34th Australia - Japan HLG on Energy and Minerals

Gavin Lockyer
Chief Financial Officer & Company Secretary
Melbourne Convention and Exhibition Centre, 11 March 2011

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The information in this presentation that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Richard Brescianini BSc(Hons). The information in this presentation that relates to mineral resources or ore reserves is also based on metallurgical results and interpretation complied by Mr Steven Mackowski BAppSc. Both are full-time employees of Arafura Resources.

Mr Brescianini is a Member of the Australian Institute of Geoscientists and he has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)". Mr Brescianini consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Mr Mackowski is a Fellow of the Australasian Institute of Mining and Metallurgy and he has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)".
Mr Mackowski consents to the inclusion in this presentation of the matters based on his metallurgical results and interpretation in the form and context in which it appears.

ARAFURA RESOURCES LIMITED

Arafura – Our Company

"A speciality chemical company" which will make products to pharmaceutical grade quality standards.

Confirmed Strategy

- Our vision is to be the recognised leading supplier of Rare Earths to the world.

Mission

- To create and maximise shareholder value in a sustainable manner.

ARAFURA RESOURCES – 'Today'

An Emerging Company on a fast track to achieve Operating Company status.

Junior Company → **Emerging Company** → **Operating Company**

1997 – 2010

- Exploration
- Confirmed resource
- Technology Development
- PFS

2010 – 2012

- Confirmed Business Model
- BFS
- Project Financing
- Construction of production facilities

2013 +

- Sales
- Production
- Profits & Dividends
- Expansion
- Increasing Shareholder Value

APPROX 15 YEARS FOR A RARE EARTHS PROJECT

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Arafura – Corporate Summary and Project Areas

As at March 2011

Capital

367.9m shares

16.8m Board/Employee options

Market capitalisation

@ A$1.25 = ~A$460 million

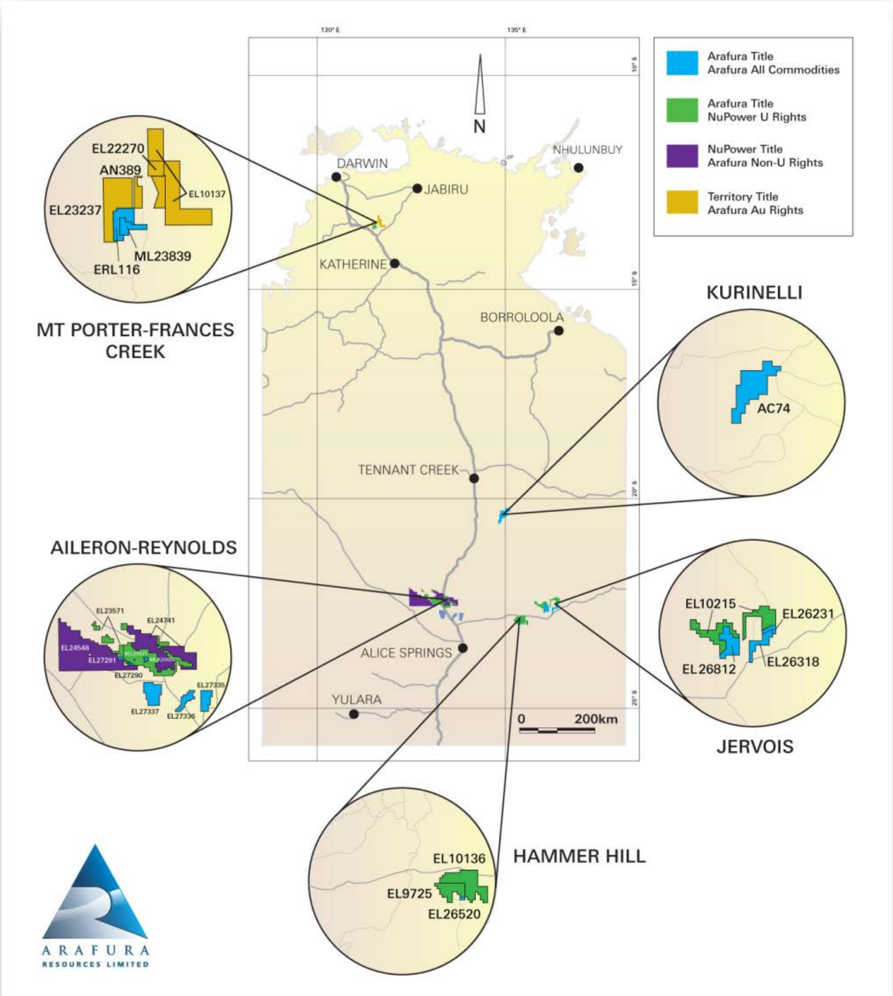
Cash (@ 31 December 2011)

A$97 million

Top shareholders

JP Morgan Nominees[1]	27.3%
Institutional	20.5%
ECE[2]	17.5%
Board & Management	2.7%

1. Substantial German-based retail shareholding amongst many shareholders
2. East China Mineral Exploration & Development Bureau



- Mt Porter-Frances Creek subject to sale to Global Resources Limited
- Looking for farm-in/ JV's on non-core tenements

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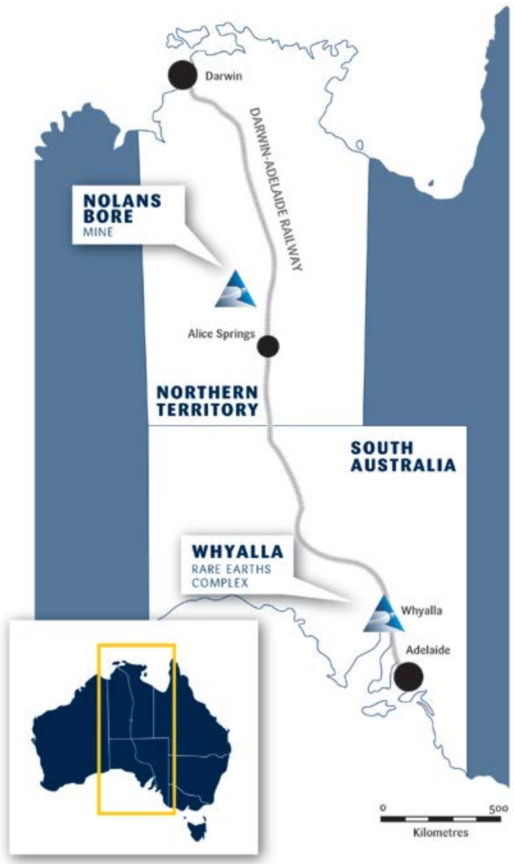
Business Model – Adding value in Australia



- Mining & ore beneficiation at Nolans Bore Mine in the Northern Territory
- Mineral concentrate transported by rail to the Rare Earths Complex at Whyalla in South Australia
- Wholly Australian operation
- Complete value adding of Australian resources within Australia

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Capturing Value in the Industry Supply Chain

Positioning to maximise value creation…

Ore → Mineral Concentrate → Rare Earth Intermediates (Carbonate) → **Rare Earth Oxides** → Metals/Alloys → Components → OEMs

- Production of Rare Earth Oxides rather than lower priced concentrates or intermediates
- Seeking mutually beneficial global sales contracts over the next few months – face-to-face customer meetings booked in Japan, Korea, Europe & North America in March
- Ideal product mix to feed high growth markets *e.g.* magnets, phosphors

Arafura is the only company with significant amounts of uncommitted Rare Earth Oxide products available to supply users worldwide

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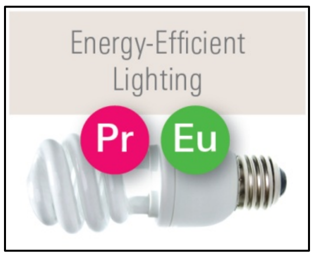
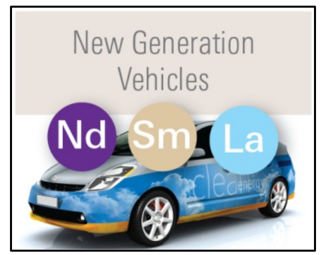
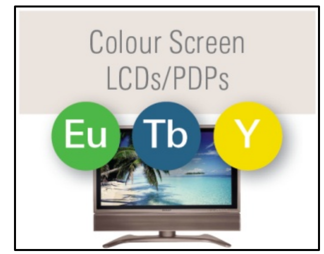
Rare Earths – Vital to today's technology

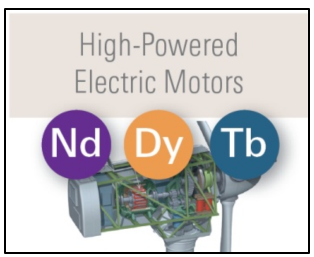
Rare Earth prices are immaterial to end product price but critical to performance.

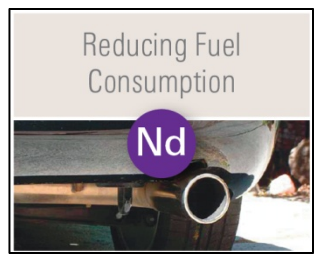
Without them there would be no:

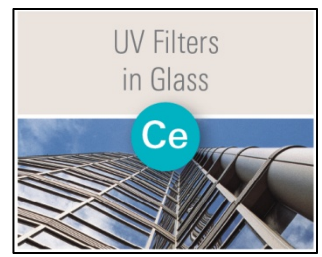












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Rare Earths – Strategic to Government Policies

The strategic importance of Arafura to the global rare earth supply chain...

- **November 2010**
  Australian Foreign Minister stated Australia stands ready to be a long-term, secure, reliable supplier of rare earths to the Japanese economy in the future.

- **2010**
  Arafura invited to the TREM Conference Washington, USA, the Australian Embassy European Economic Community forum at The Hague in the Netherlands, and the Metal Research Bureau conference, Tokyo.

- **Early 2011**
  Arafura invited to the 34th Australia -Japan HLG on Energy & Minerals and TREM Conference in Washington, USA.

Rare earths are vital to meet global goals of green house gas abatement, reduced carbon emissions and energy efficiencies.

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Rare Earths – the future

The industry challenge is for the supply side to keep up with demand...

Strong Demand

- End use markets are forecast to grow at 2, 3 or 4 times GDP
- Recent industry commentary indicates that China may need to import product for its own use in 5 years or so
- Consumer demand for technology (iPods, laptops, mobile phones, hybrid vehicles)
- Government policies (energy efficiencies, greenhouse gas abatement and carbon emissions)

Limited Supply

- Rare Earths are ubiquitous *but* extremely few deposits are economically exploitable
- High technology and capital requirements are barriers to successful production and cause long project lead times

Governments can help by:

- Providing appropriate support to assist high tech and high capital projects

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Nolans Project – Globally Significant

High potential value, long life, multiple revenue streams with upside potential...

Phase 1 Annual Production	
REO Rare Earths Oxides	20,000 t
P_2O_5 as 61% Phosphoric Acid	80,000 t
U_3O_8 Uranium Oxide	150 t
$CaSO_4$ Gypsum	500,000 t

Further drilling is currently underway to identify the full size and extent of the Nolans Bore resource – it is currently open and may be able to support expanded production.

Total resources for Nolans Project

RESOURCES	TONNES[1] (million)	RARE EARTHS REO %	PHOSPHATE P_2O_5 %	URANIUM U_3O_8 lb/t
Measured	5.1	3.2	13.5	0.57
Indicated	12.3	2.8	13.4	0.43
Inferred	12.8	2.6	12.2	0.40
TOTAL	30.3	2.8	12.9	0.44
CONTAINED METAL		848,000 t	3.9 Mt	13.3 Mlb

1. Using 1% REE cut-off grade

Financial Evaluation October 2010

October 2010 Project Economics			
Capital Costs @ 0.95	A$950 million		
Sales Revenue	US$		
	Low	Mid	High
Rare earth oxides US$/kg	$22.00	$38.00	$54.00
Rare earth oxides 20,000t US$	$440	$760	$1,080
Phosphoric Acid 80,000t US$1,250/t	$100		
Gypsum 500,000t US$25/t	$12		
Uranium 150t US$40/lb	$13		
Total Revenue p.a. US$M	$565	$885	$1,205
	A$M		
Total Revenue p.a @ 0.95	$595	$932	$1,268
Annual Operating Expenses @ 0.95	($376)		
EBITDA p.a	$219	$556	$892
NPV @ 10% after tax and capital payback	$1,420	$4,050	$6,549
Capital Payback - years	5	4	3

Current price (Feb 28th 2011) US$109.72/kg

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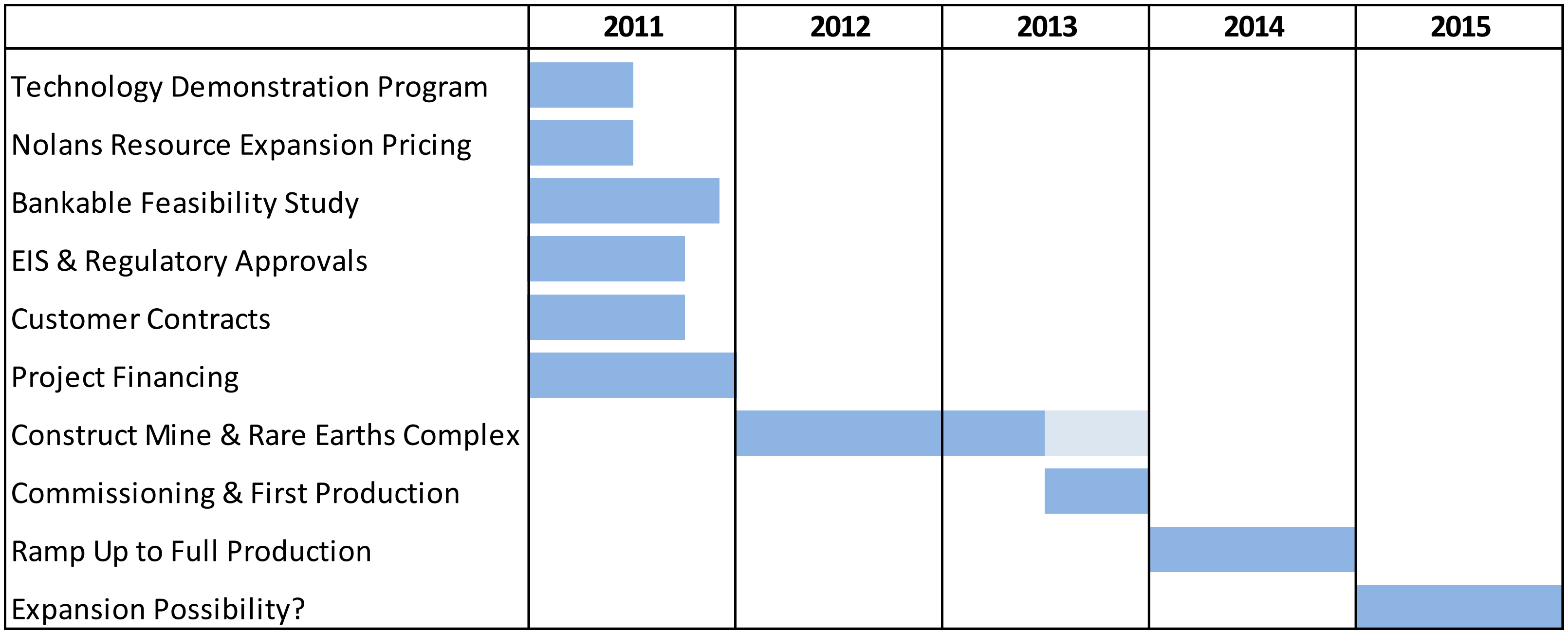
Future Work Program

A fast track program to production……



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Thank You