



**NORTHERN
MINERALS**

Powering Technology.

NORTHERN MINERALS LIMITED

ABN 61 119 966 353

**INTERIM FINANCIAL REPORT
31 DECEMBER 2017**

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

The directors present their report on the consolidated entity, being Northern Minerals Limited ("Northern Minerals" or "The Company") and its controlled entities, for the half-year ended 31 December 2017 as follows:

DIRECTORS

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

Colin James McCavana – Non-executive Chairman

George Bauk – Managing Director/CEO

Adrian Christopher Griffin – Non-executive Director

Yanchun Wang – Non-executive Director

Nan Yang – Non-executive Director

Bin Cai – Alternate Director

RESULTS OF OPERATIONS

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

	Half Year 2017	Half Year 2016
Total revenue and other income	\$3,573,716	\$1,240,022
Net loss for the year after tax	(\$9,630,389)	(\$4,655,696)
Basic loss per share (cents) from continuing operations	(1.25) cents	(0.8) cents
Net cash from /(used in) operating activities	(\$9,011,715)	(\$2,613,105)
Net cash from /(used in) investing activities	(\$12,904,550)	\$132,505
Net cash from /(used in) financing activities	\$21,680,052	\$10,919,294

The net loss of the Company for the half year ended 31 December 2017 of \$9.63 million (2016: \$4.66 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 completion of the mining campaign. \$1.97 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.

Mining expenditure totalled \$6.80 million. Mining expenditure was incurred to stockpile ore for future processing over the three year pilot plant project which is supporting broader economic and technical feasibility studies for Browns Range.

Revenue was impacted by a higher Research and Development rebate in the year due to the increased expenditure on eligible research and development activity - \$3.45 million compared to \$0.98 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 \$10.89 million from share issues and placements net of transaction costs incurred. There was another \$10.79 million advanced as part of the Lind convertible security facility during the year net of repayments made, and the first drawdown on the ISF agreement in November 2017.

SUMMARY OF FINANCIAL POSITION

The Company's cash reserves at the end of the half year totalled \$8.13 million compared to \$8.36 million as at 30 June 2017.

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Plant and equipment costs increased \$24.60 million due to development of the pilot plant. A majority of these costs related to the design work, fabrication, installation and the EPC management of the beneficiation and hydromet plant - \$15.67 million. A further \$1.68 million relates to bulk earthworks including the ROM pad and site drainage. \$2.50 million has been spent on plant infrastructure. The main components were the purchase of power stations and installation, offices at the plant site including crib rooms, ablutions, laboratory equipment and the tailings storage facility and evaporation ponds. The remaining costs were incurred on upgrading non-process infrastructure. Additional transportable accommodation units were purchased and installed to increase camp capacity. There was also earthworks undertaken on landfill, completion of Northern Minerals own airstrip and road and access upgrades. Borrowing costs in relation to financing these activities have also been capitalised.

The Company's receivables balance increased from \$6.85 million to \$26.97 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 \$13.17 million to \$50.07 million. Trade and other payables increased to \$16.06 million, primarily due to the increase in activity in the year with commencement of both mining and earthworks on Browns Range Site. This also includes \$2.05 million of deferred payments under the Sinosteel agreement. There was also \$15.58 million of deferred revenue representing the R and D Rebate and government grants receivable in the period.

Interest bearing liabilities increased from \$4.16 million to \$14.35 million. As at end of December 2017 this represented the Lind convertible security of \$7.66 million and the ISF agreement for advances on the R & D tax offset of \$6.56 million.

REVIEW OF OPERATIONS

The principal activity of the Company during the course of the half year was the construction of its Browns Range pilot plant project and the completion of its 6 month mining campaign. The project will utilise the pilot plant to undertake research and development and assess the broader economic and technical feasibility of the Browns Range project.

Details of these activities are summarised in the review of operations below.

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

Northern Minerals continued fabrication, mining and siteworks in relation to its pilot plant project that is part of the 100% owned, dysprosium-rich Browns Range heavy rare earth element project, located 160km south east of Halls Creek in Western Australia.

The pilot plant project is a three-year research and development project, to assess the technical and economic feasibility of a full-scale plant 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.

Mining at the Gambit West and Wolverine starter pits was completed with 205,000t ore mined and stockpiled on the ROM pad. This is 25,000t more than originally planned and was made possible due to modifications to the mining method and favourable geotechnical conditions. Ore will be drawn down from the ROM pad over three years. There was also an additional amount of 32,000t stockpiled as mineralised waste.

The bulk earthworks scope of the Mining and Bulk Earthworks contract involved construction of the process plant area pad and event ponds, construction of the ROM pad, tailings storage facility, airstrip, evaporation pond and road infrastructure around the site. This work was completed in early October and the contractor demobilised from site by the end of November.

Primero Group has made good progress on installation of structural steel, process plant modules and mechanical equipment, with all major concrete works completed by February 2018. Electrical installation works and piping installation works will commence and completion is on track for 30 June 2018. The scope

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of work for Primero includes the concrete works, installation, testing and commissioning of the Browns Range pilot plant project. Two shipments of equipment and modular components of the processing plant arrived on site prior to the end of the half year, with the third major shipment completed in January.

Sinosteel MECC, the EPC contractor essentially completed fabrication of the equipment and modular components for the project during the December quarter. There are two individual sets of components, related to the mill that are still being fabricated and were dispatched to site in February and March 2018.

Operational readiness for the pilot plant project is progressing with recruitment of key personnel, development of operational systems, procurement of key supply contracts and the development of the commissioning plans for research and development testwork.

On 24th January 2018 the Company announced its high grade rare earth oxide (REO) geochemical results from the Browns Range Project. A program of RAB and/or RC drilling will commence in the June quarter, aimed at providing a first pass assessment of several of the new prospects and targets, as well as follow -up drilling at existing deposits and prospects to increase the projects mineral inventory.

Corporate

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

During the period the Company received its research and development rebate of \$2.67 million for work completed to advance the Browns Range pilot plant project during the 2016/2017 financial year.

In January 2018 the Company announced details of its share purchase plan that was announced on 27 December 2017. The share purchase plan is part of the enhancement initiatives of the Company including:

- An increase in the exploration budget aimed at increasing the life of the potential large-scale project from 11 to 20+ years,
- Studies of downstream processing options focussed on increasing the suite, and value of revenue products,
- Optimisation of mining and processing options learnt from the pilot plant project to date
- The potential for new acquisitions in the rare earth sector.

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 25.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 19 January 2018 4,006,410 ordinary shares at 7.8 cents per share were issued to Lind Partners LLC for partial repayment of the security. On 15 February 2018 a further 7,073,046 ordinary shares at 8.1 cents were also issued as partial repayment of the facility.

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On 23 January 2018 share placements raised a total of \$2.15 million through the issue of 27,564,102 ordinary shares at a subscription price of 7.8 cents per share to sophisticated investors. 5,700,000 ordinary shares were also issued on exercise of performance rights for nil consideration.

On 7 February 2018 the Company drew down US\$5.4million from Innovation Structured Finance Co.; LLC for the December quarter Research and Development expenditure, representing funding equal 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.

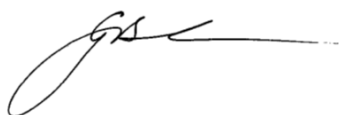
On 15 February 2018 the Company announced the issue of 150,324,057 ordinary shares at 7.8 cents raising \$11.7 million as a result of the share purchase plan. Eligible shareholders could participate to acquire up to \$15,000 worth of shares.

On 15 February 2018 share placements raised a total of \$1.46 million through the issue of 18,666,667 ordinary shares at a subscription price of 7.8 cents per share to sophisticated investors.

On 23 February 2018 the Company provided an update with respect to the proposed bonus issue of new listed options to eligible shareholders on a 1 for 5 basis, with an exercise price of \$0.12 and an expiry date of 31 December 2019, as announced on 27 December 2017, subject to a prospectus being prepared and lodged with ASIC.

On 6 March 2018 the Company announced the issue of 12,820,513 ordinary shares at 7.8 cents raising \$1.0 million to sophisticated investors.

Signed in accordance with a resolution of the directors.



George Bauk
Director

Perth, Western Australia

16 March 2018

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Half Year 31 Dec 17 \$	Half Year 31 Dec 16 \$
Revenue from continuing operations			
Interest		12,360	12,402
Research and development rebate		3,455,657	981,705
Other income		105,699	245,915
Total revenue and other income	2	3,573,716	1,240,022
Corporate expenses			
Administration expenses		405,821	261,274
Depreciation expense		58,371	74,089
Share based payments expense		1,295,586	781,617
Legal and professional expenses		1,215,662	855,017
Occupancy expenses		117,790	244,214
Employee benefits expense		807,029	1,690,251
Other corporate expenditure		116,603	88,342
Total corporate expenses		4,016,862	3,994,804
Exploration and evaluation expenditure			
Exploration costs		298,616	539,359
Project evaluation and pre -feasibility		2,115,201	1,037,605
Mining expenditure		6,803,741	-
Total exploration and evaluation expenditure		9,217,558	1,576,964
Total expenses		13,234,420	5,571,768
Operating profit /(loss)		(9,660,704)	(4,331,746)
Finance costs/(income)	3	(30,315)	323,950
Profit/(loss) before income tax		(9,630,389)	(4,655,696)
Income tax expense		-	-
Profit/(loss)for the period		(9,630,389)	(4,655,696)
Other comprehensive income		-	-
Total comprehensive income for the period attributable to members of the entity		(9,630,389)	(4,655,696)
Earnings/(loss) per share attributable to ordinary equity holders of the company:			
Basic and diluted earnings /(loss) per share (cents per share)		(1.25)	(0.8)

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

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 2017 \$	30 June 2017 \$
Current Assets			
Cash and cash equivalents		8,128,767	8,364,980
Trade and other receivables	4(a)	26,970,631	6,853,083
Other financial assets		144,969	142,081
Inventory		47,824	86,724
Total Current Assets		35,292,191	15,446,868
Non-current Assets			
Trade and other receivables	4(b)	209,100	-
Other financial assets		88,782	88,678
Property, plant and equipment		37,012,516	12,411,221
Total Non-Current Assets		37,310,398	12,499,899
Total Assets		72,602,589	27,946,767
Current Liabilities			
Trade and other payables	4(b)	14,210,782	4,135,253
Interest bearing liabilities	4(c)	14,349,801	4,163,797
Derivative financial liabilities	4(d)	147,850	-
Deferred revenue	7	2,968,369	564,515
Provisions		333,620	301,681
Total Current Liabilities		32,010,422	9,165,246
Non-current Liabilities			
Trade and other payables	4(b)	1,852,907	270,141
Derivative financial liabilities	4(d)	199,342	82,217
Deferred revenue	7	12,615,570	-
Provisions		3,392,291	3,654,594
Total Non-Current Liabilities		18,060,010	4,006,952
Total Liabilities		50,070,532	13,172,198
Net Assets/(Liabilities)		22,532,057	14,774,569
Equity			
Issued Capital	6(a)	126,089,210	110,995,064
Reserves		13,817,392	11,523,662
Accumulated losses		(117,374,545)	(107,744,157)
Total Equity		22,532,057	14,774,569

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

NORTHERN MINERALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENTS RESERVE	PERFORMANCE RIGHTS AND OPTIONS RESERVE	OTHER RESERVES	TOTAL
		\$	\$	\$	\$	\$	\$
Consolidated Entity Balance at 1 July 2016		86,234,622	(94,548,499)	2,570,453	4,961,309	-	(782,115)
Loss for the period		-	(4,655,696)	-	-	-	(4,655,696)
Total comprehensive income for the period		-	(4,655,696)	-	-	-	(4,655,696)
Transactions with owners in their capacity as owners:							
Shares issued net of transaction costs		12,994,558	-	-	-	-	12,994,558
Shares/options issued		-	-	24,385	383,732	-	408,117
Balance at 31 December 2016		99,229,180	(99,204,195)	2,594,838	5,345,041	-	7,964,864
Balance at 1 July 2017		110,995,064	(107,744,157)	4,347,282	6,325,481	850,899	14,774,569
Profit/(loss) for the period		-	(9,630,389)	-	-	-	(9,630,389)
Total comprehensive income for the period		-	(9,630,389)	-	-	-	(9,630,389)
Transactions with owners in their capacity as owners:							
Shares issued net of transaction costs	6(a)	15,094,146	-	-	-	-	15,094,146
Shares/options issued		-	-	98	1,727,489	-	1,727,587
Convertible notes issued		-	-	-	-	566,143	566,143
Balance at 31 December 2017		126,089,210	(117,374,545)	4,347,380	8,052,970	1,417,042	22,532,057

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

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Half Year 31 Dec 17 \$	Half Year 31 Dec 16 \$
Cash flows from operating activities			
Payments to suppliers and employees		(11,707,236)	(4,351,871)
Interest received / (paid)		(50,480)	11,957
Other income received		2,672,971	1,822,196
Finance costs		73,030	(95,387)
Net cash (outflow) from operating activities		(9,011,715)	(2,613,105)
Cash flows from investing activities			
Payments for property, plant and equipment		(12,904,550)	(37,495)
Proceeds from sale of tenements		-	170,000
Net cash inflow / (outflow) from investing activities		(12,904,550)	132,505
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		10,886,061	11,646,000
Proceeds from borrowings		11,503,719	412,570
Repayment of borrowings		(709,728)	(1,139,276)
Net cash inflow / (outflow) from financing activities		21,680,052	10,919,294
Net increase/ (decrease) in cash and cash equivalents		(236,213)	8,438,694
Cash and cash equivalents at beginning of half year		8,364,980	373,307
Cash and cash equivalents at the end of the half year		8,128,767	8,812,001

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

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FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

1. Summary of Significant Accounting Policies

1.1 Corporate information

Northern Minerals Limited is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX). Its registered office and principal place of business is at Level 1, 675 Murray Street, West Perth, WA.

This consolidated interim financial report was approved by the Board of Directors on 16 March 2018.

1.2 Basis of preparation

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

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.

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

This interim financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Northern Minerals Limited during the half-year ended 31 December 2017 in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing rules.

1.3 Statement of Compliance

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

2. Revenue and Other Income

The group derives the following types of revenue:

	Half Year 31 Dec 17 \$	Half Year 31 Dec 16 \$
Research and development rebate on eligible expenditure	3,455,657	981,705
Other	118,059	88,317
Sale of tenements	-	170,000
Total revenue from continuing operations	3,573,716	1,240,022

3. Finance Costs

This note provides a breakdown of finance costs:

	Half Year 31 Dec 17 \$	Half Year 31 Dec 16 \$
Interest for financial liabilities	141,569	242,947
Net (gain) / loss on financial instruments at fair value through profit and loss	(171,884)	-
Amortisation of borrowing costs	-	81,003
Total finance costs /(income)	(30,315)	323,950
Included in administration expenses:		
Foreign exchange losses / (gains) on foreign currency borrowings	(89,441)	(24,447)

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

4. Financial Assets and Liabilities

(a) Trade and other receivables

	31 December 2017 \$	30 June 2017 \$
Current		
GST receivable	1,068,979	153,190
Prepayments	7,378,729	4,011,748
Other receivables	1,283,150	15,174
Research and development rebate receivable	17,239,773	2,672,971
	<u>26,970,631</u>	<u>6,853,083</u>
Non-Current		
GST receivable	209,100	-
	<u>209,100</u>	<u>-</u>

R & D is accrued as the qualifying expenditure is incurred. The ultimate recovery of this receivable will be dependent on the final assessment when the annual return is lodged.

(b) Trade and other payables

Current		
Trade and other payables	<u>14,210,782</u>	<u>4,135,253</u>
Non-Current		
Trade and other payables	<u>1,852,907</u>	<u>270,141</u>

(c) Interest Bearing Liabilities

	Interest Rate		
Current			
Convertible note (Secured)	10%	7,661,753	4,149,082
Equipment finance (Secured)	6.99%	7,358	14,715
R & D loan facility (Secured)	14%	6,556,794	-
Insurance premium funding	3.3%	123,896	-
		<u>14,349,801</u>	<u>4,163,797</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.

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.

Secured Loan – Innovation Structured Finance Co; LLC – R & D Loan Facility

The Company has entered into a two and a half year US\$30 million secured R & D Loan facility with Innovated Structured Finance LLC (ISF), a company associated with Brevet Capital Management (Brevet).

This facility provides the Company with accelerated access to tax offsets that are applicable to R & D activities being undertaken at the Browns Range Pilot Plant project.

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4. Financial Assets and Liabilities (continued)

(c) Interest Bearing Liabilities (continued)

To manage the exposure to USD/AUD foreign exchange rates as a result of this loan the Company has hedged its exposure – refer note 4(d).

Under the facility, the Company and its tax advisor, 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. Repayment is due upon receipt of the R & D Tax Incentive Offset or 31 December 2018 of the relevant year of the term loan.

The term loan will be made available in USD. The aggregate amount of the term loans will not exceed USD\$30 million.

Interest is accrued daily at 14% per annum.

The maximum loan security ratio is 90%, meaning the ratio of outstanding moneys divided by the R & D Tax Incentive Offsets which the Company is expected to receive following the end of the relevant financial year.

Convertible Note – Lind Asset Management X, 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.

The funding will be provided as second ranking convertible securities with a 30 month term. The funding agreement allowed for two \$6 million tranches and two \$1 million tranches and a further two \$1 million tranches based on specific events.

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 day's 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 1/24th 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 has the right to convert up to 30% of the buy-back amount.

As a facilitation fee, the Company issued 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.

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

4. Financial Assets and Liabilities (continued)

(c) Interest Bearing Liabilities (continued)

On 29th August 2017, the Company and Lind Asset Management X, LLC (Lind) entered into amendments in relation to the original agreement. Further, the parties entered into a term sheet on 12 November 2017 to vary the arrangement relating to the fourth convertible security under the original agreement.

The fourth convertible security under the agreement was amended. Upon the Company successfully raising AU\$3,500,000 Lind will advance AU\$5,000,000. This was partially received in the reporting period with the balance of \$805,000 in January 2018.

Upon the above advance of the fourth convertible security, 10,000,000 additional collateral shares were issued, as well as 30,000,000 options exercisable at \$0.125 expiring 31 December 2019.

The Company agreed to forego AU\$1,000,000 that it could have called upon in terms of the agreement.

Equipment Finance

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

Assets pledged as security

A Priority Deed has been entered into between Sinosteel Equipment & Engineering Co Ltd (Sinosteel), Innovation Structured Finance Co LLC (ISF), Lind Asset Management X LLC (Lind) and the Company.

Sinosteel has a Specific Security Deed giving it security over the Company's mechanical equipment, electrical and instrumentation equipment, structural steel, platework and piping for the beneficiation and hydrometallurgical process plants supplied and installed by the contractor as defined by the Process Engineering package in the EPC Contract.

ISF has security over the Company's present and future right, title and interest in to the property below:

- the deposit account;
- any amount credited to the deposit account on or before the date of the deed or after the date of the deed;
- any R & D Tax Incentive Offsets which are credited or which should have been credited to any other account held by the Company;
- the R & D Tax Incentive Offsets;
- any proceeds of any of the above;
- all other rights, title and interest in the deposit account.

ISF may enforce the ISF security without notice to or approval of any other security holder. Sinosteel may also enforce the Sinosteel Specific Security deed without notice to or approval of any other security holder. Sinosteel may appoint a receiver to the Collateral under the Sinosteel Featherweight General Security Deed.

The securities, other than the Sinosteel Specific Security Deed rank in the following order of priority:

- first priority to the ISF Security;
- second priority to the Sinosteel featherweight General Security Deed;
- third priority to the Lind Security

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

4. Financial Assets and Liabilities (continued)

(d) Derivative financial liabilities

Derivatives not designated as hedging instruments	31 December 2017 \$	30 June 2017 \$
Current		
Foreign exchange derivatives	147,850	-
Non- Current		
Embedded derivatives	199,342	82,217

The Company entered into two foreign exchange derivatives with an expiry date of 8 November 2018. 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 lower 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.

(e) Fair value measurement

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.

NORTHERN MINERALS LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

4. Financial Assets and Liabilities (continued)

(e) Fair value measurement (continued)

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.

NORTHERN MINERALS LIMITED
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5. Non-financial Assets and Liabilities

(a) Property, plant and equipment

Non-Current	Pilot Plant in Construction	Office equipment	Fixtures and Fittings	Exploration equipment	Vehicles	Site equipment	Leasehold Improvements	Total
As at 30 June 2017	\$	\$	\$	\$	\$	\$	\$	\$
Cost	12,322,011	482,754	121,059	960,204	447,492	-	514,198	14,847,718
Accumulated Depreciation	-	417,821	117,148	956,916	433,359	-	511,253	2,436,497
Carrying amount at end of the year	12,322,011	64,933	3,911	3,288	14,133	-	2,945	12,411,221
Half Year ended 31 December 2017								
Cost								
At beginning of the financial year	12,322,011	482,754	121,059	960,204	447,492	-	514,198	14,847,718
Additions	24,526,721	110,701	-	11,600	-	7,848	2,795	24,659,665
Transfers	(189,813)	-	-	-	-	189,813	-	-
Disposals	-	-	-	-	-	-	-	-
At the end of the financial year	36,658,919	593,455	121,059	971,804	447,492	197,661	516,993	39,507,383
Accumulated Depreciation								
Accumulated depreciation at beginning of year	-	417,821	117,148	956,916	433,359	-	511,253	2,436,497
Depreciation charge for the year	-	27,462	1,051	2,726	7,615	18,677	839	58,370
Disposals	-	-	-	-	-	-	-	-
Accumulated depreciation at end of year	-	445,283	118,199	959,642	440,974	18,677	512,092	2,494,867
Carrying amount at end of the year	36,658,919	148,172	2,860	12,163	6,518	178,984	4,901	37,012,516

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6. Equity

	31 December 2017		30 June 2017	
	Number	\$	Number	\$
(a) Ordinary Shares				
Share Capital				
Ordinary Shares	865,738,435	126,089,210	708,893,807	110,995,064

	Half Year 31 December 2017		Full Year 30 June 2017	
	Number of Shares	Value \$	Number of Shares	Value \$
Movements in ordinary share capital in the Company during the half year:				
Opening balance as at 1 July 2017	708,893,807	110,995,064	498,159,294	86,234,622
Issue of shares to Huatai Mining - August 2017	20,000,000	2,000,000		
Issue for consultancy work - August 2017	1,000,000	100,000		
Issue of securities to Lind - Convertible Security repayment - August 2017	3,551,136	312,500		
Placement issue - August 2017	20,833,333	2,500,000		
Issue of Collateral shares to Lind - August 2017	10,000,000	1,350,000		
Issue of securities to Lind - Convertible Security repayment - September 2017	2,693,966	312,500		
Placement issue - October 2017	25,000,000	3,000,000		
Issue of securities to Lind - Convertible Security repayment - October 2017	2,920,561	312,500		
Issue of securities to Lind - Convertible Security repayment - November 2017	3,063,725	312,500		
Placement issue - December 2017	50,230,771	3,918,000		
Issue of Collateral shares to Lind - December 2017	10,000,000	870,000		
Shares issued for performance bonus to Sinosteel	4,000,000	348,000		
Issue of Collateral shares to Lind - December 2017	3,551,136	312,500		
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
	865,735,435	126,643,564	708,893,807	112,090,748
Less: costs of Issue	-	(554,354)	-	(1,095,684)
Balance as at 31 December 2017	865,735,435	126,089,210	708,893,807	110,995,064

NORTHERN MINERALS LIMITED
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6. Equity (continued)

(b) Share Purchase Plan Shares

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

	31 December 2017 Number	30 June 2017 Number
Balance at beginning of period	8,428,400	13,928,400
Shares reverted to company during the period	(3,225,000)	(5,500,000)
Balance at end of period	<u>5,203,400</u>	<u>8,428,400</u>

(c) Performance Rights over ordinary shares

	31 December 2017 \$	30 June 2017 \$
<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 period	-	650,000
Issued during the period	-	-
Forfeited/lapsed during the period	-	(650,000)
Exercised during the period	-	-
Balance at end of period	<u>-</u>	<u>-</u>

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

Balance at beginning of period	4,500,000	11,400,000
Issued during the period	-	-
Forfeited/lapsed during the period	(4,500,000)	(6,900,000)
Exercised during the period	-	-
Balance at end of period	<u>-</u>	<u>4,500,000</u>

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

Balance at beginning of period	22,500,000	-
Issued during the period	-	27,500,000
Forfeited/lapsed during the period	-	(5,000,000)
Exercised during the period	-	-
Balance at end of period	<u>22,500,000</u>	<u>22,500,000</u>

4,500,000 rights had vested in the period and were exercised post period end

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

Balance at beginning of period	2,500,000	-
Issued during the period	-	2,500,000
Forfeited/lapsed during the period	-	-
Exercised during the period	-	-
Balance at end of period	<u>2,500,000</u>	<u>2,500,000</u>

500,000 rights had vested in the period and were exercised post period end

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

Balance at beginning of period	-	-
Issued during the period	1,800,000	-
Forfeited/lapsed during the period	-	-
Exercised during the period	-	-
Balance at end of period	<u>1,800,000</u>	<u>-</u>

700,000 rights had vested in the period and were exercised post period end.

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6. Equity (continued)

(c) Performance Rights over ordinary shares (continued)

* 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.

** 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.

**** Performance conditions

- 100,000 shares will vest and be exercisable upon the completion of Civil Works (concrete) for the Browns Range Pilot Plant
- 200,000 shares will vest and be exercisable upon the delivery of project EP portion and LTSC portion within budget, no lost time injury and no reportable environmental incident
- 300,000 shares will vest and be exercisable upon completion of the Pilot Plant performance test and practical completion by 30 June 2018
- 50,000 shares will vest and be exercisable upon commencement of mining operations of the Browns Range Pilot Project
- 300,000 shares will vest and be exercisable upon delivery of the mining scope of work for the Browns Range Pilot Plant on time and within budget. No lost time injury at the site from the commencement to the completion of both the mining and earthworks contracts, and no reportable environmental incidents from the commencement to the completion of both the mining and earthworks contracts
- 250,000 shares will vest and be exercisable upon completion of the mining and earthworks contracts at the discretion of the CEO
- 100,000 shares will vest and be exercisable upon commencement of employment with Northern Minerals
- 200,000 shares will vest and be exercisable upon completion of process plant performance test and practical completion achieved by 30 June 2018, and completion of necessary R & D tests and claim application for 2017/2018 R & D claim, and receipt of R & D refund by the Company
- 300,000 shares will vest and be exercisable upon completion of necessary R & D tests and claim application for 2018/2019 R & D claim and receipt of refund by the Company

NORTHERN MINERALS LIMITED
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6. Equity (continued)

(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 31 December 2017	Share options 30 June 2017
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
12 April 2017	24 May 2021	\$0.15	3,000,000	-
14 June 2017	20 June 2020	\$0.25	22,500,000	22,500,000
29 December 2017	31 December 2019	\$0.12	30,000,000	-
29 December 2017	31 December 2019	\$0.12	5,023,076	-
Total			75,835,546	37,812,470

30,000,000 unlisted options were issued to Lind Asset Management LLC on 29 December 2017 as part of the Convertible Security Funding Agreement. These options had an exercise price of \$0.125 and have an expiry date of 31 December 2019.

As part of the share placement of 50,230,771 fully paid ordinary shares, at an issue price of \$0.078 per share, to investors under a private placement in December 2017, investors were issued free attaching unlisted options on a 1 for 10 basis, with an exercise price of \$0.12 and an expiry date of 31 December 2019.

7. Prior Year Adjustment

The 30 June 2017 estimated Research and Development rebate was received during the half year ending 31 December 2017, upon further investigation it was noted that a portion of the eligible expenditure, which used to be 100% expensed in terms of the Exploration Expenditure policy, related to capital expenditure. Per AASB 120 "Government Grants this should then be capitalised. \$564,515 of the 30 June 2017 estimate should have been classified to the Statement of Financial Position. This has been adjusted in the prior year.

The aggregate effect of the adjustment on the half year financial statements for the period ended 31 December 2017 is as follows (no taxation effect results from these changes):

Consolidated Group	Previously stated	Adjustment	Restated
	\$	\$	\$
Statement of Financial Position (30 June 2017)			
Deferred revenue	-	564,515	564,515
Accumulated losses	(107,179,642)	(564,515)	(107,744,157)
Statement of Financial Position (1 July 2017)			
Deferred revenue	-	564,515	564,515
Opening accumulated losses	(107,179,642)	(564,515)	(107,744,157)

NORTHERN MINERALS LIMITED
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

7. Prior Year Adjustment (continued)

Deferred Revenue	31 December 2017 \$	30 June 2017 \$
Current		
Deferred revenue	2,968,368	564,515
Non- Current		
Deferred revenue	12,615,570	-

8. Contingent Liabilities

Co-Existence Agreement

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

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

Guarantees

The Group has guarantees in the form of security deposits for rent & performance bonds of \$88,782 (30 June 17: \$88,678).

9. Commitments

(i) Exploration Expenditure Commitments

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

	31 Dec 17 \$	31 Dec 16 \$
Exploration Tenements		
Within one year	1,016,900	1,988,136

(ii) Capital Commitments

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

	31 Dec 17 \$	31 Dec 16 \$
Property, plant and equipment	5,051,164	-

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.

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10. Related Parties

Northern Minerals have entered into agreements with companies associated with Non-executive Directors, 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.

	Half Year 31 Dec 17 \$	Half Year 31 Dec 16 \$
Rental income	47,244	62,400
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:		
Current receivables	3,925	17,490

11. Segment Information

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

12. Events Occurring After the Reporting Period

On 19 January 2018 4,006,410 ordinary shares at 7.8 cents per share were issued to Lind Partners LLC for partial repayment of the convertible security. On 15 February 2018 a further 7,073,046 ordinary shares at 8.1 cents were also issued as partial repayment of the facility.

On 23 January 2018 share placements raised a total of \$2.15 million through the issue of 27,564,102 ordinary shares at a subscription price of 7.8 cents per share to sophisticated investors. 5,700,000 ordinary shares were also issued on exercise of performance rights for nil consideration.

On 7 February 2018 the Company drew down US\$5.4million from Innovation Structured Finance Co.; LLC for the December quarter Research and Development expenditure, representing funding equal 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.

On 15 February 2018 the Company announced the issue of 150,324,057 ordinary shares at 7.8 cents raising \$11.7 million as a result of the share purchase plan. Eligible shareholders could participate to acquire up to \$15,000 worth of shares.

On 15 February 2018 share placements raised a total of \$1.46 million through the issue of 18,666,667 ordinary shares at a subscription price of 7.8 cents per share to sophisticated investors.

On 23 February 2018 the Company provided an update with respect to the proposed bonus issue of new listed options to eligible shareholders on a 1 for 5 basis, with an exercise price of \$0.12 and an expiry date of 31 December 2019, as announced on 27 December 2017, subject to a prospectus being prepared and lodged with ASIC.

On 6 March 2018 the Company announced the issue of 12,820,513 ordinary shares at 7.8 cents raising \$1.0 million to sophisticated investors.

13. 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 2018.

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.

NORTHERN MINERALS LIMITED
FINANCIAL REPORT
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13. New Accounting Standards and Interpretations (continued)

As at the date of the authorisation of the financial statements, a number of new or amended Standards and Interpretations were in issue but not yet effective and have not been adopted by the Group for the annual reporting year ending 30 June 2018. The Company has decided not to early adopt any of the new and amended pronouncements.

Of the 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 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.

NORTHERN MINERALS LIMITED
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

13. New Accounting Standards and Interpretations(continued)

-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. Currently management believe the only standard to have an impact will be AASB 16: *Leases* and this will not be material.

NORTHERN MINERALS LIMITED

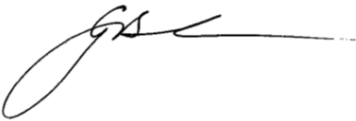
DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date of the Company; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



George Bauk
Director

Perth, Western Australia

16 March 2018

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

To the directors of Northern Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 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 review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**Nexia Perth Audit Services**

PTC Kloppe
Director

Perth
16 March 2018

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

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Northern Minerals Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of accounting policies, other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the interim period.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Nexia Perth Audit Services Pty Ltd



PTC Kloppe
Director

Perth
16 March 2018