

ASX ANNOUNCEMENT

CHAIRMAN'S ADDRESS FOR ANNUAL GENERAL MEETING

22 October 2020



Good morning ladies and gentlemen and welcome to the Annual General Meeting of Arafura Resources Ltd.

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.

Firstly, with respect to the COVID-19 crisis, which has dominated the headlines and the markets for most of the second half of the financial 2019/2020 year. Arafura seamlessly transitioned to a work from home routine and our employees and contractors remained productive and safe. COVID's impact was mostly felt in a delay in several key work streams, namely our customer engagement efforts and discussions with native title holders regarding the Native Title Agreement for the Project.

In these two areas, the negative impact has already moderated. As shareholders will be well aware, we successfully concluded negotiations for the Native Title Agreement with the Central Land Council (CLC) and native title holders in June, which paved the way for the grant of the Mining Lease for Nolans in July – a pivotal day for the Company.

With regards to customer engagement: it has always been, and remains, the Company's intent to have the majority of the Nolans Project's annual NdPr production covered by offtakes. By September 2019 we had approximately 40% of annual production covered by non-binding customer MoUs and it was our expectation that further agreements would be secured in FY 19/20. The impact, of COVID created more pressing matters for customers as well as making international travel all but impossible thereby delayed commercial discussions with customers and thus no further agreements could be concluded in FY19/20.

As the virus outbreak's impact abates it's our belief that, even if international travel is still problematic and prevents face-to-face discussions with buyers, further agreements should be concluded in the current financial year. In the face of an ever tightening NdPr supply outlook, a recovering global economy and geopolitical tensions involving China which seem all the more frequent, we expect NdPr buyers will be highly motivated to secure and diversify their NdPr supply. They have no better choice than Nolans.

I will turn now to the subject of capital raisings which I know is of specific interest to many shareholders.

Businesses that lack an operating cash flow, such as Arafura, need injections of capital to advance – particularly companies with Arafura's operational tempo. It is appropriate that we seek funding from the equity market. Where it is feasible we do that in a way that gives existing shareholders a chance to participate.

Thus, for example, in early FY19/20 the Company completed a major capital raise by way of a \$23.2m Entitlement Offer. This transaction saw an investment by specialist rare earths project developer Talaxis into Arafura. This is an important strategic outcome in terms of future financing of Nolans and we hope to leverage off Talaxis' experience, contacts and know how in this regard in the months ahead.

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Importantly this funding provided Arafura the capacity to execute on the many vital pieces of business that lay before it as the 2019/20 Financial Year began. I think the accomplishments this funding facilitated this year speak for themselves:

- We increased Nolan's Ore Reserves by 54% to support a 33-year production life and life of mine schedule, based on mining inventory of 39.9 million tonnes now supports 39 years of production; For further information, please refer to our ASX announcement dated 16th March 2020 which includes the JORC tables and an overview of material assumptions.
- We increased the amount of annual NdPr production covered by non-binding MoUs with approximately 40% of the planned output now earmarked for specific customers;
- We completed the final stages of the flowsheet pilot program with great success and which should allow for smoother production ramp-up;
- The Native Title Agreement was secured with the Central Land Council and the native title holders;
- A 25 year Mining Lease was granted by the Northern Territory Government;
- Pre-FEED activities were largely completed in preparation for the Early Contractor Involvement phase of project delivery; and
- Key contractors were appointed, namely KBR and Wave International for Project Management.

Whilst market conditions may frustratingly dictate the cost of funding, in light of what I have just outlined, shareholders can safely conclude that Entitlement Offer was highly value accretive to their investment in Arafura.

In June 2020, the Board received a strong degree of inbound interest from institutions to invest in the Company and made the decision to raise an amount of capital to mitigate any near term risks that may be imposed by the COVID crisis. These funds were used to continue early engineering works supporting pre-FEED activity. Now, in October the outlook seems brighter but back in June 2020, the consensus outlook for the global economy appeared grim. The Board took the view that, not having a clear view of the economic outlook, there was a very real possibility that future funding may not have been available when the Company need it on anything like acceptable terms. This presented an unacceptable risk to our future investment plans.

Like the earlier Entitlement Offer which saw Talaxis become a key shareholder, this raising also had a strategic aspect. This raising was structured as a placement to institutions, and was a result of inbound interest, as I noted earlier. Fifteen institutional investors participated in the transaction. There was also significant international participation with Funds from North America, Hong Kong, Singapore as well as New Zealand and Australia. Twelve of these institutions were new to the Arafura register. This is an important point. As the Company looks to financing the project institutional investors will play a critical part in that process. Bringing Funds onto the register, even if they are just 'dipping a toe in the water' is a vital part of the market education process to help facilitate future larger scale funding.

As we look to the future and with most of the Project level boxes ticked the Company is very much focused on project financing. The Board, along with Gavin and CFO, Peter Sherrington, have been preparing the ground work for this in our collective discussions with offtakers, advisors and financiers over the last 18 months.

Perhaps the key part of this effort is engagement with Export Credit Agencies (ECAs). ECAs are institutions that offer to finance domestic companies' international export operations and other activities. They encourage export activities and international trade. The export credit assistance they offer lower the risks

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to commercial lenders by providing guarantees to companies developing projects, like Nolans, to help reduce commercial risk.

Feedback from the Company's project funding engagement affirms the view that Nolans, as an Australian domiciled ore to oxide NdPr project, is a strategic geopolitical asset. Arafura is working to leverage this significant attribute and its market sounding has identified close alignment with the ECA funding mandates of enabling EV manufacturing and renewable energy sector growth. The Company seeks to leverage off the 'halo effect' of successful engagement to unlock further financing on more favourable terms. We expect to report further progress in this regards in the current financial year, likely subsequent to further NdPr offtake agreements.

In closing, I take this opportunity to thank Gavin Lockyer, Peter Sherrington and all our other employees and contractors for all the work they contributed in 2020 to get the Nolans Project to where it is today. As always, there is more work to do with offtakes and financing the focus in FY20/21 but I can assure shareholders that Gavin and his team are taking every reasonable step to execute on this objective.

Finally, to you the shareholders, thank you for continuing support. You are all rightfully proud owners of the world's best NdPr project development opportunity. To paraphrase Gavin's comments made during the year, most recently in the Annual report, and which I think are well worth repeating here:

We challenge anyone to find a better, fully permitted, fully costed NdPr-focused project outside of China. It meets all the criteria to be a long-term, sustainable supplier of critical minerals into clean energy technology, and will deliver intergenerational benefits in a part of Australia that is challenged by limited opportunities for genuine economic development.

-ENDS-

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