

dysprosium

66

Dy

162.500



yttrium

39

Y

88.906



terbium

65

Tb

158.925



pathway to production



northernminerals

annual report 2013

ABN 61 119 966 353

Chairman's Letter

12 October 2013

It is my pleasure to report to our shareholders on the outstanding progress Northern Minerals has made during the past twelve months. It has been a defining period for the Company, and a year in which we have moved from being an explorer to an emerging producer of Heavy Rare Earth Elements (HRE).

It has continued an exciting journey for Northern Minerals since 2010, when the Company decided to shift its focus from uranium to Rare Earth Elements (REE). Fuelled by excellent sample results from our Gardiner-Tanami land package, and a burgeoning REE market, the Company commenced its first REE drilling program at Browns Range the following year. With a string of immediate drilling successes, we announced a maiden JORC resource less than 18 months later, and set ourselves a vision to become the global benchmark in the production of heavy rare earths.

This rapid development has been driven by the underlying quality of the Browns Range project. Our exploration activities during the past year have underscored the high quality of our asset, and transformed what was a greenfields REE project in 2010 into one of the world's most exciting potential new sources of HRE.

Our metallurgical testwork during the year has also reinforced the competitive advantage of our xenotime mineralisation. We have proven we can process the ore using a simple flowsheet, and deliver a high value end product, dominated by the sought after dysprosium and yttrium elements. These attributes continue to set Browns Range apart from other rare earth projects around the world and have attracted the interest of leading players from the dominant Chinese rare earths industry and also Sumitomo Corporation of Japan, one of the few companies in the world to successfully identify and recover HRE from sources outside of China. Sumitomo Corporation has signed a non-binding Memorandum of Understanding for off-take from Browns Range.

Northern Minerals is now also in a strong capital position, with a \$58 million funding initiative announced in February to take the project through the completion of feasibility studies. The Company has already raised more than \$30m this year to date to drive our current work program. This is an enviable position, particularly during a period when raising capital has been a challenge for many exploration and development companies.

Our funding initiatives have been backed by our major shareholder, Australia Conglin International Investment Group (ACIIG). The Group has been a resolute shareholder of Northern Minerals for a number of years, and is a strong supporter of our vision for Browns Range. In the past year ACIIG has increased its shareholding to 46%, and we welcomed ACIIG chairman Conglin Yue onto the Northern Minerals Board. Mr Yue has added specialist REE market experience to our team and has helped open doors to ACIIG's significant networks in Asia.



It is also pleasing to report on some encouraging developments in the international markets for REE, and what appears to be a turning point for HRE prices, particular those used to make magnets and phosphors, such as dysprosium and yttrium in which Browns Range xenotime mineralisation abounds. The price support is now being driven by sustained demand and restocking by buyers, demonstrating the inherent strength in the market fundamentals of our industry.

China's historical dominance in the rare earths space is due to the recognition at the highest levels of its government of its importance to modern hi-tech industries. Under government encouragement since the 1990s successful secondary industries within hi-tech industrial development zones have made use of the special properties of rare earths of magnetism, luminescence and electronics to create new products with high added values beyond expectations.

At Northern Minerals one of our great challenges is for the emerging value of our business to be recognised by the market. In industries such as nickel, copper and gold, it is easy for the market to grasp the significance and value of new discoveries. The rare earths story is far less understood; but is an exciting one yet to be fully told, with the promise of significant growth in an age of rapid advances in society and technology.

Finally, I would like to acknowledge the expanding team at Northern Minerals. It has been a busy year, and we have set demanding targets for the development of Browns Range; but led by Managing Director George Bauk our people have done an outstanding job, and on behalf of the Board and shareholders, I thank them. Their efforts during the past year have significantly de-risked the Browns Range project, and placed us firmly on the path to production by 2016.

Yours sincerely



Kevin Schultz
Chairman
Northern Minerals Limited





NORTHERN MINERALS LIMITED

ABN 61 119 966 353

ANNUAL FINANCIAL STATEMENTS

2013

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2013.

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.

Kevin Schultz - *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 (Chartered Professional), has extensive experience in mining and mineral exploration management. His experience ranges across a variety of mineral commodities including gold, iron ore and uranium. As Director of Operations for the Uranium Branch exploration division of the Australian Atomic Energy Commission ('AAEC') from 1975-76, Mr Schultz was in charge of four teams of geoscientists involved in exploration for uranium in the Alligator Rivers area in the Northern Territory (NT). From 1977-1982, Mr Schultz continued in uranium exploration as Exploration Manager for Nord Resources Corporation, which had a number of uranium projects in northwest Western Australia (WA) and the NT. Mr Schultz is a member of the nomination committee.

George Bauk – *Managing Director/Chief Executive Officer*

Mr Bauk has more than 20 years' experience in the resources sector, having worked in both mining operational and corporate roles globally with a variety of companies including WMC Resources, Arafura Resources and most recently, from 2006 to 2009, Indago Resources (formerly Western Metals) as Managing Director. He has broad experience in the resource sector, including specific involvement in uranium and rare earths. During the past three years Mr Bauk has served as a director of the following listed company:

- Indago Resources Ltd (Managing Director 26 June 2006 – 7 August 2009)

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 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:

- Empire Resources Limited (Director February 2004 – January 2010)
- Reedy Lagoon Corporation Limited (Director since May 2007 – November 2009)
- Ferrum Crescent Limited (formerly Washington Resources Limited – January 2010 – September 2010)
- Midwinter Resources NL (Director February 2011 – Present)
- Potash West NL (October 2010 – Present)

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 Fellow of the Australian Institute of Company Directors and a Member of the Australasian Institute of Mining and Metallurgy. 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 companies:

- Reward Minerals Limited (Director February 2010 – Present)

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

Conglin Yue - *Non executive Director (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 companies:

- Orion Metals Limited (Director July 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 currently a director of the following listed companies;

- Orion Metals Limited (Director July 2012 - present)
- Carpentaria Exploration Limited (Director May 2011 – present)

Dudley John Kingsnorth - *Non executive Director (resigned 28 November 2012)*

Mr Kingsnorth is an international leader in Rare Earth Elements (REE), with more than 20 years experience in the development, evaluation and marketing of Rare Earth Projects. Prior to his appointment as a Director, he had been consulting to Northern Minerals on the development of its REE projects in northern Australia. Mr Kingsnorth's REE experience includes Managing Director of IMCOA and editor for the last three Roskill REE Reports.

Mr Kingsnorth has also been involved at a Board and management level with a number of ASX-listed resource exploration and development companies. During the past three years Mr Kingsnorth has also served as a director of the following listed company:

- Amex Resources (Director April 2007 – March 2012)

COMPANY SECRETARY

Simon Storm (*resigned 28 February 2013*)

Mr Storm is a Chartered Accountant with over 25 years of Australian and international experience in the accounting profession and commerce. He has held various senior finance and/or company secretarial roles with listed and unlisted entities in the banking, resources, construction, telecommunications and property development industries. In the last 10 years he has provided consulting services covering accounting, financial and company secretarial matters to various companies in these sectors.

Mark Tory (*appointed 3 December 2012*)

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).

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

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
Kevin Schultz	14	15	1	1	n/a	n/a
George Bauk	15	15	1	1	n/a	n/a
Adrian Griffin	13	15	1	1	1	1
Colin McCavana	15	15	1	1	1	1
Dudley Kingsnorth	7	7	n/a	n/a	n/a	n/a

A - meetings attended

B - meetings held whilst a director

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
Kevin Schultz	652,500	1,000,000
George Bauk	2,975,238	2,000,000
Adrian Griffin	2,744,150	1,000,000
Colin McCavana	3,200,000	1,000,000
Conglin Yue	185,163,554	-
Bin Cai	-	-

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

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

September 2012 Quarter

- Ongoing drilling and metallurgical work, continued to produce outstanding results and advanced the project closer to production.
- The Company expanded its presence in the region with the successful granting of additional tenements over the Browns Range Dome in the Northern Territory (NT).
- Completed a regional drilling program that continued to identify exciting new prospects across the Browns Range Dome area.
- Results from initial hydrometallurgical studies were received indicating the suitability of processing the Browns Range mineral concentrate to a high purity mixed rare earth oxide using conventional unit hydrometallurgical processes.
- The Company commenced the formal process to divest some of its non-HRE assets, in particular, the large and prospective Gardiner Tanami land package.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

December 2012 Quarter

- The Company released its initial JORC compliant resource of 1.44Mt @ 0.73% TREO comprising 10,500t TREO, with a key feature being the dominance of high value dysprosium and yttrium.
- The Company's regional exploration activities also confirmed a number of new HRE targets at the Browns Range project, with the drilling activities confirming a pipeline of potential projects which could contribute to the mineral inventory.
- Northern Minerals reached an MOU for the off-take of HREO from Browns Range. The agreement was struck with a global leader in mining and materials for a portion of the Browns Range product.
- The Company successfully raised an additional \$5 million to drive the next stages in the exploration and studies program.

March 2013 Quarter

- The Company delivered a major funding initiative during the quarter, announcing a finance package to raise \$58 million, subject to shareholder approval.
- The 2013 drilling program commenced with 20,000m targeting an expansion of the initial JORC resource.
- Metallurgical studies confirmed the ability to produce a high value, 92% mixed rare earth oxide.
- New airborne survey results identify geophysical anomalies (possible heavy rare earth targets) on recently granted tenements on the Northern Territory side of the Browns Range Dome.

June 2013 Quarter

- The Company received initial assay results from its Gambit West prospect which included the highest grades received to date from the Browns Range Project.
- Early indications from diamond drilling at Wolverine indicated further extensions of mineralisation at depths below 150m and down to 300m.
- Positive results were received in optimisation of ore beneficiation and hydrometallurgical processes, following completion of a floatation mini-pilot plant to treat one tonne of ore.
- The Environmental Protection Authority set the level of assessment for the Project as an Assessment on Proponent Information which supports the current development timeline.
- Finalisation of the Scoping Study deferred to incorporate the updated resource due in October 2013 and inclusion of the hydrometallurgical process step.
- Underwriting of the \$26.5 million rights issue approved by shareholders and first instalment of funds received.
- \$8 million secured via two interest free loans from Australian Conglin International Investment Group which was subsequently converted to equity as a part of the underwriting.

OPERATING RESULTS FOR THE YEAR

The net loss for the year ended 30 June 2013 was \$20,116,204 (2012: \$10,736,376).

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 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

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

for the management of its environmental responsibilities and are not aware of any breaches of the regulations during the period covered by this 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	2,735,000	Between \$0.19 and \$0.63	Between 31 December 2013 and 6 May 2016
Unlisted performance rights ¹	8,000,000	Nil	Between 31 December 2014 and 30 June 2015
Listed Options	66,590,127	\$0.30	31-March-2015
Total	77,325,127		

Note 1 - Vesting of the rights are subject to the Company meeting a performance condition during the performance period being 6 July 2012 ending 30 June 2015. 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 31 December 2014 (all vest) or by 30 June 2015 (half vest).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

The following ordinary shares were issued during the financial year as a result of the exercise of options:

Number	Issue Price Cents
8,503,133	0.200
755,000	0.108

The following options lapsed during the year:

Number	Issue Price Cents
445,000	0.108
1,900,000	0.300
3,000,000	0.500

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 23 November 2011 when shareholders approved an aggregate remuneration of \$350,000 per year. Annual Non-executive Chairman and Non-executive directors' base fees are presently \$64,000 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.

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.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

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 \$403,300 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 \$257,557 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 \$210,481 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 \$275,631 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 2013

	Short-term		Post Employment		Share-based Payments	Total	Share-based Payments % of Total Remuneration
	Salary & Fees	Other Benefits	Superannuation Benefits	Long Service Leave	Share Plan or Options		
	\$	\$	\$	\$	\$	\$	%
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	150,503	424,022	35.49%
Simon Storm ²	84,049	1,662	-	-	17,230	102,941	16.74%
Robin Jones	291,000	-	26,190	-	170,130	487,320	34.91%
Robert Sills	192,660	9,239	18,171	11,262	141,951	373,283	38.03%
Mark Tory	147,171	1,436	13,245	-	27,133	188,985	14.36%
TOTAL	1,556,416	33,494	111,038	27,769	1,039,851	2,768,568	37.56%

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.

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

Details of Remuneration for the Year Ended 30 June 2012

	Short-term		Post Employment		Share-based Payments	Total	Share-based Payments % of Total Remuneration
	Salary & Fees	Other Benefits	Superannuation Benefits	Long Service Leave	Share Plan or Options		
	\$	\$	\$	\$	\$	\$	%
Directors:							
Kevin Schultz	41,667	1,272	12,833	-	4,394	60,166	7.30%
George Bauk	374,225	1,272	19,935	23,507	8,092	427,031	1.89%
Adrian Griffin	42,000	1,272	3,780	-	4,394	51,446	8.54%
Colin McCavana ³	11,500	1,272	45,780	-	4,394	62,946	6.98%
Dudley Kingsnorth ¹	74,155	1,272	-	-	24,807	100,234	24.75%
Specified Executives:							
Robin Wilson	205,000	4,364	18,450	11,326	42,529	281,669	15.10%
Simon Storm ²	112,161	1,272	-	-	18,480	131,913	14.01%
Robin Jones	24,159	-	2,174	-	9,025	35,358	25.52%
Robert Sills	141,529	-	23,638	-	73,904	239,071	30.91%
TOTAL	1,026,396	11,996	126,590	34,833	190,019	1,389,834	13.67%

Note 1 - Includes consulting fees paid to Industrial Minerals Company of Australia Pty Ltd of \$28,375 to 30 June 2012.

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

Note 3 - Includes \$11,500 paid to Bell Bay Investments Pty Ltd for consulting services.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

6. Options and Share Plan Shares Granted as Part of Remuneration

6.1 Options/Performance Rights

30 June 2013

2013 Options/Performance Rights

	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:			
Kevin Schultz	270,000	-	-
George Bauk	540,000	-	1,800,000
Adrian Griffin	270,000	33,500	-
Colin McCavana	270,000	33,500	-
Dudley Kingsnorth	270,000	-	270,000
Specified Executives:			
Robin Wilson	-	8,160	176,460
Simon Storm	-	-	81,600
Robin Jones	-	-	-
Robert Sills	-	-	-
Mark Tory	21,000	-	-

6.2 Share Plan Shares

30 June 2013

	Value of Shares Granted During the Year	Value of Shares Exercised During the Year	Value of Shares Lapsed During the Year
	\$	\$	\$
Directors:			
Kevin Schultz	-	-	-
George Bauk	-	23,800	-
Adrian Griffin	-	-	-
Colin McCavana	-	-	-
Dudley Kingsnorth	-	-	-
Specified Executives:			
Robin Wilson	14,000	-	9,520
Simon Storm	-	4,760	-
Robin Jones	11,200	-	-
Robert Sills	11,200	-	-
Mark Tory	31,700	-	-

The cost of these Share Plan shares is being recognised as an equity based payment expense over the vesting period from the date of grant.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

6.3 Compensation Options/Performance Rights and Shares

Options/Performance Rights - 30 June 2013

	Grant Date	Number Granted	Number Vested	Value at Grant Date	Exercise Price	Expiry Date	Date Vested & Exercisable
Directors:							
Kevin Schultz	06-Jul-12	1,000,000	-	27 cents	Note 1	30-Jun-15	Note 1
George Bauk	06-Jul-12	2,000,000	-	27 cents	Note 1	30-Jun-15	Note 1
Adrian Griffin	06-Jul-12	1,000,000	-	27 cents	Note 1	30-Jun-15	Note 1
Colin McCavana	06-Jul-12	1,000,000	-	27 cents	Note 1	30-Jun-15	Note 1
Dudley Kingsnorth	06-Jul-12	1,000,000	-	27 cents	Note 1	30-Jun-15	Note 1
Specified Executives:							
Robin Wilson	-	-	-	-	-	-	-
Simon Storm	-	-	-	-	-	-	-
Robin Jones	-	-	-	-	-	-	-
Robert Sills	-	-	-	-	-	-	-
Mark Tory	07-Dec-12	300,000	-	7 cents	26.5 cents	07-Dec-15	07-Dec-13

Note 1

Vesting of the rights is subject to the Company meeting a performance condition during the performance period being 6 July 2012 ending 30 June 2015. 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 31 December 2014 (all vest) or by 30 June 2015 (half vest). Should this condition be satisfied, each right entitles the holder to one ordinary share for nil consideration.

Share Plan Shares – 30 June 2013

	Date of Issue	Number of Shares	Number Vested	Value at Grant Date
Directors:				
Kevin Schultz	-	-	-	-
George Bauk	-	-	-	-
Adrian Griffin	-	-	-	-
Colin McCavana	-	-	-	-
Dudley Kingsnorth	-	-	-	-
Specified Executives:				
Robin Wilson	02-May-13	250,000	-	14,000
Simon Storm	-	-	-	-
Robin Jones	02-May-13	200,000	-	11,200
Robert Sills	02-May-13	200,000	-	11,200
Mark Tory	07-Dec-12	300,000	-	26,100
	02-May-13	100,000	-	5,600

For details on the attributes of the Share Plan shares, please refer to note 22.

*** 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.

NORTHERN MINERALS LIMITED

DIRECTORS' REPORT

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 2013.

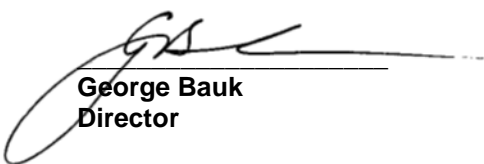
NON-AUDIT SERVICES

There were no Non-Audit services carried out in the year ended 30 June 2013.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

- i) At a general meeting held on 28 June 2013, the Company's shareholders approved the issue of shares to Australian Conglin International Investment Group Pty Ltd (ACIIG) in its capacity as underwriter of the Rights Issue announced on 25 February 2013 (the Company received votes from 44.74% of eligible shareholders of which 99.62% voted for the appointment of ACIIG as underwriter). The Rights Issue closed undersubscribed on 5 July 2013.
- On 10 July 2013, the Company announced it had agreed to a request from ACIIG to defer part of the underwriting payment which totalled \$26,436,657. Further to this, it was announced that the underwriting would be settled as follows:
- o \$8,000,000 in interest free loans provided by ACIIG to the Company would be offset against the underwriting payment and converted to Northern Minerals shares. This was completed on 10 July 2013.
 - o \$6,000,000 in underwriting funds to be paid by 22 July 2013. The funds were subsequently received on 16 July.
 - o The balance of approximately \$11.1 million (net of underwriting fee) to be settled by 16 September 2013. The final payment was received and the underwriting was completed on 13 September 2013.
- ii) During July 2013, the Company lodged a revised Research and Development claim for the year ended 30 June 2012 for the amount of \$1,522,103. As at the date of this report the claim had been processed by the Australian Taxation Office, however, the funds had not yet been received. The Company recorded this amount as a Research and Development refund during the year ended 30 June 2013.
- iii) On 31 July 2013 the Company appointed Mr Conglin Yue to the Board of Directors as a Non-Executive Director. On 29 August 2013 the Company appointed Mr Bin Cai as an alternate Director for Mr Yue.

Signed in accordance with a resolution of the directors.



George Bauk
Director

Perth
25 September 2013

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	√	Refer (b) below	5.1	√	Refer (i) below
2.2	√	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

(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 and a Managing 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.

NORTHERN MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

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 Chairman, and Adrian Griffin and Colin McCavana.

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

(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.

NORTHERN MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

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. 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 29 employees, of which 7 are women. There are no women in senior executive positions or on the board.

NORTHERN MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

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

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.

(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

NORTHERN MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

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 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Note	Consolidated	
		2013 \$	2012 \$
REVENUE FROM CONTINUING ACTIVITIES			
Interest		222,674	352,906
Other	4	2,712,265	62,975
TOTAL REVENUE		2,934,939	415,881
EXPENSES			
Corporate			
Administration		631,132	449,832
Depreciation expense		506,665	191,843
Share based payments		1,221,655	419,765
Legal and professional		1,062,784	744,759
Occupancy		348,130	129,183
Employee benefits		2,178,012	1,295,082
Other corporate expenditure		148,673	134,922
Total Corporate		6,097,051	3,365,386
Exploration			
Consultants and contractors		1,732,839	1,560,394
Drilling		4,015,172	1,879,121
Field costs		3,126,034	1,536,055
Geophysical surveys		105,220	8,365
Scoping study/Joint venture		3,158,435	139,024
Native title and heritage		603,471	369,690
Employee benefits		1,739,011	1,101,176
Tenement costs		664,403	319,871
Support costs		75,303	70,101
Other exploration activities		1,652,895	803,074
Total Exploration		16,872,783	7,786,871
TOTAL EXPENSES		22,969,834	11,152,257
OPERATING LOSS		(20,034,895)	(10,736,376)
Finance Costs		81,309	-
LOSS BEFORE TAX		(20,116,204)	(10,736,376)
Income tax	5	-	-
NET LOSS		(20,116,204)	(10,736,376)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(20,116,204)	(10,736,376)
Basic and diluted loss per share (cents per share)	6	(8.3)	(5.7)

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

STATEMENT OF FINANCIAL POSITION	Note	Consolidated	
		2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents	7	8,694,593	9,215,943
Trade and other receivables	8	1,898,757	164,311
Other financial assets	9	720,000	-
Total Current Assets		11,313,350	9,380,254
NON CURRENT ASSETS			
Other financial assets	9	480,307	359,283
Plant & equipment	10	1,161,276	785,487
Total Non-Current Assets		1,641,583	1,144,770
TOTAL ASSETS		12,954,933	10,525,024
CURRENT LIABILITIES			
Trade and other payables	11	4,308,210	1,575,292
Shareholder loan	12	8,000,000	-
Provisions	13	261,030	153,738
Total Current Liabilities		12,569,240	1,729,030
NON-CURRENT LIABILITIES			
Provisions	13	184,580	81,763
Total Non-Current Liabilities		184,580	81,763
TOTAL LIABILITIES		12,753,820	1,810,793
NET ASSETS		201,113	8,714,231
EQUITY			
Issued capital	14	48,574,105	38,192,674
Reserves	15	2,693,181	1,471,526
Accumulated losses	16	(51,066,173)	(30,949,969)
TOTAL EQUITY		201,113	8,714,231

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF CASH FLOWS	Note	Consolidated	
		2013 \$	2012 \$
OPERATING ACTIVITIES			
Payments to suppliers and employees		(18,471,817)	(9,667,050)
Interest received		231,923	380,358
Research and development rebate received		287,276	-
Purchase of tenements and rights		(200,000)	-
Proceeds from disposal of tenements		100,000	70,000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	7(a)	(18,052,618)	(9,216,692)
INVESTING ACTIVITIES			
Purchase of plant and equipment		(914,667)	(719,194)
Proceeds from disposal of plant and equipment		31,872	20,909
Increase in security deposits		(123,336)	(207,850)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(1,006,131)	(906,135)
FINANCING ACTIVITIES			
Proceeds from issue of shares		10,863,735	12,266,856
Share issue costs		(326,336)	(633,400)
Proceeds from borrowings		8,000,000	-
CASH FLOWS RECEIVED FROM FINANCING ACTIVITIES		18,537,399	11,633,456
NET DECREASE IN CASH AND CASH EQUIVALENTS		(521,350)	1,510,629
Cash and cash equivalents at beginning of year		9,215,943	7,705,314
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	8,694,593	9,215,943

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF CHANGES IN EQUITY	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Share Options Reserve	Total
Consolidated Entity					
Balance at 1 July 2011	26,534,218	(20,213,593)	564,316	512,445	7,397,386
Loss for the financial period	-	(10,736,376)	-	-	(10,736,376)
Total recognised income and expense for the year	-	(10,736,376)	-	-	(10,736,376)
Shares issued net of transaction costs	11,658,456	-	-	-	11,658,456
Shares/options issued	-	-	203,761	191,004	394,765
Shares/options exercised or lapsed	-	-	-	-	-
Balance at 30 June 2012	38,192,674	(30,949,969)	768,077	703,449	8,714,231
Consolidated Entity					
Balance at 1 July 2012	38,192,674	(30,949,969)	768,077	703,449	8,714,231
Net income/expense recognised directly in equity					
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
Shares/options exercised or lapsed	-	-	-	-	-
Balance at 30 June 2013	48,574,105	(51,066,173)	1,003,513	1,689,668	201,113

The accompanying notes form part of these financial statements

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 2013 was authorised for issue in accordance with a resolution of the directors on 25 September 2013. 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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, 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.

(a) 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 additions 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 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

(b) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities (2011)

AASB 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity accounted.

The Group may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(c) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs.

The Group is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(d) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

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.

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 derecognition

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets under Other Financial Assets in the balance sheet.

(ii) Loans and receivables

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

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- (i) The grant date fair value of the award.
- (ii) The expired portion of the vesting period.

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

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

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

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

Revenue is recognised as interest is earned.

Research and Development

Research and Development grants that are receivable as compensation for expenses already incurred 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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

transaction, affects neither the accounting profit nor taxable profit or loss.

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

- 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.

3. SEGMENT INFORMATION

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

4. REVENUE AND EXPENSES

REVENUE

	Consolidated	
	2013 \$	2012 \$
Sale of tenements	900,000	70,000
Net loss on disposal of property, plant and equipment	(340)	(7,025)
Research and development refund	1,809,379	-
Other	3,226	-
	2,712,265	62,975

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INCOME TAX

Reconciliation of income tax expense/(income) to the pre-tax net loss

Loss before income tax

Tax calculated at 30% on loss before income tax

Add tax effect of:

Share based payment

Non-deductible expenses

Non-assessable income

Unused tax losses and temporary differences not recognised

Income tax expense/(income)

Consolidated	
2013	2012
\$	\$
(20,116,204)	(10,736,376)
(6,034,861)	(3,220,913)
366,497	125,930
3,642	50,470
(542,814)	-
6,207,536	3,044,513
-	-

Unrecognised deferred tax balances

Deferred tax assets

Unused tax losses

Deductible temporary differences

Total unrecognised deferred tax assets

Deferred tax liabilities

Assessable temporary differences:

Taxable temporary differences

Total unrecognised deferred tax liabilities

Net unrecognised deferred tax balances

14,172,333	9,113,659
562,926	482,492
14,735,259	9,596,151
(3,539)	(14,055)
(3,539)	(14,055)
14,731,720	9,582,096

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.

6. EARNINGS PER SHARE

(a) Basic loss per share

(b) Loss used in calculating loss per share

Loss attributable to the ordinary equity holders of the Company

(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

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

Consolidated	
2013	2012
Cents	Cents
(8.3)	(5.7)
\$	\$
(20,116,204)	(10,736,376)
Number	Number
241,079,689	186,957,305

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. CASH AND CASH EQUIVALENTS

Cash at Bank and on hand
Cash on Deposit

Consolidated	
2013	2012
\$	\$
4,153,268	143,870
4,541,325	9,072,073
8,694,593	9,215,943

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.

(a) Reconciliation to Cash Flow Statement

Net loss

(20,116,204) (10,736,376)

Adjustments:

Depreciation expense

506,665 191,843

Gain on disposal of assets

340 7,025

Net change in fair value of financial assets at fair value through profit and loss

80,000 -

Purchase of tenements and rights

- -

Sale of tenements and rights

(800,000) -

Share-based payments

1,221,655 419,765

Change in assets and liabilities:

(Increase)/decrease in other receivables

(1,732,134) 32,147

Increase/(decrease) in trade and other payables

2,576,951 767,527

Increase in provisions

210,109 101,377

Net cash flows used in operating activities

(18,052,618) (9,216,692)

(b) Reconciliation of cash

Cash balance comprises:

Cash and cash equivalents

8,694,593 9,215,943

8. TRADE AND OTHER RECEIVABLES

GST Receivable
Prepayment
Other receivables
Accrued interest

Consolidated	
2013	2012
\$	\$
195,693	116,462
168,163	28,115
1,523,104	1,000
11,797	18,734
1,898,757	164,311

Other receivables includes \$1,522,103 for a research and development refund claimed for the tax year ended 30 June 2012. This claim was finalised subsequent to balance date. Refer note 28 events occurring after balance sheet date for additional information.

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

9. OTHER FINANCIAL ASSETS

Current

Equity securities – designated as "at fair value through profit or loss"

720,000 -

Non Current

Security deposits - rent & performance bonds

480,307 359,283

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

10. PLANT AND EQUIPMENT

Plant and equipment

Gross carrying amount at beginning of year

658,069 314,637

Disposals

- (46,404)

Additions

914,667 389,836

Gross carrying amount at end of year

1,572,736 658,069

Accumulated depreciation at beginning of year

216,741 92,655

Accumulated depreciation on disposals

- (18,470)

Depreciation expense

418,683 142,556

Accumulated depreciation at end of year

635,424 216,741

Carrying amount at end of the year

937,312 441,328

Vehicles

Gross carrying amount at beginning of year

420,038 56,888

Disposals

(43,627) -

Additions

- 363,150

Gross carrying amount at end of year

376,411 420,038

Accumulated depreciation at beginning of year

75,879 26,592

Accumulated depreciation on disposals

(11,414) -

Depreciation expense

87,982 49,287

Accumulated depreciation at end of year

152,447 75,879

Carrying amount at end of the year

223,964 344,159

Total

1,161,276 785,487

The useful lives of plant and equipment are estimated between 3 and 10 years (2012: 2 and 10 years).

11. TRADE AND OTHER PAYABLES

Trade payables and accruals

4,204,644 1,475,994

Employee benefits

103,566 99,298

4,308,210 1,575,292

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

Australian Conglin International Investment Group (ACIIG)

Consolidated	
2013	2012
\$	\$
8,000,000	-
8,000,000	-

The loan from ACIIG is 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. Refer to note 28 events occurring after balance date for additional information.

13. PROVISIONS

Current
Employee entitlements

Non-Current
Rehabilitation
Employee entitlements

Consolidated	
2013	2012
\$	\$
261,030	153,738
261,030	153,738
50,000	-
134,580	81,763
184,580	81,763

Balance at 1 July 2012
Provisions made during the year
Provisions used during the year
Balance at 30 June 2013

Current
Non-current

Employee Entitlements	Rehabilitation
235,501	-
303,638	50,000
(143,529)	-
395,610	50,000
261,030	-
134,580	50,000
395,610	50,000

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

(a) Ordinary Shares

Share Capital

Ordinary shares

Consolidated and Company 2013		Consolidated and Company 2012	
Number	\$	Number	\$

269,520,451	48,574,105	212,357,318	38,192,674
--------------------	-------------------	-------------	------------

Movement in Ordinary Share Capital

At 1 July

212,357,318	38,192,674	174,435,438	26,534,218
--------------------	-------------------	-------------	------------

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 - Oct 2012	50,000	-	-	-
Issue of Share Purchase Plan shares - Dec 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	-	-
Exercise of Options - July 2011 at 20 cents	-	-	128,250	25,650
Exercise of Options - July 2011 at 15 cents	-	-	277,999	41,700
Share issue - share based payment	-	-	30,590	25,000
Exercise of Options - Aug 2011 at 10.8 cents	-	-	50,000	5,400
Payment for Share Purchase Plan Shares	-	-	-	3,750
Exercise of Options - September 2011 at 20 cents	-	-	80,000	16,000
Exercise of Options - September 2011 at 15 cents	-	-	160,000	24,000
Issue of Share Purchase Plan shares - September 2011	-	-	300,000	-
Exercise of Options - November 2011 at 20 cents	-	-	1,000	200
Exercise of Options - November 2011 at 15 cents	-	-	4,124	619
Sale of Share Purchase Plan Shares	-	-	-	269,326
Exercise of Options - January 2012 at 20 cents	-	-	6,000	1,200
Exercise of Options - January 2012 at 15 cents	-	-	576,235	86,435
Issue of Share Purchase Plan shares - January 2012	-	-	125,000	-
Issue of Share Purchase Plan shares - January 2012	-	-	938,000	-
Exercise of Options - February 2012 at 15 cents	-	-	2,781,358	417,204
Placement of shares - March 2012 at 44 cents	-	-	22,727,273	10,000,000
Exercise of Options - March 2012 at 15 cents	-	-	7,962,801	1,194,420
Exercise of Options - March 2012 at 20 cents	-	-	3,300	660
Issue of Share Purchase Plan shares - March 2012	-	-	100,000	-
Exercise of Options - April 2012 at 15 cents	-	-	769,950	115,492
Exercise of Employee Options - June 2012 at 10.8 cents	-	-	600,000	64,800
Issue of Share Purchase Plan shares - June 2012	-	-	300,000	-

269,520,451	48,900,441	212,357,318	38,826,074
--------------------	-------------------	-------------	------------

Less: costs of issue

-	(326,336)	-	(633,400)
---	-----------	---	-----------

At 30 June

269,520,451	48,574,105	212,357,318	38,192,674
--------------------	-------------------	-------------	------------

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

14. ISSUED CAPITAL (continued)

(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 21.

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	
	2013	2012
	Number	Number
Balance at beginning of year	4,496,800	3,450,500
Shares dealt with on resignation of share plan participant	(546,400)	-
Shares reverted to Company on non repayment of loan	(600,000)	(666,700)
Repayment of loan	(1,200,000)	(50,000)
Shares issued during the year	3,405,000	1,763,000
Balance at end of year	5,555,400	4,496,800

	Consolidated and Company	
	2013	2012
	Number	Number

(c) Options/Performance Rights over ordinary shares

Exercise price of \$0.20 expiring 30/9/2012 (Quoted):

Balance at beginning of year	8,503,133	8,721,683
Issued during the year	-	-
Exercised during the year	(8,503,133)	(218,550)
Balance at end of year	-	8,503,133

Exercise price of \$0.15 expiring 31/3/2012 (Quoted):

Balance at beginning of year	-	12,720,600
Issued during the year	-	-
Forfeited on expiry	-	(188,133)
Exercised during the year	-	(12,532,467)
Balance at end of year	-	-

Exercise price of \$0.108 expiring between 1/3/2013 and 16/6/2013(Unquoted):

Balance at beginning of year	1,900,000	2,550,000
Issued during the year	-	-
Forfeited during the year	(445,000)	-
Exercised during year	(1,455,000)	(650,000)
Balance at end of year	-	1,900,000

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

14. ISSUED CAPITAL (continued)

	Consolidated and Company	
	2013	2012
	Number	Number
<i>Exercise price of \$0.30 expiring between 1/3/2013 and 16/6/2013(Unquoted):</i>		
Balance at beginning of year	1,900,000	1,900,000
Issued during the year	-	-
Forfeited during the year	(1,900,000)	-
Balance at end of year	-	1,900,000
<i>Exercise price of \$0.50 expiring 1/3/2013 (Unquoted):</i>		
Balance at beginning of year	3,000,000	3,000,000
Issued during the year	-	-
Forfeited during the year	(3,000,000)	-
Balance at end of year	-	3,000,000
<i>Exercise prices between \$0.19 and \$0.63 expiring between 31/12/2013 and 6/5/2016 (Unquoted):</i>		
Balance at beginning of year	1,885,000	800,000
Forfeited during the year	-	(100,000)
Issued during the year	850,000	1,185,000
Balance at end of year	2,735,000	1,885,000
<i>Performance rights with conditions* with Nil exercise price expiring between 31/12/2014 and 30/6/2015 (Unquoted):</i>		
Balance at beginning of year	3,000,000	-
Forfeited during the year	(1,000,000)	-
Issued during the year	6,000,000	3,000,000
Balance at end of year	8,000,000	3,000,000

***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.

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RESERVES

Reserves

Consolidated	
2013	2012
\$	\$
2,693,181	1,471,526

Reserves comprise the following:

Share-option reserve

Balance at start of financial year	703,449	512,445
Vesting charge on employee performance rights	986,219	191,004
Vesting charge on options issued during year	-	-
Balance at end of the financial year	1,689,668	703,449

Share based payments reserve

Balance at start of financial year	768,077	564,316
Employee share plan allocation	235,436	203,761
Vesting charge reversed on terminated staff's share plan shares	-	-
Balance at end of the financial year	1,003,513	768,077

Total reserves

2,693,181	1,471,526
------------------	------------------

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

Accumulated losses

Consolidated	
2013	2012
\$	\$
(51,066,173)	(30,949,969)

Accumulated losses comprise the following:

Balance at start of financial year	(30,949,969)	(20,213,593)
Loss for the financial period after related income tax benefit	(20,116,204)	(10,736,376)
Balance at end of the financial year	(51,066,173)	(30,949,969)

17. AUDITOR'S REMUNERATION

During the financial period the following fees were paid or payable for services provided by the auditor:

(a) Audit services

Audit and review of financial reports under the Corporations Act 2001

Stantons International	16,040	24,075
Nexia Perth Pty Ltd	8,000	-

Total remuneration of auditors

Consolidated	
2013	2012
\$	\$
24,040	24,075

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.

Guarantees

The Group has guarantees in the form of security deposits for rent & performance bonds of \$360,261 (2012: \$359,283).

19. DIVIDENDS

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

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

20. EXPENDITURE COMMITMENTS

(i) Operating Lease Commitments

Commitments for minimum lease payments are:

Within one year

Later than one year but less than five years

Later than five years

Consolidated	
2013	2012
\$	\$
349,846	336,390
1,102,967	1,452,813
-	-
1,452,813	1,789,203

The Company leases offices in West Perth, Western Australia, under a non-cancellable operating lease expiring 1 May 2017

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of the Managing Director referred to in the Directors' Report that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

(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:

Exploration Tenements

Within one year

Consolidated	
2013	2012
\$	\$
3,092,400	3,981,833

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 2013 the Company incurred \$111,093 (2012: \$207,781) 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

NORTHERN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. EXPENDITURE COMMITMENTS (continued)

Minerals Browns Range Project, Western Australia where the Company is aiming to be producing high grade Heavy Rare Earth Elements by 2015.

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.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel

- Kevin Schultz -Non-executive Chairman
- George Bauk - Managing Director/Chief Executive Officer
- Adrian Griffin - Non-executive Director
- Colin McCavana -Non-executive Director
- Dudley Kingsnorth - Non-executive Director (Resigned 28 November 2012)
- Robin Wilson - Exploration Manager
- Mark Tory – CFO/Company Secretary (Appointed 3 December 2012)
- Simon Storm - Company Secretary (Resigned 28 February 2013)
- Robin Jones – Project Manager
- Robert Sills – Commercial Manager

(b) Compensation Policy for Key Management Personnel

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers 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 executives are competitively set to attract the most qualified and experienced candidates, taking into account prevailing market conditions and an individual's experience and qualifications.

	Consolidated	
	2013	2012
	\$	\$
Compensation for Key Management Personnel		
Short-term employee benefits	1,589,910	1,038,392
Post-employment benefits	111,039	126,590
Other long-term benefits	27,769	34,833
Share-based payment	1,039,851	190,019
Total compensation	2,768,569	1,389,834

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)

(c) Compensation Options and Performance Rights for the Year Ended 30 June 2013

Details on option and performance rights holdings of key management personnel is included in the Remuneration Report section of the Directors' Report.

(d) Option and Performance Right holdings of Key Management Personnel for 2013

	Held at Beginning of Year	Granted as Compensation	Exercised	Other Changes	Total	Vested and Exercisable	Not Vested
Directors:							
Kevin Schultz	117,500	1,000,000	(117,500)	-	1,000,000	-	1,000,000
George Bauk	4,000,000	2,000,000	-	(4,000,000)	2,000,000	-	2,000,000
Adrian Griffin	850,500	1,000,000	(850,500)	-	1,000,000	-	1,000,000
Colin McCavana	643,750	1,000,000	(643,750)	-	1,000,000	-	1,000,000
Dudley Kingsnorth ¹	150,000	1,000,000	-	(1,150,000)	-	-	-
Specified Executives:							
Robin Wilson	2,000,000	-	(255,000)	(745,000)	1,000,000	-	1,000,000
Simon Storm	400,000	-	-	(400,000)	-	-	-
Robin Jones	1,300,000	-	-	-	1,300,000	300,000	1,000,000
Robert Sills	1,300,000	-	-	-	1,300,000	300,000	1,000,000
Mark Tory	-	300,000	-	-	300,000	-	300,000
	10,761,750	6,300,000	(1,866,750)	(6,295,000)	8,900,000	600,000	8,300,000

Note 1: Other changes Includes 150,000 held on resignation as a Director on 28 November 2012

Option and Performance Right holdings of Key Management Personnel for 2012

	Held at Beginning of Year	Granted as Compensation	Exercised	Other Changes	Total	Vested and Exercisable	Not Vested
Directors:							
Kevin Schultz	952,500	-	(835,000)	-	117,500	117,500	-
George Bauk	4,681,819	-	(681,819)	-	4,000,000	2,000,000	2,000,000
Adrian Griffin	850,500	-	-	-	850,500	850,500	-
Colin McCavana	643,750	-	-	-	643,750	643,750	-
Dudley Kingsnorth	150,000	-	-	-	150,000	150,000	-
Specified Executives:							
Robin Wilson	1,000,000	1,000,000	-	-	2,000,000	1,500,000	500,000
Simon Storm	400,000	-	-	-	400,000	200,000	200,000
Robin Jones	-	1,300,000	-	-	1,300,000	800,000	500,000
Robert Sills	-	1,300,000	-	-	1,300,000	1,100,000	200,000
	8,678,569	3,600,000	(1,516,819)	-	10,761,750	7,361,750	3,400,000

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(e) 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 ¹	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 ²	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 ³	-	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 Includes 150,000 held on resignation as a Director on 28 November 2012

Note 2: Other changes Includes 511,400 held on resignation on 28 February 2013

Note 3: Other changes includes shares purchased on the open market prior to commencing employment with the Company

Shareholdings of Key Management Personnel for 2012

	Held at Beginning of Year	Granted as Compensation	Exercise of Options	Other Changes	Held at 30 June 2012	Vested	Not Vested
Directors:							
Kevin Schultz	832,500	-	835,000	(850,000)	817,500	817,500	-
George Bauk	2,208,419	-	681,819	-	2,890,238	2,890,238	-
Adrian Griffin	2,556,829	-	-	(200,000)	2,356,829	2,356,829	-
Colin McCavana	2,756,250	-	-	(200,000)	2,556,250	2,556,250	-
Dudley Kingsnorth	150,000	-	-	-	150,000	150,000	-
Specified Executives	-						
Robin Wilson	1,033,403	280,000	-	-	1,313,403	940,053	373,350
Simon Storm	373,400	138,000	-	-	511,400	326,700	184,700
Robin Jones	-	300,000	-	24,293	324,293	24,293	300,000
Robert Sills	-	363,000	-	-	363,000	-	363,000
	9,910,801	1,081,000	1,516,819	(1,225,707)	11,282,913	10,061,863	1,221,050

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

6,850,000 options and performance rights were granted to employees and directors during the year (2012: 4,185,000 to employees). No options (2012: 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:

	2013 Number	Weighted average exercise price	2012 Number	Weighted average exercise price
Outstanding at the beginning of the year	11,685,000	\$0.279	8,250,000	\$0.43
Options granted during the year	850,000	\$0.284	1,185,000	\$0.54
Options exercised during the year	(1,455,000)	\$0.108	(650,000)	\$0.108
Options expired during the year	(5,345,000)	\$0.396	(100,000)	\$0.80
Performance rights granted during the year	6,000,000	-	3,000,000	-
Performance rights forfeited during the year	(1,000,000)	-	-	-
Outstanding at the end of the year	<u>10,735,000</u>	\$0.449	<u>11,685,000</u>	\$0.279
Exercisable at the end of the year	<u>1,885,000</u>		<u>5,500,000</u>	

The outstanding balance as at 30 June 2013 is represented by:

- 300,000 with an exercise price of \$0.50, expiring 31 December 2013;
- 200,000 with an exercise price of \$0.50, expiring 10 January 2014;
- 200,000 with an exercise price of \$0.50, expiring 7 February 2014;
- 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; and
- 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
- 8,000,000 performance rights with an exercise price of Nil, expiring 30 June 2015 – refer note 14 (c) for more details.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 1.5 years (2012: 1.6 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 2010, 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:

- b) 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.
- c) The principal amount outstanding under a Loan will be interest free.
- d) 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.
- e) 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)

- f) 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.
- g) 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.
- h) 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.
- i) Any fees, charges and stamp duty payable in respect of a loan will be payable by the Participant.
- j) 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.
- k) 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.

	2013 Number	2012 Number
Opening balance	4,496,800	3,450,500
Issued		
Robert Jones (or his nominee)	200,000	300,000
Robin Wilson (or his nominee)	250,000	280,000
Simon Storm (or his nominee)	-	138,000
Robert Sills (or his nominee)	200,000	363,000
Mark Tory (or his nominee)	400,000	-
Other Eligible Employees (or their nominees)	2,355,000	682,000
Shares previously held by employees who have resigned	-	(16,700)
Shares for which loan has been repaid	(1,200,000)	(50,000)
Shares for which loan has not been repaid and have reverted to the Company and dealt with under the Share Plan Rules	(1,146,400)	(650,000)
Closing balance	<u>5,555,400</u>	<u>4,496,800</u>

Included in the closing balance are 1,957,900 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 31 December 2013 and 16 May 2016.

3,597,500 share plan shares have not vested. These shares vest between 23 July 2013 and 2 May 2015.

(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 employee benefits expense for options, performance rights and share plan shares issued during the year was \$986,219 (2012: \$191,004) and \$235,436 (2012: \$203,761) 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 2013:-

Issue Date	Vesting Date	Number Issued	Grant Date	Stock Price at Grant Date (cents)	Issue Price (cents)	Risk Free Rate %	Volatility %	Value Per Share (cents)
02-Jul-12	02-Jul-13	200,000	02-Jul-12	0.26	0.25	2.57	70.00	0.127
23-Jul-12	23-Jul-13	50,000	23-Jul-12	0.28	0.25	2.35	70.00	0.138
08-Oct-12	08-Oct-13	50,000	08-Oct-12	0.26	0.27	2.35	70.00	0.122
07-Dec-12	07-Dec-13	100,000	07-Dec-12	0.19	0.20	2.35	70.00	0.085
07-Dec-12	07-Dec-13	300,000	07-Dec-12	0.19	0.19	2.35	70.00	0.087
02-May-13								
Tranche 1	02-May-14	1,252,500	02-May-13	0.12	0.14	2.35	80.00	0.056
Tranche 2	02-May-15	1,252,500	02-May-13	0.12	0.14	2.35	80.00	0.056
07-Jun-13	06-May-14	200,000	07-Jun-13	0.12	0.13	2.35	80.00	0.061
		<u>3,405,000</u>						

The following relates to the share plan shares issued during the year ended 30 June 2012:-

Issue Date	Vesting Date	Number Issued	Grant Date	Stock Price at Grant Date (cents)	Issue Price (cents)	Risk Free Rate %	Volatility %	Value Per Share (cents)
26-Sep-11	26-Sep-12	300,000	26-Sep-11	38.50	64.50	3.64	100.00	14.35
09-Jan-12	09-Jan-13	125,000	09-Jan-12	39.00	37.50	2.57	75.00	14.00
25-Jan-12								
Tranche 1	25-Jan-13	469,000	25-Jan-12	46.50	46.50	2.57	75.00	16.38
Tranche 2	25-Jan-14	469,000	25-Jan-12	46.50	46.50	2.57	75.00	16.38
29-Mar-12	29-Mar-13	100,000	29-Mar-12	45.00	44.00	2.57	75.00	16.03
05-Jun-12	05-Jun-13	300,000	05-Jun-12	30.50	30.20	2.57	75.00	10.78
		<u>1,763,000</u>						

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 2013:-

Issue Date	Vesting Date	Number Issued	Grant Date	Stock Price at Grant Date (cents)	Issue Price (cents)	Risk Free Rate %	Volatility %	Value Per Option/ Right (cents)
02-Jul-12	02-Jul-13 31-Dec-14 or	200,000	02-Jul-12	0.260	0.372	2.35	70.00	9.83
06-Jul-12	30-Jun-15 ¹	5,000,000	06-Jul-12	0.270	0.00	n/a	n/a	0.27
23-Jul-12	23-Jul-13	50,000	23-Jul-12	0.275	0.358	2.35	70.00	11.10
08-Oct-12	08-Oct-13	50,000	08-Oct-12	0.260	0.372	2.35	70.00	9.80
07-Dec-12	07-Dec-13	350,000	07-Dec-12	0.185	0.265	2.35	70.00	7.00
07-Jun-13	06-May-14	200,000	07-Jun-13	0.120	0.190	2.35	80.00	4.90
		<u>5,850,000</u>						

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

The following relates to the unlisted options and performance rights issued during the year ended 30 June 2012:-

Issue Date	Vesting Date	Number Issued	Grant Date	Stock Price at Grant Date (cents)	Issue Price (cents)	Risk Free Rate %	Volatility %	Value Per Option/ Right (cents)
26-Sep-11	26-Sep-12	610,000	26-Sep-11	38.50	56.00	3.64	100.00	15.12
09-Jan-12	09-Jan-13	125,000	09-Jan-12	39.00	56.00	2.57	75.00	11.20
29-Mar-12	29-Sep-12	150,000	29-Mar-12	45.00	63.00	2.57	75.00	13.16
05-Jun-12	05-Jun-13	300,000	05-Jun-12	30.50	43.60	2.57	75.00	8.82
	31-Dec-14 or							
14-Jun-12	30-Jun-15 ²	3,000,000	14-Jun-12	28.50	0.00	n/a	n/a	28.50
		<u>4,185,000</u>						

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) Interest Rate Risk

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 2013

Financial assets

Cash and cash equivalents	2.60%	8,694,593	-	-	8,694,593
Other receivables	4.01%	-	-	1,898,757	1,898,757
Other financial assets	-	-	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

Weighted average interest rate	Floating interest rate	Fixed Interest	Non-interest bearing	Total
%	\$	\$	\$	\$

30 June 2012

Financial assets

Cash and cash equivalents	5.57%	9,215,943	-	-	9,215,943
Other receivables	5.24%	-	359,283	164,311	523,594
Total financial assets		9,215,943	359,283	164,311	9,739,537

Financial liabilities

Trade and other payables		-	-	1,575,292	1,575,292
Total financial liabilities		-	-	1,575,292	1,575,292

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.

(b) Net Fair Values of Financial Assets and Liabilities

Other financial assets includes an amount of \$720,000 which is classified as held for sale. The fair value of this asset at 30 June 2013 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.

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(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;
- has recently completed a rights issue to raise approximately \$26 million and is currently finalising negotiations for the sale of a 16% stake in its Browns Range project. The Company anticipates the funding received from these activities to enable sufficient cash flow to meet forecasted operational activities over the next 12 months; and
- 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. BUSINESS COMBINATION

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 subsequent to year end, these loans were converted to equity. Refer Note 12 Shareholder Loan and Note 28 Events Occurring after Balance Date for additional information.

On 28 June 2013, shareholders approved ACIIG as the underwriter of the Company's rights issue which was announced to the market on 1 February 2013. The rights issue was for the issue of 133,180,226 ordinary shares at \$0.20 to raise \$26,636,045 in addition to 1 option for every 2 shares subscribed for under the rights issue with an exercise price of \$0.30 and an expiry date of 31 March 2015. The rights issue closed undersubscribed with a shortfall of 132,183,287 shares with 66,091,644 attaching options.

NORTHERN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

27. PARENT ENTITY FINANCIAL INFORMATION

	Parent 2013	Parent 2012
	\$	\$
Current assets	11,338,345	9,405,249
Total assets	12,979,933	10,550,024
Current liabilities	12,569,240	1,729,030
Total liabilities	12,753,820	1,810,793
Shareholders equity		
Share capital	48,574,105	38,192,674
Reserves	2,693,181	1,471,526
Accumulated losses	(51,041,173)	(30,924,969)
	226,113	8,739,231
Net loss	(20,116,204)	(10,736,376)
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 SHEET DATE

- i) At a general meeting held on 28 June 2013, the Company's shareholders approved the issue of shares to Australian Conglin International Investment Group Pty Ltd (ACIIG) in its capacity as underwriter of the Rights Issue announced on 25 February 2013 (the Company received votes from 44.74% of eligible shareholders of which 99.62% voted for the appointment of ACIIG as underwriter). The Rights Issue closed undersubscribed on 5 July 2013.

On 10 July 2013, the Company announced it had agreed to a request from ACIIG to defer part of the underwriting payment which totalled \$26,436,657. Further to this, it was announced that the underwriting would be settled as follows:
 - o \$8,000,000 in interest free loans provided by ACIIG to the Company would be offset against the underwriting payment and converted to Northern Minerals shares. This was completed on 10 July 2013.
 - o \$6,000,000 in underwriting funds to be paid by 22 July 2013. The funds were subsequently received on 16 July.
 - o The balance of approximately \$11.1 million (net of underwriting fee) to be settled by 16 September 2013. The final payment was received and the underwriting was completed on 13 September 2013.
- ii) During July 2013, the Company lodged a revised Research and Development claim for the year ended 30 June 2012 for the amount of \$1,522,103. As at the date of this report the claim had been processed by the Australian Taxation Office, however, the funds had not yet been received. The Company recorded this amount as a Research and Development refund during the year ended 30 June 2013.
- iii) On 31 July 2013 the Company appointed Mr Conglin Yue to the Board of Directors as a Non-Executive Director. On 29 August 2013 the Company appointed Mr Bin Cai as an alternate Director for Mr Yue.

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 2013 and of their performance for the year then ended; and

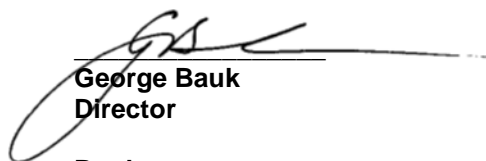
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(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 2013.

On behalf of the Board



George Bauk
Director

Perth
25 September 2013

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 2013 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.

NPAS

Nexia Perth Audit Services Pty Ltd

PTC Kloppe

PTC Kloppe
Director

25 September 2013
Perth

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 2013, 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*.

Nexia Perth Audit Services Pty Ltd

ACN 145 447 105
Level 3, 88 William Street, Perth WA 6000
GPO Box 2570, Perth WA 6001
p +61 8 9463 2463, f +61 8 9463 2499
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 2013 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

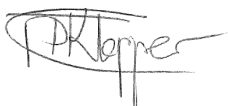
We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is 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 2013 complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read "NPAS".

Nexia Perth Audit Services Pty Ltd

A handwritten signature in black ink, appearing to read "PTC Klopner".

PTC Klopner
Director

25 September 2013
Perth

Tenement Schedule

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	application	Northern Minerals	100%
Browns Range NT	Browns Range	E80/4782	WA	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL24193	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL24174	NT	Exploration Licence	granted	Northern Minerals	100%
John Galt	Browns Range	EL24941	NT	Exploration Licence	moratorium	Northern Minerals	100%
	John Galt	E80/4298	WA	Exploration Licence	granted	Arnhem Resources Ltd	Option Agreement (100%)
	Nullagine River	E80/4671	WA	Exploration Licence	granted	Northern Minerals	100%
Gardiner-Tanami WA	John Galt	E80/4779	WA	Exploration Licence	application	Northern Minerals	100%
	Gardiner Range	E 80/3404	WA	Exploration Licence	granted	Northern Minerals	100%
	Gardiner Range	E 80/3405	WA	Exploration Licence	granted	Northern Minerals	100%
	Gardiner Range	E 80/3414	WA	Exploration Licence	granted	Northern Minerals	100%
	Gardiner Range	E 80/3530	WA	Exploration Licence	granted	Northern Minerals	100%
	Gardiner Range	E80/3914	WA	Exploration Licence	granted	Northern Minerals	100%
	Gardiner Range	E80/3915	WA	Exploration Licence	granted	Northern Minerals	100%
	Gardiner Range	E80/4214	WA	Exploration Licence	granted	Northern Minerals	100%
	Gardiner Range	E80/4213	WA	Exploration Licence	granted	Northern Minerals	100%
	Gardiner Range	E80/4242	WA	Exploration Licence	granted	Northern Minerals	100%
Gardiner-Tanami NT	Gardiner Range	E80/4652	WA	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL23932	NT	Exploration Licence	granted	Northern Minerals	100%
	Suplejack	EL23934	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL24177	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL25009	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL25171	NT	Exploration Licence	granted	Northern Minerals	100%
	Ware Range	EL26498	NT	Exploration Licence	granted	Northern Minerals	100%
	Ware Range	EL26541	NT	Exploration Licence	granted	Northern Minerals	100%
	Pargee	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	EL29594	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL29595	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL29620	NT	Exploration Licence	granted	Northern Minerals	100%
	Tanami	EL23933	NT	Exploration Licence	moratorium	Northern Minerals	100%
	Ware Range	EL24179	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL24849	NT	Exploration Licence	moratorium	Northern Minerals	100%
	Tanami	EL24935	NT	Exploration Licence	moratorium	Northern Minerals	100%
	Ware Range	EL24947	NT	Exploration Licence	application	Northern Minerals	100%
	Ware Range	EL25003	NT	Exploration Licence	application	Northern Minerals	100%
	Ware Range	EL25004	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL25172	NT	Exploration Licence	application	Northern Minerals	100%
	Tanami	EL28868	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%
Manhattan JV	Gardner Range	E80/3275	WA	Exploration Licence	granted	Manhattan/Northern	60%
	Gardner Range	E80/3817	WA	Exploration Licence	granted	Manhattan/Northern	60%
	Gardner Range	E80/4081	WA	Exploration Licence	granted	Manhattan/Northern	60%
Toro JV	Browns Range	EL26270	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Browns Range	EL26271	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Browns Range	EL26286	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Tanami	EL26635	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Tanami	EL27000	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Tanami	EL27001	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
Kurundi	Tanami	EL27590	NT	Exploration Licence	granted	Toro Energy Limited	Earning 50%
	Kurundi	EL29616	NT	Exploration Licence	granted	Northern Minerals	100%
Wallal	Wallal	E45/2815	WA	Exploration Licence	granted	Northern Minerals	100%
Epenarra	Epenarra 7	EL27555	NT	Exploration Licence	moratorium	Northern Minerals	100%
Amadeus Basin	Ross River 1	EL26920	NT	Exploration Licence	granted	Northern Minerals	100%
	Ross River 3	EL27016	NT	Exploration Licence	surrendered	Northern Minerals	100%
	Ross River 4	EL27017	NT	Exploration Licence	surrendered	Northern Minerals	100%
	Ross River 5	EL27018	NT	Exploration Licence	surrendered	Northern Minerals	100%
	Ross River 6	EL27019	NT	Exploration Licence	surrendered	Northern Minerals	100%
	Ross River 7	EL27020	NT	Exploration Licence	surrendered	Northern Minerals	100%
	Ross River 8	EL28530	NT	Exploration Licence	surrendered	Northern Minerals	100%
Rabbit Flats	Ross Rover 9	EL28531	NT	Exploration Licence	surrendered	Northern Minerals	100%
	Rabbit Flats 1	EL25157	NT	Exploration Licence	moratorium	Northern Minerals	100%
	Rabbit Flats 2	EL25158	NT	Exploration Licence	moratorium	Northern Minerals	100%
	Rabbit Flats 3	EL25159	NT	Exploration Licence	moratorium	Northern Minerals	100%
	Rabbit Flats 4	EL25160	NT	Exploration Licence	moratorium	Northern Minerals	100%
Yarawindah	Rabbit Flats 5	EL23935	NT	Exploration Licence	moratorium	Northern Minerals	100%
	Yarawindah South	E70/2914	WA	Exploration Licence	granted	Northern Minerals	100%
Bulla	Yarawindah	E70/3080	WA	Exploration Licence	granted	Northern Minerals	80%
	Mortlock	E70/2719	WA	Exploration Licence	granted	Northern Minerals	100% Non iron ore rights

Shareholder Information as at 8 October 2013

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	220
1,001 - 5,000	576
5,001 - 10,000	452
10,001 - 100,000	1,067
100,001 - and over	270
	2,585

The number of shareholdings held in less than marketable parcels is 345.

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	132,183,287	32.82%
2	Mr Conglin Yue	52,980,267	13.16%
3	Lynas Services PL	15,014,564	3.73%
4	HSBC Custody Nominees Australia Ltd	13,390,860	3.33%
5	Dejing Kong	10,000,000	2.48%
6	HSBC Custody Nominees Australia Ltd	7,148,478	1.78%
7	Franway PL	5,500,000	1.37%
8	Youfen He	5,000,000	1.24%
9	Citicorp Nominees PL	4,605,193	1.14%
10	Marford Group PL	4,350,000	1.08%
11	JP Morgan Nominees Australia Ltd	4,048,053	1.01%
12	UBS Wealth Management Australia Nominees	3,481,598	0.86%
13	National Nominees Ltd	3,225,761	0.80%
14	Hein Victor Graafhuis	2,966,000	0.74%
15	Colin J + D D Mccavana	2,475,000	0.61%
16	J P Morgan Nominees Australia Ltd	2,362,728	0.59%
17	Nefco Nominees PL	2,240,431	0.56%
18	Adrian C Griffin	2,113,771	0.52%
19	Robert John Flynn	2,100,000	0.52%
20	Totode PL	2,008,420	0.50%
		277,194,411	68.84%

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	57
1,001 - 5,000	42
5,001 - 10,000	13
10,001 - 100,000	13
100,001 - and over	1
	<u>126</u>

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 No1 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 + H A 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 + B F Mortimer	7,110	0.01%
20	Grant Menhennett	6,250	0.01%
		<u>66,431,437</u>	<u>99.76%</u>

3. Substantial Holders of equity securities

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

Holder	Number of shares
Australian Conglin International Investment Group	132,183,287
Mr Conglin Yue	<u>52,980,267</u>

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

Holder	Number of options
Australian Conglin International Investment Group	<u>66,091,644</u>

4. Voting Rights

All shares carry one vote per unit without restriction.

5. Stock Exchange Listing

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

Quoted Securities	Number
Ordinary Shares (NTU)	395,998,877
Options (NTUOB)	66,590,127

6. Unquoted securities

Unquoted Securities	Number	Number of holders
Unquoted shares (NTUAI)	6,701,800	28
Unquoted performance rights	10,735,000	17

Corporate Directory

Directors

Kevin Schultz
(Non-executive Chairman)

George Bauk
(Managing Director / CEO)

Colin McCavana
(Non-executive Director)

Adrian Griffin
(Non-executive Director)

Conglin Yue
(Non-executive Director)

Bin Cai
(Alternate Director)

Company Secretary

Mark Tory

Registered and Principal Office

Level 1, 675 Murray Street
West Perth WA 6005

PO Box 669
West Perth WA 6005

Telephone: +61 8 9481 2344
Facsimile: +61 8 9481 5929
Email: info@northernminerals.com.au
Website: www.northernminerals.com.au

ABN 61 119 966 353

Share Registry

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 Plaza
167 St Georges Terrace
Perth WA 6000

Auditors

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

Bankers

Bank of Western Australia
(Bankwest)



Level 1, 675 Murray Street
West Perth WA 6005

Telephone: +61 8 9481 2344

Facsimile: +61 8 9481 5929

Email: info@northernminerals.com.au

Website: www.northernminerals.com.au

ABN 61 119 966 353