ASX RELEASE

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ASX: ARU

ASSET IMPAIRMENT – NON-CASH ADJUSTMENT TO CARRYING VALUE OF DEFERRED EVALUATION COSTS

Australian rare earths company, **Arafura Resources Limited** (**ASX: ARU**, "**Arafura**" or the "**Company**") advises that it has conducted a review of the carrying value of non-current assets as at 31 December 2015. As a consequence of the review, the Company will be disclosing a non-cash impairment charge to previously capitalised Nolans Project evaluation assets of A$27,713,854 in the financial statements for the half-year ended 31 December 2015.

The Nolans flowsheet has been developed over a number of years and is supported by detailed process modelling from mine to final products. The flowsheet is now based on sulphuric acid pre leach and double sulphate precipitation ("SAPL/ DSP"). The anticipated impairment charge has resulted from a review of the deferred evaluation costs for the Nolans Project and specifically those incurred in the development of the now superseded hydrochloric acid ("HCl") pre-leach flowsheet. The most recent operating (OPEX) and capital expenditure (CAPEX) estimates (ARU: ASX 03/06/15 and ARU: ASX 18/11/15, respectively) for the SAPL/ DSP flowsheet demonstrates the significant operational efficiencies of this flowsheet when compared with the HCl flowsheet. The Company is continuing its optimisation work to potentially realise further expenditure improvements for the SAPL/ DSP flowsheet.

The Project's SAPL/ DSP flowsheet has provided significant Project improvements and as such it is logical to review the capitalised expenditure relating to evaluation of the HCl flowsheet to determine if the deferred evaluation costs should continue to be carried forward as an asset. The Company has taken a conservative approach and decided to expense the evaluation costs for the demonstration-scale HCl pre-leach and sulphation program in 2011 and 2012. Additionally some smaller scale testwork expenses for co-products and the recycle of reagents that were specific to the HCl flowsheet have also been expensed; however the majority of the impairment charge relates to the demonstration-scale program. The Company continues to leverage its flowsheet development with the data collected through all prior testwork programs but the data and information generated from the demonstration-scale work has limited relevance and benefit to the SAPL/ DSP flowsheet and ongoing development programs. Arafura believes it is prudent to make the relevant adjustment to better reflect the financial position of the Company.

As noted, the impairment charge is non-cash in nature and has no bearing on future cash flows or the cash position of the Company.

- ENDS -

AN EMERGING RARE EARTHS PRODUCER FOR USERS WORLDWIDE

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