

ARAFURA RESOURCES LIMITED 2010 ANNUAL GENERAL MEETING

**Managing Director & CEO's Address
Dr Steve Ward**

Slides 1 and 2 - INTRODUCTION

Thank you Ian and good afternoon ladies and gentlemen.

It is certainly a great pleasure and honour to address you today for the first time at an annual general meeting as Managing Director & Chief Executive Officer of your company.

As Ian has mentioned, Arafura managed to navigate its way successfully through the extremely difficult period of the Global Financial Crisis – a real credit to everyone associated with the company. Significant progress has been made post the Global Financial Crisis and the company is now in a wonderful position to deliver on our vision to be the recognized leading supplier of rare earths to users worldwide. This afternoon, I would like to share with you the progress we have made and the exciting future that lies ahead of us.

Before I begin the main presentation, I would like to display the following 'Disclaimer' slide and ask you to consider the details.

Slide 3 – ARAFURA – OUR COMPANY

Please let me begin with some background comments on our company.

Environmental, Health and Safety matters are vitally important to us and are the first item on every agenda. They are considered thoroughly in all aspects of our Nolans Project design and in everything else we do. During the last year we have experienced 2 minor first aid injuries only and no environmental incidents. We take every incident very seriously and use them to learn and continue to improve.

Arafura has a clear strategy, vision and mission. Almost entirely all our focus is in Rare Earths and to create substantial shareholder value in a sustainable way by successfully delivering our world class Nolans Rare Earths project. We continue to pursue ways to create value from our non-rare earth tenements by commercial arrangements with other organizations who are better placed to develop these as projects into profitable businesses.

Arafura has completed a substantial part of the lengthy journey required in the rare earths industry to bring a successful project into profitable operations. The rare earth industry is very complex, with substantial technological and financial barriers to entry. It takes approximately 15 years from initial exploration discovery to realizing production of saleable rare earth products.

In 2010, we entered the ‘Emerging Company’ phase of our corporate development. We have stepped-up all our work programs are now on a ‘fast-track’ development timeline to reach full operating company status during 2013.

Finally, just to re-emphasise the complexity of the rare earths industry, Arafura can best be described as a specialty chemical company which will make products to pharmaceutical quality standards. Whilst not trying to underplay the importance of the future mine at Nolans Bore in any way, the vast majority of the novel technology, initial investment capital and operating costs are involved with the Rare Earths complex.

Slide 4 – CORPORATE SUMMARY

Please let us move now to review our Corporate structure. An update can be seen on this next slide.

We began 2010 with a clear determination to step up our Nolans Project work programs with the objective to become a highly profitable rare earth supplier as soon as possible. We have been delighted to receive the support of existing and new shareholders in two capital raisings during 2010. This has provided the funds for us to drive forward at full pace with our Nolans Project. Subject to shareholder agreement at the forthcoming EGM for the second tranche of capital from the recent fund raising, we are now well placed to progress to the Project Financing stage late in 2011. We thank all shareholders for their ongoing support.

I would like to comment in a little more detail on our recent capital raising. Rare earth projects are very capital intense. We will need to raise approximately \$1 Billion in Project Financing for our Nolans Project. This will be a considerable challenge for us. However, we are confident that the compelling value creation from our Nolans project will enable us to be

successful. We will need support from a number of stakeholders to help us achieve this aim. Consequently, we deliberately sought a range of new Institutional and professional investors during our last capital raising and were successful in welcoming a number of these. We believe that their presence strengthens our share register and is good for all shareholders. The Institutions are the types of organizations that might well participate in the Project Financing. We value all shareholders greatly.

We believe that the company will be in a very good position as we look to secure Project Financing – less than 400M shares on issue and no debt. We have received many questions regarding the composition of our Project Financing. We have begun the process of assessing various means to achieve this. We do not have any firm structures in place yet and there are many factors to consider. Our objective will be to deliver the Finance Package which generates the most shareholder value.

Slide 5 – MARKET CAPITALIZATION AND SHARE PRICE HISTORY

Turing now to the next slide which shows our Market Capitalization and Share Price History.

There has been considerable appreciation in both of these since the lows of the Global Financial Crisis. During 2010, our share price has increased by approximately 50% to date. The improving trends we believe are evidence that investors are beginning to understand the intrinsic value of our Nolans Project. We believe that there certainly is scope for further value creation, a view which is shared by independent analysts.

The current level of market capitalization brings the company to the attention of a much wider range of investors.

Slide 6 – BUSINESS MODEL CONFIRMED

During 2010, we made a significant step forward with the confirmation of our Business Model. This is a truly value adding proposition in Australia.

Ore will be mined and beneficiated into a mineral concentrate at Nolans Bore in the Northern Territory.

The Mineral concentrate will be transported to Whyalla in South Australia by rail.

Rare Earth Oxides will be produced in Whyalla, South Australia for users worldwide.

Here you can see photographs of our recently completed 'Big bertha' drill program at Nolans and the Environmental Impact Study work which has commenced in Whyalla.

I would like here to acknowledge the assistance and support we have received from many stakeholders including the Northern Territory and South Australian Governments and the Whyalla Council and the communities at large both at Nolans and Whyalla.

Slide 7 – CREATING VALUE IN THE INDUSTRY CHAIN

Turning to the Industry chain.

Early in 2010, Arafura made the decision to continue the development of the technology to produce Rare Earth Oxide products and position itself as a supplier at that point in the industry chain. Our analysis demonstrated that this was the most value creating opportunity for us.

We have made excellent progress with the technology development which is on track to be completed by the end of this year.

There is considerable interest in Arafura's full range of products from users worldwide. Discussions with potential customers are in progress.

Slide 8 - RARE EARTHS – MARKET DYNAMICS

Market dynamics have been the subject of much focus and media attention.

Rare Earths is a complex industry and there are many factors to consider.

A few points in summary:

Demand growth forecasts are very positive due to the nature of the end using industries which are high tech in nature, wanted by consumers, desired by society and mandated by regulators.

On the supply side, it is relatively easy to find rare earths and we have seen many new rare earth exploration announcements in the past 12 months or so. Some commentators have described this as a 'Bubble'. However, there is a big "BUT".

In reality, Rare Earth deposits which can be exploited successfully economically are extremely scarce. Arafura's Nolans Project is one of the very few. Any recently found deposit which can ultimately be exploited is many years away from production.

Global tightness is likely to continue for several years. The industry challenge is for the suppliers to be able to meet the growing demand.

China's move to reduce export quotas has exacerbated the global shortage in regions outside of China. This has led to many governments including the USA, EEC, Japan and Korea all recognizing the strategic importance of rare earths and becoming actively involved in these matters. Earlier this week, the Australian government announced an intention for Australia to become a long term supplier to Japan.

We believe that Rare earth pricing will follow normal supply/demand dynamics. Whilst prices have increased significantly in 2010, these increases are of the same order as has been seen for other products in recent times – we don't hear of a coal or an iron ore price bubble for example!

Slide 9 – NOLANS PROJECT - GLOBALLY SIGNIFICANT

Arafura's Nolans Project is globally significant. It has a number of attributes to justify this billing:

Long life, proven resource, attractive rare earth composition, multi product portfolio, excellent value creating economics and possible expansion upside potential which requires evaluation by additional drilling.

We recently completed and published updated financials for Nolans. Even at pessimistic product pricing below the long term trend line the project has robust financial returns. It is interesting to note that current prices are already higher than our 'Upside price evaluation case'.

Slide 10 – OUR PROGRESS IN 2009 AND 2010

We have made substantial progress during 2009 and 2010. A feature of this program has been to progressively build organization and business capability by adding new talented staff to our already excellent team. We have also made steps to improve our business with further introduction of contemporary processes and systems. We also have a keen focus on risk management for all our activities to ensure our business is and will be sustainable.

Side 11 – FUTURE WORK PROGRAM

Our future work program involves a fast track to production commencing in 2013.

The next 12 months will see a number of activities come together and culminate with the raising of Project Finance.

There is much work and many challenges ahead.

We do not underestimate the tasks ahead of us.

Our staff the 'Arafuran's', as I sometimes refer to them, have an excellent 'can – do' culture and delivery and achievement focus. They are a great team.

As I have mentioned previously, Arafura is on a rapid growth journey. The Company will be significantly different in a very short timeframe. This slide shows how some aspects will or may change.

Slide 12 – SUMMARY

Ladies and Gentlemen, your company is now wonderfully positioned to develop rapidly and ultimately reward you for your support and investment in the company.

As I have mentioned previously, Arafura is on a rapid growth journey. The Company will be significantly different in a very short timeframe. For example we currently have 30 employees and in 2013 we will have 300. Arafura will become one of the larger chemical companies in Australia.

I would like to thank the Board for their confidence in me and their support and guidance.

I would also like to acknowledge the tremendous efforts of our staff and thank them.

Finally, Ladies and gentlemen I would like to thank you for your support as shareholders, it is much appreciated.

Slide 13 – THANK YOU

