

ASX ANNOUNCEMENT

NEW WORLD METALS CONFERENCE

9 December 2020



Arafura Resources Limited (ASX:ARU) ("**Arafura**" or the "**Company**") is pleased to attach a copy of its presentation to the New World Metals Conference held in Perth. The conference features resource companies operating in minerals associated with technology, battery storage and emission free power transmission such as rare earths. Mr Richard Brescianini, Arafura's General Manager Exploration and Business Development, presented the Nolans project.

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NdPr

Nolans NdPr Project

New World Metals Conference

9 December 2020



8/12/2020



(ASX:ARU)



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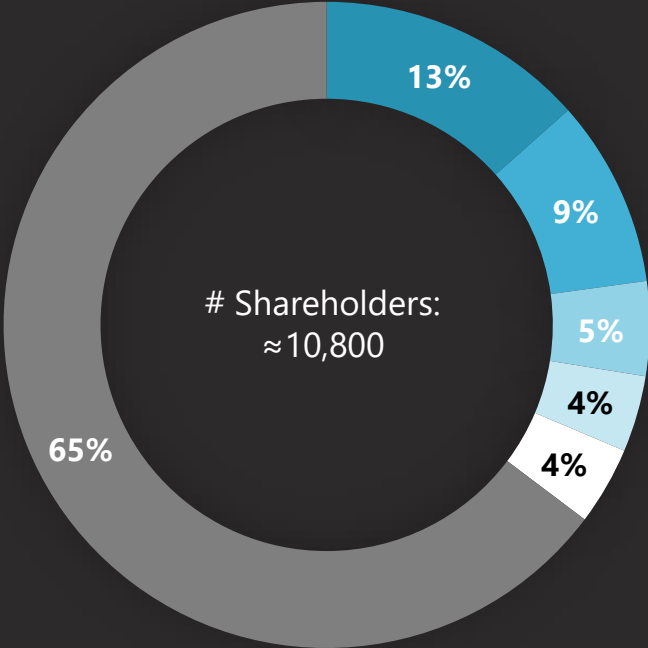
Mineral Resources and Ore Reserves

The information in this presentation that relates to Mineral Resources was released in an ASX announcement dated 7 June 2017 (Detailed Resource Assessment Completed) and was completed in accordance with the guidelines of the JORC Code (2012). The information in this presentation that relates to Ore Reserves was released in an ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project) and was completed in accordance with the guidelines of the JORC Code (2012). Arafura Resources confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the original market announcements continue to apply and have not materially changed. Arafura Resources confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Production Targets and Forecast Financial Information

The information in this presentation that relates to production targets and financial information included in this presentation is extracted from ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project). Arafura confirms that all material assumptions underpinning the production target and forecast financial information derived from production targets set out in the announcement released on 16 March 2020 (including the cost and pricing assumptions referred to in the Company's 16 March 2020 announcement that were used in the DFS and which are set out in the Company's ASX Announcement 7 February 2019 (Nolans Project Definitive Feasibility Study)), continue to apply and have not materially changed.

Corporate Snapshot



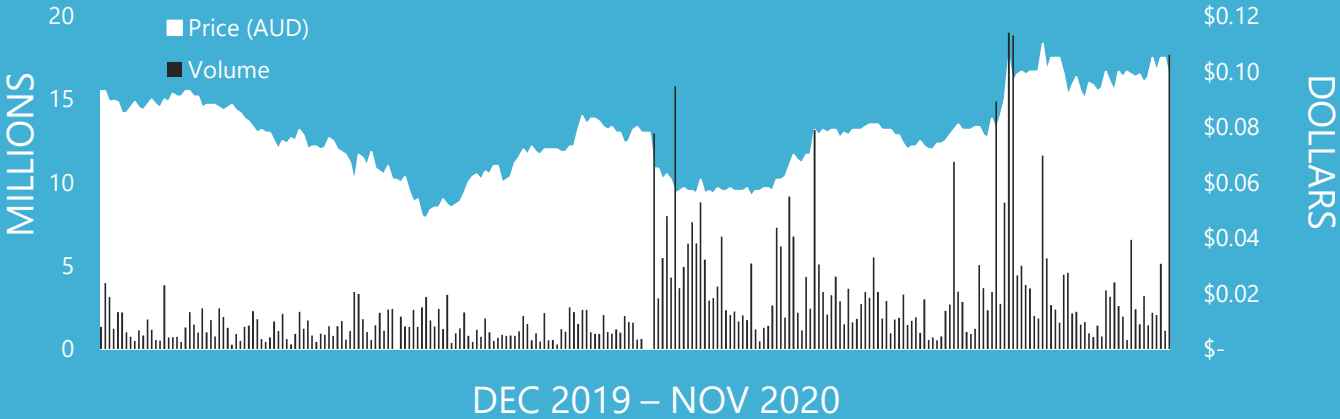
JP Morgan Nominees Australia Pty Ltd
ECE Nolans Investment Company
Talaxis Ltd
HSBC Custody Nominees (Australia) Ltd
Citicorp Nominees Pty Ltd
Other

- ✓ Nolans is a giant NdPr-rich rare earths project in Australia
- ✓ NdPr is the key input for high performance NdFeB permanent magnets
- ✓ NdFeB is a critical input for the manufacture of energy efficient electric motors
- ✓ NdFeB central to many clean energy applications including EVs and wind turbines

Capital Structure	
ASX Code	ARU
ASX Share Price (7 December)	\$0.105
Shares on Issue	1,168m
Market Capitalisation	\$122.64m
12 Month Liquidity	\$52.48m
Cash*	\$18.50m
Debt	Nil
Enterprise Value*	\$104.12m

* Data based on 30 September 2020 Quarterly Report

12 Month Share Price Performance

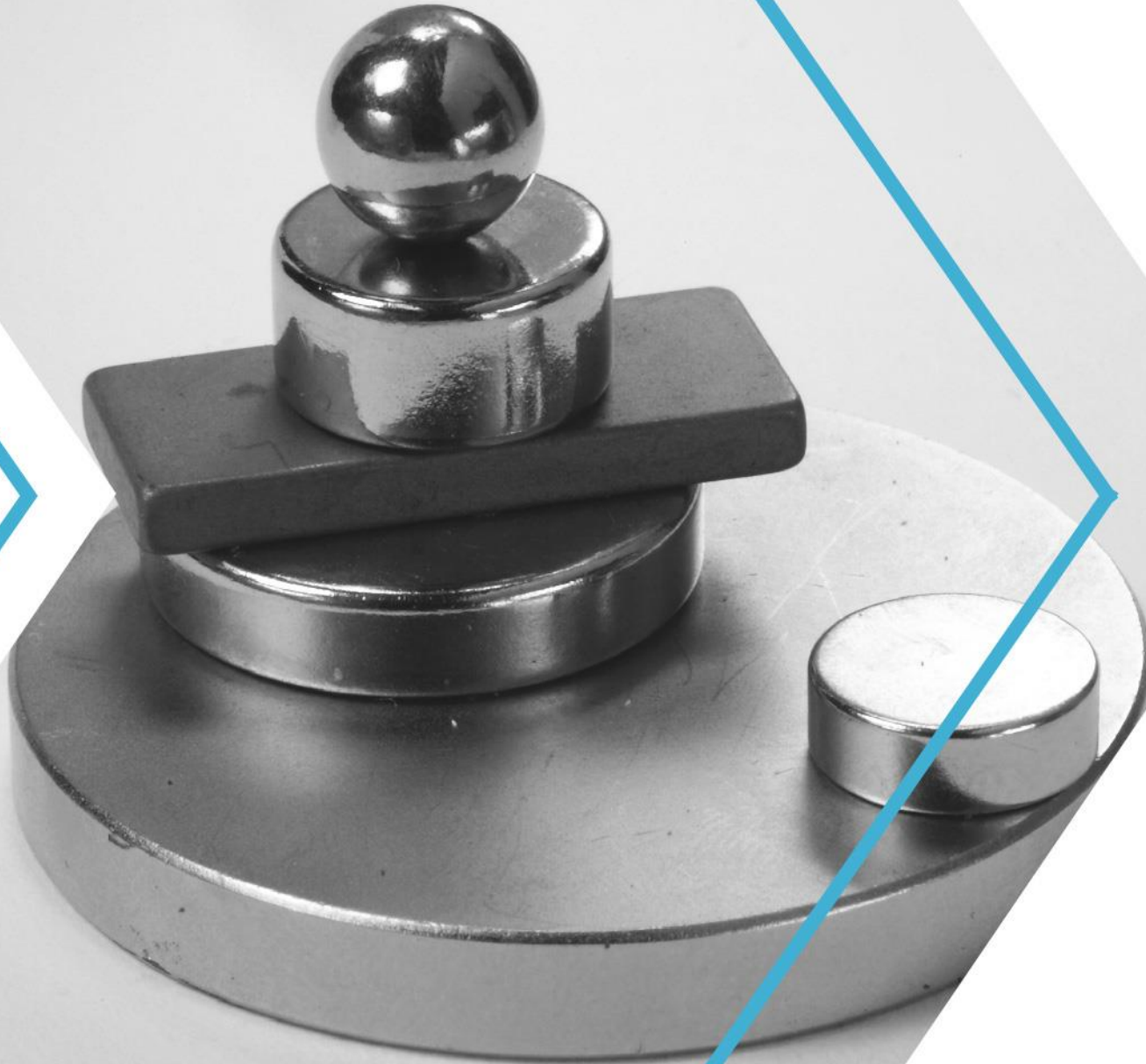


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Outline

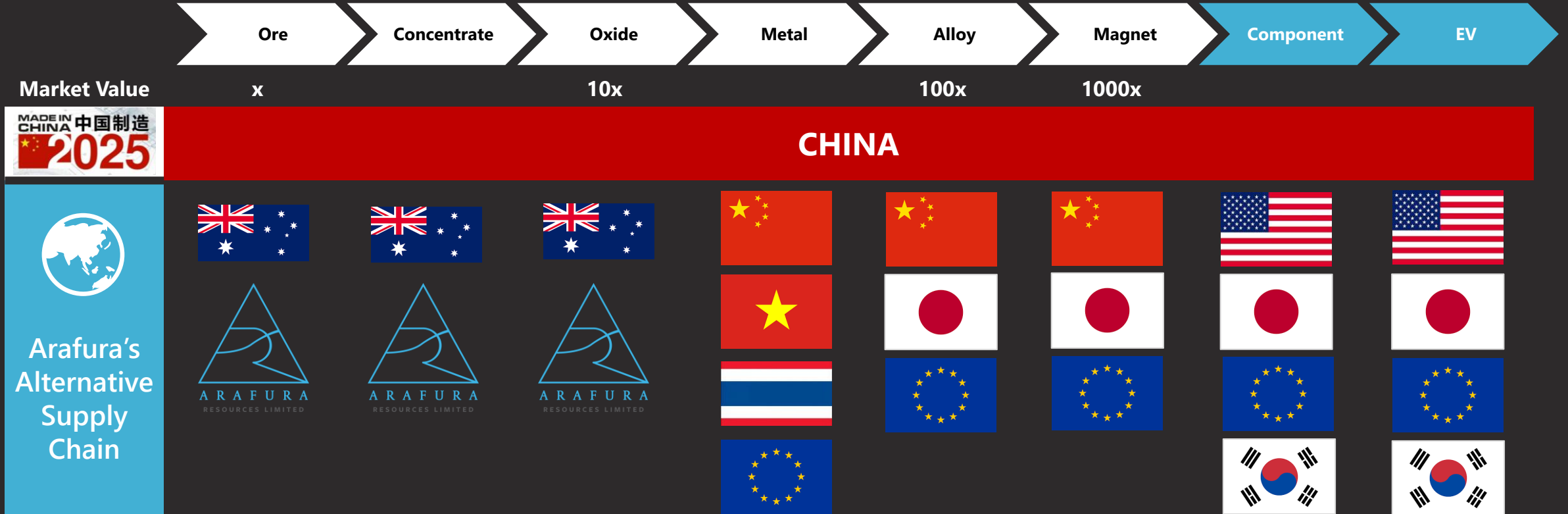
- 1 The Market Opportunity**
- 2 Nolans NdPr Project**
- 3 Offtake & Funding Strategy**
- 4 Looking Ahead**

The Market Opportunity



Global Supply Chain

8/12/2020



1

China currently exerts control over most of the global rare earth supply chain. Projects not producing Oxide risk falling into the *Made in China 2025* supply chain.

2

Arafura plans to produce Oxide in Australia to provide **supply security that will meet sustainability objectives**.

3

Nolans offtake strategy focused on parties **not aligned with the *Made in China 2025* strategy**.

4

Governments around the world are seeking to partner in opportunities to **diversify the supply chain to prevent disruption**.



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Australia's Critical Minerals Initiatives



NOVEMBER 2019

Northern Australia Infrastructure Facility (NAIF)-Export Finance Australia (EFA) co-investment barriers lifted

JANUARY 2020

Critical Minerals Facilitation Office established

JULY 2020

Australia Government classes Nolans as a Critical Major Project

OCTOBER 2020

National Manufacturing Priorities include critical minerals processing

1

MARCH 2019

Austrade Australian Critical Minerals Prospectus and Australia's Critical Minerals Strategy

2

3

NOVEMBER 2019

EFA mandate via \$4.4 bn Defence Export Facility available to critical minerals projects

4

5

APRIL 2020

Council of Australian Governments' Critical Minerals Work Plan endorsed

6

7

AUGUST 2020

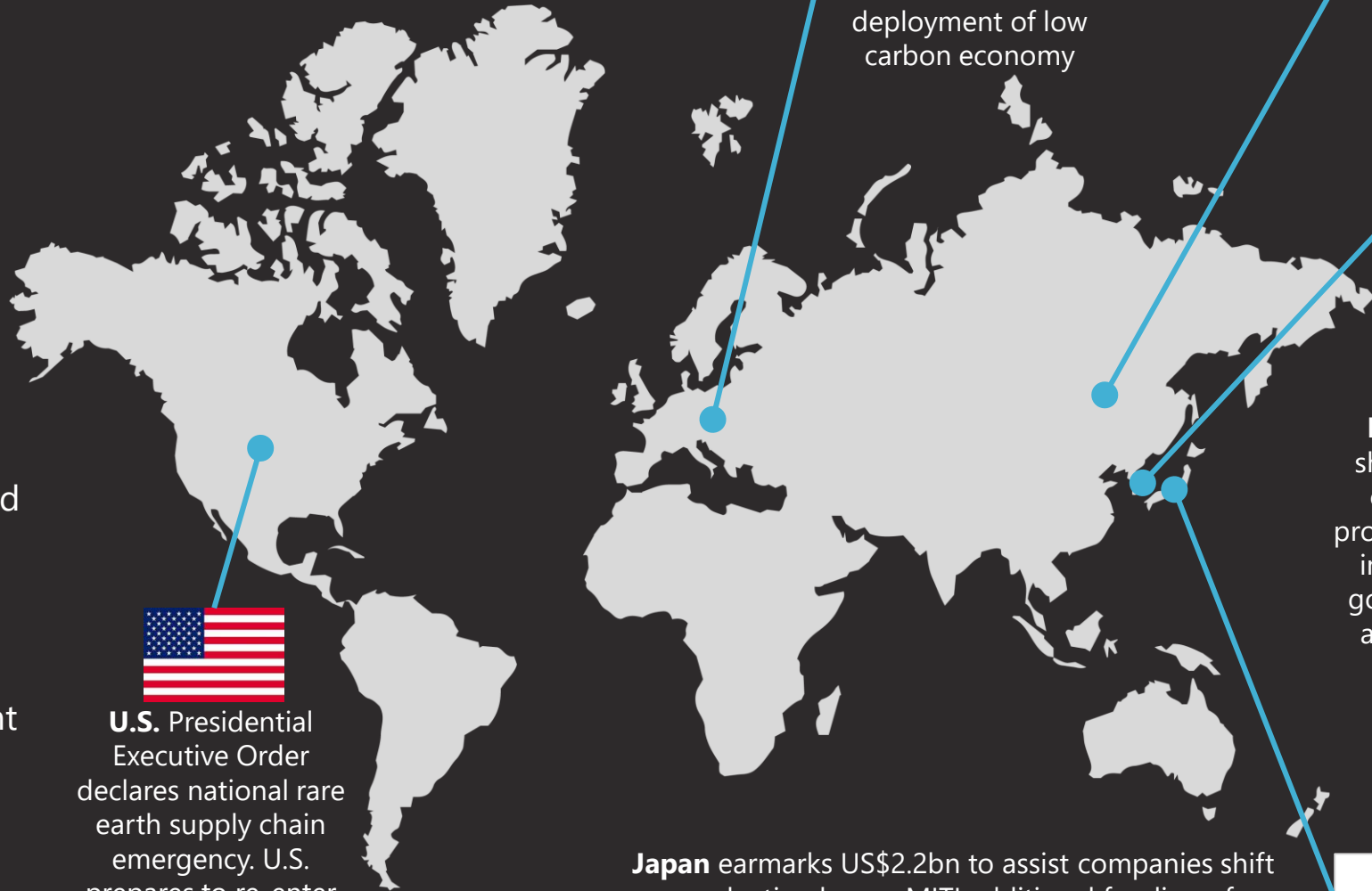
NT Investment Delivery Task Force established

8

Global Critical Minerals Initiatives

Global supply chains planning to increase resilience

- ✓ Dual sourcing of materials
- ✓ Expanding supplier base
- ✓ Regionalizing supply chains
- ✓ Building stronger, reliable and transparent supply chains
- ✓ Widen scope of existing re-shoring plans
- ✓ Re-structuring of government policies



2050 NET-ZERO EMISSIONS TARGET



Europe multiple initiatives to remove materials supply risks for future deployment of low carbon economy

2060 CARBON NEUTRAL TARGET



China has new 5-year plan with emphasis on renewables, e-mobility and domestic growth

2050 NET-ZERO EMISSIONS TARGET



Korea looking to re-shore production and create downstream processing opportunities in alliance with other governments to create an alternative supply chain



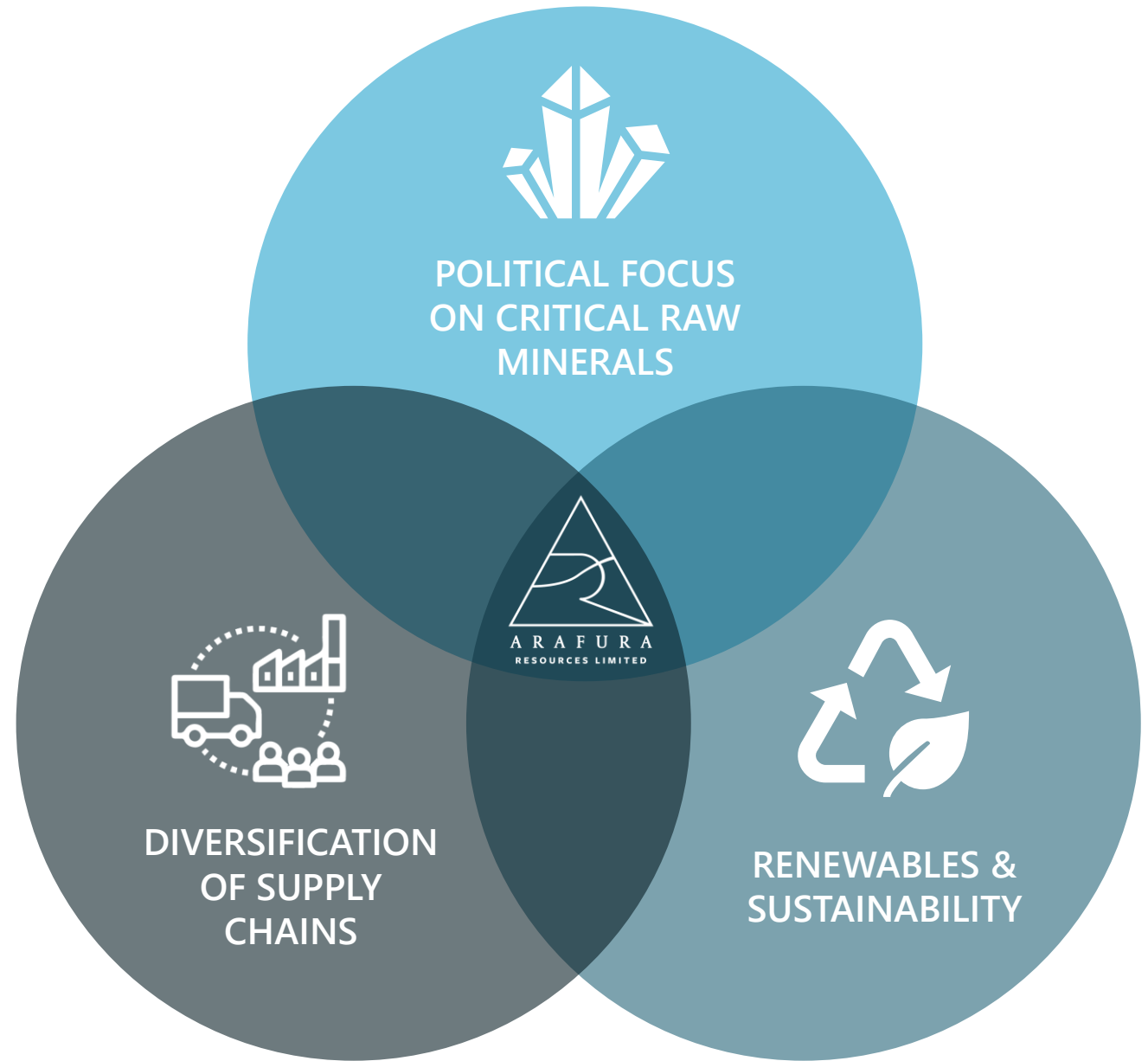
U.S. Presidential Executive Order declares national rare earth supply chain emergency. U.S. prepares to re-enter Paris Climate Agreement.

Japan earmarks US\$2.2bn to assist companies shift production home. MITI additional funding of US\$423m to diversify sources for rare earths and cobalt



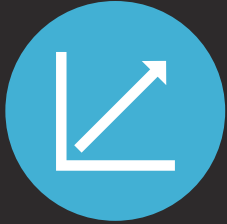
Key Diversification Drivers

- ✓ **COVID-19** has fast tracked the requirement to diversify supply risk
- ✓ Looming NdPr **supply and demand** imbalance
- ✓ **Global priority** to rebuild and invest in value-add mineral processing capabilities reducing reliance on China
- ✓ **Mandates of export credit agencies (ECAs)** focused on critical raw materials for e-mobility and renewables
- ✓ **Critical** to the functioning of important industries such as e-mobility, renewable energy, defence and consumer electronics



NdPr Market Opportunity

DEMAND



- ✓ Accelerated demand driven by government policy for renewables and e-mobility
- ✓ Automotive sector is forecast to consume nearly 50% of NdFeB supply
- ✓ Offshore wind energy sector will accelerate with strong growth from new projects

SUPPLY



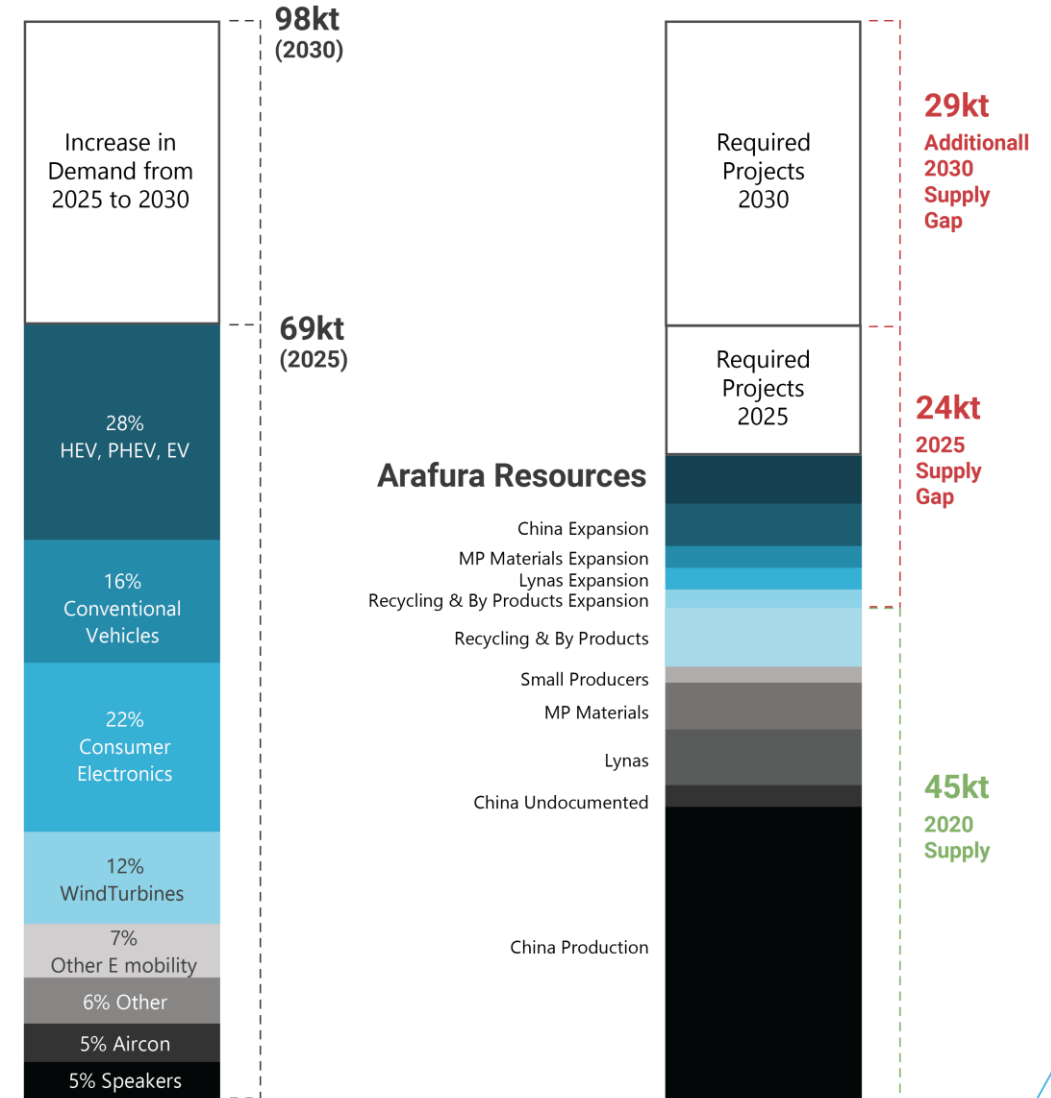
- ✓ China forecast to be net importer and new supply required to meet rest of world demand as early as 2025
- ✓ Investment in new projects necessary to meet demand
- ✓ NdFeB magnets will move to the best value in use
- ✓ The emerging supply gap has extra significance for companies not aligned with the *Made in China 2025* strategy

PRICING



- ✓ NdPr price does not reflect true market dynamics and so discourages new investment
- ✓ Alternate supply source will reduce China's influence on NdPr price

NdPr Supply & Demand



2030 Demand

2030 Supply

Reference: Arafura internal Supply Demand forecast referencing CRU, Rare Earth Market Study 2020; Roskill, Rare Earth Market Analysis 2018; Kingsnorth, The Rare Earths Market in 2020.

Nolans NdPr Project

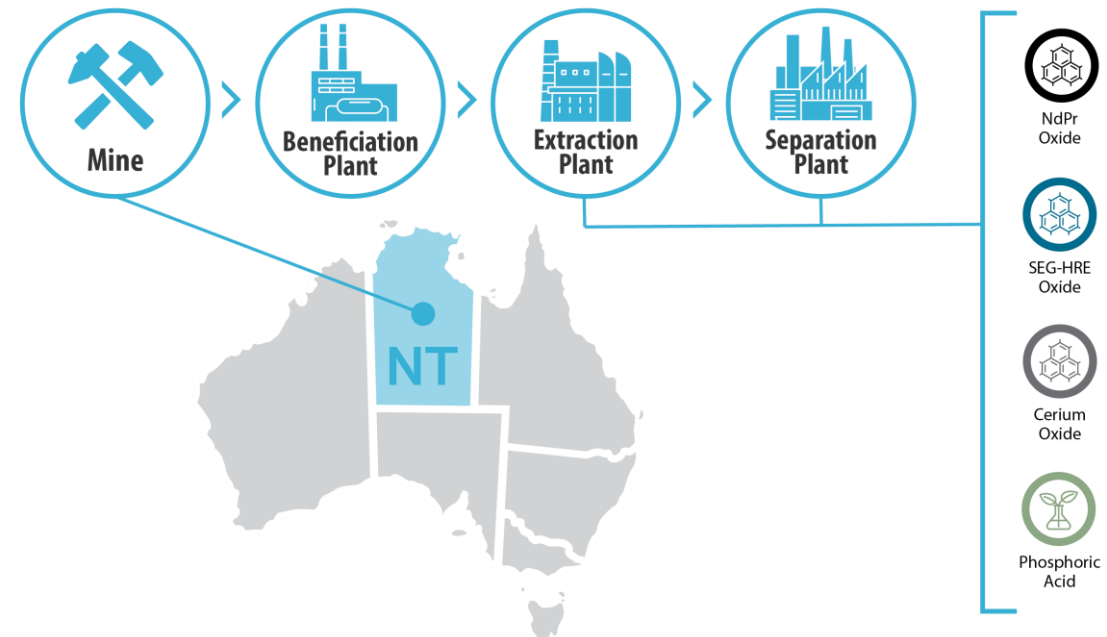
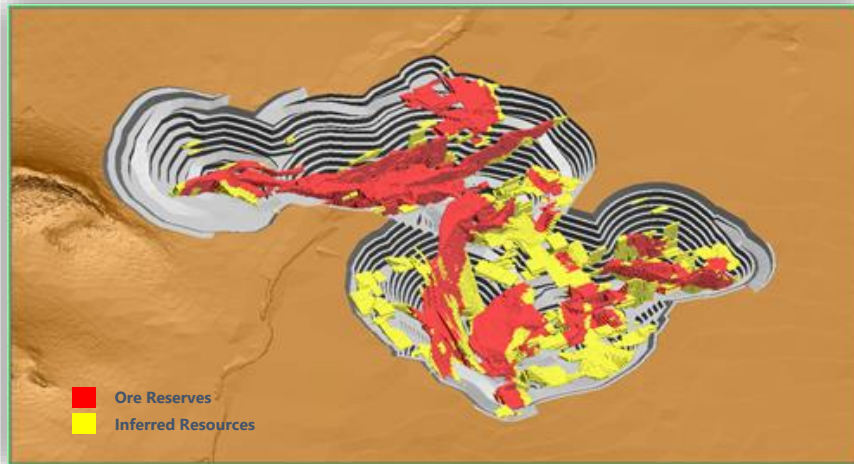


Strategic



Nolans aims to supply
**5-10% of global
demand** for NdPr oxide

- ✓ 100% Australian domiciled
- ✓ Sound project economics with 39-year mine life
- ✓ **Ore to oxide at a single site**
- ✓ Phosphoric acid product places Nolans in a unique position to compete with China on cost
- ✓ Provides supply source certainty outside *Made in China 2025* strategy

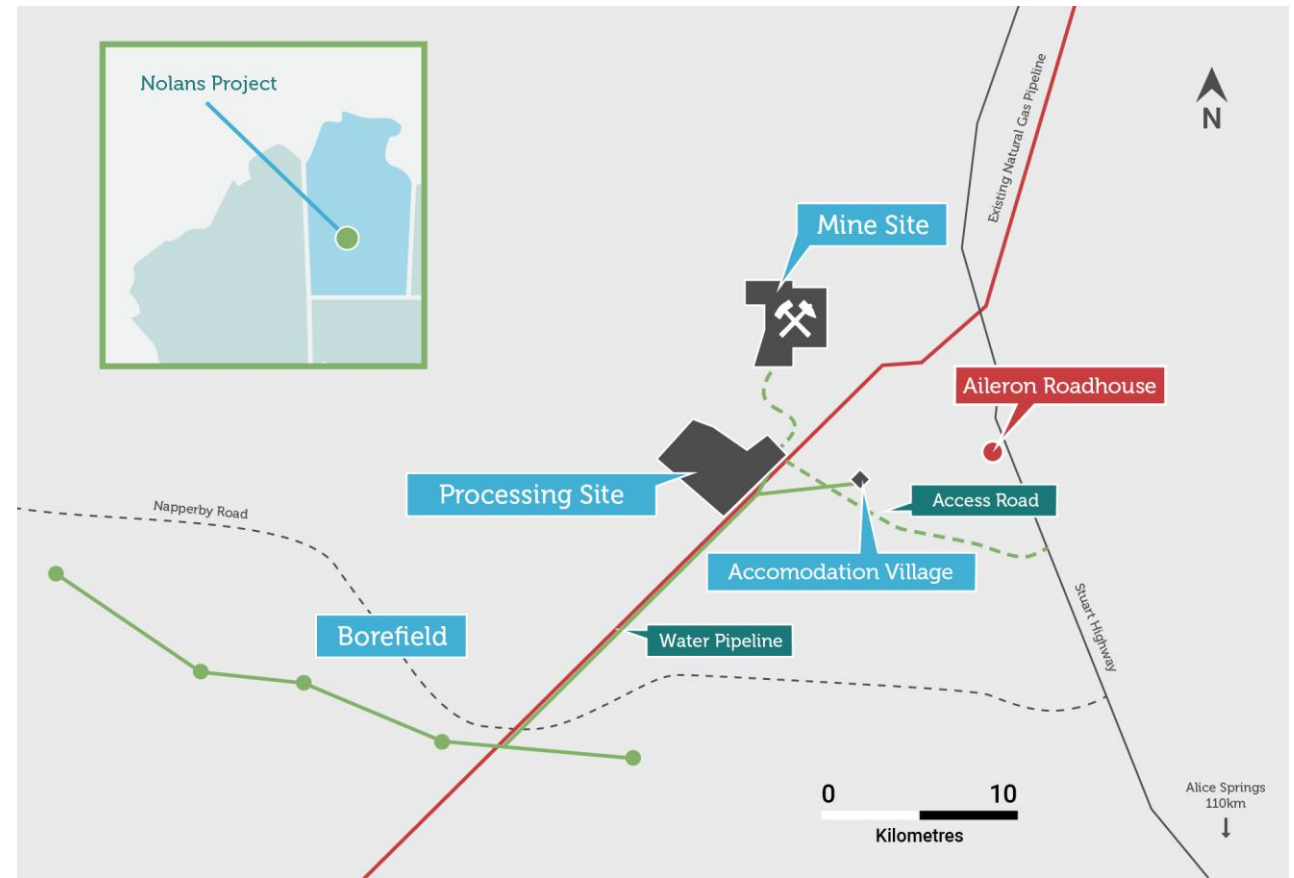


Ideal Location



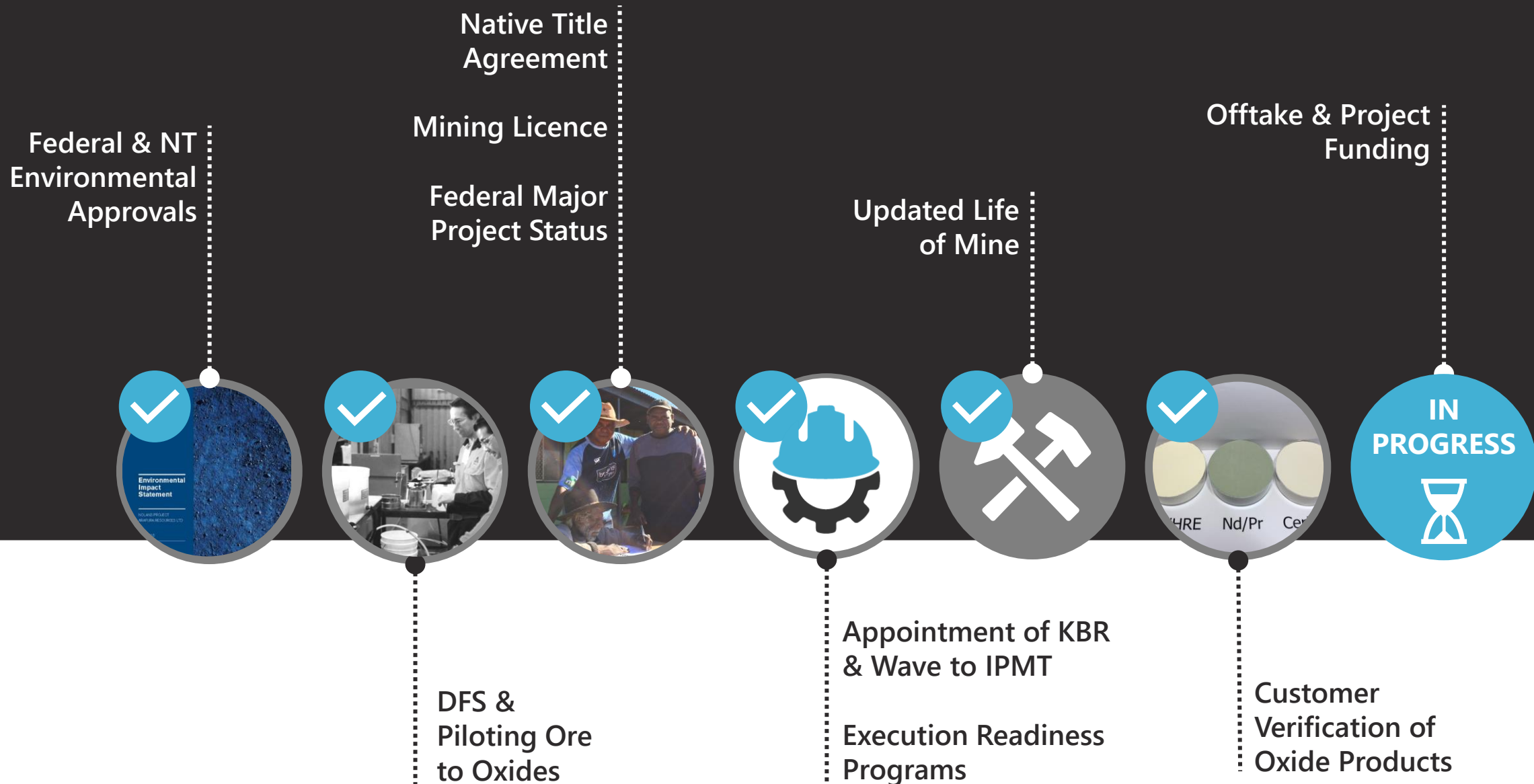
Close to existing key infrastructure

- ✓ Stuart Highway 10 km east
- ✓ Water supply 30 km south
- ✓ Tailings and process wastes at site
- ✓ Alice Springs railyard, airport and other services 135 km south
- ✓ Amadeus natural gas pipeline-adjacent to project site



Shovel Ready

8/12/2020



Robust Economics

	Ore Reserves	Mining Inventory
Mining & Processing		
Project Life (years)	33	39
Production		
NdPr Oxide (tpa)	3,923	4,325
Financial		
Capital Cost (A\$m)	1,003	1,026
KPI Analysis		
Operating Cost (US\$/kg NdPr with Phosphoric Acid credit)	\$27.02	\$23.71
NPV10 after tax (A\$m)	782	968
IRR after tax (%)	17.29%	17.97%
After tax payback	Year 5	Year 5

As announced on 16 March 2020. Average production and costs are calculated as the arithmetic annual average following the anticipated three year ramp up and excluding the partial final year of production.

- ✓ Definitive Feasibility Study (DFS) in 2019
- ✓ Ore Reserves & Mining Inventory updated in 2020
- ✓ Capital cost **A\$1,026m**
- ✓ Low cost producer at **US\$23.71/kg NdPr** (current price US\$66.36/kg*)
- ✓ **Costs include ESG compliance**
- ✓ Only Australian NdPr-focused project that is **shovel ready**

* As at 7/12/2020 – Asian Metal

Our ESG Priorities

- ✓ Sustainable Operations
- ✓ Sustainable Quality Product
- ✓ Social Performance
- ✓ Engagement with Stakeholders
- ✓ Our People
- ✓ Employment
- ✓ Health, Safety & Wellbeing
- ✓ Community
- ✓ Land Management
- ✓ Environment
- ✓ Emissions, Waste & Effluent Management



Indigenous
Engagement
Strategy



Sustainability
Policy



Sustainability
Framework



Sustainability
Action Plan

**SUSTAINABLE
DEVELOPMENT
GOALS**



Alignment with Global Standards

- ✓ Equator Principles
- ✓ IFC Performance Standards
- ✓ UN & MCA Sustainable Development Goals
- ✓ Australian Centre for Sustainable Mining Practices

**SUSTAINABLE
DEVELOPMENT GOALS**



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Offtake & Project Financing



The Offtake Strategy

1

Customer engagement targeted at NdPr users **not aligned** with *Made in China* 2025 strategy

2

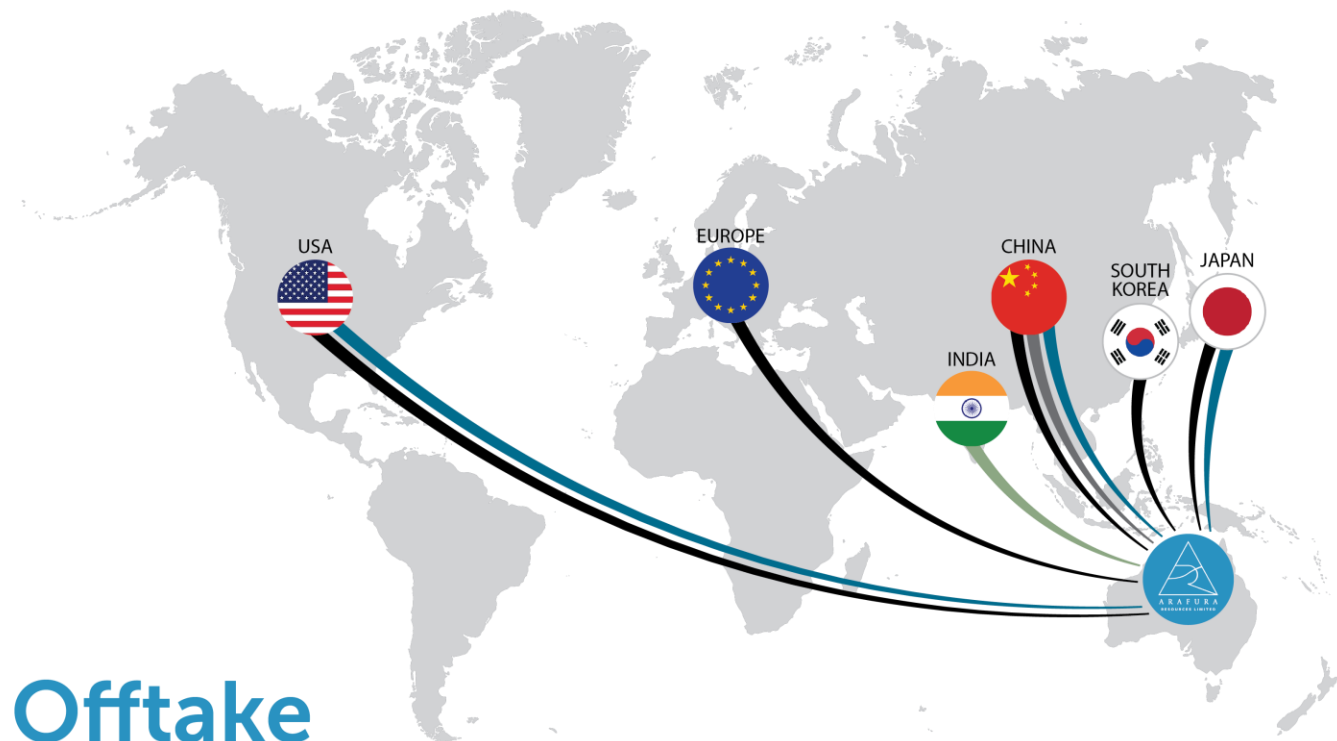
Customer qualification of final rare earth oxide products completed

3

Offtake model aligned with Export Credit Agency (ECA) requirement to tie offtake to home jurisdiction, with product offtake closely linked to project funding

4

Appointment of European-based advisory firms to assist engagement



Offtake Strategy

FOR EXPORT TO
INTERNATIONAL
CUSTOMERS



NdPr
Oxide

EUROPE
JAPAN
SOUTH KOREA
USA
CHINA



SEG-HRE
Oxide

JAPAN
USA
CHINA



Cerium
Oxide

CHINA



Phosphoric
Acid

INDIA



(ASX:ARU)

Sales Distribution Targets

✓ Offtake advanced with:



Japan – NdFeB magnet manufacturers



Europe & Korea – automotive component makers and OEMs, and wind turbine makers



China – Tier 1 NdFeB magnet manufacturers in China with significant export markets

Customer / Target Region	Amount (tpa)	Offtake Status	Proportion of Rare Earths Revenue
NdPr Oxide – targeting contract with NdFeB magnet companies &/or end users			
JingCi Material Science	900	MoU	96%
Baotou Tianhe Magnetics	900	MoU	
Japan	2,557	In progress	
South Korea			
Europe			
USA			
SEG-HRE Oxide – targeting contract with rare earth processors			
China	606 (TREO equivalent)	In progress	1%
Japan			
Cerium Oxide – targeting contracts with rare earth processors			
Baotou Xinyuan Rare Earth Hi-tech	8,383 (TREO equivalent)	MoU	3%

✓ Arafura aims to have **85% of NdPr production underpinned with offtake contracts.**

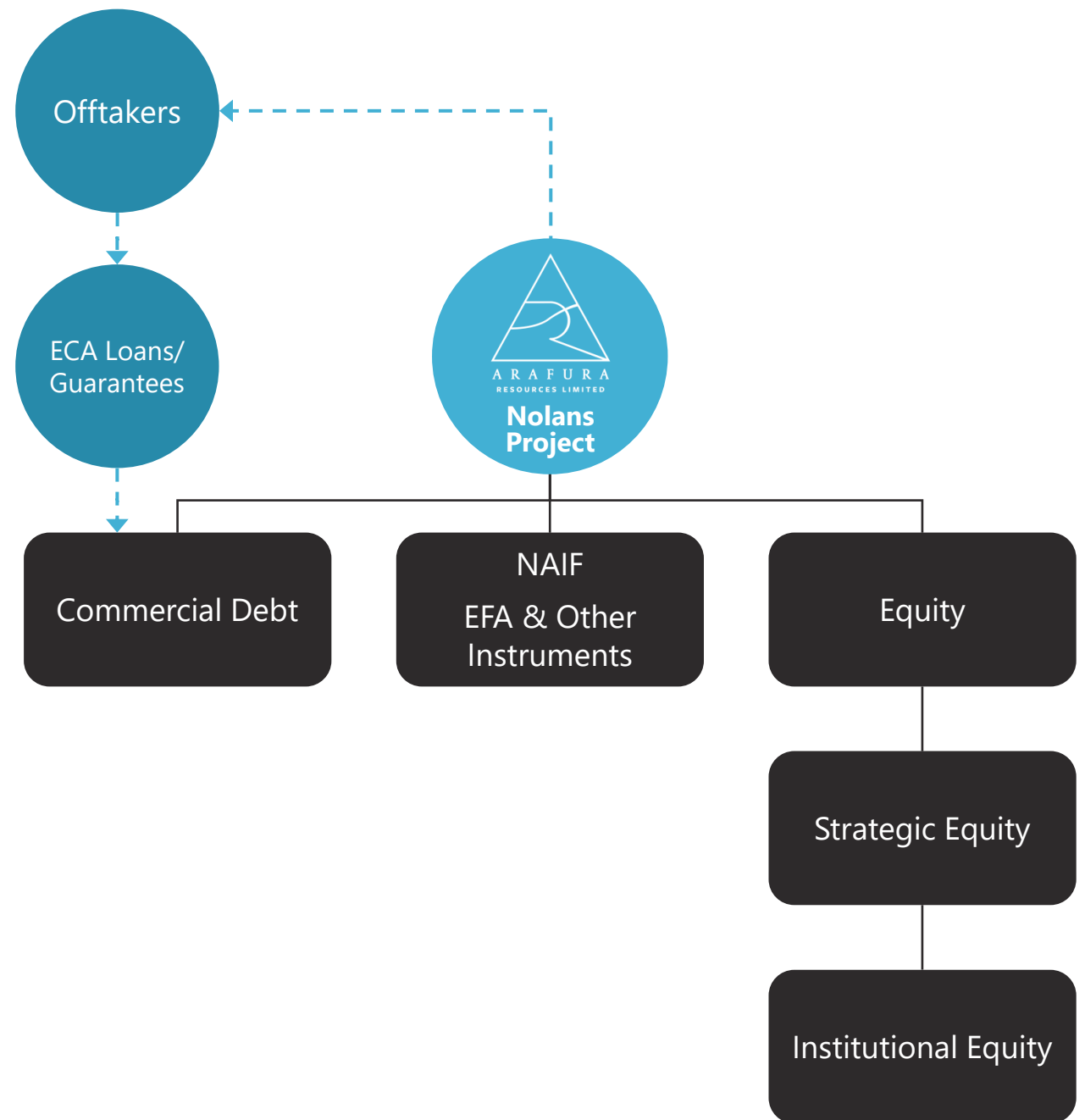
An ECA-led Funding Strategy



- ✓ Nolans is a strategic **Australia** based **NdPr** project
 - ✓ Production aligned with forecast supply shortages in mid 2020s
 - ✓ Product wholly aligned with key ECA mandates of e-mobility and renewable energy
- ✓ Debt led funding structure, targeting ECA funding
 - ✓ ECAs are seeking well structured projects, critical raw materials (CRM) production and best-practice ESG standards
- ✓ **Debt process now “live” with advisory appointments**

Targeted Funding Structure

- ✓ Offtake, debt and strategic equity interlinked and driving schedule
- ✓ ECA untied and tied loan guarantees will be critical but not the entire funding solution
- ✓ Leverage the “halo effect” of the ECA-backed debt structure and potential terms to attract equity at a better valuation



Next Steps



Immediate Focus



1

Prioritising project work streams against cash balance to maintain project momentum.

2

Advancing terms sheets with end users for offtake.

3

Escalating engagement with financiers & financial advisors for project financing.

4

Continued dialogue with Australian & other governments seeking to establish non-Chinese critical minerals supply chains.

Indicative Timeline

- ✓ Timeline subject to change and is contingent on funding and offtake activities
- ✓ Targeting Front-End Engineering & Design (FEED) to be fully funded prior to commencement

Works Activity	Execution Readiness					Early Contractor Involvement						Enabling Works Construction						Construction															Production								
	Months Duration from Project Commitment Date																																								
	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	
Project Commitment																																									
Production Commitment																																									
First Production																																									
EXECUTION & OPERATIONAL READINESS																																									
FEED & ENGINEERING DEVELOPMENT																																									
PROCUREMENT & CONSTRUCTION																																									
COMMISSIONING & RAMP-UP																																									



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Mineral Resources & Ore Reserves

RESOURCES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P ₂ O ₅ %	NdPr ENRICHMENT %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
TOTAL	56	2.6	11	26.4

As announced on 7 June 2017. 1% TREO cut-off grade. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd₂O₃ and Pr₆O₁₁.

RESERVES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P ₂ O ₅ %	NdPr ENRICHMENT %
Proved	5.0	3.0	13	26.2
Probable	24.6	2.8	13	26.5
TOTAL	29.5	2.9	13	26.4

As announced on 16 March 2020. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd₂O₃ and Pr₆O₁₁.