

Northern Minerals passes on \$26M offer to maintain control

Northern Minerals ('Northern', ASX: NTU) has decided not to sell an AUD\$ 26 million minority interest in its Browns Range heavy rare earths project in Western Australia. This is actually good news and it suggests that Northern's management is very confident in its future and the rare earths market. The minority interest in question concerned a 16% interest in Northern's Browns Range project to the Australia Conglin International Investment Group (ACIIG). The ends of the negotiations over the deal have in no way hampered the close ties between ACIIG and Northern; the former shall remain Northern's main shareholder. ACIIG has a large stake in an AUD\$ 5.4 million placement completed this year. Northern Minerals is pleased to announce it will raise \$5.3 million for its Browns Range Heavy Rare Earth (HRE) project in northern Western Australia. That placement adds to the AUD\$ 6.5 million already in Northern's coffers, easing the path to completion.

Northern feels that the placement will be sufficient to support the Browns Range project toward production stage, expected to be reached after the current feasibility study phase some time in 2016. Northern's confidence boost comes from the fact that metallurgical tests and an increased JORC resource and upgraded beneficiation flowsheet, noted during the scoping studies, have placed Northern's position and its project at a higher level than when the sale of a minority stake had been considered. In both cases, the sale of the stake and now the reconsideration of that sale, Northern's goal was to maintain flexibility. Having secured the funding to complete the feasibility study, it has managed to keep full control of any additional funding mechanisms with a view toward the larger capital costs as the project edges toward

production.

The current resource estimate for the Browns Range project now stands at 4.13-million tons of at 0.68% (or 28,084 tons TREO) while the pre-feasibility study for Browns Range should be issued sometime this summer. The Browns Range project, therefore, offers very promising economics, especially in view of the fact that it is expected to being able to deliver a high percentage of the critical and much in demand heavy rare earths (HREE) such as dysprosium – up to 82%. Such is the concentration of ‘heavies’ that Northern could survive on the production of dysprosium alone. Northern also noted that it has faced little difficulty in extracting the xenotime (the mineral containing the rare earths) from the host rock.

The context in which Northern will be operating has also become more favorable. China’s concern with pollution and its efforts to curb toxic waste and emissions will curb production, helping to improve prospects for rare earth miners everywhere else. One of the likely tools to achieve this, in respect of the World Trade Organization’s demand that China lift export quotas, will be in the form of special export taxes to be imposed on rare earths; such a measure is sure to increase prices. Chinese authorities have already targeted illegal miners, and have realized that environmental pollution has become a very politically sensitive issue, one that if left unaddressed could provide the spark for social unrest on a scale unseen since the events leading to “Tiananmen Square” exactly 25 years ago. Chinese authorities may actually go as far as demanding environmental compliance certificates for exports. The unregulated production of rare earths in China has been blamed for generating such noxious substances as fluorine; cadmium has also been found in wastewater: both cause cancer. Meanwhile, considering much of China remains rural, the damage to agricultural land caused by acid leaching has become a major issue.