



A R A F U R A
R E S O U R C E S L I M I T E D

Nolans Project Progress Report

| | | | | | | | | | | | | | |
|--------|--------------|-----------|------------|----------|----------|------------|---------|------------|---------|--------|---------|-----------|----------|
| 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 |
| Ce | Pr | Nd | Pm | Sm | Eu | Gd | Tb | Dy | Ho | Er | Tm | Yb | Lu |
| Cerium | Praseodymium | Neodymium | Promethium | Samarium | Europium | Gadolinium | Terbium | Dysprosium | Holmium | Erbium | Thulium | Ytterbium | Lutetium |
| 140.12 | 140.91 | 144.24 | 144.91 | 150.36 | 151.96 | 157.25 | 158.93 | 162.50 | 164.93 | 167.26 | 168.93 | 173.05 | 174.97 |

Shareholder Presentation,
Frankfurt, Germany
May 29 2010

Disclaimer

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The information in this release that relates to exploration results and geological interpretation has been compiled by Mr Richard Brescianini BSc (Hons), and the information in this release that relates to metallurgical results and interpretation has been compiled by Mr Steve Mackowski BAppSc, both full-time employees of Arafura Resources. Mr Brescianini is a Member of the Australian Institute of Geoscientists and he has sufficient experience with the style of mineralisation being reported to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)” for reporting the exploration results. Mr Brescianini consents to the inclusion in this report of the contained technical information in the form and context in which it appears.

Mr Mackowski is a Fellow of the Australian Institute of Mining and Metallurgy and he has sufficient experience with the style of mineralisation being reported to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)” for reporting these metallurgical results. Mr Mackowski consents to the inclusion in this report of the contained technical information in the form and context in which it appears.



Strategy & vision

Our annual strategic review of the business has recently been completed

- This has resoundingly confirmed our focus on Rare Earths;
- The outlook for Rare Earths continues to improve;
- Nolans is one of the few truly world-class near-term supply sources, providing Arafura with the means to generate significant value for shareholders.

Our vision is to be the pre-eminent supplier of rare earths to the world

We will relentlessly pursue growth in shareholder value in a sustainable way

Capital raising

- Successful capital raising of A\$19.5 million in March 2010 via placement to sophisticated and institutional investors, and 1 for 10 renounceable rights issue (RRI) to existing shareholders;
- These funds have enabled Arafura to step up activities associated with the Nolans Project;
- Placement of rights shortfall now under active consideration;
- ECE will be provided with an opportunity to “top up to 24.86%” at end of RRI shortfall, subject to shareholder and regulatory approvals.

Corporate structure (ASX: ARU)

As at 26 May 2010

Capital

290m shares; 15.5m Board/Employee options

Market capitalisation (ASX:ARU closing price @ 26 May 2010)

@ A\$0.445 = ~A\$130 million

Cash (@ 31 March 2010 ASX Quarterly report)

A\$25.2 million

Top shareholders

| | |
|---------------------------|-------|
| ANZ Nominees ¹ | 30.2% |
| ECE ² | 22.4% |
| Citicorp Nominees | 3.3% |
| Board & Management | 3.0% |

1. Substantial German-based shareholding amongst many shareholders
2. East China Mineral Exploration & Development Bureau

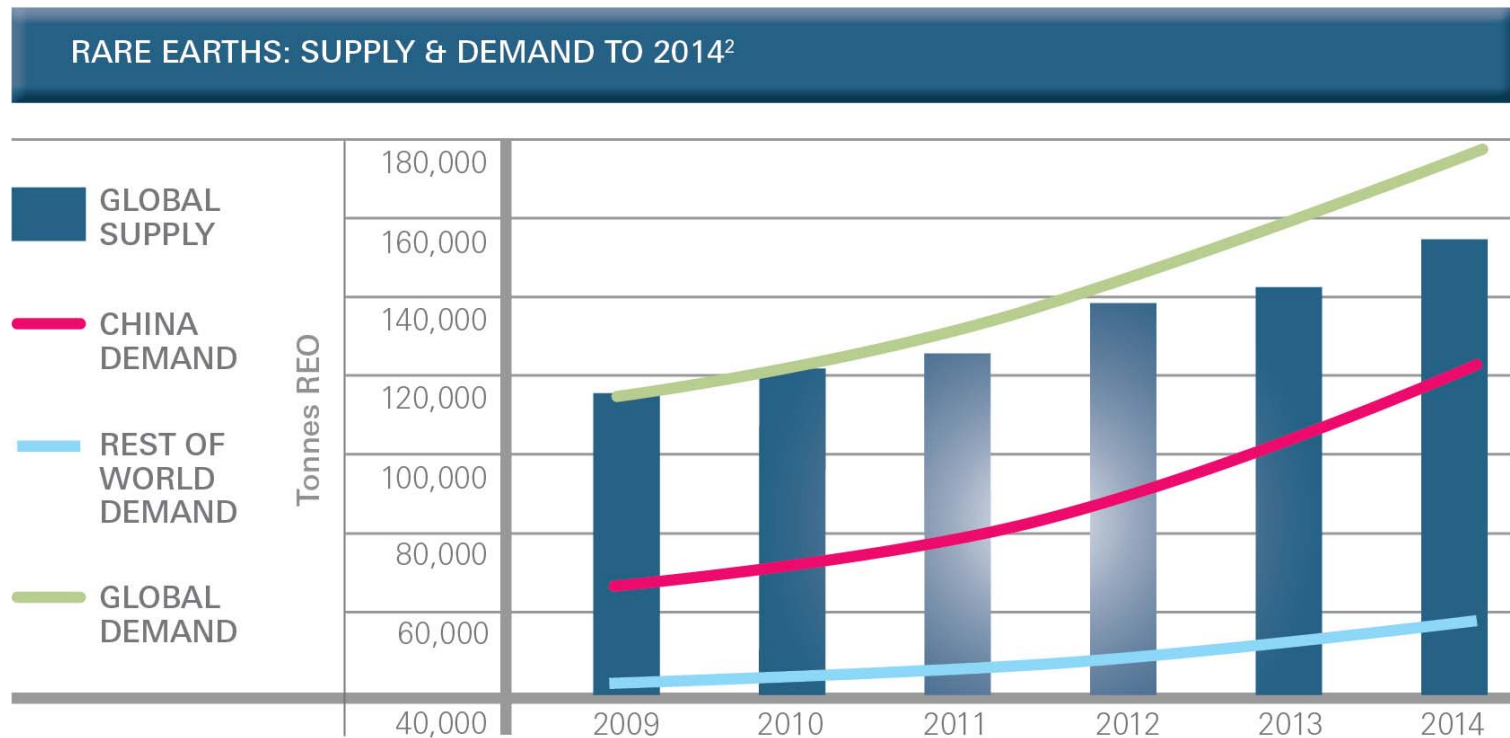
Rare earths: outlook continues to improve

- Excellent growth prospects fuelled by consumer demand for new high technology products, and society and regulator drives for clean and efficient energy;
- Very low future demand risks due to substitution or more efficient use/recycling;
- Greater focus on future supply sources by non-Chinese users;
- High capital and technology development – *different for each ore body* – are significant barriers to entry for new suppliers;
- Supply side shortages are forecast. Industry challenge is very much about bringing new supplies to market;
- Considerable potential new supplier ‘hype’. Very few projects will make it to production. Long lead times – *10 to 15 years* – for successful projects.

Arafura is ideally positioned



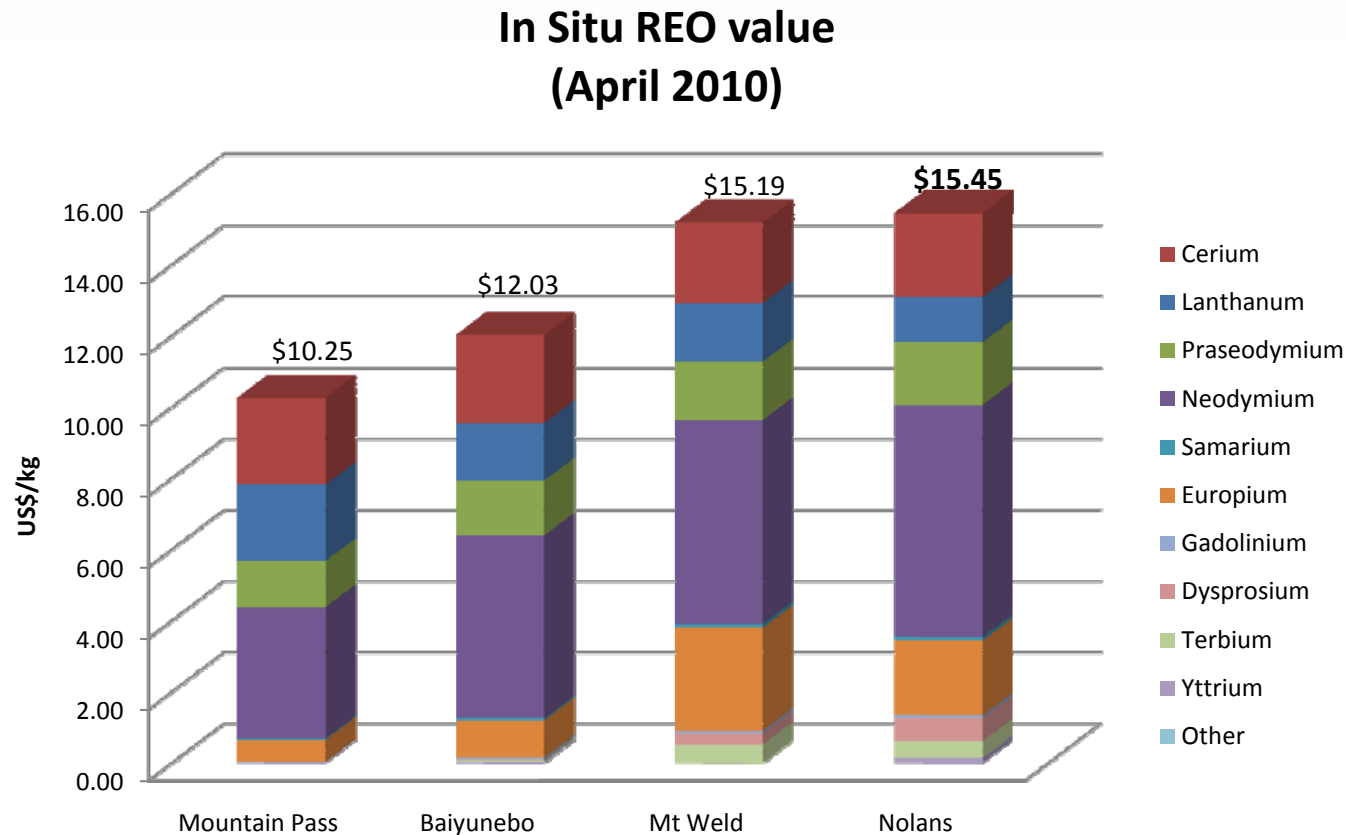
Rare earths: demand growth, constrained supply



1,2: BCC Research, June 2009 Market Research Report. Rare Earths: Worldwide Markets, Applications, Technologies

Arafura is ideally positioned to meet globally growing demand
and, importantly, is able to supply anywhere in the world

In situ REO mix: a competitive advantage & more



Key growth markets of Magnets & Phosphors = 29% by volume = 75% by revenue

Nolans resource has multi product capability, some other projects do not. For Nolans this reduces waste costs. Co-products of Phosphoric Acid and Uranium generate additional revenues and enhanced returns – a further competitive advantage.

Nolans value proposition

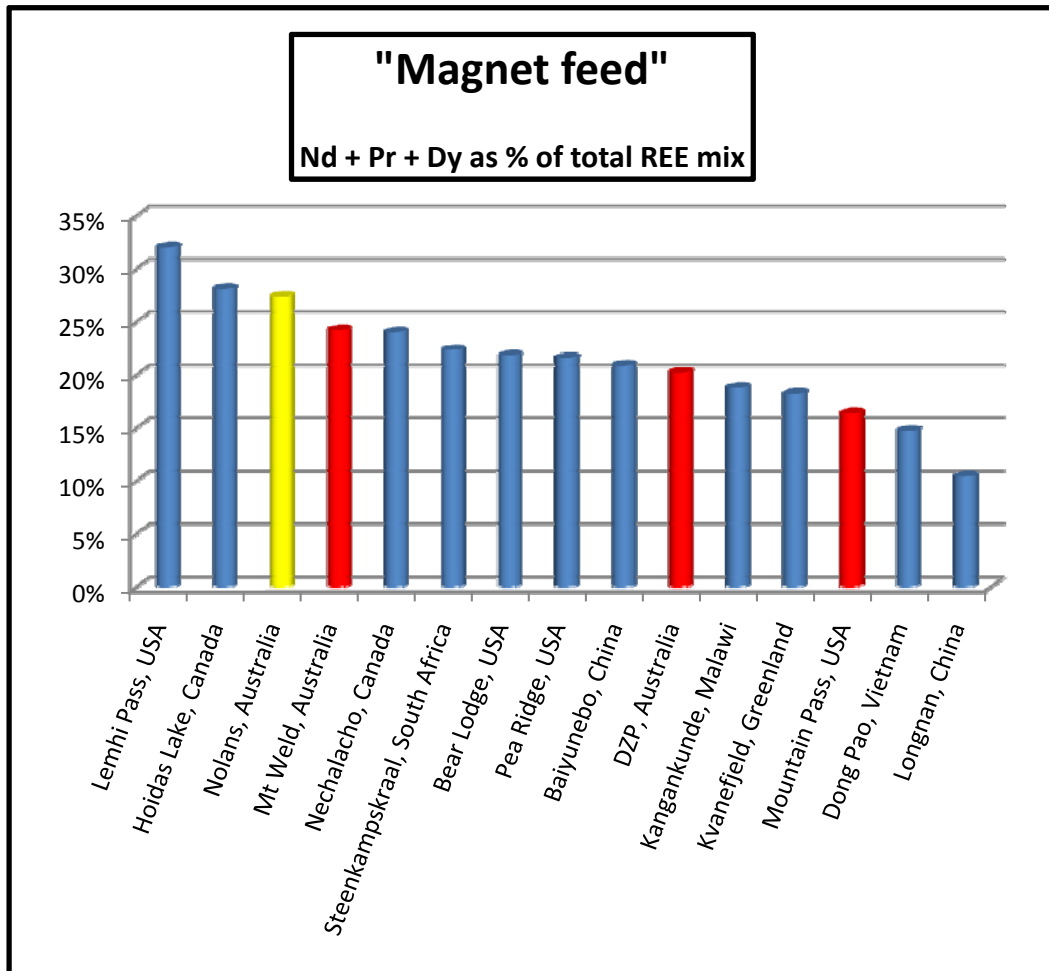
| Rare Earth Element | % REO contained | Volume | REO Price (US\$/kg) | Projected Revenue (US\$ millions) p.a | % Revenue |
|---|-----------------|---------|---------------------|---------------------------------------|-----------|
| Lanthanum | 19.74% | 3,948 | \$6.45 | \$25 | 8.1% |
| Cerium | 47.53% | 9,506 | \$4.95 | \$47 | 15.3% |
| Praseodymium * | 5.82% | 1,164 | \$30.25 | \$35 | 11.4% |
| Neodymium * | 21.20% | 4,240 | \$30.75 | \$130 | 42.2% |
| Samarium | 2.37% | 474 | \$4.50 | \$2 | 0.6% |
| Europium * | 0.40% | 80 | \$525.00 | \$42 | 13.6% |
| Gadolinium | 1.00% | 200 | \$7.70 | \$2 | 0.6% |
| Dysprosium* | 0.33% | 66 | \$195.00 | \$13 | 4.2% |
| Terbium* | 0.08% | 16 | \$580.00 | \$9 | 2.9% |
| Yttrium* | 1.32% | 264 | \$11.50 | \$3 | 1.1% |
| Others | 0.21% | 42 | | \$0 | |
| | 100.00% | 20,000 | \$15.45 | \$308 | 100.0% |
| <i>PLUS Nolans has the benefit of other revenue streams</i> | | | | | |
| Phosphoric Acid (P ₂ O ₅) tonnes | | 80,000 | \$555 | \$44 | |
| Uranium (U ₃ O ₈) lbs | | 330,000 | \$42 | \$14 | |
| Total Revenue (US\$ millions) p.a. | | | | \$366 | |

Co-products of Phosphoric Acid and Uranium turn potential waste costs into additional revenues and enhanced returns.

***Strategically Emerging Markets : Magnets & Phosphors = 29% by volume = 75% by revenue**

Prices taken from Metal Pages, CRU British Sulphur & UXC (April 2010)

Nolans: a desirable REE mix



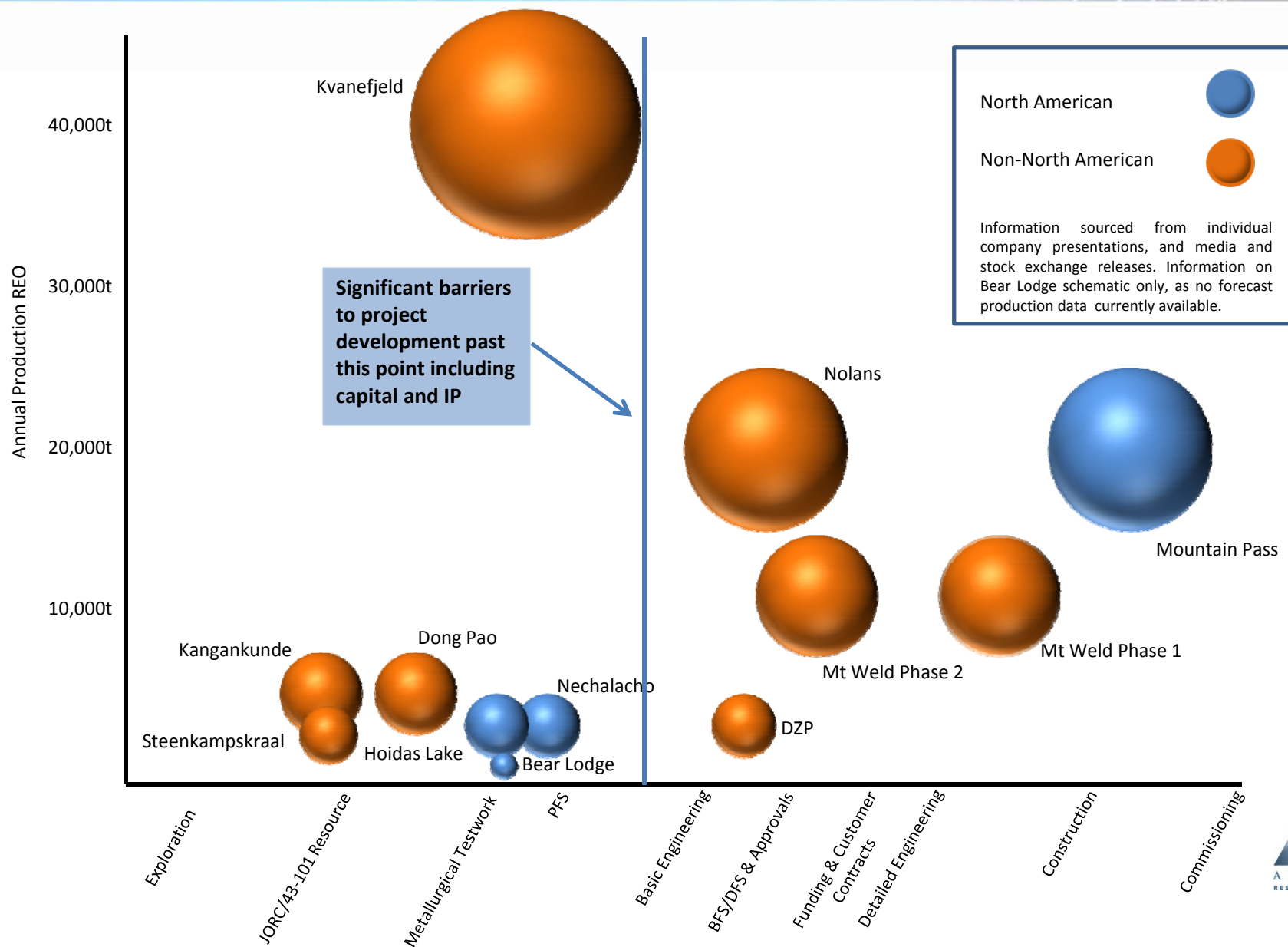
Nolans has a higher proportion of desirable “magnet feed” rare earths Nd, Pr & Dy compared with other deposits.

The permanent magnet market is forecast to grow at 8% per annum.

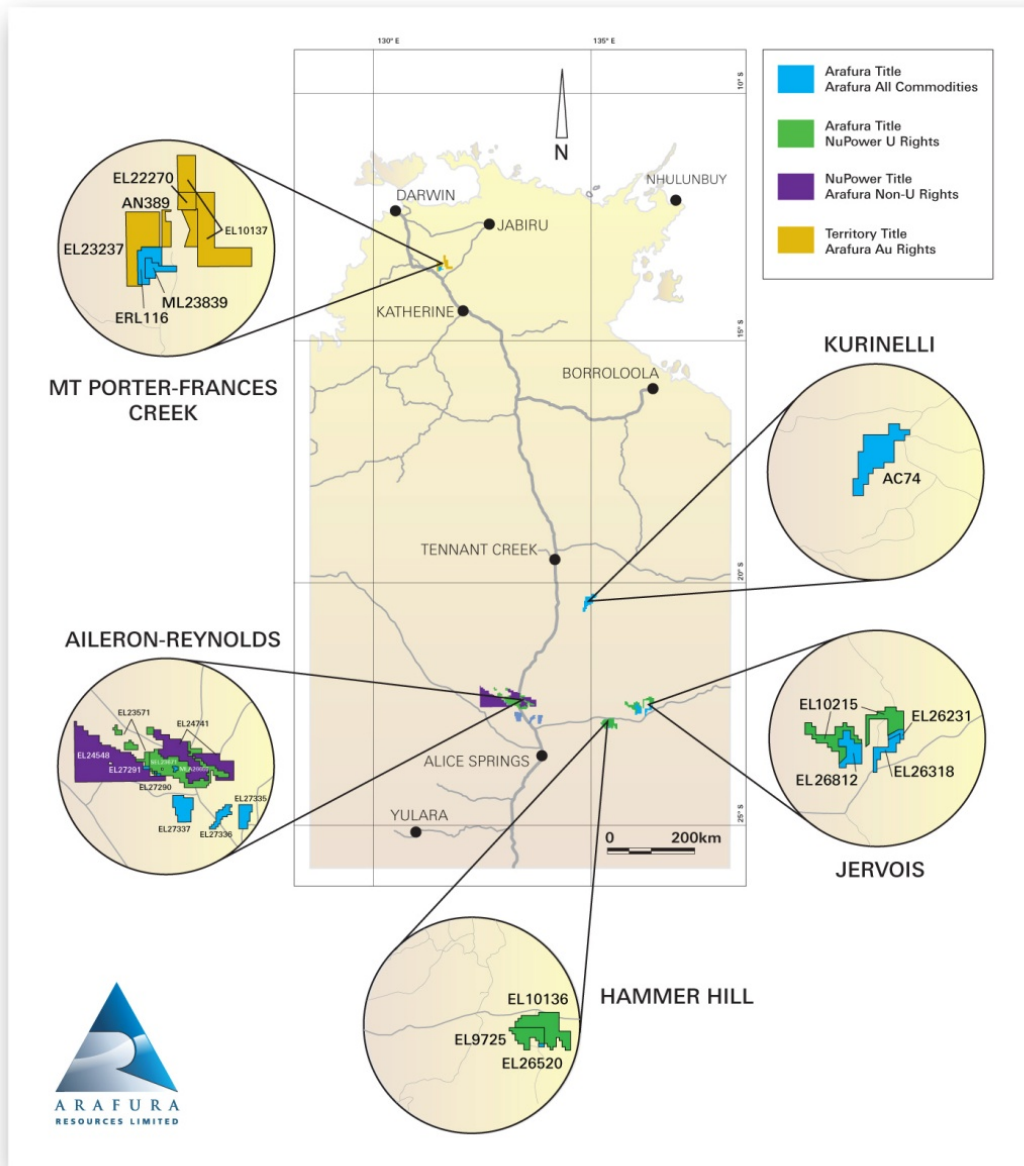
Nolans is one of only four rare earth projects that could be operating by 2015.

(Projects marked in blue not anticipated before 2015)

Comparison of non-Chinese REE projects



Arafura's exploration portfolio



Arafura's exploration focus remains on rare earths in the Aileron-Reynolds region of the Northern Territory.

We will add value to our non-rare earth assets through joint ventures.



Nolans Update

Nolans Project scope

The scope of the Nolans Project is confirmed as follows:

- Mine and ore beneficiation at Nolans site
 - Supplementary drill program to establish full extent of resource and expansion capability beyond first production phase of 20,000 t p.a. REO
- Critical unique technology components to be piloted and demonstrated
- Chemical and separation facility elsewhere in Australia
 - Rare Earth Oxide production
 - Calcium chloride recycle
 - Across the fence supply from chloralkali and sulphuric acid plants
 - Products for sale are REO, Phosphoric Acid, Uranium Oxide and Gypsum
- On schedule for first production in 2013

Nolans Project update

Mine site

- Drilling for EIS hydrology studies completed;
- Optimisation in progress with Whittle Consulting. First pass results expected shortly;
- Transport study completed;
- Contract for final engineering feasibility to be awarded soon.

Technology

- Final pilot, demonstration and optimisation work programs for new technology in progress
 - CaCl_2 recycle;
 - REO separation through ANSTO;
 - Acid bake optimisation at demonstration scale – 3,000 t source feed from mine site – Bauer Group engaged to acquire feed.

Mine site EIS: hydro drilling



Mine site: environmental studies



MD & CEO, Steve Ward, and GM Sustainability, Brian Fowler, at Nolans Bore during recent site inspection



With GM Exploration, Richard Brescianini, alongside monitoring bore drilled as part of EIS hydro drilling program

Nolans Project update

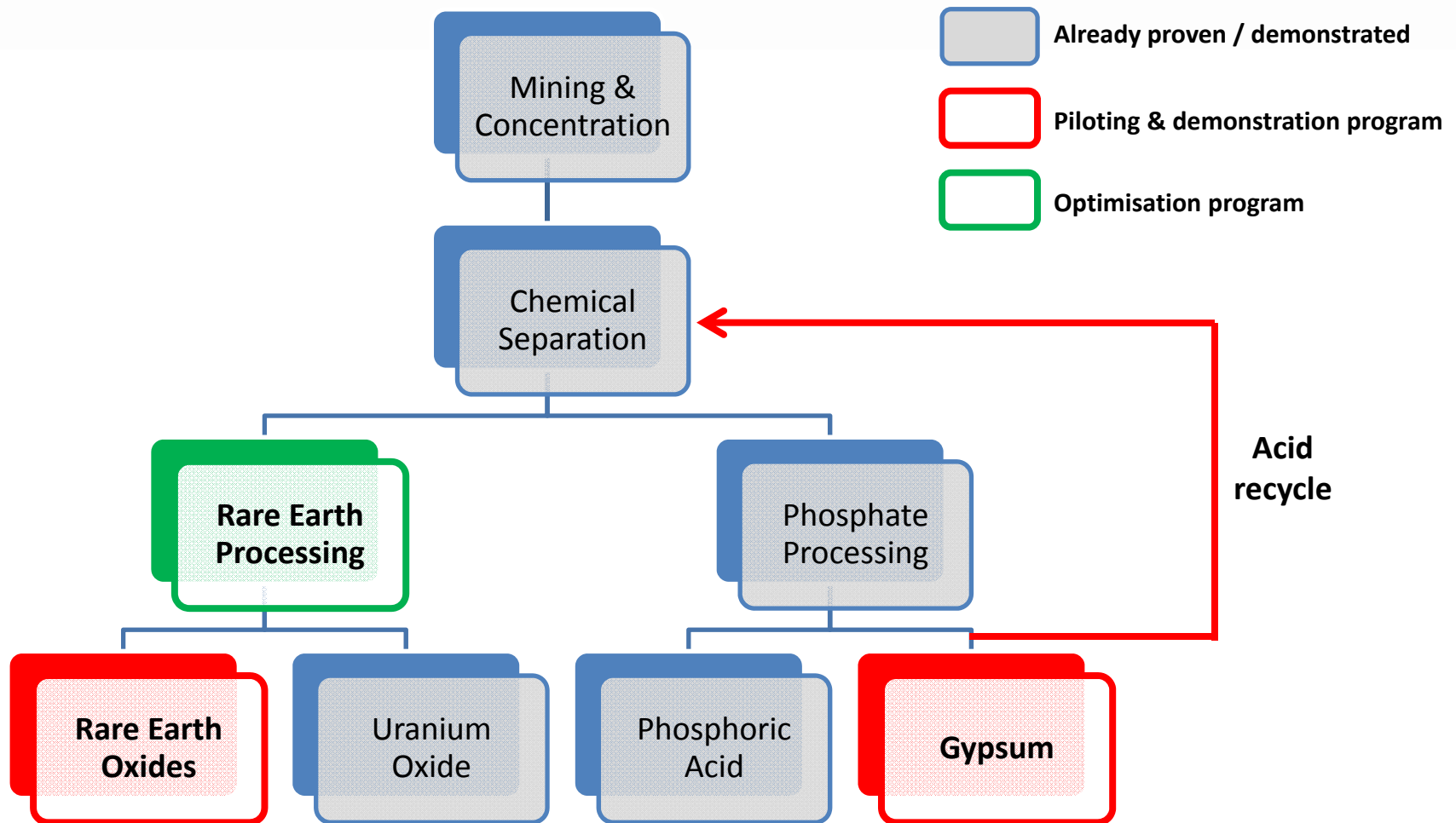
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Final technology programs underway



De-risking novel technology will facilitate project financing and enable nameplate production rate to be achieved quickly.

Acid bake optimisation source feed: “Big Bertha”

BAUER RIG BG28H Bulk Sampling of Iron Ore Cloudbreak Western Australia



- 780mm Drilling dia
- 72 m Drilling depth



- 780mm drill diameter
- 70m drill depth
- 40 holes across deposit
- 3,000 tonnes of feed

Nolans Project update

Chemical plant

- [Design studies ongoing](#)
- Site selection work in final phase
 - Small number of short listed sites being evaluated
 - Critical decision with long term implications
- Site decision expected soon
 - Stakeholder engagement is complex – governments, regulators, land owners, local and regional communities.

Off-take / financing

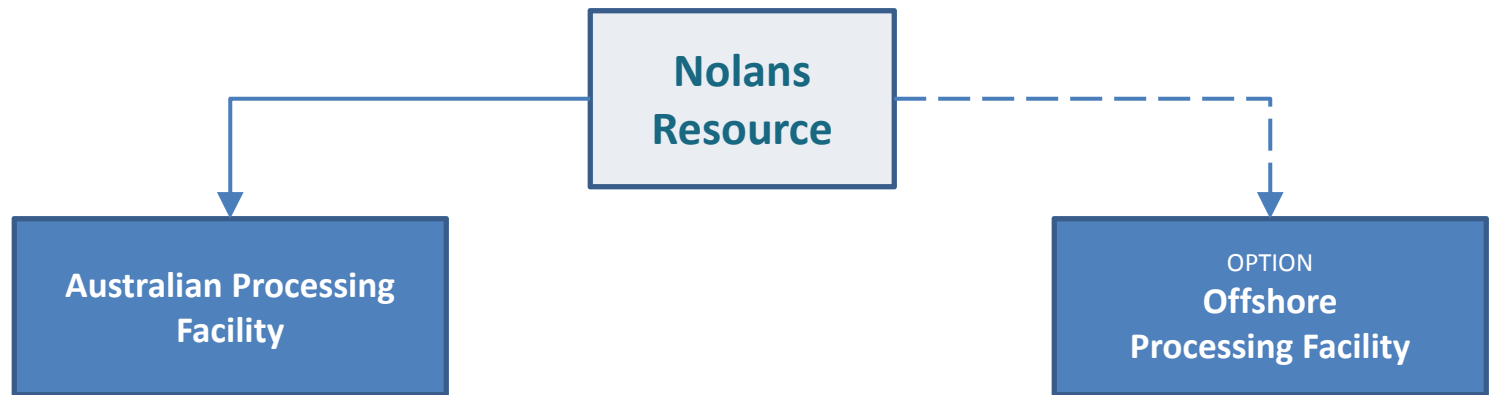
- Credit markets increasingly sensitive to risk; however
- Interest in Arafura financing and product sales remains high; but
- We are resisting an 'early easy' deal which would not provide sufficient value going forward; and
- Requirements for project finance are still changing.



Nolans Growth Strategy

Business plan

- Nolans resource is sufficient to sustain production of 20,000 t p.a. of REO for at least 20 years – Nolans Phase 1 (Australia)
- With further drilling, there is potential to expand Nolans to support increased production beyond 20,000 t p.a. – Nolans Phase 2 (Australia or offshore)



(if value creating for shareholders)

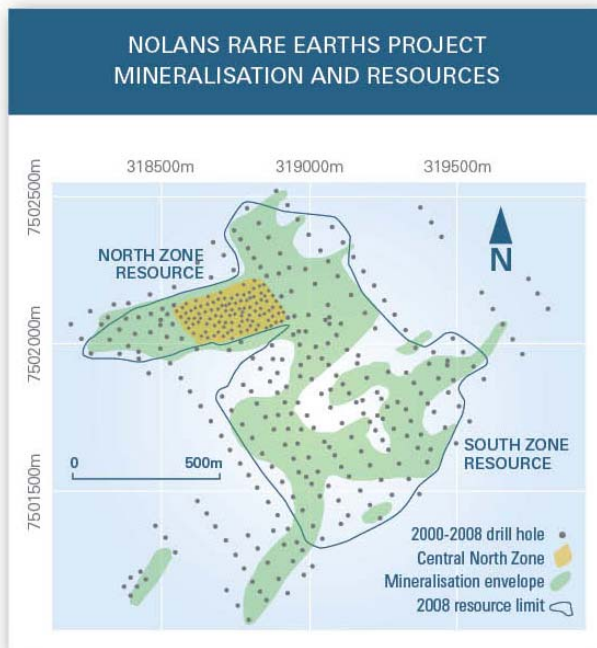
| Phase 1 Annual Production | |
|-------------------------------|----------|
| REO | 20,000t |
| P ₂ O ₅ | 80,000t |
| U ₃ O ₈ | 150t |
| CaSO ₄ | 500,000t |

Nolans is already a globally significant resource

Total resources for Nolans Project

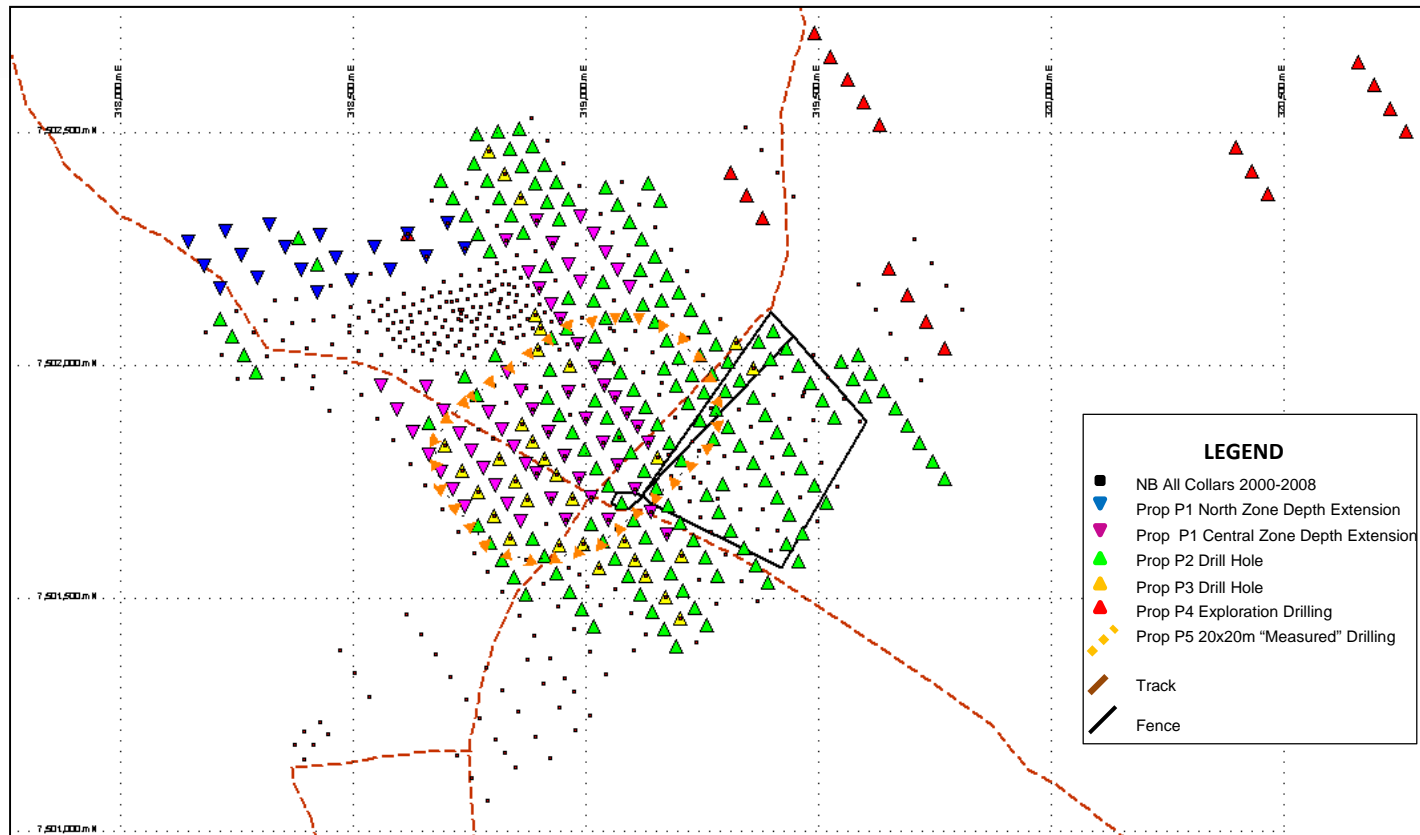
| RESOURCES | TONNES ¹ (million) | RARE EARTHS REO % | PHOSPHATE P ₂ O ₅ % | URANIUM U ₃ O ₈ lb/t |
|--------------------|----------------------------------|----------------------|--|---|
| Measured | 5.1 | 3.2 | 13.5 | 0.57 |
| Indicated | 12.3 | 2.8 | 13.4 | 0.43 |
| Inferred | 12.8 | 2.6 | 12.2 | 0.40 |
| TOTAL | 30.3 | 2.8 | 12.9 | 0.44 |
| CONTAINED METAL | | 848,000 t | 3.9 Mt | 13.3 Mlb |

1. Using 1% REE cut-off grade



- Phase 1 estimated initial mine life 20+ years from current known resource;
- Exposed at surface; size extent unknown;
- Only drilled to 130m below surface;
- Further drilling planned to establish full extent of resource and Phase 2 expansion possibilities

Future drill program



- Program aimed at growing resource base, and increasing resource confidence
- Current plan to execute over three campaigns
 - 495 holes (76,000m)
- Design to be finalised and first phase to be awarded on assessment of Whittle optimisation

Moving forward: the next steps

2010 - 2013

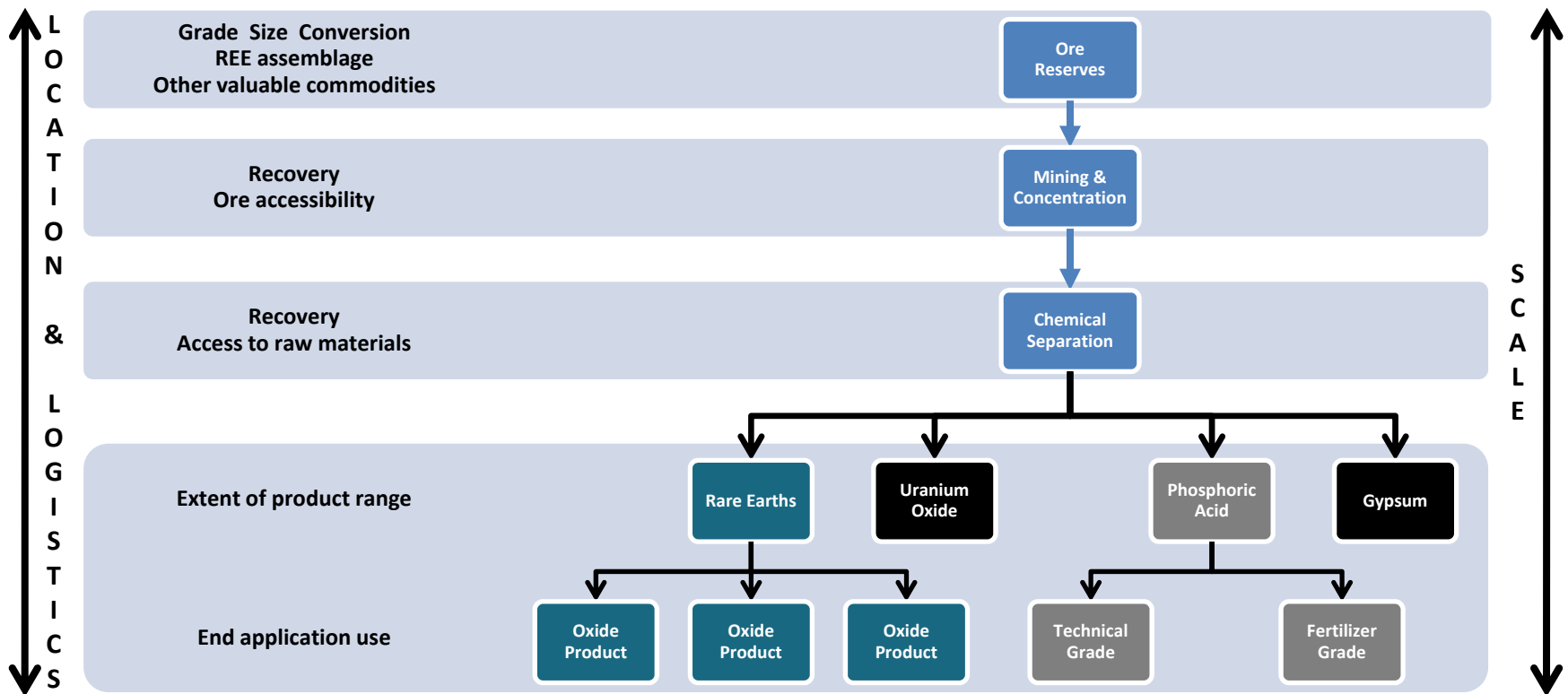
- Refine technology and, where necessary, demonstrate at scale;
- Chemical plant site selection, EIS, mine site studies, regulatory approvals;
- Extensive drilling program to increase resource base and reduce resource risk;
- Refine the debt/equity structure;
- Actively seek appropriate strategic partners and financiers;
- Construction;
- Production



Resource Super Profits Tax

Value creation: pit to customer across all products

There are many value drivers to consider. Rare earths are much more complex than some other commodities.



Resource Super Profits Tax (RSPT): an overview

- Proposed commencement July 2012;
- 40% tax on assessable resource profits , not gross revenue.

Key Issue – Taxing Point

- Over riding principal is to tax as close as possible to the point at which the resource is extracted – the mine gate;
- Some products will have no commercial value at this point and a derived value could be determined;
- Alternative approach would be to tax the project at the point where a saleable commodity (referenced to a benchmark price) is produced.

Resource Super Profits Tax: current status

- Lack of clarity regarding application of the RSPT is causing considerable uncertainty in the Australian business environment and financial markets;
- Subject of considerable political debate and media commentary;
- Industry consultation process has now commenced; **Arafura will participate**;
- We remain concerned about any new tax or charge that might potentially adversely impact Nolans, regardless of the scale of the impact;
- Given the uncertainties, we cannot yet ascertain the precise effect of the RSPT on the Nolans Project;
- Scenario modelling based on our current assessment indicates that the Nolans Project fundamentals remain strong.



Summary

Summary

Rare Earths – excellent prospects for value generation for Arafura shareholders:

- Good market growth fundamentals with very small risks;
- Market is supply side constrained. Nolans is one of the very few new rare earth supplies for users worldwide;
- The Nolans resource can potentially support expanded output beyond the initial project phase, allowing Arafura to capture a substantial market opportunity in the second half of this decade;
- We are currently on track to meet first production of Rare Earth Oxides in 2013.

Corporate information

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For a copy of the 2009 Financial report or
for further information please visit

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ARAFURA
RESOURCES LIMITED

Thank You

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| 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | |
| La | Ce | Pr | Nd | Pm | Sm | Eu | Gd | Tb | Dy | Ho | Er | Tm | Yb | Lu |
| Lanthanum | Cerium | Praseodymium | Neodymium | Europium | Gadolinium | Terbium | Dysprosium | Ytterbium | Thulium | Erbium | Thulium | Ytterbium | Lutetium | |
| 138.905 | 140.116 | 140.908 | 144.242 | 151.964 | 157.25 | 158.925 | 162.50 | 164.930 | 167.259 | 168.934 | 172.04 | 173.04 | 174.967 | |