NORTHERN MINERALS

05 November 2018

Dear Chair and Members of the Senate Economics Legislation Committee,

RE: Submission to the Senate Economics Legislation Committee Inquiry on the Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018.

This submission explains Northern Mineral's concern at changes to the Research and Development Tax Incentive Scheme given effect under this Bill, and specifically with the $4million cap on research and development (R&D) cash refunds for expenditure on eligible R&D for companies with an aggregated annual turnover below $20 million.

It details:

1. The immediate negative financial impact of the Bill on Northern Minerals and its heavy rare earths Project.
2. The potential of this ground-breaking Australian Project.
3. The Project's geopolitical significance.
4. Economic and social benefits to Australia and the Government from the Project.
5. Why uncapped cash refunds for eligible R&D were essential to developing the Project.
6. Three approaches to amending the Bill to ameliorate the negative impact on Northern Minerals, including two which would also support the development of the critical minerals industry over the long term.

1. Immediate financial impact on Northern Minerals and the Browns Range Heavy Rare Earths Project

The Browns Range Heavy Rare Earths Project has been planned, financed and constructed relying on access to uncapped R&D cash refunds under the Government's long-established Tax Incentive Scheme over an eight-year period (2012/13 to 2018/19). In an opaque global heavy rare earths market, Northern Minerals has leveraged the cash refunds for money spent on eligible R&D to gain finance for a project that faced reluctance from traditional banks to provide finance.

If the Bill is passed in its current form, it will apply retrospectively to this current financial year. This retrospective effect will create a $12,361,470 million shortfall in the financing of the Project in 2018/19, the final year of the planned R&D program. This immediate and retrospective change by the Australian Government brings new and unexpected financial risk to the Project.

Northern Mineral made its Final Investment Decision on the Project in April 2017 based on a business case which anticipated 2018/19 would be the final year of the planned R&D program at Browns Range. All indicators are that this timeframe will be met.

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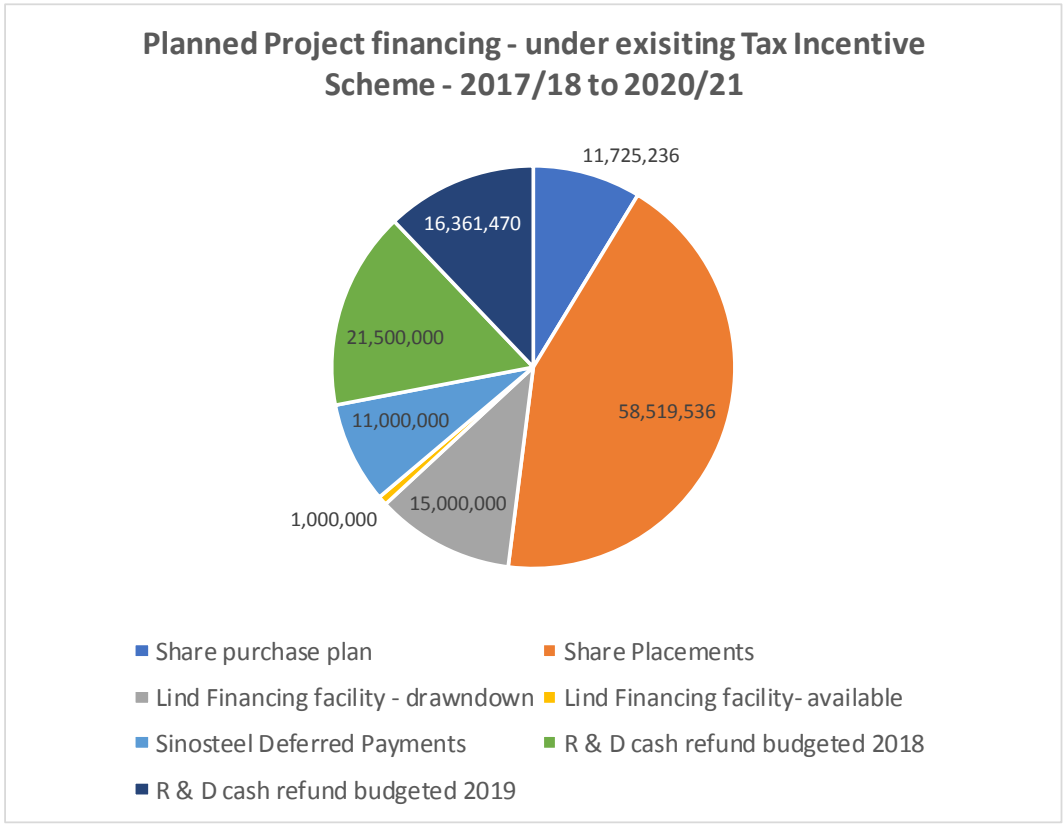
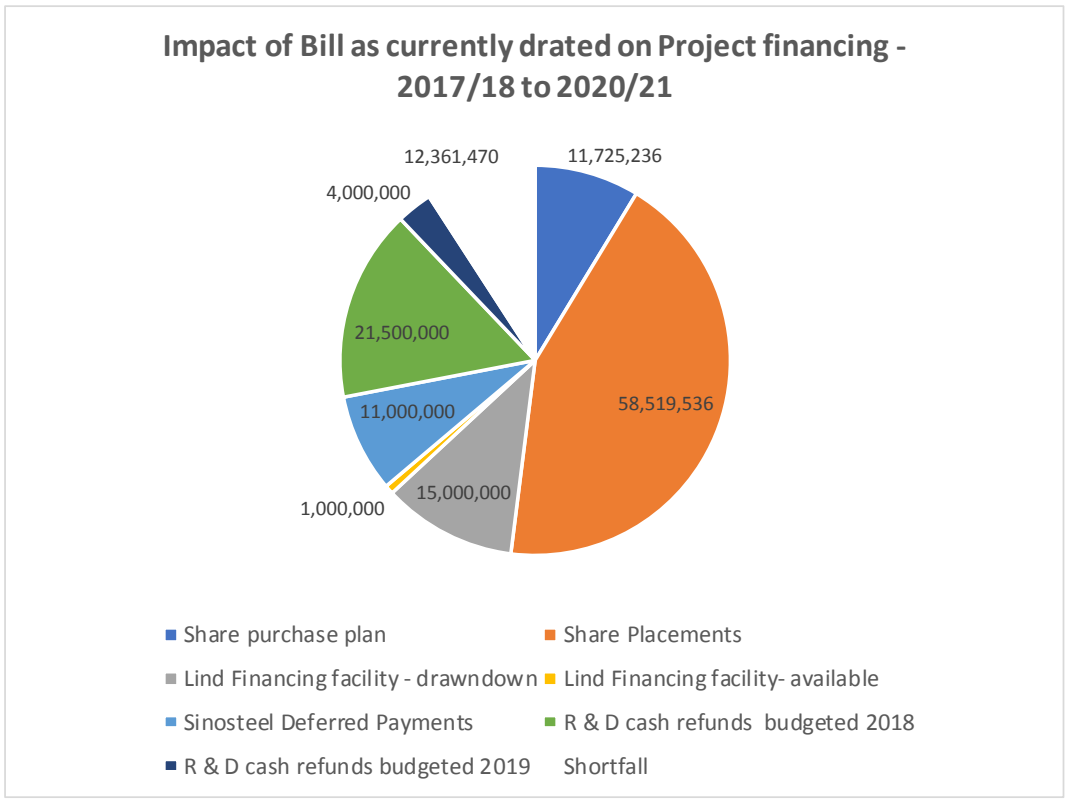
NORTHERN MINERALS





Year	Cash Refund on Eligible R&D Received
2011/12	$1,809,074
2012/13	$6,025,492
2013/14	$8,992,296
2014/15	$4,985,413
2015/16	$1,763,771
2016/17	$2,672,972
Total Received to date	**$26,249,018**

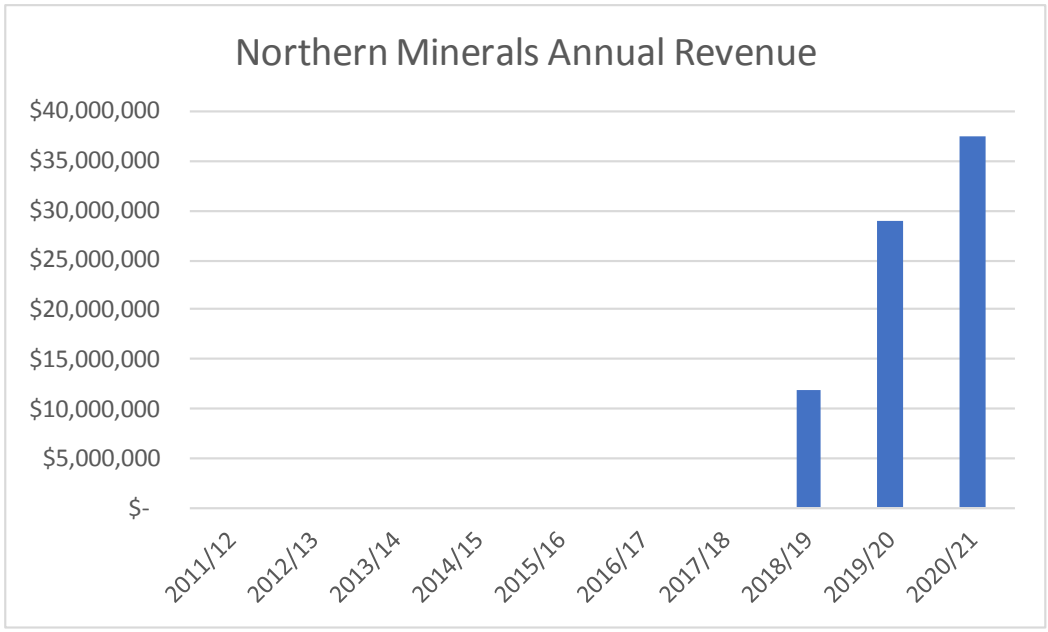
Year	Expected Cash Refund on Eligible R&D Claimed (not yet Received)
2017/18	$21,562,688

Year	Budgeted Cash Refund on Eligible R&D
2018/19	$16,361,470 – current Tax Incentive Scheme

Year	Capped Cash Refund on Eligible R&D under new Bill as drafted
2018/19	$4,000,000

If R&D cash refunds are now, as a result of this Bill, to be capped at $4million in this current financial year, Northern Minerals will be forced to raise replacement funding from an alternative source. While the majority of shares in Northern Minerals are currently held by Australian investors, the most significant debt and equity investments in the Project have been made by Chinese companies with experience in rare earths processing and understanding of the market potential. Ideally, we would like to maximise Australian equity and debt in the project, however if this is not possible, the most likely source of funding to replace the R&D cash refund shortfall is from China – which would result in diluted Australian ownership.

In 2018/19, Northern Minerals will generate its first revenue and in 2019/20 is not expected to be eligible for the R&D cash refund program when its aggregated annual turnover is expected to exceed $20 million. See graph below. The uncapped R&D cash refunds have been vital to financing and developing this innovative Project, which has created a new export opportunity for Australia.

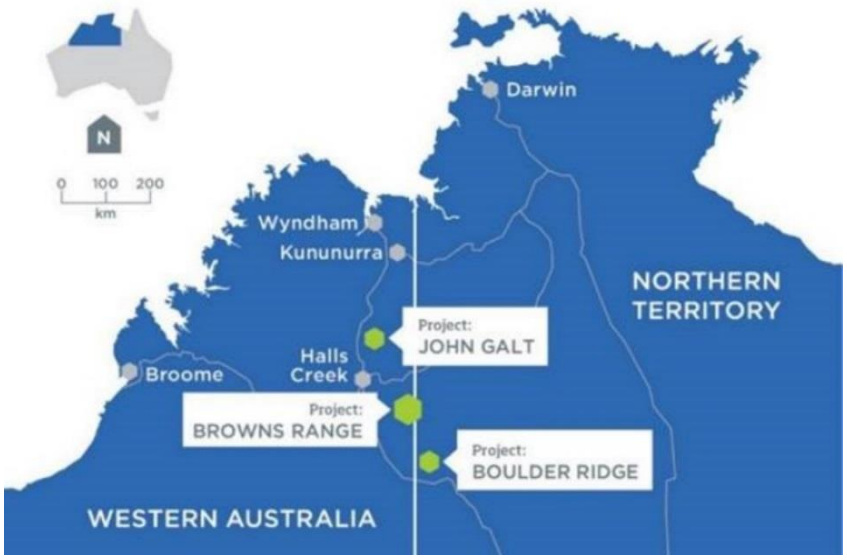


Note: graph shows actual and projected revenue over the 2011/12 to 2020/21 period

2. A ground-breaking world-first project

The pilot stage of the Project produced its first rare earths carbonate in October 2018 and will commence export this year.

The Project is producing a commodity vital to current technological development while creating jobs in one of the most remote parts of Australia. It is located 160 kilometers south-east of Halls Creek and 50 kilometers south east of the Yaruman Community at Ringer Soak in the East Kimberley. See map below.



Northern Minerals has invested more than $190 million in the Project to date. It produces a mixed rare earth carbonate which includes a high grade of Dysprosium and Terbium which are key components of the highly energy efficient permanent magnet motors used in electric vehicles, wind turbines, air conditioning, industrial robots and defence applications.

Beyond producing a mixed rare earth carbonate, Northern Minerals is actively pursuing plans for downstream processing to increase the value of exports. In 2018 and 2019 the company is focused on establishing ore sorting and moving towards producing separated oxides which will allow products to be sold to a greater range of markets globally.

Size of resource

Northern Minerals has spent $35 million on exploration to date at Browns Range. The Browns Range dome is a massive geological feature covering 1,500km2 and stretching 60km x 30km, most of which hasn't been effectively explored. Northern Minerals believes there is huge, long term potential for production from Browns Range and the surrounding region. Northern Minerals also holds tenements for nearby Boulder Ridge and John Galt.

To date, Northern Minerals has drilled 15 targets at Browns Range, six of which have been converted to resources compliant with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). These are open at depth and along strike (length) which indicates upside potential. This compares to industry average conversion rates of 10,000 prospects drilled producing one mine. A current drilling program is showing extremely promising results with two new high-grade discoveries.

3. Geopolitical importance of product

Browns Range is now globally the only producer of heavy rare earths outside of China.

There is growing global demand for the critical minerals used in the technologies that save energy and produce low cost or renewable energy – including Dysprosium and Terbium. Governments and companies in the US and Europe are increasingly focused on ensuring reliable supplies of such minerals. Geoscience Australia maintains a list of those minerals it has identified as of critical significance. The list includes Rare Earth Elements – see Appendix A.

China has long dominated the supply of rare earths to world markets. This has been achieved by utilising its significant deposits of rare earths and also with focused investment in developing the facilities to process (beneficiate) ore into the high-grade oxides required by manufacturers throughout the world. The lack of beneficiation facilities outside of China currently means almost all ore mined outside China must be exported to the country for processing before it can be used by manufacturers throughout the world. This investment in processing has given China monopolistic control over the global rare earth market.

In 1992, Chinese Premier, Deng Xiaoping stated: "Saudi Arabia has oil, but China has rare earths."

In 2011, China reacted to nations critical of its South China Sea activities by cutting rare earths exports. This resulted in global prices skyrocketing to historic highs. The price of Dysprosium peaked at US$1,508 per kg in 2011. Prices subsequently fell when China resumed controlled export.

In 2017, China commenced a program of closing illegal heavy rare earths mines which use highly polluting leach mining techniques. This policy remains in place with mines continuing to close. Prices for heavy rare earths have risen as production in China has fallen.

In December 2017, the United States Geological Survey published its first critical minerals assessment since 1973. The report flagged the lack of US domestic and secure sources of a range of minerals that are expected to be used increasingly in critical technology. Later that month US President Donald Trump signed the 'Presidential Executive Order on a Federal Strategy to Ensure Secure and Reliable Supplies of Critical Minerals'. The order states: *"It shall be the policy of the Federal Government to reduce the Nation's vulnerability to disruptions in the supply of critical minerals, which constitutes a strategic vulnerability for the security and prosperity of the United States."*

In February 2018, the US Department of the Interior released a draft list of 35 minerals deemed 'critical' to US national security. A following report by the Centre on Sustainable Investment at Columbia University noted that of the six minerals "most critical for the transition to the green economy", the US only has domestic supplies of two – Tellurium and Indium. According to the Centre of Sustainable Investment – the remaining minerals are: Lithium, Cobalt, Neodymium and Dysprosium. Australia has deposits of all four of these minerals. Also in February, President Trump met with then Australian Prime Minister Malcolm Turnbull where the countries agreed to form a partnership on critical minerals. This work is being led by Senator the Hon. Matthew Canavan, Minister for Resources and Northern Australia and the Department of Industry, Innovation and Science.

In May 2018, the Western Australian State Government announced the appointment of a Task force to develop a Lithium and Energy Materials Strategy for WA. The strategy aims to maximize opportunities for the State from the global interest in its critical minerals and downstream processing and manufacturing potential. I am a member of the Industry Reference Group advising the Taskforce.

In July 2018 US Secretary of State Michael Pompeo, US Defense Secretary James Mattis, then Australian Foreign Minister the Hon Julie Bishop, and then Australian Defence Minister (now Foreign Affairs Minister) Senator the Hon Marise Payne met for the 2018 Australia-U.S. Ministerial Consultations (AUSMIN). They agreed to hold a critical minerals dialogue, with planning now underway for the meeting to be tentatively held in the first quarter of 2019.

In August 2018, the President of the United States signed into law legislation which prohibits the US Department of Defense from acquiring rare earth magnets from China, Russia, North Korea and Iran. While there are some provisos related to reliability and cost, the legislation is significant given over 90 per cent of rare earth magnets consumed by the US Military are currently produced by China alone.

In October 2018, the Australian Government's Resources 2030 Taskforce released its report on Australia's mineral commodity future. This report includes many references to the importance of well-funded and targeted Australian Government R&D programs and the importance of this to future economic activity.

Also in October, the US Geological Survey sent two geologists to visit and gather information on the Browns Range Heavy Rare Earths Project and Lynas Corporation's Mount Weld light rare earths processing facility.

4. Economic and social benefits to Australia and the Government from cash refunds on eligible R&D

Under the current R&D Tax Incentive Scheme, the Australian Government effectively makes seed funding investments in innovative and promising projects which have the prospect of delivering returns – both to the Government Treasury and the Nation.

It is important to note that cash refunds to companies on eligible R&D expenditure can result in a benefit to the Australian Government later in the form of increased company tax collections. Projects that receive cash refunds for eligible R&D, reduce the company tax losses which would otherwise have been carried forward and used to reduce tax payable. Receiving R&D cash refunds also results in the company losing future franking credits that would otherwise have been attached to future dividends paid to shareholders. Any cash refunds received as a result of the R&D Tax Incentive Scheme are effectively treated as a debit to the company's franking account in the future. This means that a company that has received a cash refund on eligible R&D expenditure will not be able to pay a fully franked dividend to shareholders until such a time that the refunds received from R&D are offset by the tax paid.

Limiting R&D cash refunds to $4 million potentially slows down important work leading to commercialization, the ultimate outcome of R&D.

The current pilot processing plant at Browns Range is budgeted to process 60,000 tonnes of ore per annum (full capacity is 72,000 tonnes). The pilot is a preliminary stage towards full-scale production which will process 585,000 tonnes of ore per annum. Analysis by Deloitte Access Economics[1] indicates the pilot stage will boost the Gross Regional Product of the Kimberley region over its three-year operation by $33 million, and provide mining, construction and service contracts to Western Australian businesses worth $74 million.

During construction in 2017 the pilot stage of the Project provided an additional 90 FTE jobs (at peak there were 120 people employed) and now in operation employs 50 FTEs.

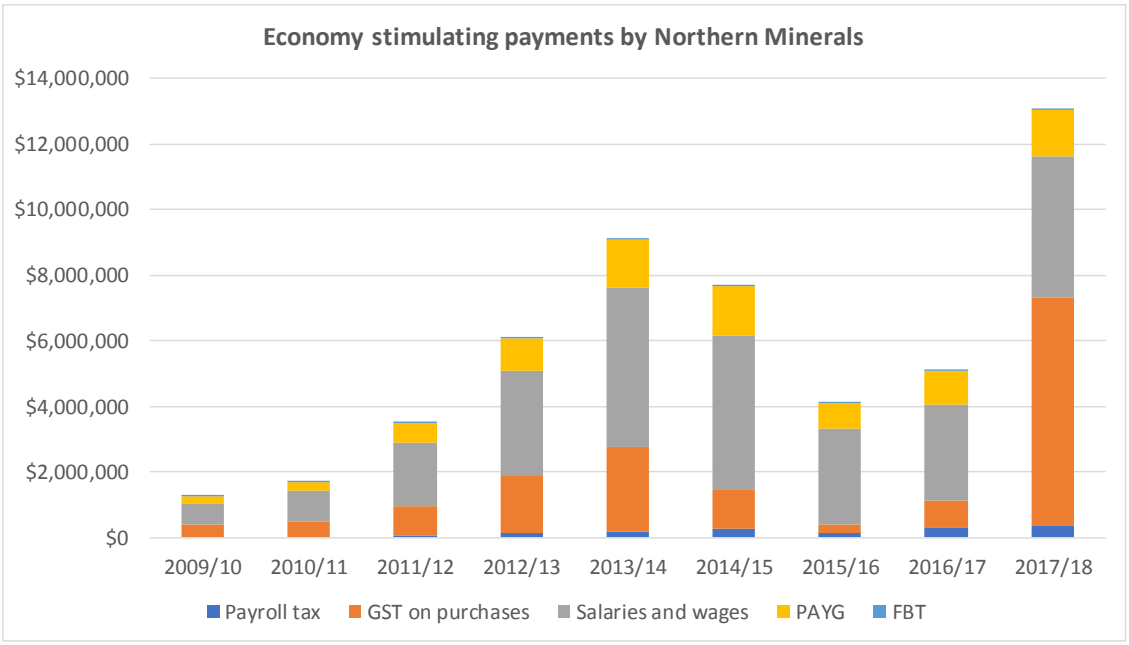
Other benefits of the pilot stage of the Project include:

- $8.1 million training to work program and on-site infrastructure providing trainee positions for local Aboriginal people. These traineeships will be run continuously to build capacity in nearby communities. The training program received $4.8 million in funding from the Australian Government's Building Better Regions Fund.
- Rare earth exports worth approx. $19 million per annum (based on current rare earth prices).
- Mineral royalties of approximately $500,000 to the WA State Government per year.
- Payroll tax of approximately $500,000 to the WA State Government per year.
- GST and company tax paid to the Commonwealth Government.
- The purchase of goods and services – with preference given to local suppliers where possible.

Once at full scale production, Deloitte Access Economics[2] predict the Project will boost the Gross Regional Product of the Kimberley region over a 13-year period by $393 million, create 406 FTE jobs during construction and an average of 135 FTEs during operation, and provide mining, construction and services contracts to Western Australian businesses worth $773 million. At full-scale production, the Project will generate between $270 million and $310 million per year of economic activity across Australia; approximately 80% of this economic activity is expected to benefit Western Australia, and up to $10 million of this will directly benefit the local area.

At full-scale production, the Project will also contribute significantly increased royalties and payroll tax to the State Government and GST and company tax to the Australian Government.

[1] Deloitte Access Economics, economic impact study of the Browns Range Heavy Rare Earths Project, 2016.
[2] Deloitte Access Economics, economic impact study of the Browns Range Heavy Rare Earths Project, 2016.



Note: the above graph doesn't include the significant sums paid to businesses for goods and services.

5. Uncapped cash refunds for eligible R&D were essential to developing Browns Range

The Browns Range deposit is found in hard rock whereas Chinese deposits are mined from ionic clays. Hard rock mining processing of this type has not been done before.

Given the product specifications and market for Australian Dysprosium and Terbium are yet to be proved, financing for the pilot stage of this project presented many technical challenges and has been achieved through a number of sources. The R&D cash refunds have been a vital part of financing the establishment of the pilot stage of the Project.

The pilot processing plant provides the opportunity for Northern Minerals to assess the economic and technical feasibility of the full-scale production stage of the Project and to conduct further research and development on the process. The full-scale plant, if economically and technically feasible as we aim to demonstrate by the pilot plant, will be the first commercial scale source of heavy rare earths outside China. The cash refunds on eligible R&D expenditure have been a vital component in funding the development of what is now a new export industry for Australia.

The funds accessed by Northern Minerals through the R&D cash refund have added to the company's confidence in undertaking detailed studies into hard rock heavy rare earths mining and processing. This has resulted in innovative enhancement initiatives as the Project has progressed through its development phases.

Eligible R&D expenditure

Innovation and Science Australia (ISA) is the body responsible for determining whether activities qualify as eligible R&D expenditure under the Tax Incentive Scheme. In recent years, the approval process has become significantly more rigorous. Northern Minerals has met the eligibility requirements of the Scheme throughout its R&D program. Below is a description of eligible R&D activities from the ATO's website[3]:

[3] https://www.ato.gov.au/business/research-and-development-tax-incentive/eligibility/eligible-activities/

"Core R&D activities are experimental activities:

- *whose outcome cannot be known or determined in advance on the basis of current knowledge, information or experience, but can only be determined by applying a systematic progression of work that*
  - *is based on principles of established science; and*
  - *proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions*
- *that are conducted for the purpose of generating new knowledge (including about creating new knowledge or improved materials, products, devices, processes or services)."*

6. Suggested amendments to the Bill to protect the Critical Minerals Industry

Option 1: Allow existing projects, where the current R&D arrangements have been used to finance the project, to be grandfathered in the 2018-19 financial year. This would allow projects such as Northern Minerals to be completed according to their planned financing structure and protected from the retrospective nature of the Bill. This option would support advanced existing projects but not future projects.

This amendment would acknowledge the risk posed to advanced projects which have made investments and proceeded in reliance on the established R&D Tax Incentive Scheme.

Northern Minerals understands that the Government has costed this potential amendment.

Option 2: Amend the Bill to exempt projects that support the development of critical minerals and those associated with energy production and efficiency from the $4million cap on cash refunds for eligible R&D expenditure for companies with an aggregated annual turnover below $20 million.

Under the Bill as drafted, clinical trials have been scoped out of the $4million cap on cash refunds in this way. Innovation and Science Australia (ISA) is the body responsible for determining whether eligible R&D expenditure satisfies the definition of a clinical trial. The Bill could be amended to make ISA also responsible for determining whether eligible R&D expenditure satisfies the definition of a critical mineral project. Geoscience Australia maintains a list of minerals deemed as critical commodities to Australia and could provide the definitions. See Appendix A.

This approach is supported by the WA State Government, the WA Liberal Opposition, the WA Nationals and the Chamber of Minerals and Energy WA (see Appendix B, C, D and E).

According to advice provided by Advisers to the Minister for Industry, Science and Technology, the Hon. Karen Andrews and key staff from the Department of Industry, Innovation and Science, the main rationale for the carve out on capped cash refunds on eligible R&D expenditure for clinical trials is that this is a key focus of interest to the Government and the long lead times in developing and bringing such products to market. Northern Minerals believes that both these points should also apply to critical mineral production and processing, given the long-term contribution to the national interest.

Like clinical trials, the critical minerals sector has been identified by the Prime Minister and the Government as of national and international importance. The Australian Government's Resources 2030 Taskforce has reported that a well-funded and targeted Australian Government R&D program is vital to the development of the nation's resource industry.

Northern Minerals is firmly of the view that the proposed cash refund cap will have a negative impact on the development of innovative critical minerals projects in Australia. The proposed cap will force projects, such as Browns Range, to develop very slowly, if at all, and result in missed opportunities for the nation.

Option 3: Amend the Bill to remove the $4 million cap on cash refunds on eligible R&D expenditure for companies with an aggregated annual turnover below $20 million.

Northern Minerals has been advised by the Department of Industry, Innovation and Science that in 2015/16 twenty companies that benefited from R&D cash refunds claimed more than $4million.

In conclusion

Northern Minerals has been actively involved in all stages of consultation on these changes and has met with many Ministers, Shadow Ministers, and MPs from all political parties. We understand the issues and have serious concerns about the impact of the proposed cap on refunds on, not only our business but Australia's emerging critical minerals industry as a whole. Many of the MPs we have met with understand and share our concerns. See one example at Appendix F.

Thank you for considering this submission. I look forward to appearing at the Inquiry hearing on 16 November, 2018. I can be contacted on [redacted]

Yours sincerely

[redacted]

George Bauk
Managing Director/CEO

Apendices

Appendix A	Geoscience Australia: critical commodity notes for Dept.Industry, Innovation and Science, 17 July 2018
Appendix B	Letter from WA Premier to George Bauk, Northern Minerals, 13 September 2018
Appendix C	Letter from Leader of WA Liberal Opposition to George Bauk, Northern Minerals, 1 November 2018
Appendix D	Letter from Leader of WA Nationals and second Opposition party to George Bauk, Northern Minerals, 1 November 2018
Appendix E	Letter from CEO of Chamber of Minerals and Energy (WA) to Prime Minister Morrission, 3 October 2018
Appendix F	Letter from Senator the Hon. Matthew Canavan, Minister for Resources and Northern Australia to George Bauk, Northern Minerals, 13 September 2018

APPENDIX A

Commodity
Antimony
Arsenic
Barite
Bauxite (alumina and aluminium)
Beryllium
Bismuth
Cesium and Rubidium
Chromium
Cobalt
Fluorspar
Gallium
Germanium
Graphite
Helium
Indium
Lithium
Magnesium
Manganese
Niobium
Platinum Group Elements
Potash
Rare Earth Elements
Rhenium
Scandium
Strontium
Tantalum
Tin
Titanium
Tungsten
Uranium
Vanadium
Zirconium and Hafnium

Geoscience Australia: critical commodity notes for DIIS, 17 July 2018

APPENDIX B

RECEIVED
DATE 21/9/18 BY

Premier of Western Australia

Our Reference: 59-068228

Mr George Bauk
Managing Director/CEO
Northern Minerals
PO Box 669
WEST PERTH WA 6872

George

Dear Mr Bauk

Thank you for your letter dated 23 May 2018 regarding the Federal Government's proposed amendments to the *Research and Development Tax Incentive Scheme*.

The Western Australian Government is committed to facilitating the development of the State's energy and battery materials industry. A ministerial taskforce chaired by the Hon Bill Johnston MLA, has been established to develop a lithium and energy materials strategy. I understand that you are contributing to this as a member of the industry reference group.

Minister Johnston has written to the Commonwealth Treasurer, the Hon Josh Frydenberg MP, expressing concern that the proposed changes to the *Research and Development Tax Incentive Scheme* will affect negatively investment in the energy and battery materials industry.

Minister Johnston has requested that Treasurer Frydenberg extend to the energy and battery materials industry the same annual cap exemption proposed for clinical trials. This will send a positive signal to potential investors and support the development of the industry.

Thank you for your efforts in promoting the development of this important new industry for Western Australia.

Yours sincerely

[redacted]

Mark McGowan MLA
PREMIER

13 SEP 2018

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APPENDIX C

Hon Mike Nahan MLA
Leader of the Opposition

Mr George Bauk
Managing Director/CEO
Northern Minerals
PO Box 669
WEST PERTH WA 6872
BY EMAIL

Dear George,

RE: The Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018

This letter is to provide my support for the amendments you have outlined in your submission to the Senate Economics Legislation Committee Inquiry on the above Bill.

Northern Minerals should be applauded as a small, first project company developing a pioneering heavy rare earths project and creating a new export industry for Australia.

Innovative and difficult to finance projects like Browns Range are exactly the type of initiatives which should receive a high level of support from the Australian Government's Research and Development Tax Incentive Scheme.

There is global interest in critical minerals and their downstream manufacturing potential. Western Australia is home to almost all of these minerals. R&D funding is crucial to the development of cutting-edge methods to extract and process thes minerals and manufacture from them.

I note the Australian Government's Resources 2030 Taskforce recently released its report on Australia's mineral commodity future. This report includes many references to the importance of well-funded and targeted Australian Government R&D programs and the importance of this to future economic activity.

The R&D cash refunds are an investment in our Nation's future prosperity. Along with providing jobs and generating economic activity, companies that receive the cash refunds on eligible R&D and are successful, will pay significant company tax and GST as well as providing greater taxation on dividends. Such companies are not able to pay a fully franked dividend to shareholders until the value of R&D refunds are offset by tax paid.

I trust the Senate Economics Committee will consider and act on your suggested amendments to the Bill.

Yours sincerely

[redacted]

Hon. Dr Mike Nahan MLA
Leader of the Western Australian Opposition

- 1 NOV 2018

APPENDIX D

Parliamentary National Party of Australia (WA)

Our ref: 181101/MD

Senator the Hon Matthew Canavan
Minister for Resources
PO Box 6100
Senate
Parliament House
Canberra ACT 2600

Dear Senator Canavan Matt

RESEARCH AND DEVELOPMENT TAX INCENTIVE SCHEME CHANGES

I write in relation to the proposed changes to the Research and Development (R&D) Tax Incentive Scheme (the Scheme), in particular the impact these changes may have on the fledgling rare earths sector here in Western Australia.

We have recently met with Mr George Bauk of Northern Minerals. Mr Bauk provided a briefing on the Browns Range Heavy Rare Earths Project, the pilot stage of which produced its first rare earths carbonate in October 2018. Browns Range is currently the only producer of heavy rare earths outside of China and is producing a critical commodity vital to current technological development, as well as creating jobs in one of the most remote parts of Australia.

Northern Minerals have invested $180 million on the project to date – they are producing a mixed rare earths carbonate which contains a high grade of Dysprosium and Terbium, key components of energy efficient permanent magnet motors used in electric vehicles, wind turbines, air conditioning and industrial robots.

Given the product specifications and market for Australian Dysprosium and Terbium are yet to be proved, financing for the pilot stage of the project presented many technical challenges and was achieved through a number of sources. The R&D rebate was a vital part of financing the establishment of the project – allowing the company to undertake detailed studies into hard rock, heavy rare earths mining and processing. This has resulted in innovative enhancement initiatives as the project has progressed.

Northern Minerals has spent $35 million on exploration to date at Browns Range. They have drilled 14 targets, six of which have been converted to compliant resources. This compares to industry average conversion rates of 10,000 prospects drilled producing one mine.

The Executive at Northern Minerals are concerned that the amendments to the Scheme will have a negative impact on projects like the Browns Range Heavy Rare Earths Project. They have advised that without access to the uncapped R&D rebate, Northern Minerals may not have been able to construct the pilot stage of their project, or it would have been delayed so significantly that they would have missed the window of opportunity to position Australia to supply this important commodity.

Parliament House, Perth, Western Australia 6000 **ph** (08) 9222 7296 **fax** (08) 9222 7812

The company has suggested the following in relation to the changes proposed:

(1) Removing the proposed $4 million cap on R&D rebates or scoping out projects that support the development of critical minerals; or
(2) Allowing existing projects, where the current R&D arrangements have been used to finance the project, to be grandfathered in 2018-19 (this option would support advanced existing projects but not future projects).

You have shown a keen interest in this emerging and important resource, and our team in Western Australia has appreciated the time you've spent with representatives from the sector, including Northern Minerals.

Your advice on how the impact of the proposed amendments could be minimised to ensure this fledgling and very important sector can continue to grow would be appreciated.

If you wish to discuss this matter further please contact my Chief of Staff Josh Nyman on (08) 9222 7277 or email josh.nyman@losp.wa.gov.au.

Yours sincerely

[redacted]

Hon Mia Davies MLA
LEADER

Thank you for attending our conference and making time to meet with business from WA - very much appreciated.

Mia

APPENDIX E

CME

3 October 2018

The Hon. Scott Morrison MP
Prime Minister
Parliament House
CANBERRA ACT 2600

Via email: Scott.Morrison.MP@aph.gov.au

Dear Prime Minister,

It was good to see you on Tuesday and thank you for taking the time to discuss changes to the Research and Development Tax Incentive Scheme with me and George Bauk, CME WA Vice-President and Managing Director of Northern Minerals.

The emerging critical and energy minerals sector is of vital importance to Australia. There is growing global demand for these minerals, primarily used in the technologies that save energy and produce low cost or renewable technology. If encouraged, the emerging critical and energy minerals market could generate hundreds of billions of dollars in revenue in coming decades and underpin the new wave of clean energy technology being adopted around the world.

However, the proposed $4million cap to the Research and Development Tax Incentive Scheme will force innovative critical and energy minerals projects to develop very slowly or not at all, and will result in missed opportunities for Australia. We note that clinical trials have been exempted from the proposed changes, due to their national and international importance.

Given the recognised importance of the critical and energy minerals sector, CME WA asks the Federal Government to amend the Treasury Laws Amendment *(Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures)* Bill 2018 to exempt projects that support the development of critical minerals and those associated with energy production and efficiency from the cap. The granting of this exemption would be a significant contributor to the successful establishment of this sector in Western Australia.

On behalf of the Western Australian Government, the Minister for Mines and Petroleum, the Hon. Bill Johnston MLA has written to the Federal Treasurer, the Hon. Josh Frydenberg to ask the Commonwealth Government to exempt the energy and battery materials industry from the cap. We support this call and would be pleased to provide additional information to your office on this emerging sector if required.

Yours faithfully,

[redacted]

Paul Everingham
Chief Executive Officer
The Chamber of Minerals and Energy of Western Australia

Cc: Senator the Hon. Matthew Canavan; Minister for Resources and Northern Australia, Hon. Karen Andrews MP; Minister for Industry, Science and Technology, Hon. Josh Frydenberg MP; Treasurer, Hon. Julie Bishop MP, Hon. Melissa Price MP, Hon. Christian Porter MP, Hon. Michael Keenan MP, Hon. Ken Wyatt MP, Senator the Hon. Mathias Cormann, Senator the Hon. Michaela Cash, Senator the Hon. Linda Reynolds, Ian Goodenough MP, Andrew Hastie MP, Steve Irons MP, Nola Marino MP, Rick Wilson MP, Ben Morton MP, Senator Dean Smith, Senator Slade Brockman

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APPENDIX F

RECEIVED
DATE 18/9/18 BY

Senator the Hon Matthew Canavan

Minister for Resources and Northern Australia

MC18-002458

13 SEP 2018

Mr George Bauk
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Dear Mr Bauk George,

Thank you for your letter of 2 August 2018 concerning the proposed amendments to the Research and Development Tax Incentive (R&DTI).

I have reviewed your submission to the Department of the Treasury on the Exposure Draft Treasury Laws Amendment (Research and Development Incentive) Bill 2018 and understand your concern relating to the proposed cap of $4 million per annum on rebates under the program.

The Australian Government supports a strong and sustainable resources sector and recognises the importance of diversifying the rare earths market. In particular, I am keenly aware of the growing demand for products like those which will be produced at your Browns Range project.

I would like to discuss your proposals regarding the proposed cap and have asked my office to contact you to arrange a time for us to meet.

Thank you for writing on this matter. I look forward to speaking with you soon.

Yours sincerely

[redacted]

Matthew Canavan

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