



Arafura Resources Limited

(ASX:ARU)

Emerging as Australia's Next NdPr Producer

December 2019

New World Metals Conference

Important Notice – Disclaimer



2

This presentation has been prepared by Arafura Resources Limited (**Arafura, Arafura Resources** or the **Company**) and 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.

This presentation contains certain statements which may constitute "forward-looking statements." Such statements are only expectations or beliefs and are subject to inherent risks and uncertainties which could cause actual values, results or performance achievements to differ materially from those expressed or implied in this presentation. No representation or warranty, express or implied is made by Arafura Resources that any forward-looking statement contained in this presentation will occur, be achieved or prove to be correct. You are cautioned against relying upon any forward-looking statement.

Except for statutory liability which cannot be excluded, each of Arafura Resources and its related body corporates and their officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this presentation and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error in it or omission from it. Arafura Resources accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in this presentation or any other information made available to a person, nor any obligation to furnish the person with any further information.

This presentation does not constitute an offer of any securities in Arafura Resources, in any jurisdiction, nor an invitation to apply for such securities, in any jurisdiction, and will not form part of any contract for the acquisition of Arafura shares. This presentation does not provide investment advice or financial product advice. You should obtain professional advice and carry out your own independent investigations and assessment of the information in this presentation (including any assumptions) before acting.

Information in this presentation which is attributed to a third-party source has not been checked or verified by Arafura Resources.

Mineral Resources and Ore Reserves

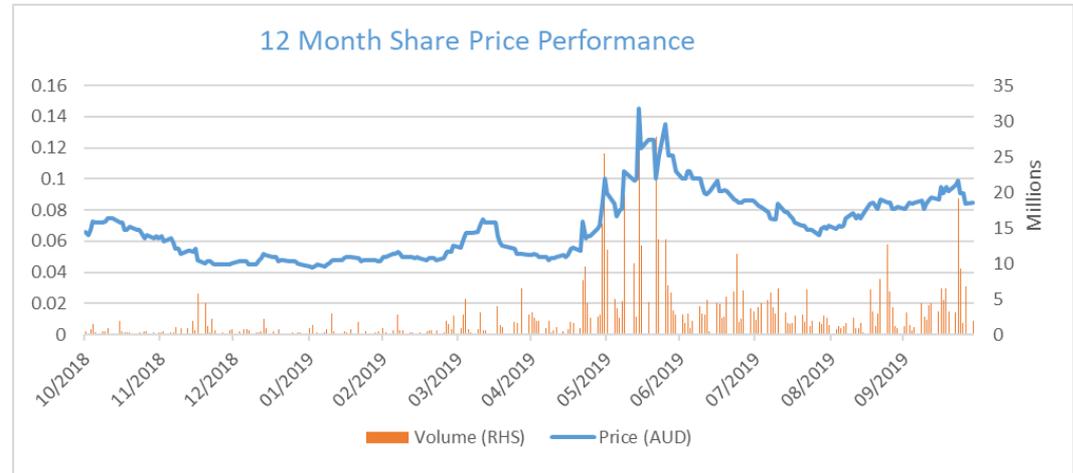
The information in this presentation that relates to Mineral Resources was released in an ASX announcement dated 7 June 2017 (Detailed Resource Assessment Completed) and was completed in accordance with the guidelines of the JORC Code (2012). The information in this presentation that relates to Ore Reserves was released in an ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) and was completed in accordance with the guidelines of the JORC Code (2012). Arafura Resources confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the original market announcements continue to apply and have not materially changed. Arafura Resources confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Production Targets and Financial Information

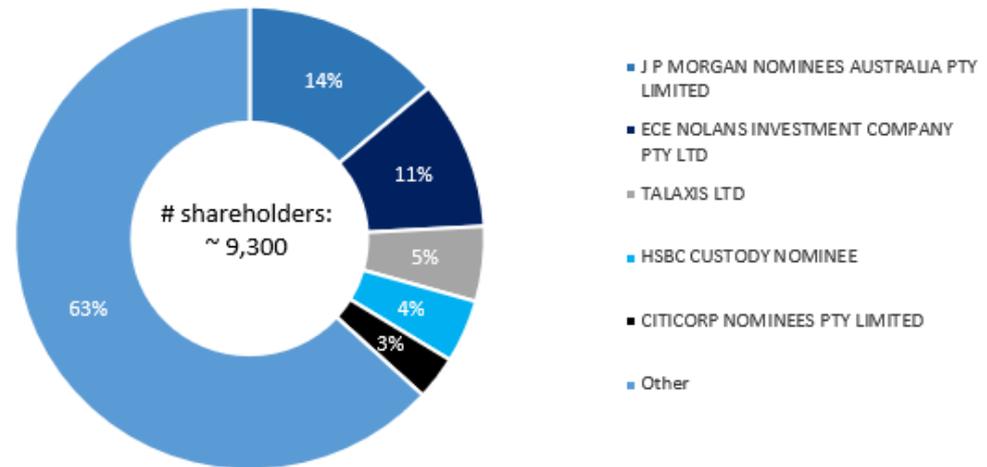
Information in relation to production targets and financial information included in this presentation is extracted from an ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study). Arafura Resources confirms that all material assumptions underpinning the production target and financial information set out in the announcement released on 7 February 2019 continue to apply and have not materially changed.

Corporate Snapshot

Capital Structure	
ASX Code	ARU
ASX Share Price (30 Sept)	\$0.086
Shares on Issue	1,055m
Market Capitalisation (30 Sept)	\$90.7m
12 Month Liquidity	\$58.5m
6 Month Liquidity	\$52.5m
Cash (30 Sept*)	\$26.4m
Debt	Nil
Enterprise Value (30 Sept*)	\$64.3m



- Nolans world class NdPr project – DFS completed February 2019
- NdPr is the key input for high performance NdFeB permanent magnets
- NdPr is a critical input for the manufacture of energy efficient electric motors
- NdPr central to many clean energy applications including EVs and wind turbines



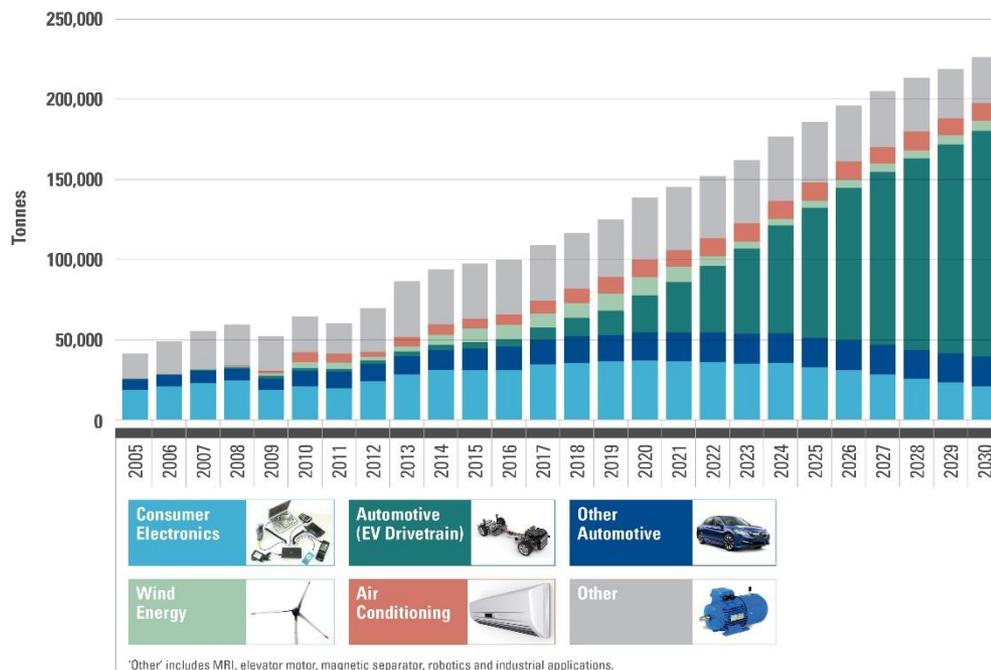
* Data based on 30 September 2019 Quarterly report plus R&D rebate received 9 Oct 2019

4

NdPr Market Opportunity

NdPr Market Opportunity

NdFeB Magnet Demand by Application

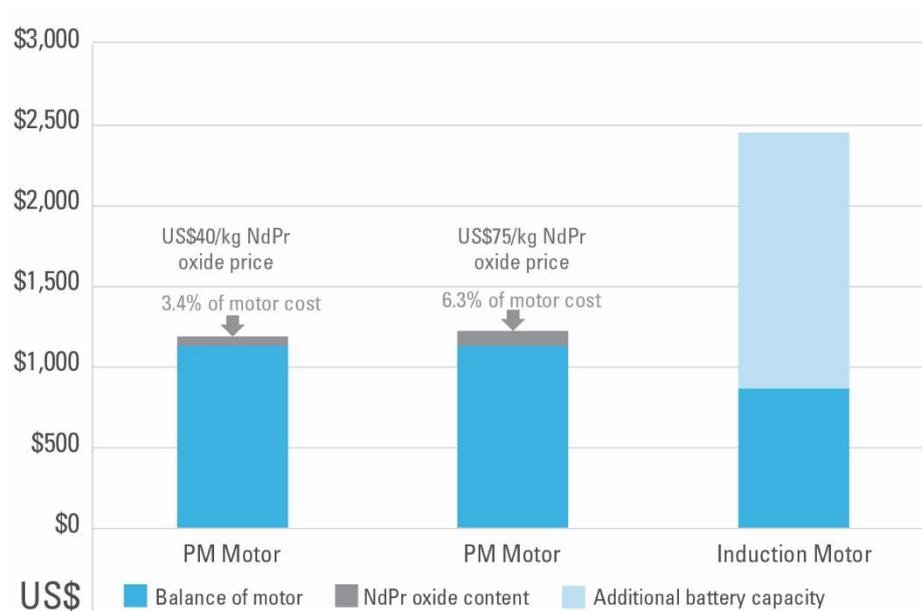


- Underlying demand for NdFeB magnets across all applications is forecast to grow by 6% p.a. over the period to 2030
- NdFeB demand growth for EV applications is more dramatic and forecast to grow by 24% p.a.
- Supply-demand balance achieved through demand destruction in lower quality applications and technology innovations that achieve better use of NdPr in magnet manufacturing
- Demand in applications for consumer electronics and wind turbines will reduce during the forecast period. For some applications substitution will be traded off against reduced performance and cost.
- EV applications require high quality and efficient motors using NdFeB magnets
- New supply will not come on stream fast enough to meet demand from all applications – NdFeB magnets and NdPr oxide will move to the best value in use

Source: Roskill Consulting (November 2018) – Rare Earths Market Analysis

NdPr Magnet Power Efficiency & Deprival Value

Modelled effect of increase in NdPr price, Permanent Magnet (PM) vs Induction Motor and incremental Li-ion Battery Pack



- Chevrolet Bolt: 150 kW permanent magnet (PM) motor with 60 kWh lithium-ion battery pack.¹
- PM motor cost based on US\$8 per kW.²
- Estimate of 1 kilogram of NdPr metal per PM motor.²
- Induction motor cost calculated as 76% of PM motor.³
- Efficiency of induction motor 15% less than PM motor.⁴ To compensate, an extra 6 kWh of battery capacity has been allowed for.
- Lithium-ion battery pack costs of US\$176 per kWh applied.⁵

¹ www.chevrolet.com

² UBS, "UBS Evidence Lab Electric Car Teardown – Disruption Ahead?", www.ubs.com/investmentresearch, May 2017.

³ Parker Hannifin, "Comparing AC Induction with Permanent Magnet motors in hybrid vehicles and the impact on the value proposition", 2013.

⁴ Adamas Intelligence, "Spotlight on Dysprosium", www.adamasintel.com/spotlight-on-dysprosium/, April 2018.

⁵ Bloomberg New Energy Finance, "A Behind the Scenes Take on Lithium-ion Battery Prices", March 2019.

⁶ Average NdPr oxide EXW China price for April 2019. www.asianmetal.com

Rare Earths are now in the Mainstream Press

7

sky news .COM.AU



Australia must 'help the US meet its need for critical minerals'

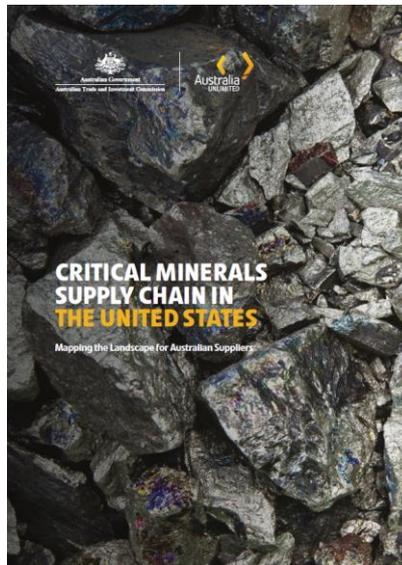
FINANCIAL REVIEW

Australia points to holes in US rare earth supply chain

Why taxpayers should fund Aussie rare earth miners

THE AUSTRALIAN

Australia to finalise joint strategy with US on rare earths mining



Forbes

China And The U.S. Fight Over Australian Rare Earths



REUTERS

U.S., Australia to unveil plan Friday to improve rare earth mineral supply

2GB 873AM

US looks to Australia for rare earths

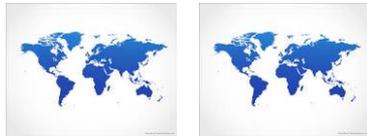
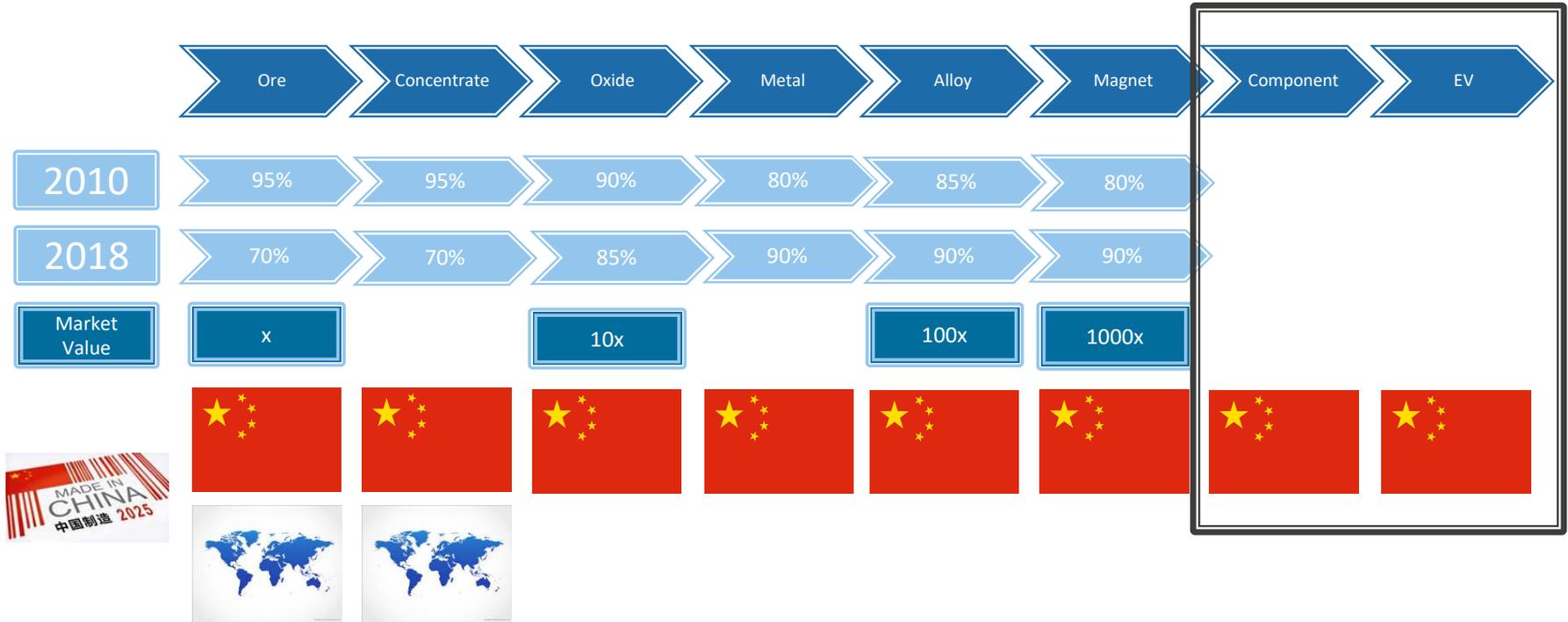
The Sydney Morning Herald

Morrison and Trump open new front in China trade war with rare earth 'action plan'



RARE EARTHS: IS THERE A CASE FOR GOVERNMENT INTERVENTION?

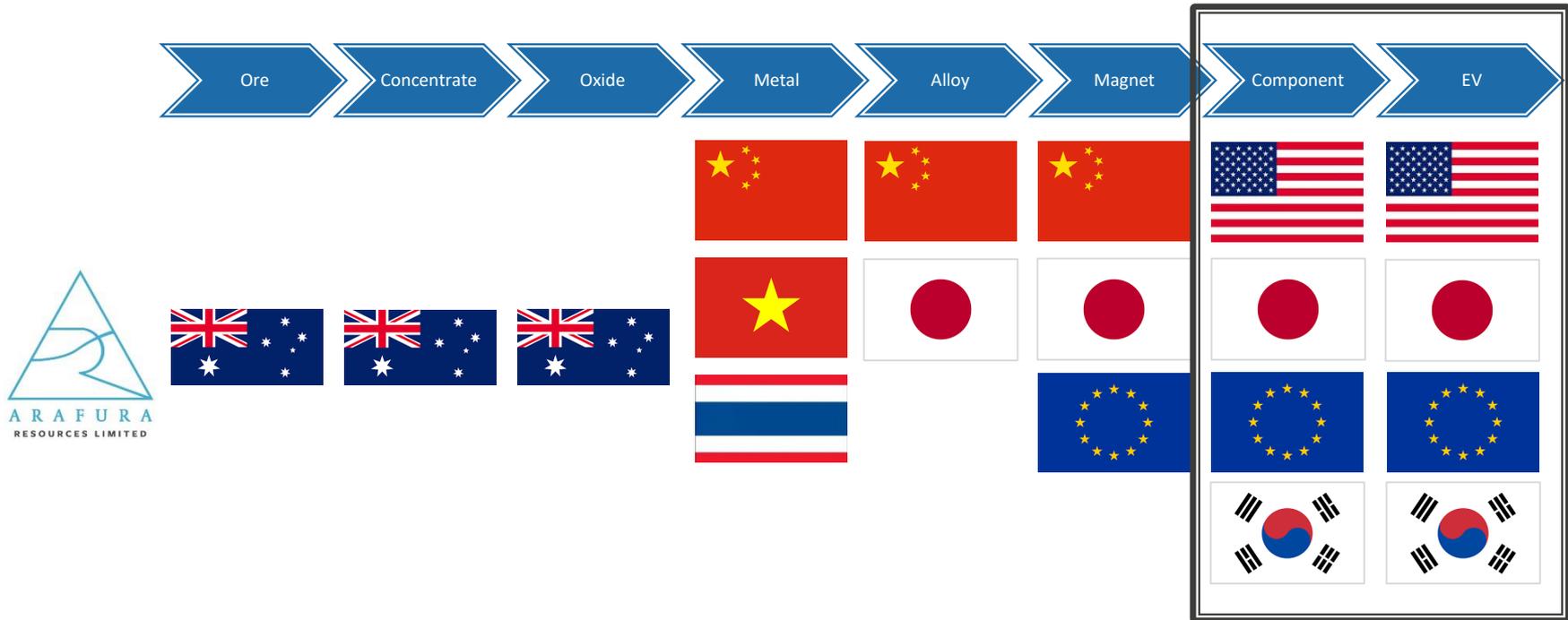
China's Evolving Integrated NdPr Supply Chain – Enables 2025 EV Strategy



- China is the only country with a fully integrated *Mine to Motor* supply chain
- Capital deployed down the value chain focused on enabling China's *Made In China 2025* EV strategy
- Access to capital and increased environmental constraints means ore, concentrate and oxide production from China will be less reactive to world demand
- More recently China has increased its reliance on concentrate and oxide from non- China sources

Source: Adamas Intelligence

Rest of World Alternative Supply Chain



- European auto industry employs 13.8 million people which equates to 6.1% of the EU workforce and 11.4% of all manufacturing jobs (*“Electric cars sparks jobs fears in Germany’s auto heartland” – Wall Street Journal, August 2019*)
- Diversification of NdPr supply source may provide better traceability, supply certainty and more transparent pricing
- Government recognition of the strategic significance of NdPr can enable multilateral *Mine to Motor* supply chain solutions

10

Nolans Project

Definitive Feasibility Study (DFS) Completed



11

- DFS completed February 2019 confirming Nolans as a world class NdPr project
- CAPEX US\$726m, low OPEX producer at US\$25.94/kg NdPr
- Long-life asset – 23-year mine life based on Ore Reserves only, with potential to extend production
- Well positioned to feed forecast NdPr supply shortfall
- Target project commissioning in 2022
- Globally strategic – 100% Australian-domiciled operation in the NT
- Only Australian project with environmental approval for ore to oxide

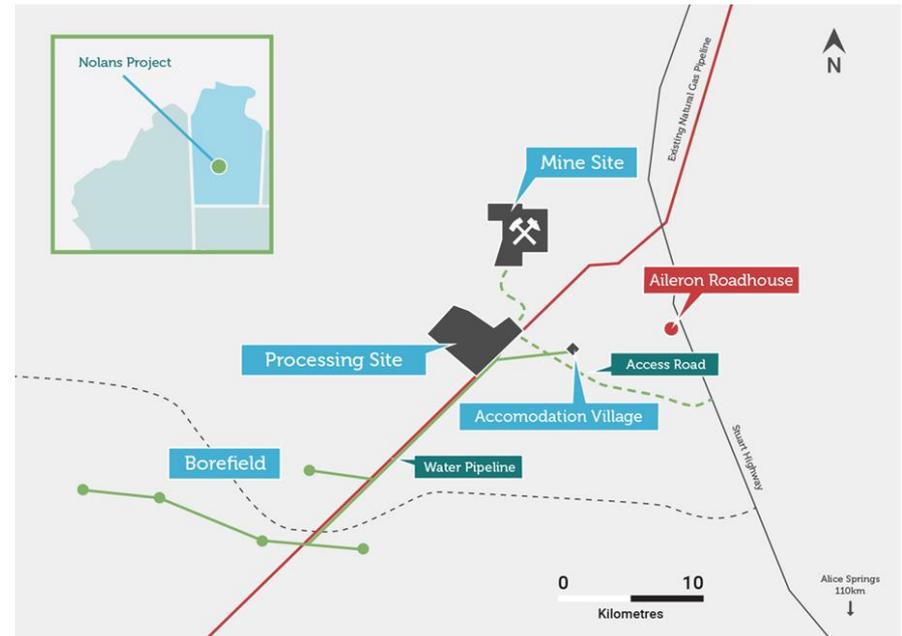
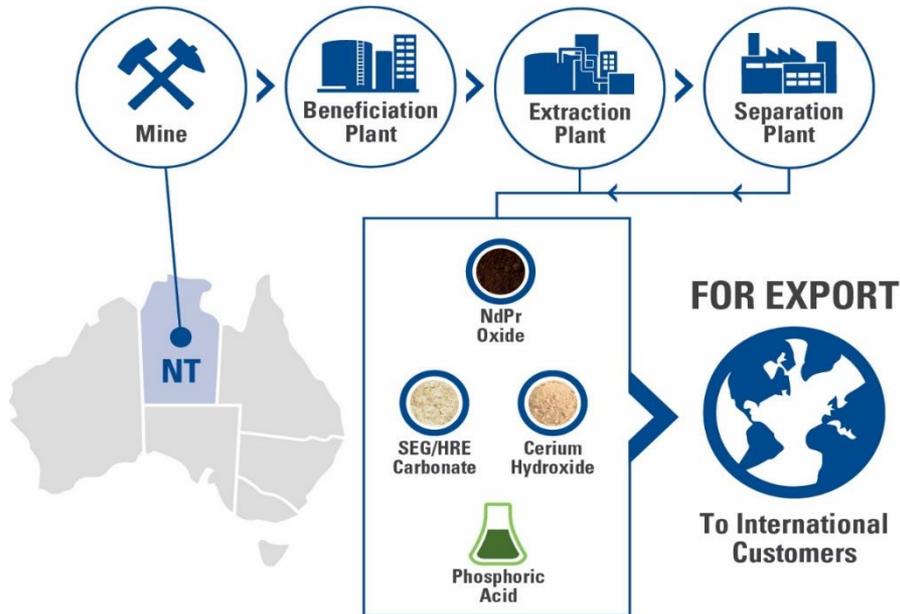
Mining & Processing		
Mine Life (years)	23	
Concentrate (tpa)	293,000	
Production		
TREO equivalent (tpa)	13,343	
NdPr Oxide (tpa)	4,357	
Cerium Hydroxide (tpa TREO basis)	8,383	
SEG-HRE Carbonate (tpa TREO basis)	603	
Phosphoric Acid (tpa 54% P ₂ O ₅ MGA)	135,808	
Financial		
	US\$	A\$
Capital Cost (\$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	

* 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

100% Australian Domiciled in the NT

12



- Ore to oxides at a single site
- DFS includes fully-costed permanent disposal and rehabilitation of tailings and process residues at site
- Environmental approvals secured
- Product traceability and waste management certainty

Licence to Operate – Sustainable Supply

13

Extensive community and stakeholder consultation

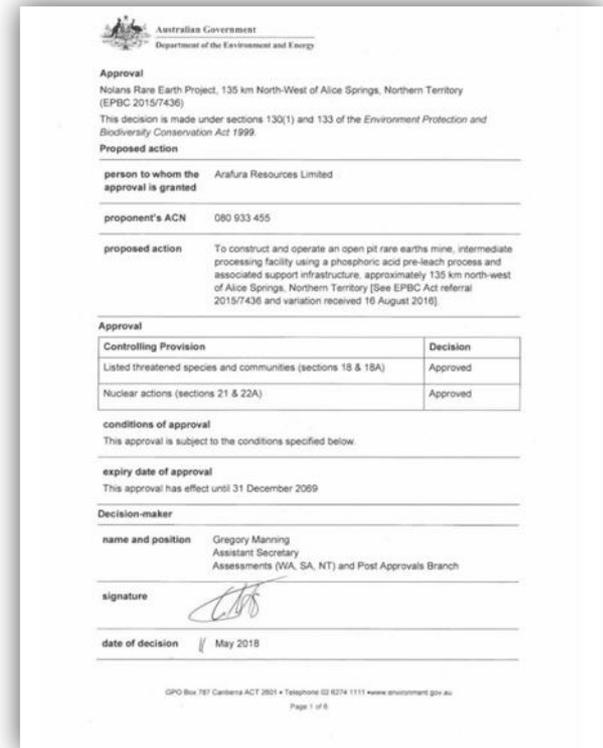
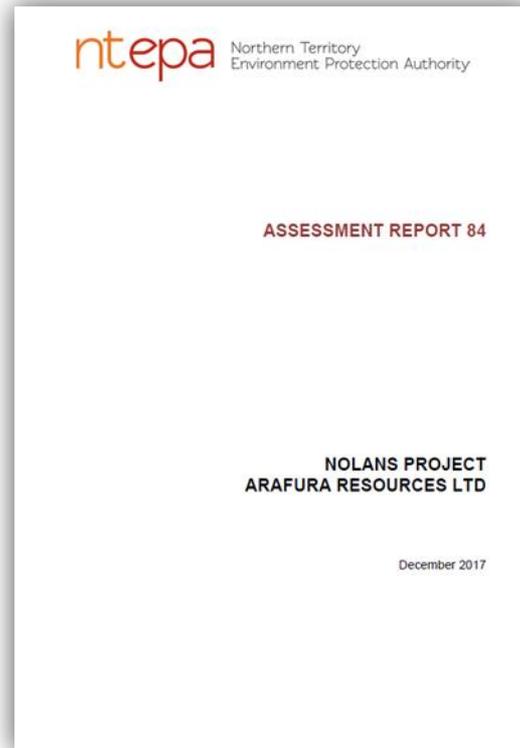
Waste management plan tailings and residue facility

Assessing impact from mining, extraction and transport corridor

Surface water and groundwater management plans

Biodiversity studies on existing flora and fauna

Framework for decommissioning closure and rehabilitation

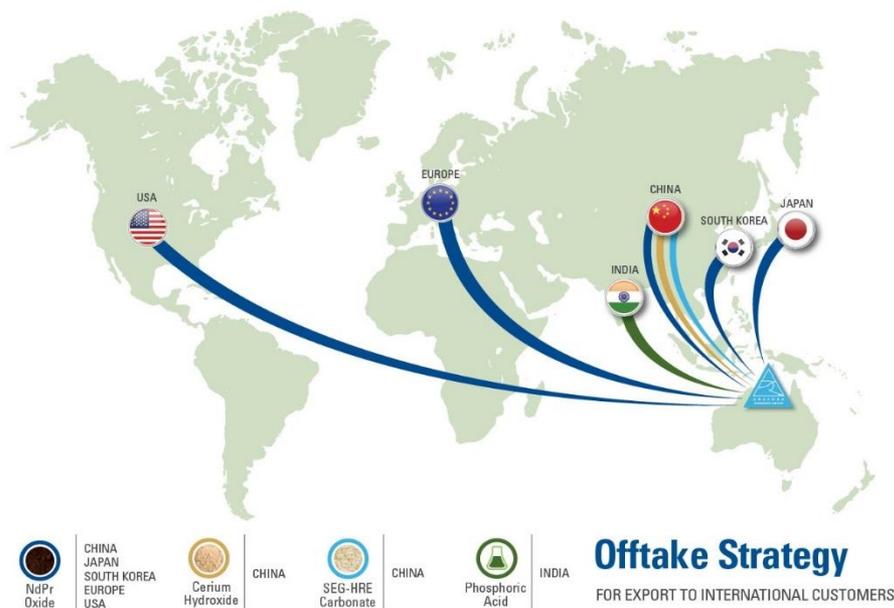


- Nolans is the only permitted site in Australia for rare earths mining, extraction and separation, including radioactive and other waste management from all processes
- Arafura can provide customers assurance for reliable and sustainable supply sourced outside China

14

Project Implementation

Product Offtake



Customer / Target Region	Amount (tonnes p.a.)	Offtake Status	Proportion of Revenue
NdPr Oxide – targeting contracts with NdFeB magnet companies &/or end users			
JingCi Material Science	900	MoU	96%
Baotou Tianhe Magnetics	900	MoU	
Japan	2,557	In progress	
South Korea			
Europe			
USA			
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)	MoU	3%

Proportion of revenue for rare earth products only

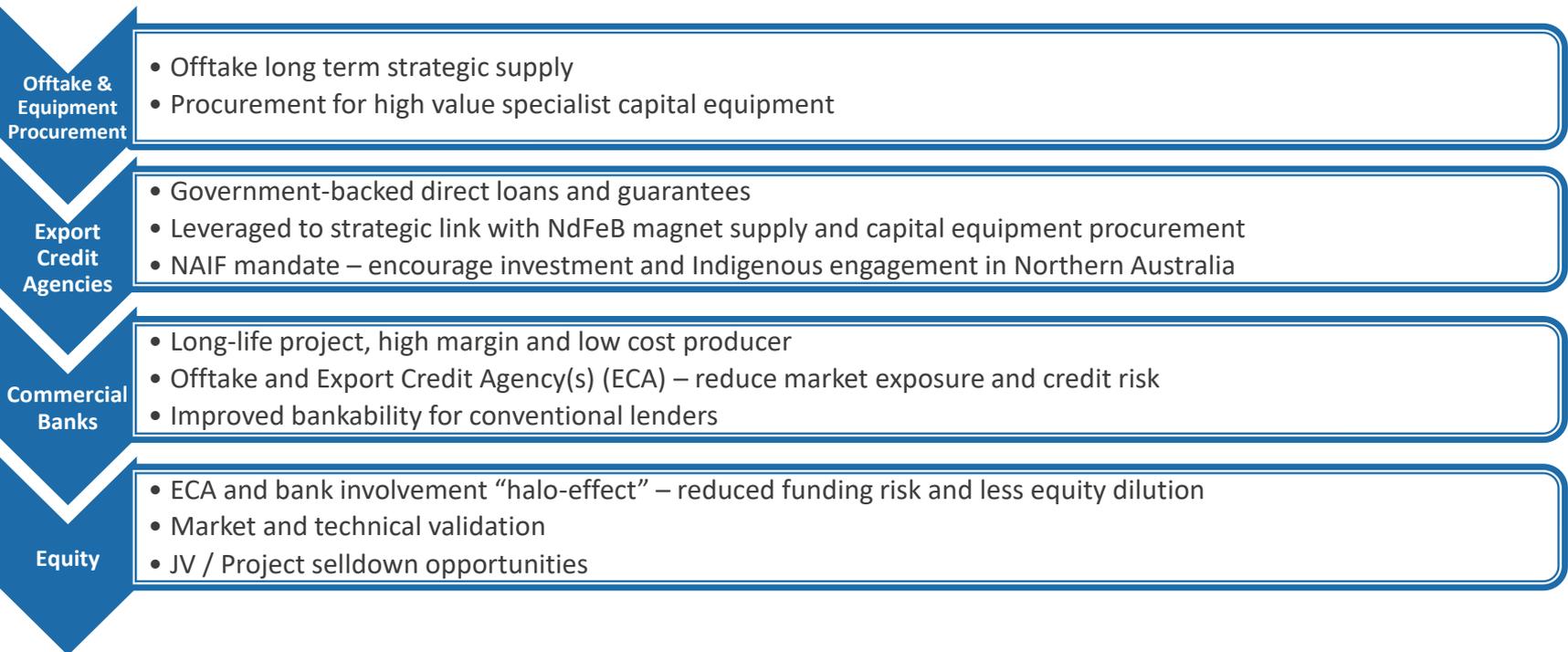
- Customer engagement targeted at NdPr users not aligned with *Made In China 2025* strategy
 - Japan – NdFeB magnet manufacturers
 - Europe & Korea – automotive component makers, OEMs and wind turbine makers
 - China – Tier 1 NdFeB magnet manufacturers with significant export markets

- U.S. emerging as an offtake opportunity
- India – vertically integrated fertilizer producers

Project Funding Strategy

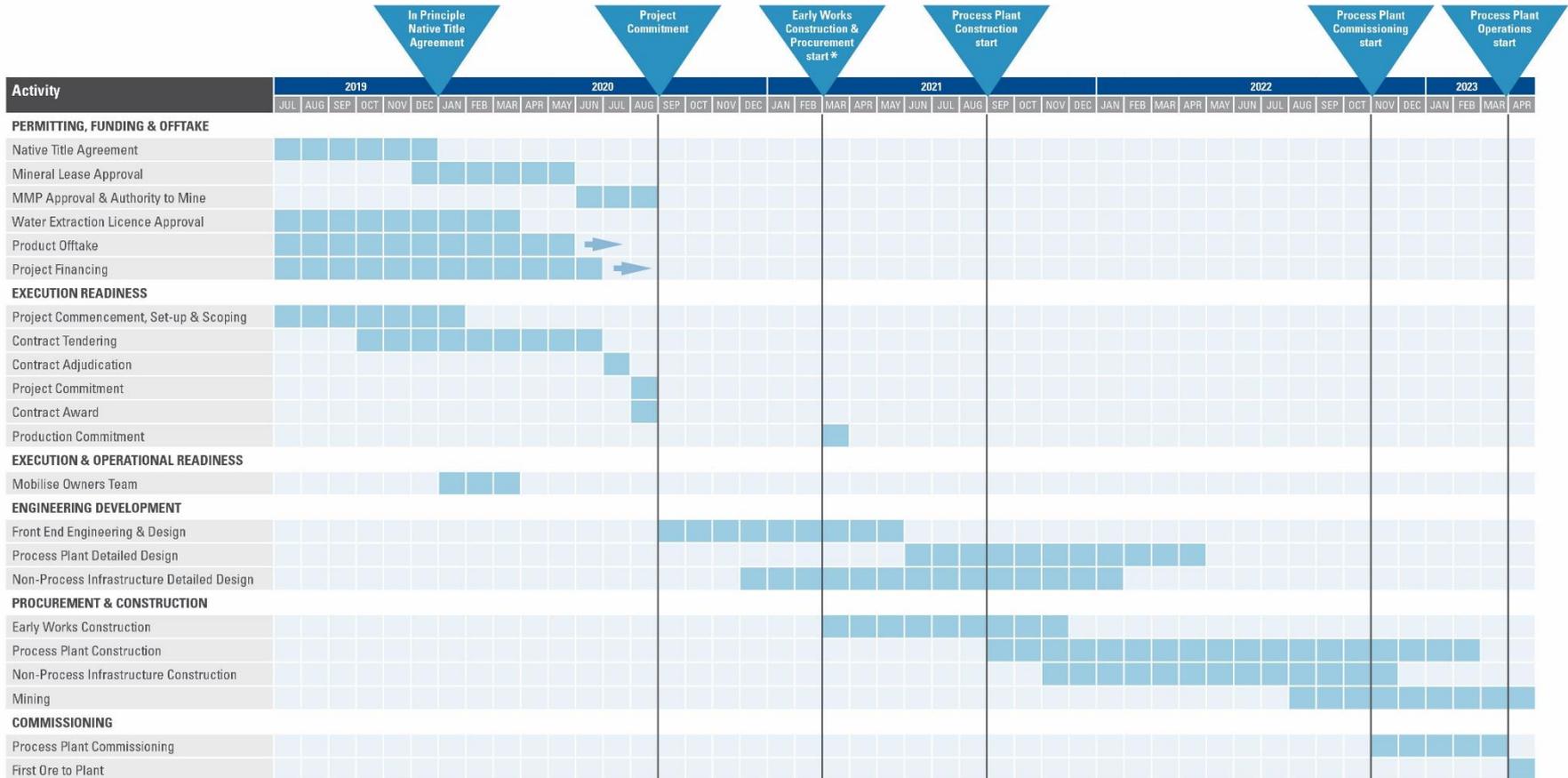
16

- Arafura looking to secure US\$726m to meet CAPEX requirements for the Nolans Project
- Potential sources of funding include equity, debt, JV and/or project selldown with a strategic investor
- DFS completion and environmental approval are critical enablers for engagement with funding partners
- Currently in due diligence by Australian Government’s Northern Australia Infrastructure Facility (NAIF)
- July 2019 completed \$23.2m raising to accelerate Project timeline and get “shovel ready”
- Critical mineral supply and NdPr supply diversification strategies are topical with industry and ECAs



- **Drilling and metallurgical work in progress**
 - Potential to increase current mine life of 23 years
 - Potential to reduce very low estimated OPEX of US\$25.94/kg NdPr (lowest amongst peers) even further
- **Native Title negotiations with Central Land Council (CLC) ongoing leading to final regulatory approval (Mining Licence)**
- **Rare earth separation piloting underway to generate further sample for customer qualification**
- **Execution readiness activities**
 - Strategy to accelerate engineering activities to be aligned with forecast NdPr price increase from 2020
- **Board strengthened by recent non-executive director appointment of experienced resource analyst Cathy Moises**
- **Whilst product offtake and project funding discussions are progressing well, recent uncharacteristic softening of NdPr price by China Northern Rare Earth Group necessitates a more conservative approach to contract tendering, which impacts indicative production timeline**

Indicative Production Timeline



*Early Works Construction & Procurement to the items that follow are subject to:

- Product Offtake being secured
- Sufficient Project Funding secured
- Permitting and other related activities being completed
- Each previous activity being completed successfully

Delays to commencing Early Works Construction will also impact the timing of Plant Construction and Commissioning.



Thank You

December 2019

New World Metals Conference

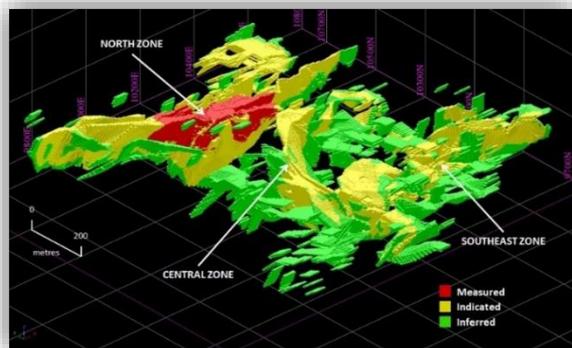
Long Life Asset

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

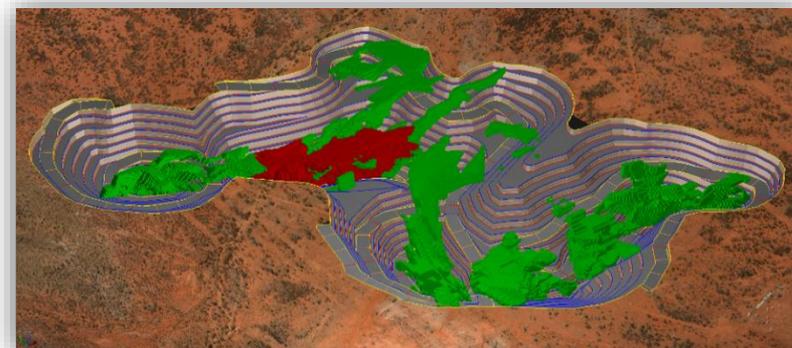
As announced on 7 June 2017. 1.0% TREO cut-off grade. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd₂O₃ and Pr₆O₁₁.

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.



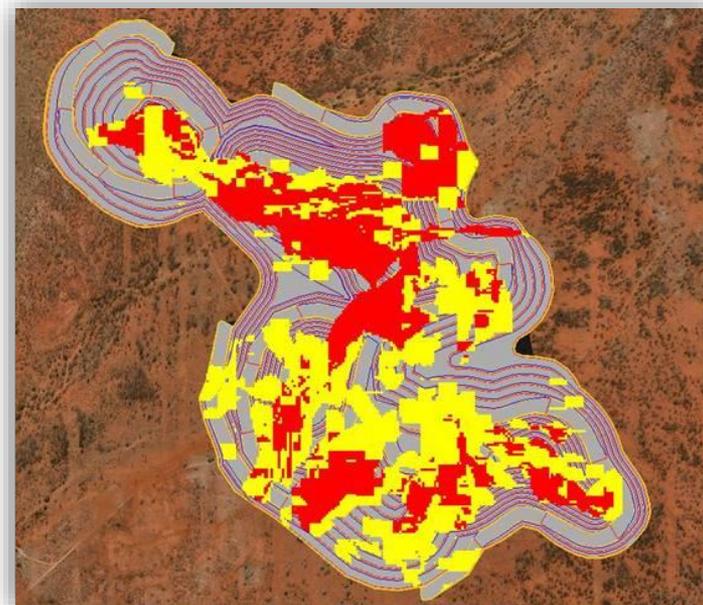
Mineral Resources



Ore Reserves

Drilling & Metallurgical Program

- DFS completed in February 2019 included a mine life of 23 years based on Ore Reserves only but includes the costs of mining Inferred Resources within the LOM pit
- Targeted drilling and metallurgical program aims to substantially increase the current mine life beyond 23 years and further reduce operating costs
- Targeting improved conversion of Measured and Indicated Resources into Reserves
- Nolans ore body also remains open at depth



Nolans DFS Pit Design

- Mineral Reserves
- Inferred Mineral Resources not converted to Mineral Reserves

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

Drilling & Metallurgical Program



October 2019 – Drilling at Nolans Bore – hole NBDH1105



Northern Territory Senator Sam McMahon inspects drill core at Nolans Bore

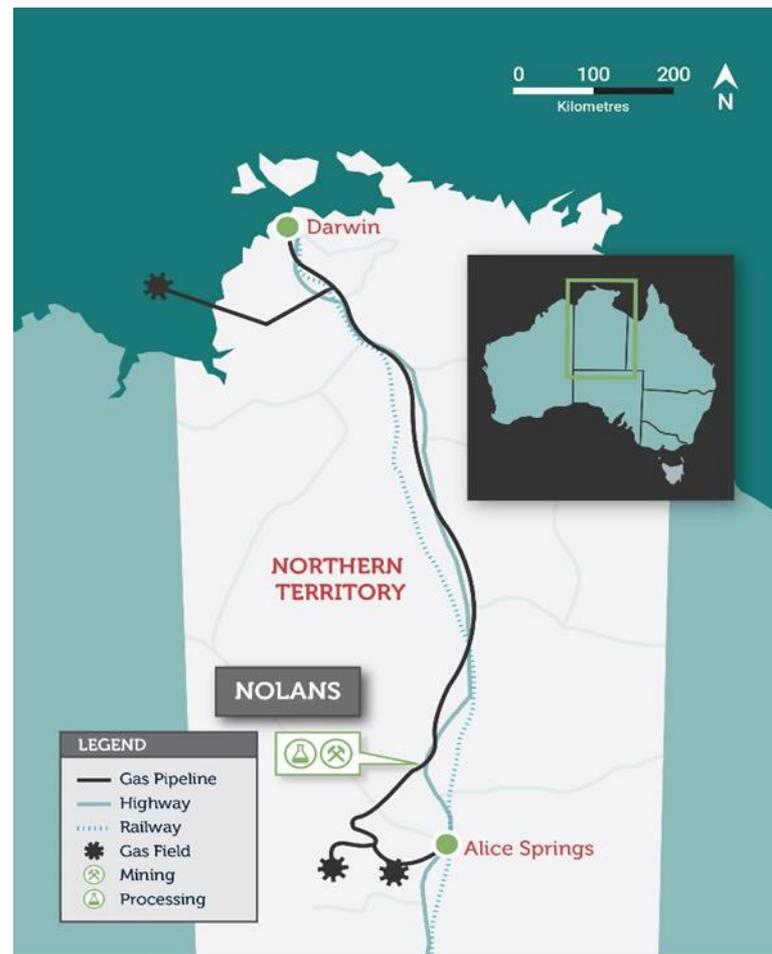
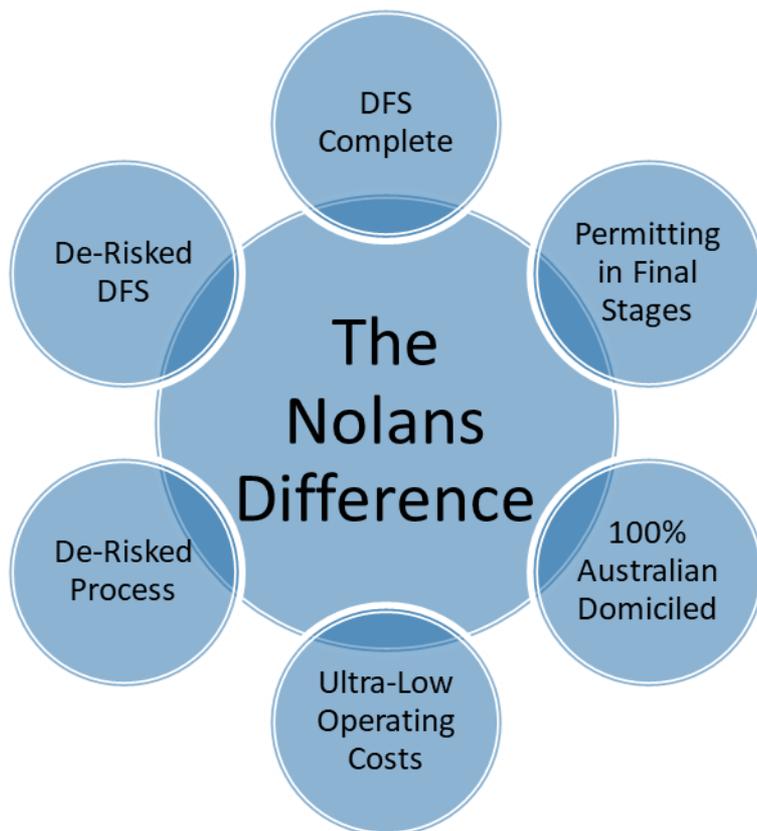


Drill core sample from Nolans Bore used in flotation variability program



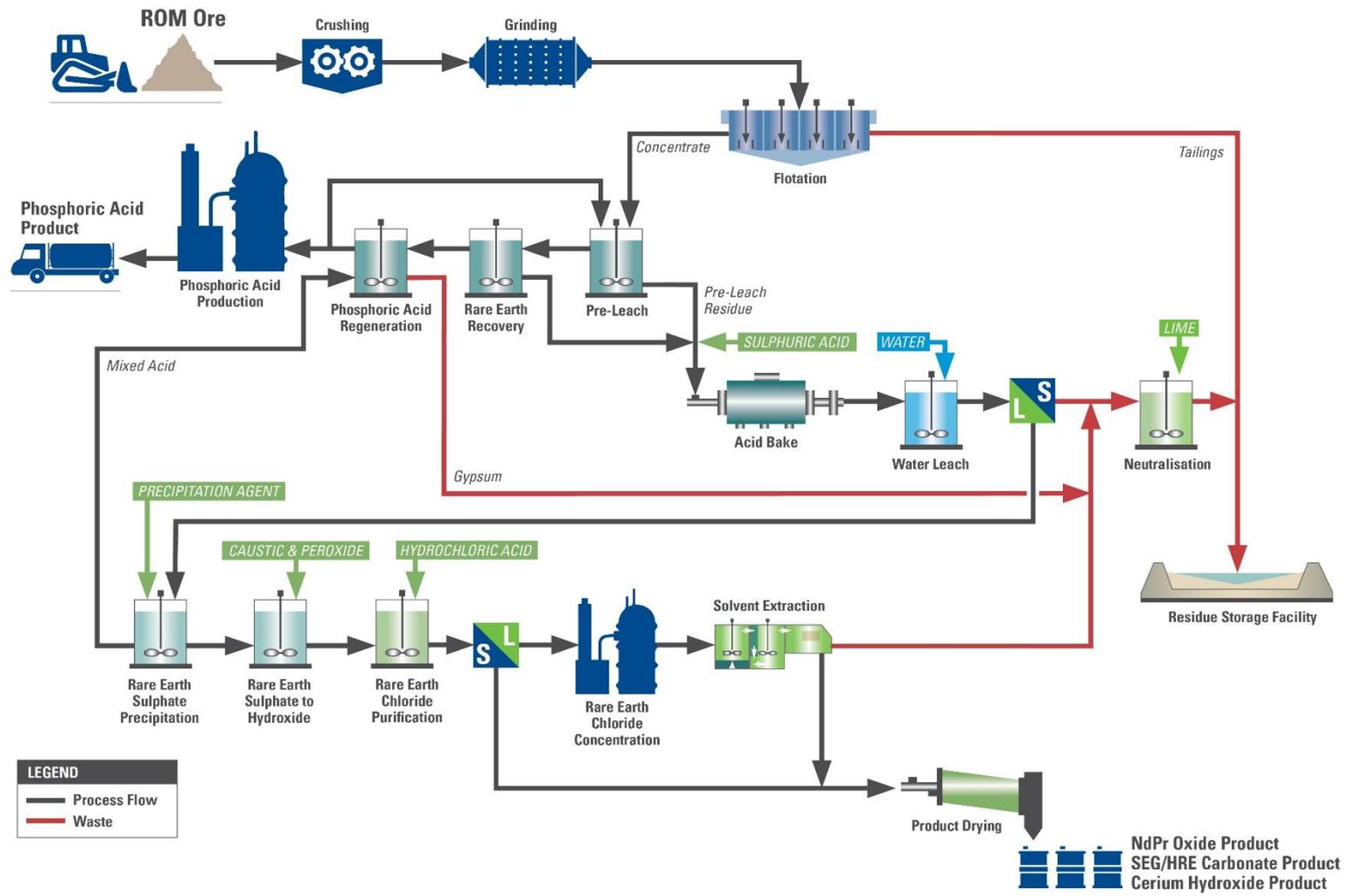
October 2019 – Flotation variability test work at Nagrom mineral processing facility

DFS Completed February 2019



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

Process Flowsheet Supported by Successful Pilot



Flowsheet Piloting Program



Beneficiation Pilot Plant



Phosphate Extraction Pilot Plant



Bulk Pre-Leach Pilot Plant



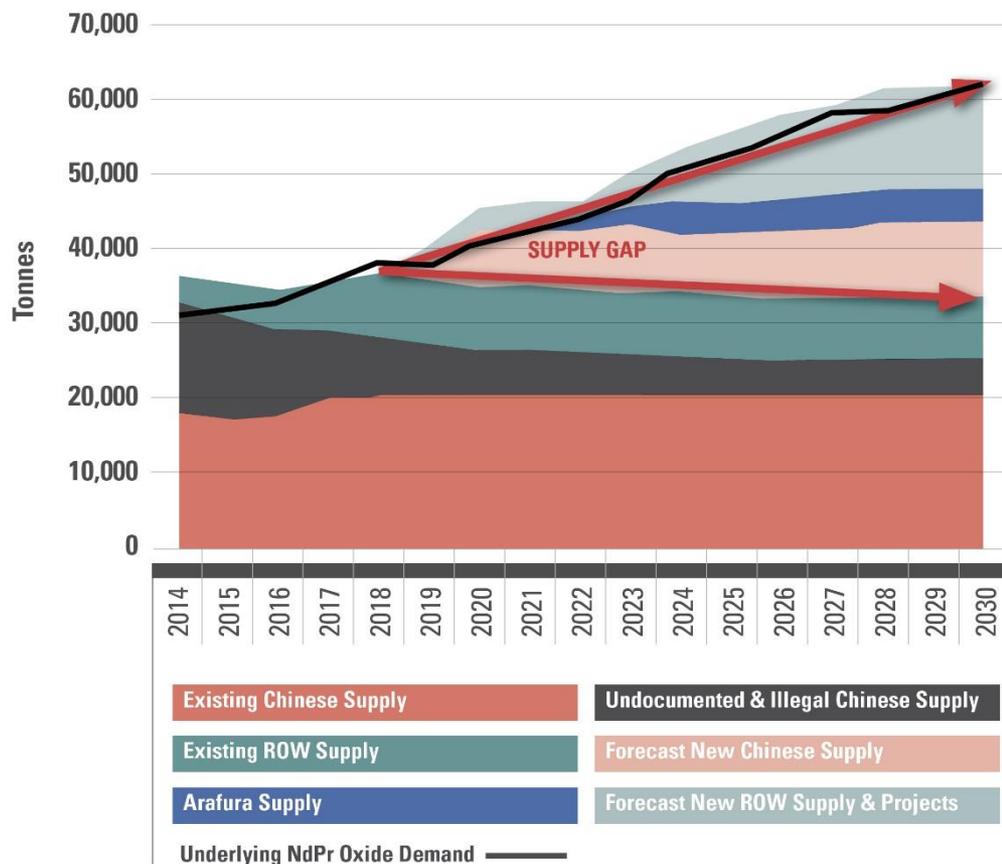
Rare Earth Processing Pilot Plant



Acid Bake Pilot Plant

Supply & Demand Balance

NdPr Oxide Supply & Demand



- China continues to dominate the global supply chain being the world's largest producer accounting for about 80% of NdPr for global NdFeB magnet production
- Supply reforms, industry consolidation and higher environmental standards will constrain China's ability to rapidly increase NdPr production
- Supply growth of 20,000 tonnes of NdPr oxide required in the next decade
- Lynas Corporation (ASX:LYC) is the only significant miner and processor of rare earth materials outside China enjoying a market capitalisation in excess of \$1bn
- China remains the dominant supplier, however analysts forecast China to become a net importer by the early 2020s

Source: Roskill Consulting (November 2018) – Rare Earths Market Analysis

Experienced Board



MARK SOUTHEY
NON-EXECUTIVE DIRECTOR

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.



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.



CATHY MOISES
NON-EXECUTIVE DIRECTOR

Cathy Moises has extensive resource sector experience having worked as a senior resources analyst for several major stockbroking firms including McIntosh (now Merrill Lynch), County Securities (now Citigroup) and Evans and Partners. More recently, she was Head of Research at Patersons Securities. Cathy holds a Bachelor of Science with Honours in Geology from the University of Melbourne and a Diploma of Finance and Investment from the Securities Institute of Australia.



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.

Experienced Management



RICHARD BRESCIANINI
GENERAL MANAGER EXPLORATION &
BUSINESS 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.



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.



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.



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.