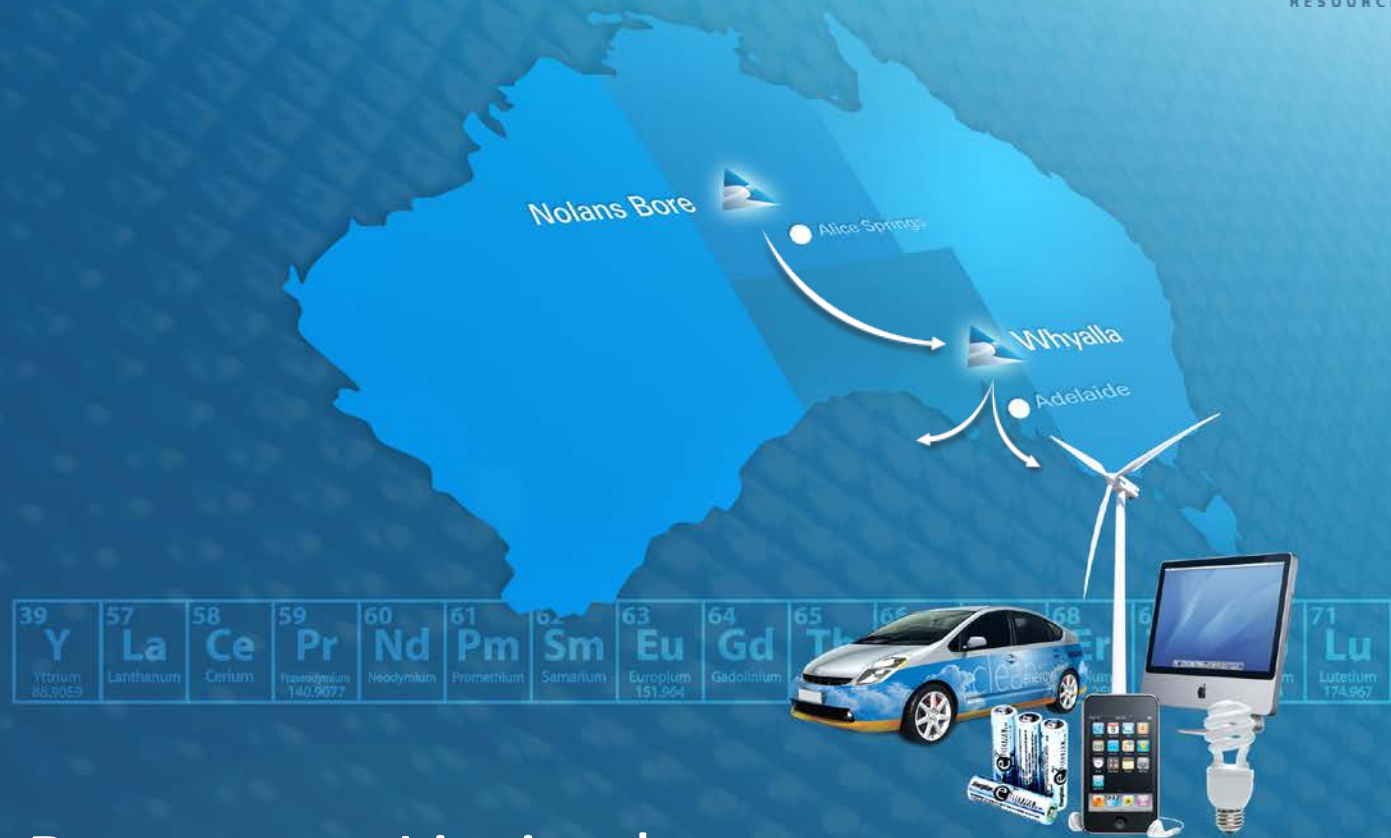


ARAFURA ADDING VALUE IN AUSTRALIA
TO PRODUCE RARE EARTHS
FOR USERS WORLDWIDE



Arafura Resources Limited
Extraordinary General Meeting
18 October 2012

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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.

1. Overview of the Proposed ECE Transaction

 ECE Nolans Investment Company Proprietary Limited (ECE)

 Summary of the ECE transaction

 Resolution 1: Approval of Share Issue

2. Independent Expert's Report

3. Update on Arafura

4. Next Steps 2013

ECE – a beneficial & long-term partnership



 ECE have a long-term relationship with Arafura

- First investing in the Company in 2009
- Current equity position = 16.27%

 ECE has shown further confidence in Arafura by agreeing to

- Increase its current ownership level to 24.86%, subject to the approval of Shareholders and other relevant regulatory bodies (China and Australia)

 The placement to ECE will assist Arafura to meet its short term funding requirements as the Company progresses toward project finance in 2013

 Arafura have considered a number of other funding alternatives but believe this to be the option which best serves the interests of shareholders

Summary of the ECE transaction

-  Arafura will place a total of 45,266,500 new shares at A\$0.22 per share to ECE Nolans to raise \$9,958,630 in cash
-  This share placement will represent 8.75% of Arafura's issued capital
-  Assuming all approvals are given, ECE Nolans will revert back to their initial ownership percentage in Arafura of 24.86% as established in 2009, increasing from their current ownership of 16.27%
-  The funds raised will be applied primarily towards progressing the feasibility study on the Nolans Rare Earths Project

Resolution 1 – Approval of Share Issue

 Subject to FIRB Approval, to consider, and if thought fit, to pass the following resolution as an ordinary resolution:

- For the purposes of the Corporations Act (item 7 of section 611) and for all other purposes - **approval is given for the Company to issue and allot 45,266,500 share to ECE Nolans Investment Company Pty Ltd on the terms set of in the Explanatory Memorandum** accompanying the Notice of Extraordinary General Meeting dated 18 September 2012,
- and for the **acquisition of a relevant interest** (as defined in the Corporations Act 2001) **in the Company's voting shares** by the entities specified in, and in the manner set out in, the Explanatory Memorandum accompanying the Notice

Key benefits of the share placement



Arafura will receive a cash injection of \$9.96 million

- Places Arafura in a stronger financial position to progress its Nolans Rare Earths Project and negotiate various strategic agreements/partnerships
- The funds raised will be applied towards:
 - Progressing its feasibility study on the Nolans Rare Earths Project; and
 - Working capital purposes



Potential synergies from the long-term strategic partnership

- ECE Nolans is a well funded partner, with significant experience in mineral exploration, development and mining
- ECE has a number of resource projects in China and other parts of the world



Secures a platform to continue growth



Attractive funding source with funds raised at a material premium to the prevailing share price and for no transactional/brokerage costs

IER validates valuation upside potential



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

- Independent Expert's utilisation of **NPV methodology validates the advanced nature of the Project**
- 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



The cash consideration payable by ECE Nolans for the New Shares is \$0.22 per Share

Independent Expert's assessment of ECE transaction

Independent Experts Report (IER) has viewed the ECE placement of shares as being **not fair but reasonable**.

-  IER considers the placement of the New Shares to be reasonable because the **advantages to Shareholders are greater than the disadvantages**
-  IER states that Arafura requires significant funds in order to complete the feasibility study currently underway for the Nolans Project
-  IER notes that ECE can assist in providing, in part, these funds to Arafura in order for the Company to continue the feasibility study

Update on Arafura



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

World Scale, Strategically Significant Resource



RESOURCES	TONNES (million)	RARE EARTHS REO %	TONNES REO	TONNES P ₂ O ₅	TONNES U ₃ O ₈
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
TOTAL	47	2.6	1,217,000	5,410,000	8,830

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**
- ▲ We have already signed our first letter of Intent covering sales of our product with Thyssen Krupp the large German Company with extensive worldwide interests.

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 is on track to become one of the world's largest rare earth producers

Funding required for 2012/13

Project Refinement

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

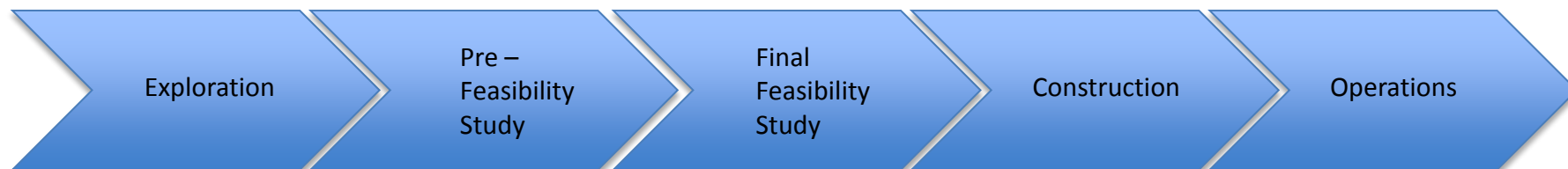
Engineering

- ▲ Detailed engineering
- ▲ Transport and logistics

Other

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

Project financing second half 2013



Complete

Complete

Well advanced

Timing subject to investment decision expected mid-2013

Funding Plan in place – multiple options

Recent Project Update and IER enhance funding options

Short Term

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

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*

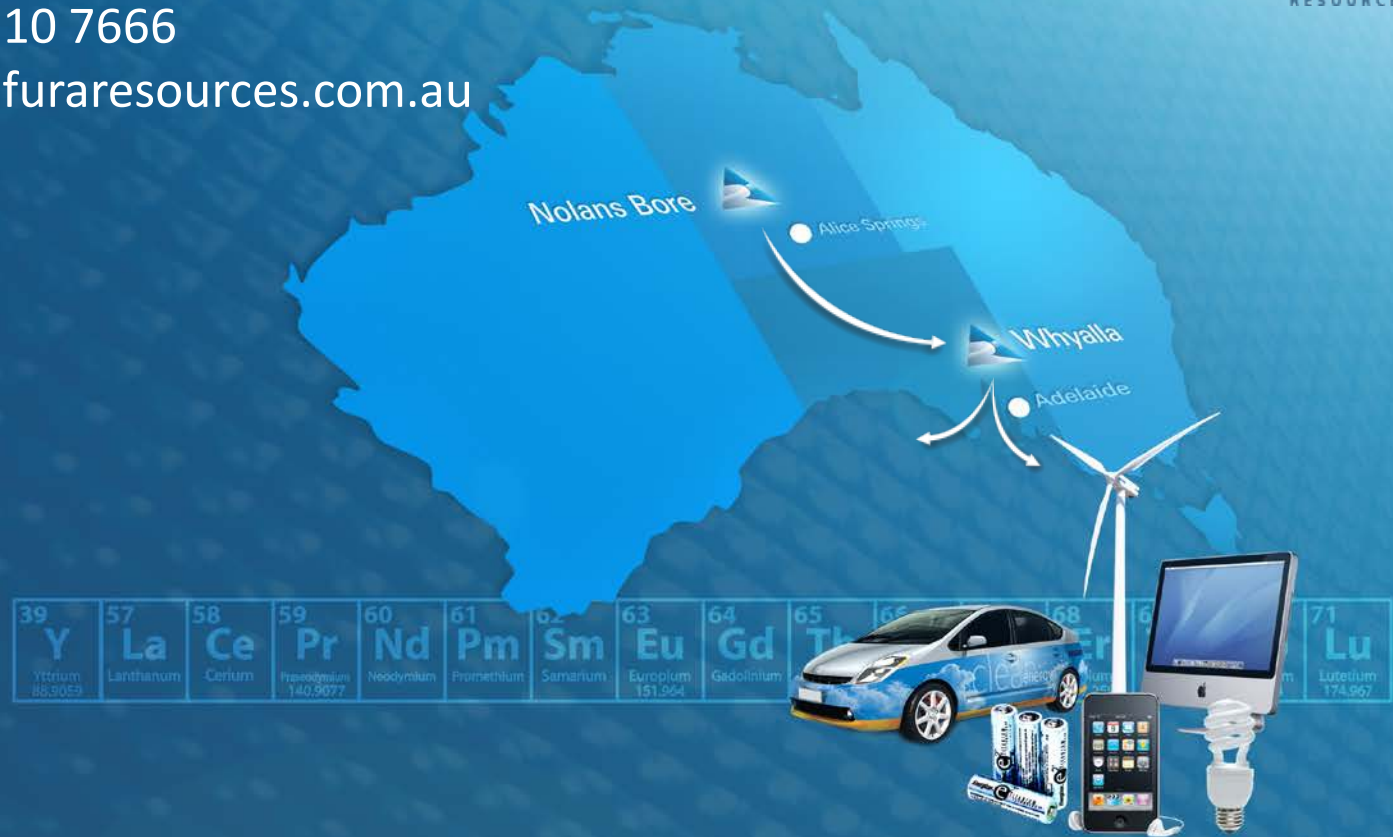
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