

A R A F U R A  
R E S O U R C E S L I M I T E D

# Nolans Project Global Investor Update

57 La	58 Ce	59 Pr	60 Nd	61 Pm	62 Sm	63 Eu	64 Gd	65 Tb	66 Dy	67 Ho	68 Er	69 Tm	70 Yb	71 Lu
Lanthanum 138.90547	Cerium 140.12	Praseodymium 140.90766	Neodymium 144.242	Promethium 144.91288	Samarium 150.36	Europium 151.964	Gadolinium 157.25	Terbium 158.92534	Dysprosium 162.5	Holmium 164.93032	Erbium 167.259	Thulium 168.9342	Ytterbium 173.04	Lutetium 174.967

Dr Steve Ward Managing Director & CEO

Gavin Lockyer CFO & Company Secretary

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Mr Brescianini 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 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)”. Mr Brescianini consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Mr Mackowski is a Fellow of the Australasian Institute of Mining and Metallurgy 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 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)”. Mr Mackowski consents to the inclusion in this presentation of the matters based on his metallurgical results and interpretation in the form and context in which it appears.

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# Nolans Project Recap

- Arafura is an emerging company with single project focus;
- The Nolans Resource is a world-class Rare Earths deposit;
- Arafura will be one of the few significant new supply sources likely in the short to medium term – first new phase supply opportunity;
- Arafura's 'Australian-based business' model is highly regarded and gives positive differentiation (sovereign risk, operating regime);
- Development of all technology in Australia provides Arafura with independence from rest of Rare Earths industry worldwide.



# Progress in 2011 (since last capital raising)

- Advancement of Rare Earth Separation technology programs, interaction with target customers for refined product specifications, to maximise revenues from appropriate product streams;
- Undertaken major drill program to further define the Nolans Resource for bankability and look to potential resource expansion. Drill program of 46,500m exceeds total of all drilling historically at Nolans;
- Appointed key expert consultants with detailed experience in large scale chemical projects which is specifically relevant to Arafura;
- Successful demonstration of Chlorine regeneration from Calcium Chloride streams to recycle Hydrochloric acid to leach circuit and Gypsum production as by-product;
- Environmental Impact Studies advanced on all sites;
- Undertaken critical project review with all our experts.

# Arafura's approach to the Nolans Project review

- Progress assessment of Technology program and other work-streams;
- Improve value;
- Since 2007 (PFS) the relative value of Rare Earths revenues compared to co-products has changed markedly (2:1 now 40:1). New focus on Rare Earths – other products very much secondary;
- Simplify where possible;
- Reduce Capex;
- Improve operability – reduce volumes of raw materials and wastes to manage;
- De-risk;
- Position for future developments if value-creating , e.g.: phosphoric acid.

# Nolans Project Scope Evolution

WORK STREAM	PFS	OCT 10 UPDATE	DEVELOPED	TARGETING
Concentrate grade	4%	4%	5%	10%+
Pre-Leach	Complex	Complex	Simplified to be demonstrated	Simplified
Rare Earth Sulphation	Complex	Complex	Simplified to be demonstrated	Simplified
Uranium	ADU/U <sub>3</sub> O <sub>8</sub>	ADU/U <sub>3</sub> O <sub>8</sub>	Simplified to be demonstrated	UO <sub>4</sub>
Phosphate	Phosphoric Acid	Phosphoric Acid	Simplified to be demonstrated	Simpler solid phosphate
Calcium Chloride	CaCl <sub>2</sub>	CaCl <sub>2</sub>	CaSO <sub>4</sub> / HCl	CaSO <sub>4</sub> / HCl
Rare Earth Oxides	20,000t/pa	20,000t/pa	20,000t/pa	20,000t/pa

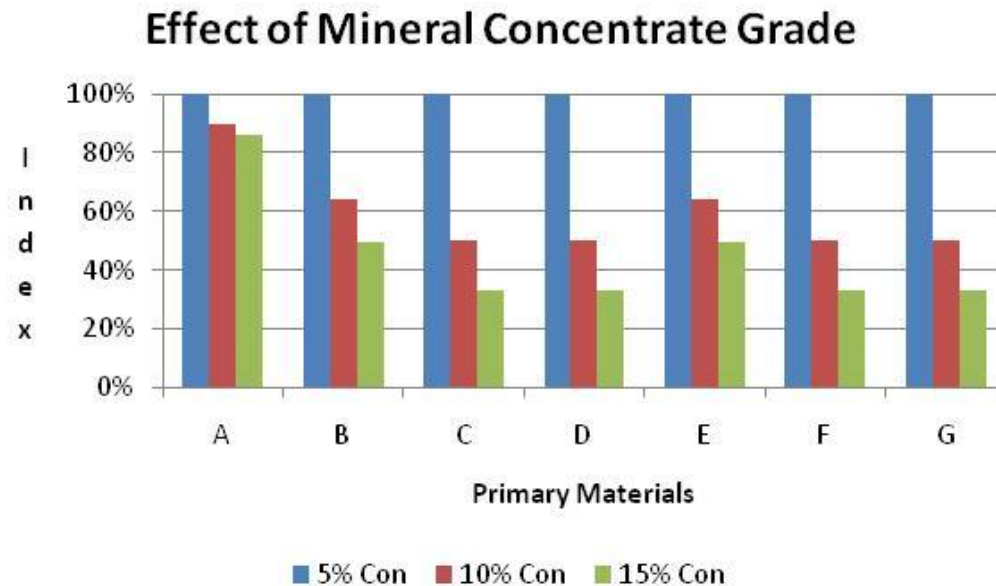


Simplified flowsheet  
 De-risked flowsheet  
 Value Creating  
 Rare Earths Focus



# Upside Potential

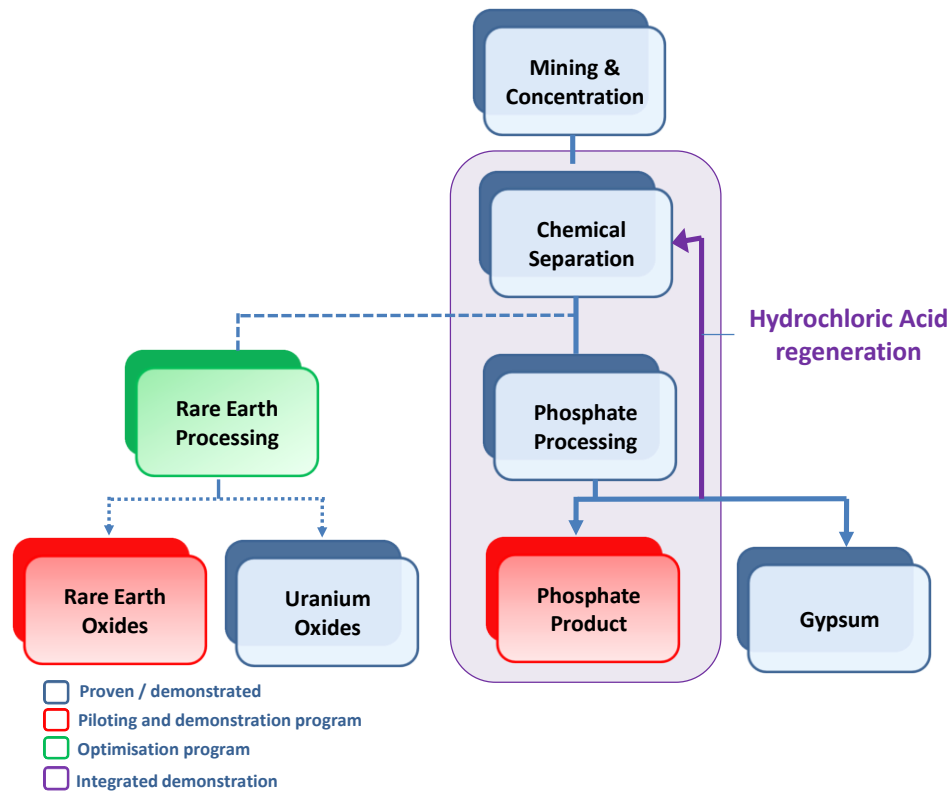
- Simplified flow sheet producing potentially less complex by-products, allows focus on REO separation, less complex start up;
- Possibility to include expanded resource base;
- Higher REO grade mineral concentrate gives clear CAPEX, OPEX benefits, less raw materials and less wastes to manage.





# De-risking

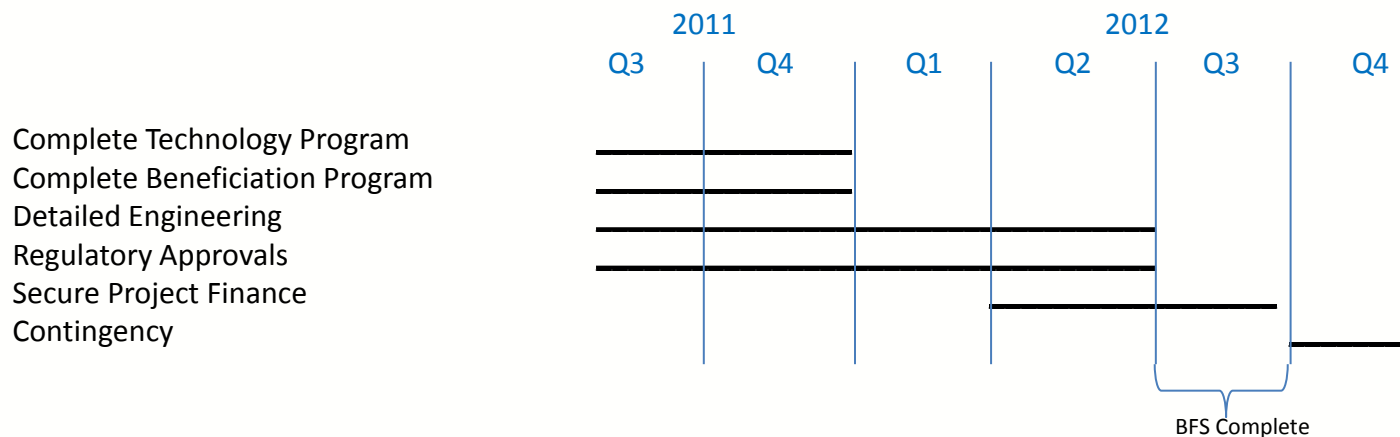
- The need for integrated piloting of interacting process loops is under review
- Improve risk profile for Financiers
- Assist with easier commissioning and speed of production ramp-up to full capacity.



# Updated integrated timeline

- A revised integrated plan has been developed
- The extended scope of work programs means it is expected to take a further 9 to 12 months to complete the expanded BFS and secure Project Financing;
- A range is quoted as some of the outstanding work is 'Development';
- Key dates are as follows.

	BFS	Project Finance
Published prior BFS	End Sept 2011	End Dec 2011
Updated Expanded BFS	End June 2012/Sept 2012	End Sep 2012/Dec 2012

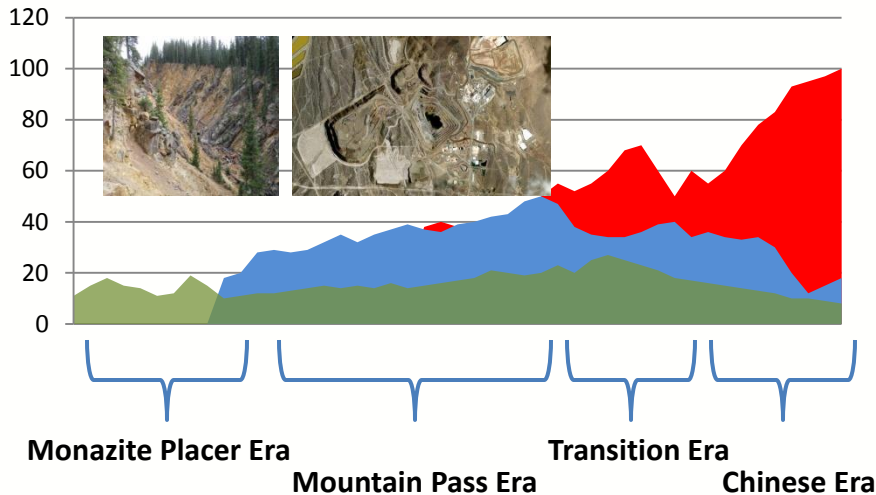


# Supply and Demand remain favorable

- Global demand growing at two to five times GDP forecasts driven by new technologies;
- Consolidation of Chinese producers reduces supply;
- The world is short of Rare Earths and this is being exacerbated outside China by Chinese export quotas;
- Reduced Chinese production may result in further export restrictions – China becomes a net importer?
- New significant supply capacity outside China is limited in short term to Molycorp , Lynas & Arafura;
- New projects announced in past 2-3 years are unlikely to impact supply for at least 10 years;
- Strong demand growth with limited new supply will result in tight market conditions for the foreseeable future; no “bubble” or limited opportunity window;
- ***From 2016, supply growth will require 20,000 t p.a.(i.e.: one new Nolans project per year) to keep up with demand growth.***

# Rare Earths – Entering a New Era, Supply Shortage

**USGS report: Uncertainty after 2002**



**New Western Supply Era 2011-2015**



- Demand soars
- Supply transitions
- Prices increase
- China export quotas
- Environmental costs

**Supply Opportunity Era 2016-2020**



- China a net importer
- Long lead time for capacity
- 20,000 tpa additional supply required each year
- Where will supply come from...?

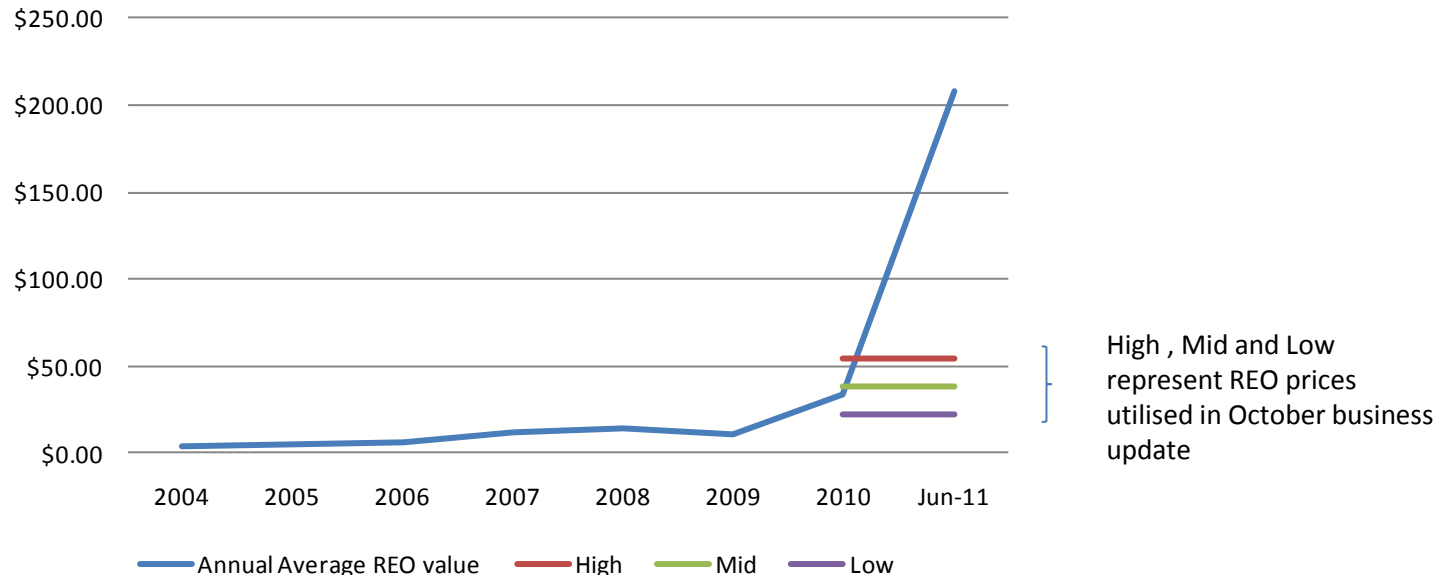
← Global shortage exacerbated outside China by Chinese export quota reductions →



# Rare Earth Pricing Update

- The October 2010 ARU business update used US\$38/kg for the price of its REO's;
- Current prices (US\$208) far exceed price levels used for project financial evaluation;
- 2010 prices on a constant \$ basis just returned to 1993 price levels;
- Higher prices likely to continue due to favorable supply/demand dynamics;
- Project profitability is robust at a significantly lower than current prices
- Substantial upside to profitability for the Nolans Project with higher prices

## Nolans Value 2004 - June 2011 Comparison to Financial Evaluation Price Levels





# Customer programs remain on track

- Targeted customer meetings in Europe, Korea, Japan and the USA show continued high interest in Arafura products;
- Feedback from customers has enabled refinement of product specifications, packaging and ongoing service requirements;
- Discussions progressing on supply commitments;
- Sampling of pilot plant products remains on track for H2 2011;
- Ongoing discussions on geographical sales channels options.

# Corporate Structure / Funding

## As at 31 May 2011

### Capital

368.0m shares

16.4m Board/Employee options

(1.3m likely to expire June 2011)

### Cash

A\$79 million

### Top shareholders

JP Morgan Nominees	32.3%
ECE	17.5%
National Nominees	6.6%
HSBC Custody Nominees	4.4%
Citicorp Nominees	2.7%
Board & Management	2.7%

The expanded study requires additional funding of approximately A\$50-60m to complete. (Approximately 25% relates to costs brought forward, previously included in project finance.)

Arafura believes the additional expenditure arising from the expanded scope has the potential to save many times this amount over the life of the project.

The company currently has sufficient funds to maintain current work programs and implement newly identified opportunities.

Assessment of funding opportunities for the additional capital is underway and will be refined in the coming months.

# Summary

- Nolans is a world class asset with strong fundamentals;
- Arafura's 'Australian-based business' model is highly regarded and gives positive differentiation (sovereign risk, operating regime) and the development of all technology in Australia provides Arafura with independence from rest of Rare Earths industry worldwide.
- Market dynamics are forecast to remain very positive. This represents a long term value-creation proposition rather than a "bubble" or a short-term opportunity window;
- Arafura is on track to be part of the next new significant supply wave;
- The expanded BFS will focus on the high value Rare Earths, reduce risk and operating and capital costs to deliver maximum shareholder value over the life of the project.

