

ASX ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

31 March 2021



HIGHLIGHTS

- **Execution Readiness for the Nolans Neodymium-Praseodymium (NdPr) Project proceeding in line with expectations.**
- **Execution strategy change to incorporate detailed Front-End Engineering Design (FEED) phase to reduce execution risk and allow construction tenders to be received prior to Final Investment Decision (FID).**
- **Project review completed, leading to the deferral of cerium production to allow focus on the ramp-up of on-specification high value NdPr.**
- **Early Engineering Works completed and Project Update nearing completion to provide updated capital costs, operating costs and financial outcomes incorporating final metallurgical information from the pilot program and updated costing.**
- **Metallurgical testwork complete and process flowsheet design updated from Definitive Feasibility Study (DFS) to improve commissioning, production ramp-up and reduce operational risk.**
- **Mineral leases granted by Northern Territory Government to provide security of tenure for exclusive access to the borefield to support the operations of the mine and processing plant.**
- **Application for grant funding under integration stream of the Modern Manufacturing Initiative (MMI) has been submitted.**
- **NdPr pricing continued its upward trend for a third consecutive quarter, increasing 39% in Q1 CY2021 as a result of strong demand coming from the renewable and EV markets in Europe and China.**
- **US President Biden's proposed \$2 trillion infrastructure and jobs plan to push for cleaner energy. Investment aimed at encouraging domestic supply chains from raw materials and research including rare earth separation. 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 \$12.9 million.**

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NdPr

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 project delivery. This work has included a review of the execution strategy (*refer to ASX Announcement 21 April 2021*) to incorporate feedback from potential contracting and financing partners. As a result of the review, the contracting strategy for the hydrometallurgical plant has been adjusted as follows:

- Contracts for the engineering and procurement (engineering contractor) and the construction have been split.
- The engineering contractor will complete a detailed FEED process for the project, bringing the design to approximately 60% to 70% completion prior to tendering of the construction contract.
- Input into the FEED process will be undertaken by prospective construction contractors engaged prior to tendering.
- Engineering contract to be carried out on rates to a target cost and will include performance and design warranties for the plant.
- Construction contract will be a fixed price contract for fabrication and construction.
- On the award of the construction contract, the engineering contract will be novated across to the construction contractor to facilitate the completion of the design and procurement.

This contracting strategy has many benefits, which include:

- Splitting the engineering and construction contracts to bring in additional contractors for both packages and resulting in a more competitive tendering process.
- Detailed FEED will reduce the risk for the construction contractors, which will reduce contingency and risk premiums.
- Advanced design, procurement and tendering at FID will deliver a high level of cost certainty for the Project which will improve the confidence of Project financiers.

The contracting strategy for the other aspects of the Project, which include the beneficiation plant, sulphuric acid plant and non-process infrastructure, remain unchanged.

In preparation for the commencement of project delivery, the following execution readiness work has been progressing:

- Finalisation of the basis of design documentation for the process plant, non-process infrastructure and accommodation 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 past few years.
- Development of scope of work documentation and requests for tender for the FEED program.
- 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.
- Completion of the over-arching battery limit definition documents to fully define the physical and engineering battery limits between the various contract packages.

- 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.
- Development of a borrow management plan and identification of final sources of construction materials.
- Engagement with various contractors to assist in planning and preparedness for tendering.

The detailed overall project schedule is under review following the change in contracting strategy. It is anticipated that this change will result in an additional six month prior to FID and an extension of the construction schedule by two months. It is planned to release the updated schedule once the tendering of the FEED engineering packages is commenced.

Deferral of Cerium Production

As part of the review of the Project it was identified that the production of a cerium product, based on the current spot price and current flowsheet, delivers limited value to the Project. Added to this is the uncertainty over potential future oversupply of cerium as additional projects come online to meet increasing NdPr demand, placing further downward pressure on cerium price.

As a result of this review, the production of cerium has been deferred (*refer to ASX Announcement 21 April 2021*) pending additional marketing and development activities to either identify a premium market for the Nolans cerium product, a sustainably produced, high-purity product, or to reduce the cost associated with the use of oxalic acid for the production of the cerium product.

The deferral of cerium production will also allow early operations to provide additional focus on the production and ramp-up of on-specification, high-value NdPr product.

Early Engineering Works

During the quarter the Company completed the last phase of the early engineering works (**EEW**) scope of work. This final phase of work has validated the capital costs from the DFS for the hydrometallurgical plant. The outcome of the early engineering works are now being incorporated into the Project Update.

Project Update

The IPMT has continued to work on the Project Update during the quarter, to the point where it is nearing completion. To date, the following work has been completed or is ongoing:

- Incorporating the final output from the EEW into the capital costs to update the costs for engineering, construction management and construction costs.
- Updating the process flowsheet and associated capital costs in line with the identified changes to the concentrate processing capacity and other changes to the flowsheet following the review of the outcomes of the pilot test work programs.
- Updating the operating cost model has been completed 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 anticipates the delivery of the results of the Project Update in May 2021.

Technology Programs

The metallurgical testwork for the Nolans phosphoric acid pre-leach flowsheet was completed in January, following the completion of Arafura's seven-phase Pilot Program. The results from this work and the associated process model and design criteria for key mechanical equipment items have been provided to vendors for the purpose of re-costing and design optimisation of the mechanical equipment used to achieve the metallurgical design criteria. The incorporation of outcomes from this outreach into design documentation will continue into Q2 2021, in preparation for the commencement of front-end engineering and design (**FEED**).

The acid bake area component of the overarching corrosion test program, along with a targeted plastics and rubber test program is the only laboratory testing that is still underway and is scheduled for completion in Q3 2021. This information will be used to provide critical equipment design information for FEED.

Subsequent to quarter end, the Company commenced a pilot testing program on a BUSS Kneader to replace the pug mixer for the mixing of pre-leach residue and concentrated sulphuric acid prior to acid bake. While the pug mixer was successfully demonstrated in the detailed pilot test work program, the BUSS Kneader provides the opportunity to optimise this critical aspect of the processing and reduce the commissioning and ramp-up risk for the Project.

Project Mining Tenure

The six ancillary mineral lease (**ML**) applications (32411-16) lodged over the Project's planned borefields were granted during the quarter by the Northern Territory Department of Industry Trade and Tourism. The MLs were granted for an initial term of 25 years to provide exclusive access for the construction, use and maintenance of the borefield to support the operations of the mine and processing plant. The MLs also enable the construction of a water diversion channel around the mining area as required under the Project's environmental approval conditions.

The Company received security of tenure for its cornerstone development comprising ML 26659 (Nolans Bore mineral resource, open pit mine, waste rock dumps), ML 30702 (accommodation village), ML 30703 (tailings, gypsum and water leach residual storage facilities) and ML 30704 (process plant area including beneficiation, phosphate extraction, rare earth extraction, rare earth processing and rare earth separation facilities and supporting infrastructure) in July 2020.

Operational Licencing

Work on the detailed Mining Management Plan (**MMP**) for the construction and initial operational period of the project is advancing well. All plans are being finalised and the Company is targeting submission of the overarching MMP document and the initial environmental management plans starting in May 2021.

Preparation of a groundwater extraction license to the Northern Territory Department of Environment and Natural Resources is underway. Submission of this document is anticipated to occur in June 2021.

Work on the MMP and groundwater extraction license do not affect the Company's shovel ready status and have no impact on offtake and project financing activities.

ESG

Following on from the initial ESG scoping study undertaken by KBR earlier this year, Arafura has engaged Future Proof, a specialty ESG consultant in Perth. Future Proof has guided Arafura through an assessment of stakeholders, definition of sustainability material topics and the development of Arafura's main ESG Positioning Statement. Following on from this initial work, Arafura has begun work on a greenhouse gas (GHG) emission

estimate for Nolans, and following on from that work, will soon begin a GHG reduction options study to show how the Company will reduce its carbon emissions over time.

Arafura's potential offtake partners, in managing their own reputational and consumer expectations, are becoming more focused on implementing responsible sourcing practices and seeking greater transparency of environmental, social and governance standards across the supply chain. In response Arafura is evaluating independent third-party verification and certification schemes that will be internationally recognised and provide ESG compliance assurance. It is Arafura's competitive advantage to be a market leader and the supplier of choice for responsibly mined and processed rare earth products.

DOMESTIC STAKEHOLDER ENGAGEMENT

With 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.

During the quarter, the Company submitted its Territory Benefits Plan to the Northern Territory Government. The Territory benefit policy outlines the expectations of the Northern Territory Government for private sector projects developing a Territory benefits plan and specifically applies to private sector projects awarded NT Major Project Status.

The Company's Major Project Status was renewed for a three-year term by the Australian Government in July 2020. The Territory Benefits Plan will be central to ensuring the Company continues to build on the community's acceptance of the project and retains its social license to operate.

EXPLORATION

Nolans and Other

No exploration and development activities for the quarter.

MACROECONOMIC DEVELOPMENTS

Global Markets and Supply Chain Security

The March 2021 quarter solidified the need for global powers to secure their supply chains of critical materials, with rare earths being recognised as a priority in the accelerated electrification of transport and renewable energy transitions. The growing importance of ESG impacts became even more apparent during the quarter with draft laws, acts and regulations being brought to the fore in most regions.

The Quadrilateral Security Dialogue (the Quad), an informal partnership between the United States, Japan, Australia and India, held the first virtual summit-level meeting in March with reported emphasis on securing critical material supply chains through collaboration, especially rare earths, and the potential Australia holds to supply these critical materials as a Quad member with robust ESG regulations.

In the US, President Biden signed an executive order for a 100-day initial review focusing on supply chain vulnerabilities, with rare earths being singled out as an area of priority; within the US\$2 trillion infrastructure and climate plan to push for cleaner energy including \$174 billion investment in electric vehicles to increase demand for battery metals and enable automakers to spur domestic supply chains from raw materials to parts. Additionally, US\$15 billion was set aside for research in demonstration projects relating to climate change including rare earth element separation.

The significance of Australia as an alternative source of critical minerals was addressed by the Morrison Government's Resources Technology and Critical Minerals Processing road map. The ten-year plan is to capitalise on Australia's resources and to encourage the investment in critical minerals processing and resources technologies within Australia through funding via the \$1.3 billion Modern Manufacturing Initiative. The initiative has emphasis on Australia boosting processing capability of rare earths in a "value-adding" strategy. Arafura is in a favourable position to benefit, having received positive feedback from its submission to the Territory Economic Reconstruction Commission (**TERC**), given the Nolans project's strategic significance as well as the economic benefit and job creation that it would bring.

In Europe and the UK, further emphasis was on supply chain collaboration for critical minerals to diversify supply and create greater strategic autonomy, with the introduction of the Rules of Origin standard in the UK which will encourage domestic production of EV components. Of significant note was Germany introducing the draft Corporate Due Diligence in Supply Chains Act, which comes into effect January 2023 and it is widely expected that the European Union would be planning to adapt this draft Act in future EU legislation. European Commission President Ursula von der Leyen acknowledged the raw materials needed to drive the EV and green energy transitions, and the need to diversify from traditional supply chains assisted by a EUR3 billion COVID-19 recovery fund to develop a European rare earth supply chain.

Electric Vehicles and Infrastructure

The importance of the infrastructure to support the accelerated global EV uptake was clearly demonstrated by various government plans, with China having set the example where EV charging had been addressed through national policy and the benefits of an established infrastructure has allowed EV uptake on a large scale and kept EV charging costs relatively low.

During the quarter, the UK government announced an initial investment of GBP20 million for the installation of 4,000 new on-street chargers, GBP950 million in support for rapid-charge hubs at service stations on motorways and major roads and a further GBP275 million to extend the installation of charge points in car parks, offices and homes. Achieving the UK targeted ban on registrations of all new Internal Combustion Engine (ICE) cars by 2030 and the 2035 target of all new cars and vans being zero-emission vehicles will require established and dependable infrastructure.

The US Infrastructure plan earmarked \$US174 billion for the EV sector, with plans for a vast network of 500,000 charging stations to be rolled out by 2030, and the replacement of 50,000 diesel transit vehicles and 20% of the school bus fleet, to EVs. There is also a strong push to encourage the purchase of vehicles manufactured and built in the US through government incentives.

India began making stronger moves into the EV manufacturing sector, offering Tesla low production costs to manufacture and assemble EVs in the country. The Indian government also announced a \$4.6 billion range of incentives to boost domestic production of EVs, batteries and other components.

The EV sector saw a continuation of the trend of companies not normally associated with auto-manufacturing joining the sector through either JVs with more traditionally auto sector aligned companies, or in some cases as with Chinese phone company Xiaomi Corp which has committed to investing \$10 billion over the next decade on its own. Apple is looking to a JV with Kia Motors to start building its own EVs in the US State of Georgia.

Renewable Energy

In the renewable energy sector, wind power still held much of the focus with offshore wind projects in U.S., South Korea, the UK and Denmark planned. The important move of the US re-joining the Paris Agreement after Biden's inauguration was followed by the Bipartisan Stimulus Package including US\$35 billion in funding for renewable technology and energy efficiency. This was then followed by the US Infrastructure Plan which

included US\$100 billion to be invested in electric infrastructure and its modernisation to reach the target of a carbon-free grid by 2035. Also included was US\$400 billion in clean energy credits for firms and the ending of federal tax breaks for fossil fuel companies. Biden is investing heavily in the clean energy future in a bid to boost domestic manufacturing and job creation as part of the COVID recovery plan.

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. Commercial discussions with European partners are progressing towards securing offtake arrangements as key end users have greater urgency to broaden their supplier base in response to future supply risk and ESG priorities. Purchasing strategy by European automakers is shifting from battery to motor competency with priority over securing sustainable e-motor raw materials such as NdPr. Arafura's NdPr aligns with European offtake partners' requirements to source battery materials from transparent and ESG compliant suppliers to meet production of their next generation e-motors. Arafura is advancing sustainability and responsible sourcing requirements to meet global standards as a commitment to offtake partners for awarding of definitive agreements. In other markets like India, rare earths security for their own EV development plans are emerging as a priority and Arafura has commenced engagement with various end users for future supply from Nolans.

Arafura continues to work with potential offtake and supply chain partners to develop a trusted value chain with greater transparency and traceability across the magnet supply chain. The traceability and transparency supply model differentiates Arafura from other developers and builds integrity and trust with offtake partners. Arafura's metal tolling partner is a key part of our trusted supply model and completion of a toll processing agreement with the metal convertor is in progress. 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 executed.

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. Engagement with potential finance partners and advisors has informed Arafura's decision to review the Nolans execution strategy and incorporate the detailed FEED. This will reduce execution risk by allowing construction tenders to be received concurrently with the FID.

The Company is working to gain sovereign finance support, particularly from Export Finance Australia (**EFA**) and the Northern Australia Infrastructure Facility (**NAIF**) to provide momentum for its engagement with other ECAs for the targeted debt facilities. Although the program is slower than anticipated, engagement remains positive. It has been announced that the NAIF reforms focusses 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. On 25 March 2021, it was announced that the NAIF reform Bill had passed through the House of Representatives and would head to the Senate. This is positive as the proposed changes enable NAIF the ability to provide equity in addition to debt, less constrained debt approval conditions and allowing NAIF and EFA to jointly support the same project. There is no doubt 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. At this stage no commitment from the lenders has been achieved and the Company awaits further feedback, however this is likely to be after the reforms have passed through Parliament.

Resources Technology and Critical Minerals Processing was identified as one of the Government's National Manufacturing Priorities in its 2020-21 Budget paper released in October 2020, with \$1.5 billion earmarked for investment over four years for the *Modern Manufacturing Strategy* to allow Australian manufacturers to scale up, compete internationally and create more jobs. In March 2021, Prime Minister Scott Morrison presented the Resources Technology and Critical Minerals Processing Roadmap with the long-term goal to develop Australia as a regional hub for resources technology and critical minerals processing within the next 10 years. Australia has the potential to be a global centre for processing strategic critical minerals that captures significant additional value, strengthens our global position downstream from our resource endowments and underpins a range of other industries.

The Company has submitted an application for grant funding under the Modern Manufacturing Initiative (MMI) Integration Stream and a letter of support has been received from the Chief Minister of the Northern Territory to support its application. The \$1.3bn MMI fund is aimed at driving lasting change for Australian manufacturers to scale up, collaborate and commercialise. The Company has sought funding for portions of its FEED program that directly relate to the establishment of downstream processing capabilities in Australia. The completion of the FEED program will provide a direct path to Nolans Project execution. Once operational, the Nolans Project will unlock significant value and economic benefits for Australia and advance the Australian manufacturing sector for downstream critical minerals processing. The Company has highlighted Australia's unique opportunity to play a lead role in providing a sustainable source of critical raw materials to the global supply chain. Initially, Nolans will be Australia's first 100% domiciled fully integrated ore to oxide value chain, with potential for further downstream applications in Australia such as metallisation. The Company's application under the MMI grant does not detract from its eligibility for EFA and NAIF funding.

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. With evolving global policy development focussing on sustainability, the Nolans Project is looking more attractive to its offtake partners. 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" and the Company will continue to engage with relevant and bankable offtake partners to ensure it 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 on the back of a positive market attributed to strong demand for use in permanent magnets, supply shortages and low inventory held by RE processors and metal convertors in China. The price of NdPr increased from US\$63.27 per kg to US\$88.69 per kg during the quarter, an increase of approximately 40%. NdPr prices have remained strong due to rising demand for NdFeB magnets in the Chinese domestic and overseas market driven by increased adoption of EVs within the Chinese and European markets and stronger growth in applications such as robotics, industrial motors, wind turbines and electronic devices. The permanent magnet export market into Europe and other industrial regions continues to remain strong on the back of global growth in e-mobility and renewable applications. Record registrations of BEVs in Germany during January and February is driving magnet demand for traction motor applications and consumer electronics growth during COVID has escalated magnet demand for use in electronic devices in the South East Asian markets.

Rare earth exports from China during the quarter improved after data released by the General Administration of Customs of China showed exports fell to 35,448 tonnes last year from 46,330 tonnes in 2019. This was the lowest figure in five years. China's "Made in China 2025" initiative geared at encouraging domestic content and

promoting the country as an exporter of high technology finished goods, discourages rare earth exports in favour of value-added products such as permanent magnets and electric motors. The export market for semi-finished magnet materials is becoming constrained by policy and internal demand for finished magnets placing strain on global supply chains that are dependent on these supplies.

China's Ministry of Industry and Information Technology (MIIT) raised the first batch of 2021 production quotas during the quarter from 63,500 tonnes TREO to 81,000 tonnes TREO a year earlier in response to supply constraints and higher demand for NdPr. Rare earth mining and separation quotas will be further constrained under the draft rare earth management plan with stricter enforcement of environmental protection and securing sustainable mining development with emphasis and stronger management of the industry supply chain and investment downstream into magnet production. Higher rare earths prices are expected in the foreseeable future from continued reform of China's domestic rare earths mining and production capabilities placing further cost pressure on the rare earth supply chain.

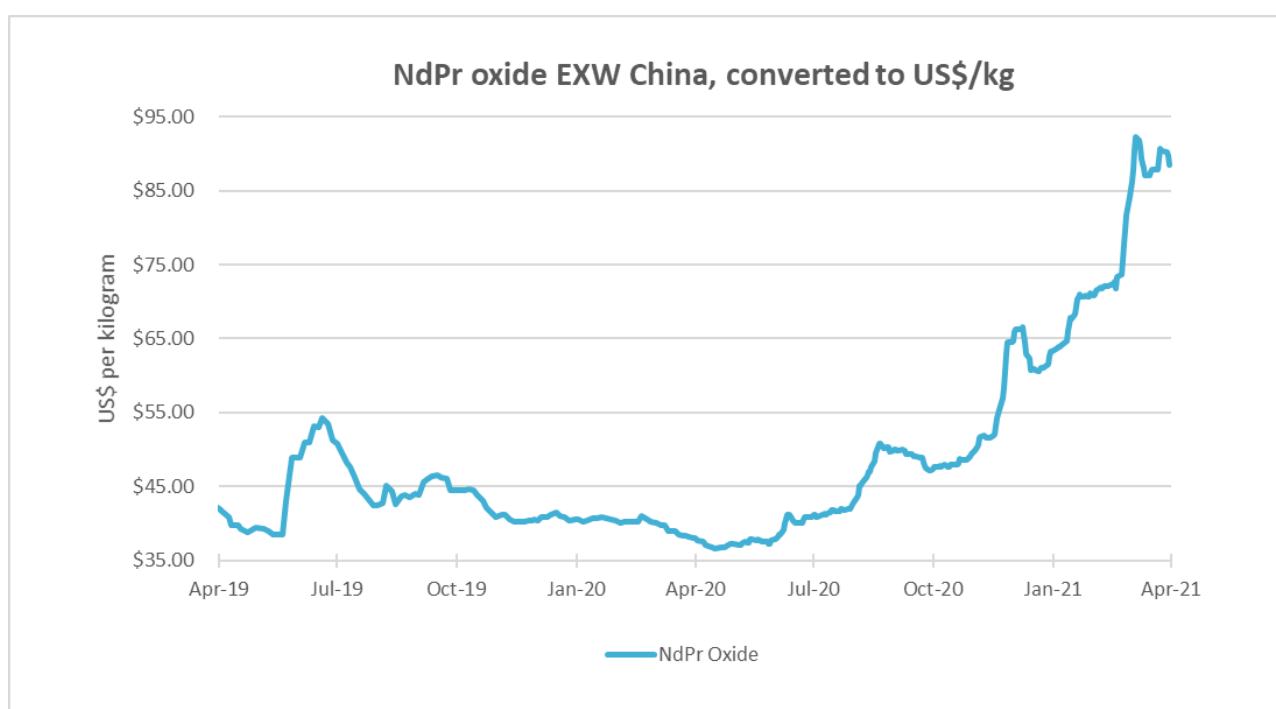


Figure 1 - NdPr Oxide Price | EXW China inclusive, converted to US\$

CORPORATE

Cash Position

Arafura had \$12.9 million in cash reserves at 31 March 2021. 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 or other unforeseen events.

During the quarter, the Company spent ~\$1.7 million on exploration and evaluation activities, and ~\$1.8 million on corporate, administration and business development costs. Further details are available in the attached Appendix 5B.

For the quarter ended 31 March 2021, average monthly cash expenditure was \$1.2 million and was consistent with the 31 December 2021 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 kept informed of any updates to procedures to align with current recommendations. Project development continues to progress, with offtake and funding engagement with international parties continuing via voice and videoconferencing technology as well as engagement of advisors in other relevant jurisdictions to engage with offtake partners and financiers on the Company's behalf. The Company has recommenced domestic travel to continue government engagement and project related work.

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.

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 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(716)	(1,987)
	(e) administration and corporate costs	(1,108)	(2,445)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	18	95
1.5	Interest and other costs of finance paid	(7)	(23)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	149
1.8	Other (provide details if material)	-	60
1.9	Net cash from / (used in) operating activities	(1,813)	(4,151)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements and bonds	-	-
	(c) property, plant and equipment	(26)	(67)
	(d) exploration and evaluation	(1,687)	(6,383)
	(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
2.6	Net cash from / (used in) investing activities	(1,713)	(5,641)

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	116	116
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)	(183)
3.10	Net cash from / (used in) financing activities	55	(67)

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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	16,383	22,771
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,813)	(4,151)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,713)	(5,641)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	55	(67)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	12,912	12,912

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	1,189	2,176
5.2	Call deposits	11,723	14,207
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)	12,912	16,383

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.


7.	Financing facilities <i>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.</i>	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)	(1,813)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,687)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(3,500)
8.4	Cash and cash equivalents at quarter end (item 4.6)	12,912
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	12,912
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4
	<i>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.</i>	
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.	
	<i>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.</i>	

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: 22/04/2021

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.

APPENDIX A – MINING TENEMENTS HELD AS AT 31 MARCH 2021

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%	
ML 32412				100%	100%	
ML 32413				100%	100%	
ML 32414				100%	100%	
ML 32415				100%	100%	
ML 32416				100%	100%	
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%