

ASX RELEASE

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ARAFURA EXECUTES EXTENSION TO RARE EARTH SEPARATION MOU WITH OCI

- Parties commit to further efforts to establish processing joint venture
- OCI to continue to provide valuable support in progressing Nolans NdPr project

Arafura Resources Limited (ASX: ARU) (“Arafura” or “the Company”) is pleased to announce it has reached agreement to extend the December 2015 Memorandum of Understanding (MOU) with Korean multinational chemical manufacturer OCI Company Ltd (OCI) regarding the development of a Rare Earths Separation Plant in South Korea.

The MOU records both companies’ roles and responsibilities in relation to negotiating definitive agreements for the establishment of a special purpose vehicle for a Joint Venture (JV) Rare Earth Separation Plant, to toll process rare earth chloride feedstock from Arafura’s 100 per cent-owned Nolans Neodymium-Praseodymium (NdPr) Project in the Northern Territory. The JV Rare Earth Separation Plant could potentially be located alongside OCI’s Gunsan operations in South Korea.

In advance of negotiating the definitive agreements, Arafura and OCI will work together over the coming months to complete a number of technical and commercial arrangements to align their interests more closely. They include:

- Piloting of the rare earth separation process (*Final Piloting Phase 7* in Figure 1 below);
- Completing the Nolans definitive feasibility study in 2018 (*Final Feasibility* in Figure 1 below); and
- Obtaining memoranda of understanding with suitable NdPr off-takers and end users.

The business synergies in the approach outlined in the original MOU (*refer to ASX announcement 6 January 2016*) remain unchanged in this extension. The MOU is non-binding on both parties and expires at the earlier of December 2018 or the execution of the definitive agreements.

– ENDS –

For further information:

Gavin Lockyer
Managing Director
T: +61 8 6210 7666

Media enquiries:

Luke Forrestal
Media and Capital Partners
M: +61 411 479 144

ARAFURA RESOURCES LIMITED

arafura@arultd.com www.arultd.com ABN 22 080 933 455

PERTH: Level 3/263 Adelaide Tce, Perth WA 6000 | PO Box 5773, St Georges Tce, Perth WA 6831 T: +618 6210 7666
DARWIN: 18 Menmuir St, Winnellie NT 0820 | PO Box 37220, Winnellie NT 0821 T: +618 8947 5588 F: +618 8947 5599



Figure 1: Nolans Pilot Program Timeline