ASX ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

30 September 2020

ARAFURA
RESOURCES LIMITED

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HIGHLIGHTS

- **Early Engineering Works, Execution Readiness and Project Update programs proceeding in line with expectations**
- **Nolans development tenure granted by the Northern Territory Government following Native Title Agreement execution**
- **Renewal of Australian Government Major Project Status for Nolans**
- **Strong endorsement of Nolans from Territory Economic Reconstruction Commission**
- **Validation by supply chain partners of high-quality rare earth products from Nolans paves way for further commercial negotiations**
- **NdPr price up over 20% in Q3 CY2020 following escalating geostrategic tensions and firming pricing policy from China**
- **2021 Federal Budget sees almost $1.5 billion invested in Australian manufacturing over five years, with critical minerals processing identified as one of six National Manufacturing Priorities**
- **NAIF mandate confirmed for a further 5 years with reforms to ensure the $5 billion facility will have more flexibility to support investment**
- **European Commission's Action Plan on Critical Raw Materials and U.S. Executive Order announced to reduce supply chain vulnerabilities**
- **Strong cash position of $18.5 million**

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NdPr

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NOLANS NdPr PROJECT

Execution Readiness

The integrated project management team (**IPMT**), which includes KBR and Wave International personnel (*refer to ASX Announcement 23 January 2020*), has continued work across several fronts in preparation for the early contractor involvement (**ECI**) phase, including:

- Finalisation of the project execution plan and project contracting plan. The package listing, and preliminary scopes of services, are planned to be launched on ICN Gateway later in 2020 or early in 2021 to facilitate an expression of interest process for the various packages (predominately related to non-process infrastructure).
- Continued work on the basis of design documentation for the process plant, non-process infrastructure and village. This includes the development of the metallurgical design criteria which incorporates the relevant results and interpretation of extensive batch and pilot test work programs completed by Arafura over the last few years.
- Continuation with the generation of scope of work documentation for the key contract packages in preparation for tendering once the ECI phase is approved.
- Continued preparation of the over-arching battery limit definition documents to fully define the physical and engineering battery limits between the various contract packages.
- Finalised draft contracts for contracting packages.
- Finalised the Territory Benefits Plan, which satisfies the requirements of an Australian Industry Participation Plan. This plan embodies many of the commitments made in the project's Indigenous Engagement Strategy and clearly illustrates the opportunities they represent to Central Australia, the Northern Territory and Australia.
- Finalised a Local and Indigenous Procurement Plan to outline the ways in which the project will seek to engage with local and indigenous businesses to provide services to it.
- Updated the risk assessment matrix and reviewing the project risk assessment from the definitive feasibility study (**DFS**) to feed into the project risk management plan. This is now being translated into detailed risk management plans and responsibilities for critical and high risks.
- Updated planning and scheduling of project early works with attention to construction water supply, construction village availability and bulk earthworks with an aim to optimise the program to allow acceleration of the bulk earthworks as early as possible.

With the ongoing uncertainty in the global investment environment influenced by the COVID-19 pandemic, the Company's indicative project implementation schedule remains under review and will be updated once there is greater certainty in offtake and finance market conditions to determine the timing of key milestones.

Early Engineering Works

During the quarter the Company continued work on the completion of an early engineering works (**EEW**) scope of work which incorporates the following:

- Gap analysis on information prepared during the DFS for commencement of the ECI phase.
- Validation of the DFS capital cost estimate.

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- Engineering optimisation and identification of opportunities for cost reduction and risks.

This work has been largely completed on the beneficiation plant and sulphuric acid plant and is ongoing for the hydrometallurgical plant.

In the beneficiation plant the following optimisations have been undertaken:

- Review of the basis of design and identification of any gaps in the basis of design.
- Re-layout and rationalisation of the crushing circuit and mill feed system.
- Optimisation of the flotation area layout to reduce footprint and therefore concrete and structural steel quantities.

Early in the next quarter the final review of the capital cost estimate for the beneficiation plant will be provided.

For the sulphuric acid plant two alternate development strategies have been reviewed, with one utilising a modular design and the other a single bespoke sulphuric acid plant. These competing options are in the process of being reviewed to compare the construction cost, operating cost (including steam production) and operability (with particular attention to the turn-down capacity during the project ramp-up).

In addition, with the ongoing finalisation of the mass and energy balances for the project, a review of the proposed energy utilisation on-site has been commenced. This review focusses on the energy efficient, and cost effective, generation of power and steam which utilises the waste heat from the sulphuric acid plant and the power station.

Project Update

Work has continued during the quarter by the IPMT on the Project Update. To date the following work has been completed:

- Updating of aspects of the capital costs estimate, including the following with the key work of incorporating updated costs for the process plant to be completed in the coming quarter:
  - Updated infrastructure costs for aspects such as the bulk earthworks, water supply construction, residue storage facility construction, overhead power line and site buildings.
  - Escalated costs for other aspects of the non-process infrastructure.
  - Re-estimated non-process infrastructure engineering costs in line with the updated contracting strategy.
  - Escalated and adjusted costs for owners' costs.
- Updating the operating cost model to represent up to date pricing, consumption and any modifications to the process.
- Updating of the mining schedules to represent the latest mining constraints and plans and then updating the contract mining price through enquiry to a number of potential mining contractors.
- Updated forecast rare earth product and phosphoric acid by-product pricing has been received.
- Revision of the project financial model to provide additional flexibility on scenario investigations and debt structures.

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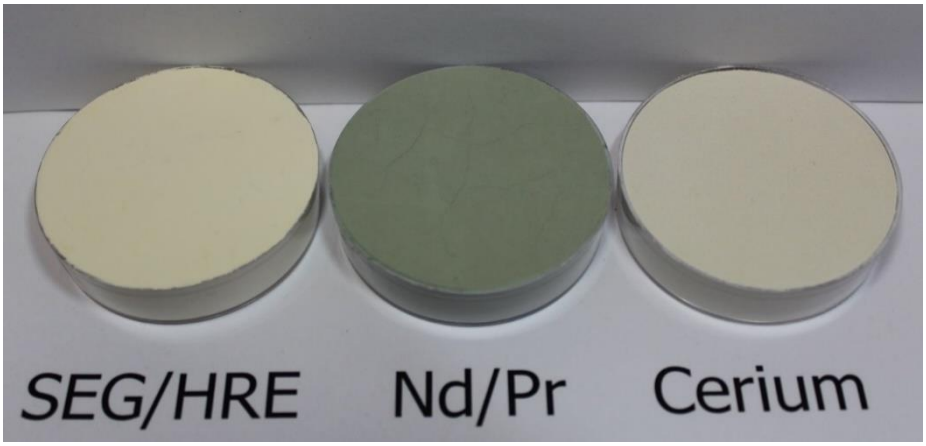
The Company has delayed the delivery of the Project Update to allow time to optimise costs, primarily capital costs, through better scope definition and re-costing, particularly in the area of non-process infrastructure and overall site development works.

Technology Programs

Shipments of rare earth products to potential customers for product qualification purposes continued through the quarter, and assay results received on the rare earth product samples including compositional feedback from customers has demonstrated the achievement of the REO and TREO specifications indicated in the table below.

REO	REO/TREO	TREO
NdPr Oxide	>99.9%	>99.5%
SEG-HRE Oxide	>99.5%	>99.5%
Ce Oxide	>99.95%	>99.5%

Figure 1 - Rare earth oxide product samples from Nolans



Project Mining Tenure

On 21 July, the Northern Territory Minister for Primary Industry and Resources, Hon Paul Kirby, granted Arafura's key Mineral Lease (**ML** 26659) over the Nolans Bore mineral resource as well as the three ancillary MLs (30702-04) which host much of the supporting infrastructure for the project. All four MLs are granted for an initial term of 25 years. Multiple renewal periods for these MLs are possible and agreed under the project's Native Title Agreement (**NTA**).

A further six ancillary ML applications (32411-16) lodged in April over the project's planned borefields have progressed with the Northern Territory Department of Industry Trade and Tourism. It is expected that these applications will be advertised in early October. Following this, a statutory 30-day period commences in which objections or submissions can be lodged regarding these applications. On expiry of this period the Company expects that the ML applications will proceed to grant as all required consents were included in the NTA. Once granted this will provide secure tenure over the project's groundwater resources.

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Operational Licencing

Work on the detailed Mining Management Plan (**MMP**) for the construction and initial operational period of the project continued during the quarter. The majority of the management plans are complete, and several have been submitted to the Northern Territory regulator for review. The remaining plans are being finalised and the Company is targeting submission in the next quarter. This staged approach is being used to expedite the regulatory authorisation of the MMP.

Discussions continued with the Northern Territory Department of Environment and Natural Resources regarding the Company's application for a groundwater abstraction licence. As previously reported, under current Northern Territory legislation the Company does not require a licence however, as commitments have been made to stakeholders to seek a licence, the application process will continue. If ultimately approved, a licence will provide an additional layer of security over the project's groundwater resources.

Sustainability Review

As previously reported a review and gap analysis of the Company's sustainability policies, plans, and procedures has been completed by sustainability specialists from KBR. The review was completed with reference to the Equator principles, International Finance Corporation's performance standards and the United Nations sustainable development goals. The review and gap analysis has determined:

- Arafura has a significant number of policies, plans and procedures already in place that substantially satisfies the various international principles and standards they have been reviewed against.
- Some gaps against these principles and standards have been identified, resulting in the preparation of an action plan to guide planned work focussed on addressing these identified deficiencies. The plan will ensure that all the relevant principles will be complied with and met.
- Further work is also being planned to look at areas within the project where sustainability initiatives can be implemented to produce tangible outcomes for the project during design, construction and operation.

DOMESTIC STAKEHOLDER ENGAGEMENT

In late-July and immediately following the granting of Nolans' key development tenure by the Northern Territory Government, the Company was advised by the Australian Government's Minister for Industry, Science and Technology, The Hon Karen Andrews MP, that Nolans had its Major Project Status (**MPS**) renewed for a further three years. MPS recognises projects that are economically and strategically significant to Australia and allows a single-entry point for a range of Australian Government coordination services. These include helping to map out the project's commercial compliance obligations and assisting with identifying suitable government employment and training programs that supports Arafura's efforts in delivering jobs and investment opportunities to Central Australia.

Arafura continues its close engagement with the Territory Economic Reconstruction Commission (**TERC**), the Australian Government, Northern Territory Government business facilitation agencies and other key stakeholders. As previously reported, the Company has lodged a submission to the TERC which is tasked with providing recommendations to the Chief Minister and Northern Territory Government on opportunities to assist the Territory's economic recovery from COVID-19. The Company has received encouraging feedback on the submission from both the Northern Territory Government and the TERC. Several discussions have taken

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place and it is the Company's understanding that Nolans is the one of the highest rated projects that has been put forward to the TERC for consideration.

A number of briefing meetings have been convened with key Australian Government Ministers and agencies regarding the significant and long-term opportunities the Nolans Project potentially offers to the Central Australian region, the Northern Territory and Australia.

EXPLORATION

The Company has developed biogeochemical interpretation techniques relating to the sampling of selected vegetation types in the Nolans region that has successfully detected apatite-hosted rare earths mineralization beneath transported cover. Vegetation sampling surveys were conducted in recent years over parts of the Nolans mine site ML 26659, and these samples have now been submitted for assay. Assay results are expected during Q4 CY2020, and these will be used to guide shallow sterilization drilling campaigns, if required, on areas designated for the placement of mining related infrastructure such as waste rock dumps.

Additional biogeochemical surveys were commenced during September over the balance of ML 26659 where infrastructure is planned to be positioned.

Apatite-hosted rare earths mineralization is not expected to occur on MLs 30702, 30703 or 30704.

NdPr OXIDE AND OTHER PRODUCTS

Markets

The focus of the post COVID-19 recovery has shifted to markets securing their supply chains and the emergence of three clear jurisdictions, the European Union (**EU**), China and the developing Indo-Pacific Quad (comprising Japan, India, Australia and the USA), each with a distinct COVID-19 recovery stimulus response.

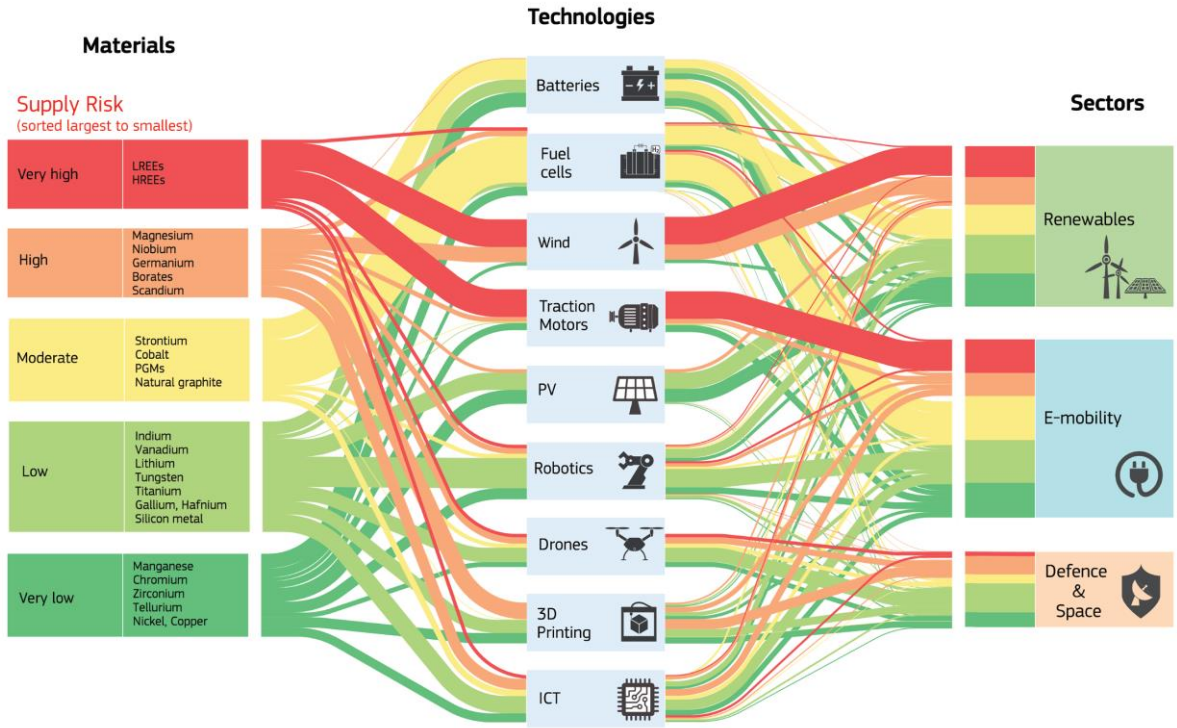
EU

The EU has commanded most of the recent attention in the critical raw materials space with the release of the European Commission's raw materials action plan *Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability* (**Action Plan**) and the updated 2020 Critical Raw Materials List. The Action Plan identified access to raw materials to deliver a green and digital economy is key for the EU to reach its European Green Deal targets and strengthen its economic resilience. Rare earths are recognised as having the highest risk to supply with 98% of rare earths being supplied by China.

Under Action 1 of the Action Plan, the European Raw Materials Alliance (**ERMA**) was launched in early September, with an initial focus on the pressing need to diversify the EU's rare earths and rare earth permanent magnet supply chains. Maros Sefcovic, the European Commission Vice-President for Inter-institutional Relations and Foresight, noted there is now a much greater awareness in Europe of the need for critical raw materials diversification noting "nearly all the future technologies needed to build Europe's green and digital growth are in dire need of critical raw materials..... the COVID-19 crisis can serve as an accelerator for the green and digital transitions". Sefcovic also noted "the number one goal of the European Raw Materials Alliance is to focus on rare earths and magnets because we see huge dependency there and real potential". As part of this process, the ERMA will be encouraging its member states to use the available recovery funds for "shovel-ready" raw materials projects. Accordingly, Arafura has registered with the ERMA partner network as a stakeholder in the "primary raw materials" and "advanced materials and intermediate products" supply chain segments.

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Figure 2 - Semi-quantitative representation of flows of raw materials and their current supply risks to nine selected technologies and three sectors (Source: European Commission, Critical materials for strategic technologies and sectors in the EU- a foresight study, 2020)



Germany continued to progress its proposed Supply Chain Act (**Act**) aiming to place companies legally responsible for human rights and environmental issues in their supply chains. The Act would require German companies with over 500 employees to ensure social and ecological standards are observed through all tiers of the value chain back to the original source. The Act extends to all subcontractors in the supply chain, meaning suppliers from developing and emerging countries must also comply with the Act. The push for accountability has seen carmakers Volkswagen and Ford enter agreements with sourcing auditor RCS Global to trace and validate minerals used in their supply chain from mine to end-user.

Although Europe is yet to reach a unified target of net-zero carbon emissions; the United Kingdom and France have voted into law 2050 net-zero emissions targets, with Germany asking for unified endorsement of mid-century climate neutrality goals and the Nordic countries and Ireland having plans and policies to reach the 2050 target.

China

China has focused its COVID-19 recovery plans on domestic growth, following reduced exports from COVID-19 shutdowns and escalating tensions with the USA. Additionally, COVID-19 has driven up the requirement to stockpile light rare earths for domestic manufacturing.

In September, China unveiled plans to be carbon neutral by 2060 at a meeting of the United Nations General Assembly. The plan is underpinned by the production of electricity from zero-emission sources and to expand the use of this clean energy wherever possible. This highlights an important growth opportunity for the renewable energy and electric vehicle (**EV**) sectors, likely to drive significant increases in domestic rare earth demand.

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In July it was reported China would impose sanctions on the US-based arms producer Lockheed Martin. It is believed the sanctions are in relation to the supply of Patriot air defense missile systems by Lockheed Martin to Taiwan. The nature on the sanctions was not described by the Chinese Foreign Ministry but it is believed they will include restricting the supply of critical materials to Lockheed Martin's supply chain. Key products including F-35 fighter jets and Patriot missiles use components made with rare earths.

The Export Control Law of the People's Republic of China was passed in October and is due to come into effect on 1 December. The Law will allow the Chinese government to ban exports of strategic materials and technologies to specific foreign companies in response to any country or region that abuses China's export control measures or poses a threat to its national security interests. Additionally, companies that import export-controlled materials into China for further processing, such as Japanese magnet makers, also face the risk of having control measures introduced on their imports. The law is widely seen as a response to the U.S Department of Commerce's Entity List and appears to reference the World Trade Organisation's September findings that the USA broke trading rules by imposing tariffs on more than $200 billion in Chinese goods.

Indo-Pacific Quad

The escalation of ongoing tensions between the USA and China has served to strengthen the alignment between Japan, Australia, India and the USA, pooling resources to accelerate development of self-reliant supply chains. Policy change in Japan now allows the Japan Oil, Gas and Metals National Corporation (**JOGMEC**) to make direct investments into metals and mining projects in addition to their existing ability to provide debt and debt guarantees.

On 30 September 2020, U.S. President Donald Trump signed an executive order declaring a national emergency to reduce the USA's vulnerability to critical mineral supply disruption from adverse foreign government action, natural disaster, and other sources. Under the executive order 35 critical minerals, including rare earths, were identified as:

(1) Being essential to the economic and national security of the USA.

(2) Having supply chains that are vulnerable to disruption.

(3) Serving an essential function in the manufacturing of a product, the absence of which would have significant consequences to the economy or national security.

The executive order provides for direct state investment in critical mineral projects in Australia – potentially even to a greater extent than Japan.

On 6 October 2020, Prime Minister Scott Morrison unveiled the 2021 Federal Budget which included a manufacturing strategy that will see almost $1.5 billion invested in Australian manufacturing over five years from 2020-21. Six National Manufacturing Priorities will be targeted, including critical minerals processing, identified as either areas of competitive strength or strategic national priority. Funding will be delivered through the following three programs which Arafura may be eligible for:

(1) Modern Manufacturing Initiative which will deliver co-funding of $1.3 billion for large manufacturing projects with broad sectoral benefits across the six National Manufacturing Priorities.

(2) Supply Chain Resilience Initiative which will deliver $107.2 million to businesses establishing or scaling capabilities to address supply chain vulnerabilities.

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(3) Manufacturing Modernisation Fund which will deliver $52.8 million to small and medium-sized manufacturers with funding to modernise their manufacturing processes, adopt new technologies, become more productive and create jobs.

Also in October, the Australian Government released the updated Australian Critical Minerals Prospectus 2020, showcasing the significant commercial opportunities across Australia's critical minerals and rare earth element projects. The Prospectus, which includes details on Arafura's Nolans Project, highlights the advantages to foreign investors of Australia's rich mineral resources, established infrastructure and service sectors, globally recognised environmental and social practices and government that recognises the need for investment.

India, Japan and the USA all have an increasing demand for rare earths to fuel the renewable energy and EV sectors, as does Australia. Australia and Japan both have a 2050 target for net-zero carbon emissions. The USA does not yet have a unified carbon neutrality target but rather state-level goals to reduce emissions, and India is being encouraged to set a target.

OFFTAKE AND PROJECT FUNDING

Offtake

Arafura is in a strong position to continue its offtake discussions with potential customers, following final rare earth oxide (**REO**) products from the Nolans project flowsheet piloting program being validated by supply chain partners from Europe, Japan and China. Customers have confirmed that Arafura's REO products are well within required key specifications for use in their processes.

Arafura continues to advance its rare earth product offtake arrangements with parties in Japan, Europe, South Korea, the USA and China, and for phosphoric acid product with parties in India. No formal or binding agreements with these parties have been entered into and the Company at this stage has no certainty as to the timing and likelihood of concluding binding agreement terms. Arafura continues to work with the potential offtake partners and other supply chain partners and details of these arrangements will be announced to ASX when formal agreements have been entered into.

Project Funding

Arafura continues to progress its engagement with key banks, advisor groups and Export Credit Agencies (**ECA**) through voice and videoconferencing. With the current geopolitical focus on supply chain risk for critical raw materials and the direction of recent policy announcements, the Company has confidence its debt led strategy to leverage the "halo effect" of the ECA-backed debt structure to attract project equity, will enable the project to secure its total funding requirements.

Arafura continues to engage with the market, leveraging off Nolans' position as a strategic geopolitical asset, being the only ore to oxide Australian domiciled NdPr project that is shovel ready. Arafura's ongoing market sounding engagement has identified close alignment with the ECA mandates of enabling EV manufacturing and renewable energy as well as the increasing need to diversify supply chain dependence for critical raw materials which continues to be a significant focus of the COVID-19 stimulus in Europe, Japan and South Korea. With the continued interest globally in critical material supply chains, Arafura has a German-based advisory firm with specific experience in business strategy, economics, media and policy engaging with customers, supply chain partners and industry participants on its behalf in the EU. This consultant will work in conjunction with the Company's direct and ongoing engagement and with other existing market consultants and debt advisors.

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Arafura continues to progress its project funding discussions, targeting ECA tied and untied loan facilities in conjunction with Export Finance Australia (**EFA**) and the Northern Australia Infrastructure Facility (**NAIF**). There has been increased engagement with EFA and NAIF during the quarter and the Company is working on opportunities to leverage its alignment with the TERC to advance debt funding opportunities with EFA and NAIF. Following the Federal Budget announcement in early October, NAIF's mandate has been confirmed for a further five years to June 2026 with some possible modification to project execution. Further reforms will be made to NAIF to ensure the $5 billion facility will have more flexibility to support investment in a wider range of projects across Northern Australia. The reforms are aimed to ensure NAIF is more flexible to help drive economic recovery and population growth in the region. Key changes to the NAIF will include the option to lend directly to project proponents in certain circumstances, which will simplify the lending process and reduce the administrative burden, as well as permitting NAIF to establish on-lending partnerships with local financiers to improves access to NAIF finance for smaller projects. Additionally, the reform also changes the scope of NAIF finance, making it available to additional elements of infrastructure construction such as equipment purchases or leasing, trading, and the expansion of existing business operations.

NdPr Market

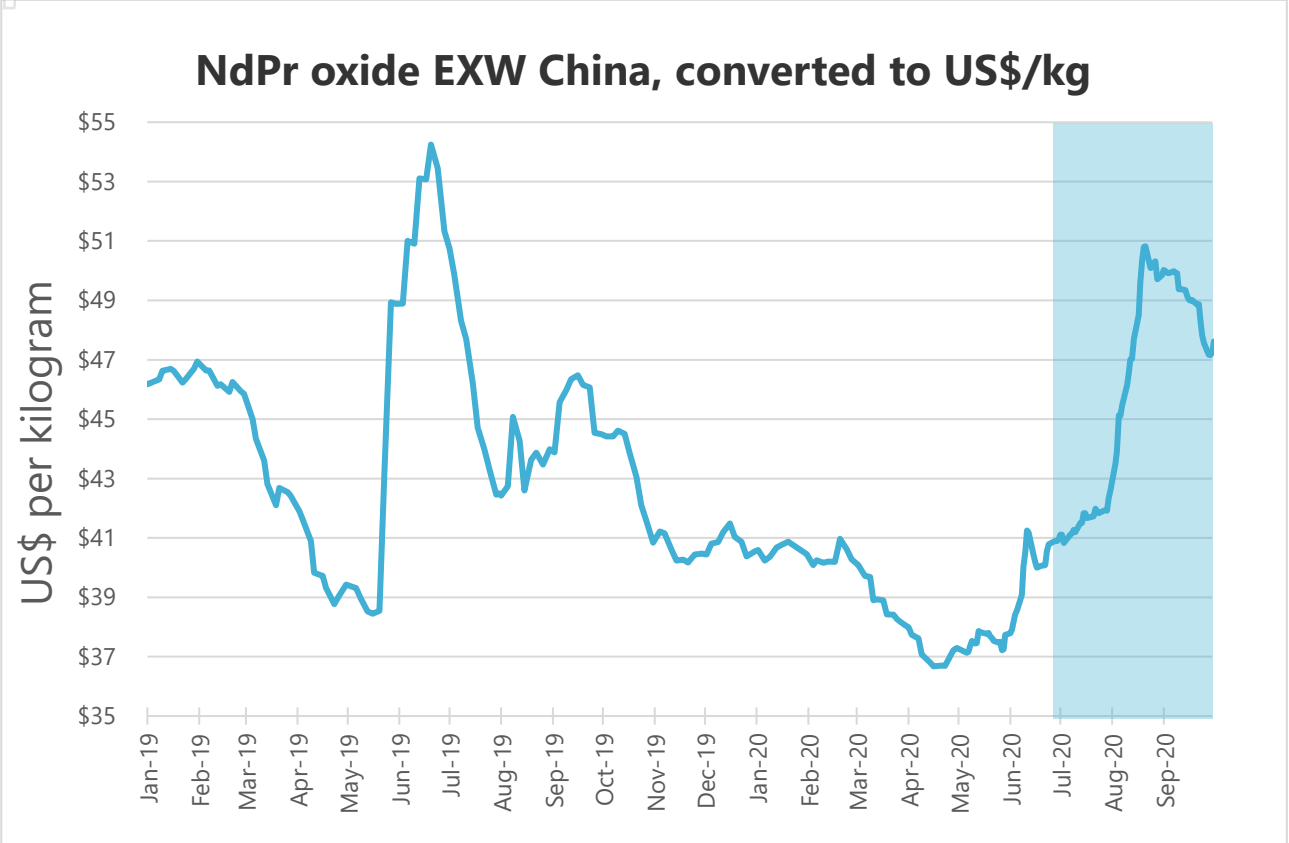
As shown in Figure 3, the price of NdPr oxide on an ex-works China basis increased from US$37 per kg to US$47 per kg during the quarter, an increase of approximately 27%. Prices increased from July after firmer government pricing policy from China Northern Group and major SOE's such as Chinalco and China Northern Group held back supplies. Prices have continued to maintain strength into the next quarter on the back of strong demand lead by a steady magnet export market.

Chinese export data was released recently by the General Administration of Customs of China showing that from January to July, exports totalled 24,377 tonnes, down 27% from the previous year. The decline was mainly due to lower overseas demand caused by a COVID-19 induced weakening of the global economy and restrictions on international shipments. There is speculation the decreased exports from China was part of their national strategy to control exports of rare earths amid the intensifying industrial race and trade war with the USA.

During the quarter, China introduced the Resource Tax Law of the People's Republic of China, which included a tax rate for middle and heavy rare earths declining to 20% from a previous rate of 27%, and tax range of 7-12% for light rare earths depending on the provincial government. Commencing in the second half of CY2020, China lifted its rare earth output quotas for 2020 by 8,000 tonnes to 140,000 tonnes TREO and the increase is entirely for light rare earths from the Sichuan region, with limited increase from China Northern Group and no increase in quotas from the southern heavy rare earth deposits.

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Figure 3 - NdPr Oxide Price | EXW China inclusive, converted to US$



CORPORATE

Cash Position

Arafura had $18.5 million in cash reserves at 30 September 2020. This strong financial position has enabled the Company to continue to advance the Nolans Project, however the Company remains prudent in its engagement with consultants and contractors to ensure it remains flexible to any changes in market conditions that may arise out of COVID-19.

During the quarter, the Company spent ~$2.9 million on exploration and evaluation activities, and ~$1.1 million on corporate, administration and business development costs. Further details are available in the attached Appendix 5B.

For the quarter ended 30 September 2020, average monthly cash expenditure was $1.4 million and was consistent with the 30 June 2020 quarter.

Payments of $190,000 reported in Item 6.1 of the attached Appendix 5B, relates to salaries, fees and superannuation paid to Directors.

COVID-19

The Company continues to diligently monitor the status of COVID-19 and the State/Territory and Australian Government's advice around social distancing, travel restrictions and contact tracing. Staff and contractors are

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kept informed of any updates to procedures to align with current recommendations. The Company continues to progress project development but manages its workstreams to allow it to adapt to any change in market conditions. The Company has endeavoured to mitigate impact on productivity during this time, with customer offtake and funding engagement continuing via voice and videoconferencing technology. Additionally, advisors are appropriately engaged in other jurisdictions to progress the project.

Annual General Meeting

Arafura's Annual General Meeting was held on Thursday 22 October 2020 at BDO's office in Subiaco, Western Australia. All seven resolutions proposed were passed by way of a poll. The Company would like to thank all shareholders for their support and participation in this event.

Tenements

In accordance with ASX Listing Rule 5.3, please refer to Appendix 1 for a listing of all tenement holdings.

Forward Looking Statements

This report includes forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "will", "progress", "anticipate", "intend", "expect", "may", "seek", "towards", "enable" and similar words or expressions containing same.

The forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to the Company, or any of its affiliates or persons acting on its behalf. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Neither the Company nor any other person, gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. To the maximum extent permitted by law, the Company and each of its advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise.

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APPENDIX 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity	
Arafura Resources Ltd	
ABN	**Quarter ended ("current quarter")**
22 080 933 455	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(618)	(618)
	(e) administration and corporate costs	(513)	(513)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	48	48
1.5	Interest and other costs of finance paid	(9)	(9)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	55	55
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,037)**	**(1,037)**

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2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements and bonds	-	-
	(c) property, plant and equipment	(39)	(39)
	(d) exploration and evaluation	(2,865)	(2,865)
	(e) investments	-	-
	(f) other non-current assets	(250)	(250)
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	6	6
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (R&D refund – capitalised portion)	-	-
2.6	**Net cash from / (used in) investing activities**	**(3,148)**	**(3,148)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liabilities)	(61)	(61)
3.10	**Net cash from / (used in) financing activities**	**(61)**	**(61)**

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4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	22,771	22,771
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,037)	(1,037)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,148)	(3,148)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(61)	(61)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**18,525**	**18,525**

5.	**Reconciliation of cash and cash equivalents**	**Current quarter $A'000**	**Previous quarter $A'000**
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	1,147	1,845
5.2	Call deposits	17,378	20,926
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**18,525**	**22,771**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(190)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments		
Salaries, fees and superannuation of Directors of the Company.		

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-
7.5	**Unused financing facilities available at quarter end**		**-**
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Not applicable.			

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,037)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,865)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(3,902)
8.4	Cash and cash equivalents at quarter end (item 4.6)	18,525
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	18,525
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	5
	Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: Not applicable.	
	8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: Not applicable.	
	8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Not applicable.	
	Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.	

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COMPLIANCE STATEMENT

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 29/10/2020

Authorised by: ....

(Catherine Huynh- Company Secretary)

Notes

(1) This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

(2) If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

(3) Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

(4) If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

(5) If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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APPENDIX A – MINING TENEMENTS HELD AS AT 30 SEPTEMBER 2020

Tenement reference	Project	Holder	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	Notes
ML 26659	Nolans, NT	Arafura Rare Earths Pty Ltd	Mineral Lease	100%	100%	
ML 30702				100%	100%	
ML 30703				100%	100%	
ML 30704				100%	100%	
ML 32411				100%	100%	Application Lodged
ML 32412				100%	100%	Application Lodged
ML 32413				100%	100%	Application Lodged
ML 32414				100%	100%	Application Lodged
ML 32415				100%	100%	Application Lodged
ML 32416				100%	100%	Application Lodged
EL 28473	Aileron–Reynolds, NT	Arafura Resources Ltd	Exploration Licence	100%	100%	
EL 28498				100%	100%	
EL 29509				100%	100%	
EL 31224				100%	100%	
EL 31284				100%	100%	
EL 31957				100%	100%	
EL 29701	Bonya JV, NT	Arafura Resources Ltd	Exploration Licence	60%	60%	Thor Mining Plc 40%, Arafura Resources Limited 60%
EL 32167	Jervois Vanadium, NT	Arafura Resources Ltd	Exploration Licence	60%	60%	Thor Mining Plc 40%, Arafura Resources Limited 60%