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REPORT
2014

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NORTHERN
MINERALS

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Letter from the Executive Chairman and Managing Director



Dear Shareholders

It is our pleasure to present the 2013/14 Annual Report. What a successful year it has been for our company and in the development of the Browns Range Project. The milestones achieved during this period mean that Browns Range is firmly on target for production in 2016, and in prime position to become the first significant new supplier of dysprosium outside of China.

The outstanding progress has included exceptional metallurgical and exploration results, completion of the Pre-Feasibility Study (PFS) and significant headway in the licencing and approvals area. In less than three years, we have delivered a maiden Ore Reserve for the Project, which, coupled with the Mineral Resource estimate, has delivered an initial 10 year life of mine for the Project.

The stand out feature of Browns Range remains the dysprosium rich, xenotime mineralisation, and the advantage it provides was reinforced time and time again throughout the year. This was evident during the continuous pilot plant runs for the beneficiation and hydrometallurgical process flowsheets, where both campaigns delivered first class results in terms of upgrade and recovery. The high concentration achieved through beneficiation facilitates a more cost efficient hydrometallurgical plant, and ultimately, results in a more competitive pre-production capital cost estimate in the PFS.

We are extremely pleased with the outcomes of the PFS. It has reiterated the positive economics for Browns Range, featuring a pre-production capital estimate of \$314M, average annual operating free cash flow of \$173M post tax and royalties for a net present value of \$446M. This is expected to provide an Internal Rate of Return of 33% and a 3.3 year payback from commencement of production. The economics are robust, and the pre-production capital cost in particular, puts us a step ahead of our competitors and makes Browns Range an attractive investment option.

We would especially like to acknowledge the Traditional Owners of the Browns Range project area, the Jaru People. The signing of the Co-existence Agreement is a major chapter in the life of the Project and in our working relationship with the Jaru People. The agreement formalises our relationship, provides economic and social benefits and facilitated the granting of the Project's mining lease. We are committed to further developing this relationship and assisting the Jaru People in creating meaningful and positive development in their community.

As we progress along the pathway to production, we have sharpened our focus on identifying, understanding and capturing the significant opportunities in the global rare earth market. Our PFS indicates 62% of revenue will come from dysprosium. From this an extensive market evaluation has been undertaken showing that global dysprosium demand will be driven by the production of neodymium-iron-boron magnets. Dysprosium is an essential ingredient in these magnets as it improves the magnet's resistance to corrosion and demagnetisation. The demand for these speciality magnets – used in clean energy and hi-tech digital applications - is forecasted to grow by 8 – 12% between 2014 and 2020. This future scenario has created considerable international interest in the potential Browns Range product.



The Company has maintained a strong financial position which has allowed us to continue on our rapid development path. Our capital raising initiatives included a fully underwritten rights issue which raised \$26.6 million and further \$5.3 million through a Placement. The Company also secured a healthy \$6M rebate during the period from the Federal Government's research and development incentive scheme. The withdraw of the proposed 16% part sale of the Browns Range Project is a good outcome for the Company, as it retains 100% ownership and maintains flexibility as we look toward funding for construction of the Project.

While these outstanding results are sometimes not reflected in our share price, we are both confident of the Project's credentials and our ability to achieve the 2016 production target. The positive results of the PFS prove the Project is economically robust and provides a solid platform for attracting investment. The exploration potential is unparalleled and provides confidence that further discoveries can be made to extend the life and value of Browns Range.

It has clearly been a busy year for the team at Northern Minerals. We would like to take this opportunity to acknowledge the ongoing dedication and hard work of all our people, and the continued support of our shareholders. During the year ahead we will continue our pathway to production, with the Feasibility Study due for completion by the end of 2014, and construction targeted to commence in mid 2015. Our aim continues to be on first production in 2016, at a prime time to capture market opportunities and stamp Browns Range as a globally significant dysprosium supplier.

We thank you for your ongoing support and look forward to celebrating many more achievements as we bring Browns Range into production.

Yours sincerely

Conglin Yue
Executive Chairman

George Bauk
Managing Director/CEO

HIGHLIGHTS – 2013/14

- Positive Pre-Feasibility Study demonstrates the value and technical strength of the Browns Range Project, confirming a 10 year operation, producing 279,000kg of dysprosium per annum with ongoing exploration potential.
- Released maiden Ore Reserve of 3.4Mt of ore containing 2,048,000kg dysprosium and 23,595,000kg TREO.
- Co-existence Agreement (Native Title) executed with Jaru People for the development of the Browns Range Project.
- Major upgrade in global Mineral Resource estimate to 47,997,000kg of total rare earth oxides (TREO) in 6.48 million tonnes @ 0.74% TREO.
- Browns Range primary environmental approvals process significantly progressed with WA Environmental Protection Authority assessment complete.
- Browns Range mining lease grant by Department of Mines and Petroleum.
- Resource dominated by high value dysprosium¹ and yttrium with 84% of the TREO within the total Mineral Resource being HREO.
- Successful run of beneficiation pilot plant, with 90 tonne bulk sample producing 2,200kg of mineral concentrate at 20% TREO grade.
- Significant improvements in Heavy Rare Earth Oxides (HREO) recovery up to 90% for a 20% TREO mineral concentrate.
- Finalisation of the fully underwritten rights issue, successfully raising a total of \$26.6 million.
- Mr Conglin Yue appointed as Executive Chairman, former Chairman Kevin Schultz appointed to Deputy Chairman and Ms Yanchun Wang appointed as non-executive director, being the second representative for Australia Conglin Investment Group (ACIIG).
- \$5.3 million raised through a Placement priced at 0.18 per share.
- \$6m received from Research and Development rebate for year ended 30 June 2013. Follows additional \$1.52m received in early October from year ended 30 June 2012.
- Outstanding rock chip samples from new Boulder Ridge prospect – results above 12% TREO, and 99% HREO.

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

REVIEW OF OPERATIONS

Northern Minerals Limited (ASX: NTU; the Company or NTU) is focussed on becoming a globally significant producer of dysprosium – a high value, heavy rare earth element (HRE). It has large and prospective landholding in Western Australia and the Northern Territory. Northern Minerals' flagship project is the 100% owned Browns Range Project (the Project or Browns Range), which features a number of deposits and prospects containing high value dysprosium and other HREs.

Dysprosium is an essential ingredient in the production of NdFeB (neodymium iron-boron) magnets used in clean energy and high technology applications. The increasing global demand for these type of products has made dysprosium supply critical.

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

After the completion of a positive Pre-Feasibility Study (PFS), the Project's Feasibility Study (FS) is well underway and due for completion at the end of 2014. The Company is targeting construction to commence in April 2015, followed by production in 2016.

Exploration to increase the resource size is ongoing at the Project as well as at the geologically similar John Galt and Boulder Ridge projects.

BROWNS RANGE PROJECT

A number of significant achievements during the year have put the Browns Range Project at the forefront in the race to be the world's next significant source of high value dysprosium.

The Project is on a pathway to production by 2016. This schedule has been supported through the delivery of some key milestones during 2014, including:

- Upgrading of the Mineral Resource Estimate to 47,997,000kg contained TREO.
- Release of a positive PFS for a robust 10 year mining project.
- Delivery of a maiden Ore Reserve.
- Signing of a Co-Existence Agreement with the Jaru People.
- Granting of the Project's mining lease.
- EPA assessment complete for the primary environmental approval.

The release of a successful PFS confirmed the economic and operational strength of Browns Range. The PFS is built around an initial 10 year mine operation, producing 279,000kg of dysprosium per annum. The Project will use a combination of open pit and underground mining techniques, with all processing infrastructure located on site.

Economically, the PFS has demonstrated the Project to be robust. It will require \$314M in pre-production capital and will deliver average annual operating free cash flow of \$173M post tax and royalties for a net present value of \$446M. This would provide an Internal Rate of Return (IRR) of 33% and a 3.3 year payback from commencement of production.

Ahead of the PFS, Northern Minerals also released its maiden Ore Reserve for Browns Range. This comprises 3.4Mt of ore containing 2,048,000kg dysprosium and 23,595,000kg total rare earth oxide (TREO), reported in accordance with the JORC Code 2012. The Ore Reserve is underpinned by over 74,000m of drilling and was delivered in less than three years from the commencement of the first drilling program undertaken by the Company at Browns Range for rare earths. The Ore Reserve is classified as 100% Probable Ore Reserve.

The positive developments in metallurgical test work continue to reaffirm the key competitive advantages of the Project and the inherent value of the HRE rich xenotime mineralisation. The xenotime, in combination with the mainly silica composition of the host rock, allows for significant concentration of up to 30 times through the beneficiation process, while continuing to deliver outstanding recoveries. This results in a more cost efficient hydrometallurgical plant.

A series of continuous pilot plant campaigns were undertaken on both the beneficiation and hydrometallurgical process flowsheets. The beneficiation pilot plant, in conjunction with the bench scale testing undertaken, confirmed improved HREO recoveries of up to 90%. Pilot plant test work was completed in January at the SGS Lakefield Oretest facility in Perth, using a 90t bulk sample collected from the Wolverine and Gambit West deposits. The trial tested the Company's two preferred flowsheet options: magnetic separation followed by cleaner flotation circuit (hybrid circuit) and the whole ore flotation circuit. The hybrid circuit achieved the best results to date with an overall circuit recovery of 83% dysprosium.

A series of three, five day continuous pilot plant campaigns of the hydrometallurgical flowsheet at the ANSTO facilities in New South Wales was undertaken. The third and final pilot plant run delivered the best recovery results, including 92% for dysprosium and 92.6% for TREO. These recoveries improved from the results from the second test run, and this improvement would deliver an additional 6,000kg of dysprosium and 157,000kg of TREO on average per annum. Using the PFS input data, this recovery improvement equates to around \$21M of additional net present value (NPV) for the Project.

The Project's primary environmental approvals are progressing well, following completion of an extensive survey and study program and the submission of the Project's final environmental assessment report. In August, the WA Environmental Protection Authority (EPA) advised that it considered the Project can be managed to meet the EPA's environmental objectives subject to the recommended conditions being adopted. The EPA's report to the WA Minister for Environment (Minister) was opened for public comment in September and the final decision is now with the Minister. It anticipated that the primary environmental approval process will be complete prior to the end of 2014. In parallel, preliminary planning and drafting work on the secondary approvals required for the proposed mining operation has also commenced.

In addition, the Federal Department of Environment has assessed Browns Range as a "Not Controlled Action" which means the Project does not require assessment and approval under the EPBC Act 1999 before it can proceed.

Another significant milestone was the execution of the Co-Existence (Native Title) Agreement and subsequent State Deed. The Company and the Jaru People signed the agreement in June 2014 which allows the Traditional Owners to benefit both economically and socially from the Project's development, while also facilitating the granting of the Project's mining lease and other tenure.

Northern Minerals continues to engage regularly and openly with the local community in regards to the Project's development. To support this ongoing commitment a number of community engagement activities were undertaken, including entering into a Memorandum of Understanding (MOU) with the Shire of Halls Creek to which sets a framework for engagement and co-operation regarding the Project's development. The Company also held a second round of community information forums in Ringer Soak, Halls Creek and Wyndham.

EXPLORATION

The year has seen the successful progression of the Company's resource expansion strategy, delivering a substantial increase in Browns Range Mineral Resources, and a maiden Ore Reserve.

Browns Range

In October 2013, the total Mineral Resource at Browns Range was upgraded to 4.13Mt @ 0.68% TREO, comprising 28,084,000kg contained TREO using a cut-off grade of 0.15% TREO. The upgrade marked a 165% increase in metal tonnes (of 17,584,000kg TREO) from the initial Mineral Resource estimate announced in December 2012 (10,500,000kg TREO), and followed a successful 24,000m drilling program completed across the Project between April and July 2013.

An additional 4,000m drilling program, in the second half of 2013, delivered further success, identifying new zones of mineralisation at Wolverine and the potential for further resource expansion below and to the west of the current resource outline.

In February, the Company delivered a further substantial increase in its HRE Mineral Resources, announcing a total Mineral Resource of 6.48 Mt @ 0.74% TREO comprising 47,997,000kg contained TREO using a cut-off grade of 0.15% TREO. Of the Total Mineral Resource, 66% is classified as Indicated Resource, with the remainder in the Inferred Resource category. The upgrade marked a further 71% increase in contained TREO (of 19,913,000kg TREO) from the previous Mineral Resource estimate announced in October (then 28,084,000kg TREO).

A key feature of the Browns Range resource is the dominance of the high value elements, dysprosium, terbium and yttrium with average grades of 0.62kg/t, 0.09kg/t and 4.13kg/t respectively. The HRE percentage of the Total Rare Earths is 84% (Indicated and Inferred Resource).

More than 56,000m of drilling was undertaken during the financial year. This ultimately culminated in the delivery of the Project's maiden Ore Reserve – comprising 3.4Mt of ore containing 2,048,000kg dysprosium and 23,595,000kg TREO, reported in accordance with the JORC Code 2012. The Ore Reserve is classified as 100% Probable Ore Reserve

Whilst the focus of exploration in 2013 was on increasing the Mineral Resource, some greenfields exploration and drill testing of new targets was completed in the second half of 2013 and in early 2014. First-pass drilling was completed at the Dazzler and Nightcrawler prospects with significant mineralisation intersected at both prospects. Follow-up drilling is planned at both of these prospects, as well as several new targets defined by anomalous soil geochemistry and ground geophysics. Further exploration drilling has also been completed on the Cyclops and Area 5 North prospects.

Boulder Ridge and John Galt

This year, while the exploration focus was directed at expanding the Browns Range Project's Mineral Resource and extending the Project's mine life, early stage exploration work was also undertaken at the John Galt and Boulder Ridge projects. This work included soil and rock chip sampling, and geological mapping. While preliminary in nature, some very promising results were achieved, in particular at the Boulder Ridge Project in the Northern Territory.

In October, the first results were released from a reconnaissance rock chip sampling program at the Boulder Ridge Project. The results included some outstanding, high-grade assay results of greater than 12% TREO. They also featured a dominance of HREs, with up to 99% of the TREO being high value HRE. Of the 19 samples collected from the prospect, 17 had a TREO grade above 1% including up to 1.15% dysprosium, with xenotime mineralisation observed in several places. Further reconnaissance exploration work completed in October confirmed the HRE mineralisation discovered at Boulder Ridge. In June 2014, a detailed airborne magnetic and radiometric survey commenced over a large tenement area in the Northern Territory which included the Boulder Ridge Project.

Results from this work will determine follow-up work, with drilling proposed for the high priority HRE target areas in 2015.

At the John Galt Project an option extension agreement was signed with the tenement holder, Arnhem Resources Pty Ltd. This agreement extends the option period for a further twelve months with an early payment being made of \$100,000 of the total \$250,000. In addition to the payment, shares to the value of \$100,000 have also been issued out of the total of \$500,000 worth of shares owed. There was no increase in the original terms, just a deferral of a portion of the payments for twelve months which allows the Company to conserve cash and provide more time to evaluate the John Galt Project. Drilling at the John Galt Project in 2013 was deferred, due to the on-going commitments at Browns Range. Further detailed exploration work over the main HRE mineralised zone at John Galt is planned for 2014.

CORPORATE

Northern Minerals has maintained a strong financial position, allowing it to continue the rapid development of the Browns Range Project during 2013/14.

Capital Injections 2013/14

Date	Shares	\$ Price	\$ Raised	
16/07/2013	30,000,000	\$ 0.20	\$ 6,000,000	Rights Issue underwriting
31/07/2013	5,000,000	\$ 0.20	\$ 1,000,000	Rights Issue underwriting
16/08/2013	10,000,000	\$ 0.20	\$ 2,000,000	Rights Issue underwriting
13/09/2013	47,183,287	\$ 0.20	\$ 9,436,657	Rights Issue underwriting
13/09/2013	996,939	\$ 0.20	\$ 199,388	Rights Issue Subscriptions
19/03/2014	16,111,111	\$ 0.18	\$ 2,900,000	Placement
16/05/2014	13,447,444	\$ 0.18	\$ 2,420,540	Placement
			\$ 23,956,585	

Northern Minerals successfully raised over \$23M in 2013/2014, putting it in a strong capital position to drive the development of its Browns Range Project. A major highlight was the finalisation of the fully underwritten rights issue, successfully raising a total of \$26.6 million in 2013.

In March, Northern Minerals successfully raised \$5.3 million through a Placement to sophisticated investors at \$0.18 per share, which was a 9.1% premium on the closing share price on 17 March 2014. This included a pro rata placement to major shareholder Australia Conglin International Investment Group (ACIIG). At the same time, the Company withdrew from the proposed sale of the Gardiner-Tanami gold assets for \$2 million. The gold asset sale was initially proposed as part of a funding package announced in February 2013, to raise a total of \$58 million, with the backing of ACIIG.

In June, Northern Minerals and Australia Conglin International Investment Group (ACIIG) reached an agreement to withdraw from the proposed 16% sale of the Browns Range Project. The decision followed the significant development of the Project, which had progressed it well beyond the stage when the initial deal was contemplated in February 2013. This outcome ensures Northern Minerals retains a 100% ownership of Browns Range, which provides additional flexibility when investigating other capital expenditure funding opportunities. These negotiations were terminated by mutual agreement and the Company retains the strong support of ACIIG, which was a major participant in the \$5.3M placement.

The Company has been successful in securing a number of significant cash rebates under the Federal Government's Research and Development Tax Incentive scheme. In 2013, NTU received an

additional \$1.52m following a revised research and development (R&D) claim for the year ended 30 June 2012. This took the total rebate to \$1.81M (before expenses) for the 2011/12 financial year. The 2012/2013 R&D Tax Incentive scheme returned \$6M.

During the reporting period, Northern Minerals engaged the services of PCF Capital Group (PCF) to provide a range of strategic financing and corporate advisory services. The Company aims to leverage the full breadth of PCF's expertise in investment banking and corporate finance in the mining and resources sector to help take Browns Range into production by 2016.

The Company was pleased to host the Hon Terry Redman MLA, Minister for Regional Development and a number of senior government representatives in China for a meeting with Northern Minerals' Executive Chairman, Mr Conglin Yue to provide an overview of the Project and its pathway to production.

Northern Minerals announced a number of changes to its Board during the year, including the appointment of Conglin Yue as Executive Chairman. Former Chairman Kevin Schultz remains on the Board as Deputy Chairman. Mr Yue is the Chairman and CEO of ACIIG, Northern Minerals' largest shareholder and a long term supporter of the Company. In addition, Ms Yanchun Wang was appointed to the position of Non-Executive Director, as the second ACIIG representative on the Board, and Mr Bin Cai serves as an alternate director for both Mr Yue and Ms Wang.

MARKETING

A stand out feature is Northern Minerals' ability to deliver a high value, high purity, dysprosium rich product to market. It is well positioned to become a long term and reliable global supplier of dysprosium.

Northern Minerals is continuing to advanced discussions and work with potential offtake partners. Efforts are focussed on finalising product specifications, with potential partners having been provided results of the PFS, as well as product samples for analysis from the third run of the pilot test work.

In September, the Company announced Sumitomo Corporation of Japan as the partner in its off-take Memorandum of Understanding (MOU). Sumitomo is a global leader in materials industries, with specific expertise in the downstream rare earth industry.

Discussions have continued between Northern Minerals and Sumitomo Corporation in regards to product specifications, transport and pricing. Under the terms of the MOU, both parties will actively collaborate to form a binding agreement for the supply of 1500t per annum of TREO HRE concentrate product from Browns Range.

Extensive evaluation of the market and the entire rare earth supply chain has identified that the growing demand for NdFeB permanent magnets will be the key rare earth market driver. Dysprosium is an essential component in the production of these magnets, used in applications such as hybrid vehicles and wind turbines, as it improves the magnet's high temperature performance and resistance to demagnetisation. The permanent magnet sector is forecast to grow 8 to 12% per annum from 2014 to 2020. This growth could increase markedly if more reliable, long-term dysprosium supplies are made available.

To assist its marketing strategy, Northern Minerals has engaged a leading global management consultancy firm to develop a supply demand model capturing all stages of the supply chain. This information will be used to enable Northern Minerals to identify and leverage potential opportunities.

NORTHERN MINERALS LIMITED

MINERAL RESOURCES AND ORE RESERVES STATEMENT

Ore Reserve

The Ore Reserve, reported in accordance with the JORC 2012 code, is detailed in Table 1. This is the maiden Ore Reserve for the Browns Range Project which was reported on 24 June 2014 in the ASX announcement titled "Maiden Ore Reserve for the Browns Range Project".

Table 1– Browns Range Ore Reserve Statement as at 30 June 2014

Deposit	Classification	Ore Tonnes	TREO		Dy ₂ O ₃		Tb ₄ O ₇		Y ₂ O ₃	
			kg/t	kg contained	kg/t	kg contained	kg/t	kg contained	kg/t	kg contained
OPEN PIT										
Wolverine	Probable	863,000	5.30	4,574,000	0.47	407,000	0.07	62,000	3.14	2,712,000
Gambit West	Probable	185,000	10.92	2,021,000	0.90	167,000	0.12	23,000	5.97	1,105,000
Gambit	Probable	47,000	9.94	467,000	0.85	40,000	0.11	5,000	6.11	287,000
Area 5	Probable	317,000	3.03	960,000	0.20	63,000	0.03	10,000	1.42	450,000
UNDER-GROUND										
Wolverine	Probable	1,894,000	7.58	14,348,000	0.67	1,260,000	0.10	192,000	4.42	8,379,000
Gambit West	Probable	103,000	11.89	1,225,000	1.08	111,000	0.14	14,000	7.09	730,000
TOTAL²	Probable	3,409,000	6.92	23,595,000	0.60	2,048,000	0.09	306,000	4.01	13,663,000

¹ - In this report dysprosium is to be read as dysprosium oxide (Dy₂O₃) unless otherwise stated. Other elements are referred to similarly.

² - Rounding may cause some computational discrepancies

TREO = Total Rare Earth Oxides – Total of: La₂O₃, CeO₂, Pr₆O₁₁, Nd₂O₃, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃, Ho₂O₃, Er₂O₃, Tm₂O₃, Yb₂O₃, Lu₂O₃, Y₂O

NORTHERN MINERALS LIMITED

MINERAL RESOURCES AND ORE RESERVES STATEMENT

Mineral Resource

The Ore Reserve is based entirely on the Mineral Resource, as released, in accordance with the JORC 2012 Code, by NTU on 26 February 2014. ("Wolverine Total Resource Doubled in a Major Upgrade of Browns Range HRE Mineral Resource Estimate"). The quantity and classification of this Mineral Resource is stated below in Table 2. The Mineral Resource is inclusive of the Ore Reserves.

Table 2 – Browns Range Mineral Resource Estimate as at 30 June 2014

Deposit	Category	Tonnes	TREO %	Dy ₂ O ₃ kg/t	Tb ₄ O ₇ kg/t	Y ₂ O ₃ kg/t	HREO %	TREO kg
Wolverine	Indicated	2,660,000	0.89	0.78	0.12	5.17	89	23,705,000
	Inferred	1,800,000	0.81	0.67	0.10	4.45	87	14,564,000
	Total ¹	4,460,000	0.86	0.74	0.11	4.88	88	38,269,000
Gambit West	Indicated	270,000	1.26	1.07	0.14	7.06	90	3,424,000
	Inferred	120,000	0.64	0.54	0.07	3.67	85	753,000
	Total ¹	390,000	1.07	0.91	0.12	6.04	89	4,177,000
Gambit	Indicated	50,000	1.06	0.92	0.12	6.62	97	533,000
	Inferred	60,000	1.20	1.01	0.15	6.80	95	671,000
	Total ¹	110,000	1.13	0.97	0.13	6.72	96	1,204,000
Area 5	Indicated	1,380,000	0.29	0.18	0.03	1.27	69	3,953,000
	Inferred	140,000	0.27	0.17	0.03	1.17	70	394,000
	Total ¹	1,520,000	0.29	0.18	0.03	1.26	69	4,347,000
Total¹	Indicated	4,370,000	0.72	0.61	0.09	4.07	83	31,615,000
	Inferred	2,120,000	0.77	0.64	0.09	4.25	86	16,382,000
	Total¹	6,480,000	0.74	0.62	0.09	4.13	84	47,997,000

¹ - Rounding may cause some computational discrepancies

TREO = Total Rare Earth Oxides – Total of: La₂O₃, CeO₂, Pr₆O₁₁, Nd₂O₃, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃, Ho₂O₃, Er₂O₃, Tm₂O₃, Yb₂O₃, Lu₂O₃, Y₂O₃

HREO = Heavy Rare Earth Oxides – Total of: Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃, Ho₂O₃, Er₂O₃, Tm₂O₃, Yb₂O₃, Lu₂O₃, Y₂O₃

NORTHERN MINERALS LIMITED

MINERAL RESOURCES AND ORE RESERVES STATEMENT

Comparison with previous years Mineral Resource estimate

At 30 June 2013, the Total Mineral Resource at the Browns Range Project was estimated at 1.44Mt @ 0.73% TREO comprising 10,500t TREO using a cut-off grade of 0.15% TREO. This Mineral Resource estimate was for the Wolverine deposit only and no Mineral Resource estimates had been completed at that date for the Gambit, Gambit West and Area 5 deposits.

Details of the classification of the total Mineral Resource into Indicated and Inferred Resource categories are stated in Table 3 below.

Table 3 – Browns Range Mineral Resource Estimate as at 30 June 2013

Deposit	Category	Tonnes	TREO %	Dy2O3 Kg/t	Y2O3 Kg/t	HREO %	TREO kg
Wolverine	Indicated	900,000	0.82	0.73	4.74	89	7,400,000
	Inferred	540,000	0.57	0.49	3.18	81	3,100,000
	Total ¹	1,440,000	0.73	0.64	4.15	84	10,500,000

¹ Rounding may cause some computational discrepancies

TREO = Total Rare Earth Oxides – La₂O₃, CeO₂, Pr₆O₁₁, Nd₂O₃, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃, Ho₂O₃, Er₂O₃, Tm₂O₃, Yb₂O₃, Lu₂O₃, Y₂O₃

HREO = Heavy Rare Earth Oxides – Total of Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃, Ho₂O₃, Er₂O₃, Tm₂O₃, Yb₂O₃, Lu₂O₃, Y₂O₃

The Mineral Resource for the Browns Range Project has increased significantly in the period 1 July 2013 to 30 June 2014 through extensive exploration drilling at the Wolverine deposit, and the addition of maiden Mineral Resource estimates for the Gambit, Gambit West and Area 5 deposits

Competent Person and Compliance Statement

The information in this announcement that relate to the open pit Ore Reserves are based on information compiled under the direction of Mr David Varcoe and those sections that relate to the underground Ore Reserves are based on information compiled under the direction of Mr David Lee. Mr Varcoe is a Member and Mr Lee is a Fellow of the Australasian Institute of Mining and Metallurgy and are both employed by AMC Consultants Pty Ltd. Mr Varcoe and Mr Lee have experience relevant to type of deposit under consideration to qualify as a Competent Person as defined in the 2012 JORC Code. Mr Varcoe and Mr Lee consent to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

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

The information in this report relating to Exploration Results was compiled by Mr Robin Wilson who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Wilson is a full time employee of Northern Minerals Limited and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of

NORTHERN MINERALS LIMITED

MINERAL RESOURCES AND ORE RESERVES STATEMENT

Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Wilson consents to the inclusion of this information in the form and context in which it appears.

Corporate Governance and Internal Controls – Mineral Resources and Ore Reserves

Northern Minerals has ensured that the Mineral Resources estimates quoted above are subject to governance arrangements and internal controls. The resource and reserve estimates have been externally derived by an independent consulting organisation whose staff have exposure to best practice in modelling and estimation techniques. Geology models have been generated by Northern Minerals staff and have been reviewed by the external consultant. The consultant has also carried out reviews of the quality and suitability of the data underlying the Mineral Resource and Ore Reserve estimate. Internal reviews of the Mineral Resource and Ore Reserve estimate have been completed by Northern Minerals management and executives to ensure it has been classified and reported in accordance with the JORC Code 2012. All Mineral Resource and Ore Reserve estimates that are disclosed by the Company are subject to review and approval by the Company's Board of Directors whose qualifications are disclosed in the Directors Report.

The information in this report that relates to Ore Reserves is extracted from the report entitled "Maiden Ore Reserve for the Browns Range Project" created on 24 June 2014 and is available to view on the Company's website (www.northernminerals.com.au). The information in this report that relates to the current Mineral Resource is extracted from the report entitled "Wolverine Total Resource Doubled in Major Upgrade of Browns Range HRE Mineral Resource Estimate" created on 26 February 2014 and is available to view on the Company's website (northernminerals.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



**NORTHERN
MINERALS**

Powering Technology.

NORTHERN MINERALS LIMITED

ABN 61 119 966 353

FINANCIAL REPORT

2014

NORTHERN MINERALS LIMITED DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2014.

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 (appointed 31 July 2013)*

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, a 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, uranium 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 has more than 25 years' global resource sector experience, with particular focus on rare earths and nickel. He has held senior operational and corporate roles with a variety of companies including WMC Resources and Arafura Resources. Prior to Northern Minerals he was Managing Director of Indago Resources (formerly Western Metals). George has a strong background in strategic management and business planning, building teams, finance and capital/debt raising.

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:

- 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

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. 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 (Appointed 14 October 2013)*

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 (Appointed 29 August 2013)*

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	5	7	n/a	n/a	n/a	n/a
Kevin Schultz	8	8	2	2	n/a	n/a
George Bauk	8	8	2	2	n/a	n/a
Adrian Griffin	8	8	2	2	2	2
Colin McCavana	8	8	2	2	2	2
Yanchun Wang	1	5	n/a	n/a	n/a	n/a
Bin Cai	3	7	n/a	n/a	n/a	n/a

A – meetings attended

B – meetings held whilst a director

NORTHERN MINERALS LIMITED DIRECTORS' REPORT

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	66,091,644
Kevin Schultz	2,500	2,000,000	-
George Bauk	7,025,238	3,000,000	-
Adrian Griffin	2,744,150	2,000,000	-
Colin McCavana	3,200,000	2,000,000	-
Yanchun Wang ¹	132,183,287	1,000,000	66,091,644
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 were 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.

OPERATING RESULTS FOR THE YEAR

The net loss for the year ended 30 June 2014 was \$29,772,541 (2013: \$20,116,204).

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

OPTIONS

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	4,606,870	Between \$0.19 & \$0.63	Between 26 September 14 and 12 June 2020
Unlisted performance rights ¹	12,400,000	Nil	Between 30 June 2017 and 31 December 2017
Unlisted performance rights ²	4,000,000	Nil	29 November 2014
Listed options	66,590,127	\$0.30	31 March 2015
Total	87,596,997		

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).

Note 2 - The performance rights vest on the date which is 12 months after the date of grant of the performance rights. If the recipient elects to resign within the 12 month period then the right to the underlying shares is forfeited. If the recipients office is terminated within the 12 month period, then the performance rights vest immediately upon the date of termination.

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
300,000	\$0.50
200,000	\$0.50
200,000	\$0.50
100,000	\$0.215
8,000,000	Nil

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

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 22 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

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 \$258,146 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 \$317,918 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 Robert Sills (Commercial Manager)

The employment contract commenced on 5 September 2011 and is not for a fixed period.

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

- Remuneration package (inclusive of superannuation) of \$210,962 pa
- Salary reviewed in June each year
- The Company is entitled to terminate the agreement by giving no less than 3 months' notice
- Mr Sills 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**

5. 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>Share-based Payments % of Total Remuneration</i>
	<i>Salary & Fees</i>	<i>Other Benefits</i>	<i>Superannuation Benefits</i>	<i>Long Service Leave</i>	<i>Share Plan</i>	<i>Options/ Performance Rights</i>		
	\$	\$	\$	\$	\$		\$	\$
Directors								
Conglin Yue	70,583	1,912	-	-	-	25,680	98,175	26.16%
Kevin Schultz	63,303	2,084	5,856	-	-	167,096	238,339	70.11%
George Bauk	417,652	2,084	17,775	10,082	224,153	229,151	900,897	50.32%
Adrian Griffin	58,716	2,084	5,431	-	-	167,096	233,327	71.61%
Colin McCavana	58,716	2,084	5,431	-	-	167,096	233,327	71.61%
Yanchun Wang	-	1,483	-	-	-	25,680	27,163	94.54%
Bin Cai	203,697	1,746	-	-	1,693	4,755	211,891	3.04%
Specified Executives								
Robin Wilson	235,750	5,821	21,807	6,424	21,011	58,650	349,463	22.80%
Robin Jones	292,917	-	25,000	15,128	12,598	58,650	404,293	17.62%
Robert Sills	192,660	12,087	17,821	3,573	14,068	58,650	298,859	24.33%
Mark Tory	252,294	2,084	23,337	-	63,279	43,510	384,504	27.77%
TOTAL	1,846,288	33,469	122,458	35,207	336,802	1,006,014	3,380,238	39.73%

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

**NORTHERN MINERALS LIMITED
DIRECTORS' REPORT**

Details of Remuneration for the Year Ended 30 June 2013

	<i>Short-term</i>		<i>Post Employment</i>		<i>Share-based Payments</i>		<i>Total</i>	<i>Share-based Payments % of Total Remuneration</i>
	<i>Salary & Fees</i>	<i>Other Benefits</i>	<i>Superannuation Benefits</i>	<i>Long Service Leave</i>	<i>Share Plan</i>	<i>Options/ Performance Rights</i>		
	\$	\$	\$	\$	\$	\$	\$	%
Directors								
Kevin Schultz	63,303	2,500	5,697	-	-	106,225	177,725	59.77%
George Bauk	387,351	2,500	15,949	10,083	-	214,229	630,112	34.00%
Adrian Griffin	58,716	2,500	5,284	-	-	106,225	172,725	61.50%
Colin McCavana ³	61,216	2,500	5,284	-	-	106,225	175,225	60.62%
Dudley Kingsnorth ¹	35,200	1,030	-	-	-	-	36,230	0.00%
Specified Executives								
Robin Wilson	235,750	10,127	21,218	6,424	36,503	114,000	424,022	35.49%
Simon Storm ²	84,049	1,662	-	-	17,231	-	102,941	16.74%
Robin Jones	291,000	-	26,190	-	31,483	138,648	487,320	34.91%
Robert Sills	192,660	9,239	18,171	11,262	17,139	124,811	373,283	38.03%
Mark Tory	147,171	1,436	13,245	-	15,338	11,794	188,985	14.36%
TOTAL	1,556,416	33,494	111,038	27,769	117,694	922,157	2,768,568	37.56%

There were no cash bonuses or termination benefits payable as at 30 June 2013.

Note 1: Includes consulting fees paid to Industrial Minerals Company of Australia Pty Ltd of \$13,000 to 28 November 2012

Note 2: Fees paid to Dorado Corporate Services Pty Ltd for company secretarial and accounting services

Note 3: Includes \$2,500 paid to Bell Bay Investments Pty Ltd for consulting services

**NORTHERN MINERALS LIMITED
DIRECTORS' REPORT**

6. Employee share/performance rights plan

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

30 June 2014

	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	180,000	-	-
Kevin Schultz	450,000	-	270,000
George Bauk	720,000	-	540,000
Adrian Griffin	450,000	-	270,000
Colin McCavana	450,000	-	270,000
Yanchun Wang	180,000	-	-
Bin Cai	140,000	-	-
Specified Executives			
Robin Wilson	285,000	-	285,000
Robin Jones	285,000	-	285,000
Robert Sills	285,000	-	285,000
Mark Tory	215,000	-	-
TOTAL	3,640,000	-	2,205,000

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

30 June 2014

	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	512,000	-	-
Adrian Griffin	-	-	-
Colin McCavana	-	-	-
Yanchun Wang	-	-	-
Bin Cai	8,000	-	-
Specified Executives			
Robin Wilson	24,000	30,000	-
Robin Jones	24,000	-	-
Robert Sills	24,000	-	-
Mark Tory	67,000	-	-
TOTAL	659,000	30,000	-

**NORTHERN MINERALS LIMITED
DIRECTORS' REPORT**

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 22.

Options/Performance Rights – 30 June 2014

	Grant Date	Number Granted	Number Vested	Value at Grant Date	Exercise Price	Expiry Date	Date Vested & Exercisable
Directors							
Conglin Yue	29/11/2013	1,000,000	-	\$180,000	Note 1	31/12/2017	Note 1
Kevin Schultz	29/11/2013	1,000,000	-	\$270,000	Note 1	31/12/2017	Note 1
	29/11/2013	1,000,000	-	\$180,000	Note 2	29/11/2014	Note 2
George Bauk	29/11/2013	2,000,000	-	\$540,000	Note 1	31/12/2017	Note 1
	29/11/2013	1,000,000	-	\$180,000	Note 2	29/11/2014	Note 2
Adrian Griffin	29/11/2013	1,000,000	-	\$270,000	Note 1	31/12/2017	Note 1
	29/11/2013	1,000,000	-	\$180,000	Note 2	29/11/2014	Note 2
Colin McCavana	29/11/2013	1,000,000	-	\$270,000	Note 1	31/12/2017	Note 1
	29/11/2013	1,000,000	-	\$180,000	Note 2	29/11/2014	Note 2
Yanchun Wang	29/11/2013	1,000,000	-	\$180,000	Note 1	31/12/2017	Note 1
Bin Cai	16/05/2014	1,000,000	-	\$140,000	Note 1	31/12/2017	Note 1
Specified Executives							
Robin Wilson	30/10/2013	1,000,000	-	\$285,000	Note 1	31/12/2017	Note 1
Robin Jones	30/10/2013	1,000,000	-	\$285,000	Note 1	31/12/2017	Note 1
Robert Sills	30/10/2013	1,000,000	-	\$285,000	Note 1	31/12/2017	Note 1
Mark Tory	30/10/2013	1,000,000	-	\$215,000	Note 1	31/12/2017	Note 1

Note 1

Vesting of the rights is 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 for the company to make 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). Should this condition be satisfied, each right entitles the holder to one ordinary share for nil consideration.

Note 2

The performance rights will not vest and the underlying shares will not be issued until the date which is 12 months after the grant of the Performance rights. If the director elects to resign within the 12 month period then the right to the underlying shares is forfeited, however, if the director's office as director is terminated within the 12 month period, then the Performance Rights vest immediately upon the date of termination.

**NORTHERN MINERALS LIMITED
DIRECTORS' REPORT**

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

Share Plan Shares – 30 June 2014

	Date of Issue	Number of Shares	Number Vested	Value at Grant Date
Directors				
Conglin Yue	-	-	-	-
Kevin Schultz	-	-	-	-
George Bauk	29/11/2013	4,000,000	-	512,000
Adrian Griffin	-	-	-	-
Colin McCavana	-	-	-	-
Yanchun Wang	-	-	-	-
Bin Cai	09/05/2014	100,000	-	8,000
Specified Executives				
Robin Wilson	19/03/2014	300,000	-	24,000
Robin Jones	19/03/2014	300,000	-	24,000
Robert Sills	19/03/2014	300,000	-	24,000
Mark Tory	30/10/2013	200,000	200,000	43,000
	19/03/2014	300,000	-	24,000

*** End of Remuneration Report ***

PROCEEDINGS ON BEHALF OF COMPANY

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

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

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 2014.

NON-AUDIT SERVICES

There were no Non-Audit services carried out in the year ended 30 June 2014.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 31 July 2014, the Company announced that it had received a \$6,000,000 credit approved offer of finance from Macquarie Bank Limited. The funding is via a drawdown facility offset against the Company's 2013/14 Research and Development rebate.

On 23 September 2014, the Company received the final Research and Development rebate totalling \$8,992,296. On receipt of these funds, the \$6,000,000 facility with Macquarie was retired.

Signed in accordance with a resolution of the directors.



**George Bauk
Director**

**Perth
30 September 2014**

NORTHERN MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board and Management are committed to Corporate Governance and, to the extent they are applicable to the Company, have adopted the Eight Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"). The Board has adopted comprehensive systems of control and accountability as the basis for the administration of Corporate Governance. These policies and procedures are summarised below. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has provided full disclosure and the reason for the adoption of its own practice, in compliance with the "if not, why not" 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	n/a	n/a
1.2	√	Refer (a) below	4.3	n/a	n/a
1.3	√	Refer (a) below	4.4	n/a	n/a
2.1	X	Refer (b) below	5.1	√	Refer (i) below
2.2	X	Refer (b) below	5.2	√	Refer (i) below
2.3	√	Refer (b) below	6.1	√	Refer (j) below
2.4	√	Refer (b) below	6.2	√	Refer (j) below
2.5	√	Refer (c) below	7.1	√	Refer (k) below
2.6	√	Refer (d) below	7.2	√	Refer (k) below
3.1	√	Refer (e) below	7.3	√	Refer (l) below
3.2	X	Refer (f) below	7.4	√	Refer (l) below
3.3	X	Refer (f) below	8.1	√	Refer (m) below
3.4	√	Refer (g) below	8.2	X	Refer (m) below
3.5	X	Refer (f) below	8.3	√	Refer (n) below
4.1	X	Refer (h) below	8.4	√	Refer (n) below

NORTHERN MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

(a) Principle 1 Recommendation 1.1, 1.2 and 1.3

Companies should establish and disclose functions reserved for the Board and those delegated to senior executives and disclose the process for evaluation of senior executive performance.

Disclosure:

The Company has 4 non-executive directors an Executive Chairman a Managing Director and an executive alternate director. The Managing Director is responsible for ensuring that the Company achieves the goals established by the Board.

The appointments of non-executive directors are formalised in accordance with the regulatory requirements and the Company's constitution.

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.

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

(b) Principle 2 Recommendations 2.1, 2.2, 2.3 and 2.4

A majority of the Board should be independent directors and the Chair should be an independent director. The roles of the Chair and Chief Executive Officer should not be exercised by the same individual. The Board should establish a Nomination Committee.

Disclosure:

The independent directors of the Board are Kevin Schultz, who is the Non-Executive Deputy Chairman, Adrian Griffin and Colin McCavana.

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

Notification of Departure

The majority of the Board are not independent Directors and the Chair is not an independent Director

Explanation for Departure

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 and its business sectors makes his contribution to the Board such that it is appropriate for him to remain in that position.

It is also acknowledged that the majority of the Board are not independent directors. The Board has been formed so that the size and skill set are appropriate for the Board to adequately discharge its duties and responsibilities given the current size and scale of the Company's operations.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

(c) Principle 2 Recommendation 2.5

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

Disclosure:

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 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.

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.

(d) Principle 2 Recommendation 2.6

Companies should provide the information indicated in the Guide to Reporting on Principle 2.

Disclosure:

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent directors of the Company during the Reporting Period are disclosed in (b) above. Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgment, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The Board refers to the Nomination Committee in relation to nomination matters.

Performance Evaluation

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 in Recommendation 2.5.

Selection and re-appointment of Directors

The Nominations Committee considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

NORTHERN MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

Each director other than the Managing Director must retire from office no later than the longer of the third annual general meeting of the company or 3 years following that director's last election or appointment. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Reappointment of directors is not automatic.

(e) Principle 3 Recommendation 3.1

The Company should establish a formal code of conduct.

Disclosure:

Northern Minerals is committed to the highest standards of ethical business conduct. As part of that commitment, Northern Minerals established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Northern Minerals' standards of behaviour and corporate culture reflect best practice in Corporate Governance.

Northern Minerals also has a number of specific policies that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Northern Minerals, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

(f) Principle 3 Recommendation 3.2, 3.3 and 3.5

Companies should establish a policy concerning diversity, the measurable objectives for achieving gender diversity, and provide the information listed in Box 3.2 of the Principles & Recommendations for the content of a diversity policy.

Notification of Departure

A Diversity policy has not been established.

Explanation for Departure

The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of a diversity policy is justified at this time.

(g) Principle 3 Recommendation 3.4

Companies should disclose the proportion of female employees and those in executive and on the board.

Disclosure:

Northern Minerals has 36 employees, of which 9 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.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

(h) Principle 4 Recommendations 4.1, 4.2, 4.3 and 4.4

The board should establish an audit committee which has at least three members, consists only of non-executive directors and a majority of independent directors and is chaired by an independent chair who is not chair of the board. The Company should provide the information indicated in Principle 4.

Notification of Departure

A separate audit committee has not been formed

Explanation for Departure

The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of separate or a special committee is justified at this time. The Board as a whole considers those matters that would usually be the responsibility of an audit committee and adheres to its Charter. The Board considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee.

(i) Principle 5 Recommendation 5.1 and, 5.2

The Company should have written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for compliance.

Disclosure:

The Company has a continuous disclosure policy. Procedures are in place to ensure that price sensitive information is reported to the ASX in accordance with the continuous disclosure requirements. The Board has nominated the Managing Director and the Company Secretary as being responsible for all matters relating to disclosure.

(j) Principle 6 Recommendation 6.1 and 6.2

Companies should establish a formal Shareholder communication strategy.

Disclosure:

The Company has established a formal Shareholder communication strategy and it actively communicates with its Shareholders in order to identify their expectations and actively promotes Shareholder involvement in the Company. It achieves this by posting on its website copies of all information lodged with the ASX. Shareholders with internet access are encouraged to provide their email addresses in order to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company are available on request.

(k) Principle 7 Recommendation 7.1 and 7.2

Companies should establish a sound system of risk oversight and management and internal control.

Disclosure:

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 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.

NORTHERN MINERALS LIMITED
CORPORATE GOVERNANCE STATEMENT

(l) Principle 7 Recommendation 7.3 and 7.4

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Company should provide the information indicated in Principle 7.

Disclosure:

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

(m) Principle 8 Recommendations 8.1, 8.2

The Board should establish a Remuneration Committee. The remuneration committee should be structured so that it: consists of a majority of independent directors, is chaired by an independent chairperson and has at least three members

Disclosure

The Company has established a Remuneration Committee Charter. The Committee comprises two independent directors, being Messrs Colin McCavana (Chairman) and Adrian Griffin.

Notification of Departure

The Remuneration Committee only comprises 2 members.

Explanation for Departure

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.

(n) Principle 8 Recommendations 8.3 and 8.4

Companies should distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. They should provide information indicated in the ASX Guide to Reporting on Principle 8.

Disclosure:

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.

NORTHERN MINERALS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	CONSOLIDATED	
		2014	2013
		\$	\$
REVENUE FROM CONTINUING ACTIVITIES			
Interest		420,964	222,674
Other	4	6,029,892	2,712,265
TOTAL REVENUE		6,450,856	2,934,939
EXPENSES			
Corporate			
Administration		994,811	631,132
Depreciation expense		623,340	506,665
Share based payments		2,946,093	1,221,655
Legal and professional		1,118,904	1,062,784
Occupancy		383,678	348,130
Employee benefits		2,630,144	2,178,012
Other corporate expenditure		141,171	148,673
Total Corporate		8,838,141	6,097,051
Exploration and Project Development			
Exploration Costs		11,530,651	13,714,348
Project Evaluation and Pre-Feasibility		15,284,977	3,158,435
Total Exploration and Project Development		26,815,628	16,872,783
TOTAL EXPENSES		35,653,769	22,969,834
OPERATING LOSS		(29,202,913)	(20,034,895)
Finance Costs		569,628	81,309
LOSS BEFORE TAX		(29,772,541)	(20,116,204)
Income tax expense	5	-	-
NET LOSS		(29,772,541)	(20,116,204)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(29,772,541)	(20,116,204)
Basic and diluted loss per share (cents per share)	6	(7.5)	(8.3)

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	NOTE	CONSOLIDATED	
		2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	7	5,671,824	8,694,593
Trade and other receivables	8	452,710	1,898,757
Other financial assets	9	156,000	720,000
Total Current Assets		6,280,534	11,313,350
NON CURRENT ASSETS			
Other financial assets	9	766,307	480,307
Plant and equipment	10	901,296	1,161,276
Total Non-Current Assets		1,667,603	1,641,583
TOTAL ASSETS		7,948,137	12,954,933
CURRENT LIABILITIES			
Trade and other payables	11	3,297,568	4,308,210
Shareholder loan	12	-	8,000,000
Provisions	13	390,083	261,030
Total Current Liabilities		3,687,651	12,569,240
NON-CURRENT LIABILITIES			
Provisions	13	321,497	184,580
Total Non-Current Liabilities		321,497	184,580
TOTAL LIABILITIES		4,009,148	12,753,820
NET ASSETS		3,938,989	201,113
EQUITY			
Issued Capital	14	79,038,430	48,574,105
Reserves	15	5,739,273	2,693,181
Accumulated losses	16	(80,838,714)	(51,066,173)
TOTAL EQUITY		3,938,989	201,113

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED

STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2014

	NOTE	CONSOLIDATED	
		2014	2013
		\$	\$
OPERATING ACTIVITIES			
Payments to suppliers and employees		(32,654,832)	(18,471,817)
Interest Received		421,191	231,923
Research and development rebate received		7,547,596	287,276
Purchase of tenements and rights		-	(200,000)
Proceeds from disposal of tenements		-	100,000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	7(a)	(24,686,045)	(18,052,618)
INVESTING ACTIVITIES			
Purchase of plant and equipment		(398,781)	(914,667)
Proceeds from disposal of plant and equipment		39,700	31,872
Increase in security deposits		(286,000)	(123,336)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(645,081)	(1,006,131)
FINANCING ACTIVITIES			
Proceeds from issue of shares		23,845,617	10,863,735
Share issue costs		(1,537,260)	(326,336)
Proceeds from borrowings		140,813	8,000,000
Repayment of borrowings		(140,813)	-
CASH FLOWS RECEIVED FROM FINANCING ACTIVITIES		22,308,357	18,537,399
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,022,769)	(521,350)
Cash and cash equivalents at beginning of year		8,694,593	9,215,943
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	5,671,824	8,694,593

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENTS RESERVE	SHARE OPTIONS RESERVE	TOTAL
Consolidated Entity					
Balance at 1 July 2012	38,192,674	(30,949,969)	768,077	703,449	8,714,231
Loss for the financial period	-	(20,116,204)	-	-	(20,116,204)
Total recognised income and expense for the year	-	(20,116,204)	-	-	(20,116,204)
Shares issued net of transaction costs	10,381,431	-	-	-	10,381,431
Shares/options issued	-	-	235,436	986,219	1,221,655
Balance at 30 June 2013	48,574,105	(51,066,173)	1,003,513	1,689,668	201,113
Balance at 1 July 2013	48,574,105	(51,066,173)	1,003,513	1,689,668	201,113
Loss for the financial period	-	(29,772,541)	-	-	(29,772,541)
Total recognised income and expense for the year	-	(29,772,541)	-	-	(29,772,541)
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	(80,838,714)	1,550,367	4,188,906	3,938,989

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 2014 was authorised for issue in accordance with a resolution of the directors on 25 September 2014. 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.

b) New Accounting Standards and Interpretations

Standards adopted in the current year

The group has adopted a number of new or revised accounting standards this year that have resulted in changes in accounting policies in the financial statements.

(i) AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities (2011)

AASB 10 Consolidated Financial Statements was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements.

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests. The adoption of these standards has not had a significant impact.

(ii) AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 Interests in Joint Ventures and the guidance contained in a related interpretation, Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

Previously, AASB 131 Interests in Joint Ventures contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expense incurred jointly). Each joint operation accounts for the assets and, liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

While the Company holds an interest in a joint venture, the new standard did not have any impact on the financial report.

(iii) AASB 13 Fair Value Measurement (2011)

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities changed on transition to AASB 13, due to incorporating own credit risk into the valuation.

As required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. Comparative amounts have not been restated.

(iv) AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards in issue not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities.

The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The standard is not expected to have a material impact on the group financial instruments.

(ii) AASB 1031 Materiality (2013)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The revised AASB 1031 is effective from 1 January 2014 and early adoption is not permitted.

AASB 1031 (2013) is effective for annual periods beginning on or after 1 January 2014 and not available for early adoption.

(iii) AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

The AASB approved amending Standard AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments on 20 December 2013. AASB 2013-9 incorporates the IASB's Standard IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39).

Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1 Amendments to the Australian Conceptual Framework. Part B mainly makes amendments to particular Australian Accounting Standards to delete references to AASB 1031.

Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. The main amendments regarding financial instruments are as follows:

- to add Hedge Accounting and make consequential amendments to AASB 9 and numerous other Standards;
- to permit requirements relating to the 'own credit risk' of financial liabilities measured at fair value to be applied without applying any other requirements of AASB 9 at the same time; and
- to amend the mandatory application date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2017 instead of 1 January 2015.

AASB 2013-9 is effective for annual periods beginning on or after 1 January 2014.

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 IFRS 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 22.

e) Exploration, evaluation and development expenditure

Exploration, evaluation and acquisition costs are expensed as incurred.

f) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker 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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Segment Reporting (continued)

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.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the board of directors.

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

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

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

g) Cash and Cash Equivalents

Cash and 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.

h) 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.

i) 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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Investments and Other Financial Assets (continued)

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.

j) Interest in a Jointly Controlled Operation

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

k) Plant and Equipment

Plant and equipment is stated at 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.

l) Leases

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

Group as a lessee

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

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

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) 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.

n) Provisions and Employee Benefits

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

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

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

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

Employee leave benefits

(i) Wages, salaries and 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.

(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.

o) Share-based Payment Transactions

Equity settled transactions

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

Refer to note 22 for a more detailed description.

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:

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Share-based Payment Transactions (continued)

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

(ii) The expired portion of the vesting period.

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

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

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

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

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

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

p) 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.

q) 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

Research and Development grants that are receivable as incentive for past research and development costs are recognised in profit or loss in the period in which they become receivable.

r) 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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Income Tax and Other Taxes (continued)

- 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.

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)

s) 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.

t) Provision for Restoration and Rehabilitation

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

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

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (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

	Consolidated	
	2014	2013
	\$	\$
REVENUE		
Sale of tenements	-	900,000
Net gain/(loss) on disposal of property, plant and equipment	4,279	(340)
Research and development refund	6,025,492	1,809,379
Other	121	3,226
	6,029,892	2,712,265

5. INCOME TAX

	Consolidated	
	2014	2013
	\$	\$
<i>Reconciliation of income tax expense/(income) to the pre-tax net loss</i>		
Loss before income tax	(29,772,541)	(20,116,204)
Tax calculated at 30% on loss before income tax	(8,931,762)	(6,034,861)
Add tax effect of:		
Share based payments	883,828	366,497
Non-deductible expenses	5,999,800	3,642
Non-assessable income	(1,807,648)	(542,814)
Unused tax losses and temporary differences not recognised	3,855,782	6,207,536
Income tax expense/(income)	-	-

Unrecognised deferred tax balances

<i>Deferred tax assets</i>		
Unused tax losses	14,990,077	14,172,333
Deductible temporary differences	1,060,453	562,926
Total unrecognised deferred tax assets	16,050,530	14,735,259
<i>Deferred tax liabilities</i>		
Assessable temporary differences:		
Taxable temporary differences	(3,241)	(3,539)
Total unrecognised deferred tax liabilities	(3,241)	(3,539)
Net unrecognised deferred tax balances	16,047,289	14,731,720

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	
	2014	2013
	\$	\$
(a) Basic loss per share	(7.5)	(8.3)
(b) Loss used in calculating loss per share		
Loss attributable to the ordinary equity holders of the Company	(29,772,541)	(20,116,204)
	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	397,630,731	241,079,689

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	
	2014	2013
	\$	\$
Cash at Bank and on hand	1,096,824	4,153,268
Cash on Deposit	4,575,000	4,541,325
	5,671,824	8,694,593

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	
	2014	2013
	\$	\$
(a) Reconciliation to Cash Flow Statement		
Net Loss	(29,772,541)	(20,116,204)
<i>Adjustments</i>		
Depreciation expense	623,340	506,665
Gain on disposal of assets	(4,279)	340
Net change in fair value of financial assets at fair value through profit and loss	564,000	80,000
Sale of tenements and rights	-	(800,000)
Share-based payments	3,046,093	1,221,655
<i>Change in assets and liabilities</i>		
(Increase)/decrease in other receivables	1,446,046	(1,732,134)
Increase/(decrease) in trade and other payables	(853,588)	2,576,951
Increase in provisions	264,884	210,109
Net cash flows used in operating activities	(24,686,045)	(18,052,618)
 (b) Reconciliation of cash		
<i>Cash balance comprises:</i>		
Cash and cash equivalents	5,761,824	8,694,593

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014	2013
	\$	\$
GST Receivable	222,183	195,693
Prepayment	215,724	168,163
Other receivables	4,000	1,523,104
Accrued interest	10,803	11,797
	452,710	1,898,757

9. OTHER FINANCIAL ASSETS

	Consolidated	
	2014	2013
	\$	\$
<i>Current</i>		
Equity securities – designated as “at fair value through profit or loss”	156,000	720,000
 <i>Non Current</i>		
Security deposits – rent and performance bonds	766,307	480,307

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 23.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. PLANT AND EQUIPMENT

	Consolidated	
	2014	2013
	\$	\$
Plant and Equipment		
Gross carrying amount at the beginning of year	1,572,736	658,069
Disposals	-	-
Additions	326,798	914,667
Gross carrying amount at the end of year	1,899,534	1,572,736
Accumulated depreciation at the beginning of year	635,424	216,741
Accumulated depreciation on disposals	-	-
Depreciation expense	531,508	418,683
Accumulated depreciation at the end of year	1,166,932	635,424
Carrying amount at the end of the year	732,602	937,312
Vehicles		
Gross carrying amount at the beginning of year	376,411	420,038
Disposals	(50,900)	(43,627)
Additions	71,983	-
Gross carrying amount at the end of year	397,494	376,411
Accumulated depreciation at the beginning of year	152,447	75,879
Accumulated depreciation on disposals	(15,479)	(11,414)
Depreciation expense	91,832	87,982
Accumulated depreciation at the end of year	228,800	152,447
Carrying amount at the end of the year	168,694	223,964
Total	901,296	1,161,276

The useful lives of plant and equipment are estimated at between 3 and 10 years for both 2014 and 2013.

11. TRADE AND OTHER PAYABLES

	Consolidated	
	2014	2013
	\$	\$
Trade and other payables	3,126,160	4,204,644
Employee benefits	171,408	103,566
	3,297,568	4,308,210

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. SHAREHOLDER LOAN

	Consolidated	
	2014	2013
	\$	\$
Australian Conglin International Investment Group (ACIIG)	-	8,000,000
	-	8,000,000

The loan from ACIIG was interest free and repayable no later than 20 December 2013 unless fully set off.

The loan was set off against part of ACIIG's rights issue underwriting and converted into ordinary shares on 10 July 2013.

13. PROVISIONS

	Consolidated		
	<i>Employee Entitlements</i>	<i>Rehabilitation</i>	<i>Total</i>
	\$	\$	\$
Balance at the beginning of year	395,610	50,000	445,610
Provisions made during the year	611,539	52,894	664,433
Provisions used during the year	(398,463)	-	(398,463)
Balance at the end of year	608,686	102,894	711,580
Current	390,083	-	390,083
Non-current	218,603	102,894	321,497

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. ISSUED CAPITAL

	Consolidated and Company 2014		Consolidated and Company 2013	
	Number	\$	Number	\$
(a) Ordinary Shares				
Share Capital				
Ordinary Shares	440,402,658	79,038,430	269,520,451	48,574,105
Movement in Ordinary Share Capital				
Balance at the beginning of year	269,520,451	48,574,105	212,357,318	38,192,674
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	-	-
Issue of Share Purchase Plan Shares – July 2012	-	-	250,000	-
Exercise of Options – August 2012 at 20 cents	-	-	584,418	116,884
Exercise of Options – September 2012 at 20 cents	-	-	7,918,715	1,583,743
Placement of Shares – November 2012 at 20 cents	-	-	15,000,000	3,000,000
Issue of Share Purchase Plan Shares – October 2012	-	-	50,000	-
Issue of Share Purchase Plan Shares – December 2012	-	-	400,000	-
Placement of Shares – January 2013 at 20 cents	-	-	10,000,000	2,000,000
Placement of Shares – February 2013 at 20 cents	-	-	18,800,000	3,760,000
Exercise of Options – February 2013 at 10.8 cents	-	-	1,000,000	108,000
Issue of Share Purchase Plan Shares – May 2013	-	-	2,505,000	-
Issue of Share Purchase Plan Shares – June 2013	-	-	200,000	-
Exercise of Options – June 2013 at 10.8 cents	-	-	455,000	49,140
Payment for Share Purchase Plan Shares – June 2013	-	-	-	90,000
	440,402,658	80,575,690	269,520,451	48,900,441
Less: costs of issue	-	(1,537,260)	-	(326,336)
Balance at the end of year	440,402,658	79,038,430	269,520,451	48,574,105

* 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)

14. ISSUED CAPITAL (continued)

(a) Ordinary Shares

(i) Share Purchase Plan shares not taken up on termination are brought to account at market value on date of termination. For further details on the nature of these shares, refer to Note 22.

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	
	2014	2013
	Number	Number
Balance at beginning of year	5,555,400	4,496,800
Shares dealt with on resignation of share plan participant	-	(546,400)
Shares reverted to Company on non repayment of loan	600,000	(600,000)
Repayment of loan	(600,000)	(1,200,000)
Shares issued during the year	7,765,000	3,405,000
Balance at end of year	13,320,400	5,555,400

(c) Options/Performance Rights over ordinary shares

	Consolidated and Company	
	2014	2013
	Number	Number
<i>Exercise price of \$0.20 expiring 30/9/12 (Quoted)</i>		
Balance at beginning of year	-	8,503,133
Issued during the year	-	-
Exercised during the year	-	(8,503,133)
Balance at end of year	-	-
<i>Exercise price of \$0.108 expiring between 1/3/13 and 16/6/13 (Unquoted)</i>		
Balance at beginning of year	-	1,900,000
Issued during the year	-	-
Forfeited during the year	-	(445,000)
Exercised during the year	-	(1,455,000)
Balance at end of year	-	-
<i>Exercise price of \$0.30 expiring between 1/3/13 and 16/6/13 (Unquoted)</i>		
Balance at beginning of year	-	1,900,000
Issued during the year	-	-
Forfeited during the year	-	(1,900,000)
Exercised during the year	-	-
Balance at end of year	-	-
<i>Exercise price of \$0.50 expiring 1/3/13 (Unquoted)</i>		
Balance at beginning of year	-	3,000,000
Issued during the year	-	-
Forfeited during the year	-	(3,000,000)
Exercised during the year	-	-
Balance at end of year	-	-

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. ISSUED CAPITAL (continued)

	Consolidated and Company	
	2014	2013
	Number	Number
<i>Exercise price of between \$0.19 and \$0.63 expiring between 26/09/14 and 12/06/20 (Unquoted)</i>		
Balance at beginning of year	2,735,000	1,885,000
Issued during the year	2,671,870	850,000
Forfeited during the year	(800,000)	-
Exercised during the year	-	-
Balance at end of year	4,606,870	2,735,000
 <i>Performance rights with conditions* with Nil exercise price expiring between 31/12/14 and 30/6/15 (Unquoted)</i>		
Balance at beginning of year	8,000,000	3,000,000
Forfeited during the year	(8,000,000)	(1,000,000)
Issued during the year	-	6,000,000
Balance at end of year	-	8,000,000
 <i>Performance rights with conditions** with Nil exercise price expiring between 30/6/17 and 31/12/17 (Unquoted)</i>		
Balance at beginning of year	-	-
Issued during the year	12,400,000	-
Forfeited during the year	-	-
Exercised during the year	-	-
Balance at end of year	12,400,000	-
 <i>Performance rights with conditions*** with Nil exercise price expiring 29/11/14 (Unquoted)</i>		
Balance at beginning of year	-	-
Issued during the year	4,000,000	-
Forfeited during the year	-	-
Exercised during the year	-	-
Balance at end of year	4,000,000	-

* 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

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

*** Performance conditions

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RESERVES

	Consolidated	
	2014	2013
	\$	\$
Reserves	5,739,273	2,693,181
Reserves comprise the following:		
<i>Share-option reserve</i>		
Balance at the beginning of year	1,689,668	703,449
Vesting charge on performance rights and options	2,499,238	986,219
Balance at the end of year	4,188,906	1,689,668
<i>Share based payment reserve</i>		
Balance at the beginning year	1,003,513	768,077
Share plan allocation	546,854	235,436
Balance at the end of year	1,550,367	1,003,513
Total Reserves	5,739,273	2,693,181

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.

16. ACCUMULATED LOSSES

	Consolidated	
	2014	2013
	\$	\$
Accumulated losses	(80,838,714)	(51,066,173)
Accumulated losses comprise the following:		
Balance at start of financial year	(51,066,173)	(30,949,969)
Loss for the financial period after related income tax benefit	(29,772,541)	(20,116,204)
Balance at end of financial year	(80,838,714)	(51,066,173)

17. AUDITORS REMUNERATION

	Consolidated	
	2014	2013
	\$	\$
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		
Stantons International	-	16,040
Nexia Perth	27,712	8,000
Total remuneration of auditors	27,712	24,040

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(i) Contingent Liability

Arnhem Resources Pty Ltd

Under the terms of an agreement with Arnhem Resources Pty Ltd ("Arnhem"), Northern Minerals Ltd has through its wholly owned subsidiary Northern Rare Earth Metals Pty Ltd, acquired a right for a four year period to acquire a 100% interest in the John Galt Project, which is located in the Kimberley region of Western Australia. The Group has completed the option to purchase agreement, with a cash payment of \$25,000.

Upon granting of the tenement to Arnhem, the Company issued Arnhem 500,000 unlisted options with a three year exercise period at 25c per share. These were exercised during 2011.

Should Northern Minerals proceed to purchase, the final consideration comprises:

- a cash payment of \$250,000;
- the issue of ordinary shares to the value of \$500,000; and
- a 1% Net Smelter Return Royalty on all minerals on the tenement.

During the year the Company signed an Option Extension Agreement with Arnhem Resources Pty Ltd. The Option extension was for a further 12 months from the end of the original Option Period with an early payment of \$100,000 of the total \$250,000. In addition, shares to the value of \$100,000 were issued out of the total \$500,000 worth of shares payable under the contract. If the Company decides to exercise its option to purchase John Galt, the remaining \$150,000 in cash and \$400,000 in shares will be payable.

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 \$743,261 (2013: \$360,261).

19. DIVIDENDS

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

20. EXPENDITURE COMMITMENTS

(i) Operating Lease Commitments

	Consolidated	
	2014	2013
	\$	\$
Commitments for minimum lease payments are:		
Within one year	363,839	349,846
Later than one year but less than five years	739,128	1,102,967
Later than five years	-	-
	<u>1,102,967</u>	<u>1,452,813</u>

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)

20. 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	
	2014	2013
	\$	\$
Exploration Tenements		
Within one year	3,265,800	3,092,400

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

(iii) Farm-in with Manhattan Corporation Limited

The Company has 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 2014 the Company incurred \$110,931 (2013: \$111,093) in exploration expenditure on this joint operation. 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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	1,879,757	1,589,910
Post-employment benefits	122,458	111,039
Other long-term benefits	35,207	27,769
Share-based payments	1,342,816	1,039,851
Total compensation	<u>3,380,238</u>	<u>2,768,569</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)

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) 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	-	-	-	132,183,287	132,183,287	132,183,287	-
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	-	330,159,285	348,361,869	342,686,869	5,675,000

Shareholdings of Key Management Personnel for 2013

	Held at Beginning of Year	Granted as Compensation	Exercise of Options	Other Changes	Held at 30 June 2013	Vested	Not Vested
Directors:							
Kevin Schultz	817,500	-	117,500	(147,500)	787,500	787,500	-
George Bauk	2,890,238	-	-	85,000	2,975,238	2,975,238	-
Adrian Griffin	2,356,829	-	850,500	(463,179)	2,744,150	2,744,150	-
Colin McCavana	2,556,250	-	643,750	-	3,200,000	3,200,000	-
Dudley Kingsnorth ³	150,000	-	-	(150,000)	-	-	-
Specified Executives							
Robin Wilson	1,313,403	250,000	255,000	(400,000)	1,418,403	1,028,403	390,000
Simon Storm ⁴	511,400	-	-	(511,400)	-	-	-
Robin Jones	324,293	200,000	-	-	524,293	324,293	200,000
Robert Sills	363,000	200,000	-	-	563,000	331,500	231,500
Mark Tory ⁵	-	400,000	-	90,000	490,000	90,000	400,000
	11,282,913	1,050,000	1,866,750	(1,497,079)	12,702,584	11,481,084	1,221,500

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.

Note 3: Other changes Includes 150,000 held on resignation as a Director on 28 November 2012

Note 4: Other changes Includes 511,400 held on resignation on 28 February 2013

Note 5: Other changes includes shares purchased on the open market prior to commencing employment with the Company

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. SHARE-BASED PAYMENTS

(i) Options and Performance Rights

17,150,000 options and performance rights were granted to employees and directors during the year (2013: 6,850,000). 12,812,470 options (2013: nil) were granted to a third party. Details on the option issues to key management personnel are included in the Remuneration Report section of the Directors' Report.

The number and weighted average exercise price of options previously granted are as follows:

	2014 Number	Weighted average exercise price	2013 Number	Weighted average exercise price
Outstanding at the beginning of the year	10,735,000	\$0.45	11,685,000	\$0.279
Options granted during the year	13,562,470	\$0.25	850,000	\$0.284
Options exercised during the year	-	-	(1,455,000)	\$0.108
Options expired during the year	(700,000)	\$0.50	(5,345,000)	\$0.396
Options forfeited during the year	(100,000)	\$0.22	-	-
Performance rights granted during the year	16,400,000	-	6,000,000	-
Performance rights forfeited during the year	(8,000,000)	-	(1,000,000)	-
Outstanding at the end of the year	<u>31,897,470</u>	\$0.28	<u>10,735,000</u>	\$0.449
Exercisable at the end of the year	<u>3,686,870</u>		<u>1,885,000</u>	

The outstanding balance as at 30 June 2014 is represented by:

- 610,000 with an exercise price of \$0.56, expiring 26 September 2014;
- 125,000 with an exercise price of \$0.56, expiring 9 January 2015;
- 150,000 with an exercise price of \$0.63, expiring 29 March 2015;
- 300,000 with an exercise price of \$0.436, expiring 5 June 2015; and
- 200,000 with an exercise price of \$0.372, expiring 2 July 2015;
- 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
- 1,921,870 with an exercise price of \$0.25, expiring 12 June 2020; and
- 10,890,600 with an exercise price of \$0.25, expiring 12 June 2020; and
- 12,400,000 performance rights with an exercise price of Nil, expiring 30 June 2015 – refer note 14 (c) for more details.
- 4,000,000 performance rights with an exercise price of Nil, expiring 29 November 2014 – refer note 14 (c) for more details.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 5.1 years (2013: 1.5 years).

(ii) 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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. SHARE-BASED PAYMENTS (continued)

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.

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. SHARE-BASED PAYMENTS (continued)

- 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)

22. SHARE-BASED PAYMENTS (continued)

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

	2014		2013	
	Number		Number	
Opening Balance	5,555,400		4,496,800	
Issued				
George Bauk (or his nominee)	4,000,000		-	
Robin Jones (or his nominee)	300,000		200,000	
Robin Wilson (or his nominee)	300,000		250,000	
Robert Sills (or his nominee)	300,000		200,000	
Mark Tory (or his nominee)	300,000		400,000	
Other eligible Employees (or their nominees)	<u>2,565,000</u>	7,765,000	<u>2,355,000</u>	3,405,000
Shares for which loan has been repaid		-		(1,200,000)
Shares for which the loan has not been repaid and have reverted to the Company and dealt with under the Share Plan Rules		-		(1,146,400)
Closing Balance		<u>13,320,400</u>		<u>5,555,400</u>

Included in the closing balance are 3,355,500 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 26 September 2014 and 6 May 2016.

9,964,900 share plan shares have not vested. These shares vest between 1 September 2014 and 1 July 2017.

(iii) 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 \$2,499,238 (2013: \$986,219) and \$546,854 (2013: \$235,436) 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.

For the purposes of arriving at an appropriate discount rate, the Company has considered:

- that discounts have traditionally been applied in the range of 10% to 30% to reflect the non-negotiability of unlisted equities; and
- the fact that the Securities will be unlisted

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. 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 lists 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 2014:-

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price	Risk Free Rate	Volatility	Value Per Share
1/9/13	1/9/14	200,000	1/9/13	\$0.195	\$0.196	2.87%	88%	\$0.111
23/9/13	23/9/14	250,000	23/9/13	\$0.235	\$0.208	2.87%	88%	\$0.141
1/10/13	1/10/14	200,000	1/10/13	\$0.25	\$0.241	2.87%	88%	\$0.147
2/12/13	1/7/14	1,000,000	29/11/13	\$0.18	\$0.20	2.87%	88%	\$0.128
2/12/13	1/7/15	1,000,000	29/11/13	\$0.18	\$0.20	2.87%	88%	\$0.128
2/12/13	1/7/16	1,000,000	29/11/13	\$0.18	\$0.20	2.87%	88%	\$0.128
2/12/13	1/7/17	1,000,000	29/11/13	\$0.18	\$0.20	2.87%	88%	\$0.128
19/3/14								
Tranche 1	19/3/15	1,432,500	19/3/14	\$0.16	\$0.165	2.88%	75%	\$0.08
Tranche 2	19/3/16	1,432,500	19/3/14	\$0.16	\$0.165	2.88%	75%	\$0.08
28/4/14	28/4/15	100,000	28/4/14	\$0.15	\$0.141	2.88%	75%	\$0.078
9/5/14	9/5/15	150,000	9/5/14	\$0.14	\$0.25	2.88%	75%	\$0.05
Total		7,765,000						

The following relates to the share plan shares issued during the year ended 30 June 2013:-

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price	Risk Free Rate	Volatility	Value Per Share
2/7/12	2/7/13	200,000	2/7/12	\$0.26	\$0.25	2.57%	70.00%	\$0.127
23/7/12	23/7/13	50,000	23/7/12	\$0.275	\$0.25	2.35%	70.00%	\$0.138
8/10/12	8/10/13	50,000	8/10/12	\$0.26	\$0.27	2.35%	70.00%	\$0.122
7/12/12	7/12/13	100,000	7/12/12	\$0.185	\$0.20	2.35%	70.00%	\$0.085
7/12/12	7/12/13	300,000	7/12/12	\$0.185	\$0.19	2.35%	70.00%	\$0.087
2/5/13								
Tranche 1	2/5/14	1,252,500	2/5/13	\$0.12	\$0.14	2.35%	80.00%	\$0.056
Tranche 2	2/5/15	1,252,500	2/5/13	\$0.12	\$0.14	2.35%	80.00%	\$0.056
7/6/13	6/5/14	200,000	7/6/13	\$0.12	\$0.13	2.35%	80.00%	\$0.061
Total		3,405,000						

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. SHARE-BASED PAYMENTS (continued)

The following relates to the unlisted options and performance rights issued during the year ended 30 June 2014:-

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price	Risk Free Rate	Volatility	Value Per Option/Right
1/9/13	1/9/14	200,000	1/9/13	\$0.295	\$0.279	2.87%	88%	\$0.096
23/9/13	23/9/14	250,000	23/9/13	\$0.235	\$0.301	2.87%	88%	\$0.122
1/10/13	1/10/14	200,000	1/10/13	\$0.25	\$0.358	2.87%	88%	\$0.123
30/10/13	30/6/17	4,400,000	30/10/13	\$0.215	\$0.00	n/a	n/a	\$0.215
	or							
	31/12/17 ¹							
29/11/13	30/6/17	7,000,000	29/11/13	\$0.18	\$0.00	n/a	n/a	\$0.18
	or							
	31/12/17 ¹							
29/11/13	29/11/14	4,000,000	29/11/13	\$0.18	\$0.00	n/a	n/a	\$0.18
28/4/14	28/4/15	100,000	28/4/14	\$0.15	\$0.215	2.88%	75%	\$0.062
16/5/14	30/6/17	1,000,000	16/5/14	\$0.14	\$0.00	n/a	n/a	\$0.14
	or							
	31/12/17 ¹							
12/6/14	12/6/14	1,921,870	12/6/14	\$0.18	\$0.25	2.88%	75%	\$0.11
Total		19,071,870						

The following relates to the unlisted options and performance rights issued during the year ended 30 June 2013:-

Issue Date	Vesting Date	Number Issued	Grant Date	Stock price at Grant Date	Issue Price	Risk Free Rate	Volatility	Value Per Option/Right
2/7/12	2/7/13	200,000	2/7/12	\$0.26	\$0.372	2.35%	70%	\$0.0983
6/7/12	31/12/14	5,000,000	6/7/12	\$0.27	\$0.00	n/a	n/a	\$0.27
	or							
	30/6/15 ¹							
23/7/12	23/7/13	50,000	23/7/12	\$0.275	\$0.358	2.35%	70%	\$0.111
8/10/12	8/10/13	50,000	8/10/12	\$0.26	\$0.372	2.35%	70%	\$0.098
7/12/12	7/12/13	350,000	7/12/12	\$0.185	\$0.265	2.35%	70%	\$0.07
7/6/13	6/5/14	200,000	7/6/13	\$0.12	\$0.19	2.35%	80%	\$0.049
Total		5,850,000						

Note 1: conditions apply to performance rights – refer note 14(c) for more details.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. 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 2014					
Financial Assets					
Cash and cash equivalents	3.03%	1,060,191	4,575,000	36,633	5,671,824
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	7,046,841
Financial Liabilities					
Trade and other payables	-	-	-	3,297,568	3,297,568
Shareholder Loan	-	-	-	-	-
Total financial liabilities		-	-	3,297,568	3,297,568

	Weighted average interest rate %	Floating Interest Rate \$	Fixed Interest \$	Non-Interest Bearing \$	Total \$
30 June 2013					
Financial Assets					
Cash and cash equivalents	2.60%	8,694,593	-	-	8,694,593
Other receivables	-	-	-	1,898,757	1,898,757
Other financial assets	4.01%	-	480,307	720,000	1,200,307
Total financial assets		8,694,593	480,307	2,618,757	11,793,657
Financial Liabilities					
Trade and other payables	-	-	-	4,308,210	4,308,210
Shareholder Loan	-	-	-	8,000,000	8,000,000
Total financial liabilities		-	-	12,308,210	12,308,210

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)

23. 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 2014 has been calculated with reference to a quoted market price. 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 28). 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.

24. 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.

25. DIVIDENDS

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

26. RELATED PARTIES

Mr Conglin Yue who became a Director of the Company on 31 July 2013 and his associate Australian Conglin International Investment Group (ACIIG) are considered related parties of the Group.

As at 30 June 2013, the Company had loans outstanding to ACIIG to the value of \$8,000,000. These loans were provided interest free and were converted to equity during the current financial year.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. PARENT ENTITY FINANCIAL INFORMATION

	Parent	
	2014	2013
	\$	\$
Current assets	6,280,534	11,338,345
Total assets	7,973,137	12,979,933
Current liabilities	3,687,650	12,569,240
Total liabilities	4,009,147	12,753,820
Shareholders equity		
Share capital	79,038,430	48,574,105
Reserves	5,739,273	2,693,181
Accumulated losses	(80,813,713)	(51,041,173)
	3,963,990	226,113
Net Loss	(29,772,541)	(20,116,204)
Total comprehensive income	-	-

Contingent liabilities Refer to note 18

The Parent entity had no guarantees and commitments other than detailed in notes 18 and 20.

28. EVENTS OCCURRING AFTER BALANCE DATE

On 31 July 2014, the Company announced that it had received a \$6,000,000 credit approved offer of finance from Macquarie Bank Limited. The funding is via a drawdown facility offset against the Company's 2013/14 Research and Development rebate.

On 23 September, the Company received the final Research and Development rebate totalling \$8,992,296. On receipt of these funds, the \$6,000,000 facility with Macquarie was retired.

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 2014 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 2014.

On behalf of the Board



George Bauk

Director

Perth

30 September 2014

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 2014, 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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Nexia Perth Audit Services Pty Ltd

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audit@nexiaperth.com.au, www.nexia.com.au

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 2014 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 2014. 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 2014 complies with Section 300A of the *Corporations Act 2001*.



Nexia Perth Audit Services Pty Ltd



PTC Klopper
Director

30 September 2014

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 2014 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 Klopper
Director

30 September 2014
Perth

NORTHERN MINERALS LIMITED

SCHEDULE OF TENEMENTS

PROJECT	SUB-PROJECT	TENEMENT_ID	STATE	TENEMENT_TYPE	STATUS	HOLDER_APPLICANT	INTEREST
Browns Range WA	Browns Range	E80/3548	WA	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	E 80/3547	WA	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	E80/4393	WA	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	E80/4479	WA	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	E80/4725	WA	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	E80/4726	WA	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	E80/4806	WA	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	E80/4782	WA	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	E80/4883	WA	Exploration Licence	application	Northern Minerals	100%
	Browns Range Development	L80/76	WA	Miscellaneous Licence	application	Northern Minerals	100%
	Browns Range Development	L80/77	WA	Miscellaneous Licence	granted	Northern Minerals	100%
	Browns Range Development	L80/78	WA	Miscellaneous Licence	granted	Northern Minerals	100%
	Browns Range Development	L80/79	WA	Miscellaneous Licence	granted	Northern Minerals	100%
	Browns Range Development	M80/627	WA	Mining Lease	granted	Northern Minerals	100%
Browns Range NT	Browns Range	EL24193	NT	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	EL24174	NT	Exploration Licence	granted	Northern Minerals	100%
	Browns Range	EL24941	NT	Exploration Licence	application	Northern Minerals	100%
	Toro JV	EL26270	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Toro JV	EL26271	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Toro JV	EL26286	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
Boulder Ridge	Boulder Ridge	EL29594	NT	Exploration Licence	granted	Northern Minerals	100%
	Boulder Ridge	EL24177	NT	Exploration Licence	granted	Northern Minerals	100%
	Boulder Ridge	EL25171	NT	Exploration Licence	granted	Northern Minerals	100%
	Toro JV	EL27590	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Boulder Ridge	EL24849	NT	Exploration Licence	application	Northern Minerals	100%
	Boulder Ridge	EL24935	NT	Exploration Licence	application	Northern Minerals	100%
	Boulder Ridge	EL28868	NT	Exploration Licence	application	Northern Minerals	100%
	Boulder Ridge	EL30132	NT	Exploration Licence	application	Northern Minerals	100%
John Galt	John Galt	E80/4298	WA	Exploration Licence	granted	Arnhem Resources Ltd	(100%)
	John Galt	E80/4671	WA	Exploration Licence	granted	Northern Minerals	100%
	John Galt	E80/4779	WA	Exploration Licence	granted	Northern Minerals	100%
Gardiner-Tanami WA	Gardiner Range	E 80/3404	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Gardiner Range	E 80/3405	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Gardiner Range	E 80/3414	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Gardiner Range	E 80/3530	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Gardiner Range	E80/3914	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Gardiner Range	E80/3915	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Gardiner Range	E80/4214	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Gardiner Range	E80/4213	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Gardiner Range	E80/4242	WA	Exploration Licence	granted	Northern Minerals	100%
	Gardiner Range	E80/4652	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Gardiner Range JV	E80/3275	WA	Exploration Licence	granted	Manhattan/Northern	60%
	Gardiner Range JV	E80/4717	WA	Exploration Licence	granted	Jayvee Resources Pty Ltd	60%
	Gardiner Range JV	E80/4718	WA	Exploration Licence	granted	Jayvee Resources Pty Ltd	60%
	Gardiner Range	E80/3817	WA	Exploration Licence	surrendered	Manhattan/Northern	60%
	Gardiner Range JV	E80/4081	WA	Exploration Licence	surrendered	Manhattan/Northern	60%
Gardiner-Tanami NT	Toro JV	EL26635	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Toro JV	EL27000	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Toro JV	EL27001	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Tanami	EL23932	NT	Exploration Licence	granted	Northern Minerals	100%
	Suplejack	EL23934	NT	Exploration Licence	surrendered	Northern Minerals	100%
	Tanami	EL25009	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL26498	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL26541	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL27367	NT	Exploration Licence	granted	Northern Minerals	100%
	Suplejack	EL27368	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL29592	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL29593	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL29595	NT	Exploration Licence	granted	Northern Minerals	100%
	Suplejack	EL29620	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL23933	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL24179	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL24947	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL25003	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL25004	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL25172	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL29619	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL29621	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL29622	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL29630	NT	Exploration Licence	application	Northern Minerals	100%
Kurundi	Kurundi	EL29616	NT	Exploration Licence	granted	Northern Minerals	100%
Wallal	Wallal	E45/2815	WA	Exploration Licence	surrendered	Northern Minerals	100%
Amadeus Basin	Ross River	EL26920	NT	Exploration Licence	surrendered	Northern Minerals	100%
Rabbit Flats	Rabbit Flats	EL25157	NT	Exploration Licence	application	Northern Minerals	100%
	Rabbit Flats	EL25158	NT	Exploration Licence	application	Northern Minerals	100%
	Rabbit Flats	EL25159	NT	Exploration Licence	application	Northern Minerals	100%
	Rabbit Flats	EL25160	NT	Exploration Licence	application	Northern Minerals	100%
	Rabbit Flats	EL23935	NT	Exploration Licence	application	Northern Minerals	100%
Yarawindah	Yarawindah South	E70/2914	WA	Exploration Licence	surrendered	Northern Minerals	100%
	Yarawindah	E70/3080	WA	Exploration Licence	granted	Northern Minerals	80%
Wallal	Wallal	E45/4315	WA	Exploration Licence	granted	Pembrey Prospecting	
Bulla	Mortlock	E70/2719	WA	Exploration Licence	surrendered	Northern Minerals	100% Non iron ore rights

NORTHERN MINERALS LIMITED

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION AS AT 12 SEPTEMBER 2014

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows.

1. Ordinary Shares (NTU)

a) Distribution of shares

The number of shareholders by size of holding are:

Category (size of holding)	Number of holders
1-1,000	217
1,001-5,000	549
5,001-10,000	420
10,001-100,000	986
100,000-and over	290
	<hr/> <u>2,462</u>

The number of shareholdings held in less than marketable parcels is 439.

b) Twenty largest shareholders

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

	Name of Holder	Number of shares held	% Holding
1	Australian Conglin International Investment Group	145,630,731	33.07%
2	Mr Conglin Yue	52,980,267	12.03%
3	Dejing Kong	18,333,333	4.16%
4	Xing Shuai	15,014,564	3.41%
5	HSBC Custody Nominees Australia Ltd	11,787,598	2.68%
6	Youfen He	7,777,778	1.77%
7	HSBC Custody Nominees Australia Ltd	7,138,506	1.62%
8	JP Morgan Nominees Australia Ltd	6,223,408	1.41%
9	Citicorp Nominees PL	6,069,439	1.38%
10	Franway PL	5,500,000	1.25%
11	Marford Grp PL	4,350,000	0.99%
12	George Bauk	4,000,000	0.91%
13	Hein Victor Graafhuis	3,566,000	0.81%
14	National Nominees Ltd	3,491,450	0.79%
15	Yu Zhou	3,170,818	0.72%
16	Qun Liu Li	2,777,778	0.63%
17	Colin J + DD McCavana	2,475,000	0.56%
18	Adrian C Griffin	2,113,771	0.48%
19	Robert John Flynn	2,100,000	0.48%
20	Totode PL	2,008,420	0.46%
		<hr/> <u>306,508,861</u>	<hr/> <u>69.60%</u>

As at 12 September 2014, the issued capital comprised of 440,402,658 ordinary fully paid quoted shares.

NORTHERN MINERALS LIMITED

SHAREHOLDER INFORMATION

2. Listed Options (NTUOB)

a) Distribution of Options

The number of option holders by size of holding are:

Category (size of holding)	Number of holders
1-1,000	56
1,001-5,000	42
5,001-10,000	13
10,001-100,000	13
100,000-and over	1
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	125

b) Twenty largest option holders

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

	Name of Holder	Number of options held	% Holding
1	Australian Conglin International Investment Group	66,091,644	99.25%
2	Citicorp Nominees PL	87,082	0.13%
3	BPJ No 1 PL	35,750	0.05%
4	Wyatt Super PL	25,000	0.04%
5	Katherine Prestidge	25,000	0.04%
6	Gremlyn PL	20,000	0.03%
7	RBC Investor Services Australia Nominees PL	16,269	0.02%
8	Alan Robert and HA Elms	13,950	0.02%
9	Jindabyne PL	13,375	0.02%
10	Nicole Heesh	12,500	0.02%
11	Betanzos PL	12,500	0.02%
12	Mark Jonathon Albers	12,500	0.02%
13	JP Morgan Nominees Australia Ltd	10,850	0.02%
14	Linda Jayne Martin	10,500	0.02%
15	AES Super Co PL	8,000	0.01%
16	Fairwater Holdings PL	7,907	0.01%
17	LAJ S/F PL	7,750	0.01%
18	Professor Kerry Owen Cox	7,500	0.01%
19	Janet M + BF Mortimer	7,110	0.01%
20	Grant Menhennett	6,250	0.01%
		<hr/>	
		66,431,437	99.76%

As at 12 September 2014, there were 66,590,127 quoted options on issue.

NORTHERN MINERALS LIMITED

SHAREHOLDER INFORMATION

3. Substantial Holders of equity securities

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

Holder	Number of shares
Australian Conglin International Investment Group	145,630,731
Mr Conglin Yue	52,980,267

The names of substantial option holders (NTUOB) are as follows:

Holder	Number of options
Australian Conglin International Investment Group	66,091,644

4. Voting Rights

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

a) Ordinary shares

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

b) Options

No voting rights

5. Stock Exchange Listing

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

6. Unquoted Securities

Unquoted securities	Number	Number of holders
Unquoted shares (NTUAI)	13,320,400	30
Unquoted performance rights	21,006,870	26

7. Restricted Securities

As at 12 September there were 13,320,400 restricted securities on issue.

8. On-Market Buyback

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

NORTHERN MINERALS LIMITED

CORPORATE DIRECTORY

Directors

Conglin Yue
(Executive Chairman)

Kevin Schultz
(Deputy Chairman)

George Bauk
(Managing Director/CEO)

Colin McCavana
(Non-executive Director)

Adrian Griffin
(Non-executive Director)

Yanchun Wang
(Non-executive Director)

Bin Cai
(Alternate Director)

Company Secretary

Mark Tory

Registered and Principal Office

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West Perth WA 6872

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Facsimile: + 61 8 9481 5929

Email: info@northernminerals.com.au

Website: www.northernminerals.com.au

ABN 61 119 966 353

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Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

PO Box 535
Applecross WA 6953

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

ASX Code

NTU/NTUOB

Solicitors

Johnson Winter & Slattery
Level 4, Westralia Place
167 St Georges Terrace
Perth WA 6000

Auditors

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

Bankers

National Australia Bank

Level 1, 675 Murray Street,
West Perth WA 6005

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