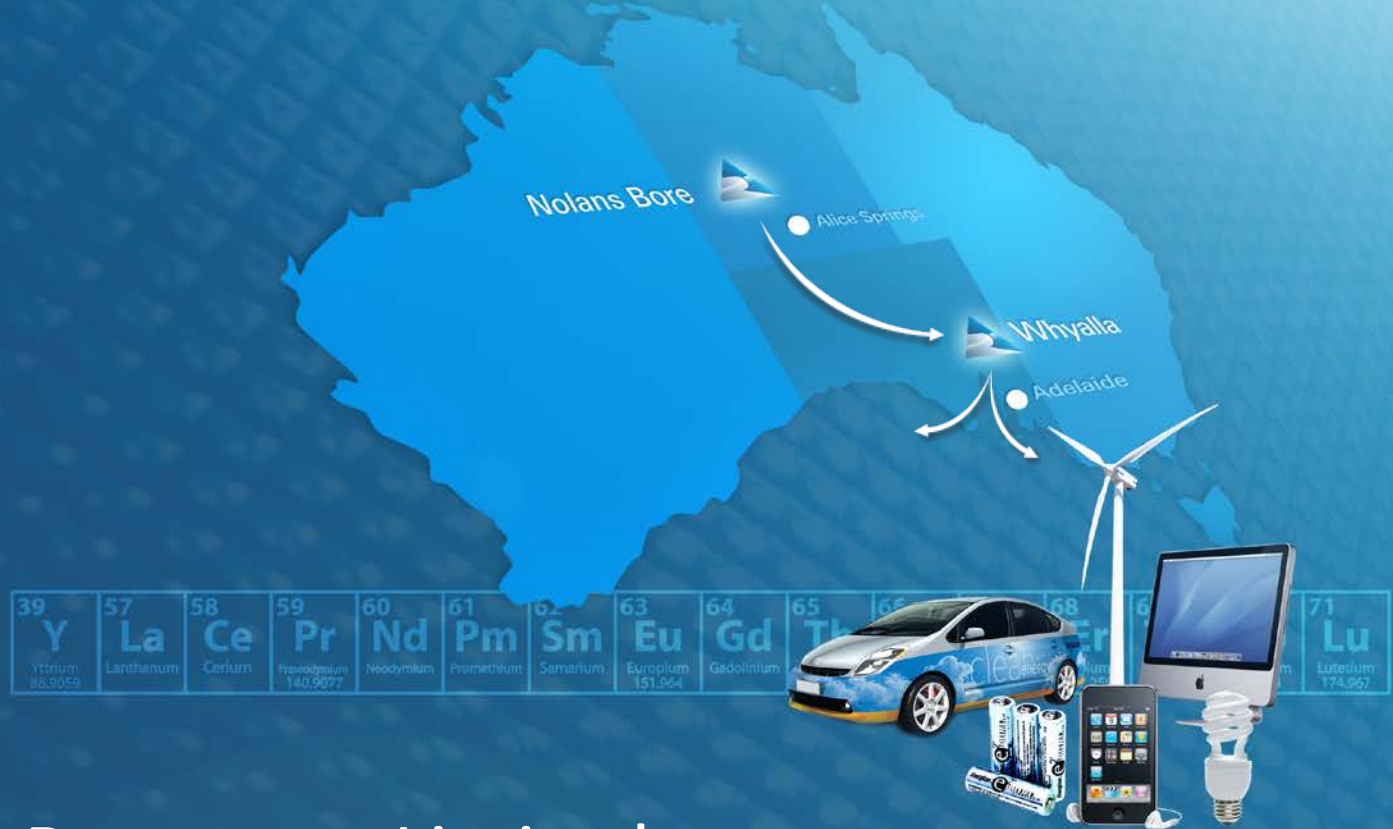


**ARAFURA** ADDING VALUE IN AUSTRALIA  
TO PRODUCE RARE EARTHS  
FOR USERS WORLDWIDE



**Arafura Resources Limited**  
**Mines & Money Australia Conference**  
16 October 2012 – Chris Tonkin, CEO

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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). 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 Brescianini is a full-time employee of Arafura Resources.

# An Emerging Rare Earths Producer

**Arafura Resources is an emerging rare earths producer with an advanced Australian development project – the Nolans Project**

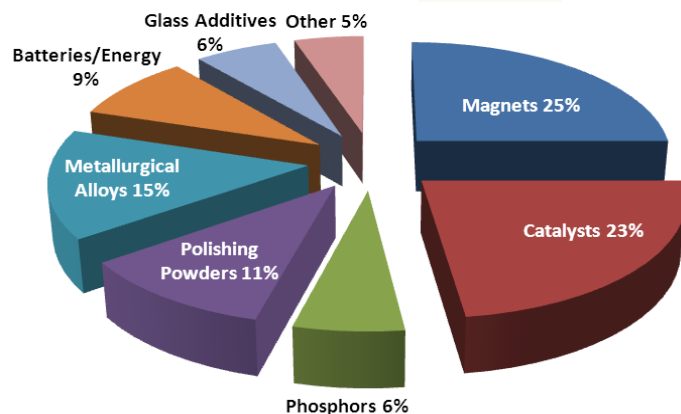
<b>ASX Code</b>	ARU
<b>Shares on offer</b>	396 million
<b>Options</b>	11.5 million
<b>Market Cap@17.0c</b>	\$67.3 million
<b>1-year range</b>	14 - 69 cents
<b>Cash at 30/6/12</b>	\$19.5 million
<b>Debt</b>	nil
<b>Top shareholders</b>	JP Morgan Nominees (27.15%) ECE (16.9%)



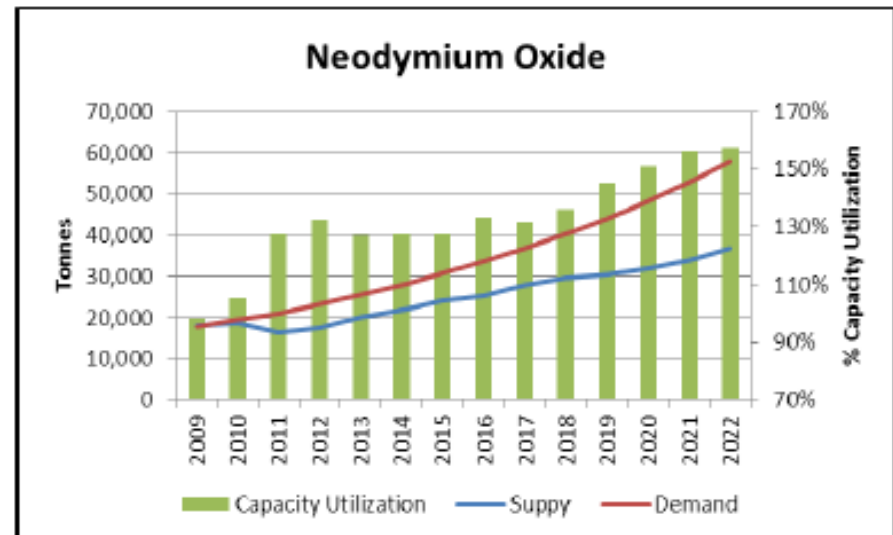
## Green technology sector will drive Arafura's REO sales

- ▲ Hybrid vehicles
- ▲ Wind turbines
- ▲ Phosphors (energy-efficient lighting)

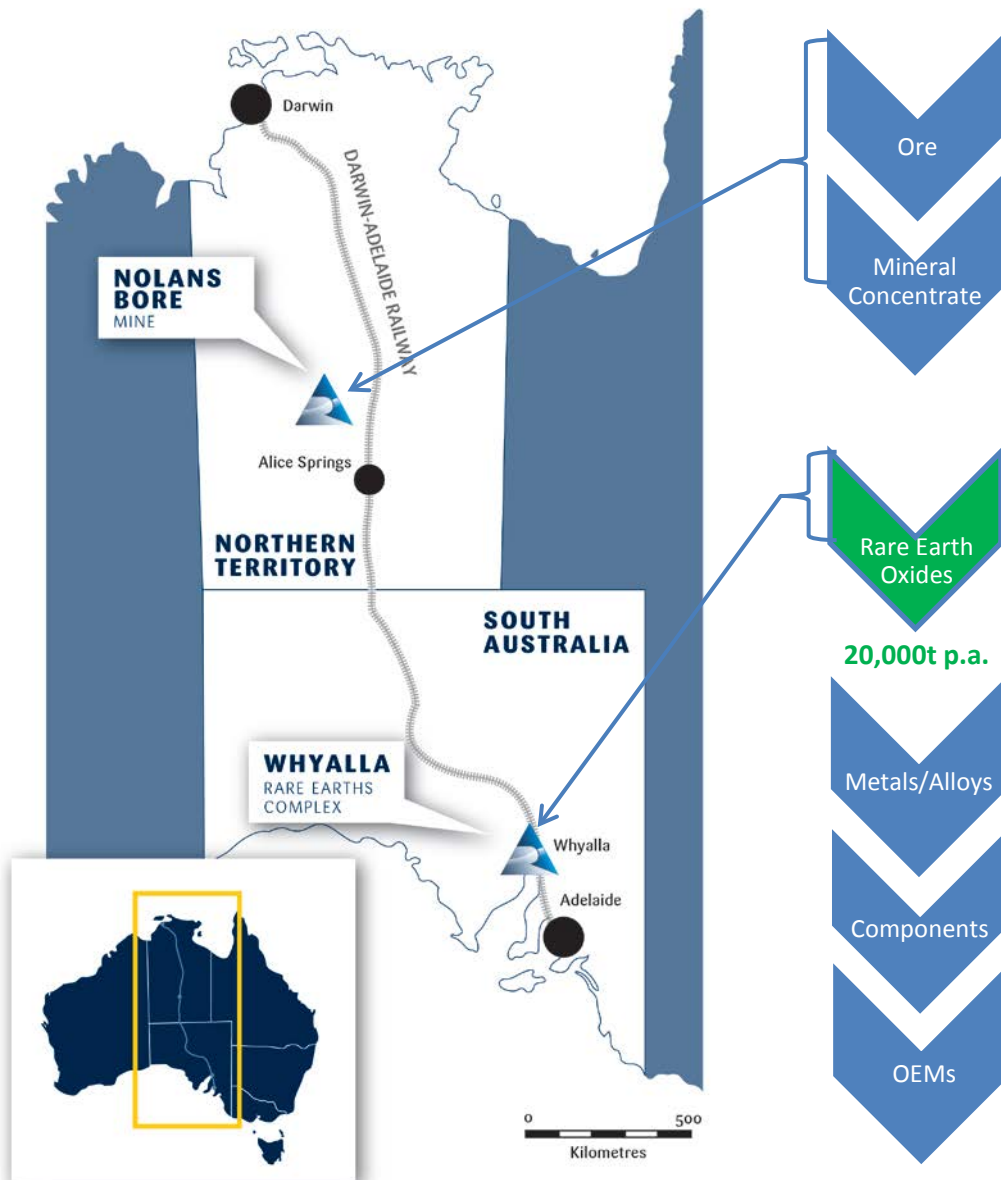
- ▲ For most rare earths, the pricing outlook is positive – **strong demand and tight supply**
- ▲ Material supply shortfall expected in selected REO products, such as Didymium (Nd/Pr) product used in **permanent magnet end markets**
- ▲ Didymium is **strongly represented** in the Nolans product mix, and is expected to generate **50-60% of total revenue**



REO Market Segments by Application (2011)



# Nolans Project Base Case



The Nolans Project is one of the most advanced rare earths development projects in the world

The recent Project Update established a Base Case of:

- ▲ **Mine and concentrator at Nolans Bore, Northern Territory**
- ▲ **Chemical processing operation in Whyalla, South Australia**

*Business Model - Adding Value in Australia*



# World-scale, strategic resource

RESOURCES	TONNES (million)	RARE EARTHS REO %	TONNES REO	TONNES P <sub>2</sub> O <sub>5</sub>	TONNES U <sub>3</sub> O <sub>8</sub>
Measured	4.3	3.3	144,000	572,000	1,120
Indicated	21	2.6	563,000	2,610,000	4,090
Inferred	22	2.4	511,000	2,220,000	3,610
<b>TOTAL</b>	<b>47</b>	<b>2.6</b>	<b>1,217,000</b>	<b>5,410,000</b>	<b>8,830</b>

*1% REO cut-off grade. REO grade excludes Yttrium (Y)*

- ▲ **Minimal resource risk** – approximately 90km drilling completed
- ▲ Mineral resource **remains open at depths** below 220m
- ▲ Amenable to low cost open cut mining and milling
- ▲ Standard beneficiation techniques
- ▲ **Expected mine life in excess of 20 years**

# Customer qualified REO products

## *Arafura's separated REO products*



Ce Oxide



HRE Oxide



Nd/Pr Oxide



SEG Oxide

- ▲ Produced four separated REO products to 99% purity
- ▲ In-specification final REO products **verified by customers**
- ▲ In the process of finalising production of a separated Lanthanum Oxide product to 99%
- ▲ LOI and MOU signed with **ThyssenKrupp and a major Korean company** for product sales (each 3,000t REO p.a.) and related business arrangements



# Regulatory and community support

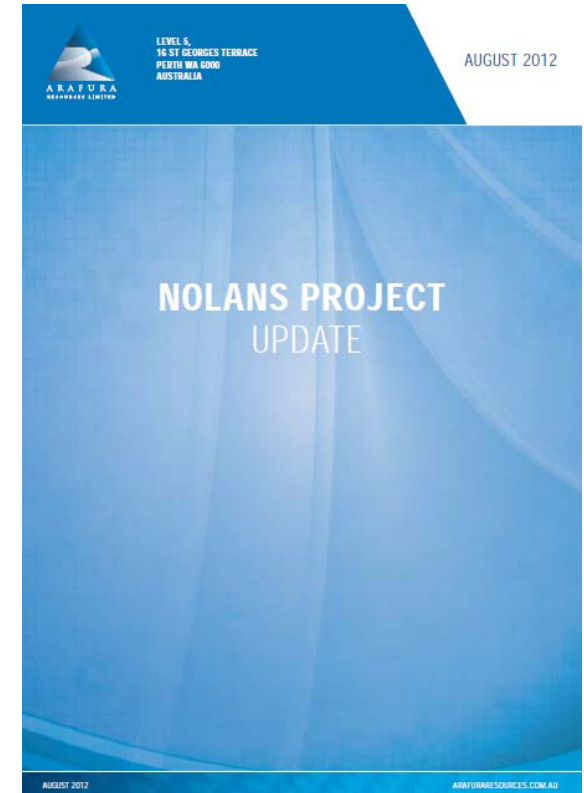
- ▲ **Clearly defined regulatory frameworks** in Northern Territory and South Australia
- ▲ Whyalla Processing Complex has Major Project status from South Australian government
- ▲ Advanced environmental studies at both sites – **no major issues identified**
- ▲ Community relations, engagement and acceptance of the Project have been **very positive**



**Arafura is committed to open and transparent engagement and consultation with the community as a core organisational value**

# Project Update validates robust economics

- ▲ Comprehensive Project Update released August 2012
- ▲ **Provides transparency** for investors and other stakeholders
- ▲ Nolans Project Base Case confirms robust project economics over 20 years:
  - **NPV of A\$4.3 billion** (10% discount rate)
  - **IRR of 30%** (after tax and capital payback)
  - **Capital payback within 4 years** of operation
  - Core capital cost of A\$1.395 billion

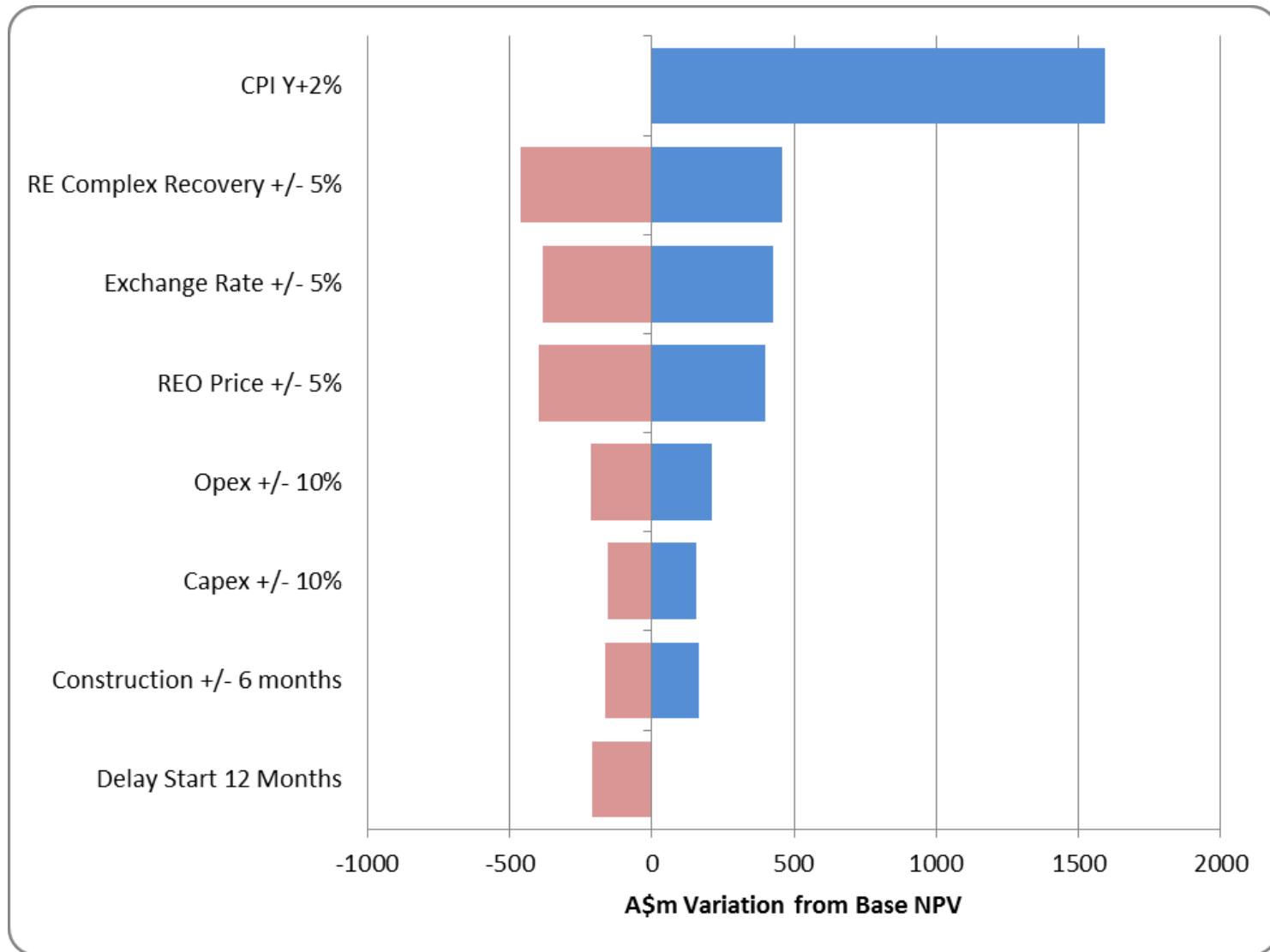


**Arafura's objective is to become one of the world's largest rare earth producers**

# Base Case financial summary

<b>Sales Revenue</b>	<b>US\$ million per annum</b>
REO 20,000 tonnes (less Royalty and Selling Expenses)	1,124
Uranium	15
Other	16
<b>Total Revenue</b>	<b>1,155</b>
	<b>A\$ million per annum</b>
<b>Total Revenue @ US\$1 = A\$1.026</b>	<b>1,125</b>
<b>Operating Expenditure</b>	
Nolans Bore Mine and Concentrator	(77)
Transport and Logistics	(54)
Whyalla Rare Earths Complex	(280)
<b>Total Operating Expenditure</b>	<b>(411)</b>
<b>Revenue less Operating Expenditure</b>	<b>714</b>
Corporate and Emission Permits	(16)
<b>EBITDA</b>	<b>698</b>
<b>NPV @ 10% after tax and capital payback (A\$m)</b>	<b>4,324</b>
<b>IRR after tax and capital payback</b>	<b>30%</b>
<b>After tax payback period</b>	<b>Year 4 of operations</b>
Operating Cost A\$/kg REO (less co-products)	19.58
NPV = 0 @ US\$/kg Nolans REO Products	28

# Sensitivity of Base Case NPV



## IER validates advanced stage and significant valuation upside of the Nolans Rare Earths Project

- ▲ Independent Expert's utilisation of NPV methodology validates the advanced nature of the Project
- ▲ **IER key findings:**
  - Estimated value of **Nolans Project** = A\$2.4bn to A\$4bn, with a preferred value of A\$3.2bn
  - Estimated value of **Arafura** at \$0.243 to A\$0.404 per share, with a preferred value of A\$0.323

**IER values the Nolans Project at more than 30 times  
Arafura's current market capitalisation**

*\* ARU engaged BDO Corporate Finance (WA) Pty Ltd to prepare an Independent Expert's Report ("IER") to determine if the capital injection by a major shareholder, ECE Nolans Investment Company Pty Ltd ("ECE Nolans") is fair and reasonable*

## Recent Project Update and IER enhance funding options

### Short Term

- \$10m placement to ECE
- \$22m R&D Claim\*
- Existing Cash Reserves
- Capital raising

### Medium – Long Term

- Strategic partners
  - Equity JV
  - Off take
- Debt financing
- Equity financing

Discussions  
ongoing

- ▲ CEO & CFO – bring significant management experience in project finance and have proven track records in structuring and arranging financing at company and project level

\* For further details refer to p96 (Note 7) Annual Report 2012

# Funding required for 2012/13

## Project Refinement

- ▲ Conversion to Ore Reserve
- ▲ Demonstration Plant Operation
- ▲ Integrated Pilot Plant
- ▲ REO purification to customer specification

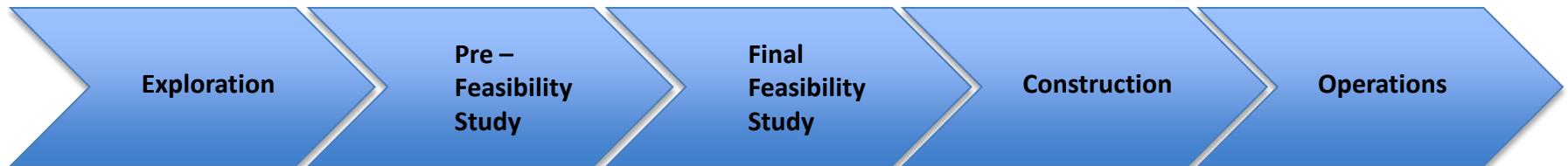
## Engineering

- ▲ Detailed engineering
- ▲ Transport and logistics

## Other

- ▲ EIS submissions
- ▲ Sales and supply contracts
- ▲ Strategic partners

**Seeking finance second half 2013 for Project construction**



Complete

Complete

Well advanced

Timing subject to investment decision  
expected mid-2013

# Nolans Project – strong investment case

- ▲ Nolans Rare Earths Project – **world scale and well advanced**
- ▲ Positioned to supply **10% of global rare earths products** this decade
- ▲ Recent Project Update confirms **robust economics**
- ▲ Independent Expert's Report – **validates significant valuation upside**
- ▲ **Funding plan in place** – multiple options
- ▲ Support from **government and community**
- ▲ Strong **Board and Management** team



# Experienced Board and Management



**Ian Kowalick – Non-Executive Chairman**  
Appointed 1 February 2012. Ian has worked in technical and project consulting, economic and business analysis for resource, banking and investment companies. Previously held the most senior management position in the South Australian public sector.



**Chris Tonkin – Managing Director**  
Over 25 years' experience as senior business executive. Proven track record in structuring and arranging complex financings for companies and projects in Australia and internationally across all major industry sectors.



**Shasha Lu – Non-Executive Director**  
Based in Nanjing, China – responsible for business development opportunities in China. Former Executive Director and CEO of Hong Kong East China Non-Ferrous Metal Resources Co. Ltd (part of ECE).



**Dr Alex Losada-Calderon – Non-Executive Director**  
25 years' worldwide experience as geologist, project manager, country general manager for various mining and engineering companies. Also a director of Australian ECE Nolans Investment Limited.



**Gavin Lockyer – Company Secretary & CFO**

Over 20 years' international experience in finance and mining. Held positions in senior investment banking, finance, treasury, derivatives and accounting.



**Richard Brescianini – General Manager, Exploration & Development**

Over 25 years' public and private experience in the minerals industry, including BHP Minerals and the NT Government's Geological Survey.



**Neil Graham – General Manager, Operations & Technology**

Over 25 years' international experience in the chemical industry encompassing design, construction and commissioning of installations. Chartered engineer, most recently worked with Orica.



**John Ganser – General Manager, Projects**

Over 30 years' experience in minerals and metals industry, including Rio Tinto, BHP Billiton, Iluka Resources, Hatch, SKM GHD and Calibre Projects.

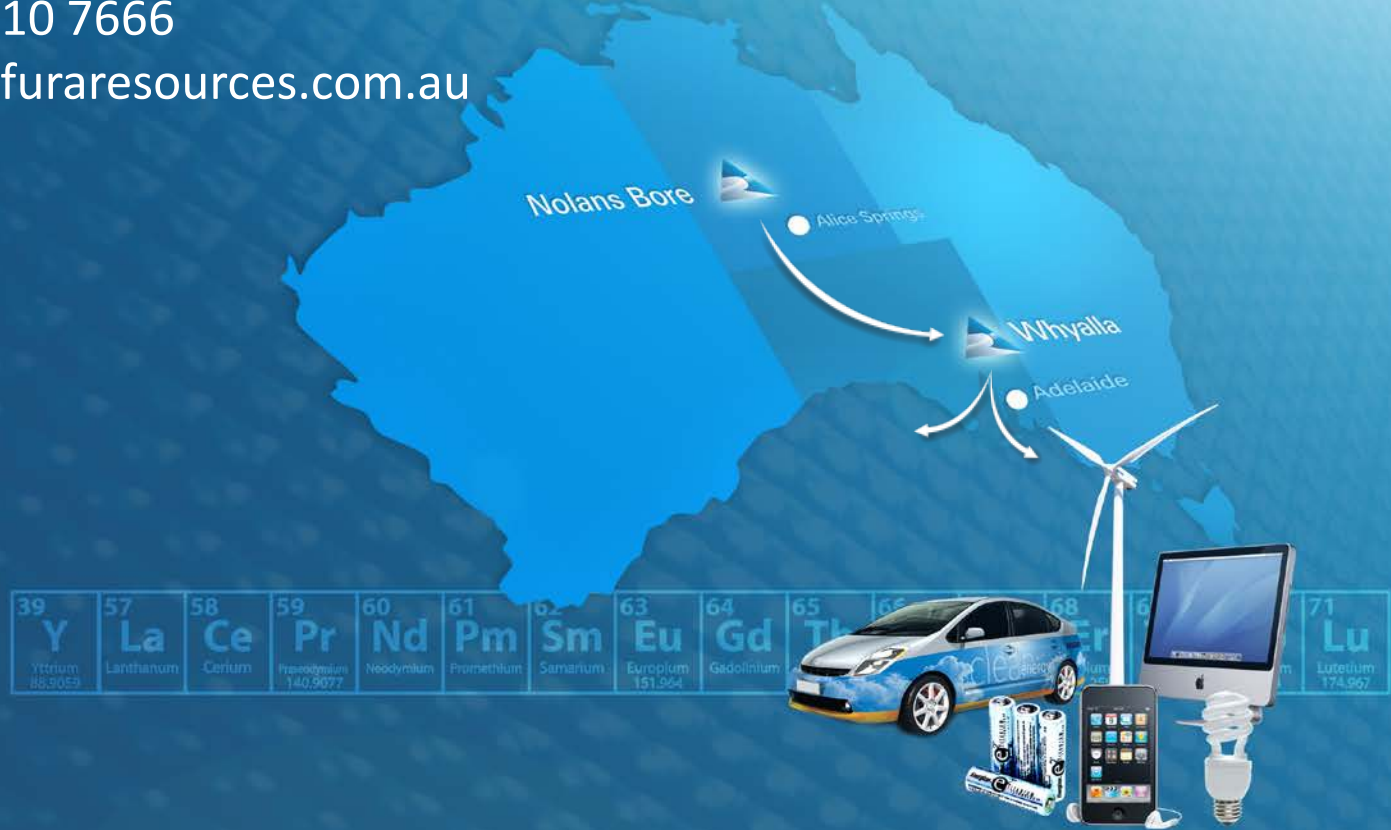
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