



**NORTHERN
MINERALS**

Powering Technology.

NORTHERN MINERALS LIMITED

ABN 61 119 966 353

**CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2021**

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report of the Group, being Northern Minerals Limited ("Northern Minerals" or "Company") and its controlled entities for the half year ended 31 December 2021 as follows:

DIRECTORS

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

Nicholas Curtis AM – Non-executive Chairman – appointed 23 November 2021

Ming Lu – Non-executive Director

Liangbing Yu – Non-executive Director

Bin Cai – Non-executive Director – ceased as Alternate Director on 22 July 2021 and was appointed as Non-executive Director on 27 July 2021

Adam Handley – Non-executive Director – appointed 14 December 2021

Colin James McCavana – Non-executive Chairman – resigned 17 November 2021

Yanchun Wang – Non-executive Director – ceased being a Director on 22 July 2021

RESULTS OF OPERATIONS

A summary of key financial indicators for the Group, with the 31 December 2020 half year comparison, is set out in the following table:

	Half Year 2021	Half Year 2020
Total revenue and other income	\$5,488,478	\$6,310,450
Net loss for the year after tax	(\$13,184,990)	(\$5,589,697)
Basic loss per share (cents)	(0.27) cents	(0.13) cents
Net cash used in / (received from) operating activities	(\$8,783,069)	\$6,451,590
Net cash used in investing activities	(\$410,543)	(\$5,698,959)
Net cash from financing activities	\$471,895	\$3,222,949

Financial performance

The net loss of the Group for the half year ended 31 December 2021 was \$13.18 million (2020: \$5.59 million). This is due to an increase in exploration activities in the period including substantial drilling campaigns as highlighted in the review of operations, as well as commencement of work on the feasibility study for a full scale beneficiation plant.

Total revenue and other income decreased, however there was \$2.38 million of rare earth concentrate sales in the period to our offtake partner thyssenkrupp Materials Trading GmbH. This was offset by a decrease in the R & D refundable tax offset for the period from \$5.03 million in 2020 to \$2.98 million in the 2021 period based on work completed on eligible R & D activities.

Depreciation expenses increased from \$0.86 million in 2020 to \$2.07 million in 2021 due to the completion of installation and commissioning of the ore sorter at the Browns Range Pilot Plant in the period.

During the half year ended 31 December 2021, the Group's cash outflows from operating activities were \$8.78 million (2020: inflow of \$6.45 million). Key inflows include the receipt of outstanding research and development rebates of \$4.33 million (2020: \$20.17 million) and \$2.38 million (2020: \$0.37 million) from the sale of rare earth carbonate in the period.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

Financial position

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

The Group has reported a net loss for the period of \$13,184,990 (31 December 2020: \$5,589,697), had a net working capital surplus of \$11,301,290 (30 June 2021: \$22,031,954) and a cash outflow from operating activities of \$8,783,069 (31 December 2020: \$6,451,590 cash inflow).

Management has prepared a cash flow forecast which indicates that the Group will need to raise additional funds. The Directors carefully manage discretionary expenditure in line with the Group's cash flow forecast.

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

REVIEW OF OPERATIONS

During the period, the Group continued operation at the Browns Range Pilot Plant project. The pilot plant project is a three-year research and development project, to assess the economic and technical aspects of a heavy rare earth mine and process, and forms part of a broader ongoing feasibility study to develop a commercial scale operation at Browns Range.

Northern Minerals successfully completed the installation and commissioning of the ore sorting system at the end of the 30 June 2021 financial year. During this period, the Group focussed on the testing of the ore sorter system and producing ore sorted material. This material was then processed through the pilot beneficiation plant at Browns Range and converted to a ~30% TREO (Total Rare Earth Oxide) xenotime concentrate, which was then processed through the hydrometallurgical plant to produce a rare earth carbonate (REC). A total of 31,775 kg of REC was shipped to Darwin for sale to thyssenkrupp.

Following the appointment of a new Chairman and Director in the period the Group will undertake a review of the Group's strategy which will be led by the new Chairman Nick Curtis. As a result of the strategic review, a pause and review of the feasibility study for a full-scale beneficiation plant at Browns Range has been implemented post 31 December 2021.

The Group will be completing the three year test program on the Pilot Plant at Browns Range during the March 2022 quarter. The results of these test programs including results from the ore sorter will be utilised when the feasibility study is restarted. The Pilot Plant will be put on care and maintenance at completion of this testwork.

During the period, 17,500 metres of reverse circulation (RC) drilling and 3,300 metres of diamond drilling has been completed with some encouraging results.

The first batch of assay results have been received from drilling at the Banshee, Cyclops and Rockslider prospects however assay turnaround has been particularly slow from the 2021 program with the remainder expected to be returned in the next few months.

Encouraging drill results were received from the Rockslider, Cyclops and Banshee prospects. Best results from Rockslider was 103m @0.32% TREO from 15m in BRR0560, while at Cyclops was 15.65m @1.83% TREO from 24.35m in BRCD0001, and at Banshee the best intercept of 14m @0.50% TREO from 44m was returned in BRBR0105.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

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 20.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 17 January 2022, the Company issued 750,000 unlisted performance rights under the employee incentive scheme.

On 27 January 2022, the Group announced that the three year test program on the Pilot Plant at Browns Range will be completed during the March 2022 quarter and that the Pilot Plant will be put on care and maintenance on completion of this test work.

The impact of the Coronavirus (COVID-19) pandemic is ongoing as at 31 December 2021 and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is constantly changing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than noted above, no other matter or circumstance has arisen since the reporting date that has affected the Group's operations or results.

Signed in accordance with a resolution of the directors.



Nicholas Curtis AM
Chairman

Perth, Western Australia

9 March 2022

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	Half Year 31 Dec 21 \$	Half Year 31 Dec 20 \$
Revenue from continuing operations			
Revenue from contracts with customers		2,384,552	-
Interest		4,383	13,486
Research and development rebate		2,976,202	5,028,684
Other income		123,341	1,268,280
Total revenue and other income	2	<u>5,488,478</u>	<u>6,310,450</u>
Corporate expenses			
Administration expenses		296,257	336,121
Depreciation expense		2,074,581	858,742
Share based payments expense		452,277	(52,260)
Legal and professional expenses		405,889	782,447
Occupancy expenses		110,860	60,747
Employee benefits expense		1,817,174	1,301,081
Other corporate expenditure		124,298	103,575
Royalty expense		96,999	-
Changes in the fair value of interest bearing liabilities at fair value through profit & loss		-	189,162
Total corporate expenses		<u>5,378,335</u>	<u>3,579,615</u>
Exploration and evaluation expenditure			
Exploration costs		4,709,230	1,829,252
Project evaluation and pre-feasibility costs		8,552,929	6,298,095
Total exploration and evaluation expenditure		<u>13,262,159</u>	<u>8,127,347</u>
Total expenses		<u>18,640,494</u>	<u>11,706,962</u>
Operating profit /(loss)		(13,152,016)	(5,396,512)
Finance costs		(32,974)	(193,185)
Profit/(loss) before income tax		(13,184,990)	(5,589,697)
Income tax expense		-	-
Profit/(loss) for the period		(13,184,990)	(5,589,697)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to members of the entity		<u>(13,184,990)</u>	<u>(5,589,697)</u>
Earnings/(loss) per share attributable to ordinary equity holders of the Company:			
Basic and diluted earnings/(loss) per share (cents per share)	6	(0.27)	(0.13)

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

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	31 Dec 2021 \$	30 Jun 2021 \$
Current Assets			
Cash and cash equivalents		11,167,285	19,897,420
Trade and other receivables	3(a)	3,256,654	4,669,108
Inventory		902,271	885,842
Total Current Assets		15,326,210	25,452,370
Non-Current Assets			
Other financial assets		74,152	74,138
Property, plant and equipment	4(a)	10,569,558	12,239,776
Total Non-Current Assets		10,643,710	12,313,914
Total Assets		25,969,920	37,766,284
Current Liabilities			
Trade and other payables	3(b)	2,426,057	1,430,157
Interest bearing liabilities	3(c)	240,681	73,059
Deferred revenue		-	845,254
Provisions		1,358,182	1,071,946
Total Current Liabilities		4,024,920	3,420,416
Non-Current Liabilities			
Interest bearing liabilities	3(c)	205,396	219,280
Provisions		5,140,256	5,129,440
Total Non-Current Liabilities		5,345,652	5,348,720
Total Liabilities		9,370,572	8,769,136
Net Assets		16,599,348	28,997,148
Equity			
Issued Capital	5(a)	270,487,071	270,152,158
Reserves		1,240,174	1,143,529
Accumulated losses		(255,127,897)	(242,298,539)
Total Equity		16,599,348	28,997,148

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

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENTS RESERVE	PERFORMANCE RIGHTS AND OPTIONS RESERVE	OTHER RESERVES	TOTAL
	\$	\$	\$	\$	\$	\$
Consolidated Entity Balance at 1 July 2020	243,671,335	(244,536,008)	2,807,380	8,966,253	747,554	11,656,514
Profit/(loss) for the period	-	(5,589,697)	-	-	-	(5,589,697)
Total comprehensive loss for the period	-	(5,589,697)	-	-	-	(5,589,697)
Transactions with owners in their capacity as owners:						
Shares issued net of transaction costs	8,087,237	-	-	-	-	8,087,237
Shares/options issued	-	-	-	(52,260)	-	(52,260)
Decrease in value in collateral shares reissued	-	-	-	-	(960,001)	(960,001)
Balance at 31 December 2020	251,758,572	(250,125,705)	2,807,380	8,913,993	(212,447)	13,141,793
Balance at 1 July 2021	270,152,158	(242,298,539)	-	1,143,529	-	28,997,148
Profit/(loss) for the period	-	(13,184,990)	-	-	-	(13,184,990)
Total comprehensive loss for the period	-	(13,184,990)	-	-	-	(13,184,990)
Transactions with owners in their capacity as owners:						
Shares issued net of transaction costs	334,913	-	-	-	-	334,913
Shares/options issued	-	-	-	452,277	-	452,277
Transfer of reserves to accumulated losses	-	355,632	-	(355,632)	-	-
Balance at 31 December 2021	270,487,071	(255,127,897)	-	1,240,174	-	16,599,348

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

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	Half Year 31 Dec 21 \$	Half Year 31 Dec 20 \$
Cash flows from operating activities			
Receipts from customers		2,384,552	372,683
Payments to suppliers and employees		(15,598,036)	(12,983,260)
Net interest paid		(11,834)	(1,915,228)
Research & development rebate on eligible expenditure		4,328,735	20,173,322
Other income received		113,514	804,073
Net cash inflow/ (outflow) from operating activities		(8,783,069)	6,451,590
Cash flows from investing activities			
Payments for property, plant and equipment		(404,363)	(5,685,434)
Security deposits paid		(6,180)	(13,525)
Net cash inflow/ (outflow) from investing activities		(410,543)	(5,698,959)
Cash flows from financing activities			
Proceeds from issues of shares		337,500	7,650,000
Share issue costs		(2,587)	(482,764)
Proceeds from borrowings		580,864	496,662
Repayment of borrowings		(414,648)	(4,426,761)
Payments for lease liabilities		(29,234)	(14,188)
Net cash inflow/ (outflow) from financing activities		471,895	3,222,949
Net increase/ (decrease) in cash and cash equivalents		(8,721,717)	3,975,580
Cash and cash equivalents at beginning of period		19,897,420	6,660,568
Effects of exchange rate changes on cash and cash equivalents		(8,418)	(49,991)
Cash and cash equivalents at the end of the period		11,167,285	10,586,157

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

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

1. Summary of Significant Accounting Policies

1.1 Corporate information

Northern Minerals Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX: NTU). Its registered office and principal place of business is at Ground Floor, 34 Colin Street, West Perth, Western Australia.

This consolidated interim financial report was approved by the Board of Directors on 9 March 2022.

1.2 Basis of preparation

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

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that the consolidated interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Northern Minerals Limited during, and subsequent to, the half year ended 31 December 2021 in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

1.3 Significant accounting policies

Exploration and evaluation expenditure

The Group's accounting policy for exploration expenditure is to expense costs as incurred in accordance with AASB 6 "Exploration for and Evaluation of Mineral Resources". The Group has determined that expenditure in relation to the pilot plant can still be accounted for under AASB 6 given the main activity of the Group relates to evaluating the technical feasibility and commercial viability of extracting the mineral resource. Items of plant and equipment purchased as part of the pilot plant are capitalised.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the activities and geographic regions in which the consolidated group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

The accounting policies adopted are consistent with those of the previous financial year.

Adoption of new and revised standards

In the half-year ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2021.

As a result of this review, the Directors have determined that there is no material impact of new Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2021.

New accounting standards not yet effective

Management have reviewed all of the new and revised Standards and interpretations in issue not yet adopted for the period ended 31 December 2021. As a result of this review the Group have determined that there is no material impact of the Standards and Interpretations on issue not yet adopted by the Group, and therefore, no change is necessary to Group accounting policies.

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

1.4 Financial Position

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

The Group has reported a net loss for the period of \$13,184,990 (31 December 2020: \$5,589,697), had a net working capital surplus of \$11,301,290 (30 June 2021: \$22,031,954) and a cash outflow from operating activities of \$8,783,069 (31 December 2020: \$6,451,590 cash inflow).

Management has prepared a cash flow forecast which indicates that the Group will need to raise additional funds. The Directors carefully manage discretionary expenditure in line with the Group's cash flow forecast.

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

2. Revenue and Other Income

The Group derives the following types of revenue:

	Half Year 31 Dec 21	Half Year 31 Dec 20
	\$	\$
Revenue from contracts with customers	2,384,552	-
R & D rebate on eligible expenditure	2,976,202	5,028,684
Covid-19 grant programs	-	640,800
Government grants	-	666,471
Interest Income	4,383	13,486
Other income	123,341	(38,991)
Total revenue from continuing operations	5,488,478	6,310,450

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods and services promised.

Current year revenue from contracts with customers has resulted from the sale of Rare Earth Carbonate ("REC") to a single external customer. Revenue from REC sales is brought to account when the significant risks and rewards of ownership have transferred to the buyer and selling prices are known or can be reliably estimated.

Research and development rebates and government grants

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

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

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

2. Revenue and Other Income (continued)

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

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

For details of unfulfilled conditions or other contingencies attaching to these grants, see Note 7.

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

3. Financial Assets and Liabilities

(a) Trade and other receivables

	31 Dec 2021	30 Jun 2021
	\$	\$
Current		
GST receivable	496,073	113,566
Prepayments	546,093	159,260
Other receivables	15,993	-
R&D rebate receivable	2,198,495	4,396,282
	<u>3,256,654</u>	<u>4,669,108</u>

(b) Trade and other payables

Current		
Trade and other payables	<u>2,426,057</u>	<u>1,430,157</u>

(c) Interest Bearing Liabilities

	Interest Rate	31 Dec 2021	30 Jun 2021
		\$	\$
Current			
Equipment finance (Secured)	2.90%	9,670	16,307
Insurance premium funding	7.30%	174,259	-
Right of use lease liability	15%	56,752	56,752
		<u>240,681</u>	<u>73,059</u>
Non-Current			
Right of use lease liability	15%	205,396	219,280
		<u>205,396</u>	<u>219,280</u>

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

3. Financial Assets and Liabilities (continued)

(d) Fair value measurement

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

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

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

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

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

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 periods.

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

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

4. Non-financial Assets and Liabilities

(a) Property, plant and equipment

	Assets under construction	Plant and equipment	Site plant bulk earthworks	Browns Range buildings	Right of use assets Office lease	Total
Non-Current As at 30 June 2021	\$	\$	\$	\$	\$	\$
Cost	6,891,209	4,491,514	2,108,973	4,141,712	280,121	17,913,529
Accumulated Depreciation	-	(2,991,650)	(1,725,082)	(922,006)	(35,015)	(5,673,753)
Carrying amount at end of the financial year	6,891,209	1,499,864	383,891	3,219,706	245,106	12,239,776
Period ended 31 December 2021						
Cost						
At beginning of the period	6,891,209	4,491,514	2,108,973	4,141,712	280,121	17,913,529
Additions	296,697	105,733	-	5,453	-	407,883
Transfers	(7,135,157)	7,135,157	-	-	-	-
Disposals	(3,520)	-	-	-	-	(3,520)
At the end of the period	49,229	11,732,404	2,108,973	4,147,165	280,121	18,317,892
Accumulated Depreciation						
Accumulated depreciation at beginning of the period	-	(2,991,650)	(1,725,082)	(922,006)	(35,015)	(5,673,753)
Depreciation charge for the period	-	(1,837,377)	(61,726)	(152,135)	(23,343)	(2,074,581)
Disposals	-	-	-	-	-	-
At the end of the period	-	(4,829,027)	(1,786,808)	(1,074,141)	(58,358)	(7,748,334)
Carrying amount at end of the period	49,229	6,903,377	322,165	3,073,024	221,763	10,569,558

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

5. Equity

(a) Ordinary Shares	<u>31 December 2021</u>		<u>30 June 2021</u>	
	Number	\$	Number	\$
Share Capital				
Ordinary Shares	4,860,869,699	270,487,071	4,846,066,366	270,152,158

Movements in ordinary share capital	<u>31 December 2021</u>		<u>30 June 2021</u>	
	Number of Shares	Value \$	Number of Shares	Value \$
Balance at the beginning of year	4,846,066,366	270,152,158	3,987,080,431	243,671,335
Conversion of Performance Rights	5,795,000	-		
Option Conversion at \$0.045	7,500,000	337,500	-	-
Conversion of Performance Rights	1,508,333	-		
Conversion of Performance Rights	-	-	4,000,000	-
Lind – Partial repayment of Convertible Note	-	-	50,000,000	800,000
Placement at \$0.02	-	-	183,500,000	3,670,000
Lind – Partial repayment of Convertible Note	-	-	66,666,667	1,200,000
Placement at \$0.02	-	-	145,000,000	2,900,000
Conversion of Performance Rights	-	-	1,107,000	-
Placement at \$0.049 (discounted for free attaching options)	-	-	408,163,267	19,591,837
Conversion of Performance Rights	-	-	140,000	-
Conversion of Performance Rights	-	-	179,000	-
Conversion of Performance Rights	-	-	230,000	-
	<u>4,860,869,699</u>	<u>270,489,658</u>	<u>4,846,066,366</u>	<u>271,833,172</u>
Less: costs of issue	-	(2,587)	-	(1,681,014)
Balance at the end of period	<u>4,860,869,699</u>	<u>270,487,071</u>	<u>4,846,066,366</u>	<u>270,152,158</u>

(b) Share Purchase Plan Shares

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

	31 Dec 2021 Number	30 Jun 2021 Number
Balance at beginning of period	4,353,400	4,353,400
Shares reverted to company and reissued during the period	-	-
Balance at end of period	<u>4,353,400</u>	<u>4,353,400</u>

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

5. Equity (continued)

(c) Performance Rights over ordinary shares

<i>Performance rights with conditions* with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)</i>	31 Dec 2021 Number	30 Jun 2021 Number
Balance at beginning of period / year	145,750	6,179,900
Issued during the period / year	43,416,665	-
Forfeited/ lapsed during the period / year	(2,135,750)	(4,678,150)
Exercised during the period / year	(7,303,333)	(1,356,000)
Balance at end of period / year	<u>34,123,332</u>	<u>145,750</u>
Exercisable at end of period / year	<u>1,430,000</u>	<u>145,750</u>

The weighted average remaining contractual life for the performance rights outstanding as at 31 December 2021 is 1.72 years (30 June 2021: 0 years) with an exercise price of nil.

* Performance conditions

The Performance Rights Plan was approved by shareholders at the 22 July 2021 General Meeting. Under the plan, participants are granted performance rights which only vest if certain performance conditions are met. The amount of rights that will vest depends on the following conditions.

Rights are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share and can be exercised at any time from and including the vesting date up to and including the date of expiry. The performance rights will expire if not exercised 12 months after they have vested.

The performance rights have been split across numerous tranches and performance conditions:

- Completion of testing of 5,000 tonnes of crushed ore through the Company's ore sorter at Browns Range.
- Successful development and implementation of the Integrated Management System.
- Production of 40 tonnes of rare earth carbonate.
- Processing ore stockpiles through the beneficiation plant to produce 2,000 tonnes of xenotime concentrate.
- Exploration resource upgrade to support a 10 year life of mine.
- Completion of the feasibility study for full scale beneficiation plant.
- Board final investment decision on decision to invest in full scale beneficiation plant.
- Practical completion of the full scale beneficiation plant.

Vesting periods range from 31 December 2021 to 30 June 2025, with between 100% and 0% vesting between nominated dates.

A total of 3,000,000 performance rights were issued with the following conditions:

Relative Total Shareholder Returns (TSR) for the 12 months to 31 December 2021, 1 January 2022 to 31 December 2022, and 1 January 2023 to 31 December 2023 compared to peers. Rights vesting range from 100% with TSR at or above the 75th percentile to 0% for less than the 25th percentile.

NORTHERN MINERALS LIMITED
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FOR THE HALF YEAR ENDED 31 DECEMBER 2021

5. Equity (continued)

(d) Options over ordinary shares

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

Grant Date	Expiry date	Exercise price	Share options 31 December 2021	Share options 30 June 2021
30 November 2018	20 December 2021	\$0.1225	-	10,000,000
2 March 2020	2 March 2024	\$0.045	26,500,000	34,000,000
22 February 2021	22 February 2024	\$0.074	153,061,226	153,061,226
22 February 2021	27 July 2024	\$0.074	51,020,408	-
Total			230,581,634	197,061,226
Weighted average remaining contractual life of options outstanding at end of period			2.24 years	2.54 years
Weighted average price of options outstanding at end of period			\$0.070	\$0.070

51,020,408 unlisted options were issued on 27 July 2021 as Tranche 2 of the \$20 million placement announced on 16 February 2021. These options had an exercise price of \$0.074 each and have an expiry date of 27 July 2024.

10,000,000 options expired on 20 December 2021 at an exercise price of \$0.1225.

7,500,000 options with an expiry date of 2 March 2024 were exercised at \$0.045 in the period.

6. Earnings/ (loss) per share

	Half year 31 Dec 2021	Half year 31 Dec 2020
	Cents per share	Cents per share
a) Basic loss per share		
From continuing operations attributable to the ordinary equity holders of the Company	(0.27)	(0.13)
b) Loss used in calculating loss per share	\$	\$
Loss attributable to ordinary equity holders of the Company for basic and diluted earnings per share	(13,184,990)	(5,589,697)
c) Weighted average number of shares used as the denominator	Number	Number
The weighted average number of ordinary shares on issue during the financial period used in the calculation of basic loss per share	4,850,381,311	4,331,761,648

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

NORTHERN MINERALS LIMITED
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7. Contingent Liabilities

Co-Existence Agreement

Under the terms of the co-existence agreement announced to ASX on 16 June 2014, the Group 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 Group's Browns Range Project and cannot be reliably measured at this time.

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

Guarantees

The Group has guarantees in the form of security deposits for rent and performance bonds of \$74,152 (30 June 21: \$74,138).

Government Grants

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

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

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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8. Commitments

(i) Exploration Expenditure Commitments

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

	31 Dec 21	31 Dec 20
	\$	\$
Exploration Tenements		
Within one year	1,067,100	834,400

9. Segment Information

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

10. Share-based Payments

(a) Valuation of Options and Performance Rights

The fair value of the equity-settled share options granted to third parties is estimated as at the date of grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options and shares were granted.

The initial undiscounted value of the performance rights issued on 24 September 2021 under the employee Performance Rights Plan 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 assessed fair value at grant date of the performance rights issued on 21 December 2021 was independently determined using an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the vesting period, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the right and the correlations and volatilities of the peer group companies.

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 fair value of options and performance rights are recognised as an expense over the period from grant to vesting date.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

10. Share-based Payments (continued)

(a) Valuation of Options and Performance Rights (continued)

The tables below list the inputs to the model used for the period ended 31 December 2021.

The following relates to the unlisted options and performance rights issued during the period ended 31 December 2021:

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price – at date of issue	Risk Free Rate	Volatility	Value Per Option/Right
27/07/2021	27/07/2024	51,020,408	22/02/2021	\$0.048	n/a	n/a	n/a	\$0.000*
24/09/2021	31/12/2021-31/12/2025	40,416,665	16/08/2021	\$0.041	Nil	Nil	Nil	\$0.041
21/12/2021	31/12/2021-31/12/2023	3,000,000	16/08/2021	\$0.041	\$0.043	0.04-0.25%	75%	\$0.0246 - \$0.0362

*Relates to Tranche 2 free – attaching options on \$20 million placement announced on 16 February 2021.

11. Events Occurring After the Reporting Period

On 17 January 2022, the Company issued 750,000 unlisted performance rights under the employee incentive scheme.

On 27 January 2022, the Group announced that the three year test program on the Pilot Plant at Browns Range will be completed during the March 2022 quarter and that the Pilot Plant will be put on care and maintenance on completion of this test work.

The impact of the Coronavirus (COVID-19) pandemic is ongoing as at 31 December 2021 and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is constantly changing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than noted above, no other matter or circumstance has arisen since the reporting date that has affected the Group's operations or results.

NORTHERN MINERALS LIMITED

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes as set out on pages 4 to 18:
 - (i) gives a true and fair view of the financial position as at 31 December 2021 and the performance for the half-year ended on that date of the Company; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting", *Corporations Act 2001* 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.

On behalf of the Board



Nicholas Curtis AM
Chairman

Perth, Western Australia

9 March 2022

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

To the directors of Northern Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2021 there have been:

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



Nexia Perth Audit Services Pty Ltd



M. Janse van Nieuwenhuizen
Director

Perth
9 March 2022

Independent Auditor's Review Report

To the members of Northern Minerals Limited

Report on the Interim financial report

Conclusion

We have reviewed the interim financial report of Northern Minerals Limited ("the Company") and its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 31 December 2021, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Interim Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our review of the interim financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$13,184,990 and cash outflows from operating activities of \$8,783,069 during the half-year ended 31 December 2021. As stated in Note 1, these events, or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Nexia Perth

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Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Nexia Perth Audit Services Pty Ltd



Muranda Janse Van Nieuwenhuizen

Director

9 March 2022

Perth, Western Australia

NORTHERN MINERALS LIMITED

CORPORATE DIRECTORY

Directors

Nicholas Curtis AM
(Non-executive Chairman)

Ming Lu
(Non-executive Director)

Liangbing Yu
(Non-executive Director)

Bin Cai
(Non-executive Director)

Adam Handley
(Non-executive Director)

Company Secretary

Belinda Pearce

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NTU

Solicitors

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Auditors

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Level 3, 88 William Street
Perth WA 6000 Australia

Bankers

National Australia Bank