

ARAFURA ADDING VALUE IN AUSTRALIA
TO PRODUCE RARE EARTHS
FOR USERS WORLDWIDE



SACOME Breakfast Briefing

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September 15th 2011

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The information in this presentation that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Richard Brescianini BSc(Hons). The information in this presentation that relates to mineral resources or ore reserves is also based on metallurgical results and interpretation compiled by Mr Steven Mackowski BAppSc. Both are full-time employees of Arafura Resources.

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.



Rare Earths - Introduction

An exciting market outlook in new high technology applications and clean and efficient energy uses, with increasing demand driven by consumers, society & regulators

New Generation Vehicles

Colour Screen LCDs/PDPs

Medical Services

AN EMERGING RARE EARTH PRODUCER FOR USERS WORLD WIDE

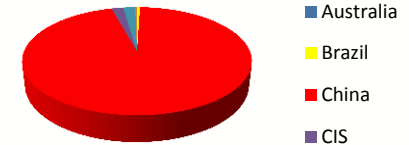
39 Y Titanium 88.9059	57 La Lanthanum 138.9053	58 Ce Cerium 140.116	59 Pr Praseodymium 140.9077	60 Nd Neodymium 144.24	61 Pm Promethium (145)	62 Sm Samarium 150.36	63 Eu Europium 151.964	64 Gd Gadolinium 157.25	65 Tb Terbium 158.9253	66 Dy Dysprosium 162.5	67 Ho Holmium 164.9303	68 Er Erbium 167.259	69 Tm Thulium 168.9342	70 Yb Ytterbium 173.04	71 Lu Lutetium 174.967
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Rechargeable Batteries

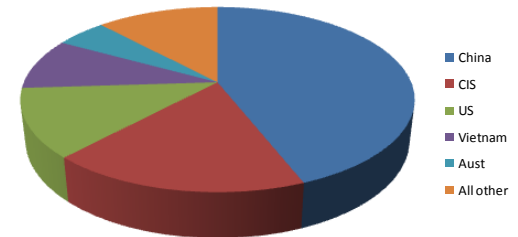
Energy-Efficient Lighting

High-Powered Electric Motors

Global REO Production 2009



Global REO Reserves 2009



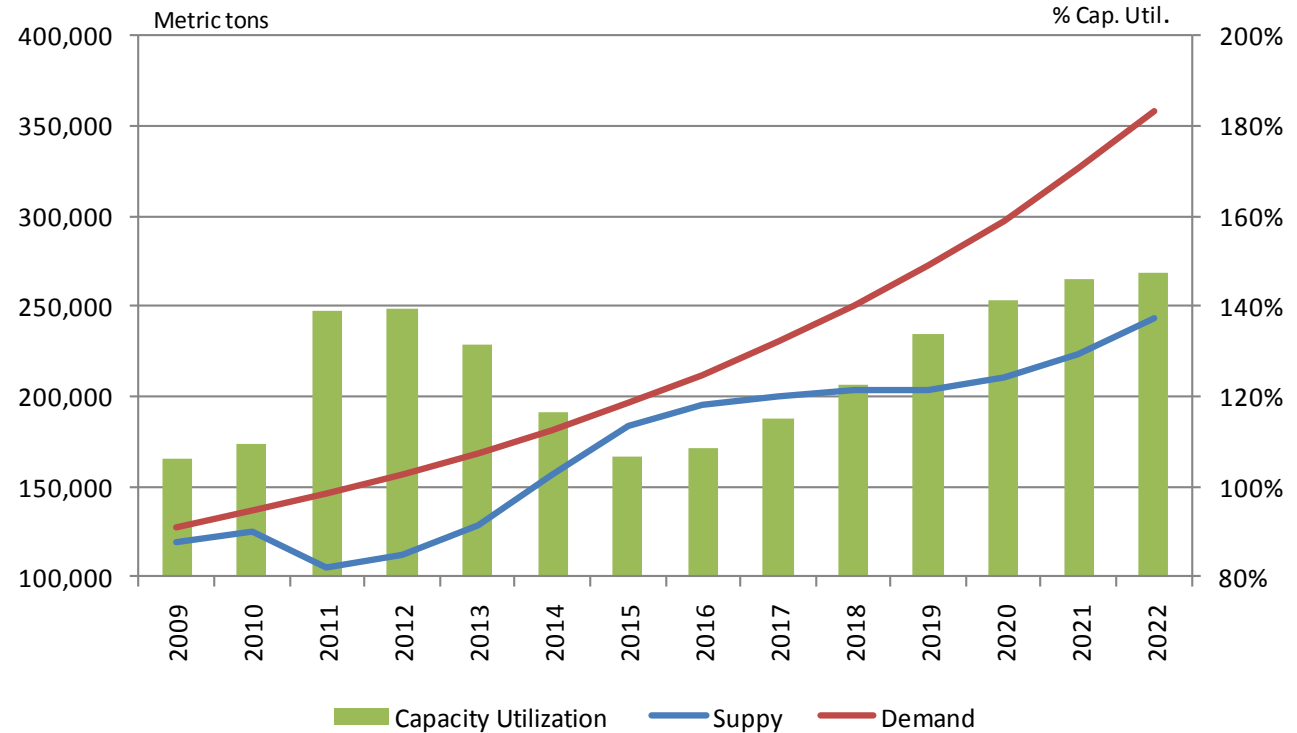
Market Overview

- Current annual global consumption 130kt
- Major geographic markets are China and Japan
- Current annual value US\$ 30 Billion
- China currently produces 97% of global supplies
- Future demand growth very strong: 2 to 5 times GDP depending on application
- China production declining – closure of polluting and illegal operations
- China reducing supplies to rest of world by tightening export quotas
- Overall market very tight – supplies short
- Worldwide users seeking new supply sources from outside China
- Few new supply sources this decade - much ‘probable unrealistic’ speculation
- ***PERFECT STORM & OPPORTUNITY FOR ARAFURA***

Supply and Demand

- **Total Rare Earth Oxide (REO) supply growth does not keep up with demand growth rates in any year!**
- **Capacity utilizations bottoms out in 2015 at 107%**
- **Global demand requires another ~20,000 mt. supply (a Nolans project) each year above current supply forecasts**
- **Unclear where the supply will come from**
- **On an individual rare earth basis 'Lights' (Ce and La) are most plentiful but are 'snug' at their easiest point and then short**

Global REO Supply - Demand Balance

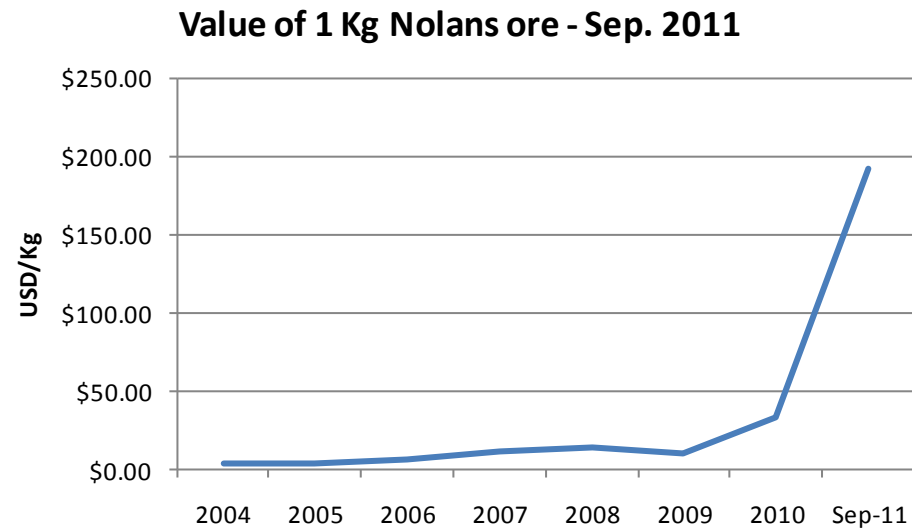


Based on Arafura's research of the market

Price trends

Prices in real terms have returned to long term levels prior to low price 'Chinese era'

- 1990 to 2005 low priced era driven by unsustainable low cost Chinese production
- 2006 prices begin to rise with first Chinese export quotas
- 2007 to 2008 Prices fall due to soft demand in GFC
- 2009 prices begin to recover as post GFC demand increases
- 2010 to 2011 prices increase markedly as demand accelerates, Chinese production reduces (closure of polluting and illegal operations) and Chinese export quotas tighten
- 2012+ Low priced era is over, prices will follow supply/demand dynamics



Introduction to Arafura

Corporate Summary

- Australian Public Company – formed 1997
- Listed on ASX in 2003 (code ARU)
- Nolans Project for Rare Earths
- Own technology developed
- **Bankable Feasibility Study due H2 2012**
- **Project Financing sought by end 2012**
- **First production by end 2014 subject to BFS**

As at 14 September 2011

Capital

368 million shares
16.5 million Board/Employee options

Market capitalisation

@ A\$0.66 = ~A\$242 million

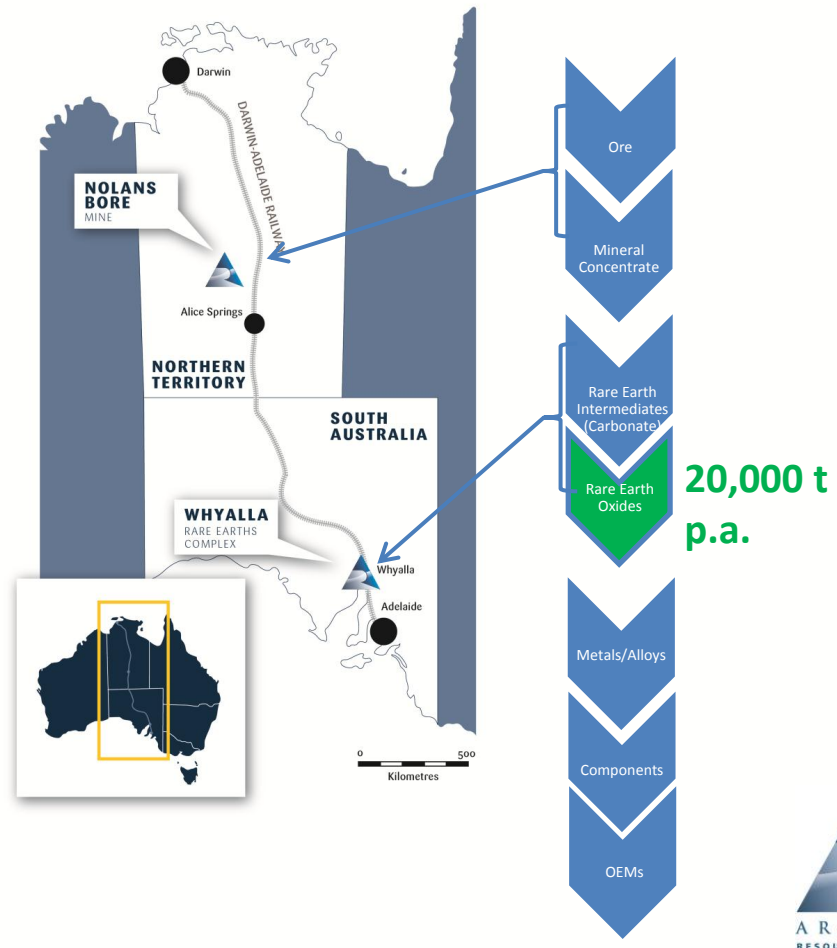
Top shareholders

JP Morgan Nominees ¹	31.5%
ECE ²	17.51%
Board & Management	2.5%

Debt - zero

Cash \$ 60 million (31 August 2011)

Business Model - Adding Value in Australia



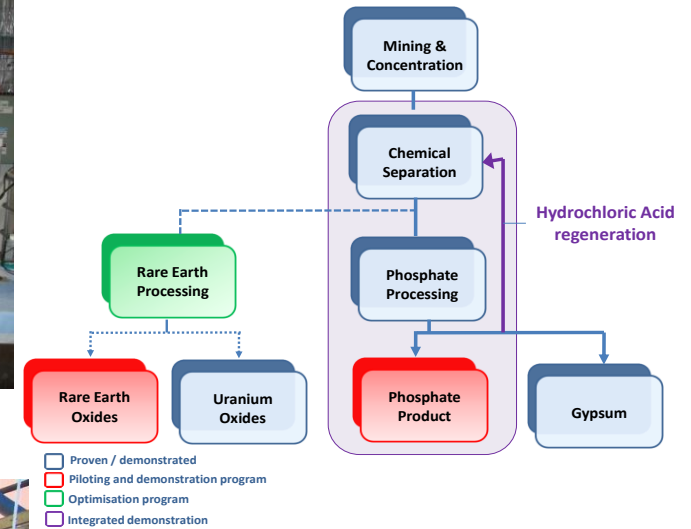
1. Substantial German-based shareholding amongst many shareholders
2. East China Mineral Exploration & Development Bureau

Nolans Project - Key Information

- Excellent support from Federal, Northern Territory and South Australian governments
- Major project status from South Australian Government
- Strong support from local communities in both NT and SA locations – community engagement ongoing
- Technology designed to meet highest environmental standards – EIS guidelines issued and studies underway in both locations
- Rare earths recognized as a strategic material
- Significant capital expenditure – will bring direct developments worth approximately \$1 Billion to Whyalla

Technology

The flowsheet has been proven as shown and is now undergoing demonstration and optimization to de-risk further, focus on rare earths, customize products for target customers, provide detailed design data, confirm EIS data and capture more of intrinsic value



Gypsum from HCl Regeneration Plant 2011

Water Leach Piloting 2009



Mixed REO Carbonate Production - 2009

Sulphation Baking 2009

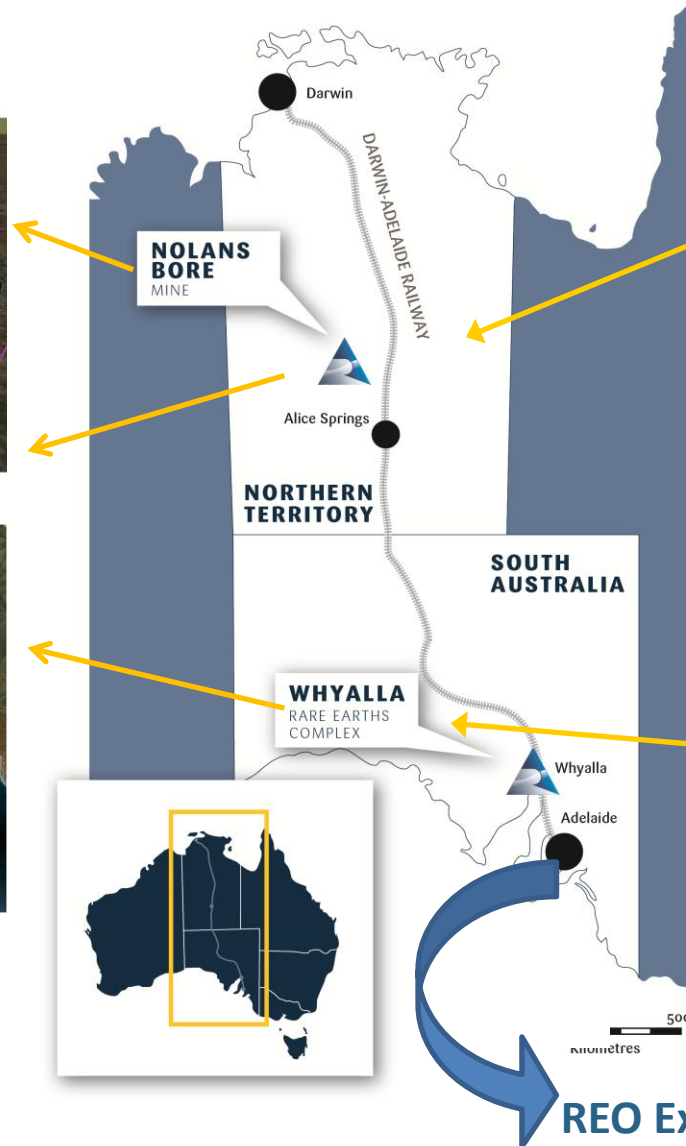
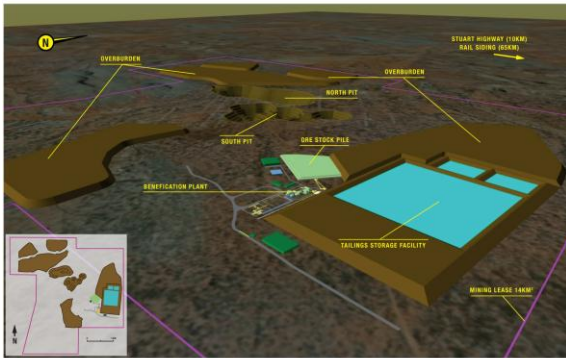
All Australian developed technology



Creating Opportunities and Value in Australia

Arafura will act as a catalyst and 'critical mass' for value creation in Northern Territory and South Australia ...

NOLANS BORE MINE LAYOUT
ARTIST'S IMPRESSION



Nolans Bore mine will act as a hub for regional development. Approximately 150 direct jobs and \$25M annual value creation

Whyalla Rare Earth Complex brings mineral downstream processing to SA. Approximately 300 direct jobs and \$150M annual value creation

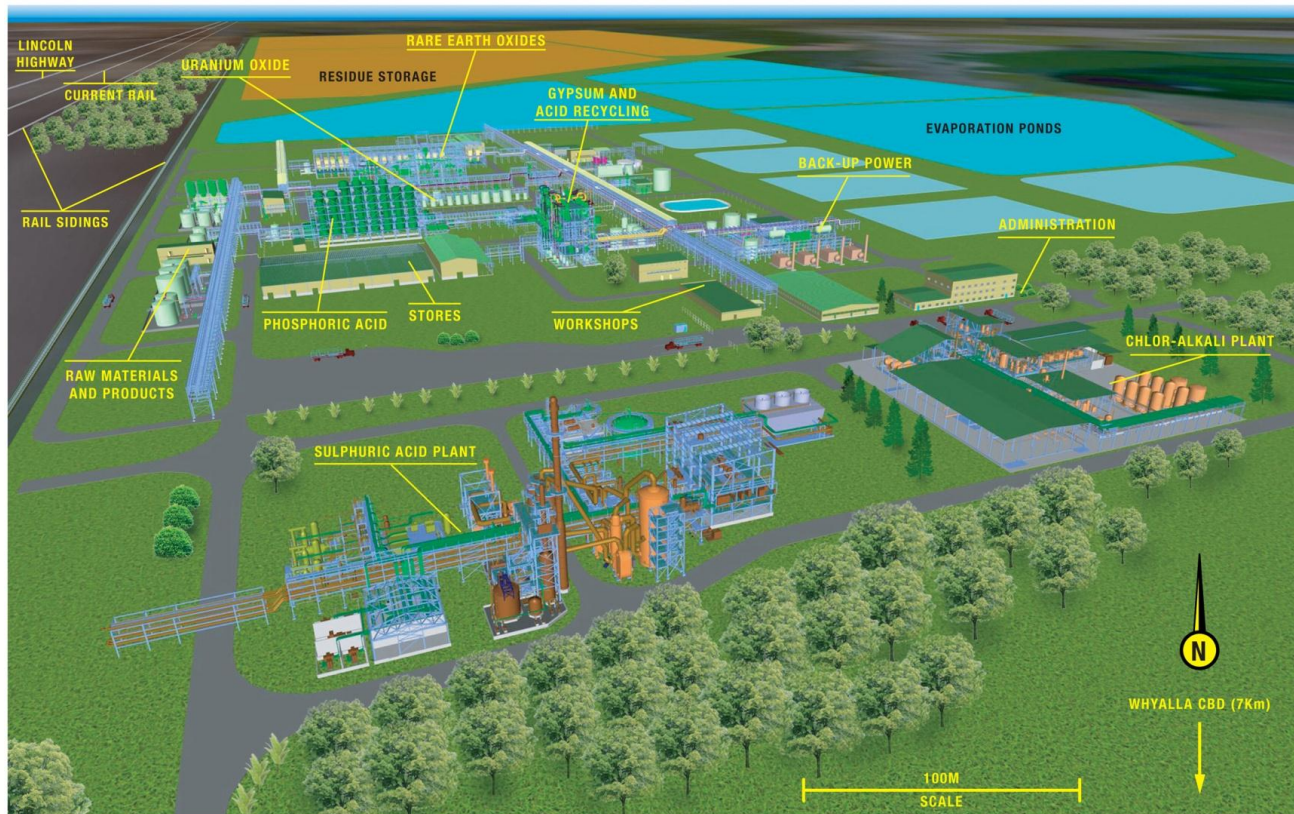


Arafura in Whyalla

The Whyalla Rare Earths Complex will be a very substantial chemical processing operation by Australian standards.



ARAFURA RARE EARTHS COMPLEX ARTIST'S IMPRESSION

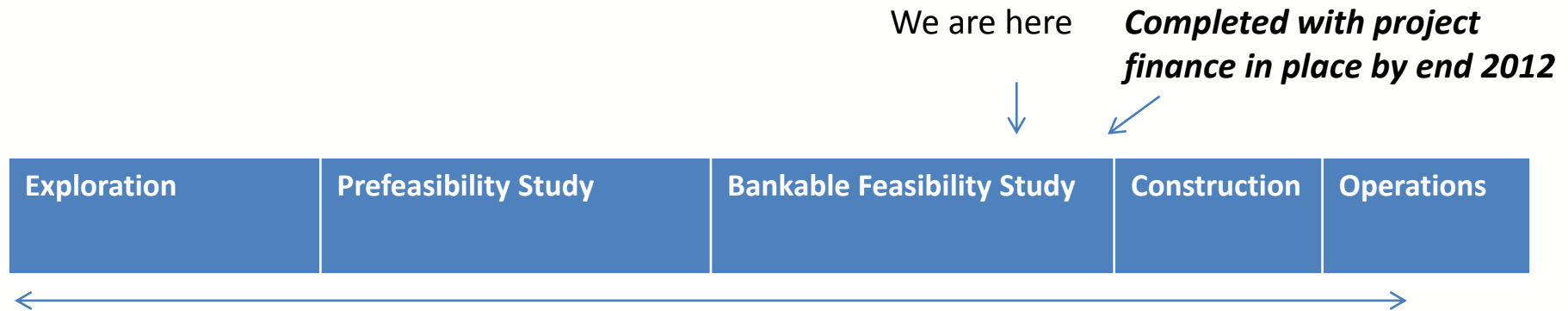


Version 1 - August 2010

- Comprises facilities for production of feed chemicals, and final products;
- Arafura will prompt:
 - Synergistic developments
 - Supply service opportunities
 - Educational and training openings in high tech chemical operations
 - Industrial diversity



Where are we now?



Approx 15 years for a rare earths project

- Exploration Began 2000
- Maiden JORC Resource 2003

- Technology Program began 2004
- Prefeasibility study issued 2007

- Current JORC Resource 2008
- Technology piloting 2008/09
- Whyalla site announced 2010
- Technology demonstration 2010 & 2011
- Appointment of specialist engineering contractor 2011 early
- Expanded BFS Rare Earth focus 2011
- First Customer LOI 2011
- Expansion drilling program
- ***Complete optimization***
- ***Finalize detailed design***
- ***Secure regulatory approvals***
- ***Obtain Project Finance***

- **At time of completed BFS:**
- **Approx 100km of drilling completed at Nolans**
- **Approx total project expenditure \$250M**

Summary

- A high tech industry with exciting outlook
- Applications in clean green energy and energy efficiency
- Arafura will put South Australia on the world map as a significant supplier
- Aligns with South Australia's resource and mineral processing vision
- Substantial capital investment and ongoing value creation
- Catalyst for development of other ventures
- BFS well advanced
- EIS to highest standards underway
- Significant government and community support

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THANK YOU
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