



Arafura Resources Limited

Nolans Equity Raising

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August 2018

Investor Presentation



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This presentation has been prepared by Arafura Resources Limited (**Arafura**, **Arafura Resources** or the **Company**) in relation to an offer of new fully paid ordinary shares in Arafura Resources (**New Shares**) under an accelerated non-renounceable entitlement offer which comprises an accelerated institutional entitlement offer and a retail entitlement offer to be made under section 708AA of the Corporations Act (Cth) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

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Important Notice - Disclaimer

The information in this presentation that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Kelvin Hussey BSc (Hons). Mr Hussey 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)". Mr Hussey consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears. Mr Hussey is a full-time employee of Arafura Resources.

US investors should note that while the Company's reserve and resource estimates comply with the JORC Code, they may not comply with Industry Guide 7, which governs disclosures of mineral reserves in registration statements filed with the US Securities and Exchange Commission. In particular, Industry Guide 7 does not recognise classifications other than proven and probable reserves and, as a result, the SEC generally does not permit mining companies to disclose their mineral resources in SEC filings. You should not assume that quantities reported as "resources" will be converted to reserves under the JORC Code or any other reporting regime or that the Company will be able to legally and economically extract them.

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1. Entitlement Offer
2. Company Update
3. NdPr Market Update
4. Nolans Project
5. Review of Operations 2017/18
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1

Entitlement Offer

Entitlement Offer Summary

1.1

Accelerated Non-Renounceable Entitlement Offer

- A **1 for 4** Accelerated Non-Renounceable **Entitlement Offer** at **\$0.08 per share** to raise approximately \$11.5 million. The Entitlement Offer comprises:
 - an **accelerated institutional** entitlement offer (**Institutional Entitlement Offer**); and
 - a **retail** entitlement offer (**Retail Entitlement Offer**).
- Approximately 143,938,988 New Shares to be issued under the Entitlement Offer (subject to rounding and determination of entitlements).
- Offer price of \$0.08 per New Share under the Entitlement Offer
 - Represents a **20% discount to the 10 day VWAP** of Arafura's shares before announcement of the Entitlement Offer
 - Represents a 17.5% discount to the closing price of \$0.097 on 10 August 2018, being the last closing price of Arafura shares before announcement of the Entitlement Offer

Entitlement Offer Details

1.2

Funds raised to progress further development of Nolans NdPr Project

- (see [section 4 below](#) for further information on the Nolans NdPr Project)

Institutional Offer

- Institutional Entitlement Offer will be conducted from **13 August 2018 to 14 August 2018**
- New Shares in relation to Entitlements not taken up under the Institutional Entitlement Offer, along with New Shares in respect of Entitlements of ineligible institutional shareholders, will be offered to certain institutional investors concurrently with the Institutional Entitlement Offer through a **bookbuild process**
- Any remaining shortfall after completion of the bookbuild process may be placed by the directors in accordance with the ASX Listing Rules and the Corporations Act.

Retail Entitlement Offer

- Retail Entitlement Offer **opens on 20 August 2018 and closes on 29 August 2018**
- Retail Entitlement Offer will include a **top up facility** under which Eligible Retail Shareholders who take up their entitlement in full may also apply for additional New Shares
- The directors reserve the right to place any shares not subscribed for by Eligible Retail Shareholders under the Retail Entitlement Offer at their discretion in accordance with the ASX Listing Rules and the Corporations Act

Ranking

- New Shares issued will rank equally with existing ordinary shares in all respects from allotment.

Effect of Entitlement Offer

1.3

The below assumes the maximum number of New Shares are issued under the Entitlement Offer (subject to rounding and determination of entitlements) and no options are exercised.

- Existing shares on issue: 575,755,949
- Existing options on issue: 22,270,000
- New Shares proposed to be issued under the Entitlement Offer: approximately 143,938,988 representing approximately 20% of existing undiluted share capital
- Total shares on issue following the Entitlement Offer: approximately 719,964,937

Entitlement Offer Timetable

1.4

Event	Date
Announcement of Entitlement Offer	10 August 2018
Institutional Entitlement Offer opens	13 August 2018
Institutional Entitlement Offer closes	14 August 2018
Shares recommence trading on ASX on an “ex-entitlement” basis	15 August 2018
Record Date for the Entitlement Offer	7.00pm (AEST) 15 August 2018
Retail Entitlement Offer opens	20 August 2018
Retail Offer Booklet despatched	20 August 2018
Settlement of New Shares issued under the Institutional Entitlement Offer	21 August 2018
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	22 August 2018
Retail Entitlement Offer closes (Retail Closing Date)	5.00 pm (AEST) 29 August 2018
Allotment of New Shares under the Retail Entitlement Offer	5 September 2018
New Shares issued under the Retail Entitlement Offer commence trading on ASX	6 September 2018
Despatch to Shareholders of holding statements under the Retail Entitlement Offer	7 September 2018

All dates and times referred to are based on Australian Eastern Standard Time and are subject to change. Arafura reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

Entitlement Offer Application of Funds

1.5

Arafura intends to use funds raised under the Entitlement Offer to **progress further development of the Company's Nolans NdPr Project** in the Northern Territory by carrying out technology, engineering and piloting activities as required to progress to a definitive feasibility study (DFS) and to enable project execution readiness, **and for general working capital purposes**.

If all eligible shareholders do not take up their full entitlement and it is not possible to place the entire shortfall then Arafura intends that the gross proceeds received from the Entitlement Offer will be applied firstly towards meeting the costs of the offer and secondly towards completing the piloting activities and engineering for the DFS to the extent possible.

2

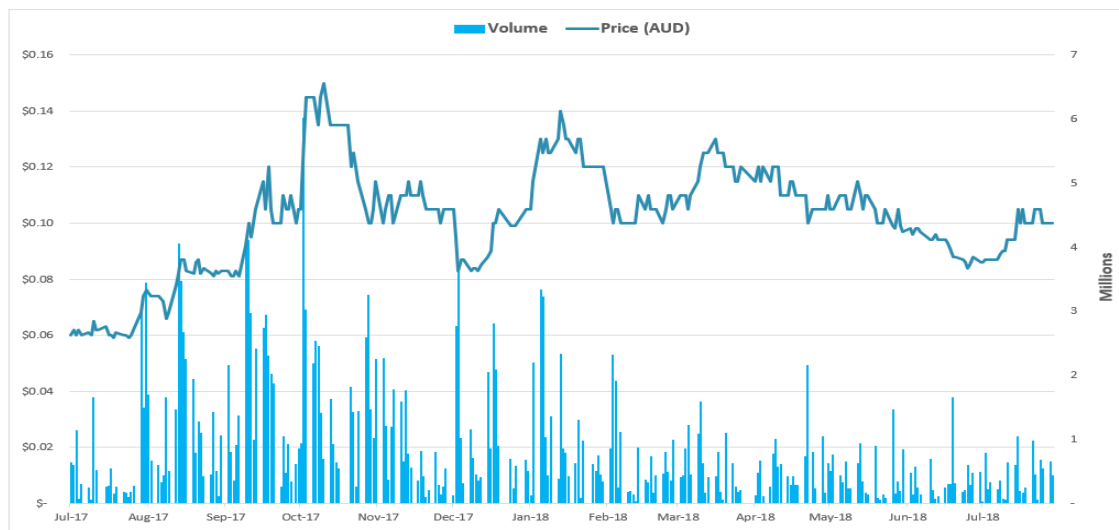
Company update

Company Snapshot

2.1

- ASX listed company developing the **Nolans Rare Earths Project** in the Northern Territory, a **long-life** mining and chemical processing operation
- Arafura has the expectation of producing **5-10% of global demand of NdPr oxide** for permanent magnets
- Nolans has been afforded **major project status** by the Northern Territory and Australian governments
- Nolans has **environmental approval** and is in **advanced feasibility**

ASX Code	ARU
Share Price (31-Jul-18)	A\$0.10
Issued Shares (31-Jul-18)	575.8m
Market Cap (31-Jul-18)	A\$57.6m
Cash (30-Jun-18)	A\$7.9m
Debt (30-Jun-18)	Nil
Enterprise Value (31-Jul-18)	A\$49.7m



Shareholder Spread (as at 31-Jul-18)	
JP Morgan Nominees	21.08%
ECE Nolans Investment Co	19.05%
Citicorp Nominees	3.35%
HSBC Custody Nominees	2.81%
BNP Paribas Nominees	1.06%

3

NdPr Market Update

Overview

3.1

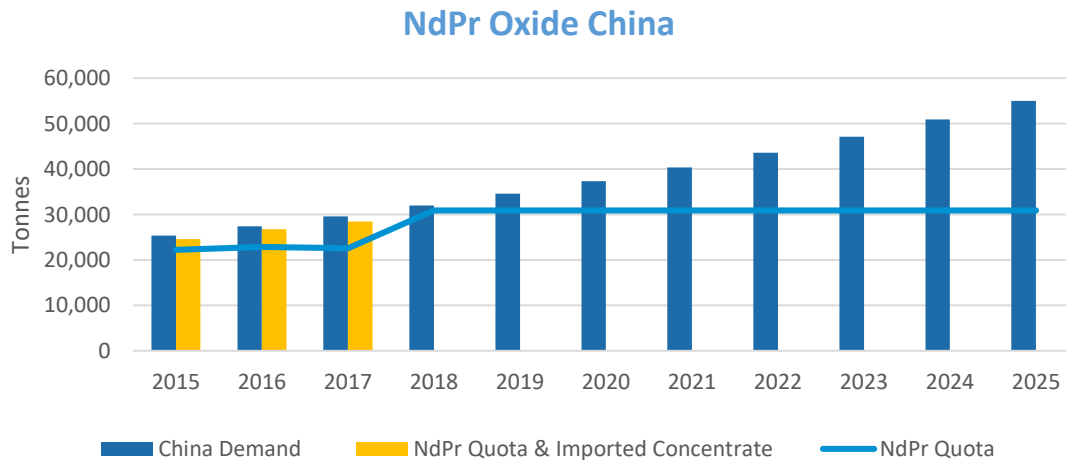
- **NdPr Oxide is a key component** in the manufacture of high-strength NdFeB permanent magnets used in electric vehicles (EVs), wind turbines, portable electronic devices, and many industrial applications
- NdFeB magnets are the dominant drive train technology for EVs. Each electric drive motor requires **1 kg of NdPr**.
- NdPr accounts for 26.4% of Nolans rare earths composition by volume and over **80% by value**
- China has been the dominant NdPr producer but recently analysts are forecasting **China to become a net importer**

Emerging Demand Dynamic – China 2025 Strategy

3.2

Arafura is of the opinion that:

- **China’s domestic NdPr consumption will increase by over 30% in the next 5 years** as it pursues clean energy objectives and global leadership in EV manufacturing.
- Supply reforms, industry consolidation and higher environmental standards will constrain China’s ability to rapidly increase NdPr production. Further policy change is expected but in recent years Chinese production has been supplemented with imported concentrate and oxide to meet China demand. ROW supply is being sourced from Malaysia and notionally illegal China sources.
- **Increased NdPr consumption combined with constrained supply could result in China moving from being the worlds major source of NdPr to a net importer by the early 2020’s**



Source: ACREI, Asian Metals, Shanghai Metals Market and Adamas

4

Nolans Project

Current Project Metrics

4.1

The following cost estimates have been generated by Arafura based on Arafura's historical test work and previous work by independent consultants and are considered +/- 30% accuracy. They will be refined upon completion of the definitive feasibility study expected to be reported by the end of 2018. The preliminary basis of design for the feasibility study assumes a life of mine greater than 30 years.¹

Production Targets ^{1,3}		Financial US\$	
NdPr Oxide	3,600 tpa	Capital Cost ²	\$680m
La Oxide	2,660 tpa	Operating Cost	\$125m pa
Mixed RE Carbonate	660 tpa	Operating Cost	\$8.89/kg TREO
Phosphoric Acid	110,000 tpa	Operating Cost	\$24.38/kg NdPr (Incl Phosphoric Acid credit)

1) Refer risk section 1.1 (a) & (f) , Appendix E & Arafura ASX release 7 June 2017 for additional and qualifying information on the Mineral Resources that underpin the production target and provides the material assumptions on which the production target is based. The Company confirms that all material assumptions underpinning the forecast financial information derived from its 14,000 tpa TREO production target and the production target itself, continue to apply and have not materially changed since the 7 June 2017 ASX release.

2) Exchange rate utilised A\$1:US\$0.70

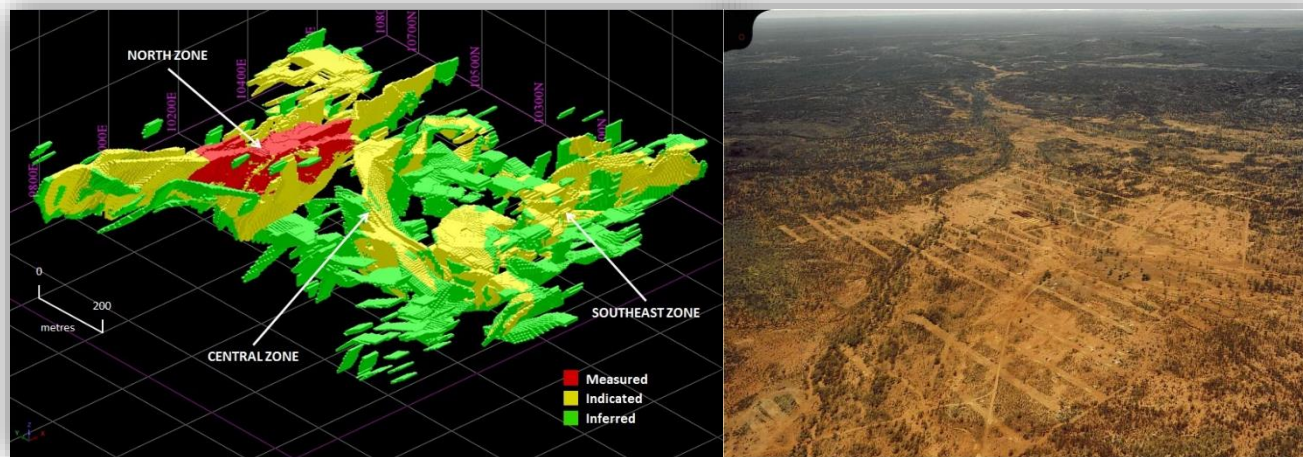
3) Refer risk section 1.1 (g)

Mineral Resources

4.2

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

1% TREO cut-off grade. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd₂O₃ and Pr₆O₁₁. Refer to footnote 1 below.

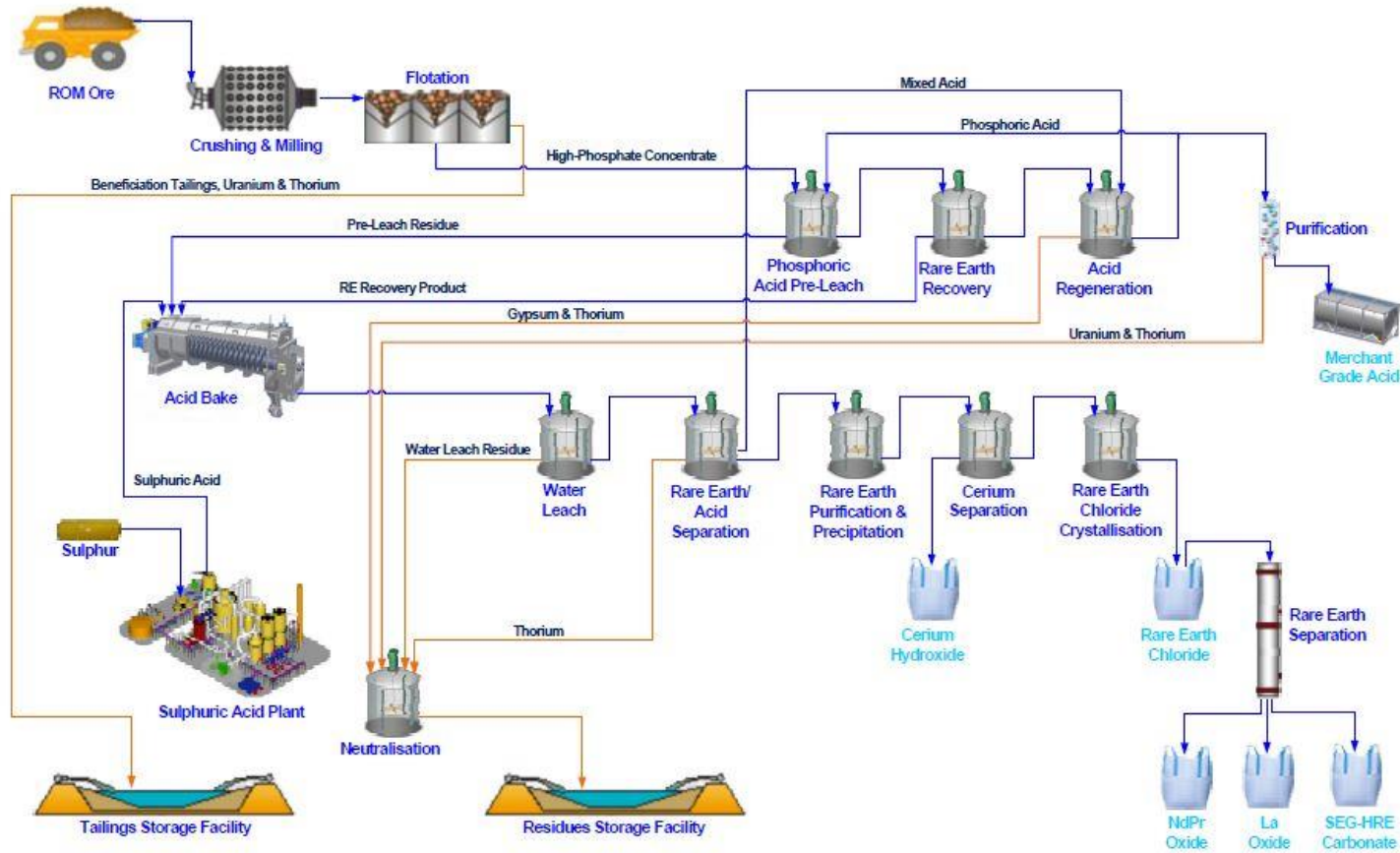


- **Resource defined** via extensive drilling and detailed material type studies and extends from surface down to 215m.
- Drilling has identified mineralization below 215m
- 90,000 metres of drilling
- Amenable to standard mining and beneficiation techniques
- Fluorapatite is the most abundant REE-bearing mineral

1) Refer risk section 1.1 (a) & (f), Appendix E & Arafura ASX release 7 June 2017 for additional and qualifying information on the Mineral Resources that underpin the production target and provides the material assumptions on which the production target is based. The Company confirms that all material assumptions underpinning the forecast financial information derived from its 14,000 tpa TREO production target and the production target itself, continue to apply and have not materially changed since the 7 June 2017 ASX release.

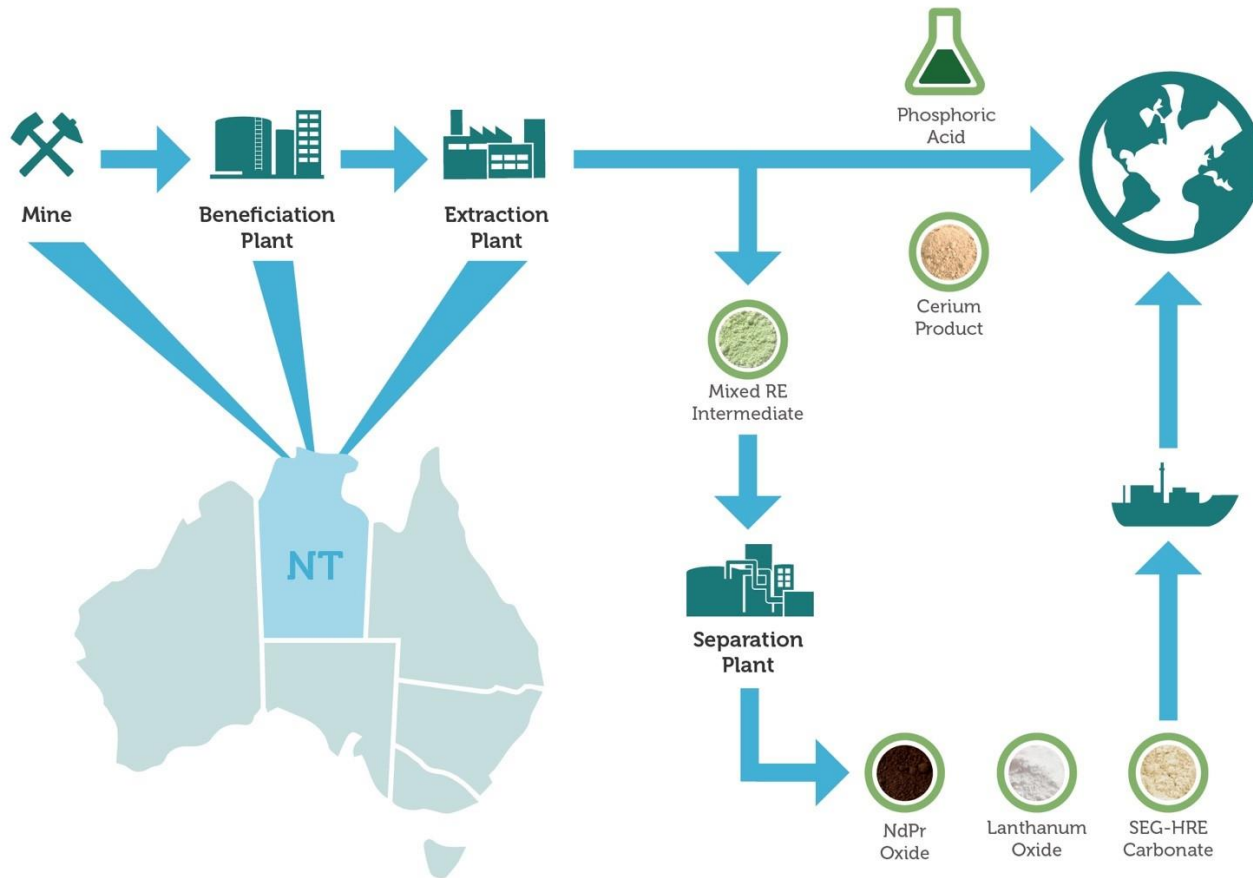
Project Flowsheet – Piloting & Basis of Design for DFS

4.3



Project Configuration – Basis of Design for DFS

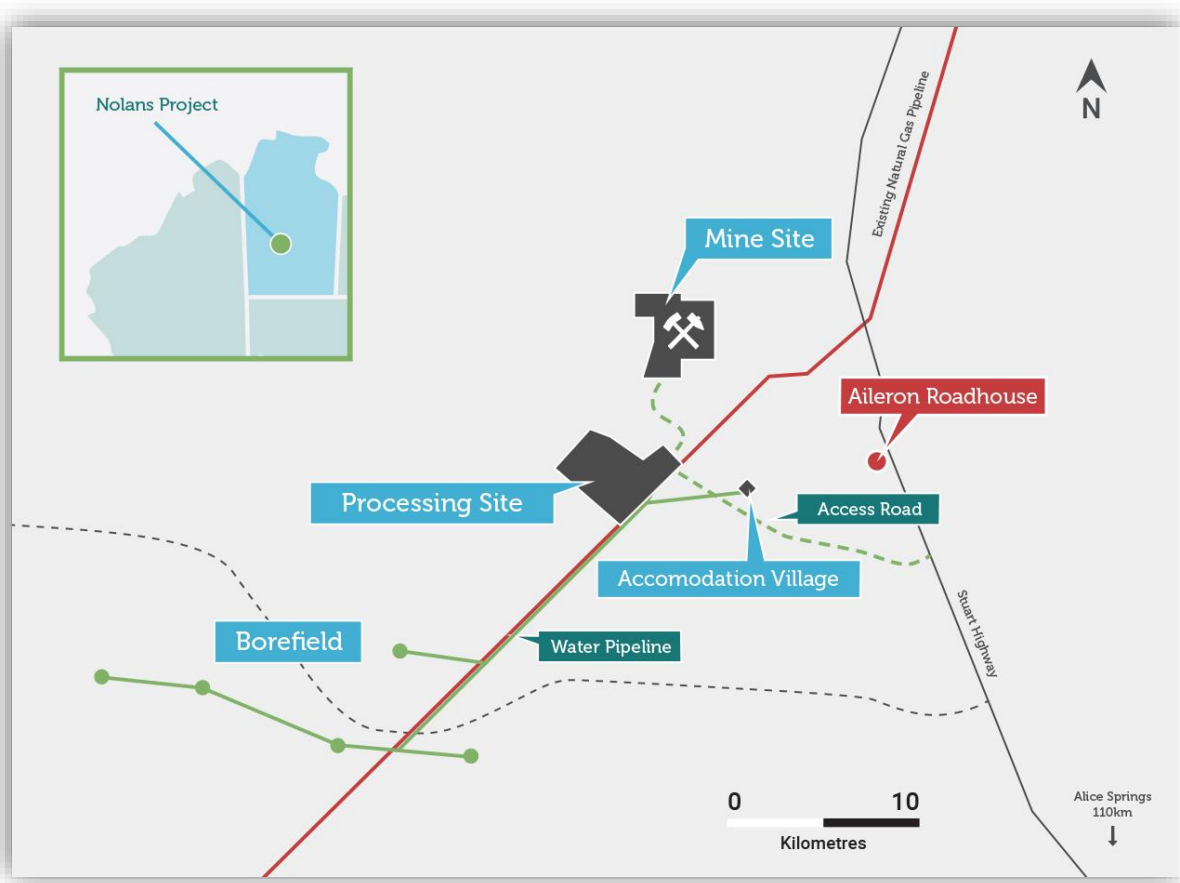
4.4



Separation Plant – site option study advanced for Nolans and alternate overseas location

Close To Key Infrastructure

4.5

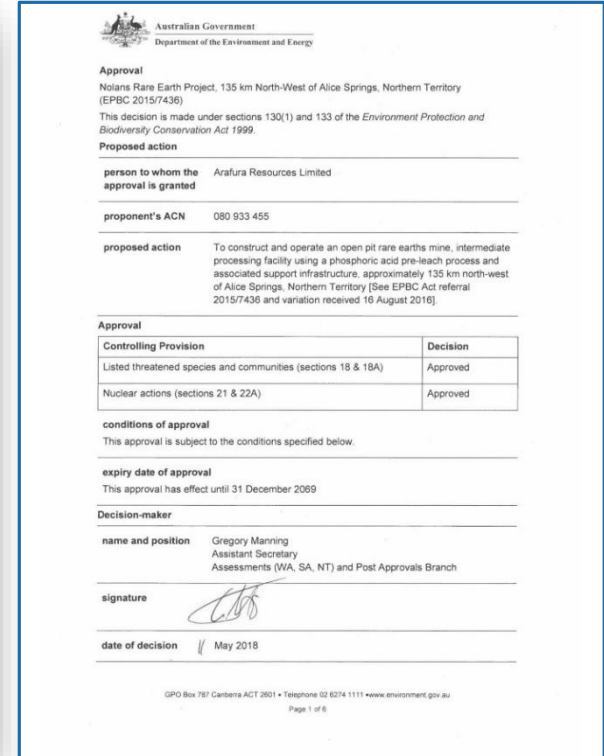
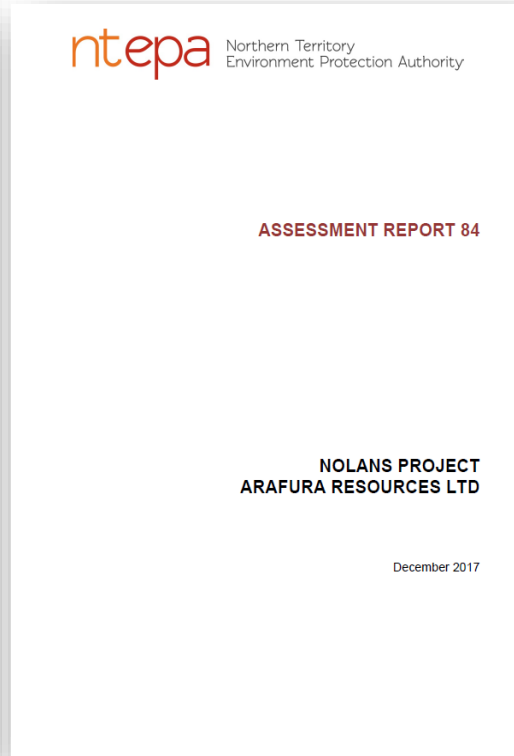


- Current layout used as basis of design for DFS
- Stuart Highway – **10 km east**
- Alice Springs railyard, airport and other services – **135 km south**
- Amadeus natural gas pipeline – **adjacent to project site**
- Water supply – **30 km south**
- Tailings and process wastes **remain at site**

5 Review of Operations 2017/18

Environmental Assessment Completed

5.1



NT Environment Protection Authority (EPA) Recommends Environmental Approval

“The NT EPA considers that the Project can be managed in a manner that avoids significant or unacceptable environmental impacts and risks.”



Flowsheet Piloting

5.2

Beneficiation Pilot Plant



Bulk Pre-Leach Pilot Plant



- Program aimed to reduce execution risk by addressing key engineering and operational considerations prior to commissioning of the commercial facility
- Draws on independent expert advice from specialist consultants and equipment vendors

Phase 1
Beneficiation

- ✓ > 5,000 kg high-phosphate concentrate
- ✓ >80% NdPr recovery
- ✓ >90% P₂O₅ recovery
- ✓ Met performance objectives

Phase 2
Phosphate Extraction

- ✓ Merchant grade phosphoric acid suitable for fertilizers
- ✓ 3% TREO losses to gypsum waste
- ✓ Met performance objectives

Phase 3
Bulk Pre-Leach

- ✓ Approx. 2,000 kg pre-leach residue
- ✓ Met performance objectives

Phase 4
Acid Bake

- ✓ Pilot completed
- ✓ Results pending

Phases 5 & 6
Rare Earth Processing

- Pilot setup and operation scheduled

Phase 7
Rare Earth Separation

- Planning well advanced



Phosphate Extraction Pilot Plant



Acid Bake Pilot Plant

Definitive Feasibility Study

5.3

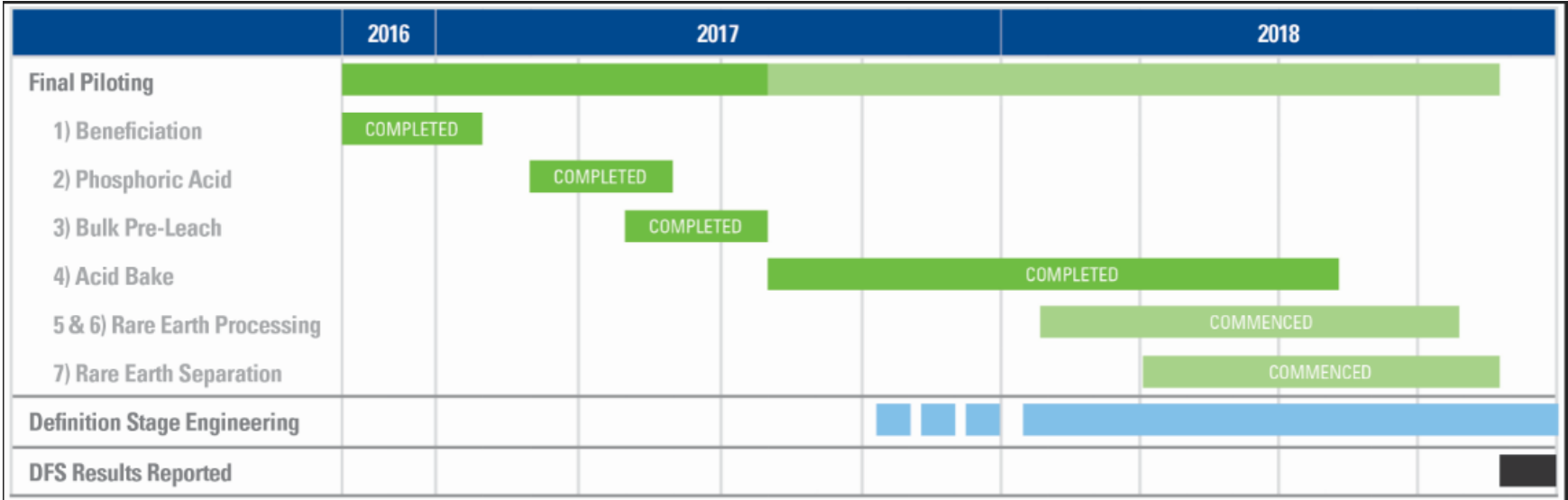
- ✓ **Director appointment:** Mark Southey, previously WorleyParsons Group Managing Director for Minerals, Metals and Chemicals
- ✓ **Nolans Project Manager appointment:** Stewart Watkins, chemical engineer (AusIMM) 25 years experience
- ✓ **DFS Lead Engineering Study Manager appointment:** 
- ✓ **Process design advanced, layouts and equipment costing commenced:** engineering study results to be reported December 2018

- Process design criteria, PFDs and mechanical equipment list issued for use
- Underway
 - Layouts of process plant
 - Energy demand finalised and commenced discussions with gas suppliers and power station operators.
 - Tailings impoundment designs and planning for site geotechnical program
- Awarded
 - Mine planning: Mining Plus
 - Transport and logistics study: Qube Bulk
 - Water supply study and design: GHD and Ride Consulting



Timeline & Targets

5.4



2018 targets include:

- Advancing **NdPr offtake arrangements**
- Reporting **DFS results**
- Engaging with **strategic partners for capital equipment procurement and project funding**

6

Appendices

Appendix A: Risks

Appendix B: International Offer Restrictions

Appendix C: Board

Appendix D: Management

Appendix E: Production Targets and Mineral Resources

Appendix A: Risks

6.1

Risk factors

You should be aware that being issued New Shares involves various risks. This Section discusses some of the key risks associated with an investment in New Shares. A number of risks and uncertainties, which are both specific to and of a more general nature, may adversely affect the operating and financial performance or position of the Company, which in turn may affect the value of New Shares and the value of an investment in the Company.

The risks and uncertainties described below are not an exhaustive list of the risks facing the Company or associated with an investment in the Company. Additional risks and uncertainties may also become important factors that adversely affect the Company's operating and financial performance or position.

This document is not financial product advice and has been prepared without taking into account your investment objectives or personal circumstances. Before investing in New Shares, you should consider whether an investment in New Shares is suitable for you. Potential investors should consider publicly available information on the Company (such as that available on the websites of the Company and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

Appendix A: Risks

6.2

1.1 Company specific risks

(a) Exploration and production

The future profitability of the Company (and its subsidiaries) (**Group**), and the value of the New Shares are directly related to the results of exploration, development and production activities as well as costs and prices. Exploration, project development and production involves significant risk.

Exploration is a speculative endeavour with an associated risk of discovery of finding NdPr and other products in commercial quantities and risks associated with development of a project. No assurances can be given that funds spent on exploration and development will result in discoveries that will be commercially viable.

Development and production of NdPr requires sufficient reserves to support project development, cost overruns, production decrease or stoppage, which may be the result of commissioning, facility shutdowns, mechanical or technical failure and other unforeseen events. A significant poor development outcome or failure to maintain production could result in the Group lowering reserve and production forecasts, loss of revenue; increased working capital requirements; and additional operating costs to restore production.

In some instances, a loss of production may incur significant capital expenditure, which could require the Group to seek additional funding. The Group may fail to meet product quality requirements and material specifications required by buyers.

(b) Volatility of the price of rare earth elements

NdPr and other rare earth products are not exchange traded commodities. The Group will require contracts for sale of these mineral commodities. There is no guarantee the Group will secure contracts on terms favourable to the Group. NdPr and other rare earth product prices will depend on available markets at acceptable prices and distribution and other costs. Any substantial variation in the price of NdPr and other rare earth products or an increase in the distribution costs could have a significant impact on the Group.

Appendix A: Risks

6.3

(c) Operating

Industry operating risks include, but are not limited to, fire, explosions and environmental hazards. The occurrence of any of these risks could result in substantial losses to the Group due to injury or loss of life, damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; clean-up responsibilities; regulatory investigation and penalties; or suspension of operations. Damages occurring to third parties as a result of such risks may give rise to claims against the Group.

(d) Reliance on key personnel and advisors

The ability of the Group to achieve its objectives depends on the engagement of key employees, directors and external contractors that provide management and technical expertise.

If the Group cannot secure external technical expertise (for example to carry out development activities) or if the services of the present management or technical team cease to be available to the Group, this may affect the Group's ability to achieve its objectives either fully or within the timeframes and the budget that it has forecast. Additionally, industrial disruptions, work stoppages and accidents in the course of operations may adversely affect the Group's performance.

(e) Reliance on third party infrastructure

The Group will rely on third party transportation infrastructure in order to deliver its production to the market and incoming reagents and supplies to the Nolans project site . Any delay or failure to access or properly maintain operating infrastructure or shared facilities may have a material adverse effect on the Group.

(f) Reserves and resource estimates

Mineral reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter or become uncertain when new information becomes available on the tenements through additional tests over the life of a project.

Appendix A: Risks

6.4

(f) Reserves and resource estimates (continued)

In addition, reserve and contingent resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. The actual reserves or contingent resources may differ from those estimated which may result in the Group altering its plans which could have either a positive or negative effect on its operations.

Changes in reserve estimates could also impact the Group's ability to maintain its borrowing capacity with its current or future lenders.

(g) Metallurgy and Hydrometallurgy

Testwork is used to develop the metallurgical and hydrometallurgical processes required to convert ore into final products. Scale up, technology and materials handling risks remain as the Group moves from development, to construction, commissioning and production. Product recoveries are dependent upon the metallurgical and hydrometallurgical processes, and by its nature contain elements of significant risk such as:

- (i) developing and identifying metallurgical and hydrometallurgical processes through testwork to produce a saleable product;
- (ii) developing an economic process route to produce a saleable product; and
- (iii) changes in mineralogy in the ore deposit result in inconsistent product recovery, adversely affecting the economic viability of the project.

(h) Native title

Both the Native Title Act (Cth) the Northern Territory Native Title Legislation and Aboriginal land rights and Aboriginal heritage legislation might affect the Company's ability to gain access to prospective exploration areas or obtain Mineral Leases. The Group may from time to time, need to negotiate with any native title claimant for access rights to its tenements. In addition, agreement will need to be reached with native title claimants and/or holders prior to the grant of a Mineral Lease. There may be significant delays and costs associated with these negotiations and to reach agreement acceptable to all relevant parties. At this stage, it is not possible to quantify the impact that these developments may have on the operations of the Company.

Appendix A: Risks

6.5

(i) Environmental

The Group's exploration, development and production activities are subject to legislation regarding environmental matters.

The legal framework governing this area is complex and constantly developing. There is a risk that the environmental regulations may become more onerous, making the Group's operations more expensive or cause delays. The Group may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible.

The Group's operations are subject to the Northern Territory and Commonwealth laws and regulations regarding environment including hazards and discharge of hazardous waste and materials. The mining and processing of Normally Occurring Radioactive Materials (NORM) is subject to additional laws and regulations regarding environmental matters. The cost of compliance with these laws and regulations may impact the cost of exploration, development, construction, operation of the production facilities and mine closure costs.

(j) Title

All mining tenements which the Group may acquire either by application, sale and purchase or farm-in are regulated by the applicable state or territory mining legislation.

There is no guarantee that applications will be granted as applied for (although the Group has no reason to believe that tenements will not be granted in due course). Various conditions may also be imposed as a condition of grant. In addition the relevant minister may need to consent to any transfer of a tenement to the Group.

Renewal of titles is made by way of application to the relevant department. There is no guarantee that a renewal will be automatically granted other than in accordance with the applicable state or territory mining legislation. In addition, the relevant department may impose conditions on any renewal, including relinquishment of ground.

Appendix A: Risks

6.6

(j) Title (continued)

In 2017 the Northern Territory Government (NTG) introduced a “Shared Land Use” policy which encourages consultation between the holder of a mineral title and a pastoral lessee. NTG approval of substantial disturbance activity by the mineral title holder requires evidence of a land access agreement between an explorer and pastoral lessee. Where such an agreement cannot be reached the matter can be referred to the NTG’s Land Access Assessment Panel (LAAP). In the event of a positive determination from the LAAP the mineral title holder may undertake the substantial disturbance activities in accordance with the Mine Management Plan authorised by the Department of Primary Industries and Resources. There is the potential for the land access requirements to cause delays to the Group’s planned development activities.

(k) Legislative changes, government policy and approvals

Changes in government, monetary policies, taxation and other laws in Australia or internationally may impact the Group’s operations and the value of the New Shares. The Group requires government regulatory approvals for its operations.

The impact of actions, including delays and inactions, by state, territory and federal governments may affect the Group’s activities including such matters as access to lands and infrastructure, compliance with environmental regulations, production and exploration activities. This may from time to time affect timing and scope of work to be undertaken. No guarantee can be given that all necessary permits, authorisations, agreements or licences will be provided to the Group by government bodies, or if they are, that they will be renewed. The Group has received environmental approval from the Australian Government and the Northern Territory Environment Protection Authority has recommended the project for approval for the development at Nolans in the Northern Territory but there is no guarantee that the Group can comply with all conditions that are imposed under these approvals.

Appendix A: Risks

6.7

(l) Access to Capital Markets

The Group's business relies on access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available to the Group on favourable terms or within a reasonable timeframe. Failure to obtain additional funding may cause the Group to postpone any development plans, forfeit rights to some or all of its projects or reduce its operating structures, including staff and overhead levels, which may delay or suspend the Group's business strategy and could have a material adverse effect on the Group's activities. Any additional equity financing may dilute existing shareholdings.

(m) Occupational health and safety

Exploration and production activities may expose the Group's staff and contractors to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. If any of the Group's employees or contractors suffers injury or death, compensation payments or fines may be payable and such circumstances could result in the loss of a licence or permit required to carry on the business. Such an incident may also have an adverse effect on the Group's business and reputation.

(n) Insurance

Insurance of all risks associated with mineral exploration and production is not always available and, where available, the cost can be high. The Group maintains insurance within a coverage range that it considers to be consistent with industry practice and appropriate for its needs. The occurrence of an event that is uninsurable, not covered, or only partially covered by insurance could have a material adverse effect on the Group's business and financial position.

Appendix A: Risks

6.8

(o) Financial risks

The Group's activities expose it to a variety of financial risks, including:

- *Market risk:* The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices interest rate risk, price risk, credit risk and liquidity risk (maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities). The Group's future activities will be subject to volatility and fluctuations in those particular areas.
- *Foreign exchange/currency risk:* The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures with respect to changes in foreign exchange rates. The Group's future commercial transactions include product sales, capital expenditure, purchase of foreign sources inputs and debt facilities. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.
- *Interest rate and credit risk:* This relates to the risk that interest rates applicable to the Group may fluctuate and have an impact on the value of the Group's assets and liabilities.
- *Liquidity risk:* This relates to the ability of the Group to maintain sufficient cash and the availability of funding through an adequate amount of committed credit facilities to support the Group's operations.

Appendix A: Risks

6.9

1.2 General risks

(a) Potential for dilution

If shareholders do not take up their entitlements under the Entitlement Offer, then their percentage holding in the Company may be diluted by not participating to the full extent in the Entitlement Offer.

It is not possible to predict what the value of the Company or its shares will be following the completion of the Entitlement Offer and the Directors do not make any representation as to such matters.

The historical trading price of the Shares on ASX prior to this Entitlement Offer is not a reliable indicator as to the potential trading price of Shares or after completion of the Entitlement Offer.

(b) General market and share price

There are general risks associated with investments in equity capital such as the Shares. The trading price of the Shares may fluctuate with movements in equity capital markets in Australia and internationally.

Generally applicable factors which may affect the market price of shares include:

- general movements in Australian and international stock markets;
- investor sentiment;
- Australian and international economic conditions and outlook;
- commodity prices;
- changes in interest rates and the rate of inflation;
- changes in government legislation and policies, including taxation laws and foreign investment legislation;
- announcement of new technologies; and
- geo-political instability, including international hostilities and acts of terrorism.

Appendix A: Risks

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Further, the effect of these conditions on the Group's ability to refinance its debt obligations, and the terms on which any such refinancing can be obtained, is uncertain. If these conditions result in the Group being unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse impact on its financial position, financial performance and/or share price. The operational and financial performance and position of the Company's share price may be adversely affected by a worsening of international economic and market conditions and related factors. It is also possible that new risks might emerge as a result of global markets experiencing extreme stress, or existing risks may manifest themselves in ways that are not currently foreseeable.

(c) Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) Taxation

The disposal of New Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All investors are urged to obtain independent financial advice about the consequences of disposing of New Shares from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of acquiring or disposing of New Shares under this Entitlement Offer.

Appendix A: Risks

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1.3 Speculative investment

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under the Entitlement Offer. An investment in the Company is speculative and investors should consult their professional adviser before applying for or disposing of New Shares.

Appendix B: International Offer Restrictions

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This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

European Economic Area - Germany, Luxembourg and the Netherlands

This document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to publish a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments unless such entity has requested to be treated as a non-professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2014/65/EC, "MiFID II") and the MiFID II Delegated Regulation (EU) 2017/565;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) unless such entity has requested to be treated as a non-professional client in accordance with MiFID II and the MiFID II Delegated Regulation (EU) 2017/565;

Appendix B: International Offer Restrictions

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- to any person or entity who has requested to be treated as a professional client in accordance with MiFID II; or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 30 of the MiFID II unless such entity has requested to be treated as a non-professional client in accordance with the MiFID II Delegated Regulation (EU) 2017/565.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

Appendix B: International Offer Restrictions

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The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Malaysia

This document may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Appendix B: International Offer Restrictions

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Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering material relating to the New Shares (i) constitutes a prospectus or a similar notice as such terms are understood under art. 652a, art. 752 or art. 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of art. 27 et seqq. of the SIX Listing Rules or (ii) has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

Neither this document nor any other offering material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations. This document is personal to the recipient and not for general circulation in Switzerland.

United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Appendix C: Board

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IAN KOWALICK
NON-EXECUTIVE CHAIRMAN

Ian Kowalick has qualifications in science, engineering, economics, and finance. From 1995 to 2000, he held the most senior management position in the South Australian public sector, and was previously the Chairman of the South Australian Forestry Corporation Board. Ian is currently a board member of the Northern Territory Power and Water Corporation.



TERRY GROSE
NON-EXECUTIVE DIRECTOR

Terry Grose has a strong commercial background gained over 30 years as a senior business executive, consultant, and director, in Australia and internationally. Terry worked in Hong Kong for over a decade in a senior financial role before establishing his own business, Grose International, a commercial and financial consultancy with clients throughout Asia.



GAVIN LOCKYER
MANAGING DIRECTOR

Gavin Lockyer's diverse, global experience has provided management and leadership opportunities in a range of disciplines including; Accounting, Financial & Investment Banking, Major Resource Development & Operations, and Global Bank Treasuries. Over the past 20 years his career has exposed him to business practices in North America, Europe, and Australasia.



QUANSHENG ZHANG
NON-EXECUTIVE DIRECTOR

Quansheng Zhang holds a Doctoral degree in Engineering and a Masters degree in Geophysical Prospecting. He is based in Nanjing in the Peoples Republic of China and is the General Manager of Hong Kong East China Non-Ferrous Mineral Resources Co Ltd (HKECE). Quansheng has over 30 years of mineral prospecting and exploration experience, and expertise in mineral resource surveys and geophysics.



CHRIS TONKIN
NON-EXECUTIVE DIRECTOR

Chris Tonkin has over 35 years' experience as a senior business executive with a broad industry background in business generation, management, and strategy development. He is a member of Arafura Resources' Remuneration and Nomination and Audit and Risk Committees and is also Chairman of Lakes Oil NL.



MARK SOUTHEY
NON-EXECUTIVE DIRECTOR

Mark Southey has previously held senior executive positions with Honeywell and ABB both in Australia and internationally, and more recently was part of the global executive leadership team within WorleyParsons, where he held the position of Group Managing Director for the Minerals, Metals and Chemicals Sector.

Appendix D: Management

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RICHARD BRESCIANINI
GENERAL MANAGER EXPLORATION & DEVELOPMENT

Richard has over 30 years' experience in the minerals industry. He worked with BHP Minerals on base and precious metals exploration programs throughout Australasia and North America, contributing to significant economic discoveries at Eloise (copper-gold) and Cannington (silver-lead-zinc). Thereafter he led the Northern Territory Government's Geological Survey as its Director from 2003 to 2007 before joining Arafura.



LLOYD KAISER
GENERAL MANAGER SALES, MARKETING & TECHNOLOGY DEVELOPMENT

Lloyd has more than 10 years' experience in the sales and marketing of industrial minerals into high value sector markets including the nuclear, automotive, and advanced ceramics sectors. Prior to joining Arafura, he held several senior positions in account management, business development and marketing across a diverse range of commodities and chemicals including alumina, coal, industrial minerals, refractories, and ceramics.



PETER SHERRINGTON
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

He commenced employment with Arafura in 2008 as Commercial Manager and was appointed Chief Financial Officer in July 2013. He has more than 20 years' experience in professional and corporate roles in Perth. Prior to working with Arafura, he held senior finance and commercial positions with several ASX and public unlisted entities. He has also worked in public practice for 10 years in the areas of business services and corporate advisory.



BRIAN FOWLER
GENERAL MANAGER NT & SUSTAINABILITY

Brian has worked for over 40 years in private sector mineral companies developing a range of commodities, including rare earths, base metals, and gold. Brian is a member of the Northern Territory Mining Board, Management Board of the Northern Territory Minerals Council of Australia, and a member of Work Health & Safety Advisory Council of the Northern Territory.



STEWART WATKINS
PROJECT MANAGER – NOLANS PROJECT

Stewart Watkins has 25 years' experience in many facets of the mining industry including operations, engineering consulting, project development and management. Stewart is a Fellow of the AusIMM.

Appendix E: Mineral Resources and Production Targets

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Mineral Resources

The mineral resource estimate set out in this presentation was released in an ASX announcement dated 7th June 2017, and was completed in accordance with the guidelines of the JORC Code (2012). Arafura confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the mineral resource estimates in the relevant announcement continue to apply and have not materially changed. Arafura confirms that the form and content in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Production Targets and Financial Information

Information in relation to production targets and financial information included in this presentation is extracted from an ASX announcement dated 7th June 2017. Arafura confirms that all material assumptions underpinning the production target and financial information set out in the announcement released on 7th June 2017 continue to apply and have not materially changed.