

ASX ANNOUNCEMENT

CHAIRMAN'S ADDRESS FOR ANNUAL GENERAL MEETING

20 October 2022



Good morning ladies and gentlemen, on behalf of the Board of Directors, thank you for your participation in the 2022 Annual General Meeting for Arafura Resources.

At this time last year, I said that 2021 had been a year like no other for every economy around the world. It is very hard not to repeat the same sentiment this year, though for different reasons.

In 2022, COVID continued to cast its long shadow across the globe, including here in Australia. However, the impact of COVID related stimulus and disrupted global supply chains have probably been far greater this year than anticipated by most businesses and Governments. The natural inflationary impact of these two elements has been exacerbated by some of the most consequential geo-political events for decades.

The war in Ukraine, combined with China's ongoing attempts to crush COVID by locking down its vast cities and manufacturing enterprises, along with tension in the North-East Asia region have added further complexity to economic forces around the globe. In particular, inflation has been heightened by surging energy and agricultural prices, while supply chains have remained disrupted for an extended period.

Critically for Arafura, the events in 2022 have even more clearly demonstrated the strategic importance of our rare earths product to developed nations. Heightened awareness of the importance of robust and sustainable supply chains among Governments, Defence and our OEM customers, is of great strategic and commercial advantage to Arafura and ultimately to our shareholders.

The QUAD security dialogue continues to support a multi-Government strategic position that is being reinforced by new Australian government initiatives. This was clearly demonstrated during 2022 by the former Liberal Government's establishment of a \$2 billion Critical Minerals Loan facility for Australian projects. These commitments now see continued support from the new Labor Government.

In March, we advised shareholders that Arafura had been awarded grant funding of \$30 million under the Federal Government's Modern Manufacturing Initiative (MMI). These funds will directly contribute to the construction of the rare earth separation plant at Nolans. Together with the previously announced \$300 million in conditional long-term debt offered through Export Finance Australia, and the Northern Australia Infrastructure Facility, the funding demonstrates the depth of support the Australian Government has for our Nolans project.

Large scale global demand for NdPr Oxide is driven by electric vehicles (EVs) and wind turbines. Forecasts show that the EV outlook will outperform earlier market expectations with manufacturers continuing to set ambitious goals for EV production targets. Supply constraints remain a major challenge for OEM's and automotives. Arafura is clearly in the sweet spot for EV demand, however, the ever-increasing drive towards green and renewable energy provides another strong tail wind for Arafura.



"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."

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A clear demonstration of this occurred in July at the Sydney Energy Forum. This high-level summit, hosted by the Australian Government and the International Energy Agency, became the backdrop for Arafura signing a non-binding memorandum of understanding (MoU) with GE Renewable Energy. The MoU enables us to jointly cooperate with GE at a global level in the establishment of a sustainable supply chain for NdPr, which is essential for wind turbines. By way of an example, permanent magnets in the largest 14MW wind turbines can consume over 2,000kg of NdPr metal.

Significantly our MoU with GE was signed in the presence of the US Secretary of Energy, Jennifer Granholm and Australia's Minister for Resources and Northern Australia, Madeleine King, and the Minister for Trade and Tourism, Senator Don Farrell.

Our MoU with GE was not the only significant agreement signed in recent months. In February, a Joint Statement of Cooperation was signed with the Korea Mine Rehabilitation and Mineral Resources Corporation (KOMIR), the intent being Arafura and KOMIR will cooperate on a range of initiatives that will support Korea's access to product from the Nolan's Project.

Following this, in May we signed a non-binding MoU with Hyundai Motor Company to negotiate an offtake agreement for the sale of NdPr Oxide over a seven-year term commencing in 2025. As one of the world's largest and most technically advanced vehicle manufacturers, Hyundai is among a group of companies leading the increasingly rapid transition to EV use around the world.

Arafura continues to advance these MOU's towards binding offtake and maintains close relationships with several other major global OEM's. We are currently in productive discussions with a range of multi-national companies in North America, Asia and Europe. It is also a key part of Arafura's strategy to remain open to equity participation from strategic customers as we build our offtake book. We look forward to providing updates on progress to our shareholders in the near future.

Within the project team, 2022 was a critical year for practical and technical progress. Hatch Ltd were awarded the engineering design contract for the hydrometallurgical plant. The Front-End Engineering and Design (FEED) process for the Nolans Project is well underway and heading towards completion in December. The FEED process combined with constructability reviews is providing the foundation for tendering the construction contract.

Our progression towards a Final Investment Decision continues, in April, Arafura announced that it has appointed two leading mining project finance institutions, Societe Generale and National Australia Bank, as the initial Mandated Lead Arrangers and Bookrunners (MLAs) to arrange the debt financing facility for the Nolans project.

Your Board is increasingly confident that market demand, supply chain and sustainability factors, together with a firming and robust NdPr price are all moving in the direction required to enable us to undertake FID to commence construction of the Nolans Project, targeting first production of NdPr Oxide in 2025. However, we cannot ignore the challenges the economic environment brings. Among the many items now being carefully monitored by the Board is the inflationary impact of economic events on the potential cost of our development, particularly in materials and labour.

Shareholders will be aware that Arafura undertook a capital raising at the beginning of the current financial year to secure A\$41.5 million to finalise FEED and fund ongoing offtake and financing on the pathway to FID. Undertaking a capital raising of any form in recent times has been challenging because of the unpredictability and volatility of the ASX and global markets. In this context, the Board made the strategic decision to deepen our involvement with a number of significant new and existing investors, who were interested in providing substantive long-term support for our vision. While these strategic investors have taken a low profile with regards to their interest in Arafura, we believe their presence on the register will have a longer-term significance.

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While the Board appreciates that many of our other loyal shareholders would like to have participated in this most recent capital raising; the Company will work to further build on the achievements and momentum for the long-term, and that there will be future opportunities for shareholders to back our rare earths vision.

Sustainability is an essential part of our business proposition. We are an important part of our customers sustainable supply chains and critical to their ability to reduce greenhouse gas emissions. We must also ensure that Arafura upholds its commitment to be a sustainable producer in all its operational activities.

We take our ESG commitment seriously, and to that end a Board Sustainability Committee has been established to review long-term targets and aspirations and monitor our progress on a range of sustainability initiatives directed at Supply Chain integrity, emission reduction, waste & water management and indigenous engagement.

I'd like to conclude by thanking my fellow Directors and Managing Director Gavin Lockyer and his team for all their hard work in progressing Arafura's vision and opportunities. I'd particularly like to both acknowledge and welcome Darryl Cuzzubbo, who became our newest Non-Executive Director during the year and who presents himself for election today. Darryl has brought a wealth of knowledge and experience in the resources and manufacturing sector to Board discussions from his time at Orica and BHP.

In closing, and most importantly, I'd like to thank shareholders for their continued support over the last year. As we move ahead in the current financial year, our Board and Management Team are all focused on making steady progress towards FID and bringing the Nolans project to fruition.

Thank you.

-ENDS-

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