ASX ANNOUNCEMENT

MACQUARIE BANK WA 2022 FORUM

28 November 2022

Arafura Rare Earths Limited (**ASX: ARU**) (**"Arafura"** or the **"Company"**) is pleased to attach a copy of its presentation for the Macquarie Bank Western Australia Forum, held at Macquarie's Perth Offices over 28- 30 November 2022. Mr Gavin Lockyer, Managing Director will present the Nolans Project.

-ENDS-

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ARAFURA'S SUSTAINABILITY GOAL

"Our goal is to be a trusted global leader and supplier of choice for sustainably mined and processed rare earth products, helping our customers deliver clean and efficient technologies. We are committed to delivering positive intergenerational economic, environmental and social benefits to our stakeholders."

Nolans Project Recent Market Developments

28 November 2022

Macquarie WA Forum

ARAFURA
RARE EARTHS LIMITED

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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 Rare Earths 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 Rare Earths 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 November 2022 (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 November 2022. 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 November 2022 (including any assumptions referred to in the Company's ASX announcement dated 11 November 2022 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.

28/11/2022

Australian REE Supply Diversification

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Project Update

Key Takeaways

- Nolans is the only advanced fully permitted Ore to Oxide project of scale outside China
- Cornerstone Binding Offtake Agreement with Hyundai and Kia. Non-binding MoU with GE Renewable Energy to collaborate in establishment of sustainable supply chain for NdPr.
- Strong economics with 68% increase in NPV_8 to A$2.4 billion and average A$573m annual EBITDA at NdPr price of US$130 per kg
- Long term outlook for NdPr price is extremely robust with upside case delivering NPV_8 of A$4.2 billion at NdPr price of US$190 per kg
- Debt process under way with Société Générale and National Australia Bank, underpinned by NAIF / EFA and gaining support from ECAs
- On track for commencing procurement and construction in early 2023

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Corporate Snapshot

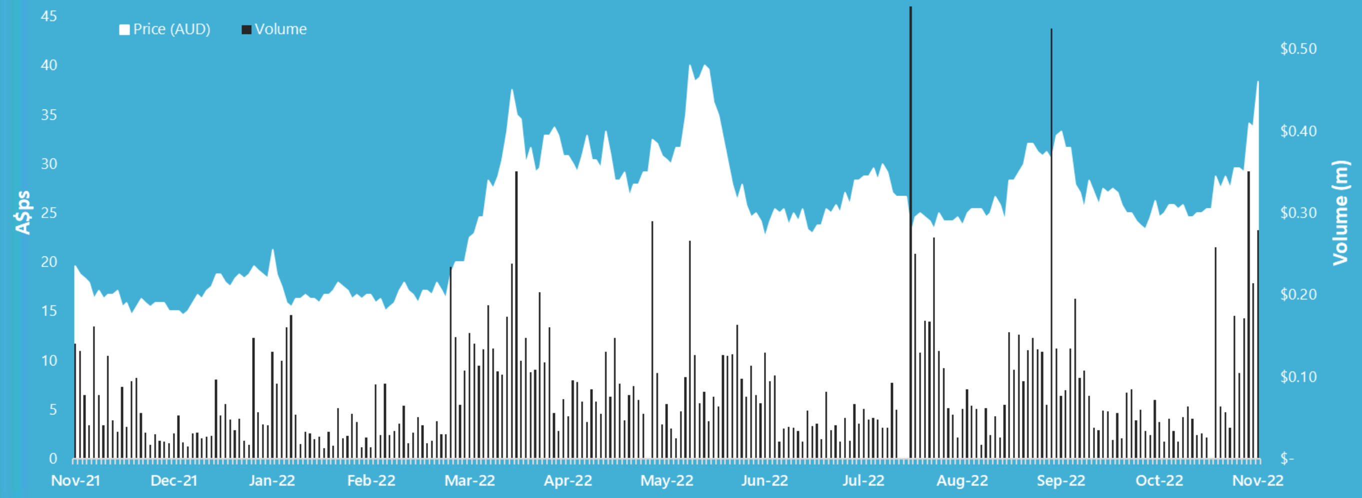
- Nolans is a shovel-ready world class NdPr project
- NdPr is the key input for high performance NdFeB permanent magnets
- NdPr is central to many clean energy applications including EVs and wind turbines
- Arafura is aiming to be a trusted global leader for sustainably mined and processed rare earth products
- Production is aligned with forecast supply shortage

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

Capital Structure	
ASX Code	ARU
ASX Share Price (22 Nov 2022)	$0.46
Shares on Issue	1,727m
Market Capitalisation	$794.62m
12 Month Liquidity	$544.43m
Cash*	$49.01m
Debt	Nil
Enterprise Value*	$745.61m

**Data based on 30 September 2022 Quarterly Report*

Share Price Performance
(22 Nov 21 to 22 Nov 22)



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Delivering to an ESG World

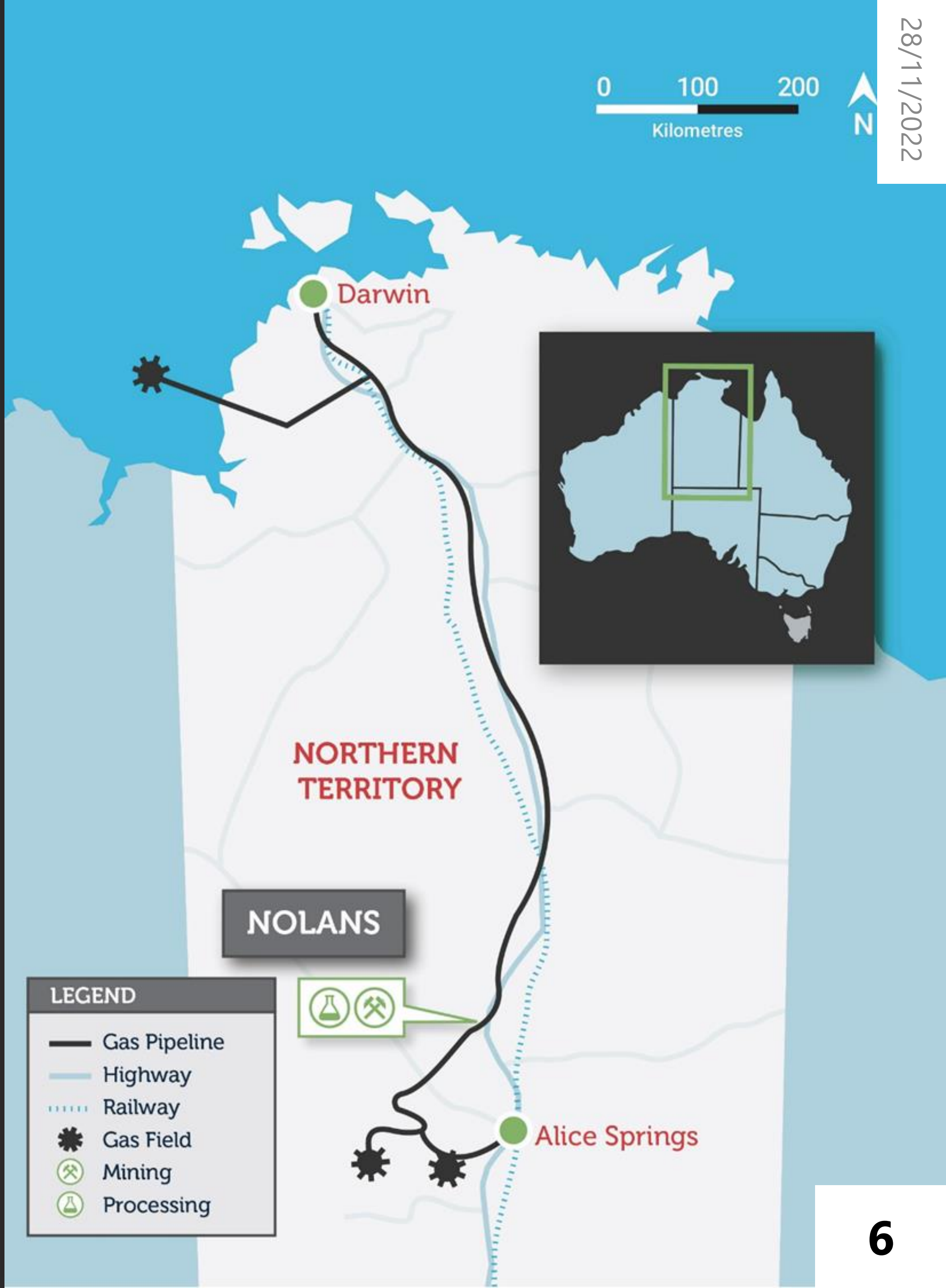
Nolans is the **only** NdPr focused project in Australia that plans to **mine and process ore to oxide at a single site.**

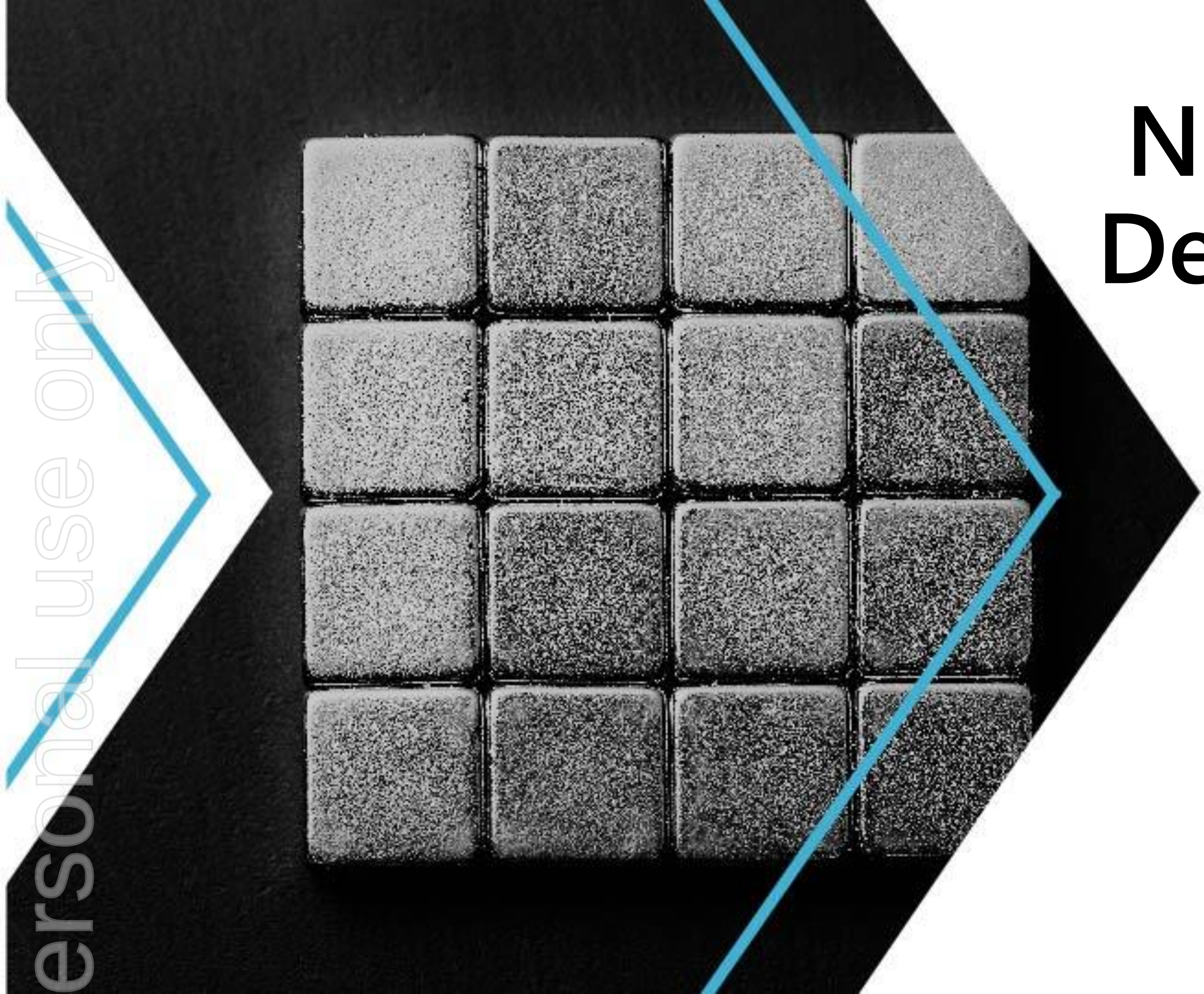
In a changing world a focus on environmental responsibility has become paramount

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

ESG

Single site processing provides traceable product, waste management certainty and an ability to drive GHG reduction which is **aligned with customers' ESG expectations.**





NdPr Market Development

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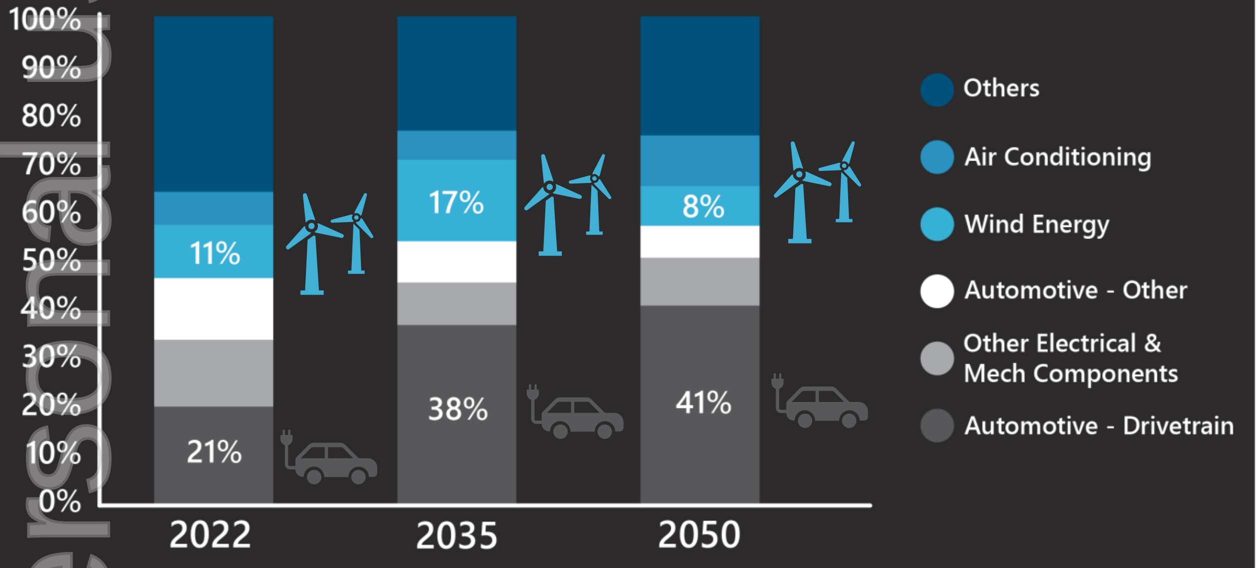
NdPr for Magnets Critical Component in Clean Energy Sector

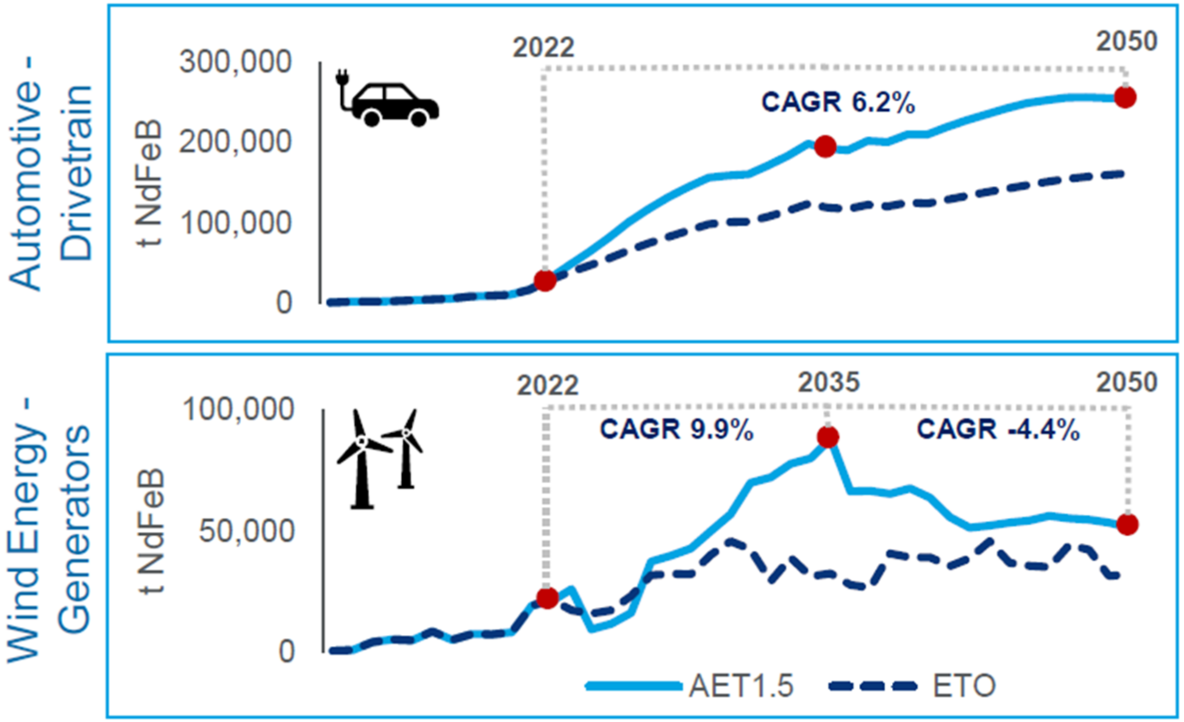
- Wood Mackenzie forecast an Accelerated Energy Transition (AET) 1.5°C scenario (Global net zero by 2050) requires significant and prolonged ramping-up of RE production
- Security of supply will be challenged, sustained higher NdPr prices will be required to stimulate the development pipeline
- Drivetrain automotive and wind energy to represent 55% of magnet demand in 2035

NdFeB Magnet Demand by Major End-Use (AET1.5)



Source: Wood Mackenzie Business

Forecast supply gap emerging by 2030 represents in excess of **10 Nolans Projects**



ETO = Energy Transition Outlook (Base Case)
AET1.5 = Accelerated Energy Transition 1.5°C (Scenario)

Source: Wood Mackenzie Business

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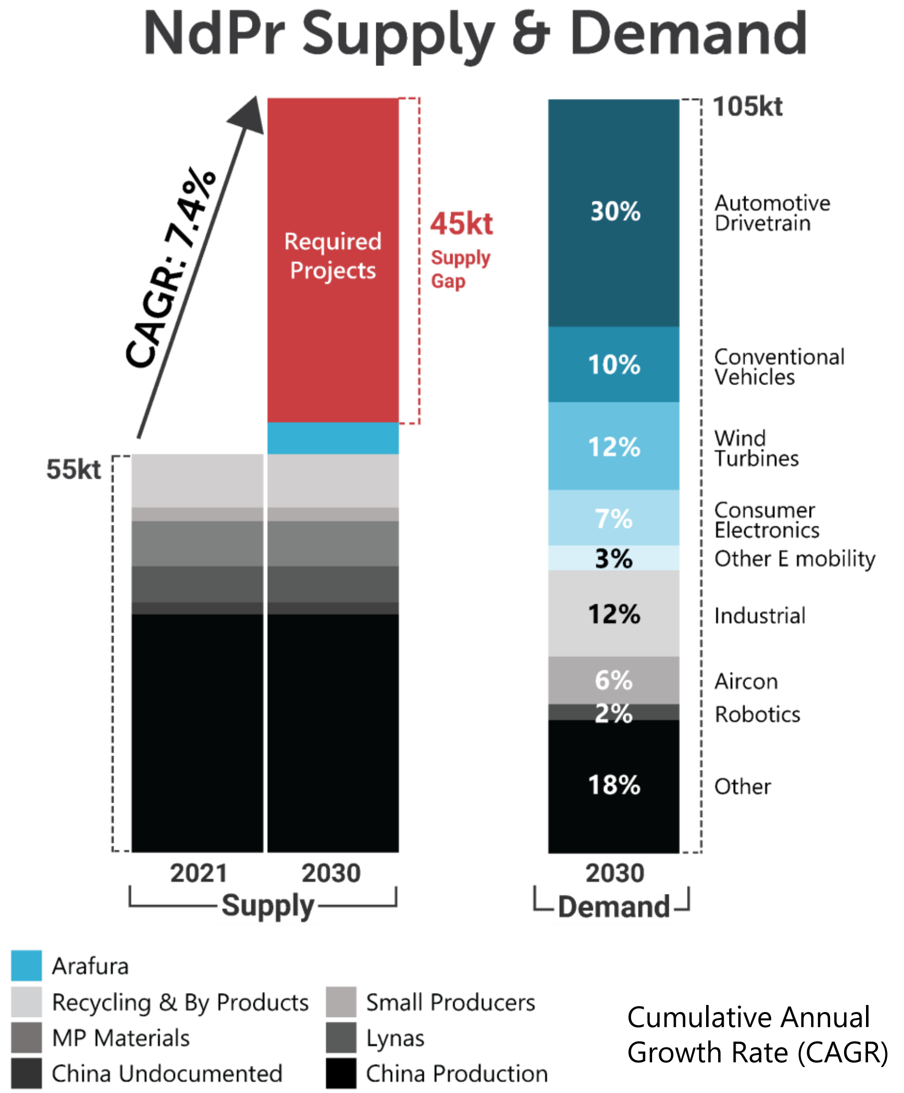
NdPr Supply Gap

- New supply will lag significantly behind demand growth and only a handful of non-China NdPr projects will be in production in the next 5 years
- Tighter regulatory and policy controls will constrain China's ability to expand at the same pace and open new mines after a decade of environmental legacy issues
- China supply growth supports its own China 2025 strategy and downstream industry demand growth in Wind and NEV
- Supply gap will largely be concentrated with non-China NdPr users
- Significant competition for NdPr between offshore wind and EV makers

Investment in new projects is required to meet demand requirements



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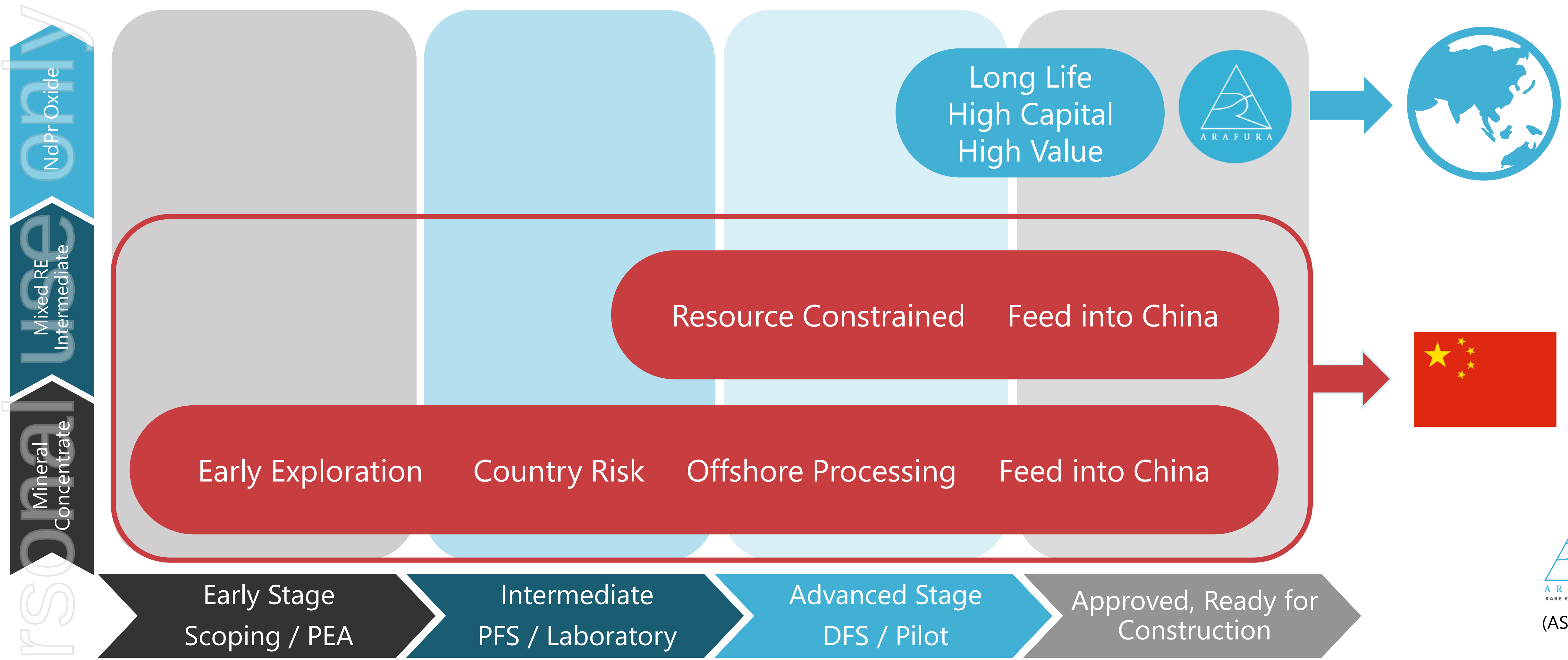
Source: Arafura internal Supply Demand forecast referencing Wood Mackenzie - Rare earth market Outlook to 2050, 2021; CRU - Rare Earth Market Study, 2020; General Administration of Customs of China via Baiinfo January 2022. Supply is primary supply and excludes secondary source of NdPr supply from waste magnet production.

NdPr Resource Project Pipeline



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Offtake Update

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Offtake

Offtake strategy aligned with NdFeB users who need a diversified supply chain

Binding offtake agreement entered into with Hyundai and Kia for up to 1,500 tpa oxide (or metal equivalent)

Four other companies in contract negotiations representing 63% of Binding Offtake Target

Arafura is targeting 85% of Planned Production[1] as binding offtake for FID (Binding Offtake Target).

Offtake Discussion Group	Location	NdPr Oxide (tpa)[2]	% of Binding Offtake Target
Secured Offtake (binding agreement)			
Hyundai & Kia	Korea	1,500	40%
Offtake under discussion[3]			
Contract negotiations	Japan & Europe	2,375	63%
Advanced offtake discussions	Europe & US	2,600	69%
	Total	**6,475**	**172%**

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

1. *Planned Production refers to the average annual production from Nolans of 4,440 tpa (Refer ASX Announcement dated 11 May 2021).*
2. *Product may be supplied as NdPr Oxide or Metal equivalent.*
3. *The Company, at this stage, has no certainty as to the timing and likelihood of successfully concluding binding agreements being entered into.*

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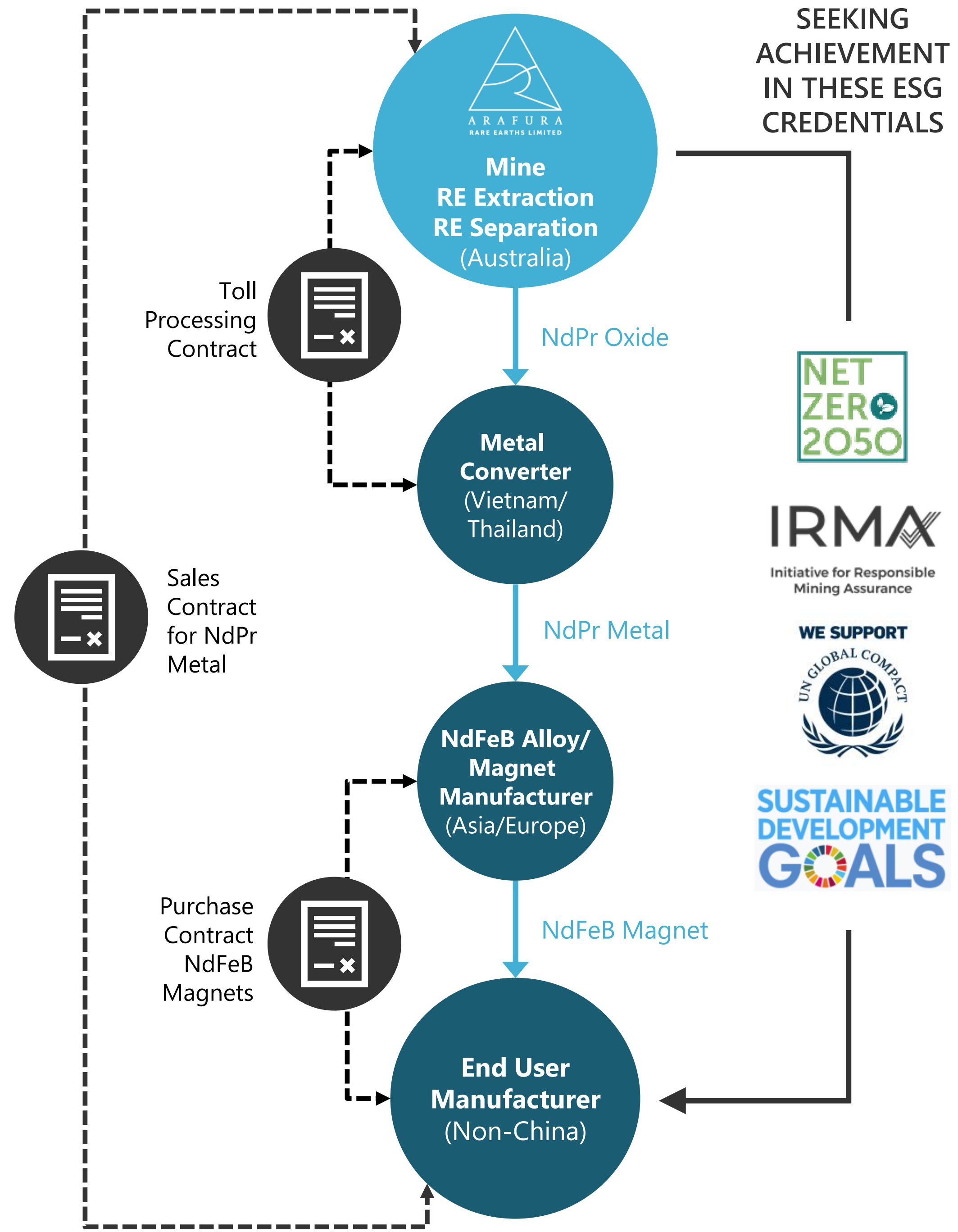
Offtake & Supply Chain

Sustainable producer of NdPr to align to "Green Procurement" strategy

- ✓ Enables access to a sustainable NdPr feedstock where provenance is easily traceable.
- ✓ Optionality of oxide or toll processed metal conversion
- ✓ Enables access to a sustainable NdPr feedstock where provenance is easily traceable.
- ✓ Provenance will also be important in US and European markets



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Offtake & Link to Project Funding

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Progress on Funding

Debt

- Mandated Lead Arrangers (MLAs) appointed- Société Générale and NAB
- MLAs seeking to arrange US$510m (inclusive of cost over run) debt financing
- Balance of the debt financing will be targeted through untied ECA funding and to the extent required additional MLA banks or via syndication
- NAIF & EFA will support A$300m of debt subject to further DD and credit approval
- Offtake drives the participation of untied ECA funding

Equity

- Potential strategic investment in Arafura to be negotiated in conjunction with final offtake through HoA with Hyundai and MoU with GE Renewable Energy
- Strategic equity linked to other potential offtakes partners.
- Corporate advisors appointed to review strategic equity proposals and other proposals that may result in Arafura developing the project[1]
- A$30m MMI Grant for construction of separation plant reduces equity requirement

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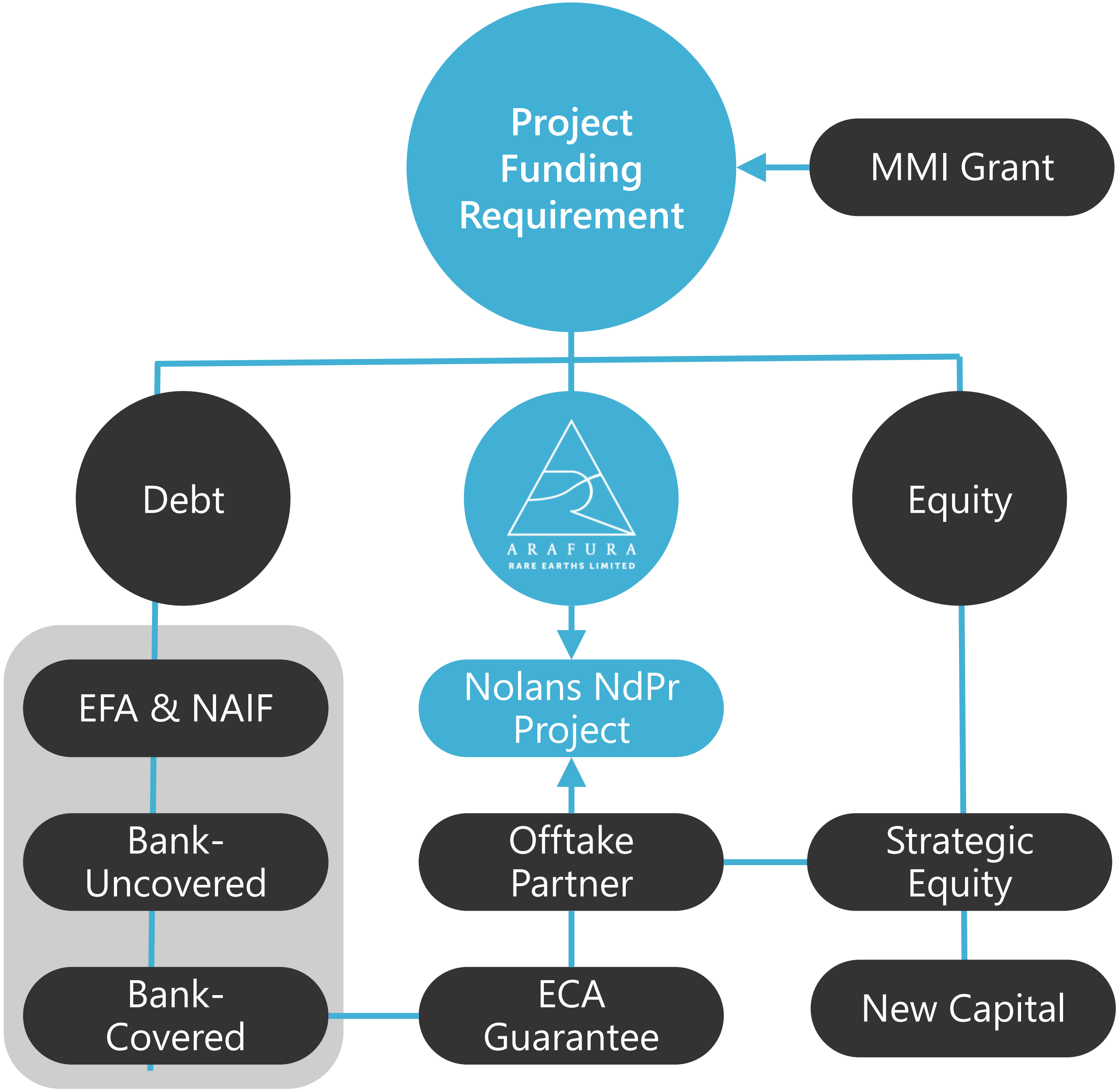
1. The Company at this stage, has no certainty as to the timing and likelihood of negotiations with potential partners successfully concluding or binding agreements being entered. Details of any binding arrangements will be announced to the ASX if (and when) formal agreements have been executed.

Targeted Project Funding Structure



Australian REE Supply Diversification

- NdPr and NdFeB critical to energy transition.
- Energy transition linked to policy and demand but could be disrupted by procurement of critical materials.
- Future economic leadership needs collaboration to establish robust and diversified NdPr supply chains.
- Currently, China has the only fully integrated ore to NdFeB magnet value change.
- Failure to secure diversified NdPr supply means a loss of industry to China.
- Governments and industry must rebuild supply chains and encourage the deployment of capital for production of critical materials, in order to create end to end value.
- Multi-lateral engagement reinforces supply chains.
- Arafura well positioned as major non-China, ESG-compliant potential producer of NdPr.

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Long Life Asset

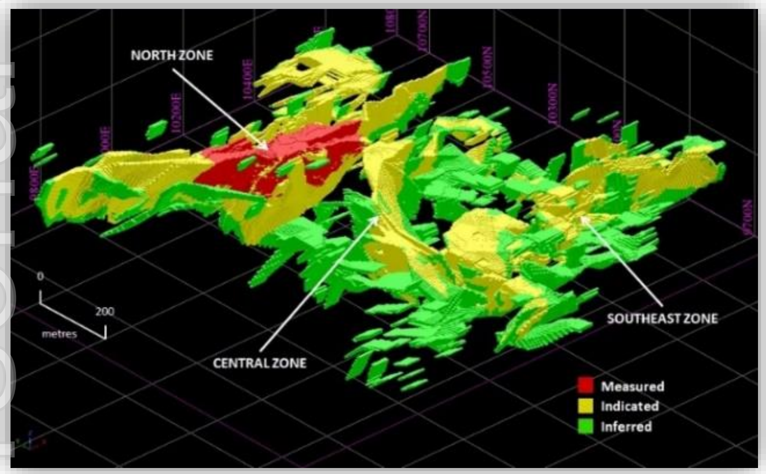
RESOURCES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P_2O_5 %	NdPr ENRICHMENT %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
TOTAL	**56**	**2.6**	**11**	**26.4**

As announced on 7 June 2017. 1% TREO cut-off grade. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd_2O_3 and Pr_6O_{11}.

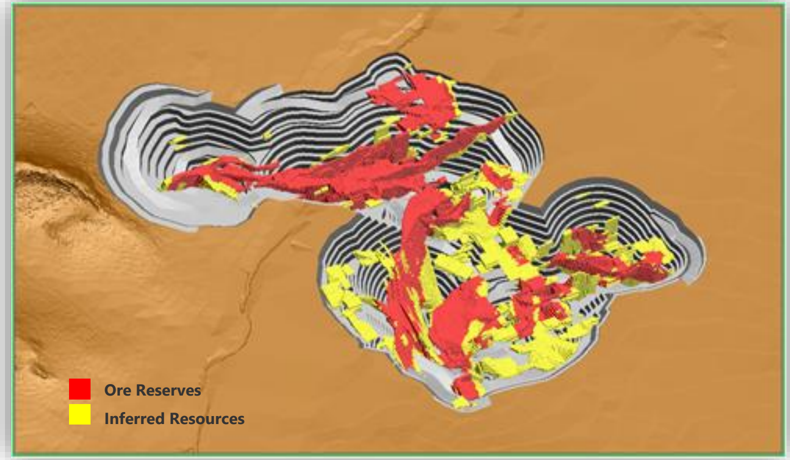
RESERVES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P_2O_5 %	NdPr ENRICHMENT %
Proved	5.0	3.0	13	26.2
Probable	24.6	2.8	13	26.5
TOTAL	**29.5**	**2.9**	**13**	**26.4**

As announced on 16 March 2020. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd_2O_3 and Pr_6O_{11}.

Mineral Resources



Ore Reserves



Geology

- World class strategic resource
- NdPr enriched
- Apatite hosted
- Discovered through airborne radiometrics
- 90km of drilling to develop 29 yrs of reserves and 38 yrs LOM
- Open at depth

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Updated Project Economics

Key Project Information		
Mining and Production		
Mine Life (years)	38	
NdPr Oxide (tpa)	4,440	
SEG/HRE Oxide (tpa)	474	
Phosphoric Acid (tpa 54% P_2O_5 MGA)	144,393	
Product Pricing		
US$/kg NdPr Oxide price – offtake period	125.50	
US$/kg NdPr Oxide price – LOM	130.10	
Financial	**US$**	**A$**
Capital Cost		
Pre-production Capital ($m)	995	1,394
Contingency ($m)	140	196
Total ($m)	1,135	1,590
Revenue		
Rare Earth Sales Revenue ($m/annum)	587	822
Phosphoric Acid Sales Revenue ($m/annum)	65	91
Operating Costs		
Mining Costs ($m/annum)	(31)	(44)
Processing Costs ($m/annum)	(138)	(193)
General and Administration Costs ($m/annum)	(26)	(36)
EBITDA ($m/annum)	409	573
KPI Analysis	**US$**	**A$**
Operating Cost $/kg NdPr	43.95	61.60
Operating Cost $/kg NdPr net of P_2O_5 credit	34.64	48.52
NPV_8 after tax ($m)	1,693	2,358
IRR after tax (%)	19.3%	

The Project Economics table is based on the assumptions and estimates set out in the Nolans Project Update (refer to ASX Announcement dated 11 November 2022). Numbers may not compute because of rounding. Product prices during the offtake period refer to the first seven years of production when offtake agreements will include discounts and other contract mechanisms put in place to underpin project finance for up to approximately 85% of NdPr oxide production with averages calculated as the weighted average over the specified period. Average revenue, costs and EBITDA are calculated as the arithmetic annual average following the anticipated two year ramp up period and excluding the final years of production from low grade stockpiles.

- Base case scenario average LOM NdPr US$130/ kg
  - **Post-tax NPV_8** of **A$2.4 billion** and IRR of 19.3%
- Upside Case average LOM US$190/ kg
  - **Post-Tax NPV_8 of A$4.2 billion** and IRR of 24.1%
- Capital cost **A$1,394m** plus **A$196m** contingency
- **Annual average EBITDA** of **A$573m**
- Key Milestones*
  - FID early 2023
  - Financial Close mid-2023
  - Plant Commissioning Dec 2024
  - First Production mid-2025

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

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