

ASX RELEASE

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ASX: ARU



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NEXT PHASE OF NOLANS PILOT PROGRAM UNDERWAY

- **World-renowned expert appointed to assist in optimising Nolans phosphate digestion and phosphoric acid production**
- **Phosphoric acid by-product to enhance overall project value**
- **Arafura to progress pilot testing following successful capital raising**

Arafura Resources Limited (ASX: ARU) (“Arafura” or “the Company”) is pleased to announce it has engaged leading phosphoric acid expert Prayon Technologies (“PRT”) to provide specialist support as it progresses the next phase of final piloting for its 100 per cent-owned Nolans Neodymium-Praseodymium (“NdPr”) Project in the Northern Territory.

Part of the broader Prayon group which has more than 50 years’ experience in designing and operating phosphoric acid manufacturing plants around the world, PRT will provide expert advice on the operation of the Company’s phosphate extraction pilot plant. This pilot program will extract phosphate from Nolans concentrate produced from the beneficiation pilot plant and produce phosphoric acid as a value-enhancing by-product.

PRT technical representatives will work with Arafura to analyse and interpret engineering and operational data from the pilot program, with the findings to be incorporated into the project’s final feasibility study.

The appointment of PRT for the phosphate extraction pilot plant follows the completion of a A\$3.6 million capital raising in February (ASX: ARU 20/2/17) which was well supported by institutional and sophisticated investors in North America, Hong Kong and Australia.

Arafura Managing Director Gavin Lockyer said, *“The recent interest shown in the Company by institutional investors has given us the confidence to commence this next phase of our final feasibility study.*

“The next five phases of piloting require significant capital spend and the funds raised via the Placement, together with the anticipated inflow from the current Share Purchase Plan, will enable us to confidently complete this work to a sensible break point in the flow sheet.

“Our ability to produce phosphoric acid as a by-product at Nolans provides Arafura with a natural advantage over other rare earth projects as it will reduce the overall operating cost per kilogram of NdPr produced.”

Piloting of the phosphate extraction process as a continuous closed loop aims to demonstrate the robustness of the phosphate extraction flowsheet and its optimised operating conditions for the project’s rare earths-rich, high-phosphate concentrate (“HPC”).

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The flow sheet for the phosphate extraction circuit, which is part of the project's Extraction Plant, is illustrated in Figure 1.

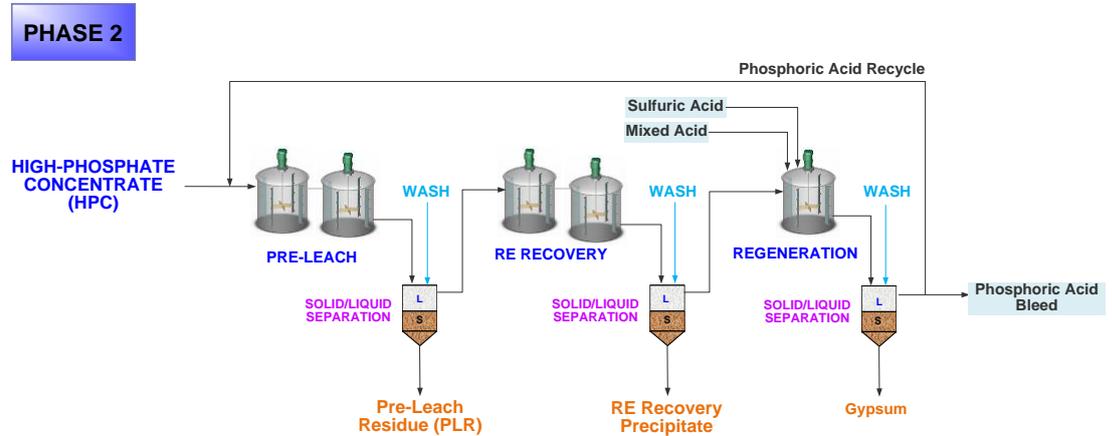


Figure 1: Phosphate Extraction Circuit

Nolans HPC leached in phosphoric acid produces pre-leach residue and, following filtration, a rare earth phosphate precipitate is also recovered. The current (Phase 2) and subsequent phases of the Nolans pilot program are shown in Figure 2.

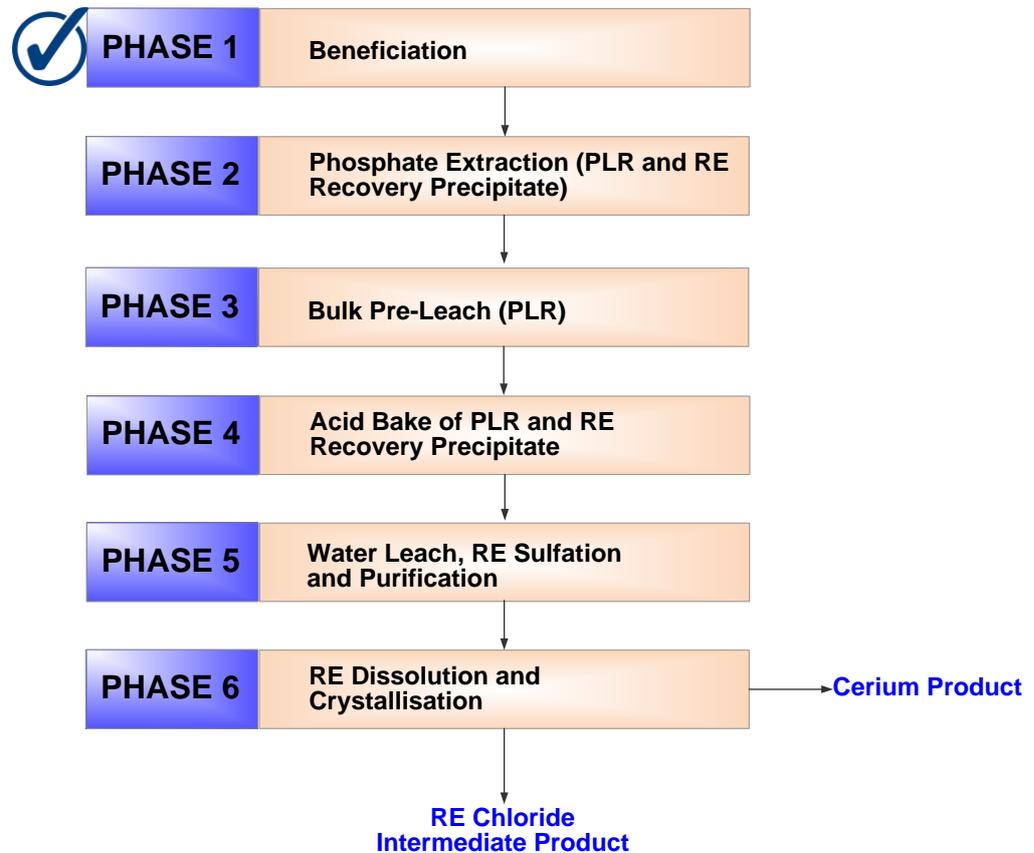


Figure 2: Nolans Pilot Program
Each phase is operated on a continuous basis

Design and fabrication of vessels for the phosphate extraction pilot plant is in progress at SGS Australia in Perth, which is hosting and managing the pilot program. The plant is expected to operate on a continuous basis during March.

Considerable batch test work on the phosphate extraction process has been undertaken at SGS, and the optimum processing conditions for the piloting operation are currently being finalised using HPC produced from the validated beneficiation pilot.

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