

## ASX RELEASE

6 January 2016

ASX: ARU



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# MOU WITH OCI FOR RARE EARTH SEPARATION PLANT IN SOUTH KOREA

- **MOU agreed with OCI to establish a Joint Venture Rare Earth Separation Plant in South Korea to toll process Nolans material**
- **Key potential site located near OCI chemical manufacturing operation**
- **MOU incorporates the opportunity for joint funding and technical collaboration.**

Australian rare earths company, **Arafura Resources Limited (ASX: ARU, “Arafura” or the “Company”)** is pleased to announce it has recently agreed a Memorandum of Understanding (“MOU”) with South Korean chemical manufacturer **OCI Company Ltd (“OCI”)**. The purpose of the MOU is to negotiate proposals and conclude definitive agreements for the establishment of an Arafura and OCI Joint Venture (“JV”) for a Rare Earth (“RE”) Separation Plant in South Korea.

Korea Exchange-listed OCI is headquartered in Seoul, South Korea, with large domestic and international operations in the USA, China and Europe. It has an extensive product portfolio for the manufacture and sale of inorganic, petro and coal chemicals, fine chemicals and renewable energy. OCI’s core business is chemical manufacturing but has pursued an innovation strategy to expand its operations to become a leading global green energy and chemical company.

As highlighted in the Company’s Quarterly Activities Report (ASX: ARU 27/07/15) Arafura initially entered into a Letter of Intent (“LOI”) with OCI in June 2015. In the subsequent months OCI and Arafura have collaborated to examine the strategic benefits for both parties through the establishment of a JV RE Separation Plant. This process has identified considerable opportunities for both parties leading to the completion of a more formal MOU. Whilst non-binding, both companies acknowledge the significant synergies in the approach outlined in the MOU.

The purpose of the MOU is to examine and negotiate proposals for:

- The supply by OCI of reagents for the Nolans Project and in particular to the RE Separation Plant;
- OCI to provide assistance to Arafura to access infrastructure and critical services for the operation of the RE Separation Plant;
- Research & Development collaboration and RE separation piloting;
- Establishing a business model whereby the parties will jointly fund the establishment of the RE Separation Plant and toll process Nolans mixed RE intermediate or carbonate product;
- Investment opportunities for OCI into the RE Separation Plant; and

**ARAFURA RESOURCES LIMITED**

arafura@arultd.com www.arafuraresources.com.au ABN 22 080 933 455

PERTH: Level 3/263 Adelaide Tce, Perth WA 6000 | PO Box 5773, St Georges Tce, Perth WA 6831 T: +618 6210 7666  
DARWIN: 18 Menmuir St, Winnellie NT 0820 | PO Box 37220, Winnellie NT 0821 T: +618 8947 5588 F: +618 8947 5599

- An equity investment by OCI in Arafura itself.

OCI has a number of established chemical facilities including the Gunsan manufacturing plant where OCI produces polysilicon and toluene di-isocyanate (“TDI”). This plant is located some 200 kilometres south of Seoul near the Saemangeum Free Economic Zone (“SFEZ”). There are significant operational and financial benefits in co-locating the proposed JV RE Separation Plant near OCI’s Gunsan plant and in the SFEZ, which include state support, local government cash grants and central government subsidies. These incentives along with OCI’s potential participation as a JV partner for the toll processing RE Separation Plant will significantly aid the financing, construction and operation of the proposed facility. Additionally the SFEZ is a highly suitable location in a jurisdiction that is experienced in approving and regulating such facilities.

The Company has previously stated its intention to develop a RE Separation Plant within an established offshore chemical precinct. Arafura has identified and shortlisted a number of sites with suitable road, rail, port and related infrastructure. Significant drivers for this strategy include access to raw materials, in particular hydrochloric acid, which obviates the need to construct a dedicated chlor-alkali facility, and leveraging existing infrastructure in an established chemical and manufacturing precinct, thereby reducing the overall capital expenditure of the Nolans Project. Figure 1 sets out the Nolans Project configuration showing the Mine, Concentrator and RE Intermediate Plant being located at the Nolans Site in the Northern Territory, and the RE Separation Plant at an offshore chemical precinct such as the SFEZ.

Arafura’s Managing Director Gavin Lockyer commented:

“We are extremely pleased to have OCI as a potential joint venture partner in the Nolans Rare Earth Separation Plant. OCI’s expertise in chemical manufacturing coupled with the location of an existing plant in a chemical precinct, plus its inclusion in the Saemangeum Free Economic Zone, de-risks a key aspect of the Nolans development.”

- ENDS -

**For further information contact:**

Gavin Lockyer  
Managing Director  
T: +61 8 6210 7666

**Media enquiries:**

Rebecca Lawson  
Media+Capital Partners  
M: +61 433 216 269

Figure 1 – Nolans Project Configuration NT and offshore RE Separation Plant

