

Arafura Resources

*Nolans: A Source of High-Value
Magnet Feed (NdPr) Rare Earths*

Mines and Money Asia
April 2017



ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455



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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.



Company Snapshot



- ▲ ASX listed company developing the **Nolans Rare Earths Project** in Australia
- ▲ Nolans 100% owned, **no debt**, uncomplicated ownership and capital structure
- ▲ Afforded **major project status** by Northern Territory and Australian governments
- ▲ Project approvals well advanced with no major risks identified
- ▲ Currently finalising project feasibility study – ore to oxides
- ▲ Focus on **strong growth, high-value** magnet-feed rare earths (REs)
- ▲ Nolans will be **one of the world's largest** suppliers into this market

Capital Structure

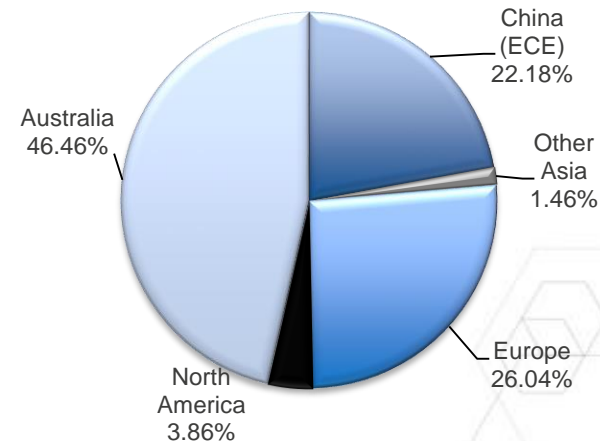


| | |
|---------------------------------|------------------|
| ASX Code | ARU |
| 1-year range | 4.1 – 10.5 cents |
| Market Cap 494.7m shares @ 7.6c | A\$37.6 million* |
| Cash at 28/02/17 | A\$12.2 million |
| Debt | Nil |

*Excludes 6.3m employee options @ 10.5c expiry September 2018



Shareholder Spread



- ▲ East China Exploration & Development Bureau – a SOE based in Nanjing
- ▲ Europe – JPM Nominees 23% mainly German private investors
- ▲ Approximately 7,000 retail investors
- ▲ Board & Management < 1%

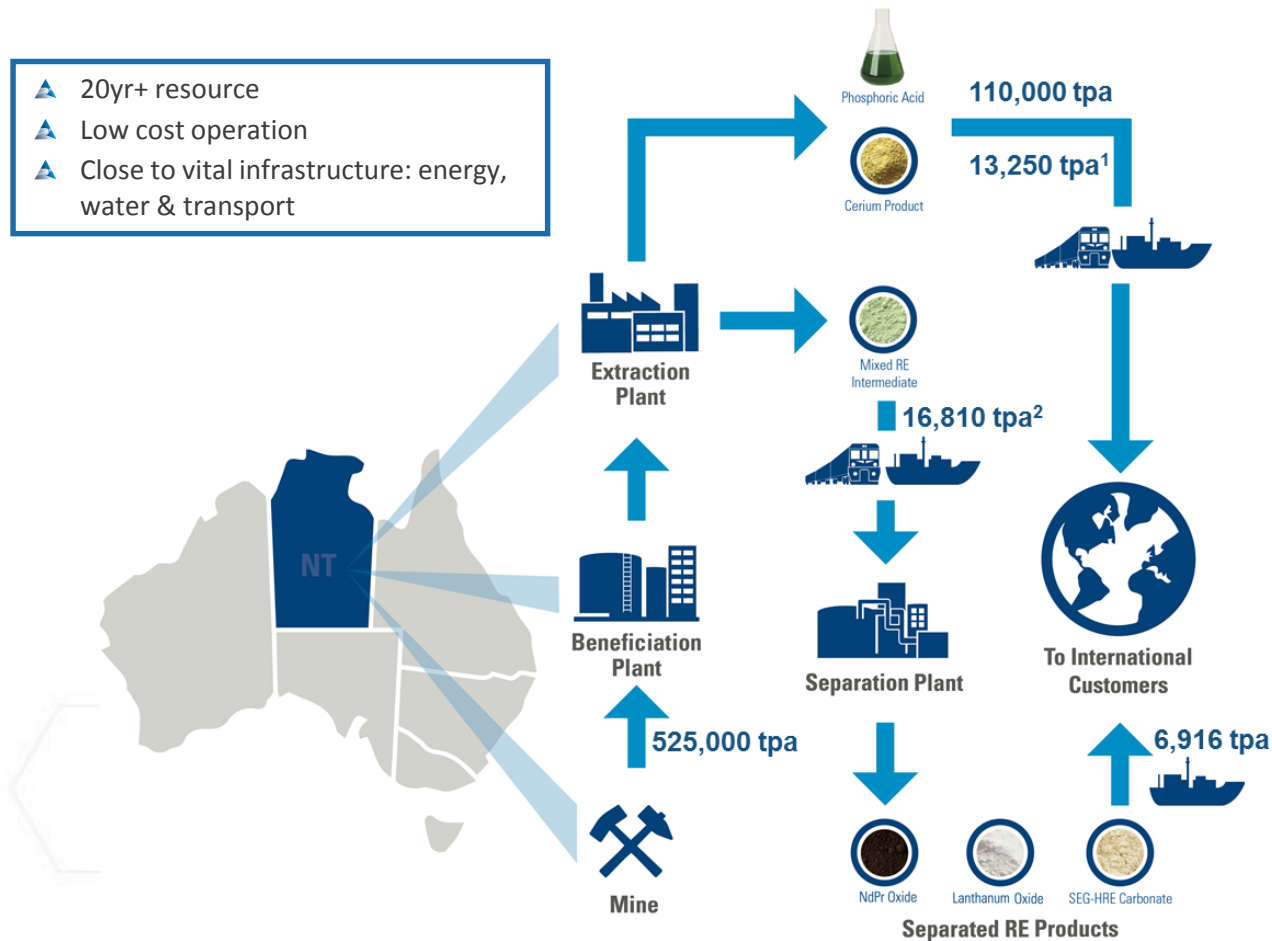


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Nolans – A Clear Path to Market



- ▲ 20yr+ resource
- ▲ Low cost operation
- ▲ Close to vital infrastructure: energy, water & transport



CAPEX: US\$680m³
OPEX: US\$6.23/kg TREO³

- ▲ Targeting RE offtake customers in:
 - ▲ Japan
 - ▲ Germany
 - ▲ Korea
 - ▲ USA
- ▲ Phosphoric acid sales targeted for Asian region

1. Containing 7,096 tpa TREO
 2. Containing 6,978 tpa TREO
 3. Based on 14,000 tpa TREO production from 23 years of mining and processing Measured and Indicated Mineral Resources as per slide 14. CAPEX includes offshore Separation Plant. OPEX includes credits for phosphoric acid.



Marketing and Funding Strategy



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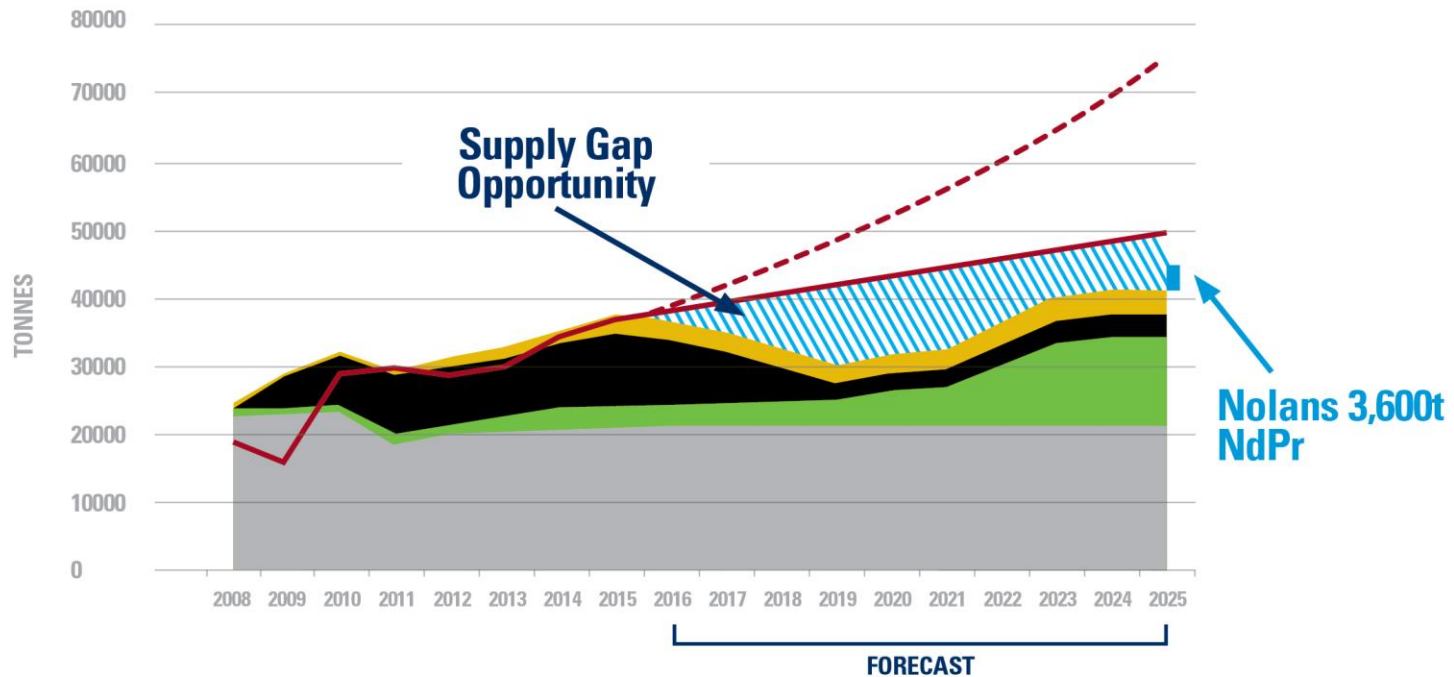


The NdPr Market Opportunity



NdPr Oxide Supply & Demand

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

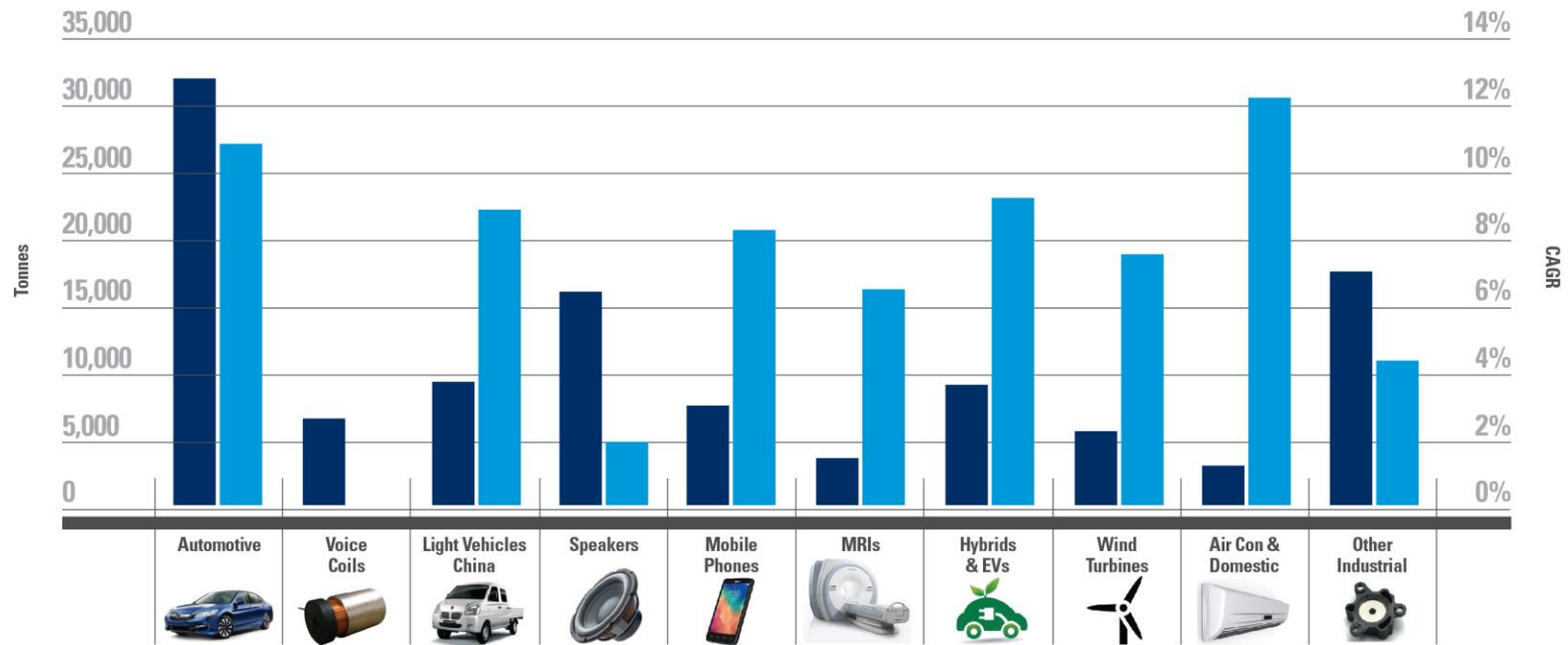


Established Markets Steady – Growth is in New Applications



NdPr Magnet Volume & Forecast Growth

■ NdPr Magnet Tonnes 2014
 ■ Forecast CAGR%



▲ Established magnet market demand steady

▲ Magnet growth being driven by clean technologies

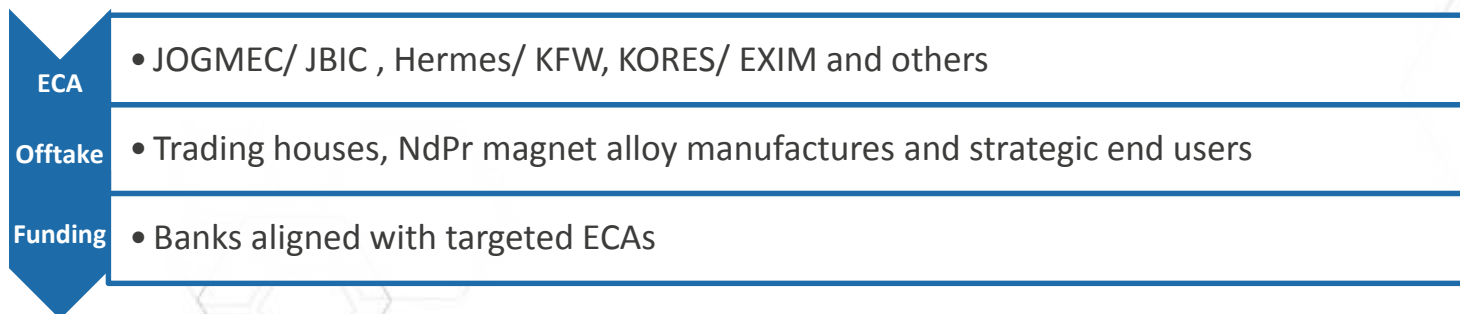
Source: Adamus Intelligence, Arnold Magnetic Technologies, Japanese industry participants, Roskill



Arafura's Marketing Strategy and Products



- ▲ **2017** focus is on cementing offtake alliances with strategic partners
- ▲ **95% of revenue** to be derived from customers in Japan, Germany, Korea and the USA
- ▲ **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



Targets for 2017-18



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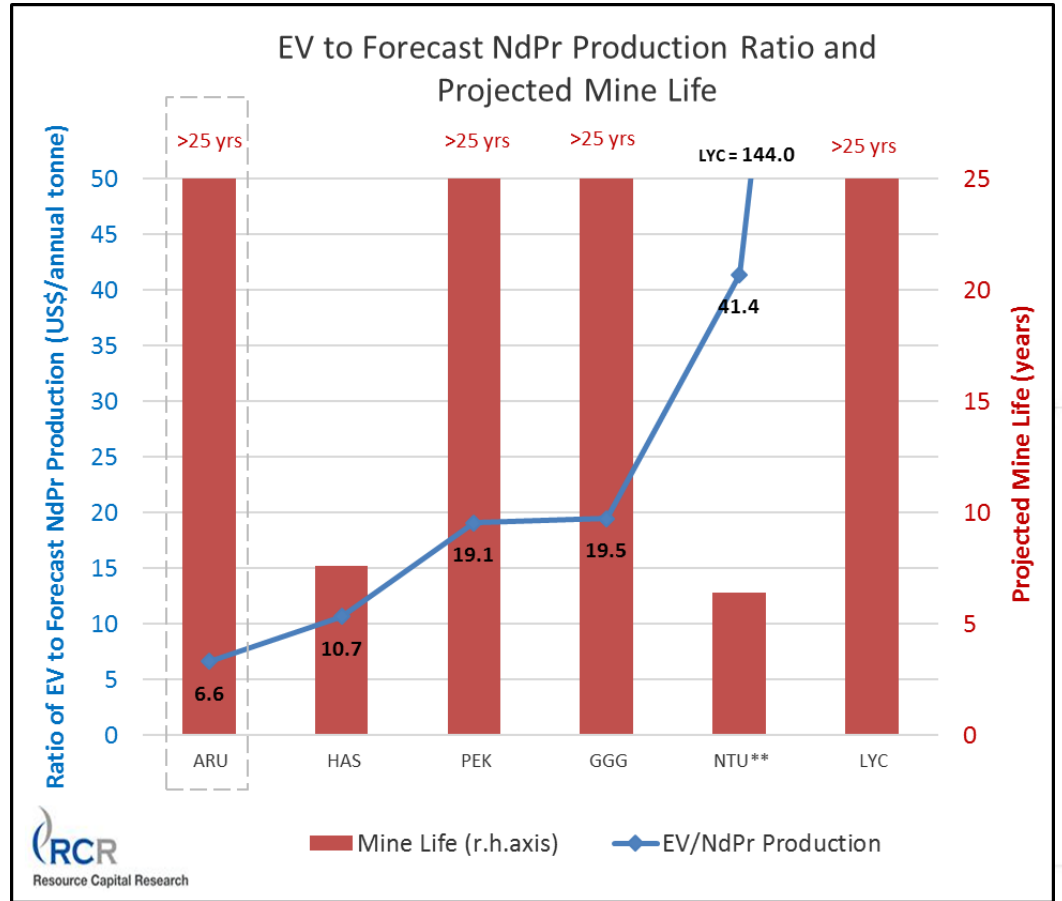
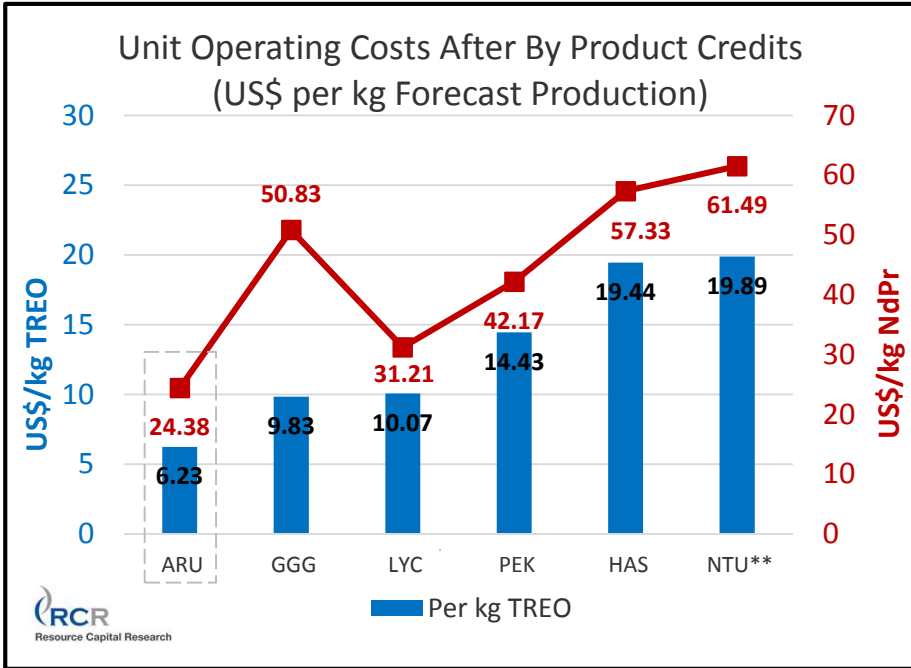
Targets for 2017-18



To take advantage of the pending NdPr supply shortfall **we will complete the following:**

- ▲ Final piloting – results to be reported throughout 2017
- ▲ Fast track where possible detailed design to Bankable Feasibility status
- ▲ Obtain environmental approval – 2017
- ▲ Formalise offtake arrangements – 2017
- ▲ Ongoing engagement strategic partner(s) – debt and equity
- ▲ Fund current operations through to Project Finance avoiding complex debt/equity or bond structures

Value Proposition



Source: Resource Capital Research Pty Ltd (AFSL licence number 325340)
Please refer to Appendix B for further information.



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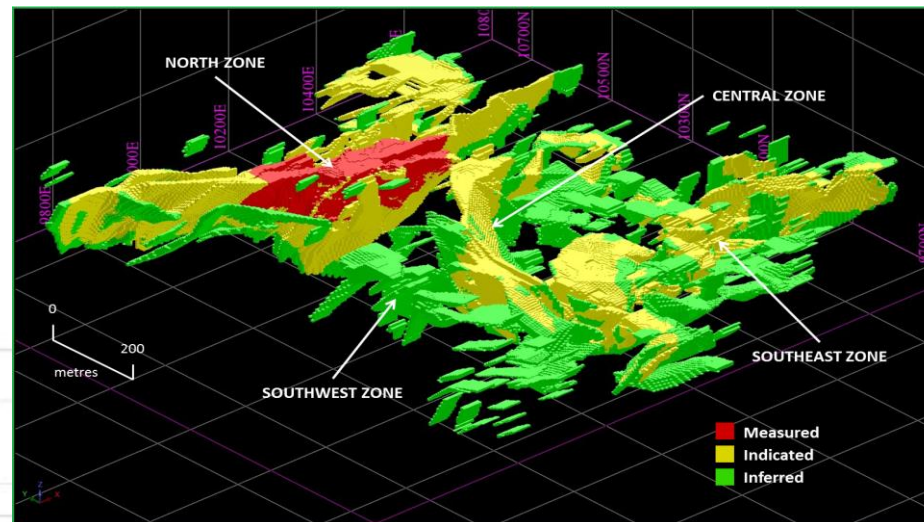


Appendix A: Nolans Mineral Resources



| 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.



Appendix B: Information on RCR Graphs



Key Assumptions

- Enterprise Value (“EV”) is based on market capitalisation as at February 3 2017 less reported cash on hand, plus reported debt, as at December 31 2016.
- Exchange rate of AUD1 = USD 0.76.
- Forecast operating data for development projects based on published company reports and project updates.
- NTU is a heavy rare earth deposit with dysprosium (“Dy”) being the dominant projected revenue stream. NTU** analysis is calculated using a Neodymium and Praseodymium Oxide (“NdPr”) grade equivalent, calculated based on the NTU Dy grade, adjusted for a Dy/ NdPr price ratio of 4.77.
- Mine life is based on Measured and Indicated mineral resource
- PEK NdPr production adjusted to 75% of project production and HAS 91%, to reflect the relevant underlying project interest.
- LYC: NdPr production based on annualised “ready for sale production volumes” and operating costs based on annualised operating, staff and administration costs reported in Q2, Q3 and Q4 of CY2016. LYC reported in these quarters that NdPr production is at 90 to 100% of “full design rates”.
- “TREO” = Total rare earth oxide

ASX-Listed Peer Group Companies

| Code | Company Name | Project | Location | Project Interest (%) |
|------|-----------------------------------|--------------|---------------|----------------------|
| ARU | Arafura Resources Ltd | Nolans | NT | 100 |
| HAS | Hastings Technology Metals Ltd | Yangibana | WA | 91% |
| PEK | Peak Resources Ltd | Ngualla | Tanzania | 75% |
| GGG | Greenland Minerals and Energy Ltd | Kvanefjeld | Greenland | 100% |
| NTU | Northern Minerals Limited | Browns Range | WA | 100% |
| LYC | Lynas Corporation Limited | Mt Weld | WA & Malaysia | 100% |

