

# ASX ANNOUNCEMENT

## MINING THE TERRITORY PRESENTATION

12 November 2020

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**Arafura Resources Limited (ASX:ARU)** (“Arafura” or the “Company”) is pleased to attach a copy of the presentation for the Mining the Territory Conference.

The Mining the Territory Conference is Northern Australia’s leading Mining Industry Conference and is held as part of NT Resources Week. The conference is Northern Australia’s largest resources industry- based conferences and brings together key industry leadership alongside sector stakeholders, government representatives, resource experts and regional interest groups. Mr Gavin Lockyer, Arafura’s Managing Director presented the Nolans project.

**-ENDS-**

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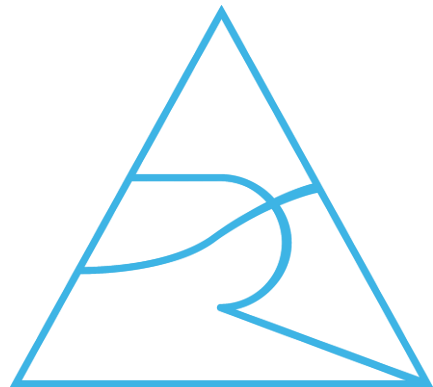
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**NdPr**

# Nolans Project

Mining the Territory

12 November 2020



ARAFURA  
RESOURCES LIMITED





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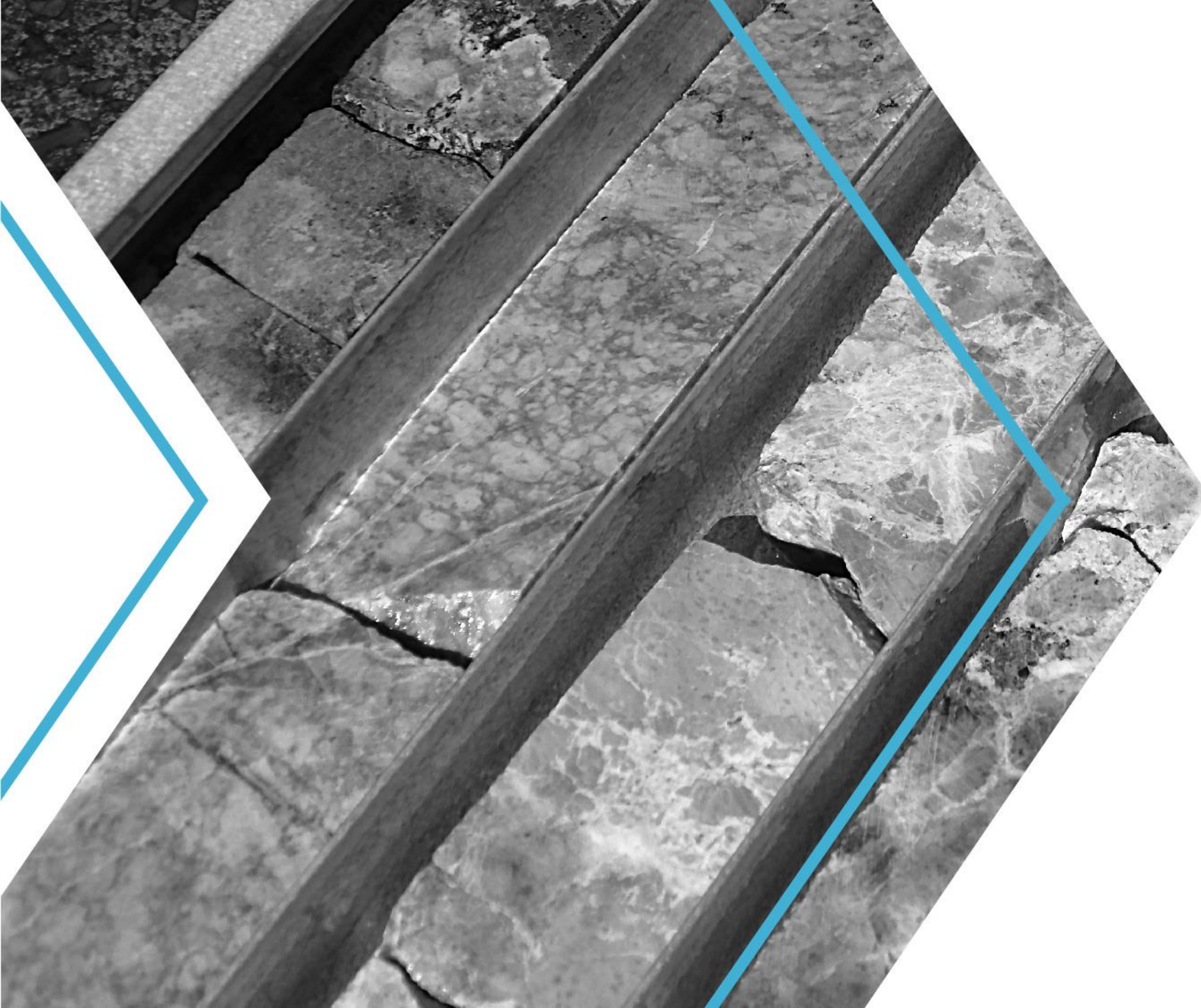
## Mineral Resources and Ore Reserves

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.

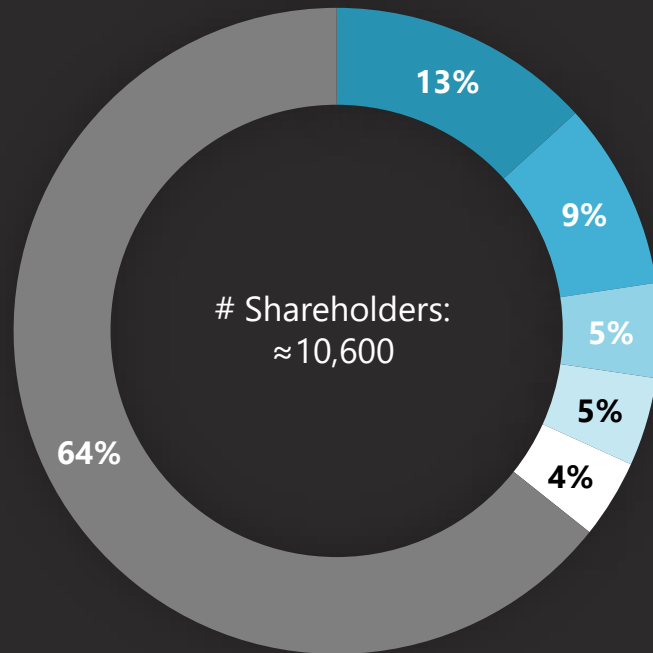
## Production Targets and Forecast Financial Information

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.

# 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

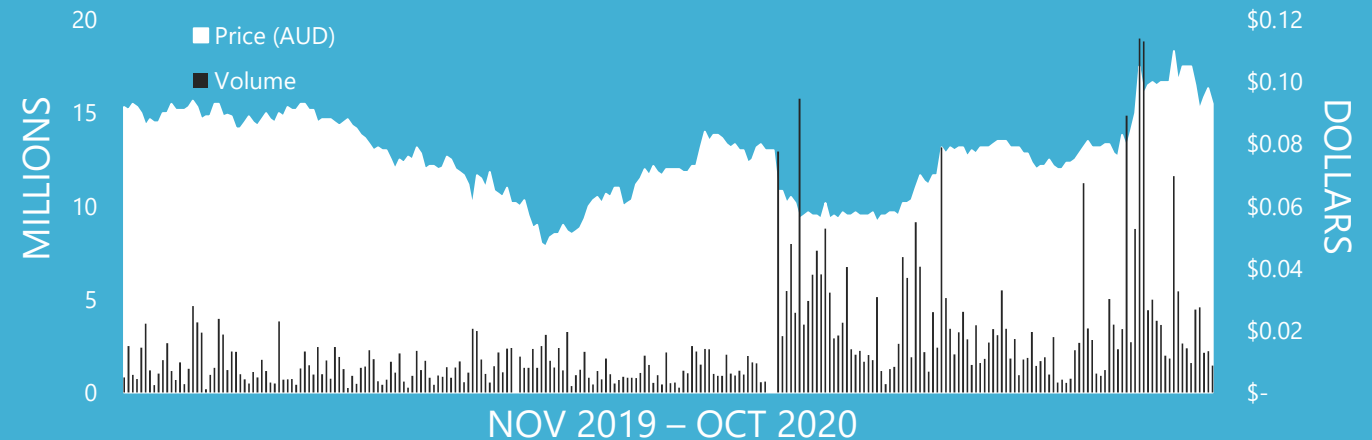
- ✓ Nolans world class NdPr project – DFS completed February 2019
- ✓ NdPr is the key input for high performance NdFeB permanent magnets
- ✓ NdPr is a critical input for the manufacture of energy efficient electric motors
- ✓ NdPr central to many clean energy applications including EVs and wind turbines

## Capital Structure

ASX Code	ARU
ASX Share Price (9 November)	\$0.10
Shares on Issue	1,168m
Market Capitalisation	\$116.78m
12 Month Liquidity	\$48.19m
Cash*	\$18.50m
Debt	Nil
Enterprise Value*	\$98.28m

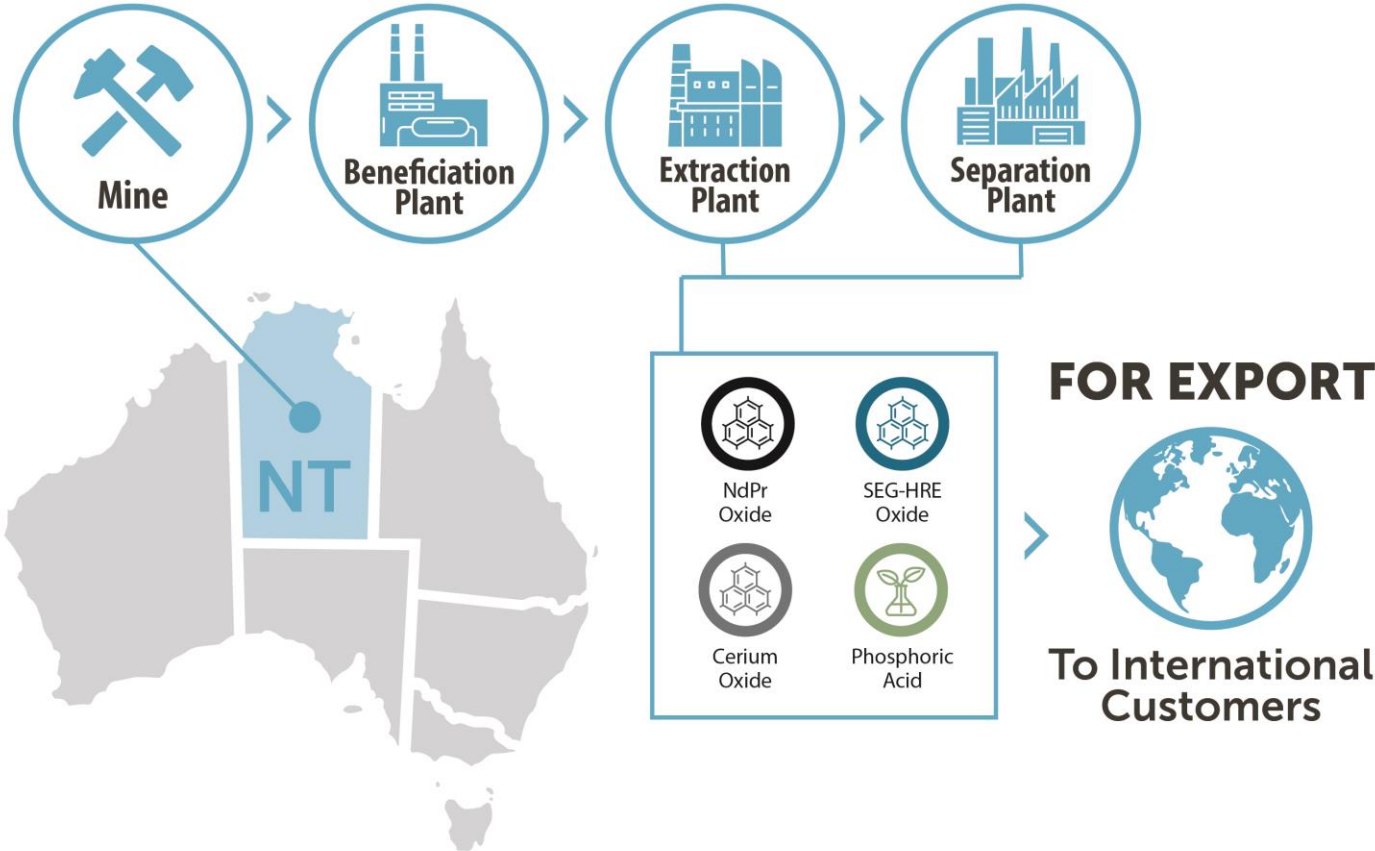
\* Data based on 30 September 2020 Quarterly Report

## 12 Month Share Price Performance



# Nolans NdPr Project


- ✓ Globally Strategic
- ✓ 100% Australian Domiciled
- ✓ Ore to Oxide at single site



## KEY FACTS

 **\$1 billion**  
cost to develop & build

 **\$200 million**  
annual cost to operate

 minimum **39-year**  
mine life

 **135 kilometres**  
from Alice Springs

 construction workforce of **620** operational workforce of **280**

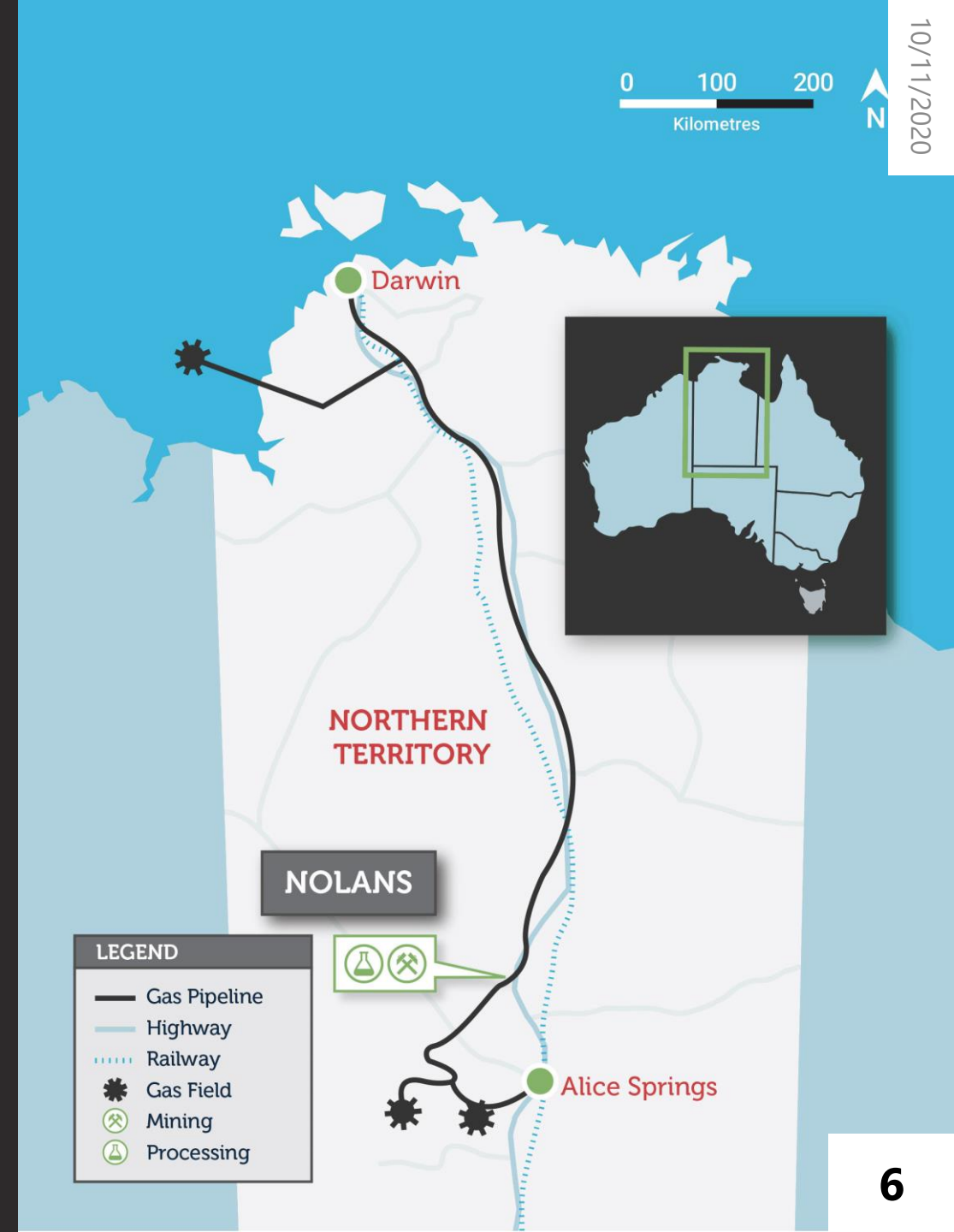
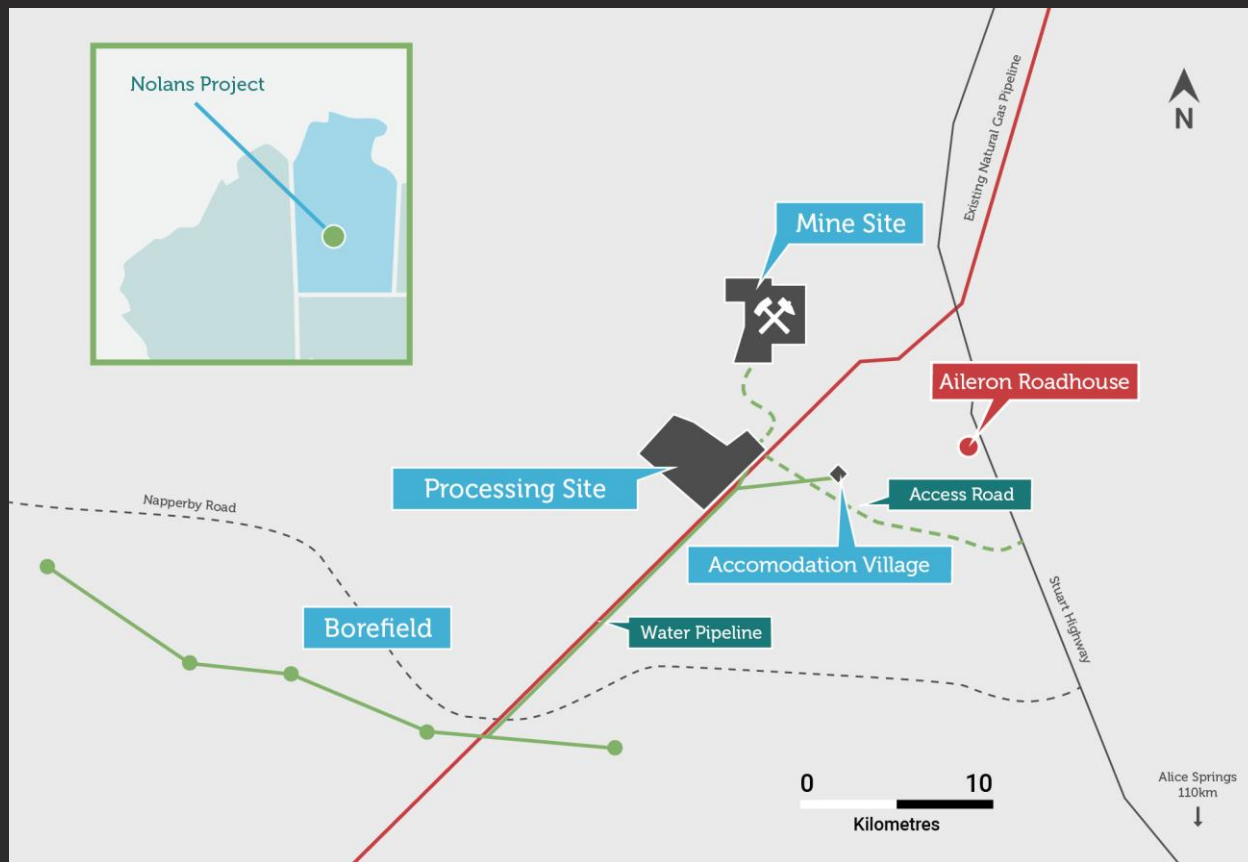
 **5-10%** of the world's magnet rare earths supply

As announced on 16 March 2020

# Project Location



Located in the Northern Territory,  
110km from Alice Springs





**May 2018  
The Australian  
Government  
approved the Project**



- ✓ **Nolans is the only permitted site in Australia for rare earths mining, extraction and separation, including waste management, located 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 address identified deficiencies



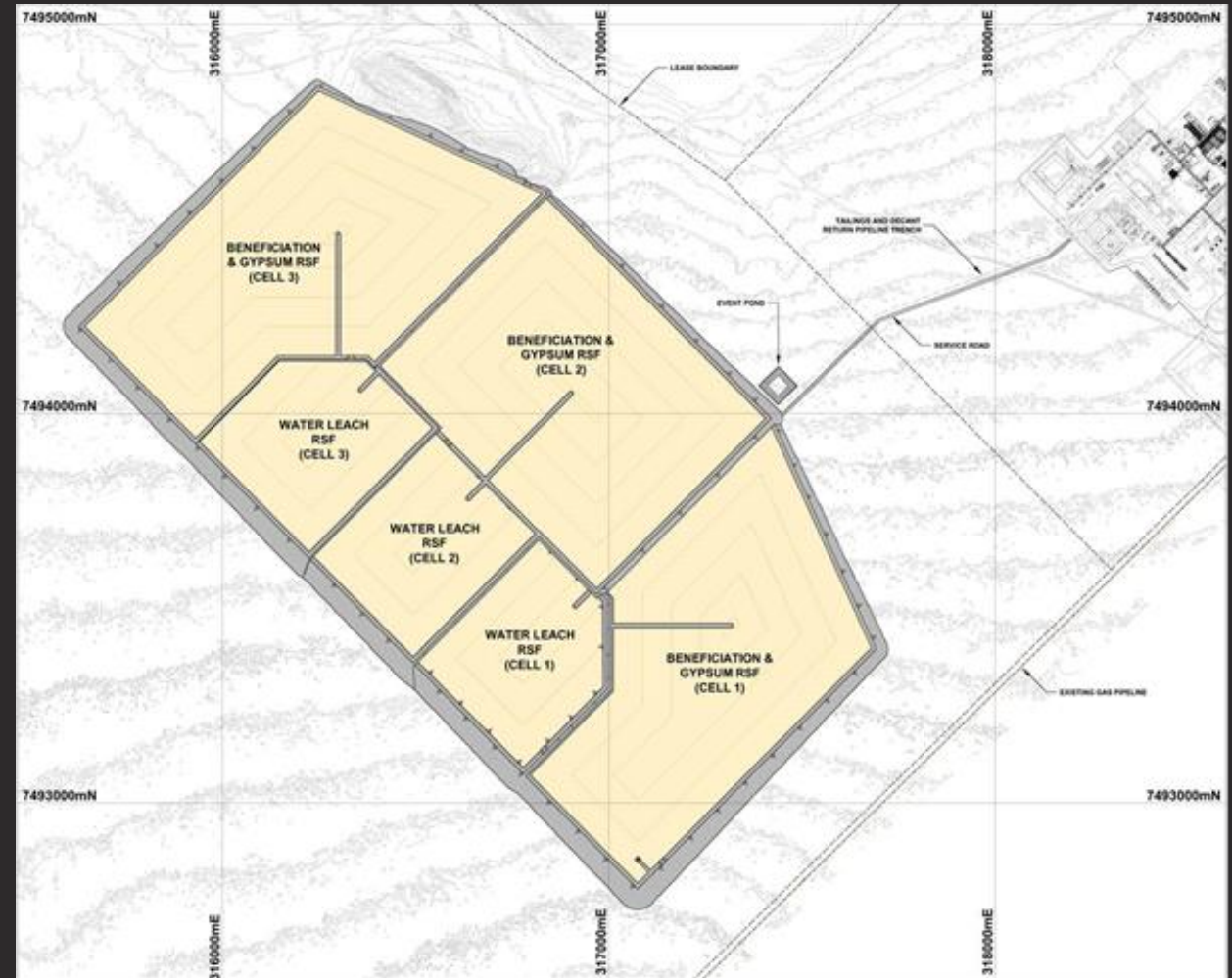
(ASX:ARU)



# Progressive Rehabilitation

- ✓ Waste streams generated within the process plant disposed in RSF, a purpose built, long-term, earth fill, lined containment facility.
- ✓ The RSF footprint has been designed for the entire LOM and will be a permanent facility that will be closed and rehabilitated on site without the need for any further residue handling.
- ✓ Each cell – seven to nine years and will then be decommissioned and capped in preparation for rehabilitation.
- ✓ Subsequent cells will be constructed immediately adjacent to the initial structure. In addition to the volume occupied by the residue, each cell can contain the rainfall runoff due to extreme short duration storms and/or prolonged wet periods.

General arrangement of the final RSF design



# Robust Economics

	Ore Reserves	Mining Inventory
<b>Mining &amp; Processing</b>		
Project Life (years)	33	39
<b>Production</b>		
NdPr Oxide (tpa)	3,923	4,325
<b>Financial</b>		
Capital Cost (A\$m)	1,003	1,026
<b>KPI Analysis</b>		
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.

- ✓ DFS in 2019 and Ore Reserves updated 2020
- ✓ Capital cost **A\$1026m**
- ✓ Low cost producer at **US\$23.71/kg NdPr** (current price US\$52.02/kg\*)
- ✓ **Costs include ESG compliance**
- ✓ **39-year** mining inventory with expansion potential
- ✓ Only Australian NdPr-focused project that is **shovel ready**

\*As at 10/11/2020 - Shanghai Metal Markets

# Economic Impact on Central Australia



# Economic & Cost Benefit Impacts

- ✓ Nolans creates a very significant benefit for the Territory in terms of value added to the economy, boost to incomes of Territorians, and job creation
- ✓ Nolans returns a benefit to cost ratio of 1.5-1.8 based on the DFS

All values expressed in real 2018 Australian dollars, and results presented in financial years and based on data supplied by Arafura from the February 2019 Definitive Feasibility Study that describes the construction, operation and closure phases of the project over a 26-year period.

Source: Acil Allen (April 2020) – Economic Analysis of the Nolans Project



**\$1.01 bn**

of capital expenditure over three years of construction as well as ongoing sustaining capital expenditure



**\$200 m\*\***

average annual operation expenditure per annum in each of the 23 years of operation



Local content spending of

**20%**

in construction and

**45%**

in operation in the Northern Territory



**\$2.3 bn**

of taxes and royalties paid by the project to Northern Territory and Australian governments over the life of the project

\* FTE = Full time equivalent. One FTE is the equivalent of one person working for one year on a full time basis.

\*\* Updated - as announced on 16 March 2020



An average contribution of

**\$328 m**

each year to the Gross Regional Product of the Alice Springs region

EQUATING TO A



**47 %**

increase to the contribution made by the mining industry\*\*\*



An average increase of

**\$344 m**

each year to the real incomes of all Australians

INCLUDING



**\$13 m**

each year to people living in the Northern Territory



An annual average of

**\$173 m**

to total taxation revenue in Australia which benefits all Australians

OF WHICH



**53 %**

is directly paid by the Nolans Project



(ASX:ARU)

\*\* \*Economic regional profile data from economy.id.com.au for 2018/2019 financial year.

# Job Creation during Construction & Operations

- ✓ **Territory Benefit Plan** developed
  - ✓ Includes Australian Industry Participation Plan
  - ✓ Local and indigenous business involvement and support
  - ✓ Employing Territorians
  - ✓ Building community capacity
  - ✓ Promises open and transparent communication with stakeholders
- ✓ **30-month** construction period
  - ✓ \$1 billion initial capital spend
  - ✓ **Peak workforce of ≈ 620\***
  - ✓ Meeting Arafura's commitments will be contractually mandated
- ✓ **Minimum 39-year** operational life
  - ✓ \$200 million annual spend
  - ✓ **≈ 280\* direct permanent jobs** across the Territory
  - ✓ Jobs in mining, complex chemical processing, laboratory, maintenance, logistics, HSEC, commercial, administration, accommodation
  - ✓ Support for career development and progression
  - ✓ Sponsorship in education and community projects planned
  - ✓ **Targeting locals as a priority**

\* 25% initially expected to be sourced from the NT



# Opportunities for Aboriginal Territorians

- ✓ Indigenous Engagement Strategy developed to **maximise opportunities and benefits for Anmatyerr traditional owners** and other Aboriginal people in the project's operational area
- ✓ Native Title Agreement **embodies commitments and will deliver many opportunities and benefits to local communities**
- ✓ **Aspirational local Aboriginal employment target of 20%**
- ✓ Local and Indigenous Business Participation, and Training and Employment, plans developed



Senior native title holders sign the Native Title Agreement. Archie Glenn (seated). Tony Scrutton (L) and James Glenn (R) both standing.

# ICN Gateway

- ✓ Allows parties to follow the release of the work packages
- ✓ Express interest to be considered for tender
- ✓ Review package awards
- ✓ 1,224 current expressions of interest
- ✓ ICN Gateway is a key to the Project tendering process

## Nolans Project

📍 Locations:	NT Australia
💰 Project Value:	AUS1,006M
⚠️ Project Status:	Financing and Mining Approvals
🏢 Project Owner	Arafura Resources Limited

### Project Details

Arafura's development of the Nolans Rare Earths (RE) Project will encompass a Mine, Beneficiation Plant, Extraction Plant, Separation Plant and related infrastructure to be constructed and located at the Nolans site in the Northern Territory. The Nolans site is located on Aileron Station, approximately 135 kilometres NW of Alice Springs.

SHOW MORE

### Project Documents

#### DFS ▲ CONTRACT

- Nolans DFS Fact Sheet
- Nolans DFS Presentation
- Nolans DFS Summary Report - Final

#### Media ▲ CONTRACT

- Native Title Agreement 26/06/2020
- Investor Presentation 08/06/20
- Change of Address 08/05/2020
- Investor Presentation 06/05/2020
- Quarterly Activities Report and Appendix 5B 23/04/2020
- In Principle Indenture 1 and 1.1a Agreement Reached 02/03/2020



### Contact Details

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# Critical Minerals Supply – a Global Issue





# Rare Earths

Rare Earths are Critical Minerals. They are essential to the economic wellbeing of the world's major and emerging economies. Rare earths are critical because of our dependence on technology and pursuit of clean energy solutions.



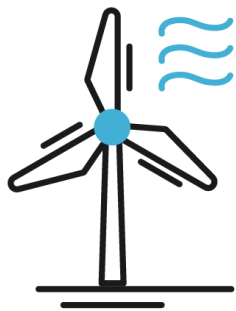
## The Nolans NdPr Project

contains all the Rare Earths but is particularly enriched in the 'Magnet Feed' Rare Earths NdPr

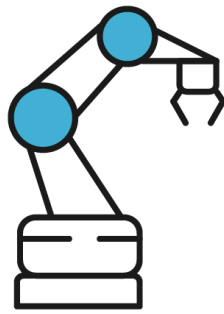


The fastest growing market for NdPr is in NdFeB Magnets. They are critical to make everyday items smaller, lighter, mobile, more efficient and more affordable.

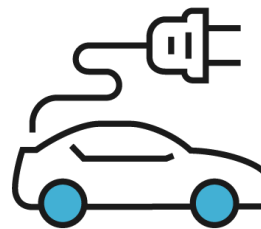
China is the only country in the world with a complete "mine to magnets" supply chain.



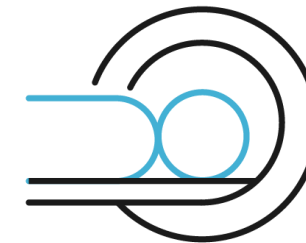
WIND  
TURBINES



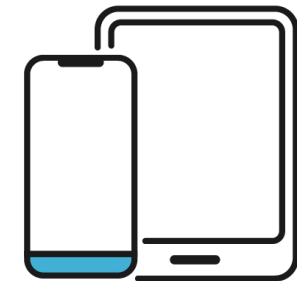
ROBOTS



ELECTRIC  
VEHICLES

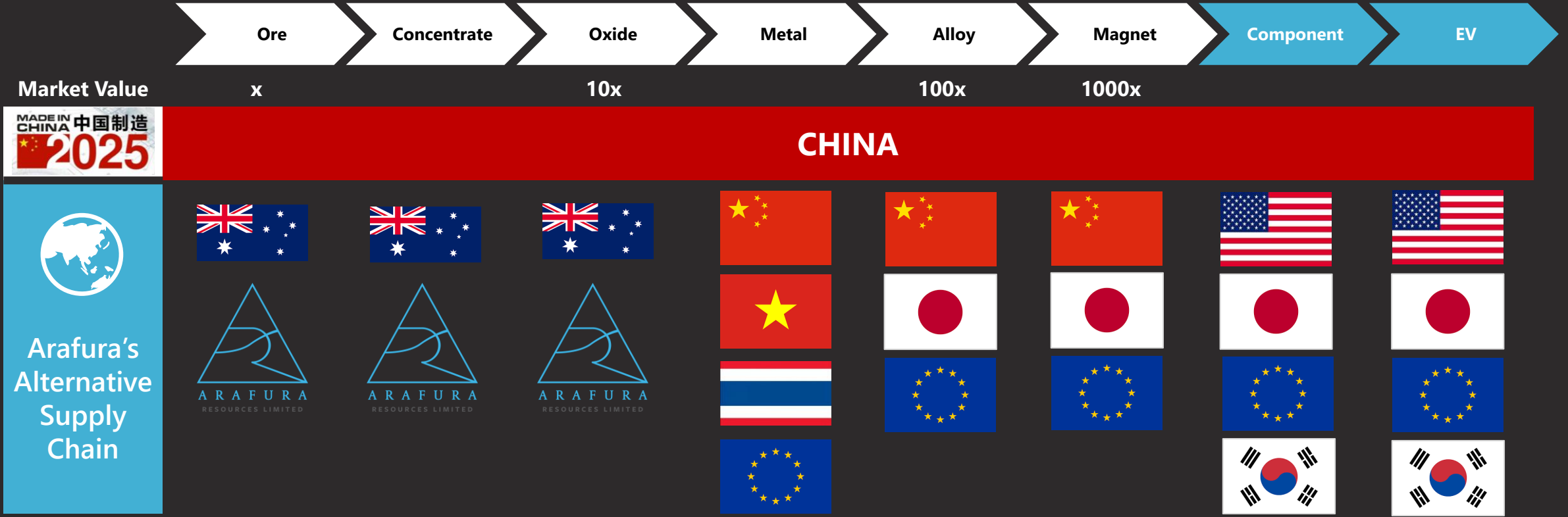


MRI  
MACHINES



PHONES &  
TABLETS

# Global Supply Chain



Market Value x

**MADE IN CHINA 中国制造 2025**

**CHINA**

100x

1000x

**Arafura's Alternative 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.**

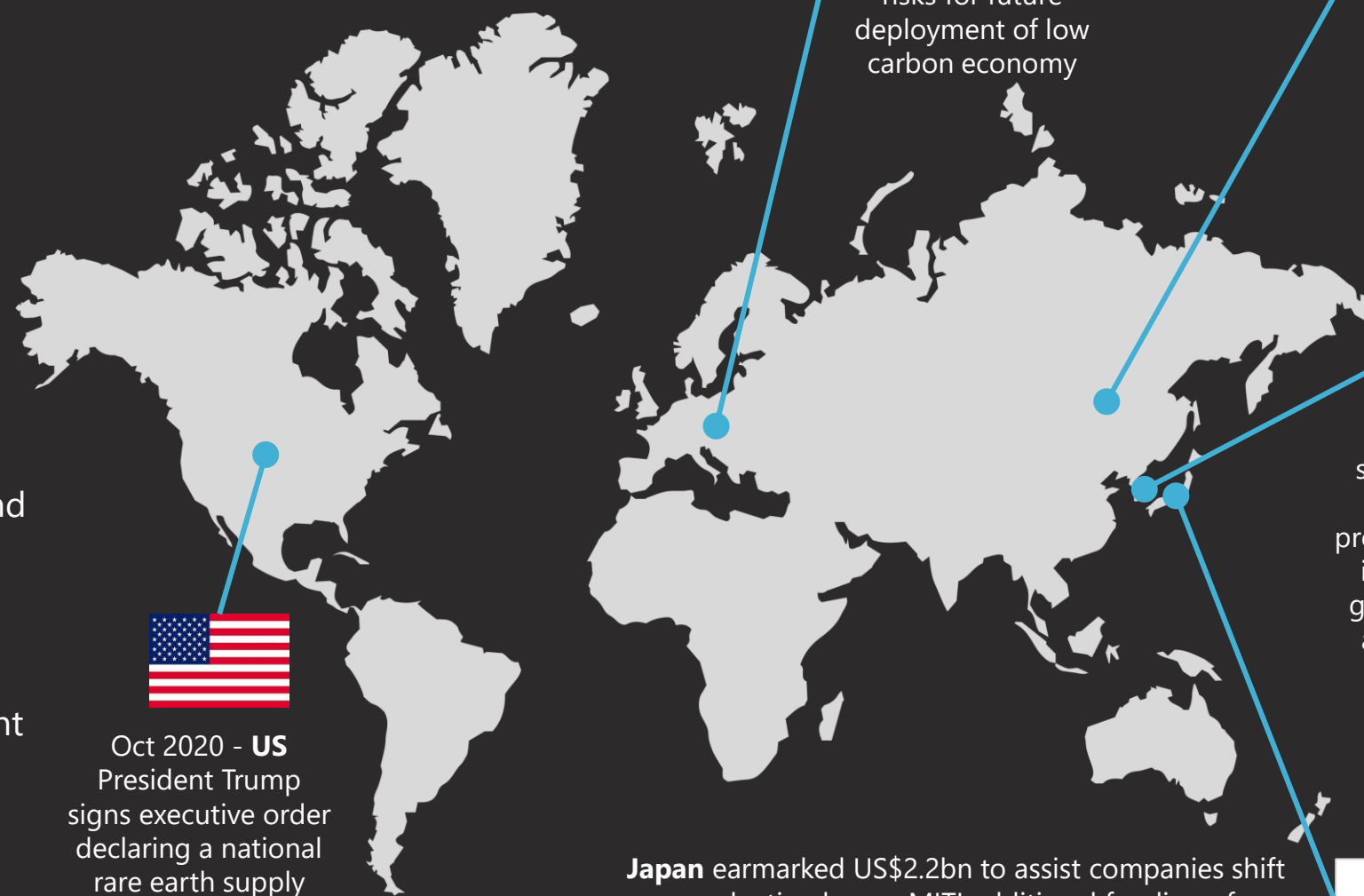
**4**

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

# Rest of World's 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



Oct 2020 - **US** President Trump signs executive order declaring a national rare earth supply chain emergency

**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 & domestic growth



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



**Japan** earmarked 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**

NAIF-EFA co-investment barriers lifted

**JANUARY 2020**

Critical Minerals Facilitation Office established

**AUGUST 2020**

NT Investment Delivery Task Force established

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

**JULY 2020**  
Australia Government classes Nolans as a Critical Major Project

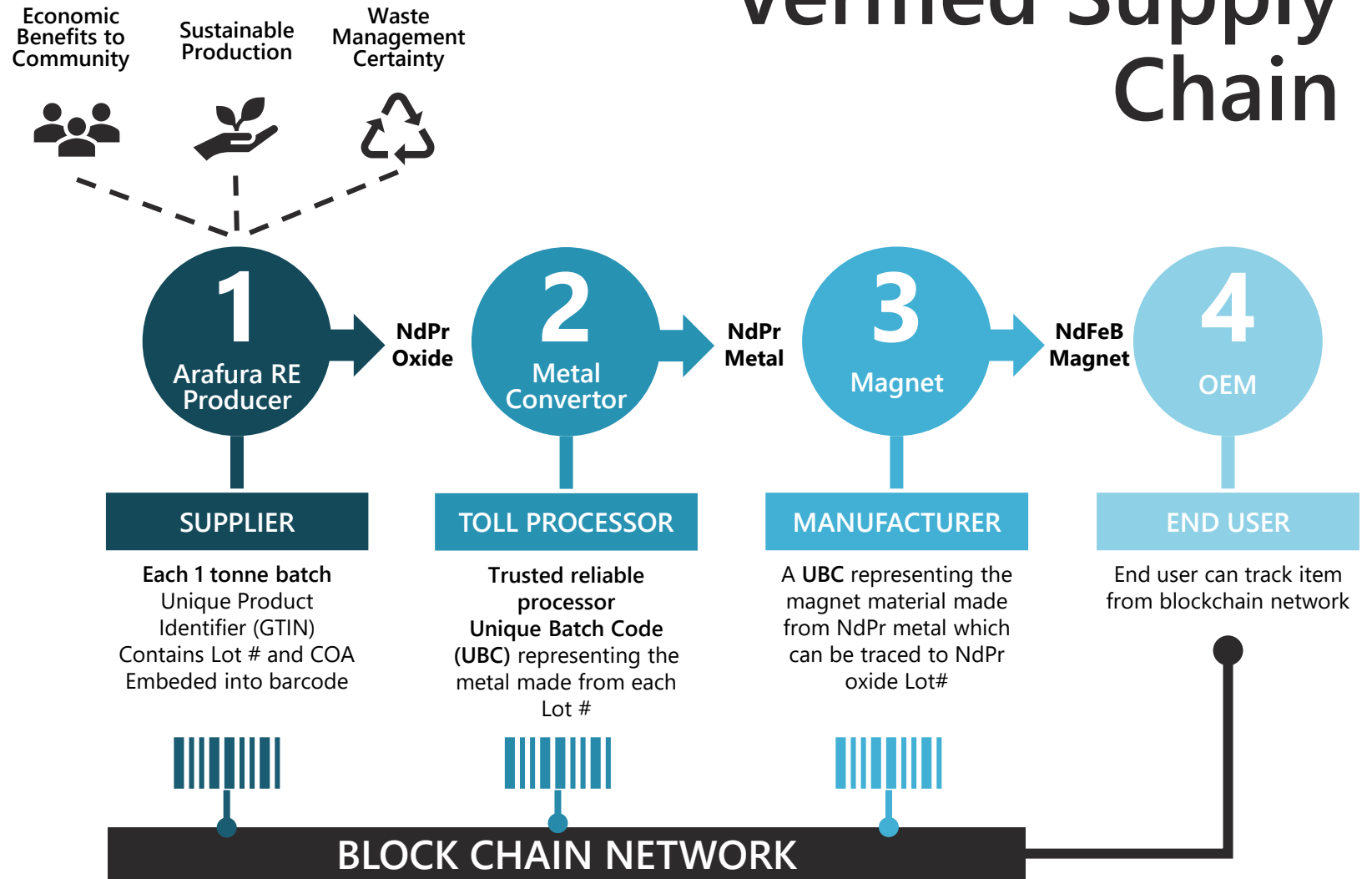
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7

**OCTOBER 2020**  
National Manufacturing Priorities include critical minerals processing

# Aligned with Customer Needs

- ✓ MOU with Source Certain International to deliver a verified supply chain enabling provenance verification of NdPr oxide.
- ✓ NdPr central to many clean energy applications including EVs and wind turbines

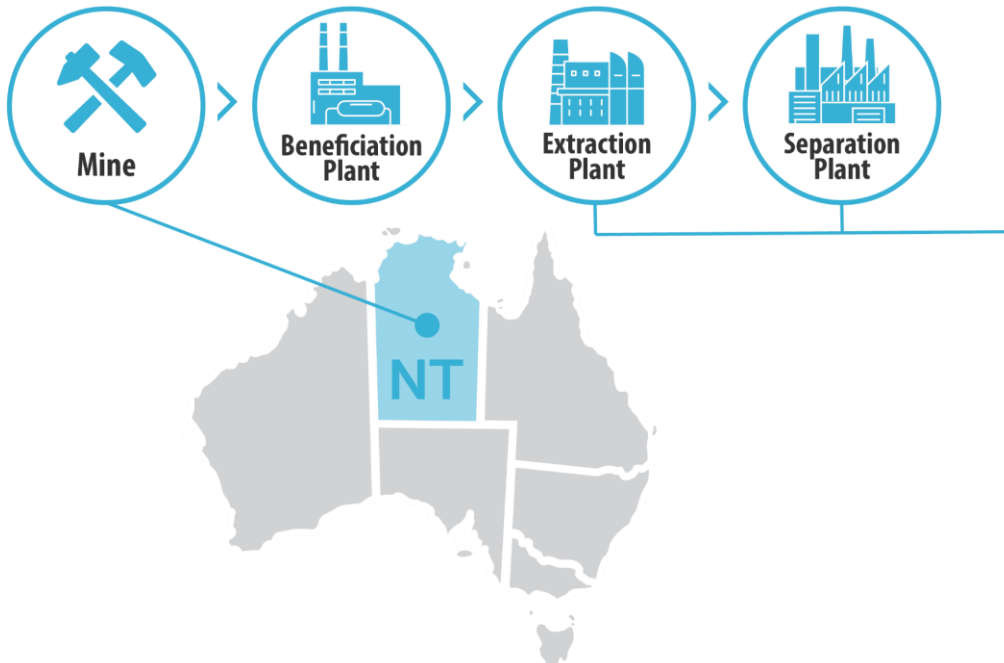


# Nolans a Strategic Resource

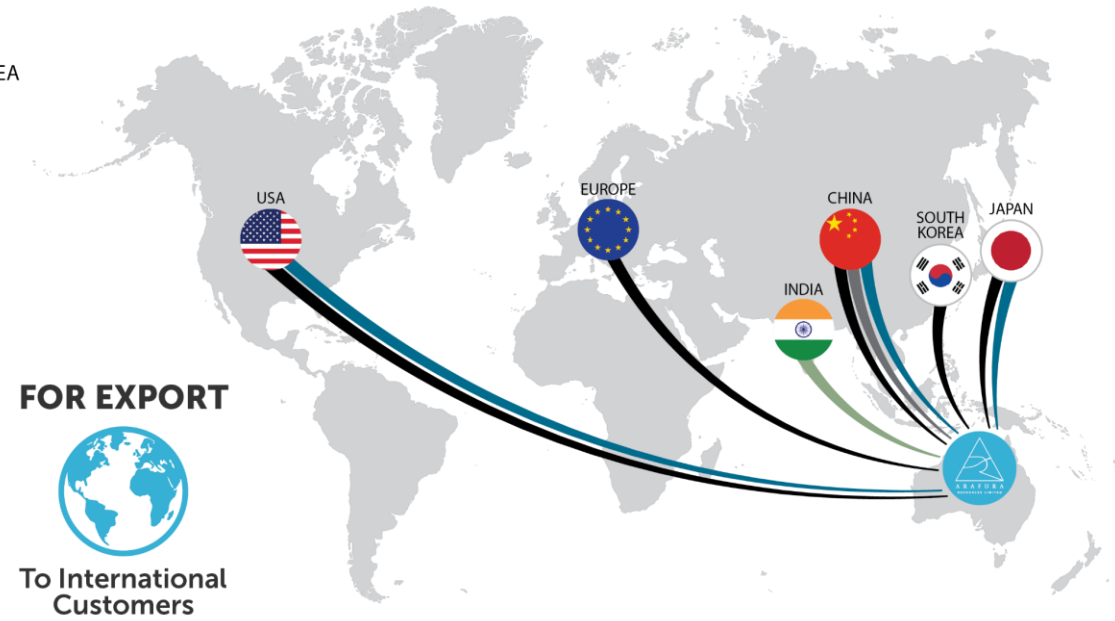


Nolans aims to supply **5-10% of global demand** for NdPr oxide

- ✓ Globally strategic and 100% Australian domiciled
- ✓ Sound project economics with 39-year mine life
- ✓ **Ore to oxide at single site with approved waste management plan**
- ✓ Phosphoric acid product places Nolans in a unique position to compete with China on cost
- ✓ Providing supply source certainty outside *Made in China 2025* strategy



	EUROPE JAPAN SOUTH KOREA USA CHINA
	JAPAN USA CHINA
	CHINA
	INDIA



# Project Financing



# Project Funding Strategy

- ✓ Arafura looking to secure A\$1026m 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, environmental approval and ML grant are critical enablers for engagement with funding partners
- ✓ Critical mineral supply and NdPr supply diversification strategies are topical with industry, Export Credit Agencies (ECAs) and governments
- ✓ Nolans a key critical minerals project identified for potential financing support through Australian Government's Export Finance Australia (EFA) and Northern Australia Infrastructure Facility (NAIF)

## Offtake & Equipment Procurement

- ✓ Offtake long term strategic supply
- ✓ Procurement for high value specialist capital equipment

## Export Credit Agencies

- ✓ Government-backed direct loans and guarantees
- ✓ Leveraged to strategic link with NdFeB magnet supply and capital equipment procurement
- ✓ NAIF mandate – encourage investment and Indigenous engagement in Northern Australia

## Commercial Banks

- ✓ Long-life project, high margin and low-cost producer
- ✓ Offtake and Export Credit Agency(s) (ECA) – reduce market exposure and credit risk
- ✓ Improved bankability for conventional lenders

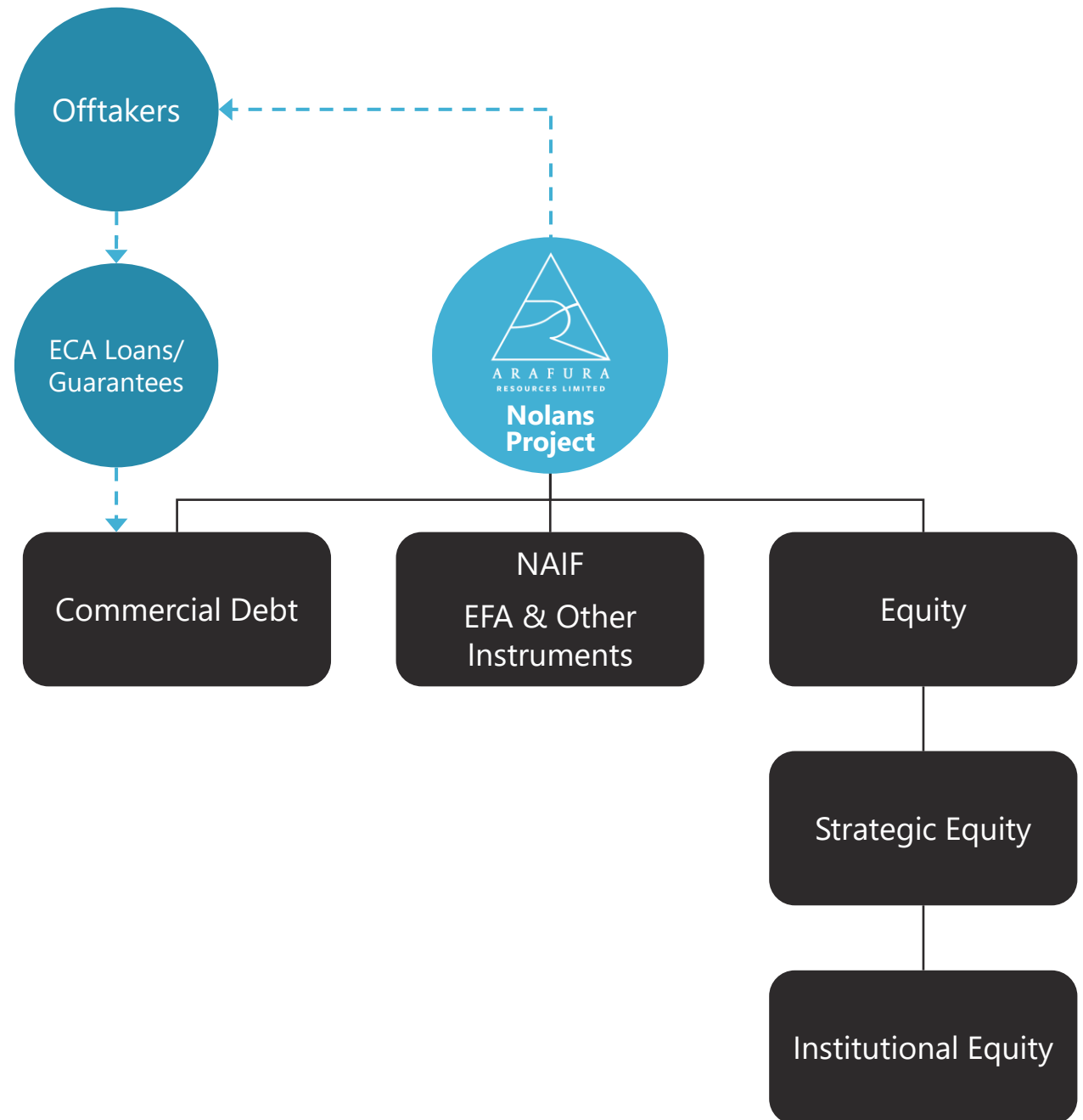
## Equity

- ✓ ECA and bank involvement “halo-effect” – reduced funding risk and less equity dilution
- ✓ Market and technical validation
- ✓ JV / Project selldown opportunities



# 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





# Current & Future Focus

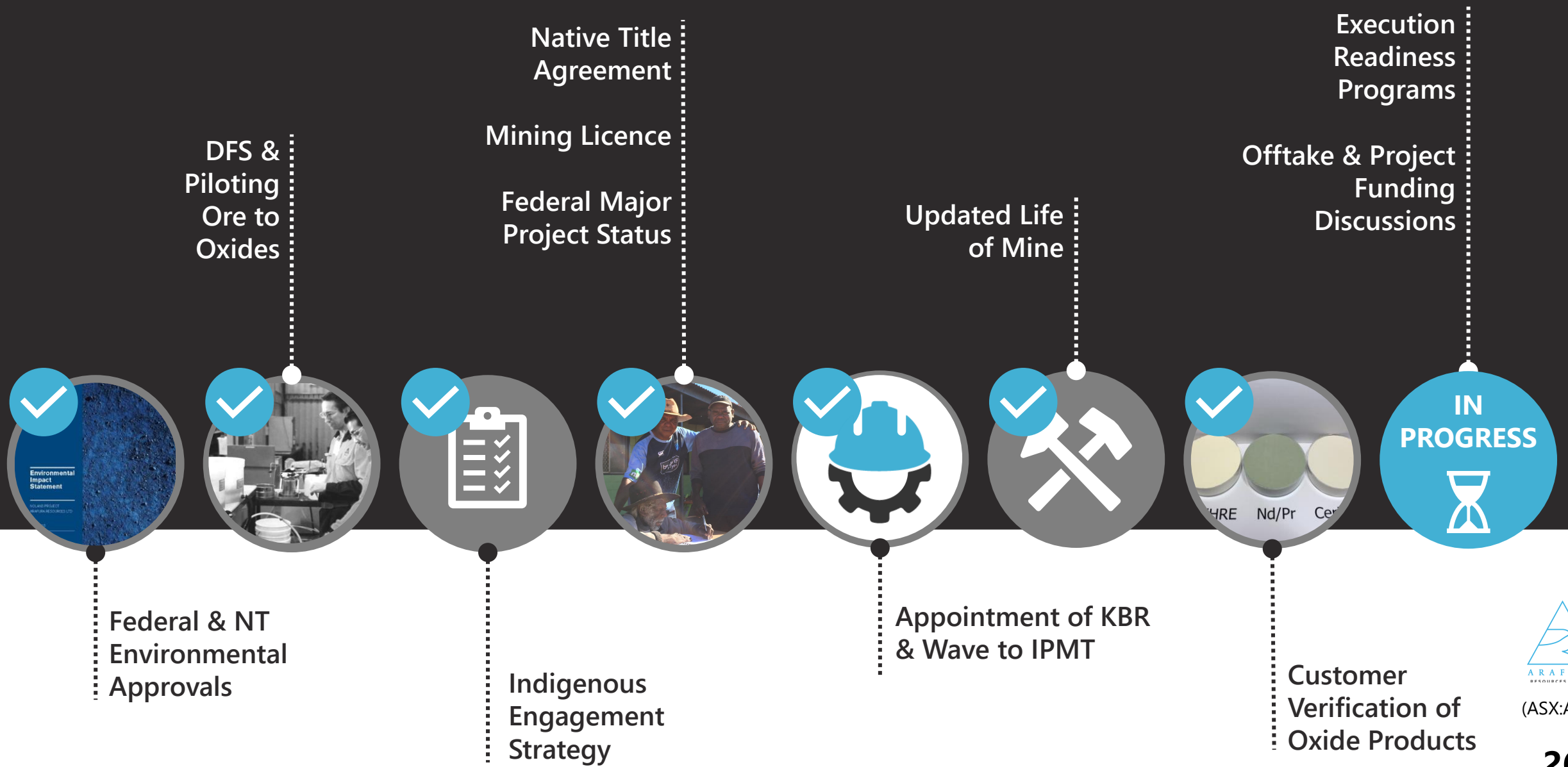
10/11/2020



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# 2020 - Getting Nolans Shovel Ready



# 2020 and Beyond - Current Focus

**1**

**Prioritising project work streams** against cash conservation priorities in light of COVID-19 and uncertain recovery of capital markets.

**2**

**Provision of sample product & advancing terms sheets** with end users for offtake.

**3**

**Escalate 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 Production Timeline

- ✓ Targeting Front-End Engineering & Design (FEED) to be fully funded prior to commencement
- ✓ Timeline subject to change due to impact by COVID-19 on funding and offtake activities

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																																									





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(ASX:ARU)

# Long Life Asset – NdPr rich & open at depth

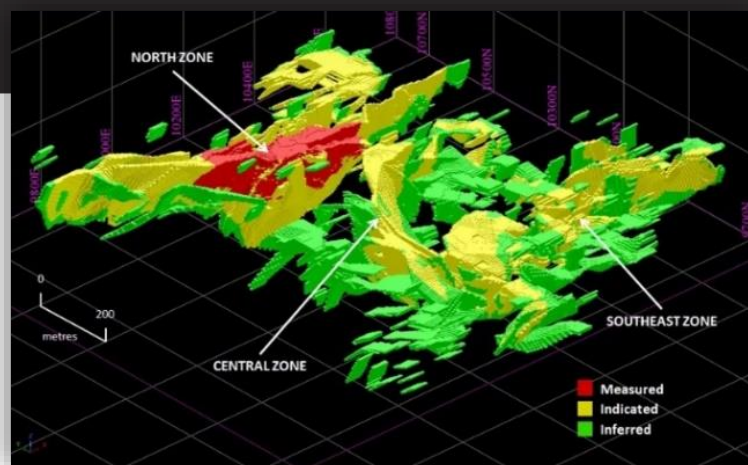
RESOURCES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P <sub>2</sub> O <sub>5</sub> %	NdPr ENRICHMENT %
<b>Measured</b>	4.9	3.2	13	26.1
<b>Indicated</b>	30	2.7	12	26.4
<b>Inferred</b>	21	2.3	10	26.5
<b>TOTAL</b>	<b>56</b>	<b>2.6</b>	<b>11</b>	<b>26.4</b>

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 Nd<sub>2</sub>O<sub>3</sub> and Pr<sub>6</sub>O<sub>11</sub>.

RESERVES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P <sub>2</sub> O <sub>5</sub> %	NdPr ENRICHMENT %
<b>Proved</b>	5.0	3.0	13	26.2
<b>Probable</b>	24.6	2.8	13	26.5
<b>TOTAL</b>	<b>29.5</b>	<b>2.9</b>	<b>13</b>	<b>26.4</b>

As announced on 16 March 2020. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd<sub>2</sub>O<sub>3</sub> and Pr<sub>6</sub>O<sub>11</sub>.

## Mineral Resources



## Ore Reserves

