

2019 ANNUAL REPORT

ASX:NTU



**NORTHERN
MINERALS**



“Over the course of the past few years,
we have collectively transformed
Northern Minerals from an explorer to
a producer of high-quality Dysprosium
and Terbium, essential ingredients in
the electric vehicle revolution.”

George Bauk
Managing Director and CEO



Australia's Globally Significant Dysprosium Producer.



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Chairman's Letter



Chairman's Letter

Dear Shareholder,

I am pleased to present to you the Company's 2019 Annual Report.

With the Browns Range Pilot Plant Project officially opened on 27 July 2018, we are now into our second year as a heavy rare earths producer and remain the only non-Chinese supplier of dysprosium.

The performance of the Pilot Plant continues to improve incrementally as we methodically test solutions to issues, both anticipated and unexpected, with the plant and associated processes.

While we have made significant progress with the Pilot Plant and our assessment of the technical and economic feasibility of a larger scale development, we also had a few setbacks through the year.

We were extremely disappointed when the Department of Industry Innovation and Science (AusIndustry) advised us in May that it was of the opinion that the Company's 2016-17 and 2017-18 research and development tax offset claims relating to activities were "ineligible R&D activities", which would not be eligible for the R&D tax offset for those income years.

We have sought a review of AusIndustry's decision, as is our right under the Industry Research and Development Act 1986 (Cth).

We remain firmly of the belief that our testing of the Pilot Plant at Browns Range is a core research and development activity as defined in the Income Tax Assessment Act 1997 and supporting activities fall under the R&D Tax Incentive framework.

The Browns Range heavy rare earth deposits pose a range of unique technical challenges which require tailored, scientific and pilot plant tested solutions.

Put simply, there are no existing technologies or proven solutions available to the Company and our only path was to progress to the extensive integrated pilot plant testing.

We could not rely on existing knowledge, information or experience because there were no commercial industry flowsheets, templates nor precedents available for the processing of these xenotime-hosted heavy rare earth deposits.

It is hoped that this issue will be resolved as soon as practicable, to allow the Company to properly plan its ongoing R&D testwork for the years ahead.

Pleasingly, our safety performance and environmental record at the Project remains at a high standard.

It is testament to the talented and committed team that the Company has focused on making Browns Range a successful mining operation.

The strong culture has contributed to the safety and environmental record – there have been no lost time injuries for the project to date – and the reduced staff turnover we have achieved at the Project.

I am extremely proud of the achievements of the Company over the past 12 months, particularly the executive management team that dug deep when faced with some significant hurdles.

With ore sorting, product separation and increased exploration all major focuses for the year ahead, I am confident that the Company will continue to grow and prosper.

Thank you for your continued support.



Colin McCavana
Chairman

Managing Director's Report



Managing Directors' Report

It's Rare Earths 2.0 and this time it's real.

Northern Minerals has been a focused rare earth company since 2010. Over that journey, we have invested over \$220 million and taken the Browns Range Project from a greenfields exploration prospect to a rare earth production project with global significance.

The journey, like many others, has been challenging; however, the past 12 months have been our most challenging. During the March quarter, we experienced extremely difficult financial times that nearly pushed us over the cliff. However, true to form, we found our way out of this crisis and were able to move forward, stronger and better.

Through this time, the Company was driven by a dedicated group of people that understood what we had and what the asset could deliver in the future. The first group of people I would like to thank is the Board of Directors, who were up to the challenge and drove the Company forward.

The next group of people I'd also like to thank is the executive team who worked tirelessly through this time to keep the operation tracking ahead and finances positioned to survive. I would also like to thank every single employee at Browns Range and in the Perth office who stuck by the Company, at times frustrated in not being able to have the resources available to get the job done – thank you for being so loyal and passionate about this great company.

Finally, to our contractors and suppliers who stuck by us, extending terms of credit and continuing to help us in every way possible – thank you.

Over the past 12 months, progress has been impacted by our financial position as many initiatives were put on hold whilst we strengthened our balance sheet. This meant that many of the enhancement initiatives promoted a year ago were postponed because of funding and no other reason.

During the past three to four months, following the end of the reporting period and on the back of several capital raisings, we have seen several of these initiatives

commence, including the ore sorter project, product separation and increased exploration.

The inclusion of ore sorting into the circuit aims to significantly increase the head grade to the mill by approximately 2.2x which, if successfully implemented and operating, would improve the project economics.

It was really exciting to see the commencement of a Scoping Study with K-Tech in the USA for the commencement of product separation testwork of our mixed rare earth carbonate. This is an essential step in the advancement of the Project to ensure that we can produce separated products that will open many markets globally.

In the WA State Budget in May, a \$51 million road upgrade from Halls Creek to Ringer Soak, funded by the Federal and State Governments, was announced and work has commenced this year. This project should allow for a 20% increased throughput via increased access to site during the wet season.

Finally, it is always exciting to see drilling and other exploration activities at Browns Range. Limited exploration has been undertaken in the past four to five years as we have focused on the development of the pilot plant; however, we have enjoyed enormous success this financial year with the discovery of Dazzler and Iceman. More recently, and following the end of the reporting period, we announced the best ever drill intercept at Browns Range from infill drilling at Dazzler. I look forward to further success in the coming 12 months on the exploration front.

We saw our first shipment leave the shores of Australia in December 2018. This was a significant milestone for the Company and the Brown Range Project.

During this reporting period, the project milled 14,500 tonnes and a total of 46t of rare earth carbonate was produced in the second half of the year, which is stored at site awaiting the second shipment.

It is important to note that the throughputs and production will vary over the three-year Pilot Plant Project as we assess various methods, processes and equipment. As a pilot plant project, we have planned and are undertaking 271 different experiments aimed at assessing the economic and technical feasibility of a larger-scale development.



The stockpiled mixed rare earth carbonate will be shipped in the coming months as we transition to our new offtake partner thyssenkrupp, one of the world's leading raw material distributors from the Materials Services business area, for 100% of offtake from the Browns Range Pilot Plant Project, which was announced on 12 August 2019.

Financing has been a major focus for the Company in 2018-19. During this period, we have reached a number of milestones and achievements including:

- Raised \$33.5 million in equity;
- Raised \$11.5 million in 2 separate unsecured convertible notes;
- Closure of the Brevet R&D facility; and
- Closure of the Lind Facility.

During the reporting period, we also received news from AusIndustry that our 2016-17 and 2017-18 Research and Development (R&D) claims had been rejected. Post year-end, the Company has commenced an appeal against the decision on the two tax returns and this remains a work in progress.

We are focused on ensuring we have a strong balance sheet to drive our core activities to determine whether or not the process is technically and economically viable so we can decide on the development of a larger-scale operation.

Exploration has recommenced at Browns Range and in early 2019, we announced a maiden Mineral Resource at Dazzler, our newest discovery at the Project. Dazzler has added 3.2 million kilograms of TREO at a grade of 2.4% TREO, being over four times the previous average grade of our Mineral Resources. Dazzler was discovered approximately 15 kilometres from the pilot plant and is in a different geological setting to that at Wolverine and Gambit. This new setting opens up significant potential for similar prospects within the project area.

Exploration, subject to a healthy balance sheet, will be a core activity in 2019-20 as we aim to increase our life of project to over 20 years, as many see our current Mineral Resource base and full-scale mine life at 11 years as too short. We regularly say that our Mineral Resources are limited by funding and not mineralisation. That being said, we need to get back on the ground and continue to discover more mineralisation and aim to increase our mineral inventory at Browns Range.

The FY20 reporting period is shaping up to be an exciting year as we finalise our debottlenecking projects, install and commission the ore sorter, progress product separation testwork in the US and discover and expand our Mineral Resources.

Rare earths have become globally significant once more, albeit this time with less excitement on the stockmarket, which we saw back in 2010 and 2011. The trade tensions between the US and China has seen a renewed media focus and an upswing in pricing of heavy rare earths.

Getting the story understood by investors is critical, and hopefully through geopolitical issues playing out on the global stage, we can achieve this and make more people aware of the importance of rare earths in a clean safe world.

At Northern Minerals, we are doing our bit, in developing alternative global supply chains, supplying ethically produced dysprosium. In the coming year, we will build on our knowledge of our operation and the markets with the aim of being in a much stronger position at the end of 2019-20.

Thank you again to all my fellow board members; employees; contractors; suppliers; federal, state and local governments; the Jaru and the broader community.



Above: Browns Range Pilot Plant.

Health and Safety

Northern Minerals encourages a culture of openness, teamwork and integrity in everything we do. We believe that through effective consultation, visible leadership, clear communication and the active involvement of all employees and contractors, we will achieve the best possible Health & Safety outcomes.

Through our value system SPIRIT, which stands for Safety, People, Integrity, Results, Initiative and Team, we are committed to providing a safe working environment and instilling a strong culture of safety within the Company.

Over the course of the year, we have continued to develop and implement a set of policies, standards, procedures and management plans, which sets our focus on managing risks and injury prevention.

In October 2018, the Company undertook an OHS Risk and Culture Review at Browns Range through an independent organisation to assess major hazards and critical risks, and to gain a better insight into our safety culture. A safety improvement plan was developed to address the highest risk hazards first, followed by the lower risk hazards.

A follow up OHS Risk and Culture Review was undertaken in June 2019 and the Company is pleased to report that an improvement in the safety culture at Browns Range has been observed and that the implementation of the safety improvement plan is ongoing.

During the year, the STEMS system has been used for reporting and tracking the Company's safety performance, which combined with a process of investigating and reviewing incidents to continuously improve safety performance and minimise risk to personnel, is a key component to providing a safe working environment.

During FY19, there was no Lost Time Injury (LTI) and the LTI frequency rate has remained at 0 as it was for FY18. For the reporting year, the Company had no Recordable Injuries with the Total Recordable Injury Frequency Rate (TRIFR) trending down over the year and reaching a TRIFR of zero in June 2019. (See graph opposite page)

A key focus area this year has been on Emergency Response capability and training. The necessary equipment has been procured and 'hands-on' training conducted to prepare our Emergency Response Team for incidents that could occur on site. Several training exercises were conducted including confined space rescue training and the use of self-contained breathing apparatus.

Another key focus area has been general health and wellbeing, with the Company developing an Occupational Health and Hygiene Management Plan which now also provides for mental health aspects.

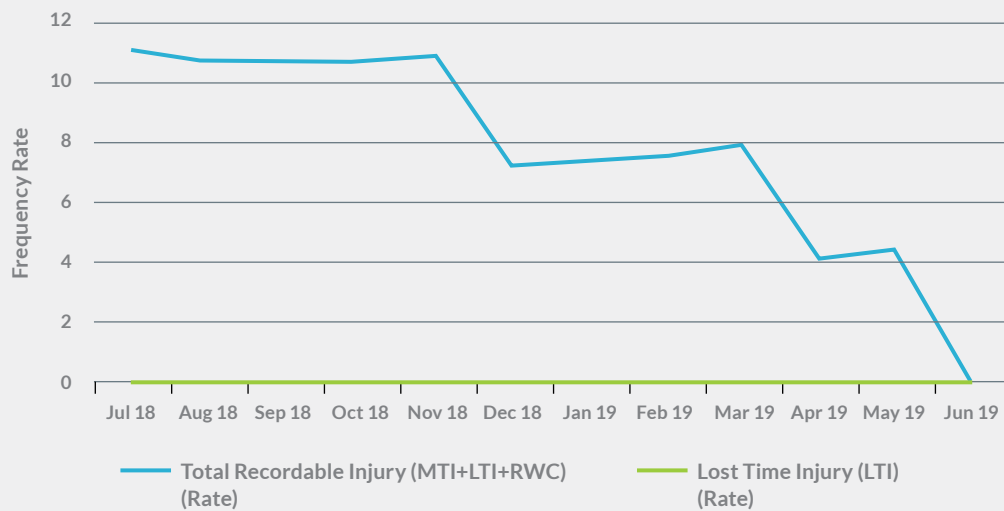
A 1.5km nature trail was established between the village and the processing plant by the environmental department and site management as a healthy exercise option.

Moving forward:

In the year ahead, Northern Minerals is determined and committed to ensure that visible and proactive safety leadership is continued at all levels. We will be enhancing our safety team to reinforce our commitment to further safety improvements, and we will continue to focus on working safely and providing our people with the necessary skills, systems, processes and work environment to perform their tasks safely.



Annual Injury Performance



Total Recordable Injury Frequency Rate calculations measure the total number of recordable injuries (MTI+LTI+RWC, excluding First Aid) per million hours worked, where MTI = Medical Treatment Injury, LTI = Lost Time Injury, RWC = Restricted Work Case



Above: Browns Range personnel on site.



Above: On-site Emergency Response Team training.

FY2019 Highlights

Browns Range Pilot Plant officially opened



R&D testwork continued

\$33.5 million equity raised



Excellent safety record

Positive improvements in dysprosium and terbium prices



Positive ore sorting investigations

Commissioned and commenced operations



Exploration discovery at high-grade Dazzler prospect



FY2020 Plans

Steady state nameplate capacity production



Commence offtake sales to thyssenkrupp

Install and commission ore sorter



Complete product separation Scoping Study

Accelerate exploration at high-grade prospects



Continue excellent safety culture

Assess technical and economic potential of full scale project



Ramp up training-2-work program with Wunan Foundation

Environment

Northern Minerals is committed to producing ethically mined rare earth carbonate and integrate risk-based environmental management throughout our operations. We also strive for continual improvement of our environmental performance, efficient use of resources, prevention or minimisation of pollution and consider high environmental standards a critical part of our operations.

Several key environmental approvals regulate our operations.

The issue of the Project's first environmental license on the 11 July 2018 marked the transition from a construction and commissioning phase to operations. In mid-2019 the Project took the initiative to transition to the Department of Mines, Industry Regulation and Safety (DMIRS) Guidelines for Mining Proposals in Western Australia (2016), a move which will deliver greater operational flexibility and better risk-based environmental outcomes. The Project has also commenced an approvals process for the installation of an ore sorter in the process circuit.

Our Environmental Management System (EMS) ensures that we operate in accordance with our approvals and statutory requirements and continue to identify areas for continual improvement. Recent improvement initiatives include development of additional EMS training modules and improvements to land clearing protocols.

The development of a Dingo Risk Management Strategy designed to ensure both the long-term welfare of the local dingo population and the safety of site personnel and visitors is a further initiative that will deliver enhanced safety and environmental outcomes. In terms of environmental value, the Strategy recognises that the Project area likely supports some of the most genetically pure dingoes on the continent that play an important role in maintaining the ecological balance.

Good reporting is an important part of environmental management and we prepared and submitted all our statutory reports to the DMIRS and Department of Water and Environmental Regulation. Internally, environmental incidents and issues are included in the daily production report and environmental performance is also included in the monthly report to the Board. We believe in honest, open and timely communication with regulators and also reported two minor breaches of conditions during the reporting period.

We believe that rehabilitation and preparing for closure is an integral part of the mining process and will continue to undertake progressive rehabilitation as areas become available.

Currently, all available areas have been rehabilitated and there are currently no further opportunities for progressive rehabilitation. A revised Mine Closure Plan was submitted to the DMIRS in mid-2019 and our ongoing closure studies, which include rehabilitation trials and in-situ kinetic leach trials will continue to provide valuable information that will inform future closure planning.

Stakeholder Engagement

We believe in open and honest stakeholder engagement to ensure that there is a clear understanding of the Project and its current and future impacts. Our stakeholders include regulators, local government, traditional owners, pastoralists, customers, contractors, employees, shareholders, interest groups, and the general community.

No complaints were received during the reporting period.

During the reporting period, we continued to have a good relationship with the Jaru people, who are the traditional owners of the Browns Range Project area. We recognise and respect that there are areas of special heritage and cultural significance and continue to honour our agreement with the Jaru when managing land clearing, protecting heritage values and environmental management and reporting.

We continue to give preference to employing members of the local community who have equivalent skills and experience. The Company has also continued to engage a local Jaru-owned company to provide a front-end loader and operator for the loading of ore from the ROM pad to the crusher. The contractor employs several local Jaru traditional owners as operators of the machinery.

Most of the project area is located on the Gordon Downs Pastoral lease currently held by Heytesbury Cattle Company (Heytesbury) and we seek to maintain the good relationship that has been developed since the early phase of the Project, with local and corporate management within Heytesbury.

A round of stakeholder consultation involving key stakeholders commenced in 2019 to discuss the proposed installation of an ore sorter in the process circuit and related environmental management and closure planning.

Consultation was initially undertaken with Jaru native title representatives, followed by community forums at Ringer Soak and Halls Creek and a meeting with the Halls Creek Shire Council. Similar discussions have also been had with representatives of the Heytesbury management team with a focus on long-term closure planning for the Tailings Storage Facility.



Above: Local community, Government and other VIPs welcomed to site for the official project opening.

People

Northern Minerals takes great pride in its people and recognises the critical contribution each person makes toward the achievement of our vision. The capability of our people and the culture we've developed continues to be the key driver of our success.

A key part of our ability to attract and retain such a great team has been the commitment toward our SPIRIT framework. Safety, People, Integrity, Results, Initiative and Teams form the basis of this approach. This framework guides expectations and standards and provides the foundation on which Northern Minerals operates.

As we enter this next exciting phase, we are committed to the continued support and development of our people and keeping our SPIRIT at the forefront of everything we do.

Executive Team

One of the core strengths of the Company has been the loyal and dedicated service of our executive team, taking Browns Range from discovery through to production and now progressing to the next exciting phase. The team is accountable for upholding the Company values and leading the business to achieve its vision of becoming the next significant producer of dysprosium outside of China.

George Bauk - Managing Director and CEO

George Bauk has led the Company since 2010, providing the driving force in establishing Browns Range as a significant heavy rare earth producer. Through the process, George has become a strong advocate for the sector, leading and participating in various forums and industry groups aimed at improving knowledge of the sector.

Robin Jones - Chief Operating Officer

Robin Jones joined the Company in June 2012 and was charged with turning Browns Range from a concept into reality. Under Robin's leadership, the Pilot Plant Project has been constructed and is now operational.

Mark Tory - Chief Financial Officer and Company Secretary

Mark Tory has taken the lead in financing discussions and negotiations for the Browns Range Project. As a new industry in Australia, traditional finance was difficult to achieve, therefore a range of alternative financing structures were developed and negotiated that resulted in the Project being fully financed.

Robin Wilson - Geology and Exploration Manager

Robin Wilson discovered heavy rare earths at Browns Range and has led the geological team from discovery through to mining. Robin is now charged with new discoveries, with Dazzler and Iceman the first of what the Company hopes is many more to come.

Bin Cai - Alternate Director

Bin Cai joined the Board in 2013 and, as well as being a supportive shareholder, has provided significant advice and introductions to funding and offtake partners in Asia. His contacts have been invaluable getting the Browns Range Project financed and developed.



Leadership Team

The leadership team continues to provide guidance and direction for our Browns Range Project.

Our Engineering Manager, Eben Van Rooyen, has played an integral role in the construction of the processing plant and associated infrastructure. Louis de Klerk, R&D Manager, brings extensive experience to the team and drives our research and development process. Tony Hadley, General Manager Operations, is responsible for site operations, the plant and the production of heavy rare earth carbonate. Tony is assisted by a dedicated team of professionals at Browns Range, all of whom work tirelessly to ensure that the Project is successful. Kurt Warburton has been an integral part of the exploration team since the first discovery of the Browns Range deposits and provided the expertise and leadership behind the recent Dazzler discovery. Belinda Pearce continues to add value in the finance and accounting role and assists the CFO with financing strategies.

Board of Directors

The Board of Northern Minerals has made a significant contribution to the Company over the past 12 months as it transformed from a developer to producer. The Board has a diverse set of backgrounds and skills that has been invaluable in providing support to the executive team.

Colin McCavana - Non-executive Chairman
(appointed 2006)

Mr McCavana has more than 35 years of management experience worldwide in the earthworks, construction and mining industries.

George Bauk - Managing Director / CEO
(appointed 2010)

Mr Bauk is an experienced executive, with 30 years' experience in the resources industry. Mr Bauk is Chairman of Lithium Australia and is also Non-executive Director of BlackEarth Minerals.

Adrian Griffin - Non-executive Director
(appointed 2006)

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 platinum group metals and agricultural commodities.

Yanchung Wang - Non-executive Director
(appointed 2013)

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.

Ming Lu - Non-executive Director
(appointed 2018)

Mr Lu is a CPA qualified senior finance leader with over a decade of commercial experience in successful multinational businesses worldwide.

Congyan (Mark) Xue - Non-executive Director
(appointed 2019)

Mr Xue is a corporate finance executive, with over 15 years' experience in fundraising, corporate advisory and mergers and acquisitions, predominantly in China

Xiaohua Liu - Non-executive Director
(appointed 2019)

Ms Liu has a Masters of Law and a Bachelor of Law and has over seven years' experience with Investment Banking and Securities companies in China

Bin Cai - Non-executive Director (alternate)
(appointed 2013)

Bin is the MD of Conglin International Investment Group Pty Ltd based in Brisbane. He has a record of successful strategic investments in emerging Australian resources companies.



Above: Northern Minerals' Managing Director / CEO George Bauk with local community members and other VIPs at the official project opening by Regional Development Minister, the Hon Alannah MacTiernan MLC.

Northern Minerals **SPiRiT** framework drives our culture

Safety

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.

People

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

Integrity

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.

Results

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

Initiative

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.

Teams

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.

Rare Earth Markets

One of the brighter notes of the financial year has been the improvement in rare earth prices, in particular dysprosium and terbium. Over the course of the financial year, the dysprosium price increased 73% to US\$279/kg while terbium increased 40% to US\$582/kg over the period.

While the Chinese Government has been cleaning up the rare earth industry locally through the shutdown of illegal operations and regulation of others, a major reason for the price increase can be attributed to the ongoing US-China trade dispute.

The Chinese Government, as the controller of over 80% of the world's rare earth production, indicated that it was willing to 'weaponise' rare earths in retaliation for escalating tariff increases by the US Government. In this sense, there is the potential that the Chinese Government may restrict rare earth exports, as it did in 2010 and 2011, which would cause supply issues for a range of technologies.

At the time of writing this report, this has not occurred, and rare earth prices have not moved anything like what was seen eight years ago.

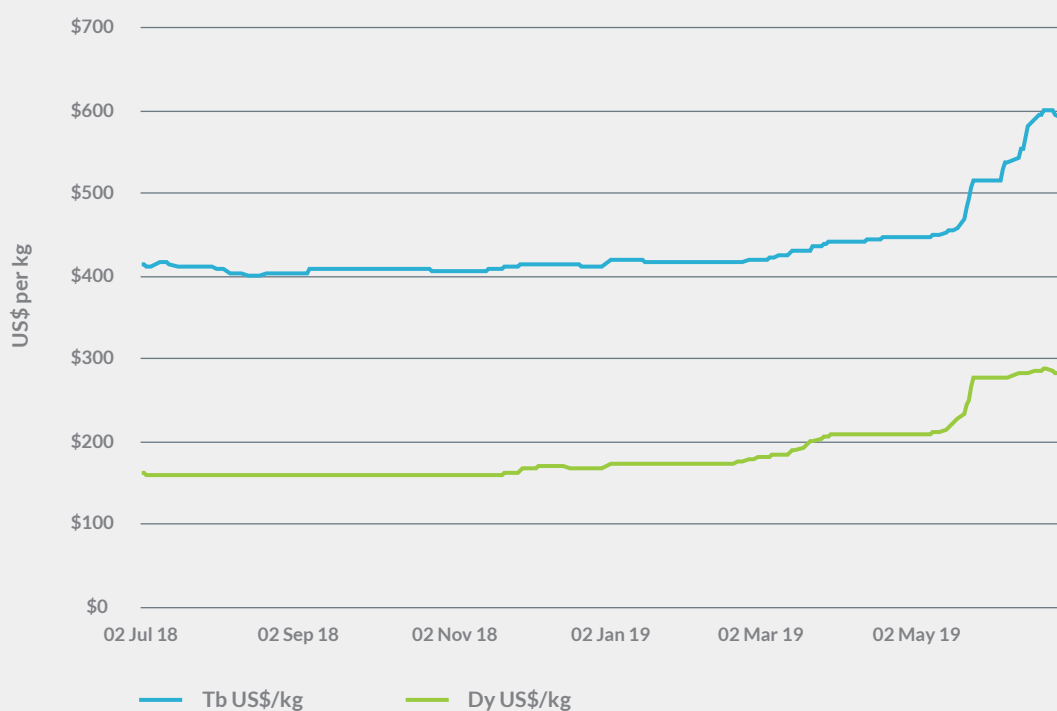
What the US-China trade dispute has done is shine a spotlight on the sector and its importance in the transition to a cleaner, sustainable environment.



Above: Rare earth production is a valuable resource and can be used in a wide range of technologies including defence and transport.

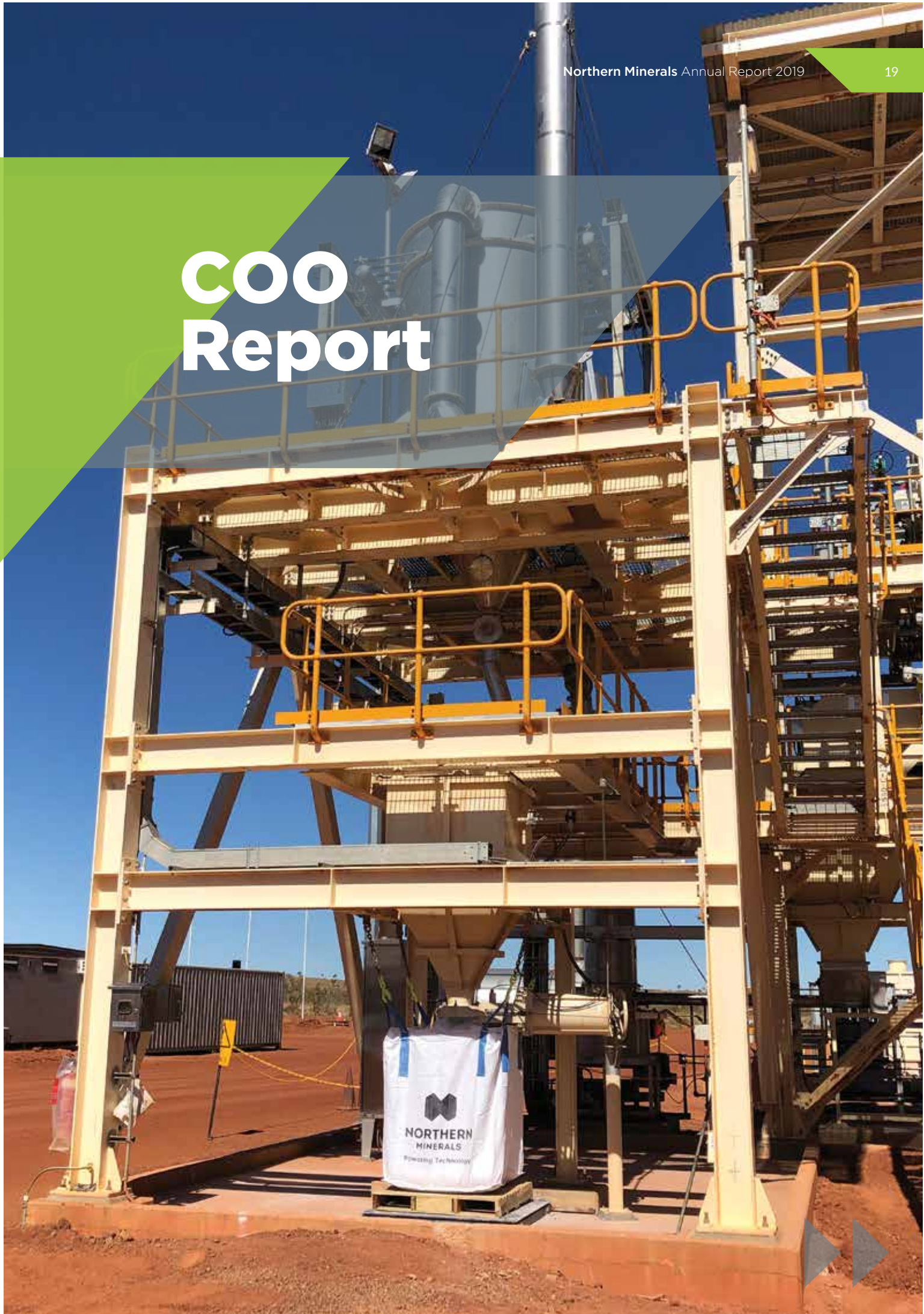
The increased media coverage has resulted in increased investor awareness of the sector and the important role that the Company has to play over the coming years.

dysprosium and terbium pricing - FY19



Source: Asian Metals

COO Report



COO Report

From an operations perspective, this financial year was transformational as we moved from construction into the commissioning and operational phase at Browns Range. The Pilot Plant development is the first stage in our ambitions to become a globally significant producer of heavy rare earths, in particular dysprosium and terbium, over the coming years.

As with any new development, and particularly for one where there isn't a blueprint or guidebook on the process, we encountered a number of commissioning and operational challenges during the first year of operation.

Being the first hard rock xenotime-hosted rare earth development, the entire three-year Pilot Plant Project is focused on research and development.

In many ways, the fact that it is a pilot project has worked to our advantage. The entire workforce at Browns Range is focused on solutions and determining if there are better ways of doing things. This mindset of continuous learning has resulted in smart and innovative solutions, and I am confident that this attitude will continue for the remainder of the Pilot Plant Project.

We have assembled a first-class team at Browns Range, with everyone from the General Manager to process technicians and support staff encouraged to provide input, seek out improvements and challenge the status quo. I am particularly proud of the improvement in the safety culture that permeates across the site, with no lost time injuries to date as a testament to this.

Our target for production is to reach nameplate capacity in this coming financial year, and then prove that we can produce a mixed rare earth carbonate product continuously and on specification through the circuit. At the same time, we will be installing an ore-sorting circuit at Browns Range and will also progress our investigations into product separation technologies to produce individual rare earth products, both of which we believe will be transformational for the Company.



Browns Range Plant Operations

During this reporting period, the Project milled 14,500 tonnes and the first shipment of rare earth carbonate was achieved in the December quarter of 2018.

In the second half of the financial year, we produced 45,660kg of rare earth carbonate, allowing us to continue to test the pilot plant operation and collect valuable data to drive innovative solutions and improvements in the plant.

As the plant is in the commissioning phase, operations were intermittent during this period as adjustments were made as various components were brought online.

We intend to ramp up output from the plant and are targeting achieving nameplate capacity in this coming financial year.

From an operations perspective, in the coming financial year the installation of the ore sorter circuit on site will potentially double the feed grade to the mill, which has the potential to increase throughput and to improve operating costs.

Depending on testwork and Scoping Study results, preparations may also commence for the installation of a trial to test a separation technology at Browns Range.

Research & Development Projects

A total of 271 individual Research and Development (R&D) experiments have been planned for the duration of the three-year Pilot Plant stage.

In the 2019 financial year, experiments were conducted on most areas of the plant, including fine grinding, magnetic separation, flotation, leaching, purification and ion exchange, with a focus on improving the efficiency and operation of the sulphation bake kiln.

Ongoing tests on the kiln have led to significant changes to the equipment, including: seals, feed system, materials of construction, and mechanical devices designed to limit scaling in the kiln to improve availability and throughput.

In the coming financial year, R&D will continue in most areas of the process plant with a continued focus on the kiln's feed system to provide a controllable and reliable feed, as well as testing additional devices to help prevent and remove scale.

Testwork on ore sorting has shown the potential to double the feed grade to the mill with a high recovery of rare earths. After the end of the reporting period, the Company announced commencement of the front-end engineering design for the ore sorter system as well as selecting and paying a deposit on an ore sorting machine. We are expecting to receive regulatory approvals for installation on site this financial year.

In the coming year, the Company will progress investigations into product separation technologies to separate intermediate mixed rare earth products into individual rare earth products.

Offtake

Prior to commencement of production, the Company entered into an offtake agreement with Lianyungang Zeyu New Materials Sales Co Ltd (JFMAG) for 100% of the mixed heavy rare earth carbonate from the Browns Range Pilot Plant Project.

As part of the offtake agreement, JFMAG had agreed to forward the Company a pre-payment of \$10 million in early 2018. This did not occur.

In addition to this, JFMAG also failed to fulfil its requirement to acquire 100% of the mixed heavy rare earth carbonate.

After the end of the reporting period, the Company terminated the offtake agreement with JFMAG and entered into a new offtake agreement with German conglomerate, thyssenkrupp Materials Trading GmbH (thyssenkrupp).

The new offtake agreement includes all mixed heavy rare earth carbonate stockpiled at Browns Range, as well as future production from the Browns Range Pilot Plant Project.

Importantly, the agreement also allows for the sale of the mixed heavy rare earth carbonate product as well as separated rare earth oxides, if Northern Minerals decides to move to product separation during the Pilot Plant Project.

Pilot Plant Flowsheet

Magnetic
Separation

Xenotime
Concentrate
Stockpile

ORE
Stockpile

Crusher

Ball Mill

Flotation

Tails





Rare Earth
Carbonate
bagging

CFO Report



CFO Report

The 2018-19 financial year was a big year for the Company, with many ups and downs.

Northern Minerals announced over A\$33 million of funding through placement of shares, A\$13.5 million funding through convertible notes and drew down a further A\$3 million from the Company's research and development (R&D) financing facility.

With the start of the R&D testing of the Pilot Plant, costs increased substantially with no revenue being received. The Australian Taxation Office (ATO) delayed our R&D refund past 31 December 2018, which meant the Company had to negotiate with Innovation Structured Finance Co., LLC (ISF) to delay repayment of the amount owed to them under the R&D Financing Agreement.

This caused cashflow stress at the beginning of 2019, which the Company managed thanks largely to the great support from our staff and creditors.

The Company raised the majority of the funds mentioned above in the last few months of the financial year to put us in a solid position at year end.

Subsequent to year end, the Company has raised further money to strengthen the balance sheet and put us in a good position to be able to achieve the goals set of ore sorting, product separation and increased exploration.

The following is a table of the cash and debt position as at 31 December 2018 with the attached security for each debt.

Description	Balance per 31 Dec 18 Accounts	Security
Cash Balance	\$1.0m	
ISF R&D Loan	\$25.8m	1st rank over bank account for funds from ATO, 2nd rank over pilot plant asset and 1st rank for all other assets of the Company
Sinosteel deferred creditor	\$10.4m	1st rank over pilot plant asset, 2nd rank over all other assets of the Company
Lind Convertible notes	\$3.3m	3rd rank over all assets of the company
JHY Convertible note	\$3.5m	No security
Debt Balance	\$43.0m	

The following is a table of the cash and debt position as at 15 September 2019. The company repaid both the ISF and the outstanding balance of the Lind convertible note prior to the end of the financial year and has also made payments in relation to the debt owing to the ATO, which the company is currently appealing.

Description	Balance as at 15 Sept 19	Security
Cash Balance	\$28.0m	
ATO Repayment	\$12.4m	2nd rank all other assets of the Company
Sinosteel deferred creditor	\$10.4m	1st rank over pilot plant asset, and 1st rank over all other assets of the Company
Other Convertible Notes	\$7.5m	No security
JHY Convertible Note	\$4.0m	No security
Debt Balance	\$34.3m	

As can be seen from the tables above, the Company is in a much better cash-to-debt position as at 15 September 2019 compared to 31 December 2018 with less security.

Key financial items for the 2018-19 financial year are discussed below.

R&D Funding

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. The Browns Range Pilot Plant Project has been eligible for Australian Government's R&D tax incentives in previous years.

For the financial year ending 30 June 2018, the Company lodged a tax return stating that the Browns Range Pilot Plant Project was eligible for A\$21.5 million in R&D tax incentives under the scheme. This was reviewed by the ATO, which had not made a decision on the return at 31 December 2018.

The ATO requested AusIndustry to review the technical nature of the R&D claim. On 18 February 2019, the Company announced that the ATO had agreed to release 50% (A\$10.78 million) of the retained R&D refundable tax offset. In mid-May 2019, the Company received notification from AusIndustry that it was their opinion that the R&D activities of Northern Minerals were ineligible for the R&D tax offset, and the offset would not be applied for the income years of 2016-17 and 2017-18. The Company is actively appealing this finding and is currently in the appeals process within the AusIndustry system. However, pending a decision by AusIndustry, Northern Minerals has negotiated to repay the ATO the required A\$14 million over 24 equal monthly instalments.

As discussed in prior years, the Company had secured a R&D Loan Facility with New York-based financier Innovation Structured Finance Co., LLC (ISF), a company associated with Brevet Capital Management. The terms of the facility included that the Company would repay the debt owing by 31 December 2018. As a result of the delay on decision by the ATO, the Company negotiated with ISF to extend the repayment dates. The release of the 50% assisted the Company in negotiations, extending repayment to 30 April 2019. The Company fully repaid ISF by this date.

It should be noted that the Federal Government made proposals to change the R&D tax incentive scheme in the May 2018 budget, which would have resulted in a reduction in the incentive to a maximum of \$4 million per annum from 1 July 2018. The Company was very active in the Senate inquiry process into this legislation, in relation to demonstrating the negative impact this would cause companies like Northern Minerals and diminishing potential

investment in Australia within new industries. The legislation was referred to the Senate inquiry by the Upper House, which recommended 'the bill should not proceed until there is further consideration of the R&D tax incentive measures.' The legislation has not been re-presented to the Lower House following the May 2019 Federal election.

Lind Financing Facility

As discussed in the prior year, Northern Minerals executed a Private Placement Term Sheet with The Australian Special Opportunity Fund, LP, (Lind) for a funding agreement of up to A\$14 million.

The funding has been provided as third-ranking secured Convertible Securities with a 30-month term. The funding agreement was in two A\$6 million tranches and two A\$1 million tranches based on specific events. In June 2019, the Company announced it had fully repaid the total amount owing under the facility.

Sinosteel MECC Deferred Payment

Under the EPCM contract with Sinosteel MECC, Sinosteel MECC has agreed to defer payments totalling A\$10.4 million, which is payable in five quarterly instalments commencing on 24 October 2019.

The following is a table of the repayments.

Date	Amount (A\$m)
24 October 2019	\$2.08
24 January 2020	\$2.08
24 April 2020	\$2.08
24 July 2020	\$2.08
24 October 2020	\$2.08

Equity Placements

During FY19, the Company raised A\$33.5 million via equity placements, at an average placement price of 5.1 cents per share. Further placements of A\$30 million have been received subsequent to the end of 30 June 2019 financial year at an average share price of 6.2 cents per share.

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

Details of the various placements are included in the accounts.

Non-Renounceable Entitlement Offer

In June 2019, the Company announced that it was raising up to A\$6.95 million via the issue of approximately 154.45 million Ordinary shares in a 1-for-13 accelerated non-renounceable entitlement offer at 4.5 cents per share.

The full amount of A\$6.95 million was received from this entitlement offer over the course of June and July 2019.

Financing Commentary

Northern Minerals continues to search for innovative ways to finance the Browns Range Pilot Plant Project and to ensure the Company maintains investigation into further enhancement initiatives, downstream processing and delivering an exploration program that will increase the Ore Reserves and Mineral Resources of the Company.

Exploration & Geology



Following the construction of the Browns Range Pilot Plant, there has been a renewed exploration push at Browns Range this reporting period. Several drilling programs have been undertaken in the last 12 months, with the main focus being the newly discovered Dazzler and Iceman prospects.

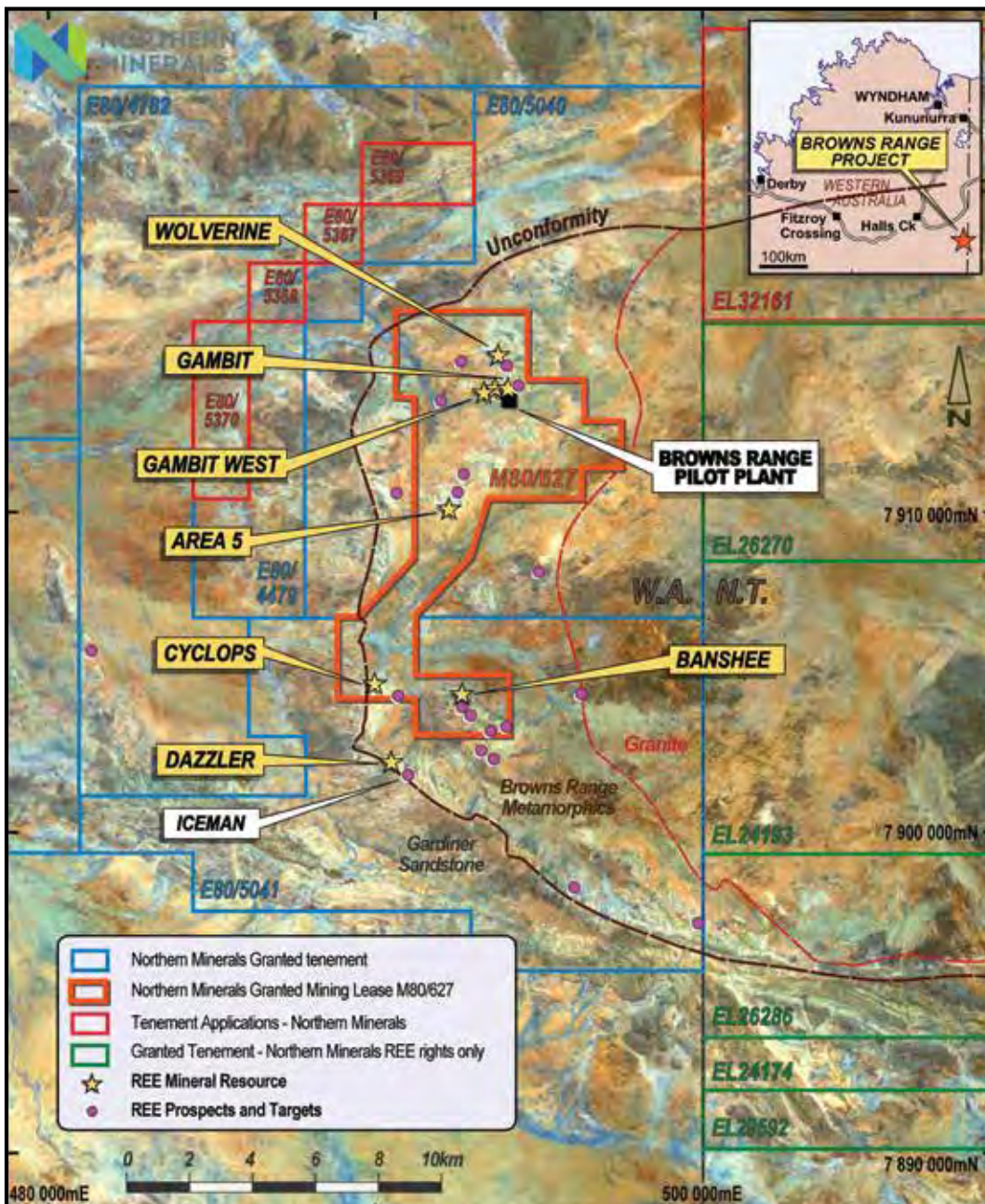


Exploration and Geology

Following the construction of the Browns Range Pilot Plant, there has been a renewed exploration push at Browns Range this reporting period. Several drilling programs have been undertaken in the last 12 months, with the main focus being the newly discovered Dazzler and Iceman prospects.

The proposed full-scale project has a mine life of approximately 11 years based on existing Ore Reserves and Mineral Resources. The Company is targeting a mine life of at least 20 years, with an aggressive exploration program planned. Higher-grade Mineral Resources of the Dazzler unconformity-related type are being prioritised.

Brown's Range Project: Deposits and Prospects



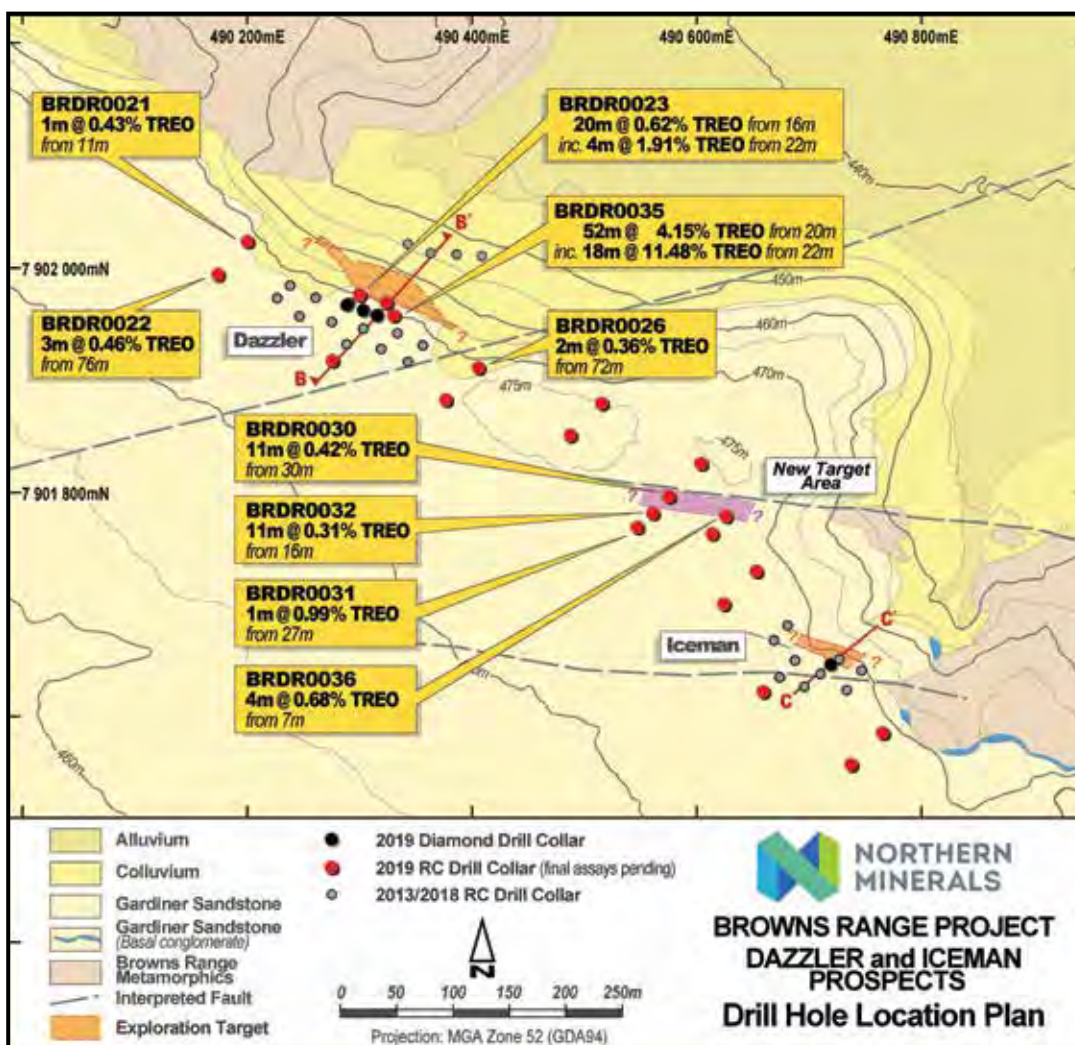
Dazzler

The Dazzler deposit is located less than 15km south of the Browns Range Pilot Plant on the edge of a small scarp slope. During 2018–19, reverse circulation (RC) and diamond drilling were completed at the deposit. Following an RC drilling program in 2018 that resulted in the discovery, a maiden Mineral Resource was estimated for Dazzler in March 2019.

An Inferred Mineral Resource of 144,000 tonnes at 2.23% TREO, comprising 3,200,000kg contained TREO using a cut-off of 0.15% TREO, was estimated for Dazzler. The grade of the Dazzler deposit is more than three times the average for the total Browns Range Project Mineral Resource, and with 93% of the rare earths being heavy rare earths.

The high-grade mineralisation occurs mostly within the Gardiner Sandstone unit, close to the unconformity with the underlying Browns Range Metamorphics. Infill diamond drilling and further RC drilling was completed at the deposit in May 2019. The infill drilling confirmed the high-grade nature of the deposit with one hole, BRDR0035, returning the best drilling intersection ever recorded at the Browns Range Project (52m @ 4.15% TREO from 20m inc. 18m @ 11.48% TREO from 22m).

Brown's Range Project: Dazzler and Iceman Prospects - Drill Hole Location Plan



Exploration RC drilling in May 2019 intersected a new mineralised zone located between Dazzler and Iceman. This zone of mineralisation is currently open in all directions, with follow-up drilling planned for the second half of 2019. These three prospects, all in close proximity and occurring in a similar geological setting, indicate a fertile mineralising system with the potential for further similar discoveries.

Iceman

The Iceman prospect is located approximately 500m southeast of Dazzler and is also located on the edge of a small scarp slope. The first RC drilling program was completed in August 2018, with follow-up RC and diamond drilling in May 2019. The single diamond drill hole intersected high-grade mineralisation, returning a result of 4.43m @ 8.07% TREO.

Like Dazzler, the high-grade mineralisation occurs close to the unconformity between the Gardiner Sandstone unit and the underlying Browns Range Metamorphics.

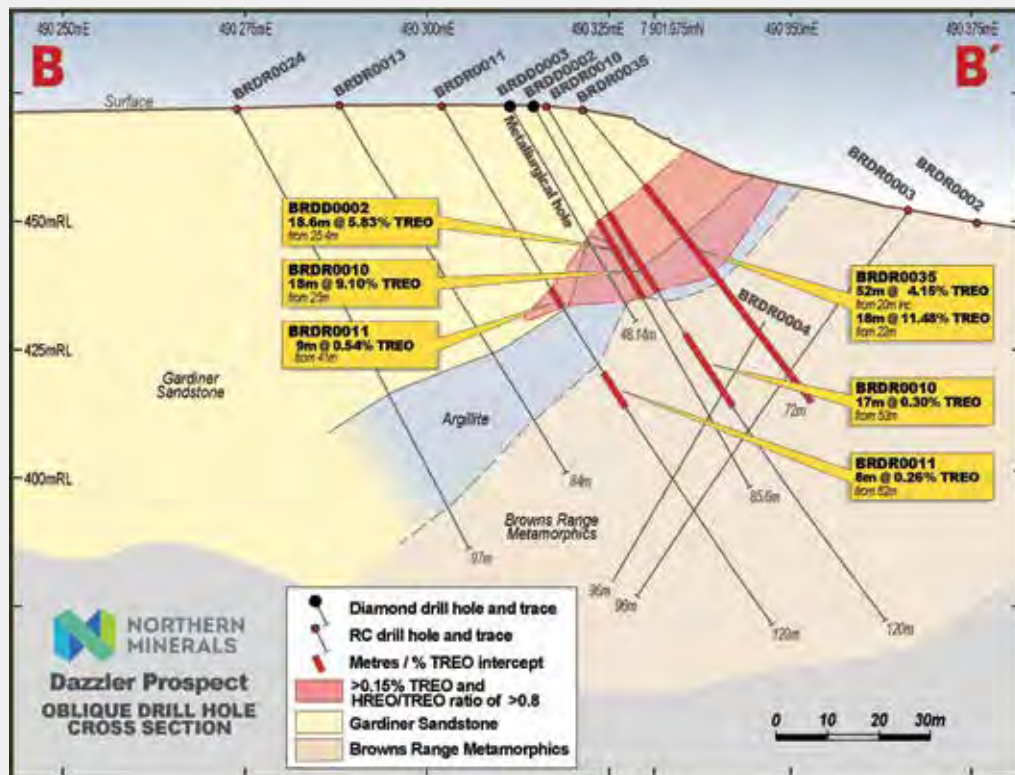
A Mineral Resource has not been estimated for Iceman; however, in December 2018 an Exploration Target of 15,000t to 30,000t at a grade range of 2–4% TREO was estimated.

The potential quantity and grade of the Exploration Target is conceptual in nature; there has been insufficient exploration to determine a Mineral Resource at this time, and there is no certainty that further exploration work will result in the determination of a Mineral Resource.

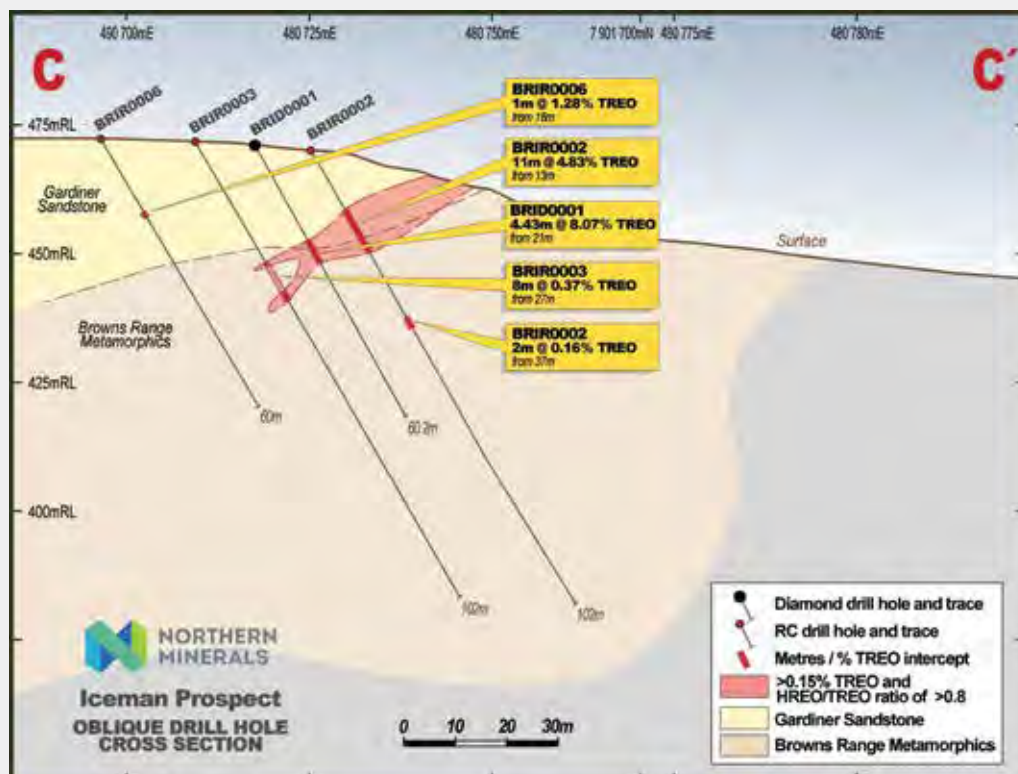


Above: Wolverine Open Pit.

Brown's Range Project: Dazzler Prospect - Oblique Drill Hole Cross Section



Brown's Range Project: Iceman Prospect - Oblique Drill Hole Cross Section



Other Browns Range WA prospects

The exploration success at the Dazzler and Iceman prospects has highlighted the potential for significant mineralisation to occur in the Gardiner Sandstone adjacent to the unconformity with the underlying Browns Range Metamorphics.

The “corridor” from Dazzler extending southeast towards the Northern Territory border (a strike length of approximately 12km), close to the unconformity, is considered very prospective for this style of deposit. Within this corridor lies the Rogue and Quiksilver prospects, where outcropping mineralisation has already been identified.

During the reporting period, further RC drilling was completed at Wolverine West, Gambit West, Gambit East, Polaris and Banshee South.

Drilling of several untested drill targets, including Rockslider, Gem, Camel, Sway and Longshot is planned for the second half of 2019.

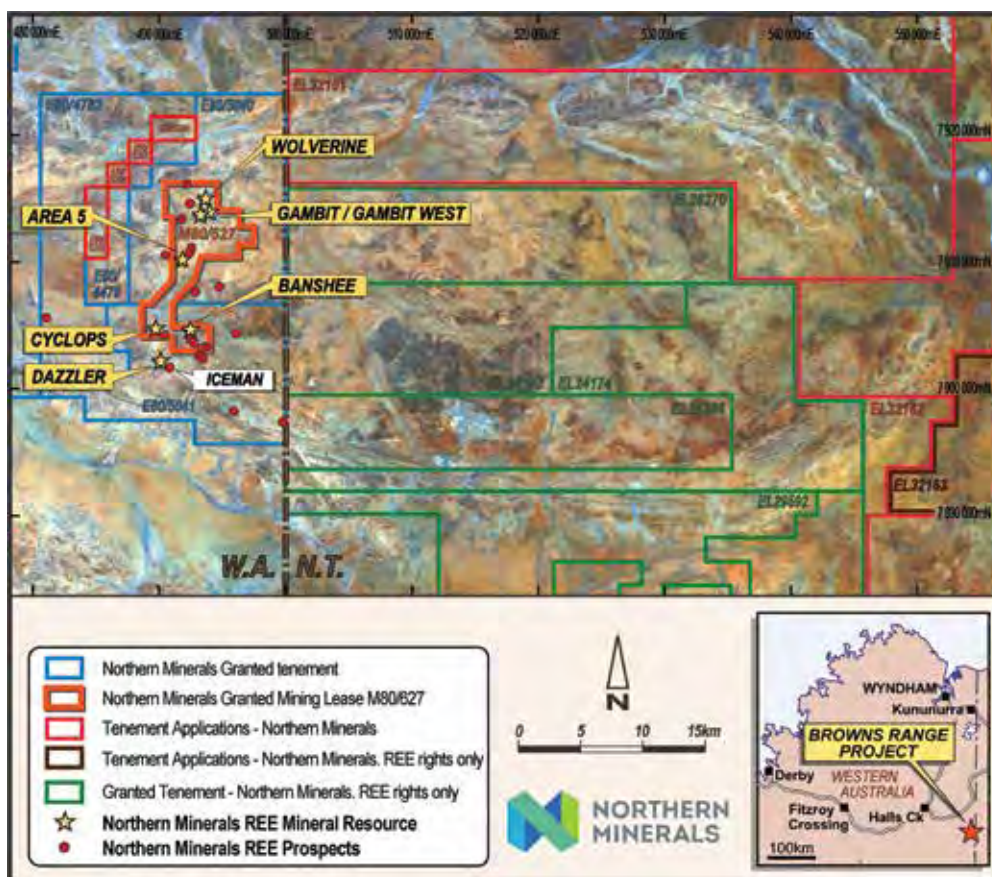
Browns Range NT

The Browns Range Dome is a large oval-shaped structure, approximately 60km x 30km in extent, that lies on the Western Australia – Northern Territory border.

To date, nearly all the Company’s exploration at Browns Range has been focused on the Western Australian side of the Browns Range Dome, which only covers approximately 15% of the area.

In FY20, the Company plans to recommence exploration on the NT side of the Dome, initially focussed on the southern margin of the Dome, adjacent to the unconformity.

Brown’s Range Project: Browns Range Dome location on WA and NT border.

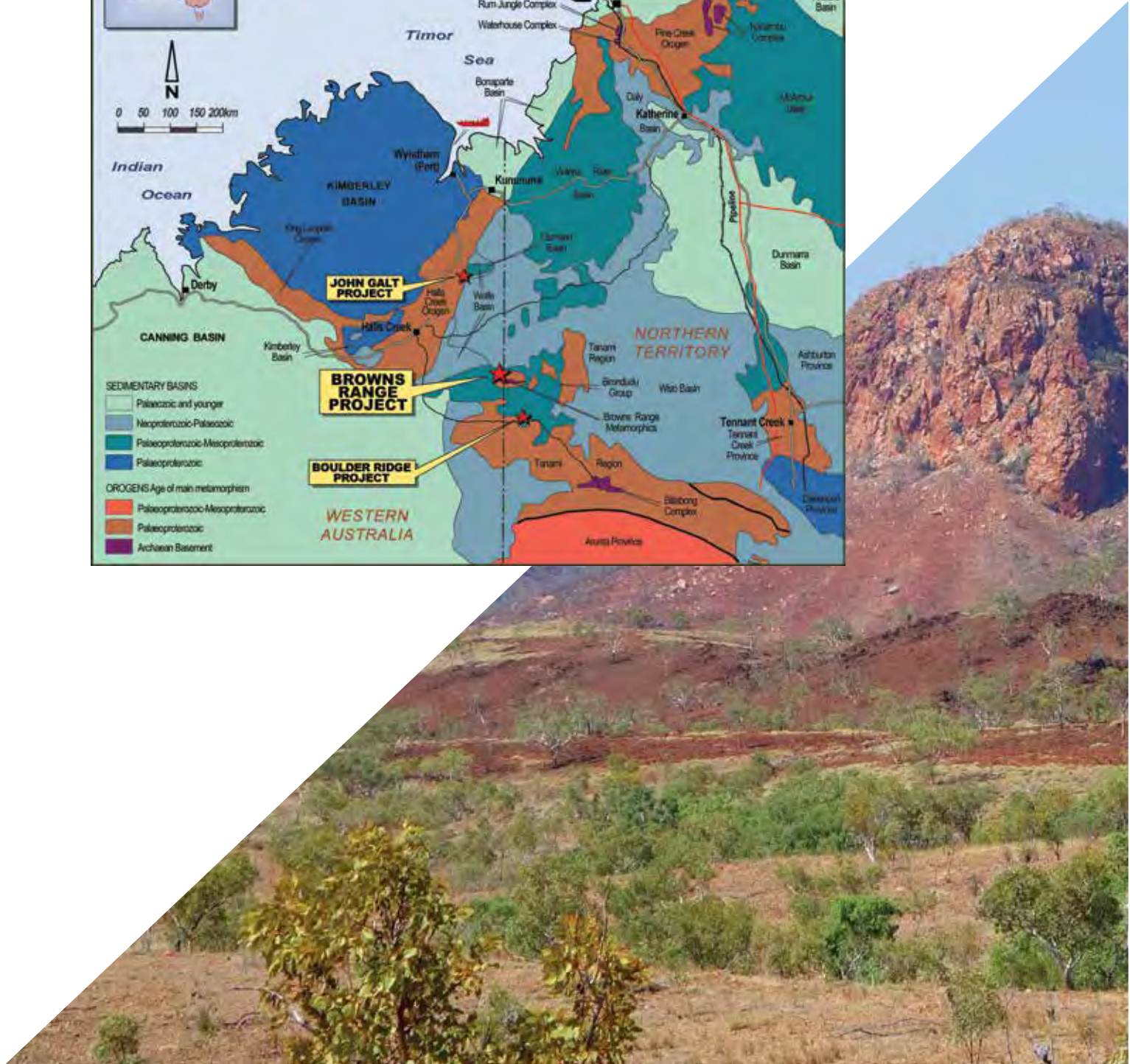
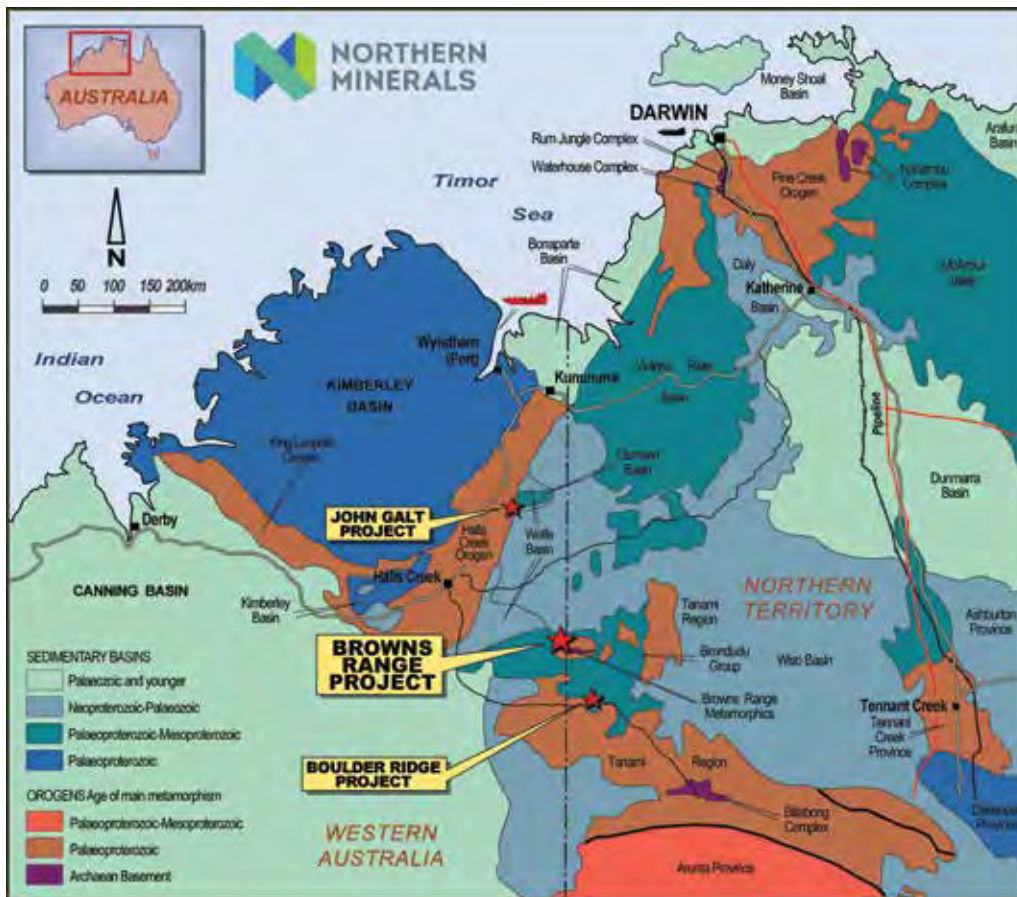


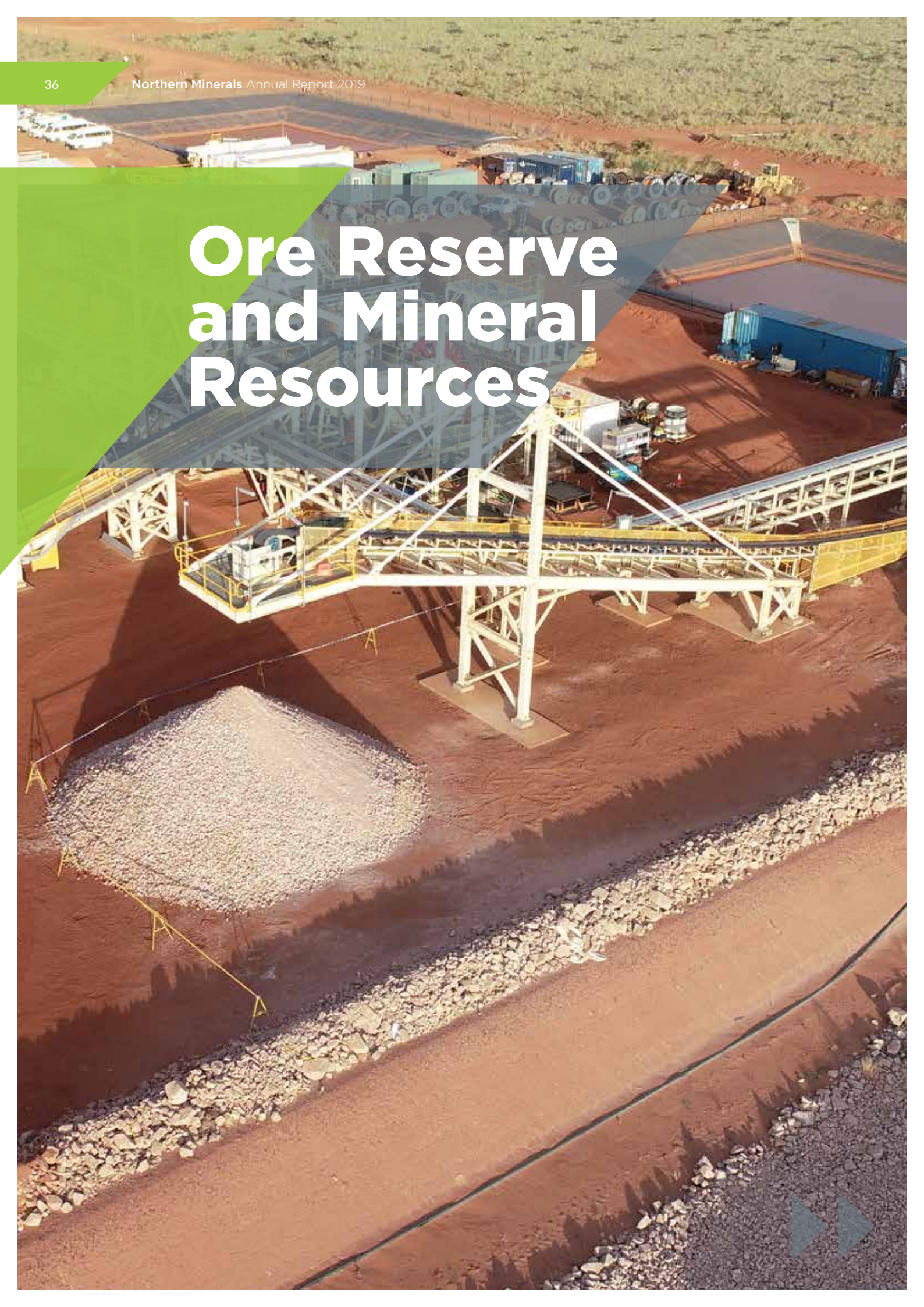
Boulder Ridge and John Galt

The Boulder Ridge Project is in the NT, approximately 110km from Browns Range. Drill-ready targets have been identified with xenotime mineralisation in a similar geological setting as Browns Range.

The John Galt Project near Warmun, WA has high-grade heavy rare earth mineralisation with a drill-ready target.

WA and NT Project Locations: John Galt, Browns Range and Boulder Ridge Projects.



An aerial photograph of a mining or processing facility. In the foreground, a large, light-colored pile of gravel or crushed rock sits on a reddish-brown dirt surface. A long, elevated conveyor system with a white metal frame and yellow railings extends from the background towards the pile. To the right, there is a large, rectangular body of water, possibly a tailings pond, with a blue container nearby. The background shows more industrial equipment, including trucks and storage tanks, under a clear sky. A green diagonal graphic element is overlaid on the left side of the image.

Ore Reserve and Mineral Resources

Statement of Ore Reserve and Mineral Resources

Ore Reserve

The Ore Reserve at 30 June 2019, reported in accordance with the JORC 2012 code, is detailed in Table 1.

Table 1– Browns Range Ore Reserve Statement as at 30 June 2019

Deposit	Class	Mt	TREOKg/t	TREOKg	Dy ₂ O ₃ Kg/t	Dy ₂ O ₃ Kg	Tb ₄ O ₇ Kg/t	Tb ₄ O ₇ Kg	Y ₂ O ₃ Kg/t	Y ₂ O ₃ Kg
OPEN PIT										
Wolverine	Probable	0.722	6.17	4,458,000	0.55	400,000	0.08	57,000	3.60	2,598,000
Area 5	Probable	0.467	2.24	1,048,000	0.14	65,000	0.02	10,000	0.99	463,000
UNDERGROUND										
Wolverine	Probable	2.104	8.00	16,833,000	0.70	1,483,000	0.10	221,000	4.71	9,908,000
Total	Probable¹	3.293	6.78	22,339,000	0.59	1,948,000	0.09	288,000	3.94	12,969,000

¹ Rounding may cause some computational discrepancies

Mineral Resource

The Mineral Resource at 30 June 2019, 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 2019

Deposit	Classification	Mt	TREO %	Dy ₂ O ₃ kg/t	Y ₂ O ₃ kg/t	Tb ₄ O ₇ kg/t	HREO %	TREO Kg
Wolverine	Indicated	2.88	0.84	0.74	4.89	0.11	89	24,195,000
	Inferred	1.97	0.89	0.76	5.15	0.11	88	17,588,000
	Total ¹	4.85	0.86	0.75	4.99	0.11	89	41,786,000
Gambit West	Indicated	0.12	1.8	1.62	10.98	0.22	94	2,107,000
	Inferred	0.13	0.51	0.4	2.67	0.05	81	674,000
	Total ¹	0.25	1.11	0.97	6.56	0.13	91	2,781,000
Pilot Plant	Indicated	0.2	0.99	0.86	5.73	0.12	89	1,934,000
Stockpiles	Inferred	0.03	0.26	0.2	1.35	0.03	79	89,000
	Total ¹	0.23	0.88	0.76	5.08	0.11	89	2,022,000
Gambit	Indicated							
	Inferred	0.21	0.89	0.83	5.62	0.11	96	1,878,000
	Total ¹	0.21	0.89	0.83	5.62	0.11	96	1,878,000
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
	Total ¹	1.52	0.29	0.18	1.26	0.03	69	4,347,000
Cyclops	Indicated							
	Inferred	0.33	0.27	0.18	1.24	0.03	70	891,000
	Total ¹	0.33	0.27	0.18	1.24	0.03	70	891,000
Banshee	Indicated							
	Inferred	1.66	0.21	0.16	1.17	0.02	87	3,484,000
	Total ¹	1.66	0.21	0.16	1.17	0.02	87	3,484,000
Dazzler	Indicated							
	Inferred	0.14	2.23	2.08	12.79	0.27	93	3,200,000
	Total ¹	0.14	2.23	2.08	12.79	0.27	93	3,200,000
Total¹	Indicated	4.58	0.71	0.6	4	0.09	86	32,189,000
	Inferred	4.61	0.61	0.51	3.47	0.07	87	28,198,000
	Total¹	9.19	0.66	0.56	3.73	0.08	86	60,389,000

¹ Rounding may cause some computational discrepancies

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

HREO % = HREO/TREO x 100

Comparison with previous year's Mineral Resource estimate

For comparison to 30 June 2019, the Mineral Resource at the Browns Range Project as at 30 June 2018 is presented in Table 3 (below). The Mineral Resource in Table 3 is inclusive of the Ore Reserves.

Changes to the Mineral Resource between 30 June 2018 and 30 June 2019 are due to:

- Depletion of Pilot Plant Stockpile Mineral Resource by processing.
- Estimation and reporting of the maiden Dazzler Mineral Resource.

Table 3 – Browns Range Mineral Resource Estimate as at 30 June 2018

Deposit	Classification	Mt	TREO %	Dy ₂ O ₃ kg/t	Y ₂ O ₃ kg/t	Tb ₄ O ₇ kg/t	HREO %	TREO Kg
Wolverine	Indicated	2.88	0.84	0.74	4.89	0.11	89	24,195,000
	Inferred	1.97	0.89	0.76	5.15	0.11	88	17,588,000
	Total¹	4.85	0.86	0.75	4.99	0.11	89	41,786,000
Gambit West	Indicated	0.12	1.8	1.62	10.98	0.22	94	2,107,000
	Inferred	0.13	0.51	0.4	2.67	0.05	81	674,000
	Total¹	0.25	1.11	0.97	6.56	0.13	91	2,781,000
Pilot Plant Stockpiles	Indicated	0.21	0.97	0.85	5.63	0.12	89	2,049,000
	Inferred	0.04	0.26	0.2	1.35	0.03	79	92,000
	Total¹	0.25	0.87	0.75	5.01	0.11	89	2,141,000
Gambit	Indicated							
	Inferred	0.21	0.89	0.83	5.62	0.11	96	1,878,000
	Total¹	0.21	0.89	0.83	5.62	0.11	96	1,878,000
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
	Total¹	1.52	0.29	0.18	1.26	0.03	69	4,347,000
Cyclops	Indicated							
	Inferred	0.33	0.27	0.18	1.24	0.03	70	891,000
	Total¹	0.33	0.27	0.18	1.24	0.03	70	891,000
Banshee	Indicated							
	Inferred	1.66	0.21	0.16	1.17	0.02	87	3,484,000
	Total¹	1.66	0.21	0.16	1.17	0.02	87	3,484,000
Total¹	Indicated	4.59	0.71	0.6	3.99	0.09	86	32,304,000
	Inferred	4.48	0.56	0.46	3.18	0.07	86	25,001,000
	Total¹	9.07	0.63	0.53	3.59	0.08	86	57,308,000

¹ Rounding may cause some computational discrepancies

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

HREO % = HREO/TREO x 100

Comparison with previous year's Ore Reserve estimate

For comparison to 30 June 2019, the Ore Reserve at the Browns Range Project as at 30 June 2018 is presented in Table 4 (below).

There were no changes to the Ore Reserve between 30 June 2018 and 30 June 2019.

Table 4 – Browns Range Ore Reserve Estimate as at 30 June 2018

Deposit	Class	Mt	TREOKg/t	TREOKg	Dy ₂ O ₃ Kg/t	Dy ₂ O ₃ Kg	Tb ₄ O ₇ Kg/t	Tb ₄ O ₇ Kg	Y ₂ O ₃ Kg/t	Y ₂ O ₃ Kg
OPEN PIT										
Wolverine	Probable	0.722	6.17	4,458,000	0.55	400,000	0.08	57,000	3.60	2,598,000
Area 5	Probable	0.467	2.24	1,048,000	0.14	65,000	0.02	10,000	0.99	463,000
UNDERGROUND										
Wolverine	Probable	2.104	8.00	16,833,000	0.70	1,483,000	0.10	221,000	4.71	9,908,000
Total	Probable¹	3.293	6.78	22,339,000	0.59	1,948,000	0.09	288,000	3.94	12,969,000

¹ Rounding may cause some computational discrepancies

COMPETENT PERSON AND COMPLIANCE STATEMENT

The information in this report that relates to the Mineral Resource and Ore Reserve Estimates was compiled and approved as a whole by Mr Bill Rayson who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Rayson is a consultant to Northern Minerals, employed by Total Earth Science 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 Rayson consents to the inclusion of this information in the form and context in which it appears.

The Mineral Resource and Ore Reserves statement is based on, and fairly represents, information and supporting documentation prepared by competent persons.

For Pilot Plant Stockpiles, Wolverine, Gambit, Gambit West, Cyclops, Banshee and Area 5, further information that relates to the Mineral Resource Estimates and Ore Reserves is available in the report entitled "Mineral Resource and Ore Reserve Update" dated 28 September 2018 and is available to view on the company's website (www.northernminerals.com.au).

For Dazzler, further information that relates to the Mineral Resource Estimates is available in the report entitled "Dazzler shines with high grade maiden Mineral Resource" dated 6 March 2018 and is available to view on the company's website (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.

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.

Directors' 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 2019 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*

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. 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 the first commercial-scale heavy rare earths project outside of China, mainly producing dysprosium and terbium. He has recently been appointed to the “Lithium Valley” battery taskforce Industry Reference Group, led by Mines Minister the Hon. Bill Johnston MLA. During the past three years Mr Bauk has served as a director of the following listed companies:

- Lithium Australia NL (Non-executive chairman July 2015 – Present)
- BlackEarth Minerals NL (Non-executive director –January 2018- 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)

Ming Lu – *Non-executive Director – appointed 24 October 2018*

Mr Lu is a CPA qualified senior finance leader with over a decade of commercial experience in successful multinational businesses worldwide and is a member of the Australian Institute of Company Directors. Mr Lu has extensive experience in working with investors, boards and senior executive teams in modelling, strategic planning, providing financial support and delivering returns. Throughout his career as a finance professional, he has had hands-on experience in leading finance functions in multinational businesses worldwide. Mr Lu has versatile industry experience in manufacturing, engineering and R&D, education, mining services and private equity, spanning privately owned SMEs, private equity backed ventures to listed public listed companies and Fortune 500s. Mr Lu was appointed as a nominee of Huatai Mining.

Congyan Xue – *Non-executive Director – appointed 16 April 2019*

Mr Xue is a corporate finance executive, with over 15 years' experience in fundraising, corporate advisory and mergers and acquisitions, predominantly in China. Mr Xue has a Masters in Global Finance from the Hong Kong University of Science and Technology and the NYU Stern School of Business. He also holds a Masters degree in International Finance from the University of Leeds.

Xiaohua Liu – *Non-executive Director - appointed 20 May 2019*

Ms Liu is an investment banker with over 7 years' experience in corporate advisory and equity markets, predominately in China. Ms Liu has a Masters of Law from the China University of Geosciences in Beijing and a Bachelor of Law from Tianjin University of Commerce.

Nan Yang – *Non-executive Director – resigned 24 October 2018*

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 – May 2018)

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 2019, 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	5	7	2	2	1	1
Yanchun Wang	0	7	0	2	N/A	N/A
Ming Lu	5	5	1	1	N/A	N/A
Congyan Xue	1	2	0	0	N/A	N/A
Xiaohua Liu	1	1	0	0	N/A	N/A
Nan Yang	1	1	1	1	N/A	N/A
Bin Cai	7	7	2	2	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	4,100,001	1,500,000	-
George Bauk	5,182,548	3,000,000	-
Adrian Griffin	4,579,150	1,500,000	-
Yanchun Wang ¹	210,657,999	1,500,000	-
Ming Lu	-	-	-
Congyan Xue ²	144,134,761	-	-
Xiaohua Liu	118,461,539	-	-
Bin Cai	5,484,616	1,500,000	-

¹ Includes Ordinary shares held by Australian Conglin International Investment Group Pty Ltd

² Includes Ordinary shares held by Go and Company 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 the construction and operation of a pilot scale project aimed at assessing the technical and economic feasibility of a full-scale commercial operation at its Browns Range Pilot Plant Project.

REVIEW OF OPERATIONS

The Browns Range Pilot Plant Project was officially opened on 27 July 2018 by the Hon. Alannah MacTiernan MLC, Minister for Regional Development; Agriculture and Food; Minister assisting the Minister for State Development, Jobs and Trade.

The Pilot Plant Project is a three-year research and development project, to assess the economic and technical feasibility of a full-scale plant and forms part of a broader ongoing economic and technical feasibility study underpinning the Browns Range Project.

Browns Range Pilot Plant Operations

Commissioning and load testing of the beneficiation and hydrometallurgical circuits were the focus early in the year and the first heavy rare earth carbonate was produced from the pilot plant in the second quarter of the 2019 financial year from the Company's 100% owned, dysprosium-rich Browns Range heavy rare earth element project, located 160km south east of Halls Creek in Western Australia.

Mechanical completion was achieved during the year with all process plant components having been installed, powered up and tested as part of the commissioning process.

Under the terms of the EPC construction contract between the Company and Sinosteel MCC, practical completion was determined to have been achieved in respect of the construction phase of the R&D Pilot Plant Project as of 24 October 2018.

The first shipment of 7 bags of rare earth carbonate weighing 2,578kg left site on 27 December 2018 bound for customers in China. A total of 45,660kg of rare earth carbonate was produced during the year.

Research & Development Projects

During the year, experiments were conducted on most areas of the plant, including fine grinding, magnetic separation, flotation, leaching, purification and ion exchange, with a focus on improving the efficiency and operation of the sulphation bake kiln.

Ongoing tests on the sulphation bake kiln have led to significant changes to the equipment including seals, feed system, materials of construction, and mechanical devices designed to limit scaling in the kiln to improve availability and throughput of the kiln.

Testwork on ore sorting has shown the potential to double the feed grade to the mill with a low loss of rare earths through the ore sorting process. Post the end of the reporting period, the Company announced commencement of the front-end engineering design for the ore sorter system and that it had selected and paid a deposit on a Steinert ore sorting machine. We are expecting to receive regulatory approvals for the ore sorter to be installed on site during the 2020 financial year.

Offtake

Prior to commencement of production, the Company entered into an offtake agreement with Lianyungang Zeyu New Materials Sales Co Ltd ("JFMAG") for 100% of the mixed heavy rare earth carbonate from the Browns Range Pilot Plant Project.

As part of the offtake agreement, JFMAG had agreed to forward the Company a prepayment of \$10 million in early 2018. This did not occur. In addition to this, JFMAG also failed to fulfil its requirement to acquire 100% of the mixed heavy rare earth carbonate.

Post the end of the reporting period, the Company terminated the offtake agreement with JFMAG and entered into a new offtake agreement with German conglomerate, thyssenkrupp Materials Trading GmbH.

The new offtake agreement includes all mixed heavy rare earth carbonate stockpiled at Browns Range as well as future production from the Browns Range Pilot Plant Project.

EXPLORATION

During the year, assays from RC drilling at the Iceman and Dazzler prospects have confirmed both as exciting new high-grade Heavy Rare Earth discoveries and on 6 March 2019, the Group announced a Maiden resource estimate at Dazzler. The inferred resource was estimated at 144,000 tonnes at 2.24% TREO comprising 3,200,000kg TREO using a cut-off grade of 0.15% TREO.

Further drilling at the Dazzler deposit has highlighted the potential of the deposit as a future high-grade ore source for Browns Range. RC drilling to the southeast of Dazzler and northwest of Iceman has highlighted a new target area, with three drill holes intersecting significant mineralisation.

CORPORATE

Research and Development Funding

Due to delays in the processing of the 30 June 2018 R&D rebate, the Company negotiated a variation to the loan agreement regarding the 2018 R&D Financing facility. Due to the funds not being received it was necessary for the Company to request a variation to the loan agreement, extending the date for repayment of the 2018 loan from 31 December 2018 to 31 January 2019, which was agreed by Innovated Structured Finance LLC (ISF). This was further extended to 28 February 2019. The default interest rate increased to 18% effective from 1 January 2019.

On 18 February 2019 the ATO released 50% (\$10.78m) of the Company's claim. This claim was used to partially repay the loan. ISF subsequently agreed to vary the loan repayment date until 30 April 2019.

On 14 May 2019, the Company received formal notification from AusIndustry that it is of the opinion that the Company's 2016/17 and 2017/18 R&D claims related to activities that are ineligible R&D activities which would not be eligible for the R&D tax offset for those income years.

The Company and its advisors are strongly of the view that the activities do constitute eligible R&D activities, given that the Browns Range is the only xenotime-hosted heavy rare earth project anywhere in the world and there are no precedents for the development of a commercial scale beneficiation and hydrometallurgical process for the recovery of heavy rare earth elements.

The Group has lodged a formal appeal with AusIndustry regarding its decision. In the first instance, the R&D claims will be independently reviewed by an assessor within AusIndustry.

In the interim, the Group and the ATO have reached an in-principle agreement that will allow staged payments over 24 months of the 2016/17 refund and the 2017/18 advanced payment amounts while the case is being appealed.

During the year a further drawdown was completed on the R&D Financing facility in relation to the estimate of the level of tax offsets for the 2019 period. The Company received funding equal to 75% of the capped amount of \$4 million (as announced in the May 2018 Federal Budget), with the principal and accrued interest repayable out of actual tax offsets to be received at the end of 2019.

The R&D financing facility with ISF was paid out on 31 May 2019.

Capital Raising

In July 2018 the Group raised A\$3.0 million via the issue of 38,461,538 fully paid ordinary shares at a price of \$0.078 per share.

In October 2018 the Company entered into a subscription agreement with NRE Industrial Group Limited (NRE) to raise \$25 million. The funds were due to be received in 4 tranches:

Tranche 1 - \$1 million on 15 October 2018

Tranche 2 - \$1 million on 31 October 2018

Tranche 3 - \$10 million on 30 November 2018

Tranche 4 - \$13 million on 31 December 2018

Tranche 1 was received, however there have been delays due to regulatory approvals in the People's Republic of China and as at the date of this report no further tranches have been received.

In December 2018, a subscription agreement was entered into with JHY Investments Pty Ltd (JHY), for the issue of 4,000,000 convertible notes over two tranches with a face value of \$1.00 per note. Tranche 1 was completed during December 2018 and 3,500,000 notes were issued. Tranche 2 for a further 500,000 notes was completed in January 2019. The maturity date for the convertible notes is 31 December 2019 at a conversion price of \$0.06 per share. The interest rate is 16% per annum, accruing daily and payable monthly from immediately available funds on the face value of the notes from the date the notes are issued until the earlier of the date the note is converted into shares and the maturity date.

\$2.0 million was drawn down under the Funding Agreement entered into with the Lind Partners. The drawdown consisted of 2 convertible securities each with a face value of \$1.25 million and the face value repayable by the Company in accordance with the Funding Agreement. Repayments have continued to be made on previous drawdowns under this funding agreement. The Lind facility was repaid in full on 31 May 2019.

During February 2019, the Group announced it had entered into multiple subscription agreements with sophisticated investors, for the placement of 400,000,000 fully paid ordinary shares at an issue price of \$0.05 per share to raise A\$20 million (before costs). The placement was structured as follows:

Tranche 1 – 200,000,000 shares to raise A\$10 million.

Tranche 2 – 100,000,000 shares to raise A\$5 million.

Tranche 3 – 100,000,000 shares to raise A\$5 million.

The placement was completed in full prior to the end of the financial year.

During February 2019 a placement of 50,000,000 fully paid ordinary shares at an issue price of \$0.06 per share to raise A\$3 million (before costs) was completed.

During March 2019 a placement of 60,000,000 fully paid ordinary shares at an issue price of \$0.05 per share to raise A\$3 million (before costs) was completed.

On 23 April 2019, the Group announced it had entered into and completed Placement and Convertible Debt Agreements to raise A\$7.5 million each from unrelated sophisticated and professional investors. The placement was for 150,000,000 fully paid ordinary shares at \$0.05 per share. The Convertible Debt has an interest rate of 10% per annum and is repayable or convertible at the debt holder's election by 30 June 2020 at a conversion price of \$0.10 per share.

In June 2019 the Group announced a A\$21.95 million placement and Accelerated Non-Renounceable Entitlement Offer. The placement was completed for A\$15 million via the issue of 333,333,333 fully paid ordinary shares at \$0.045 per share. The Entitlements offer for A\$6.95 million was offered on a 1-for-13 basis at a price of \$0.045 per fully paid ordinary share. A total of A\$2.66 million was received prior to the end of the year with the balance received post year end.

SUMMARY OF FINANCIAL PERFORMANCE

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

	30 June 2019 \$	30 June 2018 \$	30 June 2017 \$
Total income	2,002,375	4,564,718	3,707,472
Net loss after tax	(63,966,330)	(18,497,161)	(13,195,658)
Basic EPS (cents)	(4.7)	(2.0)	(2.1)
Net cash used in operating activities	(19,693,943)	(15,058,308)	(4,975,687)
Net cash used in investing activities	(11,932,810)	(29,781,958)	(11,337,332)
Net cash from financing activities	29,411,876	46,658,629	24,304,692

The net loss of the Group for the year ended 30 June 2019 of \$64.0 million (2018: \$18.5 million) was mainly due to the significant change in activities for the period in relation to the development of the pilot plant at Browns Range and the commencement of the testing phase.

Income was significantly impacted by the Research and Development rebate, outlined in Note 5 in the 2019 financial report. In 2019 the Company received notification from AusIndustry that it was their opinion that the R&D activities of Northern Minerals were ineligible R&D activities and therefore would not be eligible for the R&D tax rebate for the 2016/2017 and 2017/2018 income years. Although the Company is appealing this finding, in accordance with applicable accounting standards, Income from Government Grants, revenue has not been accrued for the 2019 financial year and amounts that were recognised as income in prior periods have been reversed as a change in estimate totalling \$6.2 million. Refer Note 5.

Depreciation expenses increased to \$19.4 million (2018: \$1.59 million) due to the completion of the Pilot Plant construction and supporting infrastructure, and therefore depreciation commencing on the assets becoming available to use.

Processing costs totalled \$20.6 million in the first full year of operating the Pilot Plant, with the most significant expenditure relating to wages and salaries, camp accommodation and messing costs and travel and maintenance costs.

The Company's cash receipts were \$12.4 million (2018: \$5.7 million). 2019's cash receipts included a \$1.43 million receipt for the 3rd milestone payment 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 as part of a consortium led by the Wunan Foundation. A receipt of \$10.8 million was received for the 2018 R&D claim that now needs to be repaid to the ATO.

Investing cash outflows decreased during the year as construction of the Pilot Plant ceased. Under the EPC contract with Sinosteel as detailed in Note 8(h). Sinosteel agreed to defer payments representing 20% of the contract value for a period of 12 months from practical completion. Practical completion was met on 24th October 2018.

Financing cash inflows for the year ended 30 June 2019 included \$40.2 million for the issue of shares. In addition, \$13.5 million was received from the issue of convertible notes and \$1.7 million repaid in cash in the year.

A further drawdown of \$3.1 million from Innovation Structured Finance Co.; LLC, under the R&D Financing Facility occurred in August 2018.

Prior to June 2019, the R&D Financing Facility was repaid in full along with the existing convertible notes issued under the Funding Agreement with the Lind Partners.

SUMMARY OF FINANCIAL POSITION

	30 June 2019 \$	30 June 2018 \$	30 June 2017 \$
Total assets	61,577,238	101,231,091	27,946,767
Debt (current and non - current)	25,908,071	24,393,876	4,163,797
Other liabilities	24,989,227	45,109,868	9,008,401
Shareholder funds/net assets	10,679,938	31,727,347	14,774,569
Number of shares on issue (million)	2,083M	1,114M	708M
Share price at reporting date (cents)	7.50	8.72	10.66

The Company's cash reserves at the end of 2019 totalled \$8.1 million compared to \$10.4 million as at 30 June 2018.

The Company's receivables balance has decreased from \$30.2 million to \$2.1 million due to the reversal of the R&D rebate accrual for 2019 as mentioned above, refer to Note 5.

Property, plant and equipment has decreased from \$59.5 million to \$50.5 million. Additions for the year totalled \$10.3 million (including \$1.76 million in capitalised interest) while the depreciation charge for the period was \$19.41 million.

Total interest-bearing liabilities increased by \$1.5 million from \$24.4 million to \$25.9 million mainly due to new convertible notes taken out during the year offset by the repayment of the ISF R&D facility as well as the Lind Facility.

Total deferred revenue reduced from \$22.0 million to \$2.7 million as a result of the derecognition of the revenue relating to the R&D rebate during the year.

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 Group reported an excess of current liabilities over current assets of \$22,124,648 at 30 June 2019 and reported a loss after tax for the year then ended of \$63,966,330. Included in current liabilities are loans, trade payables and accruals amounting to \$30,800,862.

Management has prepared a cash flow forecast which indicates that the Group will need to raise additional funds. Part of the funding required was received subsequent to year end, from the following sources:

- On 11 July 2019, the Company announced that it had completed the retail component of its accelerated non-renounceable 1 for 13 pro-rata entitlements offer previously announced on 6 June 2019. The offer closed on 8 July 2019 and raised approximately \$4.3m before costs at an offer price of \$0.045 per share.
- On 22 July 2019, the Company announced that it had entered subscription agreements to raise \$30m before costs under a private placement.
- As at the date of this report, funds for this placement were received as follows:
 - \$11.9m received on 24 July 2019 comprising all of the funds for Tranche 1 and part of the subscription funds for tranches 2 and 3. 190,172,043 fully paid ordinary shares were issued as a result on 30 July 2019.
 - \$0.15m received on 30 July 2019
 - \$7.9m received on 12 August 2019. The Company issued a further 126,840,174 fully paid ordinary shares in relation to these funds as well as the \$0.15m received on 30 July 2019
 - \$2.9m received on 5 September 2019. The Company issued an additional 47,259,146 fully paid ordinary shares on 5 September 2019.
 - At the date of this report, a balance of approximately \$7.4m in subscription funds had not been received by the due date of 31 August 2019, and the Company subsequently agreed to extend the completion date for those subscribers to 31 October 2019.
- On 15 August 2019 the Company announced it had entered into a subscription agreement with Baogang Group Investment (Australia) Pty Ltd ("BGIA") to raise \$20m before costs under a private placement. As at the date of this report no funds had been received in relation to this placement as BGIA are still awaiting approval from the Company's shareholders as well as from the Australian Investment Review Board.
- A further \$480,000 has been received under the Federal Governments Building Better Regions Fund (BBRF) subsequent to year end contributing towards the cost of the T2W project, as part of a consortium led by the Wunan Foundation.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds. In the event that the Group is not successful in raising sufficient funds, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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	12,812,470	\$0.25	12 June 2020
Unlisted options ³	22,500,000	\$0.2475	20 June 2020
Unlisted options	3,000,000	\$0.15	24 May 2021
Unlisted options ³	35,023,076	\$0.1175	31 December 2019
Unlisted options ³	10,000,000	\$0.1225	20 December 2021
Unlisted options ³	10,000,000	\$0.0875	31 December 2019
Unlisted performance rights ^{1,2}	23,694,200	Nil	Based on performance conditions
Total	117,029,746		

¹ - Included in these performance rights were rights issued as remuneration to the directors and the five most highly remunerated officers during the 2017 financial year. Details of performance rights granted to key management personnel are referred to in the remuneration report.

² - 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).

³ - As advised per the ASX announcement on 31 July 2019, the exercise prices of these unquoted options over fully paid ordinary shares in the capital of the Company have been recalculated in accordance with their terms of issue, which are consistent with the formula set out in ASX Listing Rule 6.22, as a result of the accelerated non-renounceable 1 for 13 pro-rate entitlement offer announced by the Company on 6 June 2019.

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.

The following ordinary shares were issued during the year ended 30 June 2019 on the exercise of performance rights issued as remuneration to the directors, key management personnel and employees of the Company. No amounts are unpaid on any of the shares.

Date performance rights were granted	Exercise price of shares - cents	Number of shares issued
30 November 2016	Nil	4,000,000
5 June 2017	Nil	100,000

The following ordinary shares were issued after the year ended 30 June 2019 on the exercise of performance rights issued as remuneration to the directors, key management personnel and employees of the Company. No amounts are unpaid on any of the shares.

Date performance rights were granted	Exercise price of shares - cents	Number of shares issued
30 November 2016	Nil	500,000
21 May 2019	Nil	57,850

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 the 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 2019 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 2018 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)
- Ming Lu (Non-executive Director)
- Congyan Xue (Non-executive Director)
- Xiaohua Liu (Non-executive Director)
- Nan Yang (Non-executive Director)
- Bin Cai (Alternate Director)

Other key management personnel were:

- Robin Wilson (Geology and 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 \$85,000 and \$65,000 respectively, inclusive of superannuation, with \$5,000 per annum paid for representation on each board committee.

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

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.

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 \$514,650 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 \$366,825 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 \$383,250 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.

Consultancy Agreement – Mr Bin Cai (Alternate Director)

The contract commenced on 1 November 2013 and is not for a fixed period.

The main terms of the contract with Australian Cayenne Holdings Pty Ltd, of which Mr Bin Cai is a director for the year under review are as follows:

- Remuneration package (Inclusive of superannuation) of \$285,000 pa
- Continues until completion of services required by the agreement

5. Details of Remuneration for the Year Ended 30 June 2019

	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		
	\$	\$	\$	\$	\$	\$	\$		
Directors									
George Bauk ¹	511,600	16,605	250,000	20,531	24,277	-	56,221	65.17%	34.83%
Adrian Griffin	68,493	16,605	-	6,507	-	-	28,111	76.52%	23.48%
Colin McCavana	86,758	16,605	-	8,242	-	-	28,111	79.88%	20.12%
Yanchun Wang	65,000	16,605	-	-	-	-	28,111	74.38%	25.62%
Bin Cai	255,297	16,605	-	-	-	-	28,111	90.63%	9.37%
Ming Lu ²	40,850	11,359	-	3,881	-	-	-	100%	0%
Congyan Xue ³	13,356	3,421	-	-	-	-	-	100%	0%
Xiaohua Liu ⁴	7,301	1,870	-	-	-	-	-	100%	0%
Nan Yang ^{5,6}	16,250	5,246	-	-	-	-	(133,252)	100%	0%
Key Management Personnel									
Robin Wilson	219,469	6,668	-	20,531	6,000	-	28,111	89.99%	10.01%
Robin Jones	346,294	-	-	20,531	9,170	-	28,111	93.04%	6.96%
Mark Tory ¹	324,906	16,605	170,000	20,531	17,212	-	28,111	65.69%	34.31%
TOTAL	1,955,574	128,194	420,000	100,754	56,659	-	119,746	80.59%	19.41%

Notes:

- Cash bonuses were paid based on the successful capital raising of \$10 million in March 2019
- Ming Lu was appointed 24th October 2018
- Congyan Xue was appointed 16 April 2019
- Xiaohua Liu was appointed 20 May 2019
- Nan Yang resigned 24th October 2018.
- Share-based payments for Nan Yang are credit balances for the period due to forfeiture of performance rights due to his resignation, creating a reversal of share-based payments in the reporting period.

Details of Remuneration for the Year Ended 30 June 2018

	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			
						\$	\$	\$	\$	\$
Directors	402,401	13,476	100,000	20,050	25,236	98	227,821	789,082	58.44%	41.56%
	63,927	13,476	-	6,192	-	-	113,910	197,505	42.33%	57.67%
	81,884	13,476	-	7,977	-	-	113,910	217,247	47.57%	52.43%
	60,000	13,476	-	-	-	-	111,638	185,114	39.69%	60.31%
	220,498	13,476	50,000	-	-	-	111,359	395,333	59.18%	40.82%
	59,998	13,476	-	-	-	-	180,860	254,334	28.89%	71.11%
	Key Management Personnel									
219,951		4,547	20,000	20,050	6,000	-	113,513	384,061	65.24%	34.76%
313,364		-	50,000	20,050	17,662	-	113,513	514,589	68.22%	31.78%
274,330		13,476	50,000	20,050	16,048	-	115,076	488,980	66.24%	33.76%
TOTAL	1,696,353	98,879	270,000	94,369	64,946	98	1,201,600	3,426,245	57.05%	42.95%

Notes:

¹. Cash bonuses were paid based on the successful funding of the construction of the pilot plant as agreed by the Remuneration Committee.

6. Employee share/performance rights plan

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

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

Options/ Performance Rights

Grant date	Vesting and exercise date	Expiry date	Value per performance right at grant date	Performance achieved	% vested
30/11/2016	Various	Various	\$0.12	To be determined	40%
27/06/2017	Various	Various	\$0.10	To be determined	All forfeited

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

No share-based payments were granted as compensation to key management personnel during the 2019 or 2018 financial years.

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

30 June 2019

	Value of options/performance rights granted during the year \$	Value of options/performance rights exercised during the year \$	Value of options/performance rights forfeited during the year \$
Directors			
George Bauk	-	120,000	-
Adrian Griffin	-	-	-
Colin McCavana	-	60,000	-
Yanchun Wang	-	60,000	-
Bin Cai	-	60,000	-
Ming Lu	-	-	-
Congyan Xue	-	-	-
Xiaohua Liu	-	-	-
Nan Yang	-	-	200,000
Key Management Personnel			
Robin Wilson	-	60,000	-
Robin Jones	-	60,000	-
Mark Tory	-	60,000	-
TOTAL	-	480,000	200,000

Share Plan Shares – 30 June 2019 and 30 June 2018

No share plan shares were issued as compensation to key management personnel during the financial years. During the year a number of shares lapsed due to employee loans not being repaid before the expiry date.

30 June 2019	Value of shares granted during the year \$	Value of shares exercised during the year \$	Value of shares lapsed during the year \$
Directors			
George Bauk	-	-	800,000
Adrian Griffin	-	-	-
Colin McCavana	-	-	-
Yanchun Wang	-	-	-
Bin Cai	-	-	-
Ming Lu	-	-	-
Congyan Xue	-	-	-
Xiaohua Liu	-	-	-
Nan Yang	-	-	-
Key Management Personnel			
Robin Wilson	-	-	-
Robin Jones	-	-	-
Mark Tory	-	-	-
TOTAL	-	-	800,000

6.2 Performance Rights Holdings of Key Management Personnel for 2019

	Held at Beginning of Year	Granted as Compensation	Exercise of Options/Performance Rights	Other Changes ¹	Held at 30 June 2019	Vested	Unvested
Directors:							
George Bauk	4,000,000	-	(1,000,000)	-	3,000,000	-	3,000,000
Adrian Griffin	2,000,000	-	-	-	2,000,000	500,000	1,500,000
Colin McCavana	2,000,000	-	(500,000)	-	1,500,000	-	1,500,000
Yanchun Wang	2,000,000	-	-	(500,000)	1,500,000	-	1,500,000
Bin Cai	2,000,000	-	(500,000)	-	1,500,000	-	1,500,000
Ming Lu	-	-	-	-	-	-	-
Congyan Xue	-	-	-	-	-	-	-
Xiaohua Liu	-	-	-	-	-	-	-
Nan Yang	2,000,000	-	-	(2,000,000)	-	-	-
Key Management Personnel							
Robin Wilson	2,000,000	-	(500,000)	-	1,500,000	-	1,500,000
Robin Jones	2,000,000	-	(500,000)	-	1,500,000	-	1,500,000
Mark Tory	2,000,000	-	(500,000)	-	1,500,000	-	1,500,000
	20,000,000	-	(3,500,000)	(2,500,000)	14,000,000	500,000	13,500,000

1. Other changes include forfeited performance rights on resignation for Nan Yang and performance rights for Yanchun Wang transferred to Bin Cai on exercise.

Performance Rights Holdings of Key Management Personnel for 2018

	Held at Beginning of Year	Granted as Compensation	Exercise of Options/Performance Rights	Other Changes	Held at 30 June 2018 ¹	Vested	Unvested
Directors:							
George Bauk	6,000,000	-	(1,000,000)	(1,000,000)	4,000,000	-	4,000,000
Adrian Griffin	3,000,000	-	(500,000)	(500,000)	2,000,000	-	2,000,000
Colin McCavana	3,000,000	-	(500,000)	(500,000)	2,000,000	-	2,000,000
Yanchun Wang	3,000,000	-	(500,000)	(500,000)	2,000,000	-	2,000,000
Bin Cai	3,000,000	-	(500,000)	(500,000)	2,000,000	-	2,000,000
Nan Yang	2,500,000	-	(500,000)	-	2,000,000	-	2,000,000
Key Management Personnel							
Robin Wilson	3,000,000	-	(500,000)	(500,000)	2,000,000	-	2,000,000
Robin Jones	3,000,000	-	(500,000)	(500,000)	2,000,000	-	2,000,000
Mark Tory	3,000,000	-	(500,000)	(500,000)	2,000,000	-	2,000,000
	29,500,000	-	(5,000,000)	(4,500,000)	20,000,000	-	20,000,000

1. Other changes also include those performance rights that have expired when performance conditions have not been met.

6.3 Shareholdings of Key Management Personnel for 2019

	Held at Beginning of Year	Granted as Compensation	Exercise of Options/Performance Rights	Other Changes ⁵	Held at 30 June 2019	Vested	Not Vested
Directors:							
George Bauk ¹	9,281,650	-	1,000,000	(4,000,000)	6,281,650	6,281,650	-
Adrian Griffin	4,079,150	-	-	-	4,079,150	4,079,150	-
Colin McCavana	4,700,000	-	500,000	-	5,200,000	5,200,000	-
Yanchun Wang	198,610,998	-	-	(3,000,000)	195,610,998	195,610,998	-
Bin Cai ²	4,100,000	-	500,000	500,000	5,100,000	5,100,000	-
Ming Lu	-	-	-	-	-	-	-
Congyan Xue ³	-	-	-	134,134,760	134,134,760	134,134,760	-
Xiaohua Liu ³	-	-	-	110,000,000	110,000,000	110,000,000	-
Nan Yan ^{3 4}	500,000	-	-	(500,000)	-	-	-
Key Management Personnel							
Robin Wilson	1,630,609	-	500,000	(200,000)	1,930,609	1,930,609	-
Robin Jones	810,308	-	500,000	(300,000)	1,010,308	1,010,308	-
Mark Tory	867,008	-	500,000	340,000	1,707,008	1,707,008	-
	224,579,723	-	3,500,000	236,974,760	465,054,483	465,054,483	-

1. Other changes for George Bauk include 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.

2. Other changes include transfer from Yanchun Wang on exercise of performance rights

3. Directors appointed in the year – their balances on appointment are shown as movements in other changes.

4. Nan Yang resigned in year – his balances as at resignation date are shown as a movement in other changes.

5. Other changes also include sales and purchases on-market

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

Shareholdings of Key Management Personnel for 2018

	Held at Beginning of Year	Granted as Compensation	Exercise of Options/Performance Rights	Other Changes	Held at 30 June 2018 ¹	Vested	Not Vested
Directors:							
George Bauk	8,025,238	-	1,000,000	256,412	9,281,650	9,281,650	-
Adrian Griffin	3,579,150	-	500,000	-	4,079,150	4,079,150	-
Colin McCavana	4,200,000	-	500,000	-	4,700,000	4,700,000	-
Yanchun Wang	145,630,731	-	500,000	52,480,267	198,610,998	198,610,998	-
Bin Cai	3,000,000	-	500,000	600,000	4,100,000	4,100,000	-
Nan Yang	-	-	500,000	-	500,000	500,000	-
Key Management Personnel							
Robin Wilson	844,703	-	500,000	285,906	1,630,609	1,630,609	-
Robin Jones	182,293	-	500,000	128,015	810,308	810,308	-
Mark Tory	499,000	-	500,000	(131,992)	867,008	867,008	-
	165,961,115	-	5,000,000	53,618,608	224,579,723	224,579,723	-

1. 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 and shares purchased as part of the share purchase plan available to all shareholders of the company.

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.

	2019	2018
	\$	\$
Rental Income	95,294	95,274

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

Current receivables	12,452	12,246
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Northern Minerals entered into a consultancy agreement with Go & Company Ltd, a company associated with Non-executive Director Congyan Xue, under which Go & Company Ltd advised the Company on equity raisings. The Company issued 10,000,000 fully paid ordinary shares to Go & Company Ltd as partial consideration for entry into the consultancy agreement upon receipt of the \$3 million placement for 50,000,000 fully paid ordinary shares in the Company at an issue price of A\$0.06 per share as announced on 1 February 2019. A further 20,000,000 fully paid ordinary shares were issued upon receipt of the \$3 million placement for 60,000,000 fully paid ordinary shares in the Company at an issue price of A0.05 per share. The value of these shares issued in relation to this consultancy agreement totalled \$1,270,000 for the financial year.

*** 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 <http://northernminerals.com.au/corporate/policies-and-charters/policies/1-corporate-governance-statement/>

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 122.

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 2019.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 11 July 2019, the Company announced that it had completed the retail component of its accelerated non-renounceable 1 for 13 pro-rata entitlements offer previously announced on 6 June 2019. The offer closed on 8 July 2019 and raised approximately \$4.3 million before costs at an offer price of \$0.045 per share. A total of \$6.9 million was raised under the offer including the Institutional component of the offer which raised \$2.6 million prior to year-end.

On 22 July 2019, the Company announced that it had entered subscription agreements to raise \$30 million before costs under a private placement. The placement was split into 3 tranches as follows:

- Tranche 1: 158,720,430 shares at \$0.062 to raise \$9.8 million payable on or before 23 July 2019
- Tranche 2: 161,290,323 shares at \$0.062 to raise \$10.0 million payable on or before 9 August 2019
- Tranche 3: 163,860,217 shares at \$0.062 to raise \$10.1 million payable on or before 31 August 2019

As at the date of this report, funds for this placement were received as follows:

- \$11.9 million received on 24 July 2019 comprising all of the funds for Tranche 1 and part of the subscription funds for tranches 2 and 3. 190,172,043 fully paid ordinary shares were issued as a result on 30 July 2019
- \$0.15 million received on 30 July 2019
- \$7.9 million received on 12 August 2019. The Company issued a further 126,840,174 fully paid ordinary shares in relation to these funds as well as the \$0.15 million received on 30 July 2019

- \$2.9 million received on 5 September 2019. The Company issued an additional 47,259,146 fully paid ordinary shares on 5 September 2019.

At the date of this report, a balance of approximately \$7.4 million in subscription funds had not been received by the due date of 31 August 2019, and the Company subsequently agreed to extend the completion date for those subscribers to 31 October 2019.

As a consequence of completing the accelerated non-renounceable entitlements offer on 11 July 2019, the exercise prices of several unquoted options over ordinary shares have been recalculated in accordance with their terms of issue. Revised exercises prices are as follows:

No of Options	Expiry Date	Current Exercise Price	Revised Exercise Price
22,500,000	20 June 2020	\$0.25	\$0.2475
30,000,000	31 December 2019	\$0.12	\$0.1175
5,023,076	31 December 2019	\$0.12	\$0.1175
10,000,000	31 December 2019	\$0.09	\$0.0875
10,000,000	20 December 2021	\$0.125	\$0.1225

On 12 August 2019 the Company announced a new offtake agreement with thyssenkrupp Materials Trading GmbH for 100% of the offtake from the Browns Range Pilot Plant Project. The new offtake agreement replaced the offtake agreement with Lianyungang Zeyu New Materials Co Ltd, which was terminated on 6 August 2019.

On 15 August 2019 the Company announced it had entered into a subscription agreement with Baogang Group Investment (Australia) Pty Ltd ("BGIA") to raise \$20 million before costs under a private placement. As at the date of this report no funds had been received in relation to this placement as BGIA are still awaiting approval from the Company's shareholders as well as from the Australian Investment Review Board.

On 5 September 2019 The Company issued 1,612,903 fully paid ordinary shares at an issue price of \$0.062 under an arrangement with a supplier raising funds of \$0.1 million before costs.

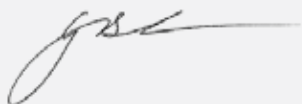
500,000 fully paid ordinary shares were issued on 5 September 2019 as a result of the exercise of performance rights which vested when performance conditions relating to practical completion of the pilot plant were satisfied.

On 5 September 2019 the Company issued a total of 11,904,000 performance rights to employees of the Company (or their nominees) under the Company's Performance Rights Plan. 750,000 of these performance rights vests in two separate tranches and are subject to the following vesting conditions:

- 100 tonnes of mixed rare earth carbonate being produced and sold from the Browns Range Pilot Plant (in relation to 250,000 of these performance rights); and
- The Browns Range Pilot Plant achieving production of mixed rare earth carbonate of at least 260 tonnes within a period of 90 consecutive days (in relation to 500,000 performance rights)

In relation to the remaining 11,154,000 performance rights, 50% of them are subject to vesting conditions that relate to occupational health and safety performance indicators and the other 50% are subject to vesting conditions that relate to key performance indicators for production and quality of product produced and shipped from the Browns Range Pilot Plant. These rights expire in two tranches on 1 July 2020 and 1 July 2021.

Signed in accordance with a resolution of the directors.



George Bauk
Director
17 September 2019

Financial Report



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Revenue from continuing operations			
Interest	6	2,307	18,115
Research and development rebate	5	-	4,090,479
Other income	5	2,000,068	456,124
Total revenue		2,002,375	4,564,718
Corporate expenses			
Administration expenses		935,836	658,518
Depreciation expense	10(a)	19,415,157	1,589,802
Share based payments expense	17	2,124,684	1,641,067
Legal and professional expenses		2,297,026	2,214,878
Occupancy expenses		286,825	252,477
Employee benefits expense		3,076,389	2,230,598
Other corporate expenditure		261,013	133,744
Royalty expense		1,228	-
Research and development rebate reversal	5	6,198,937	-
Total corporate expenses		34,597,095	8,721,084
Exploration and evaluation expenditure			
Exploration costs	4	1,591,966	619,087
Project evaluation and pre-feasibility	4	21,221,271	6,300,720
Mining expenditure	4	-	6,874,856
Total exploration and evaluation expenditure expenses		22,813,237	13,794,663
Total expenses		57,410,332	22,515,747
Operating loss		(55,407,957)	(17,951,029)
Finance costs / (Income)	6	8,558,373	546,132
Loss before income tax		(63,966,330)	(18,497,161)
Income tax expense	7	-	-
Loss for the year		(63,966,330)	(18,497,161)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to members of the entity		(63,966,330)	(18,497,161)
Loss per share attributable to ordinary equity holders of the company:			
Basic and diluted loss per share (cents per share)	19	(4.67)	(2.04)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 June 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	8 (a)	8,140,422	10,394,113
Trade and other receivables	8 (b)	2,118,577	30,233,674
Derivative financial assets	8 (c)	-	34,823
Other financial assets	8 (d)	-	150,343
Inventory	10 (b)	722,015	290,316
Total Current Assets		10,981,014	41,103,269
Non-current assets			
Trade and other receivables	8 (b)	-	465,634
Other financial assets	8 (d)	89,272	88,942
Property, plant and equipment	10 (a)	50,506,952	59,573,246
Total Non-Current Assets		50,596,224	60,127,822
Total assets		61,577,238	101,231,091
Current liabilities			
Trade and other payables	8 (e)	12,365,446	13,171,416
Interest bearing liabilities	8 (f)	18,435,416	24,110,694
Deferred revenue	8 (g)	1,333,680	7,345,925
Provisions	10 (c)	971,120	585,209
Total Current Liabilities		33,105,662	45,213,244
Non-current liabilities			
Trade and other payables	8 (e)	4,269,253	4,643,050
Interest bearing liabilities	8 (f)	7,472,655	283,182
Derivative financial liabilities	8 (h)	-	284,463
Deferred revenue	8 (g)	1,333,589	14,691,849
Provisions	10 (c)	4,716,141	4,387,956
Total Non-Current Liabilities		17,791,638	24,290,500
Total liabilities		50,897,300	69,503,744
Net assets		10,679,938	31,727,347
Equity			
Issued Capital	11 (a)	188,482,276	143,944,809
Reserves	11 (g)	12,405,310	14,023,856
Accumulated losses		(190,207,648)	(126,241,318)
Total equity		10,679,938	31,727,347

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

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 June 2019

Note	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENTS RESERVE	PERFORMANCE RIGHTS AND OPTIONS RESERVE	OTHER RESERVES	TOTAL
	\$	\$	\$	\$	\$	\$
Consolidated Entity Balance at 1 July 2017	110,995,064	(107,744,157)	4,347,282	6,325,481	850,899	14,774,569
Loss for the period	-	(18,497,161)	-	-	-	(18,497,161)
Total comprehensive income for the financial year	-	(18,497,161)	-	-	-	(18,497,161)
Transactions with owners in their capacity as owners:						
Shares issued net of transaction costs	32,949,745	-	-	-	-	32,949,745
Shares/options issued	-	-	98	2,072,970	-	2,073,068
Decrease in value in collateral shares reissued	-	-	-	-	(215,000)	(215,000)
Convertible notes issued	-	-	-	-	642,126	642,126
Balance at 30 June 2018	143,944,809	(126,241,318)	4,347,380	8,398,451	1,278,025	31,727,347
Balance at 1 July 2018	143,944,809	(126,241,318)	4,347,380	8,398,451	1,278,025	31,727,347
Loss for the financial year	-	(63,966,330)	-	-	-	(63,966,330)
Total comprehensive income for the financial year	-	(63,966,330)	-	-	-	(63,966,330)
Transactions with owners in their capacity as owners:						
Shares issued net of transaction costs	44,537,467	-	-	-	-	44,537,467
Shares/options issued	-	-	-	677,961	-	677,961
Shares not issued	-	-	(1,540,000)	-	-	(1,540,000)
Decrease in value in collateral shares reissued	-	-	-	-	(1,701,892)	(1,701,892)
Convertible notes issued	-	-	-	-	945,385	945,385
Balance at 30 June 2019	188,482,276	(190,207,648)	2,807,380	9,076,412	521,518	10,679,938

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 2019**

	NOTE	2019 \$	2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(27,987,212)	(20,677,120)
Interest paid		(4,083,593)	(86,195)
Other income received		12,376,862	5,705,007
Net cash outflow from operating activities	12(a)	<u>(19,693,943)</u>	<u>(15,058,308)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(11,932,810)	(29,781,958)
Net cash outflow from investing activities		<u>(11,932,810)</u>	<u>(29,781,958)</u>
Cash flows from financing activities			
Proceeds from issues of shares		40,161,541	28,519,236
Proceeds from issue of convertible notes		13,500,000	6,000,000
Repayment of convertible notes		(1,653,099)	(4,570,000)
Share issue costs		(1,831,158)	(1,611,743)
Proceeds from borrowings		3,187,894	18,724,517
Repayment of borrowings		(23,953,302)	(403,381)
Net cash inflow from financing activities		<u>29,411,876</u>	<u>46,658,629</u>
Net (decrease) / increase in cash and cash equivalents		(2,214,877)	1,818,363
Cash and cash equivalents at beginning of the financial year		10,394,113	8,364,980
Effects of exchange rate changes on cash and cash equivalents		(38,814)	210,770
Cash and cash equivalents at the end of the financial year	8(a)	<u>8,140,422</u>	<u>10,394,113</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 2019 were authorised for issue in accordance with a resolution of the directors on 17 September 2019.

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 2019. 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 Group reported an excess of current liabilities over current assets of \$22,124,648 at 30 June 2019 and reported a loss after tax for the year then ended of \$63,966,330. Included in current liabilities are loans, trade payables and accruals amounting to \$30,800,862.

Management has prepared a cash flow forecast which indicates that the Group will need to raise additional funds. Part of the funding required was received subsequent to year end, from the following sources:

- On 11 July 2019, the Company announced that it had completed the retail component of its accelerated non-renounceable 1 for 13 pro-rata entitlements offer previously announced on 6 June 2019. The offer closed on 8 July 2019 and raised approximately \$4.3 million before costs at an offer price of \$0.045 per share.
- On 22 July 2019, the Company announced that it had entered into subscription agreements to raise \$30 million before costs under a private placement.
- As at the date of this report, funds for this placement were received as follows:
 - \$11.9 million received on 24 July 2019 comprising all of the funds for Tranche 1 and part of the subscription funds for tranches 2 and 3. 190,172,043 fully paid ordinary shares were issued as a result on 30 July 2019.
 - \$0.15 million received on 30 July 2019.

a) Financial position and going concern (continued)

- \$7.9 million received on 12 August 2019. The Company issued a further 126,840,174 fully paid ordinary shares in relation to these funds as well as the \$0.15 million received on 30 July 2019.
- \$2.9 million received on 5 September 2019. The Company issued an additional 47,259,146 fully paid ordinary shares on 5 September 2019.
- At the date of this report, a balance of approximately \$7.4 million received in subscription funds had not been received by the due date of 31 August 2019, and the Company subsequently agreed to extend the completion date for those subscribers to 31 October 2019.
- On 15 August 2019 the Company announced it had entered into a subscription agreement with Baogang Group Investment (Australia) Pty Ltd ("BGIA") to raise \$20 million before costs under a private placement. As at the date of this report no funds had been received in relation to this placement as BGIA are still awaiting approval from the Company's shareholders as well as from the Australian Investment Review Board.
- A further \$480,000 has been received under the Federal Governments Building Better Regions Fund (BBRF) subsequent to year end contributing towards the cost of the T2W project, as part of a consortium led by the Wunan Foundation.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds. In the event that the Group is not successful in raising sufficient funds, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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, Assumptions and Errors**(a) Significant estimates and judgements**

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

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending a re-assessment by AusIndustry and if successful, also the Australian Taxation Office in respect of R&D and the decline in value of the pilot plant, respectively.

Details of the tax assessment are further discussed in Note 7.

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

Recoverability of the Research and Development rebate and subsequent rebate reversal

During the 2019 financial year, the Company concluded that for the purposes of AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* there was no reasonable assurance that the Company complied with the conditions attached, and that the grant would be received. Based on this assessment, there was a change in estimate from the 2018 financial year which has been effected in the 2019 financial year.

Please refer to Note 5 for further details.

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: Various between 30 June 2017 and 24 October 2018

Expiry Date: 24 July 2019

Stock Price at issue date: Various between \$0.082 and \$0.13

Risk free rate: Various between 2.05% and 1.69%

Volatility rate: Between 54% and 86%

Value per share: Between \$0.005 and \$0.044

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 costs 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:

	Consolidated	
	2019	2018
	\$	\$
Research and development rebate on eligible expenditure	-	4,090,479
Other government grants	1,813,682	318,952
Other	186,386	137,172
Total revenue from continuing operations	2,000,068	4,546,603

Revenue Recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods and services promised.

Revenue from concentrate sales is brought to account when the significant risks and rewards of ownership have transferred to the buyer and selling prices are known or can be reliably estimated.

Upon assessment of the revenue from concentrate sales, there is no material impact to profit or loss or net assets on the adoption of AASB 15 *Revenue from Contracts with Customers* in the current or comparable year.

Research and development rebates and government grants

The Company's accounting policy for research and development rebates and government grants is to recognise these when there is reasonable assurance that:

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

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

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred revenue and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

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

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

The Company has lodged R&D rebates in the 2016/2017 financial year. \$2,672,972 was received in the prior year for the 2016/2017 R&D Claim.

5. Revenue (continued)

The self-assessed R&D rebate in relation to qualifying expenditure incurred during the 2018 financial year was lodged on 28 August 2018, with a self-assessed R&D rebate of \$21,562,688. Due to the significance of this rebate, a detailed review was triggered by both the ATO and AusIndustry.

On 18 February 2019 the ATO released 50% (\$10,781,344) of the Company's claim. This claim was used to partially repay the R&D Financing facility with Innovated Structured Finance LLC (ISF) that was due to be repaid by 31 December 2018, substantially out of the Company's expected R&D tax cash refund entitlement which was expected to be received before 31 December 2018.

On 14 May 2019 the Company received formal notification from AusIndustry that it is of the opinion that the Company's 2016/17 and 2017/18 R&D Claims relate to activities that are "ineligible R&D activities" which would not be eligible for the R&D tax rebate for those income years.

The Company are strongly of the view that the activities do constitute eligible R&D activities. The Company has lodged a formal appeal with AusIndustry regarding its decision. In the first instance, the R&D claims will be independently reviewed by an independent assessor within AusIndustry.

Even though, the Company has lodged a formal appeal, management determined that based on the outcome of the AusIndustry review, there is no reasonable assurance that the entity will comply with the conditions attaching to the R&D Rebate, nor that the grant will be received.

A government grant that becomes repayable shall be accounted for as a change in accounting estimate. Repayment of a grant related to income shall be applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss.

Accordingly, the \$21,562,688 R&D rebate receivable for 2018 has been reversed in the 2019 financial year. Refer to Note 8 (b). R&D deferred revenue recognised has also been reversed. Refer to Note 8 (g).

The \$10,781,344 released from the ATO for the 2017/18 R&D Claim and the \$2,672,972 received in the prior year for the 2016/2017 R&D Claim are required to be repaid along with interest charges of \$444,566, as noted in the terms of arrangement below. This has been recognised as an interest-bearing liability. Refer to Note 8 (f).

The Company and the ATO have reached an in -principle agreement that will allow staged payments over 24 months of the 2016/17 and 2017/18 advanced payment amounts while the case is being appealed. These amounts have been recognised as interest bearing liabilities – refer Note 8(f).

The key terms of the arrangement are set out below:

- Repayment of the amount owing (plus interest) will occur over 24 monthly instalments commencing on and from 1 July 2019.
- General interest charges (GIC) will accrue on the amount owing during the term of the payment arrangement at the "shortfall interest charge" rate for each quarter.
- The Commissioner of Taxation may consider further remission of the GIC on a retrospective basis upon application by the Company in the future and having regard to the factors set out in the Commissioner's administrative practice statement and the Company's circumstances at the time.
- The payment arrangement and security arrangement will be subject to review every 6 months, commencing in December 2019.
- The Company has granted the Commissioner a second ranking fixed and floating charge over the Company's assets which will be supported by a deed of priority between the Company, the ATO and the Company's other secured creditor.
- If the Company defaults in its payment obligations, the payment arrangement will be terminated and full GIC will apply to the balance of the debt.

5. Revenue (continued)

To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss. An amount of \$6,198,937 has been recognised as an expense in the 2019 financial year which relates to R&D Rebate amounts recognised as income in prior years.

If the Company is fully or partially successful in the internal review by AusIndustry or any subsequent appeal, monies paid under the payment arrangement (including GIC) will be fully or partially refunded to the Company or offset against other tax obligations. In addition, the Company will receive interest on the overpayment to the Commissioner.

AusIndustry's notification could also have an impact on the Company's future R&D Claims if the activities that comprise those claims are also considered to be "ineligible R&D activities".

6. Finance Income and Costs

	2019 \$	2018 \$
Finance income		
Interest income	2,307	18,115
Total finance income	<u>2,307</u>	<u>18,115</u>
Finance costs		
Interest for financial liabilities	5,949,198	2,048,853
Net gain on financial instruments at fair value through profit and loss	(90,182)	(34,823)
Provisions: unwinding of discount	89,988	89,988
Net exchange losses on foreign currency borrowings	1,221,552	838,014
Financing transactions and costs	3,151,627	2,902,797
Total finance costs	<u>10,322,183</u>	<u>5,844,829</u>
Amount capitalised	(1,763,810)	(5,298,697)
Finance costs expensed	<u>8,558,373</u>	<u>546,132</u>
Net finance costs/(income)	<u>8,556,066</u>	<u>528,017</u>

Interest income

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

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

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

Capitalised borrowing costs

Borrowing costs capitalised include costs that are directly attributable to the acquisition and construction of the Browns Range Pilot. The rate used is the actual borrowing costs eligible for capitalisation.

7. Income Tax Expense

	2019 \$	2018 \$
(a) Income tax expense		
<i>Reconciliation of income tax expense to prima facie tax payable:</i>		
Loss from continuing operations before income tax expense	(63,966,330)	(18,497,161)
Tax calculated at 27.5% (2018: 27.5%) on loss before income	(17,590,740)	(5,086,718)
Add tax effect of:		
Share-based payments	592,925	458,117
Non-deductible expenses	3,430	13,554
Unused tax losses and temporary differences not recognised	16,994,385	(3,086,650)
FY18 R&D adjustments	-	7,701,697
Income tax expense/(benefit)	-	-
(b) Unrecognised deferred tax balances		
The balance comprises temporary differences attributable to:		
<i>Deferred tax assets</i>		
Unused tax losses	34,891,210	21,154,549
Unused capital losses	175,661	175,661
Deductible temporary differences	2,700,734	2,343,990
Total unrecognised deferred tax assets	37,767,605	23,674,200
<i>Deferred tax liabilities</i>		
Taxable temporary differences - R&D assets	(3,550,196)	(6,476,500)
Taxable temporary differences - other	(25,520)	(195)
Total unrecognised deferred tax liabilities	(3,575,716)	(6,476,696)
Net unrecognised deferred tax balances	34,191,889	17,197,504

The corporate tax rate in Australia changed from 30% to 27.5% for certain 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 at the reporting date that future taxable profits will be available to utilise deductible temporary differences and losses.

(c) Income tax expense / (benefit)

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

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax assessment or deduction purposes. The tax effect of certain temporary differences is not recognised, principally with respect to:

7. Income Tax Expense (continued)

- Temporary differences arising on the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
- Temporary differences relating to investments and undistributed earnings in subsidiaries, to the extent that the company is able to control its reversal and it is probable that it will not reverse in the foreseeable future.

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

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

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

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

Based on the disclosure in Note 3, the current income tax position represents the directors' best estimate, pending a re-assessment by AusIndustry and if successful, also the Australian Taxation Office in respect of R&D and the decline in value of the pilot plant, respectively. Specifically:

- Due to the ruling of the R&D activities not being "eligible" for the R&D rebate, the Company has reversed the R&D receivable. In addition, there is no R&D income recognised in the 2019 financial year and capitalised R&D income was raised as a temporary difference in the 2017 and 2018 financial year. This has been treated as a reversal of a temporary difference in the 2019 financial year.
- Notwithstanding the ATO's view that the Company should not calculate the decline in value of the pilot plant on an accelerated basis, the Company has continued to do so in the 2019 financial year until such time as the AusIndustry review is concluded and a decision is made as to whether to challenge or accept the ATO's view.

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

(a) Cash and cash equivalents

	2019	2018
	\$	\$
Current		
Cash at bank and on hand	8,140,422	10,394,113
	<u>8,140,422</u>	<u>10,394,113</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

Current

GST receivable	778,525	206,732
Prepayments	824,295	7,016,956
Other receivables	515,757	1,447,298
Research and development rebate receivable (Refer Note 5)	-	21,562,688
	<u>2,118,577</u>	<u>30,233,674</u>

Non-Current

GST receivable	-	465,634
	<u>-</u>	<u>465,634</u>

(i) Other receivables

Other receivables are amounts that generally arise from transactions outside the usual operating activities of the group. They are recognised at amortised cost, less any allowance for expected credit losses. Included within other receivables is an amount of \$480,000 for receipt of the Federal Governments Building Better Regions Fund (BBRF). The Company assessed the remaining other receivables for expected credit losses, but they were deemed to have no material impact.

(ii) Research and development rebate receivable

The self- assessed R&D rebate in relation to qualifying expenditure incurred during the 2018 financial year was \$21,562,688.

This was subsequently reversed in the financial year. Refer to Note 5 for more details.

(iii) Trade receivables

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

Information about the methods and assumptions used in determining fair value is provided in Note 8(i). 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.

There is no material impact to profit or loss or net assets on the adoption of AASB 9 *Financial Instruments* in the current or comparative year.

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

(iv) Fair values of trade and other receivables

Due to their short-term nature, their carrying amount is approximate to their fair value. Information about the methods and assumptions used in determining fair value is provided in Note 8(i). 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.

Prepayments include the following share-based payments:

	2019 \$	2018 \$
Lind collateral shares issued in the year (refer Note 8 (f))	-	1,235,000
Lind options issued in the year (refer Note 8 (f))	-	780,000
JHY Investments options issued in the year (refer Note 8(f))	49,539	-
	<u>49,539</u>	<u>2,015,000</u>

(c) Derivative financial assets

Current

Forward foreign exchange contracts	-	(6,292)
Foreign currency option contracts	-	41,115
	<u>-</u>	<u>34,823</u>

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss and included in other income or other expenses. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

(d) Other financial assets

Current

Deposits held on trust	-	150,343
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Non-Current

Security deposits – rent and performance bonds	89,272	88,942
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Other financial assets 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, the financial assets carrying amount is approximate to their fair value. Information about the methods and assumptions used in determining fair value is provided in Note 8(i). 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.

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

(e) Trade and other payables

	2019 \$	2018 \$
Current		
Trade and other payables	5,799,385	13,171,416
Trade and other payables (Refer to Note 8(h)) (Secured)	6,566,061	-
	<u>12,365,446</u>	<u>13,171,416</u>
Non-Current		
Trade and other payables (Refer to Note 8 (h)) (Secured)	<u>4,269,253</u>	<u>4,643,050</u>

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

(i) Fair values of trade and other payables

Due to their short-term nature, current trade and other payables carrying amounts are approximate to their fair value. Information about the methods and assumptions used in determining fair value is provided in Note 8(i). 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(i).

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

(f) Interest Bearing Liabilities

	Interest Rate	2019 \$	2018 \$
Current			
Convertible note (Secured)	10%	-	3,612,316
Convertible note (Unsecured) - JHY Inv Pty Ltd	16%	4,016,650	-
Convertible note (Unsecured) - Yuzhen Ma	10%	7,037,622	-
ATO Liability (Secured – Refer Note 3)	4.96%	6,602,568	-
R&D loan facility (Secured)	14%	-	19,915,295
Equipment finance (Secured)	2.90%-6.50%	138,855	112,471
Insurance premium funding	5.10%/3.15%	639,721	470,612
		<u>18,435,416</u>	<u>24,110,694</u>
Non-Current			
Equipment finance (Secured)	2.90%-6.50%	176,341	283,182
ATO Liability (Secured – Refer Note 3)	4.96%	7,296,314	-
		<u>7,472,655</u>	<u>283,182</u>

Commitments in relation to finance leases are payable as follows:

Within one year	154,106	144,191
Later than one year but not later than five years	176,341	275,703
Minimum lease payments	<u>330,447</u>	<u>419,894</u>
Future finance charges	<u>(15,251)</u>	<u>(24,241)</u>
Total lease liabilities	<u>315,196</u>	<u>395,653</u>

The present value of finance lease liabilities is as follows:

Within one year	150,060	130,107
Later than one year but not later than five years	165,136	265,546
Minimum lease payments	<u>315,196</u>	<u>395,653</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. The fee is capitalised as a prepayment and amortised over the remaining period of the facility to which it relates once it is drawn down.

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 and the conversion 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

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

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.

Convertible Note – JHY Investments Pty Ltd

In December 2018 a subscription agreement was entered into with JHY Investments Pty Ltd (JHY), for the issue of 4,000,000 convertible notes over two tranches with a face value of \$1.00 each. Tranche 1 was completed in December 2018 and 3,500,000 notes were issued. Tranche 2 for a further 500,000 notes was completed in January 2019.

The maturity date for the convertible notes is 31 December 2019 at a conversion price of \$0.06 per share. The interest rate is 16% per annum, accruing daily and payable monthly from immediately available funds on the face value of the notes from the date the notes are issued until the earlier of the date the note is converted into shares and the maturity date. Conversion can be at any time before the maturity date at JHY's election and must be for a minimum 300,000 notes at any one time.

10,000,000 unlisted options were issued to JHY Investments Pty Ltd on 18 December 2018 as part of the Convertible Security Funding Agreement. These options have an exercise price of \$0.09 each and have an expiry date of 31 December 2019.

Convertible Note – Yuzhen Ma

In April 2019 a subscription agreement was entered into with Yuzhen Ma for the issue of 7,500,000 convertible notes over two tranches with a face value of \$1.00 each. Tranche 1 was completed with \$2,500,000 received in April 2019 and 2,500,000 notes were issued. Tranche 2 for a further 5,000,000 notes was completed and \$5,000,000 million received in June 2019.

The maturity date for the convertible notes is 30 June 2020 at a conversion price of \$0.10 per share. The interest rate is 10% per annum, accruing daily and payable monthly from immediately available funds on the face value of the notes from the date the notes are issued until the earlier of the date the note is converted into shares and the maturity date. Conversion can be at any time before the maturity date at the note holder's election.

Convertible Note – Lind Partners LLC

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

The funding was structured 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 included provisions for the conversion into ordinary shares, repayment in cash (at the investor's sole option) or early repayment at the Company's sole option.

On each date specified by the Investor in its sole discretion, the Investor could provide the Company with 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 was 92.5% of the average of three consecutive daily VWAP 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.

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

The Investor had 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 at a frequency of no more than once a month for each convertible security, the Investor may provide the Company a written notice, of 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 could 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).

On 29th August 2017, the Company and Lind Asset Management X, LLC (Lind) entered into amendments in relation to the original agreement. A further 10,000,000 collateral shares were issued to the investor as part of the 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 so that, upon the Company successfully raising AU\$3,500,000, Lind advanced AU\$5,000,000.

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 on 31 December 2019.

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

In August 2018 a further \$2,500,000 convertible security was issued with Lind advancing \$2,000,000. As part of the agreement 10,000,000 options were issued to Lind Asset Management LLC as part of the Convertible Security Funding Agreement. These options had an exercise price of \$0.12 each and have an expiry date of 20 December 2021.

In May 2019 the Company repaid all remaining amounts owed to Lind Assets Management LLC in relation to the secured convertible loan arrangement. Repayment of the Lind facility also means that the convertible notes issued to Lind under the arrangement have effectively been redeemed by the Company and all security interests held by Lind against the Company's assets have been released.

Equipment Finance

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

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

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

The Company had 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 provided the Company with accelerated access to tax offsets that are applicable to R&D activities being undertaken at the Browns Range Pilot Plant Project.

The funding was made available in USD. The aggregate amount of the term loans could not exceed USD\$30 million.

Interest accrued daily at 14% per annum.

The maximum loan security ratio was 90% which is 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.

To manage the exposure to USD/AUD foreign exchange rates as a result of this loan the Company hedged its exposure – refer Note 9(a).

Under the facility, the Company and its tax advisor, estimated the level of tax offsets at the end of each quarter. ISF then provided funding of 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 was due upon the earlier of receipt of the R&D Tax Incentive Offset or 31 December 2018 of the relevant year of the term loan.

During the year a further drawdown was completed on the R&D Financing facility in relation to the estimate of the level of tax offsets for the 2019 period. The Company received funding equal to 75% of the capped amount of \$4 million (as announced in the May 2018 Federal Budget), with the principal and accrued interest repayable out of actual tax offsets to be received at the end of 2019.

The Company negotiated a variation to the loan agreement regarding the 2018 facility. The 2018 drawdown was due to be repaid by 31 December 2018, substantially out of the Company's expected R&D tax cash refund entitlement, which was expected to be received before 31 December 2018. The Company lodged its 30 June 2018 tax return with the Australian Taxation Office (ATO) on 28 August 2018. Due to the funds not being received, it was necessary for the Company to request a variation to the loan agreement, extending the date for repayment of the 2018 loan from 31 December 2018 to 31 January 2019, which was agreed by ISF. This was further extended to 28 February 2019. The default interest rate increased to 18% effective from 1 January 2019.

On 18 February 2019 the ATO released 50% (\$10.78 million) of the Company's claim. This claim was used to partially repay the loan. ISF agreed to vary the loan repayment date until 30 April 2019 whilst the ATO and AusIndustry review of the Company's R&D claim was being undertaken.

The Company fully repaid all amounts owing in relation to amounts advanced under the R&D loan facility for the 2018 and 2019 Australian tax year using subscription funds received in March and April 2019. Accordingly, all security interests held by ISF against the Company's assets were released.

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

Assets pledged as security

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

	2019 \$	2018 \$
Current		
<i>Fixed charge</i>		
Receivables	-	21,562,688
<i>Floating charge</i>		
Cash and cash equivalents	8,140,422	10,394,113
Receivables	1,289,602	1,654,109
Derivative financial assets	-	34,823
Inventory	722,015	290,316
Total current assets pledged as security	10,152,039	33,936,049
Non-Current		
<i>Fixed charge</i>		
Property, plant and equipment	42,028,642	40,628,640
<i>Finance lease</i>		
Property, plant and equipment	479,971	407,649
<i>Floating charge</i>		
Receivables	-	465,634
Property, plant and equipment	7,998,337	18,536,957
Total non-current assets pledged as security	50,506,950	60,038,880
Total assets pledged as security	60,658,989	93,974,929

A Priority Deed was 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 had security over the Company's present and future right, title and interest in 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; and
- all other rights, title and interest in the deposit account.

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

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

Following the repayment of the Lind and ISF secured borrowings in 2019, their relevant security interests have now been released.

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

As referred to in Note 5 the Australian Taxation Office (ATO) has a second ranking fixed and floating charge over the Company's assets, which will be supported by a deed of priority between the Company, the ATO and the Company's other secured creditor. The Security Arrangement will be subject to review every 6 months, commencing in December 2019.

As at the date of this report the Security Arrangement has yet to be finalised but an in-principle agreement has been reached with the ATO regarding the outstanding liability repayment.

(g) Deferred revenue

	2019 \$	2018 \$
Current		
Deferred revenue	1,333,680	7,345,925
Non-Current		
Deferred revenue	1,333,589	14,691,849

Refer to Note 5 for the accounting policy in relation to Research and Development rebates and government grants.

(h) Other financial liabilities

Derivatives not designated as hedging instruments

Non-Current

Embedded derivatives	-	284,463
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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. Sinosteel MECC also 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 is 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 trade payable in Note 8 (e).

The contractor has until 24 July 2019 to exercise its option to convert. However, if not elected, the deferred payment will become payable in 5 equal quarterly instalments with the first payment due on the 24 October 2019. These balances are shown within current and non-current trade payables based on expected dates of payment.

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

(i) Accounting classification and fair value

Financial assets

The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cashflows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to hold both assets in order to collect contractual cashflows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets with be either:

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

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

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

Impairment of financial assets

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

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

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

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

Financial liabilities

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

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

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

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

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

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

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

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

a) Market Risk

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

Foreign Exchange Risk

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

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated or linked to a currency that is not the entity's functional currency. The group hedged the currency risk of the Brevet facility by hedging the entire value of the notional value of the loan, which is mainly an exposure to US Dollar borrowings. The risk was measured through forecasting the US dollar amounts required for repayments. The US dollar denominated borrowings were to be repaid with receipt of the R&D Tax Incentive Offset which is receipted in Australian dollars.

Under the terms of the loan agreement the Company must within two business days of each advance enter into a FX hedging arrangement in respect of USD/AUD ("hedge") for that advance in a form reasonably acceptable to the lender. The lender must be named as payee in each hedge and the Company must provide a copy of the trade confirmation to the lender as soon as possible. If the company does not enter into a hedge for an advance the Company must deposit and maintain a Margin of Deposit Account in accordance with the agreement. In respect of an advance the margin is the positive difference multiplied by 105% calculated on the relevant margin calculation date (end of each calendar month). The Company must pay the margin in AUD into the deposit account, within 2 business days of the lender giving written notice to the Company of any obligation to pay margin. If there is a negative difference and the sum of margin amounts in the deposit account exceeds the total of margin amounts required, 90% of the surplus must be paid to the lender within 2 business days. This will be applied in repayment of the outstanding monies upon the repayment date for the term loan in respect of the relevant advance. The amount will be converted to USD at the current exchange rate quoted by the Reserve Bank of Australia on the relevant day.

This facility was repaid in full and extinguished in the 2019 financial year.

The group has used this combination of foreign currency option contracts and foreign exchange forward contracts to hedge exposure to foreign currency risk. Derivatives are only used for economic hedging purposes and not as speculative investments.

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

9. Financial Risk Management (continued)

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

	2019 \$	2018 \$
Cash and cash equivalents - USD	992	7,963,471
Interest bearing liabilities - USD	-	19,915,294
Notional value of forward exchange contracts by foreign currency	-	10,197,607
Notional value of foreign currency option contracts	-	8,126,774
	<u>992</u>	<u>46,203,146</u>

As shown in the table above, the group is primarily exposed to changes in USD/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments and foreign forward exchange contracts.

	Impact on post tax profit/(loss) 2019 \$	Impact on post tax profit/(loss) 2018 \$
US / \$ exchange rate – increase 10%	(90)	(629,020)
US / \$ exchange rate – decrease 10%	99	577,123

Amounts recognised in the income statement

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

	2019 \$	2018 \$
Net foreign exchange gain included in other income	-	951
Foreign exchange loss in administration expenses	(30,666)	(452,733)
Net foreign exchange gain/(loss)	<u>(30,666)</u>	<u>(451,782)</u>
Net gain/(loss) on foreign currency derivatives not qualifying as hedges included in finance costs	<u>90,182</u>	<u>34,823</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 is set out below:

	Weighted average interest rate	Floating Interest Rate	Fixed Interest	Non-Interest Bearing	Total
	%	\$	\$	\$	\$
30 June 2019					
Financial Assets					
Cash and cash equivalents	0.00%	547	-	8,139,875	8,140,422
Trade and other receivables	-	-	-	511,077	511,077
Other financial assets	2.62%	-	89,272	-	89,272
Total financial assets		547	89,272	8,650,952	8,740,771
Financial Liabilities					
Trade and other payables	-	-	-	14,565,188	14,565,188
Interest bearing liabilities	8.03%	13,898,882	12,009,189	-	25,908,071
Total financial liabilities		13,898,882	12,009,189	14,565,188	40,473,259

	Weighted average interest rate	Floating Interest Rate	Fixed Interest	Non-Interest Bearing	Total
	%	\$	\$	\$	\$
30 June 2018					
Financial Assets					
Cash and cash equivalents	0.03%	203,551	-	10,190,561	10,394,112
Trade and other receivables	-	-	-	1,440,308	1,440,308
Other financial assets	1.91%	-	239,285	-	239,285
Total financial assets		203,551	239,285	11,630,870	12,073,706
Financial Liabilities					
Trade and other payables	-	-	-	17,482,946	17,482,946
Interest bearing liabilities	13.04%	-	24,393,875	-	24,393,875
Total financial liabilities		-	24,393,875	17,482,946	41,876,821

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.

9. Financial Risk Management (continued)

b) Credit Risk

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

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

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	2019	2018
	\$	\$
- Expiring within one year	-	-
- Expiring beyond one year	-	23,674,612
	<u>-</u>	<u>23,674,612</u>

In 2018, both the facilities that were available for drawdown, were fully repaid and facilities extinguished within the 2019 financial year, further details are included in Note 8(f).

9. Financial Risk Management (continued)

Maturities of financial liabilities

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

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

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between and 2 years	1 Between years	2-5	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$			\$
As at 30 June 2019							
Non-derivatives							
Trade payables	5,918,561	4,377,374	4,269,253		-	14,565,188	14,565,188
Interest bearing liabilities (excluding finance leases)	8,071,738	11,176,284	7,296,314		-	26,544,336	25,592,875
Finance leases	78,798	78,798	155,122		18,291	331,009	315,196
Total non-derivatives	14,069,097	15,632,456	11,720,689		18,291	41,440,533	40,473,259
Derivatives							
Other financial liabilities	-	-	-		-	-	-
Gross settled forward exchange contracts	-	-	-		-	-	-
-(Inflow)	-	-	-		-	-	-
-Outflow	-	-	-		-	-	-
Total derivatives	-	-	-		-	-	-

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between and 2 years	1 Between years	2-5	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$			\$
As at 30 June 2018							
Non-derivatives							
Trade payables	12,555,434	-	3,714,440		928,610	17,198,484	17,482,946
Interest bearing liabilities (excluding finance leases)	23,352,797	1,575,831	-		-	24,928,628	23,527,611
Finance leases	73,844	70,356	140,712		133,998	418,910	395,653
Total non-derivatives	35,982,075	1,646,187	3,855,152		1,062,608	42,546,022	41,406,210
Derivatives							
Other financial liabilities	-	-	284,463		-	284,463	284,463
Gross settled forward exchange contracts		-	-		-	-	-
-(Inflow)	(10,143,516)	-	-		-	(10,143,516)	(34,823)
-Outflow	10,197,607	-	-		-	10,197,607	-
Total derivatives	54,091	-	284,463		-	338,554	249,640

10. Non-financial Assets and Liabilities

(a) Property, plant and equipment

Non-Current	Pilot Plant in Construction	Plant and Equipment	Bulk earthworks	Browns Range Site Buildings	Total
2019	\$	\$	\$	\$	\$
Cost					
At beginning of the financial year	50,116,533	4,999,158	4,991,608	3,492,247	63,599,546
Additions	8,536,255	48,797	-	-	8,585,052
Capitalised Interest	1,763,810	-	-	-	1,763,810
Transfers	(60,126,332)	59,414,642	642,792	68,898	-
At the end of the financial year	290,266	64,462,597	5,634,400	3,561,145	73,948,408
Accumulated Depreciation					
At the beginning of the financial year	-	2,639,660	1,245,951	140,688	4,026,299
Depreciation charge for the year	-	17,740,227	1,454,161	220,769	19,415,157
At the end of the financial year	-	20,379,887	2,700,112	361,457	23,441,456
Carrying amount at end of the year	290,266	44,082,710	2,934,288	3,199,688	50,506,952
2018	\$	\$	\$	\$	\$
Cost					
At beginning of the financial year	12,322,011	2,525,708	-	-	14,847,718
Additions	42,993,017	460,113	-	-	43,453,130
Capitalised Interest	5,298,697	-	-	-	5,298,697
Transfers	(10,497,192)	2,013,337	4,991,608	3,492,247	-
At the end of the financial year	50,116,533	4,999,158	4,991,608	3,492,247	63,599,546
Accumulated Depreciation					
At the beginning of the financial year	-	2,436,497	-	-	2,436,497
Depreciation charge for the year	-	203,162	1,245,951	140,688	1,589,802
At the end of the financial year	-	2,639,660	1,245,951	140,688	4,026,299
Carrying amount at end of the year	50,116,533	2,359,498	3,745,657	3,351,559	59,573,246

10. Non-financial Assets and Liabilities (continued)

Property, plant and equipment

Plant and equipment are 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 – 3 years from being available for use

Office Equipment – 3 years

Fixtures and Fittings – 4 years

Exploration Equipment – 3 years

Vehicles – 4 years

Leasehold Improvements – 3-10 years

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

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

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

Beneficiation Plant – 3 years based on life of pilot plant

Hydrometallurgical Plant – 3 years based on life of pilot plant depending on commencement as available for use.

Assets under construction

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

Non-current assets pledged as security

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

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

	2019	2018
	\$	\$
Current		
Diesel fuel and consumables	722,015	290,316

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

(c) Provisions

Current		
Employee benefits	971,120	585,209
Non-Current		
Employee benefits	-	45,787
Rehabilitation	4,716,141	4,342,169
	4,716,141	4,387,956

(i) Movements in provisions

	Employee benefits	Rehabilitation	Total
	\$	\$	\$
2019			
Balance at the beginning of year	630,997	4,342,169	4,973,166
Amounts expensed for the year	764,963	373,972	1,138,935
Utilisation	(424,840)	-	(424,840)
Balance at the end of year	971,120	4,716,141	5,687,261

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.

10. Non-financial Assets and Liabilities (continued)

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

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

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

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

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

	2019		2018	
	Number	\$	Number	\$
(a) Ordinary Shares				
Share Capital				
Ordinary Shares	2,083,027,096	188,482,276	1,114,820,770	143,944,809
Movement in Ordinary Share Capital				
Balance at the beginning of year	1,114,820,770	143,944,809	708,893,807	110,995,064
Issue of securities to Lind - Convertible Security repayment – July 2018	7,440,477	572,917	-	-
Placement Issue – July 2018	38,461,538	3,000,000	-	-
Issue of securities to Lind - Convertible Security repayment – October 2018	17,434,876	1,245,833	-	-
Issue of securities to Lind - Convertible Security repayment – November 2018	9,615,386	625,000	-	-
Issue of securities to Lind - Convertible Security repayment – December 2018	13,020,836	729,167	-	-
Shares issued to Sinosteel for Deed of Settlement dated December 2018	15,000,000	1,095,000	-	-
Shares issued to Primero for Deed of Settlement dated December 2018	10,000,000	620,000	-	-
Issue of shares to creditors	5,900,000	295,000	-	-
Issue of securities to Lind - Convertible Security repayment – December 2018	14,719,205	677,083	-	-
NRE Subscription	11,111,111	1,000,000	-	-
Share Placement – February 2019	50,000,000	3,000,000	-	-
Shares issued for consultancy agreement	10,000,000	470,000	-	-
Shares issued to creditors	2,500,000	120,000	-	-
Issue of securities to Lind - Convertible Security repayment – February 2019	15,746,126	677,083	-	-
Share Placement – March 2019	60,000,000	2,999,487	-	-
Shares issued for consultancy agreement	20,000,000	800,000	-	-
Share Placement – April/ May 2019	400,000,000	20,000,000	-	-
Shares issued on exercise of performance rights	4,100,000	-	-	-
Share issue for success fees on placements	38,000,000	1,900,000	-	-
Institutional Rights Issue	59,156,771	2,662,055	-	-
Share issue for success fees on placements	16,000,000	800,000	-	-
Share Placement – May 2019	150,000,000	7,500,000	-	-
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
Issue of securities to Lind - Convertible Security repayment – January 2018	-	-	4,006,410	312,500
Issue of shares for exercise of performance rights	-	-	5,700,000	-
Placement – January 2018	-	-	27,564,102	2,150,000
Share purchase plan – February 2018	-	-	150,324,057	11,725,236
Placement – February 2018	-	-	16,666,667	1,300,000
Issue of securities to Lind - Convertible Security repayment – February 2018	-	-	7,073,046	572,917
Placement – February 2018	-	-	2,000,000	156,000
Placement – Huatai – March 2018	-	-	12,820,513	1,000,000
Issue of securities to Lind - Convertible Security repayment –March 2018	-	-	7,848,174	572,917
Issue of securities to Lind - Convertible Security repayment –June 2018	-	-	15,079,366	1,145,833
	2,083,027,096	194,733,434	1,114,820,770	145,578,967
Less: costs of issue	-	(6,251,158)	-	(1,634,158)
Balance at the end of year	2,083,027,096	188,482,276	1,114,820,770	143,944,809

11. Equity (continued)

(i) Ordinary shares

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

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

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

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

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

(b) Share Purchase Plan Shares

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

	2019 Number	2018 Number
Balance at beginning of year	5,303,400	8,428,400
Shares reverted to company during the year	-	(3,125,000)
Balance at end of year	5,303,400	5,303,400

(c) Performance Rights over ordinary shares

	2019 Number	2018 Number
<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	-	4,500,000
Issued during the year	-	-
Forfeited/lapsed during the year	-	(4,500,000)
Exercised during the year	-	-
Balance at end of year	-	-

<i>Performance rights with conditions** with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)</i>		
Balance at beginning of year	18,000,000	22,500,000
Issued during the year	-	-
Forfeited/lapsed during the year	-	-
Exercised during the year	(4,000,000)	(4,500,000)
Balance at end of year	14,000,000	18,000,000

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

11. Equity (continued)

	2019 Number	2018 Number
<i>Performance rights with conditions**** with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)</i>		
Balance at beginning of year	400,000	-
Issued during the year	-	1,800,000
Forfeited/lapsed during the year	-	(700,000)
Exercised during the year	(100,000)	(700,000)
Balance at end of year	300,000	400,000
<i>Performance rights with conditions***** with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)</i>		
Balance at beginning of period	-	-
Issued during the period	11,714,000	-
Forfeited/lapsed during the period	(2,000,950)	-
Exercised during the period	-	-
Balance at end of period	9,713,050	-

* 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;

11. Equity (continued)

-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.

***** Performance conditions

-2,858,500 shares will vest and be exercisable subject to vesting conditions that relate to OHS Positive Performance Indicators (PPI) for the financial year ended 30 June 2019;

-2,858,500 shares will vest and be exercisable subject to vesting conditions that relate to Key Production Indicators (KPI) for the financial year ended 30 June 2019;

-2,998,500 shares will vest and be exercisable subject to vesting conditions that relate to OHS Positive Performance Indicators (PPI) for the financial year ended 30 June 2020;

-2,998,500 shares will vest and be exercisable subject to vesting conditions that relate to Key Production Indicators (KPI) for the financial year ended 30 June 2020.

(d) Options over ordinary shares

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

Grant Date	Expiry date	Exercise price	Share options 30 June 2019	Share options 30 June 2018
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
12 April 2017	24 May 2021	\$0.15	3,000,000	3,000,000
14 June 2017	20 June 2020	\$0.2475	22,500,000	22,500,000
29 December 2017	31 December 2019	\$0.1175	30,000,000	30,000,000
29 December 2017	31 December 2019	\$0.1175	5,023,076	5,023,076
30 November 2018	20 December 2021	\$0.1225	10,000,000	-
17 December 2018	31 December 2019	\$0.0875	10,000,000	-
Total			93,335,546	75,835,546

Weighted average remaining contractual life of options outstanding at end of period

0.94 years

1.74 years

2,500,000 options expired on 6 November 2018, exercisable at \$0.25.

As a consequence of completing the accelerated non-renounceable entitlements offer on 11 July 2019, the exercise prices of several unquoted options over ordinary shares have been recalculated in accordance with their terms of issue. The above exercise prices reflect the recalculated exercise price. See Note 22 for full details.

(e) Capital management

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

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

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

11. Equity (continued)

(f) Dividends

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

(g) Other reserves

	2019 \$	2018 \$
Reserves	12,405,310	14,023,856
Reserves comprise the following:		
<i>Performance Rights and options reserve</i>		
Balance at the beginning of year	8,398,451	6,325,481
Vesting charge on performance rights and options	677,961	2,072,970
Balance at the end of year	9,076,412	8,398,451
<i>Share based payment reserve</i>		
Balance at the beginning of year	4,347,380	4,347,282
Share plan allocation	-	98
Other share-based payments -refer note below	(1,540,000)	-
Balance at the end of year	2,807,380	4,347,380
<i>Other Reserves</i>		
Balance at the beginning of year	1,278,025	850,899
Convertible notes issued during the year / (converted in year)	945,385	642,126
Change in value of collateral shares refunded and reissued	(1,701,892)	(215,000)
Balance at the end of year	521,518	1,278,025
Total Reserves	12,405,310	14,023,856

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. This agreement has been terminated and the shares will not be issued. This transaction has been reversed in the share-based payments reserve.

(h) Nature and purpose of other reserves

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

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

The other reserve covers the equity component of the issued convertible notes. The liability component is reflected in financial liabilities. It also includes the change of value in the collateral shares issued, refunded and reissued.

12. Cash Flow Information

	2019 \$	2018 \$
(a) Reconciliation of loss after income tax to net cash outflow from operating activities		
Net Loss after tax	(63,966,330)	(18,497,161)
<i>Adjustments</i>		
Depreciation expense	19,415,157	1,589,802
Amortisation of borrowing costs	2,503,415	-
Unrealised foreign exchange	1,256,376	627,244
Share-based payments – (refer Note 17)	2,784,684	1,741,067
Research & Development rebate reversal	6,198,937	-
Non-cash fair value adjustments	1,097,743	174,407
<i>Change in assets and liabilities</i>		
(Increase) / decrease in other receivables	11,272,368	(3,292,053)
(Increase) / decrease in inventory	284,254	86,724
Increase / (decrease) in trade and other payables	(1,254,642)	2,571,613
Increase / (decrease) in provisions	714,095	(59,951)
Net cash flows used in operating activities	<u>(19,693,943)</u>	<u>(15,058,308)</u>

(b) Non-cash investing and financing activities

Acquisition of property, plant and equipment by means of finance leases	<u>60,000</u>	<u>404,811</u>
Conversion of debt to equity (refer note 17)	<u>4,527,084</u>	<u>4,166,668</u>

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

(c) Reconciliation of liabilities arising from financing activities

	Opening balance 2018 \$	Cash flows *	Non-cash changes			Closing balance 2019 \$
		\$	Foreign exchange movements \$	Conversion of debt to equity \$	Other non-cash movements \$	
Convertible notes	3,612,316	11,846,900	-	(4,527,084)	122,130	11,054,262
Equipment finance	395,653	(80,457)	-	-	-	315,196
Other loans	470,612	169,109	-	-	-	639,721
R&D loan facility	19,915,295	(24,018,622)	1,221,551	-	2,881,776	-
Total liabilities from financing activities	24,393,876	(12,083,070)	1,221,551	(4,527,084)	3,003,916	12,009,179

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

13. Subsidiaries

The following 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.

Guarantees

The Group has guarantees in the form of security deposits for rent & performance bonds of \$89,272 (2018: \$88,942).

Government Grants

On 7 August 2017, as part of a consortium led by the Wunan Foundation, Northern Minerals announced that funding has been awarded under the Federal Government's Building Better Regions Fund (BBRF) to develop an Aboriginal training-to-work (T2W) program at the Browns Range Pilot Plant Project. The Grant is paid as agreed milestones are achieved in arrears, based on actual eligible costs. Payments are subject to satisfactory progress on the Project and compliance by the Grantee with its obligations under the agreement. A final payment of at least 10% of the Grant will be withheld until the Grantee submits a satisfactory final report demonstrating end of the Project reporting obligations have been met.

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

Subsequent to 30 June 2019, the final 10% payment of \$480,000 has been received under the Federal Government's Building Better Regions Fund (BBRF) contributing towards the cost of the T2W project, as part of a consortium led by the Wunan Foundation.

15. Commitments

(i) Operating Lease Commitments

	2019 \$	2018 \$
Commitments for minimum lease payments are:		
Within one year	181,282	274,583
Later than one year but less than five years	-	207,742
Later than five years	-	-
	<u>181,282</u>	<u>482,325</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:

	2019 \$	2018 \$
Exploration Tenements		
Within one year	<u>834,900</u>	<u>902,900</u>

(iii) Capital Commitments

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

	2019 \$	2018 \$
Property, plant and equipment	<u>-</u>	<u>5,043,296</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:

	2019 \$	2018 \$
Short-term employee benefits	2,503,768	2,065,232
Post-employment benefits	100,754	94,369
Other long-term benefits	56,659	64,946
Share-based payments	119,746	1,201,698
Total compensation	<u>2,780,927</u>	<u>3,426,245</u>

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	<u>95,294</u>	<u>95,274</u>
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:		
Current receivables	<u>12,452</u>	<u>12,246</u>

Northern Minerals entered into a consultancy agreement with Go & Company Ltd, a company associated with Non-executive Director Congyan Xue, under which Go & Company Ltd advised the Company on equity raisings. The Company issued 10,000,000 fully paid ordinary shares to Go & Company Ltd as partial consideration for entry into the consultancy agreement upon receipt of the \$3 million placement for 50,000,000 fully paid ordinary shares in the Company at an issue price of A\$0.06 per share as announced on 1 February 2019. A further 20,000,000 fully paid ordinary shares were issued upon receipt of the \$3 million placement for 60,000,000 fully paid ordinary shares in the Company at an issue price of A0.05 per share. The value of these shares issued in relation to this consultancy agreement totalled \$1,270,000 for the financial year.

17. Share-based Payments

Total expenses arising from share-based payment transactions recognised during the period:	2019	2018
	\$	\$
Performance rights and options – refer to (i) and (ii)	677,961	2,072,969
Share purchase plan shares – refer to (iii)	-	98
Total Options and Performance Rights	677,961	2,073,067
• Included in share-based payments expense	377,790	1,293,067
• Included in prepayments (refer Note 8(b))	300,171	780,000
	677,961	2,073,067
Share based payments by issuing shares		
• Repayment of debt (refer Note 12(b))	4,527,084	4,166,668
• Included in share-based payments expense	1,746,893	348,000
• Included in borrowing costs	750,000	-
• Included in share capital costs	3,220,000	-
• Included in consulting fees	-	100,000
• Included in prepayments (refer Note 8(b))	-	1,235,000
Total shares issued for payment of goods and services	10,243,977	5,849,668
Total share-based payments for the year	10,921,938	7,922,735
Total share-based payments recognised in profit and loss	2,874,684	1,741,067
Total share-based payments recognised in statement of financial position	8,047,254	6,181,668

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, 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.

17. Share-based Payments (continued)

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

11,714,000 performance rights were granted to employees and directors during the year (2018: 1,800,000). 20,000,000 (2018:35,023,076) options were granted to third parties. Details on the performance rights and options issued are included in Note 11(c) and 11(d). Details on the performance rights issues to key management personnel are included in the Remuneration Report section of the Directors' Report.

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

	2019 Number	Weighted average exercise price	2018 Number	Weighted average exercise price
Outstanding at the beginning of the year	20,400,000	\$0.00	29,500,000	\$0.00
Performance rights expired during the year	-	\$0.00	-	\$0.00
Performance rights issued during the year	11,714,000	\$0.00	1,800,000	\$0.00
Performance rights forfeited / lapsed during the year	(4,000,095)	\$0.00	(5,200,000)	\$0.00
Performance rights exercised during the year	(4,100,000)	\$0.00	(5,700,000)	\$0.00
Outstanding at the end of the year	<u>24,013,905</u>	\$0.00	<u>20,400,000</u>	\$0.00
Exercisable at the end of the year	<u>4,216,050</u>		<u>100,000</u>	

The outstanding balance as at 30 June 2019 is represented by:

- 24,013,905 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 2019 is 1.83 years (2018: 2.95 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:

- Reward Directors and employees for their past performance;
- Provide long-term incentives to participate in the Company's future growth;
- Motivate Directors and employees and generate loyalty in employees; and
- 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.

17. Share-based Payments (continued)

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.

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.

17. Share-based Payments (continued)

- 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
 - (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.

	2019 Number	2018 Number
Opening Balance	5,303,400	8,428,400
Issued during the year	-	-
Shares for which loan has been repaid	-	-
Shares reverted back to the Company reissued in accordance with the Share Plan rules	-	(3,125,000)
Closing Balance	5,303,400	5,303,400

5,303,400 shares have reverted to the Company under the terms of the share plan. The shares are available to be issued by the Company as at 30 June 2019.

(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 subject to 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 2019 or 2018.

The following relates to the unlisted options and performance rights issued during the year ended 30 June 2019: -

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price – at date of issue	Risk Free Rate	Volatility	Value Per Option/Right
20/12/2018	20/12/2021	10,000,000	30/11/2018	\$0.074	\$0.125	2.11%	70%	\$0.0251
18/12/2018	31/12/2019	10,000,000	17/12/2018	\$0.06	\$0.09	1.95%	51%	\$0.005
10/09/2019	Various	11,714,000	21/05/2019	\$0.064	Nil	Nil	Nil	\$0.064

As a consequence of the accelerated non-renounceable entitlements offer, the exercise prices of several unquoted options over ordinary shares have been recalculated in accordance with their terms of issue. Revised exercises prices are as follows:

No of Options	Expiry Date	Current Exercise Price	Revised Exercise Price
22,500,000	20 June 2020	\$0.25	\$0.2475
30,000,000	31 December 2019	\$0.12	\$0.1175
5,023,076	31 December 2019	\$0.12	\$0.1175
10,000,000	31 December 2019	\$0.09	\$0.0875
10,000,000	20 December 2021	\$0.125	\$0.1225

The fair value of the options at the date of the modification was determined pre modification and post-modification. A decrement in the fair value was noted and therefore, the Company will recognise, at a minimum, the cost of the original award as if it had not been modified. As such, the expense for the original option grant will continue to be recognised as if the terms had not been modified. The fair value of the modified options was determined using the same models and principles as described above for those options recalculated with the following inputs, modification date was 12 June 2019 when the accelerated non-renounceable entitlements offer was announced, share price at modification date of \$0.071, volatility between 71.84% and 72.55%, and risk free rates of 0.99%-1.01%.

Issue Date	Vesting Date	Number Issued	Decrement in fair value per option
20/06/2017	20/06/2020	22,500,000	\$0.004
27/12/2017	31/12/2019	30,000,000	\$0.001
27/12/2017	31/12/2019	5,023,076	\$0.001
20/12/2018	20/12/2021	10,000,000	\$0.003
19/12/2018	31/12/2019	10,000,000	\$0.002

18. Auditor's Remuneration

	2019 \$	2018 \$
Nexia Perth Audit Services Pty Ltd		
During the year the following fees were paid or payable for services provided by the auditor:		
Audit and Other Assurance Services		
Audit and review of financial reports under the Corporations Act 2001	105,134	59,538
Other assurance services - audit of government grant final report	4,500	-
Total remuneration of auditors	109,634	59,538

19. Earnings per share

	2019 \$	2018 \$
a) Basic loss per share		
From continuing operations attributable to the ordinary equity holders of the Company	(4.67)	(2.04)
b) Loss used in calculating loss per share		
Loss attributable to ordinary equity holders of the Company for basic and diluted earnings per share	(63,966,330)	(18,497,161)
	Number	Number
c) Weighted average number of shares used as the denominator		
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic loss per share	1,370,412,599	905,033,867

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:

	2019 \$	2018 \$
Statement of financial position		
Current assets	10,981,013	41,103,269
Total assets	61,577,237	101,231,090
Current liabilities	33,105,662	45,213,243
Total liabilities	50,897,298	69,503,743
Shareholder's equity		
Share capital	188,482,276	143,944,809
Reserves	10,571,925	14,023,856
Accumulated losses	(188,374,261)	(126,241,318)
	10,679,940	31,727,347
Net Loss for the period	(63,966,330)	(18,989,450)
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 11 July 2019, the Company announced that it had completed the retail component of its accelerated non-renounceable 1 for 13 pro-rata entitlements offer previously announced on 6 June 2019. The offer closed on 8 July 2019 and raised approximately \$4.3 million before costs at an offer price of \$0.045 per share. A total of \$6.9 million was raised under the offer including the Institutional component of the offer which raised \$2.6 million prior to year-end.

On 22 July 2019, the Company announced that it had entered subscription agreements to raise \$30 million before costs under a private placement. The placement was split into 3 tranches as follows:

- Tranche 1: 158,720,430 shares at \$0.062 to raise \$9.8 million payable on or before 23 July 2019
- Tranche 2: 161,290,323 shares at \$0.062 to raise \$10.0 million payable on or before 9 August 2019
- Tranche 3: 163,860,217 shares at \$0.062 to raise \$10.1 million payable on or before 31 August 2019

As at the date of this report, funds for this placement were received as follows:

- \$11.9 million received on 24 July 2019 comprising all of the funds for Tranche 1 and part of the subscription funds for tranches 2 and 3. 190,172,043 fully paid ordinary shares were issued as a result on 30 July 2019
- \$0.15 million received on 30 July 2019
- \$7.9 million received on 12 August 2019. The Company issued a further 126,840,174 fully paid ordinary shares in relation to these funds as well as the \$0.15 million received on 30 July 2019
- \$2.9 million received on 5 September 2019. The Company issued an additional 47,259,146 fully paid ordinary shares on 5 September 2019.

At the date of this report, a balance of approximately \$7.4 million in subscription funds had not been received by the due date of 31 August 2019, and the Company subsequently agreed to extend the completion date for those subscribers to 31 October 2019.

As a consequence of completing the accelerated non-renounceable entitlements offer on 11 July 2019, the exercise prices of several unquoted options over ordinary shares have been recalculated in accordance with their terms of issue. Revised exercises prices are as follows:

No of Options	Expiry Date	Current Exercise Price	Revised Exercise Price
22,500,000	20 June 2020	\$0.25	\$0.2475
30,000,000	31 December 2019	\$0.12	\$0.1175
5,023,076	31 December 2019	\$0.12	\$0.1175
10,000,000	31 December 2019	\$0.09	\$0.0875
10,000,000	20 December 2021	\$0.125	\$0.1225

On 12 August 2019 the Company announced a new offtake agreement with thyssenkrupp Materials Trading GmbH for 100% of the offtake from the Browns Range Pilot Plant Project. The new offtake agreement replaced the offtake agreement with Lianyungang Zeyu New Materials Co Ltd, which was terminated on 6 August 2019.

On 15 August 2019 the Company announced it had entered into a subscription agreement with Baogang Group Investment (Australia) Pty Ltd ("BGIA") to raise \$20 million before costs under a private placement. As at the date of this report no funds had been received in relation to this placement as BGIA are still awaiting approval from the Company's shareholders as well as from the Australian Investment Review Board.

On 5 September 2019 The Company issued 1,612,903 fully paid ordinary shares at an issue price of \$0.062 under an arrangement with a supplier raising funds of \$0.1 million before costs.

22. Events Occurring After the Reporting Period (continued)

500,000 fully paid ordinary shares were issued on 5 September 2019 as a result of the exercise of performance rights which vested when performance conditions relating to practical completion of the pilot plant were satisfied.

On 5 September 2019 the Company issued a total of 11,904,000 performance rights to employees of the Company (or their nominees) under the Company's Performance Rights Plan. 750,000 of these performance rights vests in two separate tranches and are subject to the following vesting conditions:

- 100 tonnes of mixed rare earth carbonate being produced and sold from the Browns Range Pilot Plant (in relation to 250,000 of these performance rights); and
- The Browns Range Pilot Plant achieving production of mixed rare earth carbonate of at least 260 tonnes within a period of 90 consecutive days (in relation to 500,000 performance rights)

In relation to the remaining 11,154,000 performance rights, 50% of them are subject to vesting conditions that relate to occupational health and safety performance indicators and the other 50% are subject to vesting conditions that relate to key performance indicators for production and quality of product produced and shipped from the Browns Range Pilot Plant. These rights expire in two tranches on 1 July 2020 and 1 July 2021.

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 2019 including:

-AASB 9: Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets and incorporates amendments to the accounting for financial liabilities and hedge accounting rules to remove the quantitative hedge effectiveness tests and have been replaced with a business model test.

AASB 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139 as follows:

- 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.
- 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.

-AASB 15: Revenue from Contracts with Customers

The new Standard amends the principles for recognising revenue from contracts with customers. The Standard requires an entity to recognise revenue on a basis that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

23 New Accounting Standards and Interpretations (continued)

-AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

This Standard amends AASB 2 Share-based Payment to address:

- the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

-Interpretation 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which the entity recognises the payment or receipt of advance consideration in a foreign currency.

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 2019:

Standard	Effective date for annual reporting periods beginning on or after	Application date for the Company
AASB 16 'Leases'	1 January 2019	1 July 2019
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	1 July 2019
AASB 2018-1 Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	1 July 2019
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	1 July 2020

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 16: Leases

The key features are as follows:

- Introduces a single lessee accounting model and requires a lessee 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 is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.
- A lessee measures right-of-use assets similarly to other non-financial assets and leases liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-to-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

23 New Accounting Standards and Interpretations (continued)

AASB 16 will have no impact on the financial statements, due to the only relevant lease liability being identified where the standard change will have an impact, having a remaining term of less than 12 months which is not expected to be renewed, therefore the standard does not apply.

:-Interpretation 23:- Uncertainty over Income Tax Treatments

Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments. In particular, it discusses:

- How to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty, and
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Management has considered the effect of the tax treatment in relation to the reversal of the R&D rebate. Based on the disclosure in Note 3, there is no R&D income recognised in the 2019 financial year. Capitalised R&D income raised as a temporary difference in the 2017 and 2018 financial year has been reversed as a temporary difference in the 2019 financial year.

In accordance with the tax rules, the Company has deducted the decline in value of the pilot plant depreciating asset in the 2019 financial year.

The adoption of this amendment does not have any impact on the current period or any prior period and is not likely to affect future periods. Management has made appropriate disclosures in Note 7.

23 New Accounting Standards and Interpretations (continued)

-AASB 2018-1: Annual Improvements to IFRS Standards 2015-2017 Cycle

The amendments clarify certain requirements in:

- AASB 3 Business Combinations and AASB 11 Joint Arrangements, previously held interest in a joint operation;
- AASB 112 Income Taxes – income tax consequences of payments on financial instruments classified as equity; and
- AASB 123 Borrowing Costs – borrowing costs eligible for capitalisation

-AASB 2018- 6: Amendments to Australian Accounting Standards – Definition of Material

The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and include guidance relating to obscuring information that could be reasonably expected to influence decisions of the primary users of the financial information. The amendments include additional guidance to the definition of material, gives it more prominence, and clarifies the explanation accompanying the definition of material.

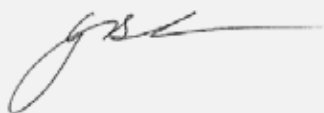
Management is currently assessing the effects of applying the new standards on the Group's financial statements. The group will make more detailed assessments over the next 12 months.

DIRECTORS DECLARATION

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 2019 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 2019 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 having regard to the matters disclosed in Note 2(a); and
 - (c) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board



George Bauk

Director

17 September 2019



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 2019 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, appearing to read "NPAS".

Nexia Perth Audit Services Pty Ltd

A handwritten signature in dark ink, appearing to read "PTC Kloppe".

PTC Kloppe
Director

Perth
17 September 2019



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 2019, 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 2019 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 Group 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 Group, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial report, which indicates that the Group incurred a net loss of \$63,966,330 during the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by \$22,124,648. As stated in Note 2(a), these events or conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Research and development tax incentive and subsequent reversal <i>(Refer to note 3(a) in the financial report)</i> The Group's self-assessed R&D tax incentive during the 2018 financial year was \$21,562,688. Upon review of the claim, AusIndustry was of the opinion that the Company's 2016/17 and 2017/18 R&D tax incentive claims related to activities that were "ineligible R&D activities" which would not be eligible for the R&D tax incentive for those income years. The Group determined that in light of the AusIndustry opinion, it did not have reasonable assurance that the Group complied with the conditions attaching to the R&D tax incentive, and that the grant will be received. The Group reversed the historical R&D tax incentive claims in the year ended 30 June 2019. The assessment of the reversal of the R&D tax incentive claims is a key audit matter as the amount is material and significant to the users of the financial report. It also involves significant judgement and discussions with internal and external management experts.	Our audit procedures included, amongst others: - Assessing the professional competence, objectivity and experience of management's external expert; - Engaging in discussions with management's expert to understand the tax impact and treatment of the R&D tax incentive and its subsequent reversal; - Checking that the calculation and journal prepared by management to record the reversal of the R&D tax incentive was in accordance with the relevant accounting standards; - Agreeing the repayments to be made to the ATO were in line with the in-principle agreement; and - Auditing the relevant disclosures in the financial statements.
Rehabilitation Provision <i>(Refer to note 10(c) in the financial report)</i> As a consequence of its operations the Group has an obligation to rehabilitate and restore the disturbances to the environment arising from the construction of the Pilot Plant. The nature of the Rehabilitation activities that will be required are governed by local legislative requirements. This matter is a key audit matter because estimating the costs associated with these future rehabilitation activities requires judgement and estimation for factors such as the timing of when the rehabilitation works will take place, the extent of the rehabilitation and restoration activities that will be required and inflation rates and discount rates pertinent to the rehabilitation work.	Our audit procedures included, amongst others: - Assessing the competency, objectivity and experience of management's internal expert who valued the rehabilitation provision; - Reconciling the expert's calculations to the basis of the rehabilitation provision in the financial report; - Checking that the provision covered the applicable tenements; - Checking a sample of costs used in the group's rehabilitation estimates against legislated rates; - Agreeing the expected timing of the rehabilitation works in the cash flow model to the expected life of the project plant; - Testing the mathematical accuracy of management's cash flow model; and - Auditing the relevant disclosures in the financial statements.

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 2019, 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 Group 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. 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.

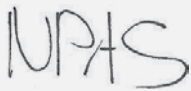
Report on the Remuneration Report**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 53 to 63 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Northern Minerals Limited for the year ended 30 June 2019 complies with Section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Group 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.



Nexia Perth Audit Services Pty Ltd



PTC Kloppe

Director

Perth
17 September 2019

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	E80/4806	WA	Surrendered	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	E80/5260	WA	Application	Northern Minerals	100%
	Browns Range	E80/5260	WA	Application	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	EL32161	NT	Application	Northern Minerals	100%
	Browns Range	EL26270	NT	Granted	Northern Star Resources	REE rights only
	Browns Range	EL26286	NT	Granted	Northern Star Resources	REE rights only
	Browns Range	EL32162	NT	Application	Northern Minerals	100%
John Galt	John Galt	E80/4298	WA	Granted	Northern Minerals	100%
	John Galt	E80/4779	WA	Surrendered	Northern Minerals	100%
	John Galt	E80/4967	WA	Granted	Northern Minerals	100%
	John Galt	E80/5070	WA	Application	Northern Minerals	100%
	John Galt	E80/5230	WA	Application	Northern Minerals	100%

Project	Location	Tenement ID	State	Status	Holder Application	Interest
Boulder Ridge	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)
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
	Pargsee	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
	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	EL32163	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

Project	Location	Tenement ID	State	Status	Holder Application	Interest
Gardiner-Tanami NT	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
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

As at 13 September 2019

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	256
1,001-5,000	732
5,001-10,000	1,551
10,001-100,000	4,019
100,000-and over	1,502
	8,060

The number of shareholdings held in less than marketable parcels is 1804.

b) Twenty largest shareholders

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

	Name of Holder	Number of shares held	% Holding
1	Citicorp Nom PL	401,454,835	15.77%
2	Australian Conglin International Investment Group	156,833,095	6.16%
3	Huatai Mining PL	129,387,914	5.08%
4	Yun Chen Hui	107,692,308	4.23%
5	Congyan Xue	107,692,308	4.23%
6	Top Horizon Ltd	80,645,161	3.17%
7	Wenbao Li	64,516,130	2.53%
8	Straits Inv Ltd	56,923,077	2.24%
9	Conglin Yue	50,615,385	1.99%
10	Huatai Mining PL	50,000,000	1.96%
11	JHY Inv PL	46,476,334	1.83%
12	NBZ Inv PL	37,001,898	1.45%
13	BNP Paribas Nom PL	33,501,511	1.32%
14	Go and Co Ltd	32,307,693	1.27%
15	Lu Tian	32,258,065	1.27%
16	Jo HLDG PL	32,258,065	1.27%
17	Ronan Hee	32,258,065	1.27%
18	RHE INV PL	32,258,065	1.27%
19	Jien Mining PL	26,759,572	1.05%
20	Yan Wang	25,846,154	1.02%
		1,536,685,635	60.38%

As at 13 September 2019 the issued capital comprised 2,545,315,554 ordinary fully paid quoted shares.

2. Substantial Holders of Equity Securities

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

Holder	Number of shares
Australian Conglin International Investment Group, Conglin Yue, Yanchun Wang	213,657,999
Huatai Mining PL	183,234,068
Congyan Xue, Go and Company Ltd	134,134,760

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

	Number	Number of holders
Options expiring 20 June 2020 at \$0.2475 issued to Lind Asset Management X LLC	22,500,000	1
Options expiring 24 May 2021 at \$0.15 issued to Argonaut Investments Pty Ltd	3,000,000	1
Options expiring 31 December 2019 at \$0.1175 issued to Lind Asset Management X LLC	30,000,000	1
Options expiring 31 December 2019 at \$0.1175	5,023,076	10
Options expiring 12 June 2020 at \$0.25 to Kimberley Sustainable Development Pty Ltd	10,890,600	1
Options expiring 12 June 2020 at \$0.25 to KRED Enterprises Pty Limited as Trustee of the KRED Enterprises Charitable Trust	1,921,870	1
Options expiring 20 December 2021 at \$0.1225 to Lind Asset Management X LLC	10,000,000	1
Options expiring 31 December 2019 at \$0.0875 to JHY Investments Pty Ltd	10,000,000	1
Unquoted performance rights	23,694,200	44

As at 13 September 2019 the issued capital comprised 2,545,315,554 ordinary fully paid quoted shares.

6. Restricted Securities

As at 13 September 2019 there were 4,353,400 restricted securities on issue.

7. On-Market Buyback

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

Corporate Directory

Northern Minerals Limited

Directors

Colin McCavana (Non-executive Chairman)
George Bauk (Managing Director/CEO)
Adrian Griffin (Non-executive Director)
Yanchun Wang (Non-executive Director)
Ming Lu (Non-executive Director)
Congyan Xue (Non-executive Director)
Xiaohua Liu (Non-executive Director)
Bin Cai (Alternate Director)

CFO & Company Secretary

Mark Tory

Registered and Principal Office

Level 1, 675 Murray Street
West Perth WA 6005
PO Box 669
West Perth WA 6872

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Facsimile: + 61 8 9481 5929
Email: info@northernminerals.com.au
Website: 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: 1300 992 916
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

Investor & Media Relations

Cannings Purple
Level 1, Brookfield Tower 2
123 St Georges Terrace
Perth WA 6000

Bankers

National Australia Bank



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