

Positive signs for rare earth sector

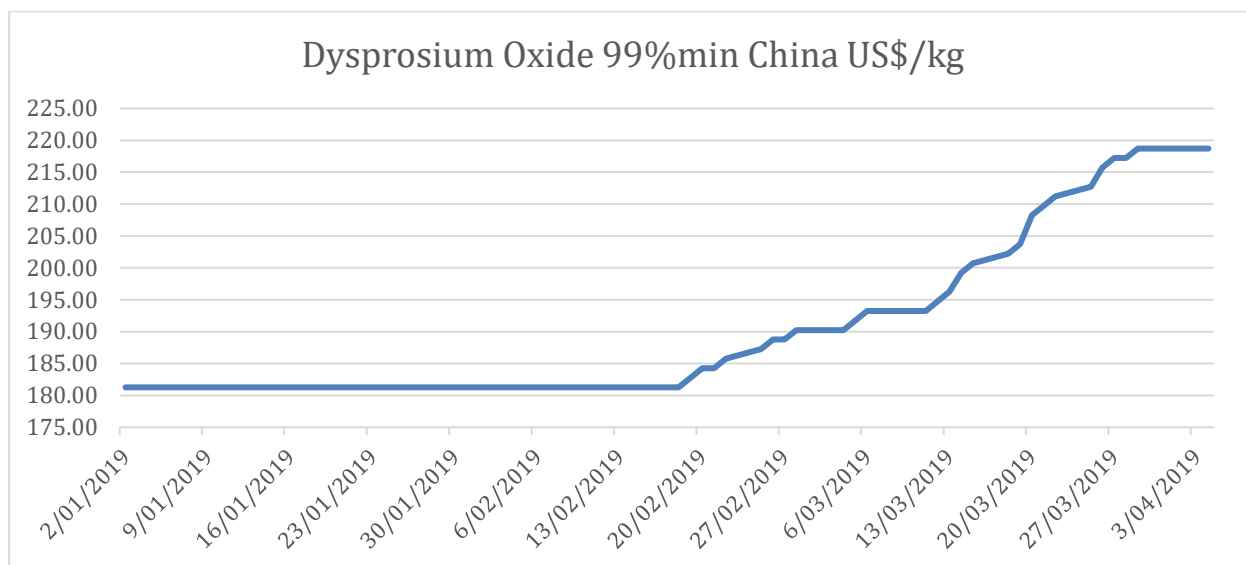
This announcement sets out some exciting recent developments with both Northern Minerals Limited (**Company**) and the rare earth sector in general:

- In recent weeks, we have seen the reported price for Dysprosium increase by more than 20%.
- Fellow rare earths producer, Lynas Corporation, has brought M&A focus to the forefront of ASX investors following an unsolicited \$1.5 billion takeover approach by Wesfarmers Limited. While this does not suggest that the Company is a takeover target, it does show that there is interest in the sector for quality producing assets.
- As we continue commissioning of the Browns Range Pilot Plant Project, aimed at assessing the technical and economic feasibility of the full-scale project, we made the prudent decision to strengthen the balance sheet with a well-supported \$20m equity placement.
- On the exploration front, the recent high-grade maiden Mineral Resource was well received, with further drilling and resource studies planned for Dazzler and Iceman.
- Finally, as we await the finalisation of our FY18 R&D claim, the Federal Government has forecast a decline in value of registered R&D claims. We expect further information on this in the coming weeks.

More detail on the various developments is provided below.

Positive signs for the dysprosium price

Over the past month, there has been seriously positive moves in the dysprosium price, with the reported price per kilogram increasing by circa 20% in this period.



Source: Asian Metals

There has also been a positive sign from slight upward moves in the price of terbium over the same period, however not to the same extent as dysprosium.

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Sector focus with Wesfarmers' takeover tilt for Lynas

There was some welcome investor focus on the rare earth sector recently, with Western Australian-headquartered industrial conglomerate Wesfarmers launching an unsolicited \$1.5 billion bid for light rare earths producer Lynas Corporation. Lynas produces praseodymium and neodymium, both of which are also used in permanent magnets.

The proposed takeover, by one of Australia's largest companies, has shone a spotlight on the rare earth sector in general. Of course, the Lynas takeover offer does not itself give any indication that a takeover offer may be made for the Company.

Browns Range Pilot Plant Project

Commissioning of the Pilot Plant is ongoing at Browns Range, as we continue the program to assess the technical and economic feasibility of the full-scale operation.

Chemically, the process plant is performing as designed, with the heavy rare earth carbonate product meeting the designed specifications, providing early confidence that the metallurgical process route is in line with the technical feasibility expectations. Mechanically, there have been a few minor issues throughout the plant that have restricted the ability to operate it at full capacity.

As the project is a three-year pilot plant trial, these mechanical issues are not a surprise. In fact, given the significant R&D work associated with Browns Range being the first xenotime heavy rare earths project globally, the issues simply validate our decision to opt for the pilot plant phase in order to understand the circuit before deciding to proceed to the next phase of development.

The required plant modifications are being addressed systematically, with test production expected to ramp-up over the coming months. The trial shipment in December 2018 is awaiting final assay results from our offtake partner as part of the feedback loop of R&D testing of the Pilot Plant.



Browns Range Pilot Plant at night

Strong support for \$20 million equity placement

The executive team recently undertook a large roadshow to institutional, wholesale and professional investors in Australia, the United States and Asia.

There was strong interest in the Browns Range development and the future growth potential of the permanent magnet and Electric Vehicle sector.

The Company recently entered into subscription agreements for a \$20 million equity placement (\$10m has been received as at 31 March 2019) to capitalise on this strong interest, with the funds to be used for exploration and general working capital (see the Company's ASX announcements dated 18 March 2019 and 1 April 2019).

Research & Development (R&D) Funding Update

The Company is continuing to work with its R&D financier (Innovative Structured Finance Co LLC (ISF)) in relation to the amount owing by 30 April 2019 for the 30 June 2018 financial year Research and Development tax cash refund (**R&D Cash Refund**) entitlement. The Company is looking to further extend the period for repayment while the ATO continues to assess the R&D Cash Refund. The timing of this assessment remains uncertain and the Company's ability to meet the repayment obligations under the ISF secured loan arrangements is dependent on the Company receiving the R&D Cash Refund, raising further capital or receiving an extension for repayment.

Dazzler shines¹

The Company was excited to release the maiden Inferred Mineral Resource estimate for the Dazzler deposit on 6 March 2019 (see the Company's ASX announcement on 6 March 2019). Following the drilling of a new geological target and model, we were pleased in late 2018 to announce high grade results from Dazzler.

The new Mineral Resource, while relatively small due to the limited amount of drilling completed so far, is extremely important due to the high-grade nature of mineralisation. With a head grade of 2.23% TREO, this is more than three times the overall grade of the Browns Range total Mineral Resource.²

With a separate Mineral Resource planned for the nearby Iceman deposit and further drilling planned for both Dazzler and Iceman, there is a probability that these deposits – and other high-grade targets – may form the basis of future ore feed at Browns Range.

¹ The mineral resource estimate referred to in this document in relation to the Dazzler deposit was released in an ASX announcement dated 6 March 2019, and it was completed in accordance with the guidelines of the JORC Code (2012). The Company confirms that it is not aware of any new information or date that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the mineral resource estimates in the relevant announcement continue to apply and have not materially changed. The Company confirms that the form and content in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

² The mineral resource estimate referred to in this document in relation to Browns Range was released in an ASX announcement dated 6 March 2019, and it was completed in accordance with the guidelines of the JORC Code (2012). The Company confirms that it is not aware of any new information or date that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the mineral resource estimates in the relevant announcement continue to apply and have not materially changed. The Company confirms that the form and content in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Coalition Government provides R&D update

In the Federal Budget released this week, the Federal Government updated the expected expenditure cost of the Research and Development (R&D) rebate scheme, further reducing the forecasted payments under the scheme. Treasury officials have reported the cuts to the scheme are via administrative tightening, which appears to be in line with the Government's intention of rewarding higher, more intensive R&D investment and limiting larger companies' access to the scheme.

The Company has been reliant on the use of the R&D scheme to prove up the technical and economic parameters of the Browns Range Project, with R&D submissions over many years.

The Budget does not provide clarity on any future legislative changes to the scheme announced in last year's Budget. Following the findings of the Senate Committee review the Treasurer confirmed that Treasury would consider technical refinements to the Bill particularly where investment decisions have already been taken.

For the Company, as we await the finalisation of our FY18 R&D claim, we have more confidence that our claim for FY19 will be processed in line with the existing framework given that any future legislative changes are unlikely to take effect in this financial year. The Company's R&D claim is anticipated to be the final substantive cash claim with regards to the Pilot Plant Project.

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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.



ASX Code:	NTU	Market Capitalisation:	A\$110m
Issued Shares:	1,620m	Cash (as at 31 Dec 2018):	A\$1.0m