



ASX ANNOUNCEMENT

CHAIRMAN'S ADDRESS - ANNUAL GENERAL MEETING 2023

19 October 2023

Good morning,

On behalf of the Arafura Rare Earths Board, it is my pleasure to welcome you to the Company's 2023 Annual General Meeting.

I'd like to begin by acknowledging the Traditional Owners of all the lands on which Arafura operates. We recognise their enduring connection to local lands, waters and communities and pay respect to Elders past, present and emerging.

The past year has seen Arafura move into a new stage of maturity in realising the Nolans Project as the world's most significant new rare earths operation.

While the residual fallout from the global pandemic and supply chain disruptions associated with the conflict in Ukraine have eased, continuing turbulence in the broader geopolitical landscape and global decarbonisation efforts mean that the world's demand for a sustainable supply of responsibly mined and produced NdPr oxide will continue to strengthen and increase.

That said, the rare earths market has seen a downward trend in NdPr oxide pricing over the year including a decline of 17% during the final quarter of the financial year. This downturn was largely attributed to weak demand for magnets used in the Chinese EV manufacturing sector, as a result of macro-economic slowing. While the NdPr price remains lower than we would like to see, the decline appears to have abated and the price has trended upward more recently, reflecting a recovery in demand. Gavin will give more insight into that in his presentation.

Conversely, end markets for NdPr continue to experience stronger-than-forecast growth, with global electric vehicle sales reaching record highs in the first half of 2023. Globally, 5.8 million new electric passenger vehicles were delivered during the first half of the year – an increase of 40% on the same period in the previous 12 months. In the European market alone, sales of new electric passenger vehicles for the period totalled more than 1.48 million. There has also been a significant recovery in wind turbine capacity from 2022 to 2023, with a forecast growth in associated magnet demand of 10.4% compound growth to 2033.

Both pricing volatility and increasing end-market demand clearly underpin the need for a diversified global NdPr supply chain. In this context, the strategic importance of Nolans as the world's only ore-to-oxide NdPr operation is clear, and Arafura's steps forward in establishing the Project over the past 12 months are even more relevant.

The year was marked by several major commercial milestones for Arafura, including the signing of binding offtake agreements with foundation customers Hyundai Motor Company and Kia Corporation, and Siemens Gamesa Renewable Energy.

Arafura is targeting 85% of planned production from Nolans secured under binding offtake, and the agreements with Hyundai and Siemens represent 53% of that 85% target. Our team continues to engage in advanced



"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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negotiations with several other global Tier 1 businesses and OEMs to round out the remainder. While finalising offtake is a lengthy process, we remain confident in securing our Binding Offtake Target. These are strategic decisions for our offtake partners and commitments – particularly when equity negotiations are involved – and are not made lightly or quickly.

Early in 2023 we completed a \$141 million placement and share purchase plan which enabled us to take steps to de-risk the critical path for Nolans.

Key activities facilitated via the raising included the continuation of detailed design and tender activities; placement of orders for long-lead items; and ongoing engagement in the US, Asia and Europe in relation to project financing and offtake sales negotiations.

It also facilitated early contractor involvement to optimise the overall project and agree a contract for construction of the hydrometallurgical plant; and importantly, the early preparatory site works.

In addition to this critical capital raising, our team continued to advance negotiations with prospective strategic investors, including Hyundai, throughout the year with a view they form a portion of the equity component of the project's financing requirements.

Activities to secure debt financing also progressed over the year, with indicative support received from several key international export credit agencies which are aligned with our offtake partners and strategy. This included up to US\$600 million from Germany's Euler Hermes tied to offtake; and a Letter of Interest from the Canadian export credit agency Export Development Canada for up to US\$300 million, via a strategic arrangement with GE.

Within Australia, the Northern Australia Infrastructure Facility (NAIF) increased its in-principle support for the Project to A\$150 million, taking combined support from NAIF and Export Finance Australia to \$350 million.

In the June quarter we received the first \$6 million of our \$30 million Federal Government Modern Manufacturing Initiative grant – a direct contribution to the construction of the rare earth separation plant at Nolans.

These demonstrations of domestic support for Nolans clearly recognise the Project's strategic significance and its capacity to facilitate the Australian Government's updated Critical Minerals Strategy 2023-2030, released in June.

The Strategy sets out a plan to capitalise on Australia's critical minerals capabilities, to create jobs and support international Net Zero efforts which align perfectly to the goals of the Nolan's Project.

While offtake and funding activities remained at the heart of the Company's operations, advances along the critical path toward full construction at Nolans saw us end the year with significant early work completed at site.

March marked the start of on-country activity, with the establishment and rehabilitation of more than 25 kilometres of site access roads, earthworks for the site construction camp and installation of a fly-camp to house 48 contractors.

This was followed by early construction works focused on installation and commissioning of the first two stages of a 400-person construction village, plus associated site services and infrastructure, and the construction of a major arterial water pipeline to service the project site.

Earlier this week the Board and I visited Nolans and witnessed first-hand the significant progress made at the site in preparation for full construction. It's a truly impressive site in scale and readiness and Arafura is now strongly positioned to move into full construction in the first half of 2024, pending the outcome of ongoing funding activities. Gavin will share progress images in his presentation.

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In parallel with site-based activities, we have been busy progressing our engagement with a range of local stakeholders including communities local to Nolans as part of our commitment to responsible project development. These initiatives are critical to Arafura's success, recognising our responsibility to the community whilst meeting our targets for success for all stakeholders.

Our sustainability targets are benchmarked against the World Economic Forum's global framework for ESG performance. Our reporting against the framework will steadily expand as we progress the development of Nolans and move into production, reinforced by independent third-party certification and verification of our social and environmental performance.

In January 2023 we released the greenhouse gas emissions reduction pathway for Nolans. This critical document reflects Arafura's commitment to net zero by 2050 and details our chosen pathway to achieve this target.

Importantly, analysis demonstrates that our chosen pathway would reduce total energy costs over the first 14 years of production at Nolans, and only result in a minor increase in costs over the life of mine.

Rare earths processing is of course a complex and cost-intensive process. While this year has presented some challenges, we have the targets, plans and contingencies in place to achieve our goals. After two decades of development, we are now at the point of asset creation and the completion of early works is a visible and tangible measure of progress in our ultimate commitment to deliver product to our offtake partners.

That said, nothing truly significant is achieved without a great deal of hard work, persistence and patience. On behalf of the Board, I wish to express sincere thanks to the entire Arafura team for their ongoing tenacity and dedication in bringing the Nolans Project to life.

To my fellow Directors and Managing Director Gavin Lockyer, thank you for your efforts this year.

And finally, to our shareholders. Your support remains absolutely pivotal to Arafura's success as we bring the world's most significant rare earths project into realisation.

Thank you.

-ENDS-

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