

ASX ANNOUNCEMENT

GOLDMAN SACHS – RARE EARTHS INVESTOR FORUM

2 December 2020



Arafura Resources Limited (ASX:ARU) (“Arafura” or the “Company”) is pleased to attach a copy of the presentation for the Rare Earths Investor Forum hosted by Goldman Sachs. Mr Gavin Lockyer, Arafura’s Managing Director presented the Nolans project.

-ENDS-

For further information contact:

Gavin Lockyer
Managing Director
+61 8 6370 2800

Authorised by:

Catherine Huynh
Company Secretary

Media Enquiries:

Luke Forrestal
Media & Capital Partners
+61 411 479 144

Arafura Resources Limited | ABN: 22 080 933 455

Level 6, 432 Murray St, Perth WA 6000
PO Box 5773, St Georges Terrace, Perth WA 6831
T: +61 8 6370 2800 | **W:** www.arultd.com | **E:** arafura@arultd.com

NdPr

Arafura Resources Ltd

Goldman Sachs Rare Earths Forum
2 December 2020



(ASX:ARU)



Disclaimer

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 16 March 2020 (Major Increase in Mine Life for the Nolans Project) 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.

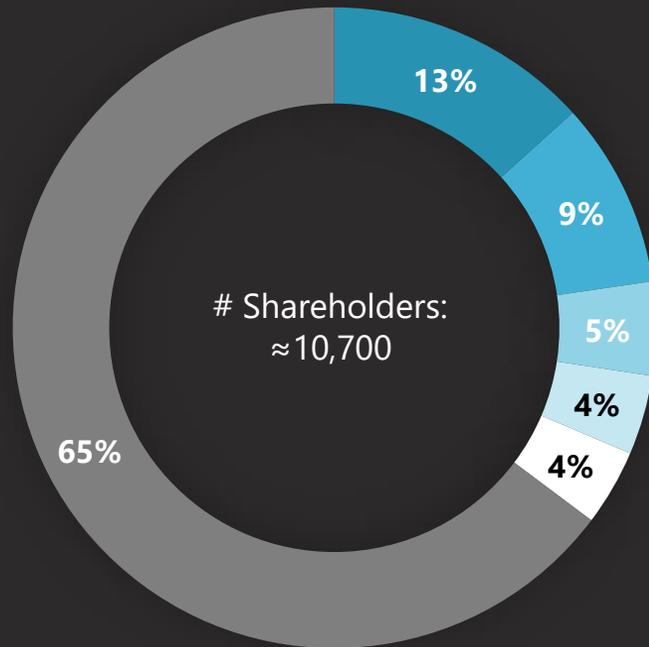
Production Targets and Forecast Financial Information

The information in this presentation that relates to production targets and financial information included in this presentation is extracted from ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project). 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 16 March 2020 (including the cost and pricing assumptions referred to in the Company's 16 March 2020 announcement that were used in the DFS and which are set out in the Company's ASX Announcement 7 February 2019 (Nolans Project Definitive Feasibility Study)), continue to apply and have not materially changed.

Arafura & the Nolans Project



Corporate Snapshot



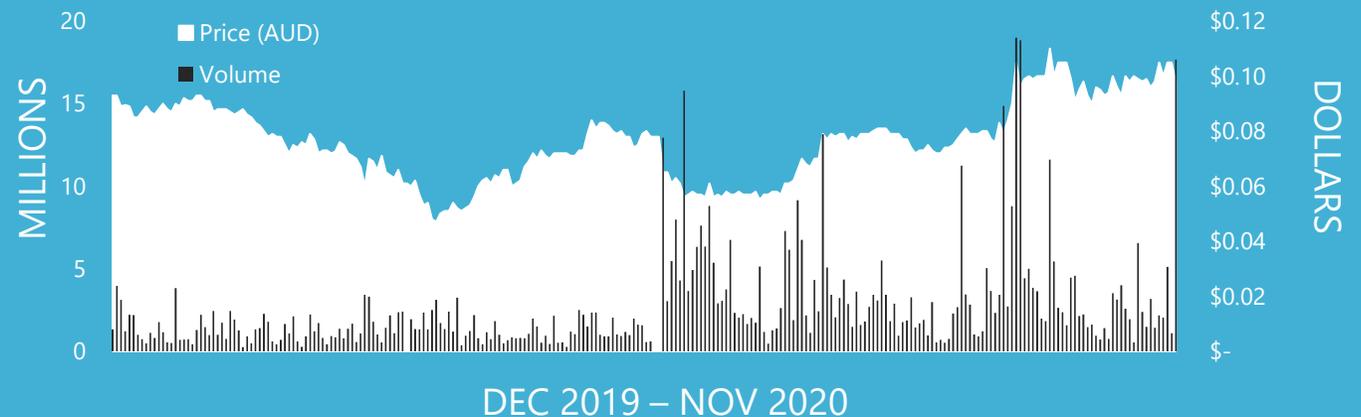
JP Morgan Nominees Australia Pty Ltd
ECE Nolans Investment Company
Talaxis Ltd
HSBC Custody Nominees (Australia) Ltd
Citicorp Nominees Pty Ltd
Other

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

Capital Structure	
ASX Code	ARU
ASX Share Price (27 November)	\$0.105
Shares on Issue	1,168m
Market Capitalisation	\$122.64m
12 Month Liquidity	\$48.44m
Cash*	\$18.50m
Debt	Nil
Enterprise Value*	\$104.14m

* Data based on 30 September 2020 Quarterly Report

12 Month Share Price Performance



Long Life Asset – NdPr rich & open at depth

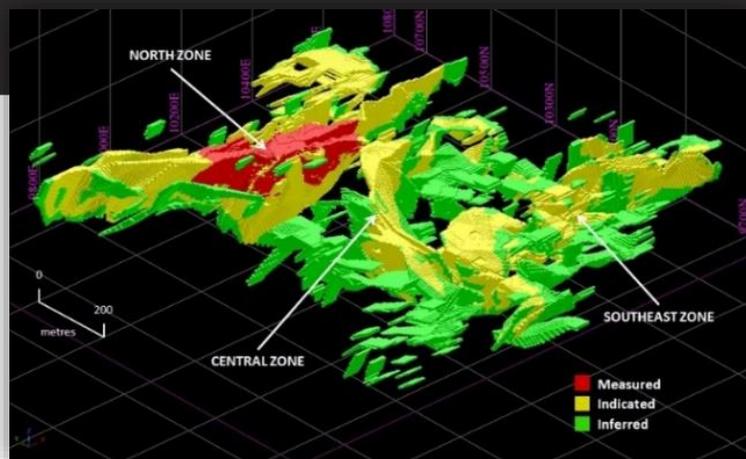
RESOURCES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P ₂ O ₅ %	NdPr ENRICHMENT %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
TOTAL	56	2.6	11	26.4

As announced on 7 June 2017. 1% 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	5.0	3.0	13	26.2
Probable	24.6	2.8	13	26.5
TOTAL	29.5	2.9	13	26.4

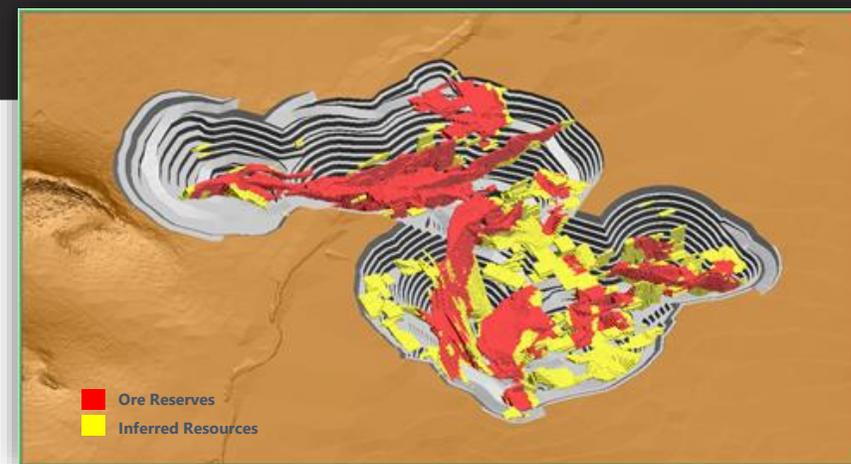
As announced on 16 March 2020. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd₂O₃ and Pr₆O₁₁.

Mineral Resources



- ✓ 33 year Ore Reserves
- ✓ 39 year Mining Inventory

Ore Reserves



Robust Economics

	Ore Reserves	Mining Inventory
Mining & Processing		
Project Life (years)	33	39
Production		
NdPr Oxide (tpa)	3,923	4,325
Financial		
Capital Cost (A\$m)	1,003	1,026
KPI Analysis		
Operating Cost (US\$/kg NdPr with Phosphoric Acid credit)	\$27.02	\$23.71
NPV10 after tax (A\$m)	782	968
IRR after tax (%)	17.29%	17.97%
After tax payback	Year 5	Year 5

As announced on 16 March 2020. Average production and costs are calculated as the arithmetic annual average following the anticipated three year ramp up and excluding the partial final year of production.

- ✓ Definitive Feasibility Study (DFS) in 2019
- ✓ Ore reserves & mining inventory updated in 2020
- ✓ Capital cost **A\$1,026m**
- ✓ Low cost producer at **US\$23.71/kg NdPr** (current price US\$64.5/kg*)
- ✓ **39-year** mining inventory with expansion potential
- ✓ Only Australian NdPr-focused project that is **shovel ready**

* Reference: Shanghai Metals Market 1 December 2020

Asset Overview



All **environmental approvals** have been secured in Australia including appropriate waste management at site



Nolans is the only NdPr project in Australia that plans to produce **ore to oxide at a single site**



Nolans aims to be a **non-Chinese supplier of NdPr** by entering the global supply chain as an oxide

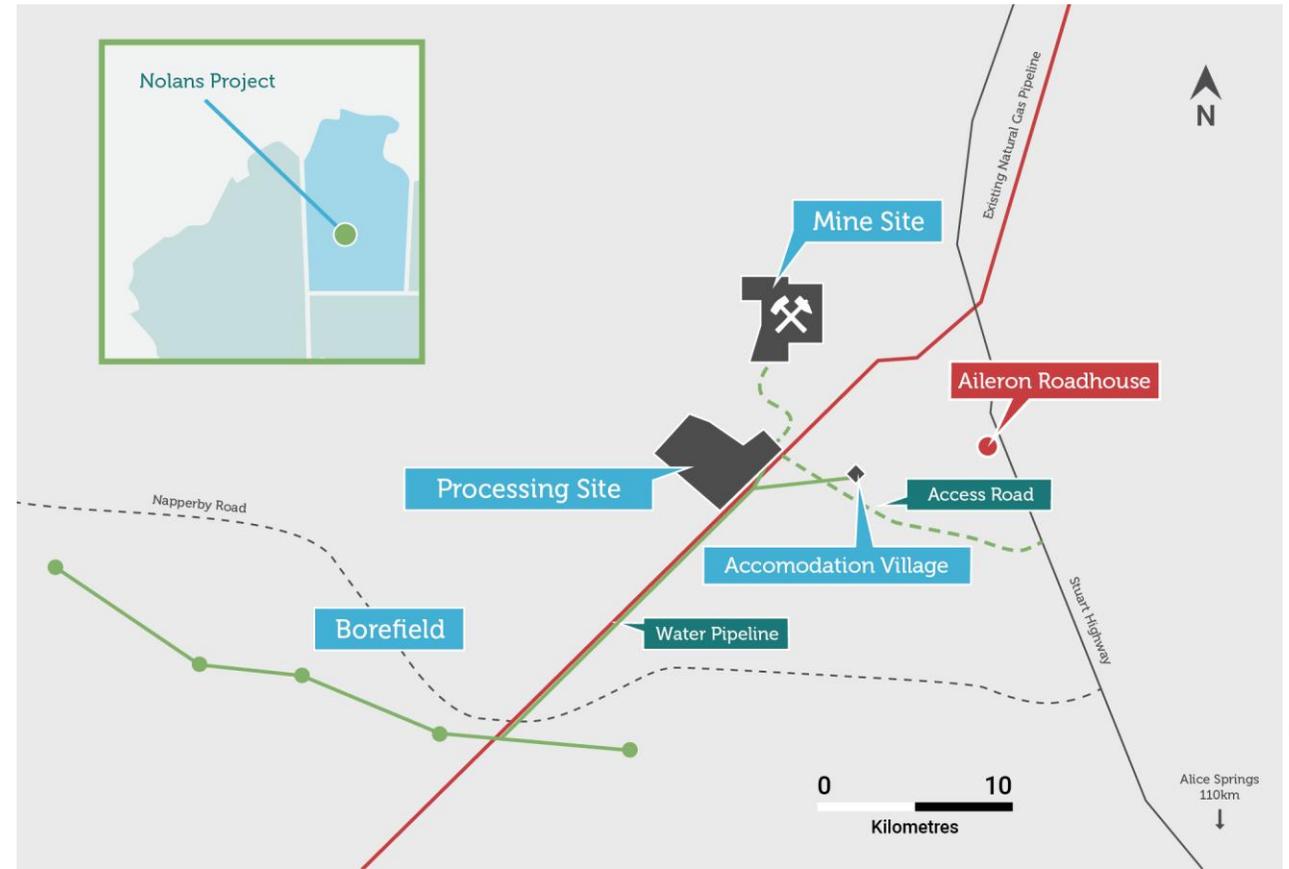


All the above has been **fully costed in the DFS**. Phosphoric acid product places Nolans in a **unique position to compete with China on cost**.



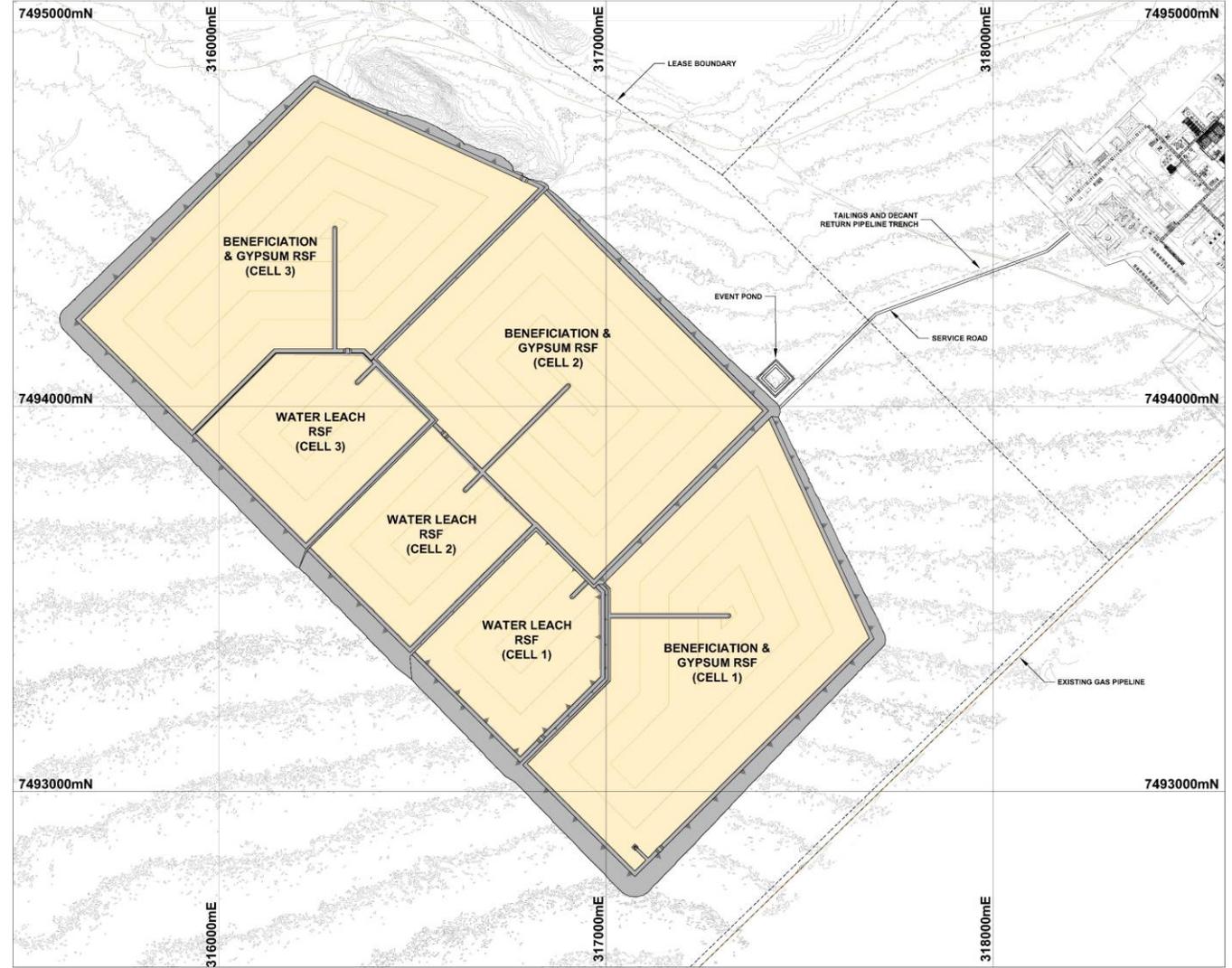
Nolans site close to existing key infrastructure

- ✓ Stuart Highway 10 km east
- ✓ Water supply 30 km south
- ✓ Tailings and process wastes at site
- ✓ Alice Springs railyard, airport and other services 135 km south
- ✓ Amadeus natural gas pipeline-adjacent to project site

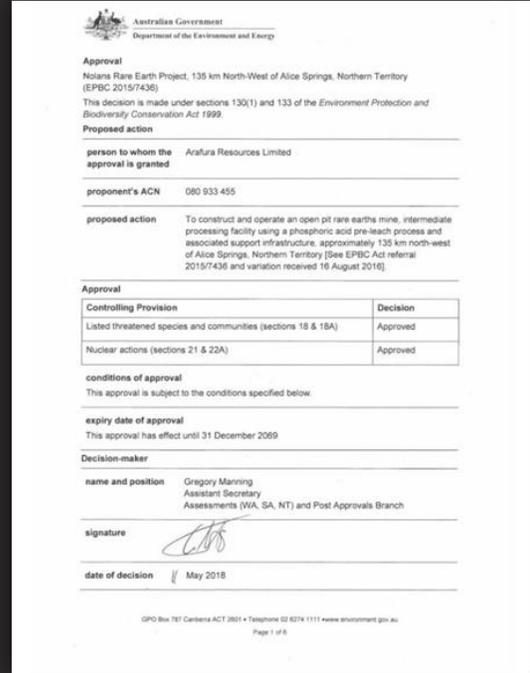


Fully Costed Single Site Waste Management

- ✓ Waste rock dumps designed to “encapsulate” naturally occurring radioactive materials (NORM) rock at mine site
- ✓ Mine area surface water management captures sediment
- ✓ Residue storage facility (RSF) with two cells
- ✓ Progressive rehabilitation



 **All environmental approvals secured**



✓ **Nolans is the only permitted project in Australia for rare earths mining, extraction and separation**, including waste management, at a single site



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

ESG Priorities

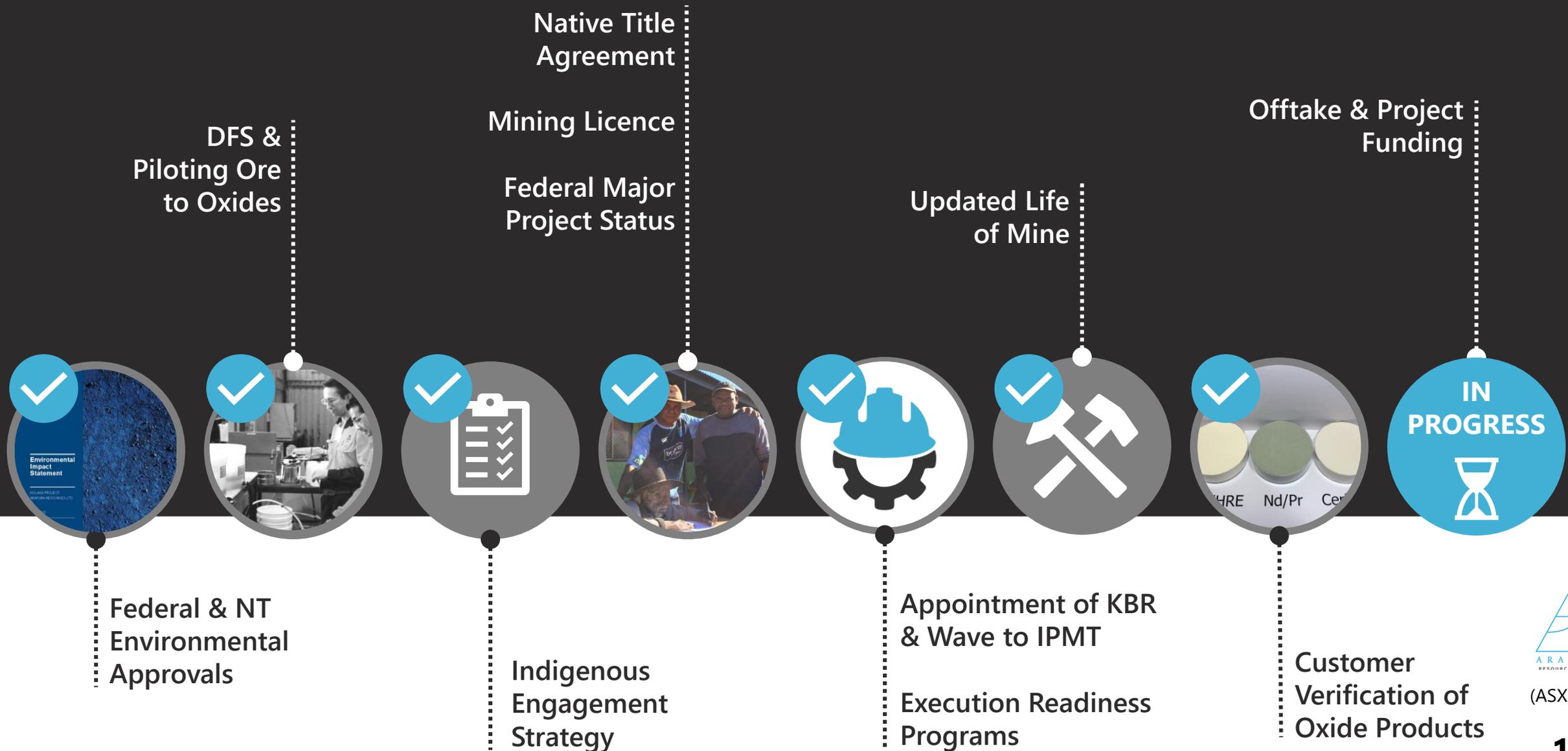
- ✓ Alignment with global standards
- ✓ Sustainability policy and framework completed addressing global standards
- ✓ Sustainability action plan to identify gaps in procedures

SUSTAINABLE DEVELOPMENT GOALS



(ASX:ARU)

Nolans is Shovel Ready

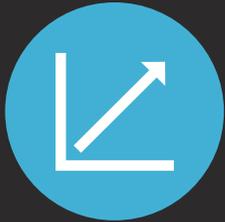


Critical Minerals Supply – a Global Issue



NdPr Market Opportunity

DEMAND



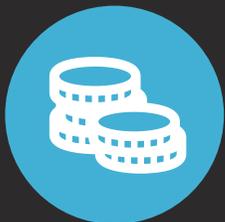
- ✓ Accelerated demand driven by government policy for renewables and e-mobility
- ✓ Automotive sector is forecast to consume nearly 50% of NdFeB supply
- ✓ Offshore wind energy sector will accelerate with strong growth from new projects

SUPPLY



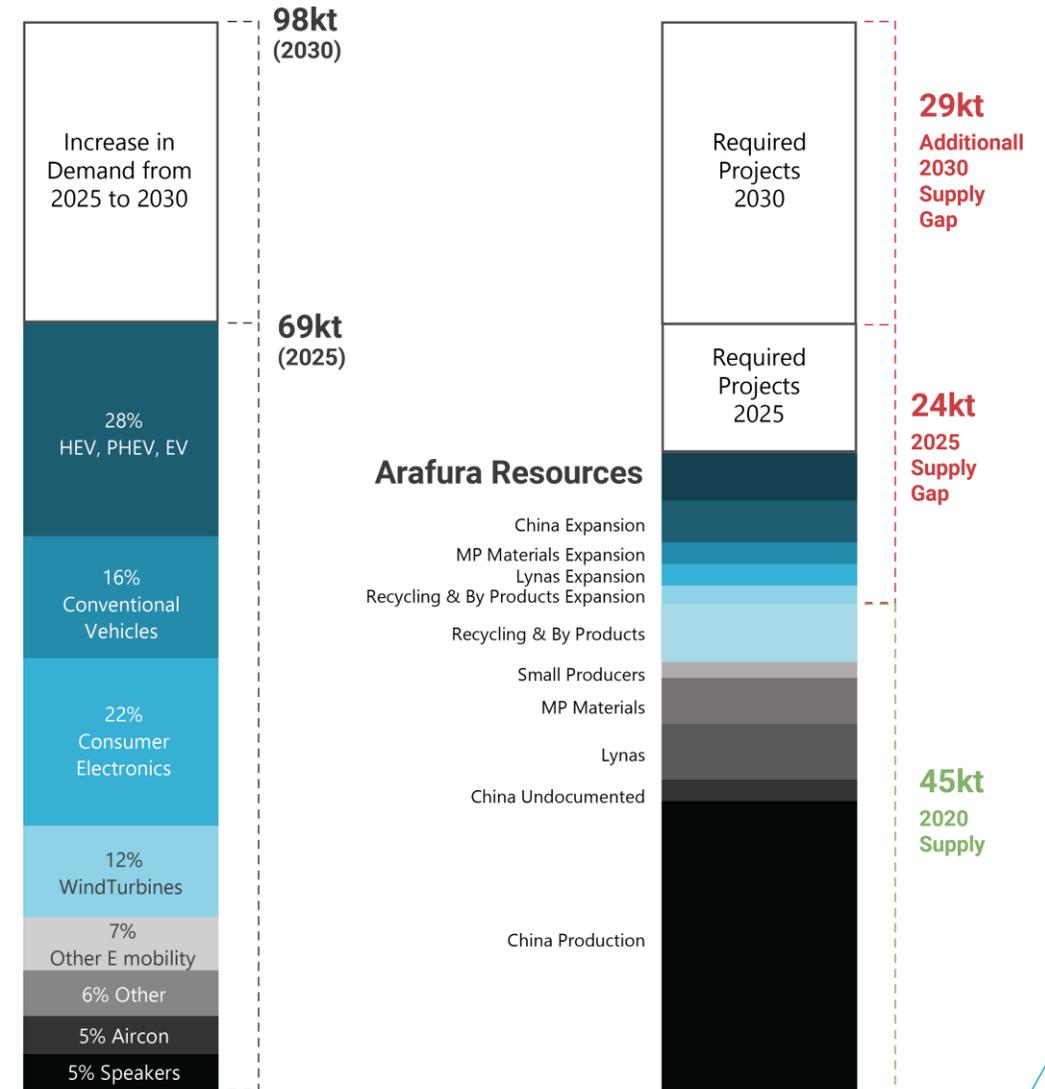
- ✓ China forecast to be net importer and new supply required to meet rest of world demand as early as 2025
- ✓ Investment in new projects necessary to meet demand
- ✓ NdFeB magnets will move to the best value in use
- ✓ The emerging supply gap has extra significance for companies not aligned with the *Made in China 2025* strategy

PRICING



- ✓ NdPr price does not reflect true market dynamics and so discourages new investment
- ✓ Alternate supply source will reduce China's influence on NdPr price

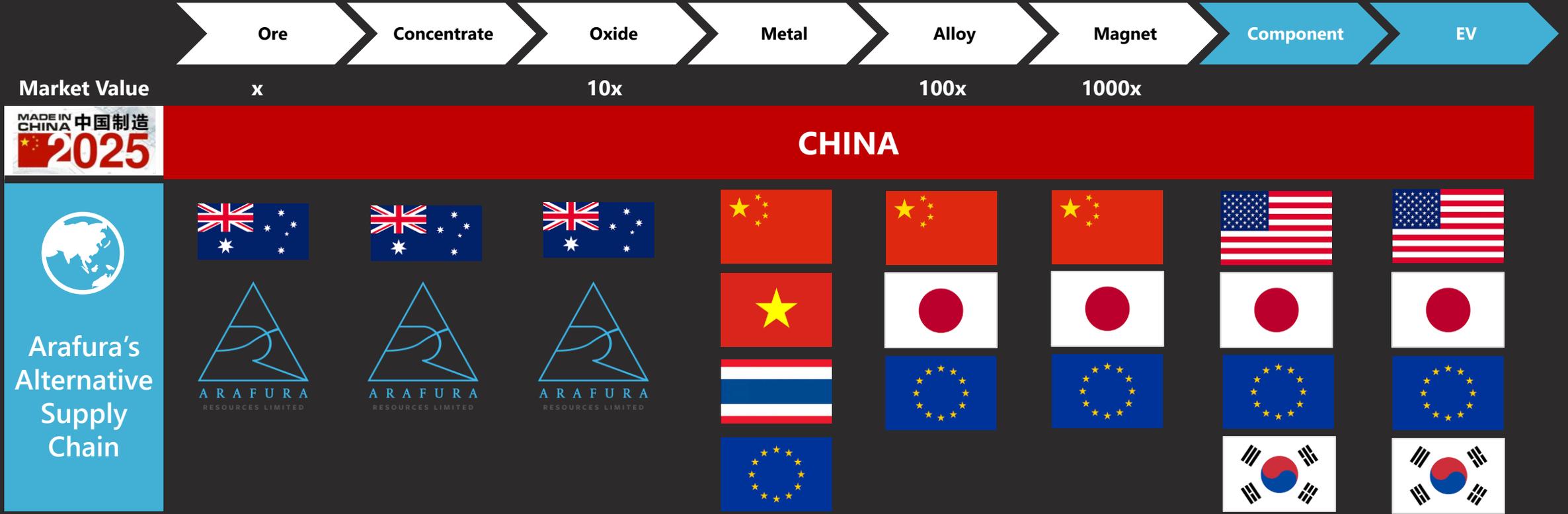
NdPr Supply & Demand



2030 Demand

2030 Supply

Global Supply Chain



1

China currently exerts control over most of the global rare earth supply chain. Projects not producing Oxide risk falling into the *Made in China 2025* supply chain.

2

Arafura plans to produce Oxide in Australia to provide **supply security that will meet sustainability objectives.**

3

Nolans offtake strategy focused on parties **not aligned with the *Made in China 2025* strategy.**

4

Governments around the world are seeking to partner in opportunities to **diversify the supply chain to prevent disruption.**

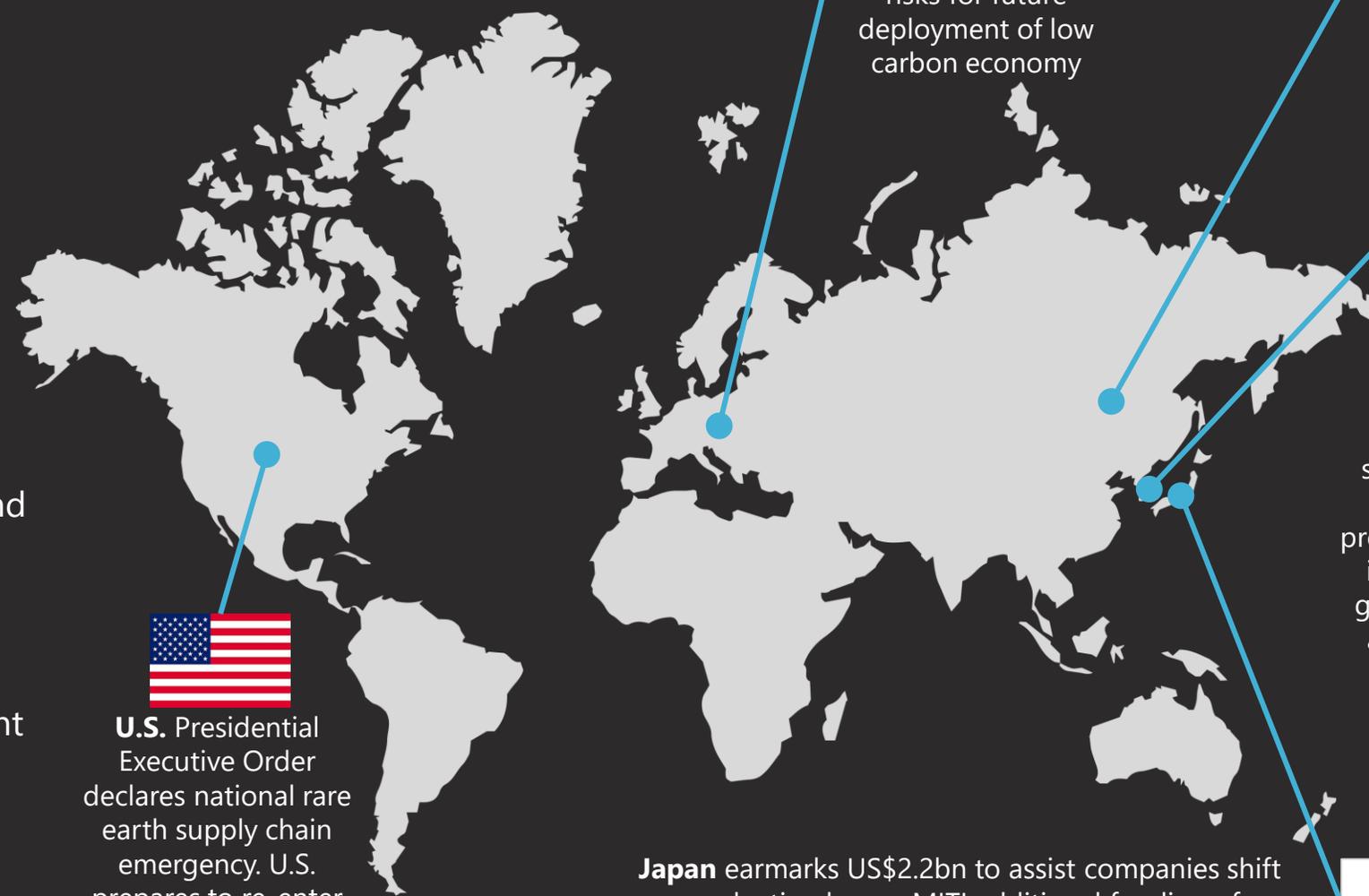


(ASX:ARU)

Global Critical Minerals Initiatives

Global supply chains planning to increase resilience

- ✓ Dual sourcing of materials
- ✓ Expanding supplier base
- ✓ Regionalizing supply chains
- ✓ Building stronger, reliable and transparent supply chains
- ✓ Widen scope of existing re-shoring plans
- ✓ Re-structuring of government policies



U.S. Presidential Executive Order declares national rare earth supply chain emergency. U.S. prepares to re-enter Paris Climate Agreement.

2050 NET-ZERO EMISSIONS TARGET



Europe multiple initiatives to remove materials supply risks for future deployment of low carbon economy

2060 CARBON NEUTRAL TARGET



China has new 5-year plan with emphasis on renewables, e-mobility and domestic growth

2050 NET-ZERO EMISSIONS TARGET



Korea looking to re-shore production and create downstream processing opportunities in alliance with other governments to create an alternative supply chain

Japan earmarks US\$2.2bn to assist companies shift production home. MITI additional funding of US\$423m to diversify sources for rare earths and cobalt



Australia's Critical Minerals Initiatives



NOVEMBER 2019

Northern Australia Infrastructure Facility (NAIF)-Export Finance Australia (EFA) co-investment barriers lifted

JANUARY 2020

Critical Minerals Facilitation Office established

JULY 2020

Australia Government classes Nolans as a Critical Major Project

OCTOBER 2020

National Manufacturing Priorities include critical minerals processing

1

MARCH 2019
Austrade Australian Critical Minerals Prospectus and Australia's Critical Minerals Strategy

2

3

NOVEMBER 2019
EFA mandate via \$4.4 bn Defence Export Facility available to critical minerals projects

4

5

APRIL 2020
Council of Australian Governments' Critical Minerals Work Plan endorsed

6

7

AUGUST 2020
NT Investment Delivery Task Force established

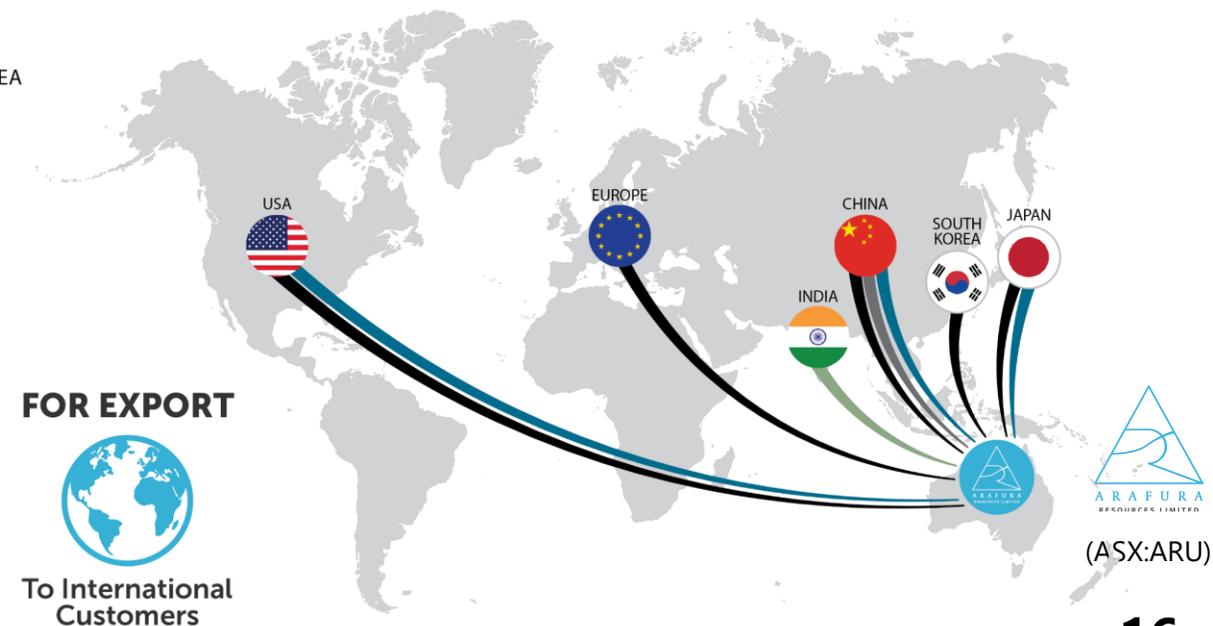
8

Nolans a Strategic Resource



Nolans aims to supply **5-10% of global demand** for NdPr oxide

- ✓ China has a dominant market position in global NdPr supply and pricing
- ✓ Multilateral support for supply diversification required – Australia has a unique opportunity to play a lead role in this critical raw material (CRM) value chain
- ✓ NdPr is central to e-mobility and renewable energy initiatives that form part of COVID stimulus packages in key economies
- ✓ Nolans **ore to oxide business model** allows CRM supply diversification



Offtake & Project Financing



The Offtake Strategy

1

Customer engagement targeted at NdPr users **not aligned** with *Made in China 2025* strategy and offtake advanced:

- **China** – Tier 1 NdFeB magnet manufacturers with significant export markets
- **Japan** – NdFeB magnet manufacturers
- **Europe & Korea** – automotive component makers and OEMs, and wind turbine makers
- Appointment of European-based advisory firms to assist engagement

2

Customer qualification of final rare earth oxide products completed and well within total rare earth oxide (TREO) specifications

3

Offtake model aligned with Export Credit Agency (ECA) requirement to tie offtake to home jurisdiction. Project offtake closely linked to project funding.

Sales Distribution Targets

Customer / Target Region	Amount (tpa)	Offtake Status	Proportion of Rare Earths Revenue
NdPr Oxide – targeting contract 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 Oxide – targeting contract with rare earth processors			
China	606 (TREO equivalent)	In progress	1%
Japan			
Cerium Oxide – targeting contracts with rare earth processors			
Baotou Xinyuan Rare Earth Hi-tech	8,383 (TREO equivalent)	MoU	3%

- ✓ Targeting 85% of NdPr production under contract with offtake partners

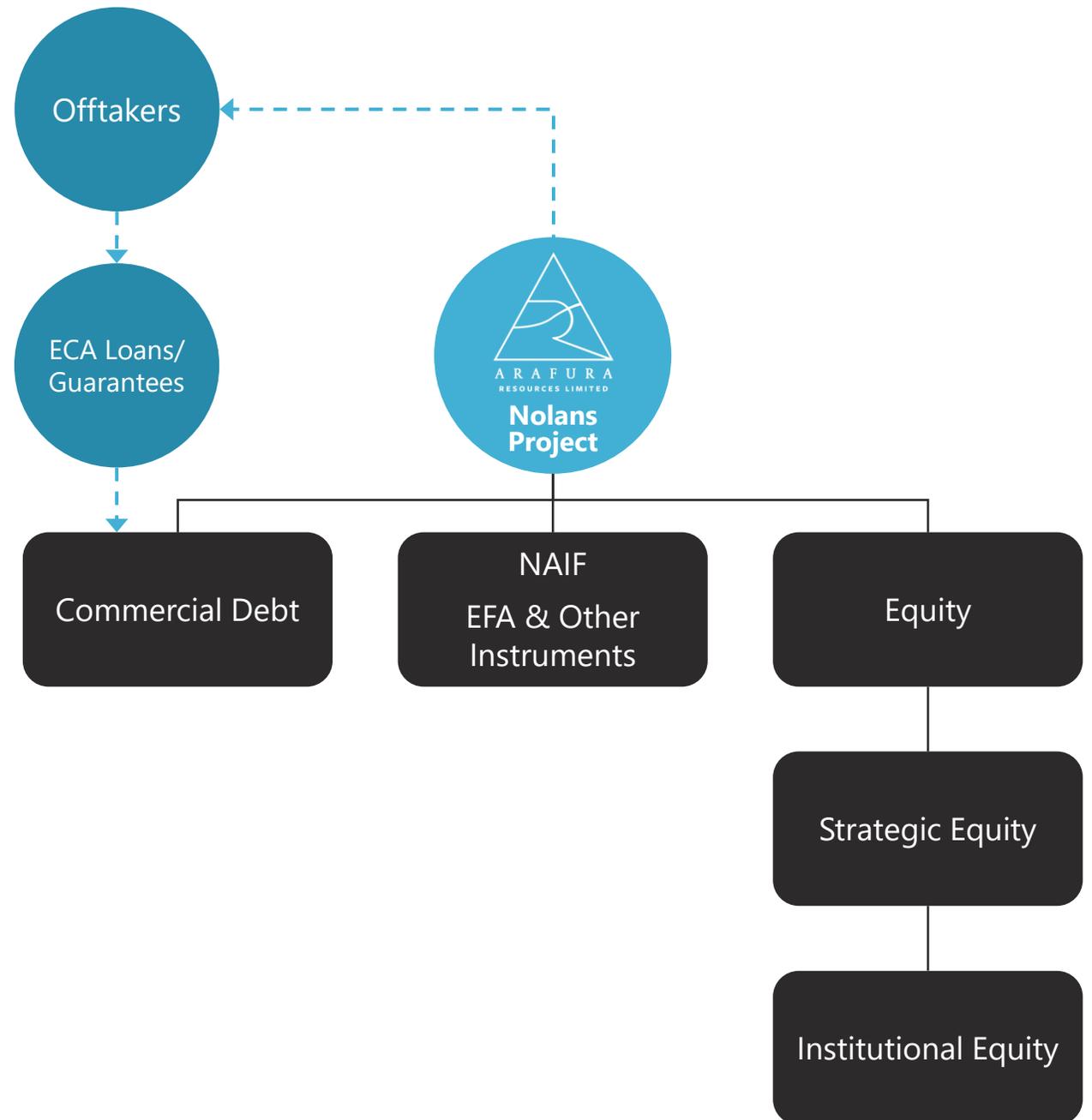
The ECA-led Funding Strategy



- ✓ Nolans is a strategic **Australia** based **NdPr** project
 - ✓ Production aligned with forecast supply shortages in mid 2020s
 - ✓ Product wholly aligned with key ECA mandates of e-mobility and renewables
- ✓ Debt led funding structure, targeting ECA funding
 - ✓ ECAs are seeking well structured projects, CRM production and best-practice ESG standards
- ✓ **Debt process now “live” with advisory appointments**

Targeted Funding Structure

- ✓ ECA debt will be critical but not the entire funding solution
- ✓ Portfolio of funding sources
- ✓ Offtake, debt and strategic equity all interlinked and driving schedule





Next Steps

Current Focus

**1**

Prioritising project work streams against cash balance to maintain project momentum.

2

Advancing terms sheets with end users for offtake.

3

Escalating engagement with financiers & financial advisors for project financing.

4

Continued dialogue with Australian & other governments seeking to establish non-Chinese critical minerals supply chains.

Indicative Timeline

- ✓ Timeline subject to change and is contingent on funding and offtake activities
- ✓ Targeting Front-End Engineering & Design (FEED) to be fully funded prior to commencement

Works Activity	Execution Readiness					Early Contractor Involvement						Enabling Works Construction						Construction															Production										
	Months Duration from Project Commitment Date																																										
	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35			
Project Commitment					█																																						
Production Commitment												█																															
First Production																																										█	
EXECUTION & OPERATIONAL READINESS		█	█	█	█																																						
FEED & ENGINEERING DEVELOPMENT	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█		
PROCUREMENT & CONSTRUCTION									█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
COMMISSIONING & RAMP-UP																																											



Contact Information



Level 6, 432 Murray St
Perth WA 6000 Australia



+61 8 6370 2800



arafura@arultd.com



www.arultd.com

