

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



Arafura Resources Limited
Annual General Meeting
30 November 2012

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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). 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 Brescianini is a full-time employee of Arafura Resources.

Agenda

1. Chairman's Address
2. Formal Business
3. CEO's Report
4. Questions and Answers

Mr Ian Kowalick
Chairman

Formal Business

Accounts and Reports – receive and consider the consolidated financial statements of the Company and its controlled entities for the year ended 30 June 2012.

	Resolutions
1	Withdrawn
2	Re-election of Shasha Lu as Director
3	Election of Ian Kowalick as Director
4	Remuneration Report

Mr Chris Tonkin
Chief Executive Officer

An Emerging Rare Earths Producer

Arafura Resources is **an emerging rare earths producer** with an Australian development project – **the Nolans Project**

ASX Code	ARU
Shares on offer	441 million
Options	11.5 million
Market Cap@20c	\$88.0 million
1-year range	14 - 53 cents
Cash at 30/11/12	\$44.5 million
Debt	nil
Top shareholders	JP Morgan Nominees (23.52%) ECE (24.86%)



Nolans Bore – REO composition

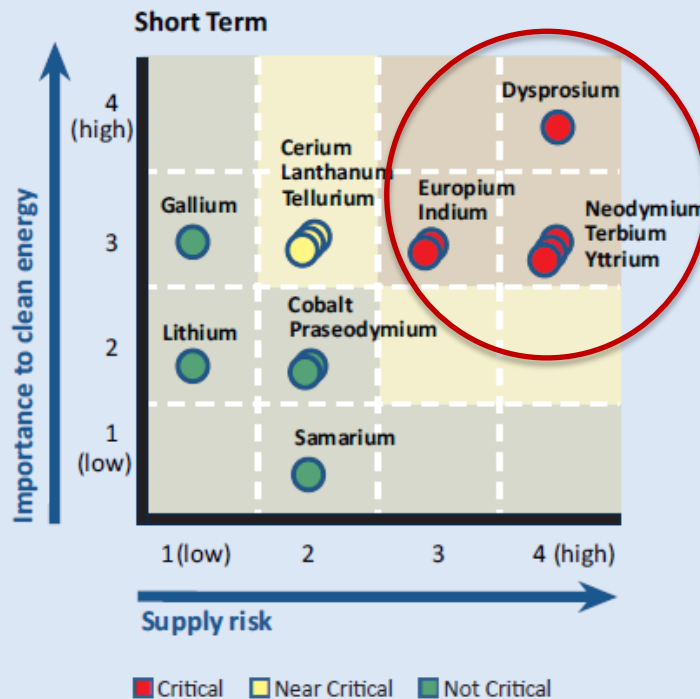
- ▲ The global demand for Clean Energy Technologies, in particular magnets, batteries and energy efficient lighting is rapidly increasing
- ▲ According to the US Department of Energy (US DoE), clean energy technologies constitute c. 20% of global consumption of ‘critical materials’ which include **Dysprosium, Neodymium, Europium, Terbium and Yttrium**
- ▲ All of these ‘critical materials’ identified by DoE are well represented at Nolans Bore

Nolans Bore – REO Composition

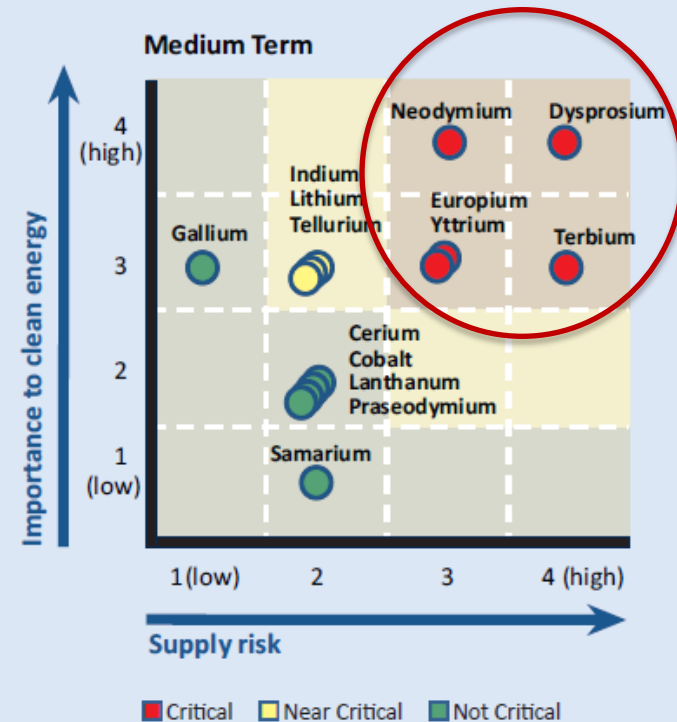
REO	Nolans Bore	Forecast REO production tonnes p.a.
Cerium Oxide	48.73%	9,744
Neodymium Oxide	20.58%	4,116
Lanthanum Oxide	19.13%	3,826
Praseodymium Oxide	5.93%	1,186
Samarium Oxide	2.29%	460
Yttrium Oxide	1.35%	270
Gadolinium Oxide	0.99%	198
Europium Oxide	0.39%	78
Dysprosium Oxide	0.32%	64
Other	0.21%	42
Terbium Oxide	0.08%	16
Total	100.00%	20,000

Critical REOs strongly represented in Nolans Bore REO mix

*Figure 1. Short-Term (0-5 years)
Criticality Matrix*



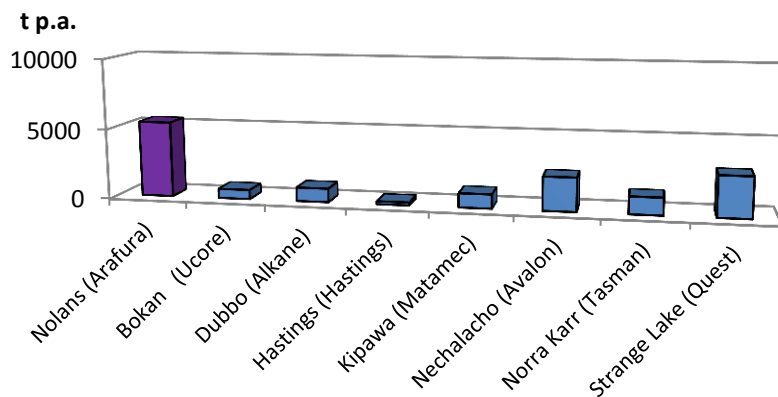
*Figure 2. Medium-Term (5-15 years)
Criticality Matrix*



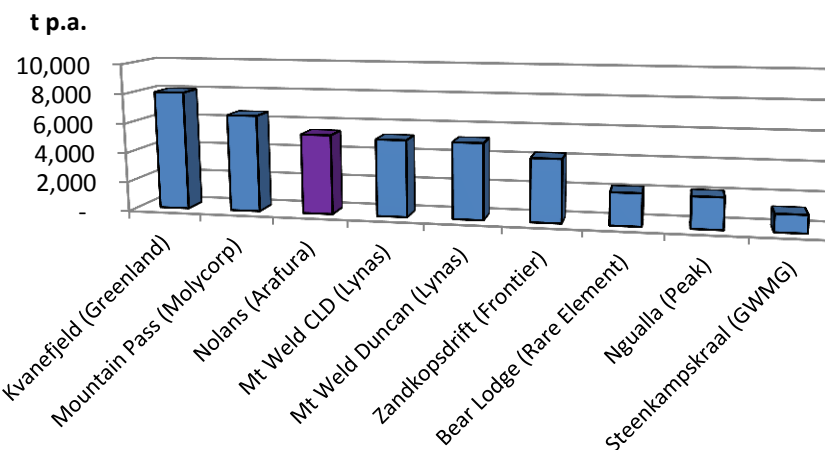
'Magnet feed' (Nd-Pr-Dy) – peer comparison

Magnet feed components	Nolans % of total production	Nolans forecast production tonnes p.a.	REO pricing (22/11/12) US\$/kg
Neodymium Oxide (<i>Critical REO</i>)	20.58%	4,116	\$80.50
Praseodymium Oxide	5.93%	1,186	\$82.50
Dysprosium Oxide (<i>Critical REO</i>)	0.32%	64	\$615.00
Nolans 'magnet feed' production	26.83%	5,366	Weighted average \$87.32
Total Nolans production	100.0%	20,000	Weighted average \$42.49

'Magnet feed': Nolans vs "Heavy" Projects



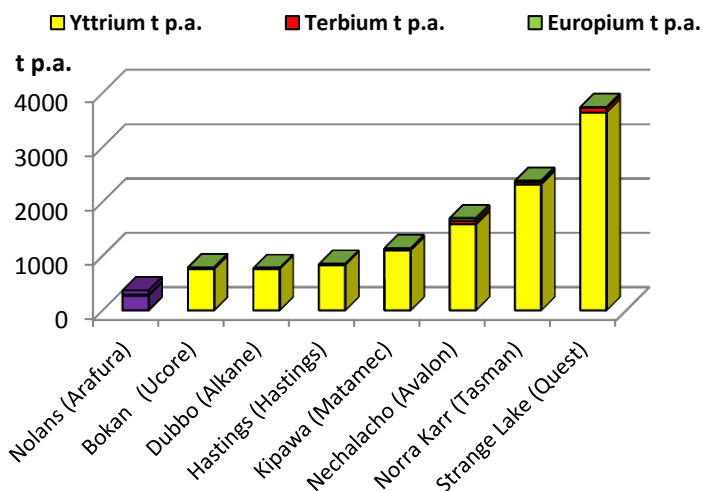
'Magnet feed': Nolans vs "Light" Projects



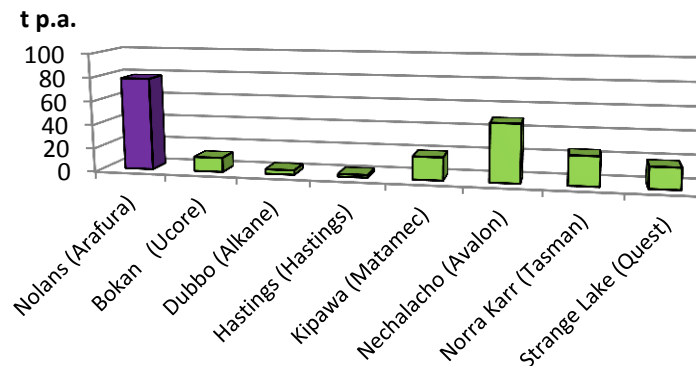
'Phosphor feed' (Y-Eu-Tb) – peer comparison

Phosphor feed components	Nolans % of total production	Nolans forecast production tonnes p.a.	REO pricing (22/11/12) US\$/kg
Yttrium Oxide (<i>Critical REO</i>)	1.35%	270	\$47.50
Europium Oxide (<i>Critical REO</i>)	0.39%	78	\$1,810.00
Terbium Oxide (<i>Critical REO</i>)	0.08%	16	\$1,300.00
Nolans 'phosphor feed' production	1.82%	364	Weighted average \$480.23
Total Nolans production	100.0%	20,000	Weighted average \$42.49

'Phosphor feed': Nolans vs "Heavy" Projects



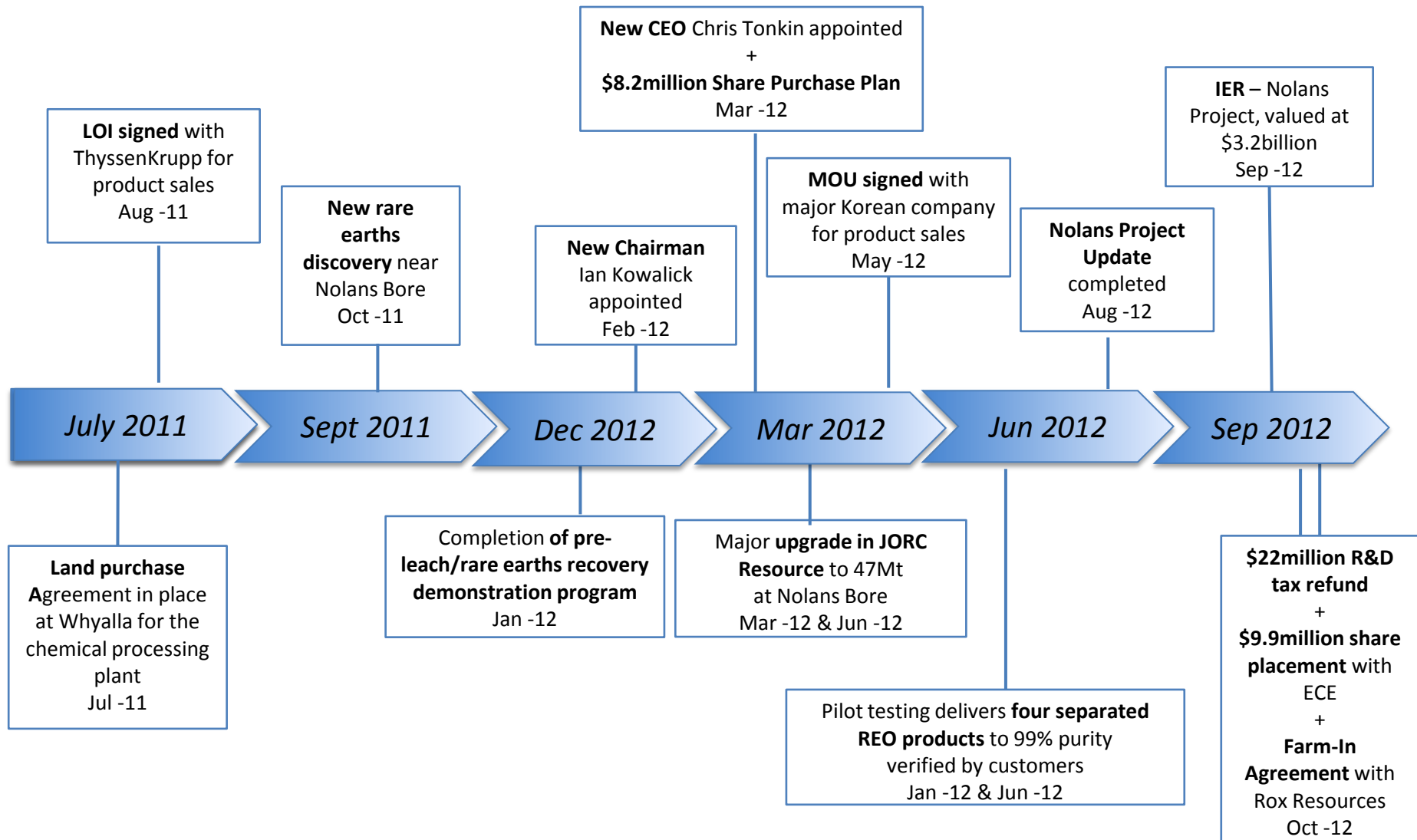
Europium: Nolans vs "Heavy" Projects



The Nolans Project

- ▲ Nolans Rare Earths Project – **world scale**
- ▲ Positioned to supply **10% of global rare earths products** this decade
- ▲ Recent Project Update confirms **project viability**
- ▲ Independent Experts Report – **significant valuation upside**
- ▲ Maiden Ore Reserve statement – **pending**
- ▲ Support from **government and community**
- ▲ **Committed Board and Management** team

FY2012 Highlights



Strategically significant resource

RESOURCES	TONNES (million)	RARE EARTHS REO %	TONNES REO	TONNES P_2O_5	TONNES U_3O_8
Measured	4.3	3.3	144,000	572,000	1,120
Indicated	21	2.6	563,000	2,610,000	4,090
Inferred	22	2.4	511,000	2,220,000	3,610
TOTAL	47	2.6	1,217,000	5,410,000	8,830

1% REO cut-off grade

- ▲ **Minimal resource risk** – approximately 90km drilling completed
- ▲ Mineral resource **remains open at depths** below 220m
- ▲ Amenable to low cost open cut mining and milling
- ▲ Standard beneficiation techniques
- ▲ **Expected mine life in excess of 20 years**

Customer qualified REO products

Arafura's separated REO products



Ce Oxide



HRE Oxide



Nd/Pr Oxide



SEG Oxide

- ▲ Produced four separated REO products to 99% purity
- ▲ In-specification final REO products **verified by customers**
- ▲ In the process of finalising production of a separated Lanthanum Oxide product to 99%
- ▲ LOI and MOU signed with **ThyssenKrupp and a major Korean company** for product sales (each 3,000t REO p.a.) and related business arrangements

2012 funding activities

In a difficult climate with a suppressed share price we have been able to raise \$40 million and keep dilution to a minimum

- ▲ **\$8.2 million Share Purchase Plan** – Thank you to all Shareholders for their ongoing support
- ▲ **\$22.5 million Research and Development Refund** – Thank you to all staff for a successful claim, one of the largest granted outside major corporates
- ▲ **\$10 million Placement** – New Board working with major shareholder. Thank you to ECE for their ongoing support.

Proposed use of funds in 2013

Project Refinement

- ▲ Conversion to Ore Reserve
- ▲ Demonstration Plant operation
- ▲ Integrated Pilot Plant
- ▲ REO purification to customer specification

Engineering

- ▲ Detailed engineering
- ▲ Transport and logistics

Other

- ▲ EIS submissions
- ▲ Marketing
- ▲ Strategic partners
- ▲ Technical assistance
- ▲ Financing
- ▲ Human Resources

Discussions with potential investors ongoing and more formal discussions with financial institutions will take place in 2013



Complete

Advanced

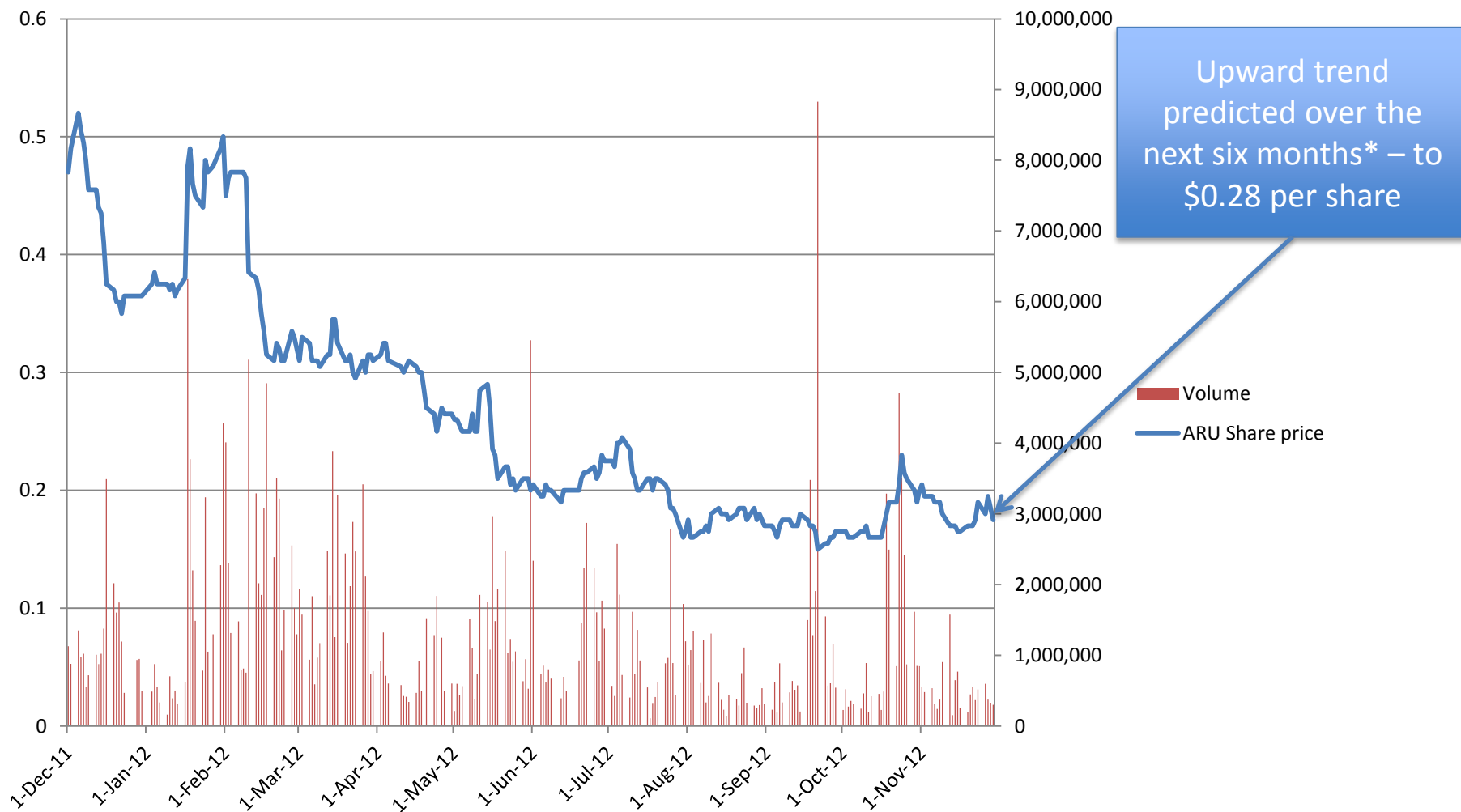
**Timing subject to investment decision
expected late 2013**

Nolans Project – building on the Base Case

- ▲ We have demonstrated that the Base Case is viable and that it should generate a strong return, but there are challenges:
 - ▲ Global markets are depressed and finance is difficult to source
 - ▲ There are upward pressures on costs
 - ▲ There are logistics issues still to be resolved
- ▲ With the support of our major shareholder ECE, we are engaging with Chinese experts to review and optimise:
 - ▲ Beneficiation, Hydrometallurgy, Separation, Engineering Procurement and Construction
 - ▲ Plant configuration between Nolans Bore and Whyalla

Share price trend

Arafura Share Price – Yearly Trend



Source: IRES

* Equity research on Arafura by Resource Capital Research – 5 Nov 2012

Arafura comparison to peers

Company	Location	Mining Method	Project Stage	Market Cap (US\$m)	EV (US\$m)	TREO Resources (Mt)	Forecast REO Production (tpa)	EV/Tonne Resources (US\$/tonne)	Grade %
Arafura	Australia	Open Pit	Feasibility	70	17	1.2	20,000	14x	2.6%
Lynas Corp	Australia & Malaysia	Open Pit	Commissioning	1,283	1,488	1.9	22,000	783x	7.9%
Molycorp	USA	Open Pit	Commissioning	1,035	1,834	2.6	40,000	706x	6.6%
Alkane Resources	Australia	Open Pit	Feasibility	307	203	0.7	4,800	291x	0.9%
Avalon Rare Metals	Canada	Underground	Feasibility	160	114	4.3	10,000	27x	1.4%
Rare Element Resources	USA	Open Pit	PEA	171	124	0.7	9,400	177x	3.2%
Frontier Rare Earths	South Africa	Open Pit	PEA	46	12	1.0	20,000	12x	2.2%
Quest Rare Minerals	Canada	Open Pit	PEA	71	38	2.1	15,000	18x	0.9%
Greenland Minerals & Energy	Greenland	Open Pit	PEA	186	173	10.3	44,000	17x	1.2%
Mean	(excl. ARU)			407	498	3.0	17,200	254x	1.7%
Median	(excl. ARU)			178	149	2.0	12,500	102x	1.7%

Source: Cashel House

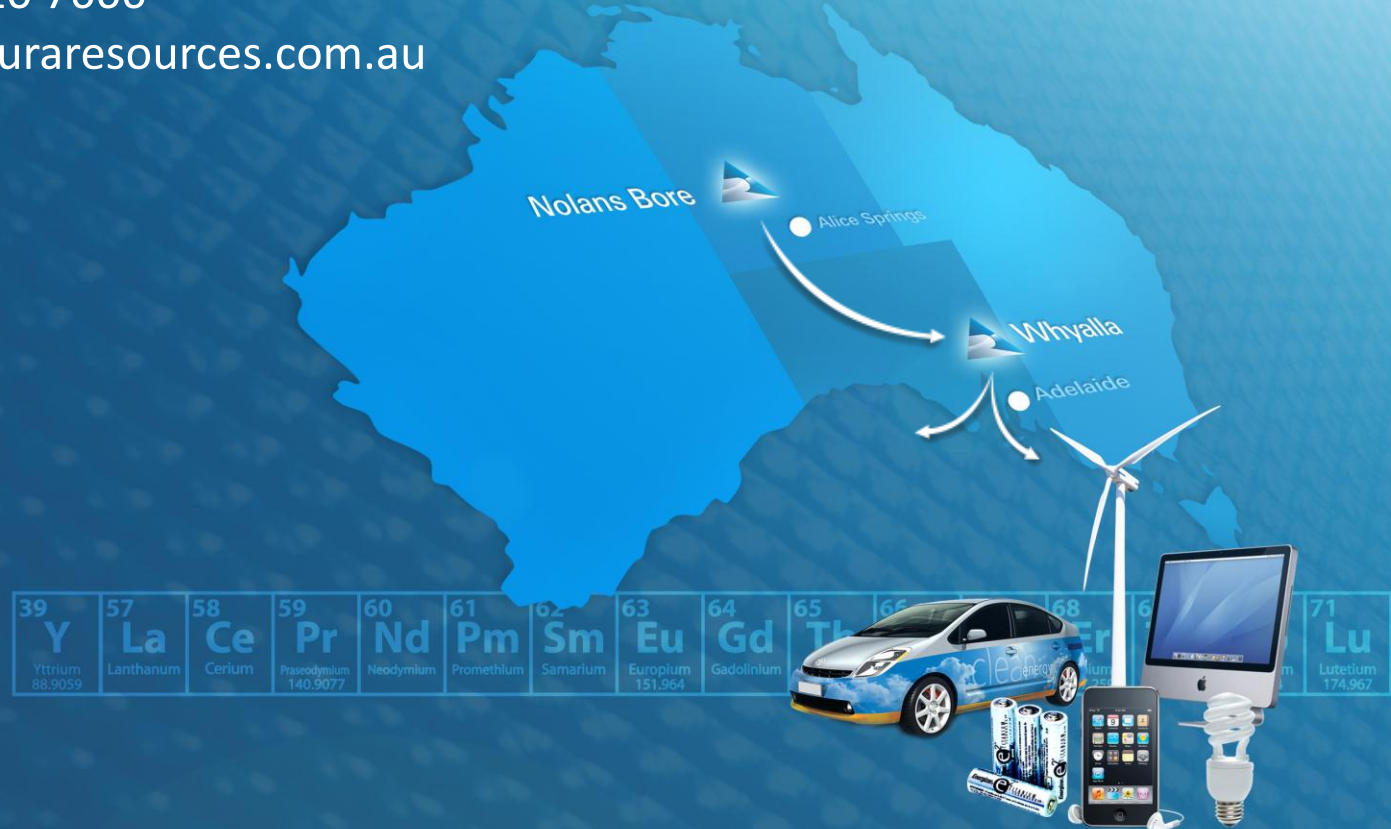
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Thank you for your attendance!