

Arafura Resources Annual General Meeting

November 2016



ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455



Agenda



1. Chairman's Address
2. Formal Business
3. Managing Director's Report
4. Shareholder Questions



Chairman's Address



Mr Ian Kowalick
Chairman



Formal Business



ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455



Items of Business



To receive and consider the consolidated Financial Statements for the year ended 30 June 2016.

The Financial Report, Director's Report and Auditor's Report of the Company and its controlled entities for the year ended 30 June 2016 are tabled for discussion.



Items of Business



Resolution 1 – Remuneration Report

In accordance with the Notice of Meeting the resolution to be put before the members is to consider, and if thought fit, to pass the following non-binding resolution as an ordinary resolution:

“That the Remuneration Report for the year ended 30 June 2016 be adopted.”

Summary of proxies received

	FOR	AGAINST	DISCRETION	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	118,756,430	7,065,129	1,433,366	581,559	127,254,925
% OF ELIGIBLE VOTES	93.32%	5.55%	1.13%	-	-
NO. OF PROXY FORMS	150	88	60	29	298



Items of Business



Resolution 2 – Re-election of Terry Grose as Director

In accordance with the Notice of Meeting the resolution to be put before the members is:

“That Terry Grose, being a Director of the Company who retires by rotation under rule 7.1(d) of the Company’s constitution, and being an eligible person, is re-elected as a Director of the Company with effect from the close of this meeting.”

Summary of proxies received

	FOR	AGAINST	DISCRETION	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	124,631,482	1,039,709	1,515,067	735,280	127,186,258
% OF ELIGIBLE VOTES	97.99%	0.82%	1.19%	-	-
NO. OF PROXY FORMS	219	36	62	11	317



Items of Business



Resolution 3 – Election of Zhang Quansheng as Director

In accordance with the Notice of Meeting the resolution to be put before the members is:

“That under rule 7.1(i) of the Company’s constitution, Zhang Quansheng, being an eligible person, is elected as a Director of the Company with effect from the close of this meeting.”

Summary of proxies received

	FOR	AGAINST	DISCRETION	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	120,639,628	5,565,199	1,515,067	588,651	127,719,894
% OF ELIGIBLE VOTES	94.46%	4.36%	1.19%	-	-
NO. OF PROXY FORMS	210	44	62	15	316



Items of Business



Resolution 4 – Approval of Arafura Resources Limited Employee Option Plan

In accordance with the Notice of Meeting the resolution to be put before the members is:

“That, for the purpose of Exception 9 in Listing Rule 7.2, and for all other purposes, approval is given for the Company to adopt, and to issue securities pursuant to, the Arafura Resources Limited Employee Share Option Plan, a summary of which is set out in the Explanatory Memorandum accompanying the Notice of Meeting.”

Summary of proxies received

	FOR	AGAINST	DISCRETION	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	115,998,124	10,145,237	1,395,091	298,032	127,538,452
% OF ELIGIBLE VOTES	90.95%	7.95%	1.09%	-	-
NO. OF PROXY FORMS	160	98	59	10	317



Items of Business



Resolution 5 – Approval of 10% Placement Capacity

In accordance with the Notice of Meeting the resolution to be put before the members is:

“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.”

Summary of proxies received

	FOR	AGAINST	DISCRETION	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	118,522,733	6,944,735	2,015,753	825,324	127,483,221
% OF ELIGIBLE VOTES	92.97%	5.45%	1.58%	-	-
NO. OF PROXY FORMS	148	79	80	24	307



Arafura Resources

High Value Magnet Feed Rare Earths

Managing Director
AGM Presentation
November 2016



ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455



Disclaimer



Important Notice

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 Limited (“**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 securities in Arafura Resources, nor an invitation to apply for such securities. 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.

The information in this presentation that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Kelvin Hussey BSc (Hons). Mr Hussey is a Member of the Australian Institute of Geoscientists and he has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)”. Mr Hussey consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Mr Hussey is a full-time employee of Arafura Resources.



Year In Review (2015 Scoresheet)



Activity

Regulatory Approval - EIS submission

✓

Complete Chinese test programs

✓

Project CAPEX & OPEX reductions

✓

Strategic and financial partners secured

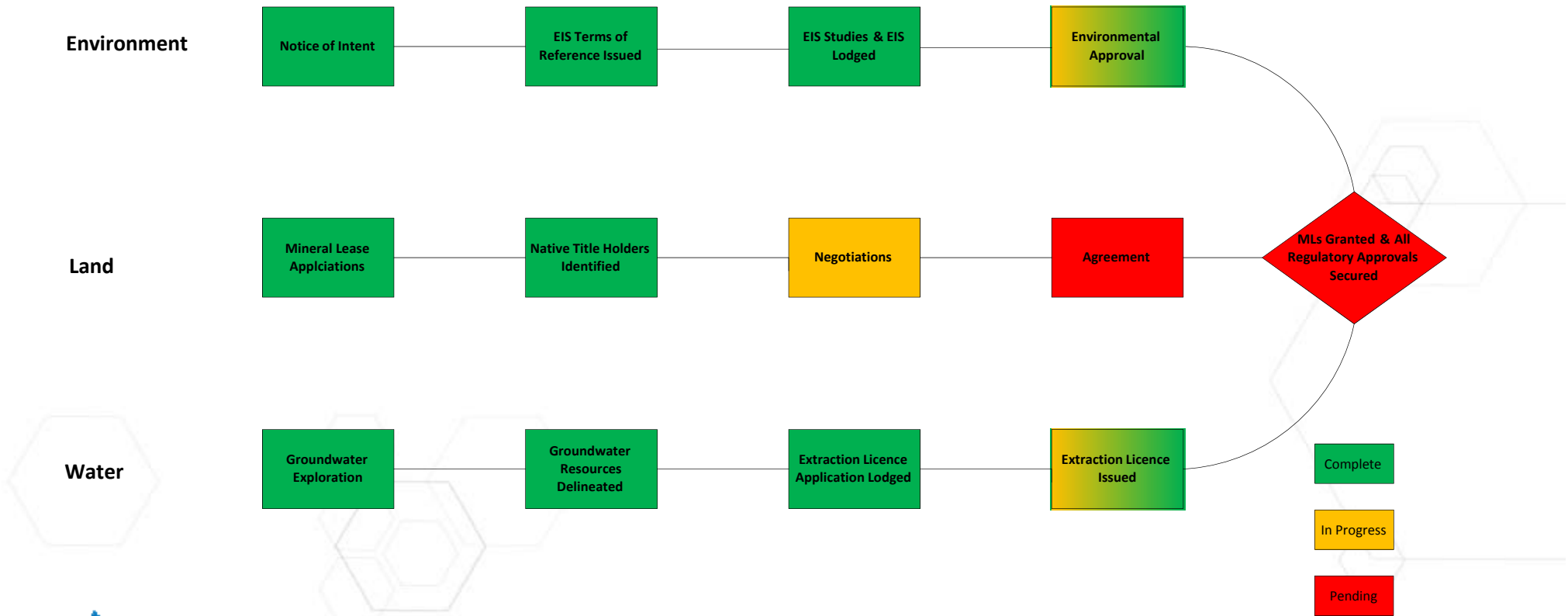
ongoing

Other:

- ▲ Head count and corporate overhead reduced by 25-30%
- ▲ Key management personnel remuneration remained frozen for 3rd year
- ▲ One of only 18 projects awarded Major Project Status by the Federal Government



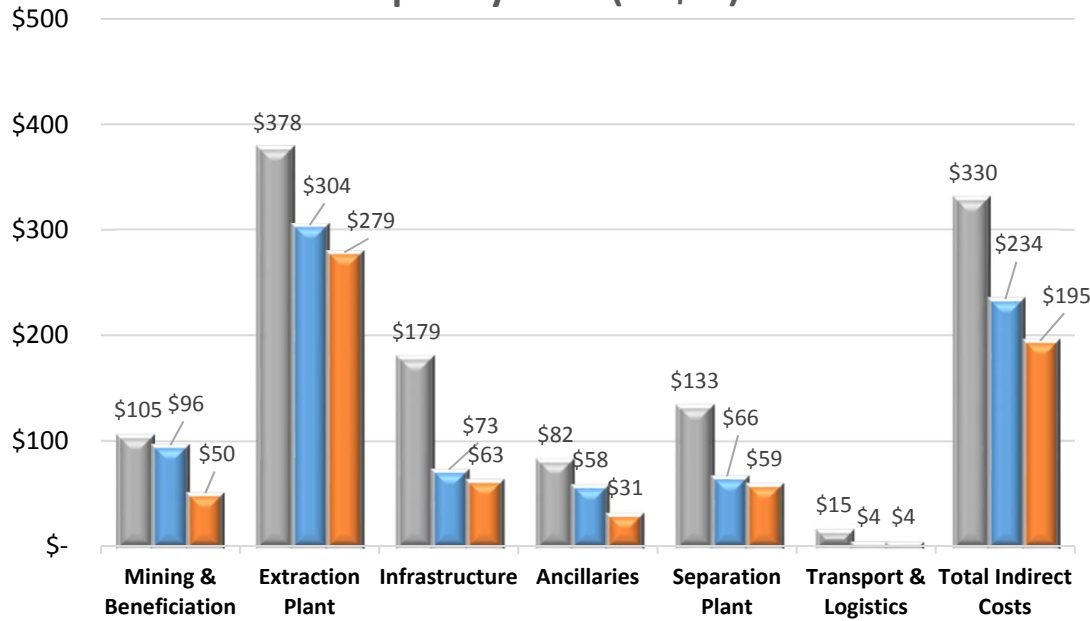
Project Approval Status



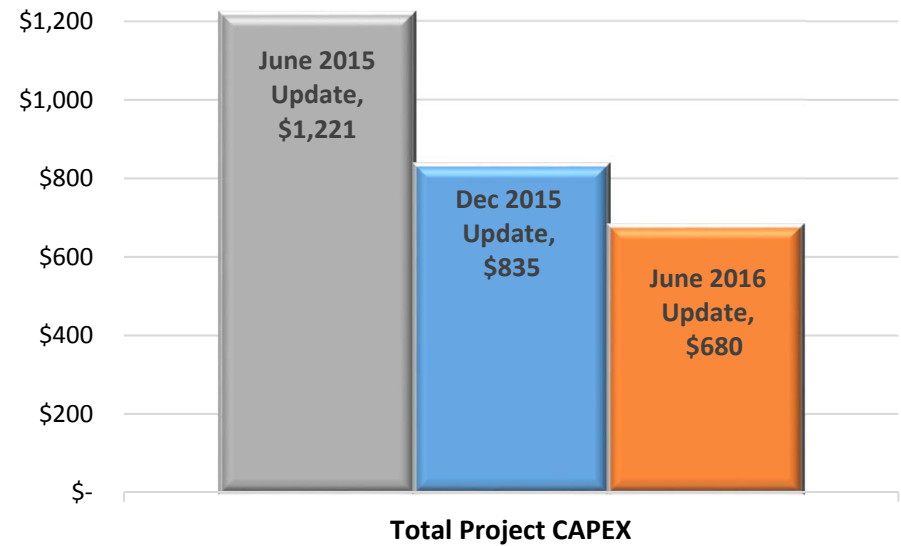
CAPEX Nearly Halved



Capex by Area (US\$m)



Nolans Project Capex (US\$m)



Other Project Enhancements



- ▲ Reduced throughput defers plant upgrade to year 10+
- ▲ **Phosphoric acid recovered to reduce commodity risk**
- ▲ Capital cost reduced to US\$680m
- ▲ **Operating costs reduced to US\$6.23/kg TREO**
- ▲ Reduction in waste streams
- ▲ Reduction in reagent usage
- ▲ **Higher rare earths recovery**
- ▲ Current NdPr oxide price US\$10.99/kg

MINING & PROCESSING		Previous	Current	Change
ROM feed (ktpa)		922	525	-43%
Mine life (years)		20+	20+	0%
Recovery (ROM to final product)	Total RE	63%	76%	21%
	NdPr	64%	75%	17%
	La	63%	75%	19%
	SEG-HRE	48%	68%	42%
PRODUCTION				
TREO equivalent (tpa)		20,000	14,000	-30%
NdPr oxide (tpa)		5,260	3,601	-32%
La oxide (tpa)		3,827	2,658	-31%
SEG-HRE carbonate (tpa TREO equivalent)		746	657	-12%
Phosphoric acid (ktpa merchant grade)		-	110	-
FINANCIAL				
Capital cost (US\$m)		\$835	\$680	-19%
Operating cost (US\$m pa)		\$173	\$125	-28%
Operating cost (US\$/kg TREO)		\$8.65	\$8.89	2.7%
Operating cost (US\$/kg TREO; less credit for phosphoric acid)		\$8.65	\$6.23	-28%

Based on 14,000 tpa TREO production from 23 years of mining and processing Measured and Indicated Mineral Resources as per slide 28



Market Update



ABN 22 080 933 455

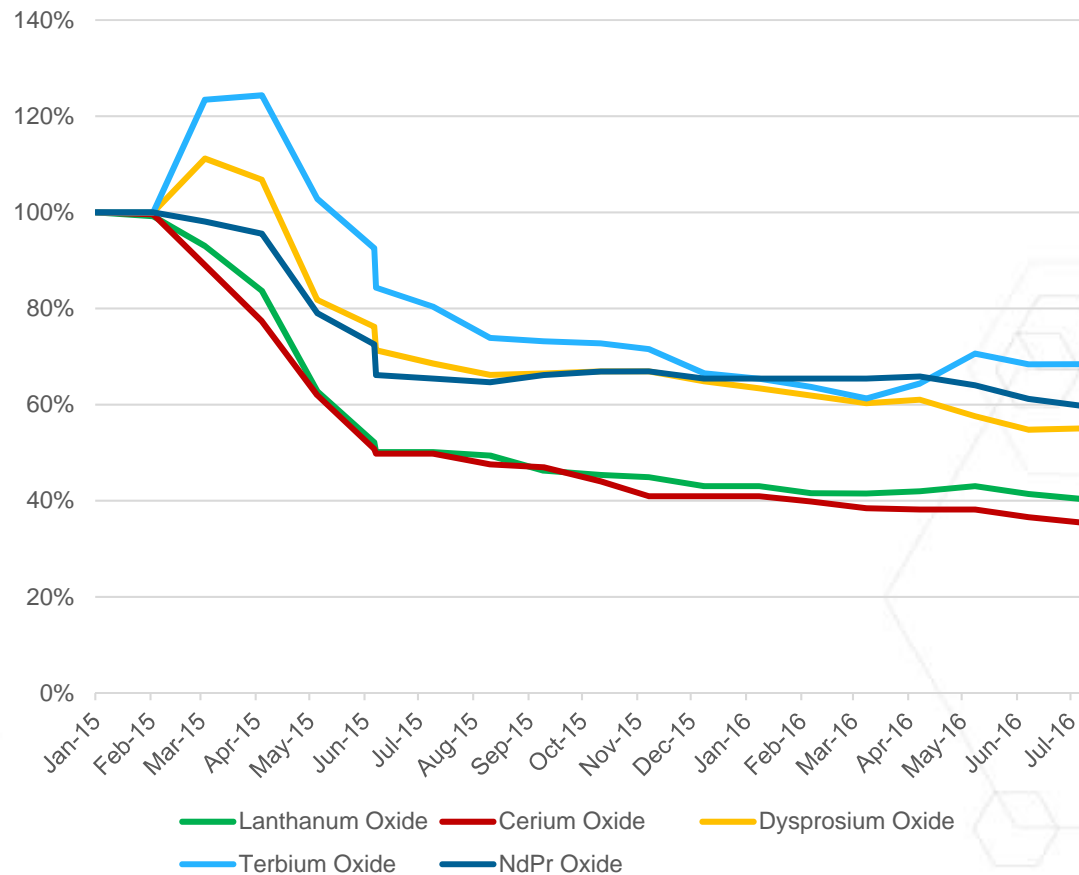


Rare Earth Prices and Investment



- ▲ China's consolidation to the "big 6" producers has not impacted price
- ▲ Other technology metals (Li, Co) have outperformed rare earths over the same period
- ▲ Price volatility – capital markets skeptical of the sector even for NdPr

REO Comparative Price Performance



Index: 5 January 2015 = 100% (basis US\$/kg price)
 Source: MetalPages (an Argus Media company)

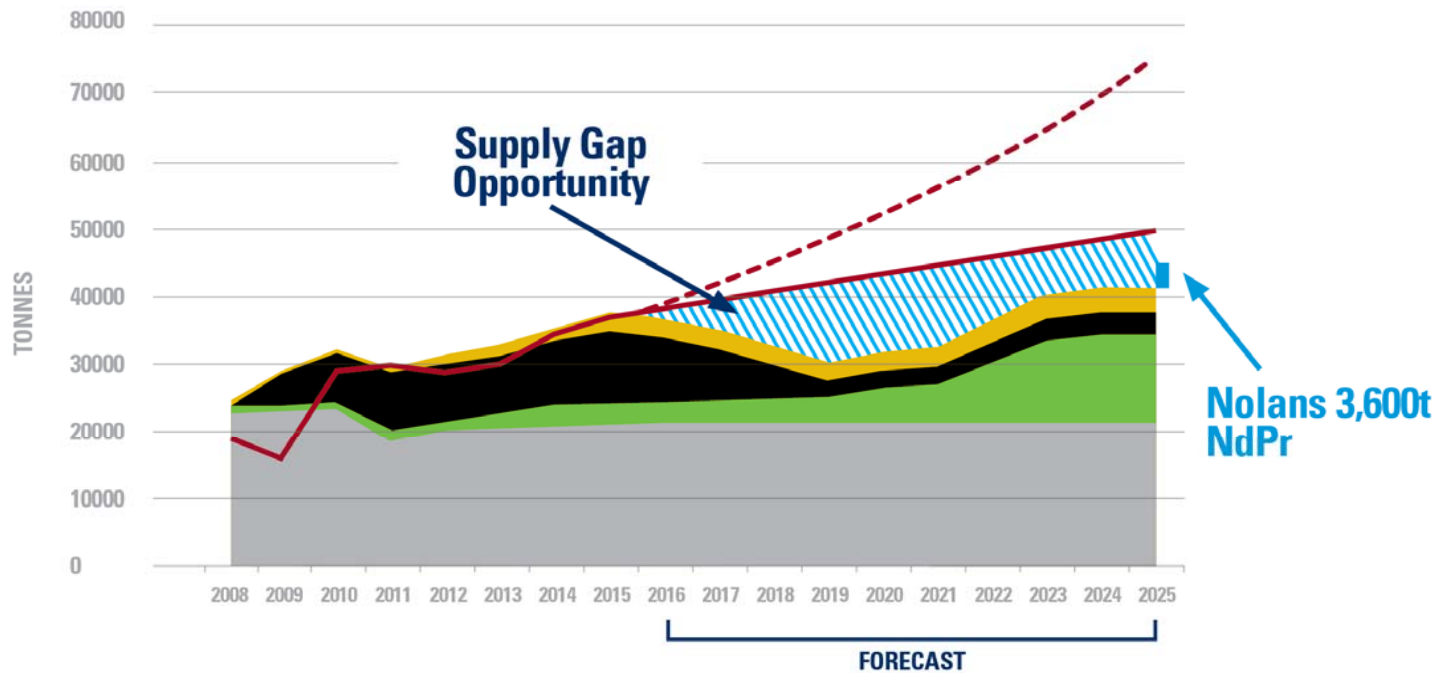


The NdPr Opportunity



NdPr Oxide Supply & Demand

- Recycling
- Rest of World Supply (includes Nolans)
- Illegal Trade
- China Supply
- Global Demand (CAGR 3% from 2015)
- Forecast Global Demand (CAGR 7.5%)

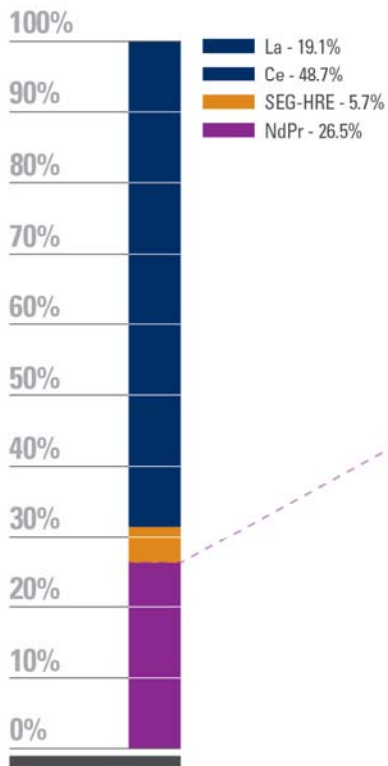


Market Focus – It's All About The Magnets

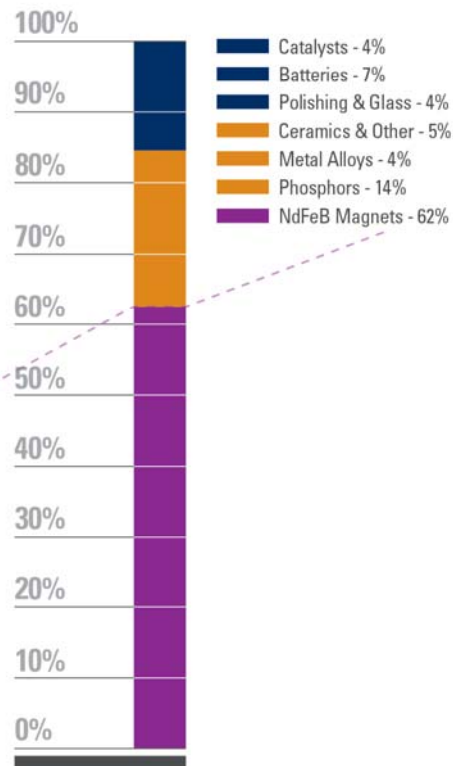


▲ NdPr accounts for 26.5% of Nolans rare earths composition by volume but 88% by value

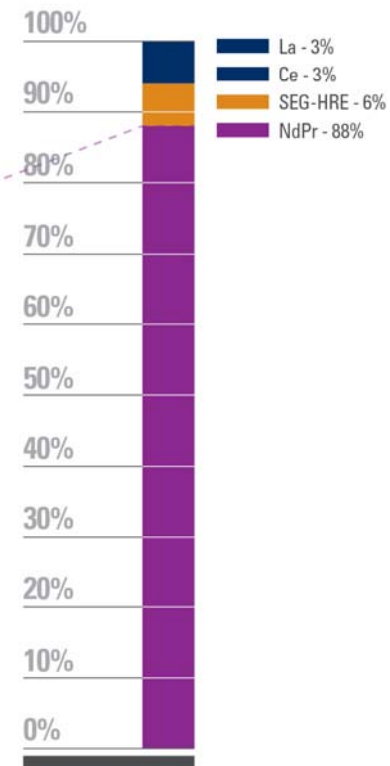
Nolans Rare Earths Mix



Value by Market Segment (2015)



Revenue Contribution

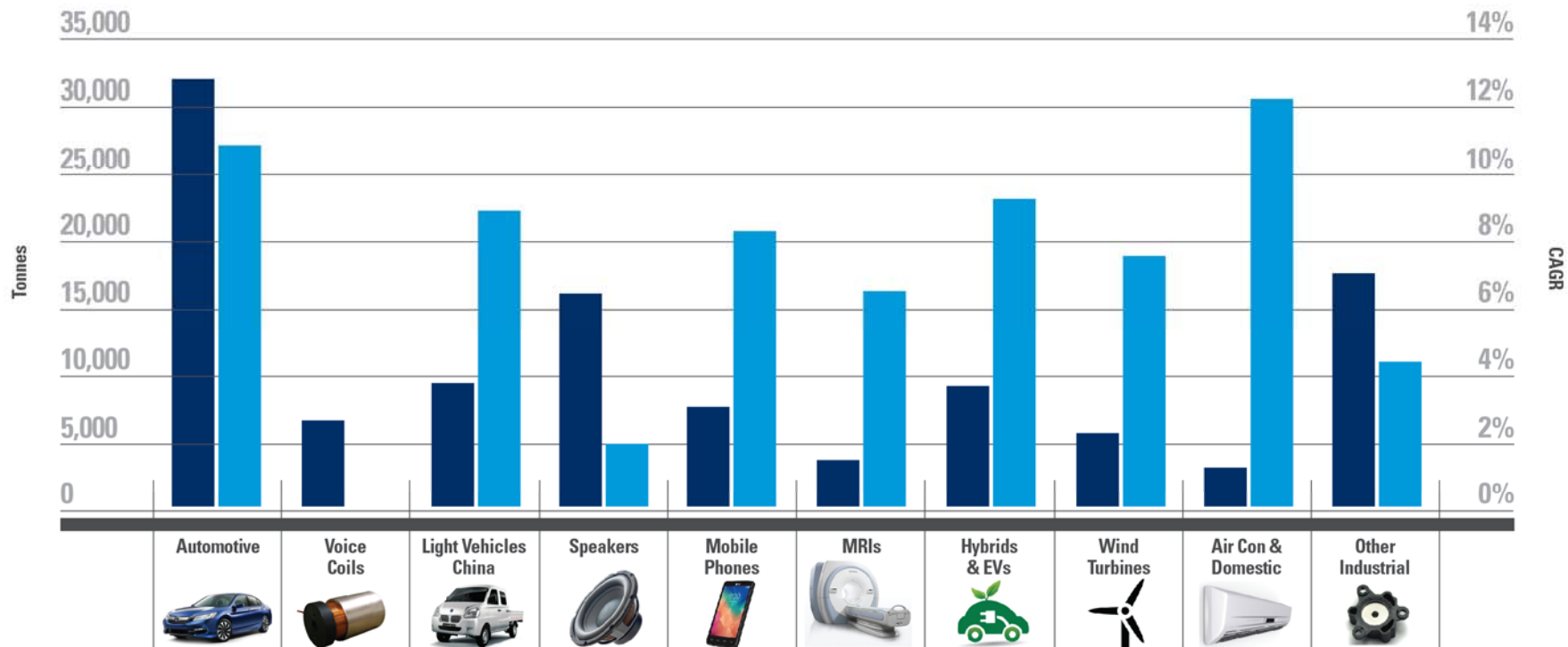


Market Focus – Growth Is In New Applications



NdPr Magnet Volume & Forecast Growth

■ NdPr Magnet Tonnes 2014
 ■ Forecast CAGR%



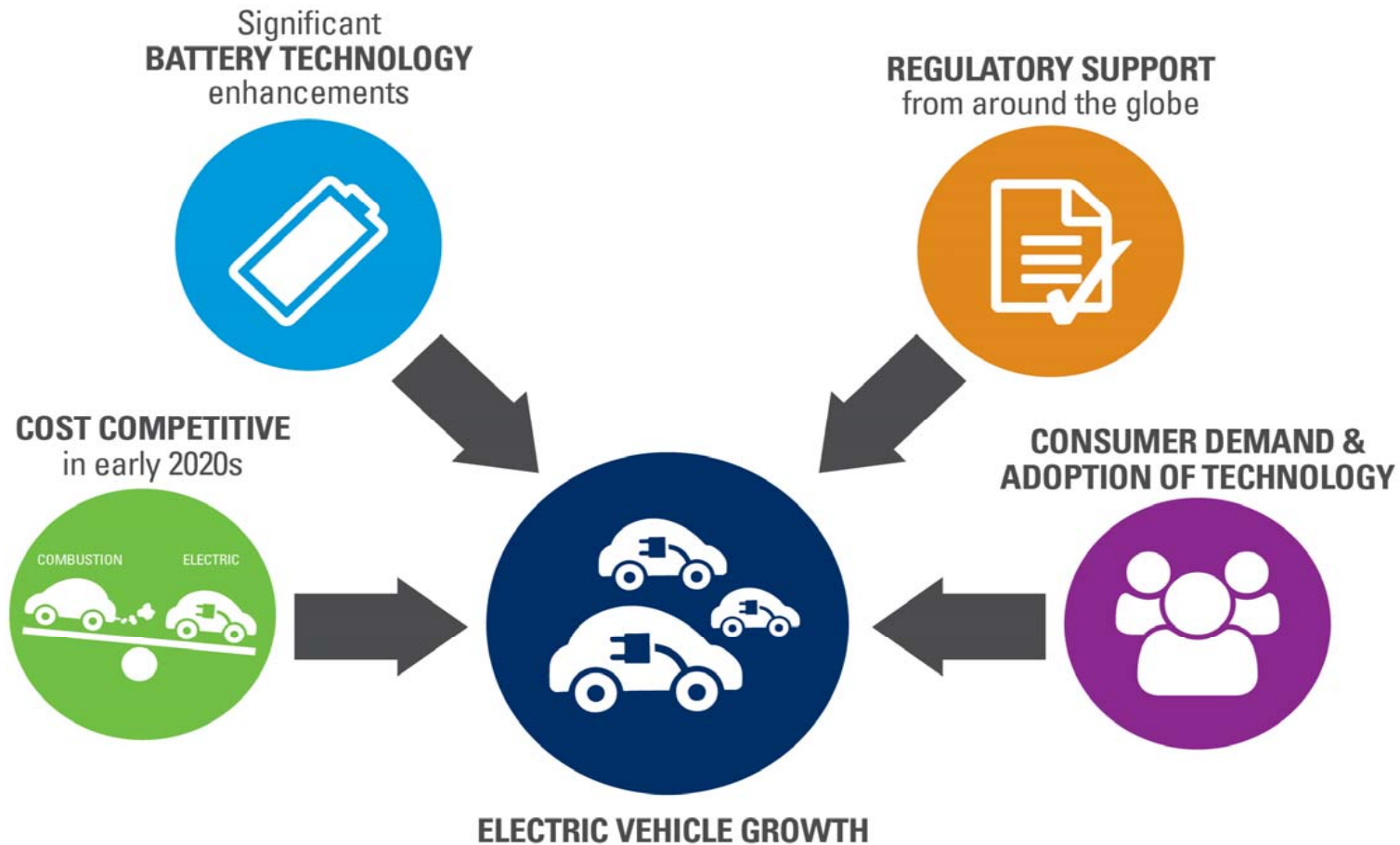
▲ Established magnet market demand steady ▲ Magnet growth being driven by clean technologies



Arafura Resources Limited (ASX: ARU)

Source: Adamus Intelligence, Arnold Magnetic Technologies, Japanese industry participants, Roskill

EV Growth Enablers



EV Automakers Focus PMSM = NdPr Magnets



MANUFACTURER	PMSM	AACIM	NOTES
AUDI	✓		25% of US sales from EVs by 2025
BMW	✓		EV range to extend to Series 3 and X4 for next generation of models
BYD	✓		World's largest manufacturer of EVs
FORD	✓		40% EVs by 2020
GENERAL MOTORS	✓	✓	Alliance with Lyft to create an integrated network of on-demand autonomous vehicles. China accounts for one-third of GM's total production
HONDA	✓		Targeted two-thirds of sales by 2020. Honda Daido Steel heavy Dy free magnets
HYUNDAI	✓		26 hybrid, plug-in, fuel cell and EV models by 2020
MITSUBISHI	✓		Electric powered SUVs
NISSAN/RENAULT	✓		10% EVs by 2020
TESLA		✓	Independent manufacturer – disruptive technology?
TOYOTA	✓		Gasoline to hydrogen fuel by 2050
VOLKSWAGON	✓		25% EVs by 2025

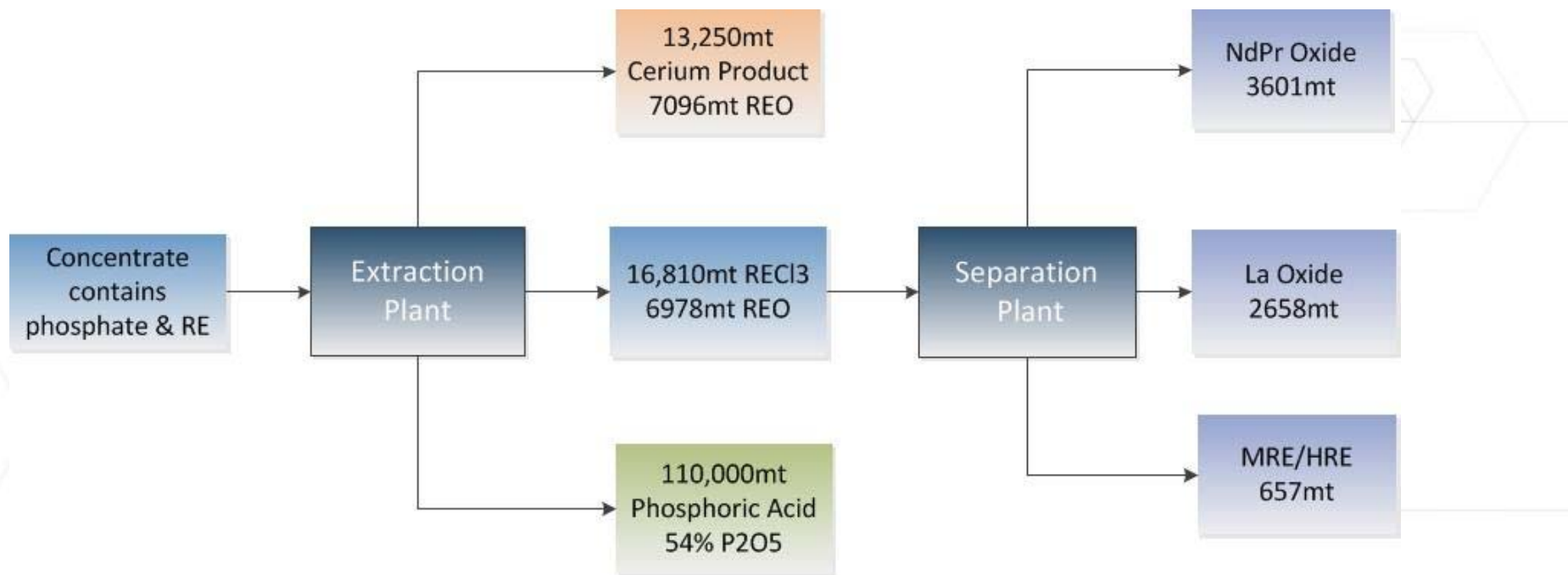
PMSM = Permanent Magnet Synchronous Motor
AACIM = Asynchronous AC Induction Motor



Arafura's Marketing Strategy and Products



- ▲ **2015-16** focus on cost reduction & process refinement
- ▲ **2017** focus will be on cementing offtake alliances with strategic partners
- ▲ **95% of revenue** to be derived from customers in Japan, Germany, Korea and the USA



mt on this slide refers to metric tonnes



Project Funding



ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455



Project Funding Strategy



- ▲ Underperformance (or failure) of non-Chinese producers and volatility in rare earth prices has resulted in reduced institutional equity investor interest in the rare earth sector
- ▲ **Equity will remain primary source of funds in short term**
- ▲ Debt finance will be a significant enabler to attract project funding
- ▲ **ECAs, MLAs and banks to be targeted, linked to offtake arrangements with customers in key markets and procurement opportunities for construction**
- ▲ Tripartite approach leveraging the link to NdPr magnet production to secure appropriate finance

ECA

- JOGMEC/ JBIC , Hermes/ KFW, KORES/ EXIM and others

Offtake

- Trading houses, NdPr magnet alloy manufactures and strategic end users

Funding

- Banks aligned with targeted ECAs



Final Feasibility



ARAFURA
RESOURCES LIMITED

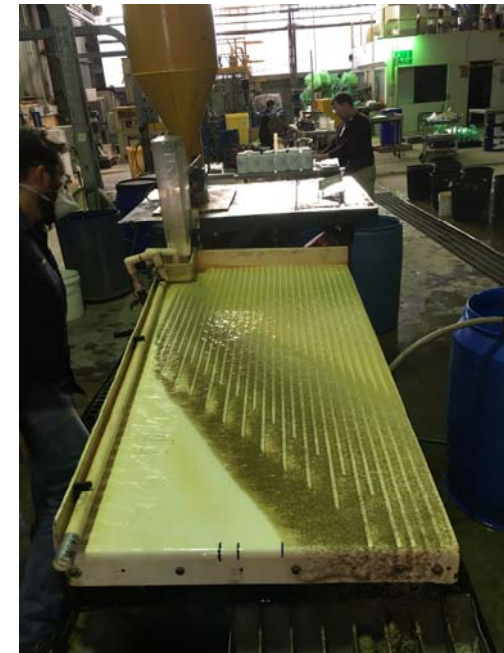
ABN 22 080 933 455



Current Work – Starting Final Feasibility



- ▲ 15 tonnes ore crushed (October)
- ▲ Piloting is expected to confirm previous bench scale gravity and flotation results:
 - ▲ >80% REO recovery
 - ▲ > 30% P_2O_5
 - ▲ >50% mass rejection

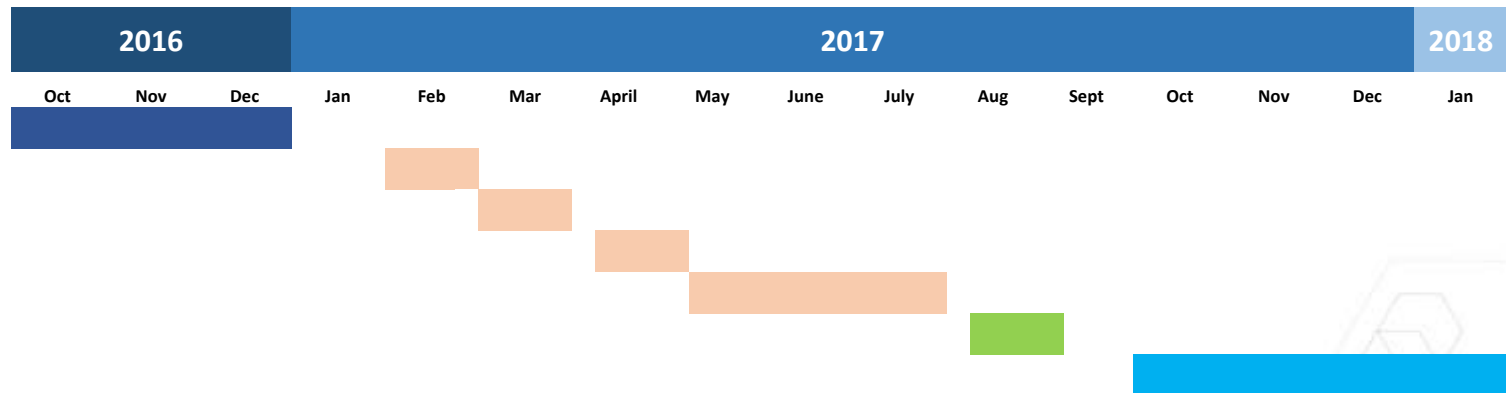


Final Feasibility Schedule



Pilot Schedule

- Beneficiation
- Phosphoric Acid Process
- Bulk Pre-leach
- Acid Bake
- RE Extraction Process
- RE Separation Process
- Detailed design



Engineering

- Detailed engineering
 - Infrastructure (water and waste tailings)
- Flowsheet development
- Process modelling
Transport and logistics

Other

- Environmental approvals
 - Water license
- Product marketing
Strategic partners
- Mine planning & Reserve estimation
Financing



Targets – 2017



ARAFURA
RESOURCES LIMITED

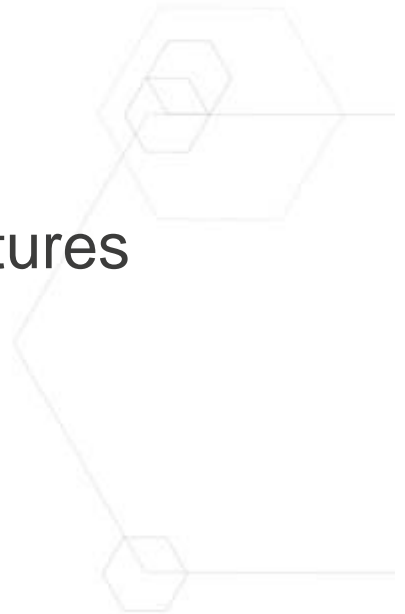
ABN 22 080 933 455



Re-cap – Targets for 2016-17



- ▲ Finalise piloting
- ▲ Formalise engagement with offtake and strategic players
- ▲ Fund activities to:
 - ▲ Maintain schedule
 - ▲ Avoid complex debt/equity or bond structures
 - ▲ Minimise dilution



Questions?



Thanks for your support
Questions?



Contact:

Level 3, 263 Adelaide Terrace
Perth 6000

T: +61 8 6210 7666

E: arafura@arultd.com

The logo for Arafura Resources Limited, featuring a stylized blue and white wave graphic above the company name.

ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455



Nolans Mineral Resources



Resources	Tonnes (million)	Rare Earths TREO %	Tonnes TREO	Phosphate P ₂ O ₅ %	Uranium U ₃ O ₈ lb/t
Measured	4.9	3.2	158,000	13	0.54
Indicated	30	2.7	816,000	12	0.44
Inferred	21	2.3	489,000	10	0.36
TOTAL	56	2.6	1,462,000	12	0.42

1% TREO cut-off grade. Numbers may not compute exactly due to rounding. 1 lb/t U₃O₈ = 0.0454% U₃O₈.

