



Arafura Resources Limited

(ASX:ARU)

Transformational Equity Capital Raising Presentation

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June 2019

Investor Presentation



Important Notice – Disclaimer

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This presentation has been prepared by Arafura Resources Limited (**Arafura, Arafura Resources** or the **Company**) in relation to an offer of new fully paid ordinary shares in Arafura Resources (**New Shares**) under a fully underwritten non-renounceable entitlement offer to be made under section 708AA of the *Corporations Act 2001* (Cth) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

This presentation is of a summary form only and therefore contains general background information which may not be complete. It should be read in conjunction with and full review made of Arafura Resources' disclosures and releases lodged with the Australian Securities Exchange (**ASX**) and available at www.asx.com.au.

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Please refer to Appendix D for compliance statements in relation to Arafura's ore reserves, mineral resources and production targets and forecast financial information derived from a production target.

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Transformational Equity Raising

Investment Proposition

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- Arafura Resources Limited ASX listed company developing its 100% owned Nolans Rare Earths (NdPr) Project located in the Northern Territory, Australia.
- **Rare earths in global spotlight:** Recent speculation that China may restrict supply of rare earth material to the United States has seen a sudden surge in the NdPr price – China accounted for approximately 80% of rare earth imports by the United States between 2014 and 2017.
- **Favourable price outlook:** Independent forecasters such as Roskill are predicting a 10 year price range for NdPr oxide of US\$66 to US\$90/ kg (and as high as \$150/kg) from 2020 to 2030 – such a price puts Arafura’s project in the zone.
- **Australian mine and processing:** Australian Federal Government approvals in place to construct and operate Arafura’s Rare Earth mine and downstream processing facilities within Australia reduce sovereign risk.
- **Strategy to accelerate engineering endeavours:** Strategy to be “shovel ready” coincident with the alignment of forecast NdPr price increases from 2020.
- **Targeted drilling and metallurgical program:** Potential to extend the current mine life of 23 years and potentially reducing Arafura’s already very low estimated OPEX of US\$25.94/kg NdPr – NdPr is currently trading at circa US\$50/kg.

Refer ASX announcement 7 February 2019: Nolans Project Definitive Feasibility Study.



U.S. military firms likely to face China rare earth restrictions: Global Times

COMMODITIES
JUNE 17, 2019 / 11:01 AM / UPDATED 12 MINUTES AGO

BEIJING (Reuters) - Military equipment firms in the United States will likely have their supply of Chinese rare earths restricted, the Global Times said on Monday, after China’s state economic planner confirmed industry experts have proposed export controls.

FINANCIAL REVIEW

NAIF to help Arafura's \$1.1b rare earths project

Angus Grigg and Peter Ker

Jun 7, 2019 — 12:00am

The federal government is looking to help fund a \$1.1 billion rare earths project in northern Australia, as the key component in wind turbines, power tools and fridges becomes the [latest battleground in the US-China trade war](#).

The Sydney Morning Herald

WORLD NORTH AMERICA MINING

US to work with Australia, Canada to cut reliance on Chinese minerals

By Timothy Gardner
June 12, 2019 – 3:17am



Becoming Australia's Next Fully Integrated NdPr Producer

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Arafura's Portfolio of Australian assets

- 100% ownership of Nolans Rare Earth Project
- Mine and all downstream processing facilities to be built in Australia
- Considerable intellectual property developed and validated through large scale pilot program

Key environment approvals in place for Australian downstream processing facilities

- Australian Federal Government approvals in place to construct and operate rare earths extraction facility
- Native Title Agreement and Mining Licence expected CY2020

Offtake and project financing discussions underway

- Key customer target markets identified
- Non-binding offtake agreements for 20% of high value NdPr product
- Offtake discussions underway for balance of NdPr, other rare earths and phosphoric acid

Arafura is pleased to offer eligible shareholders the opportunity to participate in this transformational equity capital raising to accelerate engineering activities to target being “shovel ready” coincident with the alignment of forecast NdPr price increases from 2020.

Transformational Equity Raising

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Funding to Accelerate Engineering Activities

- ▶ Strategy to accelerate engineering activities to be aligned with forecast NdPr price increases from 2020
- ▶ Commencing Front End Engineering and Design (FEED) now to reduce project timeline by an estimated 6 months
- ▶ Estimated cost of A\$15m

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Funding to Extend Mine Life and Reduce OPEX

- ▶ Targeted exploration and metallurgical program aims to potentially increase current mine life of 23 years
- ▶ Opportunity to potentially reduce very low estimated OPEX of US\$25.94/kg NdPr (lowest amongst peers) even further
- ▶ Estimated cost of A\$3m

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New Equity Investment Opportunity

- ▶ Underwritten Non-Renounceable Entitlement Offer to raise circa \$23.2m (before costs)
 - Lead Manager and Underwriter: Patersons Securities Limited
 - Cornerstone sub-underwriter: Talaxis Limited
 - Talaxis has a specific focus on the rare earths sector & wishes to co-operate for provision of product, project and capital related services
 - Funds dedicated to the above activities and working capital



Entitlement Offer Summary

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Non-Renounceable Entitlement Offer

- A seven (7) for twenty (20) Non-renounceable pro-rata Entitlement Offer at 8.5¢ per share to raise approximately \$23.2 million (before costs) through the issue of approximately 273.4 million New Shares (subject to rounding and determination of entitlements).
- The Entitlement Offer is fully underwritten by Patersons Securities Limited with a cornerstone sub-underwriting of \$7.2 million from strategic investor, Talaxis Limited (**Talaxis**), a wholly owned subsidiary of Noble Group Holdings Limited (**Noble**).

The offer price of 8.5¢ per New Share under the Entitlement Offer represents

- A discount to the 5 day VWAP of 32.3% on 17 June 2019 of 12.5¢.
- A discount to the 10 day VWAP of 25.4% on 17 June 2019 of 11.4¢.
- A discount of 32.0% to the closing price on 17 June 2019 of 12.5¢.
- A discount of 25.8% to TERP of 11.5¢.

(Rounded to the nearest decimal place)

Introducing Talaxis

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- Talaxis is a wholly owned subsidiary of Noble.
- Noble is a leading energy products and industrial raw materials supply chain manager, who markets, processes, finances and transports key commodities in high growth markets.
- Talaxis invests and participates in the development of projects in the technology metals sector, with a special focus on rare earths.
- Through Noble, Talaxis has access to logistics and supply chain management and assist with the design and structure of financing solutions.
- Talaxis is looking to align itself with the existing shareholders to minimize dilution and preserve shareholder value.
- Potential for Talaxis to assist in bringing Nolans product to various destination markets throughout the world.
- Talaxis marketing services are client-oriented that will enable Arafura to maintain its brand name and also to optimise its product distribution.
- Talaxis believe that by developing and bringing Nolans into production, Arafura has the potential to redefine NdPr market dynamics.
- Arafura will work over the coming months to refine the basis in which it will seek to partner with Talaxis for the provision of product, project and capital related services for the Nolans Project.

Entitlement Offer Details

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Arafura intends to use funds raised:

- To progress further development of the Nolans NdPr Project including project execution readiness to allow award of key design and project management contracts, commencement of front end engineering design work, completion of early contractor involvement phase and the delivery and tender of long lead procurement items and early works construction contracts.
- For an exploration and metallurgical program aimed at potentially increasing the Nolans Project mine life.
- For ongoing working capital.

The Entitlement Offer:

- Opens on 28 June 2019 and closes on 12 July 2019.

Eligibility

- Offer only available to shareholders with a registered address in Australia or New Zealand.

Ranking

- New Shares issued will rank equally with existing ordinary shares in all respects from allotment.

Indicative Use of Funds	A\$M
Project Execution activities	15.0
Exploration and Metallurgy Program	3.0
Transaction costs	1.2
Working Capital	4.0
Total	\$23.2m

Effect of Entitlement Offer

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The below assumes the maximum number of New Shares are issued under the Entitlement Offer and no options or performance rights are exercised or other shares are issued.

- Existing shares on issue: 781,403,114
- Existing options on issue: 20,710,000
- Existing performance rights on issue: 10,000,000
- New Shares proposed to be issued under the Entitlement Offer: approximately 273,491,090 representing approximately 35% of current undiluted share capital
- Total shares on issue following the Entitlement Offer: approximately 1,054,894,204
- **New Shares represent approximately 26% of the post transaction share capital**

Indicative Capital Structure	Number of Shares	Options	Performance Rights	Gross Amount Raised (\$)
Existing Shares	781,403,114	20,710,000	10,000,000	-
Entitlement Offer (New Shares)	273,491,090	-	-	\$23.2m
Total	1,054,894,204	20,710,000	10,000,000	\$23.2m

Indicative Entitlement Offer Timetable

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Event	Date
Announcement of Entitlement Offer	20 June 2019
Record Date for the Entitlement Offer	7.00pm (AEST) 25 June 2019
Entitlement Offer Opens	28 June 2019
Entitlement Offer Closes	5:00 pm (AEST) 12 July 2019
New Shares quoted on a “deferred settlement” basis	15 July 2019
Issue date of New Shares	19 July 2019
New Shares issued under the Entitlement Offer commence trading on ASX	22 July 2019

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Company update

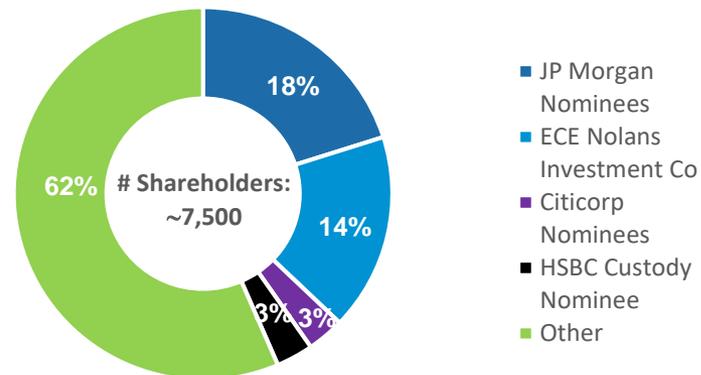


Corporate Snapshot

Capital Structure	
ASX Code	ARU
ASX Share Price (17 June 19)	\$0.125
Shares on Issue	781m
Market Capitalisation	\$97.6m
12 Month Liquidity	\$39.9m
Cash	\$7.9m
Debt	Nil
Enterprise Value	\$89.7m



Board	Position
Mark Southey	Chairman
Gavin Lockyer	MD
Chris Tonkin	NED
Quansheng Zhang	NED

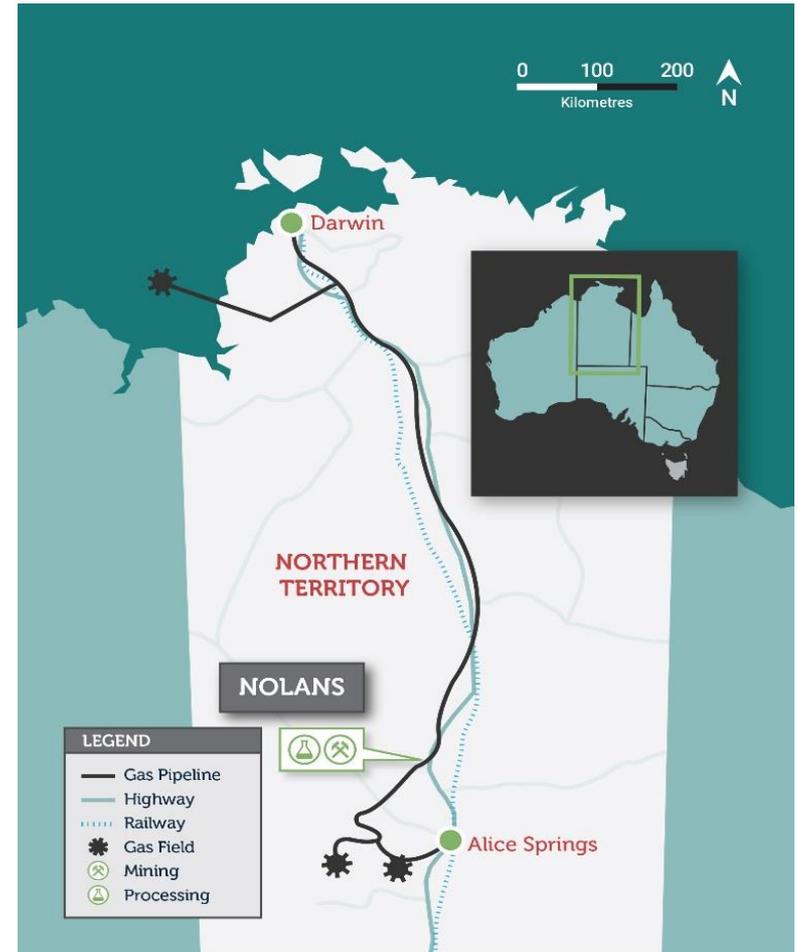


*Cash as at 31 March '19 plus share placement; EV as at 31 March '19.

Nolans DFS Complete

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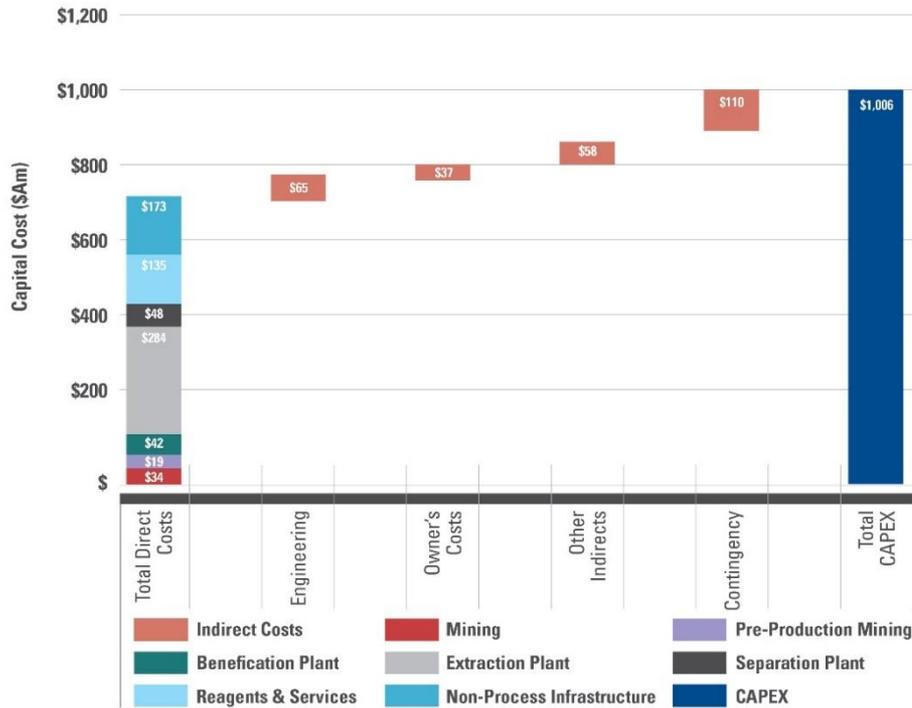
- Confirms Nolans as a world class NdPr project
- Annual NdPr production 4,357 tonnes p.a.
- Ultra-low cost producer at US\$25.94/kg NdPr
- Robust economics with average EBITDA A\$377m p.a., NPV₁₀ A\$729m, IRR 17.43%
- Highly leveraged to NdPr (96% of RE revenue) – US\$5/kg increases NPV by A\$130m
- Long-life asset – 23-year mine life based on Ore Reserves only with potential to extend production
- Globally strategic asset – 100% Australian-domiciled mine and processing operation with environmental approval
- Well positioned to feed into forecast NdPr supply shortfall – targeting project commissioning in 2022



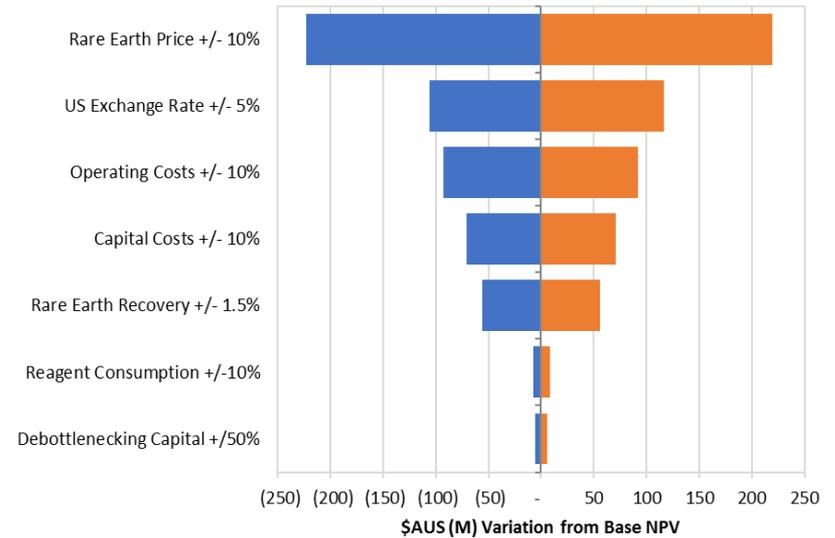
Refer ASX announcement 7 February 2019: Nolans Project Definitive Feasibility Study

Capital Cost Breakdown & NPV Sensitivity

Capital Expenditure Breakdown



Key Sensitivities

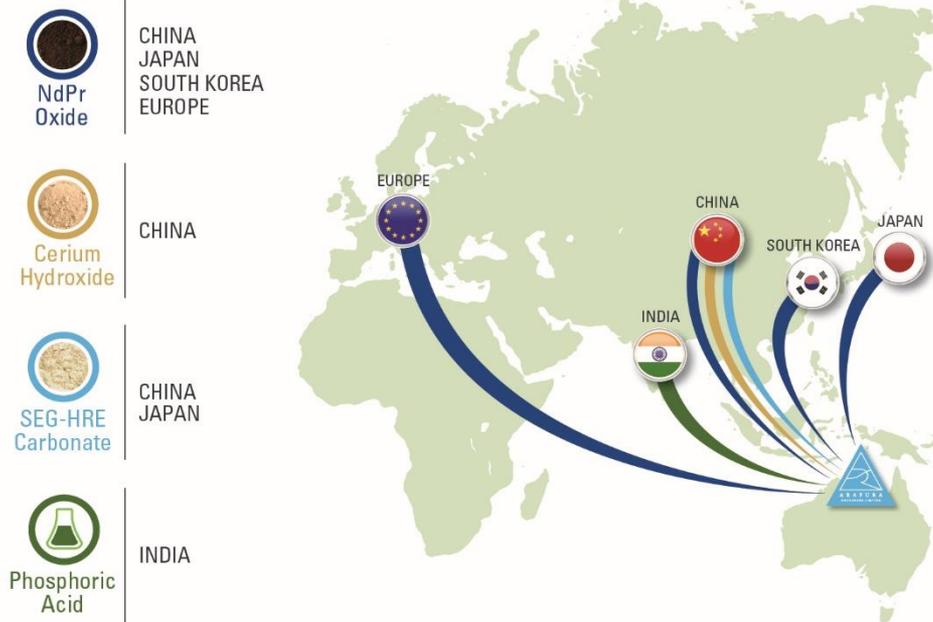


Refer ASX announcement 7 February 2019: Nolans Project Definitive Feasibility Study

Offtake and Project Funding Discussions Underway

Offtake Strategy

FOR EXPORT TO INTERNATIONAL CUSTOMERS



- Offtake agreements to underpin project funding
- Customer engagement targeted at NdPr users not aligned with China 2025 strategy
- Japan – NdFeB magnet manufacturers
- Europe & Korea – automotive OEMs and wind turbine makers
- China – NdFeB magnet manufacturers with significant export markets

Customer / Target Region	Amount (tonnes p.a.)	Offtake Status	Proportion of Revenue
JingCi Material Science Co.	900	M&U	96%
China	3,457	In progress	
Japan			
South Korea			
Europe			
SEG-HRE Carbonate – targeting contracts with rare earth processors			
China	606 (TREO equivalent)	In progress	1%
Japan			
Cerium Hydroxide – targeting contracts with rare earth processors			
Baotou Xinyuan Rare Earth Hi-tech	8,383 (TREO equivalent)	M&U	3%

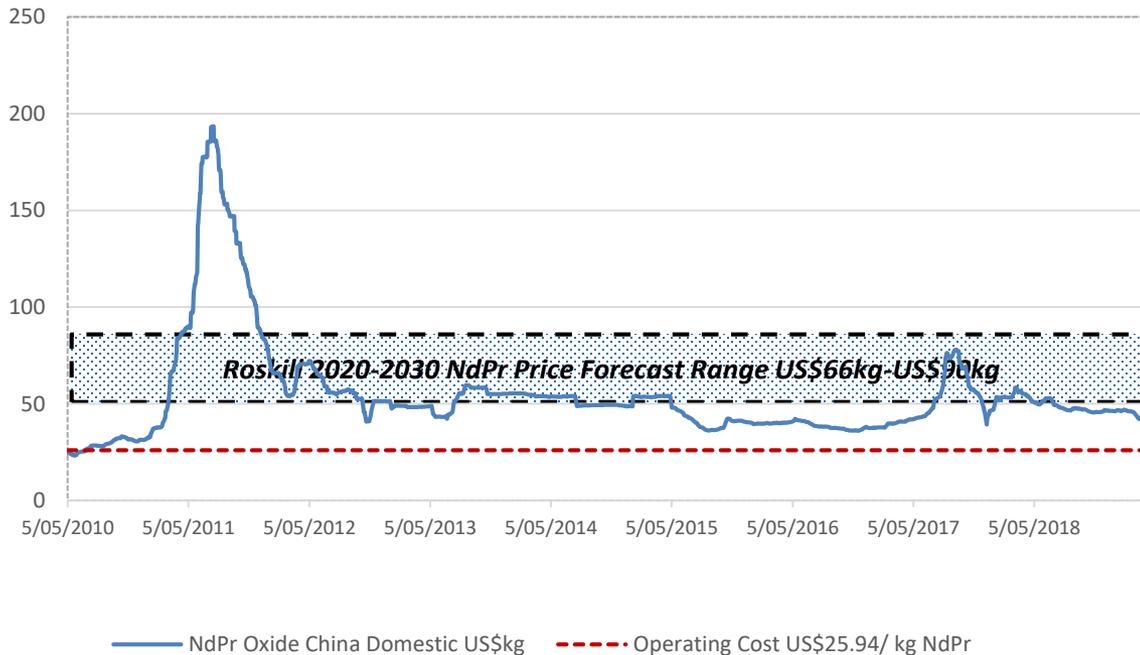
Proportion of revenue for rare earth products only

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NdPr Market Update

NdPr Forecast Puts Arafura in the “Zone”

NdPr Oxide China Domestic US/ kg & Nolans



Source:
 Metal Pages- NdPr Oxide China Domestic RMB\$/ kg
 Federal Reserve- USD: RMB Exchange Rate
 Roskill Consulting (November 2018) Rare Earths Market Analysis

FINANCIAL REVIEW

Chanticleer

— Chanticleer

Lynas proves value of its Malaysian plant



Chanticleer is Australia's pre-eminent business column.

Apr 16, 2019 — 11:42am

CLSA has a 12 month price target for Lynas of \$3.50 a share based on a forecast for NdPr prices of \$US68 a kilogram by 2021.

Rare earth oxide prices will hit between **\$US60kg and \$US150kg after 2020**, according to consultancy Roskill. Kelly says the assumption for longer term NdPr price that appears to be built into the proposed Wesfarmers offer of \$2.25 a share is \$US50 a tonne.

Bloomberg

China Has Rare Earths Plan Ready to Go If Trade War Deepens

Bloomberg News
 May 31, 2019, 10:32 AM GMT+8 Updated on May 31, 2019, 1:39 PM GMT+8

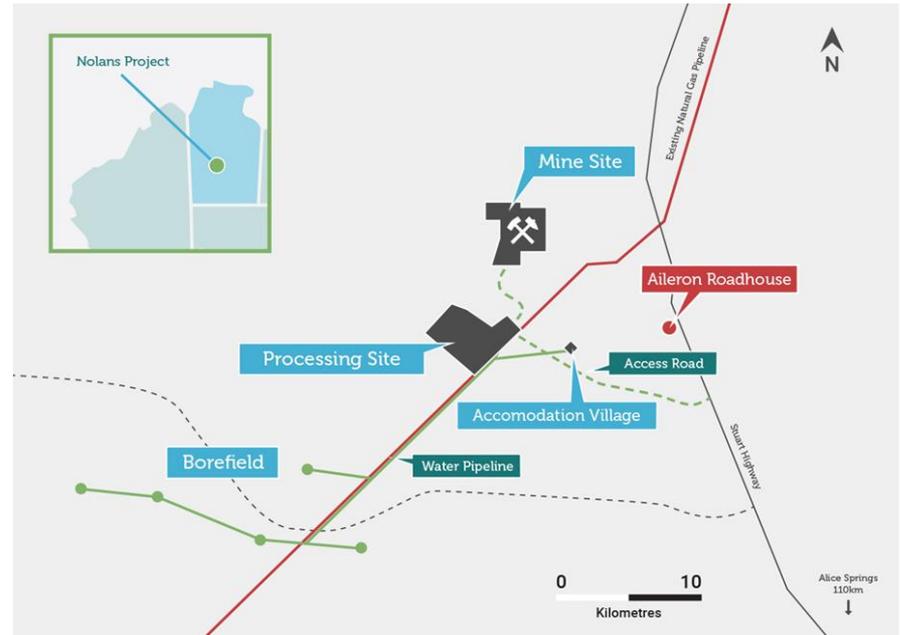
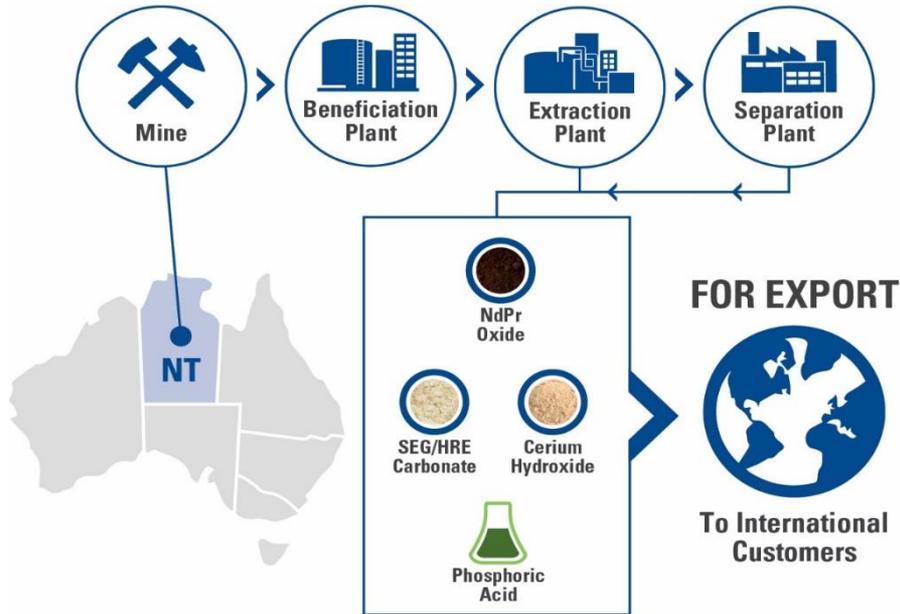
Beijing has readied a plan to restrict exports of rare earths to the U.S. if needed, as both sides in the trade war dig in for a protracted dispute, according to people familiar with the matter.

The government has prepared the steps it will take to use its stranglehold on the critical minerals in a targeted way to hurt the U.S. economy, the people said. The measures would likely focus on heavy rare earths, a sub-group of the materials where the U.S. is particularly reliant on China. The plan can be implemented as soon as the government decides to go ahead, they said, without giving further details.

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Nolans Project

100% Australian Domiciled Project



- Tailings and process residues permanent disposed at site.
- Product traceability and waste management certainty.
- DFS includes fully costed permanent disposal and rehabilitation of waste residues at site.
- One in Three permanent magnets sold are sourced from activities with little respect for the environment (Source: Curtin University)
- Stuart Highway is 10 km east.
- Alice Springs railyard, airport and other services are 135 km south.
- Amadeus natural gas pipeline is adjacent to project site.
- Water supply is 30 km south.

Long Life Asset

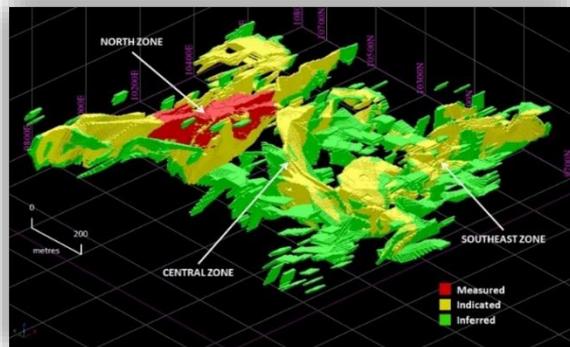
21

RESOURCES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P ₂ O ₅ %	NdPr Enrichment %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
TOTAL	56	2.6	11	26.4

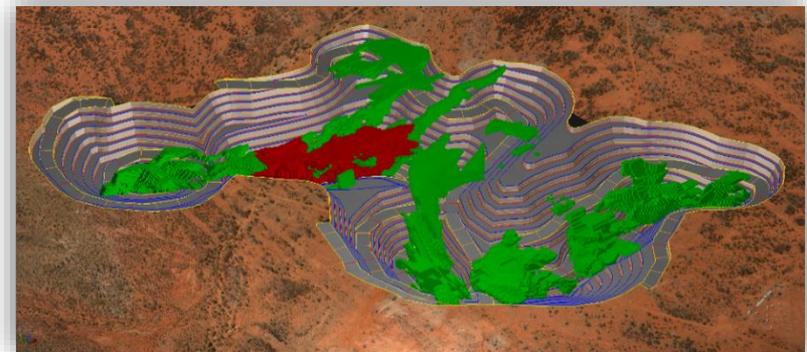
As announced on 7 June 2017. 1.0% TREO cut-off grade. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd₂O₃ and Pr₆O₁₁.

RESERVES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P ₂ O ₅ %	NdPr Enrichment %
Proved	4.3	3.1	13	26.1
Probable	14.9	2.9	13	26.5
TOTAL	19.2	3.0	13	26.4

As announced on 7 February 2019. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd₂O₃ and Pr₆O₁₁.



Mineral Resources

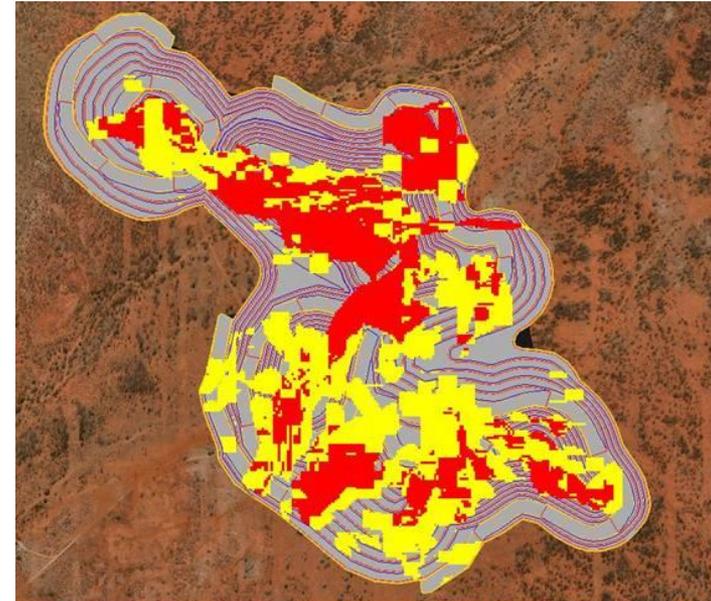


Ore Reserves

Drill & Metallurgical Program

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- DFS completed in February 2019 included a mine life of 23 years based on reserves only but includes the costs of mining inferred resources within the LOM pit.
- Targeted drill and metallurgical program aims to potentially increase the current mine life beyond 23 years and potentially reduce already very low estimated OPEX.
- Aimed at the potential conversion of Inferred Mineral Resources into Indicated and Measured categories and the potential conversion of Measured and Indicated Resources into Reserves.
- Nolans ore body also remains open at depth.

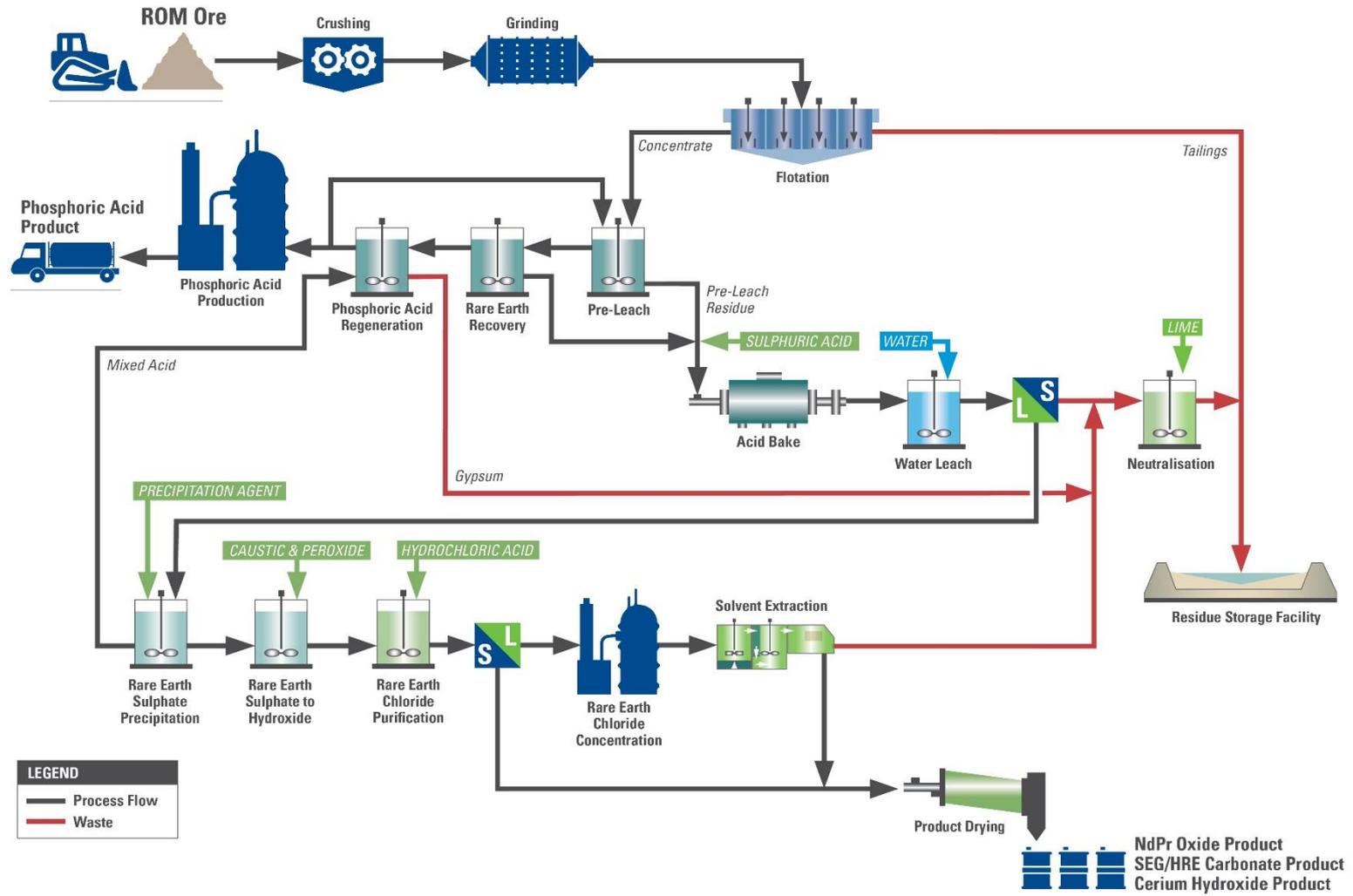


Nolans DFS Pit Design

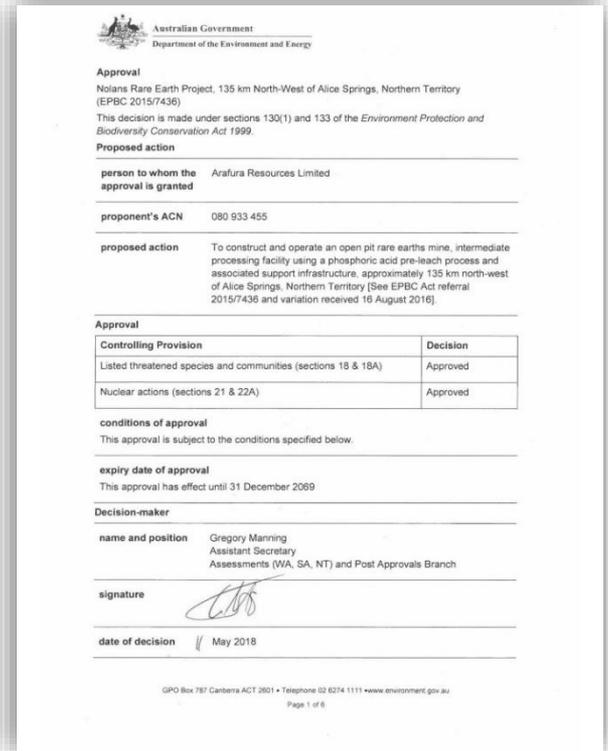
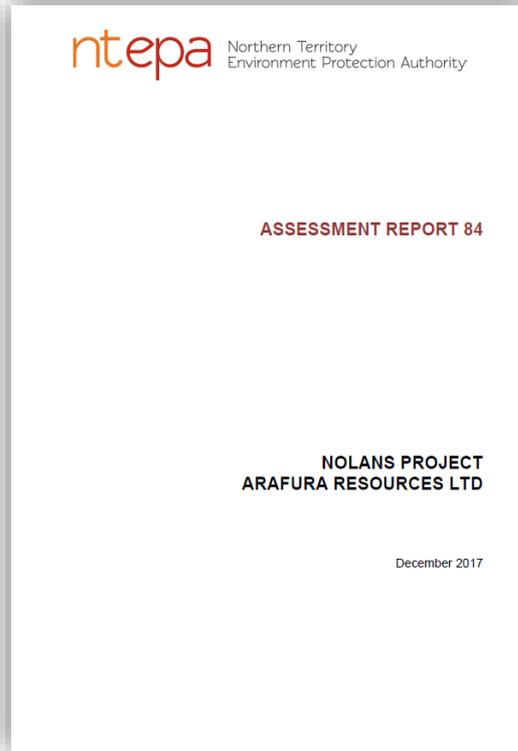
- Ore Reserves
- Inferred Mineral Resource not converted to Reserve

Refer ASX announcement 7 February 2019: Nolans Project Definitive Feasibility Study

Process Flowsheet Supported by Successful Pilot



Key Government Approvals Secured



NT Environment Protection Authority (EPA) Recommends Environmental Approval

“The NT EPA considers that the Project can be managed in a manner that avoids significant or unacceptable environmental impacts and risks.”

Assessment completed for mining, beneficiation and extraction processing at the Nolans site

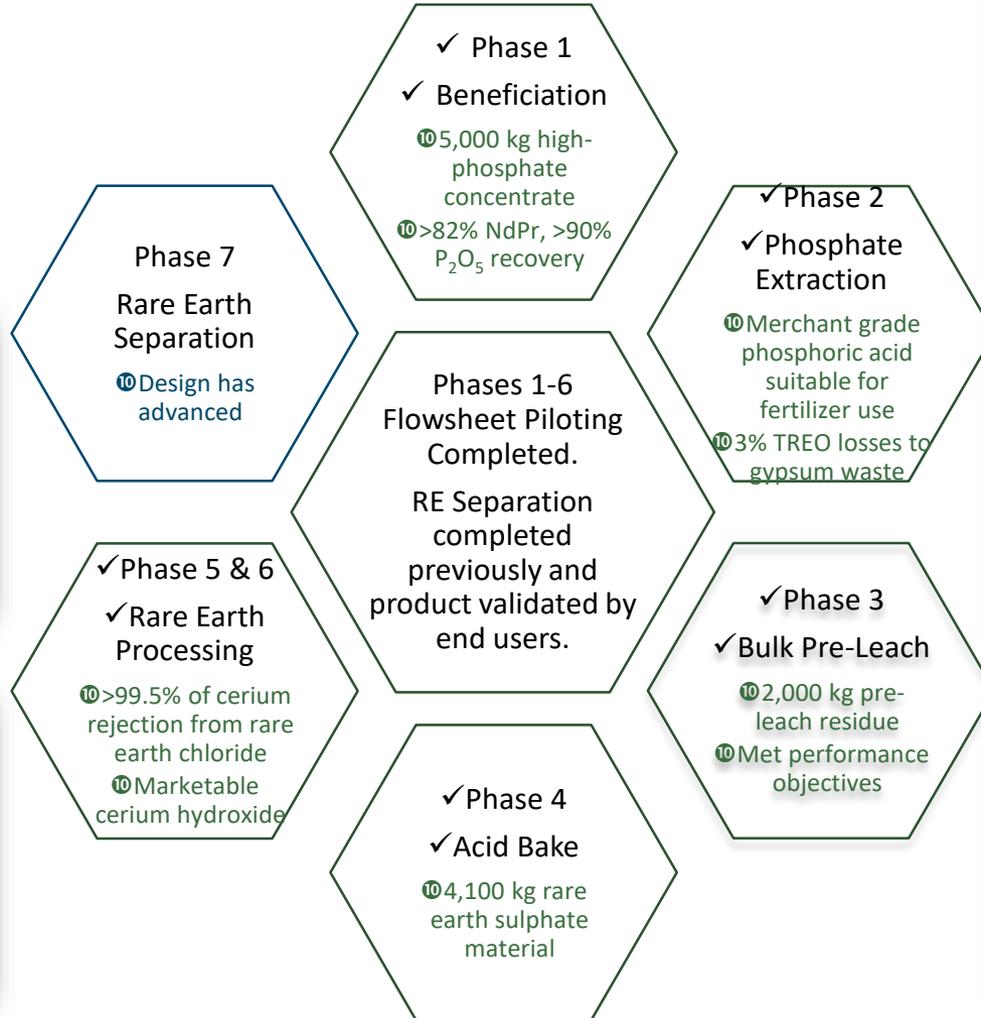
Technology Program



Rare Earth Processing Pilot Plant



Acid Bake Pilot Plant



Beneficiation Pilot Plant



Phosphate Extraction Pilot Plant



Bulk Pre-Leach Pilot Plant

DFS Completed February 2019

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Mining & Processing		
Mine Life (years)	23	
Concentrate (tpa)	293,000	
Production		
TREO equivalent (tpa)	13,343	
NdPr Oxide (tpa)	4,357	
Cerium Hydroxide (tpa TREO basis)	8,383	
SEG-HRE Carbonate (tpa TREO basis)	603	
Phosphoric Acid (tpa 54% P ₂ O ₅ MGA)	135,808	
Financial		
	US\$	A\$
Capital Cost (\$m)	726	1,006
Rare Earth Sales Revenue (\$m pa)	379	539
Phosphoric Acid Sales Revenue (\$m pa)	35	50
Mining Costs (\$m pa)	(30)	(43)
Processing Costs (\$m pa)	(103)	(148)
General & Administration Costs (\$m pa)	(15)	(21)
EBITDA (\$m pa)	266	377
KPI Analysis		
	US\$	A\$
Operating Cost \$/kg NdPr	34.07	48.40
Operating Cost \$/kg NdPr with MGA credit	25.94	36.85
NPV ₁₀ after tax (\$m)	497	729
IRR after tax (%)	17.43%	
After tax payback	Year 5	
IRR 15% @ US\$/kg NdPr	76	
IRR 10% @ US\$/kg NdPr	59	

23 year mine life

4,357 tonnes NdPr p.a.

EBITDA A\$377m p.a.

Ultra low OPEX of US\$25.94/kg NdPr

Capital payback in year 5

Highly leveraged to NdPr price

* Production and financial data is calculated as the annual average following a three year ramp-up and excluding the partial final year production

Refer ASX announcement 7 February 2019: Nolans Project Definitive Feasibility Study



Strong News Flow

- Native Title Agreement.
- Mining Lease.
- Progress for product offtake agreements and project funding.
- Drilling and metallurgical results.
- Contractor appointment, securing second hand camp, final contractor selection,
- Life of mine upgrade and commence FEED.



Estimates of times are indicative only and are subject to change

Appendices

Appendix A: Risks

Appendix B: Experienced Board

Appendix C: Experienced Management

Appendix D: Compliance Statements- Mineral Reserves, Resources & Production
Targets



Appendix A: Risks

Risk factors

You should be aware that being issued New Shares involves various risks. This Section discusses some of the key risks associated with an investment in New Shares. A number of risks and uncertainties, which are both specific to and of a more general nature, may adversely affect the operating and financial performance or position of the Company, which in turn may affect the value of New Shares and the value of an investment in the Company.

The risks and uncertainties described below are not an exhaustive list of the risks facing the Company or associated with an investment in the Company. Additional risks and uncertainties may also become important factors that adversely affect the Company's operating and financial performance or position.

This document is not financial product advice and has been prepared without taking into account your investment objectives or personal circumstances. Before investing in New Shares, you should consider whether an investment in New Shares is suitable for you. Potential investors should consider publicly available information on the Company (such as that available on the websites of the Company and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

Appendix A: Risks

1.1 Company specific risks

(a) Exploration and production

The future profitability of the Company (and its subsidiaries) (**Group**), and the value of the New Shares are directly related to the results of exploration, development and production activities as well as costs and prices. Exploration, project development and production involves significant risk.

Exploration is a speculative endeavour with an associated risk of discovery of finding NdPr and other products in commercial quantities and risks associated with development of a project. No assurances can be given that funds spent on exploration and development will result in discoveries that will be commercially viable.

Development and production of NdPr requires sufficient reserves to support project development, cost overruns, production decrease or stoppage, which may be the result of commissioning, facility shutdowns, mechanical or technical failure and other unforeseen events. A significant poor development outcome or failure to maintain production could result in the Group lowering reserve and production forecasts, loss of revenue; increased working capital requirements; and additional operating costs to restore production.

In some instances, a loss of production may incur significant capital expenditure, which could require the Group to seek additional funding. The Group may fail to meet product quality requirements and material specifications required by buyers.

(b) Volatility of the price of rare earth elements

NdPr and other rare earth products are not exchange traded commodities. The Group will require contracts for sale of these mineral commodities. There is no guarantee the Group will secure contracts on terms favourable to the Group. NdPr and other rare earth product prices will depend on available markets at acceptable prices and distribution and other costs. Any substantial variation in the price of NdPr and other rare earth products or an increase in the distribution costs could have a significant impact on the Group.

Appendix A: Risks

(c) Operating

Industry operating risks include, but are not limited to, fire, explosions and environmental hazards. The occurrence of any of these risks could result in substantial losses to the Group due to injury or loss of life, damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; clean-up responsibilities; regulatory investigation and penalties; or suspension of operations. Damages occurring to third parties as a result of such risks may give rise to claims against the Group.

(d) Reliance on key personnel and advisors

The ability of the Group to achieve its objectives depends on the engagement of key employees, directors and external contractors that provide management and technical expertise.

If the Group cannot secure external technical expertise (for example to carry out development activities) or if the services of the present management or technical team cease to be available to the Group, this may affect the Group's ability to achieve its objectives either fully or within the timeframes and the budget that it has forecast. Additionally, industrial disruptions, work stoppages and accidents in the course of operations may adversely affect the Group's performance.

(e) Reliance on third party infrastructure

The Group will rely on third party transportation infrastructure in order to deliver its production to the market and incoming reagents and supplies to the Nolans project site . Any delay or failure to access or properly maintain operating infrastructure or shared facilities may have a material adverse effect on the Group.

(f) Reserves and resource estimates

Mineral reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter or become uncertain when new information becomes available on the tenements through additional tests over the life of a project. This applies equally to the Company's production targets in relation to the project and any forecast financial information derived from a production target.

Appendix A: Risks

(f) Reserves and resource estimates (continued)

In addition, reserve and contingent resource estimates (production targets and forecast financial information derived from a production target) are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. The actual reserves or contingent resources may differ from those estimated which may result in the Group altering its plans which could have either a positive or negative effect on its operations.

Changes in reserve estimates could also impact the Group's ability to maintain its borrowing capacity with its current or future lenders.

(g) Metallurgy and Hydrometallurgy

Testwork is used to develop the metallurgical and hydrometallurgical processes required to convert ore into final products. Scale up, technology and materials handling risks remain as the Group moves from development, to construction, commissioning and production. Product recoveries are dependent upon the metallurgical and hydrometallurgical processes, and by its nature contain elements of significant risk such as:

- (i) developing and identifying metallurgical and hydrometallurgical processes through testwork to produce a saleable product;
- (ii) developing an economic process route to produce a saleable product; and
- (iii) changes in mineralogy in the ore deposit result in inconsistent product recovery, adversely affecting the economic viability of the project.

(h) Native title

Both the Native Title Act (Cth) the Northern Territory Native Title Legislation and Aboriginal land rights and Aboriginal heritage legislation might affect the Company's ability to gain access to prospective exploration areas or obtain Mineral Leases. The Group may from time to time, need to negotiate with any native title claimant for access rights to its tenements. In addition, agreement will need to be reached with native title claimants and/or holders prior to the grant of a Mineral Lease. There may be significant delays and costs associated with these negotiations and to reach agreement acceptable to all relevant parties. At this stage, it is not possible to quantify the impact that these developments may have on the operations of the Company.

Appendix A: Risks

(i) Environmental

The Group's exploration, development and production activities are subject to legislation regarding environmental matters.

The legal framework governing this area is complex and constantly developing. There is a risk that the environmental regulations may become more onerous, making the Group's operations more expensive or cause delays. The Group may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible.

The Group's operations are subject to the Northern Territory and Commonwealth laws and regulations regarding environment including hazards and discharge of hazardous waste and materials. The mining and processing of Normally Occurring Radioactive Materials (NORM) is subject to additional laws and regulations regarding environmental matters. The cost of compliance with these laws and regulations may impact the cost of exploration, development, construction, operation of the production facilities and mine closure costs.

(j) Title

All mining tenements which the Group may acquire either by application, sale and purchase or farm-in are regulated by the applicable state or territory mining legislation.

There is no guarantee that applications will be granted as applied for (although the Group has no reason to believe that tenements will not be granted in due course). Various conditions may also be imposed as a condition of grant. In addition the relevant minister may need to consent to any transfer of a tenement to the Group.

Renewal of titles is made by way of application to the relevant department. There is no guarantee that a renewal will be automatically granted other than in accordance with the applicable state or territory mining legislation. In addition, the relevant department may impose conditions on any renewal, including relinquishment of ground.

Appendix A: Risks

(j) Title (continued)

In 2017 the Northern Territory Government (NTG) introduced a “Shared Land Use” policy which encourages consultation between the holder of a mineral title and a pastoral lessee. NTG approval of substantial disturbance activity by the mineral title holder requires evidence of a land access agreement between an explorer and pastoral lessee. Where such an agreement cannot be reached the matter can be referred to the NTG’s Land Access Assessment Panel (LAAP). In the event of a positive determination from the LAAP the mineral title holder may undertake the substantial disturbance activities in accordance with the Mine Management Plan authorised by the Department of Primary Industries and Resources. There is the potential for the land access requirements to cause delays to the Group’s planned development activities.

(k) Legislative changes, government policy and approvals

Changes in government, monetary policies, taxation and other laws in Australia or internationally may impact the Group’s operations and the value of the New Shares. The Group requires government regulatory approvals for its operations.

The impact of actions, including delays and inactions, by state, territory and federal governments may affect the Group’s activities including such matters as access to lands and infrastructure, compliance with environmental regulations, production and exploration activities. This may from time to time affect timing and scope of work to be undertaken. No guarantee can be given that all necessary permits, authorisations, agreements or licences will be provided to the Group by government bodies, or if they are, that they will be renewed. The Group has received environmental approval from the Australian Government and the Northern Territory Environment Protection Authority has recommended the project for approval for the development at Nolans in the Northern Territory but there is no guarantee that the Group can comply with all conditions that are imposed under these approvals.

Appendix A: Risks

(l) Access to Capital Markets

The Group's business relies on access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available to the Group on favourable terms or within a reasonable timeframe. Failure to obtain additional funding may cause the Group to postpone any development plans, forfeit rights to some or all of its projects or reduce its operating structures, including staff and overhead levels, which may delay or suspend the Group's business strategy and could have a material adverse effect on the Group's activities. Any additional equity financing may dilute existing shareholdings.

(m) Occupational health and safety

Exploration and production activities may expose the Group's staff and contractors to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. If any of the Group's employees or contractors suffers injury or death, compensation payments or fines may be payable and such circumstances could result in the loss of a licence or permit required to carry on the business. Such an incident may also have an adverse effect on the Group's business and reputation.

(n) Insurance

Insurance of all risks associated with mineral exploration and production is not always available and, where available, the cost can be high. The Group maintains insurance within a coverage range that it considers to be consistent with industry practice and appropriate for its needs. The occurrence of an event that is uninsurable, not covered, or only partially covered by insurance could have a material adverse effect on the Group's business and financial position.

Appendix A: Risks

(o) Financial risks

The Group's activities expose it to a variety of financial risks, including:

- *Market risk:* The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices interest rate risk, price risk, credit risk and liquidity risk (maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities). The Group's future activities will be subject to volatility and fluctuations in those particular areas.
- *Foreign exchange/currency risk:* The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures with respect to changes in foreign exchange rates. The Group's future commercial transactions include product sales, capital expenditure, purchase of foreign sources inputs and debt facilities. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.
- *Interest rate and credit risk:* This relates to the risk that interest rates applicable to the Group may fluctuate and have an impact on the value of the Group's assets and liabilities.
- *Liquidity risk:* This relates to the ability of the Group to maintain sufficient cash and the availability of funding through an adequate amount of committed credit facilities to support the Group's operations.

(p) Underwriting risk

The underwriting agreement in relation to the Entitlement Offer may be terminated by Patersons (which would release Patersons from its obligations under it) on the occurrence of certain events, including material disruptions in financial conditions or markets, breaches by Arafura of certain obligations or the occurrence of certain events which may have a material adverse effect on Arafura or the Entitlement Offer. If the underwriting agreement is terminated, Arafura may not be able to place all of the shortfall from the Entitlement Offer to raise the full amount contemplated which may have an impact on Arafura's planned activities unless further funds are raised.

Appendix A: Risks

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1.2 General risks

(a) Potential for dilution

If shareholders do not take up their entitlements under the Entitlement Offer, then their percentage holding in the Company may be diluted by not participating to the full extent in the Entitlement Offer.

It is not possible to predict what the value of the Company or its shares will be following the completion of the Entitlement Offer and the Directors do not make any representation as to such matters.

The historical trading price of the Shares on ASX prior to this Entitlement Offer is not a reliable indicator as to the potential trading price of Shares or after completion of the Entitlement Offer.

(b) General market and share price

There are general risks associated with investments in equity capital such as the Shares. The trading price of the Shares may fluctuate with movements in equity capital markets in Australia and internationally.

Generally applicable factors which may affect the market price of shares include:

- general movements in Australian and international stock markets;
- investor sentiment;
- Australian and international economic conditions and outlook;
- commodity prices;
- changes in interest rates and the rate of inflation;
- changes in government legislation and policies, including taxation laws and foreign investment legislation;
- announcement of new technologies; and
- geo-political instability, including international hostilities and acts of terrorism.

Appendix A: Risks

Further, the effect of these conditions on the Group's ability to refinance its debt obligations, and the terms on which any such refinancing can be obtained, is uncertain. If these conditions result in the Group being unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse impact on its financial position, financial performance and/or share price. The operational and financial performance and position of the Company's share price may be adversely affected by a worsening of international economic and market conditions and related factors. It is also possible that new risks might emerge as a result of global markets experiencing extreme stress, or existing risks may manifest themselves in ways that are not currently foreseeable.

(c) Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) Taxation

The disposal of New Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All investors are urged to obtain independent financial advice about the consequences of disposing of New Shares from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of acquiring or disposing of New Shares under this Entitlement Offer.



Appendix A: Risks

1.3 Speculative investment

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under the Entitlement Offer. An investment in the Company is speculative and investors should consult their professional adviser before applying for or disposing of New Shares.

Appendix B: Experienced Board



MARK SOUTHEY
NON-EXECUTIVE CHAIRMAN

Mark Southey has previously held senior executive positions with Honeywell and ABB both in Australia and internationally, and more recently was part of the global executive leadership team within WorleyParsons, where he held the position of Group Managing Director for the Minerals, Metals and Chemicals Sector.



CHRIS TONKIN
NON-EXECUTIVE DIRECTOR

Chris Tonkin has over 35 years' experience as a senior business executive with a broad industry background in business generation, management, and strategy development. He is a member of Arafura Resources' Remuneration and Nomination and Audit and Risk Committees and is also Chairman of Lakes Oil NL.



GAVIN LOCKYER
MANAGING DIRECTOR

Gavin Lockyer's diverse, global experience has provided management and leadership opportunities in a range of disciplines including; Accounting, Financial & Investment Banking, Major Resource Development & Operations, and Global Bank Treasuries. Over the past 20 years his career has exposed him to business practices in North America, Europe, and Australasia.



QUANSHENG ZHANG
NON-EXECUTIVE DIRECTOR

Quansheng Zhang holds a Doctoral degree in Engineering and a Masters degree in Geophysical Prospecting. He is based in Nanjing in the Peoples Republic of China and is the General Manager of Hong Kong East China Non-Ferrous Mineral Resources Co Ltd (HKECE). Quansheng has over 30 years of mineral prospecting and exploration experience, and expertise in mineral resource surveys and geophysics.

Appendix C: Experienced Management



RICHARD BRESCIANINI
GENERAL MANAGER EXPLORATION &
DEVELOPMENT

Richard has over 30 years' experience in the minerals industry. He worked with BHP Minerals on base and precious metals exploration programs throughout Australasia and North America, contributing to significant economic discoveries at Eloise (copper-gold) and Cannington (silver-lead-zinc). Thereafter he led the Northern Territory Government's Geological Survey as its Director from 2003 to 2007 before joining Arafura.



LLOYD KAISER
GENERAL MANAGER SALES & MARKETING

Lloyd has more than 10 years' experience in the sales and marketing of industrial minerals into high value sector markets including the nuclear, automotive, and advanced ceramics sectors. Prior to joining Arafura, he held several senior positions in account management, business development and marketing across a diverse range of commodities and chemicals including alumina, coal, industrial minerals, refractories, and ceramics.



PETER SHERRINGTON
CHIEF FINANCIAL OFFICER & COMPANY
SECRETARY

Peter commenced employment with Arafura in 2008 as Commercial Manager and was appointed Chief Financial Officer in July 2013. He has more than 20 years' experience in professional and corporate roles in Perth. Prior to working with Arafura, he held senior finance and commercial positions with several ASX and public unlisted entities. He has also worked in public practice for 10 years in the areas of business services and corporate advisory.



BRIAN FOWLER
GENERAL MANAGER NT & SUSTAINABILITY

Brian has worked for over 40 years in private sector mineral companies developing a range of commodities, including rare earths, base metals, and gold. Brian is a member of the Northern Territory Mining Board, Management Board of the Northern Territory Minerals Council of Australia, and a member of Work Health & Safety Advisory Council of the Northern Territory.



STEWART WATKINS
GENERAL MANAGER PROJECTS

Stewart has 25 years' experience in many facets of the mining industry including operations, engineering consulting, project development and management. Stewart is a Fellow of the AusIMM.

Appendix D: Mineral Reserves, Resources and Production Targets

Ore Reserves

The information in this presentation that relates to Ore Reserves is extracted from Arafura's ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) available to view at www.asx.com.au, and was completed in accordance with the guidelines of the JORC Code (2012). Arafura confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Ore Reserves estimates in the relevant announcement continue to apply and have not materially changed. Arafura confirms that the form and content in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Mineral Resources

The information in this presentation that relates to Mineral Resources is extracted from Arafura's ASX announcement dated 7 June 2019 (Detailed Resource Assessment Completed) available to view at www.asx.com.au, and was completed in accordance with the guidelines of the JORC Code (2012). Arafura confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources estimates in the relevant announcement continue to apply and have not materially changed. Arafura confirms that the form and content in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Production Targets and Forecast Financial Information

The information in this presentation that relates to production targets and forecast financial information derived from a production target is extracted from an ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) available to view at www.asx.com.au. Arafura confirms that all material assumptions underpinning the production target and forecast financial information derived from production targets set out in the announcement released on 7 February 2019 continue to apply and have not materially changed.