

ASX Announcement

Arafura to build Rare Earth Separation Plant at Nolans

7 November 2018



- **Nolans identified as preferred site for Separation Plant**
- **Mitigates operational and sovereign risk with whole of project to be domiciled in Australia**
- **Delivers additional benefits for the Northern Territory and Central Australia**

Arafura Resources Limited (ASX: ARU) (Arafura or the Company) is pleased to announce it plans to build a Separation Plant for its 100 per cent-owned Nolans Neodymium-Praseodymium (NdPr) Project at site. The Nolans site is located 135 kilometres north-northwest of Alice Springs in the Northern Territory, and only 10 kilometres west of the transnational Stuart Highway.

The Separation Plant, which hosts the final stages of rare earth processing, takes a mixed rare earth intermediate (chloride) product and refines it into high-value NdPr oxide and other rare earth products. The process of selecting a site for the plant involved a detailed assessment that considered environmental, economic and operational factors and options in South Korea and the Northern Territory.

Arafura had previously planned for the Separation Plant to be located offshore. However, process and configuration efficiencies identified through the project's Definitive Feasibility Study (DFS) and Arafura's extensive testwork and flowsheet piloting programs have made the relocation of the Separation Plant to the Nolans site more feasible. The decision will also mitigate some of the project's operational risks.

Risk assessments completed by the Company and its environmental consultants also indicate that these changes pose no additional environmental impact outside the current envelope defined in the project's Environmental Impact Statement (EIS).

Arafura met recently with Northern Territory regulators, including the Northern Territory Environment Protection Authority (NT EPA), to report the findings of its risk assessment and to discuss additional work the Company intends to undertake in advance of submitting any variation to the EIS. No significant issues were identified.

Arafura Managing Director, Gavin Lockyer, said, *"We are very pleased to have settled on the site for the project's Separation Plant. This makes Nolans a 100% Australian domiciled project and unlocks significant value prior to product export."*



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“Our engagement with NdFeB magnet manufacturers and end users indicates a growing focus on the provenance of NdPr supply being sustainable and managed in an environmentally and socially responsible manner.

“Nolans will soon represent a new long-term, secure supply of 3,600 tonnes of NdPr oxide each year¹ and building the Separation Plant at the project site will bring additional benefits to the Northern Territory and in particular the Central Australian region.”

Based on Arafura’s most recent estimate, Nolans (including the Separation Plant) will require a capital investment of US\$680 million to develop and bring into production. The Separation Plant decision ensures an even greater percentage of that capital will be spent in Australia.

The Company also anticipates that an additional 20-25 jobs will be created with the Separation Plant located at Nolans, and estimates the project’s total permanent full-time workforce, including contractors on and off site, to be 350-370.

Arafura is on track to complete the Nolans DFS in the coming weeks and continues to advance funding and offtake discussions so that a final investment decision may be reached in 2019.

- ENDS -

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¹ Refer Arafura Resources ASX release 7 June 2017 for additional and qualifying information on the Mineral Resources that underpin the production target and provides the material assumptions on which the production target is based. Arafura confirms that all material assumptions underpinning the forecast financial information derived from its 14,000 tonnes per annum of total rare earth oxide (TREO) production target and the production target itself, continue to apply and have not materially changed since the 7 June 2017 release.

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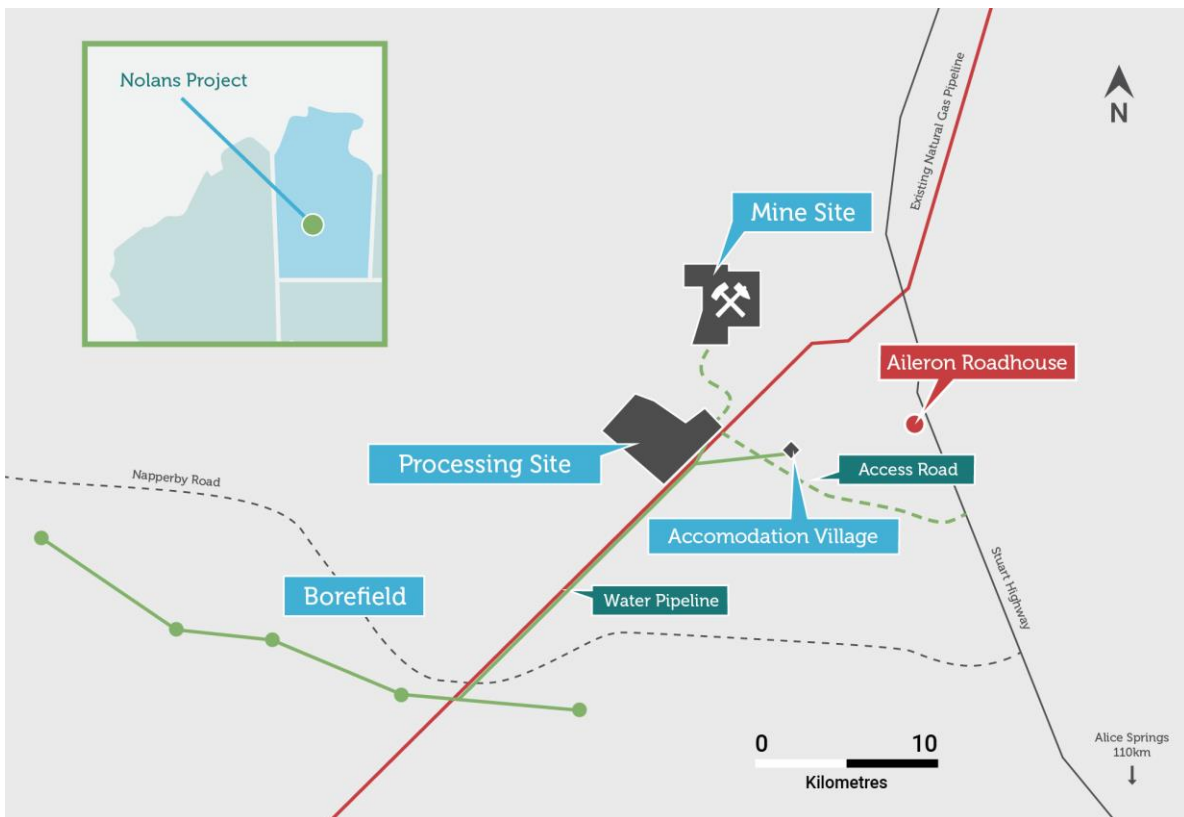
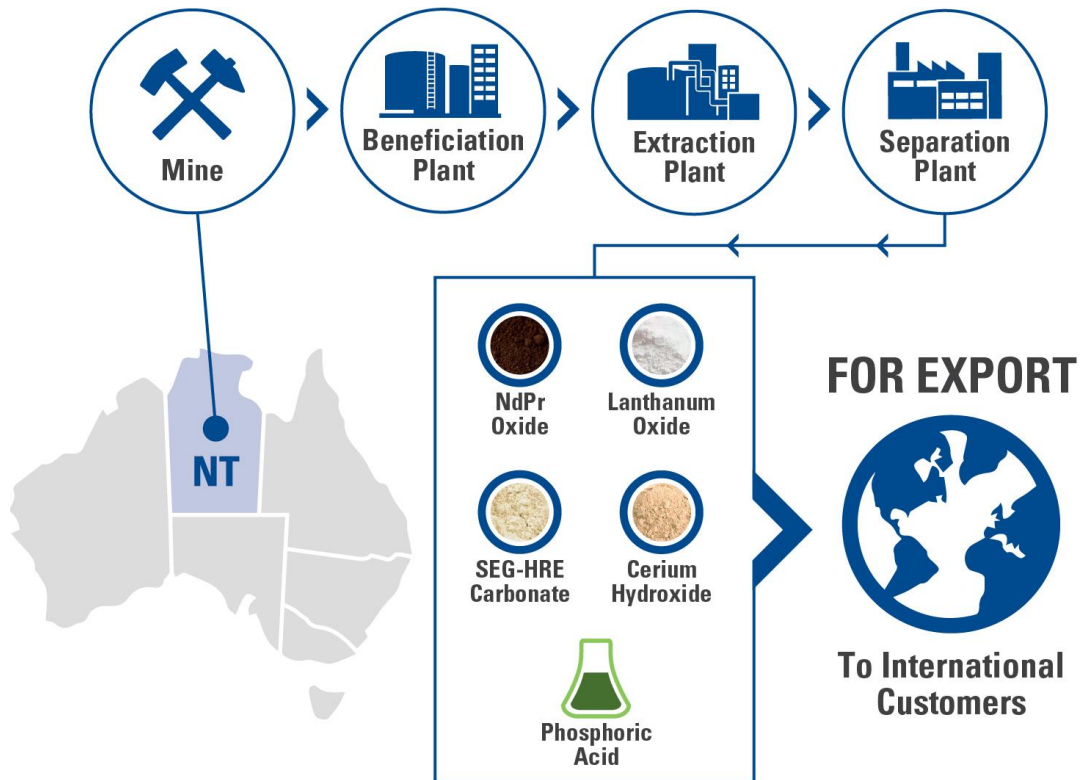


Figure 1: Project Configuration (top) and General Site Layout (bottom)

Figure 2 (following page): Proposed Processing Plant General Arrangement

