

ASX ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

30 June 2021



HIGHLIGHTS

- **Front-End Engineering Design (FEED) execution strategy aimed at reducing execution risk and allow construction tenders to be received prior to Final Investment Decision (FID) underway.**
- **Project Update confirms Nolans' ultra-lower operating cost of US\$24.76/kg NdPr oxide and robust financial metrics of NPV \$1.4 billion based on a life of mine of 38 years.**
- **Strong sovereign support for Nolans Project with non-binding and conditional letter of support received from Export Finance Australia (EFA) for \$200m and the Northern Australia Infrastructure Facility (NAIF) for \$100m with a 15-year term.**
- **Federal Ministers recognise strong alignment of Nolans Project with key priorities for the Morrison Government's critical minerals initiatives.**
- **ESG commitment to be a trusted global leader and supplier of choice for sustainably mined rare earth products.**
- **Importance of diversification of supply chains highlighted through Biden Administration's 100-day review into critical minerals, with emerging rare earth projects critical to the strategic role Australia can play as an alternate supplier.**
- **Strong cash position of \$10.8 million. Placement and Share Purchase Plan (SPP) currently underway to raise A\$45.5 million to commence FEED and for general working capital purposes.**

Arafura Resources Limited | ABN: 22 080 933 455

Level 6, 432 Murray St, Perth WA 6000
PO Box 5773, St Georges Terrace, Perth WA 6831
T: +61 8 6370 2800 | W: www.arultd.com | E: arafura@arultd.com

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, initially with the commencement of FEED (*refer to ASX Announcement 21 April 2021*).

As part of this preparation, the scope of work for the engineering and procurement (**EP**) services for the hydrometallurgical plant has been issued to a selection of Tier 1 engineering contractors. The EP services scope of work has been broken into a number of separable portions, being:

- Development of the design to approximately 60% completion, including tendering of equipment, preparation of the construction scope of work and estimation of costs in line with AACE Class 2.
- Completion of the design and procurement services, with procurement on behalf of the principal.
- Assistance with commissioning and ramp-up.

Initially, only the first of these separable portions will be awarded with the remaining portions awarded following final investment decision (**FID**).

Submissions from contractors for the EP services for the hydrometallurgical plant are due in July 2021 with a recommendation for award to be made in August. It is anticipated that the FEED program will be commenced in the second half of August 2021.

In addition, the following execution readiness work has been progressing:

- Finalisation of the basis of design documentation for the process plant and non-process infrastructure.
- Development of scopes of work for operational and build-own-operate packages.
- Completion of the over-arching battery limit definition documents to fully define the physical and engineering battery limits between the various contract packages.
- Development of a borrow management plan and identification of final sources of construction materials including the completion of a small geotechnical site investigation of potential sources of borrow material.

Project Update

The IPMT completed work on the Project Update with the results announced on 11 May 2021. The Project Update incorporated the following information that has been developed since the delivery of the definitive feasibility study (**DFS**) in early 2019 (*refer to ASX announcement 7 February 2019*):

- 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 completed pilot test work programs.
- Updating the capital cost estimate in line with recent pricing from contractors received during the early engineering works program.
- Updating the operating cost model to represent up to date pricing, consumption, and any modifications to the process.
- Updating of the mining schedules to account for the updated Ore Reserves (*see ASX announcement 16 March 2020*) to latest mining constraints, geometallurgical information, mine plans and updated contract mining price (through enquiry to a number of potential mining contractors).

- Updated forecast rare earth product and phosphoric acid by-product pricing.
- Revision of the project financial model to provide additional flexibility on scenario investigations and debt structures.

As detailed in ASX Announcement dated 11 May 2021, the outcomes of the feasibility study update, key project information and updated financial metrics are shown in the table below.

Key Project Information		
Mining and Production		
Mine Life (years)	38	
NdPr Oxide (tpa)	4,440	
SEG/HRE Oxide (tpa)	474	
Phosphoric Acid (tpa 54% P ₂ O ₅ MGA)	144,393	
Financial	US\$	A\$
Capital Cost (\$m)	768	1,056
Rare Earth Sales Revenue (\$m/annum)	388	534
Phosphoric Acid Sales Revenue (\$m/annum)	58	79
Mining Costs (\$m/annum)	(30)	(42)
Processing Costs (\$m/annum)	(105)	(145)
General and Administration Costs (\$m/annum)	(15)	(21)
EBITDA (\$m/annum)	257	354
KPI Analysis	US\$	A\$
Operating Cost \$/kg NdPr	33.91	46.60
Operating Cost \$/kg NdPr net of P ₂ O ₅ credit	24.76	34.06
NPV ₈ after tax (\$m)	1,011	1,402
IRR after tax (%)	18.1%	

Note: Numbers may not compute because of rounding. Average revenue, costs and EBITDA are calculated as the arithmetic annual average following the anticipated two year ramp up period and excluding the final years of production from low grade stockpiles.

As part of the feasibility study update, financial analysis was also carried out for an Ore Reserves only case to demonstrate that the Project viability is not reliant on Inferred Mineral Resources included in the mining inventory. This production schedule over 29-years, including a two-year ramp up and approximately two years at the end of the LOM processing low grade material off long term stockpiles, delivers a A\$1,229m NPV at 8% discount rate, and IRR of 17.88% and average operating costs of US\$26.09 per kg of NdPr net of phosphoric acid by-product credit.

The updated cost estimates and financial outcomes reported in the Nolans Project Update announcement on 11 May 2021 form the basis of discussions to finalise funding for Nolans, with Arafura targeting a Final Investment Decision in August 2022.

Project Schedule

The overall schedule for the Project as part of the feasibility study update and this schedule is presented below. All dates presented are contingent on securing funding for the activities as required. Key dates include:

- Commencement of FEED in August 2021.
- Completion of FEED and tendering in July 2022 followed by FID in August 2022.
- Construction period of 26 months from FID giving first ore processing in October 2024 and first production towards the end of 2024.

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Technology Programs

A small trial run to test vendor equipment for the acid mixing process stage was successfully conducted in May 2021. The acid mix stage produces the acidified leach residue paste that feeds into the acid bake stage. A review is underway to consider the potential adoption of this equipment in the flowsheet.

Project Mining Tenure

Five Extractive Mineral Exploration Licences (EMELs) were applied for and granted during the quarter (EMEL 32672- 32676). The EMELs will enable Arafura to identify and test materials for their suitability as construction material for the project. A number of potential test sites have been selected within these titles and a sampling program is planned during the next quarter. In addition, a Mining Management Plan covering these EMELs and planned work program was written, submitted and approved during the quarter by the NT Mines Department. Once the testing work is completed and suitable sites confirmed we will apply for the appropriate tenure to enable mining of the construction material to be done. The Central Land Council has since completed a sacred site clearance over the area of these EMELs.

The Company lodged one additional ancillary Mining Lease application during the quarter. MLA 32722 is located about 1.5km south-east of the planned processing facilities and adjacent to the main project access road. Further details on the MLA is provided below under the heading ESG.

Operational Licencing

Work on the detailed mining management plan (MMP) and its associated environmental management plans (EMPs) for the construction and initial operational period of the project continues. All plans are being finalised and the Company is targeting submission of the overarching MMP document early in the next quarter with submission of all remaining EMPs by the end of August.

Preparation of an updated groundwater extraction license to the Northern Territory Department of Environment Parks and Water Security is nearing completion. The application has required some rework as a consequence of changed project water demand requirements. The application demonstrates the borefield can easily accommodate the increases in water demand and will be lodged in the next quarter.

ESG

Arafura has set itself the goal: *"to be a trusted global leader and supplier of choice for sustainably mined rare earth products, helping our customers deliver clean and efficient technologies. We are committed to delivering positive intergenerational economic, environmental and social benefits to our stakeholders."*

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NdPr

Climate change and greenhouse gas emissions are a critical global issue and in consideration of this, Arafura is committed to the ongoing development and operation of Nolans with the aim of achieving net zero carbon emissions by 2050.



As such, Arafura is well advanced with a greenhouse gas (GHG) reduction options study which will set interim targets on the Company's journey toward net zero carbon emissions. Arafura's application for an ancillary Mining Lease Application (MLA 32722) is for the future construction of a substantial solar farm to offset power production from natural gas. Further planning and design of this green power facility, and other similar measures, will be outlined in the GHG emissions reduction study.

In addition, Arafura is currently completing its second sustainability report which is due for release next quarter.

To ensure global external accountability across the full range of activities at Nolans, Arafura has applied to join both UN Global Compact and the Initiative for Responsible Mining Assurance (IRMA) and has received Pending Member status.

IRMA is an industry-specific initiative responding to the global demand for more socially and environmentally responsible mining. It demands independent third-party verification and certification against a comprehensive standard for all mined materials that provides 'one-stop coverage' of the full range of issues related to the impacts of industrial-scale mines. IRMA is currently developing their 'IRMA Ready' assessment standard specifically aimed at mining projects under development. The draft IRMA Ready standard for certification is expected to be released on 16 August for public consultation. The Company intends to complete this assessment once it is launched.

DOMESTIC STAKEHOLDER ENGAGEMENT

With Major Project Status recognising that Nolans is an economically and strategically significant asset to Australia and in particular the Northern Territory, Arafura has continued its close engagement with the Territory and Australian Governments, Northern Territory Government business facilitation agencies and other key stakeholders. Strong engagement activities continued with key Northern Territory Ministers and Bureaucrats and also with Commonwealth Ministers during the quarter which has maintained governments focus on the strategic and economic importance of the Nolans Project.

The projects Territory Benefits Plan was approved by Northern Territory Government and has also met the requirements of the Commonwealth Governments, Australian Jobs Act. The plan outlines Arafura commitments in meeting many benefits that are anticipated to flow to the government, the business and broader community as a consequence of the development of the Nolans Project.

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.

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Arafura Resources sponsors the Young Indigenous Art & Literacy Program at Ti-Tree and Laramba remote schools located in the Northern Territory. The program, which is run by the Children's Charity Network and consists of writing workshops where children are inspired by best-selling authors who teach them how to bring their own stories to life, and art workshops where professional artists teach the students how to build on their natural creative abilities with techniques in a variety of mediums.

Arafura's sponsorship goes directly to the schools who use it to purchase art materials and books for these workshops. Providing the students with the required resources has enabled them to develop their skills, confidence and improve their ability to express themselves through creative processes. These learnings are a steppingstone which will allow the students to become valuable members of their communities now and in the future.



Figure 1 - Enthusiastic Laramba school students proudly showing off their most recent artwork

EXPLORATION**Nolans and Other**

No exploration and development activities for the quarter.

MACROECONOMIC DEVELOPMENTS**Global Markets and Supply Chain Security**

The June 2021 quarter demonstrated the importance of secure supply chains of critical materials which are both sustainable and traceable; rare earths especially remain a priority in this area, driven by the accelerated electrification of transport and renewable energy transitions to meet ambitious climate targets originally set

out in the Paris Agreement and further cemented and expanded upon at the U.S. led Climate Summit held in April.

The findings of the 100-day review into supply chains by the Biden Administration were published in June, with the report stating that the U.S. should expand multilateral diplomatic engagement on supply chain vulnerabilities, particularly through groupings of like-minded allies such as the Quad and G7, to collaborate with allies and partners to secure supplies of critical goods that are not produced in sufficient quantities domestically. A strong sentiment taken from the report was the strategic role Australia could play in the supply of these critical minerals, which was reiterated in the Australian Financial Review on 9th June. The tougher environmental standards stance from the Biden administration potentially gives preference to critical minerals supplies to countries such as Australia, which have high environmental and labour standards, however acknowledged the need to build up processing and refining capacity to enable supply chain diversification.

To meet the ever-increasing global demand for sustainably mined, and processed, rare earth products, Australian projects require Federal Government support to develop projects, while at the same time, ensure domestic value-add processing is performed within Australia. At the Minerals Council of Australia Parliamentary Dinner in early June, Australian Prime Minister Scott Morrison addressed the Government's support to drive domestic value add and the strategies pursued to achieve this, mentioning Arafura Resources as a potential project to assist in meeting these strategic goals.

The European Commission held the EIT Raw Materials Summit, with emphasis on reducing dependency vulnerabilities by adopting the EU Action Plan on Critical Raw Materials by identifying critical raw material mining and processing projects which are able to be operational by 2025. Rare earths was highlighted as a priority and emphasis was made on the requirement to diversify throughout the whole supply chain through developing partnerships with countries who hold these resources and are strongly aligned with ESG standards.

Japan and Korea also revealed plans to reshore manufacturing and encourage diversification of their supply chains.

Electric Vehicles and Infrastructure

Despite the global semiconductor chip shortage affecting production with an estimated projected cutback in production of over one million vehicles, electric vehicles (EVs) continue strengthening in market share.

In Australia, new EV registrations in the 2020-2021 financial year were up 62.3% on the previous year's figures, with 23,000 new registrations, showing the growing Australian interest in EVs. The U.K, saw an increase of 131% in the registrations of new plug-in EVs (including battery and plug-in hybrids) compared with the previous year's registrations, with PHEVs and BEVs now making up 17.2% of the market share. In June, new passenger car registrations in Germany increased almost 25% year-over-year to 274,152 with the registrations of diesel vehicles falling 19% and gasoline vehicles down 4.6%. In China, plug-in EV sales were up to 175,000 in April, a rise of 173% compared to the same period in the previous year. May 2021 had the third best sales figures for EVs globally, with a total share of 6.6% of the market.

Overall, EVs continue with strong gains in the vehicle market, with the projected tipping point of 2025 where the sale of EVs will overtake those of internal combustion engine vehicles, driven by government incentives and legislation, looking probable.

Renewable Energy

Renewable energy remained a priority in meeting emissions targets for many countries and the U.S. led Climate Summit in April prompted many countries to pledge climate action goals; there are currently now over a hundred countries with net-zero emission pledges and importantly China, currently the world's largest coal consumers, has pledged to a 2060 net-zero emission target.

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The U.S. pledged to reduce greenhouse gas emissions by 50% by 2030, with offshore wind generation forming a large part of the plan. The Biden Administration aims to approve over a dozen offshore wind projects by 2025, in a bid to reach the ambitious target of adding up to 19GW of clean energy to the U.S. energy grid. This would be a substantial step in decarbonising the power sector by 2035 and achieving net-zero emission targets by 2050.

Globally, the focus on climate change in the quarter was evident. After the Climate Summit, the Japan-U.S. summit was held and Japan announced climate action targets aligned with those of the U.S. In order to reach the 2050 net-zero target, the Japanese government would phase out coal-fired power. Concurrently, the EU proposed a European Climate Law which aims to legalise the goals set in the European Green Deal for Europe to reach carbon neutrality by 2050.

Changes are also being made in China, with a pledge made for a 2060 net-zero emission target with plans to increase the renewable energy in its total energy mix to over 50% of installed capacity by 2025. Solar and offshore wind power generation will play an important role as China looks to move away from its traditional coal-fired power generation. The Made in China 2025 Strategy focuses on both e-mobility and renewables to facilitate this change.

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 for phosphoric acid product with parties in India. With changes to global priorities around sustainability and ESG standards, Nolan's strong alignment with sustainability goals has fit in well with changing mandates of key end users. As such, commercial discussions to secure offtake arrangements with European partners, who are seeking alternative supply sources from transparent and ESG compliance suppliers are progressing positively.

The Company continues to advance discussions on key terms of the offtake arrangement with various European end users in the Automotive and wind industry. Strategic objectives of European NdFeB magnet buyers are highly aligned with Arafura's product offering. Europe had already identified the need for a European magnet supply chain to support manufacturing across many strategically important growth industries. European customers' immediate objectives are to establish supply security and jurisdictional diversification of the NdFeB magnet supply chain and traceable product from a sustainable mining and processing source.

The traceable and transparent supply chain model offered by Arafura provides the customer with control over the critical NdPr metal required for its magnet supply. The buyer also has optionality to direct the NdPr metal to existing mass production manufacturers in China or Japan.

Arafura's metal tolling partner will be a key part of its trusted supply chain model and the Company entered into a MoU to complete the metallisation processing step on a toll basis. Following entry into the MoU, the Company has been negotiating a formal Toll Processing contract and is working towards finalising it in the 3rd quarter of 2021, subject to agreement of terms. Triangular discussions have also commenced between a European end user and their magnet suppliers to assess how Arafura's NdPr metal can be processed to achieve a fully traceable final magnet product. NdPr metal samples from our tolling partner were supplied to the magnet suppliers for the purposes of producing a strip cast alloy test sample for pre-qualification.

Arafura's supply chain model, which was initially developed as a European secured traceable solution for end users that purchase magnets, has now gained traction with motor component and magnet makers in Japan. During the quarter, the Company advanced offtake discussions and supplied key terms to two Japanese end users interested in securing stable and sustainable alternative supply to China. Customer discussions are focused on a significant proportion of Nolan's annual NdPr production to meet their forecast global demand

and remove dependency risk from China whilst providing a sustainable supply source to meet their customer ESG requirements of the entire supply chain.

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.

No formal or binding agreements with the parties referred to above have been entered into and negotiations are incomplete. The Company, at this stage, has no certainty as to the timing and likelihood of negotiations successfully concluding or binding agreements being entered into. Details of these arrangements will be announced to ASX if (and 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**) to execute its debt-led strategy on leveraging the 'halo effect' of the ECA-banked debt structure as a means to attract project equity. Arafura's change in execution strategy to a FEED strategy follows feedback from potential finance partners and aims to reduce execution risk by allowing construction tenders to be received concurrently with the FID.

In May 2021, the Company received a non-binding letter of support from the Australian Government's, Export Finance Australia (**EFA**) for a proposed senior debt facility of up to A\$200 million over a 15-year term. The facility will cornerstone a broader banking debt facility which is being discussed with a target mix of foreign ECAs and commercial banks. Subsequently in June 2021, the Company received a without commitment letter of support from the Northern Australia Infrastructure Facility (**NAIF**) for a proposed senior debt facility of up to A\$100 million over a 15-year term. Sovereign support is critical to provide momentum for Arafura's engagement with other ECAs for the targeted debt facilities. The letters of support are non-binding and conditional upon credit approval, negotiation of lender agreements, further due diligence enquiries and other conditions.

There is significant alignment between the Nolans project and the Australian Government's critical mineral initiatives, in particular, 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. Nolans would be a first step to the industry in growing downstream value adding opportunities in Australia, paving the way for further opportunities such as metallisation to further grow Australia's footprint in the critical minerals processing supply chain. With tough environmental practices already in place to meet sustainability requirements, Australia is well prepared to capitalise on this opportunity 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.

On an international front, Arafura and its advisors continue to engage with offtake partners and the relevant ECAs to ensure it is at the forefront for any project funding opportunity. The Nolans Project remains highly attractive to offtake partners, particularly as global policy continues to focus on sustainability and diversity of supply chain dependence for critical raw materials. As EV manufacturing and renewable energy initiatives develop and sustainability targets are set, the need for NdPr oxide from a sustainable source will become critical to global customers.

On 22 July, the Company was formally notified its application for grant funding under Round 1 of the Modern Manufacturing Initiative (**MMI**) Integration Stream was unsuccessful. The Company awaits further feedback on this determination before a decision is made in relation to the newly announced MMI Collaboration stream.

NdPr Market

The price of NdPr oxide decreased over the quarter after strong price movement in Q1 on the back of strong domestic and overseas demand for permanent magnets, low inventory of NdPr and a tight spot market. The price of NdPr decreased from US\$88 per kg to US\$73 per kg during the quarter, a decrease of approximately 17% reflecting short term tapering demand for NdPr and manufacturers replenishing stock only when necessary to fill customer orders. Slower than normal magnet orders from the auto market also contributed to slower magnet demand and despite improving confidence across sectors, automakers have been constrained by the semiconductor shortage with lost production. Since the end of the quarter, NdPr oxide pricing has since bounced back to the levels seen throughout this year.

NdFeB magnet demand in the Chinese domestic and overseas markets remain strong from the rapid development and adoption of New Energy Vehicle (NEV) and continued stronger growth in other applications such as robotics, wind turbines and electronic devices. Magnet manufacturing plants are operating over 20,000 tonnes per month compared to 15,000 tonnes in the previous year, highlighting the underlying strength of the end use market and overall overseas exports to Europe, South Korea and the USA have increased during the quarter. EV Registrations in Germany and across Europe remain in an upward trajectory over the quarter with 312,000 registered in Germany this year, a 233% increase a year ago. NEV demand is driving magnet demand for traction motor applications and long-term growth in e-mobility and renewable applications will underpin future expansion plans of magnet plants globally.

Rare earth exports released by the General Administration of Customs of China from January to June totalled 23,826 tonnes showing an improvement in the trade of rare earths compared to last year with a 12.8% year on year growth. China's Ministry of Industry and Information Technology (MIIT) has provided no guidance to 2H quotas after the first batch of 2021 production quotas increased from 63,500 tonnes TREO to 81,000 tonnes TREO last quarter. The draft rare earth management plan is now before the national standing committee to formalize the existing regulations and place further emphasis on enforcement of environmental protection, stronger management of the industry supply chain and investment downstream into magnet production. Under ministerial policy and reforms, rare earth mining and separation capacity will be further constrained to protect against illegal mining and unplanned production with greater emphasis on environmental management and ecology.

Strong demand and tight supply within the domestic market is expected in the coming quarter with inventory held within China being approximately 3000 tonnes of NdPr oxide equivalent to two weeks production. Production cuts are expected in Sichuan, China's 2nd largest region for supply of NdPr due to ongoing environmental inspections. To overcome the supply gap, Chinese producers will continue to encourage the importation of imported ores and finished product to meet the growing demand.

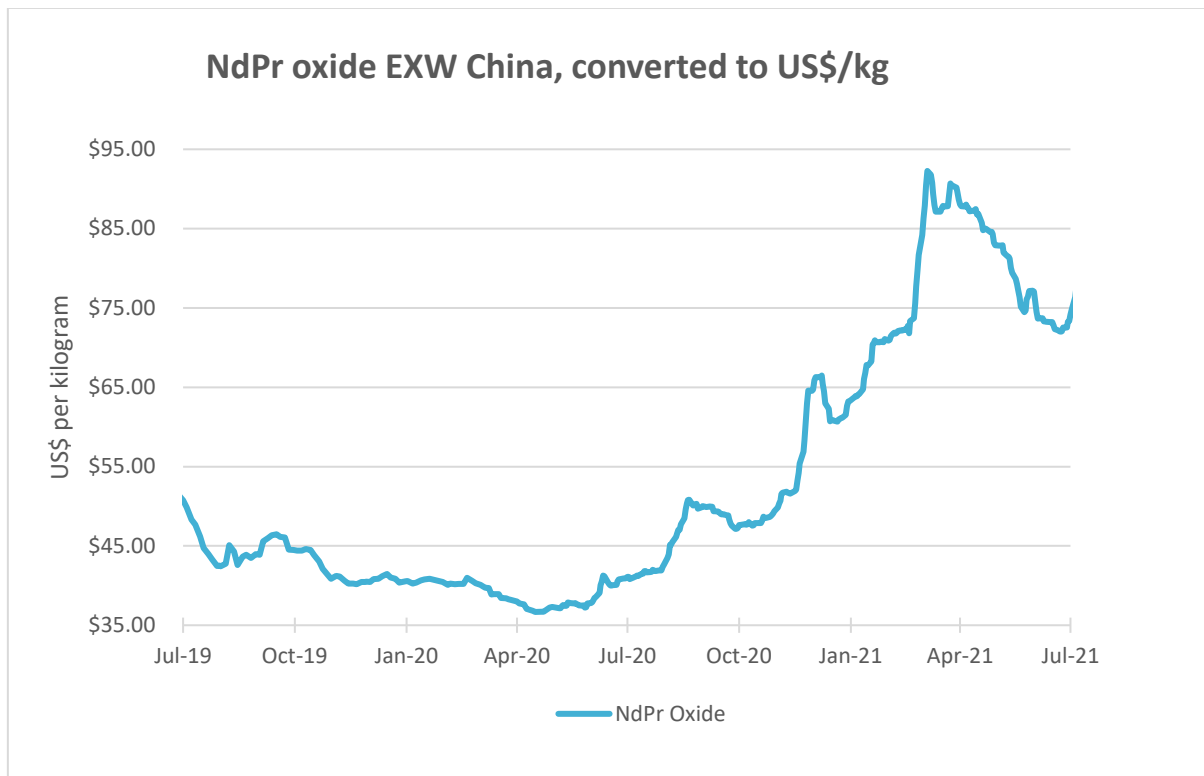


Figure 2 - NdPr Oxide Price EXW China inclusive VAT, converted to US\$

CORPORATE

Cash Position

Arafura had \$10.8 million in cash reserves at 30 June 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 ~\$1.1 million on exploration and evaluation activities, and ~\$1.2 million on corporate, administration and business development costs. Further details are available in the attached Appendix 5B.

For the quarter ended 30 June 2021, average monthly cash expenditure was \$0.8 million, slightly lower than the 31 March 2021 quarter as a result of timing differences.

Payments of \$203,000 reported in Item 6.1 of the attached Appendix 5B, relates to salaries, fees and superannuation paid to Directors.

Capital Raising

On 24 June 2021, the Company launched an A\$40 million placement to raise funds to commence FEED activities at the Company's Nolans Project and for general working capital purposes with Petra Capital Pty Ltd acting as sole lead manager and sole bookrunner to the Placement. The Company received firm commitments from Australian and overseas institutional and sophisticated investors. The Placement is offered over two tranches at an offer price of \$0.12 per share, being a 29.1% discount to the five trading-day volume weighted average market price of shares to 21 June 2021. Tranche 1 settled on 2 July 2021, resulting in 175,617,114 new fully

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paid ordinary shares being issued. Tranche 2 of the placement which will result in a further 157,716,220 shares is subject to shareholder approval at the General Meeting on 9 August 2021.

Concurrently, the Company launched a Share Purchase Plan (**SPP**) to enable eligible existing shareholders on the Company's share register at 7.00pm (EST) on 23 June 2021 with registered addresses in Australia and New Zealand the opportunity to apply for new shares at the same offer price as the Placement without paying brokerage or transaction costs. The SPP opened on 5 July 2021 and the offer documents were despatched on the same day. Eligible shareholders are also able to apply online via the Company's website at www.arultd.com.

All shares issued under the Placement and SPP are fully paid ordinary shares in the Company and will rank equally with the existing quoted shares on issue.

General Meeting

The Company's general meeting will be held at BDO's offices at 38 Station Street, Subiaco, WA 6008 at 10.00am WST on 9 August 2021. The notice of meeting was despatched on 5 July 2021 and shareholders are encouraged to vote using the Proxy Form or online. For those who are unable to attend, a live webcast will be broadcast on the day to which shareholders are able to register via the Company's website at <https://www.arultd.com/investor/general-meeting.html>. Shareholders using this method will not be able to vote or ask questions in real time during the meeting and are therefore encouraged to submit their questions to arafura@arultd.com and include their shareholding name, address and HIN/SRN to ensure their questions are addressed at the meeting.

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. Despite lockdowns affecting the Perth and Darwin offices, staff were able to appropriately work from home or quarantine as necessary with little to no business interruptions.

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.

Production Targets and Forecast Financial Information

The information in this report that relates to production targets and forecast financial information is extracted from the Company's ASX announcement dated 11 May 2021 (Nolans Project Update). The production target is based on 12% Proved Reserves, 62% Probable Reserves and 26% inferred resources as reported in the Company's ASX announcement dated 11 May 2021. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. Arafura confirms that all material assumptions underpinning the production target and forecast financial information derived from the production target set out in the Company's ASX announcement dated 11 May 2021 (including any assumptions referred to in the Company's ASX announcement dated 11 May 2021 that were sourced from the DFS as set out in the Company's ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) or from the Updated Mining Study as set out in the Company's ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project)), continue to apply and have not materially changed.

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 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(570)	(2,557)
	(e) administration and corporate costs	(551)	(2,996)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	12	107
1.5	Interest and other costs of finance paid	(5)	(28)
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	(1,114)	(5,265)

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements and bonds	-	-
	(c) property, plant and equipment	(76)	(143)
	(d) exploration and evaluation	(1,105)	(7,488)
	(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	(1,181)	(6,822)

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
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 (proceeds pending issue of equity securities and repayment of lease liabilities)	171	(12)
3.10	Net cash from / (used in) financing activities	171	104

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,912	22,771
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,114)	(5,265)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,181)	(6,822)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	171	104
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	10,788	10,788

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	754	1,189
5.2	Call deposits	10,034	11,723
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)	10,788	12,912

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	(203)
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)	(1,114)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,105)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,219)
8.4	Cash and cash equivalents at quarter end (item 4.6)	10,788
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	10,788
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.8
<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: 28/07/2021

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 30 JUNE 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 EL 28498 EL 29509 EL 31224 EL 31284 EL 31957	Aileron–Reynolds, NT	Arafura Resources Ltd	Exploration Licence	100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 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%
ML32722	Nolans, NT	Arafura Rare Earths Pty Ltd	Mineral Lease	100%	0%	Application lodged.
EMEL 32672 EMEL 32673 EMEL 32674 EMEL 32675 EMEL 32676	Nolans, NT	Arafura Rare Earths Pty Ltd	Extractive Mineral Exploration License	100%	0%	