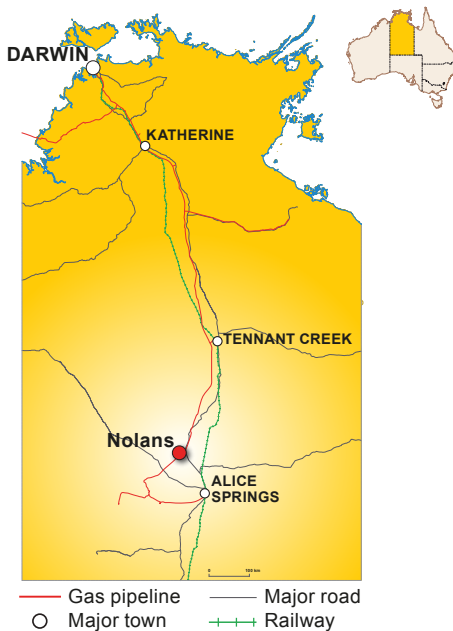


Nolans Project

REE

P₂O₅



Company overview

Arafura Resources is an Australian company with a world-class rare earths resource in the Northern Territory of Australia. The Nolans Rare Earth project is well-advanced and Arafura is on track to enter the global supply chain this decade.

ASX: ARU

Market capitalisation:

A\$44.8 million at 24 August 2017

Number of shares:

546,896,402 at 24 August 2017

Website: www.arultd.com

Resource: Rare earth elements (neodymium, praseodymium, dysprosium), phosphate

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For more information on this project or others available in the Northern Territory, visit www.core.nt.gov.au

Project Overview

The Nolans project is well-advanced rare earths project located 135 kilometres north-northwest of Alice Springs in the Northern Territory, close to infrastructure including the Alice Springs to Darwin railway and the Stuart Highway.

With JORC Measured, Indicated and Inferred Resources totalling 56 Mt, Nolans is one of the world's largest and most intensively explored rare earths deposits, sufficient to support mining and processing operations for 30+ years. Nolans is also one of the world's largest neodymium-praseodymium (NdPr) deposits, with the potential to produce around 10% of the global demand for NdPr magnet feed.

Compared with other light rare earth element-enriched projects of comparable scale around the world, Nolans has a higher proportion of rare earths that feed key growth markets in magnets [neodymium, praseodymium (NdPr), dysprosium] and phosphors (europium and yttrium).

The Resource contains 1.46 Mt of rare earth oxides, of which nearly 1 Mt are in the Measured or Indicated categories. Recent analysis revealed that NdPr is consistently distributed across the Nolans deposit. Importantly, the deposit contains a substantial inventory of phosphate-rich material types.

Arafura Resources is in the process of completing a definitive feasibility study (DFS). Results to date forecast a project with a moderate capital cost of \$US680m, achieving competitive operating costs of US\$6.23 per kg of total rare earth oxide (TREO). These numbers are based on planned annual rare earth output of 14,000 tonnes of TREO equivalent over a 23 year operation. Importantly, the project offers product and revenue diversification with planned annual output of 110,000 tpa of a merchant-grade (54% P₂O₅) phosphoric acid product suitable for sale to the fertiliser industry.

Geology and exploration activity to date

The Nolans Bore deposit is a hydrothermal stockwork vein-style deposit with steeply dipping veins up to tens of metres in thickness and hundreds of metres in length, extending below 25 m drilled-depth across large parts of the deposit.

Apatite, allanite and monazite are the most abundant rare earth-bearing mineral species. The resource has been subjected to over 90,000 m of drilling, including extensive diamond core drilling. The quantum, distribution and analysis of its diamond core drilling, together with the completion of detailed mineralogical and material type analysis, suggests that the resource represents a low risk to the project.

The company estimated a maiden JORC Code reported ore reserve of 24 Mt for the project in 2012, and is in the process of developing a mining plan which will result in a re-estimation of the Ore reserve in due course.



Infrastructure

The project is located in Australia's Northern Territory, about 135 km north-north-west of Alice Springs, 10 km west of the Stuart Highway and close to the Alice Springs to Darwin railway. The project is remote in that there are no major competing land uses, but is not isolated as it is easily accessible to key transport routes. The Amadeus Basin-to-Darwin natural gas pipeline passes close by the project and a sizeable water resource has been discovered near the site.

Project economics

- In September 2014, Arafura Resources released preliminary results for the definitive feasibility study, forecasting a project NPV of A\$2 billion, and a five year payback. Since then, process optimisation and technical reviews, along with metallurgical test work, have significantly improved the viability of the Nolans project, with capital costs reduced by almost 50%, and operating costs reduced by 38%. The total initial capital cost estimate for the Nolans project is now US\$680m, inclusive of 20% contingency.
- Improvements include plans to produce 110,000 tonnes of a merchant-grade (54% P₂O₅) phosphoric acid product for sale to the fertiliser industry, providing revenue and product diversification, and lowering operating costs.
- The planned Nolans product suite includes NaPr oxide, lanthanum (La) oxide, SEG-HRE carbonate (samarium, europium, gadolinium – SEG and other Heavy Rare Earths – HRE), cerium (Ce) product, and phosphoric acid.
- The Nolans project has been awarded Major Project Status by both the Northern Territory Government and Australian Government.

Project status and development timeline

- A definitive feasibility study is well advanced. Comprehensive pilot plant work, as well as regulatory approvals, are underway.
- Arafura Resources is aiming to secure project financing, and to begin construction, in 2019.

Investment sought

Arafura Resources would prefer investment in the form of a minority equity investment in the company, a project joint venture, or offtake agreement.

JORC Resource Estimates

The updated Measured, Indicated and Inferred resources reported on 7 June 2017 at a 1% REO cut-off grade comprise:

Category	Tonnes (Mt)	Rare Earths (REO)%	Tonnes REO	Phosphate P ₂ O ₃	Uranium U ₃ O ₈ lb/t
Measured	4.9	3.2	158,000	13	0.54
Indicated	30	2.7	816,000	12	0.44
Inferred	21	2.3	489,000	10	0.36
TOTAL	56	2.6	1,462,000	11	0.42

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