

Big raise for Northern Minerals' rare project



The simple mineralogy at Browns Range has held Northern Minerals in good stead so far, with production targeted in 2016

Northern Minerals Ltd managing director George Bauk says there is nothing "junior" about his company.

With a market cap of \$110 million, share price of 27c at the time of print, and cash balance of almost \$7 million (at the end of September), Northern Minerals is arguably unlike many other junior companies floating around these days, except for the fact that it is in the market looking for money.

In September, the company received a \$9 million research and development rebate for the 2013/14 financial year. It applied the cash directly to feasibility study work and the retirement of its \$6 million drawdown facility with Macquarie Bank Ltd.

Northern Minerals' largest shareholder – Australian Conglin Investment Group – has listed options at 30c/share that expire in March 2015 and, if converted, will inject about \$20 million into the company.

However, the bigger picture for the rare earths hopeful is raising the \$400 million needed to bring its flagship Browns Range project in Western Australia into production.

A PFS completed in 2014 indicated pre-production capital costs of \$314 million will be required to kick-start the mixed rare earths oxide project in 2016.

Bauk expects to release a feasibility study in February and hopes to present a funding solution to the board in quarter one.

China, Hong Kong, Singapore and the US

are countries where funding is likely to come from, while a number of scenarios, including part sell down of the asset and pre-sale of production will be considered by Northern Minerals to lock in a deal.

Ideally the company would like to hold on to at least 51% of the project, which is slated to produce 279,000kg per annum of dysprosium over an initial 10 years.

In October, Northern Minerals announced a resource increase at Browns Range to 8.47mt @ 0.62% total rare earth oxides (TREO) comprised of 52,372t contained TREO @ 0.15% cut-off grade.

The resource is compiled from six of the 13 targets identified by Northern Minerals, which all remain open at depth.



George Bauk

"There is an internal strategy within the board about how to execute it [exploration strategy]. It comes down to funding. Right now, we're in that value proposition in the market where people are looking at cash flow and they don't want to see an exploration story go on for 20 years and get bigger and theoretical," Bauk said.

"It is a fine line; a lot of people would like us to double our resource to 20 years, but that will cost us plus-\$30 million. It's a hydrothermal style system; it is not a disseminated carbonatite system where you can put in big spaced holes and have this big system.

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You have to systematically drill and it costs money."

Bauk said the market realises the unlimited exploration potential at the Browns Range Dome (on the WA/Northern Territory border), which was discovered by Northern Minerals in 2010.

The rare earths hopeful has moved quickly since then and was ranked 60th largest (by market cap) in Gresham's recent Top 100 list of ASX mining and mineral exploration companies.

Northern Minerals further enhanced its credentials this year as an emerging resources outfit by completing a Native Title Agreement with the Jaru people and the WA Government granting primary environmental approval for the proposed mine and ore processing facility at Browns Range.

"Receiving the primary environmental approval is a significant step forward in the project's development and clears the path for Browns Range to become the first significant dysprosium producer outside of China," Bauk said in October.

"The focus is now on finalising the project's feasibility study and securing off-take and financing to progress the project through construction in 2015 and commissioning in 2016."

With China imposing export quotas on its rare earths, Bauk said the rare earths sector had re-emerged outside of China, and with the advanced-stage Browns Range project in its keep, Northern Minerals was well positioned to take advantage of forecast demand for rare earths.

– Mark Andrews