

ASX ANNOUNCEMENT

CHAIRMAN'S ADDRESS – ANNUAL GENERAL MEETING 2024

17 October 2024



Good morning. My name is Mark Southey, and as Chairman of Arafura Rare Earths, it is my pleasure to welcome you to the Company's 2024 Annual General Meeting.

I begin by acknowledging the Traditional Owners of the lands on which we meet today, and where Arafura's head office is located, the Whadjuk people of the Noongar nation. I also acknowledge the traditional owners of the lands on which we operate in the Northern Territory, the Anmatjere people. We recognise their continuing connection to land, waters and culture, and we pay respects to their Elders; past, present and emerging.

I extend a warm welcome to our shareholders who are attending this meeting, both in person and on-line.

I would also like to acknowledge all members of Arafura's Board of Directors and executive leadership team, who are here in person today.

The past 12 months has been a year of significant change and transition for Arafura as we have developed into a project- and delivery-focussed organisation to meet the challenges and requirements for the next phase of development

In February we appointed Darryl Cuzzubbo as Managing Director and Chief Executive Officer, taking over from Gavin Lockyer, who I would like to acknowledge for his significant contribution in bringing Arafura from explorer to the project-ready organisation it is today.

We have also appointed new members to the executive leadership team who bring significant experience and expertise to the decision-making table. I am proud to say that we have achieved greater gender diversity on the leadership team, with females now making up 36 percent of Board and executive roles combined, up from 14 percent in FY2023. Across the organisation 42 percent of our workforce are female. We will continue to strive to achieve diversity across our business, including at Board level, as we grow exponentially during the phases of construction and operations.

In July we farewelled our long-serving Board member Chris Tonkin. I'd like to acknowledge Chris's contribution to Arafura and wish him the very best in retirement. We have welcomed three new directors – Roger Higgins, Mike Spreadborough and Ian Murray – all of whom bring extensive and unique experience from their respective careers and fields of expertise.

As I move onto discussing the business of 2024, please note that during today's meeting, we may make forward-looking statements with respect to various matters. Investors are cautioned not to place undue reliance on any forward-looking statements. Please refer to the cautionary statement and disclaimer wording included in our ASX announcement released earlier today and in our annual report.

Reflecting on what has been a transformational year for the Company, our greatest achievement was announcing the debt funding package of more than US\$1 billion. In what can only be described as a challenging external environment, this was an exceptional outcome for Arafura. The funding, including completion support and loan guarantees, was secured from nine Australian and international lenders. This is significant for several reasons. Not least of which, it signifies how important the Nolans Project is to a diversified NdPr global supply chain and recognises the robustness of the investment case.

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The Australian government was the catalyst in securing support from the international lending group. The combined funding package, on commercial terms, from Export Finance Australia (EFA) and Northern Australia Infrastructure Fund (NAIF) of US\$533 million will underpin Australia's position as a leader in the ethical and responsible manufacturing of rare earths.

The quantum of the debt funding required a substantial commitment of time and effort to deliver the Environmental and Social Due Diligence (ESDD) for the lender group and was completed against three internationally recognised standards. An impressive outcome for a company of Arafura's size and maturity. The refreshed Board and executive leadership team has brought about a step change in expertise and an absolute focus on delivering ESG outcomes.

Our focus has now shifted to securing the equity required to reach a final investment decision. We have engaged three highly capable investment banks in UBS, Canaccord and Barrenjoey as joint lead managers.

At a macro level, the global supply chain for NdPr continues to be heavily influenced by China's dominance in the rare earth elements market. Despite efforts by other countries to diversify their sources and reduce their dependency, China's mining and refining capabilities means it remains the primary supplier.

The impacts of this supply chain control are evident in the pricing and availability of these critical materials, often leading to strategic stockpiling driving down the price. As a result, this year we have been experiencing the lows of the commodity pricing cycle. However, the NdPr oxide price has shown some floor price resilience during the down cycle and appears to be showing a trend of steady improvement. We remain confident in our forecasts.

To mitigate the potential geopolitical impacts on western interests, we are seeing strategic policy shifts from government across the western world.

The European Union has implemented the European Critical Raw Materials Act setting a benchmark to ensure that no more than 65 percent of the EU's annual needs for any strategic critical raw material should come from a single country. Also, one of the initiatives of the Inflation Reduction Act in the US stipulates that a percentage of critical minerals must come from countries with free trade agreements with the US, which of course includes Australia. This will reduce reliance on imports from dominant suppliers like China and will ultimately serve to level the playing field for Australian-sourced NdPr oxide.

Australia is not dragging its heels. The government recently announced the Future Made in Australia strategy, which includes a critical minerals production tax incentive, of which Arafura will benefit once in production. Core to the strategy is creating downstream processing and refining of critical minerals, with the goal of Australia becoming a global leader in the clean energy transition. Arafura is poised to play its role as one of Australia's only downstream ore-to-oxide NdPr rare earths processing facilities.

Together with these positive macro policy settings, the more critical and immediate tailwinds for Arafura remain strong. The long-term outlook is robust and NdPr remains essential for global decarbonisation. The fundamental requirement of NdPr as a critical element in the conversion of electrical energy into motion remains without challenge. For example, our market research is also showing that an emerging magnet demand thematic is coming from robotics, some suggesting by 2040 it will overtake EVs as the highest industry demand segment. Advancements in AI, 5G, and machine-learning technologies applied to robotics are enabling greater versatility and utilisation across industry and consumer markets. NdPr is critical in all these technologies.

On our current timeline, Nolans will have reached nameplate capacity when the forecast supply gap occurs in 2032. We predict that around 12 Nolans projects will be required to close the gap. Yet the global development pipeline is limited and will remain challenged at current low pricing. This factor alone presents a compelling opportunity for the Nolans Project which can only be amplified with further future development opportunities available to Arafura.



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In closing, I understand and can appreciate the frustration of stakeholders when timelines extend, however there are many external factors at play in such a complex and significant financing environment. We remain singularly focused on reaching a final investment decision on Nolans. We are making great progress, and we have never been closer than we are today.

Finally, I would like to thank all of Arafura's staff for bringing to life this unique and nationally significant project. Without your incredible intellect, dedication and motivation, we wouldn't be here today.

I would also like to thank my fellow Directors for your efforts over the past year. The next 12 months are going to be pivotal to the future of Arafura, and I am looking forward to working together.

And to our shareholders. Your continued support and dedication remain crucial. No doubt we will face challenges over the next 12 months – we are in this together as we build an Australian rare earths success story.

Thank you.

-ENDS-

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