



ANNUAL REPORT 2016



**NORTHERN
MINERALS**

powering technology
for a better future

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Letter from the Managing Director / CEO

Dear Shareholders

I am pleased to present you with the 2015/16 annual report.

2015/16 was a challenging year for Northern Minerals during which time Jien Mining was not able to complete the proposed transaction to fund the company and progress the Browns Range Heavy Rare Earths (HRE) project near Halls Creek in northern Western Australia. Difficult decisions were made to significantly reduce the number of employees to ensure we survived. I would like to thank each of those that left the company under difficult circumstances for their passion and effort during their employment with the company and the way in which they conducted themselves during the exit process. Their contribution will remain a legacy in the journey of Northern Minerals. For those that remained, I thank you as you have sacrificed time and salary to continue the journey for Northern Minerals. This thank you goes out to the employees and fellow board members along with many supportive contractors and consultants.

With every challenge, opportunities present themselves and as we reviewed our funding situation we identified a new path forward towards our aim of being the first significant producer of dysprosium outside of China. The plan as announced in February 2016, is to build a pilot plant at Browns Range that would produce 590 tonnes of contained Total Rare Earths in a Mixed Rare Earth Oxide. The production is approximately 15% of the production of the proposed full scale operation and the size of the project is 10% of the planned size of the full scale operation. The variation is due to a higher grade in the top part of each orebody.

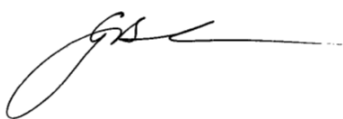
This new business plan has attracted the interest of the market, and as I write this letter to you, we are within a fortnight of receiving the first of three \$9 million tranches from our new shareholder Huatai Mining, who on completion of the planned \$30 million investment will become our major shareholder at approximately 31%. As part of the investment, we will welcome to our board two nominees from Huatai Mining. This investment will play a significant role in achieving stage one of our business plan, building a pilot plant at Browns Range and delivering product to market.

During the year, we raised money through Lind Partners with a US\$4 million facility along with a \$1.3 million loan from Innovative Technology Funding. These two facilities have been critical in maintaining the companies cash reserves. Following 2015/16, we received \$3 million from Huatai Mining which has enabled the company to continue progressing stage 1 of the new business plan.

Finally, the rare earth market has been challenging in 2016 in many ways including continued low product prices. What remains extremely encouraging is the continued strength in demand in many of the rare earths, particularly the magnetic rare earths. For Northern Minerals, that means dysprosium and terbium which remain critical ingredients to the permanent magnets in synchronous motors which are found in the majority of hybrid / electric cars. Whilst some magnet manufacturers continue to optimize the amount of dysprosium and terbium and in some cases eliminate their need in certain low end applications, commercialisation of these reductions is becoming difficult to scale up from laboratory to the real world. Rare Earths are a key contributor to a greener and cleaner environment and are also part of the future with their increased use in robotics.

I look forward to 2016/17, and assuming funding is complete, this year will be the making of Northern Minerals with the advancement of our flagship project, Browns Range. Thank you to everyone for your support and look forward to delivering value to our shareholders and all our stakeholders.

Yours sincerely

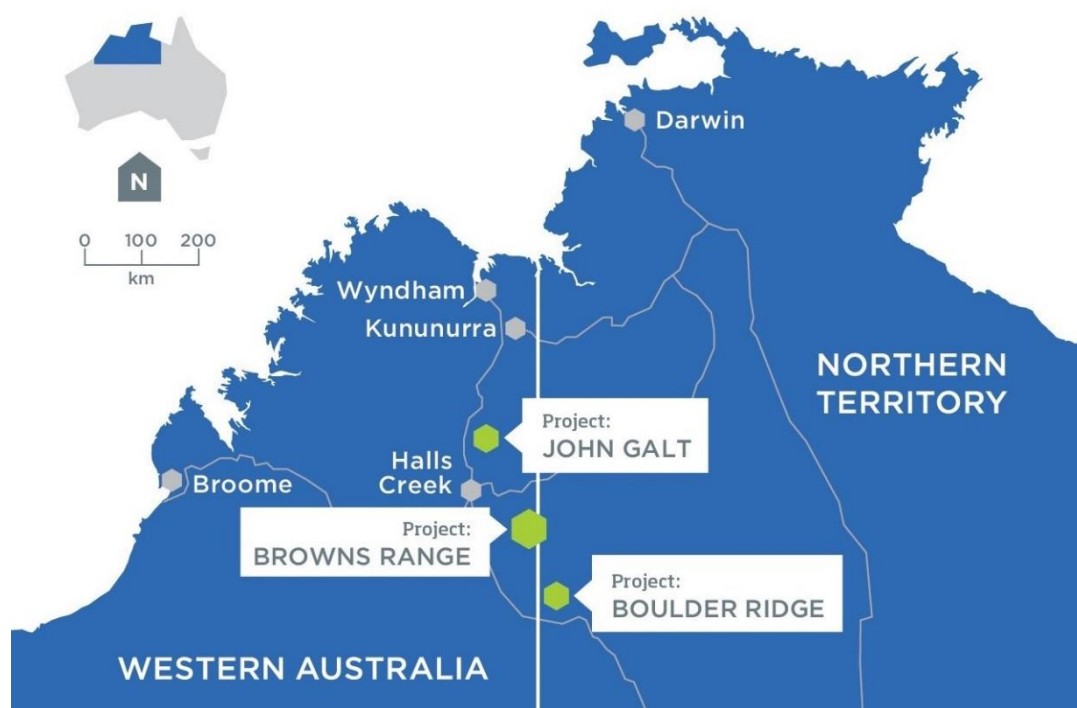


George Bauk

Managing Director/CEO

HIGHLIGHTS – 2015/16

- A new business plan incorporating a three staged approach to develop the Browns Range Project announced – first stage a pilot plant, second stage to develop the project to Bankable Feasibility Study (BFS) and then to build the full scale operation.
- Funding discussions have progressed with potential financiers for the 60,000 tpa Pilot Plant at Browns Range.
- Memorandum of understanding signed for offtake of pilot plant product.
- Browns Range Pilot Plant received Project Management Plan approval from WA Department of Mines and Petroleum.
- Subscription Agreement signed with Huatai Mining Pty Ltd to raise \$30 million at an average price of over 13 cents per share with \$3 million already received.
- Research and development rebate of \$5.0 million received for 2014/15 and lodgement of \$1.7 million rebate for 2015/16.
- Binding Tenement Sale Agreement signed to sell a package of exploration licences for up to \$2.75 million cash to Northern Star Resources.
- An exploration target demonstrates the potential for very significant increases in Mineral Resource and extension of mine life at the Browns Range Project.
- 100 per cent ownership acquired of key tenements around Browns Range and Boulder Ridge.



REVIEW OF OPERATIONS

Northern Minerals Limited (ASX: NTU; Northern Minerals, the Company or NTU) is focussed on becoming the first significant producer of dysprosium, outside China. It has a large and prospective landholding in Western Australia and the Northern Territory. Northern Minerals' flagship project is its 100 per cent owned Browns Range Project (the Project), which features a number of deposits and prospects containing high value dysprosium¹ and several other key heavy rare earths (HRE).

Dysprosium is a high value HRE that is an essential component in the production of NdDyFeB (neodymium-dysprosium-iron-boron) permanent magnets used in clean energy and high technology applications such as hybrid vehicles and wind turbines. By using dysprosium, permanent magnets can operate at higher temperatures and can be smaller, lighter and more efficient, which are essential attributes for these applications. The increasing global demand for these type of products has made dysprosium supply critical.

The Project will use both open pit and underground mining methods to extract the ore which will be processed via beneficiation and hydrometallurgical plants located on site. The nature of the xenotime mineralisation at the Project facilitates the use of a relatively simple and cost effective processing flowsheet to produce a high purity, dysprosium rich, mixed rare earth carbonate.

A new business plan was announced during the year which separates the Project's development into 3 stages and is key to de-risking the full scale operation.

An exploration strategy to increase the Project's mine life has been developed, and early exploration work is continuing at the geologically similar John Galt and Boulder Ridge projects.

BROWNS RANGE PROJECT

The new business plan announced during the year will position the Project to become the first significant dysprosium producer outside of China.

New Business Plan

A new business plan was announced during the year which separates the Project's development into 3 stages and is key to de-risking the full scale operation. This staged approach allows Northern Minerals to test the Project and rare earth market, develop the Project to BFS level and then build the full scale operation.



¹ In this report dysprosium is to be read as dysprosium oxide (Dy₂O₃) unless otherwise stated.

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The business plan, which separates the Project's development into three stages, is in response to the current rare earth market which has seen the lowest rare earth prices in years. This new staged approach allows Northern Minerals to test the Project and market, develop the Project to bankable feasibility study (BFS) level and then build the full scale operation.

Negotiations are well underway with potential offtake partners and strategic investors to fund stage one. Northern Minerals is assessing all alternatives with its financial advisor, Argonaut. A key consideration in these assessments is ensuring long-term benefits to Northern Minerals' shareholders are realised.

The first stage involves the construction of a pilot plant at Browns Range to test all elements of the Project such as mining and processing, and deliver a product to market. The testwork undertaken in the pilot plant is important for de-risking the development of the full scale operation by providing Northern Minerals the ability to test a number of process flowsheet variables that cannot be replicated in a laboratory. Stage one will also provide improved knowledge of grade control and the geology of each deposit through the commencement of open pit mining.

The proposed pilot plant, at a scale of 10% of the full scale operation, has a designed front end of 60,000tpa crushing beneficiation circuit, and a 3,200tpa hydrometallurgical plant aimed at producing 570 tonnes of Total Rare Earth Oxide (TREO) in a mixed RE carbonate including 49tpa of dysprosium. The pilot plant is scheduled to operate for 3 years.

Stage two involves completing the project development studies and undertaking the engineering and design to a BFS level. The final stage, stage three, is to build the Project to full scale production.

Once the Project reaches full production it is envisioned the pilot plant, that will be modularised and containerised, be transported and utilised to evaluate other exploration projects such as John Galt (WA).

Granting of Pilot Plant project management plan (PMP) approval

Northern Minerals Limited received approval for the Browns Range Pilot Plant Project Management Plan from the Western Australian Department of Mines and Petroleum (DMP) during the year. This approval forms a key part of the overall approval process towards the commencement of mining operations.

The approval follows the assessment of the Project Management Plan by the DMP against the requirements under section 42 of the *Mines Safety and Inspection Act 1994 (MSIA)* and regulations 3.12 and 3.13 of the *Mines Safety and Inspection Regulations 1995 (MSIR)*. This approval is an amendment to the Project Management Plan that was previously approved for the Full Scale Operation (see ASX announcement dated 20 August 2015).

A Project Management Plan must be submitted for assessment to the State Mining Engineer and approved before any mining operation commences in Western Australia. This is used to identify potential major safety risks for the proposed operations, and acts as a starting point for developing ongoing safety management strategies and commitments to address those risks.

The approval is a significant step forward in the Government approvals process for the Project. Northern Minerals is continuing to work on the additional required subordinate approvals, which are all expected to be granted well in advance of the commencement of construction. The Company is aiming towards awarding of contracts for the construction of the pilot plant in early 2017, with mining and concentrate production in the second half of 2017.

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Planning for early works engineering, detailed design and procurement

Following the completion of the pilot plant study, project optimisation and planning for early works engineering and detailed design, as well as procurement activities and strategies has commenced. Northern Minerals will likely implement the project on an engineering, procurement and construction management (EPCM) basis.

Stakeholder engagement activities

Northern Minerals continued to engage with a number of key stakeholders regarding the Project's Pilot plant development including the Ringer Soak and Halls Creek communities, Minister for Mines and Petroleum, Member for the Kimberley, Federal Member for Durack, Kimberley Development Commission, Shire of Halls Creek, Department of Mines and Petroleum and Department of Regional Development. George Bauk, Managing Director/CEO continued in his position as Chair of the Chamber of Minerals and Energy's Kimberley Regional Council and on the Management Committee of the Chamber.

EXPLORATION

An Exploration Target estimate for Browns Range has demonstrated the potential for very significant increases in the Company's Total Mineral Resource.

Browns Range (Western Australia)

An Exploration Target estimate was completed for the Browns Range Project which indicates that the mine life of the proposed full-scale operation of 3,000t TREO per annum could extend well beyond the current 11 years.

The Exploration Target estimate is in addition to the current Total Mineral Resource estimate for the Project which currently stands at 56,663,000kg contained TREO.

An Exploration Target estimate of 4.2 - 8.8Mt at a grade range of 0.25 - 0.52% TREO for a total of 10,580,000kg to 45,725,000kg contained TREO, has been estimated and reported in accordance with reporting criteria of the 2012 JORC Code (see Table 1).

Table 1: Exploration Target summary (in addition to current Mineral Resource)

	Exploration Target		
Prospect/deposit area	Tonnage range (Mt)	Grade range (%)	Contained TREO range (000s kg)
Wolverine	1.8 – 2.25	0.34 – 1.19	6,300 – 26,800
Gambit West	0.03 – 0.05	0.5 – 1.25	180 – 690
Area 5	0.1 – 0.25	0.1 – 0.4	100 – 1000
Cyclops	0.09 – 0.17	0.2 – 0.4	180 – 690
Banshee	1.38 – 1.74	0.2 – 0.3	2,770 – 5,220
Prospect	Tonnage range (Mt)	Grade range (%)	Contained TREO range (000s kg)
Area 5 North	0.15 - 0.3	0.2 – 0.5	300 – 1,500
Area 5 Repeat	0.35 – 0.75	0.1 – 0.4	350 – 3,000
Mystique	0.25 – 2.5	0.1 – 0.15	250 – 3,750
Nightcrawler	0.05 – 0.11	0.2 – 0.4	100 – 450
Polaris	0.01 – 0.38	0.2 – 0.4	25 – 1,500
Banshee South	0.01 - 0.28	0.2 – 0.4	25 – 1,125
Total	4.22 – 8.78	0.25 – 0.52	10,580 – 45,725

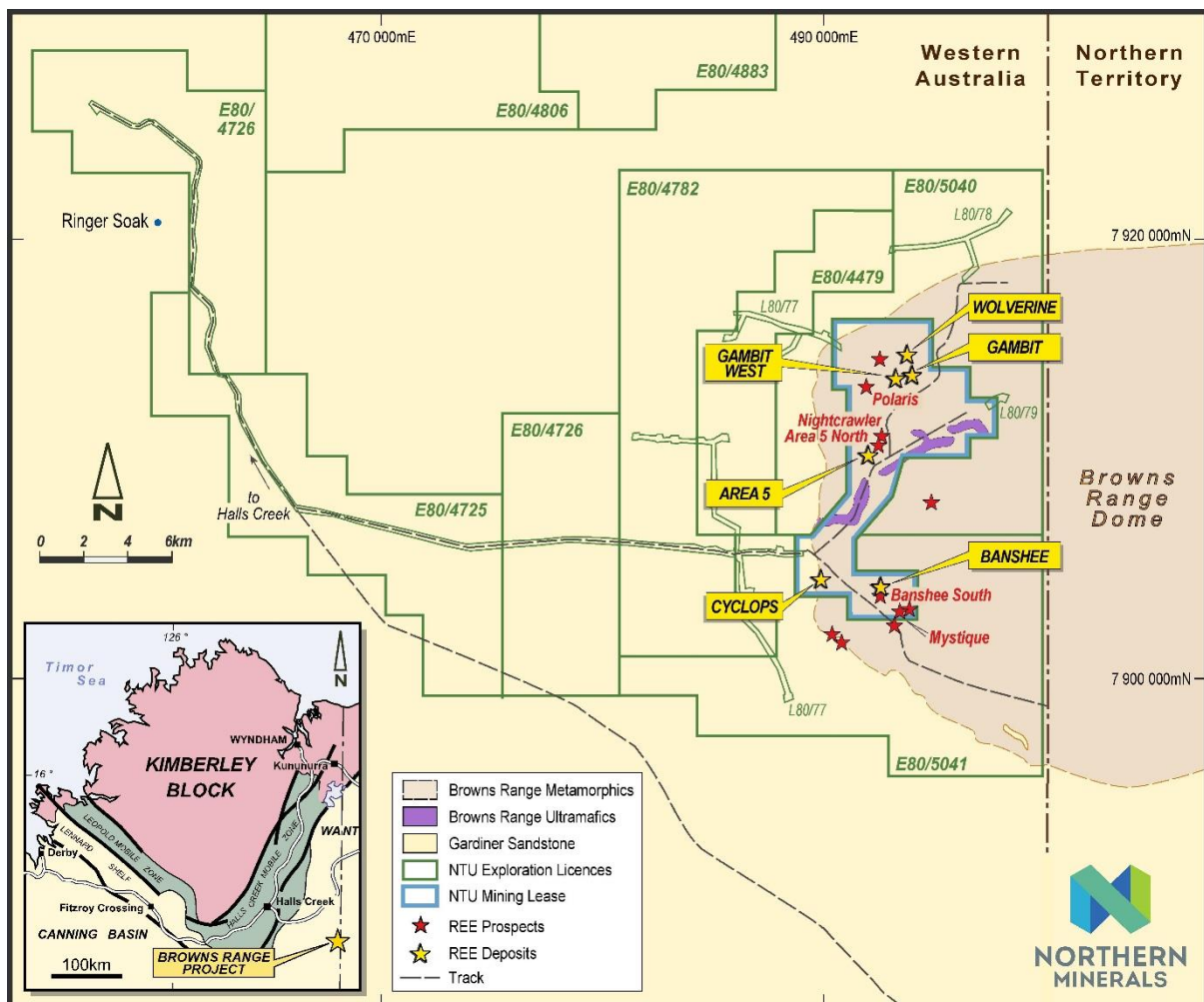
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The potential quantity and grade of the Exploration Target estimate is conceptual in nature. There has been insufficient exploration completed in the areas of the Exploration Target and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Exploration Target estimate is predominantly based on extending the current Mineral Resources at the Wolverine, Gambit West, Area 5, Cyclops and Banshee deposits either at depth or along strike. The extensions to the resources are limited to zones where mineralisation remains open, and the geological and resource model appears to continue beyond the current limit of drilling.

The Exploration Target does not take into account the wider exploration potential of the Browns Range Dome across the Western Australian border into the Northern Territory, and with Northern Minerals' massive landholding the future exploration potential is outstanding.

Browns Range Project – location of deposits



John Galt (Western Australia)

The John Galt Project remains an exciting exploration proposition for Northern Minerals to support longer term HRE production in northern Western Australia. Northern Minerals owns 100 per cent of the John Galt Project.

Exploration results to date have further confirmed the potential for the John Galt Project to host high grade HRE deposits and further work, including drilling, is warranted.

The project is also being investigated for its base metals and graphite potential.

Boulder Ridge (Northern Territory)

Since initial sampling in September 2013, further soil and rock chip sampling, and geological mapping has been completed at the main Boulder Ridge prospect. Based on the results to date, further follow-up work is warranted including drill testing.

Browns Range & Gardiner-Tanami (Northern Territory)

In August 2016 the Company announced it had entered into a binding Tenement Sale Agreement with Northern Star Resources to sell a package of exploration licences in the Tanami region of the Northern Territory for \$1.25 million in cash. The agreement includes all of Northern Minerals tenements in the Boulder Ridge, Browns Range NT and Gardiner-Tanami Projects. Under the deal, Northern Minerals will retain the rare earth rights on all ground, with Northern Star Resources holding the rights to all other minerals, including gold. Three tenements at the Boulder Ridge Project will remain as Northern Minerals tenements and Northern Star will acquire the gold exploration rights only.

CORPORATE

The \$30 million Huatai Mining funding partnership will assist in continuing to deliver on the business plan to take Browns Range into full production.

Northern Minerals entered into an equity funding agreement for \$30 million to continue on its path to becoming the first significant dysprosium producer outside of China.

\$30 million partnership with Huatai Mining signed

In August 2016, Northern Minerals announced that it had signed a Subscription Agreement with Huatai Mining, for equity funding of \$30 million. An initial investment of \$3 million was completed in August with the remaining \$27 million subject to shareholder approval and Australian government approval.

Shareholder approval was granted at a meeting on 29 September 2016 and Australian government approval was granted on 14 October 2016.

The final \$27 million for 200 million shares at 13.5 cents per share will be received in three equal tranches within 30, 60 and 90 days of the General Meeting.

Once the transaction is complete, Huatai Mining will become Northern Minerals' largest shareholder, holding approximately 31% and the Australian Conglin International Investment Group holding approximately 27%.

Huatai Mining will be entitled to nominate two directors to the board of Northern Minerals, one non-executive position following receipt of \$12 million of funding, and on completion of the full transaction, the Non-Executive Chairman. Northern Minerals has agreed to procure the appointment of the nominees to the board.

Pilot Plant Project funding activities advancing

Additional Pilot Plant Project funding efforts continued, with discussions advancing with several key targets in China, South East Asia. Northern Minerals is currently considering several funding strategies including project funding, joint venture partner, debt, equity and presale of product. A number of term sheets are being discussed with third parties and a data room was established containing the detailed material for the pilot plant and from the DFS to facilitate this process.

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Divestment of non-rare earth assets

Northern Minerals entered into a binding Tenement Sale Agreement with Northern Star Resources to sell a package of exploration licences in the Tanami region of the Northern Territory for up to \$2.75 million in cash. This comprises an initial payment of \$1.25 million in cash and a further \$1.5 million in cash upon establishment of a one million-ounce JORC-compliant Inferred Mineral Resource on the tenements.

Under the deal, Northern Minerals will retain the rare earth rights on all ground, with Northern Star Resources holding the rights to all other minerals, including gold. Northern Star will also gain the gold exploration rights at Northern Minerals' Boulder Ridge Rare Earth project in the Tanami region.

Research and development rebate received

Innovative Technology Funding Pty Ltd replaced Macquarie as a draw down facility on pending research and development (R&D) rebates as a way of accessing immediate funds to continue work programs while awaiting receipt of funds from the Australian Taxation Office. The Federal Government's R&D rebate scheme continues to be a successful method in limiting capital raising by providing access to additional funds to expand work programs. In 2014/2015 Northern Minerals received an \$5.0 million rebate and subsequently, lodged a \$1.7 million rebate for 2015/2016 to the Australian Taxation Office.

AGM

Northern Minerals' Annual General Meeting was held in November 2015, 4 resolutions were put to shareholders, all passed with the required majority.

SALES AND MARKETING

Marketing activities during 2015/16 underpinned the new business plan, to get a new supply of dysprosium to the market, to stimulate demand.

A key to moving forward with our new business plan in early 2016 was the positive response from the supply chain. Customers provided positive feedback to Northern Minerals for the introduction of a new supply of heavy rare earth carbonate to the market. In some circumstances, the volume of product from the pilot plant was debated, with customers looking to volumes equal to full scale operations.

Progress continues on the global stage to advance international agreement on climate change from the Kyoto Protocol to the Paris Agreement, driving solutions to improve emissions, where one key element is e-mobility. At the centre of e-mobility is the rare earth permanent magnet motor. The rare earths are essential in providing a lighter, more efficient and temperature resistant motor to power electric and hybrid vehicles. One of the crucial ingredients is dysprosium, a rare earth element that is essential in allowing high performance rare earth permanent magnets to retain magnetisation at a high temperature.

With the high percentage of dysprosium and terbium in the Browns Range mixed rare earth carbonate, the product is of interest to many customers around the world. During 2015/16, the focus of the marketing efforts has been on advancing offtake discussions in relation to the proposed pilot plant. The pilot plant is forecast to produce a total of 570 tonnes of contained rare earths per annum including 49 tonnes of dysprosium. In June 2016, the company announced the signing of a non-binding memorandum of understanding with Shin-Etsu Chemical Co., Ltd, a Japanese chemical company.

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While there has been research and development undertaken to find substitutes for the use of dysprosium in NdDyFeB permanent magnets, Northern Minerals' market research indicates that dysprosium remains a key element in the production of these magnets for high performance applications. While substitutions may be possible for some applications, this is limited and has not been proven commercially for many other applications that are reliant on dysprosium to achieve optimal operating efficiency.

Although current dysprosium oxide prices are low, Northern Minerals remains confident in the long term market fundamentals and future growth in the market as global demand for these applications grows and illegal supply is reduced. The rare earth industry cannot remain unprofitable, and this, over time, will drive prices up, not to the levels of 2011, but to a level that all participants in the supply chain can be profitable. Market research demonstrates that the complete supply chain can support higher rare earth oxide prices and compete against other technologies.

It is essential for Browns Range to enter production and deliver to the world a new supply of heavy rare earths, produced in Australia under strict environmental standards, that will increase confidence in the supply of critical elements such as dysprosium and terbium and grow demand. In order to deliver this outcome, the revised business plan has a significantly lower capital cost and timeline to production.

MINERAL RESOURCES AND ORE RESERVES STATEMENT

ORE RESERVE

The Ore Reserve at 30 June 2016, reported in accordance with the JORC 2012 code, is detailed in Table 1.

Table 1– Browns Range Ore Reserve Statement as at 30 June 2016

Deposit	Classification	Ore Tonnes	TREO		Dy ₂ O ₃		Tb ₄ O ₇		Y ₂ O ₃	
			kg/t	kg Contained	kg/t	kg Contained	kg/t	kg Contained	kg/t	kg Contained
OPEN PIT										
Wolverine	Probable	833,000	6.15	5,124,000	0.55	460,000	0.08	66,000	3.59	2,989,000
Gambit West	Probable	219,000	10.10	2,212,000	0.83	182,000	0.11	25,000	5.52	1,209,000
Gambit	Probable	37,000	8.05	298,000	0.68	25,000	0.09	3,000	4.74	176,000
Area 5	Probable	467,000	2.24	1,048,000	0.14	65,000	0.02	10,000	0.99	463,000
UNDERGROUND										
Wolverine	Probable	2,104,000	8.00	16,833,000	0.70	1,483,000	0.10	221,000	4.71	9,908,000
Gambit West	Probable	90,000	9.54	860,000	0.88	79,000	0.11	10,000	5.78	521,000
RESERVE										
Total	Probable ¹	3,750,000	7.03	26,375,000	0.61	2,294,000	0.09	335,000	4.07	15,266,000

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

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MINERAL RESOURCES AND ORE RESERVES STATEMENT

MINERAL RESOURCE

The Mineral Resource at 30 June 2016, 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 2016

Deposit	Category	Mt	TREO	Dy ₂ O ₃	Y ₂ O ₃	Tb ₄ O ₇	HREO	TREO
			%	Kg/t	Kg/t	Kg/t	%	Kg
Wolverine	Indicated	2.99	0.83	0.73	4.86	0.11	89	24,952,000
	Inferred	1.97	0.89	0.76	5.13	0.11	88	17,609,000
	Total ¹	4.97	0.86	0.74	4.97	0.11	89	42,560,000
Gambit West	Indicated	0.27	1.26	1.07	7.06	0.14	90	3,424,000
	Inferred	0.12	0.64	0.54	3.67	0.07	85	753,000
	Total ¹	0.39	1.07	0.91	6.04	0.12	89	4,177,000
Gambit	Indicated	0.05	1.06	0.92	6.62	0.12	97	533,000
	Inferred	0.06	1.2	1.01	6.8	0.15	95	671,000
	Total ¹	0.11	1.13	0.97	6.72	0.13	96	1,204,000
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
Total ¹	Indicated	4.69	0.70	0.59	3.95	0.09	87	32,862,000
	Inferred	4.28	0.56	0.46	3.15	0.07	87	23,802,000
	Total ¹	8.98	0.63	0.53	3.56	0.08	87	56,663,000

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

Comparison with previous years Mineral Resource estimate

The Total Mineral Resource at the Browns Range Project has not changed from the prior year – 30 June 2015, as no more resource definition work has been performed on the project during the reporting year.

Details of the classification of the total Mineral Resource into Indicated and Inferred Resource categories are stated in Table 2 above.

COMPETENT PERSON AND COMPLIANCE STATEMENT

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

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

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

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

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

The information in the announcement that relates to Ore Reserves is extracted from the report entitled Increased Ore Reserve for Browns Range created on 2 March 2015 and is available to view on the Company's website (northernminerals.com.au). 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 this report that relates to Exploration Targets is extracted from the report entitled "Exploration Targets identified to increase Browns Range Project's mine life" dated 23 March 2016 and is available to view on the Company's website (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.

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.

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

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 2016 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.

Conglin Yue - *Executive Chairman*

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

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

Kevin Schultz – *Deputy Chairman*

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

George Bauk – *Managing Director/Chief Executive Officer*

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

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

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

Adrian Christopher Griffin - *Non executive Director*

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

- Lithium Australia NL (formerly Cobre Montana NL) (Director February 2011 – Present)
- Potash West NL (October 2010 – Present)
- Reedy Lagoon Corporation Ltd (June 2014 – Present)

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS (Continued)

Colin James McCavana - *Non executive Director*

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

- Reward Minerals Limited (Director February 2010 – 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 3 years Ms Wang also served as a Director of the following listed company:

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

Bin Cai – *Alternate Director*

Mr Cai is the Managing Director of Mr Conglin Yue's Brisbane-based, Australia Conglin International Investment Group Pty Ltd. Mr Cai has an outstanding record of successful strategic investments in emerging Australian resource companies based on his long experience in global resource industry investment. Prior to joining the Conglin Group, Mr Cai had eight years' experience with The China Investment Bank. Mr Cai is currently a director of the following listed companies:

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

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. Previous to 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 number of meetings of directors (including meetings of committees of directors) held during the financial year 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
Conglin Yue	1	6	N/A	N/A	N/A	N/A
Kevin Schultz	6	6	2	2	N/A	N/A
George Bauk	6	6	2	2	N/A	N/A
Adrian Griffin	5	6	2	2	2	2
Colin McCavana	6	6	2	2	2	2
Yanchun Wang	0	6	N/A	N/A	N/A	N/A
Bin Cai	5	6	N/A	N/A	N/A	N/A

A – meetings attended

B – meetings held whilst a director

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

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
Conglin Yue ¹	198,610,998	1,000,000	-
Kevin Schultz	452,500	1,000,000	-
George Bauk	8,025,238	2,000,000	-
Adrian Griffin	3,579,150	1,000,000	-
Colin McCavana	4,200,000	1,000,000	-
Yanchun Wang ¹	145,630,731	1,000,000	-
Bin Cai	100,000	1,000,000	-

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

DIVIDENDS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial year was exploration and evaluation of rare earth element mineral interests.

There were no significant changes in the nature of activities during the year.

OPERATING AND FINANCIAL REVIEW

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

The Company has continued to advance its flagship projects with quarterly reviews of operations as follows:

September 2015 Quarter

- 2014/15 research and development rebate received of \$5.0 million
- 5 key subordinate approvals received from 3 State Government departments including the Department of Mines and Petroleum, Department of Environmental Regulation and Department of Water
- Definitive Feasibility Study optimisation studies to reduce mining costs, increase ore head grade and remove yttrium
- Jien Mining completed successful due diligence and extension of issue of options to Jien Mining granted by ASX

December 2015 Quarter

- Medium term financing agreement for up to US\$4 million entered into with the Lind Partners LLC and an initial drawdown of US\$1.5 million, from the 11 monthly drawdown tranches available, and a further US\$80,000 was drawn-down in December
- Jien Mining converts \$5 million convertible note into equity and showed intention to complete its subscription agreement for \$17 million investment by 30 November 2015
- Implementation of a number of measures to manage costs, including cost saving measures of executive contracts and directors' fees and reduction in staff numbers
- Extension of Jien Mining funding agreement completion date to 24 December 2015 which subsequently expired after Jien Mining failed to complete its \$17 million placement

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

- Argonaut were appointed financial advisors to work on alternative short and long term funding arrangements to progress Browns Range into production

March 2016 Quarter

- New three staged approach announced in a new business plan. First stage pilot plant, second stage develop to Bankable Feasibility statement ("BFS") and then third stage build to full scale. The first stage involves the construction of a 60,000tpa pilot plant at Browns Range to test aspects of the project such as mining and processing, and deliver a product to market
- The three year operation will consist of both a beneficiation and hydrometallurgical process to produce 49,000kg dysprosium in 590,000kg TREO contained in a rare earth carbonate (REC) per annum
- DRA Global engaged to undertake the detailed engineering design
- Significant efforts were undertaken to advance offtake negotiations
- Receipt of a \$1.1 million loan facility, with access to \$0.8 immediate capital, from Innovative Technology Funding Pty Ltd. This funding is via a drawdown facility offset against Northern Minerals 2015/2016 research and development rebate. This facility will be extinguished once the rebate is received
- 100% ownership of tenements EL26270, EL26286, EL26635 and EL27590 acquired from Toro Energy. In Compensation Northern Minerals has agreed to grant shares to the value of \$200,000 to Toro Energy in 12 months. However, if Northern Minerals raise more than \$10 million in capital this will be paid in cash
- Completion of an Exploration Target estimate for the Browns Range Project

June 2016 Quarter

- \$0.3 million received from innovative Technology as part of R and D facility
- Entech engaged to undertake detailed mine planning for the 60,000 tpa Browns Range Pilot Plant
- A Memorandum of Understanding (MOU) signed with Shin-Etsu Chemical Co., Ltd for offtake of rare earth carbonate for the Pilot Plant at Browns Range

SUMMARY OF FINANCIAL PERFORMANCE

The net loss of the Group for the year ended 30 June 2016 of \$6.7 million (2015: \$15.6 million) was impacted by the significant decrease in activities for the period as cost saving measures were introduced. In particular exploration expenditure decreased from \$4.4 million to \$1.6 million and development expenditure by \$7.4 million to \$2 million. Revenue was impacted by a lower Research and Development rebate in the year due to the reduced expenditure. Cash used in / from investing activities increased due to the sale of available for sale financial assets. Cashflows from financing activities were reduced due to including proceeds from the Jien Mining convertible note in 2015.

SUMMARY OF FINANCIAL POSITION

The Company's cash reserves at the end of 2016 totalled \$373,307 compared to \$1,941,826 as at 30 June 2015.

The movement in cash reserves was primarily due to trade payables and employee benefits being reduced in the year and lower funding received from the R and D rebate and financing activities.

The Company's receivables balance reduced from \$5,049,752 to \$2,243,545 due to a lower R and D rebate receivable for the year.

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

The Company's total liabilities decreased from \$9,935,943 to \$4,144,484 primarily due to the Jien Mining convertible note being converted to equity in the year. There was also a significant decrease in trade payables due to the lower operating costs in the year and a reduction in employee benefits and provisions due to cost saving measures.

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.

GOING CONCERN

The Company has sufficient funds to repay debts as and when they fall due. The consolidated cash flow statement illustrates that there was a decrease in cash and cash equivalents in the year of \$1,568,519 (2015 - decrease of \$3,729,998). Analyses of the components of the changes are detailed in the consolidated statement of cash flows. \$3,566,758 of debt was repaid during 2016 compared to \$1,612,164 in 2015. The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activity and realization of assets and the settlement of liabilities in the normal course of business (refer Going Concern Note 2(a) in the notes to financial statements).

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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company proposes to continue with its exploration and development program as detailed in the Review of Operations in the Annual Report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The exploration 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 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.

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:

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

	Number of options/rights	Exercise price – cents	Expiry date
Unlisted options/ performance rights	15,512,470	Between \$0.19 and \$0.372	Between 30 September 2016 and 12 June 2020
Unlisted performance rights ¹	11,400,000	Nil	Between 30 June 2017 and 31 December 2017
Total	26,912,470		

Note 1 - Vesting of the rights are subject to the Company meeting a performance condition during the performance period beginning on grant of the performance right and ending 31 December 2017. The performance condition is the company making the first commercial shipment, being a shipment or shipments in aggregate, of heavy rare earth mineral concentrates containing at least 250 tonnes of total rare earth oxides ("TREO"), to one or more customers from any of the Company's rare earth projects, to a buyer or buyers on normal commercial terms, prior to 30 June 2017 (all vest) or by 31 December 2017 (half vest).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

No ordinary shares were issued during the financial year as a result of the exercise of options.

The following options and performance rights lapsed during the year:

Number	Issue Price - Cents
<i>Performance Rights</i>	
50,000	\$0.36
50,000	\$0.37
350,000	\$0.27
200,000	\$0.19

INDEMNIFICATION AND INSURANCE OF DIRECTORS

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

Also pursuant to the Deed, the Company has paid premiums to insure the directors against liabilities incurred in the conduct of the business of the Company and has provided right of access to Company records. In accordance with common commercial practice, the insurance policy prohibits disclosure of the amount of the premium and the nature of the liability insured against. The amount of the premium is included as part of the directors' remuneration in the Remuneration Report.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

REMUNERATION REPORT (Audited)

This Remuneration Report for the year ended 30 June 2016 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 2015 financial year.

Details of directors and key management personnel

The Directors of Northern Minerals Limited during the year were:

- Conglin Yue (Executive Chairman)
- Kevin Schultz (Deputy Chairman)
- George Bauk (Managing Director/ Chief Executive Officer)
- Adrian Griffin (Non-Executive Director)
- Colin McCavana (Non-Executive Director)
- Yanchun Wang (Non-Executive Director)
- Bin Cai (Alternate Director)

The key management personnel (other than the [directors](#)) during the year were:

- Robin Wilson (Exploration Manager)
- Robin Jones (Project Manager)
- Mark Tory (Company Secretary and CFO)

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 23 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.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

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 receives a fixed fee for their services as a director. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievement of certain key performance indicators.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was on 29 November 2013 when shareholders approved an aggregate remuneration of \$500,000 per year. Annual Non-Executive Chairman and Non-Executive directors' base fees are presently \$70,000 and \$54,000 respectively, inclusive of superannuation, with \$5,000 per annum paid for representation on each respective board committee.

Non-executive directors' fees were reduced by 50% effective from 1 November 2015 following a decision by the Board to assist in addressing cost pressures. Should \$10 million or more new capital be raised in the 12 month period from 1 November 2015, they will be entitled to backpay of the amount of 80% of their previous fees less fees paid during this period.

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

3. Executive Remuneration

Executives receive a fixed remuneration set to provide a base level commensurate with their position and responsibilities within the Company and so as to align the interests of executives with those of shareholders and ensure total remuneration is competitive by market standards. There is no direct link between remuneration paid and corporate performance such as bonus payments for achievement of certain key performance indicators.

In addition, executives are entitled to participate in equity-based remuneration plans to recognise ability and effort, provide incentive to improve company performance, attract appropriate persons and promote loyalty.

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

Executives remuneration were reduced by 50% effective from 1 November 2015 following a decision by the Board to assist in addressing cost pressures.

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 \$405,150 pa. A reduction of 50% to salary including superannuation to \$202,575 pa effective from 1 November 2015. Mr Bauk will receive a

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

new salary of \$324,120 if \$10 million or more new capital is raised during the 12 month period from 1 November 2015. He will also be entitled to back-pay of 80% of his previous salary less amounts paid for the period.

- 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 \$258,145 pa. A reduction of 50% to salary including superannuation to \$129,073 effective from 1 November 2015. Mr Wilson will receive a new salary of \$206,516 if \$10 million or more new capital is raised during the 12 month period from 1 November 2015. He will also be entitled to back-pay of 80% of his previous salary less amounts paid for the period.
- 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 (Project Manager)

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 \$317,916 pa. A reduction of 50% to salary including superannuation to \$158,958 pa effective from 1 November 2015. Mr Jones will receive a new salary of \$254,333 if \$10 million or more new capital is raised during the 12 month period from 1 November 2015. He will also be entitled to back-pay of 80% of his previous salary less amounts paid for the period.
- 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 \$276,262 pa. A reduction of 50% to salary including superannuation to \$138,131 pa effective from 1 November 2015. Mr Tory will receive a new salary of \$221,010 if \$10 million or more new capital is raised during the 12 month period from 1 November 2015. He will also be entitled to back-pay of 80% of his previous salary less amounts paid for the period.
- 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.

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

5. Details of Remuneration for the Year Ended 30 June 2016

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

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

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

Details of Remuneration for the Year Ended 30 June 2015

	<i>Short-term</i>		<i>Post Employment</i>		<i>Share-based Payments</i>		<i>Total</i>	<i>Share-based Payments % of Total Remuneration</i>
	<i>Salary & Fees</i>	<i>Other Benefits</i>	<i>Superannuation Benefits</i>	<i>Long Service Leave</i>	<i>Share Plan</i>	<i>Options/ Performance Rights</i>		
	\$	\$	\$	\$	\$	\$	\$	
Directors								
Conglin Yue	64,167	3,122	-	-	-	44,005	111,294	39.54%
Kevin Schultz	63,303	3,122	6,014	-	-	104,022	176,461	58.95%
George Bauk	456,287	3,122	18,783	10,357	166,392	133,085	788,026	38.00%
Adrian Griffin	58,716	3,122	5,578	-	-	104,022	171,438	60.68%
Colin McCavana	65,716	3,122	5,578	-	-	104,022	178,438	58.30%
Yanchun Wang	-	3,122	-	-	-	44,005	47,127	93.38%
Bin Cai	276,279	3,122	-	-	4,871	38,566	322,838	13.45%
Specified Executives								
Robin Wilson	235,749	11,053	22,396	6,690	17,820	15,336	309,044	10.73%
Robin Jones	294,286	-	23,630	9,680	17,270	15,336	360,202	9.05%
Robert Sills	158,762	9,694	10,507	-	10,485	7,668	197,116	9.21%
Mark Tory	252,294	3,122	23,968	17,768	16,110	25,834	339,096	12.37%
TOTAL	1,925,559	45,723	116,454	44,495	232,948	635,901	3,001,080	28.95%

There were no cash bonuses or termination benefits payable as at 30 June 2015.

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

6. Employee share/performance rights plan

6.1 Options/Performance Rights granted, exercised or lapsed during the year

30 June 2016

	Value of Options/Performance Rights granted during the year \$	Value of Options/Performance Rights exercised during the year \$	Value of Options/Performance Rights lapsed during the year \$
Directors			
Conglin Yue	-	-	-
Kevin Schultz	-	-	-
George Bauk	-	-	-
Adrian Griffin	-	-	-
Colin McCavana	-	-	-
Yanchun Wang	-	-	-
Bin Cai	-	-	-
Specified Executives			
Robin Wilson	-	-	-
Robin Jones	-	-	-
Mark Tory	-	-	79,500
TOTAL	-	-	79,500

6.2 Share Plan Shares granted, exercised or lapsed during the year

30 June 2016

	Value of Shares granted during the year \$	Value of Shares exercised during the year \$	Value of Shares lapsed during the year \$
Directors			
Conglin Yue	-	-	-
Kevin Schultz	-	-	-
George Bauk	-	-	-
Adrian Griffin	-	-	-
Colin McCavana	-	-	-
Yanchun Wang	-	-	-
Bin Cai	-	-	-
Specified Executives			
Robin Wilson	-	-	-
Robin Jones	-	-	-
Mark Tory	-	-	-
TOTAL	-	-	-

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

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

For details on the valuation of the options and share plan shares, including models and assumptions used, please refer to note 23.

Options/Performance Rights – 30 June 2016

No Options or Performance Rights were issued as compensation to key management personnel during the financial year.

Share Plan Shares – 30 June 2016

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

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

6.4 Shareholdings of Key Management Personnel for 2016

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

Shareholdings of Key Management Personnel for 2015

	Held at Beginning of Year	Granted as Compensation	Exercise of Options	Other Changes	Held at 30 June 2015	Vested	Not Vested
Directors:							
Conglin Yue ¹	198,610,998	-	-	-	198,610,998	198,610,998	-
Kevin Schultz	102,500	-	1,000,000	(450,000)	652,500	652,500	-
George Bauk	7,025,238	-	1,000,000	-	8,025,238	5,025,238	3,000,000
Adrian Griffin	2,744,150	-	1,000,000	(165,000)	3,579,150	3,579,150	-
Colin McCavana	3,200,000	-	1,000,000	-	4,200,000	4,200,000	-
Yanchun Wang ²	145,630,731	-	-	-	145,630,731	145,630,731	-
Bin Cai	100,000	-	-	-	100,000	50,000	50,000
Specified Executives							
Robin Wilson	1,718,403	143,000	-	-	1,861,403	1,568,403	293,000
Robin Jones	824,293	158,000	-	(100,000)	882,293	574,293	308,000
Robert Sills	863,000	-	-	(863,000)	-	-	-
Mark Tory	990,000	159,000	-	50,000	1,199,000	890,000	309,000
	361,809,313	460,000	4,000,000	(1,528,000)	364,741,313	360,781,313	3,960,000

Note 1: Other changes include shares held by Mr Yue (52,980,267) and Australian Conglin International Investment Group Limited (132,183,287) purchased prior to being appointed a director of the Company or subsequently as part of underwriting rights issue/participation in share placement.

Note 2: Other changes include shares held by Australian Conglin International Investment Group Limited (132,183,287) purchased prior to being appointed a director of the Company or subsequently as part of underwriting rights issue/participation in share placement.

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

*** End of Remuneration Report ***

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

CORPORATE GOVERNANCE

The Board of Northern Minerals Limited is committed to achieving and demonstrating the highest standards of corporate governance. The Board is responsible to its shareholders for the performance of the Company and seeks to communicate extensively with shareholders. The Board believes that sound corporate governance practices will assist in the creation of shareholder wealth and provide accountability.

In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its corporate governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's corporate governance practices is set out on the Company's website at www.northernminerals.com.au.

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 58.

NON-AUDIT SERVICES

There were no Non-Audit services carried out in the year ended 30 June 2016.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 6th July 2016 2,955,877 ordinary fully paid shares were issued, at 6.8 cents per share for partial repayment of convertible security as per the financing agreement with Lind Partners LLC. An additional 571,043 ordinary fully paid shares were issued for payment of corporate fees.

On 2 August 2016, the Company announced that Huatai Mining Pty Ltd (Huatai) had entered into an equity funding agreement for \$30 million. Through a Subscription Agreement with Huatai, the Company will raise \$30 million by issuing 230,000,000 shares at an average price of over 13 cents per share. On signing the Subscription Agreement, the Company received \$200,000 (issuing 2 million shares at 10 cents per share) from Huatai, with the remaining funding to be received through two stages:

- On 12 August 2016, \$2.8 million for 28 million shares at 10 cents per share was received and shares issued
- Following all necessary shareholder and Australian Government approvals the final \$27 million for 200 million shares at 13.5 cents per share (to be received in three equal tranches within 30, 60 and 90 days of the General Meeting held on 29 September 2016).

On 15th August 2016 4,147,965 ordinary fully paid shares were issued, at 6.3 cents per share for partial repayment of convertible security as per the financing agreement with Lind Partners LLC. An additional 300,000 ordinary fully paid shares were issued to employees.

On 30 August 2016 a binding tenement sale agreement was entered into to sell a package of exploration licences for \$1.25 million cash with Northern Star Resources. An additional \$1.5 million cash is to be received on discovery of a one-million-ounce JORC compliant inferred mineral resource. Northern Minerals retains rare earth rights on all tenements, with Northern Star Resources holding the rights to all other minerals.

On 28th September 2016 3,062,023 ordinary fully paid shares were issued, at 7.6 cents per share for partial repayment of convertible security as per the financing agreement with Lind Partners LLC.

**NORTHERN MINERALS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016**

Northern Star will also gain the gold exploration rights at Northern Minerals Boulder Ridge Rare Earth Project in the Tanami region. Northern Minerals will acquire the rights to rare earth elements in 4 exploration licences which Northern Star Resources has agreed to acquire from Toro Energy Limited.

Completion of the transaction is subject to Ministerial Consent and approval by third parties.

Signed in accordance with a resolution of the directors.

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

George Bauk
Director
Perth
29 September 2016

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	CONSOLIDATED	
		2016 \$	2015 \$
REVENUE FROM CONTINUING ACTIVITIES			
Interest		21,337	103,312
Research and development rebate	4	1,769,004	4,985,413
Other	4	113,937	145,919
TOTAL REVENUE		1,904,278	5,234,644
EXPENSES			
Corporate			
Administration		444,380	882,191
Depreciation expense		322,522	590,287
Share based payments	23	572,996	584,493
Legal and professional		806,029	1,417,022
Occupancy		412,628	378,847
Employee benefits		1,670,037	2,451,197
Other corporate expenditure		84,404	173,874
Total Corporate		4,312,998	6,477,911
Exploration and Project Development			
Exploration Costs		1,585,437	4,364,743
Project Evaluation and Pre-Feasibility		2,034,959	9,431,473
Total Exploration and Project Development		3,620,396	13,796,216
TOTAL EXPENSES		7,933,394	20,274,127
OPERATING LOSS		(6,029,116)	(15,039,483)
Finance Costs		715,551	602,931
LOSS BEFORE TAX		(6,744,667)	(15,642,414)
Income tax expense	5	-	-
NET LOSS		(6,744,667)	(15,642,414)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,744,667)	(15,642,414)
Basic and diluted loss per share (cents per share)	6	(1.4)	(3.5)

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2016

	NOTE	CONSOLIDATED	
		2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	7	373,307	1,941,826
Trade and other receivables	8	2,243,545	5,049,752
Other financial assets	9	76,464	206,509
Inventory	10	33,025	74,078
Total Current Assets		2,726,341	7,272,165
NON CURRENT ASSETS			
Other financial assets	9	471,898	514,000
Plant and equipment	11	164,130	482,097
Total Non-Current Assets		636,028	996,097
TOTAL ASSETS		3,362,369	8,268,262
CURRENT LIABILITIES			
Trade and other payables	12	1,203,350	1,796,015
Provisions	13	126,692	371,011
Interest bearing liabilities	14	2,604,401	7,400,299
Total Current Liabilities		3,934,443	9,567,325
NON-CURRENT LIABILITIES			
Provisions	13	195,326	339,188
Interest bearing liabilities	14	14,715	29,430
Total Non-Current Liabilities		210,041	368,618
TOTAL LIABILITIES		4,144,484	9,935,943
NET ASSETS/(LIABILITIES)		(782,115)	(1,667,681)
EQUITY			
Issued Capital	15	86,234,622	79,186,034
Reserves	16	7,531,762	6,950,117
Accumulated losses	17	(94,548,499)	(87,803,832)
TOTAL EQUITY		(782,115)	(1,667,681)

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED
STATEMENT OF CHANGES IN EQUITY

AS AT 30 June 2016

	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 year		-	(15,642,414)	-	-	-	(15,642,414)
Total recognised income and expense for the year		-	(15,642,414)	-	-	-	(15,642,414)
Shares issued net of transaction costs	15	147,604	-	-	-	-	147,604
Shares/options issued		-	-	758,668	275,825	-	1,034,493
Convertible notes issued	16	-	-	-	-	176,351	176,351
Balance at 30 June 2015		79,186,034	(87,803,832)	2,309,035	4,464,731	176,351	(1,667,681)
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 year		-	(6,744,667)	-	-	-	(6,744,667)
Total recognised income and expense for the year		-	(6,744,667)	-	-	-	(6,744,667)
Shares issued net of transaction costs	15	7,048,588	-	-	-	-	7,048,588
Shares/options issued		-	-	267,835	490,161	-	757,996
Convertible notes converted to equity	16	-	-	-	-	(176,351)	(176,351)
Balance at 30 June 2016		86,234,622	(94,548,499)	2,576,870	4,954,892	-	(782,115)

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED

STATEMENT OF CASH FLOWS

AS AT 30 June 2016

	NOTE	CONSOLIDATED 2016 \$	2015 \$
OPERATING ACTIVITIES			
Payments to suppliers and employees		(8,612,519)	(20,699,434)
Interest Received		25,801	108,763
Research and development rebate received		5,099,351	9,138,215
NET CASH FLOWS USED IN OPERATING ACTIVITIES	7(a)	<u>(3,487,367)</u>	<u>(11,452,456)</u>
INVESTING ACTIVITIES			
Purchase of plant and equipment		(4,556)	(171,089)
Proceeds from disposal of financial assets		161,233	-
(Increase)/decrease in security deposits		17,358	201,798
NET CASH FLOWS (USED IN)/PROVIDED BY INVESTING ACTIVITIES		<u>174,035</u>	<u>30,709</u>
FINANCING ACTIVITIES			
Proceeds from issue of shares		-	147,604
Proceeds from issue of convertible notes		-	5,000,000
Proceeds from borrowings		5,311,571	4,156,309
Repayment of borrowings		(3,566,758)	(1,612,164)
CASH FLOWS RECEIVED FROM FINANCING ACTIVITIES		<u>1,744,813</u>	<u>7,691,749</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,568,519)	(3,729,998)
Cash and cash equivalents at beginning of year		1,941,826	5,671,824
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	<u>373,307</u>	<u>1,941,826</u>

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The consolidated financial statements of Northern Minerals Limited ("the Company") and its subsidiaries ("the Group") for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 29 September 2016.

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.

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 significant policies that have been adopted in the preparation of this financial report are:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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 and accrual accounting, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars which is the Group's functional currency and all values are rounded to the nearest dollar.

Going Concern

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activity and realisation of assets and the settlement of liabilities in the normal course of business. At 30 June 2016 the Company had the following going concern indicators:

- (i) A working capital deficiency of \$1,208,101 with cash on hand of \$373,307;
- (ii) The Company incurred a loss after tax of \$6,744,667; and
- (iii) The Company has outstanding loans of \$2,604,401 and trade payables and accruals of which \$1,330,042 are current.

Notwithstanding the above the directors consider they have a reasonable basis to prepare the financial statements on a going concern basis after having regards to the following:

- On 12 August 2016, \$2.8million for 28 Million shares at 10 cents per share was received and shares issued as part of the subscription agreement with Huatai Mining Pty Ltd as disclosed in note 28 as part of the \$30 million funding package;
- On 30 August 2016 a binding tenement sale agreement was entered into to sell a package of exploration licences for \$1.25million cash with Northern Star Resources the conditions of which are set out in note 28; and
- The research and development rebate for the 2015/16 tax has been lodged subsequent to year end. The total value of this rebate is \$1.76m. This will offset the Innovative Funding Technology facility upon receipt.

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) 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 2016 including:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

The amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to be effectively withdrawn. The amendment does not have any material impact on the disclosures in the Group's consolidated financial statements.

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 2016.

Standard	Effective date for annual reporting periods beginning on or after	Application date for the Company
AASB 9 'Financial Instruments' and the relevant amending standards	1 January 2018	1 July 2018
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	1 July 2018
AASB 16 'Leases'	1 January 2019	1 July 2019
AASB 2014-3 'Amendments to Australian Accounting Standards- Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	1 July 2016
AASB 2014-4 'Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	1 July 2016
AASB 2014-9 'Amendments to Australian Accounting Standards- Equity Method in Separate Financial Statements'	1 January 2016	1 July 2016
AASB 2014-10 'Amendments to Australian Accounting Standards- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2018	1 July 2018
AASB 2015-1 'Amendments to Australian Accounting Standards- Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	1 July 2016
AASB 2015-2 'Amendments to Australian Accounting Standards- Disclosure Initiative: Amendments to AASB 101'	1 January 2016	1 July 2016
AASB 2015-5 'Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception'	1 January 2016	1 July 2016
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	1 July 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	1 July 2017

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New Accounting Standards and Interpretations (continued)

-AASB 9: Financial Instruments

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

The key changes made to accounting requirements include:

- Financial assets that are debt instruments will be classified based on the objective of the Company's business model for managing the financial assets and the characteristics of the contractual cash flows
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income
- Introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specially, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.
- Financial assets can be designated and measured at fair value through profit and loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets and liabilities, or recognising the gains and losses on them, on different bases
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - The change attributable to changes in credit risk are presented in other comprehensive income
 - The remaining change is presented in profit or loss
- New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

-AASB 16: Leases

The key features are as follows:

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

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

The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

-AASB 2016-2 'Amendments to Australian Accounting Standards –Disclosure Initiative: Amendments to AASB 107'

This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) 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.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Where the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions have been eliminated in full.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Where there is a loss of control of a subsidiary, the consolidated financial statements include the results of the part of the reporting period during which Northern Minerals Limited has had control.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

d) Critical Accounting Judgements, Estimates and Assumptions

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Critical Accounting Judgements, Estimates and Assumptions (continued)

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 23.

Rehabilitation provision

Refer to note 2(n) for additional information.

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.

e) Exploration, evaluation and development expenditure

Exploration, evaluation and acquisition costs are expensed as incurred.

f) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), 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.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

g) Cash and Cash Equivalents

Cash and short term deposits in the statement of financial position comprise 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.

h) Trade and Other Receivables

Debtors are carried at amounts due. The recoverability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial Instruments

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale assets. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the Market place.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets under Other Financial Assets in the balance sheet.

Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category generally applies to trade and other receivables.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the group’s consolidated statement of financial position) when:

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

Impairment of financial assets

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial Instruments (continued)

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or derivatives designed as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables and loans and borrowings.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well. 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.

j) Interest in a Jointly Controlled Operation

The Group has an interest in a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its portion of exploration expenses as they are incurred.

k) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the plant and equipment over 3 to 10 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

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.

l) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Leases (continued)

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.

m) Trade Payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

n) Provisions and Employee Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, salaries and other short term benefits

Wages, salaries, and other short term benefits are expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised 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 in accordance with individual contracts. Consideration is given to current wage and salary levels to match as closely as possible, the estimated future cash outflows.

Provision for Restoration and Rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

Restoration and rehabilitation costs are expensed in the period in which the present obligation arises.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Share-based Payment Transactions

Equity settled transactions

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

Refer to note 23 for a more detailed description of share-based transactions during the year.

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

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

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

(i) The grant date fair value of the award.

(ii) The expired portion of the vesting period.

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

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 6).

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

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

The initial undiscounted value of the Performance Rights is the value of an underlying share in the Company as traded on ASX at the date of deemed date of grant of the Performance Right. As the performance conditions are not market based performance conditions, no discount is applied.

p) Revenue Recognition

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

Interest revenue

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Revenue Recognition (continued)

Research and Development

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

q) Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxation (continued)

taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

r) Earnings/(Loss) Per Share

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.

s) Convertible Notes

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

t) Issued Capital

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 SEGMENT INFORMATION

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

4 REVENUE AND EXPENSES

	Consolidated	
	2016	2015
	\$	\$
REVENUE FROM CONTINUING OPERATIONS		
Net gain/(loss) on financial instruments at fair value through profit and loss	5,637	-
Research and development rebate on eligible expenditure	1,763,771	4,985,413
Other	118,766	145,919
	<u>1,888,174</u>	<u>5,131,332</u>

5 INCOME TAX EXPENSE

	Consolidated	
	2016	2015
	\$	\$
<i>Reconciliation of income tax expense/(income) to the pre-tax net loss</i>		
Loss before income tax	(6,744,667)	(15,642,414)
Tax calculated at 30% on loss before income tax	<u>(2,023,400)</u>	<u>(4,692,724)</u>
Add tax effect of:		
Share based payments	171,899	175,348
Non-deductible expenses	901,197	3,328,250
Non-assessable income	(530,701)	(1,495,624)
Unused tax losses and temporary differences not recognised	<u>1,481,005</u>	<u>2,684,750</u>
Income tax expense/(income)	<u>-</u>	<u>-</u>

Unrecognised deferred tax balances

<i>Deferred tax assets</i>		
Unused tax losses	18,030,272	16,549,267
Unused capital losses	191,630	-
Deductible temporary differences	<u>620,583</u>	<u>1,151,064</u>
Total unrecognised deferred tax assets	<u>18,842,485</u>	<u>17,700,331</u>

<i>Deferred tax liabilities</i>		
Assessable temporary differences:	-	-
Taxable temporary differences	<u>(34,960)</u>	<u>(35,931)</u>
Total unrecognised deferred tax liabilities	<u>(34,960)</u>	<u>(35,931)</u>

Net unrecognised deferred tax balances	<u>18,807,525</u>	<u>17,664,400</u>
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The net deferred tax balances are not recognised since it is not probable that future taxable profits will be available to utilise deductible temporary differences and losses.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 EARNINGS PER SHARE

	Consolidated	
	2016 \$	2015 \$
a) Basic loss per share	(1.4)	(3.5)
b) Loss used in calculating loss per share		
Loss attributable to ordinary equity holders of the Company for basic and diluted earnings per share	(6,744,667)	(15,642,414)
	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	472,970,913	442,617,587

As the Company has incurred a loss, any exercise of options would be antidilutive, therefore the diluted and basic earnings per share are equal

7 CASH AND CASH EQUIVALENTS

	Consolidated	
	2016 \$	2015 \$
Cash at Bank and on hand	373,307	415,477
Cash on Deposit	-	1,526,349
	373,307	1,941,826

The Company only deposits cash surpluses with major banks of high quality credit standing.

Cash at bank and in hand is kept to a minimum where possible to limit non-interest earning component of available cash.

Bank deposits at call earn interest at a floating rate based on the deposit balance.

Short-term deposits are made on a monthly basis with a drawdown amount dependent upon the cash requirements of the Company, and earn interest at the respective short-term deposit rates.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 CASH AND CASH EQUIVALENTS (continued)

	Consolidated	
	2016	2015
	\$	\$
(a) Reconciliation to Cash Flow Statement		
Net Loss after tax	(6,744,667)	(15,642,414)
<i>Adjustments</i>		
Depreciation expense	322,522	590,287
Net gain in sale of financial assets at fair value through profit and loss	(5,233)	-
Non cash payments for Lind financing	286,568	-
Share-based payments	572,996	1,034,493
Discount to convertible note	214,033	61,934
<i>Change in assets and liabilities</i>		
(Increase)/decrease in other receivables	2,806,207	4,395,255
(Increase)/decrease in inventory	41,053	(74,078)
(Decrease) in trade and other payables	(592,665)	(1,816,553)
Increase/(decrease) in provisions	(388,181)	(1,380)
Net cash flows used in operating activities	<u>(3,487,367)</u>	<u>(11,452,456)</u>
(b) Reconciliation of cash		
<i>Cash balance comprises:</i>		
Cash and cash equivalents	<u>373,307</u>	<u>1,941,826</u>

8 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016	2015
	\$	\$
GST Receivable	17,956	48,987
Prepayment	460,688	10,000
Accrued interest	1,130	5,352
Research and development rebate receivable	1,763,771	4,985,413
	<u>2,243,545</u>	<u>5,049,752</u>

9 OTHER FINANCIAL ASSETS

	Consolidated	
	2016	2015
	\$	\$
<i>Current</i>		
Deposits held on trust	76,464	50,509
Equity securities – designated as “at fair value through profit or loss”	-	156,000
	<u>76,464</u>	<u>206,509</u>
<i>Non Current</i>		
Security deposits – rent and performance bonds	<u>471,898</u>	<u>514,000</u>

Financial assets designated at fair value through profit or loss are equity securities that otherwise would have been classified as available-for-sale. The performance of these equity securities is actively monitored and they are managed on a fair value basis. The Group's exposure to credit and market risks and fair value information related to other investments is disclosed in note 24.

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10 INVENTORY

	Consolidated	
	2016	2015
	\$	\$
Diesel Fuel	33,025	74,078

11 PLANT AND EQUIPMENT

	Consolidated	
	2016	2015
	\$	\$
Plant and Equipment		
Gross carrying amount at the beginning of year	2,020,623	1,899,534
Disposals	-	-
Additions	4,556	121,089
Gross carrying amount at the end of year	2,025,179	2,020,623
Accumulated depreciation at the beginning of year	1,653,909	1,166,932
Accumulated depreciation on disposals	-	-
Depreciation expense	251,769	486,977
Accumulated depreciation at the end of year	1,905,678	1,653,909
Carrying amount at the end of the year	119,501	366,714
Vehicles		
Gross carrying amount at the beginning of year	447,493	397,494
Additions	-	49,999
Gross carrying amount at the end of year	447,493	447,493
Accumulated depreciation at the beginning of year	332,110	228,800
Depreciation expense	70,754	103,310
Accumulated depreciation at the end of year	402,864	332,110
Carrying amount at the end of the year	44,629	115,383
Total	164,130	482,097

The useful lives of plant and equipment are estimated at between 3 and 10 years for both 2016 and 2015.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND OTHER PAYABLES

	Consolidated	
	2016 \$	2015 \$
Trade and other payables	1,203,350	1,796,015
	<u>1,203,350</u>	<u>1,796,015</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 day terms;
- Other payables are non-interest bearing.

13 PROVISIONS

	Consolidated		
	<i>Employee Entitlements</i>	<i>Rehabilitation</i>	<i>Total</i>
	\$	\$	\$
Balance at the beginning of year	621,286	88,913	710,199
Provisions made during the year	147,684	-	147,684
Provisions used during the year	(535,865)	-	(535,865)
Balance at the end of year	<u>233,105</u>	<u>88,913</u>	<u>322,018</u>
Current	126,692	-	126,692
Non-current	106,413	88,913	195,326

The current employee entitlements provision relates to annual leave accrued by employees.

The non-current employee entitlements provision relates to long service entitlements which vest in approximately 3 years. The amount has reduced due to reduction in salaries and staff redundancies.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 INTEREST BEARING LIABILITIES

Current interest-bearing loans and borrowings

		Consolidated	
	Interest Rate	2016 \$	2015 \$
Convertible note	18.75%/6.00%	1,489,686	4,885,584
Equipment finance (secured)	6.99%	14,715	14,715
R&D Loan facility	12.5%/12.75%	1,100,000	2,500,000
		<u>2,604,401</u>	<u>7,400,299</u>

Non-Current interest-bearing loans and borrowings

	Interest Rate	2016 \$	2015 \$
Equipment finance	6.99%	14,715	29,430
		<u>14,715</u>	<u>29,430</u>

Notes

Convertible Note – Lind Partners LLC

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

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

Convertible Note – Jien Mining

As at 30 June 2015, there were 5,000,000 convertible notes on issue. Each note had a face value of \$1.00 and was convertible at the option of the note holder into 5 ordinary shares of the Parent of the group. The notes were convertible on or before 14 February 2016 and attracted an interest rate of 6% per annum. The presentation of the equity portion of the notes is included in note 16. On 6 November 2015 the full convertible note was converted to equity.

Equipment Finance

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

R&D Loan facility

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 ISSUED CAPITAL

	Consolidated and Company 2016		Consolidated and Company 2015	
	Number	\$	Number	\$
(a) Ordinary Shares				
Share Capital				
Ordinary Shares	498,159,294	86,234,622	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 – Nov 2015	2,000,000	330,000	-	-
Convertible note and interest – Nov 2015	26,759,572	5,377,885	-	-
Issue of securities to Lind – Convertible Security repayment – Dec 2015	2,342,030	210,783	-	-
Issue of securities to Lind – Convertible Security repayment – Jan 2016	2,986,350	220,990	-	-
Issue of securities to Lind – Convertible Security repayment – Feb 2016	3,811,445	209,629	-	-
Argonaut – payment of fees – Feb 2016	176,056	15,000	-	-
Argonaut – payment of fees – Feb 2016	72,254	5,000	-	-
Issue of securities to Lind – Convertible Security repayment – Apr 2016	2,372,800	130,504	-	-
Argonaut – payment of fees – Apr 2016	165,071	10,000	-	-
Issue of securities to Lind – Convertible Security repayment – May 2016	6,434,722	373,214	-	-
Argonaut – payment of fees – May 2016	203,382	15,010	-	-
Issue of securities to Lind – Convertible Security repayment – June 2016	2,023,615	135,574	-	-
Argonaut – payment of fees – June 2016	206,327	15,000	-	-
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	-
	498,159,294	86,234,622	448,605,670	79,186,034
Less: costs of issue	-	-	-	-
Balance at the end of year	498,159,294	86,234,622	448,605,670	79,186,034

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 ISSUED CAPITAL (continued)

(a) Ordinary Shares (continued)

(i) 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 23.

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	
	2016	2015
	Number	Number
Balance at beginning of year	13,298,400	13,320,400
Repayment of loan	-	(1,095,000)
Shares issued during the year	-	1,703,000
Balance at end of year	13,298,000	13,928,400

(c) Performance Rights over ordinary shares

	Consolidated and Company	
	2016	2015
	Number	Number
<i>Exercise price of between \$0.19 and \$0.372 expiring between 26/09/14 and 30/09/16 (Unquoted)</i>		
Balance at beginning of year	1,300,000	2,685,000
Issued during the year	-	-
Forfeited during the year	(650,000)	(1,385,000)
Exercised during the year	-	-
Balance at end of year	650,000	1,300,000
<i>Performance rights with conditions* with Nil exercise price expiring between 30/6/17 and 31/12/17 (Unquoted)</i>		
Balance at beginning of year	11,400,000	12,400,000
Issued during the year	-	-
Forfeited during the year	-	(1,000,000)
Exercised during the year	-	-
Balance at end of year	11,400,000	11,400,000
<i>Performance rights with conditions** with Nil exercise price expiring 29/11/14 (Unquoted)</i>		
Balance at beginning of year	-	4,000,000
Issued during the year	-	-
Forfeited during the year	-	-
Exercised during the year	-	(4,000,000)
Balance at end of year	-	-

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 ISSUED CAPITAL (continued)

* Performance conditions

- 11,400,000 shares if the first commercial shipment of heavy rare earth mineral concentrate from any of the Company's rare earth projects to a buyer or buyers occurs on normal commercial terms prior to 30 June 2017; or
- 5,700,000 shares if the first commercial shipment of heavy rare earth mineral concentrate from any of the Company's rare earth projects to a buyer or buyers occurs on normal commercial terms subsequent to 30 June 2017 but prior to 31 December 2017
- For the purposes of the conditions, a "commercial shipment" of the concentrate is regarded as a shipment or shipments in aggregate, of heavy rare earth mineral concentrates containing at least 250 tonnes of total rare earth oxides ("TREO") to one or more customers.

** 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 2016 Number	2015 Number
<i>Exercise price of \$0.25 expiring 12/06/20 (Unquoted)</i>		
Balance at beginning of year	12,812,470	1,921,870
Issued during the year	-	10,890,600
Forfeited during the year	-	-
Exercised during the year	-	-
Balance at end of year	12,812,470	12,812,470
<i>Exercise price of \$0.25 expiring 08/11/2018 (Unquoted)</i>		
Balance at beginning of year	-	-
Issued during the year	2,500,000	-
Forfeited during the year	-	-
Exercised during the year	-	-
Balance at end of year	2,500,000	-

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 RESERVES

	Consolidated	
	2016	2015
	\$	\$
Reserves	7,531,761	6,950,117
Reserves comprise the following:		
<i>Performance Rights and options reserve</i>		
Balance at the beginning of year	4,464,731	4,188,906
Vesting charge on performance rights and options	490,161	275,825
Balance at the end of year	4,954,892	4,464,731
<i>Share based payment reserve</i>		
Balance at the beginning year	2,309,035	1,550,367
Share plan allocation	267,834	758,668
Balance at the end of year	2,576,869	2,309,035
<i>Convertible note reserve</i>		
Balance at the beginning year	176,351	-
Issued during the year/ (converted in year)	(176,351)	176,351
Balance at the end of year	-	176,351
Total Reserves	7,531,761	6,950,117

The performance rights and options reserve is used to recognise the fair 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 fair value of shares issued in lieu of cash payments and is allocated the vested portion of the employee share purchase plan over the vesting period. The convertible note reserve covers the equity component of the issued convertible notes. The liability component is reflected in financial liabilities.

17 ACCUMULATED LOSSES

	Consolidated	
	2016	2015
	\$	\$
Accumulated losses	(94,548,499)	(87,803,832)
Accumulated losses comprise the following:		
Balance at start of financial year	(87,803,832)	(72,161,418)
Loss for the financial year after related income tax benefit	(6,744,667)	(15,642,414)
Balance at end of financial year	(94,548,499)	(87,803,832)

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 AUDITORS REMUNERATION

	Consolidated	
	2016	2015
	\$	\$
During the year the following fees were paid or payable for services provided by the auditor:		
Audit Services		
Audit and review of financial reports under the Corporations Act 2001		
Nexia Perth Audit Services Pty Ltd	33,827	35,416
Total remuneration of auditors	33,827	35,416

19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(i) 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 \$471,898 (2015: \$498,581).

Directors and Executive's backpay

During the year, directors' fees and executives' remuneration were reduced by 50% effective from 1 November 2015 following a decision by the Board to assist in addressing cost pressures. Should \$10 million or more new capital be raised in the 12 month period from 1 November 2015, they will be entitled to backpay of the amount of 80% of their previous fees/remuneration less fees paid during this period. As at 30 June 2016 no provision has been recognised for the backpay.

20 DIVIDENDS

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

21 EXPENDITURE COMMITMENTS

(i) Operating Lease Commitments

	Consolidated	
	2016	2015
	\$	\$
Commitments for minimum lease payments are:		
Within one year	370,877	378,393
Later than one year but less than five years	-	360,735
Later than five years	-	-
	370,877	739,128

The Company leases offices in West Perth, Western Australia, under a non-cancellable operating lease expiring 1 May 2017.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21 EXPENDITURE COMMITMENTS (continued)

(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:

	Consolidated	
	2016	2015
	\$	\$
Exploration Tenements		
Within one year	2,025,410	3,193,300

The Company has no capital or expenditure commitments that span more than one year.

(iii) Farm-in with Manhattan Corporation Limited

The Company had earned the right to 60% in the Gardner Range Uranium project, having spent \$1 million within four years. Manhattan has elected not to contribute to further expenditure in accordance with its 40% interest and will be free carried to completion of a pre-feasibility study and thereafter, retain a 20% interest. During the year ended 30 June 2016 the Company incurred no (2015: \$nil) exploration expenditure on this joint operation as the Joint Venture was terminated during the 2015 financial year. The joint operation had no assets or liabilities.

(iv) Joint Venture with Toro Energy for REE rights at Browns Range

In April 2012, the Company announced it was proceeding to a formal Joint Venture (JV) agreement with Toro Energy to earn up to 80% interest in all mineral rights (other than uranium) within Toro's Browns Range Northern Territory tenements.

The JV follows completion of due diligence by the two parties, who signed an initial Heads of Agreement (HOA) in December 2011. It includes seven tenements comprising 1,403km², adjacent to Northern Minerals Browns Range Project, Western Australia where the Company is aiming to be producing high grade Heavy Rare Earth Elements by 2017.

Under the terms of the Joint Venture, the Company will spend A\$4 million on exploration over a three year period to earn a 51% interest. The Company has the option to increase its interest to 70%, by spending an additional A\$2 million on exploration over a further two year period. It can elect to complete a bankable or definitive feasibility study to increase its equity to 80%. Toro will retain all uranium rights on the tenements.

During the year ended 30 June 2016 the Company incurred \$200,769 (2015: \$466,754) in exploration expenditure.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 KEY MANAGEMENT PERSONNEL DISCLOSURES

The aggregate compensation made to directors and other key management personnel of the group is set out below:

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	1,158,781	1,946,166
Post-employment benefits	77,406	116,454
Other long-term benefits	(36,260)	44,495
Share-based payments	459,908	868,849
Total compensation	<u>1,659,835</u>	<u>2,975,964</u>

Each of the non-executive Directors receives a fixed fee for their services as a Director. There is no direct link between remuneration paid to any of the Directors and corporate performance such as bonus payments for achievement of certain key performance indicators.

23 SHARE-BASED PAYMENTS

Options and Performance Rights

	2016	2015
	\$	\$
Performance rights and options – refer to (i) and (ii)	496,578	275,825
Share purchase plan shares – refer to (iii)	261,418	758,668
Total Options and Performance Rights	<u>757,996</u>	<u>1,034,493</u>

- Included in Share based payments expense	572,996	584,493
- Included in Prepayments	102,415	-
- Included in Finance costs	82,585	-
- Included in Exploration costs	-	450,000

Shares

Share-based payments by issuing shares – refer note 15	<u>7,048,587</u>	-
- Included in Prepayments	330,000	-
- Repayment of debt	6,658,578	-
- Included in consultation fees	60,010	-

Total Share-based payments for the year	<u>7,806,583</u>	<u>1,034,493</u>
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NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (Continued)

(i) Performance Rights

No performance rights were granted to employees and directors during the year (2015: Nil). 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 previously granted are as follows:

	2016 Number	Weighted average exercise price	2015 Number	Weighted average exercise price
Outstanding at the beginning of the year	12,700,000	\$0.28	19,085,000	\$0.40
Performance rights ¹ expired during the year	(650,000)	\$0.26	(1,185,000)	\$0.50
Performance rights ¹ forfeited during the year	-	-	(200,000)	\$0.37
Performance rights ² exercised during the year	-	-	(4,000,000)	-
Performance rights ² forfeited during the year	-	-	(1,000,000)	-
Outstanding at the end of the year	12,050,000	\$0.31	12,700,000	\$0.28
Exercisable at the end of the year	650,000		1,300,000	

The outstanding balance as at 30 June 2016 is represented by:

Type 1

- 200,000 with an exercise price of \$0.279, expiring 31 August 2016; and
- 250,000 with an exercise price of \$0.301, expiring 22 September 2016; and
- 200,000 with an exercise price of \$0.358, expiring 30 September 2016

Type 2 - refer note 15 (c) for more details.

- 11,400,000 performance rights with an exercise price of Nil, expiring between 30 June 2017 and 31 December 2017

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2016 is 0.22 years (2015: 0.87 years).

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS (continued)

(ii) Options

There are currently 15,312,740 options on issue.

12,812,470 options were granted in previous years to a third party with an exercise price of 25 cents and an expiry date of 12 June 2020.

2,500,000 options were issued during the year ended 30 June 2016 and granted to a third party with an exercise price of \$0.25 and an expiry date of 6 November 2018.

(iii) Share Plan Shares

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

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

The Directors considered the Plan an appropriate method to:

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

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

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

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

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

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS (continued)

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

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

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS (continued)

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

	2016 Number	2015 Number
Opening Balance	13,928,400	13,320,400
Issued		
George Bauk (or his nominee)	-	-
Robin Jones (or his nominee)	-	158,000
Robin Wilson (or his nominee)	-	143,000
Robert Sills (or his nominee)	-	-
Mark Tory (or his nominee)	-	159,000
Other eligible Employees (or their nominees)	-	-
	<u>-</u>	<u>1,243,000</u>
Shares for which loan has been repaid	-	(1,095,000)
Closing Balance	<u>13,928,400</u>	<u>13,928,400</u>

Included in the closing balance are 7,326,500 share plan shares which have vested and are available to holders to be dealt with in accordance with the rules of the share plan. These shares may not be transferred or otherwise dealt with, until the later of the following to occur:

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

2,351,500 share plan shares have not vested. These shares vest between 1 July 2016 and 1 July 2017.

4,250,400 shares have reverted to the Company to be dealt with under the terms of the share plan.

(iv) 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 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 amount recognised as part of share based payments expense for options/performance rights and share plan shares issued during the year was \$490,161 (2015: \$275,825) and \$267,834 (2015: \$758,668) respectively.

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23. 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 2016.

The following relates to the share plan shares issued during the year ended 30 June 2015: -

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price	Risk Free Rate	Volatility	Value Per Share
19/6/15								
Tranche 1	19/5/16	851,500	19/5/15	\$0.185	\$0.177	2.12%	73%	\$0.093
Tranche 2	19/5/17	851,500	19/5/15	\$0.185	\$0.177	2.12%	73%	\$0.093
Total		1,703,000						

The following relates to the unlisted options and performance rights issued during the year ended 30 June 2016: -

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price	Risk Free Rate	Volatility	Value Per Option/Right
6/11/15	6/11/18	2,500,000	2/11/15	\$0.65	\$0.25	2.03%	84%	\$0.074
Total		2,500,000						

The following relates to the unlisted options and performance rights issued during the year ended 30 June 2015: -

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price	Risk Free Rate	Volatility	Value Per Option/Right
4/2/15	4/2/15	10,890,600	12/6/14	\$0.18	\$0.25	2.88%	75%	\$0.11
Total		10,890,600						

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2016:

	Carrying amount \$	Fair value \$
Financial assets		
Other financial assets	76,464	76,464
Total current financial assets	76,464	76,464
Other financial assets	471,898	471,898
Total non-current financial assets	471,898	471,898
Total financial assets	548,362	548,362
Financial liabilities		
Trade and other payables	1,203,350	1,203,350
Interest bearing liabilities	2,604,401	2,604,401
Total current financial liabilities	3,807,751	3,807,751
Interest bearing liabilities	14,715	14,715
Total non-current financial liabilities	14,715	14,715
Total financial liabilities	3,822,466	3,822,466

The carrying value of the financial assets and financial liabilities approximate their fair value.

a) Market Risk

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures with respect to the Australian dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The group does not hedge its currency risk which is mainly an exposure to Australian Dollar expenditure and assets/liabilities.

The financial assets and liabilities that are exposed to foreign exchange risk are:

	2016 \$	2015 \$
Cash and cash equivalents	306,006	-
Interest bearing liabilities	(1,489,686)	-
	<u>(1,183,680)</u>	<u>-</u>

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

Cash flow and fair value interest rate risk

Interest rate risk in relation to the fair value or future cash flow may arise from interest rate fluctuations. The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted average interest rate %	Floating Interest Rate \$	Fixed Interest \$	Non-Interest Bearing \$	Total \$
30 June 2016					
<i>Financial Assets</i>					
Cash and cash equivalents	0.03%	15,526	-	357,781	373,307
Other financial assets	2.59%	-	548,362	-	548,362
Total financial assets		15,526	548,362	357,781	921,669
<i>Financial Liabilities</i>					
Trade and other payables	-	-	-	1,203,349	1,203,349
Interest bearing liabilities	5.99%	-	2,619,116	-	2,619,116
Total financial liabilities		-	2,619,116	1,203,349	3,822,465
30 June 2015					
<i>Financial Assets</i>					
Cash and cash equivalents	1.83%	327,883	1,526,349	87,594	1,941,826
Other financial assets	2.91%	-	564,509	156,000	720,509
Total financial assets		327,883	2,090,858	243,594	2,662,335
<i>Financial Liabilities</i>					
Trade and other payables	-	-	-	1,796,015	1,796,015
Interest bearing liabilities	8.28%	-	7,429,729	-	7,429,729
Total financial liabilities		-	7,429,729	1,796,015	9,225,744

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

24. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 fair value of interest bearing liabilities equals their carrying amount, as the impact of discounting is not significant.

The Company:

- currently has short term funding in place (refer note 14). 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.

Maturities of financial liabilities and repayment details are disclosed in Note 14.

d) Fair value measurements

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following method and assumption was 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 except for assets held at fair value through profit and loss using level 1.

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

25 SUBSIDIARIES

The following are wholly owned subsidiaries of the Company: -

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Northern Uranium Pty Ltd
 Northern Commodities Pty Ltd
 Northern P2O5 Pty Ltd
 Northern Rare Earth Metals Pty Ltd; and
 Northern Xenotime Pty Ltd.

26 DIVIDENDS

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

27 PARENT ENTITY FINANCIAL INFORMATION

	Parent	
	2016 \$	2015 \$
Current assets	2,726,342	7,272,165
Total assets	3,854,658	8,743,262
Current liabilities	3,934,444	9,567,325
Total liabilities	4,144,483	9,935,943
Shareholders equity		
Share capital	86,234,622	79,186,034
Reserves	7,531,762	6,950,117
Accumulated losses	(94,056,209)	(87,328,832)
	(289,824)	(1,192,681)
Net Loss	(6,727,377)	(15,192,414)
Total comprehensive income	-	-
Contingent liabilities	Refer to note 19	

The Parent entity had no guarantees and commitments other than detailed in notes 19 and 21.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28 EVENTS OCCURRING AFTER BALANCE DATE

On 6th July 2016 2,955,877 ordinary fully paid shares were issued, at 6.8 cents per share for partial repayment of convertible security as per the financing agreement with Lind Partners LLC. An additional 571,043 ordinary fully paid shares were issued for payment of corporate fees.

On 2 August 2016, the Company announced that Huatai Mining Pty Ltd (Huatai) had entered into an equity funding agreement for \$30 million. Through a Subscription Agreement with Huatai, the Company will raise \$30 million by issuing 230,000,000 shares at an average price of over 13 cents per share. On signing the Subscription Agreement, the Company received \$200,000 (issuing 2 million shares at 10 cents per share) from Huatai, with the remaining funding to be received through two stages.

- On 12 August 2016, \$2.8 million for 28 Million shares at 10 cents per share was received and shares issued

- Following all necessary shareholder and Australian Government approvals the final \$27 million for 200 million shares at 13.5 cents per share (to be received in three equal tranches within 30, 60 and 90 days of the General Meeting held on 29 September 2016).

On 15th August 2016 4,147,965 ordinary fully paid shares were issued, at 6.3 cents per share for partial repayment of convertible security as per the financing agreement with Lind Partners LLC. An additional 300,000 ordinary fully paid shares were issued to employees.

On 30 August 2016 a binding tenement sale agreement was entered into to sell a package of exploration licences for \$1.25 million cash with Northern Star Resources. An additional \$1.5 million cash is to be received on discovery of a one-million-ounce JORC compliant inferred mineral resource. Northern Minerals retains rare earth rights on all tenements, with Northern Star Resources holding the rights to all other minerals.

Northern Star will also gain the gold exploration rights at Northern Minerals Boulder Ridge Rare Earth Project in the Tanami region. Northern Minerals will acquire the rights to rare earth elements in 4 exploration licences which Northern Star Resources has agreed to acquire from Toro Energy Limited.

Completion of the transaction is subject to Ministerial Consent and approval by third parties.

On 28th September 2016 3,062,023 ordinary fully paid shares were issued, at 7.6 cents per share for partial repayment of convertible security as per the financing agreement with Lind Partners LLC.

NORTHERN MINERALS LIMITED

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 2016 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 2016 and of their performance for the year then ended; and

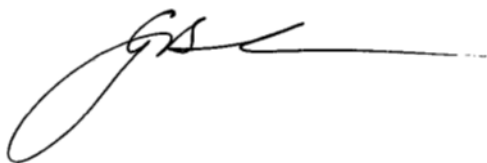
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(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).

(c) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b); 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 2016.

On behalf of the Board



George Bauk

Director

Perth

29 September 2016

Independent auditor's report to the members of Northern Minerals Limited

Report on the financial report

We have audited the accompanying financial report of Northern Minerals Limited which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with the 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Northern Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material uncertainty related to Going Concern

We draw attention to note 2(a) in the financial report, which indicates that the Company incurred a net loss of \$6,744,667 during the year ended 30 June 2016 and, as of that date, the Company's current liabilities exceeded its total assets by \$572,074. 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Northern Minerals Limited for the year ended 30 June 2016 complies with Section 300A of the *Corporations Act 2001*.

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

Nexia Perth Audit Services Pty Ltd

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

PTC Kloppe
Director

29 September 2016
Perth

Lead 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 audit for the financial year ended 30 June 2016 there have been:

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



Nexia Perth Audit Services Pty Ltd



PTC Kloppe
Director

29 September 2016
Perth

NORTHERN MINERALS LIMITED

SCHEDULE OF TENEMENTS

Project	Location	Tenement ID	State	Status	Holder Application	Interest
Browns Range WA	Browns Range	E80/4479	WA	Granted	Northern Minerals	100%
	Browns Range	E80/4725	WA	Granted	Northern Minerals	100%
	Browns Range	E80/4726	WA	Granted	Northern Minerals	100%
	Browns Range	E80/4806	WA	Granted	Northern Minerals	100%
	Browns Range	E80/4883	WA	Granted	Northern Minerals	100%
	Browns Range	E80/4782	WA	Granted	Northern Minerals	100%
	Browns Range	E80/5040	WA	Application	Northern Minerals	100%
	Browns Range	E80/5041	WA	Application	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%
John Galt	John Galt	E80/4298	WA	Granted	Northern Minerals	100%
	John Galt	E80/4671	WA	Granted	Northern Minerals	100%
	John Galt	E80/4779	WA	Granted	Northern Minerals	100%
	John Galt	E80/4967	WA	Granted	Northern Minerals	100%
Boulder Ridge	Boulder Ridge	EL24177	NT	Granted	Northern Minerals	100%
	Boulder Ridge	EL25171	NT	Granted	Northern Minerals	100%
	Boulder Ridge	EL27590	NT	Granted	Toro Energy Limited	REE rights
	Boulder Ridge	EL29594	NT	Granted	Northern Minerals	100%
	Boulder Ridge	EL24849	NT	Application	Northern Minerals	100%
	Boulder Ridge	EL24935	NT	Application	Northern Minerals	100%
	Boulder Ridge	EL28868	NT	Application	Northern Minerals	100%
	Boulder Ridge	EL30132	NT	Application	Northern Minerals	100%
Browns Range NT	Browns Range	EL24193	NT	Granted	Northern Minerals	100%
	Browns Range	EL24174	NT	Granted	Northern Minerals	100%
	Browns Range	EL24941	NT	Application	Northern Minerals	100%
	Browns Range	EL26270	NT	Granted	Toro Energy Limited	REE rights
	Browns Range	EL26286	NT	Granted	Toro Energy Limited	REE rights
Gardiner-Tanami NT	Tanami	EL23932	NT	Granted	Northern Minerals	100%
	Tanami	EL25009	NT	Granted	Northern Minerals	100%
	Ware Range	EL26498	NT	Granted	Northern Minerals	100%
	Ware Range	EL26541	NT	Granted	Northern Minerals	100%
	Pargee	EL27367	NT	Granted	Northern Minerals	100%
	Tanami	EL29592	NT	Granted	Northern Minerals	100%
	Tanami	EL29593	NT	Granted	Northern Minerals	100%
	Tanami	EL29595	NT	Granted	Northern Minerals	100%
	Tanami	EL23933	NT	Application	Northern Minerals	100%

NORTHERN MINERALS LIMITED

SCHEDULE OF TENEMENTS

Project	Location	Tenement ID	State	Status	Holder Application	Interest
	Ware Range	EL24179	NT	Application	Northern Minerals	100%
	Ware Range	EL24947	NT	Application	Northern Minerals	100%
	Ware Range	EL25003	NT	Application	Northern Minerals	100%
	Ware Range	EL25004	NT	Application	Northern Minerals	100%
	Tanami	EL25172	NT	Application	Northern Minerals	100%
	Tanami	EL26635	NT	Granted	Toro Energy Limited	REE rights
	Tanami	EL29619	NT	Application	Northern Minerals	100%
	Tanami	EL29621	NT	Application	Northern Minerals	100%
Kurundi	Kurundi	EL29616	NT	Granted	Northern Minerals	REE rights
Rabbit Flats	Rabbit Flats 1	EL25157	NT	Application	Northern Minerals	100%
	Rabbit Flats 2	EL25158	NT	Application	Northern Minerals	100%
	Rabbit Flats 3	EL25159	NT	Application	Northern Minerals	100%
	Rabbit Flats 4	EL25160	NT	Application	Northern Minerals	100%
	Rabbit Flats 5	EL23935	NT	Application	Northern Minerals	100%

NORTHERN MINERALS LIMITED

SHAREHOLDER INFORMATION

AS AT 13 OCTOBER 2016

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	242
1,001-5,000	587
5,001-10,000	583
10,001-100,000	1,223
100,000-and over	326
	<u>2,961</u>

The number of shareholdings held in less than marketable parcels is 544.

b) Twenty largest shareholders

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

	Name of Holder	Number of shares held	% Holding
1	Australian Conglin International Investment Group	145,630,731	27.00%
2	Conglin Yue	52,980,267	9.83%
3	Huatai Mining PL	30,000,000	5.56%
4	Jien Mining PL	26,759,572	4.96%
5	HSBC Custody Nominees Australia Ltd	23,449,431	4.35%
6	Dejing Kong	19,446,333	3.61%
7	Citicorp Nominees PL	19,274,941	3.57%
8	Youfen He	15,098,803	2.80%
9	Hein Victor Graafhuis	6,824,589	1.27%
10	HSBC Custody Nominees Australia Ltd	6,136,506	1.14%
11	JP Morgan Nominees Australia Ltd	4,110,028	0.76%
12	Ligui Ma	4,028,676	0.75%
13	George Bauk	4,000,000	0.74%
14	BNP Paribas Nominees PL	3,705,190	0.69%
15	Bradley Scott Dvorak	3,028,657	0.56%
16	Totode PL Hindmarsh Investment A/C	3,008,420	0.56%
17	Colin J Mccavana + DD Mccavana	2,475,000	0.46%
18	Xetrov PL	2,360,000	0.44%
19	Li Qun Liu	2,264,678	0.42%
20	Jingmei Wang	2,163,543	0.40%
		<u>376,745,365</u>	<u>69.87%</u>

As at 13 October 2016, the issued capital comprised 539,196,202 ordinary fully paid quoted shares.

NORTHERN MINERALS LIMITED

SHAREHOLDER INFORMATION

2. Substantial Holders of equity securities

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

Holder	Number of shares
Australian Conglin International Investment Group	145,630,731
Mr Conglin Yue	52,980,297
Huatai Mining PL	30,000,000

3. Voting Rights

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

a) Ordinary shares

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

b) Options

No voting rights

4. Stock Exchange Listing

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

5. Unquoted Securities

Unquoted securities	Number	Number of holders
Unquoted shares (NTUAI)	13,928,400	30
Unquoted performance rights	11,000,000	10
Unquoted options	15,312,470	3

6. Restricted Securities

As at 13 October 2016 there were 13,928,400 restricted securities on issue.

7. On-Market Buyback

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

NORTHERN MINERALS LIMITED

CORPORATE DIRECTORY

CORPORATE DIRECTORY

Directors

Conglin Yue
(Executive Chairman)

Kevin Schultz
(Deputy Chairman)

George Bauk
(Managing Director/CEO)

Colin McCavana
(Non-executive Director)

Adrian Griffin
(Non-executive Director)

Yanchun Wang
(Non-executive Director)

Bin Cai
(Alternate Director)

Company Secretary

Mark Tory

Registered and Principal Office

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West Perth WA 6872

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Email: info@northernminerals.com.au

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ABN 61 119 966 353

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Facsimile: +61 8 9315 2233

ASX Code

NTU

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Level 4, Westralia Place
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Perth WA 6000

Auditors

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

Bankers

National Australia Bank

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