THE NOLANS RARE EARTHS PROJECT

Gavin Lockyer
Managing Director

August 2015
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, 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.
CONTENT

- The Product – Rare Earths
- The Project – Nolans
- Arafura’s Territory focus
- Arafura’s broader focus
- Key messages
The Product – Rare Earths
“It’s the economy, stupid!”
magnets
Rare Earth (RE) magnets are 3 times stronger and 1/10th the size of conventional magnets.

They are one of the reasons why everyday items have become smaller, lighter, mobile, more efficient and more affordable.

The key REs in RE magnets are Neodymium and Praseodymium – NdPr.

- Up to 75 RE magnets, or ~0.7kg NdPr, in a modern car.
- 400-600kg of RE magnets in a direct drive wind turbine.
- 2g of RE magnets in an average smartphone.
MAGNET FEED RARE EARTHS IN TIGHT SUPPLY

EU: Economic Importance & Supply Risk
European Commission, July 2010: Critical Raw Materials for the EU

USDOE: Medium-Term (2015-2025) Criticality Matrix
RARE EARTH MAGNETS – THE GROWTH MARKET

Global demand for RE magnets forecast to grow at **10% p.a.** between 2014 and 2020.
GROWTH DRIVERS FOR RARE EARTH MAGNETS

MAGNET LEVERAGE

- Green energy technology to represent greater share of future growth
- Permanent RE magnet market forecast to be worth **US$20 billion** in 2018
NdPr Supply & Demand

ROW Supply  China Supply  Global demand NdPr Oxide in Magnets

MAGNET LEVERAGE

Nolans has the highest magnet leverage of any RE project in the world through NdPr product

- 5,300 tonnes p.a.
- 10% of global demand
- 75-80% of projected revenue
COST AND POLITICAL RISK – NdPr MAGNET FEED

MAGNET LEVERAGE

Nolans will be amongst the world’s lowest cost producers of NdPr from the Territory – a low-risk jurisdiction.
The Project – Nolans
NOLANS DEVELOPMENT REPORT

- Detailed description of Arafura’s plans to develop the Nolans Rare Earths Project
- 120+ pages fully referenced
- Released September 2014
- Download from www.arultd.com
SUPPORTED BY A WORLD-SCALE, LOW-RISK RESOURCE

<table>
<thead>
<tr>
<th>Resources</th>
<th>Tonnes (million)</th>
<th>Rare Earths % REO</th>
<th>Tonnes REO</th>
<th>Phosphate % P₂O₅</th>
<th>Uranium % U₃O₈</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured</td>
<td>4.3</td>
<td>3.3</td>
<td>144,000</td>
<td>13</td>
<td>0.03</td>
</tr>
<tr>
<td>Indicated</td>
<td>21</td>
<td>2.6</td>
<td>563,000</td>
<td>12</td>
<td>0.02</td>
</tr>
<tr>
<td>Inferred</td>
<td>22</td>
<td>2.4</td>
<td>511,000</td>
<td>10</td>
<td>0.02</td>
</tr>
<tr>
<td>TOTAL</td>
<td>47</td>
<td>2.6</td>
<td>1,217,000</td>
<td>11</td>
<td>0.02</td>
</tr>
</tbody>
</table>

1% REO cut-off grade

- **Premium NdPr content** — world leading 26.5% of RE mix
- **Low resource risk** — extensive drilling (87,000 m in 628 holes) and detailed material type studies
- **Expansion potential** — resources at surface and open at depths below 220 m
- **Amenable to low-cost open cut mining**
CLOSE TO VITAL TRANSPORT, ENERGY & WATER INFRASTRUCTURE

Aileron Roadhouse

Nolans Mine Site area
MINING, CONCENTRATING & INTERMEDIATE PROCESSING AT NOLANS

A$1,200 million capital spend
~400 jobs in operations
Offshore sites shortlisted for location of RE Separation Plant
- Gulf Coast USA (fully costed to +/-25%)
- South Korea
- Middle East

Letter of Intent with OCI Company Ltd to develop a JV RE Separation Plant in South Korea
- Includes long-term supply of raw materials

A$200 million capital spend
Our Local Focus
GHD appointed to lead EIS work program and produce EIS report. Final EIS Terms of Reference issued by EPA. Studies are well advanced and include:

- Biodiversity
- Ground water and surface water resources
- Air quality – dust and plant emissions
- Waste management (rock, tailings, process residues)
- Radiation – WHS and environmental aspects
- Transport and logistics
- Mine rehabilitation, decommissioning and closure
- Archaeological surveys
- Socio-economic impacts
We have been meeting with stakeholders **since 2008**

Site work this year is predominantly focused on **EIS studies**

**Stakeholder consultation has escalated** this year as information from EIS studies becomes available and Nolans progresses towards a final investment decision
Targeting Project approvals **second half of 2016**

**Environment**
- Notice of Intent
- EIS Terms of Reference Issued
- EIS Studies
- Environmental Approval

**Land**
- Mineral Lease Applications
- Native Title Holders Confirmed
- Negotiations
- Indigenous Land Use Agreement

**Water**
- Groundwater Exploration
- Groundwater Resource Delineated
- Extraction Licence Application
- Groundwater Extraction Licence Issued

**Mineral Leases Granted & All Regulatory Approvals Secured**

**Statuses**
- Complete
- In Progress
- Pending
## OPPORTUNITIES FOR THE TERRITORY

<table>
<thead>
<tr>
<th></th>
<th>Now</th>
<th>Construction</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>Limited</td>
<td>Mine, plant &amp; accommodation build</td>
<td>Mine, plant &amp; services operations</td>
</tr>
<tr>
<td>Training</td>
<td>Limited</td>
<td>Apprenticeships, work ready programs</td>
<td>Apprenticeships, work ready programs</td>
</tr>
<tr>
<td>Project Development &amp; Operations</td>
<td>Studies, using Alice Springs as a support hub</td>
<td>Civils, plant &amp; equipment using Alice Springs as a support hub</td>
<td>Sustaining CAPEX &amp; OPEX, using Alice Springs as a support hub</td>
</tr>
<tr>
<td>Business Opportunities</td>
<td>Contractor &amp; consultant hire, equip &amp; supplies</td>
<td>Operations services, equipment &amp; supplies</td>
<td>Operations support services, equipment &amp; supplies, logistics</td>
</tr>
<tr>
<td>Sponsorship &amp; Trust</td>
<td>Sponsorships</td>
<td>Sponsorships</td>
<td>Sponsorships, community benefits trust</td>
</tr>
<tr>
<td>Environmental</td>
<td>Work experience</td>
<td>Work experience</td>
<td>Ongoing monitoring programs</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Transportable buildings on site</td>
<td>Roads, borefields, power &amp; communications</td>
<td>Leveraging off mine infrastructure</td>
</tr>
<tr>
<td>Royalties &amp; Taxes</td>
<td>CLC royalty</td>
<td>CLC royalty</td>
<td>Territory Government &amp; CLC royalties</td>
</tr>
</tbody>
</table>

⚠️ We have time to **plan, train and develop people and business opportunities**

⚠️ Engagement now is via **registration with Industry Capability Network**
Our Broader Focus
Key risks identified and mitigation strategies implemented

- **Project Funding**
  - Alignment with strategic parties – producers, trading houses, investment banks, export credit agencies, customers, end users, suppliers, supportive major shareholder in ECE
  - Driving down the initial capital requirement

- **Cost & Schedule Blow Outs; Ramp-Up**
  - Alliance with Chinese RE producer Shenghe Resources
  - Arafura’s Technical Committee

- **Processing**
  - Extensive & detailed development testwork, including piloting
  - Flowsheet validation & optimisation in China
“It’s the magnets, stupid!”

Nolans has world-leading magnets leverage to drive high-value growth

Nolans will be the foundation for secure, low-cost, long-term supply of magnet-feed rare earths from the Territory to the world

Nolans is a major project for the Territory that offers very significant opportunities for Territorians

Risk mitigation through strategic alliances is the key to Project execution

Targeting Project approvals second half of 2016 for first production from Nolans this decade
THANK YOU