

ASX ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

28 April 2023



HIGHLIGHTS

- **Nolans NdPr Project advancing through enabling works and equipment procurement, with early works construction imminent.**
- **Share Purchase Plan (SPP) and placement completed raising a total of \$141 million (before costs), including over subscription to SPP and Hancock Prospecting holding increased to 10.01%.**
- **Binding Offtake Agreement signed with Siemens Gamesa Renewable Energy.**
- **Letter of in-principle support for untied loan guarantee of up to US\$600 million from German export credit agency Euler Hermes.**
- **In-principle support from Northern Australia Infrastructure Facility (NAIF) increased to \$150 million.**
- **KfW appointed as additional mandated lead arranger for debt financing and export credit agency structuring bank.**
- **Green House Gas Emissions Pathway released, detailing pathway to achieve Net Zero by 2050.**
- **Sulphuric acid plant awarded to Chemetics®, a wholly owned subsidiary of Worley.**

Arafura Rare Earths 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

Engineering Design and Procurement

Engineering design and procurement for the Nolans Neodymium-Praseodymium (NdPr) Project (**Nolans** or **the Project**) continued during the quarter as the Company commenced Project delivery. Activities across the following areas are outlined below:

- Hydrometallurgical plant
- Sulphuric acid plant
- Non-process infrastructure

Other areas of the Project such as the beneficiation plant, power station and process control system have moved fully into tendering prior to the commencement of detailed design.

Hydrometallurgical Plant

Engineering design of the hydrometallurgical plant moved into the detailed design phase during the quarter. The following activities were undertaken or completed.

- Completion of constructability reviews with Monadelphous, who is currently working under an early contractor involvement (ECI) arrangement in advance of finalising the construction contract.
- Continuation of Hazard and Operability (HAZOP) studies for vendor packages and areas of the Nolans facility where significant changes have been made since the completion of initial HAZOP workshops.
- Development of process control narratives for the various plant areas to outline the detailed control and operational philosophy.
- Finalisation of individual area layouts.
- Technical and commercial conformance of supply contracts for long lead and critical mechanical equipment ready to place orders.
- Commencement of detailed concrete, structural and tankage design.
- Update of the material take-offs for bulk materials (concrete, structural steel, piping and electrical bulks) to feed into the construction contract.
- Alignment of the detailed engineering schedule to construction requirements, to ensure engineering detail is available when required for fabrication and construction.
- Hydrometallurgical plant value engineering, including:
 - Finalisation of panelisation studies, leading to a significant reduction in site personnel requirements.
 - Use of pre-cast concrete footings for pipe tracks with concrete cast in Alice Springs, Darwin or Perth.
 - Re-layout of separation plant to reduce pipe and cable runs and concrete requirements.
 - Rationalisation of concrete slabs throughout the hydrometallurgical plant.
 - Adjustment to materials of construction for methanol strip reboilers and column, providing excellent procurement cost savings.
 - Removal of the thermal oxidiser from the rare earth sulphate precipitation vent stack, following dispersion modelling confirming no potential for impact on workers.

The order for the sulphation bake and cooler units was placed with ANDRITZ during the quarter. This order will allow ANDRITZ to finalise the detailed design and procure the specialty materials of construction to meet the required delivery schedule for the Project.

The images below demonstrate the design of the hydrometallurgical plant – a full flythrough of the plant (in render) can be viewed at https://youtu.be/fjczt_m8eoQ.



Figure 1: Beneficiation plant



Figure 2: Pre-leach and sulphation (inset: sulphation bake unit)



Figure 3: Rare earth extraction (candle filters)



Figure 4: Rare earth sulphate precipitation and methanol strip

Sulphuric Acid Plant

During the quarter the contract was signed for the supply of the sulphuric acid plant, including the associated oxygen plant, with Worley subsidiary Chemetics. Following this, Chemetics continued with detailed engineering including:

- Finalisation of process flow diagrams, equipment list, equipment layout drawing, process description, battery limits, design conditions lists and piping and instrumentation diagrams for the plant.
- Modification of the design to incorporate air cooling for a large portion of the cooling duty, resulting in significant water savings.
- Modification of the clean sulphur tank design to facilitate the use of two shop-fabricated tanks, in place of a single tank that would have been fabricated at site at greater expense.
- Commencement of final HAZOP workshops.

Hatch completed front-end engineering design for the balance of plant during the quarter; it will now be handed over to Worley to complete detailed engineering.

Non-Process Infrastructure

Non-process infrastructure (NPI) design progressed in several areas during the quarter, including:

- Continuation of the final design of plant site earthworks, following receipt of the final layout for the processing facility.
- Continued development of designs, specifications and scope of work for the NPI structural, mechanical, piping, electrical and instrumentation package.
- Requests for tender issued for:
 - Permanent accommodation village
 - Modular offices and other buildings
 - Steel framed buildings and sheds
 - Village and mine area fire systems.
- Tenders reviewed and awards made or imminent for packages including:
 - Fuel storage and refuelling infrastructure
 - Temporary water pumping systems
 - First package of water pipeline (8km out of 25km) for the main water supply to the Project
 - Potable and wastewater treatment systems for the village
 - Temporary facilities including offices, power supply, construction communications, and fuel storage and distribution.
- Site works contracts awarded and kick off meetings held for early works packages including:
 - Minor earthworks
 - Production bore drilling
 - Shallow monitoring bore drilling
 - Borefield headworks and pipeline installation.
- Preparations for a geotechnical investigation of the plant area, now able to proceed upon finalisation of the final plant layout.

Construction

In late February the Company mobilised to site, along with minor earthworks contractor Black Cat Civil, and commenced enabling works. Work completed during the quarter included:

- Rehabilitation of the site access track through to the village area, and construction of a track to access the village.
- Completion of bulk earthworks for the fly camp and the construction village area laydown areas.
- Commencement of bulk earthworks for the construction village area.
- Construction of a track to directly access Borefield D from Napperby Road and clearing of the pipeline corridor from Borefield D to the process plant site.
- Fit out of the existing production bore at Borefield D including bore pump, tanks, standpipe pump and standpipe to facilitate a temporary construction water supply.
- Commencement of installation of the 48-person fly camp.

The images below illustrate a range of activities carried out on site during the quarter.



Figure 5: Site Civil Supervisor Robin Garside and General Manager Projects Stewart Watkins (left to right) pictured at the Nolans rehabilitated site access.



Figure 6: Commencement of clearing and civil works at the village site



Figure 7: Village area bulk earthworks construction



Figure 8: Village area bulk earthworks underway with fly camp under construction



Figure 9: Fly camp under construction



Figure 10: Bore fit out at Borefield D



Figure 11: Borefield D temporary construction water supply tanks and pumps



Figure 12: Clearing of the pipeline corridor between the Nolans borefield and the process plant site.



Figure 13: Pipeline corridor with Amadeus Gas Pipeline in parallel

In the coming quarter the Company will build upon enabling works completed, with the commencement of early works construction including:

- Bulk earthworks for:
 - Temporary intersection of the site access road with the Stuart Highway
 - Construction of the site access road, including crossing of the Amadeus Gas Pipeline
 - Construction of a water dam to receive water from the borefield pipeline for immediate use in construction.
- Installation of the site's 400-person construction village.

- Drilling of monitoring bores, including the minimum requirements stipulated by the NT Department of Environment, Parks and Water Security under the conditions of the Project's groundwater extraction licence.
- Drilling of two additional production bores to provide sufficient water for all construction works, fit out of the production bores, and installation of water pumping systems including the 25km permanent water pipeline to site.
- Installation of bore headworks, tankage and pumping systems at Borefield D.
- Installation of the 25km water pipeline from Borefield D to the process plant site.

Construction Tendering

Construction tendering continued during the quarter across the following areas.

- Beneficiation plant – three tenders were received and are in the process of being reviewed and adjudicated, with award anticipated next quarter.
- Power station – two shortlisted independent power providers are under consideration for a build-own-operate contract for power station and steam generation, with award anticipated in the next quarter.
- Bulk earthworks – tenders have been received and are being normalised to allow a full comparison of offerings.
- Permanent village installation – tenders are being sought for separate installation of permanent village infrastructure.

Technology Development

During the quarter some minor test work programs were progressed to provide key design information for the processing plant. These are detailed below.

- Corrosion test work on the materials of construction for the rare earth sulphate precipitation reboiler was closed out and completed. This work was aimed at reducing the cost of this package by confirming the suitability of alternate, lower cost materials of construction.
- A pilot test program was commenced for phosphoric acid purification using vibratory shear enhanced processing technology. The pilot testing will be used to confirm the performance of the process and for the vendor to provide performance warranties. One run of tests has been completed, with others anticipated to be completed next quarter.
- Planning was undertaken for testing of an alternate diluent for solvent extraction, following the removal from sale of the diluent used in previous pilot test work.

Project Schedule

The Nolans execution schedule is currently largely dependent on the availability of funding to accelerate long lead procurement and facilitate the award of key construction and fabrication contracts. The Company has not made changes to the project schedule this quarter. Further guidance regarding any adjustments to the schedule will be provided as timelines for debt and equity funding solidify.

Operational Licencing

Approval for the groundwater extraction licence for the Project's production, borefield and water supply was granted in late March 2023, following a lengthy regulatory process that included an independent peer review of the management plan and groundwater modelling.

During the quarter the Department of Industry, Tourism and Trade approved the extractive mineral permits (EMPs) for the Nolans Project (EMP33078 - EMP33085). The EMPs will support construction activities by allowing the Company to take construction materials such as sand, rock and gravel from the areas covered by the permits.

ESG

Greenhouse Gas Emissions Reduction Pathway

During the quarter the Company released its greenhouse gas (**GHG**) emissions reduction pathway for Nolans, outlining how it intends to meet its 2050 Net Zero commitment (refer to ASX Announcement dated 31 January 2023).

The chosen GHG emissions reduction pathway for Nolans covers electrical power and thermal power for steam generation, which together account for about 85 per cent of the Project's forecast emissions. It includes electricity generation from solar and wind, plus the adoption of battery storage, targeting 50 per cent of total Project power by 2030; a transition to concentrated solar thermal generation with thermal energy storage for steam generation commencing in 2030; and transition to renewable fuels for firming power commencing in 2040.

In determining the preferred emissions reduction pathway for Nolans, Arafura evaluated five potential pathways for reduction of GHG emissions from stationary power and steam generation. The study process to establish the selected pathway utilised the methodologies adopted by the Clean Energy Finance Corporation and the Minerals Research Institute of Western Australia to develop a decarbonisation pathway.

Analysis of the selected pathway demonstrates that it is likely to reduce total energy costs over the first 14 years of production at Nolans and is expected to result in only a minor increase in overall costs over the full life of the mine.

The chosen pathway included consideration of the gas price equivalent costs to ensure robust commercial decision-making. Cost outcomes for the chosen pathway include estimated gas price equivalent costs of A\$6.10 per GJ prior to 2030 and A\$8.20 per GJ prior to 2040 – less than the Project's base case gas price of \$A8.34 per GJ inclusive of transport (as outlined in the Nolans Project Update, refer ASX Announcement dated 11 November 2022). Over the Nolans life of mine, the estimated average cost of the chosen pathway is equivalent to generating all energy from gas at a gas price of A\$9.70 per GJ.

The next steps in Arafura's roadmap to net zero include:

- Updating projected total Nolans GHG emissions estimates.
- Analysis of data collected at Nolans to evaluate available wind resources and completion of a study to determine the most appropriate mix of solar PV, wind and battery technology to deliver approximately 50 per cent of the Project's electrical power from renewable sources.
- Implementation into aspects of the current plant design features to facilitate rapid incorporation of solar PV, wind and batteries into the Nolans' energy mix.
- Optimisation study of renewable thermal energy generation options to determine most appropriate thermal energy sources and energy storage technologies.
- Planning of a demonstration scale renewable thermal energy generation and storage plant for implementation prior to 2030.

Sustainability Report

Arafura's Sustainability Report for the 2022 financial year has been published online and is available on the Company's website. This is the Company's second Sustainability Report and details the ways in which Arafura demonstrated its commitments to sustainable project development and mining throughout the year. The report outlines Arafura's progress against stated targets, which align to and are benchmarked against the World Economic Forum's global framework for ESG performance.

Key activities detailed in the report include the establishment of Arafura's Board Sustainability Committee and progress in attaining membership with the Initiative for Responsible Mining Assurance (IRMA), supporting the advancement of responsible mining through independent third-party certification and verification of the social and environmental performance of mining operations.

DOMESTIC STAKEHOLDER ENGAGEMENT

During the quarter, engagement continued with key Nolans stakeholders including the Northern Territory government, Traditional Owners, the Central Land Council, Alice Springs community, the Project's surrounding pastoralists and local environmental groups. To support meaningful long-term engagement across a range of stakeholder groups, the Company has engaged a Stakeholder Engagement Manager based in a shared office in Alice Springs. The Company plans to establish a larger permanent office in Alice Springs office around mid-2023.

Community and stakeholder engagement activities during the quarter included:

- Sponsorship of the annual Aileron Bush Club Rodeo.
- Coordination and facilitation of a multi-party workshop to discuss workforce development in Central Australia, with a focus on indigenous workforce development.

Arafura also continued to engage informally with key stakeholders during the quarter to provide updates on the progress of Nolans.

EXPLORATION

Nolans

Re-modelling of the central part of the Nolans orebody was completed during the quarter. This remodelling is aimed at developing a block model that is more amenable to mine planning, to allow better short-term production planning once mining commences. This updated model will be used in the mine planning update, which also commenced during the quarter.

The processing of the detailed gravity survey of the orebody and surrounding area continued during the quarter and will be used to confirm the geological interpretation of aspects of the geological model, as well as providing information on exploration targeting in the search for similar orebodies to Nolans in the Company's exploration leases. Planning for some high-level exploration works across the Company's exploration leases is currently underway.

MACROECONOMIC DEVELOPMENTS

NdPr Market

The price of NdPr oxide declined 26% from US\$103 per kg to US\$76 per kg at the end of the quarter due to demand weakness for magnets in the Chinese domestic market’s downstream manufacturing sector. China remains the largest user of sintered magnets for applications such as electric vehicles (EVs), wind generation technology, consumer electronics and appliances, and demand in these sectors is experiencing lower manufacturing output since the beginning of the COVID-19 pandemic in 2020.

The Chinese Government lifted Covid-19 restrictions at the beginning of 2023, providing an immediate lift to the economy with rising spending and increased domestic industrial and manufacturing activity. However, manufacturing output was short lived, and started to decline late in the quarter due to a combination of slowing global economies, financial uncertainty, and weaker domestic demand. A gradual recovery in the Chinese factory sector will be supported by increased government initiatives and stronger global demand in the second half of the year.

The global EV market outlook remains very strong, with a record total of 10.5 million new battery electric vehicles and plug-in hybrid electric vehicles delivered in 2022. Global OEMs are planning to increase EV deliveries this year and a recovery is expected with improvement in downstream purchasing and manufacturing in the second half of the year.

China maintains a domestic rare earths strategy and issues a production quota each year to meet growing demand for rare earth magnet materials in alignment with its Made in China 2025 strategy. The Chinese Government’s first mining and separation quota for 2023 outlined an increase to 120,000 tonnes mined and 115,000 tonnes total rare earth oxide produced. China Northern Rare Earth Group, China’s largest producer, was the major recipient of the quota increase while the quota of southern producers was reduced.

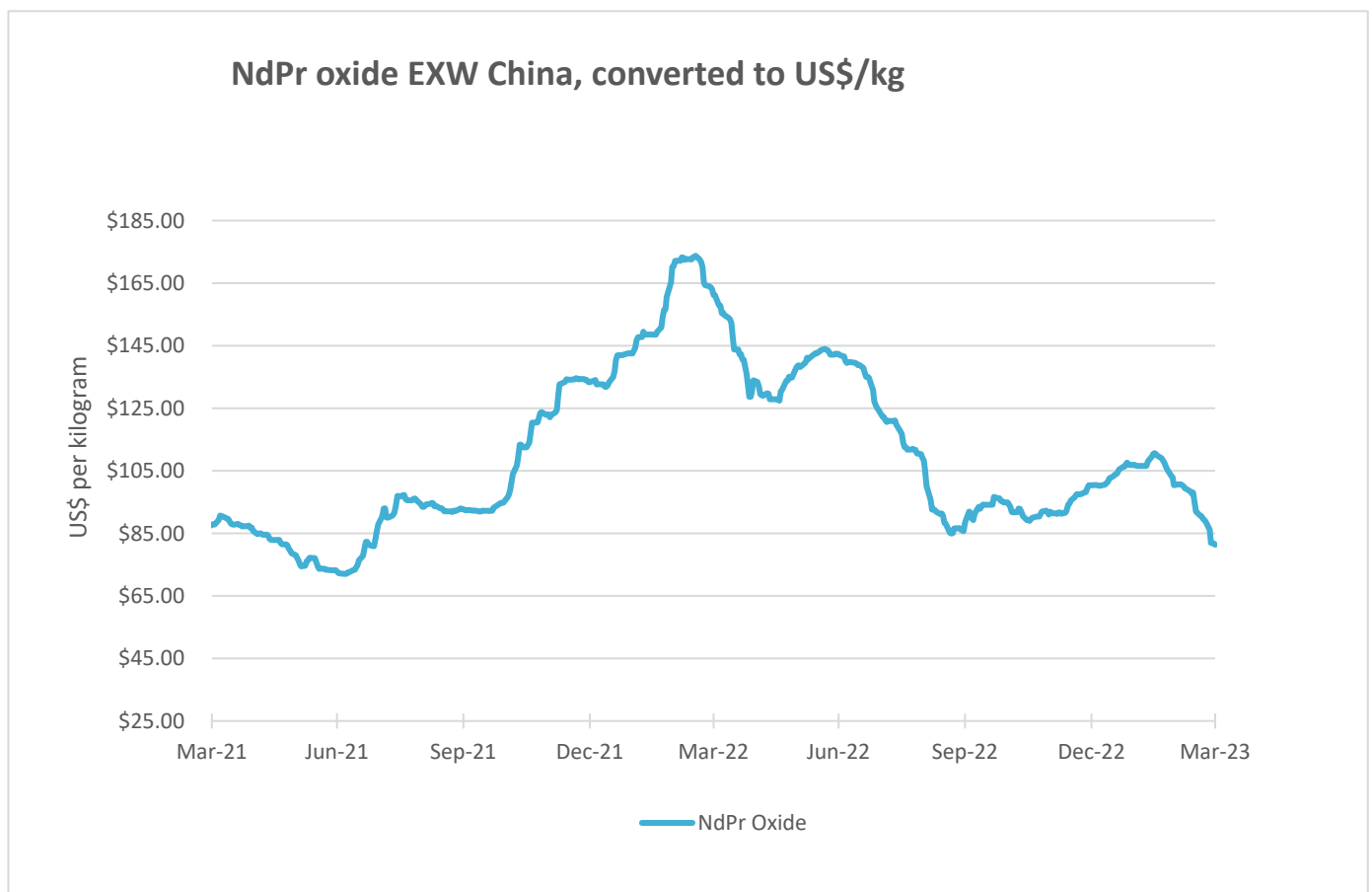


Figure 15: NdPr oxide price EXW China (inclusive VAT) converted to US\$

OFFTAKE AND PROJECT FUNDING

Offtake

On 11 April 2023 the Company announced the signing of a binding offtake agreement with leading global wind turbine manufacturer Siemens Gamesa Renewable Energy A/S (**Siemens Gamesa**) (refer ASX Announcement dated 11 April 2023).

The Siemens Gamesa agreement is the second binding offtake agreement for Nolans, following the signing of an agreement in November 2022 with key foundation offtake partner, South Korean based Hyundai Motor Company (**Hyundai**) and Kia Corporation. Supply of NdPr metal to Siemens Gamesa will be over a five-year term commencing in 2026, annual contract quantities will increase to 400 tonnes per annum when the Nolans Project achieves nameplate production capacity.

This is the second binding offtake agreement to be secured for Nolans, with about 53% of the targeted 85% annual production from Nolans now contracted under long-term sale arrangements. Arafura is continuing advanced negotiations with other prospective offtake parties and these discussions are progressing well.

Project Funding

In January, Arafura appointed KfW IPEX- Bank (**KfW**) as an additional Mandated Lead Arranger (MLA) (refer to ASX announcement dated 17 January 2023). KfW has been working in conjunction with the initial MLAs Société Générale and National Australia Bank to arrange the debt financing facility for Nolans. In addition to the role as an MLA, KfW was also appointed as the export credit agency (**ECA**) structuring bank and has been assisting Arafura in its strategic engagement with ECAs in jurisdictions with linkages to Nolans Project offtake.

During the quarter German ECA Euler Hermes Aktiengesellschaft (**Euler Hermes**) informed the Company of its in-principle support for an untied loan guarantee of up to US\$600 million for the financing of the Nolans Project (refer to ASX Announcement dated 29 March 2023). The untied loan guarantee is non-binding, indicative only and, if approved, is conditional on Arafura entering into offtake agreements with German-based companies, and the corresponding quantities of NdPr products ultimately being processed in Germany into permanent magnets or powertrains. Any final guarantee amount will be determined with reference to the offtake volume processed in Germany, final offtake structures with German companies and NdPr market conditions at the time.

Arafura and KfW provided Euler Hermes with an overview of offtake engagement in Germany, potential supply chains and historic NdPr pricing information to assist in its assessment of the Nolans Project. To secure a final and binding financing decision from Euler Hermes, Arafura and KfW will be required to file a formal application with the German Government supported by further economic, technical and legal information, along with details relating to environmental and social aspects of the Project. Arafura has commenced this work and is also working to incorporate the ECA guarantee provisions into the harmonised debt terms sheet with the other lenders. Arafura will provide further updates to the market as offtake arrangements are finalised and any formal application progresses.

In addition, the Northern Australia Infrastructure Facility (**NAIF**) provided non-binding in principle support to increase its tranche of project finance debt from A\$100 million to A\$150 million during the quarter (refer to ASX Announcement dated 29 March 2023). This followed the Company's receipt of an initial letter of support from NAIF for up to \$100 million for a 15-year term in June 2021 (refer to ASX Announcement dated 18 June 2021). NAIF has advised that while the Nolans Project has fulfilled the strategic assessment phase of the NAIF decision process, a final investment decision by NAIF would only be made following satisfactory due diligence and approval by the NAIF Board.

During the quarter the Company continued engagement with lenders' independent technical experts to model updated financing scenarios and agree the funding structure most appropriate to the Project with lenders.

Advancement of the Project's finance facilities are targeted to allow for contractual close on project financing in mid-2023. Debt financing will be conditional on completion of a successful due diligence process, agreement of terms and conditions, credit approvals and entry into binding facility agreements.

In parallel with project financing and offtake, project equity initiatives are also advancing with potential offtake partners, strategic investors and some key institutional investors. Equity financing negotiations continue with Hyundai under the existing heads of agreement, and with GE Renewable Energy under the terms of the memorandum of understanding in place.

While Arafura has a number of key funding activities running concurrently, including debt funding, strategic equity investment and ECA engagement in several regions, no formal or binding agreements have been entered into. The Company has no certainty as to the timing and likelihood of successfully concluding binding agreements. Details of any arrangements will be announced to the market as and when formal agreements are executed.

CORPORATE

Cash Position

On 31 March 2023, Arafura had cash reserves of \$153.4 million. This included \$121 million raised (before costs) through the two-tranche placement initiated in December 2022 and completed on 25 January 2023 (refer ASX announcements dated 12 December 2022 and 25 January 2023), and \$20 million raised (before costs) via the SPP completed on 5 January 2023 (refer ASX Announcement dated 5 January 2023).

During the quarter, the Company spent ~\$0.5 million on exploration and evaluation activities, ~\$2.4 million on corporate, administration and business development costs and ~\$13.6 million on project development activities including detailed engineering and development work at site. Further details are available in the attached Appendix 5B.

Average monthly cash expenditure for the quarter ended 31 March 2023 was ~\$5.1m – a slight reduction from the previous quarter. It is expected that cash outflow will increase as the Company commences early works construction activities in the coming quarter.

Payments of \$246,000 reported in Item 6.1 of the attached Appendix 5B relate to salaries, fees and superannuation paid to Directors.

General Meeting

A General Meeting was held at 10:00am AWST on 18 January 2023. The notice of meeting was despatched on 15 December 2022 and shareholders were encouraged to vote using the Proxy Form or online. All resolutions were passed by way of a poll.

Placement and Share Purchase Plan

In December 2022, the Company received commitments from Australian and international institutional, sophisticated and professional investors to raise about A\$121 million (before costs) under a placement of fully paid ordinary shares over two tranches, at an issue price of A\$0.37 per share (refer to ASX announcements dated 5 December 2022 and 12 December 2022).

Tranche 1 involved the issue of 259 million shares at a price of \$0.37 per new share to raise \$95.9 million pursuant to the Company's placement capacity under ASX Listing Rule 7.1, while tranche 2 involved the issue of a further 67.9 million shares at the same issue price to raise \$25.1 million. Tranche 2 received shareholder approval at the general meeting held on 18 January 2023, and was completed on 25 January 2023 (refer ASX Announcement dated 25 January 2023). Hancock Prospecting Pty Ltd acted as cornerstone investor in the Placement, committing to invest \$60 million across the two tranches, resulting in a post-completion interest of 10.01% in Arafura.

Separately, the Company also launched an SPP for eligible shareholders to raise an additional \$12 million (before costs) with the ability to scale back or raise a higher amount (subject to the ASX Listing Rules). The SPP was heavily oversubscribed (refer ASX Announcement dated 5 January 2023) with a total of 5,510 applications received, representing a total application value of approximately \$81.5 million. As a demonstration of thanks for shareholder support and commitment to the Company, the Board increased the amount offered to \$20 million, accepting \$8 million in oversubscriptions.

Total funds raised under the placement and SPP of \$141 million (before costs) have and will continue to be used for activities to accelerate the Nolans development schedule, including:

- completion of an early contractor involvement (ECI) phase to optimise Nolans and agree a contract for the construction of the hydrometallurgical plant.
- placement of orders for long lead or near critical path items.
- commencement of fabrication in readiness for main plant construction.
- commencement of early works construction, including for the accommodation village, project water supply, earthworks and other associated items.
- continuation of tender activities to advance procurement for Nolans across all areas.
- ongoing marketing and sales negotiations in the US, Asia and Europe and financing activities.

COVID-19

Arafura continues to monitor changes to the status of COVID-19 and all State, Territory and Federal Government advice around social distancing, travel restrictions, contact tracing and vaccination. Staff and contractors are advised of any updates to policies and procedures to ensure alignment with recommendations as international and domestic travel resumes. Arafura continues to enforce the requirement that staff and contractors who are remain absent from the workplace until a negative test has been received.

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 November 2022 (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 November 2022. 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 November 2022 (including any assumptions referred to in the Company's ASX Announcement dated 11 November 2022 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 Rare Earths Ltd	
ABN	Quarter ended ("current quarter")
22 080 933 455	31 March 2023

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	(13,630)	(39,432)
	(c) production	-	-
	(d) staff costs	(795)	(2,523)
	(e) administration and corporate costs	(2,358)	(5,733)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1,349	1,913
1.5	Interest and other costs of finance paid	(12)	(29)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	-	-
1.9	Net cash from / (used in) operating activities	(15,446)	(45,804)

2.	Cash flows from investing activities	-	-
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements and bonds	-	-
	(c) property, plant and equipment	(75)	(181)
	(d) exploration and evaluation	(512)	(2,047)
	(e) investments	-	-
	(f) other non-current assets (environmental bond and term deposit)	(1,484)	(1,484)
2.2	Proceeds from the disposal of:	-	-
	(a) entities		
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(2,071)	(3,712)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	46,638	185,067
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	(915)	(6,674)
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)	(71)	(212)
3.10	Net cash from / (used in) financing activities	45,652	178,180

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	125,209	24,680
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(15,446)	(45,804)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,071)	(3,712)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	45,652	178,180
4.5	Effect of movement in exchange rates on cash held	49	49
4.6	Cash and cash equivalents at end of period	153,393	153,393

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	9,377	20,788
5.2	Call deposits	144,016	104,421
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)	153,393	125,209

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate number of payments to related parties and their associates included in item 1	(246)
6.2	Aggregate number 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)	(15,446)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(512)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(15,958)
8.4	Cash and cash equivalents at quarter end (item 4.6)	153,393
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	153,393
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	9.6
<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 April 2023

Authorised by: The Audit Committee

(Name of body or officer authorising release – see note 4)

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 – e.g., 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 2023

Tenement reference	Project	Holder	Nature of interest	Interest at beginning of quarter	Interest at end of quarter	Notes
ML 26659 ML 30702 ML 30703 ML 30704 ML 32411 ML 32412 ML 32413 ML 32414 ML 32415 ML 32416	Nolans, NT	Arafura Nolans Project Pty Ltd	Mineral Lease	100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	
EL 28473 EL 28498 EL 29509 EL 31224 EL 31284 EL 31957	Aileron–Reynolds, NT	Arafura Rare Earths Ltd	Exploration Licence	100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100%	
EL 29701	Bonya JV, NT	Arafura Rare Earths Ltd	Exploration Licence	60%	60%	Thor Mining Plc 40%, Arafura Resources Limited 60%
EL 32167	Jervois Vanadium, NT	Arafura Rare Earths Ltd	Exploration Licence	60%	60%	Thor Mining Plc 40%, Arafura Resources Limited 60%
ML32722	Nolans, NT	Arafura Nolans Project Pty Ltd	Mineral Lease	100%	100%	Application lodged.
ML33107	Nolans, NT	Arafura Nolans Project Pty Ltd	Mineral Lease	100%	100%	Application lodged.
EMEL 32672 EMEL 32673 EMEL 32674 EMEL 32675 EMEL 32676	Nolans, NT	Arafura Nolans Project Pty Ltd	Extractive Mineral Exploration License	100%	100%	
EMP33078 EMP33079 EMP33080 EMP33081 EMP33082 EMP33083 EMP33084 EMP33085	Nolans, NT	Arafura Nolans Project Pty Ltd	Extractive Mineral Permit	100%	100%	