



**NORTHERN
MINERALS**

Powering Technology.

NORTHERN MINERALS LIMITED

ABN 61 119 966 353

ANNUAL FINANCIAL STATEMENTS

2015

NORTHERN MINERALS LIMITED DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2015.

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 were in office for this 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 - present)

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 and he is a member of the Nomination Committee.

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 (CONTINUED)

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. Ms Wang is currently a Director of the following listed company:

- Orion Metals Limited (Director August 2012 - present)

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 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	3	7	N/A	N/A	N/A	N/A
Kevin Schultz	7	7	2	2	N/A	N/A
George Bauk	7	7	2	2	N/A	N/A
Adrian Griffin	7	7	2	2	1	1
Colin McCavana	7	7	2	2	1	1
Yanchun Wang	0	7	N/A	N/A	N/A	N/A
Bin Cai	6	7	N/A	N/A	N/A	N/A

A – meetings attended

B – meetings held whilst a director

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

Interests in the shares and options of the Company as at the date of this report:

Director (direct and indirect holdings)	Ordinary Shares	Performance Rights	Options
Conglin Yue ¹	198,610,998	1,000,000	-
Kevin Schultz	652,500	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 since the incorporation of the Company.

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.

REVIEW OF OPERATIONS

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

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

September 2014 Quarter

- A \$6m facility was put in place with Macquarie Bank, offset against the 2013/14 Research and Development rebate. The rebate of \$8.99m was received on 23 September and the facility was retired.
- Following the completion of a third five-day pilot run at ANSTO, Hydrometallurgical recoveries for Dysprosium were increased 92% and total rare earth oxide (TREO) to 92.6%.

December 2014 Quarter

- Total Heavy Rare Earth resource at Browns Range increased by 4,375,000kg to total of 52,372,000kg of TREO in 8.47 million tonnes @ 0.62% TREO.
- The Browns Range Project was granted environmental approval by the Western Australian Minister for Environment.
- Significant drill intersections were achieved from first pass drilling at two new prospects – Polaris and Havok.

March 2015 Quarter

- The Company announced it had signed an MoU with Jien Mining Pty Ltd to raise \$49.5m subject to due diligence and various approvals being received. \$5m in the form of a convertible note was received during the quarter.
- A short term funding facility for up to \$4m was put in place with Macquarie Bank secured against the Company's 2014/15 Research and Development Rebate.
- An updated Ore Reserve for the Browns Range Project of 3.8Mt of ore containing 2,294,000kg dysprosium and 26,375,000kg TREO was announced.

**NORTHERN MINERALS LIMITED
DIRECTORS' REPORT (CONTINUED)**

- The Definitive Feasibility Study for the Browns Range Project was released in February giving the project a Net Present Value of \$552m.

June 2015 Quarter

- Shareholder approval for the transaction with Jien Mining was received in May.
- The group acquired 100% ownership in the John Galt Project.

OPERATING RESULTS FOR THE YEAR

The net loss for the year ended 30 June 2015 was \$15,642,414 (Restated 2014: \$26,805,737).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report not otherwise disclosed in this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION

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.

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT (CONTINUED)

OPTIONS AND PERFORMANCE RIGHTS

As at the date of this report, there were the following unissued ordinary shares for which options and performance rights were outstanding:

	Number of options/rights	Exercise price – cents	Expiry date
Unlisted options/ performance rights	14,062,470	Between \$0.19 and \$0.372	Between 8 October 2015 and 12 June 2020
Unlisted performance rights ¹	11,400,000	Nil	Between 30 June 2017 and 31 December 2017
Total	25,462,470		

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>	
610,000	\$0.56
200,000	\$0.37
125,000	\$0.56
150,000	\$0.63
300,000	\$0.30
<i>Options</i>	
66,590,115	\$0.30

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.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for directors, secretaries and senior managers of Northern Minerals Limited ("the Company").

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).

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.

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.

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.

**NORTHERN MINERALS LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT (Audited) (Continued)

3. Executive Remuneration (Continued)

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

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

4. Service agreements

Employment Contract – Mr George Bauk (Managing Director/Chief Executive Officer)

The employment contract commenced on 2 March 2010 and is not for a fixed period.

The main terms of the employment contract with Mr Bauk for the year under review are as follows:

- Remuneration package (inclusive of superannuation) of \$405,150 pa
- Salary reviewed in June each year
- The Company is entitled to terminate the agreement by giving no less than 12 months' notice
- Mr Bauk is entitled to terminate the agreement by giving no less than 3 months' notice
- On redundancy the Company will be obliged to make a payment of one year's salary

Other executives are employed under contracts with no fixed term and can be terminated by either party by between one and 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
- 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
- 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
- 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 (CONTINUED)

5. Details of Remuneration for the Year Ended 30 June 2015

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

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

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT (CONTINUED)

Details of Remuneration for the Year Ended 30 June 2014

	<i>Short-term</i>		<i>Post Employment</i>		<i>Share-based Payments</i>		<i>Total</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	70,583	1,912	-	-	-	25,680	98,175
Kevin Schultz	63,303	2,084	5,856	-	-	167,096	238,339
George Bauk	417,652	2,084	17,775	10,082	224,153	229,151	900,897
Adrian Griffin	58,716	2,084	5,431	-	-	167,096	233,327
Colin McCavana	58,716	2,084	5,431	-	-	167,096	233,327
Yanchun Wang	-	1,483	-	-	-	25,680	27,163
Bin Cai	203,697	1,746	-	-	1,693	4,755	211,891
Specified Executives							
Robin Wilson	235,750	5,821	21,807	6,424	21,011	58,650	349,463
Robin Jones	292,917	-	25,000	15,128	12,598	58,650	404,293
Robert Sills	192,660	12,087	17,821	3,573	14,068	58,650	298,859
Mark Tory	252,294	2,084	23,337	-	63,279	43,510	384,504
TOTAL	1,846,288	33,469	122,458	35,207	336,802	1,006,014	3,380,238

There were no cash bonuses or termination benefits payable as at 30 June 2014.

NORTHERN MINERALS LIMITED
DIRECTORS' REPORT (CONTINUED)

6. Employee share/performance rights plan

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

30 June 2015

	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	-	240,000	-
George Bauk	-	240,000	-
Adrian Griffin	-	240,000	-
Colin McCavana	-	240,000	-
Yanchun Wang	-	-	-
Bin Cai	-	-	-
Specified Executives			
Robin Wilson	-	-	-
Robin Jones	-	-	130,800
Robert Sills	-	-	168,000
Mark Tory	-	-	-
TOTAL	-	960,000	298,800

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

30 June 2015

	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	13,299	-	45,864
Robin Jones	14,694	-	32,340
Robert Sills	-	-	53,369
Mark Tory	14,787	-	-
TOTAL	42,780	-	131,573

**NORTHERN MINERALS LIMITED
DIRECTORS' REPORT (CONTINUED)**

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 2015

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

Share Plan Shares – 30 June 2015

	Date of Issue	Number of Shares	Number Vested	Value at Grant Date
Directors				
Conglin Yue	-	-	-	-
Kevin Schultz	-	-	-	-
George Bauk	-	-	-	-
Adrian Griffin	-	-	-	-
Colin McCavana	-	-	-	-
Yanchun Wang	-	-	-	-
Bin Cai	-	-	-	-
Specified Executives				
Robin Wilson	19/05/2015	143,000	-	13,299
Robin Jones	19/05/2015	158,000	-	14,694
Robert Sills	-	-	-	-
Mark Tory	19/05/2015	159,000	-	14,787

NORTHERN MINERALS LIMITED DIRECTORS' REPORT (CONTINUED)

6.4 Shareholdings of Key Management Personnel for 2015

	Held at Beginning of Year	Granted as Compensation	Exercise of Options/Performance Rights	Other Changes	Held at 30 June 2015	Vested	Not Vested
Directors:							
Conglin Yue	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	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

Shareholdings of Key Management Personnel for 2014

	Held at Beginning of Year	Granted as Compensation	Exercise of Options	Other Changes	Held at 30 June 2014	Vested	Not Vested
Directors:							
Conglin Yue ¹	-	-	-	198,610,998	198,610,998	198,610,998	-
Kevin Schultz	787,500	-	-	(685,000)	102,500	102,500	-
George Bauk	2,975,238	4,000,000	-	50,000	7,025,238	3,025,238	4,000,000
Adrian Griffin	2,744,150	-	-	-	2,744,150	2,744,150	-
Colin McCavana	3,200,000	-	-	-	3,200,000	3,200,000	-
Yanchun Wang ²	-	-	-	145,630,731	145,630,731	145,630,731	-
Bin Cai	-	100,000	-	-	100,000	-	100,000
Specified Executives							
Robin Wilson	1,418,403	300,000	-	-	1,718,403	1,293,403	425,000
Robin Jones	524,293	300,000	-	-	824,293	424,293	400,000
Robert Sills	563,000	300,000	-	-	863,000	463,000	400,000
Mark Tory	490,000	500,000	-	-	990,000	640,000	350,000
	12,702,584	5,500,000	-	343,606,729	361,809,313	356,134,313	5,675,000

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 (CONTINUED)**

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.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is attached to the Independent Audit Report and forms part of the Directors' Report for the year ended 30 June 2015.

NON-AUDIT SERVICES

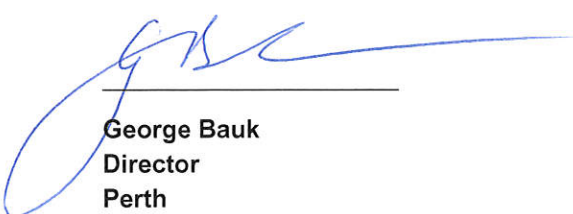
There were no Non-Audit services carried out in the year ended 30 June 2015.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 15 July 2015, the Company announced that Jien Mining Pty Ltd (Jien) had completed its due diligence on Northern Minerals in relation to the \$49.5m funding transaction announced to the ASX on 18 February 2015. The transaction then received Foreign Investment Review Board approval on 6 August 2015. Following this on 18 August 2015, the Company announced that it had signed a Memorandum of Understanding (MOU) with Jien for product offtake from the Browns Range Project (the Project). Under the terms of the MOU Northern Minerals agrees to sell and Jien agrees to purchase 50% of the product from the Project. On 21 August, the ASX granted a waiver extending the time period for which 110,000,000 options can be issued under the transaction to Jien to 30 November 2015.

On 4 September 2015, the Company received the final Research and Development rebate totalling \$4,985,413. On receipt of these funds, the Company's \$4,000,000 credit facility with Macquarie was retired.

Signed in accordance with a resolution of the directors.



George Bauk
Director
Perth
23 September 2015

NORTHERN MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board and Management is responsible for the corporate governance of the Company and has adopted a manual of corporate governance policies and procedures based on control systems and accountability. A summary of the Company's corporate governance policies and procedures is included in this Statement. The Company's corporate governance policies and procedures are in line with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition). The Company has followed the Principles and Recommendations where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration by the Board, the Company's corporate governance practices depart from the ASX Corporate Governance Principles and Recommendations, the Board has fully disclosed the departure and the reason for the adoption of its own practice, in compliance with the "if not, why not" exception reporting regime.

Other information about the Company's Corporate Governance practices as adopted by the Board and which are continually reviewed to ensure they remain consistent with the needs of the company are set out on the Company's website at www.northernminerals.com.au.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Recommendation	Compliance with ASX Principles and Recommendations	If not, why not	Recommendation	Compliance with ASX Principles and Recommendations	If not, why not
1.1	√	Refer (a) below	4.2	√	Refer (d) below
1.2	√	Refer (a) below	4.3	√	Refer (d) below
1.3	√	Refer (a) below	5.1	√	Refer (e) below
1.4	√	Refer (a) below	6.1	√	Refer (f) below
1.5	X	Refer (a) below	6.2	√	Refer (f) below
1.6	√	Refer (a) below	6.3	√	Refer (f) below
1.7	√	Refer (a) below	6.4	√	Refer (f) below
2.1	√	Refer (b) below	7.1	X	Refer (g) below
2.2	X	Refer (b) below	7.2	√	Refer (g) below
2.3	√	Refer (b) below	7.3	X	Refer (g) below
2.4	X	Refer (b) below	7.4	X	Refer (g) below
2.5	X	Refer (b) below	8.1	X	Refer (h) below
2.6	√	Refer (b) below	8.2	√	Refer (h) below
3.1	√	Refer (c) below	8.3	√	Refer (h) below
4.1	X	Refer (d) below			

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

(a) Principle 1
Lay solid foundations for management and oversight

Recommendation 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its Board and management; and
- (b) those matters expressly reserved to the Board and those delegated to management.

Compliance:

The Board has adopted a formal Board Charter that details the functions and responsibilities of the Board and management.

The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that Shareholder value is increased.

Management is responsible for implementing the Company's strategies, the management and protection of its resources and day-to-day communication with its shareholders, all in accordance with the policies, systems and procedures approved by the Board.

These policies are set out in the Board Charter which is posted on the Company's website.

Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

Compliance:

The Company's Nomination Committee is responsible for periodically reviewing the structure and balance of the Board and making recommendations regarding appointments, retirement and terms of officers.

The Nomination Committee must identify and recommend candidates only after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience. The induction procedure is set out in the Nomination and Committee Charter.

All material information relevant to whether or not to elect or re-elect a director is provided to the Company's shareholders as part of the Notice of Meeting and explanatory statement for the relevant meeting of shareholders which addresses the election or re-election of a Director.

These policies are set out in the Nomination and Committee Charter which is posted on the Company's website.

Recommendation 1.3

A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

Compliance:

The Company has written agreements in place with all directors and senior executives in accordance with the Board Charter, setting out the terms of their appointment.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

Recommendation 1.4

The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Compliance:

The Company Secretary is responsible for ensuring Board procedures are complied with and that governance matters are addressed. All Directors have direct access to the company secretary who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either :
 - (i) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or
 - (ii) if the entity is a 'relevant employer' under the Workplace Gender Equality Act , the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Reasons for Non-compliance:

The Board has not adopted a formal diversity policy given the present size of the Company and has therefore no measurable objectives for achieving gender diversity. The Board believes no efficiencies or other benefits could be gained by establishing a formal diversity policy. A formal policy will be considered if deemed appropriate in future, if and when the size of the Company's operations and workforce would benefit from a formalised policy. It is noted that the Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas, and benefitting from all available talent.

Northern Minerals has 32 employees, of which 8 are women. There are no women in senior executive positions. The board includes one female director, being Ms Yanchun Wang who was appointed as a non-executive director on 14 October 2013.

The Company is not a "relevant employer" under the Workplace Gender Equality Act.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Compliance:

The Board has adopted a self-evaluation process to measure its performance each year by way of an annual Director's Questionnaire, as well as the Deputy Chairman reviewing the individual performance of each Board member. This process includes a review of the composition, performance, effectiveness and skills mix of the Directors of the Company.

During the reporting period the performance evaluations for the Board and individual directors did occur on an informal basis in accordance with the disclosed process.

Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Compliance:

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

- Annual performance evaluations carried out by the Managing Director/CEO against an established set of performance targets.
- Executive performance evaluation report prepared by the Managing Director/CEO and provided to the Board as a basis for making recommendations to the Board in relation to remuneration levels of executives.

During the reporting period the performance evaluations for the Board and individual directors did occur on an informal basis in accordance with the disclosed process.

(b) Principle 2

Structure the Board to add value

Recommendation 2.1

The Board of a listed entity should:

- (a) Have a Nomination Committee which:
 - (i) has at least three members, a majority of whom are independent directors; and
 - (ii) is chaired by an independent director, and disclose;
 - (iii) the charter of the committee
 - (iv) the members of the committee; and
 - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

- (b) if it does not have a Nomination Committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Compliance:

A Nomination Committee has been established by the Board and comprises Kevin Schultz, Adrian Griffin and Colin McCavana.

The majority of the Nomination Committee are independent Directors and the Chair is an independent Director.

The Nomination Committee has not met on a formal basis during the reporting period. In the future if the Committee meets, the number of times the Committee meets and the individual attendances of the members will be disclosed in the Company's annual report.

The Nomination and Committee Charter is available on the Company's website.

Recommendation 2.2

The listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

Reasons for Non-compliance:

Under the Nomination Committee Charter, the Nomination Committee is required to assess the skills and competencies required on the Board.

A Board skills matrix setting out the mix of skills and diversity that the Board currently has, or is looking to achieve, has not been formalised. The Committee will periodically assess the skills required to discharge the Board's duties, having regard to the strategic direction of the Company, and report that assessment to the Board.

The Directors of the Board collectively have a combination of skills, knowledge and experience necessary to direct the Company as disclosed in the Directors' Report.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the Directors considered by the Board to be independent Directors;
- (b) if a Director has an interest, position, association or relationship of the type disclosed in Box 2.3 of the ASX Corporate Governance Principles and Recommendations (3rd Edition), but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest , position, association or relationship in question and an explanation of why the Board is of that opinion; and
- (c) the length of service of each Director.

Compliance:

As at 30 June 2015, the Board consisted of:

Name	Role	Independent	Date appointed
Conglin Yue	Executive Chairman	No	31 July 2013
Kevin Schultz	Deputy Chairman	Yes	22 June 2006
George Bauk	Managing Director/ Chief Executive Officer	No	2 March 2010
Adrian Griffin	Non-Executive Director	Yes	22 June 2006
Colin McCavana	Non-Executive Director	Yes	22 June 2006
Yanchun Wang	Non-Executive Director	No	11 October 2013
Bin Cai	Alternate Director	No	29 August 2013

In considering the independence of Directors, the Board refers to the criteria for independence as set out in Box 2.3 of the ASX Principles and Recommendations (Factors relevant to assessing the independence of a Director). The materiality thresholds in this policy are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

The position of Chairman is occupied by Conglin Yue (who by virtue of his shareholding being higher than 5% of the Company's issued capital and the fact that he is an executive of the Company is not considered independent). Whilst it is acknowledged that Mr Yue is not independent, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain in that position.

George Bauk is not considered an independent Director due to the fact he is an executive of the Company.

Yanchun Wang is not considered an independent Director due to being related to Conglin Yue.
Bin Cai is not considered an independent Director due to the fact he is an executive of Australian Conglin International Investment Group, a major shareholder of the Company.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

Recommendation 2.4

A majority of the Board of a listed entity should be independent Directors.

Reasons for Non-compliance:

The Company's Board Charter sets out the composition of the Board to include a majority of Non-Executive independent Directors.

As noted in recommendation 2.3 a majority of Directors of the Board are not independent.

The Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by Directors who have a vested interest in the Company. The Board has been structured based on the need to effectively discharge its responsibilities and duties, given the current scale of the Company's operations. Each Director has the relevant experience and specific expertise relevant to the Company's business and level of operations. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. The Board will monitor its composition as the Company's operations evolve, and may appoint independent Directors as it deems appropriate.

The Company's Board Charter can be found on the Company's website.

Recommendation 2.5

The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

Reasons for Non-compliance:

The position of Chairman is occupied by Conglin Yue (who by virtue of his shareholding being higher than 5% of the Company's issued capital and the fact that he is an executive of the Company is not considered independent). Whilst it is acknowledged that Mr Yue is not independent, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain in that position.

The roles of Chairman and the CEO are carried out by different persons, namely Conglin Yue and George Bauk respectively.

Recommendation 2.6

A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.

Compliance:

All new non-executive Directors are required to sign and return a letter of appointment which sets out the key terms and conditions of their appointment. All new Directors are provided with a detailed induction manual.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. The Nomination and Committee Charter states the Nomination Committee will assess and make recommendations to the Chairman of the Board on means by which skill levels of existing Non-Executive Directors can be enhanced.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

(c) Principle 4
Safeguard integrity in corporate reporting

Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:
 - (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 - (ii) is chaired by an independent chair who is not chair of the board, and disclose:
 - (iii) the charter of the committee;
 - (iv) the relevant qualifications and experience of members of the committee; and
 - (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment, and removal of the external auditor and the rotation of the audit engagement partner.

Reasons for Non-compliance

A separate audit committee has not been formed.

The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of a separate committee is justified at this time. The responsibility of an audit committee, including reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors is carried out by 4 members of the Board. Any appointment of a new external auditor made by the Board must be ratified by shareholders at the next annual general meeting of the Company. Proposed external auditors must be able to demonstrate complete independence from the Company and maintain independence throughout the engagement period. The external auditor must have arrangements in place for the rotation of the lead audit engagement partner on a regular basis. Other than these mandatory criteria, the Board may select an external auditor based on other criteria relevant to the Company such as references, cost and any other matters deemed relevant by the Board.

All Board members have a strong financial and commercial background with the relevant qualifications to make valid judgements of the financial performance of the Company.

The Board considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee.

Recommendation 4.2

The Board of a listed entity should, before it approves the Company's financial statements for a financial period, receive from the Chief Executive Officer and the Chief Financial Officer a declaration that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Compliance:

The Board has received assurance in writing from Mr Bauk – Chief Executive Officer and Mr Tory – Chief Financial Officer, in accordance with section 295A of the Corporations Act 2001.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

Recommendation 4.3

A listed company that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Compliance:

The Company requests the external auditor to attend the AGM and be available to answer security holder's questions about the conduct of the audit and the preparation and content of the auditor's report.

(d) Principle 5
Make timely and balanced disclosure

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

Compliance:

The Company has a Continuous Disclosure Policy to ensure it complies with continuous disclosure requirements arising from legislation and the Listing Rules of the ASX. Procedures are in place to ensure that price sensitive information is reported to the ASX in accordance with the continuous disclosure requirements. The policy also ensures protection of confidential information from unauthorised disclosure, identifying price sensitive information and reporting it to those responsible, and ensuring that the Company and individual officers do not contravene legislation and the Listing Rules. The Board has nominated the Managing Director and the Company Secretary as being responsible for all matters relating to disclosure.

The Company's Continuous Disclosure Policy is available on the Company's website.

(e) Principle 6
Respect the rights of security holders

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Compliance:

The Board aims to ensure that the Company's shareholders are informed of all major developments affecting the Company's state of affairs.

The Company keeps investors informed through its website www.northernminerals.com.au, which contains information on the Company, the Board and the corporate governance policies and procedures of the Company. Through its website, investors can access copies of the Company's annual report, half-yearly and quarterly reports, ASX announcements, presentations and key media coverage.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Compliance:

The Company has established a formal shareholder communication strategy and actively communicates with its shareholders in order to identify their expectations, and actively promotes shareholder involvement in the Company. In addition, throughout the year shareholder updates are held throughout Australia to ensure those in other states have access to ask questions and obtain information.

The Company's Shareholder Communications Policy is available on the Company's website.

Recommendation 6.3

A listed company should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Compliance:

The Company considers general meetings to be an effective means to communicate with shareholders and encourage shareholders to attend the meeting. Information is included within the notice of meeting sent to shareholders.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Compliance:

The Company maintains a database of shareholders, who receive automatic email updates of significant developments in the Company's affairs. Information is also available on the Company website. Alternatively, hard copies of information distributed by the Company are available upon request.

The Company's share register manager is Security Transfer Registrars Pty Ltd. The option for shareholders to receive communications from, and send communications electronically is provided by the registrar.

The Company's Shareholder Communications Policy is available on the Company's website.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

(f) Principle 7
Recognise and manage risk

Recommendation 7.1

The Board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which :
 - (i) has at least three members, a majority of whom are independent; and
 - (ii) is chaired by an independent director, and disclose;
 - (iii) the charter of the committee;
 - (iv) the members of the committee; and
 - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose the fact and the processes it employs for overseeing the entity's risk management framework.

Reasons for Non-compliance:

The Company does not have a formal risk committee.

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.

The Company's Risk Management Policy and Internal Compliance and Control System is available on the Company's website.

Recommendation 7.2

The Board or a committee of the Board should:

- (a) review the Company's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period whether such a review has taken place.

Compliance:

The Board regularly reviews the Company's risk management framework. Under the framework, the Board delegates day-to-day management of risk to the Managing Director/CEO, who is responsible for identifying, assessing, monitoring and managing risks. The Company also undertakes an annual review of operations to update its risk profile, which normally occurs in conjunction with the strategic planning process. This annual review occurred during the reporting period.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact should be disclosed along with the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Reasons for Non-compliance

The Company does not have a specific internal audit role within the organisation. Given the size of the Company and the resources available, the Board relies on its risk management policy and internal compliance and control system to review the risk management processes that are proposed and implemented by management. All members of the Board are experienced in the management of companies and have regular contact with management through monthly financial and operational reporting and Board meetings.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Reasons for Non-compliance:

The Company identifies and manages material exposures to economic, environmental and social sustainability risks in a manner consistent with its Risk Management Policy. Sustainability risk of the business is monitored regularly with various key performance indicators used to make this assessment. The reporting on economic, environmental and social sustainability is addressed informally through management reporting but it is not addressed in the Company's annual report or other public announcements other than those as part of its continuous disclosure requirements on the ASX. The Board believes that the disclosure of these risks through management's regular reporting is sufficient to monitor and manage risk.

The Company's Risk Management Policy is available on the Company's website.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

(g) Principle 8
Remunerate fairly and responsibly

Recommendation 8.1

The Board of a listed entity should

- (a) have a remuneration committee which:
 - (i) has at least three members, a majority of whom are independent directors; and
 - (ii) is chaired by an independent director;
and disclose:
 - (iii) the charter of the committee;
 - (iv) the members of the committee; and
 - (v) as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members of those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Reasons for Non-compliance

The Company has established a remuneration committee. The committee comprises two independent directors, being Messrs Colin McCavana (Chairman) and Adrian Griffin. To assist the committee to fulfil its function as the remuneration committee, the Board has adopted a Remuneration Committee Charter. The number of committee meetings held and attended in the period are disclosed on page 2.

The Remuneration Committee Charter is available on the Company's website.

The remuneration committee only comprises 2 members. The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of a larger committee is justified at this time. As the size and composition of the Board evolves and the Company develops, the Company will consider the appropriateness of the composition of the remuneration committee.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Compliance:

The policies adopted by the Company are set out in the audited Remuneration Report in the Directors' Report. The Board has formed a remuneration committee and a Remuneration Committee Charter. Appropriate remuneration policies are developed and approved by the remuneration committee and the Board each year to reflect the Company's plans for growth.

The Company's Remuneration Policy is available on the Company's website.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

Compliance:

The Trading Policy adopted by the Board prohibits trading in shares by a Director, officer or employee during certain closed periods (in particular, prior to and after the release of Appendix 5B and Activities Reports, the half-year financial report and the full year annual financial report; and other such periods as may be determined by the Chairman and Managing Director.

Outside of these closed periods, Directors, officers or employees who wish to trade in Northern Minerals securities must get approval:

- (a) in the case of Directors, by the Chairman and Managing Director;
- (b) in the case of the Chairman, by the Managing Director and an independent Director; and
- (c) in the case of employees and consultants, by the Managing Director.

In addition, Directors are obliged to inform the Company Secretary of any dealing in Company's securities in the form required by the Corporations Act.

The Policy for Trading in Company Shares by Directors and Employees is available on the Company's website.

NORTHERN MINERALS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015 \$	CONSOLIDATED (Restated) 2014 \$
REVENUE FROM CONTINUING ACTIVITIES			
Interest		103,312	420,964
Research and development rebate	4,29	4,985,413	8,992,296
Other	4	145,919	4,400
TOTAL REVENUE		5,234,644	9,417,660
EXPENSES			
Corporate			
Administration		882,191	994,811
Depreciation expense		590,287	623,340
Share based payments	23	584,493	2,946,093
Legal and professional		1,417,022	1,118,904
Occupancy		378,847	383,678
Employee benefits		2,451,197	2,630,144
Other corporate expenditure		173,874	141,171
Total Corporate		6,477,911	8,838,141
Exploration and Project Development			
Exploration Costs		4,364,743	11,530,651
Project Evaluation and Pre-Feasibility		9,431,473	15,284,977
Total Exploration and Project Development		13,796,216	26,815,628
TOTAL EXPENSES		20,274,127	35,653,769
OPERATING LOSS		(15,039,483)	(26,236,109)
Finance Costs		602,931	569,628
LOSS BEFORE TAX		(15,642,414)	(26,805,737)
Income tax expense	5	-	-
NET LOSS		(15,642,414)	(26,805,737)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(15,642,414)	(26,805,737)
Basic and diluted loss per share (cents per share)	6	(3.5)	(6.7)

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2015

	NOTE	2015 \$	CONSOLIDATED (Restated) 2014 \$	(Restated) 1 July 2013 \$
CURRENT ASSETS				
Cash and cash equivalents	7	1,941,826	5,671,824	8,694,593
Trade and other receivables	8	5,049,752	9,445,006	7,924,249
Other financial assets	9	206,509	156,000	720,000
Inventory	10	74,078	-	-
Total Current Assets		7,272,165	15,272,830	17,338,842
NON CURRENT ASSETS				
Other financial assets	9	514,000	766,307	480,307
Plant and equipment	11	482,097	901,296	1,161,276
Total Non-Current Assets		996,097	1,667,603	1,641,583
TOTAL ASSETS		8,268,262	16,940,433	18,980,425
CURRENT LIABILITIES				
Trade and other payables	12	1,796,015	3,612,568	4,623,210
Provisions	13	371,011	390,083	261,030
Interest bearing liabilities	14	7,400,299	-	-
Shareholder loan	-	-	-	8,000,000
Total Current Liabilities		9,567,325	4,002,651	12,884,240
NON-CURRENT LIABILITIES				
Provisions	13	339,188	321,497	184,580
Interest bearing liabilities	14	29,430	-	-
Total Non-Current Liabilities		368,618	321,497	184,580
TOTAL LIABILITIES		9,935,943	4,324,148	13,068,820
NET ASSETS/(LIABILITIES)		(1,667,681)	12,616,285	5,911,605
EQUITY				
Issued Capital	15	79,186,034	79,038,430	48,574,105
Reserves	16	6,950,117	5,739,273	2,693,181
Accumulated losses	17	(87,803,832)	(72,161,418)	(45,355,681)
TOTAL EQUITY		(1,667,681)	12,616,285	5,911,605

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED
STATEMENT OF CHANGES IN EQUITY

AS AT 30 June 2015

	NOTE	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENTS RESERVE	PERFORMANCE RIGHTS AND OPTIONS RESERVE	OTHER RESERVES	TOTAL
		\$	\$	\$	\$	\$	\$
Consolidated Entity Balance at 1 July 2013		48,574,105	(51,066,173)	1,003,513	1,689,668	-	201,113
Change of accounting policy	29	-	5,710,492	-	-	-	5,710,492
Restated total equity as at 1 July 2013		48,574,105	(45,355,681)	1,003,513	1,689,668	-	5,911,605
Loss for the financial period (restated)		-	(26,805,737)	-	-	-	(26,805,737)
Total recognised income and expense for the year		-	(26,805,737)	-	-	-	(26,805,737)
Shares issued net of transaction costs		30,464,325	-	-	-	-	30,464,325
Shares/options issued		-	-	546,854	2,499,238	-	3,046,092
Balance at 30 June 2014		79,038,430	(72,161,418)	1,550,367	4,188,906	-	12,616,285
Balance at 1 July 2014		79,038,430	(72,161,418)	1,550,367	4,188,906	-	12,616,285
Loss for the financial period		-	(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	14	-	-	-	-	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)

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED

STATEMENT OF CASH FLOWS

AS AT 30 June 2015

	NOTE	CONSOLIDATED 2015 \$	2014 \$
OPERATING ACTIVITIES			
Payments to suppliers and employees		(20,699,434)	(32,654,832)
Interest Received		108,763	421,191
Research and development rebate received		9,138,215	7,547,596
NET CASH FLOWS USED IN OPERATING ACTIVITIES	7(a)	<u>(11,452,456)</u>	<u>(24,686,045)</u>
INVESTING ACTIVITIES			
Purchase of plant and equipment		(171,089)	(398,781)
Proceeds from disposal of plant and equipment		-	39,700
(Increase)/decrease in security deposits		201,798	(286,000)
NET CASH FLOWS (USED IN)/PROVIDED BY INVESTING ACTIVITIES		<u>30,709</u>	<u>(645,081)</u>
FINANCING ACTIVITIES			
Proceeds from issue of shares		147,604	23,845,617
Proceeds from issue of convertible notes		5,000,000	-
Share issue costs		-	(1,537,260)
Proceeds from borrowings		4,156,309	140,813
Repayment of borrowings		(1,612,164)	(140,813)
CASH FLOWS RECEIVED FROM FINANCING ACTIVITIES		<u>7,691,749</u>	<u>22,308,357</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,729,998)	(3,022,769)
Cash and cash equivalents at beginning of year		5,671,824	8,694,593
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	<u>1,941,826</u>	<u>5,671,824</u>

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The financial report of Northern Minerals Limited (“the Company”) and controlled entities (“the Group”) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 23 September 2015. Northern Minerals Limited is a company limited by shares incorporated in Australia the shares of which are publicly traded on the Australian Securities Exchange.

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

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, 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.

Financial Position

Notwithstanding the fact that the Company has a working capital deficit of \$1,667,681, the directors are of the opinion that the Company is a going concern for the following reasons.

- The Company has signed an MoU with Jien Mining Pty Ltd to raise \$49.5m subject to due diligence and various approvals being received. As at 30 June 2015 \$5m in the form of a convertible note had been received. Refer to note 28 for additional information.
- The research and development rebate for the 2014/15 tax was received subsequent to year end. The total value of this rebate was \$4.98m.
- The issue of shares of up to 25% of the company's issued capital is available in accordance with ASX Listing Rule 7.1.

Change of accounting policy

Refer to note 2(q) for additional information

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 2015 including :

Standard	Explanation	Effective date
AASB 2012-3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)</i>	Standard addresses the inconsistencies in practice when applying the offsetting criteria in AASB 132 <i>Financial Instruments: Presentation</i> .	1 July 2014
AASB 2013-3 <i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	Amendment to AASB 136 <i>Impairment</i> to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 July 2014

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New Accounting Standards and Interpretations (continued)

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 period ending 30 June 2015.

Standard	Explanation	Effective date
AASB 9 <i>Financial Instruments</i> (December 2009) AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i> AASB 2013-9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> AASB 2014-1 <i>Amendments to Australian Accounting Standards</i> AASB 2014-8 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)</i>	Introduces new requirements for classifying and measuring financial assets. With the introduction of AASB 2013-9, a new hedge accounting model has been designed. The model is more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.	Optional *
AASB 9 <i>Financial Instruments</i> (December 2010) AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i> AASB 2013-9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> AASB 2014-1 <i>Amendments to Australian Accounting Standards</i> AASB 2014-8 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	A revised version of AASB 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over of the existing derecognition requirements from AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.	Optional *

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

(December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)		
AASB 9 Financial Instruments (December 2014) AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	This new version of AASB 9 supersedes AASB 9 (December 2009) and AASB 9 (December 2010). This new version includes requirements for impairment of financial assets, including a new expected loss impairment model and limited amendments to classification and measurement for financial assets.	Optional *

*Since the issue of AASB 9 (December 2010) the IASB has reissued IFRS 9 *Financial instruments* several times. These amendments have:

- deferred the mandatory effective date of AASB 9 (December 2010) and the related consequential amendments to annual reporting periods beginning on or after 1 January 2018; and
- allow either AASB 9 (December 2010) to be early adopted if adopted with an initial application date before 1 February 2015, however after this period only AASB 9 (December 2014) can be early adopted.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of Consolidation

The consolidated financial statements comprise the separate financial statements of Northern Minerals Limited and its subsidiaries as at 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Critical Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

f) Exploration, evaluation and development expenditure

Exploration, evaluation and acquisition costs are expensed as incurred.

g) 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".

h) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet 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. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

i) Trade and Other Receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Investments and Other Financial Assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and de-recognition

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular 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 are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) 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.

(ii) Loans and receivables

Loans and receivables including loans to Key Management Personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

k) 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.

l) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. 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.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) 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.

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.

n) Trade and Other Payables

Trade and other payables are carried at amortised cost. Due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year 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.

o) 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 annual leave

Liabilities for wages and salaries, including non-monetary benefits and accumulated annual leave expected to be settled within 12 months of the reporting date are recognised 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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Provisions and Employee Benefits (continued)

(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

p) 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).

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Share-based Payment Transactions (continued)

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.

r) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s) Revenue Recognition

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

Interest revenue

Interest Income is recognised as it accrues in profit or loss, using the effective interest rate method.

Research and Development

The consolidated group changed its policy for the financial year commencing 1 July 2014 relating to the accounting for research and development rebates. Research and development rebates were previously recognised as revenue in the period in which they became receivable. The group has now elected to accrue for research and development rebates as the qualifying expenditure is incurred. The change has been implemented as the directors are of the opinion that this will result in a more accurate reflection of the results and net assets of the Group.

t) Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet 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 goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Income Tax and Other Taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits 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 credits and unused tax losses can be utilised, except:

- When 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.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference 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 income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit 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 year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities 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 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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) 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.

v) 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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SEGMENT INFORMATION

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

4 REVENUE AND EXPENSES

	2015 \$	Consolidated (Restated) 2014 \$
REVENUE		
Net gain/(loss) on disposal of property, plant and equipment	-	4,279
Research and development rebate received subsequent to year - end	4,985,413	8,992,296
Other	145,919	121
	<u>5,131,332</u>	<u>8,996,696</u>

5 INCOME TAX

	2015 \$	Consolidated (Restated) 2014 \$
<i>Reconciliation of income tax expense/(income) to the pre-tax net loss</i>		
Loss before income tax	(15,642,414)	(26,805,737)
Tax calculated at 30% on loss before income tax	(4,692,724)	(8,041,721)
Add tax effect of:		
Share based payments	175,348	883,828
Non-deductible expenses	3,328,250	5,999,800
Non-assessable income	(1,495,624)	(2,697,689)
Unused tax losses and temporary differences not recognised	2,684,750	3,855,782
Income tax expense/(income)	<u>-</u>	<u>-</u>

Unrecognised deferred tax balances

<i>Deferred tax assets</i>		
Unused tax losses	16,549,267	14,990,077
Deductible temporary differences	1,151,064	1,060,453
Total unrecognised deferred tax assets	<u>17,700,331</u>	<u>16,050,530</u>
<i>Deferred tax liabilities</i>		
Assessable temporary differences:		
Taxable temporary differences	(35,931)	(3,241)
Total unrecognised deferred tax liabilities	<u>(35,931)</u>	<u>(3,241)</u>
Net unrecognised deferred tax balances	<u>17,664,400</u>	<u>16,047,289</u>

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 (continued)

6 EARNINGS PER SHARE

	Consolidated (Restated)	
	2015 \$	2014 \$
(a) Basic loss per share	<u>(3.5)</u>	<u>(6.7)</u>
(b) Loss used in calculating loss per share		
Loss attributable to the ordinary equity holders of the Company	<u>(15,642,414)</u>	<u>(26,805,737)</u>
	Number	Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the year used in calculations of basic loss per share	<u>442,617,587</u>	<u>397,630,731</u>

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	
	2015 \$	2014 \$
Cash at Bank and on hand	415,477	1,096,824
Cash on Deposit	<u>1,526,349</u>	<u>4,575,000</u>
	<u>1,941,826</u>	<u>5,671,824</u>

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 (continued)

7 CASH AND CASH EQUIVALENTS (continued)

	Consolidated 2015 \$	2014 \$
(a) Reconciliation to Cash Flow Statement		
Net Loss after tax	(15,642,414)	(26,805,737)
<i>Adjustments</i>		
Depreciation expense	590,287	623,340
Gain on disposal of assets	-	(4,279)
Net change in fair value of financial assets at fair value through profit and loss	-	564,000
Share-based payments	1,034,493	3,046,093
Discount to convertible note	61,934	-
<i>Change in assets and liabilities</i>		
(Increase)/decrease in other receivables	4,395,255	(1,520,757)
(Increase)/decrease in inventory	(74,078)	-
(Decrease) in trade and other payables	(1,816,553)	(853,589)
Increase/(decrease) in provisions	(1,380)	264,884
Net cash flows used in operating activities	<u>(11,452,456)</u>	<u>(24,686,045)</u>
(b) Reconciliation of cash		
<i>Cash balance comprises:</i>		
Cash and cash equivalents	<u>1,941,826</u>	<u>5,761,824</u>

8 TRADE AND OTHER RECEIVABLES

	Consolidated 2015 \$	(Restated) 2014 \$
GST Receivable	48,987	222,183
Prepayment	10,000	215,724
Other receivables	-	4,000
Accrued interest	5,352	10,803
Research and development rebate receivable	4,985,413	8,992,296
	<u>5,049,752</u>	<u>9,445,006</u>

9 OTHER FINANCIAL ASSETS

	Consolidated 2015 \$	2014 \$
<i>Current</i>		
Deposits held on trust	50,509	-
Equity securities – designated as “at fair value through profit or loss”	156,000	156,000
	<u>206,509</u>	<u>156,000</u>
<i>Non Current</i>		
Security deposits – rent and performance bonds	<u>514,000</u>	<u>766,307</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 (continued)

10 INVENTORY

	Consolidated	
	2015	2014
	\$	\$
Diesel Fuel	74,078	-

11 PLANT AND EQUIPMENT

	Consolidated	
	2015	2014
	\$	\$
Plant and Equipment		
Gross carrying amount at the beginning of year	1,899,534	1,572,736
Disposals	-	-
Additions	121,089	326,798
Gross carrying amount at the end of year	2,020,623	1,899,534
Accumulated depreciation at the beginning of year	1,166,932	635,424
Accumulated depreciation on disposals	-	-
Depreciation expense	486,977	531,508
Accumulated depreciation at the end of year	1,653,909	1,166,932
Carrying amount at the end of the year	366,714	732,602
Vehicles		
Gross carrying amount at the beginning of year	397,494	376,411
Disposals	-	(50,900)
Additions	49,999	71,983
Gross carrying amount at the end of year	447,493	397,494
Accumulated depreciation at the beginning of year	228,800	152,447
Accumulated depreciation on disposals	-	(15,479)
Depreciation expense	103,310	91,832
Accumulated depreciation at the end of year	332,110	228,800
Carrying amount at the end of the year	115,383	168,694
Total	482,097	901,296

The useful lives of plant and equipment are estimated at between 3 and 10 years for both 2015 and 2014.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 TRADE AND OTHER PAYABLES

	2015 \$	Consolidated (Restated) 2014 \$
Trade and other payables	1,772,174	3,441,60
Employee benefits	23,841	171,408
	<u>1,796,015</u>	<u>3,612,568</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

	<i>Employee Entitlements</i> \$	<i>Rehabilitation</i> \$	<i>Total</i> \$
Balance at the beginning of year	608,686	102,894	711,580
Provisions made during the year	499,765	-	499,765
Provisions used during the year	(487,165)	(13,981)	(501,146)
Balance at the end of year	<u>621,286</u>	<u>88,913</u>	<u>710,199</u>
Current	371,011	-	371,011
Non-current	250,275	88,913	339,188

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 INTEREST BEARING LIABILITIES

Current interest-bearing loans and borrowings

		Consolidated	
	Interest Rate	2015 \$	2014 \$
Convertible note	6.00%	4,885,584	-
Equipment finance (secured)	6.99%	14,715	-
R&D Loan facility	12.75%	2,500,000	-
		7,400,299	-

Non-Current interest-bearing loans and borrowings

	Interest Rate	2015 \$	2014 \$
Equipment finance	6.99%	29,430	-
		29,430	-

Notes

Convertible Note

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

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

The Group secured a finance facility of up to \$4,000,000. The funding under this facility is via drawdown and is offset against the Groups 2014/15 research and development rebate. The facility will be extinguished on receipt of the research and development rebate.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 ISSUED CAPITAL

	Consolidated and Company 2015		Consolidated and Company 2014	
	Number	\$	Number	\$
(a) Ordinary Shares				
Share Capital				
Ordinary Shares	448,605,670	79,186,034	440,402,658	79,038,430
Movement in Ordinary Share Capital				
Balance at the beginning of year	440,402,658	79,038,430	269,520,451	48,574,105
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	-	-	-
Conversion of ACIIG Loan into Shares 16/7/13*	-	-	40,000,000	8,000,000
Partial underwriting of rights issue at \$0.20 16/7/13*	-	-	30,000,000	6,000,000
Partial underwriting of rights issue at \$0.20 31/7/13*	-	-	5,000,000	1,000,000
Partial underwriting of rights issue at \$0.20 16/8/13*	-	-	10,000,000	2,000,000
Final underwriting of rights issue at \$0.20 13/9/13*	-	-	47,183,287	9,436,657
Rights issue subscriptions*	-	-	996,939	199,388
Issue of Share Purchase Plan shares - October 2013	-	-	103,600	-
Staff bonus issue	-	-	200,000	-
Issue of Share Purchase Plan shares - December 2013	-	-	4,000,000	-
Payment for Share Purchase Plan Shares – March 2014	-	-	-	45,000
Share Placement - March 2014	-	-	16,111,111	2,900,000
Issue of Share Purchase Plan Shares – March 2014	-	-	2,765,000	-
Issue of Share Purchase Plan Shares – May 2014	-	-	350,000	-
Issue for provision of consulting services - May 2014	-	-	75,000	-
Issued for acquisition of John Galt project - May 2014	-	-	649,826	-
Placement - May 2014	-	-	13,447,444	2,420,540
	448,605,670	79,186,034	440,402,658	80,575,690
Less: costs of issue	-	-	-	(1,537,260)
Balance at the end of year	448,605,670	79,186,034	440,402,658	79,038,430

* These shares were issued as part of a non-renounceable rights issue. The rights issue included 1 free attaching option for every 2 shares subscribed for under the issue. The options are exercisable at \$0.30 and expire on 31 March 2015

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2015 Number	2014 Number
Balance at beginning of year	13,320,400	5,555,400
Shares reverted to Company on non repayment of loan	-	600,000
Repayment of loan	(1,095,000)	(600,000)
Shares issued during the year	1,703,000	7,765,000
Balance at end of year	<u>13,928,400</u>	<u>13,320,400</u>

(c) Performance Rights over ordinary shares

	Consolidated and Company 2015 Number	2014 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	2,685,000	2,735,000
Issued during the year	-	750,000
Forfeited during the year	(1,385,000)	(800,000)
Exercised during the year	-	-
Balance at end of year	<u>1,300,000</u>	<u>2,685,000</u>

Performance rights with conditions with Nil exercise price expiring between 31/12/14 and 30/6/15 (Unquoted)*

Balance at beginning of year	-	8,000,000
Forfeited during the year	-	(8,000,000)
Issued during the year	-	-
Balance at end of year	<u>-</u>	<u>-</u>

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

Balance at beginning of year	12,400,000	-
Issued during the year	-	12,400,000
Forfeited during the year	(1,000,000)	-
Exercised during the year	-	-
Balance at end of year	<u>11,400,000</u>	<u>12,400,000</u>

*Performance rights with conditions*** with Nil exercise price expiring 29/11/14 (Unquoted)*

Balance at beginning of year	4,000,000	-
Issued during the year	-	4,000,000
Forfeited during the year	-	-
Exercised during the year	(4,000,000)	-
Balance at end of year	<u>-</u>	<u>4,000,000</u>

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 ISSUED CAPITAL (continued)

* Performance conditions

- 8,000,000 shares if the first commercial shipment of heavy rare earth mineral concentrate from any of the Company's rare earth projects to a buyer or buyers occurs on normal commercial terms prior to 31 December 2014; or
- 4,000,000 shares if the first commercial shipment of heavy rare earth mineral concentrate from any of the Company's rare earth projects to a buyer or buyers occurs on normal commercial terms subsequent to 31 December 2014 but prior to 30 June 2015
- 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

- 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 recipient's 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	
	2015	2014
	Number	Number
<i>Exercise price of \$0.25 expiring 12/06/20 (Unquoted)</i>		
Balance at beginning of year	1,921,870	-
Issued during the year	10,890,600	1,921,870
Forfeited during the year	-	-
Exercised during the year	-	-
Balance at end of year	12,812,470	1,921,870

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 RESERVES

	Consolidated	
	2015	2014
	\$	\$
Reserves	6,950,117	5,739,273
Reserves comprise the following:		
<i>Performance Rights and options reserve</i>		
Balance at the beginning of year	4,188,906	1,689,668
Vesting charge on performance rights and options	275,825	2,499,238
Balance at the end of year	4,464,731	4,188,906
<i>Share based payment reserve</i>		
Balance at the beginning year	1,550,367	1,003,513
Share plan allocation	758,668	546,854
Balance at the end of year	2,309,035	1,550,367
<i>Convertible note reserve</i>		
Balance at the beginning year	-	-
Issued during the year	176,351	-
Balance at the end of year	176,351	-
Total Reserves	6,950,117	5,739,273

The share option 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

	2015	Consolidated (Restated) 2014	(Restated) 2013
	\$	\$	\$
Accumulated losses	(87,803,832)	(72,161,418)	(45,355,681)
Accumulated losses comprise the following:			
Balance at start of financial year	(72,161,418)	(45,355,681)	(29,140,581)
Loss for the financial year after related income tax benefit	(15,642,414)	(26,805,737)	(16,215,100)
Balance at end of financial year	(87,803,832)	(72,161,418)	(45,355,681)

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 AUDITORS REMUNERATION

	Consolidated	
	2015	2014
	\$	\$
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	35,416	27,712
Total remuneration of auditors	35,416	27,712

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 \$498,581 (2014: \$743,261).

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	
	2015	2014
	\$	\$
Commitments for minimum lease payments are:		
Within one year	378,393	363,839
Later than one year but less than five years	360,735	739,128
Later than five years	-	-
	739,128	1,102,967

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 (continued)

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	
	2015	2014
	\$	\$
Exploration Tenements		
Within one year	3,193,300	3,265,800

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 2015 the Company incurred no (2014: \$110,931) exploration expenditure on this joint operation as the Joint Venture was terminated during the 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, which 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 2015 the Company incurred \$466,754 (2014: \$252,655) in exploration expenditure.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	Consolidated	
	2015	2014
	\$	\$
Short-term employee benefits	1,946,166	1,879,757
Post-employment benefits	116,454	122,458
Other long-term benefits	44,495	35,207
Share-based payments	868,849	1,342,816
Total compensation	<u>2,975,964</u>	<u>3,380,238</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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 SHARE-BASED PAYMENTS

	2015 \$	2014 \$
Performance rights – refer to (i)	275,825	1,089,866
Options – refer to (ii)	-	1,409,372
Share purchase plan shares – refer to (iii)	758,668	634,982
Total share based payments for the year	1,034,493	3,134,220
- Included in Share based payments expense	584,493	2,946,093
- Included in Exploration costs	450,000	188,127

(i) Performance Rights

No performance rights were granted to employees and directors during the year (2014: 17,150,000). 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:

	2015 Number	Weighted average exercise price	2014 Number	Weighted average exercise price
Outstanding at the beginning of the year	19,085,000	\$0.40	10,735,000	\$0.45
Performance rights ¹ granted during the year	-	-	750,000	\$0.30
Performance rights ¹ exercised during the year	-	-	-	-
Performance rights ¹ expired during the year	(1,185,000)	\$0.50	(700,000)	\$0.50
Performance rights ¹ forfeited during the year	(200,000)	\$0.37	(100,000)	\$0.22
Performance rights ² granted during the year	-	-	16,400,000	-
Performance rights ² exercised during the year	(4,000,000)	-	-	-
Performance rights ² forfeited during the year	(1,000,000)	-	(8,000,000)	-
Outstanding at the end of the year	12,700,000	\$0.28	19,085,000	\$0.40
Exercisable at the end of the year	1,300,000		1,765,000	

The outstanding balance as at 30 June 2015 is represented by:

Type 1

- 50,000 with an exercise price of \$0.358, expiring 23 July 2015; and
- 50,000 with an exercise price of \$0.372, expiring 8 October 2015; and
- 350,000 with an exercise price of \$0.265, expiring 7 December 2015; and
- 200,000 with an exercise price of \$0.19, expiring 6 May 2016; and
- 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; and

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. SHARE-BASED PAYMENTS (continued)

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 2015 is 0.87 years (2014: 1.21 years).

(ii) Options

There are currently 12,812,470 options on issue. All options were granted to third parties during the year ended 30 June 2014 with an exercise price of \$0.25 and an expiry date of 12 June 2020.

(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 (continued)

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 (continued)

23. SHARE-BASED PAYMENTS (continued)

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

	2015 Number	2014 Number
Opening Balance	13,320,400	5,555,400
Issued		
George Bauk (or his nominee)	-	4,000,000
Robin Jones (or his nominee)	158,000	300,000
Robin Wilson (or his nominee)	143,000	300,000
Robert Sills (or his nominee)	-	300,000
Mark Tory (or his nominee)	159,000	300,000
Other eligible Employees (or their nominees)	1,243,000	1,703,000
	<u>1,243,000</u>	<u>2,565,000</u>
Shares for which loan has been repaid	(1,095,000)	-
Closing Balance	<u>13,928,400</u>	<u>13,320,400</u>

Included in the closing balance are 5,292,500 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.

5,855,500 share plan shares have not vested. These shares vest between 1 July 2015 and 1 July 2017.

2,780,400 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 \$275,825 (2014: \$2,499,238) and \$758,668 (2014: \$546,854) 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 (continued)

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.

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 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 (continued)

24 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) The Company'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 2015					
Financial Assets					
Cash and cash equivalents	1.83%	327,883	1,526,349	87,594	1,941,826
Trade and other receivables	-	-	-	5,049,752	5,049,752
Other financial assets	2.91%	-	564,509	156,000	720,509
Total financial assets		327,883	2,090,858	5,293,346	7,712,087
Financial Liabilities					
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

	Weighted average interest rate %	Floating Interest Rate \$	Fixed Interest \$	Non-Interest Bearing \$	Total \$
30 June 2014					
Financial Assets					
Cash and cash equivalents	3.03%	1,060,191	4,575,000	36,633	5,671,824
Trade and other receivables	-	-	-	452,711	452,711
Other financial assets	3.65%	-	766,307	156,000	922,307
Total financial assets		1,060,191	5,341,307	645,344	7,046,842
Financial Liabilities					
Trade and other payables	-	-	-	3,297,568	3,297,568
Total financial liabilities		-	-	3,297,568	3,297,568

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(b) Net Fair Values of Financial Assets and Liabilities

Other financial assets includes an amount of \$156,000 which is classified as held for sale. The fair value of this asset at 30 June 2015 has been calculated with reference to a quoted market price (Tier 1). The carrying amount of all other financial assets and liabilities approximates their net fair value.

(c) Credit Risk Exposures

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

As a means of mitigating the risk of financial loss from defaults, the Company's policy is one of dealing only with credit worthy counterparts and obtaining sufficient collateral or other security where appropriate.

The Company's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due.

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.

25 SUBSIDIARIES

The following are wholly owned subsidiaries of the Company:-

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

26 DIVIDENDS

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 PARENT ENTITY FINANCIAL INFORMATION

	2015 \$	Parent (Restated) 2014 \$
Current assets	7,272,165	15,272,830
Total assets	<u>8,743,262</u>	<u>16,940,433</u>
Current liabilities	9,567,325	4,002,651
Total liabilities	<u>9,935,943</u>	<u>4,324,148</u>
Shareholders equity		
Share capital	79,186,034	79,038,430
Reserves	6,950,117	5,739,273
Accumulated losses	<u>(87,328,832)</u>	<u>(72,161,418)</u>
	<u>(1,192,681)</u>	<u>12,616,285</u>
Net Loss	(15,192,414)	(26,805,737)
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.

28 EVENTS OCCURRING AFTER BALANCE DATE

On 15 July 2015, the Company announced that Jien Mining Pty Ltd (Jien) had completed its due diligence on Northern Minerals in relation to the \$49.5m funding transaction announced to the ASX on 18 February 2015. The transaction then received Foreign Investment Review Board approval on 6 August 2015. Following this on 18 August 2015, the Company announced that it had signed a Memorandum of Understanding (MOU) with Jien for product offtake from the Browns Range Project (the Project). Under the terms of the MOU Northern Minerals agrees to sell and Jien agrees to purchase 50% of the product from the Project. On 21 August, the ASX granted a waiver extending the time period for which 110,000,000 options can be issued under the transaction to Jien to 30 November 2015.

On 4 September 2015, the Company received the final Research and Development rebate totalling \$4,985,413. On receipt of these funds, the Company's \$4,000,000 credit facility with Macquarie was retired.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 CHANGE IN ACCOUNTING POLICY

The consolidated group changed its policy for the financial year commencing 1 July 2014 relating to the accounting for research and development rebates. Research and development rebates were previously recognised as revenue in the period in which they became receivable. The group has now elected to accrue revenue for research and development rebates as the qualifying expenditure is incurred. The change has been implemented as the directors are of the opinion that this will result in a more accurate reflection of the results and net assets of the group.

The aggregate effect of the change in accounting policy on the half year financial statements for the period ended 30 June 2015 is as follows (no taxation effect results from these changes):

Consolidated Group	Previously stated \$	Adjustment \$	Restated \$
Statement of comprehensive income (30 June 2014)			
Research and Development grant	6,025,492	2,966,804	8,992,296
Loss before income tax	(29,772,541)	2,966,804	(26,805,737)
Basic and diluted loss per share (cents per share)	(7.5)	0.8	(6.7)
Statement of Financial Position (30 June 2014)			
Trade and other receivables	452,710	8,992,296	9,445,006
Trade and other payables	3,297,568	315,000	3,612,568
Opening accumulated losses	(51,066,173)	5,710,492	(45,355,681)
Statement of Financial Position (1 July 2013)			
Trade and other receivables	1,898,757	6,025,492	7,924,249
Trade and other payables	4,308,210	315,000	4,623,210
Opening accumulated losses	(51,066,173)	5,710,492	(45,355,681)

NORTHERN MINERALS LIMITED

DIRECTORS DECLARATION

In the opinion of the directors of Northern Minerals Limited (the 'Company'):

(a) the financial statements, notes and the additional disclosures of the company and of the consolidated entity 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 2015 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.

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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 2015.

On behalf of the Board



George Bauk
Director

Perth

23 September 2015

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 2015, 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 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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 2015 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

23 September 2015
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 2015 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the 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

23 September 2015
Perth