

Arafura Resources Ltd

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Arafura Resources poised to help fill gap in rare earths supply chain

Arafura Resources Limited (ASX:ARU) is in a strong position to take advantage of the global desire to diversify rare earths supply chains through progressing the Nolans Neodymium-Praseodymium (NdPr) Project in the Northern Territory.

During the December quarter, the company progressed with pre-front end engineering and design (FEED) work which is expected to be completed in the current quarter.

Also, this quarter a review of the project pilot plant trials is underway and the company plans to send high purity samples to potential customers.

Offtake opportunities

The company is focused on securing binding offtake agreements for its NdPr product, which is a key raw material feedstock for the neodymium iron boron (NdFeB) magnet alloy market.

Arafura is targeting customers in this high growth permanent magnet supply chain for electric vehicles, the clean energy economy and factory automation.

Currently, China dominates the world's supply from ore through to magnets and there is potential for a supply imbalance for stakeholders not aligned with the Made in China 2025 strategy.

Diversifying supply

The company is targeting customers in Japan who are incentivised to reduce their Chinese supply risk, especially considering a recent supplementary budget from Japan's industry ministry of US\$423 million to secure - and diversify - supplies of critical commodities like rare earths and cobalt.

Sales and offtake discussions are advancing with meetings scheduled in the first quarter with customers in Japan, Europe, South Korea, China and the USA.

Product traceability

This quarter Arafura entered a Memorandum of Understanding (MOU) with Source Certain International, a leading global provider of provenance verification and traceability services.

Source Certain has delivered the technical specifications that will allow Arafura and value chain partners to forensically trace neodymium and praseodymium from end product magnets, back to the Nolans ore body, allowing Arafura to underpin the project's unique Australian provenance and sustainability

Price: 0.078

Market Cap: \$82.28 m

1 Year Share Price Graph



Share Information

Code: ARU

Listing: ASX

52 week High Low
0.14 0.046

Sector: Rare earths & specialist minerals

Website: www.arultd.com

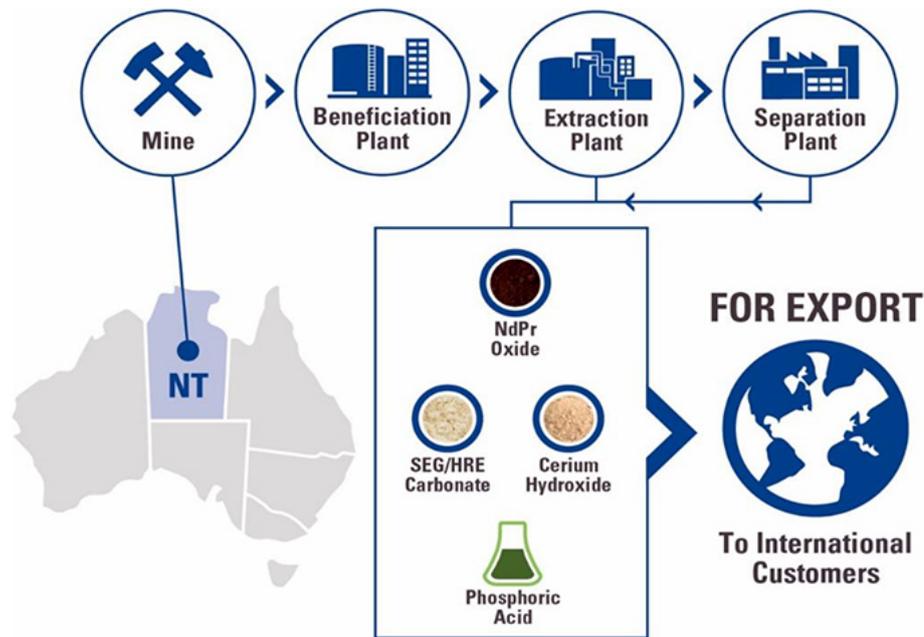
Company Synopsis:

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

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promises.

The company believes verification and traceability will be central to the sustainability objectives of many downstream users in the clean energy economy.



Nolans is 100% Australian domiciled and permitted for rare earth mining, beneficiation, extraction and separation at a single site.

USA rare earth agreement

In December Arafura entered a strategic relationship with USA Rare Earth LLC to allow for the treatment of Arafura's high purity mixed middle-heavy rare earths carbonate product (SEG-HRE).

USA Rare Earth and its JV partner Texas Mineral Resources Corp submitted a tender for the US Department of Defence (DoD) Cornerstone Initiative for Heavy Rare Earth Element Separation.

The objective of this initiative is to establish a commercially sustainable US domestic capability for separation of heavy rare earths for use by the DoD and to meet supply chain opportunities outside the Made in China 2025 strategy.

Project funding

Arafura continued to progress its engagement with key advisor groups and Export Credit Agencies (ECA) during the quarter to accelerate Nolans project funding initiatives.

In conjunction with offtake discussions the company also met with groups in Japan, Germany, the US and Australia to understand debt funding opportunities that will likely be linked with the supply diversification objectives being pursued across multiple jurisdictions.

During the quarter, Talaxis Ltd acquired a 5% strategic interest in Arafura through its participation as a sub-underwriter in Arafura's \$23.2 million underwritten entitlement offer, with the agreement expected to be executed this month.

Talaxis is a wholly-owned subsidiary of Noble Group Holdings Limited, Asia's leading independent energy products and industrial raw materials supply chain manager, and will assist in offtake opportunities and market engagement.

Cash position

Arafura had \$22.93 million in cash reserves at December 31, 2019, and in October received a \$1.5 million refundable tax offset from the Australian Taxation Office for eligible research and development expenditure in relation to the development of the Nolans project.

The company expects the expenditure profile for the first quarter to increase as a result of continued activities in relation to pre-execution readiness as well as completion of the rare earth separation pilot program alongside other technology programs currently underway.

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