

**ASX
RELEASE**

25 November 2011



**AN EMERGING
RARE EARTHS
PRODUCER
FOR USERS
WORLDWIDE**

ANNUAL GENERAL MEETING SPEECH BY THE MD & CEO, DR STEVE WARD

2.30pm WST – 25TH NOVEMBER 2011

Ladies and Gentlemen,

- Good Afternoon, it is a pleasure to be here with you today.
- I would like to extend a warm welcome to all our shareholders, some of whom have travelled considerable distances to be here today. I appreciate your support.
- Please let me begin with some acknowledgements.
 - My best wishes to the man who had the vision for Arafura and why we are here today – Mick Muir. All the best to you and Helen in your retirement.
 - I would like to acknowledge the contribution of Mr Ian Kowalick to the Company. I shall be extending my best wishes and thanks to him personally at the end of the meeting.
 - A formal welcome to Chris Tonkin, Lloyd Jones and Loretta Reynolds to the Board
 - Best wishes to Shasha Lu in her new role as a Non-executive Director
 - Thanks to the Board for their support and guidance over the past 12 months, much appreciated.

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- Finally, thanks to our General Managers and other Arafura staff for doing a great job in the past year. We have a great team of 'Arafurans'. I am proud of you and what you have achieved.
- I would like to breakup my speech into three parts; (1) progress and achievements in the past year (2) current status and (3) the outlook for the next year.
- Turning to our progress and achievements in the past year which has been a transforming period for the Company.
- We have moved forward considerably on the rapid journey from junior explorer to operator of mine and significant chemical plant in Australia. All parts of the company have changed and are changing.
- We now have a clear "All Australian" business model, and have made substantial progress towards making the Nolans Project a reality and tremendous success.
- We have established, and are growing, positive and constructive relationships with a wide range of new stakeholders including target customers, communities, regulators, government officials, financiers and industry commentators.
- Recently our team produced a video which summarised our progress and achievements in the past year. This video is available on our website for future reference.



- I would now like to play the video. Please sit back and enjoy it. Once the video is completed, I shall continue with my speech.
- **VIDEO BEING PLAYED**
- I hope you found the video a helpful and comprehensive summary. Thanks to my colleagues for their participation – they certainly scrubbed up well!
- Your, in fact, our company, is now well positioned to advance the Nolans Project.
- Turning now to where we are today.
- I would like to cover specifically our funding position including the recent Non-renounceable Rights Issue which we have cancelled and the Rare Earths market dynamics and outlook.
- I shall start with funding
- The past year or so has seen very volatile financial markets
- There have been major financial issues in:
 - Europe, initially with Ireland and Portugal
 - The USA, and now...
 - The wider Eurozone
- There was also a major earthquake and Tsunami in Japan which has impacted the Japanese economy



- Consequently, share markets have also been significantly adversely impacted.
- Whilst the outlook for rare earths remains very positive and Arafura's perceived status as one of the few new suppliers has grown substantially in credibility, our share price has been impacted by the global financial markets
- As you can see we began the financial year at 46 cents and finished at 73 cents.
- We were also able to successfully raise \$90M capital in Q4 2010 and our overall market capitalisation increased during the financial year starting at \$133,694,557 and finishing at \$268,625,649.
- Since the end of June 2011 volatile market conditions have continued and our current price has fallen below 50 cents and is now back to the level when the last financial year started.
- As you can see from the slides there is a close correlation between our share price and the ASX 300.
- We take a careful and prudent view to managing expenditure and cashflow.
- We decided that it would be appropriate to raise additional funds prior to the AGM to augment our existing funds and enable us to advance the Bankable Feasibility Study through to completion
- The need for additional funds had been flagged previously in June this year



- As explained in our ASX release of yesterday, Thursday November 24th, deteriorating global financial conditions and falling share markets in the past 2 weeks has led to us cancelling the Non-Renounceable Rights Issue
- We are very appreciative of the many shareholders who were prepared to participate in the Rights Issue, however we believe cancelling the Rights Issue is the fair and reasonable approach for all concerned
- We have sufficient funds available to keep our programs on track in the immediate future
- We will appoint a leading Advisor to assist us in examining all ways to raise funds (approximately \$70M is required) to enable us to complete the Bankable Feasibility Study.
- Opportunities for shareholders to participate in future capital raisings will certainly be considered in our forward plans.
- I would now like to turn briefly to the Rare Earths Market and in particular pricing
- You may have seen media articles recently regarding Rare Earth pricing
- Earlier this week on November 21st we issued an Open Briefing in which I commented in detail on pricing.
- However, if I could make two comments now



- Prices in the past 2 years have returned to levels in real terms seen prior to China having a significant and unusual impact on the market
 - Prices have fallen since mid 2011 highs, but are still 250% higher than just over 12 months ago. In October 2010, we modelled the Nolans Project at prices much lower than today and demonstrated indeed that it was economically viable at much lower price levels compared to today.
- I would like to finish my speech by describing the outlook for the company over the next 12 months.
 - Our main targets are clear. We plan to complete the Nolans Project Bankable Feasibility Study and have Project Financing in place by the end of 2012.
 - There are many interactive workstreams currently active across the whole business to enable us to meet our main targets.
 - These include, but are not limited to:
 - Technology Demonstration Program
 - Engineering Study
 - Drill Program and Mine Planning
 - Regulatory Approvals including the Environmental Impact Statements for Nolans and Whyalla
 - Securing Offtake Agreements with target customers

- Securing raw material supplies
- Arranging Project Financing
- Securing short term financing as described earlier

- Ladies and gentlemen it will be another busy and dynamic year with a number of challenges as we take the company forward
- We have a great team of Arafurans, advisors and consultants
- I am confident that we can rise to the challenges ahead of us in the next 12 months and be successful.
- Our vision is clear “To be the recognised leading producer of Rare Earths for users worldwide”.
- We can realise this Vision via
 - Our world class Nolans Project
 - With our excellent team of Arafurans, and importantly
 - Your ongoing support as shareholders
- I look forward to reporting our progress to you with regular updates.
- Thank you very much for your attendance today.

- ENDS -