

## R&D Claim Update

Northern Minerals Limited (ASX: NTU) (**Company**) wishes to provide an update to investors about the status of its research and development tax offset claims that were submitted to the Australian Taxation Office (**ATO**) as part of the Company's income tax returns for the 2016/17 and 2017/18 income years (each an **R&D Claim**), which have each been reviewed by the ATO and the Department of Industry Innovation and Science (**AusIndustry**).

After market close on 14 May 2019, the Company received formal notification from AusIndustry that AusIndustry is of the opinion that the Company's 2016/17 and 2017/18 R&D Claims relate to activities that are "ineligible R&D activities" which would not be eligible for the R&D tax offset for those income years.

The Company has a right to seek a review of AusIndustry's decision under the *Industry Research and Development Act 1986* (Cth) (**IR&D Act**) within 28 days after receiving the notice. The Company is currently working with its taxation advisers and expects to exercise its review rights.

Irrespective of whether the Company exercises its review rights under the IR&D Act, the Company would be required to repay to the ATO the \$10.78 million that the ATO released to the Company in February 2019 that represented 50% of the \$21.56 million tax offset that the Company claimed for the 2017/18 income year. The Company also expects that it would be required to repay the amount paid by the ATO for the 2016/17 income year (being approximately \$2.6 million), potentially together with interest and penalties (which are yet to be determined).

AusIndustry's notification could also have an impact on the Company's future R&D claims if the activities that comprise those claims are also considered to be "ineligible R&D activities".

AusIndustry will provide a copy of the notice to the Commissioner of Taxation who is bound by AusIndustry's findings. The Company has not yet received amended assessments from the ATO for payment of any amounts relating to the R&D Claims but understands that such notices may be received shortly, irrespective of whether the Company exercises its review rights and is ultimately successful or not. However, the Company is seeking to engage with the ATO with a view to ensuring the Company is able to meet its obligations to make any payments required pending the outcome of any exercise of its review rights or other rights it may have in relation to the R&D Claims.

The Company expects to receive \$5 million on or before 31 May 2019 under Tranche 3 of the \$20 million placement announced on 18 March 2019. The Company also expects to receive a further \$5 million on or before 21 June 2019 under Tranche 2 of the convertible note subscription announced on 23 April 2019 (which is the subject of Resolution 2 of the Company's Notice of Meeting that was announced to ASX on 17 May 2019). The Company had originally contemplated utilising those funds towards working capital and enhancement initiatives for Browns Range but some (or all) of those funds may need to be directed towards repayment of any amounts that become due and payable to the ATO.

The Company is continuing to consider funding options so as to meet any amount that becomes payable to the ATO and also to continue with its continued development of Browns Range.

The Company is also in discussions with each of its secured creditors about AusIndustry's findings and will continue to work with those parties and other stakeholders to minimise the adverse effects of AusIndustry's findings pending the outcome of the Company's rights of review.

## ASX ANNOUNCEMENT

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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](http://northernminerals.com.au).



ASX Code:	NTU
Issued Shares:	1,908m

Market Capitalisation:	A\$145m
Cash (as at 31 March 2018):	A\$9.1m

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