

Arafura announces major progress in de-risking Nolans Project's path to production



Arafura Resources ('Arafura', ASX: ARU) is one of Australia's fastest-growing rare earths developers. It has achieved exploration successes, concluding fruitful partnerships to ensure long term growth at the Nolans Rare Earths Project. The Nolans Rare Earths Project

presents a world-class rare earths resource grading 2.6% rare earth oxides ("REO") with measured and indicated resources able to sustain at least a 25 year mine life according to Arafura's recently published 'Nolans Development Report' (NDR), highlighting the advanced stage of the Nolans Project. The Document' (not to be confused with feasibility Study) explains recent changes to the process and flow-sheet as well as the projected CAPEX and OPEX, which make Nolans a very competitive project even in the face of Chinese producers, which places Arafura's Nolans Project in the middle of the cost curve in terms of producers inside and outside of China. The NDR has confirmed that Nolans presents some of the highest neodymium ("Nd") content of any rare earths resource currently being considered for development anywhere in the world.

Chinese magnet producers are very interested in Arafura's Nolan Project, which is not surprising given its (20%) neodymium and praseodymium content (Nd and Pr separately or NdPr Oxide), two of the main materials used to make magnets. Given China's dominant position in the rare earths sector, is a very welcome and surprising prospect. Arafura's uniqueness stems from the composition of its resource, which as stated

above, features 25-26% magnet feed materials, accounting by themselves to some 70-77% of its potential revenues. Arafura may well position itself as a major magnet producer in its own right. The growth in demand growth for NdPr Oxide is expected to lead to supply shortages in the next decade, prompting a faster price appreciation than other rare earths.

One of the most important aspects of the report addresses the extent to which Arafura has worked with Chinese experts to accelerate the path to production and de-risk the Project. Arafura The East China Mineral Exploration and Development Bureau (ECE) has helped Arafura achieve project optimization thanks to a careful and review of capital and operating costs, which will maximize the savings achieved thanks to an ambitious cost cutting plan. ECE holds a strategic equity holding of 24.86% in Arafura, enabling Arafura to avoid having to dilute the share price while continuing to work on its own innovative rare earth extraction process. Arafura's report says that much of the work for the Nolans Project's Definitive Feasibility Study ("DFS") has been completed thanks to ECE's cooperation, which will continue until the final version, expected to be ready in the second half of 2015. The Nolans Project could launch production in early 2019, provided Arafura secures other offtake agreements in order to fulfill all project funding needs. The Company will likely seek a development partner to be announced over the next 18-24 months, noting that the NDR will serve as a marketing document to achieve these goals.

There have been some concerns over the status of Australian-Chinese relations and their potential deterioration. While, military and international diplomatic cooperation has suffered over Prime Minister Tony Abbott's stance against China's ally Russia, economic cooperation is actually flourishing.

Australia appears ready to sign a free trade agreement with China, a deal expected to be signed before the end of 2014 according to news reports. There is speculation that the deal

could be finalized during the G20 meeting in Brisbane in November, even as Prime Minister Tony Abbott and Chinese President Xi Jinping are expected to meet earlier at the Forum of Asia-Pacific Economic Cooperation in Beijing. Xi, himself, will address the Australian Parliament during his G20 visit. "The Australian" reports that after nearly a decade of negotiations, there is sufficient political will on both sides to finally conclude a free trade agreement even if the final stages of any trade negotiation are always the hardest. Australia is keen to conclude the deal as any hesitation would play into the hands of Australia's main competitor, New Zealand over agricultural products and services. China wants an improved investment access and tariff reductions on household items such as electronics. China also wants access to Australia's vast mineral resources. The economic stakes are such that neither China nor Australia will let international differences spoil important trade and economic ties.

Arafura launches plan to address rising costs and falling rare earth prices



Arafura Resources ('Arafura', ASX: ARU), one of Australia's fastest-growing rare earths developers, has announced that it has formally terminated – effective June 24, 2013 – the 'Contract for Sale and Purchase of Land in Whyalla', signaling the formal implementation of an ambitious cost saving strategy to improve the economics of the

Nolans Rare Earths Project. This is a very important development that will enable Arafura to realize material capital (and operating) cost savings to the tune of AUD\$ 400 million by re-locating the intermediate chemical (hydrometallurgical) processing plant from Wyhalla to the Northern Territory, closer to Nolans Bore. Arafura is also evaluating prospects to locate its separation plant to an established chemical precinct outside Australia, within well established supporting infrastructure. The cost savings will allow Arafura to continue on its course to production of REE's featuring significant quantities of heavy rare earths.

The move from Wyhalla is the first step toward reaching the ultimate goal of cutting up to a billion dollars off the cost of the Project. The second major step will be determined by the location of the separation plant, which will be moved to a location where there is easy access to hydrochloric acid, which means that Arafura will not have to build a chlor-alkali plant, which will by itself take away a further AUD\$ 300 million or so off the project's cost. Arafura, meanwhile, is continuing to work closely with its Chinese partner East China Mineral Exploration and Development Bureau (ECE) toward achieving project optimization thanks to a careful review of capital and operating costs in addition to the billion dollars savings plan described above. ECE has a strategic equity holding of 24.86% in Arafura, enabling Arafura to avoid having to dilute the share price while continuing to work on its own innovative rare earth extraction process.

Arafura has identified three main factors as responsible for the cost cutting measures. The overall motivation has resulted from an industry-wide pressure on costs, which in Arafura's and others' case, has unmasked investment budgets as being overly ambitious. Falling commodity prices have burdened Arafura prompting the Company to capture losses by moving the processing plant closer to the mine. Finally, Australian infrastructure costs have increased substantially in the past

few years – especially energy and construction – making the Wyhalla plant prohibitively expensive. Arafura had chosen Whyalla, originally, because of the jurisdiction's welcoming attitude and recognition from the state government of South Australia. Nevertheless, the combination of rising costs and lower rare earth prices prompted Arafura to take action to ensure long term success, revising the Nolans project's configuration; namely, addressing the rapidly growing risks owing to rising transportation and logistics costs.

Chris Tonkin, Arafura Resources's CEO, first announced the cost cutting plan at the Technology Metals Summit (#TMS2013) in Toronto last April 21. Arafura said that the cost pressure had actually threatened the viability of the Nolans mine while the savings would allow it to avoid having to raise or borrow funds to continue expanding the Nolans project. This is a significant achievement particularly in view of the fact that Arafura has taken on the rising costs by focusing on becoming more efficient.

The Nolans Bore probable ore reserves total 24 million tons grading 2.8% REO (672,000 tons of contained REO), along with 2.97 million tons of phosphorus oxide and 4,900 tons of uranium oxide. According to Arafura, these reserves can be mined using open-pit methods that help improve on overall costs and have an estimated lifespan of 22 years, using a maximum beneficiation turnout of 1.1 million tons per annum. Additional positives can be found in the fact that 21 million tons of the Nolans Bore inferred resources can be converted to ore reserves. Further drilling will be required for confirmation but Arafura's 95% resource-to-reserve conversion rate marks a significant achievement, with Nolans Bore as one of the world's only rare earths projects that has established an ore reserve.