions were not met

## 6.3 Shareholdings of Key Management Personnel for 2017

|                             | Held at Beginning of Year | Granted as Compensation | Exercise of Options/Performance Rights | Other Changes | Held at 30 June 2017 | Vested      | Not Vested |
|-----------------------------|---------------------------|-------------------------|--|---------------|----------------------|-------------|------------|
| <b>Directors:</b>           |                           |                         |  |               |                      |             |            |
| Conglin Yue                 | 198,610,998               | -                       | -                                      | (198,610,998) | -                    | -           | -          |
| Kevin Schultz               | 652,500                   | -                       | -                                      | (652,500)     | -                    | -           | -          |
| George Bauk                 | 8,025,238                 | -                       | -                                      | -             | 8,025,238            | 7,025,238   | 1,000,000  |
| Adrian Griffin              | 3,579,150                 | -                       | -                                      | -             | 3,579,150            | 3,579,150   | -          |
| Colin McCavana              | 4,200,000                 | -                       | -                                      | -             | 4,200,000            | 4,200,000   | -          |
| Yanchun Wang                | 145,630,731               | -                       | -                                      | -             | 145,630,731          | 145,630,731 | -          |
| Bin Cai                     | 100,000                   | 3,000,000               | -                                      | (100,000)     | 3,000,000            | 3,000,000   | -          |
| Nan Yang                    | -                         | -                       | -                                      | -             | -                    | -           | -          |
| <b>Specified Executives</b> |                           |                         |  |               |                      |             |            |
| Robin Wilson                | 1,861,403                 | -                       | -                                      | (1,016,700)   | 844,703              | 844,703     | -          |
| Robin Jones                 | 882,293                   | -                       | -                                      | (700,000)     | 182,293              | 182,293     | -          |
| Mark Tory                   | 1,199,000                 | -                       | -                                      | (700,000)     | 499,000              | 499,000     | -          |
|                             | 364,741,313               | 3,000,000               | -                                      | (201,780,198) | 165,961,115          | 164,961,115 | 1,000,000  |

## Shareholdings of Key Management Personnel for 2016

|                             | Held at Beginning of Year | Granted as Compensation | Exercise of Options | Other Changes | Held at 30 June 2016 | Vested      | Not Vested |
|-----------------------------|---------------------------|-------------------------|---------------------|---------------|----------------------|-------------|------------|
| <b>Directors:</b>           |                           |                         |                     |               |                      |             |            |
| Conglin Yue                 | 198,610,998               | -                       | -                   | -             | 198,610,998          | 198,610,998 | -          |
| Kevin Schultz               | 652,500                   | -                       | -                   | -             | 652,500              | 652,500     | -          |
| George Bauk                 | 8,025,238                 | -                       | -                   | -             | 8,025,238            | 6,025,238   | 2,000,000  |
| Adrian Griffin              | 3,579,150                 | -                       | -                   | -             | 3,579,150            | 3,579,150   | -          |
| Colin McCavana              | 4,200,000                 | -                       | -                   | -             | 4,200,000            | 4,200,000   | -          |
| Yanchun Wang                | 145,630,731               | -                       | -                   | -             | 145,630,731          | 145,630,731 | -          |
| Bin Cai                     | 100,000                   | -                       | -                   | -             | 100,000              | 100,000     | -          |
| <b>Specified Executives</b> |                           |                         |                     |               |                      |             |            |
| Robin Wilson                | 1,861,403                 | -                       | -                   | -             | 1,861,403            | 1,789,903   | 71,500     |
| Robin Jones                 | 882,293                   | -                       | -                   | -             | 882,293              | 803,293     | 79,000     |
| Mark Tory                   | 1,199,000                 | -                       | -                   | -             | 1,199,000            | 1,119,500   | 79,500     |
|                             | 364,741,313               | -                       | -                   | -             | 364,741,313          | 362,511,313 | 2,230,000  |

Conglin Yue and Kevin Schultz resigned during the year – their balances as at resignation date are shown as a movement in other changes.

Other changes for other Key Management Personnel includes share plan shares that have expired in the year due to loan expiry and revert back to the Company in accordance with the Share Plan rules

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

#### 6.4 Other transactions with key management personnel

Northern Minerals have entered into agreements with companies associated with Non-executive Director Adrian Griffin 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.

|   | 2017<br>\$ | 2016<br>\$ |
|---|------------|------------|
| Rental Income   | 109,555    | -          |
| The following balances are outstanding at the end of the reporting period in relation to transactions with related parties: |            |            |
| Current receivables   | 15,173     | -          |

\*\*\* 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](http://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 87.

## MODIFICATION OF AUDITOR ROTATION REQUIREMENTS

On 21 June 2017, the Board of directors granted an approval for the extension of the Group's audit partner for up to a further 2 years when the initial period of 5 years as permitted under Corporations Act 2001 expired in June 2017. The Board's decision was based on the following reasons:

- the Board was satisfied with the skills and personal qualities of the audit partner and the audit team and is of the view that they display a good understanding of the Group and strong technical accounting competence;
- the Board was satisfied that Nexia Perth Audit Services conducts an effective audit with focus on the appropriate areas of risk; and
- the Board was satisfied that the approval of an extension of up to 2 years does not give rise to a conflict of interest situation.

## NON-AUDIT SERVICES

There were no Non-Audit services carried out in the year ended 30 June 2017.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 24 July 2017 share placements raised a total of \$2 million through the issue of 20,000,000 ordinary shares at a subscription price of 10 cents per share. One of the subscribers was Huatai Mining Pty Ltd (Huatai), which previously agreed to provide equity funding to the company but were prevented from completing that transaction due to restrictions imposed by the Chinese authorities on the transfer of funds outside China. Huatai participated in this funding to the extent of \$1 million and the Company has agreed to release Huatai from any remaining obligations under the previous agreement.

A further 1,000,000 shares were issued for nil cash consideration for consultancy work undertaken.

AMC Wanhai Securities Limited ("AMC"), was not able to meet its deadline of 20 July 2017 to secure further placements. AMC is no longer working with Northern Minerals in relation to the completion of the \$10 million placement that was announced on 15 March 2017. A total of \$4 million has been received.

On 1 August 2017 21,000,000 ordinary shares were issued. 20,000,000 at 10 cents per share as part of the placement and 1,000,000 for nil consideration for payment of consultancy fees.

On 1 August 2017 3,000,000 options were also issued. These options are exercisable at 15 cents by 24 May 2021. These options were issued as part of an agreement with Argonaut for provision of consultancy work.

A further 1.8 million performance rights were issued to employees of Northern Minerals. These rights have nil exercise price and have performance conditions attached relating to the progress of the pilot plant and completion of mining and earthworks contracts satisfactorily.

On 7 August, as part of a consortium led by the Wunan Foundation, Northern Minerals announced that funding had 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 Heavy Rare Earth Pilot Plant project. The \$4.8 million funding will contribute towards the total cost of \$8.1 million for the T2W project, which includes the establishment of economic infrastructure at Browns Range.

On 7 August 2017 3,551,136 ordinary shares were issued for partial repayment of convertible security as per financing agreement with Lind Partners LLC announced on 14 June 2017.

On 18 August 2017 20,833,333 ordinary fully paid shares were issued, at 12 cents per share via a private placement to a group of sophisticated investors raising a further \$2.5 million.

On 25 August 2017, Northern Minerals received \$2.67 million for the 2016/17 Research and Development rebate which will be used by the Company towards the construction costs of the Browns Range Pilot Plant Project.

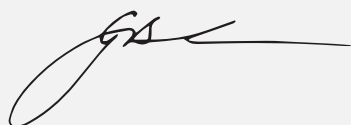
On 29 August 2017 10,000,000 ordinary shares were issued for collateral shares as per the financing agreement with Lind asset Management X, LLC announced on 14 June 2017.

On 30 August 2017, Northern Minerals announced that it had executed a two and a half year US\$30 million secured R&D Loan Facility with New York based financier Innovation Structured Finance Co., LLC, (ISF), a company associated with Brevet Capital Management. The Facility provides the Company with accelerated access to tax offsets that are applicable to Research and Development (R&D) activities being undertaken at the Browns Range Pilot Plant Project.

Under the Facility, ISF will provide up to 80% of the estimated tax offset, with the principal and accrued interest repayable out of actual tax offsets received at the end of the financial year. The Facility has a term of two and a half years, aligning with the timeline for the Browns Range Pilot Plant Project.

On 6 September 2017, 2,693,966 ordinary shares were issued for partial repayment of convertible security as per financing agreement with Lind Partners LLC announced on 14 June 2017.

Signed in accordance with a resolution of the directors.



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**George Bauk**  
**Director**  
**Perth**  
**29 September 2017**



# Financial Report

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017**

|  | Note  | 2017<br>\$          | 2016<br>\$         |
|--|-------|---------------------|--------------------|
| <b>Revenue from continuing operations</b>  |       |                     |                    |
| Interest   |       | 91,653              | 21,337             |
| Research and development rebate  | 5     | 2,672,971           | 1,769,004          |
| Other income   | 5     | 1,507,363           | 113,937            |
| <b>Total revenue</b>   |       | <b>4,271,987</b>    | <b>1,904,278</b>   |
| <b>Corporate expenses</b>  |       |                     |                    |
| Administration expenses  |       | 620,082             | 444,380            |
| Depreciation expense   | 10(a) | 127,957             | 322,522            |
| Share based payments expense   | 17    | 1,463,002           | 572,996            |
| Legal and professional expenses  |       | 2,187,018           | 806,029            |
| Occupancy expenses   |       | 374,868             | 412,628            |
| Employee benefits expense  |       | 2,759,248           | 1,670,037          |
| Other corporate expenditure  |       | 153,055             | 84,404             |
| <b>Total corporate expenses</b>  |       | <b>7,685,230</b>    | <b>4,312,998</b>   |
| <b>Exploration and evaluation expenditure</b>  |       |                     |                    |
| Exploration Costs  | 4     | 1,297,243           | 1,585,437          |
| Project Evaluation and Pre-Feasibility   | 4     | 5,980,882           | 2,034,959          |
| Mining expenditure   |       | 1,306,477           | -                  |
| <b>Total exploration and evaluation expenditure expenses</b>                           |       | <b>8,584,602</b>    | <b>3,620,396</b>   |
| <b>Total expenses</b>  |       | <b>16,269,832</b>   | <b>7,933,394</b>   |
| Operating loss   |       | (11,997,845)        | (6,029,116)        |
| Finance Costs  | 6     | 633,298             | 715,551            |
| <b>Loss before income tax</b>  |       | <b>(12,631,143)</b> | <b>(6,744,667)</b> |
| Income tax expense   | 7     | -                   | -                  |
| <b>Loss for the period</b>   |       | <b>(12,631,143)</b> | <b>(6,744,667)</b> |
| Other comprehensive income   |       | -                   | -                  |
| <b>Total comprehensive income for the period attributable to members of the entity</b> |       | <b>(12,631,143)</b> | <b>(6,744,667)</b> |
| <b>Loss per share attributable to ordinary equity holders of the company:</b>          |       |                     |                    |
| Basic and diluted loss per share (cents per share)                                     | 19    | (2.1)               | (1.4)              |

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

**CONSOLIDATE STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

|                                      | Note   | 2017<br>\$    | 2016<br>\$   |
|--------------------------------------|--------|---------------|--------------|
| <b>Current assets</b>                |        |               |              |
| Cash and cash equivalents            | 8 (a)  | 8,364,980     | 373,307      |
| Trade and other receivables          | 8 (b)  | 6,853,083     | 2,243,545    |
| Other financial assets               | 8 (c)  | 142,081       | 76,464       |
| Inventory                            | 10 (b) | 86,724        | 33,025       |
| <b>Total Current Assets</b>          |        | 15,446,868    | 2,726,341    |
| <b>Non-current assets</b>            |        |               |              |
| Other financial assets               | 8 (c)  | 88,678        | 471,898      |
| Property, plant and equipment        | 10 (a) | 12,411,221    | 164,130      |
| <b>Total Non-Current Assets</b>      |        | 12,499,899    | 636,028      |
| <b>Total assets</b>                  |        | 27,946,767    | 3,362,369    |
| <b>Current liabilities</b>           |        |               |              |
| Trade and other payables             | 8 (d)  | 4,135,253     | 1,203,350    |
| Provisions                           | 10 (c) | 301,681       | 126,692      |
| Interest bearing liabilities         | 8 (e)  | 4,163,797     | 2,604,401    |
| <b>Total Current Liabilities</b>     |        | 8,600,731     | 3,934,443    |
| <b>Non-current liabilities</b>       |        |               |              |
| Trade and other payables             | 8 (d)  | 270,141       | -            |
| Interest bearing liabilities         | 8 (e)  | -             | 14,715       |
| Other financial liabilities          | 8 (f)  | 82,217        | -            |
| Provisions                           | 10 (c) | 3,654,594     | 195,326      |
| <b>Total Non-Current Liabilities</b> |        | 4,006,952     | 210,041      |
| <b>Total liabilities</b>             |        | 12,607,683    | 4,144,484    |
| <b>Net assets /(liabilities)</b>     |        | 15,339,084    | (782,115)    |
| <b>Equity</b>                        |        |               |              |
| Issued Capital                       | 11 (a) | 110,995,064   | 86,234,622   |
| Reserves                             | 11 (g) | 11,523,662    | 7,531,762    |
| Accumulated losses                   |        | (107,179,642) | (94,548,499) |
| <b>Total equity</b>                  |        | 15,339,084    | (782,115)    |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS AT 30 JUNE 2017**

| Note   | ISSUED CAPITAL     | ACCUMULATED<br>LOSSES | SHARE BASED<br>PAYMENTS<br>RESERVE | PERFORMANCE<br>RIGHTS AND<br>OPTIONS<br>RESERVE | OTHER<br>RESERVES | TOTAL             |
|--|--------------------|-----------------------|------------------------------------|---|-------------------|-------------------|
|  | \$                 | \$                    | \$                                 | \$  | \$                | \$                |
| Consolidated Entity<br>Balance at 1 July 2015                | 79,186,034         | (87,803,832)          | 2,309,035                          | 4,464,731                                       | 176,351           | (1,667,681)       |
| Loss for the period  | -                  | (6,744,667)           | -                                  | -   | -                 | (6,744,667)       |
| Total comprehensive income for the financial year            | -                  | (6,744,667)           | -                                  | -   | -                 | (6,744,667)       |
| <b>Transactions with owners in their capacity as owners:</b> |                    |                       |                                    |   |                   |                   |
| 11(a) Shares issued net of transaction costs                 | 7,048,588          | -                     | -                                  | -   | -                 | 7,048,588         |
| 11(g) Shares/options issued                                  | -                  | -                     | 261,418                            | 496,578   | -                 | 757,996           |
| Convertible notes converted to equity                        | -                  | -                     | -                                  | -   | (176,351)         | (176,351)         |
| Balance at 30 June 2016                                      | 86,234,622         | (94,548,499)          | 2,570,453                          | 4,961,309                                       | -                 | (782,115)         |
| Balance at 1 July 2016                                       | 86,234,622         | (94,548,499)          | 2,570,453                          | 4,961,309                                       | -                 | (782,115)         |
| Loss for the financial year                                  | -                  | (12,631,143)          | -                                  | -   | -                 | (12,631,143)      |
| Total comprehensive income for the financial year            | -                  | (12,631,143)          | -                                  | -   | -                 | (12,631,143)      |
| <b>Transactions with owners in their capacity as owners:</b> |                    |                       |                                    |   |                   |                   |
| 11(a) Shares issued net of transaction costs                 | 24,760,442         | -                     | -                                  | -   | -                 | 24,760,442        |
| 11(g) Shares/options issued                                  | -                  | -                     | 1,776,829                          | 1,364,172                                       | -                 | 3,141,001         |
| Convertible notes issued                                     | -                  | -                     | -                                  | -   | 850,899           | 850,899           |
| <b>Balance at 30 June 2017</b>                               | <b>110,995,064</b> | <b>(107,179,642)</b>  | <b>4,347,282</b>                   | <b>6,325,481</b>                                | <b>850,899</b>    | <b>15,339,084</b> |

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**AS AT 30 JUNE 2017**

|   | NOTE  | 2017<br>\$          | 2016<br>\$         |
|---|-------|---------------------|--------------------|
| <b>Cash flows from operating activities</b>                       |       |                     |                    |
| Payments to suppliers and employees                               |       | (6,979,140)         | (8,612,519)        |
| Interest Received / (paid)  |       | (2,507)             | 25,801             |
| Other income received   |       | 2,005,960           | 5,099,351          |
| <b>Net cash (outflow) from operating activities</b>               | 12(a) | <u>(4,975,687)</u>  | <u>(3,487,367)</u> |
| <b>Cash flows from investing activities</b>                       |       |                     |                    |
| Payments for property, plant and equipment                        |       | (12,905,913)        | (4,556)            |
| Proceeds from the sale of tenements                               |       | 1,250,000           | -                  |
| Proceeds from disposal of financial assets                        |       | -                   | 161,233            |
| (Increase) / decrease in security deposits                        |       | 318,581             | 17,358             |
| <b>Net cash inflow / (outflow) from investing activities</b>      |       | <u>(11,337,332)</u> | <u>174,035</u>     |
| <b>Cash flows from financing activities</b>                       |       |                     |                    |
| Proceeds from issues of shares                                    |       | 21,626,000          | -                  |
| Proceeds from issue of convertible notes                          |       | 4,890,729           | -                  |
| Share issue costs   |       | (1,095,684)         | -                  |
| Proceeds from borrowings  |       | 246,623             | 5,311,571          |
| Repayment of borrowings   |       | (1,362,976)         | (3,566,758)        |
| <b>Net cash inflow / (outflow) from financing activities</b>      |       | <u>24,304,692</u>   | <u>1,744,813</u>   |
| <b>Net increase / (decrease) in cash and cash equivalents</b>     |       | 7,991,673           | (1,568,519)        |
| Cash and cash equivalents at beginning of the financial year      |       | 373,307             | 1,941,826          |
| <b>Cash and cash equivalents at the end of the financial year</b> | 8(a)  | <u>8,364,980</u>    | <u>373,307</u>     |

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 Northern Minerals Limited ("the Company") and its subsidiaries ("the Group") for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 29 September 2017.

### 1. Reporting Entity

Northern Minerals Limited is a company limited by shares incorporated and domiciled in Australia where shares are publicly traded on the Australian Securities Exchange (ASX), and the entity is a for profit entity.

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 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 2017. 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) Financial position and going concern

The Company has sufficient funds to repay debts as and when they fall due. The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the year of \$7.99 million (2016 - decrease of \$1.57 million). Analyses of the components of the changes are detailed in the consolidated statement of cash flows. \$1.36 million of debt was repaid during 2017 compared to \$3.56 million in 2016. As detailed in note 22, the Group secured additional funding subsequent to year-end. The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activity and realization of assets and the settlement of liabilities in the normal course of business.

#### 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. A list of significant 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 and Assumptions

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:

#### *Share based payment transactions*

The Company 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. The fair value is determined by an internal valuation using a Black Scholes option pricing model, using the assumptions 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.

#### *Convertible notes*

The fair value of convertible notes is determined at the end of each reporting date. The fair value is determined using a market interest rate. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders equity.

#### *Embedded derivatives*

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. The Company values the embedded derivative by reference to the fair value of the equity instruments at the date of the transaction. The fair value is determined by an internal valuation using a Black Scholes option pricing method, using the following assumptions:

Issue date: 30 June 2017  
Expiry Date: 31 December 2018  
Stock Price at issue date: \$0.11  
Risk free rate: 2.05%  
Volatility rate: 86%  
Value per share: \$0.035

The fair value of the convertible note portion is determined at the end of each reporting date. The fair value is determined using a market interest rate.

### 4. Exploration and evaluation expenditure

The Company's accounting policy for exploration expenditure is to expense as incurred in accordance with AASB 6 'Exploration for and Evaluation of Mineral Resources'. The Company has determined that expenditure in relation to the pilot plant can still be accounted for under AASB 6 given the main activity of the Company 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.

## 5. Revenue

The group derives the following types of revenue:

|  | <b>Consolidated</b> |                  |
|--|---------------------|------------------|
|  | <b>2017</b>         | <b>2016</b>      |
|  | <b>\$</b>           | <b>\$</b>        |
| Net gain / (loss) on financial instruments at fair value through profit and loss | -                   | 5,637            |
| Research and development rebate on eligible expenditure                          | 2,672,971           | 1,763,771        |
| Other  | 257,363             | 118,766          |
| Sale of tenements  | 1,250,000           | -                |
| <b>Total revenue from continuing operations</b>                                  | <b>4,180,334</b>    | <b>1,888,174</b> |

### Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

#### *Interest revenue*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### *Research and Development*

The Group accrues for research and development rebates as the qualifying expenditure is incurred.

## 6. Finance Costs

This note provides a breakdown of finance costs:

|  | <b>2017</b>    | <b>2016</b>    |
|--|----------------|----------------|
|  | <b>\$</b>      | <b>\$</b>      |
| Interest for financial liabilities                               | 512,898        | 524,752        |
| Amortisation of borrowing costs                                  | 120,400        | 190,799        |
| <b>Total finance costs</b>                                       | <b>633,298</b> | <b>715,551</b> |
| Included in other income:  |                |                |
| Foreign exchange losses / (gains) on foreign currency borrowings | 95,088         | -              |

## 7. Income Tax Expense

|   | 2017<br>\$   | 2016<br>\$  |
|---|--------------|-------------|
| <b>(a) Income tax expense</b>   |              |             |
| <i>Reconciliation of income tax expense to prima facie tax payable:</i> |              |             |
| Loss from continuing operations before income tax expense               | (12,631,143) | (6,744,667) |
| Tax calculated at 30% on loss before income tax                         | (3,473,565)  | (2,023,400) |
| Add tax effect of:  |              |             |
| Share based payments  | 454,301      | 171,899     |
| Non-deductible expenses   | 1,390,682    | 901,197     |
| Non-assessable income   | (735,067)    | (530,701)   |
| Other adjustments in respect of prior year differences                  | (225,225)    | -           |
| Unused tax losses and temporary differences not recognised              | 885,641      | 1,481,005   |
| Adjustments in respect of reduced corporate tax rate (27.5%)            | 1,703,233    | -           |
| Income tax expense / (benefit)  | -            | -           |
| <b>(b) Unrecognised deferred tax balances</b>                           |              |             |
| <b>The balance comprises temporary differences attributable to:</b>     |              |             |
| <i>Deferred tax assets</i>  |              |             |
| Unused tax losses   | 17,874,275   | 18,030,272  |
| Unused capital losses   | 175,661      | 191,630     |
| Deductible temporary differences  | 1,684,399    | 620,583     |
| Total unrecognised deferred tax assets                                  | 19,734,335   | 18,842,485  |
| <i>Deferred tax liabilities</i>   |              |             |
| Taxable temporary differences   | (32,241)     | (34,960)    |
| Total unrecognised deferred tax liabilities                             | (32,241)     | (34,960)    |
| Net unrecognised deferred tax balances                                  | 19,702,094   | 18,807,525  |

The corporate tax rate in Australia changed from 30% to 27.5% for small business entities with effect from 1 July 2016. The impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period.

The net deferred tax balances are not recognised since it is not probable 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. 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.

## 7. Income Tax Expense (continued)

- 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.

## 8. Financial Assets and Financial Liabilities

### (a) Cash and cash equivalents

|                          | 2017             | 2016           |
|--------------------------|------------------|----------------|
| Current                  | \$               | \$             |
| Cash at bank and on hand | 8,364,980        | 373,307        |
|                          | <u>8,364,980</u> | <u>373,307</u> |

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

|  | 2017             | 2016             |
|--|------------------|------------------|
| Current                                    | \$               | \$               |
| GST receivable                             | 153,190          | 17,956           |
| Prepayments                                | 4,011,748        | 460,688          |
| Other receivables                          | 15,174           | 1,130            |
| Research and development rebate receivable | 2,672,971        | 1,763,771        |
|  | <u>6,853,083</u> | <u>2,243,545</u> |

Other receivables are amounts that generally arise from transactions outside the usual operating activities of the group. Receivables are classified as loans and receivables and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for doubtful debts is recognised in the income statement when there is objective evidence of non- collectability.

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Gains or losses are recognised in profit or loss when the receivables are derecognised or impaired, as well as through the amortisation process.

## 8. Financial Assets and Financial Liabilities (continued)

Prepayments includes the following share based payments:

|  | 2017             | 2016           |
|--|------------------|----------------|
|  | \$               | \$             |
| Lind options issued in the year (refer note 8(e))            | 922,500          | -              |
| Lind collateral shares issued in the year (refer note 8 (e)) | 1,375,000        | -              |
| Shares to be issued (refer below)                            | 1,540,000        | -              |
| Options to be issued for consultancy work                    | 189,000          | -              |
| Lind collateral shares issued                                | -                | 330,000        |
| Lind options issued  | -                | 102,435        |
|  | <u>4,026,500</u> | <u>432,435</u> |

During 2017, a sales agreement with Lianyugang Zeyu New Materials Sales Co Ltd (JFMAG) was entered into. Following execution of the sales agreement Northern Minerals were to issue 14 million ordinary shares to JFMAG or its nominated beneficiary. As at 30 June 2017 these shares had yet to be issued after obtaining shareholder approval on 27 June 2017.

### (i) 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. 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

|  | 2017           | 2016           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>Current</b>                                 |                |                |
| Deposits held on trust                         | <u>142,081</u> | <u>76,464</u>  |
| <b>Non-Current</b>                             |                |                |
| Security deposits – rent and performance bonds | <u>88,678</u>  | <u>471,898</u> |

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

### (i) Fair values of other financial assets

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. 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) Trade and other payables

|  | 2017             | 2016             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Current</b>                                 |                  |                  |
| Trade and other payables                       | <u>4,135,253</u> | <u>1,203,350</u> |
| <b>Non-Current</b>                             |                  |                  |
| Trade and other payables (Refer to note 8 (f)) | <u>270,141</u>   | <u>-</u>         |

## 8. Financial Assets and Financial Liabilities (continued)

Trade and other payables are classified as loans and are carried at amortised cost, are non-interest bearing and represent liabilities for goods and services provided to the Group prior to the end of the financial period that 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 and are included in current liabilities, except for those 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 9. 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(g).

### (e) Interest Bearing Liabilities

|                             | Interest Rate | 2017<br>\$       | 2016<br>\$       |
|-----------------------------|---------------|------------------|------------------|
| <b>Current</b>              |               |                  |                  |
| Convertible note (Secured)  | 10% / 18.75%  | 4,149,082        | 1,489,686        |
| Equipment finance (Secured) | 6.99%         | 14,715           | 14,715           |
| R & D loan facility         | 12.50%        | -                | 1,100,000        |
|                             |               | <u>4,163,797</u> | <u>2,604,401</u> |
| <b>Non-Current</b>          |               |                  |                  |
| Equipment finance (Secured) | 6.99%         | -                | 14,715           |
|                             |               | <u>-</u>         | <u>14,715</u>    |

Borrowings are classified as loans and are initially recognised at fair value net of directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement 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. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Convertible notes issued by the Group can be converted to ordinary shares at the option of the holder on or before the expiry date. The liability component of the convertible note is recognised initially at the fair value of a similar liability that does not have a conversion option. Subsequent to initial recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method. Interest relating to the financial liability is recognised in the income statement as a non-cash item. The conversion option is recognised initially as the difference between the consideration and the value of the liability component. The convertible option is classified as equity.

Finance 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 (continued)

### *Convertible Note – Lind Partners LLC*

#### *2017*

On 14 June 2017, the Company executed an agreement with an entity managed by The Lind Partners, (the Investor) for a funding agreement of up to \$16 million with an initial amount of \$6 million to be funded immediately. As at the reporting date \$5 million had been received.

The funding will be provided as second ranking convertible securities with a 30 month term. The funding agreement allows for two \$6 million tranches and two \$1 million tranches and a further two \$1 million tranches based on specific events. Further information is included in note 9(c).

The funding agreement includes provisions for the conversion into ordinary shares, repayment in cash (at the investors sole option) or early repayment at the Company's sole option.

On each date specified by the Investor in its sole discretion, the Investor may provide the Company no less than one business days prior notice requiring the Company to effect a conversion of each convertible security at any time during the term. The number of conversion shares that the Company must issue shall be determined by dividing the relevant conversion amount by the conversion price. Conversion price in respect of convertible securities is 92.5% of the average of three consecutive daily VWAPs per share as chosen by the Investor during the last twenty trading days on which trading in the Company's shares occurred on the ASX, immediately prior to the execution date.

The Investor will have the option to convert the cumulative face value of each convertible security advanced under this agreement in separate monthly conversions equal to 1/24<sup>th</sup> of the original face value of the applicable security. On any day during the term, but a frequency of no more than once a month for each convertible security, the Investor may provide the Company a written notice, no less than two business days, requiring the Company to effect a repayment of the repayment conversion amount.

In its sole discretion and provided there has been no Event of Default, the Company may buy-back the outstanding balance of a Convertible Security at any time during the term, subject to paying the amount outstanding and Lind would have the right to convert up to 30% of the buy-back amount.

As a facilitation fee, the Company issued the Lind Partners 22.5 million options with a term of 36 months and an exercise price of \$0.25. The Company also issued 12,500,000 collateral shares to the investor as part of the agreement. Refer to note 8(b).

The facility is secured over all of the Company's assets and undertakings (and its subsidiaries), excluding the Sinosteel Secured Assets.

#### *2016*

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 was payable over 11 months, the first payment being US\$1.5 million, followed by 10 monthly payments of US\$80,000 up to US\$250,000. The financing was repayable over an 18 month period from the date of drawdown, to be made on a monthly basis, 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 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.

## 8. Financial Assets and Financial Liabilities (continued)

### *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 drawn down via a facility offset against the Company's 2015/2016 Research and Development (R & D) rebate. This facility was extinguished when the R & D rebate was received in October 2016.

### *Assets pledged as security*

The carrying amounts of assets pledged as security for current and non-current borrowings are \$20,862,925.

#### (f) Other financial liabilities

| Derivatives not designated as hedging instruments | 2017<br>\$ | 2016<br>\$ |
|---|------------|------------|
| <b>Non- Current</b>                               |            |            |
| Embedded derivatives                              | 82,217     | -          |

Derivatives are classified as fair value through profit and loss and are carried at fair value.

In 2017, the group entered into an EPC contract with Sinosteel MECC in Beijing. Under the contract, Sinosteel MECC has agreed to defer payments representing 20% of the contract value for a period of 12 months. Alternatively, Sinosteel MECC has the right, at its election, within nine months of practical completion, to convert the deferred payment amount into ordinary Northern Minerals shares at a conversion price of the lowers of 15 cents per share or the 20 day VWAP prior to election. The conversion option has to be treated as an embedded derivative.

The embedded derivative portion is classified as other liabilities with the initial fair value of the host liability component classified as a non-current trade payable in note 8 (d).

#### (g) Accounting classification and fair value

##### **Financial assets**

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale assets.

All financial assets are initially recognised at the fair value of consideration paid. Subsequently, financial assets are carried at fair value or amortised cost less impairment. Where non-derivative financial assets are carried at fair value, gains and losses on re-measurement are recognised directly in equity unless the financial assets have been designated as being held at fair value through profit or loss, in which case the gains and losses are recognised directly in the consolidated income statement.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de- recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement: and either (a) the Group has transferred substantially all the risks and
- rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## 8. Financial Assets and Financial Liabilities (continued)

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty, default or delinquency in interest or principal repayments or other observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### 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.

### Measurement

The following method and assumptions are used to estimate the fair values:

Fair values of the Group's interest-bearing borrowings and loans are determined by using discounted cash flow models that use discount rates to reflect the issuer's borrowing rate as at the end of 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: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

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

All financial instruments measured at fair value use Level 2 valuation techniques in both years.

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

## 9. Financial Risk Management

The Group's principal financial liabilities, comprise of 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

## 9. Financial Risk Management (continued)

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 in a currency that is not the entity's functional currency. The group does not hedge its currency risk which is mainly an exposure to US Dollar expenditure and assets/liabilities.

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

During the year, the Company has entered into a contract to construct plant and equipment, which is denominated in USD. As such, the Company is exposed to changes in the USD/AUD exchange rates. See note 15(iii).

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

|                                    | 2017<br>\$   | 2016<br>\$         |
|------------------------------------|--------------|--------------------|
| Cash and cash equivalents - USD    | 3,820        | 306,006            |
| Interest bearing liabilities - USD | -            | (1,489,686)        |
|                                    | <u>3,820</u> | <u>(1,183,680)</u> |

The impact of a material movement of +/- 5% in the underlying exchange rate will not have a material impact on revenue and therefore shareholder equity.

#### *Amounts recognised in the income statement*

During the year the following foreign-exchange related amounts were recognised in the income statement:

|   | 2017<br>\$    | 2016<br>\$   |
|---|---------------|--------------|
| Net foreign exchange gain / (loss) included in other income | 93,909        | 5,636        |
| Foreign exchange gain / loss in administration expenses     | (22,110)      | (14,762)     |
| Net foreign exchange gain / (loss)                          | <u>71,799</u> | <u>9,126</u> |

## 9. Financial Risk Management (continued)

### 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 of financial assets and financial liabilities is set out below:

|                              | Weighted<br>average interest<br>rate | Floating Interest<br>Rate | Fixed Interest | Non-Interest<br>Bearing | Total      |
|------------------------------|--------------------------------------|---------------------------|----------------|-------------------------|------------|
|                              | %                                    | \$                        | \$             | \$                      | \$         |
| <b>30 June 2017</b>          |                                      |                           |                |                         |            |
| <b>Financial Assets</b>      |                                      |                           |                |                         |            |
| Cash and cash equivalents    | 0.19%                                | 3,471,406                 | -              | 4,893,574               | 8,364,980  |
| Trade and other receivables  |                                      | -                         | -              | 2,841,334               | 2,841,334  |
| Other financial assets       | 1.20%                                | -                         | 230,759        | -                       | 230,759    |
| Total financial assets       |                                      | 3,471,406                 | 230,759        | 7,734,908               | 11,437,073 |
| <b>Financial Liabilities</b> |                                      |                           |                |                         |            |
| Trade and other payables     | -                                    | -                         | -              | 3,951,283               | 3,951,283  |
| Interest bearing liabilities | 9.99%                                | -                         | 4,163,797      | -                       | 4,163,797  |
| Total financial liabilities  |                                      | -                         | 4,163,797      | 3,951,283               | 8,115,080  |

|                              | Weighted<br>average interest<br>rate | Floating Interest<br>Rate | Fixed Interest | Non-Interest<br>Bearing | Total     |
|------------------------------|--------------------------------------|---------------------------|----------------|-------------------------|-----------|
|                              | %                                    | \$                        | \$             | \$                      | \$        |
| <b>30 June 2016</b>          |                                      |                           |                |                         |           |
| <b>Financial Assets</b>      |                                      |                           |                |                         |           |
| Cash and cash equivalents    | 0.03%                                | 15,526                    | -              | 357,781                 | 373,307   |
| Trade and other receivables  | -                                    | -                         | -              | 2,243,545               | 2,243,545 |
| Other financial assets       | 2.59%                                | -                         | 548,362        | -                       | 548,362   |
| Total financial assets       |                                      | 15,526                    | 548,362        | 2,601,326               | 3,165,214 |
| <b>Financial Liabilities</b> |                                      |                           |                |                         |           |
| Trade and other payables     | -                                    | -                         | -              | 1,203,349               | 1,203,349 |
| Interest bearing liabilities | 5.99%                                | -                         | 2,619,116      | -                       | 2,619,116 |
| Total financial liabilities  |                                      | -                         | 2,619,116      | 1,203,349               | 3,822,465 |

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 +/- 1% in the underlying cash rate will not have a material impact on revenue and therefore shareholder equity. The 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 which have been relatively stable.

### 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

## 9. Financial Risk Management (continued)

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.

### 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:

- currently has short term funding in place (refer note 8). 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 access to the following undrawn borrowing facilities at the end of the reporting period, subject to the conditions outlined below:

| Fixed rate                 | 2017<br>\$        | 2016<br>\$       |
|----------------------------|-------------------|------------------|
| - Expiring within one year | -                 | 2,760,571        |
| - Expiring beyond one year | 11,000,000        | -                |
|                            | <u>11,000,000</u> | <u>2,760,571</u> |

2017

Details of the Lind facility are included in Note 8 (e). The maximum amounts available are set out below and are dependent upon the following conditions:

*First convertible security* - \$6 million— as at the end of the reporting period an amount of \$5 million had been drawn down and a further \$1 million was drawn down in July 2017.

*Second convertible security* - \$1 million available for drawdown during the term applicable to the first convertible security.

*Third convertible security* – \$1 million available -available prior to the end of the term of the first convertible security if the amount outstanding on the first convertible security has been reduced by an amount equal to or greater than \$1.5 million through conversions or repayment conversions, there is no event of default and the Company's market capitalisation is greater than AUD \$55 million

*Fourth convertible security* –30 days after the conversion or repayment conversion of 80% of the face value of the first convertible security, a further \$6 million is available., or if the receiving party does not agree to the fourth convertible security notified amount, such amount as agreed in writing by the parties up to \$6 million.

*Fifth convertible security* - \$1 million available for drawdown during the term applicable to the fourth convertible security.

## 9. Financial Risk Management (continued)

*Sixth convertible security* - \$1 million available for drawdown during the term applicable to the fourth convertible security if the amount outstanding on the fourth convertible security has been reduced by an amount equal or greater than 25% of the face value of the fourth convertible security through conversions.

2016

Undrawn facility is amount available under the previous Lind facility as disclosed in Note 8 (e). The facility was US\$4 million with an amount used as at 30 June 2016 of US\$2.050 million

### *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  |
|---|--------------------|------------------|-----------------------|-------------------|------------------------------|------------------|
|   | \$                 | \$               | \$                    | \$                |                              | \$               |
| <b>As at 30 June 2017</b>                               |                    |                  |                       |                   |                              |                  |
| <b><i>Non-derivatives</i></b>                           |                    |                  |                       |                   |                              |                  |
| Trade payables  | 3,598,924          | -                | -                     | 352,358           | 3,951,282                    | 3,951,282        |
| Interest bearing liabilities (excluding finance leases) | 1,562,500          | 1,562,500        | 3,125,000             | -                 | 6,250,000                    | 4,149,082        |
| Finance leases  | 8,178              | 8,178            | -                     | -                 | 16,356                       | 14,715           |
| <b>Total non-derivatives</b>                            | <b>5,169,602</b>   | <b>1,570,678</b> | <b>3,125,000</b>      | <b>352,358</b>    | <b>10,217,638</b>            | <b>8,115,079</b> |
| <b><i>Derivatives</i></b>                               |                    |                  |                       |                   |                              |                  |
| Other financial liabilities                             | -                  | -                | -                     | 82,217            | 82,217                       | 82,217           |
| <b>Total derivatives</b>                                | <b>-</b>           | <b>-</b>         | <b>-</b>              | <b>82,217</b>     | <b>82,217</b>                | <b>82,217</b>    |
| <b>As at 30 June 2016</b>                               |                    |                  |                       |                   |                              |                  |
| <b><i>Non-derivatives</i></b>                           |                    |                  |                       |                   |                              |                  |
| Trade payables  | 1,203,050          | -                | -                     | -                 | 1,203,050                    | 1,203,050        |
| Interest bearing liabilities (excluding finance leases) | 1,156,739          | 2,266,816        | 1,056,779             | -                 | 4,480,334                    | 2,589,686        |
| Finance leases  | 8,178              | 8,178            | 16,356                | -                 | 32,172                       | 29,430           |
| <b>Total non-derivatives</b>                            | <b>2,367,967</b>   | <b>2,274,994</b> | <b>1,073,135</b>      | <b>-</b>          | <b>5,716,096</b>             | <b>3,822,166</b> |

# 10. Non-financial Assets and Liabilities

## (a) Property, plant and equipment

| Non-Current                                    | Pilot Plant in<br>Construction | Office<br>equipment | Fixtures<br>and Fittings | Exploration<br>equipment | Vehicles       | Leasehold<br>Improvements | Total             |
|--|--------------------------------|---------------------|--------------------------|--------------------------|----------------|---------------------------|-------------------|
| 2017   | \$                             | \$                  | \$                       | \$                       | \$             | \$                        | \$                |
| <b>Cost</b>                                    |                                |                     |                          |                          |                |                           |                   |
| At beginning of the financial year             | 0                              | 437,939             | 118,275                  | 957,668                  | 447,492        | 511,296                   | 2,472,670         |
| Additions                                      | 12,322,011                     | 44,815              | 2,784                    | 2,536                    | 0              | 2,902                     | 12,375,048        |
| Disposals                                      | 0                              | 0                   | 0                        | 0                        | 0              | 0                         | 0                 |
| <b>At the end of the financial year</b>        | <b>12,322,011</b>              | <b>482,754</b>      | <b>121,059</b>           | <b>960,204</b>           | <b>447,492</b> | <b>514,198</b>            | <b>14,847,718</b> |
| <b>Accumulated Depreciation</b>                |                                |                     |                          |                          |                |                           |                   |
| At the beginning of the financial year         | 0                              | 363,609             | 107,486                  | 934,495                  | 402,864        | 500,086                   | 2,308,540         |
| Depreciation charge for the year               | 0                              | 54,212              | 9,662                    | 22,421                   | 30,495         | 11,167                    | 127,957           |
| Disposals                                      | 0                              | 0                   | 0                        | 0                        | 0              | 0                         | 0                 |
| <b>At the end of the financial year</b>        | <b>0</b>                       | <b>417,821</b>      | <b>117,148</b>           | <b>956,916</b>           | <b>433,359</b> | <b>511,253</b>            | <b>2,436,497</b>  |
| <b>Carrying amount at end of the year</b>      | <b>12,322,011</b>              | <b>64,933</b>       | <b>3,911</b>             | <b>3,288</b>             | <b>14,133</b>  | <b>2,945</b>              | <b>12,411,221</b> |
| <b>2016</b>                                    |                                |                     |                          |                          |                |                           |                   |
| <b>Cost</b>                                    |                                |                     |                          |                          |                |                           |                   |
| At beginning of the financial year             | 0                              | 434,477             | 118,275                  | 956,575                  | 447,492        | 511,296                   | 2,468,115         |
| Additions                                      | 0                              | 3,462               | 0                        | 1,093                    | 0              | 0                         | 4,555             |
| Disposals                                      | 0                              | 0                   | 0                        | 0                        | 0              | 0                         | 0                 |
| <b>At the end of the financial year</b>        | <b>0</b>                       | <b>437,939</b>      | <b>118,275</b>           | <b>957,668</b>           | <b>447,492</b> | <b>511,296</b>            | <b>2,472,670</b>  |
| <b>Accumulated Depreciation</b>                |                                |                     |                          |                          |                |                           |                   |
| Accumulated depreciation at beginning of year  | 0                              | 279,260             | 78,065                   | 861,065                  | 341,193        | 426,435                   | 1,986,018         |
| Depreciation charge for the year               | 0                              | 84,349              | 29,421                   | 73,430                   | 61,671         | 73,651                    | 322,522           |
| Disposals                                      | 0                              | 0                   | 0                        | 0                        | 0              | 0                         | 0                 |
| <b>Accumulated depreciation at end of year</b> | <b>0</b>                       | <b>363,609</b>      | <b>107,486</b>           | <b>934,495</b>           | <b>402,864</b> | <b>500,086</b>            | <b>2,308,540</b>  |
| <b>Carrying amount at end of the year</b>      | <b>0</b>                       | <b>74,330</b>       | <b>10,789</b>            | <b>23,173</b>            | <b>44,628</b>  | <b>11,210</b>             | <b>164,130</b>    |

## 10. Non-financial Assets and Liabilities (continued)

### (a) Property, plant and equipment (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 income statement 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 income statement 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

Office equipment – 3 years

Fixtures and fittings – 4 years

Exploration equipment – 3 years

Vehicles – 4 years

Leasehold improvements – 3-10 years

#### ***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 (e) for information on non-current assets pledged as security by the group.

**10. Non-financial Assets and Liabilities (continued)****(b) Inventory**

|                | <b>2017</b> | <b>2016</b> |
|----------------|-------------|-------------|
|                | <b>\$</b>   | <b>\$</b>   |
| <b>Current</b> |             |             |
| Diesel Fuel    | 86,724      | 33,025      |

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

**(c) Provisions**

|                    |                  |                |
|--------------------|------------------|----------------|
| <b>Current</b>     |                  |                |
| Employee benefits  | 301,681          | 126,692        |
| <b>Non-Current</b> |                  |                |
| Employee benefits  | 123,637          | 106,413        |
| Rehabilitation     | 3,530,957        | 88,913         |
|                    | <u>3,654,594</u> | <u>195,326</u> |

**(i) Movements in provisions**

|                                  | <b>Employee<br/>benefits</b> | <b>Rehabilitation</b> | <b>Total</b>     |
|----------------------------------|------------------------------|-----------------------|------------------|
|                                  | <b>\$</b>                    | <b>\$</b>             | <b>\$</b>        |
| <b>2017</b>                      |                              |                       |                  |
| Balance at the beginning of year | 233,105                      | 88,913                | 322,018          |
| Amounts expensed for the year    | 356,226                      | 2,911,178             | 3,217,404        |
| Utilisation                      | (164,013)                    | -                     | (164,013)        |
| Amounts capitalised              | -                            | 530,866               | 530,866          |
| Balance at the end of year       | <u>425,318</u>               | <u>3,530,957</u>      | <u>3,906,275</u> |

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

**10. Non-financial Assets and Liabilities (continued)**

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 unwinds 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 income statement. 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

|  | 2017        |             | 2016        |            |
|--|-------------|-------------|-------------|------------|
|  | Number      | \$          | Number      | \$         |
| <b>(a) Ordinary Shares</b>                           |             |             |             |            |
| <b>Share Capital</b>                                 |             |             |             |            |
| Ordinary Shares                                      | 708,893,807 | 110,995,064 | 498,159,294 | 86,234,621 |
| <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  |
| Convertible Security repayment – Dec 2015            | -           | -           | 2,342,030   | 210,783    |
| Convertible Security repayment – Jan 2016            | -           | -           | 2,986,350   | 220,990    |
| 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      |
| Convertible Security repayment – Apr 2016            | -           | -           | 2,372,800   | 130,504    |
| Argonaut – payment of fees – Apr 2016                | -           | -           | 165,071     | 10,000     |
| Convertible Security repayment – May 2016            | -           | -           | 6,434,722   | 373,214    |
| Argonaut – payment of fees – May 2016                | -           | -           | 203,382     | 15,010     |
| Convertible Security repayment – Jun 2016            | -           | -           | 2,023,615   | 135,573    |
| Argonaut – payment of fees – Jun 2016                | -           | -           | 206,327     | 15,000     |
| Argonaut – payment of fees – Jul 2016                | 71,043      | 5,000       | -           | -          |
| Issue of shares for market advisory – Jul 2016       | 500,000     | 37,000      | -           | -          |
| Convertible Security repayment – Jul 2016            | 2,955,877   | 201,000     | -           | -          |
| Issue of share – Huatai Mining – Aug 2016            | 2,000,000   | 200,000     | -           | -          |
| Issue of share – Huatai Mining – Aug 2016            | 28,000,000  | 2,800,000   | -           | -          |
| Convertible Security repayment – Aug 2016            | 4,147,965   | 261,322     | -           | -          |
| Convertible Security repayment – Sep 2016            | 3,062,023   | 232,714     | -           | -          |
| Issue of securities to employees – Aug 2016          | 300,000     | 28,500      | -           | -          |
| Issue of share – Huatai Mining – Nov 2016            | 66,666,667  | 9,000,000   | -           | -          |
| Convertible Security repayment – Nov 2016            | 1,784,585   | 198,088     | -           | -          |
| Convertible Security repayment – Dec 2016            | 1,819,662   | 202,934     | -           | -          |
| Issue of securities – Bin Cai – Dec 2016             | 3,000,000   | 345,000     | -           | -          |
| Lind collateral shares issued – Dec 2016             | -           | (204,000)   | -           | -          |
| Payment of fees in lieu of cash – Dec 2016           | -           | 167,000     | -           | -          |
| Issue of share – Huatai Mining – Jan 2017            | 11,111,111  | 1,500,000   | -           | -          |
| Issue of share – Huatai Mining – Jan 2017            | 29,629,630  | 4,000,000   | -           | -          |
| Convertible Security repayment – Jan 2017            | 1,997,059   | 203,700     | -           | -          |
| Issue of share – Huatai Mining – Jan 2017            | 14,814,815  | 2,000,000   | -           | -          |
| Convertible Security repayment – Jan 2017            | 3,949,684   | 402,868     | -           | -          |
| Issue of securities – placement – Mar 2017           | 7,407,407   | 1,000,000   | -           | -          |
| Issue of securities – placement – Mar 2017           | 7,407,407   | 1,000,000   | -           | -          |
| Issue of securities to Jaru Trust – May 2017         | 5,000,000   | 600,000     | -           | -          |
| Collateral shares issued to Lind Partners – Jun 2017 | 12,500,000  | 1,375,000   | -           | -          |
| Argonaut – payment of fees – Jun 2017                | 2,609,578   | 300,000     | -           | -          |
|  | 708,893,807 | 112,090,748 | 498,159,294 | 86,234,622 |
| Less: costs of issue                                 | -           | (1,095,684) | -           | -          |
| Balance at the end of year                           | 708,893,807 | 110,995,064 | 498,159,294 | 86,234,622 |

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.

### (i) Ordinary shares

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.

**11. Equity (continued)**

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:

|  | <b>2017<br/>Number</b> | <b>2016<br/>Number</b> |
|--|------------------------|------------------------|
| Balance at beginning of year               | 13,928,400             | 13,298,400             |
| Shares reverted to company during the year | (5,500,000)            | -                      |
| Balance at end of year                     | <u>8,428,400</u>       | <u>13,928,400</u>      |

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

|   | <b>2017<br/>Number</b> | <b>2016<br/>Number</b> |
|---|------------------------|------------------------|
| <i>Exercise price of between \$0.19 and \$0.372 expiring between 26/09/14 and 30/09/16 (Unquoted)</i> |                        |                        |
| Balance at beginning of year  | 650,000                | 1,300,000              |
| Issued during the year  | -                      | -                      |
| Forfeited/lapsed during the year  | (650,000)              | (650,000)              |
| Exercised during the year   | -                      | -                      |
| Balance at end of year  | <u>-</u>               | <u>650,000</u>         |

|   |                  |                   |
|---|------------------|-------------------|
| <i>Performance rights with conditions* with Nil exercise price expiring between 30/6/17 and 31/12/17 (Unquoted)</i> |                  |                   |
| Balance at beginning of year  | 11,400,000       | 11,400,000        |
| Issued during the year  | -                | -                 |
| Forfeited/lapsed during the year  | (6,900,000)      | -                 |
| Exercised during the year   | -                | -                 |
| Balance at end of year  | <u>4,500,000</u> | <u>11,400,000</u> |

|  |                   |          |
|--|-------------------|----------|
| <i>Performance rights with conditions** with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)</i> |                   |          |
| Balance at beginning of year   | -                 | -        |
| Issued during the year   | 27,500,000        | -        |
| Forfeited/lapsed during the year   | (5,000,000)       | -        |
| Exercised during the year  | -                 | -        |
| Balance at end of year   | <u>22,500,000</u> | <u>-</u> |

|   |                  |          |
|---|------------------|----------|
| <i>Performance rights with conditions*** with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)</i> |                  |          |
| Balance at beginning of year  | -                | -        |
| Issued during the year  | 2,500,000        | -        |
| Forfeited/lapsed during the year  | -                | -        |
| Exercised during the year   | -                | -        |
| Balance at end of year  | <u>2,500,000</u> | <u>-</u> |

**\* Performance conditions**

- 9,000,000 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  
- 4,500,000 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.

## 11. Equity (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.

### \*\*\* Performance conditions

-500,000 shares will vest and be exercisable upon the Company taking the first delivery of equipment and material from Sinosteel arriving at an Australian Port under the Company's EPC contract with Sinosteel for the construction of the Browns Range Pilot Plant;

-500,000 will vest and be exercisable upon practical completion being achieved under a contract for the construction of the Browns Range Pilot Plant;

- 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;

- 1,000,000 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

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<br>30 June 2017 | Share options<br>30 June 2016 |
|---|-----------------|----------------|-------------------------------|-------------------------------|
| 12 June 2014  | 12 June 2020    | \$0.25         | 1,921,870                     | 1,921,870                     |
| 12 June 2014  | 12 June 2020    | \$0.25         | 10,890,600                    | 10,890,600                    |
| 2 November 2015   | 6 November 2018 | \$0.25         | 2,500,000                     | 2,500,000                     |
| 14 June 2017  | 20 June 2020    | \$0.25         | 22,500,000                    | -                             |
| <b>Total</b>  |                 |                | <b>37,812,470</b>             | <b>15,312,470</b>             |
| Weighted average remaining contractual life of options outstanding at end of period |                 |                | 2.86 years                    | 3.69 years                    |

No options expired during the periods 2017 and 2016.

### (e) Capital management

When managing capital, the Boards 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 favorable 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.

**11. Equity (continued)****(g) Other reserves**

|  | <b>2017</b>       | <b>2016</b>      |
|--|-------------------|------------------|
|  | <b>\$</b>         | <b>\$</b>        |
| Reserves   | <u>11,523,662</u> | <u>7,531,762</u> |
| Reserves comprise the following:                 |                   |                  |
| <i>Performance Rights and options reserve</i>    |                   |                  |
| Balance at the beginning of year                 | 4,961,309         | 4,464,731        |
| Vesting charge on performance rights and options | <u>1,364,172</u>  | <u>496,578</u>   |
| Balance at the end of year                       | <u>6,325,481</u>  | <u>4,961,309</u> |
| <i>Share based payment reserve</i>               |                   |                  |
| Balance at the beginning year                    | 2,570,453         | 2,309,035        |
| Share plan allocation                            | 47,829            | 261,418          |
| Other share based payments                       | <u>1,729,000</u>  | <u>-</u>         |
| Balance at the end of year                       | <u>4,347,282</u>  | <u>2,570,453</u> |
| <i>Convertible note reserve</i>                  |                   |                  |
| Balance at the beginning year                    | -                 | 176,351          |
| Issued during the year / (converted in year)     | <u>850,899</u>    | <u>(176,351)</u> |
| Balance at the end of year                       | <u>850,899</u>    | <u>-</u>         |
| Total Reserves                                   | <u>11,523,662</u> | <u>7,531,762</u> |

**(i) 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 convertible note reserve covers the equity component of the issued convertible notes. The liability component is reflected in financial liabilities.

**12. Cash Flow Information**

|  | <b>2017</b>        | <b>2016</b>        |
|--|--------------------|--------------------|
|  | <b>\$</b>          | <b>\$</b>          |
| <b>(a) Reconciliation of loss after income tax to net cash outflow from operating activities</b> |                    |                    |
| Net Loss after tax   | (12,631,143)       | (6,744,667)        |
| <i>Adjustments</i>   |                    |                    |
| Depreciation expense   | 127,957            | 322,522            |
| Net gain in sale of financial assets at fair value through profit and loss                       | -                  | (5,233)            |
| Non cash payments for Lind financing   | (418,391)          | 286,568            |
| Unrealised foreign exchange  | 22,110             | -                  |
| Share-based payments – (refer note 17)   | 5,668,502          | 572,996            |
| Discount to convertible note   | -                  | 214,033            |
| Embedded derivative  | 82,217             | -                  |
| <i>Change in assets and liabilities</i>  |                    |                    |
| (Increase)/decrease in other receivables   | (4,609,538)        | 2,806,207          |
| (Increase)/decrease in inventory   | (53,698)           | 41,053             |
| Increase/(Decrease) in trade and other payables  | 3,202,040          | (592,665)          |
| Increase/(decrease) in provisions  | 3,634,257          | (388,181)          |
| Net cash flows used in operating activities  | <u>(4,975,687)</u> | <u>(3,487,367)</u> |
| <br><b>(b) Non-cash investing and financing activities</b>                                       |                    |                    |
| Conversion of debt to equity (refer note 17)   | <u>1,702,628</u>   | <u>6,658,578</u>   |

The above reflects the Lind facility where repayments have been made via the issue of ordinary shares.

**13. Subsidiaries**

The following are wholly owned subsidiaries of the Company:

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.

**14. Contingent Liabilities (continued)****Guarantees**

The Group has guarantees in the form of security deposits for rent & performance bonds of \$88,678 (2016: \$471,898).

**15. Commitments****(i) Operating Lease Commitments**

|  | <b>2017</b>    | <b>2016</b>    |
|--|----------------|----------------|
|  | <b>\$</b>      | <b>\$</b>      |
| Commitments for minimum lease payments are:  |                |                |
| Within one year                              | 239,267        | 370,877        |
| Later than one year but less than five years | 483,573        | -              |
| Later than five years                        | -              | -              |
|  | <u>722,840</u> | <u>370,877</u> |

The Company leases offices in West Perth, Western Australia, under a non-cancellable operating lease expiring 31 March 2020.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

**(ii) 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>2017</b>    | <b>2016</b>      |
|------------------------------|----------------|------------------|
|                              | <b>\$</b>      | <b>\$</b>        |
| <b>Exploration Tenements</b> |                |                  |
| Within one year              | <u>981,400</u> | <u>2,025,410</u> |

**(iii) Capital Commitments**

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

|                               | <b>2017</b>       | <b>2016</b> |
|-------------------------------|-------------------|-------------|
|                               | <b>\$</b>         | <b>\$</b>   |
| Property, plant and equipment | <u>15,524,574</u> | <u>-</u>    |

As disclosed in note 9 (a), this capital commitment is exposed to the USD/AUD exchange rate. The actual amounts recognised under these commitments may vary depending on the movements in the exchange rate.

## 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:

|                              | 2017<br>\$       | 2016<br>\$       |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 2,406,627        | 1,158,782        |
| Post-employment benefits     | 95,973           | 77,406           |
| Other long-term benefits     | 12,995           | (36,260)         |
| Share-based payments         | 1,198,155        | 459,907          |
| <b>Total compensation</b>    | <b>3,713,750</b> | <b>1,659,835</b> |

Detailed remuneration disclosures are provided in the remuneration report.

### (b) Transactions with other related parties

Northern Minerals have entered into agreements with companies associated with Non-executive Director Adrian Griffin 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.

|               |         |   |
|---------------|---------|---|
| Rental Income | 109,555 | - |
|---------------|---------|---|

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

|                     |        |   |
|---------------------|--------|---|
| Current receivables | 15,173 | - |
|---------------------|--------|---|

## 17. Share Based Payments

|  |                  |                  |
|--|------------------|------------------|
| Total expenses arising from share-based payment transactions recognised during the period: | 2017<br>\$       | 2016<br>\$       |
| Performance rights and options – refer to (i) and (ii)                                     | 1,553,173        | 496,578          |
| Share purchase plan shares – refer to (iii)  | 47,829           | 261,418          |
| <b>Total Options and Performance Rights</b>  | <b>1,601,002</b> | <b>757,996</b>   |
| - Included in share based payments expense   | 489,502          | 572,996          |
| - Included in prepayments (refer note 8(b))  | 1,111,500        | 102,435          |
| - Included in finance costs  | -                | 82,565           |
| -  | <b>1,601,002</b> | <b>757,996</b>   |
| Share based payments by issuing shares   |                  |                  |
| - Included in prepayments (refer note 8(b))  | 2,585,000        | 330,000          |
| - Repayment of debt (refer note 12(b))   | 1,702,628        | 6,658,578        |
| - Included in consulting fees  | 359,000          | 60,010           |
| - Included in share based payments expense   | 973,500          | -                |
| - Included in project development costs  | 150,000          | -                |
| <b>Total shares issued for payment of goods and services</b>                               | <b>5,770,128</b> | <b>7,048,588</b> |
| -  |                  |                  |
| <b>Total share-based payments for the year</b>   | <b>7,371,130</b> | <b>7,806,584</b> |
| <b>Total share based payments recognised in profit and loss</b>                            | 1,972,002        | 715,571          |
| <b>Total share based payments recognised in statement of financial position</b>            | 5,399,128        | 7,091,013        |

## 17. Share Based Payments (continued)

### *Equity settled transactions*

The Group provides benefits to its employees (including Key Management Personnel) in the form of share-based payments.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Northern Minerals Limited (market conditions) if applicable.

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

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- (i) The grant date fair value of the award.
- (ii) The expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 19).

The Group expenses equity-settled share-based payments such as share and option issues after ascribing a fair value to the shares and/or options issued. The fair value of option and share plan issues of option and share plan shares are recognised as an expense together with a corresponding increase in the share based payments reserve or the share option reserve in equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when options are exercised.

The value of shares issued to employees financed by way of a non-recourse loan under the employee Share Plan is recognised with a corresponding increase in equity when the company receives funds from either the employees repaying the loan or upon the loan termination. All shares issued under the plan with non-recourse loans are considered, for accounting purposes, to be options.

The initial undiscounted value of the Performance Rights 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.

### **(i) Options and Performance Rights**

30,000,000 performance rights were granted to employees and directors during the year (2016: Nil). 22,500,000 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.

## 17. Share Based Payments (continued)

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

|   | 2017<br>Number    | Weighted<br>average<br>exercise<br>price | 2016 Number       | Weighted<br>average<br>exercise<br>price |
|---|-------------------|--|-------------------|--|
| Outstanding at the beginning of the year            | 12,050,000        | \$0.31                                   | 12,700,000        | \$0.28                                   |
| Performance rights expired during the year          | (5,550,000)       | \$0.00                                   | (650,000)         | \$0.26                                   |
| Performance rights issued during the year           | 30,000,000        | \$0.00                                   | -                 | -  |
| Performance rights forfeited/lapsed during the year | (7,000,000)       | \$0.00                                   | -                 | -  |
| Outstanding at the end of the year                  | <u>29,500,000</u> | \$0.00                                   | <u>12,050,000</u> | \$0.31                                   |
| Exercisable at the end of the year                  | <u>4,500,000</u>  |  | <u>650,000</u>    |  |

The outstanding balance as at 30 June 2017 is represented by:

- 4,500,000 performance rights with an exercise price of nil, expiring 31 December 2017 – see Note 11(c) for details;
- 25,000,000 performance rights with an exercise price of nil, with numerous performance conditions – see Note 11(c) for details.

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2017 is 3.47 years (2016: 0.22 years).

### (ii) Share Plan Shares

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of Directors and employees of a high calibre, the Company has an established Share Plan.

The Directors and employees of the Company have been, and will continue to be, essential to the growth of the Company.

The Directors considered the Plan an appropriate method to:

- a) Reward Directors and employees for their past performance;
- b) Provide long-term incentives to participate in the Company's future growth;
- c) Motivate Directors and employees and generate loyalty in employees; and
- d) Assist to retain the services of valuable employees.

The Plan is used as part of the remuneration planning for senior Employees. ASX corporate governance guidelines recommend that executive remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals. The Plan is also to be used as part of the remuneration package for non-executive Directors. Although this is not in accordance with the recommendations contained in the corporate governance guidelines, the Company considers that it is appropriate for non-executive Directors to participate in the Plan from time to time, given the size of the Company.

The Company obtained shareholder approval for the introduction of the Plan in November 2007 and again in November 2013, and any Shares issued under the Plan within 3 years of approval of the Plan, is an exception to Listing Rule 7.1.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that a company may not issue or agree to issue securities representing more than 15% of the nominal value of the company's issued capital at the beginning of any 12 month period without shareholder approval.

Pursuant to the terms of the Plan, the Board or a duly appointed committee of the Board ("Committee") may, at such time as it determines, issue invitations to Directors and Employees of the Company to apply for Shares.

## 17. Share Based Payments (continued)

It is at the discretion of the Committee who were issued invitations to apply for Shares under the Share Plan and the number of Shares the subject of an invitation. Offers of Shares by the Board or the Committee are subject to the limits imposed by the Plan. Except where necessary to comply with the provisions of an employment contract or other contract approved by the Board whereby executive or technical services are provided to the Company, neither the Board nor the Committee may offer or issue Shares under the Plan where the effect would be that the number of Shares offered or granted, when aggregated with the number of Shares issued on the same date or within the previous 5 years under any share incentive scheme, would exceed 5% of the total number of Shares on issue at the date of the proposed offer or issue.

The issue price for Shares offered under the Plan is at the discretion of the Board or the Committee, provided that the issue price is not less than 1% below the weighted average sale price of Shares sold through ASX during the one week period up to and including the offer date, or, if there were no transactions in Shares during that one week period, the last price at which an offer was made to purchase Shares on ASX.

A Director or Employee ("Participant") who is invited to subscribe for Shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the Shares accepted, on the following terms:

- a) Loans must be made solely to the Participant or their nominee and in the name of either the Participant or their nominee as the case may be.
- b) The principal amount outstanding under a Loan will be interest free.
- c) Any loan made available to a Participant will be applied by the Company directly towards payment of the issue price of the Shares to be acquired under the Plan.
- d) The term of the loan, the time in which repayment of the loan must be made by the Participant and the manner for making such payments shall be determined by the Board or the Committee and set out in the invitation.
- e) The amount repayable on the loan by the Participant will be the lesser of:
  - i) the issue price of the Shares less any cash dividends paid in respect of the Shares and applied by the Company in accordance with paragraph (g) below and any amount of the loan repaid by the Participant; and
  - ii) the last sale price of the Shares on ASX on the date of repayment of the Loan or, if there are no transactions on that day, the last sale price of the Shares prior to that date, or, if the Shares are sold by the Company, the amount realised by the Company from the sale.
- f) A Participant may elect to repay the Loan in full prior to expiry of the term of the Loan but may elect to repay the Loan amount in respect of any or all of the Shares (in multiples representing not fewer than 1,000 Shares) at any time prior to expiry of the term of the Loan.
- g) Cash dividends which are paid in respect of Shares the subject of a loan will be applied by the Company on behalf of the Participant to repayment of the amount outstanding under the loan and any surplus of the cash dividend will be paid to the Participant.
- h) Any fees, charges and stamp duty payable in respect of a loan will be payable by the Participant.
- i) The Company shall have a lien over each Share acquired pursuant to the loan until such time as the loan in respect of that Share is repaid. The Company shall be entitled to sell those Shares in accordance with the terms of the Plan.
- j) A Share issued under the Share Plan will not be tradeable by a Participant until the Loan amount in respect of that Share has been repaid and the Company:
  - (i) will retain the Share Certificate in respect of the Loan Shares;
  - (ii) may apply a Holding Lock; and

## 17. Share Based Payments (continued)

- (iii) may refuse to register a transfer of Loan Shares, until the Loan amount has been repaid.

If, prior to repayment of a loan by a Participant, the Participant dies, becomes bankrupt or is no longer a Director or Employee of the Company or its subsidiaries, then the Participant is required to either repay the loan within one month or allow the Company to sell the Shares on ASX and apply the proceeds of sale in repayment of the loan. If the proceeds of sale of the Shares are less than the amount outstanding in relation to the loan (including the expenses associated with the sale of the relevant Shares), the Company will forgive the amount of the shortfall.

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

|   | <b>2017<br/>Number</b> | <b>2016<br/>Number</b> |
|---|------------------------|------------------------|
| Opening Balance   | 13,928,400             | 13,928,400             |
| Issued during the year  | -                      | -                      |
| Shares for which loan has been repaid                                       | -                      | -                      |
| Shares reverted back to the Company in accordance with the Share Plan Rules | (5,500,000)            | -                      |
| Closing Balance   | <b>8,428,400</b>       | <b>13,928,400</b>      |

Included in the closing balance are 3,628,000 share plan shares which have vested and are available to holders to be dealt with in accordance with the rules of the share plan. These shares may not be transferred or otherwise dealt with, until the later of the following to occur:

- Any loan in respect of the Plan Share is repaid; and
- Their expiry dates, which range from 8 October 2015 and 19 May 2018.

1,000,000 share plan shares have not vested. These shares vest on 1 July 2017.

3,800,400 shares have reverted to the Company to be dealt with under the terms of the share plan.

### (iii) Valuation of Options, Performance Rights and Share Plan Shares

The fair value of the equity-settled share options granted under both the option and the loan plans, and to third parties is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options and shares were granted. The initial undiscounted value of the performance rights 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 fair value of options, performance rights and share plan shares are recognised as an expense over the period from grant to vesting date.

The Black Scholes Option Pricing Model assumes that the Securities the subject of the valuation can be sold on a secondary market. The terms and conditions of the Options and Share Plan shares state that no application will be made for the Shares to be listed for official quotation on ASX, until certain milestones are met

## 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 model used for the years ended 30 June.

There were no share plan shares issued during the year ended 30 June 2017 or 2016.

The following relates to the unlisted options and performance rights issued during the year ended 30 June 2017:-

| Issue Date  | Vesting Date | Number Issued | Grant Date | Stock price at Grant Date | Issue Price | Risk Free Rate | Volatility | Value Per Option/Right |
|-------------|--------------|---------------|------------|---------------------------|-------------|----------------|------------|------------------------|
| 01/12/16    | Various      | 30,000,000    | 30/11/16   | \$0.12                    | Nil         | Nil            | Nil        | \$0.12                 |
| 20/06/17    | 20/06/20     | 22,500,000    | 14/06/17   | \$0.075                   | \$0.25      | 2.05%          | 86%        | \$0.041                |
| 30/06/17    | Various      | 2,500,000     | 27/06/17   | \$0.10                    | Nil         | Nil            | Nil        | \$0.10                 |
| 01/08/17*** | 24/5/21      | 3,000,000     | 12/04/17   | \$0.064                   | \$0.15      | 2.05%          | 86%        | \$0.063                |
|             |              |               |            |                           |             |                |            |                        |

\*\* Issued post year end but accrued as at end of reporting period

The expected price volatility is based on the historic volatility over 12 months due to change in nature of business within that period, rather than based on the remaining life of the options.

## 18. Auditors Remuneration

|   | 2017<br>\$    | 2016<br>\$    |
|---|---------------|---------------|
| During the year the following fees were paid or payable for services provided by the auditor: |               |               |
| <b>Audit Services</b>   |               |               |
| Audit and review of financial reports under the Corporations Act 2001                         |               |               |
| Nexia Perth Audit Services Pty Ltd  | 32,648        | 33,827        |
| Total remuneration of auditors  | <u>32,648</u> | <u>33,827</u> |

## 19. Earnings per share

|   | 2017<br>\$          | 2016<br>\$         |
|---|---------------------|--------------------|
| <b>a) Basic loss per share</b>  |                     |                    |
| From continuing operations attributable to the ordinary equity holders of the Company   | <u>(2.1)</u>        | <u>(1.4)</u>       |
| <b>b) Loss used in calculating loss per share</b>   |                     |                    |
| Loss attributable to ordinary equity holders of the Company for basic and diluted earnings per share                              | <u>(12,631,143)</u> | <u>(6,744,667)</u> |
|   | Number              | Number             |
| <b>c) Weighted average number of shares used as the denominator</b>   |                     |                    |
| The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic loss per share | <u>615,339,659</u>  | <u>472,970,913</u> |

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:

|  | 2017<br>\$       | 2016<br>\$   |
|--|------------------|--------------|
| <b>Statement of financial position</b> |                  |              |
| Current assets                         | 15,446,867       | 2,726,342    |
| Total assets                           | 28,439,057       | 3,854,658    |
| Current liabilities                    | 8,600,727        | 3,934,444    |
| Total liabilities                      | 12,607,683       | 4,144,483    |
| <b>Shareholders equity</b>             |                  |              |
| Share capital                          | 110,995,064      | 86,234,622   |
| Reserves                               | 11,523,662       | 7,531,762    |
| Accumulated losses                     | (106,687,352)    | (94,056,209) |
|  | 15,831,374       | (289,825)    |
| <b>Net Loss for the period</b>         | (12,631,143)     | (6,727,377)  |
| <b>Total comprehensive income</b>      | -                | -            |
| 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 24 July 2017 share placements raised a total of \$2 million through the issue of 20,000,000 ordinary shares at a subscription price of 10 cents per share. One of the subscribers was Huatai Mining Pty Ltd (Huatai), which previously agreed to provide equity funding to the company but were prevented from completing that transaction due to restrictions imposed by the Chinese authorities on the transfer of funds outside China. Huatai participated in this funding to the extent of \$1 million and the company has agreed to release Huatai from any remaining obligations under the previous agreement.

A further 1,000,000 shares were issued for nil cash consideration for consultancy work undertaken.

AMC Wanhai Securities Limited ("AMC"), was not able to meet its deadline of 20 July 2017 to secure further placements. AMC is no longer working with Northern in relation to the completion of the \$10 million placement that was announced on 15 March 2017. A total of \$4 million has been received.

On 1 August 2017 21,000,000 ordinary shares were issued. 20,000,000 at 10 cents per share as part of the placement and 1,000,000 for nil consideration for payment of consultancy fees.

## 22. Events Occurring After the Reporting Period (continued)

On 1 August 2017 3,000,000 options were also issued. These options are exercisable at 15 cents by 24 May 2021. These options were issued as part of an agreement with Argonaut for provision of consultancy work.

A further 1.8 million performance rights were issued to employees of Northern Minerals. These rights have nil exercise price and have performance conditions attached relating to the progress of the pilot plant and completion of mining and earthworks contracts satisfactorily.

On 7 August, as part of a consortium led by the Wunan Foundation, Northern Minerals announced that funding had 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 Heavy Rare Earth Pilot Plant project. The \$4.8 million funding will contribute towards the total cost of \$8.1 million for the T2W project, which includes the establishment of economic infrastructure at Browns Range.

On 7 August 2017 3,551,136 ordinary shares were issued for partial repayment of convertible security as per financing agreement with Lind Partners LLC announced on 14 June 2017.

On 18 August 2017 20,833,333 ordinary fully paid shares were issued, at 12 cents per share via a private placement to a group of sophisticated investors raising a further \$2.5 million.

On 25 August 2017 Northern Minerals received \$2.67 million for the 2016/17 Research and Development rebate which will be used by the Company towards the construction costs of the Browns Range Pilot Plant Project.

On 29 August 2017 10,000,000 ordinary shares were issued for collateral shares as per the financing agreement with Lind asset Management X, LLC announced on 14 June 2017.

On 30 August 2017, Northern Minerals announced that it had executed a two and a half year US\$30 million secured R&D Loan Facility with New York based financier Innovation Structured Finance Co., LLC, (ISF), a company associated with Brevet Capital Management. The Facility provides the Company with accelerated access to tax offsets that are applicable to Research and Development (R&D) activities being undertaken at the Browns Range Pilot Plant Project.

Under the Facility, ISF will provide up to 80% of the estimated tax offset, with the principal and accrued interest repayable out of actual tax offsets received at the end of the financial year. The Facility has a term of two and a half years, aligning with the timeline for the Browns Range Pilot Plant Project.

On 6 September 2017, 2,693,966 ordinary shares were issued for partial repayment of convertible security as per financing agreement with Lind Partners LLC announced on 14 June 2017.

### 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 2017 including:

*-AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

This standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative Project.

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 2017:

| Standard  | Effective date for annual reporting periods beginning on or after | Application date for the Company |
|---|---|----------------------------------|
| AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'  | 1 January 2017  | 1 July 2017                      |
| AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'   | 1 January 2017  | 1 July 2017                      |
| AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15' | 1 January 2018  | 1 July 2018                      |
| AASB 2016-5 'Amendments to Australian Accounting Standards - Classification and measurement of Share-based Payment Transactions   | 1 January 2018  | 1 July 2018                      |
| AASB 9 'Financial Instruments' and the relevant amending standards  | 1 January 2018  | 1 July 2018                      |
| AASB 16 'Leases'  | 1 January 2019  | 1 July 2019                      |
| Interpretation 22 'Foreign Currency Transactions and Advance Consideration'   | 1 January 2018  | 1 July 2018                      |

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 9: Financial Instruments*

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- Financial assets that are debt instruments will be classified based on the objective of the Company's business model for managing the financial assets and the characteristics of the contractual cash flows
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income
- Introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specially, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.
- Financial assets can be designated and measured at fair value through profit and loss at initial

### 23. New Accounting Standards and Interpretations (continued)

- recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets and liabilities, or recognising the gains and losses on them, on different bases
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - The change attributable to changes in credit risk are presented in other comprehensive income
  - The remaining change is presented in profit or loss
- New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

#### *-AASB 15: Revenue from Contracts with Customers*

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

#### *-AASB 16: Leases*

The key features are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities
- Assets and liabilities arising from a lease are initially measured on a present value basis
- AASB 16 contains disclosure requirements for lessees

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.

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 2017 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2017 and of their performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the 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; 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 2017.

On behalf of the Board



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**George Bauk**

**Director**

**Perth**

29 September 2017



# Auditor Statement

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

To the directors of Northern Minerals Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

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

A handwritten signature in dark ink that reads "NPAS".

**Nexia Perth Audit Services Pty Ltd**

A handwritten signature in dark ink that reads "PTC Kloppe".

**PTC Kloppe**  
**Director**

**Perth**  
**29 September 2017**



## Independent Audit Report to the Members of Northern Minerals Limited

### Report on the financial report

#### Opinion

We have audited the financial report of Northern Minerals Limited ("the Company"), including its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (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 entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><b>Future Funding</b></p> <p><i>(Refer to note 2(a) in the financial report)</i></p> <p>The Group is not yet generating revenue from the sale of goods and is reliant on funding from external sources to support its operations. This was a key audit matter as it is considered a significant risk which could affect the financial report's basis of preparation. Significant audit attention was necessary to obtain assurance around management's assessment of its ability to continue fund operations and ultimately to continue as a going concern.</p>   | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We obtained the cash flow forecast prepared by management for a period of 12 months ending 30 September 2018, and checked the mathematical accuracy of the forecast;</li> <li>• We tested the reliability and completeness of management's assumptions by comparing them to our understanding of the Group's future plans and operating conditions;</li> <li>• We considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in prior years to the actual performance in the current year;</li> <li>• We examined minutes of the company's board meetings and ASX announcements subsequent to year end to ascertain whether any additional facts or information have become available since the date on which management made its assessment; and</li> <li>• We performed a sensitivity analysis by adjusting forecast revenue, expected funding and estimated operating costs by reasonably possible amounts.</li> </ul> |
| <p><b>Rehabilitation Provision</b></p> <p><i>(Refer to note 10c in the financial report)</i></p> <p>As a consequence of its operations the Group has an obligation to rehabilitate and restore the disturbances to the environment with regards to the construction of the Pilot Plant. Rehabilitation activities are governed by local legislative requirements.</p> <p>This matter is a key audit matter because estimating the costs associated with these future rehabilitation activities requires judgement and estimation for factors such as timing of when rehabilitation will take place, the extend of the rehabilitation and restoration activities and economic assumptions such as inflation rates and discount rates.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the competency and objectivity of management's expert;</li> <li>• Evaluating management's process of estimating and measuring the rehabilitation provision;</li> <li>• Testing the significant assumptions, method and source data used in the cash flow models;</li> <li>• Agreeing the expected timing of the rehabilitation in the cash flow model to the expected life of the project plant; and</li> <li>• Evaluating whether the discount rate applied by management to the forecast cash outflows is appropriate and consistent with the requirements of AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>.</li> <li>• Testing the mathematical accuracy of managements' cash flow model.</li> </ul>  |

## Other information

The directors are responsible for the other information. The other information comprises the information in Northern Minerals Limited annual report for the year ended 30 June 2017, but does not include the consolidated financial report and the auditor's report thereon.

Our opinion on the consolidated 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 consolidated 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.

## Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated 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 entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibility for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

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, related safeguards.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 33 to 42 of the Directors' Report for the year ended 30 June 2017.

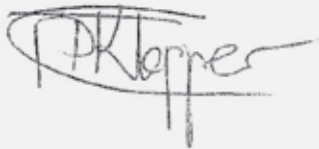
In our opinion, the Remuneration Report of Northern Minerals Limited for the year ended 30 June 2017, complies with Section 300A of the Corporations Act 2001.

### **Responsibilities**

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

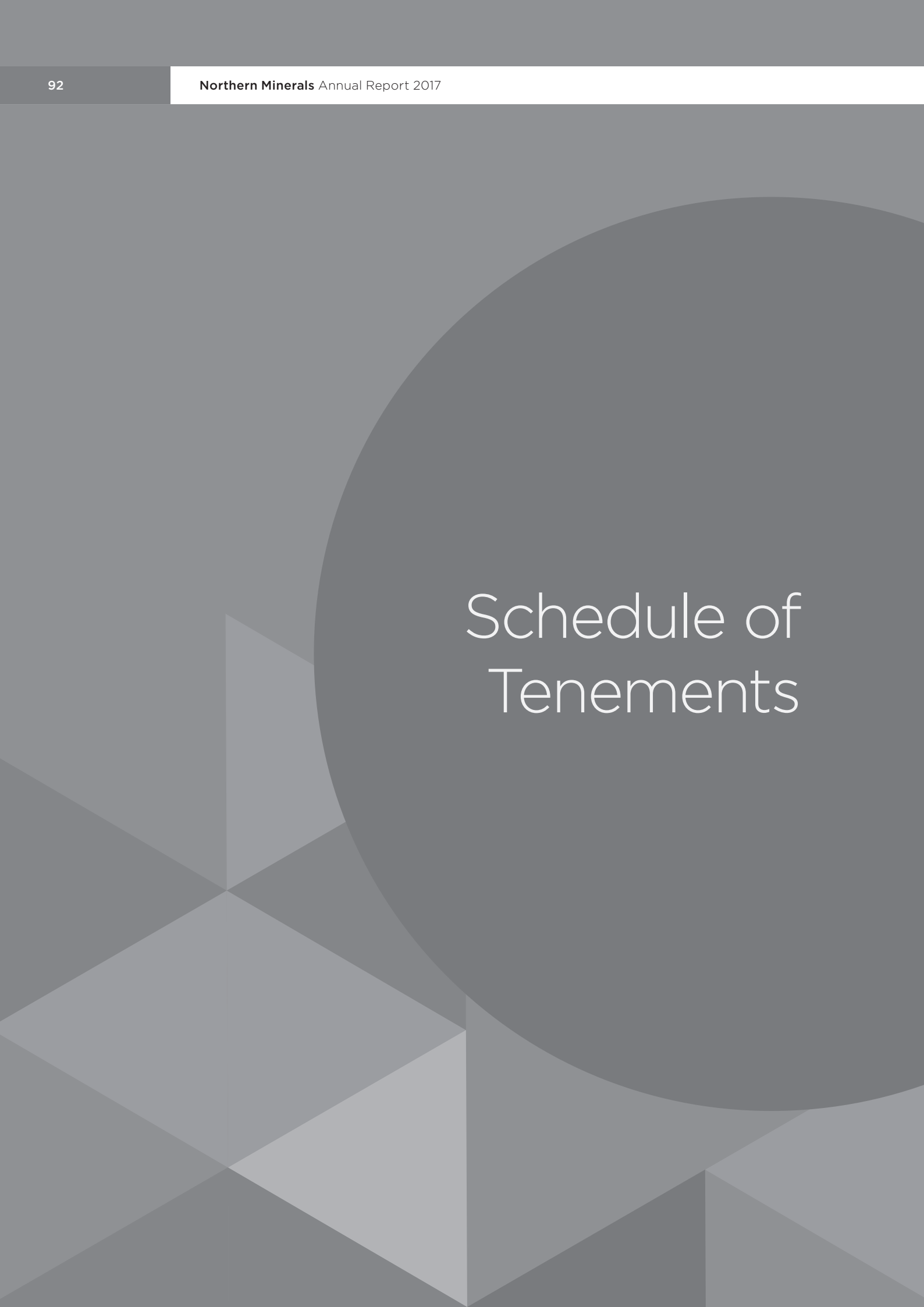
Handwritten signature of NPAS in black ink.

**Nexia Perth Audit Services Pty Ltd**

Handwritten signature of PTC Kloppe in black ink.

**PTC Kloppe**  
**Director**

**Perth**  
**29 September 2017**



# Schedule of Tenements

| Project         | Location      | Tenement ID | State | Status      | Holder Application      | Interest                     |
|-----------------|---------------|-------------|-------|-------------|-------------------------|------------------------------|
| Browns Range WA | Browns Range  | E80/4479    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | E80/4725    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | E80/4726    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | E80/4806    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | E80/4782    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | E80/5040    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | E80/5041    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | M80/627     | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | L80/76      | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | L80/77      | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | L80/78      | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | Browns Range  | L80/79      | WA    | Granted     | Northern Minerals       | 100%                         |
| Browns Range NT | Browns Range  | EL24193     | NT    | Granted     | Northern Star Resources | REE rights only              |
|                 | Browns Range  | EL24174     | NT    | Granted     | Northern Star Resources | REE rights only              |
|                 | Browns Range  | EL24941     | NT    | Application | Northern Star Resources | REE rights only              |
|                 | Browns Range  | EL26270     | NT    | Granted     | Northern Star Resources | REE rights only              |
|                 | Browns Range  | EL26286     | NT    | Granted     | Northern Star Resources | REE rights only              |
| John Galt       | John Galt     | E80/4298    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | John Galt     | E80/4779    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | John Galt     | E80/4967    | WA    | Granted     | Northern Minerals       | 100%                         |
|                 | John Galt     | E80/5070    | WA    | Application | Northern Minerals       | 100%                         |
|                 | Boulder Ridge | EL29594     | NT    | Granted     | Northern Minerals       | 100% (excluding gold rights) |
|                 | Boulder Ridge | EL24849     | NT    | Application | Northern Minerals       | 100% (excluding gold rights) |
|                 | Boulder Ridge | EL24935     | NT    | Application | Northern Minerals       | 100% (excluding gold rights) |

| Project            | Location      | Tenement ID | State | Status      | Holder Application      | Interest        |
|--------------------|---------------|-------------|-------|-------------|-------------------------|-----------------|
| Gardiner-Tanami NT | Boulder Ridge | EL24177     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Boulder Ridge | EL25171     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Tanami        | EL23932     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Tanami        | EL25009     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Ware Range    | EL26498     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Ware Range    | EL26541     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Pargee        | EL27367     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Tanami        | EL29592     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Tanami        | EL29593     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Tanami        | EL29595     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Tanami        | EL23933     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Ware Range    | EL24179     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Ware Range    | EL24947     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Ware Range    | EL25003     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Ware Range    | EL25004     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Tanami        | EL25172     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Tanami        | EL29619     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Tanami        | EL29621     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Tanami        | EL26635     | NT    | Granted     | Northern Star Resources | REE rights only |
|                    | Boulder Ridge | EL28868     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Boulder Ridge | EL30132     | NT    | Application | Northern Star Resources | REE rights only |
|                    | Boulder Ridge | EL27590     | NT    | Granted     | Northern Star Resources | REE rights only |

| Project      | Location       | Tenement ID | State | Status      | Holder Application      | Interest        |
|--------------|----------------|-------------|-------|-------------|-------------------------|-----------------|
| Rabbit Flats | Rabbit Flats 1 | EL25157     | NT    | Application | Northern Star Resources | REE rights only |
|              | Rabbit Flats 2 | EL25158     | NT    | Application | Northern Star Resources | REE rights only |
|              | Rabbit Flats 3 | EL25159     | NT    | Application | Northern Star Resources | REE rights only |
|              | Rabbit Flats 4 | EL25160     | NT    | Application | Northern Star Resources | REE rights only |
|              | Rabbit Flats 5 | EL23935     | NT    | Application | Northern Star Resources | REE rights only |
| Kurundi      | Kurundi        | EL29616     | NT    | Granted     | Horn Resources          | REE rights only |



# Shareholder Information

# SHAREHOLDER INFORMATION

**As at 21 September 2017**

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows.

## 1. Ordinary Shares (NTU)

### a) Distribution of shares

The number of shareholders by size of holding are:

| Category (size of holding) | Number of holders |
|----------------------------|-------------------|
| 1-1,000                    | 225               |
| 1,001-5,000                | 1,046             |
| 5,001-10,000               | 1,113             |
| 10,001-100,000             | 1,837             |
| 100,000-and over           | 340               |
|                            | <b>4,561</b>      |

The number of shareholdings held in less than marketable parcels is 599.

## b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

| Name of Holder                                       | Number of shares held | % Holding     |
|--|-----------------------|---------------|
| 1. Huatai Mining PL                                  | 162,222,223           | 21.15%        |
| 2. Australian Conglin International Investment Group | 145,630,731           | 18.99%        |
| 3. Conglin Yue                                       | 52,980,267            | 6.91%         |
| 4. Citicorp Nominees PL                              | 38,043,536            | 4.96%         |
| 5. Jien Mining PL                                    | 26,759,572            | 3.49%         |
| 6. HSBC Custody Nominees Australia Ltd               | 21,507,327            | 2.80%         |
| 7. Dejing Kong                                       | 19,446,333            | 2.54%         |
| 8. Jian Liang  | 15,217,814            | 1.98%         |
| 9. Youfen He   | 15,098,803            | 1.97%         |
| 10. JHY Inv PL                                       | 11,757,692            | 1.53%         |
| 11. Hein Victor Graafhuis                            | 8,724,589             | 1.14%         |
| 12. Zhanmin Shi                                      | 7,638,333             | 1.00%         |
| 13. CS Third Nom PL                                  | 6,136,506             | 0.80%         |
| 14. Yunfen Ge  | 5,400,000             | 0.70%         |
| 15. JP Morgan Nom Aus Ltd                            | 5,012,900             | 0.65%         |
| 16. Kimberley Sustainable Development                | 5,000,000             | 0.65%         |
| 17. Jingmei Wang                                     | 4,853,543             | 0.63%         |
| 18. Yulan Ma   | 4,539,711             | 0.59%         |
| 19. BNP Paribas Nom PI                               | 4,407,033             | 0.57%         |
| 20. Ligui Ma   | 4,028,676             | 0.53%         |
|  | <b>564,405,589</b>    | <b>73.58%</b> |

As at 21 September 2017, the issued capital comprised 766,972,242 ordinary fully paid quoted shares.

## 2. Substantial Holders of equity securities

The names of substantial shareholders (NTU) are as follows:

| Holder  | Number of shares |
|---|------------------|
| Huatai Mining PL                                  | 162,222,223      |
| Australian Conglin International Investment Group | 145,630,731      |
| Mr Conglin Yue                                    | 52,980,267       |

### 3. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

**a. Ordinary shares**

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**b. Options**

No voting rights

### 4. Stock Exchange Listing

Listing has been granted for ordinary shares (NTU) of the company on all Member Exchanges of the Australian Stock Exchange Limited.

### 5. Unquoted Securities

| Unquoted securities         | Number     | Number of holders |
|-----------------------------|------------|-------------------|
| Unquoted shares (NTUAI)     | 4,500,000  | 8                 |
| Unquoted performance rights | 40,812,470 | 5                 |
| Unquoted options            | 26,800,000 | 12                |

### 6. Restricted Securities

As at 21 September 2017 there were 8,428,400 restricted securities on issue.

### 7. On-Market Buyback

The Company is not performing an on-market buyback at the time of this report.



# Northern Minerals Limited Corporate Directory

## Directors

Colin McCavana (Non-executive Chairman)  
George Bauk (Managing Director/CEO)  
Adrian Griffin (Non-executive Director)  
Nan Yang (Non-executive Director)  
Yanchun Wang (Non-executive Director)  
Bin Cai (Alternate Director)

## CFO & Company Secretary

Mark Tory

## Registered & Principal Office

Level 1, 675 Murray Street  
West Perth WA 6005

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PO Box 669  
West Perth WA 6872

**Telephone:** + 61 8 9481 2344

**Facsimile:** + 61 8 9481 5929

**Email:** [info@northernminerals.com.au](mailto:info@northernminerals.com.au)

**Website:** [www.northernminerals.com.au](http://www.northernminerals.com.au)

**ABN** 61 119 966 353

## Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

—

PO Box 535  
Applecross WA 6953

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

**ASX Code:** NTU

## Solicitors

Johnson Winter & Slattery  
Level 4, Westralia Place  
167 St Georges Terrace  
Perth WA 6000

## Auditors

Nexia Perth Audit Services Pty Ltd  
Level 3, 88 William Street  
Perth WA 6000 Australia

## Investor & Media Relations

Cannings Purple  
Level 4, 11 Harvest Terrace  
West Perth WA 6005

## Bankers

National Australia Bank



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