

ASX Announcement

Nolans progressing discussions for Financial Support from the Australian Government's Northern Australia Infrastructure Facility

27 February 2019

Arafura Resources Limited (ASX:ARU) (Arafura or the Company) is pleased to announce that the Northern Australia Infrastructure Facility (**NAIF**) has completed a strategic assessment of the Nolans Neodymium-Praseodymium (**NdPr**) Project (**Nolans**), and has determined that Nolans will now transition to the Due Diligence (**DD**) stage of the NAIF assessment process.

NAIF is a key initiative of the Australian Government to provide access to up to A\$5 billion of debt finance, which may be on concessional terms, to support and encourage infrastructure development that generates public benefit for northern Australia.

The Nolans site in the Northern Territory and the project's entire transport corridor between Nolans, Alice Springs and Darwin Port is within the statutory defined area of Northern Australia under the *Northern Australia Infrastructure Facility Act 2016*.

Arafura will now commence developing a comprehensive Investment Proposal as the basis for DD that will involve, but not be limited to, offtake, project, credit risk, environmental and social analysis by NAIF.

NAIF has not made any decision to offer finance or made any commitment to provide any financial accommodation and there is no certainty that an agreement will be reached between the parties. Arafura will continue to assist NAIF with its required due diligence regarding whether or not to participate in the debt facilities required to fund the project capital expenditure necessary to develop Nolans.

Arafura's Managing Director, Gavin Lockyer, said, *"Arafura welcomes the decision from NAIF to progress the Nolans NdPr Project to Due Diligence. This decision comes on the back of some significant project development milestones including the recent release of the positive results from the Nolans Definitive Feasibility Study (DFS). Export Credit Agencies (ECAs) are likely to be central to our project funding strategy and the decision by NAIF to progress to Due Diligence is an important consideration for the Company's ongoing engagement with other ECAs and financiers across a number of jurisdictions."*

"Nolans is a long-life strategic project which includes significant downstream value adding in central Australia, and in order to maximise the local benefits from the project, we recently commenced the preparation of an Indigenous Engagement and Employment Strategy."

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Earlier this month Arafura delivered the results of the Nolans DFS (*refer to ASX announcement 7 February 2019*) which makes a compelling economic case for the development of the project, including establishing its potential to be an ultra low-cost producer of NdPr oxide. The Company has secured Northern Territory and Australian government environmental approvals for the project and has negotiated three non-binding agreements for the long-term supply of NdPr oxide and phosphoric acid products.

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