

In-Principle Agreement Reached With ATO

Highlights

- In-principle agreement reached with Australian Taxation Office regarding outstanding liability repayment;
- Repayment schedule allows timely repayment over a 24-month period; and
- Company to seek an internal review of AusIndustry's decision in relation to R&D claims.

Australian heavy rare earths producer, Northern Minerals Limited (ASX: NTU) (**Company**) wishes to inform investors that further to the Company's announcement dated 31 May 2019, the Company and the ATO have reached an in-principle agreement regarding the Company's repayment of the \$13,409,315.90 amount owing in relation to the Company's 2016/17 and 2017/18 R&D Claims (**Amount Owing**).

The key terms of the agreement are set out below:

1. Repayment of the Amount Owing (plus interest) will occur over 24 monthly instalments commencing on and from 1 July 2019 (**Payment Arrangement**).
2. General Interest Charges (**GIC**) will accrue on the Amount Owing during the term of the Payment Arrangement at the 'shortfall interest charge' rate for each quarter as calculated in accordance with subsection 8AAD(2) of the *Taxation Administration Act 1953* (Cth) (rather than the higher 'GIC' rate).
3. The Commissioner of Taxation (**Commissioner**) may consider further remission of the GIC on a retrospective basis upon application by the Company in the future and having regard to the factors set out in the Commissioner's administrative practice statement and the Company's circumstances at that time.
4. The Payment Arrangement and security arrangement will be subject to review every 6 months, commencing in December 2019.
5. The Company will grant the Commissioner a second ranking fixed and floating charge over the Company's assets, which will be supported by a deed of priority between the Company, the ATO and the Company's other secured creditor.
6. If the Company defaults in its payment obligations, the Payment Arrangement will be terminated and full GIC will apply to the balance of the debt. Default in payment obligations may also result in the ATO (or another secured creditor) enforcing its security.

The above arrangement is subject to the ATO being satisfied with its due diligence on the proposed security arrangements and documents to formalise the arrangements will be drafted by the ATO's lawyers in due course.

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The Company has not yet been informed by the ATO of the amount of any administrative penalty that may be imposed on the Company in relation to the 2016/17 and 2017/18 R&D Claims. However, the ATO has confirmed that if an administrative penalty is imposed and the Company lodges an objection to that penalty, the Company will not be required to pay any penalty until all review rights have been exhausted.

Notwithstanding the in-principle agreement reached with the ATO, the Company will exercise its review rights in relation to AusIndustry's decision that the Company's 2016/17 and 2017/18 R&D Claims relate to activities that are "ineligible R&D Activities" and is working with its advisers to file a request for internal review of the decision with AusIndustry.

If the Company is fully or partially successful in the internal review by AusIndustry or any subsequent appeal, monies paid under the Payment Arrangement (including GIC) will be fully or partially refunded to the Company or offset against other tax obligations. In addition, the company will receive interest on the overpayment to the Commissioner. The current interest rate is 1.96%.

The Company is considering funding options to enable it to meet its commitments and further announcements will be made once those arrangements are finalised.

For further information:

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About Northern Minerals:

Northern Minerals Limited (ASX: NTU; Northern Minerals or the Company) has completed practical completion of the Browns Range Heavy Rare Earth Pilot Plant Project in northern Western Australia and commenced production of heavy rare earth carbonate.

The three-year Pilot Plant Project will continue to assist the company evaluate the economic and technical feasibility of mining at Browns Range and will provide the opportunity to gain production experience and surety of supply for our offtake partner.

Through the development of its flagship project, the Browns Range Project (the Project), Northern Minerals aims to build the Western Australian operation into the first significant world producer of dysprosium outside of China.

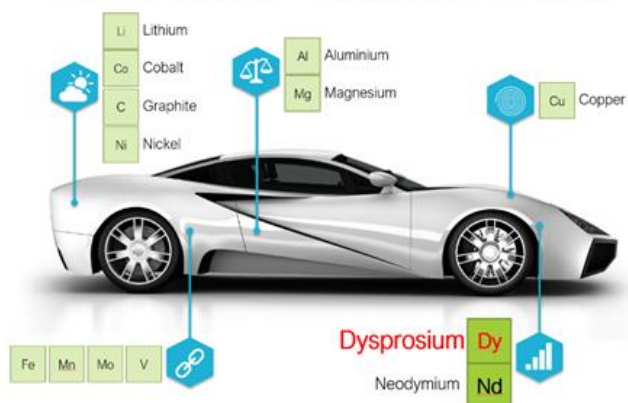
The Project is 100% owned by Northern Minerals and has several deposits and prospects containing high value dysprosium and other HREs, hosted in xenotime mineralisation.

Dysprosium is an essential ingredient in the production of DyNdFeB (dysprosium neodymium iron-boron) magnets used in clean energy and high technology solutions.

For more information: northernminerals.com.au.

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Electric Vehicles – Not just a lithium story!



ASX Code:	NTU
Issued Shares:	1,908m

Market Capitalisation:	A\$150.7m
Cash (as at 31 Mar 2019):	A\$9.1m