ASX RELEASE

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FURTHER COST SAVINGS IDENTIFIED FOR NOLANS PROJECT

- **Capital costs reduced to A$1,408 million – a 27% reduction on the August 2012 CAPEX estimate**
- **Operating costs reduced to A$15.67/kg REO – a reduction of A$4.88/kg, or A$98 million per annum, on the August 2012 OPEX estimate**
- **Further savings expected from Chinese optimisation program**

Emerging rare earths producer, **Arafura Resources Limited** (**ASX: ARU,** "**Arafura**" or the "**Company**") is pleased to announce the results of the recent CAPEX (capital costs) and OPEX (operating costs) review for its 100 per cent-owned Nolans Rare Earths Project in the Northern Territory.

As reported over recent months, the Company has been pursuing a number of initiatives aimed at boosting the economics of the Nolans Project, and achieving a development outcome that is more appealing to shareholders, investors and financiers. The Company can now announce that, against the challenging backdrop of lower rare earth prices, increasing business costs, and constrained capital markets, it expects to realise substantial cost savings on its August 2012 Base Case due to the relocation of the Rare Earth Intermediate and Rare Earth Separation plants, and through material improvements in and simplification of the process configuration.

The table below highlights the improvement in CAPEX and OPEX compared to the August 2012 Base Case:

	August 2012 A$	March 2014 A$	Savings A$
CAPEX	$1,912 million	**$1,408 million**	**$504 million**
OPEX	$20.55/kg REO	**$15.67/kg REO**	**$4.88/kg REO**

Furthermore, the new cost estimates do not take into account any improvements that may arise from the ongoing Chinese optimisation program.

The initial CAPEX for the Nolans Project now stands at A$1,408 million (or US$1,263 million at A$1 = US$0.897), inclusive of indirect and owner's costs, and a 15% contingency. Indirect costs primarily relate to EPCM, specialist consultant costs and site costs. The CAPEX excludes A$197 million of costs which Arafura has deferred by adopting selective mining practices during the first ten years of operation.

Capital costs have been compiled by the Company, and derived from estimates generated by a number of engineering organisations.

The Project's OPEX is now estimated to be A$15.67/kg REO (or US$14.06/kg) based on annual REO equivalent production of 20,000 tonnes. This represents a reduction of

AN EMERGING RARE EARTHS PRODUCER FOR USERS WORLDWIDE

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approximately 24%, or A$98 million per annum, on the Base Case, and compares favourably with published costs from current non-Chinese rare earths production. The key reductions in OPEX result from achieving greater efficiencies in beneficiation, rare earth extraction and separation, and simplifying the supply chain. Operating costs include general and administration, maintenance materials and contractors, consumables and other support costs.

The Company expects to provide details on the current scope of the Nolans Project, including an account of the economic impact of the above described cost reductions, in a report targeted for release during the first half of 2014.

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