

ASX Announcement

Progress Towards Nolans Rare Earth Product Offtake Agreements



28 March 2019

- **Release of the DFS for the Nolans NdPr Project facilitates increased engagement with potential offtakers in Japan, South Korea, Europe and China**
- **Arafura marketing strategy targets groups seeking NdPr supply diversification and product traceability**

Arafura Resources Limited (ASX:ARU) (Arafura or the Company) is pleased to provide an update on progress towards finalising offtake agreements for its rare earth product offering from its 100%-owned Nolans Neodymium-Praseodymium (**NdPr**) Project in the Northern Territory.

The release of the Definitive Feasibility Study (DFS) for the Nolans Project (*refer to ASX announcement 7 February 2019*) has been a catalyst for the Company to escalate its engagement with potential offtake and financing partners. Nolans is a 100% Australian-domiciled mine and processing operation with a globally strategic NdPr asset. Average annual production (post ramp-up) of rare earth products from Nolans over its 23-year operational life is expected to be 4,357 tonnes of NdPr oxide, and 606 tonnes of SEG/HRE carbonate and 8,383 tonnes of cerium hydroxide on a total rare earth oxide (TREO) basis. The operation will also produce 135,808 tonnes of by-product merchant grade (54% P₂O₅) phosphoric acid on an annual basis. NdPr oxide is forecast to provide 96% of the project's annual rare earth sales revenue of A\$539 million.

In February and March negotiations centred on product offtake have been a key focus for the Company's executive team in support of efforts to secure finance for the project. Arafura's NdPr oxide marketing strategy is underpinned by targeting customers in the high growth NdFeB permanent magnet supply chain for e-mobility, clean energy and factory automation. NdPr supply imbalance will be more pronounced for supply chain stakeholders not aligned with the *Made in China 2025* strategy. Marketing efforts are focused on customers incentivised to reduce their Chinese NdPr supply risk. Target customers include:

- Japan – NdFeB magnet manufacturers and trading houses for eventual use in the Japanese automotive sector and in factory automation.
- Europe and South Korea – Automotive, OEMs, wind turbine and consumer electronics makers diversifying NdPr supply risk and seeking product traceability.



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- China – Tier one NdFeB magnet manufacturers that have significant export sales to Europe, Japan and the USA.

Arafura has signed two non-binding offtake Memoranda of Understanding (MoUs) for its three rare earth products to date, which it aims to convert to contracts in the coming months. Recent engagement with participants at various points in the NdPr supply chain (*i.e.* separators, metal converters, magnet manufacturers, OEMs, end users) in Japan, South Korea, China and Europe has been very encouraging, underpinned by rising demand-side pressure for NdFeB magnets in applications that will enable the widespread adoption of e-mobility, clean energy and factory automation. The Company is also making solid progress in marketing its other rare earth products, and its phosphoric acid product to fertiliser companies in India.

The table and graphic below summarize Arafura's product offtake strategy and the status of its negotiations.

Important Notice

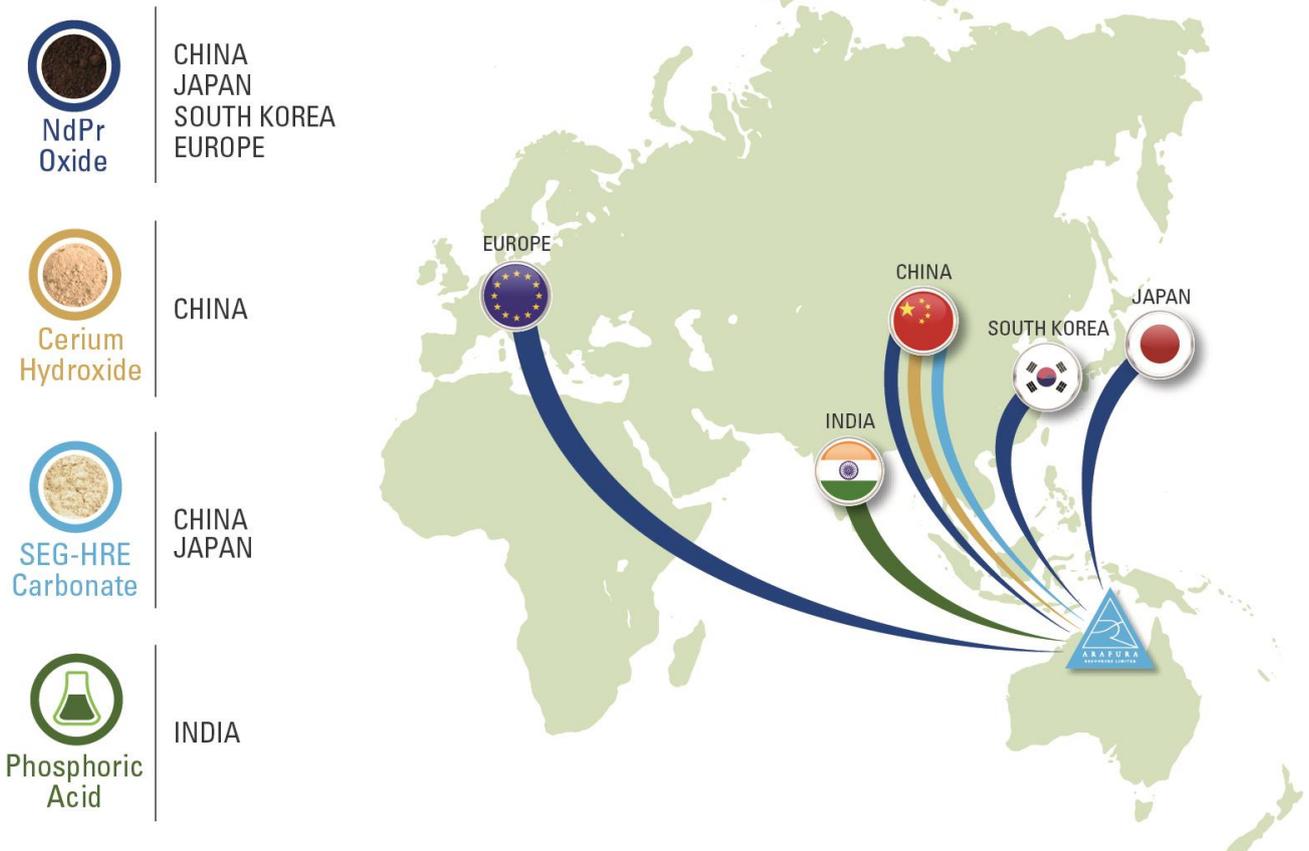
The information in this report that relates to all the material assumptions underpinning the production target, or the forecast financial information derived from the production target, are contained in the Company's announcement of 7 February 2019. Arafura Resources confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 7 February 2019 and that all material assumptions underpinning the production target and the forecast financial information in the announcement of 7 February 2019 continue to apply and have not materially changed.

Customer / Target Region	Amount (tonnes p.a.)	Offtake Status	Proportion of Revenue ¹
NdPr Oxide – targeting contracts with NdFeB magnet companies &/or end users			
JingCi Material Science Co. 	900	MoU	96%
China 	3,457	In progress	
Japan 			
South Korea 			
Europe 			
SEG-HRE Carbonate – targeting contracts with rare earth processors			
China 	606 (TREO equivalent)	In progress	1%
Japan 			
Cerium Hydroxide – targeting contracts with rare earth processors			
Baotou Xinyuan Rare Earth Hi-tech 	8,383 (TREO equivalent)	MoU	3%

¹ From rare earth products only

Offtake Strategy

FOR EXPORT TO INTERNATIONAL CUSTOMERS



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