

Non-Chinese rare earths supply chain now a critical priority

Highlights

- Federal Budget announces \$1.5 billion strategy to support Australian industry;
- Research and Development rebate not to be capped; and
- USA Executive Order declares critical minerals supply emergency.

Northern Minerals Limited (ASX: NTU) (**Company**) is pleased to update shareholders on the escalating priority of securing a rare earths supply chain outside of China for both Australia and the United States.

Federal Budget support

The Federal Budget delivered by Australian Treasurer Josh Frydenberg last night confirmed the priorities of the Morrison Government \$1.5 billion strategy to support Australian manufacturers.

The Modern Manufacturing Initiative (MMI) introduced as part of the strategy is designed to be a catalyst for domestic manufacturers to scale-up, collaborate and commercialise emerging opportunities.

The public investment specifically prioritises critical minerals processing and resources technology among other targeted industrial sectors to leverage Australia's natural competitive advantages.

Northern Minerals welcomes the Morrison Government's commitment to working with industry to set two, five, and 10 year "roadmaps" that identify the barriers and opportunities to realising growth in the country's downstream processing and advanced manufacturing sectors.

The Company believes that the development and operation of its Browns Range Pilot Plant has substantially enhanced its knowledge base in relation to the production of rare earth carbonate and puts it in a strong position to take advantage of the incentives being offered in today's budget.



Powering Technology.

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Funding of up to 50 per cent of a project's cost will be available to eligible projects under the scheme and the funding rounds will occur annually, with the first to begin in the first half of 2021.

This is compatible with the Company's ambition to develop further downstream processing of rare earths in Australia.

Of the three co-investment funding schemes available under the MMI, given the Company's stage of development and significant capital injected into heavy rare earth manufacturing, the Company believes the Manufacturing Integration Stream has the potential to advance the integration of rare earths producers into domestic and international supply chains and markets.

Research and Development

The Company supports the Federal Government's decision to back down on plans to cut the Research and Development tax concession by \$1.8 billion. We welcome the removal of the \$4 million cap imposed on businesses with turnovers under \$20 million, as well as the potential for 2020 clawbacks. These changes will enable Northern to potentially access the R&D rebate for greater than \$4 million for future financial years.

Northern Minerals CEO Mark Tory said: *"The escalating urgency for developed countries to secure reliable supply of rare earths reinforces WA's opportunity to play a strategic global role in the critical minerals sector and could underpin larger scale commercial processing operations.*

"However, that opportunity needs to be acted on now. We would like to see Government support, both Federal and State, extend to the development of a Critical Minerals Strategic Industrial Hub (SIH) in WA.

"A SIH would support an integrated value chain to promote collaboration on exploration, development and production activities with a shared focus on advancing Australia's position as a whole, while reducing the upfront capital costs of Companies looking to downstream process."

US critical minerals 'supply emergency'

The Australian Government's Federal Budget announcements follow the latest Executive Order (EO) from the President of the United States Donald Trump declaring a critical minerals supply emergency on 30 September 2020.

The EO singled out the US's undue reliance on China for multiple critical minerals, in processed or unprocessed form, as "an unusual and extraordinary threat to the national security, foreign policy, and economy of the US".

Northern Minerals has participated in bilateral discussions between the Australian and United States governments on securing a critical minerals supply chain outside of China in the past. Northern has been the only significant producer of heavy rare earths outside of China over the last 2 years.

The Company believes the renewed Policy focus from the current US administration on rare earths supply, further opens the door for Australia and Northern Minerals to play a role as a long-established ally.

The US currently imports 80 per cent of its rare earth elements directly from China, with portions of the remainder indirectly sourced from China through other countries.

To address the national emergency, President Trump has directed an urgent, multi-departmental investigation into risks and opportunities around the US's reliance on critical minerals from "foreign adversaries".

Importantly for Northern Minerals, the EO calls for future Policy options to reduce the vulnerability of the US to the disruption of critical mineral supply chains through cooperation and coordination with partners and international allies, with specific actions being to:

- Build resilient critical mineral supply chains, including through initiatives to help allies build reliable critical mineral supply chains within their own territories;
- Promote responsible minerals sourcing, labor, and business practices; and
- Reduce the dependence of the US on minerals produced using methods that do not adhere to responsible mining standards.
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About Northern Minerals:

Northern Minerals Limited (ASX: NTU) (Northern Minerals or the Company) is one of a few producers of heavy rare earth element Dysprosium outside of China via production from the Browns Range Heavy Rare Earth Project in northern Western Australia.

The Company commenced the production of heavy rare earth carbonate in late 2018 as part of a three-year pilot assessment of economic and temporarily technical feasibility of a larger scale development at Browns Range. In March 2020, the operation was placed into care & maintenance as a result of COVID-19 and has partially restarted operations in August 2020.

The work program provides the opportunity to gain production experience and surety of supply for our offtake partner, Thyssenkrupp, as well as allowing the assessment of various project enhancement initiatives including ore sorting and the separation of the product into individual rare earth oxides.

Through the development of its flagship project, the Browns Range Project (the Project), Northern Minerals aims to build the Western Australian operation into a 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, military and high technology solutions.

For more information: northernminerals.com.au.



ASX Code:	NTU
Issued Shares:	4,436m

Market Capitalisation:	A\$164.1m
Cash (as at 11 September 2020):	A\$11.9m