ASX ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

31 December 2020

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HIGHLIGHTS

- **Early Engineering Works, Execution Readiness and Project Update programs for the Nolans Neodymium- Praseodymium (NdPr) Project proceeding in line with expectations.**
- **Metallurgical Test work complete and process flowsheet design updated from Definitive Feasibility Study (DFS) to improve commissioning, production ramp-up and reduce operational risk.**
- **Strong endorsement of Nolans from Territory Economic Reconstruction Commission. Heads of Territory government departments to have their plans on how to tackle the Territory Economic Reconstruction Commission's report to the Chief Minister by February 2021.**
- **NdPr pricing continued its upward trend, increasing a further 33% in Q4 CY2020 from the prior quarter's 20% gain as a result of stockpiling prior to the Chinese New Year shutdowns amid implementation of China's Export Control Law.**
- **Northern Australia Infrastructure Facility (NAIF) mandate confirmed for a further five years, further reforms may potentially include equity investment, considerations to simplify alternative financing mechanisms and increasing risk appetite.**
- **Ongoing engagement with NAIF, Export Finance Australia (EFA) and Hon Keith Pitt MP, Minister for Resources, Water and Northern Australia to identify project funding opportunities.**
- **Increasing global interest in renewable energy to accelerate the transition to clean power and reach the Paris Agreement goals. The Nolans NdPr Project is a key alternate supply chain for the world to secure its supply of critical NdPr oxide to meet carbon emissions and sustainability goals.**
- **Strong cash position of $16.4 million following receipt of its R&D rebate for year ended 30 June 2020.**

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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:

- Preparation of the contract package listing, and preliminary scopes of services, which are planned to be launched on ICN Gateway in early 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.
- Commencement of development of scopes of work for operational and build-own-operate packages such as village operations, power station and operational logistics. These packages require execution during the project development to support construction or provide facilities for the operation of the Project.
- Continued preparation of the over-arching battery limit definition documents to fully define the physical and engineering battery limits between the various contract packages.
- Submission of the Territory Benefits Plan to the Northern Territory government, 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.
- Development of a risk management plan and detailed risk management actions and responsibilities for critical and high risks based on the updated risk assessment.
- 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.
- Site visit with a focus on the identification of construction materials borrow locations and planning for a geotechnical site investigation in 2021.
- Engagement with various contractors for earthworks, concrete batch plant and other civil activities to assist in planning.
- Development of the digital design strategy for the project.

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 likely timing of key milestones.

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Early Engineering Works

During the quarter the Company completed the first phase of the early engineering works (**EEW**) scope of work. This phase of work has validated the capital costs for both the beneficiation plant and the sulphuric acid plants. Work is continuing on the validation of the capital costs for the hydrometallurgical plant with additional resources being engaged to provide further detail and clarity.

The outcome of the early engineering works, when completed, will be incorporated into the Project Update and Execution Readiness activities.

Project Update

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

- Updating of aspects of the capital costs estimate has continued with focus moving to the construction costs for the process plant. These costs are awaiting finalisation of the EEW scope of work to provide final contractors input.
- Updating the process flowsheet and associated capital costs in line with the identified changes to the concentrate processing capacity, cerium processing circuit, nano-filtration (for phosphoric acid purification) and other minor changes.
- Updating the operating cost model to represent up to date pricing, consumption and any modifications to the process.
- Updating of the mining schedules has been completed 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.

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

The Metallurgical Test Work for the Nolans phosphoric acid pre-leach flowsheet was completed in the quarter, following the completion of Arafura's seven-phase Pilot Program. Additionally, a program for the purification of cerium hydroxide product with the aim of recovering lost NdPr in the cerium hydroxide product was also completed. The analysis from this work has been incorporated into the process model and final metallurgical basis of design, ready for the commencement of front-end engineering and design (FEED).

Provisional patent applications to protect novel and inventive processes used in the Nolans flowsheet for rare earth sulphate precipitation and rare earth sulphate processing to produce a cerium hydroxide product and purified rare earth chloride were lodged some time ago. More recently the national patent process has been completed with applications lodged in numerous jurisdictions in Australia, Europe, South Africa, North America, China, and other Asia based locations.

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The results of the technology programs above have resulted in enhancement of the Definitive Feasibility Study (DFS) and a final process flowsheet for the Nolans Project has been agreed, which optimises flowsheet performance, as well as reduces commissioning, ramp-up and operational risk. The key changes from the DFS flowsheet are:

- Increase in concentrate processing capacity in the hydrometallurgical circuit as foreshadowed in the announcement of the updated Ore Reserve (*refer ASX announcement 11 March 2020*).
- Reduction in the operational risk in the rare earth hydroxide dissolution circuit, an additional stage of leaching and heat treatment has been added to improve filtration and washing performance in the cerium removal circuit prior to the separation plant.
- Improvement in NdPr recovery, a cerium hydroxide leaching and solvent extraction circuit has been included to recover NdPr from the cerium hydroxide product and enable the production of a high purity cerium oxide product if desired.
- Change to nano-filtration from ion-exchange for rejection of impurities in the phosphoric acid product. This change provides added assurance for production of on-specification phosphoric acid, a key by-product, as well as removing impurities from the recycled phosphoric acid feeding the pre-leach circuit which improves leaching efficiency and reduces the mass of material feeding the acid bake.
- Changes to various filtration equipment across the hydrometallurgical circuits to improve washing efficiency and overall circuit performance.
- Increased confidence of final product purity by changing reagents for precipitation of final rare earth products.

The corrosion test program is the only laboratory testing that is still underway and is scheduled for completion in early 2021. This information will be used to provide critical equipment design information for FEED.

Project Mining Tenure

The six ancillary mineral lease (**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. No public objections were received, and the Central Land Council on behalf of the Native Title Holders have notified the regulator that they have no objections to the grant of these titles. On 20th January 2021, the Company was provided a notice of intention to grant for these mineral leases for a term ending 20 July 2045.

Operational Licencing

Work on the detailed Mining Management Plan (**MMP**) for the construction and initial operational period of the project were ongoing during the quarter. All plans are being finalised and the Company is targeting submission in the beginning of the June 2021 quarter.

Preparation of a groundwater abstraction license to the Northern Territory Department of Environment and Natural Resources is underway. This will be submitted at the beginning of the June 2021 quarter.

Sustainability Review

The review and gap analysis of the Company's sustainability policies, plans, and procedures was completed by sustainability specialists from KBR. The review was completed with reference to the Equator principles,

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International Finance Corporation's performance standards and the United Nations sustainable development goals.

Arafura is currently scoping for the next phase of sustainability reporting, which will include updating the overall company sustainability report.

DOMESTIC STAKEHOLDER ENGAGEMENT

With its Major Project Status recognising that Nolans is an economically and strategically significant asset to 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. The TERC 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 Government released the Territory Economic Reconstruction Final Report on 1 December 2020, which states ambitious goals to make the Territory a $40 billion economy by 2030 through investment in priority industries to attract private investment and create jobs. The report identifies key sectors that will drive economic activity and industry growth, with a significant 27.5% attributed to the mining and energy sector. Additionally, a focus on renewables and initiatives that support decarbonisation and contribute to achieving a net zero emissions target by 2050 places the Nolans Project as a priority project to meet the government's objectives. The Territory has an emerging opportunity to support sovereign capability and be a significant player in the supply chain of critical minerals to support commercial use, the emergence of modern manufacturing in Australia and national security requirements. As previously reported, the Company has received positive feedback from its submission to the TERC. Several discussions have taken 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 given its strategic significance and the economic value and long-term job creation that it would deliver to the Territory.

Earlier in December, it was announced that the heads of Territory government departments have been requested to deliver their plans on how to tackle the Territory Economic Reconstruction Commission's report by February 2021.



Figure 1 - Territory Economic Reconstruction Commission: Final Report December 2020

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EXPLORATION

Nolans and Other

No exploration and development activities for the quarter.

Mt Porter-Frances Creek (Gold Royalty)

Arafura sold its interests to the Mt Porter Mineral Titles and Frances Creek Gold Rights (the Tenements) to Ark Mines Limited (AHK) in June 2016 *(refer to ASX Announcement 20 June 2016)*. In addition to the cash consideration, AHK agreed to pay Arafura a 2.5% royalty on gross sales of gold processed from ore mined from the Tenements. Arafura has since had its rights secured by caveats lodged against the Tenements. In September 2019, AHK appointed KordaMentha as Voluntary Administrators who sought to remove the caveats to improve the saleability of these assets. In August 2020, the Company negotiated a deed of settlement and cancellation of royalties, whereby Arafura would withdraw its caveat upon receipt of a release payment to the sum of $60,000. This was received in December 2020 and Arafura subsequently lodged its withdrawal of caveat form with the NT Titles Office.

NdPr OXIDE AND OTHER PRODUCTS

Markets

The market continues to focus on securing sustainable, ethical and resilient supply chains due to COVID related disruptions highlighting the importance of risk management and the creation of less vulnerable supply chains that are independent on China to fulfill their raw materials requirements. As a response to industry transforming supply chains, there is a global push for stockpiling critical minerals as China pushes for tighter control over critical materials with the introduction of a draft rare earth management legislation and Export Control Law. China's new Export Control Law, implemented on 1st December safeguards it's national security and interests and will regulate the export of critical materials and technology. The official release is set to become a key dynamic in US relations and further cemented China's dominance and control of the rare earths supply chain.

China's imports and exports for this quarter expanded, with record breaking levels in November and December. In particular, exports surged to a record high trade surplus as COVID disruptions around the world fuelled demand for Chinese goods. All of this, whilst China imposed hefty tariffs and bans on Australian imports in line with strengthening domestic markets for the Dual Circulation strategy for the 14th 5 Year Plan.

Demand for rare earths used in green energy technology continue to grow strongly due to rapid acceleration in the uptake of electric vehicles and renewable energy led by government stimulus across the globe, which focus on accelerating technology in electrification for a more sustainable transport sector.

Electric Vehicles

The present geo-political pressures and impacts on auto manufacturing have led to an emerging trend of automotive partnerships, mergers and new players such as tech companies entering the electric vehicle sector. Global sales of electric cars accelerated fast in 2020 outstripping most forecasts, despite COVID related economic disruption and a slump in overall car sales. Global electric vehicle sales reached 3.2 million cars in 2020 compared to 2.1 million EV's in 2019 and has become a success story in Europe surpassing sales in the biggest market, China. European uptake of EV's recorded the best year to date at 1.3 million new registrations or 137% increase from 2019, driven by injection of green stimulus, subsidies, and an increase in new models

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with better driving range and technology. The years to come are an exciting phase for EV sales with automakers shifting their innovation budget towards electrification and intensifying EV promotion to meet regularity emission targets. In the last quarter of 2020, global sales increased over 100% to the previous year with Europe leading the EV uptake with strong sales recorded in Germany, UK and France.

This surge in uptake of EVs have led analysts such as Mark Delaney from Goldman Sachs revising their stock note to account for the shift toward battery electric vehicle adoption. With battery prices falling faster than previously expected coupled with an increase in regulatory proposals from some jurisdictions to limit or ban the sale of new internal combustion engine (ICE) vehicles entirely within 10- 20 years, Goldman has raised its outlook for EV adoption and now expect EVs to comprise 18% of sales globally in 2030 and 29% in 2035 (with 50% adoption in 2035 in both the US and Western Europe).

Renewable Energy

The rapidly growing offshore wind industry has improved significantly in 2020 with the introduction of the EU's green deal and long-term targets to increase offshore capacity in Europe over this decade. The uptake of offshore wind power investment in 2020 set an all-time record for the sector growing more than 50% from the previous year. Further to the increased interest in renewable energy and its link to global stimulus packages, Biden winning the US election and his aggressive renewable energy plans coupled with the bipartisan agreement on a stimulus deal which included USD35 billion of funding for renewable technology commands a lot of attention. The US stimulus bill provides investment tax credits for offshore wind projects and is a key subsidy to deliver renewable energy projects in the US over the next decade. The Biden administration appears to have a strong drive to transition to greener power and a more multilateral approach to China, with hopes to de-escalate geopolitical tensions. One of his first acts as President was to sign an executive order that the US would re-join the Paris climate agreement, clearly demonstrating the direction his Administration will take in its commitment to strong environmental policy.

In the UK, Boris Johnson unveiled details of his green industrial revolution with emphasis on increasing offshore wind capacity and the associated grid system infrastructure to support it, as a priority and accelerating the uptake of EVs by bringing forward the ban on the sales of internal combustion engine passenger cars by 2030 and hybrids by 2035, with details still to be released on how commercial vehicles will be dealt with.

The Japanese government invested USD19 billion to support hydrogen power as a renewable energy source, with the Japan Hydrogen Association being set up by 88 Japanese companies to promote the hydrogen supply chain. It is expected that details of the US new administration's approach to the environmental impact standards to be met by the countries they will accept imports from will lead to a surge in renewable energies, with offshore wind a popular choice.

December saw the COP26 Energy Transition Council holding its first meeting in Glasgow where the focus on accelerating the global transition to clean power highlighted the need for the rate of global power capacity additions to be quadrupled (based on 2019 power capacity additions) over the next decade in order to meet the targets set out by the Paris Agreement.

OFFTAKE AND PROJECT FUNDING

Offtake

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. European offtake partners are

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responsive to commercial discussions as end users align purchasing strategy towards securing sustainable NdPr supply sources and shift risk away from reliance on China. European automakers and wind turbine manufacturers are implementing measures to make NdPr sourcing more transparent and compliant with environmental and social standards. Arafura is also advancing sustainability requirements as a prerequisite with prospective offtake partners for awarding of definitive agreements.

Arafura continues to work with potential offtake partners and other supply chain partners. 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. Details of these arrangements will be announced to ASX when formal agreements have been entered into.

Project Funding

With the ongoing geopolitical focus on supply chain risk for critical raw materials, Arafura continues to progress its engagement with key banks, advisor groups and Export Credit Agencies (**ECA**). With political pressure forcing policy change to encourage diversification of critical minerals supply chains, the Company has increasing confidence that 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 funding requirements.

Arafura in conjunction with its advisors has escalated its engagement for project funding with Export Finance Australia (**EFA**) and the Northern Australia Infrastructure Facility (**NAIF**) through the quarter. There is significant alignment between the Nolans project and the Australian Government's critical mineral initiatives which include the establishment of the Critical Minerals Facilitation Office and supporting EFA funding of critical minerals projects through the Defence Export Facility. The Company has worked through a debt funding proposal for consideration of NAIF and EFA. The Company has continued to progress the project financing activities into 2021 to examine the potential for NAIF and EFA to provide debt funding. At this stage no commitment from the lenders has been achieved.

With NAIF's mandate confirmed to extend to 30 June 2026, further NAIF reforms were announced in December 2020 by the Hon Keith Pitt MP, Minister for Resources, Water and Northern Australia. The NAIF reforms focused on providing projects with a greater range of debt-support options, including allowing NAIF to make equity investments in projects. Additionally, the reforms aim to streamline the approval process and increase NAIF's risk appetite to back more job creating projects. In his Annual Statement on Developing Northern Australia In October 2020, Minister Pitt noted the Government has taken action to support the development of critical mineral projects, particularly in the North. In particular, he drew attention to the fact that Arafura is developing its rare earths project north of Alice Springs, with production from the project expected to be in high demand as an important component of high-tech permanent magnets and energy efficient electric motors. Minister Pitt also reenforced his view on Arafura's potential in January 2021, referencing the discussions he has held with representatives from the Company to review opportunities for finance through NAIF and other Australian Government departments.

The Company is working to gain sovereign finance support from NAIF and EFA to provide momentum for its engagement with other ECAs for the targeted debt facilities. On an international front, Arafura and its advisors continue to engage with offtake partners and the relevant ECAs. Interest in the NdPr sector remains high with offtake partners and financiers understanding Nolans' unique position as a strategic geopolitical asset providing an ore to oxide solution. The Nolans Project is closely aligned 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. Arafura's market engagement indicates its target ECAs are "open for rare earth business"

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and will continue to engage with relevant and bankable offtake partners to ensure that the Company is at the forefront for any project funding opportunity.

NdPr Market

As shown in Figure 2, the price of NdPr oxide on an ex-works China basis continued to rise higher in a positive market attributed to strong demand, supply shortages and low inventory. The price of NdPr increased from US$47.62 per kg to US$63.22 per kg during the quarter, an increase of approximately 33%. NdPr prices have remained strong due to rising demand for NdFeB magnets driven by increased output globally for EVs and other applications such as robotics, industrial motors, wind turbines and electronic devices. Despite COVID-19 and weakening economies, exports of permanent magnets into Europe and other regions continue to remain strong on the back of global growth in e-mobility and renewable applications.

Rare earth exports during the quarter increased on concerns over introduction of Chinese export law and supply security of critical rare earths such as NdPr. The General Administration of Customs of China released rare earth export data showing exports fell to 35,448 tonnes last year from 46,330 tonnes in 2019. The decline was mainly due to lower overseas demand caused by a COVID-19 and the "Made in China 2025" initiative towards China's continued dominance as a global manufacturer and exporter of finished goods. Export control law implemented in December which strengthens state control over the flow of rare earths and other strategic products may be used to counter the rare earth supply chain initiatives developing in the US and Europe. Under these laws, China will discourage rare earth exports in favour of value-added products such as permanent magnets and electric motors vital to powering the electric vehicle revolution.

The Ministry of Industry and Information Technology (MIIT) released their draft policy document designed to strengthen control and protect rare earth resources under a revised regulatory framework aimed at reinforcing the protection of the full industrial supply chain. Rare earths are of strategic importance and vital to China's strategy to grow its downstream high-tech industry and this new framework is expected to place significant focus on protecting the interests of China. The draft regulation places priority on ecological and environmental protection of the rare earth industry from mining to finished products, safeguarding the security of strategic resources and strengthening Intellectual property rights around rare earth technology. Higher rare earths prices are expected in the foreseeable future from these reforms as the regulation by policy makers places further cost pressure on the rare earth supply chain.

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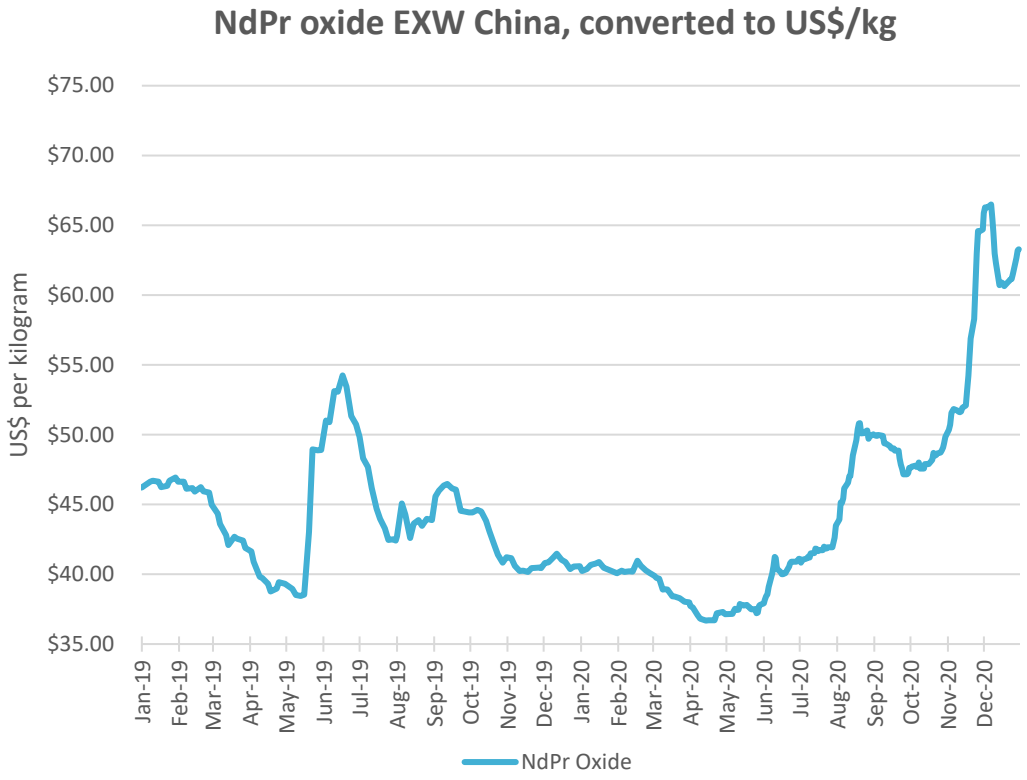


Figure 2 - NdPr Oxide Price | EXW China inclusive, converted to US$

CORPORATE

Cash Position

Arafura had $16.4 million in cash reserves at 31 December 2020, following receipt of $1.1m R&D rebate for the year ended 30 June 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 ~$1.8 million on exploration and evaluation activities, and ~$1.5 million on corporate, administration and business development costs. Further details are available in the attached Appendix 5B.

For the quarter ended 31 December 2020, average monthly cash expenditure was $1.1 million and was consistent with the 30 September 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.

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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. With the recently reinstated WA hard border closure with a number of other States, the Perth office has registered with SafeWA to assist with contract tracing. Staff and contractors are kept informed of any updates to procedures to align with current recommendations. Project development continues to progress, with offtake and funding engagement continuing via voice and videoconferencing technology as well as engagement of advisors in other relevant jurisdictions to engage with customers and financiers on the Company's behalf.

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	31 December 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 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	(654)	(1,272)
	(e) administration and corporate costs	(823)	(1,336)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	29	77
1.5	Interest and other costs of finance paid	(7)	(16)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	94	149
1.8	Other (provide details if material)	60	60
1.9	**Net cash from / (used in) operating activities**	**(1,301)**	**(2,338)**

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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	(2)	(41)
	(d) exploration and evaluation	(1,831)	(4,696)
	(e) investments	-	-
	(f) other non-current assets	-	(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
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (R&D refund – capitalised portion)	1,053	1,053
2.6	**Net cash from / (used in) investing activities**	**(780)**	**(3,928)**

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)	(122)
3.10	**Net cash from / (used in) financing activities**	**(61)**	**(122)**

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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	18,525	22,771
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,301)	(2,338)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(780)	(3,928)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(61)	(122)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**16,383**	**16,383**

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	2,176	1,147
5.2	Call deposits	14,207	17,378
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)**	**16,383**	**18,525**

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)	(1,301)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,831)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(3,132)
8.4	Cash and cash equivalents at quarter end (item 4.6)	16,383
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	16,383
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: 28/01/2021

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 31 DECEMBER 2020

Tenement reference	Project	Holder	Nature of interest	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%

* On 20th January 2021, the Company received a notice of intention to grant from the Department of Industry, Tourism and Trade that it will be granting the mineral leases for a term ending 20 July 2045.