

ASX Announcement

Update on Offtake Customer Engagement



23 December 2019

- **Rare earth separation piloting underway to produce final samples for customer assessment**
- **Customer engagement program expands to include strategic relationship with USA Rare Earth**

Arafura Resources Limited (ASX: ARU) (Arafura or the Company) is pleased to advise on progress towards offtake agreements on rare earth products from its 100 per cent-owned Nolans Neodymium-Praseodymium (NdPr) Project in the Northern Territory.

The Company's advanced engagement with potential customers across the world necessitates, in some cases, providing samples of its final rare earth product offering from Nolans – specifically NdPr oxide (4,357 tonnes per annum) and SEG-HRE carbonate (603 tonnes per annum) – for qualification purposes¹. Accordingly, piloting of the Nolans rare earth separation flowsheet is in full swing using rare earth chloride solution feedstock generated by the Company's rare earth processing pilot plants (*refer to ASX announcement 12 December 2018*). This work is being undertaken at ANSTO Minerals in Sydney, an organisation recognized globally as a leader in process development and piloting of rare earths and other critical minerals.

Operation of the first of two solvent extraction (SX) circuits is now complete. This produced refined SEG-HRE liquor that contains the middle and heavy rare earths including Samarium, Terbium and Dysprosium. The second SX circuit is scheduled to run in January 2020 to separate the Company's key NdPr oxide product.

In an important expansion of its customer engagement, Arafura has entered into a strategic relationship with USA Rare Earth LLC which allows for the treatment of Arafura's SEG-HRE carbonate product by USA Rare Earth's proprietary processing technology. Today USA Rare Earth and its JV partner Texas Mineral Resources Corp. (OTCQB: TMRC) submitted a tender for the U.S. Department of Defense (DoD) Cornerstone Initiative for Heavy Rare Earth Element Separation, the objective of which is to establish a commercially sustainable U.S. domestic capability for the separation of heavy rare earths in support of DoD and essential civilian products. This market opportunity is unique and at the

¹ Information in relation to the production targets included in this announcement is extracted from an ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study). Arafura Resources confirms that all material assumptions underpinning the production targets set out in the announcement released on 7 February 2019 continue to apply and have not materially changed.



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early stage of development, but it demonstrates the importance of being able to produce separated rare earth products to meet supply chain opportunities that are evolving outside of and independent of the *Made In China 2025* strategy.

Further details of the Arafura-USA Rare Earth strategic relationship are provided in the accompanying USA Rare Earth press release.

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Arafura's SEG-HRE separation circuit during pilot operation at ANSTO in December 2019





USA Rare Earth and Australian Rare Earth Company Arafura Resources Enters Into Strategic Relationship

Australian Heavy Rare Earth Concentrate Will be Processed at USA Rare Earth and Texas Mineral Resources' New Colorado Pilot Plant

USA Rare Earth CEO: Relationship is in Keeping with Australian-U.S. Governments' Mandate to Encourage Rare Earths Collaboration

New York, NY – (PR Newswire- December 23, 2019) - USA Rare Earth LLC, the funding and development partner of the Round Top Heavy Rare Earth and Critical Minerals Project (Texas) with Texas Mineral Resources Corp. (OTCQB: TMRC), is pleased to announce a strategic relationship with Australia's Arafura Resources Limited (ASX: ARU) (Arafura or the Company), developer of its 100 per cent-owned Nolans Bore Neodymium-Praseodymium (NdPr) deposit in the Northern Territory, Australia. Under the terms of a Letter of Intent, Arafura will send Heavy Rare Earth (HREE) concentrate from Nolans for processing at USA Rare Earth's Colorado pilot plant.

"As the U.S. and Australia are partner nations in the NTIB – the National Technology Industrial Base, and have announced a collaboration on strategic minerals exploration, extraction, processing and research, and development of rare earths and high performance metals, our collaboration with Arafura is also an example of concrete steps demonstrating how the U.S. and Australia can address the need for a reliable rare earth supply chain independent of China," said Pini Althaus, CEO of USA Rare Earth. "Our collaboration with Arafura also underscores the versatility of our Continuous Ion Exchange/Continuous Ion Chromatography (CIX-CIC) processing method that enables us to work with feedstock from projects other than our Round Top deposit."

"Arafura and the Australian Government, championed by the initiatives of Austrade, have combined to strengthen the working relationships with our U.S counterparts and we are excited to be playing our part in helping to establish a secure, long term supply of rare earths critical to the world. It's an exciting opportunity for Arafura to expand its customer potential and work with USA Rare Earth and our NTIB allies," said Gavin Lockyer, Managing Director of Arafura Resources.

In 2018, U.S. President Donald Trump and Australian Prime Minister Scott Morrison agreed that the United States and Australia – partners in the NTIB – will work together on strategic minerals exploration, extraction, processing and research, and development of rare earths and high-performance metals. On November 19, 2019, the U.S. and Australia formalized their partnership on developing both nations' critical mineral assets, with a project agreement signed by Geoscience Australia and the United States Geological Survey (USGS). The signing paves the way for both nations to work more closely on understanding each country's geological resource potential for critical minerals, including rare earth elements, and developing a pathway to supply arrangements.

USA Rare Earth and Arafura agreed in the Letter of Intent to execute a Definitive Agreement in Q1 2020.



“We’ve demonstrated the versatility of CIX-CIC in successful grants for the U.S. Defense Logistics Agency and the U.S. Department of Energy,” said Dan Gorski, CEO of TMRC and Round Top Project Manager for USA Rare Earth. “We look forward to showing how our method can work on Australian feedstock, as we establish a robust rare earth oxide supply chain.”

About USA Rare Earth, LLC

USA Rare Earth, LLC has an option to earn up to an 80% interest in the Round Top rare earth and technical metals industrial minerals project located in Hudspeth County, Texas. Round Top hosts a large range of critical heavy rare earth elements, high-tech metals, including lithium, uranium and beryllium, and is among the lowest-cost rare earth projects in the world. The Round Top Deposit hosts 15 of the 17 rare earth elements, plus other high-value tech minerals (including lithium) and is well located to serve the US internal demand. Round Top contains 13 of the 35 minerals deemed “critical” by the Department of the Interior and contains critical elements required by the United States; both for national defense and industry. For more information about USA Rare Earth, visit www.usarareearth.com

About Arafura Resources Limited

Arafura Resources Limited (ASX: ARU) is an Australian rare earth development company focused on the commercialization of its Nolans Neodymium-Praseodymium (NdPr) Project in Australia’s Northern Territory. The Company plans to produce 4,357 tonnes of separated NdPr oxide and 603 tonnes of SEG-HRE carbonate (containing heavy rare earths) each year for a minimum of 23 years from its mining and processing operation. The project has a completed feasibility study and full environmental permitting. Arafura anticipates commencing construction in early 2021 subject to securing project funding. For more information about Arafura Resources, visit www.arultd.com.

About Texas Mineral Resources Corp.

Texas Mineral Resources Corp.’s focus is to develop and commercialize its Round Top heavy rare earth and industrial minerals project located in Hudspeth County, Texas, 70 miles southeast of El Paso. Additionally, the Company plans on developing alternative sources of strategic minerals through the processing of coal waste and other related materials. The Company’s common stock trades on the OTCQB U.S. tier under the symbol “TMRC”.

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Cautionary Note to Investors

The United States Securities and Exchange Commission ("SEC") limits disclosure for U.S. reporting purposes to mineral deposits that a company can economically and legally extract or produce. This press release uses certain terms that comply with reporting standards in Canada and certain estimates are made in accordance with Canadian National Instrument NI 43-101 ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") - CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended (the "CIM Standards"). NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosures an issuer makes of scientific and technical information concerning mineral projects. This press release uses the terms "resource," "measured and indicated mineral resource," and "inferred mineral resource." We advise U.S. investors that while these terms are defined in accordance with NI 43-101 such terms are not recognized under the SEC's Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Mineral resources in these categories have a great amount of uncertainty as to their economic and legal feasibility. "Inferred resources" have a great amount of uncertainty as to their existence and, under Canadian regulations, cannot form the basis of a pre-feasibility or feasibility study, except in limited circumstances. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant "reserves" as in-place tonnage and grade without reference to unit measures. Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and all necessary permits and government approvals must be filed with the appropriate governmental authority. **The PEA is not a definitive feasibility study and our Round Top project currently does not contain any known proven or probable ore reserves under SEC Industry Guide 7 reporting standards.** The results of the PEA disclosed in this press release are preliminary in nature and include inferred mineral resources that are considered speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the results of the PEA will be realized. U.S. investors are urged to consider closely the disclosure in our latest reports and registration statements filed with the SEC. You can review and obtain copies of these filings at <http://www.sec.gov/edgar.shtml>. U.S. **Investors are cautioned not to assume that any defined resource will ever be converted into SEC Industry Guide 7 compliant reserves.**

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the U.S. Securities Act of 1933, as amended, and U.S. Securities Exchange Act of 1934, as amended, including, but not limited to, statements regarding the potential development of the Round Top project, estimates and projections regarding the economic feasibility of the Round Top project from the update PEA, including, NPV, IRR, payback period, capital cost, pricing assumptions, mining rate, average recoveries, oxide production amounts and methodologies, mine life, employment requirements, resource amounts and grades, projected revenues, initial capital costs, life of mine sustaining capital, cash flow projections, capital and operating cost estimates and projections, and sensitivity analysis, inclusion of uranium in future economic analyses, the potential to render high purity oxides, the Round Top facility generating critical technology oxides, release of the full PEA within a short period of time and other such similar statements. When used in this press release, the words "potential," "indicate," "expect," "intend," "hopes," "believe," "may," "will," "if," "anticipate," and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and



other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such statements. Such factors include, among others, uncertainty of mineralized material and mineral resource estimates, risks to projected and estimated economics not reflecting actual economic results due to the uncertainty of mining processes, potential non-uniform sections of mineralized material, potential mining hazards and accidents, changes in equipment and labor costs, changes in projected REE prices and demand, competition in the REE industry, risks related to project development determinations, the inherently hazardous nature of mining-related activities, potential effects on the Company's operations of environmental regulations, risks due to legal proceedings, liquidity risks and risks related to uncertainty of being able to raise capital on favorable terms or at all, as well as those factors discussed under the heading "Risk Factors" in the Company's latest annual report on Form 10-K as filed in November 2018 and other documents filed with the U.S. Securities and Exchange Commission. Except as required by law, the Company assumes no obligation to publicly update any forward-looking statements.