

ASX ANNOUNCEMENT

ARAFURA AND HYUNDAI MOTOR COMPANY SIGN NON-BINDING MOU FOR NEODYMIUM AND PRASEODYMIUM OFFTAKE

19 May 2022



- **MoU to negotiate an offtake agreement for the sale of NdPr Oxide from the Nolans Project on a CIF basis over a 7-year term commencing in 2025**
- **This would include approximately 1,000 – 1,500 tonnes per annum of NdPr Oxide when the Nolans Project achieves full production capacity in 2027**
- **Arafura and Hyundai working towards executing a definitive binding offtake agreement by September 2022**
- **The parties will also work collaboratively to engage with relevant Export Credit Agencies to access debt funding and guarantees linked with critical materials procurement for use in Korean based manufacturing**

Arafura Resources Limited (ASX: ARU) (“Arafura” or the “Company”) is pleased to announce that it has signed a non-binding memorandum of understanding (**MoU**) with one of the world’s most progressive automotive groups, South-Korean based Hyundai Motor Company (**Hyundai**).

The MoU provides a framework for the parties to negotiate a binding offtake agreement for the supply of up to approximately 1,000 – 1,500 tonnes per annum (**tpa**) of NdPr Oxide from the Nolans Project to commence in 2025 for a seven year term on a “cost, insurance and freight” (CIF) basis (which potentially represents just over one third of the estimated average annual production capacity of 4,440 tonnes from Nolans following expected ramp-up).

The other key terms of the MoU are set out below:

- Pricing for any sale would be determined quarterly using a formula-based mechanism referencing the NdPr oxide Ex Works China price per tonne. An industry recognised customary discount in recognition of the long-term offtake agreement would also be applied.
- Commercial grade NdPr Oxide is intended to be $\geq 99.0\%$ /TREO.
- The parties would work collaboratively to engage with relevant Export Credit Agencies to access debt funding and guarantees linked with critical materials procurement for use in Korean based manufacturing.
- The definitive and binding offtake agreement would be subject to certain customary conditions being satisfied, including:



“Our goal is to be a trusted global leader and supplier of choice for sustainably mined and processed rare earth products, helping our customers deliver clean and efficient technologies. We are committed to delivering positive intergenerational economic, environmental and social benefits to our stakeholders.”

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- Arafura securing project finance to develop the Nolans Project (which will include a Mine, Beneficiation and Rare Earth Processing Plant and Rare Earth Separation Plant); and
- completion of construction, development and commissioning of the Nolans Project.

Arafura and Hyundai will work towards agreeing terms and executing a definitive binding offtake agreement by September 2022.

The signing of the MoU follows the Joint Statement of Cooperation signed by Arafura and Korea Mine Rehabilitation and Mineral Resources Corporation (KOMIR) on 28 February 2022, which recognises the strategic importance of Australian critical minerals projects supporting Korea's industrial development and participation in electrification and renewable energy economies.

Arafura's offtake strategy for the Nolans Project has been to target automotive original equipment manufacturers (OEMs) from geographic regions with supportive export credit agencies, working with customers that are strategically aligned with the Company's value proposition of supply chain diversification, product traceability and security of supply with high ESG standards.

Hyundai has demonstrated its global leadership and commitment towards an EV future by securing the critical minerals to de-risk its permanent magnet supply chain and Arafura welcomes Hyundai's interest in potentially becoming a foundation customer.

Arafura continues to advance its engagement with a range of other parties interested in long-term offtake from the Nolan's Project that are aligned with its offtake strategy.

As detailed in the Company's Project Update released to ASX on 11 May 2021, and subject to project financing, completion of construction, development and commissioning of the Nolans Project, Arafura expects first production of NdPr Oxide in 2025 with annual production expected to ramp up to 4,440 tpa in 2027 (refer to ASX Announcement Dated 11 May 2021). The front-end engineering design (FEED) initiated in August 2021 remains on track, targeting tender for a fixed price construction contract which will be the basis of making a Final Investment Decision, which is expected in the second half of this calendar year.

Commenting on the MoU, Arafura's Managing Director, Gavin Lockyer, said: *"The signing of the MoU represents a fantastic outcome and validates the Tier-1 credentials of the Nolans Project as one of the world's premier next generation NdPr ore to oxide projects. The Nolans Project is strategically significant for Tier-one customers as it offers scale and supply chain diversification and security that will underpin their EV technologies"*.

About Hyundai Motor Company

Established in 1967, Hyundai Motor Company is present in over 200 countries with more than 120,000 employees dedicated to tackling real-world mobility challenges around the globe. Based on the brand vision 'Progress for Humanity', Hyundai is accelerating its transformation into a Smart Mobility Solution Provider. The company invests in advanced technologies such as robotics and Advanced Air Mobility (AAM) to bring about revolutionary mobility solutions, while pursuing open innovation to introduce future mobility services. In

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pursuit of sustainable future for the world, Hyundai will continue its efforts to introduce zero emission vehicles equipped with industry-leading hydrogen fuel cell and EV technologies.

About the Nolans Project

Arafura's Nolans Project is a rare earth ore to oxide mine and processing facility in the Northern Territory. The project is Australia's first vertically integrated rare earths operation, where its single site mining and processing operations (including waste disposal) will provide a secure and traceable supply chain to meet domestic and international economic and security interests and the ESG needs of global customers. Nolans has received Major Project Status from the Northern Territory Government (refer to ASX Announcement dated 31 July 2020) and has received support from Federal Ministers (refer to ASX Announcement dated 13 May 2021). In 2021, Arafura received conditional letters of support for debt facilities from Export Finance Australia (EFA) and the Northern Australia Infrastructure Facility (NAIF) for \$200m and \$100m respectively (refer to ASX Announcements dated 7 May 2021 and 18 June 2021). In March 2022, Arafura was awarded grant funding of \$30m under the Federal Government's Modern Manufacturing Initiative (MMI) (refer to ASX Announcement dated 16 March 2022).

Production Targets and Forecast Financial Information

The information in this announcement that relates to production targets and forecast financial information is extracted from the Company's ASX announcement dated 11 May 2021 (Nolans Project Update). The production target is based on 12% Proved Reserves, 62% Probable Reserves and 26% inferred resources as reported in the Company's ASX announcement dated 11 May 2021. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. Arafura confirms that all material assumptions underpinning the production target and forecast financial information derived from the production target set out in the Company's ASX announcement dated 11 May 2021 (including any assumptions referred to in the Company's ASX announcement dated 11 May 2021 that were sourced from the DFS as set out in the Company's ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) or from the Updated Mining Study as set out in the Company's ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project)), continue to apply and have not materially changed.

Forward Looking Statements

This announcement includes forward-looking statements. These statements relate to Arafura's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "will", "progress", "anticipate", "intend", "expect", "may", "seek", "towards", "enable" and similar words or expressions containing same.

The forward-looking statements reflect Arafura's views and assumptions with respect to future events as of the date of this announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to Arafura, or any of its affiliates or persons acting on its behalf. Arafura does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Neither Arafura nor any other person, gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. To the maximum extent permitted by law, Arafura and each of its advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise.

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Authorised by:

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