



**NORTHERN
MINERALS**

Powering Technology.

NORTHERN MINERALS LIMITED

ABN 61 119 966 353

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2015**

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2015.

DIRECTORS

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

Conglin Yue – Executive Chairman

Kevin Schultz - Deputy Chairman

George Bauk – Managing Director/CEO

Adrian Christopher Griffin - Non executive Director

Colin James McCavana - Non executive Director

Yanchun Wang – Non executive Director

Bin Cai – Alternate Director

RESULTS OF OPERATIONS

The net loss after tax for the half-year ended 31 December 2015 was \$4,469,258 (2014: Loss of \$10,791,700). The major items comprising the net loss for the half-year ended 31 December 2014 were exploration costs, evaluation and feasibility of \$2,560,931 (2014: \$9,584,565) and administration and corporate expenses totalling \$2,583,682 (2014: \$3,685,816).

REVIEW OF OPERATIONS

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

Browns Range Heavy Rare Earths Project

- Five key subordinate approvals received from three State Government Departments – Department of Mines and Petroleum, Department of Environmental Regulation and Department of Water
- Definitive Feasibility Study optimisation studies commenced to reduce mining costs, increase ore head grade and remove yttrium
- Positive results received from benchscale testwork on yttrium rejection to produce a premium product

Corporate

- \$5.0m research and development rebate received for the 2014/2015 tax year
- Following successful completion of its due diligence and receipt of FIRB approval Jien Mining failed to complete \$17m placement by 24 December, however, converted \$5.0m convertible note into equity
- US\$4.0m funding facility secured with Lind Partners LLC
- Cost reduction and restructuring measures implemented
- Planning commenced for a business plan to support an alternative pathway to production

COMPETENT PERSON'S STATEMENT

"The information in this report that relates to Exploration Targets at Browns Range and Exploration Results at the Havok, Polaris and Area 5 North prospects is extracted from the report entitled "Further Discoveries Reinforce Exploration Potential at Browns Range" dated 15 October 2014 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. 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.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

COMPETENT PERSON'S STATEMENT (Continued)

The information in this report that relates to the Mineral Resource Estimates of Cyclops and Banshee deposits is extracted from the report entitled "Further increase in Browns Range Mineral Resource" dated 15 October 2014 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.

The information in the report that relates to the Mineral Resource Estimates of the Wolverine, Gambit, Gambit West and Area 5 deposits is extracted from the report entitled "Wolverine Total Resource Doubled in a Major Upgrade of Browns Range HRE Mineral Resource Estimate" dated 26 February 2014 and is available to view on the Company's website (www.northernminerals.com.au). 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."

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is attached to the Independent Review Report and forms part of the Directors' Report for the half-year ended 31 December 2015.

SUBSEQUENT EVENTS

On 4 February 2016, the Company announced a new business plan to take the Browns Range Project into full production. Stage 1 of the plan incorporates the construction of a test pilot plant at Browns Range with 60,000tpa capacity to produce 49,000kg dysprosium in 590,000kg TREO per annum. Stage 2 involves developing the Project to BFS level with the inclusion of results from the study while Stage 3 Northern Minerals intends to build the full scale Project based on the successful outcomes of Stages 1 and 2 as well as the DFS completed in March 2015.

On 12 February 2016 the Company announced that it had received a \$1,100,000 loan facility from Innovative Technology Funding Pty Ltd with access to \$800,000 immediate capital. The funding is via a drawdown facility offset against the Company's 2015/16 Research and Development rebate.

On 14 March 2016 the Company announced it acquired 100% ownership of tenements EL26270, EL26286, EL26635 and EL27590 from Toro Energy. In compensation, the Company has agreed to grant shares to the value of \$200,000 to Toro Energy in 12 months. However, if the Company raises more than \$10 million in capital, this amount will be paid in cash.

Signed in accordance with a resolution of the directors.



George Bauk
Director

Perth, Western Australia - 15 March 2016

NORTHERN MINERALS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Half Year 31 Dec 15 \$	Half Year 31 Dec 14 \$
REVENUE FROM CONTINUING ACTIVITIES			
Interest		8,729	64,828
R&D Refund	6	1,041,821	2,681,303
TOTAL REVENUE		1,050,550	2,746,131
EXPENSES			
Corporate			
Administration		262,208	525,315
Depreciation expense		207,455	309,699
Share based payments		296,227	554,200
Legal and professional		477,109	748,164
Occupancy		234,990	177,656
Employee benefits		1,037,497	1,304,110
Other corporate expenditure		68,196	66,672
Total Corporate		2,583,682	3,685,816
Exploration and Project Development			
Exploration Costs		1,250,894	2,606,130
Project Evaluation and Feasibility		1,310,037	6,978,435
Total Exploration and Project Development		2,560,931	9,584,565
TOTAL EXPENSES		5,144,613	13,270,381
OPERATING LOSS		(4,094,063)	(10,524,250)
Finance Costs		375,195	267,450
LOSS BEFORE TAX		(4,469,258)	(10,791,700)
Income tax expense		-	-
NET LOSS		(4,469,258)	(10,791,700)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(4,469,258)	(10,791,700)
Basic and diluted loss per share (cents per share)		(1.0)	(2.4)

The accompanying notes form part of these financial statements.

NORTHERN MINERALS LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	NOTE	31 Dec 2015 \$	CONSOLIDATED 30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents		951,937	1,941,826
Trade and other receivables		1,253,193	5,049,752
Other financial assets		232,003	206,509
Inventory		44,664	74,078
Total Current Assets		2,481,797	7,272,165
NON CURRENT ASSETS			
Other financial assets		513,066	514,000
Plant and equipment		278,104	482,097
Total Non-Current Assets		791,170	996,097
TOTAL ASSETS		3,272,967	8,268,262
CURRENT LIABILITIES			
Trade and other payables		1,167,434	1,796,015
Provisions		238,655	371,011
Interest bearing liabilities		1,538,909	7,400,299
Total Current Liabilities		2,944,998	9,567,325
NON-CURRENT LIABILITIES			
Provisions		219,291	339,188
Interest bearing liabilities		22,073	29,430
Total Non-Current Liabilities		241,364	368,618
TOTAL LIABILITIES		3,186,362	9,935,943
NET ASSETS		86,605	(1,667,681)
EQUITY			
Issued Capital	3	85,104,702	79,186,034
Reserves		7,254,993	6,950,117
Accumulated losses		(92,273,090)	(87,803,832)
TOTAL EQUITY		86,605	(1,667,681)

The accompanying notes form part of these financial statements.

NORTHERN MINERALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 201

	NOTE	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENTS RESERVE	PERFORMANCE RIGHTS AND OPTIONS RESERVE	OTHER RESERVES	TOTAL
Consolidated Entity Balance at 1 July 2014		\$ 79,038,430	\$ (72,161,418)	\$ 1,550,367	\$ 4,188,906	-	\$ 12,616,285
Loss for the financial period		-	(10,791,700)	-	-	-	(10,791,700)
Total recognised income and expense for the year		-	(10,791,700)	-	-	-	(10,791,700)
Shares issued net of transaction costs		33,750	-	-	-	-	33,750
Shares/options issued		-	-	211,824	342,376	-	554,200
Balance at 31 December 2014		79,072,180	(82,953,118)	1,762,191	4,531,282	-	2,412,535
Balance at 1 July 2015		79,186,034	(87,803,832)	2,309,035	4,464,731	176,351	(1,667,681)
Loss for the financial period		-	(4,469,258)	-	-	-	(4,469,258)
Total recognised income and expense for the year		-	(4,469,258)	-	-	-	(4,469,258)
Shares issued net of transaction costs		5,742,317	-	-	-	-	5,742,317
Shares/options issued	7	176,351	-	126,242	354,985	(176,351)	481,227
Balance at 31 December 2015		85,104,702	(92,273,090)	2,435,277	4,819,716	-	86,605

The accompanying notes form part of these financial statements.

NORTHERN MINERALS LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	NOTE	CONSOLIDATED Half Year 31 Dec 15 \$	Half Year 31 Dec 14 \$
OPERATING ACTIVITIES			
Payments to suppliers and employees		(5,603,399)	(11,995,499)
Interest received		14,974	74,061
Research and development rebate received		4,985,413	8,992,296
Finance costs		(107,667)	(267,450)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(710,679)	(3,196,592)
INVESTING ACTIVITIES			
Purchase of plant and equipment		(3,462)	(92,212)
(Increase)/decrease in security deposits		(24,000)	200,187
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(27,462)	107,975
FINANCING ACTIVITIES			
Proceeds from issue of shares		-	33,750
Proceeds from borrowings		3,022,429	1,612,164
Repayment of borrowings		(3,274,177)	(1,578,515)
CASH FLOWS RECEIVED FROM/(USED IN) FINANCING ACTIVITIES		(251,748)	67,399
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(989,889)	(3,021,218)
Cash and cash equivalents at beginning of half year		1,941,826	5,671,824
CASH AND CASH EQUIVALENTS AT END OF HALF YEAR		951,937	2,650,606

The accompanying notes form part of these financial statements.

NORTHERN MINERALS LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

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

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period. This condensed half-year financial report does not include all notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and considered together with any public announcements made by Northern Minerals Limited during the half-year ended 31 December 2015 in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing rules.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for the recognition of Research and Development Rebates. Please refer to note 6 for more information as well as the adjustment to prior periods.

1.2 Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2015, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

This consolidated interim financial report was approved by the Board of Directors on 15 March 2016.

1.3 Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to settle its liabilities in the normal course of business as and when due.

The board acknowledge that uncertainty remains over the ability of the Group to raise the required level of finance in order for the Group to continue as a going concern, however, there are several options available including:

- The ongoing financing facility with Lind Partners LLC (refer note 6);
- The issue of shares of up to 25% of the company's issued capital is available in accordance with ASX Listing Rule 7.1;
- Entering into offtake arrangements; or
- Other financing arrangements.

NORTHERN MINERALS LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Going Concern (continued)

Should the Group not be able to raise sufficient capital through the options being considered by the board, there exists a material uncertainty which cast significant doubt about the ability of the Group to continue as a going concern and the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial report.

2. SEGMENT INFORMATION

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

NORTHERN MINERALS LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3. ISSUED CAPITAL

	Consolidated and Company Full Year 31 December 2015		Consolidated and Company Full Year 30 June 2015	
	Number	\$	Number	\$
(a) Ordinary Shares				
Share Capital				
Ordinary Shares	479,707,272	85,104,702	448,605,670	79,186,034
Movement in Ordinary Share Capital				
Balance at the beginning of year	448,605,670	79,186,034	440,402,658	79,038,430
Collateral shares issued to Lind Partners	2,000,000	330,000	-	-
Convertible note and finance costs	26,759,572	5,377,885	-	-
Convertible security repayment	2,342,030	210,783	-	-
Payment for Share Purchase Plan Shares – November 2014	-	-	-	13,500
Payment for Share Purchase Plan Shares – December 2014	-	-	-	20,250
Conversion of performance rights – December 2014	-	-	4,000,000	-
Payment for Share Purchase Plan Shares – January 2015	-	-	-	63,000
Payment for Share Purchase Plan Shares – March 2015	-	-	-	33,525
Exercise of listed options	-	-	12	4
Payment for Share Purchase Plan Shares – April 2015	-	-	-	17,325
Issued for acquisition of John Galt project - June 2015	-	-	2,500,000	-
Issue of Share Purchase Plan Shares – June 2015	-	-	1,703,000	-
	479,707,272	85,104,702	448,605,670	79,186,034
Less: costs of issue	-	-	-	-
Balance at the end of year	479,707,272	85,104,702	448,605,670	79,186,034

NORTHERN MINERALS LIMITED

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3. ISSUED CAPITAL (continued)

(a) Ordinary Shares

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

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

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

(b) Share Purchase Plan Shares

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

	Consolidated and Company	
	Half Year	Full Year
	31 Dec 15	30 June 15
	Number	Number
Balance at beginning of reporting period	13,928,400	13,320,400
Repayment of loan	-	(1,095,000)
Shares issued during the period	-	1,703,000
Balance at end of reporting period	13,928,400	13,928,400

(c) Performance Rights over ordinary shares

	Consolidated and Company	
	Half Year	Full Year
	31 Dec 15	30 June 15
	Number	Number
<i>Exercise price of between \$0.19 and \$0.358 expiring between 06/05/16 and 30/09/16 (Unquoted)</i>		
Balance at beginning of reporting period	1,300,000	2,685,000
Forfeited during the period	(450,000)	(1,385,000)
Balance at end of reporting period	850,000	1,300,000

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

Balance at beginning of reporting period	11,400,000	12,400,000
Forfeited during the period	-	(1,000,000)
Balance at end of reporting period	11,400,000	11,400,000

	Consolidated and Company	
	Half Year	Full Year
	31 Dec 15	30 June 15
	Number	Number
<i>Performance rights with conditions** with Nil exercise price expiring 29/11/14 (Unquoted)</i>		
Balance at beginning of reporting period	4,000,000	-
Issued during the period	-	4,000,000
Forfeited during the period	-	-
Exercised during the period	(4,000,000)	-
Balance at end of reporting period	-	4,000,000

* Performance conditions

- 12,400,000 shares if the first commercial shipment of heavy rare earth mineral concentrate from any of the Company's rare earth projects to a buyer or buyers occurs on normal commercial terms prior to 30 June 2017; or
- 6,200,000 shares if the first commercial shipment of heavy rare earth mineral concentrate from any of the Company's rare earth projects to a buyer or buyers occurs on normal commercial terms subsequent to 30 June 2017 but prior to 31 December 2017
- For the purposes of the conditions, a "commercial shipment" of the concentrate is regarded as a shipment or shipments in aggregate, of heavy rare earth mineral concentrates containing at least 250 tonnes of total rare earth oxides ("TREO") to one or more customers.

NORTHERN MINERALS LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3. ISSUED CAPITAL (continued)

(c) Performance Rights over ordinary shares (continued)

**** Performance conditions**

The performance rights vest on the date which is 12 months after the date of grant of the performance rights. If the recipient elects to resign within the 12 month period then the right to the underlying shares is forfeited. If the recipients office is terminated within the 12 month period, then the performance rights vest immediately upon the date of termination.

(d) Options over ordinary shares

	Consolidated and Company Half Year 31 Dec 15 Number	Full Year 30 June 15 Number
<i>Exercise price of \$0.25 expiring 12/06/20 (Unquoted)</i>		
Balance at beginning of reporting period	12,812,470	1,921,870
Issued during the period	-	10,890,600
Balance at end of reporting period	<u>12,812,470</u>	<u>12,812,470</u>

4. EXPENDITURE COMMITMENTS

Exploration Expenditure Commitments

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

	Consolidated 31 Dec 15 \$	31 Dec 14 \$
Exploration Tenements		
Within one year	<u>3,211,300</u>	<u>3,077,800</u>

NORTHERN MINERALS LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liability

Co-Existence Agreement

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

Guarantees

The Group has guarantees in the form of security deposits for rent & performance bonds of \$458,581 (30 June 15: \$498,581).

Director and Executives

On 3 December 2015 the Company announced cost reduction and resizing measures. One of the key measures introduced was the reduction of the Managing Director/CEO and Executive salaries along with Director fees by 50% effective from 1 November (Reduced Salary/Fees). Should \$10m be raised within 6 months of the announcement, MD/CEO and Executive salaries as well as Directors fees would be reset to 80% of the original pre Reduced Salary/Fees amount (New Salary/Fee). In addition, the difference between the New Salary/Fee and the Reduced Salary/Fee from 1 November to the date of Raising \$10m is to be reimbursed. As at 31 December, the amount to be reimbursed under this arrangement was \$93,515.

6. CONVERTIBLE NOTES

Jien Mining

As at 30 June 2015, the Company had a convertible note of \$5,000,000 with Jien Mining Pty Ltd. During the half year 26,759,572 shares were issued to cover the conversion of the note and interest payable to the date of conversion.

Lind Partners LLC

During the period, the Company entered into a medium term financing arrangement with an entity managed by the Lind Partners LLC ("Investor") for up to US\$4,000,000. Key terms are as follows:

- Funding is payable to the Company over 11 months with one payment of US\$1,500,000 followed by 10 payments of US\$80,000 (up to US\$250,000 on mutual consent)
- The unsecured convertible security is for a maximum term of 18 months from the date of first drawdown. Repayments are payable at the discretion of the Company in either cash or shares. Repaying in cash attracts a premium of 2.5%, while settlement in shares is based on a 92.5% of the average of 3 consecutive days daily VWAP's during the 20 days before the issuance of shares at the option of the Investor
- The Company has the right to repay the convertible security in full at any time. If the Company exercises its right to repay the convertible security within 6 months, the Investor will reduce the face value to be repaid by US\$150,000.

NORTHERN MINERALS LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

7. SUBSEQUENT EVENTS

On 4 February 2016, the Company announced a new business plan to take the Browns Range Project into full production. Stage 1 of the plan incorporates the construction of a test pilot plant at Browns Range with 60,000tpa capacity to produce 49,000kg dysprosium in 590,000kg TREO per annum. Stage 2 involves developing the Project to BFS level with the inclusion of results from the study while Stage 3 Northern Minerals intends to build the full scale Project based on the successful outcomes of Stages 1 and 2 as well as the DFS completed in March 2015.

On 12 February 2016 the Company announced that it had received a \$1,100,000 loan facility from Innovative Technology Funding Pty Ltd with access to \$800,000 immediate capital. The funding is via a drawdown facility offset against the Company's 2015/16 Research and Development rebate.

On 14 March 2016 the Company announced it acquired 100% ownership of tenements EL26270, EL26286, EL26635 and EL27590 from Toro Energy. In compensation, the Company has agreed to grant shares to the value of \$200,000 to Toro Energy in 12 months. However, if the Company raises more than \$10 million in capital, this amount will be paid in cash.

NORTHERN MINERALS LIMITED

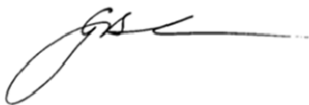
DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the Company; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



George Bauk
Director

Perth, Western Australia

15 March 2016

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Northern Minerals Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the period.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Northern Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our review conclusion, we draw attention to Note 1.3 to the interim financial report, which indicates that the Group will require further funding in the next twelve months from the date of this report to fund its planned activities. These conditions, along with other matters as set forth in Note 1.3, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in grey ink that reads 'NPAS'.

Nexia Perth Audit Services Pty Ltd

A handwritten signature in grey ink that reads 'PTC Kloppe'.

PTC Kloppe
Director

Perth

15 March 2016

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

To the directors of Northern Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2015 there have been:

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

NPAS

Nexia Perth Audit Services

PTC Kloppe

PTC Kloppe
Director

Perth

15 March 2016

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