

ASX ANNOUNCEMENT

BUSINESS UPDATE



17/06/2020

Arafura Resources Limited (ASX:ARU) (“Arafura” or the “Company”) is pleased to provide additional information relating to recent media commentary and an update on progress towards executing the Native Title Agreement for the Company’s 100 per cent-owned Nolans Neodymium-Praseodymium (NdPr) Project in the Northern Territory.

USA Rare Earth LLC Strategic Relationship

The Company notes media commentary in yesterday’s Financial Review, entitled *Australian investors, miners central as US rare earths race picks up*, from that publication’s Washington bureau, in relation to the Company and USA Rare Earth LLC (USARE).

Arafura entered into a non-binding letter of intent with USARE in December 2019 (*refer to ASX announcement 23 December 2019*). This strategic alliance allows for the treatment of the Company’s SEG-HRE (middle and heavy rare earth) carbonate product by USARE’s proprietary processing technology. Arafura successfully produced a refined liquor at its rare earth separation pilot plant at ANSTO Minerals in which SEG-HRE comprised >99.5% of the total contained rare earths (*refer to ASX announcement 20 February 2020*), and samples of this liquor will represent feed material into USARE’s pilot plant in Colorado.

A test program, the purpose of which is to separate individual heavy rare earths hosted in the feed material, is being considered by the parties. If successful, USARE could represent a potential outlet for some of Arafura’s heavy rare earths, such as dysprosium (Dy) and terbium (Tb), directly from Nolans into U.S. and other key geographical markets.

The Company is in discussions with USARE in relation to the Colorado test program and the opportunity for the treatment of the Company’s SEG-HRE carbonate and no formal agreement has been agreed between the parties at this stage. Arafura will continue to work with USARE, and an announcement will be made to the ASX if a formal agreement is ultimately executed.

Native Title Agreement

The native title holders of the Nolans Project site gave their consent to enter into a Native Title Agreement (NTA) with Arafura at a meeting in the Northern Territory in late-February (*refer to ASX announcement 2 March 2020*). The consequence of COVID-19-related travel restrictions instituted in mid-March delayed the signing of the agreement by the native title holders.

On 5 June, these travel restrictions were removed by the Northern Territory Government after consultation with land councils and traditional owners. Since that time the Central Land Council, with whom Arafura negotiated the terms of the NTA, has been preparing travel arrangements to facilitate signing of the agreement by representatives of the prescribed body corporates that represent the native title holders.

Execution of the NTA will allow the process of granting the project’s primary and ancillary mineral leases (MLs), which are intended to host the mine, process plant, tailings and process residues containment

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NdPr

facilities, accommodation village and many of the infrastructure elements of the planned Nolans operation, to proceed.

The Company will release an announcement to the ASX when the Nolans NTA is ultimately executed.

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