

ASX ANNOUNCEMENT

CHAIRMAN'S ADDRESS FOR ANNUAL GENERAL MEETING

21 October 2021



Good morning ladies and gentlemen, on behalf of the Board of Directors, thank you for your participation in the 2021 Annual General Meeting for Arafura Resources.

My name is Mark Southey and I am the Company's Chairman. Gavin Lockyer, will be giving a presentation to provide a detailed update of the Nolans Project but prior to that I would like to make a few comments.

2021 has been a year like no other for every economy around the world.

COVID-19 restrictions have severely restricted global supply chains causing price spikes in key commodities, including rare earths. Trillions of dollars in stimulus have been pumped into national economies leading to infrastructure booms, which in turn has put even more pressure on supply chains.

This has further strengthened Arafura's business case for Nolans, where we have made significant progress in the last 12 months to prepare the project team for its most critical year ahead.

In August, we announced that Hatch had been appointed to carry out Front End Engineering and Design Services (FEED) for the Nolans hydrometallurgical plant. Hatch was selected from three international engineering firms through a competitive tendering process. This was only made possible through our recent capital raising, which was well supported by our shareholders. We received a strong interest in the Share Purchase Plan, representing a total application value of approximately \$16.8 million. This was very pleasing to see, however due to ASX listing rules, the Board was required to scale back applications.

This crucial phase of the project, continuing in line with the Company's strategy set out by the Board of Directors, will see the FEED works completed over the next 9 months to advance engineering and selective long-lead procurement. This is happening at the same time as our Integrated Project Management Team with KBR advances other key work packages.

The result of these works will allow the Company to tender a fixed price construction contract which will be the basis of making a Final Investment Decision in the second half of 2022. This project timeline sets us on a course targeting first production in late 2024 which will see Arafura's capacity ready to meet rapidly rising demand for our product.

Recently, we've seen global expectations and awareness increase in Australia's role to provide a secure and stable supply of critical minerals. The need to redefine the supply chain in the face of a changing geopolitical context for critical minerals has become very apparent and urgent. This was highlighted just last month by world leaders meeting through the Quad Security Dialogue (Quad). Leaders of Australia, the United States, India and Japan are set to develop a strategy to secure supply chains of critical minerals.



"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."

Arafura Resources Limited | ABN: 22 080 933 455

Level 6, 432 Murray St, Perth WA 6000
PO Box 5773, St Georges Terrace, Perth WA 6831
T: +61 8 6370 2800 | W: www.arultd.com | E: arafura@arultd.com

NdPr

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Australia is front and centre to meet this demand. While it will take some time to develop a global network which can overcome existing challenges, this is a crucial combined first step from governments which all clearly understand that rare earths will be a critical part of the future.

Within Australia, it's important to acknowledge and thank both the Northern Territory and Commonwealth Governments for the continued support shown over a number of years, and it is also very pleasing to note the escalating awareness of senior cabinet members at both Territory and Federal levels.

In strengthening these ties, we welcomed Minister David Littleproud and Senator Susan McDonald, along with representatives from the Northern Territory Government on a site visit in September. Again, their time and interest is very much appreciated, as is the \$300 million in conditional long term debt offered through Export Finance Australia and the Northern Australia Infrastructure Facility.

It's no longer enough for a project like Arafura's Nolans to have a compelling financial business case. Critically, the financial case needs to be matched by a compelling set of Environmental, Social and Governance (ESG) credentials. With that in mind, Arafura is set to release its Sustainability Report before the end of the year to outline the steps it is taking to meet these ESG challenges.

A key milestone for 2021 and one we can be very proud of in meeting, Arafura became a signatory to the UN Global Compact on 17 May, joining over 10,000 companies and 4,000 non-government organisations in a global effort to meet fundamental responsibilities in the areas of human rights, labour, environment, and anti-corruption.

By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, Arafura is not only upholding our basic responsibilities to people and the planet, we are setting the stage for long-term success. In recognition of our responsibilities to our indigenous communities a two-day cultural awareness program was recently undertaken for all staff and contractors.

We've also the joined the Initiative for Responsible Mining Assurance (IRMA). This advances Arafura's commitment to be a trusted global leader and supplier of choice for sustainably mined rare earth products, helping our customers deliver clean and efficient technologies. These commitments underpin Arafura's goal to delivering positive intergenerational economic, environmental, and social benefits to our stakeholders.

These factors are becoming increasingly important in the economies where we are advancing key terms of offtake agreements with various companies in the automotive and renewable energy industries. Feedback is very positive, especially when it comes to our traceable and transparent supply chain in a low sovereign risk environment which provides more control and more confidence for the end customer.

On pricing and demand, NdPr oxide remains at prices that reflect a supply deficit and strong global demand across various sectors. Currently sustaining prices of over US\$90/kg NdPr, as magnet demand continues to grow, existing manufacturing capacity is near full utilisation with manufacturers progressing significant expansion plans for the future. It is also pleasing to note that other Nolans by-products such as phosphoric acid has also

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continued to increase in value with Phosphoric acid prices reaching its highest level since Q4 2011, further strengthening the Nolans business case.

Demand for magnets that use NdPr Oxide is driven by renewable and green energy applications and in particular electric vehicles and wind turbines. Forecasts show that the Electric Vehicle outlook looks to exceed earlier market expectations with several manufacturers with goals of having 50 to 100% Electric Vehicle platforms by 2025. Some examples, Volvo 50% of cars by 2025, Jaguar 100% by 2025. Ford is spending \$22b USD on electrification to 2025 to achieve 40% by 2030.

Policy shift towards eliminating internal combustion engines and reducing emissions is playing a key role in shaping the industry and many participants in the supply chain are investing heavily to reduce supply chain risk. This strong demand and inability for new supply to enter the market quickly will create supply constraints and pricing for magnet feedstock is expected to remain high and increase in the future as the supply gap widens.

Supply chain security is the key risk that Arafura can mitigate with our global customers, offering a secure, long-term supply of critical minerals so economies building electric vehicles and infrastructure related to the clean energy future aren't impeded in any way.

In the coming year, your board is very confident that under Gavin's leadership, Arafura has the right team and resources to progress, not only the physical project engineering but the critical elements of offtake and project funding.

In closing, and most importantly, I'd like to thank shareholders for their support over the last year. As we close out 2021, our Board and Management Team are all focused on securing offtake agreements and project funding so we are ready to take full advantage of all the hard work done to date. 2022 will be our time to bring this work to fruition with the aim to achieve and secure the financial support required to bring this project to life.

Thank you.

-ENDS-

For further information contact:

Gavin Lockyer
Managing Director
+61 8 6370 2800

Authorised by:

Catherine Huynh
Company Secretary

Media Enquiries:

Brent Fleeton
Clarity Communications
+61 481 993 543