

Arafura Resources Limited

11:20 11 Feb 2019

Arafura Resources' DFS for Nolans models an NdPr supply alternative to China

- DFS posted last week, putting mine life at 23 years
- Project valued at A\$729 million (US\$497 million) with a 17.43% IRR
- Product offtake discussions to continue this year, all year
- Project financing discussions are hoped to be wrapped up in October
- Construction is targeted to start in 2020, with commissioning in 2022

What does Arafura Resources do?

Arafura Resources Limited (ASX:ARU) (FRA:REB) (OTCMKTS:ARAFF) specialises in exploration and development in Australia's Northern Territory. It is run by Gavin Lockyer, a chartered accountant who has more than 20 years experience in the resources and finance industries and who boasts international banking experience at Deutsche Bank in London, ANZ and Bankwest on his CV.

What does Arafura Resources own?

The key asset is the Nolans Neodymium-Praseodymium (NdPr) project, which lies north of Alice Springs, near the Territory's gas pipeline and on a main highway to Darwin port that soon meets a railway that also connects to the port.

Arafura published its definitive feasibility study (DFS) for the project last Thursday, valuing the primarily NdPr oxide project at A\$729 million using an after-tax net present value (NPV10) calculated at a 10% discount.

The DFS is highly leveraged to NdPr prices and every US\$5 per kilogram increase in the NdPr oxide price increases NPV10 by A\$130 million.

Nolans project has an A\$1 billion capital cost and A\$48.40 operating cost per kilogram that reduces to \$36.85 once an MGA credit is added.

The after-tax internal rate of return is 17.473%, with the 23-year project paying back its investment on an after-tax basis at the five-year mark.

Arafura's Nolans DFS models a technically strong and cost-competitive project tipped to generate an average of \$377 million EBITDA each year over the long mine life.

Arafura took two extra months with the study but was rewarded with results, increasing the previously forecast average annual production of NdPr oxide of 4,357 tonnes by 21% to make the project a significant, long-term NdPr development project.

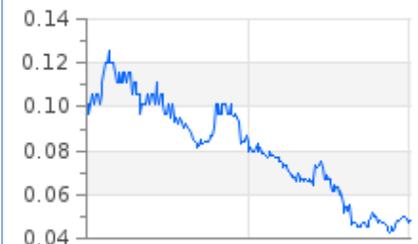
The company was also able to work on costs, to position itself as a probable ultra-low-cost producer able to sit in the industry's lowest cost quartile for production.

The modelled project includes a mine, process plant and related infrastructure to be located at the Nolans site.

Price: A\$0.048

Market Cap: A\$34.63M

1 Year Share Price Graph



February 2018 August 2018 February 2019

Share Information

Code: ARU

Listing: ASX

52 week
High A\$0.13
Low A\$0.04

Sector: General Mining - Rare Earth Minerals

Website: www.arultd.com

Company Synopsis:

Arafura Resources Limited (ASX:ARU) is listed on the Australian Securities Exchange.

Author:

Proactive Investors Australia

+61 (0)2 9280 0700

action@proactiveinvestors.com.au

Nolans is a sizeable, low-risk mineral resource that could supply a significant proportion of the world's NdPr demand.

A reserve of 19.2 million tonnes grading 3.0% total rare earth oxide (TREO) and 13% phosphate was used in the feasibility study, having an NdPr enrichment factor of 26.4%.

China produced about 80% of global NdPr supply last year and accounts for about 85% of consumption.

The Nolans project could offer an attractive alternative supply of the critical mineral from a Tier 1, Western jurisdiction and thereby change the risk model of the clean energy industry across the globe.

The NdPr oxide used in NdPr-based Neodymium Iron Boron (NdFeB) magnets is sourced from a few, predominately Chinese, suppliers of NdPr oxide and the Nolans project offers a viable alternative supply option for the growing industry.

Arafura hopes to continue product offtake discussions this year, all year, and wrap up project financing discussions this October.

The company is targeting a 2020 start to construction, with a view to commissioning the project in 2022.

Inflection points

Progress of project financing discussions for construction of the project up to October this year

Continued product offtake discussions with potential users downstream in 2019

Outcomes of US national decision-making on the importance of internally or Western nation sourced critical minerals

Progress of regulatory approval applications in the Northern Territory

Availability of construction and commissioning staff and contractors and the state of the industry generally

Managing director Gavin Lockyer pleased to report low operating costs of DFS

"Our operating costs well and truly make us in the lowest quartile of producers globally," Arafura managing director Gavin Lockyer told the Proactive Investors Stocktube video channel on Friday. "That is extremely important when you're trying to compete, predominantly with China's producers."

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Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

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