

# Bell Potter Unearthed Natural Resources Conference

10 February 2022





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## Mineral Resources and Ore Reserves

The information in this presentation that relates to Mineral Resources is extracted from the Company's 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 is extracted from the Company's 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 presented have not been materially modified from the original market announcements.

## Production Targets and Forecast Financial Information

The information in this presentation that relates to production targets and financial information is extracted from the Company's ASX announcement dated 11 May 2021 (Nolans Project Update). The production target is based on 12% Proved Reserves, 62% Probable Reserves and 26% inferred resources as reported in the Company's ASX announcement dated 11 May 2021. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. Arafura confirms that all material assumptions underpinning the production target and forecast financial information derived from the production target set out in the Company's ASX announcement dated 11 May 2021 (including any assumptions referred to in the Company's ASX announcement dated 11 May 2021 that were used from the DFS as set out in the Company's ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) or from the Updated Mining Study as set out in the Company's ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project)), continue to apply and have not materially changed.

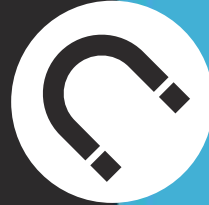
# Corporate Snapshot



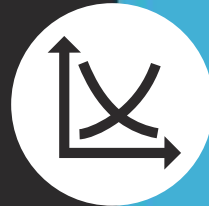
Arafura is aiming to be a **trusted global leader for sustainably mined and processed rare earth products**



Nolans is a **shovel-ready world class NdPr project** in the Northern Territory



**NdPr** is the key input for high performance **NdFeB permanent magnets**

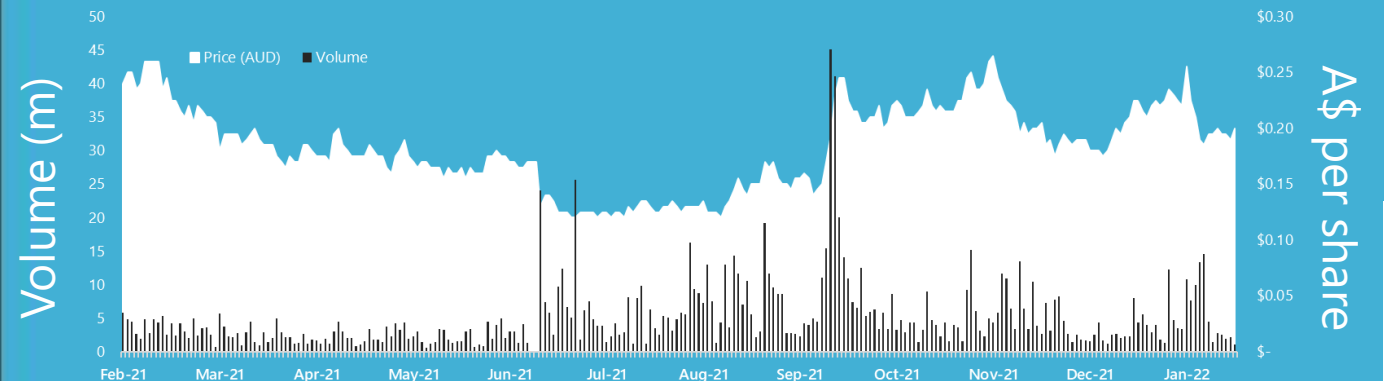


Production is aligned with forecast **supply shortage**

Capital Structure	
ASX Code	ARU
ASX Share Price (7 Feb)	\$0.20
Shares on Issue	1,550m
Market Capitalisation	\$310.08m
12 Month Liquidity	\$236.42m
Cash*	\$41.74m
Debt	Nil
Enterprise Value*	\$268.34m

*\*Data based on 31 December 2021 Quarterly Report*

## Share Price Performance



(ASX:ARU)

# Project Economics

Mining and Production		
Mine Life (years)	38	
NdPr Oxide (tpa)	4,440	
SEG/HRE Oxide (tpa)	474	
Phosphoric Acid (tpa 54% P <sub>2</sub> O <sub>5</sub> MGA)	144,393	
Financial	US\$	A\$
Capital Cost (\$m)	768	1,056
<b>NdPr Oxide (US\$/kg)</b>	<b>US\$87/kg</b>	<b>120</b>
Rare Earth Sales Revenue (\$m/pa)	388	534
Phosphoric Acid Sales Revenue (\$m/pa)	58	79
Mining Costs (\$m/pa)	(30)	(42)
Processing Costs (\$m/pa)	(105)	(145)
General and Administration Costs (\$m/pa)	(15)	(21)
EBITDA (\$m/pa)	257	354
KPI Analysis	US\$	A\$
Operating Cost \$/kg NdPr	33.91	46.60
Operating Cost \$/kg NdPr net of P <sub>2</sub> O <sub>5</sub> credit	24.76	34.06
NPV <sub>8</sub> after tax (\$m)	1,011	1,402
IRR after tax (%)	18.1%	

Robust economics based on long term NdPr price of **US\$87/kg**

**Current price US\$152/kg\***

- ✓ **Post-tax NPV<sub>8</sub> of A\$1.4 billion and IRR of 18.1%**
- ✓ **Capital cost A\$1,056m**
- ✓ **Annual average EBITDA of A\$354m**
- ✓ **Low-cost producer at US\$24.76/kg NdPr**
- ✓ **Single site advantage**

Refer to ASX Announcement Nolans Project Update dated 11 May 2021 which assumes a long-term NdPr oxide price of US\$87/kg. Average production and costs are calculated as the arithmetic annual average following the anticipated two year ramp up and excluding the final years of production from low grade stockpiles.

\* Shanghai Metals Market (9 February 2022)

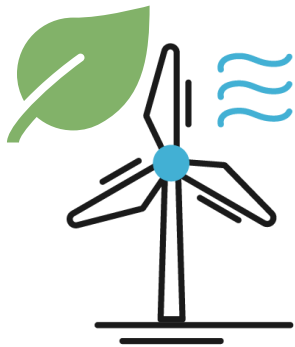
# Nolans Project

is the only NdPr focused project in Australia that plans to mine and process ore to oxide at a single site.

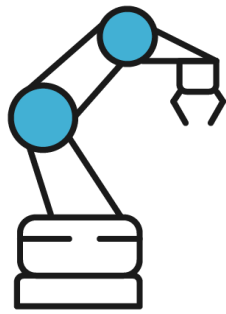
The Nolans Project contains all the Rare Earths but is particularly enriched in the 'Magnet Feed' Rare Earths NdPr



The fastest growing market for NdPr Oxide is in **NdFeB Magnets**. They help make everyday items smaller, lighter, mobile, more efficient and more affordable.



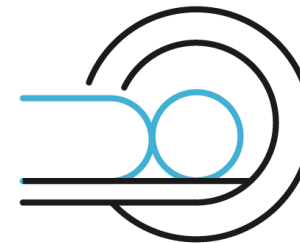
WIND  
TURBINES



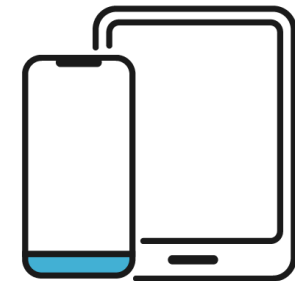
ROBOTS



ELECTRIC  
VEHICLES



MRI  
MACHINES



PHONES &  
TABLETS



(ASX:ARU)

# Strategic Importance of Producing an Oxide

A complete diversified supply chain for the world

1. Mine 2. RE Extraction	3. RE Separation 4. NdPr Oxide	5. NdPr Metal (Conversion)	6. NdFeB Alloy/ Magnet Maker	7. End User/ Manufacturer
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**Non-China Value Chain**

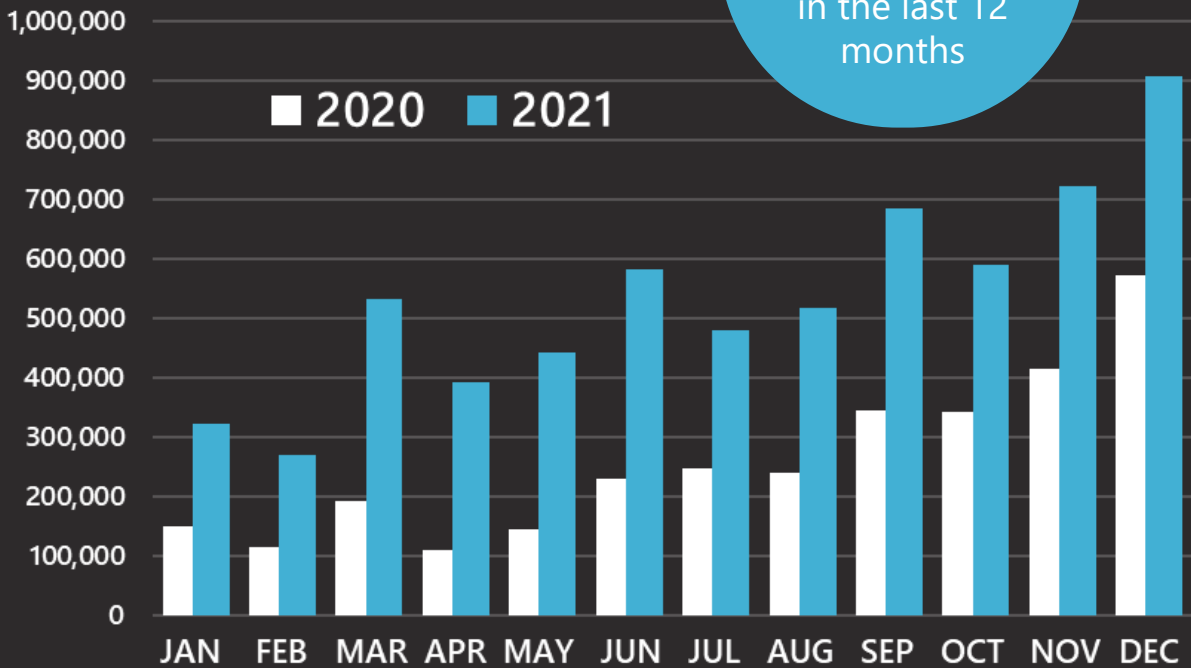
The Non-China Value Chain diagram shows Arafura Resources Limited (ARU) operations in Australia (steps 1 and 2). For steps 3 and 4, ARU also operates in Australia. Step 5 (conversion) is shown with flags for Thailand and Vietnam. Step 6 (magnet making) is shown with flags for the European Union, Japan, South Korea, and the USA. Step 7 (end user/manufacturing) is shown with flags for the European Union, Japan, South Korea, and the USA.

**China Value Chain**

The China Value Chain diagram shows 'IMPORT' for step 3. For steps 4, 5, 6, and 7, it shows 'IMPORT & IMPORT TOLL PROCESS' with the Chinese flag, indicating that these stages are handled through toll manufacturing in China.

# Global EV Sales (BEV+PHEV)

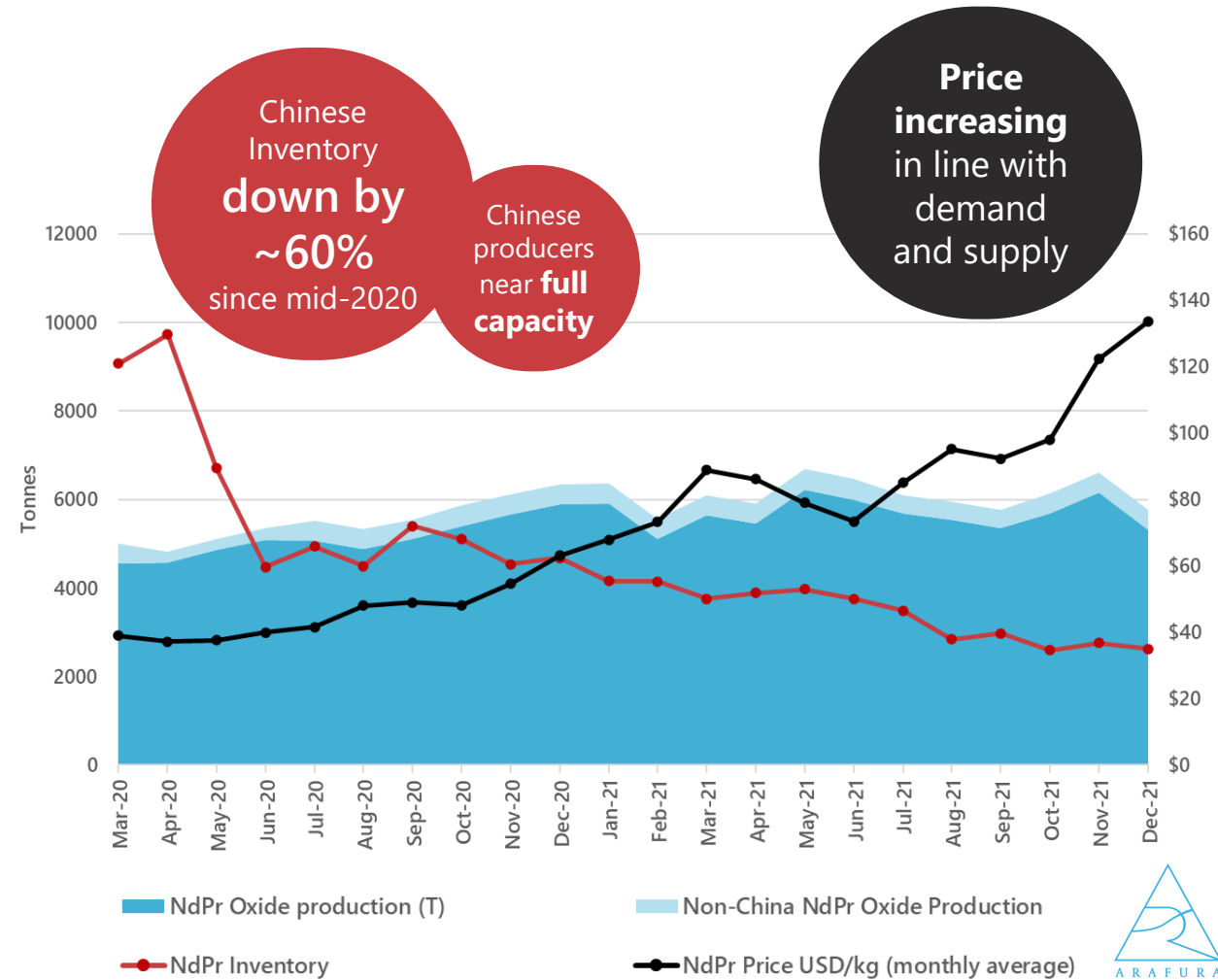
EV Sales have **DOUBLED** in the last 12 months



Source: EV Volumes, Inside EV

# NdPr Price Rise

10/02/2022



Source: Lynas, BAINFO, Asian Metals



(ASX:ARU)

# Advanced Manufacturing in Australia



Arafura acknowledged publicly by Prime Minister Morrison as **flagship critical minerals project**

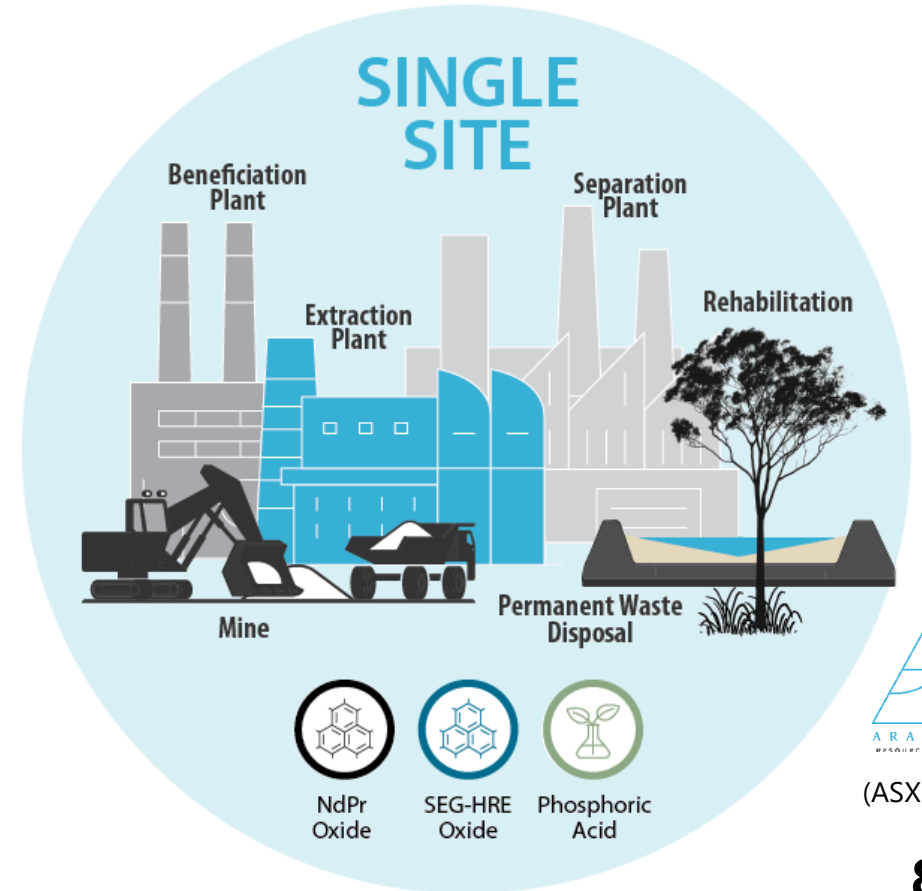
In **2021** Australian Government have provided conditional letters of support for **\$300M** in debt for 15 years.\*

Nolans aims to be the **supplier of choice** for sustainably mined NdPr oxide.

**All environmental approvals** have been secured and waste management & site rehabilitation fully costed.

**Single site processing** provides traceable product and waste management certainty which is **aligned with customers' ESG expectations.**

ESG



\*Conditional letters of support are non-binding and conditional upon internal credit approval, negotiation of lender agreements and further due diligence enquiries (among other conditions).



# Offtake Strategy

Targeting NdPr users not aligned with *Made in China 2025* strategy



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



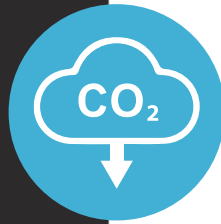
Arafura is in discussions with **10 parties** for **>260% of Planned Production<sup>1</sup>** with a view to **secure 85% as binding offtake**



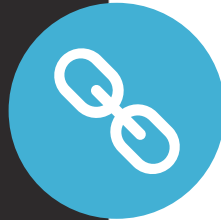
Current indicative sales opportunities				
USA	Europe	Japan	Korea	China
10,000 tonnes of NdPr Oxide <sup>1</sup>				1,800t <sup>1</sup>
OEM Magnet	OEM Wind Turbine Manufacturer E-Motor	E-Motor Magnet	OEM/Motor Trader	MOU JingCi Material Science MOU Tianhe Magnetics

1. Planned Production refers to the average annual production from Nolans of 4,440 tpa (Refer ASX Announcement dated 11 May 2021). Volumes allocated to China may be reduced where offtake is secured in other jurisdictions. Arafura will keep the market informed of entry into any binding offtake arrangements.

# Funding Strategy Leverages Global Focus On Critical Material Supply Chains



Most countries targeting low carbon transport and renewable energy to achieve net-zero emissions



Europe, Japan, Korea and US recognise the need for diversified and robust critical material value chains



Foreign ECAs seeking well structured projects for the supply of critical materials for the manufacturing of EVs and renewable technologies



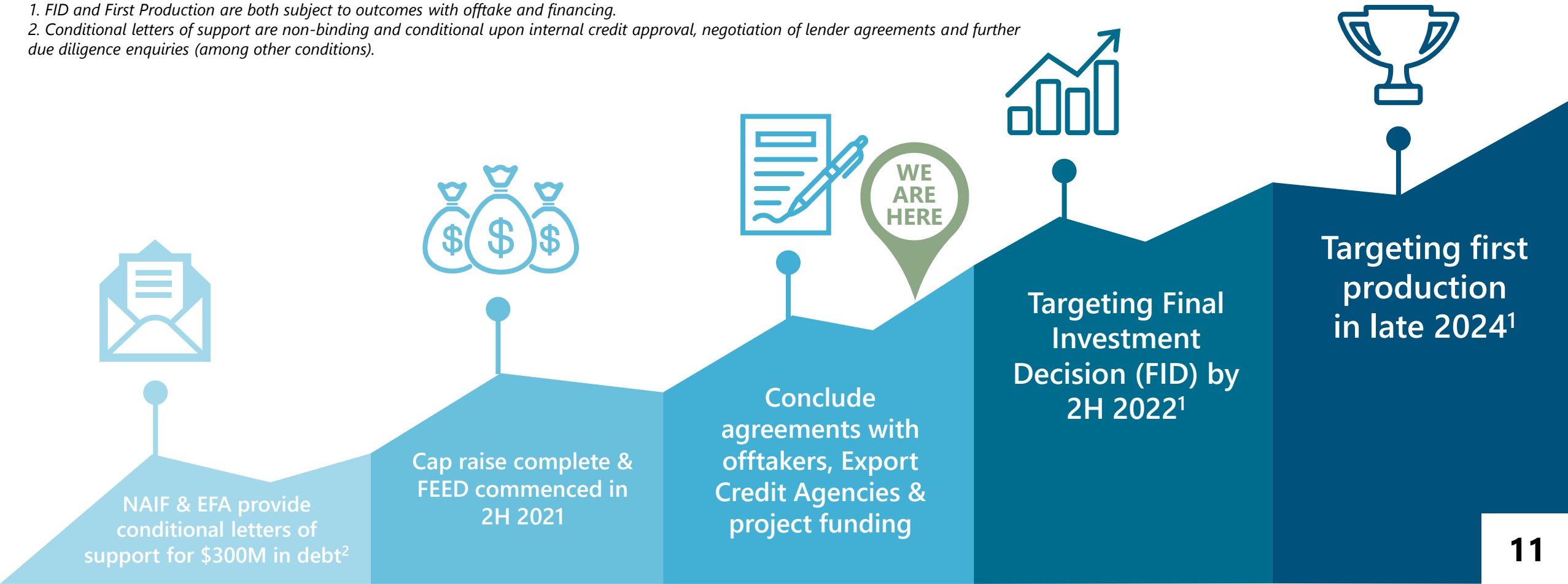
OEMs looking to engage upstream to secure raw materials and supply chain risks can be mitigated via a partner approach

# Nolans Key Development Milestones

*\*Milestone targets are indicative and subject to change and are contingent upon funding, offtake activities and general market conditions*

*1. FID and First Production are both subject to outcomes with offtake and financing.*

*2. Conditional letters of support are non-binding and conditional upon internal credit approval, negotiation of lender agreements and further due diligence enquiries (among other conditions).*





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