

ASX ANNOUNCEMENT

ARAFURA ANNOUNCES MEMORANDUM OF UNDERSTANDING WITH SASKATCHEWAN RESEARCH COUNCIL



26 August 2024

Arafura Rare Earths Limited (ASX: ARU) (“Arafura” or the “Company”) announces a Memorandum of Understanding (**MoU**) has been signed with the Saskatchewan Research Council (**SRC**) to collaborate on the global diversification of the magnet value supply chain, bringing together capabilities and interests in processing and supply of rare earths elements (**REE**). This MoU demonstrates Arafura’s commitment towards diversification of the rare earth supply chain to secure demand requirements for energy transition technologies.

The MoU will enable Arafura and SRC to develop a framework and timetable to agree on the terms for the toll processing of Samarium-Europium-Gadolinium / Heavy Rare Earths (**SEG/HRE**) product from the Nolans Project (**Nolans**) into a Dysprosium (**Dy**) and Terbium (**Tb**) oxide at SRC’s Rare Earth Processing Facility in Saskatoon, Saskatchewan, Canada.

Dy and Tb are essential for high-performance (NdFeB) magnets used in electric vehicles and other clean energy technologies.

Arafura plans to produce 573 tonnes of SEG/HRE oxide annually from the Nolans Project (Refer to ASX Presentation dated 23 July 2024) with contained Dy and Tb oxide of approximately 25 and 8 tonnes respectively. The MoU with SRC provides a pathway to market for Dy and Tb contained in the mixed SEG/HRE oxide product produced at Nolans. Under the MoU, this now becomes a product of strategic interest to end-use OEM customers and provides an alternative option to selling the SEG/HRE product for further processing in China. Whilst Arafura remains focused on offtake for its main product, Neodymium-Praseodymium (NdPr), this significant collaboration with SRC will potentially enable Arafura to market a complete range of rare earth products, including Dy, Tb, and NdPr, essential for high-performance magnet manufacturing and key to the electrification economy and a lower carbon future.

This adds further merit to Nolans being a downstream processing hub for enriched HRE third-party feed, as contemplated in the Nolans Phase 2 expansion plan (refer to ASX Announcement dated 23 July 2024). Additionally, there is scope for the Company to enhance SEG/HRE recovery up to 47 per cent by reducing the loss of value to waste through additional processing at Nolans. These initiatives could significantly enhance the production of SEG/HRE’s, resulting in more Dy and Tb products available through the proposed toll processing arrangement.

At present, the global supply of heavy rare earths largely relies on sources from Myanmar and processing in China. Arafura is set to play a pivotal geostrategic role in establishing supply chain diversification, providing responsibly sourced and ESG compliant products into the global market.

Additionally, a proposed objective of the MoU is for both parties to negotiate a long-term agreement for the sale and purchase of Arafura’s NdPr oxide product for SRC’s metal smelting operations.

MD and CEO Darryl Cuzzubbo said:

“This MoU has established an exciting Australia/Canada partnership. Heavy rare earths are vital for high-performance rare-earth magnets, and by collaborating, we will be geared to stay ahead of the global demand curve as the world transitions to a lower-carbon future.”

About SRC

Saskatchewan Research Council is Canada's second-largest research and technology organization with 1,400 clients in 22 countries around the world. With nearly 350 employees, SRC has been helping clients solve technology problems, make improvements, increase productivity and develop new markets for over 77 years. SRC has developed proprietary, state-of-the-art technology in rare earth mineral processing, solvent extraction and metal smelting integrated inside its Rare Earth Processing Facility.

-ENDS-

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