

# AGM Presentation

October 2020



21/10/2020





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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.

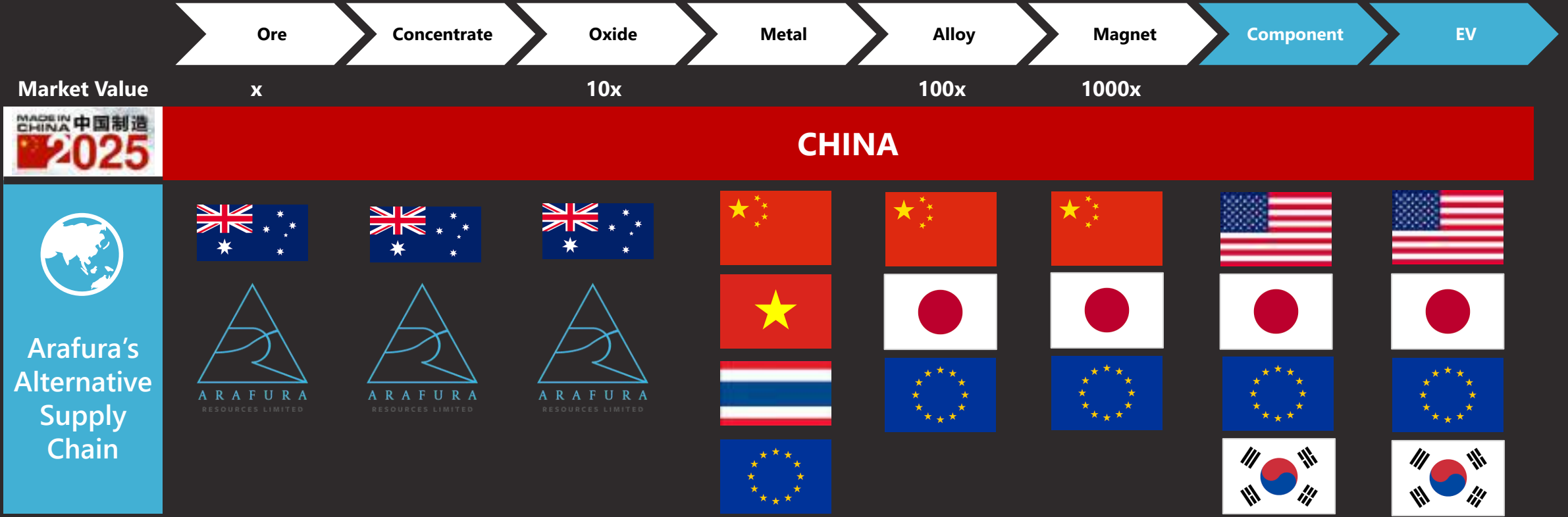
## Production Targets and Forecast Financial Information

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.

# Our Market Opportunity | Critical Minerals Supply Chain Vulnerable



# Global Supply Chain



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

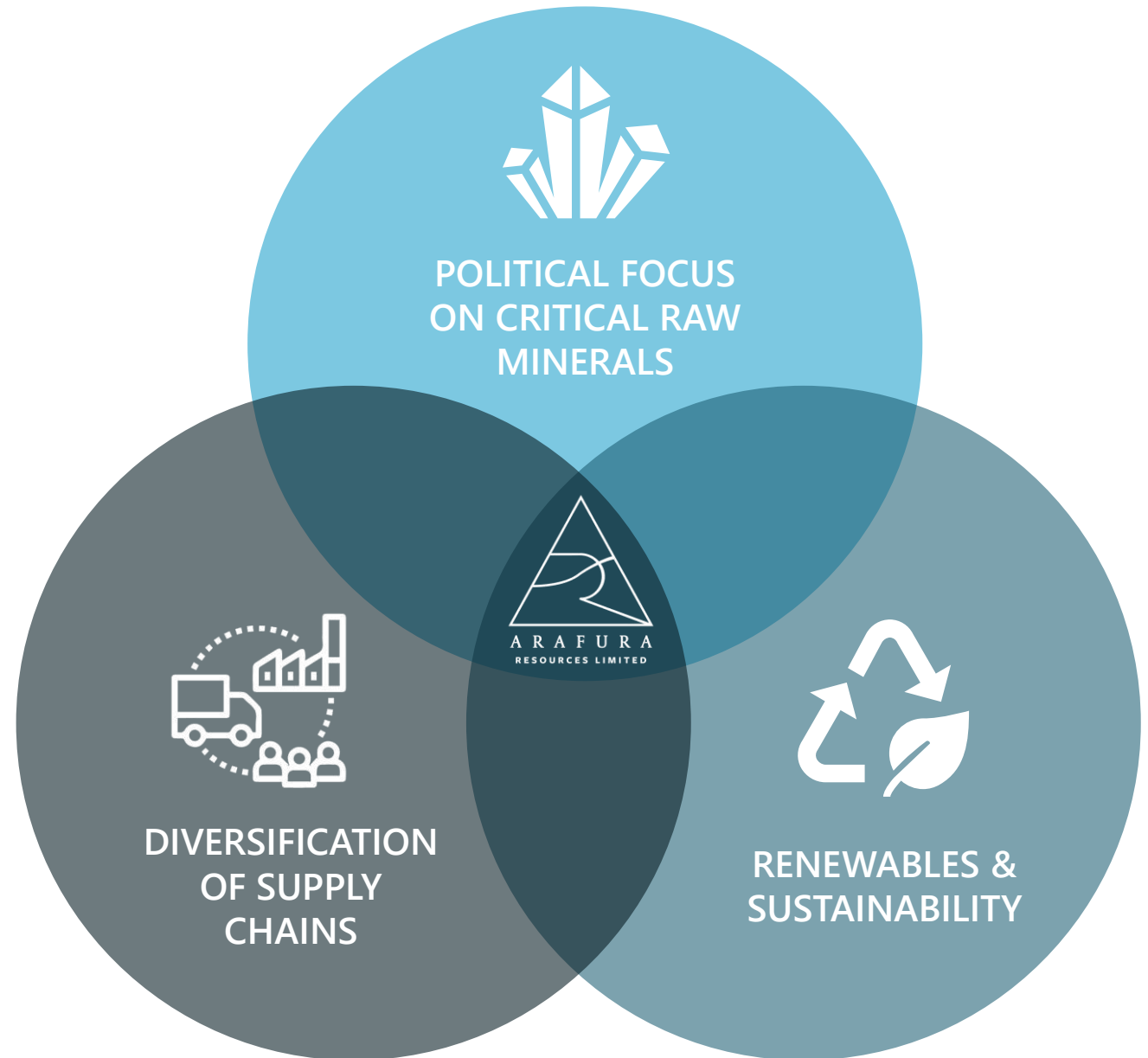
Governments around the world are seeking to partner in opportunities to **diversify the supply chain to prevent disruption.**



(ASX:ARU)

# Key Diversification Drivers

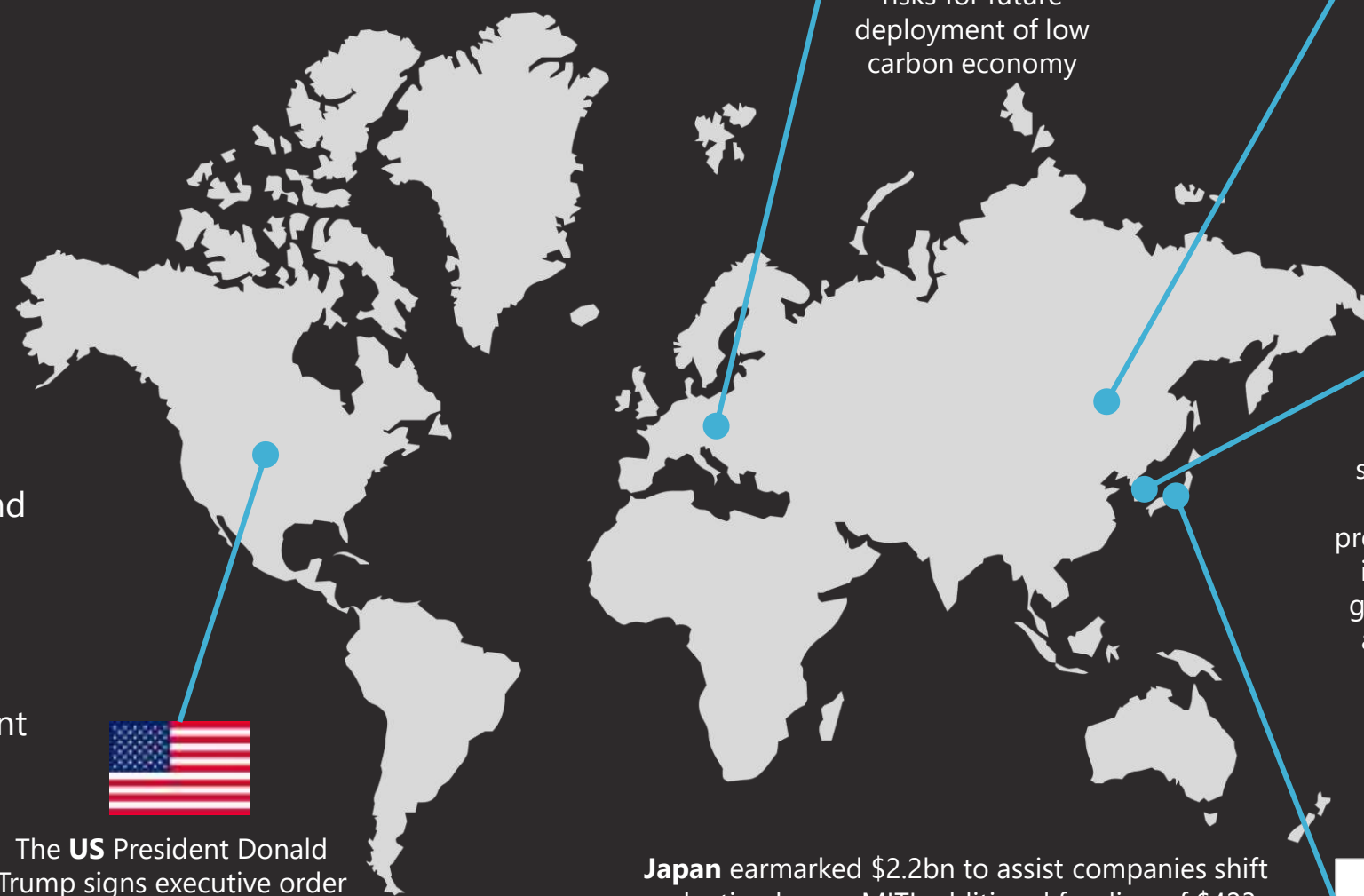
- ✓ **COVID-19** has fast tracked the requirement to diversify supply risk
- ✓ Looming NdPr **supply & demand** imbalance
- ✓ **Global priority** to rebuild and invest in value-add mineral processing capabilities reducing reliance on China
- ✓ **Mandates of ECAs** focused on critical raw materials for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



# Rest of World's 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



The **US** President Donald Trump signs executive order declaring a national rare earth supply chain emergency

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 & domestic growth

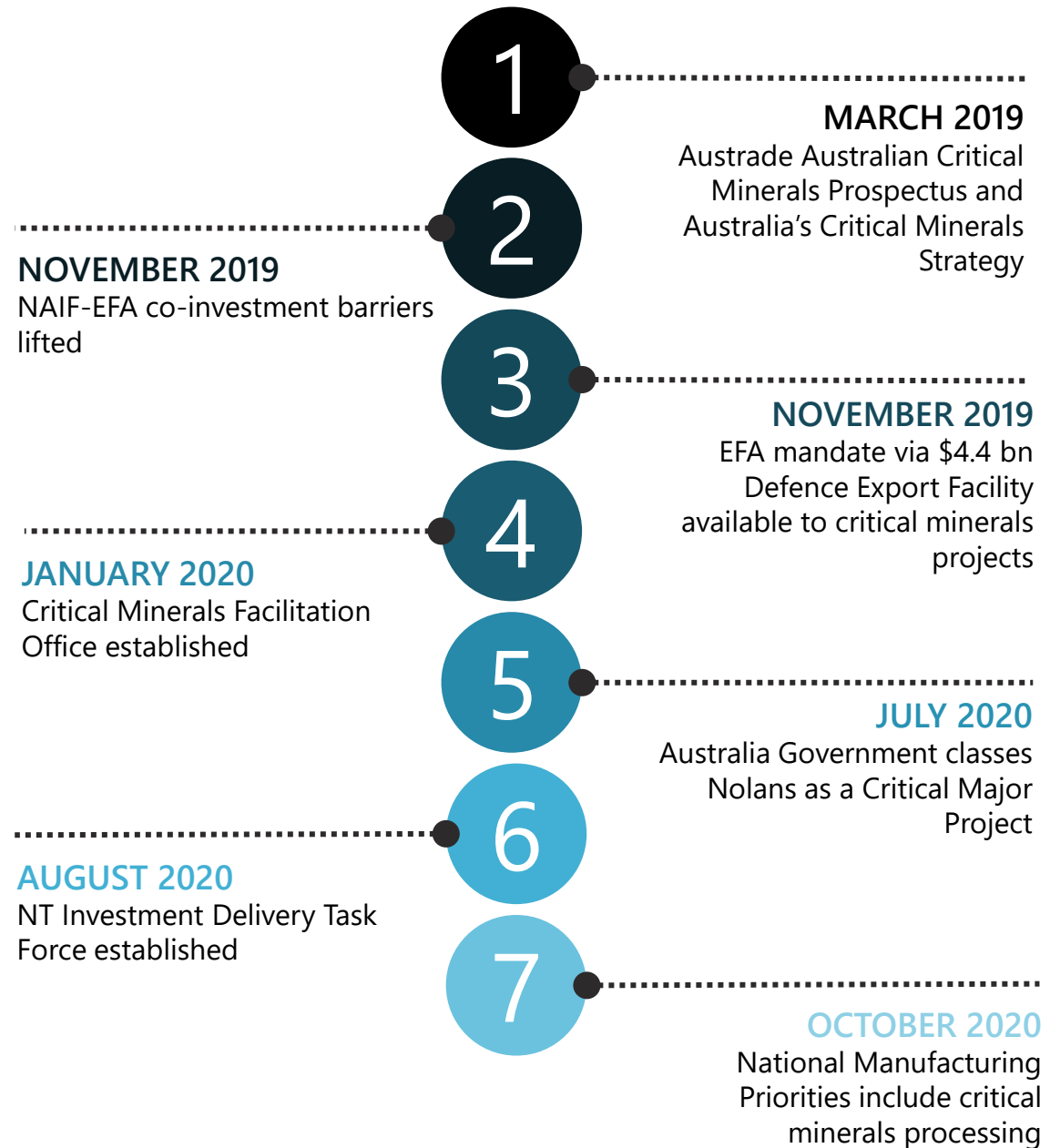


**Korea** looking to re-shore production and create downstream processing opportunities in alliance with other governments to create an alternative supply chain.



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

# Australia's Critical Minerals Initiatives



# NdPr Market Opportunity

## DEMAND



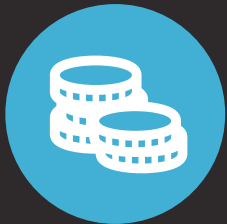
- ✓ Accelerated demand driven by government policy for renewables
- ✓ Automotive sector is forecast to consume nearly 50% of NdFeB supply
- ✓ Offshore wind energy sector will accelerate with strong growth from new projects

## SUPPLY



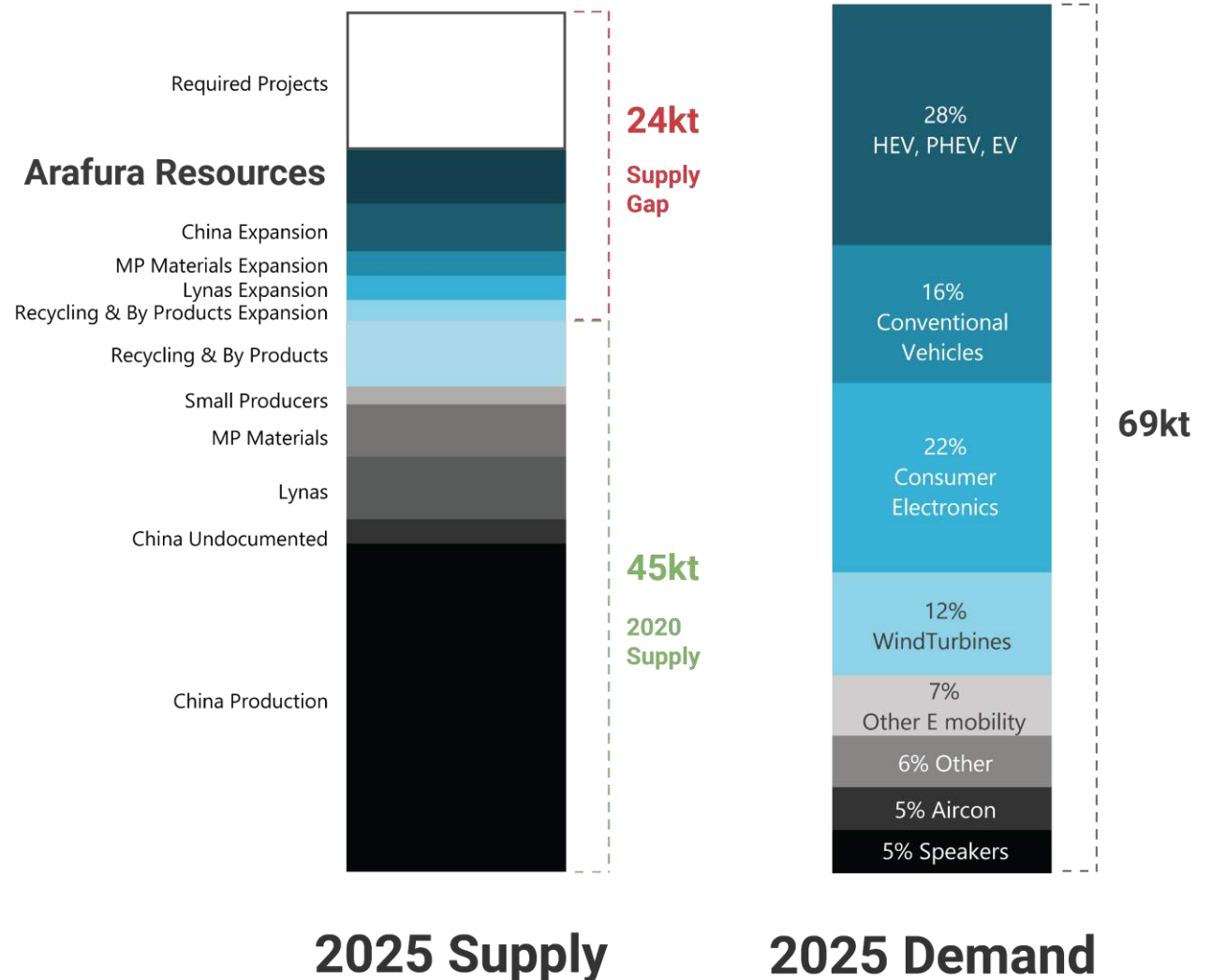
- ✓ China forecast to be net importer and new supply required to meet rest of world demand
- ✓ Investment in new projects required to meet demand requirements for all applications
- ✓ NdFeB magnets and NdPr oxide will move to the best value in use

## PRICING



- ✓ NdPr price has been artificially withheld to discourage new investment.
- ✓ Alternate supply source will limit China's influence on NdPr price.

# NdPr Supply & Demand



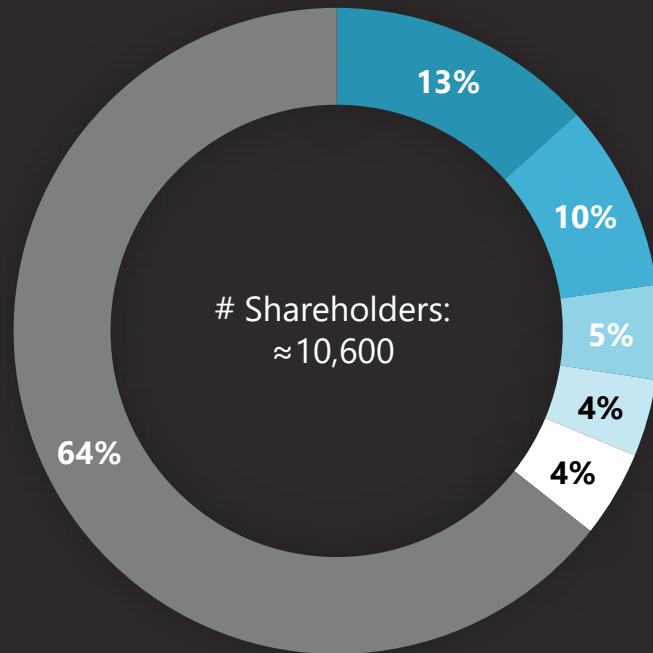
Reference: Arafura internal Supply Demand forecast referencing CRU, Rare Earth Market Study 2020; Roskill, Rare Earth Market Analysis 2018; Kingsnorth, The Rare Earths Market in 2020.



# Nolans Project



# Corporate Snapshot



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

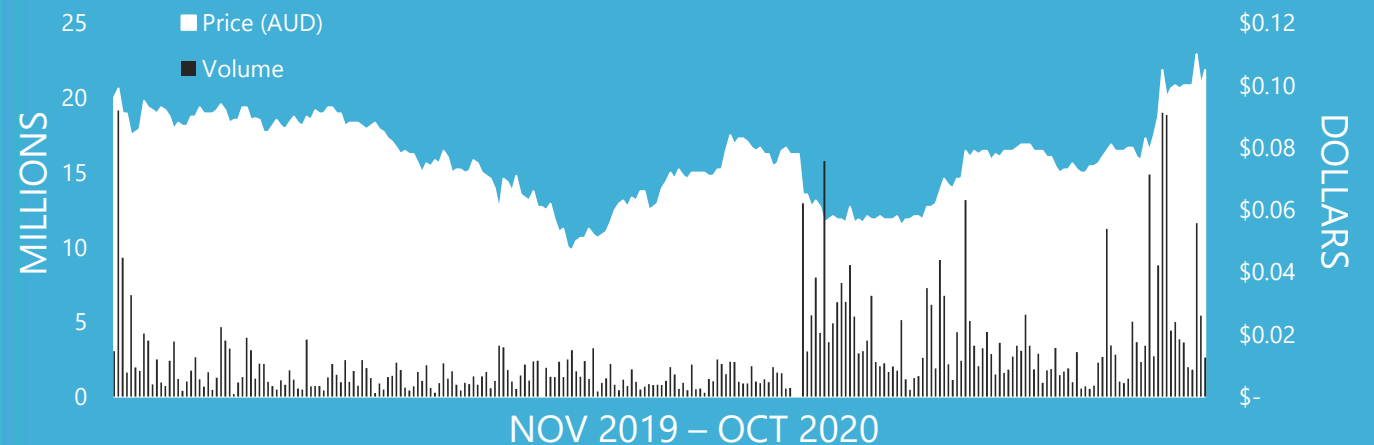
- ✓ Nolans world class NdPr project – DFS completed February 2019
- ✓ NdPr is the key input for high performance NdFeB permanent magnets
- ✓ NdPr is a critical input for the manufacture of energy efficient electric motors
- ✓ NdPr central to many clean energy applications including EVs and wind turbines - Globally Strategic

## Capital Structure

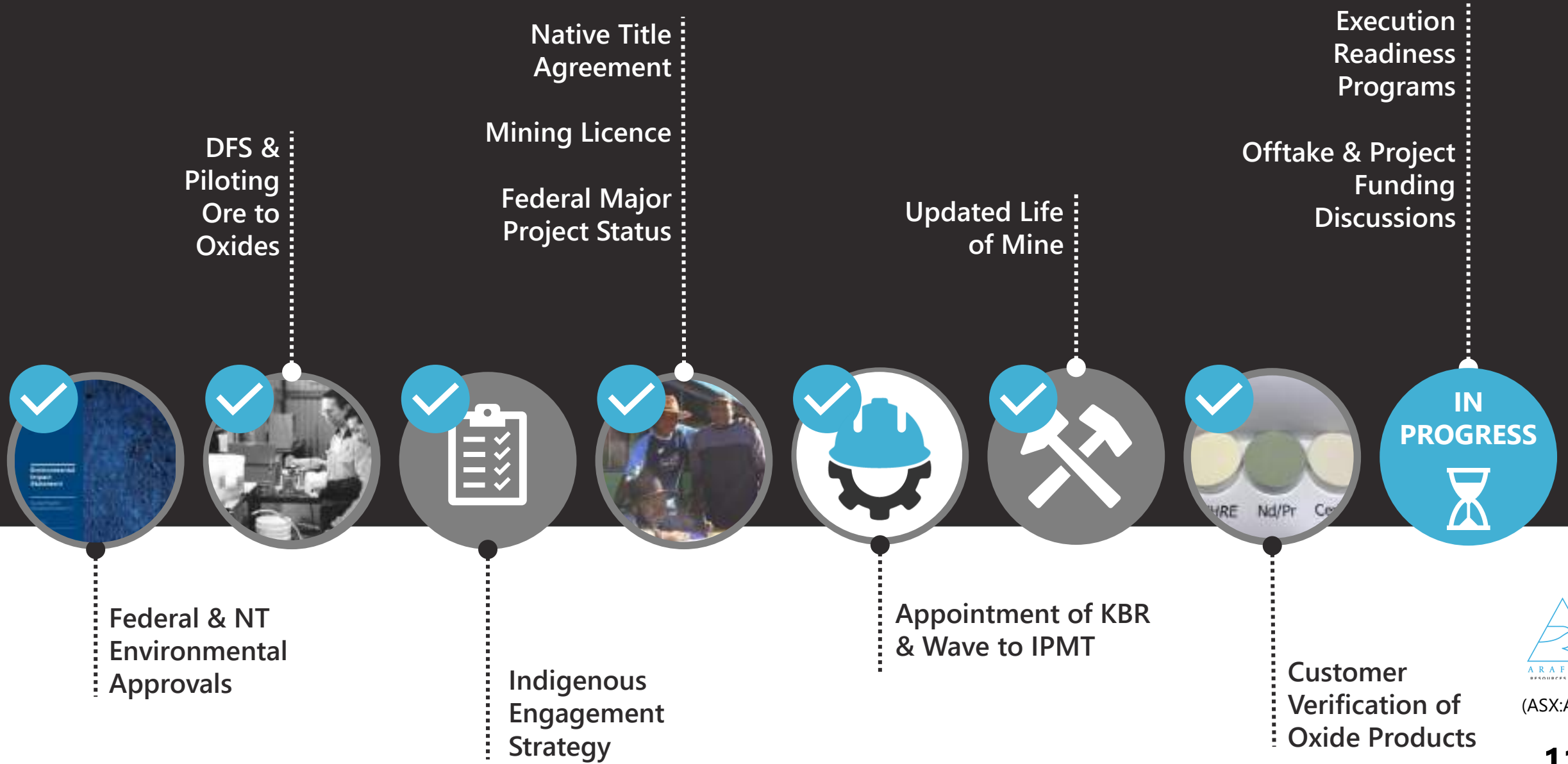
ASX Code	ARU
ASX Share Price (21 October)	\$0.105
Shares on Issue	1,168m
Market Capitalisation	\$122.62m
12 Month Liquidity	\$51.09m
Cash*	\$22.80m
Debt	Nil
Enterprise Value*	\$99.82m

\* Data based on 30 June 2020 Quarterly Report

## 12 Month Share Price Performance



# 2020 - Getting Nolans Shovel Ready

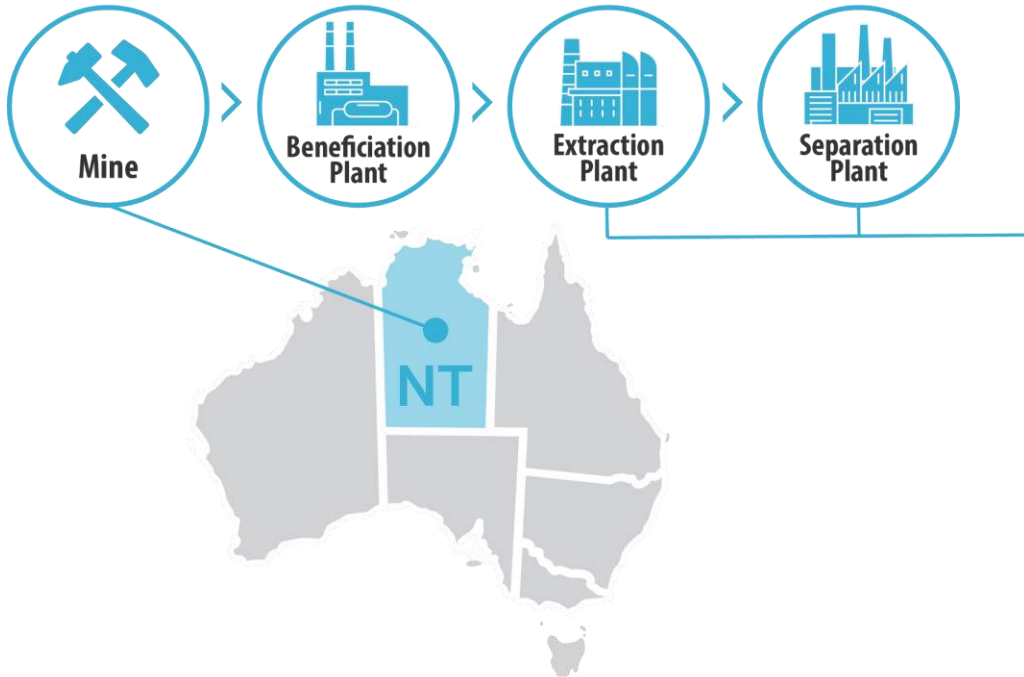


# Nolans a Strategic Resource

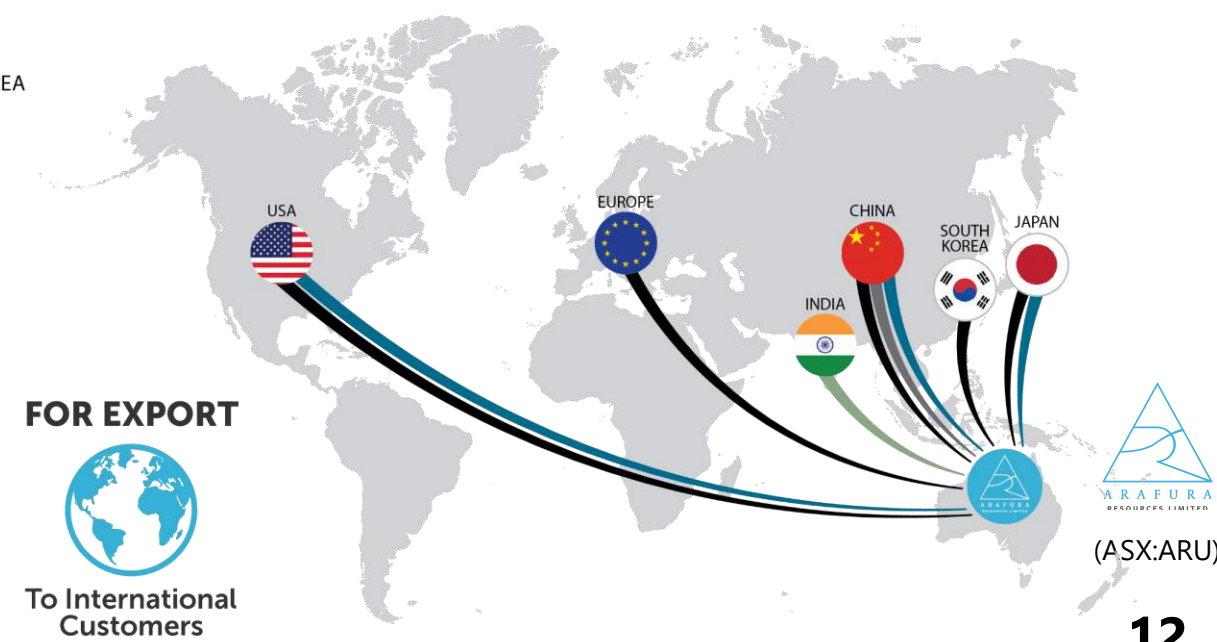


Nolans aims to supply **5-10% of global demand** for NdPr oxide

- ✓ Globally strategic and 100% Australian domiciled
- ✓ Sound project economics with 39-year mine life
- ✓ Ore to oxide at single site with approved waste management plan
- ✓ Phosphoric acid product places Nolans in a unique position to compete with China on cost
- ✓ Supply source certainty



	EUROPE JAPAN SOUTH KOREA USA CHINA
	JAPAN USA CHINA
	CHINA
	INDIA



# Robust Economics

	Ore Reserves	Mining Inventory
<b>Mining &amp; Processing</b>		
Project Life (years)	33	39
<b>Production</b>		
NdPr Oxide (tpa)	3,923	4,325
<b>Financial</b>		
Capital Cost (A\$m)	1,003	1,026
<b>KPI Analysis</b>		
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.*

- ✓ DFS in 2019 and Ore Reserves updated 2020
- ✓ Capital cost **A\$1026m** includes processing to oxide and includes a **fully costed and permitted** waste disposal solution
- ✓ Low cost producer at **US\$23.71/kg NdPr** (current price US\$47.8/kg)
- ✓ **39-year** mining inventory with expansion potential
- ✓ Only Australian NdPr-focused project that is **shovel ready**

# Nolans National Benefits

- ✓ Australia's first vertically integrated supply chain for NdPr oxide
- ✓ Globally significant resource of NdPr oxide
- ✓ Jobs created in the Northern Territory

An average contribution of  
**\$328 m**  
 each year to the Gross Regional Product of the Alice Springs region

EQUATING TO A



**47 %**  
 increase to the contribution made by the mining industry\*\*

An average increase of  
**\$344 m**  
 each year to the real incomes of all Australians

INCLUDING



**\$13 m**  
 each year to people living in the Northern Territory

An annual average of  
**\$173 m**  
 to total taxation revenue in Australia which benefits all Australians

OF WHICH



**53 %**  
 is directly paid by the Nolans Project

\*\* Economic regional profile data from economy.id.com.au for 2018/2019 financial year.

# KEY FACTS



**\$1 billion**  
 cost to develop & build



**\$200 million**  
 annual cost to operate



minimum **39-year**  
 mine life



**135 kilometres**  
 from Alice Springs



construction workforce of **620** operational workforce of **280**



**5-10%** of the world's magnet rare earths supply

# Our ESG Priorities

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



Indigenous Engagement Strategy



Sustainability Policy



Sustainability Framework



Sustainability Action Plan



# Alignment with Global Standards

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



(ASX:ARU)

# Indicative Production Timeline

- ✓ Targeting Front-End Engineering & Design (FEED) to be fully funded prior to commencement
- ✓ Timeline subject to change due to impact by COVID-19 on funding and offtake activities

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																																								





# Project Funding Strategy



# Arafura's Funding Strategy

To create momentum across:



Construction and project delivery strategy



Offtake



Funding

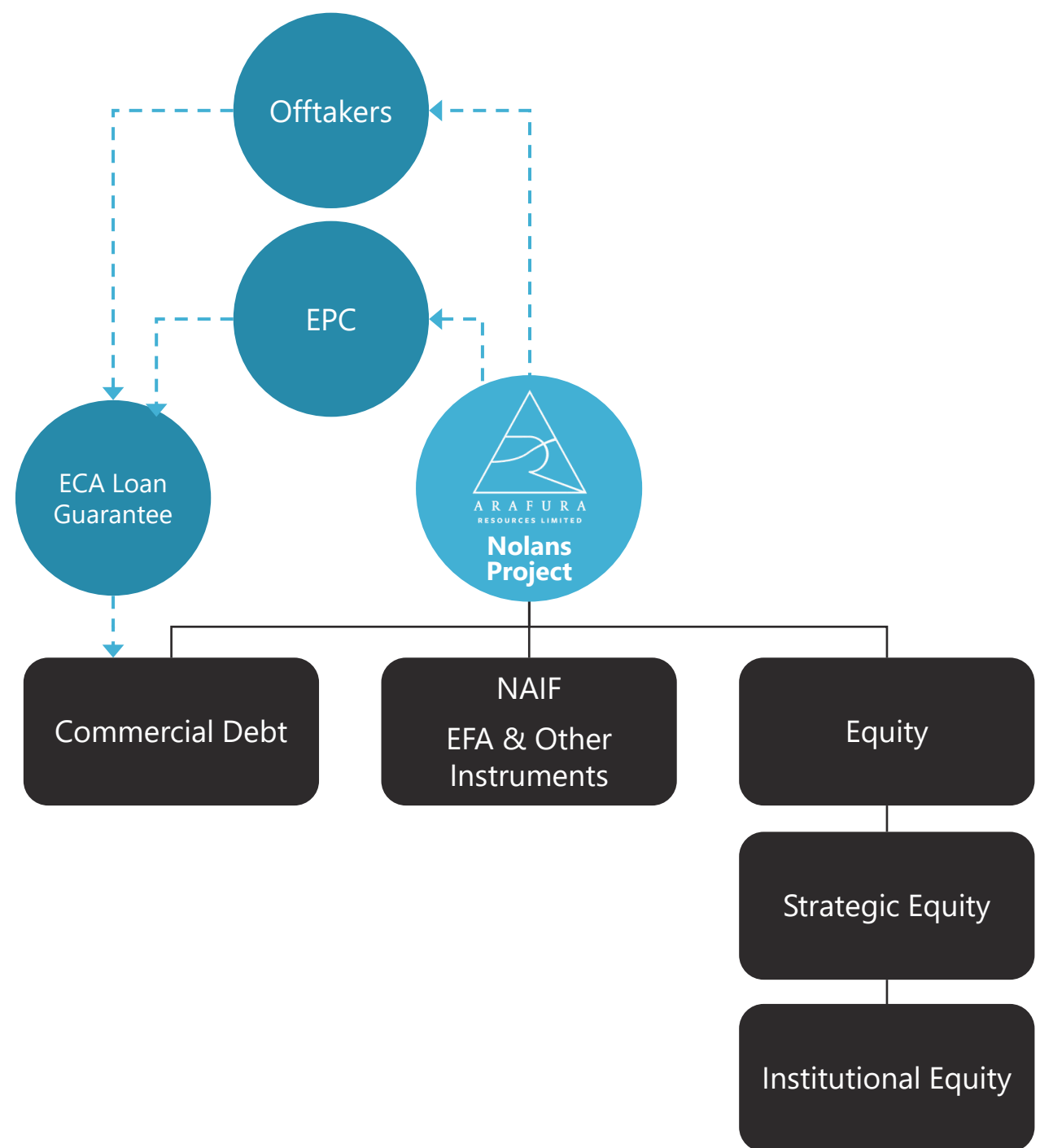


Market

- ✓ Total Funding Requirement \$1,026m
- ✓ Funding Timeline to meet current market opportunity
- ✓ Mix of funding sources sought
- ✓ Seeking Australian Government led- ECA funding

# Targeted Funding Structure

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



# The Offtake Strategy

1

**Customer engagement** targeted at NdPr users **not aligned** with *Made in China 2025* strategy and offtake advanced:

- **Japan** – NdFeB magnet manufacturers
- **Europe & Korea** – automotive component makers and OEMs, and wind turbine makers
- Appointment of European-based advisory firms to assist engagement.

2

**Customer qualification of final rare earth oxide products completed** and well within Total Rare Earth Oxide (TREO) specifications

3

**Arafura has MOU** for NdPr oxide tolling to metal conversion to meet customer needs

4

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

## Sales Distribution Targets

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

- ✓ Targeting 85% of NdPr production under contract with offtake partners
- ✓ Terms being negotiated incorporate floor price mechanisms to support senior debt

# The 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 renewables
- ✓ 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**

# Current Focus

**1**

**Prioritising project work streams** against cash conservation priorities in light of COVID-19 and uncertain recovery of capital markets.

**2**

**Provision of sample product & advancing terms sheets** with end users for offtake.

**3**

**Escalate engagement** with financiers & financial advisors for project financing.

**4**

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



# Any Questions?

## Contact Information



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