

**ASX
RELEASE**

26 August 2015



**AN EMERGING
RARE EARTHS
PRODUCER
FOR USERS
WORLDWIDE**

ARAFURA PRESENTS AT MINING THE TERRITORY CONFERENCE

Australian Rare Earths company **Arafura Resources Limited (ASX: ARU)** is pleased to advise that Managing Director, Gavin Lockyer, today delivered a presentation at the Mining the Territory Conference in Darwin.

Mining the Territory is Northern Australia's leading mining conference held annually as part of NT Resources Week. It brings together key industry participants, opinion leaders and experts to discuss investment and development opportunities in the Top End's mineral industry.

Mr Lockyer's presentation "The Nolans Rare Earths Project" is appended to this announcement.

- ENDS -

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THE NOLANS RARE EARTHS PROJECT

Gavin Lockyer
Managing Director

August 2015



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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.

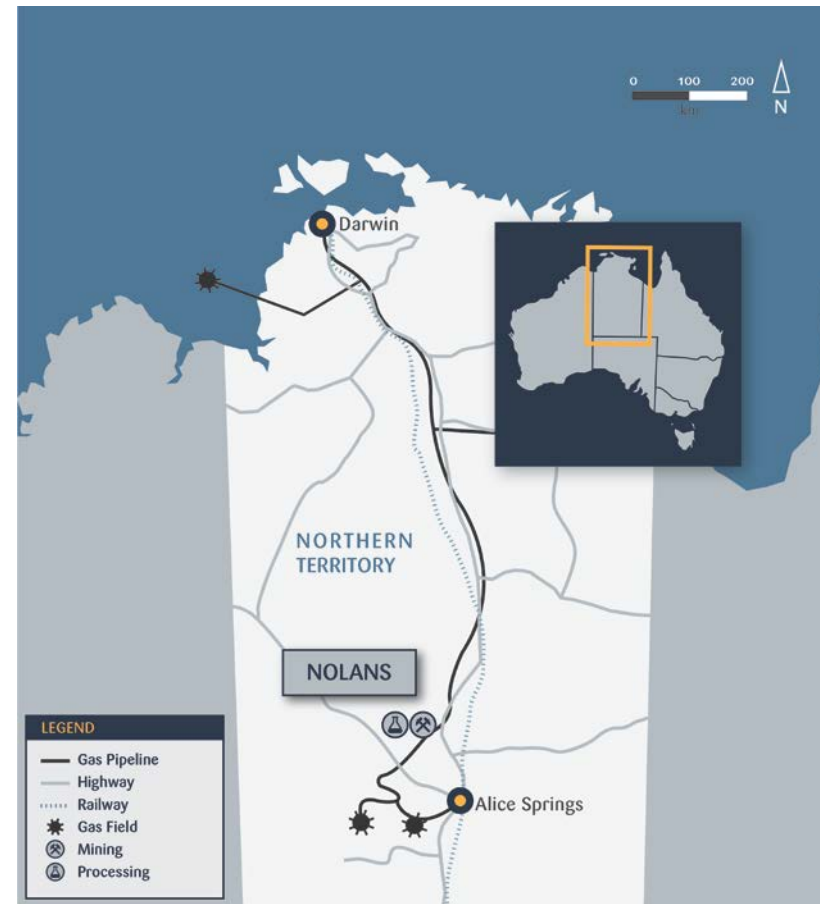
Mr Brescianini is a full-time employee of Arafura Resources.



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



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

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RARE EARTH 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**

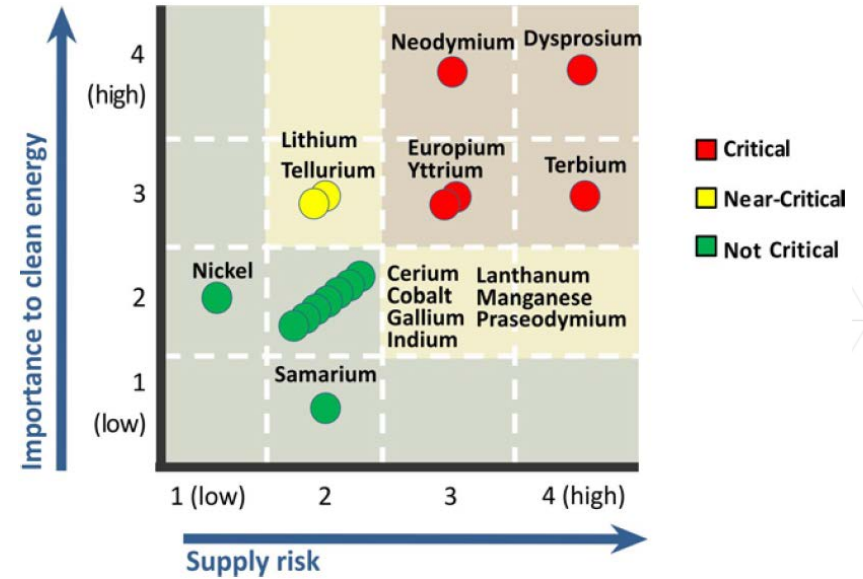
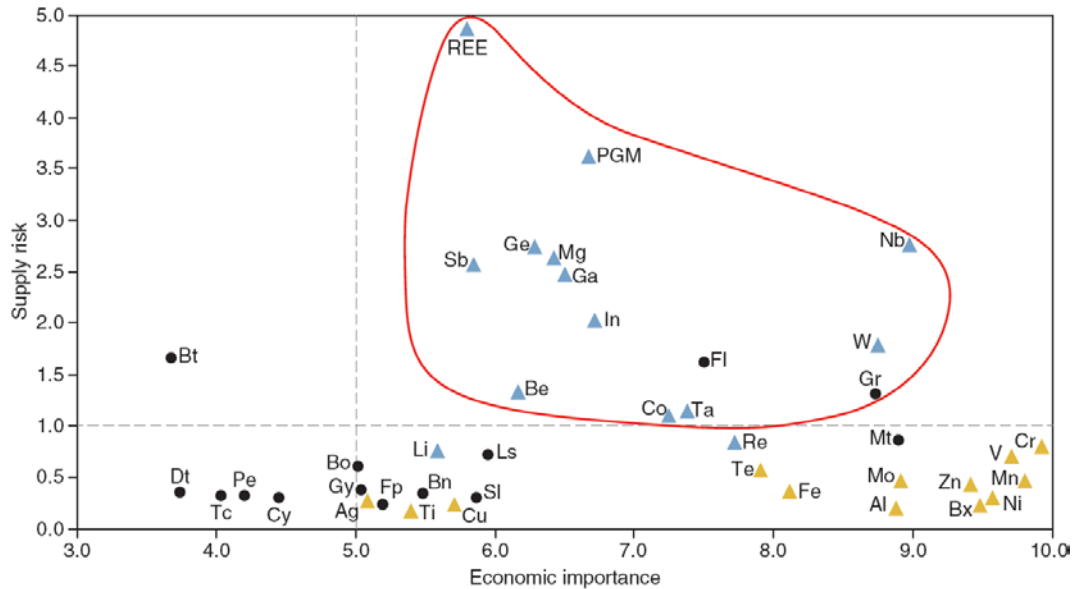
▲ The key REs in RE magnets are Neodymium and Praseodymium – **NdPr**

▲ 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

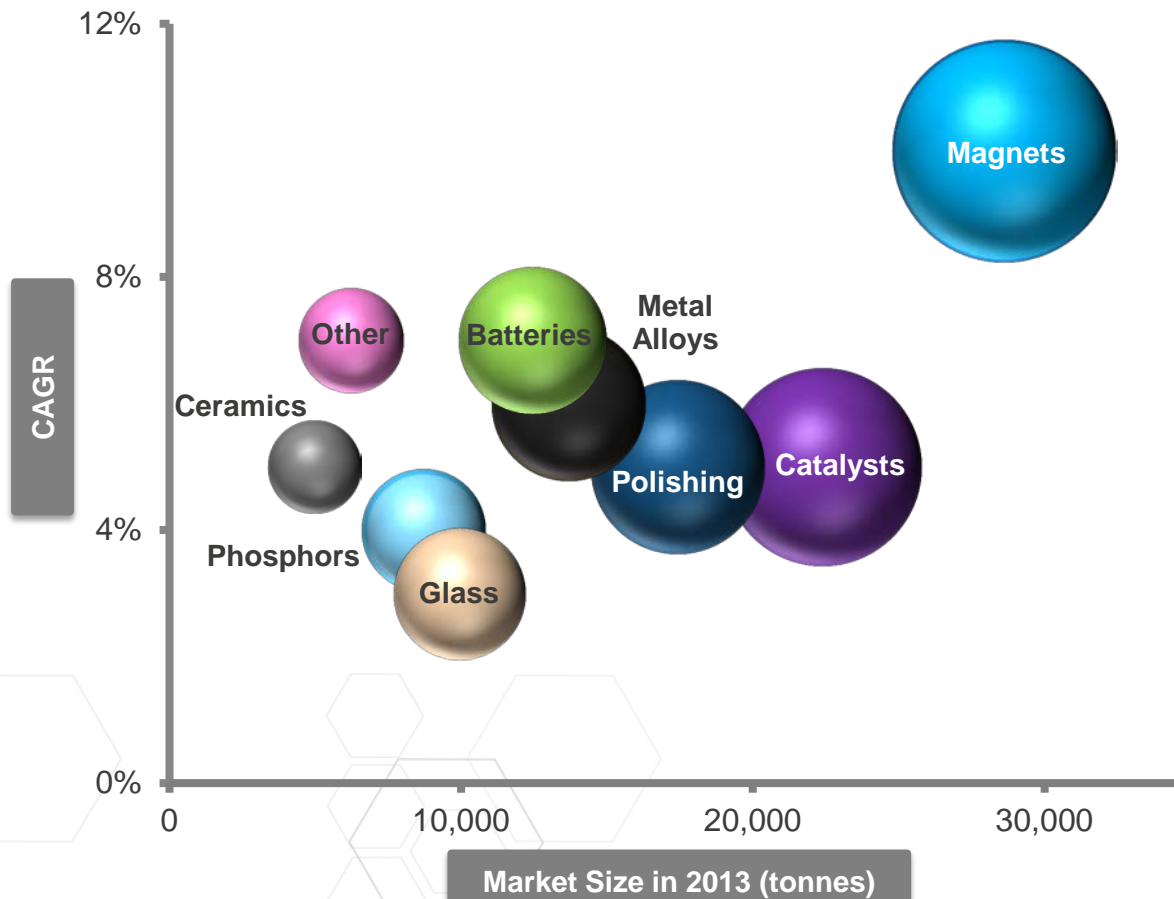


RARE EARTH MAGNETS – THE GROWTH MARKET

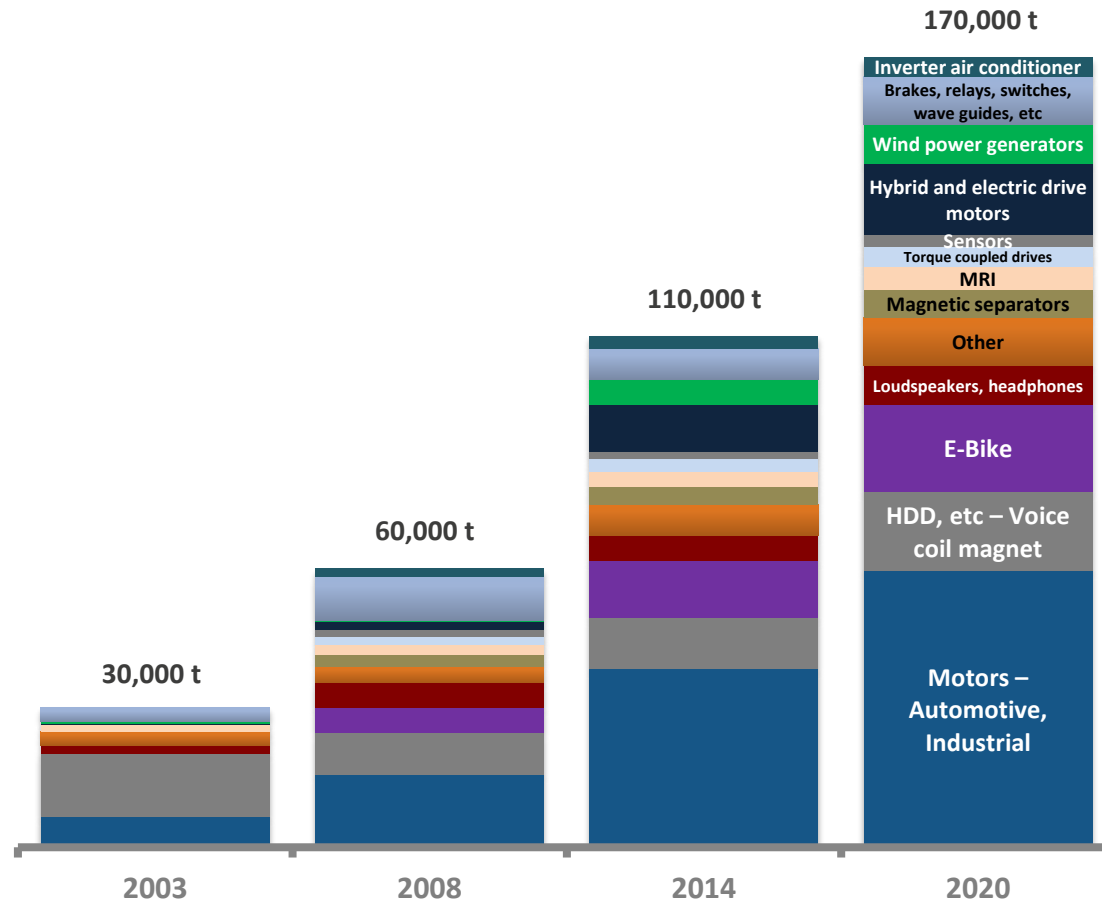


MAGNET LEVERAGE

- ▲ Global demand for RE magnets forecast to grow at **10% p.a.** between 2014 and 2020



GROWTH DRIVERS FOR RARE EARTH MAGNETS



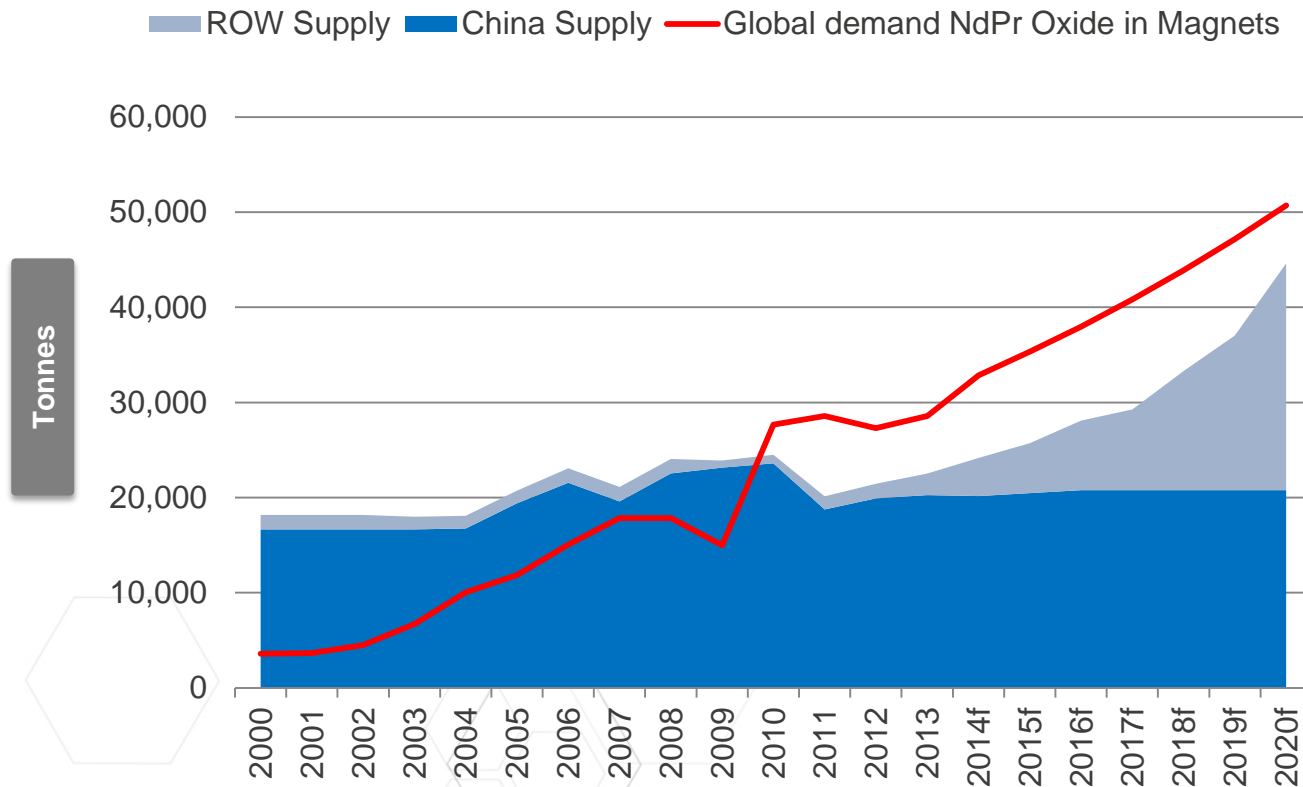
MAGNET LEVERAGE

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

MAGNET FEED SUPPLY SHORTFALL



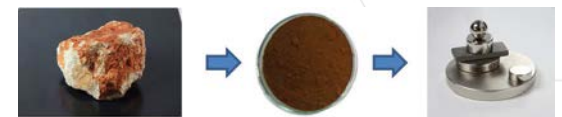
NdPr Supply & Demand



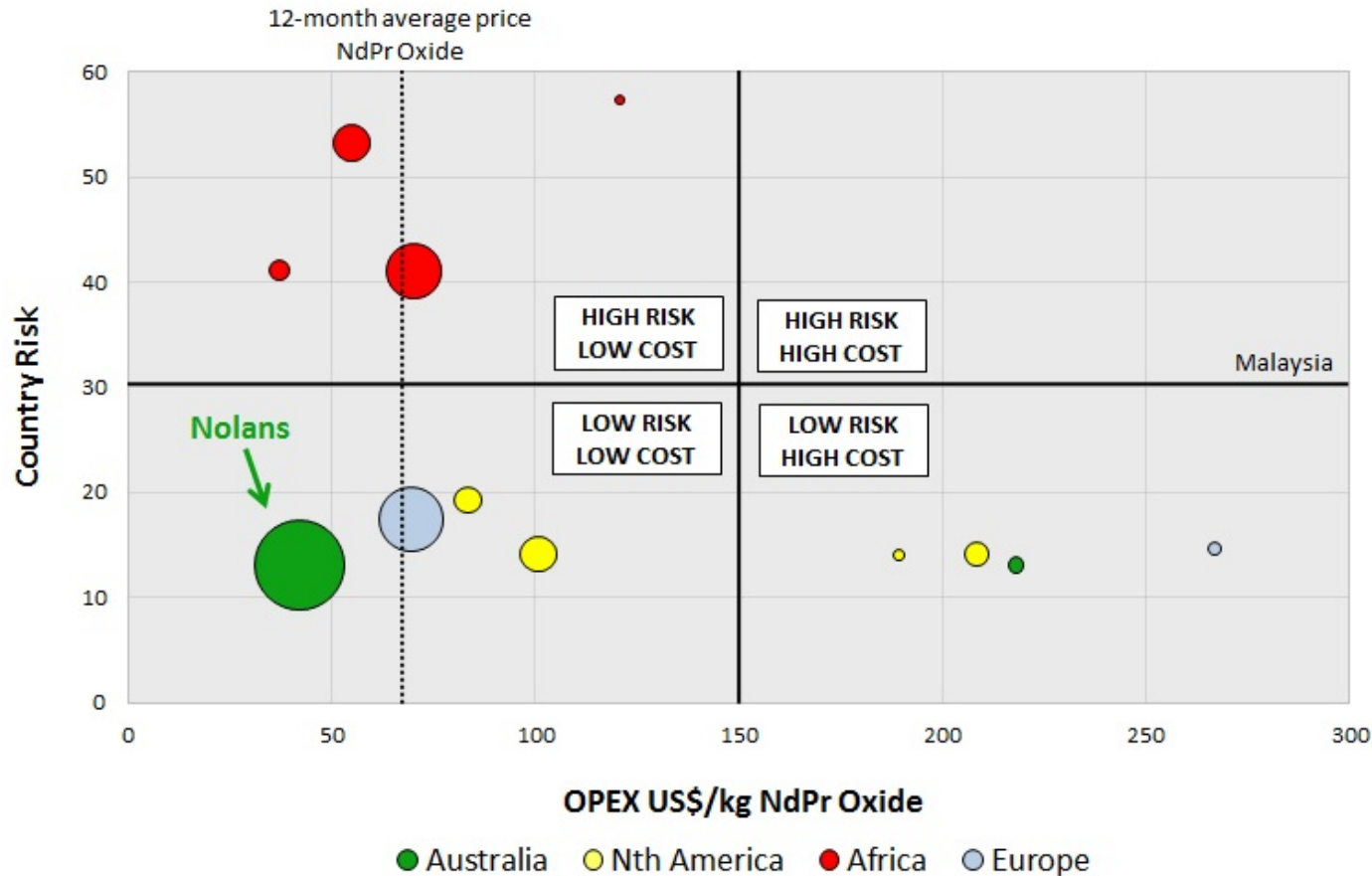
MAGNET LEVERAGE

▲ 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



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NOLANS DEVELOPMENT REPORT

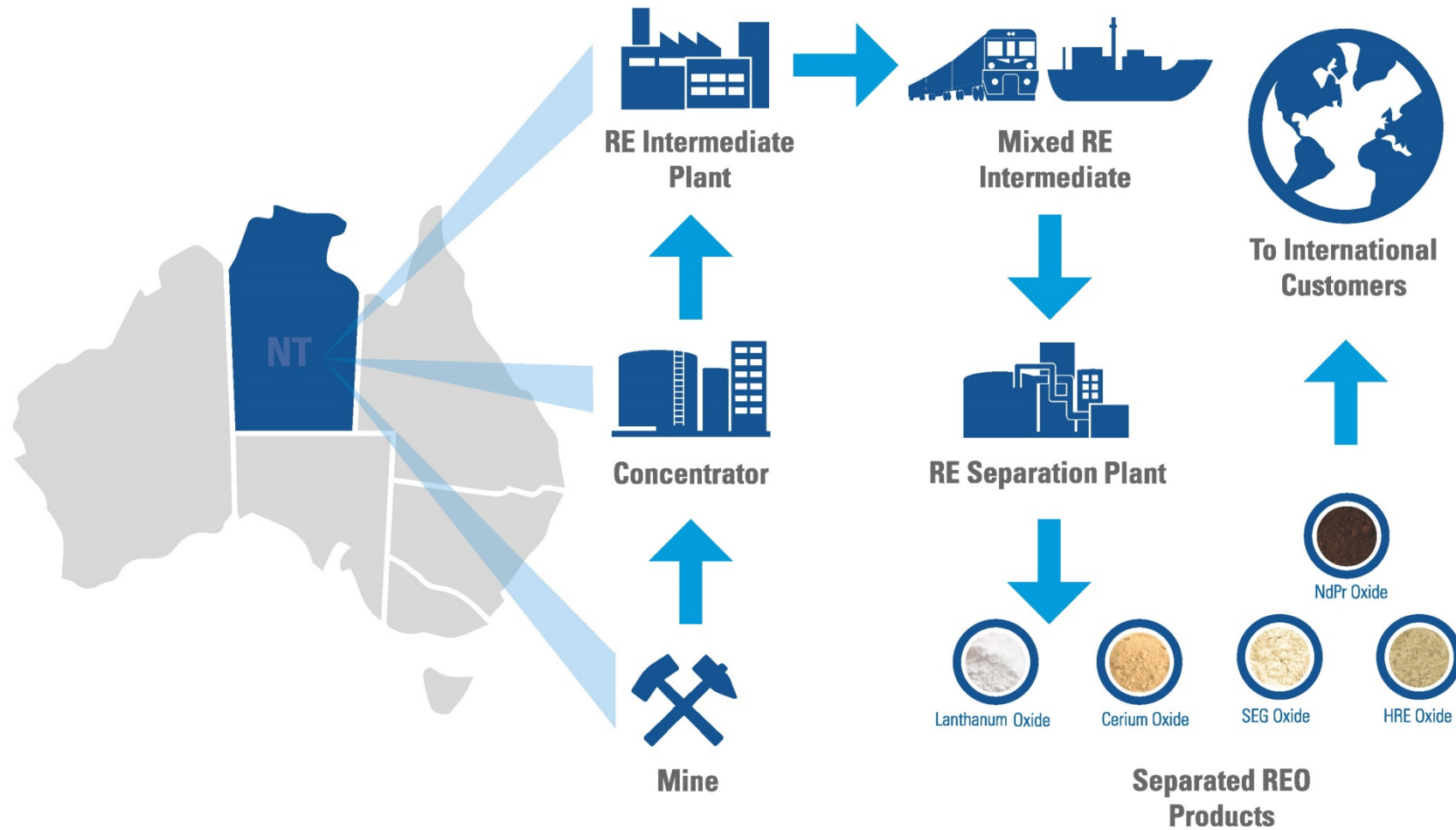


- ▲ Detailed description of Arafura's plans to develop the Nolans Rare Earths Project
- ▲ 120+ pages **fully referenced**
- ▲ Released September 2014
- ▲ Download from www.arultd.com



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PROJECT CONFIGURATION

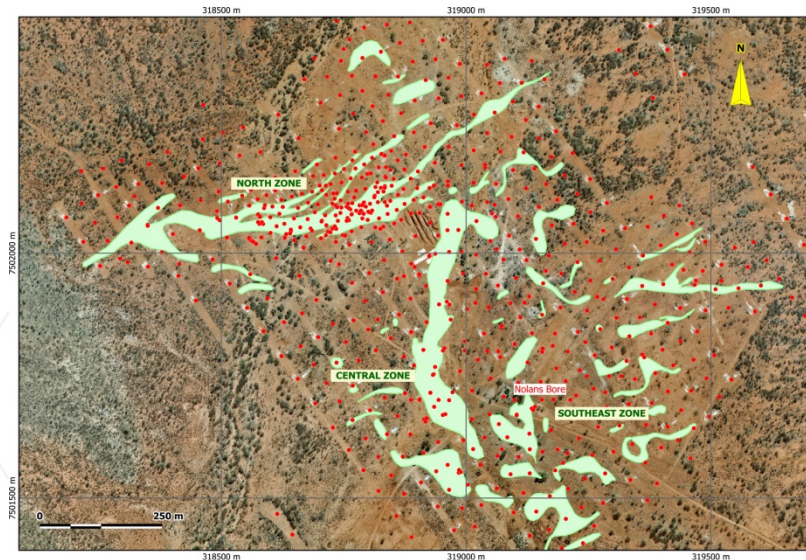


SUPPORTED BY A WORLD-SCALE, LOW-RISK RESOURCE



Resources	Tonnes (million)	Rare Earths % REO	Tonnes REO	Phosphate % P ₂ O ₅	Uranium % U ₃ O ₈
Measured	4.3	3.3	144,000	13	0.03
Indicated	21	2.6	563,000	12	0.02
Inferred	22	2.4	511,000	10	0.02
TOTAL	47	2.6	1,217,000	11	0.02

1% REO cut-off grade

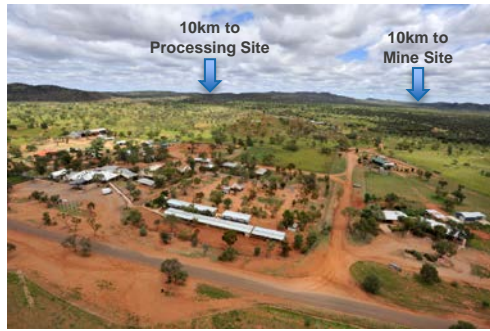


- ▲ **Premium NdPr content** – world leading 26.5% of RE mix
- ▲ **Low resource risk** – extensive drilling (87,000 m in 628 holes) and detailed material type studies
- ▲ **Expansion potential** – resources at surface and open at depths below 220 m
- ▲ **Amenable to low-cost open cut mining**



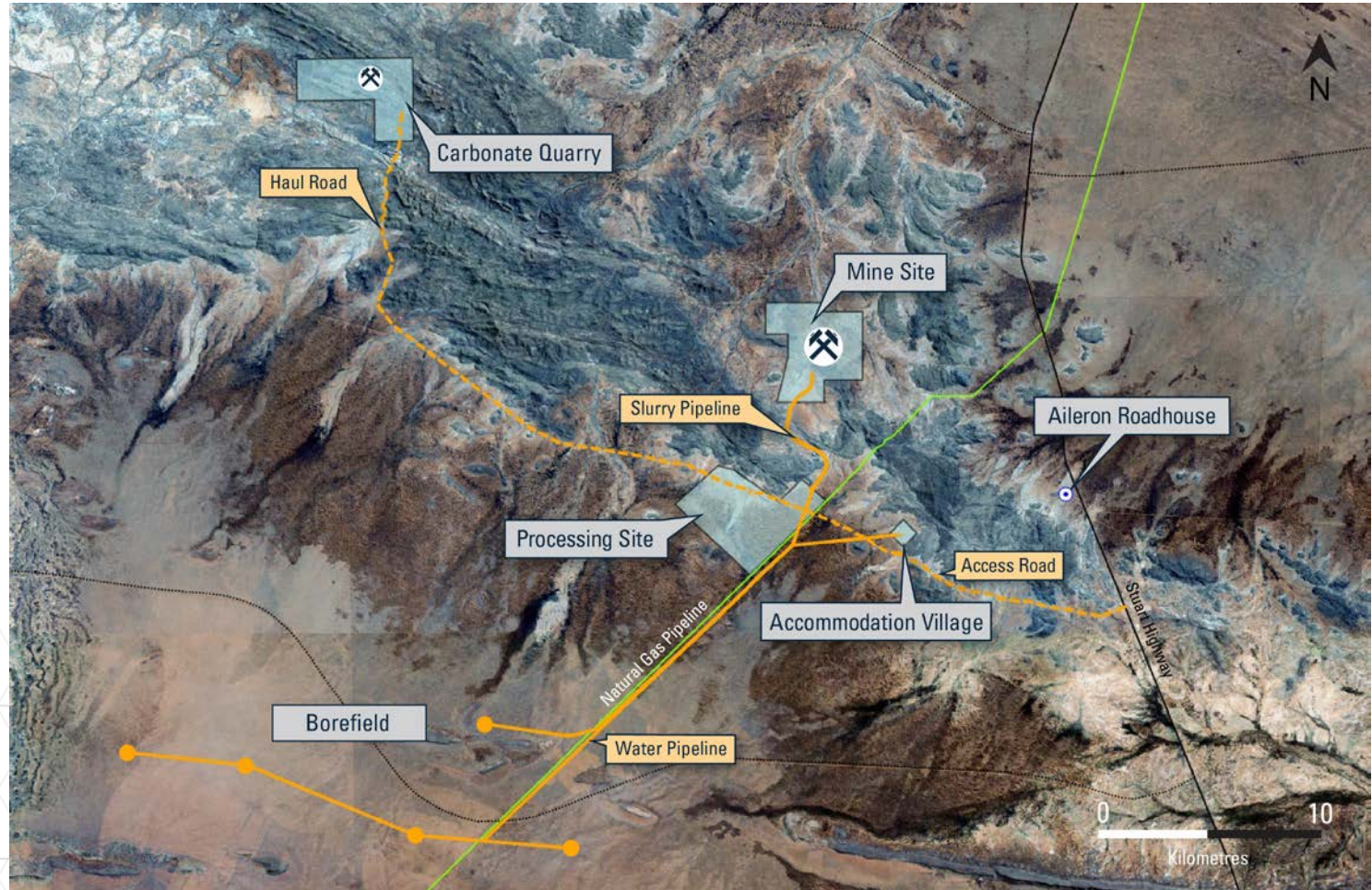
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CLOSE TO VITAL TRANSPORT, ENERGY & WATER INFRASTRUCTURE

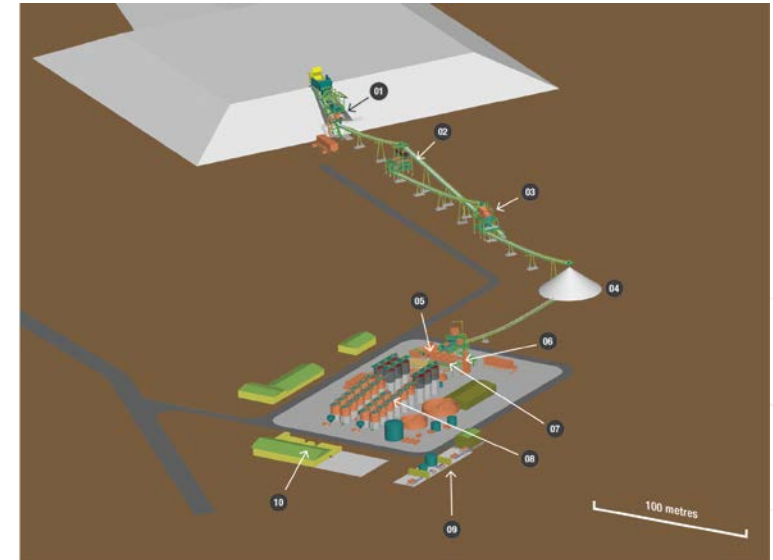
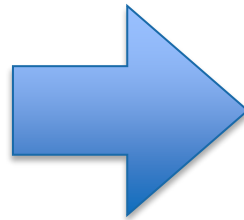
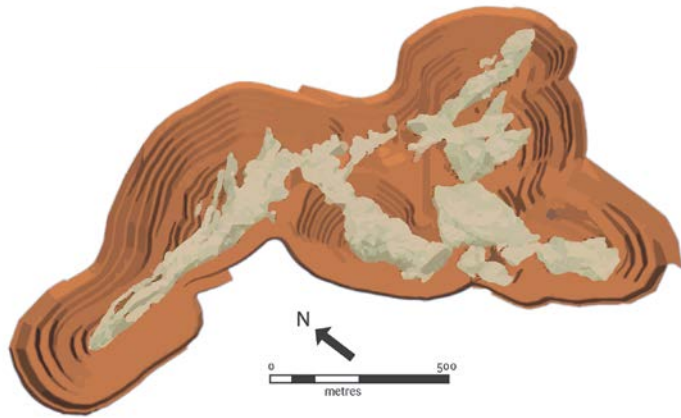


Aileron Roadhouse

Nolans Mine Site area



MINING, CONCENTRATING & INTERMEDIATE PROCESSING AT NOLANS



LEGEND

- | | | | | |
|---------------------------------|--------------------------|------------------|------------------------|-------------|
| 01 Primary Crusher | 03 Screen | 05 Grinding Mill | 07 Magnetic Separation | 09 Reagents |
| 02 Secondary & Tertiary Crusher | 04 Crushed Ore Stockpile | 06 Re-grind Mill | 08 Flotation | 10 Workshop |



LEGEND

- | | | | | | |
|------------------|--------------------------|-------------------------|--------------------|-----------------|--------------|
| 01 Acid Plant | 02 DSP | 03 Impurity Removal | 04 Product Packing | 05 Workshop | 06 Pre-Leach |
| 07 Power Station | 08 Hydroxide Dissolution | 09 Hydroxide Conversion | 10 Water Leach | 11 Control Room | 12 Reagents |
| | | | | | 13 Acid Bake |

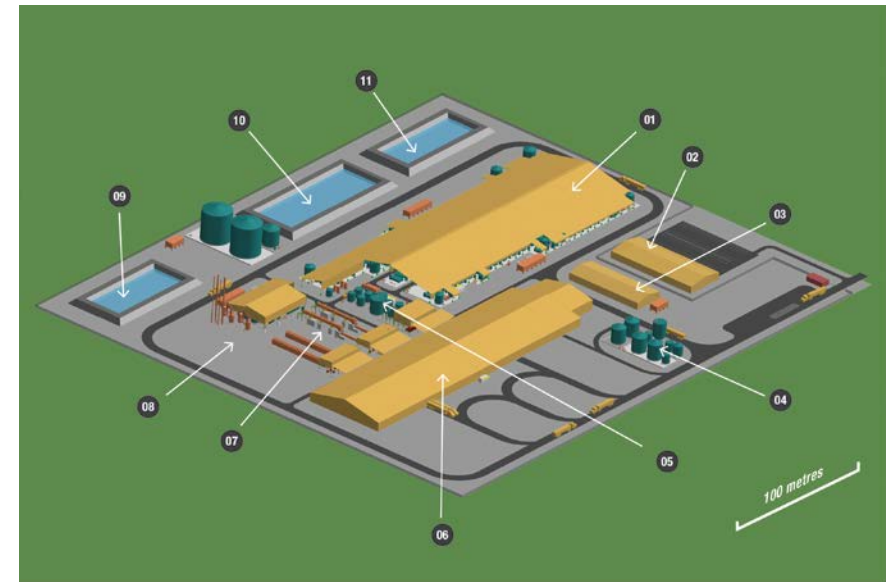


**A\$1,200 million capital spend
~400 jobs in operations**

OFFSHORE REFINING (RE SEPARATION)



- ▲ 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



LEGEND

- | | | | | | |
|-------------------|----------------------|----------------|--------------------|------------------|----------------|
| 01 SX | 03 Operations Centre | 05 Dissolution | 07 Calcination | 09 Storm Water | 11 Waste Water |
| 02 Administration | 04 Reagents | 06 Warehouse | 08 Laydown Storage | 10 SX Event Pond | |

A\$200 million capital spend

Our Local Focus



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ENVIRONMENTAL IMPACT STATEMENT



▲ **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



STAKEHOLDER CONSULTATION

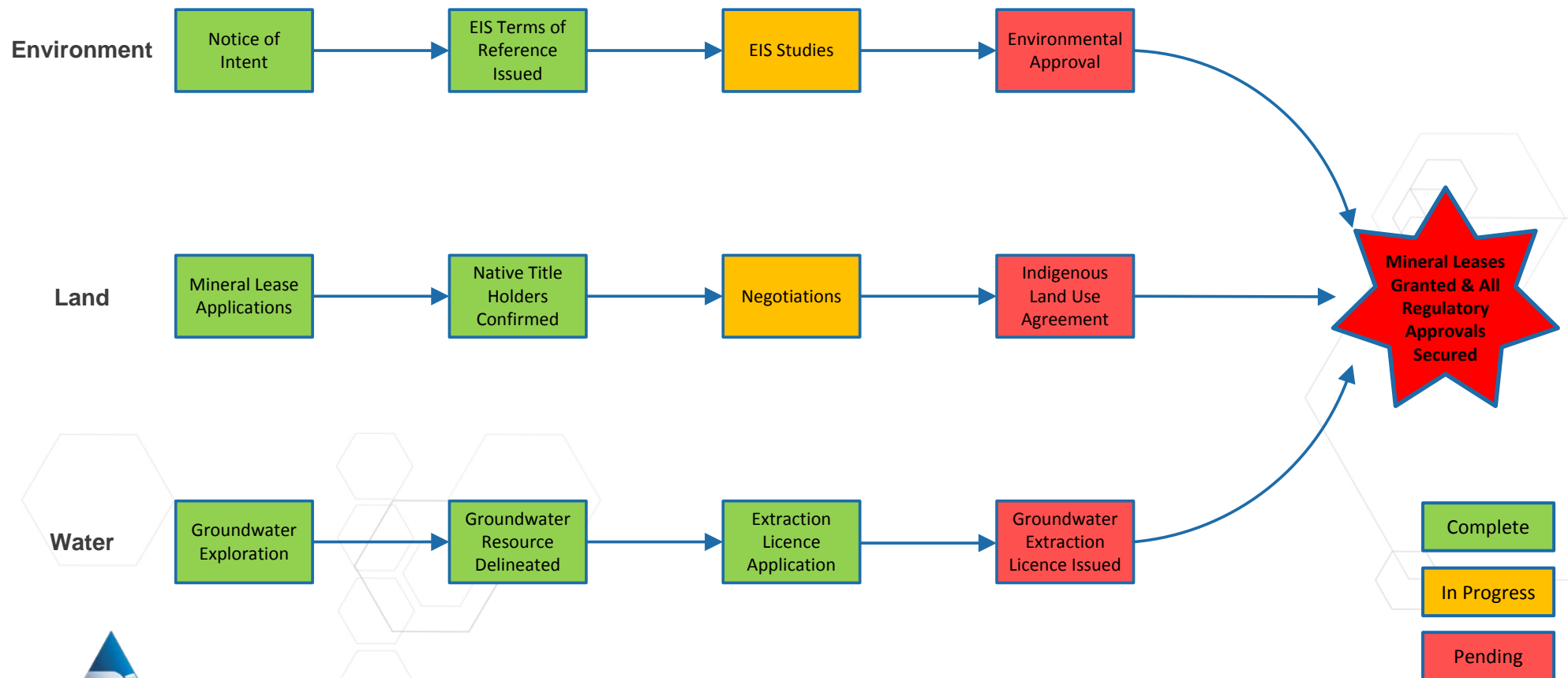


- ▲ We have been meeting with stakeholders **since 2008**
- ▲ Site work this year is predominantly focused on **EIS studies**
- ▲ **Stakeholder consultation has escalated** this year as information from EIS studies becomes available and Nolans progresses towards a final investment decision



PROJECT APPROVALS

▲ Targeting Project approvals **second half of 2016**



OPPORTUNITIES FOR THE TERRITORY



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

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

▲ Engagement now is via **registration with Industry Capability Network**
www.icn.org.au/content/northern-territory/northern-territory-projects

Our Broader Focus



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MITIGATING RISK



▲ 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

		CONSEQUENCE				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Critical
LIKELIHOOD	A Almost Certain					
	B Likely			Processing		
	C Possible			Product Price Marketing	Cost and Schedule Blowouts Ramp-up	Project Funding
	D Unlikely		Native Title Community	Radioactivity Environmental OH&S	Study Funding	
	E Rare		Resource	Reagent Supplies		

■ LOW
 ■ MODERATE
 ■ MANAGEMENT ATTENTION
 ■ PRIORITY ACTION

Key Messages



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KEY MESSAGES



- ▲ “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



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