



**NORTHERN
MINERALS**

Powering Technology.

NORTHERN MINERALS LIMITED

ABN 61 119 966 353

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2020**

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

The directors present their report on the consolidated entity, being Northern Minerals Limited ("Northern Minerals" or "Company") and its controlled entities ("Group"), for the half year ended 31 December 2020 as follows:

DIRECTORS

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

Colin James McCavana – Non-executive Chairman

Adrian Christopher Griffin – Non-executive Director – resigned 24 November 2020

Yanchun Wang – Non-executive Director

Ming Lu – Non-executive Director

Liangbing Yu – Non-executive Director – appointed 24 November 2020

Bin Cai – Alternate Director

RESULTS OF OPERATIONS

A summary of key financial indicators for the Company, with the 31 December 2019 half year comparison, is set out in the following table:

	Half Year 2020	Half Year 2019
Total revenue and other income	\$6,310,450	\$750,590
Net loss for the year after tax	(\$5,589,697)	(\$29,867,125)
Basic loss per share (cents)	(0.13) cents	(1.21) cents
Net cash used in operating activities	\$6,451,590	(\$20,549,512)
Net cash used in investing activities	(\$5,698,959)	(\$7,978,293)
Net cash from financing activities	\$3,222,949	\$26,174,525

Financial Performance

The net loss of the Company for the half year ended 31 December 2020 was \$5.59 million (2019: \$29.87 million) and was mainly due to the operating of the pilot plant at a reduced level to previous periods and a continued focus on exploration activities. Following a five-month care and maintenance period due to Commonwealth biosecurity restrictions in response to COVID-19, operations recommenced in August 2020 with a reduced workforce.

Total revenue and other income increased to \$6.31 million (2019: \$0.75 million). The majority of income for the period (\$5.03 million) was attributable to the recognition of research and development rebates. In the comparative period no rebates had been recognised whilst the AusIndustry review had been ongoing in relation to AusIndustry's initial decision that the Company's activities were "ineligible R & D claims". Government grants totalling \$0.64 million were also received during the period relating to the Federal Governments cash flow boost and job keeper initiatives.

Depreciation expenses decreased from \$11.68 million in 2019 to \$0.86 million in 2020. On completion of construction, the beneficiation and hydrometallurgical circuits were being depreciated over the three year life of the pilot plant. During the year ended 30 June 2020, the decision was made to fully impair the value of both circuits, therefore depreciation has not been recognised in the current period.

Processing costs totalled \$5.65 million in the half year to 31 December 2020. The most significant expenditure relates to wages and salaries, camp accommodation and messing, travel and maintenance costs.

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Exploration costs were consistent with the comparative period at \$1.83 million. The bulk of these costs are attributable to the drilling programme completed in late 2020 at Browns Range.

Financing costs fell by \$1.26 million due to finalisation of all outstanding convertible notes present at 30 June 2020 and the ATO debt being finalised and extinguished as part of the settlement process noted below.

Cash flow

During the half year ended 31 December 2020, the Company's cash receipts from operating activities were \$21.35 million (2019: \$0.53 million). Key inflows include the receipt of outstanding research and development rebates (\$20.17 million) as well as Federal Government grants (\$0.81 million). The 6 month period also included \$0.37m from the sale of rare earth carbonate in the previous period.

Investing cash outflows decreased during the half year ended 31 December 2020, the majority of which related to the settlement of all outstanding balances due under the EPC contract with Sinosteel.

Financing cash inflows for the half-year ended 31 December 2020 included \$7.65 million for the issue of shares, before costs, as well as repayments of all convertible notes outstanding as at 30 June 2020.

Financial position

The Company's cash reserves at the end of the half year totalled \$10.59 million compared to \$6.66 million as at 30 June 2020. The movement in cash reserves was due to the receipt of outstanding research and development rebates offset by the repayment of debt.

Plant and equipment capitalised costs increased by \$0.62 million during the period. This increase was attributable to capital works on the ore sorter (\$1.1 million in the 6 months) offset by a reduced depreciation charge for the period.

The Company's total liabilities decreased from \$30.8 million as at 30 June 2020 to \$12.6 million at 31 December 2020. Interest-bearing liabilities decreased due to repayment of convertible notes due to Lind and JHY as detailed below. Outstanding balances owing to Sinosteel for the construction of the Browns Range Pilot Plant were also settled in full during the period.

REVIEW OF OPERATIONS

During the period, the Company continued operation at the Browns Range Pilot Plant project. The pilot plant project is a three-year research and development project, to assess the economic and technical feasibility of a full-scale plant and forms part of a broader ongoing economic and technical feasibility study underpinning the Browns Range Pilot Plant Project.

Browns Range Pilot Plant Operations

Following a five-month care and maintenance period due to Commonwealth biosecurity restrictions in response to COVID-19, research & development testwork recommenced at the Browns Range Pilot Plant in August 2020.

Initial testwork focused on the beneficiation circuit using Gambit West and Wolverine ore and was completed during November 2020. The xenotime concentrate produced from the Gambit West beneficiation testwork was then used to complete a hydrometallurgical plant test campaign and successfully produced rare earth carbonate. A second hydrometallurgical plant test campaign on Wolverine xenotime concentrate commenced in December but was cut short due to the early onset of the wet season. This test campaign will be completed in early 2021.

During the period, the Company received regulatory approvals from relevant State authorities for the installation of ore sorting equipment at Browns Range. Construction and installation of the ore sorter was well advanced during the period with final works to be completed following the end of the wet season.

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Commissioning of the ore sorter is on track to be completed in mid-2021, once the \$5.9 million investment is commissioned, the Company plans to run additional testwork at pilot plant scale on all ore types to establish baseline data on feed grade improvements. This work will also help evaluate material flow-through benefits of ore sorting on overall processing efficiencies. This data will also feed into any future commercial large-scale project feasibility studies at Browns Range.

The Company also continued to evaluate downstream separation processing options for Browns Range ore during the period. During the period, the Company also commenced studies into traditional solvent extraction separation and variants thereof, for separating the mixed heavy rare earth material produced at Browns Range into individual rare earth products.

Exploration

In September 2020 the Company announced it had allocated a budget of up to \$5 million for an exploration program during the 2020/21 financial year with the primary aim of increasing the Company's heavy rare earth Mineral Resource and life of mine potential at Browns Range.

During the December quarter a total of 8,500m of reverse circulation drilling were completed focusing mainly on Dazzler, Gambit West, Wolverine and a new prospect named Toad.

Initial assay results for the program were announced to the ASX on 18 January 2021 with the best results returned as follows:

- Toad – 9m @ 0.54% TREO from 53m and 11m @ 0.37% TREO from 52m
- Dazzler – 3m @ 0.74% from 8m

The second phase of the exploration program including an additional 8,000m of drilling, is currently being planned and is scheduled to commence following the end of the northern wet season in 2021.

Corporate

Board and Management

Mark Tory was appointed Chief Executive Officer on 29 July 2020 following the resignation of George Bauk from the role in June 2020.

On 24 November 2020 Mr LiangBing Yu was appointed as a Non-Executive Director and Mr Adrian Griffin resigned as a Director.

R&D Funding

The Company received a refund payment of \$8.6 million on 14 September 2020 from the Australian Tax Office (ATO), with the remaining balance of \$1.3 million subsequently received on 17 September 2020.

This was the net cashflow effect triggered by the settlement agreement between the Company and the ATO, announced on 24 August 2020, relating to refundable R & D tax offset claims for the 2016/17, 2017/18 and 2018/19 financial years.

The settlement agreement also provided a framework for reviewing the Company's refundable tax offset claim for the 2019/20 financial year which was lodged with the ATO on 2 October 2020 and \$8.7 million was subsequently received in November 2020.

Debt

Reduction of debt was a key focus of the Company during the period following the settlement of outstanding R&D tax offsets with the ATO. As a result, the Company was able to settle a \$4 million Convertible Note liability which it had entered into with JHY Investments Pty Ltd (JHY) in December 2018.

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The Company issued 50,000,000 fully paid ordinary shares to a nominee of Lind Global Macro Fund, LP (Lind) as a result of the conversion into shares of \$0.80 million of the face value of the replacement convertible security in July 2020. The Company also issued a further 66,666,667 fully paid ordinary shares in August 2020 as a result of \$1.2 million of the face value of the replacement convertible security being converted into shares.

Following this conversion there were no amounts outstanding under the replacement convertible security which has now been redeemed in full.

Pursuant to the terms of the Funding Agreement with Lind announced on 2 March 2020, under which the replacement convertible security was issued, Lind also elected to reduce the collateral shareholding number of fully paid ordinary shares of 60,000,000 shares to zero, by paying the Company \$1.08 million in cash.

The Company was also able to settle all outstanding payments due to Sinosteel (\$4.5 million) for the construction of the Browns Range Pilot Plant under the EPC Contract.

Capital Raising

No additional capital raising activities were undertaken during the 6 months to 31 December 2020, however, the outstanding balances from the \$22 million capital raising announced on 20 April 2020 were received as follows:

- On 22 July 2020, 183,500,000 fully paid ordinary shares were issued at \$0.02 on receipt of \$3.67 million; and
- On 16 September 2020 a further 145,000,000 fully paid ordinary shares were issued at \$0.02 on receipt of \$2.9 million.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 16 February 2021, the Company announced that it had entered into subscription agreements with various sophisticated and institutional investors in Australia, the United States and Europe to raise \$20 million (before costs) under a private placement.

The placement consisted of the issue of fully paid ordinary shares and unlisted options, which is comprised of two tranches. On 22 February 2021, tranche 1 was completed with the Company issuing 408,163,267 fully paid ordinary shares to the subscribers, along with 153,061,226 free attaching unlisted options (with an exercise price of \$0.074 and an expiry date of three years from the date of issue). Tranche 2 of the placement which comprises of the issue of 51,020,408 options is subject to shareholder approval.

In addition, on 22 February 2021 a total of 179,000 shares were issued, to Company personnel as a result of the exercise of performance rights which had vested.

Signed in accordance with a resolution of the directors.



Colin McCavana
Director

Perth, Western Australia

10 March 2021

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Half Year 31 Dec 20 \$	Half Year 31 Dec 19 \$
Revenue from continuing operations			
Interest		13,486	22,255
Research and development rebate		5,028,684	-
Other income		1,268,280	728,335
Total revenue and other income	2	6,310,450	750,590
Corporate expenses			
Administration expenses		336,121	627,013
Depreciation expense		858,742	11,680,144
Share based payments expense		(52,260)	159,147
Legal and professional expenses		782,447	888,990
Occupancy expenses		60,747	128,339
Employee benefits expense		1,301,081	1,622,235
Other corporate expenditure		103,575	156,469
Changes in the fair value of interest bearing liabilities at fair value through profit & loss		189,162	-
Total corporate expenses		3,579,615	15,262,337
Exploration and evaluation expenditure			
Exploration costs		1,829,252	1,837,178
Project evaluation and pre-feasibility costs		6,298,095	12,067,027
Total exploration and evaluation expenditure		8,127,347	13,904,205
Total expenses		11,706,962	29,166,542
Operating profit /(loss)		(5,396,512)	(28,415,952)
Finance costs		(193,185)	(1,451,173)
Profit/(loss) before income tax		(5,589,697)	(29,867,125)
Income tax expense		-	-
Profit/(loss) for the period		(5,589,697)	(29,867,125)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to members of the entity		(5,589,697)	(29,867,125)
Earnings/(loss) per share attributable to ordinary equity holders of the Company:			
Basic and diluted earnings/(loss) per share (cents per share)	6	(0.13)	(1.21)

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

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	31 Dec 2020 \$	30 Jun 2020 \$
Current Assets			
Cash and cash equivalents		10,586,157	6,660,568
Trade and other receivables	3(a)	3,061,391	24,315,603
Inventory		979,896	992,099
Total Current Assets		<u>14,627,444</u>	<u>31,968,270</u>
Non-Current Assets			
Other financial assets		74,110	60,523
Property, plant and equipment	4(a)	11,068,076	10,451,003
Total Non-Current Assets		<u>11,142,186</u>	<u>10,511,526</u>
Total Assets		<u>25,769,630</u>	<u>42,479,796</u>
Current Liabilities			
Trade and other payables	3(b)	2,040,399	11,364,370
Interest bearing liabilities	3(c)	285,154	5,828,193
Deferred revenue		3,760,755	7,521,406
Provisions		1,139,607	1,106,518
Total Current Liabilities		<u>7,225,915</u>	<u>25,820,487</u>
Non-Current Liabilities			
Interest bearing liabilities	3(c)	229,506	25,485
Provisions		5,172,416	4,977,310
Total Non-Current Liabilities		<u>5,401,922</u>	<u>5,002,795</u>
Total Liabilities		<u>12,627,837</u>	<u>30,823,282</u>
Net Assets		<u>13,141,793</u>	<u>11,656,514</u>
Equity			
Issued Capital	5(a)	251,758,572	243,671,335
Reserves		11,508,926	12,521,187
Accumulated losses		(250,125,705)	(244,536,008)
Total Equity		<u>13,141,793</u>	<u>11,656,514</u>

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

NORTHERN MINERALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENTS RESERVE	PERFORMANCE RIGHTS AND OPTIONS RESERVE	OTHER RESERVES	TOTAL
		\$	\$	\$	\$	\$	\$
Consolidated Entity Balance at 1 July 2019		188,482,276	(190,207,648)	2,807,380	9,076,412	521,518	10,679,938
Profit/(loss) for the period		-	(29,867,125)	-	-	-	(29,867,125)
Total comprehensive loss for the period		-	(29,867,125)	-	-	-	(29,867,125)
Transactions with owners in their capacity as owners:							
Shares issued net of transaction costs		28,063,870	-	-	-	-	28,063,870
Shares/options issued		-	-	-	159,147	-	159,417
Convertible notes issued		-	-	-	-	226,036	226,036
Balance at 31 December 2019		216,546,146	(220,074,773)	2,807,380	9,235,559	747,554	9,261,866
Balance at 1 July 2020		243,671,335	(244,536,008)	2,807,380	8,966,253	747,554	11,656,514
Profit/(loss) for the period		-	(5,589,697)	-	-	-	(5,589,697)
Total comprehensive loss for the period		-	(5,589,697)	-	-	-	(5,589,697)
Transactions with owners in their capacity as owners:							
Shares issued net of transaction costs		8,087,237	-	-	-	-	8,087,237
Shares/options issued		-	-	-	(52,260)	-	(52,260)
Decrease in value in collateral shares reissued		-	-	-	-	(960,001)	(960,001)
Balance at 31 December 2020		251,758,572	(250,125,705)	2,807,380	8,913,993	(212,447)	13,141,793

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

NORTHERN MINERALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Half Year 31 Dec 20 \$	Half Year 31 Dec 19 \$
Cash flows from operating activities			
Receipts from customers		372,683	-
Payments to suppliers and employees		(12,983,260)	(20,306,629)
Net interest paid		(1,915,228)	(772,306)
Research & development rebate on eligible expenditure		20,173,322	-
Other income received		804,073	529,423
Net cash inflow/ (outflow) from operating activities		6,451,590	(20,549,512)
Cash flows from investing activities			
Payments for property, plant and equipment		(5,685,434)	(7,978,293)
Security deposits (paid)/refunded		(13,525)	-
Net cash (outflow) from investing activities		(5,698,959)	(7,978,293)
Cash flows from financing activities			
Proceeds from issues of shares		7,650,000	29,961,626
Share issue costs		(482,764)	(3,263,491)
Proceeds from borrowings		496,662	-
Repayment of borrowings		(4,426,761)	(523,610)
Payments for lease liabilities		(14,188)	-
Net cash inflow from financing activities		3,222,949	26,174,525
Net increase/ (decrease) in cash and cash equivalents		3,975,580	(2,353,280)
Cash and cash equivalents at beginning of period		6,660,568	8,140,422
Effects of exchange rate changes on cash and cash equivalents		(49,991)	(259)
Cash and cash equivalents at the end of the period		10,586,157	5,786,883

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

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

1. Summary of Significant Accounting Policies

1.1 Corporate information

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

This consolidated interim financial report was approved by the Board of Directors on 10 March 2021.

1.2 Basis of preparation

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

This interim financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Northern Minerals Limited during, and subsequent to, the half year ended 31 December 2020 in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

1.3 Significant accounting policies

Exploration and evaluation expenditure

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

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year.

Adoption of new and revised accounting standards effective 1 July 2020

-AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and includes guidance relating to obscuring information that could be reasonably expected to influence decisions of the primary users of the financial information. The amendments include additional guidance to the definition of material, gives it more prominence, and clarifies the explanation accompanying the definition of material.

New accounting standards not yet effective

Management have also reviewed all of the new and revised Standards and interpretations in issue not yet adopted for the period ended 31 December 2020. As a result of this review the Group have determined that there is no material impact of the Standards and Interpretations on issue not yet adopted by the Group, and therefore, no change is necessary to Group accounting policies.

1.4 Financial Position

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. The Company has reported a net loss for the period of \$5,589,697 (31 December 2019: \$29,867,125), had a net working capital surplus of \$7,401,529 (30 June 2020: \$6,147,783) and a cash inflow from operating activities of \$6,451,590 (31 December 2019: Outflow \$20,549,512).

Subsequent to the reporting period, on 16 February 2021, the Company announced that it had entered into subscription agreements with various sophisticated and institutional investors in Australia, the United States and Europe to raise \$20 million (before costs) under a private placement.

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

1.4 Financial Position (continued)

The placement consisted of the issue of fully paid ordinary shares and unlisted options, which is comprised of two tranches. On 22 February 2021, tranche 1 was completed with the Company issuing 408,163,267 fully paid ordinary shares to the subscribers, along with 153,061,226 free attaching unlisted options (with an exercise price of \$0.074 and an expiry date of three years from the date of issue).

Based on the matters described above, the directors consider the going concern basis of preparation to be appropriate.

2. Revenue and Other Income

The Group derives the following types of revenue:

	Half Year 31 Dec 20	Half Year 31 Dec 19
	\$	\$
R & D rebate on eligible expenditure	5,028,684	-
Covid-19 grant programs	640,800	-
Government grants	666,471	666,840
Interest Income	13,486	22,255
Other income	(38,992)	61,495
Total revenue from continuing operations	6,310,450	750,590

Research and development rebates and government grants

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

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

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

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

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

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

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

3. Financial Assets and Liabilities

(a) Trade and other receivables

	31 Dec 2020	30 Jun 2020
	\$	\$
Current		
Trade receivables	-	407,335
GST receivable	243,981	516,718
Prepayments	544,487	2,664,719
Other receivables	81,639	318,843
R&D rebate receivable	2,191,284	20,407,988
	<u>3,061,391</u>	<u>24,315,603</u>

(b) Trade and other payables

Current		
Trade and other payables	<u>2,040,399</u>	<u>11,364,370</u>

(c) Interest Bearing Liabilities

	Interest Rate	31 Dec 2020	30 Jun 2020
		\$	\$
Current			
Convertible note (Unsecured) - Lind	0%	-	1,534,558
Convertible note (Unsecured) – JHY Inv Pty Ltd	10%	-	3,831,044
Convertible note (Unsecured) – Yuzhen Ma	10%	-	319,726
Equipment finance (Secured)	2.99%-6.50%	79,404	142,865
Insurance premium funding	5.10%	148,998	-
Lease Liability	15%	56,752	-
		<u>285,154</u>	<u>5,828,193</u>
Non-Current			
Equipment finance (Secured)	2.99%-6.50%	9,849	25,485
Lease Liability	15%	219,657	-
		<u>229,506</u>	<u>25,485</u>

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

3. Financial Assets and Liabilities (continued)

(d) Fair value measurement

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

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

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

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

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

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

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

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

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

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

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

4. Non-financial Assets and Liabilities

(a) Property, plant and equipment

	Assets under construction	Plant and equipment	Site plant bulk earthworks	Browns Range buildings	Right of use assets Rental Property	Total
Non-Current						
As at 30 June 2020	\$	\$	\$	\$	\$	\$
Cost	3,939,445	5,754,812	2,108,973	4,078,660	-	15,881,890
Accumulated Depreciation	-	(3,660,691)	(1,154,222)	(615,974)	-	(5,430,887)
Carrying amount at end of the financial year	3,939,445	2,094,121	954,751	3,462,686	-	10,451,003

Period ended 31 December 2020

Cost

At beginning of the period	3,939,445	5,754,812	2,108,973	4,078,660	-	15,881,890
Additions	1,134,173	87,951	-	-	280,121	1,502,245
Transfers	-	-	-	-	-	-
Disposals	-	(1,363,923)	-	(6,667)	-	(1,370,590)
At the end of the period	5,073,618	4,478,840	2,108,973	4,071,993	280,121	16,013,545

Accumulated Depreciation

Accumulated depreciation at beginning of the period	-	(3,660,691)	(1,154,222)	(615,974)	-	(5,430,887)
Depreciation charge for the period	-	(375,262)	(319,275)	(152,533)	(11,672)	(858,742)
Disposals	-	1,343,465	-	695	-	1,344,160
At the end of the period	-	(2,692,488)	(1,473,497)	(767,812)	(11,672)	(4,945,469)

Carrying amount at end of the period	5,073,618	1,786,352	635,476	3,304,181	268,449	11,068,076
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NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

5. Equity

	31 December 2020		30 June 2020	
(a) Ordinary Shares	Number	\$	Number	\$
Share Capital				
Ordinary Shares	4,437,354,098	251,758,572	3,987,080,431	243,671,335

	31 December 2020		30 June 2020	
	Number of Shares	Value \$	Number of Shares	Value \$
Movements in ordinary share capital				
Balance at the beginning of period	3,987,080,431	243,671,335	2,083,027,096	188,482,276
Issue of shares for performance rights	4,000,000	-	-	-
Lind – Partial repayment of Convertible Note	50,000,000	800,000	-	-
Placement at \$0.02	183,500,000	3,670,000	-	-
Lind – Partial repayment of Convertible Note	66,666,667	1,200,000	-	-
Placement at \$0.02	145,000,000	2,900,000	-	-
Issue of shares for performance rights	1,107,000	-	-	-
Rights issue	-	-	95,039,889	4,276,801
Share placement - \$30 million placement (part)	-	-	411,045,556	25,484,824
Issue of securities – exercise of performance rights	-	-	2,859,500	-
Issue of shares for consultancy	-	-	2,419,355	181,500
Issue of shares to JHY Pty Ltd – extension of convertible note	-	-	2,000,000	122,000
Share placement - \$30 million placement (part)	-	-	3,225,806	200,000
Lind Collateral Shares	-	-	60,000,000	2,040,000
Placement at \$0.02	-	-	771,500,000	15,430,000
Lind – Partial repayment of Convertible Note	-	-	52,631,579	1,000,000
Share Purchase Plan	-	-	499,020,000	9,980,400
Conversion of Performance Rights	-	-	1,501,650	-
Shares issued in lieu of payment of vendor invoices	-	-	2,810,000	61,800
	4,437,354,098	252,241,335	3,987,080,431	247,259,601
Less: costs of issue	-	(482,763)	-	(3,588,266)
Balance at the end of period	4,437,354,098	251,758,572	3,987,080,431	243,671,335

(b) Share Purchase Plan Shares

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

	31 Dec 2020	30 Jun 2020
	Number	Number
Balance at beginning of period	4,353,400	5,303,400
Shares reverted to company and reissued during the period	-	(950,000)
Balance at end of period	4,353,400	4,353,400

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

6. Earnings per share

	Half year 31 Dec 2020 \$	Half year 31 Dec 2019 \$
a) Basic loss per share		
From continuing operations attributable to the ordinary equity holders of the Company	(0.13)	(1.21)
b) Loss used in calculating loss per share		
Loss attributable to ordinary equity holders of the Company for basic and diluted earnings per share	(5,589,697)	(29,867,125)
c) Weighted average number of shares used as the denominator	Number	Number
The weighted average number of ordinary shares on issue during the financial period used in the calculation of basic loss per share	4,331,761,648	2,470,334,270

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. Contingent Liabilities

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.

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

Guarantees

The Group has guarantees in the form of security deposits for rent and performance bonds of \$74,110 (30 June 20: \$60,523).

Government Grants

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

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

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

8. Commitments

(i) 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:

	31 Dec 20	31 Dec 19
	\$	\$
Exploration Tenements		
Within one year	834,400	834,900

9. Segment Information

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

10. Events Occurring After the Reporting Period

On 16 February 2021, the Company announced that it had entered into subscription agreements with various sophisticated and institutional investors in Australia, the United States and Europe to raise \$20 million (before costs) under a private placement.

The placement consisted of the issue of fully paid ordinary shares and unlisted options, which is comprised of two tranches. On 22 February 2021, tranche 1 was completed with the Company issuing 408,163,267 fully paid ordinary shares to the subscribers, along with 153,061,226 free attaching unlisted options (with an exercise price of \$0.074 and an expiry date of three years from the date of issue.)

Tranche 2 of the placement which comprises of the issue of 51,020,408 options is subject to shareholder approval.

In addition, on 22 February 2021 a total of 179,000 shares were issued, to Company personnel as a result of the exercise of performance rights which had vested.

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

NORTHERN MINERALS LIMITED

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes as set out on pages 5 to 16:
 - (i) give a true and fair view of the financial position as at 31 December 2020 and the performance for the half-year ended on that date of the Company; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting", *Corporations Act 2001* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Colin McCavana
Director

Perth, Western Australia

10 March 2021

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the directors of Northern Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2020 there have been:

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



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen

Director

Perth
10 March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NORTHERN MINERALS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Northern Minerals Limited, which comprises the Statement of Financial Position as at 31 December 2020, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

- i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen

10 March 2021

Perth, Western Australia

NORTHERN MINERALS LIMITED

CORPORATE DIRECTORY

Directors

Colin McCavana
(Non-executive Chairman)

Yanchun Wang
(Non-executive Director)

Ming Lu
(Non-executive Director)

Liangbing Yu
(Non-executive Director)

Bin Cai
(Alternate Director)

Company Secretary

Mark Tory

Registered and Principal Office

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Telephone: +61 2 8072 1400

Email: hello@automicgroup.com.au

ASX Code

NTU

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