



**NORTHERN  
MINERALS**

Powering Technology.

**NORTHERN MINERALS LIMITED**

ABN 61 119 966 353

**CONSOLIDATED INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2022**

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# NORTHERN MINERALS LIMITED

## DIRECTORS' REPORT

The directors present their report together with the consolidated financial report of the Group, being Northern Minerals Limited ("Northern Minerals" or "Company") and its controlled entities for the half year ended 31 December 2022 as follows:

### DIRECTORS

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

Nicholas Curtis AM – Executive Chairman  
Bin Cai – Executive Director  
Liangbing Yu – Non-executive Director  
Adam Handley – Non-executive Director  
Shane Hartwig – Executive Director – appointed 2 December 2022  
Ming Lu – Non-executive Director – resigned 9 December 2022

### RESULTS OF OPERATIONS

A summary of key financial indicators for the Group, with the 31 December 2021 half year comparison, is set out in the following table:

	Half Year 2022	Half Year 2021
Total revenue and other income	\$1,312,261	\$5,488,478
Net loss for the year after tax	(\$7,695,024)	(\$13,184,990)
Basic loss per share (cents)	(0.16) cents	(0.27) cents
Net cash (used in) / received from operating activities	(\$3,731,045)	(\$8,783,069)
Net cash (used in) / received from investing activities	\$814,642	(\$410,543)
Net cash from financing activities	\$22,323,605	\$471,895

### Financial performance

The net loss of the Group for the half year ended 31 December 2022 was \$7.7 million (2021: \$13.2 million).

During the half year Northern Minerals Limited received a refund payment of \$3.9 million from the Australian Tax Office (ATO). This relates to the Company's refundable R & D tax offset claim for the financial year ended 30 June 2022.

The Group also received \$0.8m for the sale of equipment from the Browns Range Pilot Plant, after the project was placed in care and maintenance in the 2022 financial year.

During the half year the Group received \$5 million for Tranche 1 of the placement with Iluka Resources Limited, issuing 125 million shares on 28 October 2022 and received \$15 million from the issue of the Convertible Note to Iluka.

In November 2022, the Group announced that its Share Purchase Plan had closed with total funds raised of \$3.66 million before costs being received. 91.5 million ordinary shares in the Company were issued at \$0.04 per share.

# NORTHERN MINERALS LIMITED

## DIRECTORS' REPORT

### Financial position

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

The Group has reported a net loss for the half year of \$7,695,024 (31 December 2021: \$13,184,990), and a cash outflow from operating activities of \$3,731,045 (31 December 2021: \$8,783,069 cash outflow). As at 31 December 2022 the Group had cash on hand of \$22,255,571 (30 June 2022 \$2,857,574) and a net working capital surplus of \$20,830,664 (30 June 2022: \$5,616,912).

The Directors have considered the cash flow forecasts and the funding requirements of the business which indicate that the Group may need to raise additional funds for planned activities including exploration expenditure (if undertaken) and ongoing working capital, beyond the completion of the DFS. The Directors carefully manage discretionary expenditure in line with the Group's cash flow forecast.

The Directors consider the going concern basis of preparation to be appropriate based on existing cash reserves, forecast cash flows and confidence in raising additional funds. Should the above assumptions not prove to be appropriate, there exists a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

### REVIEW OF OPERATIONS

During the period Northern Minerals continued its strategy of focussing on prioritising the rich Wolverine deposit and aiming to bring forward plans for commercial production.

Northern Minerals formed a strategic partnership with Iluka Resources Limited (ILU or Iluka) whereby Northern Minerals signed rare earths concentrate supply agreement with Iluka covering the initial 8+ year mine life (30.5k tonnes of contained TREO) from the Browns Range HRE Project. The proposed production of dysprosium and terbium rare earth oxides in concentrate from Browns Range HRE Project will complement Iluka's suite of rare earths products.

The partnership with Iluka reinforces the Board's confidence in its strategy and the enormous potential of the precinct. We are pleased that Shareholders were receptive to our plans at the EGM and supported all the resolutions.

As part of these arrangements Northern Minerals entered a funding package to raise up to \$73.0 million from Iluka to fund the construction and development of the Browns Range HRE Project (subject to satisfaction or waiver of certain conditions).

Executing these funding agreements allows Northern Minerals to update the 2015 definitive feasibility study (DFS) (targeting Q4 2023) as a precursor to taking a final investment decision (FID) (targeting Q1 2024) for a mine and commercial-scale beneficiation plant at Browns Range HRE Project.

The initial \$20 million of this package was drawn down in November 2022 as detailed below:

Iluka has initially invested \$20 million in the Company via a \$5 million share placement and a \$15 million convertible note as detailed below:

- An initial placement by Northern Minerals to Iluka of 125.0 million shares at \$0.04 per share to raise \$5.0 million completed on 28 October 2022
- An issue by Northern Minerals to Iluka of a convertible note totalling \$15.0 million, convertible into up to 365.6 million shares at \$0.048 per share (including assumed capitalised interest, and subject to various adjustment events), issued on 28 October 2022

In addition to this initial investment, Iluka has committed to provide additional equity funding towards Browns Range post Final Investment Decision (FID) through a further placement, subject to certain conditions as follows:

- A future placement by Northern Minerals to Iluka, to take place following Browns Range Project FID and certain other conditions being satisfied or waived), pursuant to which Iluka will (subject to

## NORTHERN MINERALS LIMITED

### DIRECTORS' REPORT

satisfaction or waiver of certain conditions) be issued up to an additional 230 million shares at a maximum price of \$0.06 per share raising up to \$13.8 million.

- A call option / put option arrangement pursuant to which Iluka will (subject to satisfaction or waiver of certain conditions) be issued up to an additional 653.3 million shares at a maximum price of \$0.06 per share raising up to \$39.2 million. The issue and grant of the call option and the put option was conditional on Northern Minerals shareholder approval which was received at the General Meeting on 12 December 2022.
- The call option can be exercised by Iluka at any time up until 31 December 2025. The exercise of the put option by Northern Minerals is conditional on (among other things) the Company making a positive FID in relation to the Browns Range Project and ILU completing due diligence in respect of the Company's DFS to ILU's satisfaction (acting in good faith). Once those conditions are satisfied, Northern Minerals may exercise the put option at any time up until 31 December 2025.

This funding package will enable Northern Minerals to complete the DFS for a mine and commercial-scale beneficiation plant at Browns Range, provide ongoing working capital and contribute to the future equity component of the capex and commissioning costs associated with the Browns Range Project.

Northern Minerals is targeting completion of the Wolverine Project DFS in Q4 2023 with first production forecast to occur in 2026, subject to FID, and receipt of customary regulatory approvals.

During the half year, international geological and mining consulting firm CSA Global prepared an updated Mineral Resource estimate for the Wolverine deposit, reported in accordance with the JORC Code<sup>1</sup>, and announced to the market on 10 October 2022.<sup>2</sup>

The Company appointed GR Engineering Services Ltd and MACA Interquip to undertake a dual-party Early Contractor Involvement (ECI) process for the Beneficiation Plant during the second half of the year. This requires the contractors to perform all engineering, design and costing activities required to enter into an executable lumpsum Engineering Procurement and Construction (EPC) contract for the delivery of the Beneficiation Plant.

Work has commenced and completion of the ECI is anticipated during Q2 2023, with the final preferred EPC contractor being notified during Q3 2023.

Mark Tory, who has been with the Company since December 2012 and has been Chief Executive Officer since July 2020, left the Company on 30 November 2022, following an orderly transfer of executive responsibilities.

On 2 December 2022 Shane Hartwig joined the Board as Executive Director – Finance. Located in the Sydney Office, he is responsible for the Company's financial governance and reporting and capital management and will assist in the commercial aspects of developing the Browns Range Project.

On 9 December, Mr Ming Lu resigned from his position as Non-Executive Director of Northern Minerals. Mr Lu was appointed to the Board of Northern Minerals in October 2018.

#### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20.

<sup>1</sup> Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition, Effective December 2013, Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

<sup>2</sup> ASX announcement 10 October 2022: Updated Wolverine Mineral Resource Estimate at Browns Range

**NORTHERN MINERALS LIMITED**

**DIRECTORS' REPORT**

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

No matters or circumstance has arisen since the reporting date that has significantly affected the Group's operations, the results of those operations, or the Groups state of affairs in future financial years.

Signed in accordance with a resolution of the directors.



**Nicholas Curtis AM**  
**Executive Chairman**

Perth, Western Australia

15 March 2023

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**NORTHERN MINERALS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Note	Half Year 31 Dec 22 \$	Half Year 31 Dec 21 \$
<b>Revenue from continuing operations</b>			
Revenue from contracts with customers		6,538	2,384,552
Interest		43,456	4,383
Research and development rebate		337,585	2,976,202
Other income		924,682	123,341
<b>Total revenue and other income</b>	2	<b>1,312,261</b>	<b>5,488,478</b>
<b>Corporate expenses</b>			
Administration expenses		253,099	296,257
Depreciation expense	4	332,256	2,074,581
Share based payments expense		143,621	452,277
Legal and professional expenses		559,696	405,889
Occupancy expenses		52,890	110,860
Employee benefits expense		1,995,002	1,817,174
Other corporate expenditure		152,248	124,298
Royalty expense		1,044	96,999
<b>Total corporate expenses</b>		<b>3,489,856</b>	<b>5,378,335</b>
<b>Exploration and evaluation expenditure</b>			
Exploration costs		2,336,191	4,709,230
Project evaluation and pre-feasibility costs		2,614,956	8,552,929
<b>Total exploration and evaluation expenditure</b>		<b>4,951,147</b>	<b>13,262,159</b>
<b>Total expenses</b>		<b>8,441,003</b>	<b>18,640,494</b>
Operating Loss		(7,128,742)	(13,152,016)
Finance costs		(566,282)	(32,974)
<b>Loss before income tax</b>		<b>(7,695,024)</b>	<b>(13,184,990)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(7,695,024)</b>	<b>(13,184,990)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period attributable to members of the entity</b>		<b>(7,695,024)</b>	<b>(13,184,990)</b>
<b>Earnings/(loss) per share attributable to ordinary equity holders of the Company:</b>			
Basic and diluted earnings/(loss) per share (cents per share)	6(a)	(0.16)	(0.27)

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

**NORTHERN MINERALS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Note	31 Dec 2022 \$	30 Jun 2022 \$
<b>Current Assets</b>			
Cash and cash equivalents		22,255,571	2,857,574
Trade and other receivables	3(a)	1,575,563	4,764,413
Inventories		158,742	90,418
<b>Total Current Assets</b>		<b>23,989,876</b>	<b>7,712,405</b>
<b>Non-Current Assets</b>			
Other financial assets		59,525	74,167
Derivative financial assets	3(c)	-	-
Property, plant and equipment	4(a)	4,462,961	4,987,728
<b>Total Non-Current Assets</b>		<b>4,522,486</b>	<b>5,061,895</b>
<b>Total Assets</b>		<b>28,512,362</b>	<b>12,774,300</b>
<b>Current Liabilities</b>			
Trade and other payables		2,394,848	1,183,219
Interest bearing liabilities	3(b)	135,226	60,294
Provisions		629,138	851,980
<b>Total Current Liabilities</b>		<b>3,159,212</b>	<b>2,095,493</b>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	3(b)	12,966,272	186,725
Derivative financial liabilities	3(c)	-	-
Provisions		4,674,538	4,909,852
<b>Total Non-Current Liabilities</b>		<b>17,640,810</b>	<b>5,096,577</b>
<b>Total Liabilities</b>		<b>20,800,022</b>	<b>7,192,070</b>
<b>Net Assets</b>		<b>7,712,340</b>	<b>5,582,230</b>
<b>Equity</b>			
Issued Capital	5(a)	277,985,228	270,487,071
Reserves		3,721,885	1,394,908
Accumulated losses		(273,994,773)	(266,299,749)
<b>Total Equity</b>		<b>7,712,340</b>	<b>5,582,230</b>

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

**NORTHERN MINERALS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	ISSUED CAPITAL	ACCUMULATED LOSSES	PERFORMANCE RIGHTS AND OPTIONS RESERVE	OTHER RESERVES	TOTAL
	\$	\$	\$	\$	\$
Consolidated Entity Balance at 1 July 2021	270,152,158	(242,298,539)	1,143,529	-	28,997,148
Profit/(loss) for the period	-	(13,184,990)	-	-	(13,184,990)
Total comprehensive loss for the period	-	(13,184,990)	-	-	(13,184,990)
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued net of transaction costs	334,913	-	-	-	334,913
Shares/options issued	-	-	452,277	-	452,277
Transfer of reserves to accumulated losses	-	355,632	(355,632)	-	-
<b>Balance at 31 December 2021</b>	<b>270,487,071</b>	<b>(255,127,897)</b>	<b>1,240,174</b>	<b>-</b>	<b>16,599,348</b>
Balance at 1 July 2022	270,487,071	(266,299,749)	1,394,908	-	5,582,230
Profit/(loss) for the period	-	(7,695,024)	-	-	(7,695,024)
Total comprehensive loss for the period	-	(7,695,024)	-	-	(7,695,024)
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued net of transaction costs	7,498,157	-	-	-	7,498,157
Shares/options issued	-	-	143,621	-	143,621
Convertible note issued	-	-	-	2,183,356	2,183,356
Transfer of reserves to accumulated losses	-	-	-	-	-
<b>Balance at 31 December 2022</b>	<b>277,985,228</b>	<b>(273,994,773)</b>	<b>1,538,529</b>	<b>2,183,356</b>	<b>7,712,340</b>

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



**NORTHERN MINERALS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Note	Half Year 31 Dec 22 \$	Half Year 31 Dec 21 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		180,906	2,384,552
Payments to suppliers and employees		(7,937,022)	(15,598,036)
Net interest received /(paid)		19,431	(11,834)
Research & development rebate on eligible expenditure		3,908,683	4,328,735
Other income received		96,957	113,514
<b>Net cash inflow/ (outflow) from operating activities</b>		<b>(3,731,045)</b>	<b>(8,783,069)</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of property, plant and equipment		800,000	-
Payments for property, plant and equipment		-	(404,363)
Decrease/(Increase) in security deposits		14,642	(6,180)
<b>Net cash inflow/ (outflow) from investing activities</b>		<b>814,642</b>	<b>(410,543)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		8,660,184	337,500
Proceeds from issue of convertible notes		15,000,000	-
Share issue costs		(1,162,027)	(2,587)
Costs of issuing convertible note		(206,927)	-
Proceeds from borrowings		216,256	580,864
Repayment of borrowings		(152,780)	(414,648)
Payments for lease liabilities		(31,101)	(29,234)
<b>Net cash inflow/ (outflow) from financing activities</b>		<b>22,323,605</b>	<b>471,895</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>19,407,202</b>	<b>(8,721,717)</b>
Cash and cash equivalents at beginning of period		2,857,574	19,897,420
Effects of exchange rate changes on cash and cash equivalents		(9,205)	(8,418)
<b>Cash and cash equivalents at the end of the period</b>		<b>22,255,571</b>	<b>11,167,285</b>

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

**NORTHERN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

**1. Summary of Significant Accounting Policies**

**1.1 Corporate information**

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

**1.2 Basis of preparation**

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

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that the consolidated interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Northern Minerals Limited during, and subsequent to, the half year ended 31 December 2022 in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

**1.3 Significant accounting policies**

**Exploration and evaluation expenditure**

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

*Adoption of new and revised standards*

In the half-year ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2022. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

*New accounting standards not yet effective*

Management have reviewed all of the new and revised Standards and interpretations in issue not yet adopted for the period ended 31 December 2022. As a result of this review the Group have determined that there is no material impact of the Standards and Interpretations on issue not yet adopted by the Group, and therefore, no change is necessary to Group accounting policies.

**NORTHERN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

**1.4 Financial Position**

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

The Group has reported a net loss for the half year of \$7,695,024 (31 December 2021: \$13,184,990), and a cash outflow from operating activities of \$3,731,045 (31 December 2021: \$8,783,069 cash outflow). As at 31 December 2022 the Group had cash on hand of \$22,255,571 (30 June 2022 \$2,857,574) and a net working capital surplus of \$20,830,664 (30 June 2022: \$5,616,912).

The Directors have considered the cash flow forecasts and the funding requirements of the business which indicate that the Group may need to raise additional funds for planned activities including exploration expenditure (if undertaken) and ongoing working capital, beyond the completion of the DFS. The Directors carefully manage discretionary expenditure in line with the Group's cash flow forecast.

The Directors consider the going concern basis of preparation to be appropriate based on existing cash reserves, forecast cash flows and confidence in raising additional funds. Should the above assumptions not prove to be appropriate, there exists a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

**2. Revenue and Other Income**

The Group derives the following types of revenue:

	<b>Half Year 31 Dec 22</b>	<b>Half Year 31 Dec 21</b>
	\$	\$
Revenue from contracts with customers	6,538	2,384,552
R & D rebate on eligible expenditure	337,585	2,976,202
Gain on sale of property, plant and equipment	807,489	-
Interest Income	43,456	4,383
Other income	117,193	123,341
<b>Total revenue from continuing operations</b>	<b>1,312,261</b>	<b>5,488,478</b>

**3. Financial Assets and Liabilities**

**(a) Trade and other receivables**

	<b>31 Dec 2022</b>	<b>30 Jun 2022</b>
	\$	\$
<b>Current</b>		
Trade receivables	-	155,452
GST receivable	312,897	62,569
Prepayments	428,570	398,284
Other receivables	268,809	11,724
R&D rebate receivable	565,287	4,136,384
	<b>1,575,563</b>	<b>4,764,413</b>

**NORTHERN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

**3. Financial Assets and Liabilities (continued)**

**(b) Interest Bearing Liabilities**

<i>At Amortised Cost</i>	<b>Interest Rate</b>	<b>31 Dec 2022 \$</b>	<b>30 Jun 2022 \$</b>
<b>Current</b>			
Equipment finance (Secured)	2.9%	-	1,401
Right of use asset lease liability	15%	70,349	58,893
Insurance Premium Funding	5.4%	64,877	-
		135,226	60,294
<b>Non-Current</b>			
Convertible note -Iluka (Secured)	7%	12,802,143	-
Right of use asset lease liability	15%	164,129	186,725
		12,966,272	186,725
<b>Total Interest-Bearing Liabilities</b>			
Current		135,226	60,294
Non-Current		12,966,272	186,725
		13,101,498	247,019

On 28 October 2022, Northern Minerals issued to Iluka a convertible note totalling \$15.0 million, convertible into up to 365.6 million shares at \$0.048 per share (including assumed capitalised interest, and subject to various adjustment events). Details of the Iluka Convertible Note are as follows:

<b>Conversion Price:</b>	\$0.048 per share, subject to various adjustment events.
<b>Interest Rate:</b>	7% per annum. Accrued interest is capitalised quarterly.
<b>Face Value:</b>	\$15.0 million
<b>Maturity Date:</b>	31 December 2024
<b>Convertibility:</b>	Convertible by: ILU – at any time before the maturity date; and NTU – at any time after completion of both the Iluka Tranche 2A Placement and exercise of either the Iluka Tranche 2B Call Option or Put Option.
<b>Redeemability:</b>	Redeemable at the maturity date or by: ILU – following an event of default; and NTU – at any time before the maturity date.
<b>Security:</b>	NTU has entered into a combination security agreement under which it agrees to grant security over all of its present and after acquired property (including certain NTU mining tenements) to Iluka to secure the obligations of NTU under the Iluka Convertible Note. If an event of default occurs, Iluka may enforce the security granted under the combination security agreement.

Further, if requested by NTU, Iluka and NTU will use their respective reasonable endeavours to enter into a priority and subordination deed with NTU and its project debt financiers under which the security granted under the combination security agreement will rank behind any security granted in favour of the project debt financiers and the obligations under the Iluka Convertible Note will be subordinated to the project debt finance.

**NORTHERN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

**3. Financial Assets and Liabilities (continued)**

**(c) Derivative Financial Instruments**

During the half year the Group entered into a call option / put option arrangement pursuant to which Iluka will (subject to satisfaction or waiver of certain conditions) be issued up to an additional 653.3 million shares at a maximum price of \$0.06 per share raising up to \$39.2 million. The issue and grant of the call option and the put option was conditional on Northern Minerals shareholder approval which was received at the General Meeting on 12 December 2022.

The call option can be exercised by Iluka at any time up until 31 December 2025. The exercise of the put option by Northern Minerals is conditional on (among other things) NTU making a positive FID in relation to the Browns Range Project and ILU completing due diligence in respect of NTU's DFS to ILU's satisfaction (acting in good faith). Once those conditions are satisfied, Northern Minerals may exercise the put option at any time up until 31 December 2025.

The option contracts are financial instruments which have been classified as at fair value through profit or loss. As the derivative is closely related to the host instrument the derivative asset and liability are measured together at fair value and initially recognised as \$nil, with fair values determined by Level 1 valuation techniques. As at reporting date, the option contracts have a fair value of \$nil and therefore no fair value remeasurements have been recognised.

**(d) Fair value measurement**

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

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

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

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

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

Fair values of the Group's interest-bearing borrowings and loans are determined by using discounted cash flow models that use discount rates to reflect the issuer's borrowing rate as at the end of the reporting period.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value, by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All financial instruments measured at fair value use Level 2 valuation techniques in both periods.

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

**NORTHERN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

**4. Non-financial Assets and Liabilities**

**(a) Property, plant and equipment**

	Plant and equipment	Site plant bulk earthworks	Browns Range buildings	Right of use assets Office lease	Total
<b>Non-Current</b>					
<b>As at 30 June 2022</b>	\$	\$	\$	\$	\$
Cost	11,727,359	2,108,973	4,196,397	280,121	18,312,850
Accumulated Depreciation	(8,831,881)	(2,026,657)	(2,384,883)	(81,701)	(13,325,122)
<b>Carrying amount at end of the financial year</b>	<b>2,895,478</b>	<b>82,316</b>	<b>1,811,514</b>	<b>198,420</b>	<b>4,987,728</b>
<b>Period ended 31 December 2022</b>					
<b>Cost</b>					
At beginning of the period	11,727,359	2,108,973	4,196,397	280,121	18,312,850
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	(813,588)	-	-	-	(813,588)
<b>At the end of the period</b>	<b>10,913,771</b>	<b>2,108,973</b>	<b>4,196,397</b>	<b>280,121</b>	<b>17,499,262</b>
<b>Accumulated Depreciation</b>					
Accumulated depreciation at beginning of the period	(8,831,881)	(2,026,657)	(2,384,883)	(81,701)	(13,325,122)
Depreciation charge for the period	(148,837)	(49,214)	(110,862)	(23,343)	(332,256)
Disposals	621,077	-	-	-	621,077
<b>At the end of the period</b>	<b>(8,359,641)</b>	<b>(2,075,871)</b>	<b>(2,495,745)</b>	<b>(105,044)</b>	<b>(13,036,301)</b>
<b>Carrying amount at end of the period</b>	<b>2,554,130</b>	<b>33,102</b>	<b>1,700,652</b>	<b>175,077</b>	<b>4,462,961</b>

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

5. Equity

(a) Ordinary Shares	<u>31 December 2022</u>		<u>30 June 2022</u>	
	Number	\$	Number	\$
<b>Share Capital</b>				
Ordinary Shares	5,081,999,308	277,985,228	4,864,364,699	270,487,071

Movements in ordinary share capital	<u>31 December 2022</u>		<u>30 June 2022</u>	
	Number of Shares	Value \$	Number of Shares	Value \$
Balance at the beginning of year	4,864,364,699	270,487,071	4,846,066,366	270,152,158
Conversion of Performance Rights	480,000	-	-	-
Issue of Shares to Iluka Tranche 1 at \$0.04	125,000,000	5,000,000	-	-
Conversion of Performance Rights	650,000	-	-	-
Issue of Shares under Share Purchase Plan at \$0.04	91,504,609	3,660,184	-	-
Conversion of Performance Rights	-	-	5,795,000	-
Option Conversion at \$0.045	-	-	7,500,000	337,500
Conversion of Performance Rights	-	-	1,508,333	-
Conversion of Performance Rights	-	-	3,080,000	-
Conversion of Performance Rights	-	-	160,000	-
Conversion of Performance Rights	-	-	60,000	-
Conversion of Performance Rights	-	-	195,000	-
	5,081,999,308	279,147,255	4,864,364,699	270,489,658
Less: costs of issue	-	(1,162,027)	-	(2,587)
Balance at the end of period	5,081,999,308	277,985,228	4,864,364,699	270,487,071

(b) Share Purchase Plan Shares

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

	<b>31 Dec 2022 Number</b>	<b>30 Jun 2022 Number</b>
Balance at beginning of period	4,353,400	4,353,400
Shares reverted to company and reissued during the period	-	-
Balance at end of period	4,353,400	4,353,400

**NORTHERN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

**5. Equity (continued)**

**(c) Performance Rights over ordinary shares**

<i>Performance rights with conditions with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)</i>	<b>31 Dec 2022 Number</b>	<b>30 Jun 2022 Number</b>
Balance at beginning of period / year	22,016,665	-
Issued during the period / year	-	44,266,665
Forfeited/ lapsed during the period / year	(3,586,667)	(11,451,667)
Exercised during the period / year	(1,130,000)	(10,798,333)
Balance at end of period / year	<u>17,299,998</u>	<u>22,016,665</u>
Exercisable at end of period / year	<u>-</u>	<u>775,000</u>

<i>Performance rights with conditions* with Nil exercise price vesting and exercisable upon a number of conditions (Unquoted)</i>	<b>31 Dec 2022 Number</b>	<b>30 Jun 2022 Number</b>
Balance at beginning of period / year	-	-
Issued during the period / year	125,000,000	-
Forfeited/ lapsed during the period / year	-	-
Exercised during the period / year	-	-
Balance at end of period / year	<u>125,000,000</u>	<u>-</u>
Exercisable at end of period / year	<u>-</u>	<u>-</u>

The weighted average remaining contractual life for the performance rights outstanding as at 31 December 2022 is 2.86 years (30 June 2022: 1.48 years) with an exercise price of \$nil.

\* Performance conditions

The Performance Rights were approved by shareholders at the 12 December 2022 General Meeting. Under the plan, participants are granted performance rights which only vest if certain performance conditions are met. The amount of rights that will vest depends on the following conditions.

Rights are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share and can be exercised at any time from and including the vesting date up to and including the date of expiry. The Performance Rights will vest upon notification from the Company to the holder of the Performance Rights. Following vesting, the Company will allocate Shares to the holder of Performance Rights. Any Rights that do not vest by the relevant sunset date for the relevant tranche will lapse.

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

- **First Tranche:** 31.25 million Performance Rights are subject to the Company's shares achieving a 60- day volume-weighted average price (VWAP) of at least \$0.06 on or before 22 June 2025.
- **Second Tranche:** 31.25 million Performance Rights are subject to the Company's shares achieving a 60-day VWAP of at least \$0.08 on or before 22 June 2025.
- **Third Tranche:** 31.25 million Performance Rights are subject to the occurrence of the Board making a final investment decision to proceed with the development of a mining and concentration operation at Browns Range in Western Australia and the Company's shares achieving a 60-day VWAP of at least \$0.08, both conditions being satisfied on or before 22 June 2025.
- **Fourth Tranche:** 31.25 million Performance Rights subject to the Company commencing first production of Xenotime concentrate and delivery pursuant to the terms of the Iluka Supply Agreement between the Company and Iluka Rare Earths Pty Ltd on or before 31 December 2026.



**NORTHERN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

**5. Equity (continued)**

**(d) Options over ordinary shares**

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

<b>Grant Date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Share options 31 December 2022</b>	<b>Share options 30 June 2022</b>
2 March 2020	2 March 2024	\$0.045	26,500,000	26,500,000
22 February 2021	22 February 2024	\$0.074	153,061,226	153,061,226
22 February 2021	27 July 2024	\$0.074	51,020,408	51,020,408
12 December 2022	22 June 2025	\$0.060	20,000,000	-
<b>Total</b>			<b>250,581,634</b>	<b>230,581,634</b>
Weighted average remaining contractual life of options outstanding at end of period			1.34 years	2.24 years
Weighted average price of options outstanding at end of period			\$0.070	\$0.070

**6. Earnings/ (loss) per share**

	<b>Half year 31 Dec 2022</b>	<b>Half year 31 Dec 2021</b>
	<b>Cents per share</b>	<b>Cents per share</b>
<b>a) Basic loss per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	(0.16)	(0.27)
<b>b) Loss used in calculating loss per share</b>	<b>\$</b>	<b>\$</b>
Loss attributable to ordinary equity holders of the Company for basic and diluted earnings per share	(7,695,024)	(13,184,990)
<b>c) Weighted average number of shares used as the denominator</b>	<b>Number</b>	<b>Number</b>
The weighted average number of ordinary shares on issue during the financial period used in the calculation of basic loss per share	4,923,663,925	4,850,381,311

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

**NORTHERN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

**7. Contingent Liabilities**

**Co-Existence Agreement**

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

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

**Guarantees**

The Group has guarantees in the form of security deposits for rent and performance bonds of \$59,525 (30 June 2022: \$74,167).

**Government Grants**

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

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

**8. Commitments**

**(a) Exploration Expenditure Commitments**

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

	<b>31 Dec 22</b>	<b>31 Dec 21</b>
	<b>\$</b>	<b>\$</b>
<b>Exploration Tenements</b>		
Within one year	1,202,900	1,067,100

**9. Segment Information**

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

**NORTHERN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

**10. Share-based Payments**

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

The assessed fair value at grant date of the performance rights issued on 16 December 2022 was independently determined using the Hoadley Trading & Investment Tools Barrier 1 valuation model for Tranches 1, 2 and 3 as detailed in Note 5 (c).

For Tranche 4 as detailed in Note 5(c) and the options issued on 16 December 2022 the Hoadley Trading & Investment Tools ES02 binomial valuation model has been used in determining the value. The models take into account the exercise price, the vesting period, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the right and the correlations and volatilities of the peer group companies.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

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

The tables below list the inputs to the model used to value to the unlisted options and performance rights issued during the period ended 31 December 2022:

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price – at date of issue	Risk Free Rate	Volatility	Value Per Option/Right
16/12/2022	22/06/2025	20,000,000	12/12/2022	\$0.039	\$0.06	3.18%	60%	\$0.0099
16/12/2022	22/06/2025-31/12/2026	125,000,000	12/12/2022	\$0.039	Nil	3.07-3.18%	60%	\$0.0229 - \$0.039

**10.Events Occurring After the Reporting Period**

No matters or circumstance has arisen since the reporting date that has significantly affected the Group's operations, the results of those operations, or the Groups state of affairs in future financial years.

**NORTHERN MINERALS LIMITED**


**DIRECTORS' DECLARATION**

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

In the opinion of the directors:

- (a) the financial statements and notes as set out on pages 5 to 18:
- (i) gives a true and fair view of the financial position as at 31 December 2022 and the performance for the half-year ended on that date of the Company; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting", *Corporations Act 2001* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Nicholas Curtis AM**  
**Executive Chairman**

Perth, Western Australia

15 March 2023

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

To the directors of Northern Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2022 there have been:

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

**Nexia Perth Audit Services Pty Ltd**

**M. Janse van Nieuwenhuizen**  
Director

Perth  
15 March 2023

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

### Report on the Interim financial report

#### Conclusion

We have reviewed the interim financial report of Northern Minerals Limited ("the Company") and its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

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

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

#### Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$7,695,024 and cash outflows from operating activities of \$3,731,045 for the half-year ended 31 December 2022. As stated in Note 1, these events, or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

#### Nexia Perth

#### Audit Services Pty Ltd

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## Responsibility of the Directors for the Financial Report

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

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

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



**Nexia Perth Audit Services Pty Ltd**



**Muranda Janse Van Nieuwenhuizen**

Director

15 March 2023

Perth, Western Australia

## NORTHERN MINERALS LIMITED

### CORPORATE DIRECTORY

#### Directors

Nicholas Curtis AM  
(Executive Chairman)

Bin Cai  
(Executive Director)

Shane Hartwig  
(Executive Director)

Liangbing Yu  
(Non-executive Director)

Adam Handley  
(Non-executive Director)

#### Company Secretary

Belinda Pearce

#### Registered and Principal Office

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ABN 61 119 966 353

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Telephone: +61 2 9698 5414 (Overseas)

Email: [hello@automicgroup.com.au](mailto:hello@automicgroup.com.au)

#### ASX Code

NTU

#### Solicitors

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ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000

#### Auditors

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

#### Bankers

National Australia Bank