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Topics

1. Overview of Arafura

2. Overview of the rare earths market

3. Overview of the Nolans project

Nolans – will not be the biggest

But it will be the best
Overview of Arafura

**ASX listed** (as at 1 May 2008)

- ASX:ARU 145.6 million shares
- ASX:ARUO 8.9 million options (13 cents) expiring 30 June 2008

**Principle project – Nolans phosphate hosted rare earths**

Rare earths & Phosphoric acid – strategically vital commodities

**Exploration projects**

Magnetite hosted vanadium, nickel, gold

**Business strategy**

Nolans has resources for +20 years life
A resource capable of supporting production growth in line with market growth
A demonstration plant currently operational

**Partnerships**

Looking for a committed and motivated strategic growth partner
## Rare earths – history and future

<table>
<thead>
<tr>
<th>Market driver</th>
<th>Industry Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900s Emerging market in flint</td>
<td>Emerging market</td>
</tr>
<tr>
<td>1950s Polishing and glass</td>
<td>Strong growth</td>
</tr>
<tr>
<td>1960s Oil industry catalyst</td>
<td>Industry reforms</td>
</tr>
<tr>
<td>1970s CRT TV era</td>
<td>China’s dominance</td>
</tr>
<tr>
<td>1980s Battery era</td>
<td>Rapid growth</td>
</tr>
<tr>
<td>1990s Magnet era</td>
<td>Economies of scale</td>
</tr>
<tr>
<td>2000 Electronics and HEV era</td>
<td>Industry consolidation</td>
</tr>
<tr>
<td>2010s Renewable &amp; Energy efficient products, Lifestyle and Electronics</td>
<td>Nolans is strategically vital</td>
</tr>
</tbody>
</table>
Demand for our products is strong

Rare Earths

Chemical catalysts

Growing at 5% to 10% per annum

Stronger growth to come from rechargeable battery market and increased heavy crude oil production

Magnets

Market growth currently 15% to 20% per year

Strong growth in the hybrid car market

Current production of NdFeB = 50,000t (2007) to double to 100,000t by 2010

Phosphorescence

Demand growing at 15% to 20% per annum

Plasma panel market, low energy lights bulbs

Phosphoric acid

Strong growth as it is manufacturing constrained market (not resource constrained)

Agricultural & Biofuel markets - the World’s need for protein & energy
Rare earths supply chain

China dominates supply and controls the supply chain.

China
Japan
Europe & USA
India & Russia
Japan’s market share

<table>
<thead>
<tr>
<th></th>
<th>Total world demand</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>NiMH Battery</td>
<td>15,000</td>
<td>7,500</td>
</tr>
<tr>
<td>RE Magnet</td>
<td>25,000</td>
<td>11,250</td>
</tr>
<tr>
<td>Polishing</td>
<td>20,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Catalyst</td>
<td>10,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Glass Additive</td>
<td>5,000</td>
<td>2,500</td>
</tr>
</tbody>
</table>

Global share

- NiMH Battery: 50%
- RE Magnet: 45%
- Polishing: 35%
- Catalyst: 20%
- Glass Additive: 50%
Nolans is enriched in higher value RE

<table>
<thead>
<tr>
<th></th>
<th>Mt Pass</th>
<th>Baotou</th>
<th>Sichuan</th>
<th>Mt Weld</th>
<th>Nolans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value US$/Kg</td>
<td>9.0</td>
<td>10.8</td>
<td>11.50</td>
<td>12.2</td>
<td>13.95</td>
</tr>
</tbody>
</table>

Nolans has additional a co-product of phosphoric acid and by-products of uranium and calcium chloride
Baotou has a co-product of iron
SEGY = Samarium, europium, gadolinium, yttrium and terbium
Prices based on the 1st quarter 2008 price for all rare earths published on metal pages. Current prices at 1 May 2008 are higher
Nolans final product value

Product value including co-product and by-product credits in US$/kg as REO equivalent
Refer to appendix for pricing assumptions

Expressed in US$/Kg REO equivalent

- Nolans
- Mt Weld
- Baotou
- Mt Pass

CaCl
- Uranium
- Phos Acid
- Rare Earths
Nolans project location

Nolans project
135 km north of Alice Springs
5km to gas line
10km to Stuart Highway
15km to Aileron Roadhouse
60 km to rail line
1200 km north to Darwin
1300 km south to Port Pirie
Nolans resource

18.6 mt of Indicated and Inferred resources - JORC compliant

577,000 tonnes REO (3.1%) and 2.1mt P₂O₅ (14%), 4,000 t U₃O₈ (0.47lb/t)

Only drilled to 100m below surface

Drilling has identified more mineralisation not yet classified as resources

Exposed at surface
Open along strike
Hidden under cover
Open at depth
Simple mining

Small quarry < 1.7m tpa

Conventional drill and blast open pit

Crush, screen, upgrade ore by heavy media separation

Transport <500,000 tpa concentrated product using truck and rail

Low power and water demand
Current Results – HMS & PA

HMS = Heavy Media Separation
- Effective rejection of waste and 85% recovery of REO and phosphate
- Will upgrade the resource grade from 3.1% REO to at least 6% or better

PA = Phosphoric acid
- Indicative results show a better than 80% recovery
- Premium quality fertiliser grade product
Total process costs include equipment and installation costs and exclude mine site costs. Contingency costs of $120m have been excluded. Installation includes first fill and working capital.
Excludes royalties or corporate costs

Several chemical manufacturers have expressed strong interest in building and operating chlor-alkali and sulphuric acid plants on site. This will eliminate transportation costs of imported chemicals that were estimated at $100m in the prefeasibility stage. Input prices as at September 2007 PFS

Operating costs

Pre-feasibility costs estimates accurate to ±30%

$50m
- Mining
- Transport
- Administration

$150m
- Chemicals

$50m
- Power
- Maintenance
Nolans revenues – at May 2008

- **Rare Earths**
  - 20,000 tonnes pa
  - US$15,000/t
  - US$300m

- **Phosphoric Acid**
  - 150,000 tonnes pa
  - US$1,800/t
  - US$210m

- **Uranium**
  - 150 tonnes pa
  - US$75/lb
  - US$25m

- **Calcium Chloride**
  - 400,000 tonnes pa
  - US$100/t
  - US$40m

**Total revenue per annum 2008 value**
- **USD** $575m
- **Revenue at exchange rate of 0.955 AUD** $600m
- **Operating costs (excluding import assumption) AUD** $250m

**Gross margin per annum**
- **$350m**
Nolans business structure

Mining & Onsite Processing

100% Arafura

Phosphoric acid

Looking for offtake

Calcium chloride

Looking for partner

Rare Earths Plant

- Autocatalysts
- FCC catalyst in oil

- Electronics
- HEV motor market

- Plasma display
- Energy efficient lights

- Energy markets
OUR MARKETS

RESOURCES FOR THE FUTURE

RE's for emission controls
Eg: Europe

Technical grade phosphoric acid
Eg: Asia

Uranium to energy markets

RE's for magnets, batteries & phosphors
Eg: Japan

RE's for the FCC oil industry
Eg: USA

Australia's target market for liquid phosphate fertiliser
Arafura Resources Limited

Strong management team

   Experienced and motivated
   A reputation for delivering

Nolans project

   An open resource to support long life, strategic growth opportunities
   Strong community endorsement of the project
   Strategically important with strong industry interest in the project

Commodities

   Rare earths are strategically vital - vitamins for electronics
   Phosphoric acid is in very strong demand
   High market demand for the project’s uranium
Pricing assumptions - US Dollars

<table>
<thead>
<tr>
<th>Commodity Prices</th>
<th>2007 actual</th>
<th>2008 PFS Q1 actual</th>
<th>PFS assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>REO in USD/kg</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ce</td>
<td>3.75</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>La</td>
<td>4.75</td>
<td>1.75</td>
<td></td>
</tr>
<tr>
<td>Nd</td>
<td>31.5</td>
<td>30.0</td>
<td></td>
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<tr>
<td>Pr</td>
<td>31.0</td>
<td>35.0</td>
<td></td>
</tr>
<tr>
<td>Sm</td>
<td>4.5</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Gd</td>
<td>15.0</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Eu</td>
<td>430</td>
<td>300.0</td>
<td></td>
</tr>
<tr>
<td>Dy</td>
<td>105</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Tb</td>
<td>710</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Phosphoric acid spot</td>
<td>600</td>
<td>1800</td>
<td>400 per tonne P2O5</td>
</tr>
<tr>
<td>Calcium Chloride</td>
<td>250</td>
<td>250 - 350</td>
<td>100 per tonne</td>
</tr>
<tr>
<td>Uranium</td>
<td>75</td>
<td>50 – 100</td>
<td>100 USD per lb</td>
</tr>
</tbody>
</table>

Recoveries
- Rare earths: 83%
- Phosphoric acid: 80%
- Uranium: 80%
- Calcium Chloride: process residue based on mass balance

Exchange rate
- USD:AUD: 0.94, 0.92, 0.90

Sources: Metal pages, IMCOA, Roskills, UXC, Fertilizer works, RBA and the Company’s own research.