

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31ST DECEMBER 2020



TABLE OF CONTENTS

DIRECTORS REPORT	3
AUDITORS INDEPENDENCE DECLARATION	9
INTERIM FINANCIAL REPORTS	10
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	10
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	11
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONSOLIDATED STATEMENT OF CASH FLOWS.....	13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14
DIRECTORS' DECLARATION	19
INDEPENDENT AUDITORS REVIEW REPORT TO MEMBERS	20

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Arafura Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were Directors of Arafura Resources Limited during the half-year period and up to the date of this report.

- M Southey
- G Lockyer
- C Tonkin
- Q Zhang
- C Moises

REVIEW OF OPERATIONS

During the six months ended 31 December 2020, Arafura incurred a net loss of \$3,155,714 (2019: \$2,164,042). With all major Nolans project development milestones now complete since the Native Title Agreement was executed with the project's native title holders (through their prescribed body corporates) and the Central Land Council and the grant of the project's mineral leases, the Company has focussed its efforts on product offtake and project funding. In the current year, a shift in key work streams to consulting and advisory services for product offtake and project funding has led to an increase in the Company's net loss position from the prior year. In the prior year, the net loss was largely attributed to the drilling programs completed at Nolans Bore and other project development activities.

CORPORATE

In December 2020, the Company received a \$1.1 million tax refund for eligible research and development (**R&D**) expenditure spent on the design and operation of its flowsheet piloting program for the 30 June 2020 financial year. To date, the Company has received approximately \$41.7 million in cash receipts from the R&D tax incentive.

There was increased engagement with Export Finance Australia (**EFA**), the Northern Australia Infrastructure Facility (**NAIF**) and the Hon Keith Pitt MP, Minister for Resources, Water and Northern Australia during the period as the Company worked on its project funding opportunities. With policy reform particularly from the NAIF, there may potentially be alternative financing mechanisms including equity investment that can be a catalyst for Nolans achieving its project funding with other Export Credit Agencies (ECAs).

As the world moves toward renewable energy to achieving their carbon emission targets and sustainability goals, securing an alternative supply chain for NdPr oxide remains critical.

There is strong alignment between the Nolans project and the Australian Government's critical mineral initiatives. In particular, the Company received strong endorsement of Nolans from the Territory Economic Reconstruction Commission (**TERC**) to advance debt funding opportunities with EFA and NAIF.

Arafura is in a strong position to continue its offtake discussions with potential customers, following customer validation of final rare earth oxide (REO) products from the Nolans Project flowsheet piloting program by supply chain partners from Europe, Japan and China. With the assistance of European advisors, Arafura continues to advance its rare earth product offtake arrangements with parties in Europe, Japan, South Korea, the USA and China, and for phosphoric acid product with parties in India.

OPERATIONAL LICENCING

On 21 July 2020, the Northern Territory Minister for Primary Industry and Resources, Hon Paul Kirby, granted Arafura's key Mineral Lease (ML 26659) over the Nolans Bore mineral resource as well as the three ancillary MLs (30702-04) which host much of the supporting infrastructure for the project. All four MLs were granted for an initial term of 25 years. Multiple renewal periods for these MLs are possible and agreed under the project's Native Title Agreement executed in June 2020. The Project's six ancillary MLs (32411- 16) over the project's planned borefields and the new ML 32416 for the diversion channel were granted on 8 February 2021.

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

Preparation of a groundwater abstraction license to the Northern Territory Department of Environment and Natural Resources is due to be submitted by the end of the year.

During September 2020, a groundwater stygofauna sampling survey was completed across the Nolans Project main planned borefield area and in the margins area to the east of the Stuart Highway. The results received in November 2020 confirmed no stygofauna were found in any of the boreholes surveyed. This closes out future requirements for this aspect of the Nolans Project environmental approval conditions.

SUSTAINABILITY

A review and gap analysis of the Company's sustainability policies, plans, and procedures was completed during the period by sustainability specialists from KBR. The review was completed with reference to the Equator principles, International Finance Corporation's performance standards and the United Nations sustainable development goals.

The review and gap analysis determined Arafura has a significant number of policies, plans and procedures already in place that substantially satisfies the various international principles and standards they have been reviewed against. Some gaps against these principles and standards were identified, resulting in the preparation of an action plan to guide planned work focussed on addressing these identified deficiencies. This work is currently being incorporated into a summary report for use in the funding activities and will ensure that all the relevant principles are met.

STAKEHOLDER ENGAGEMENT

In July 2020, Major Project Status for the Nolans Project has been renewed for a further three years by the Australian Government. Major Project Status recognises projects that are economically and strategically significant to Australia and allows a single-entry point for a range of Australian Government coordination services.

The Company received positive feedback from its submission to the TERC which is tasked with providing recommendations to the Chief Minister and Northern Territory Government on opportunities to assist the Territory's economic recovery from COVID-19. Following discussions, it is the Company's understanding that Nolans is one of the highest rated projects that has been put forward to the TERC for consideration given its strategic significance and the economic value and long-term job creation that it would deliver to the Territory. The TERC is expected to deliver its plans on how to address the Territory Economic Reconstruction Commission's report to the Chief Minister by February 2021.

The Nolans Project Territory Benefits Plan, which doubles as an Australian Industry Participation plan and now incorporates the Local and Indigenous Procurement Plan, was submitted to the Northern Territory Government for final review. Once feedback is received and any required amendments made, the document will be formally lodged for approval.

NOLANS PROJECT

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

The integrated project management team (**IPMT**), which includes KBR and Wave International personnel (*refer to ASX Announcement 23 January 2020*) progressed execution readiness activities across several fronts in preparation for the early contractor involvement (**ECI**) phase, including project execution and contracting plans, contract package listings, scopes of work for key contract packages, preparation of over-arching battery limit definition documents, basis of design documentation, risk management plan and planning and scheduling of project early works.

The IPMT advanced work on the Project Update with the following work completed or ongoing:

- Updating aspects of the capital costs estimate which are awaiting finalisation of the EEW scope of work.
- Updating the process flowsheet.
- Updating the operating cost model to represent up to date pricing, consumption and any modifications to the process flowsheet.
- Updating of the mining schedules and contract mining price.
- 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.

TECHNOLOGY PROGRAMS

Following completion of the Nolans Project flowsheet piloting program in Q1 2020, final REO products were validated by supply chain partners across the globe during the period, including in Europe, China and Japan, and deemed to be well within the required key specifications for use in their processes.

DIRECTORS REPORT – FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Preparation of these products involved piloting of the project’s beneficiation, phosphate extraction, phosphoric acid production, rare earth extraction, rare earth processing and rare earth separation process stages to produce final NdPr Oxide, SEG-HRE (middle and heavy rare earth) Oxide and Cerium (Ce) Oxide products, achieving REO and TREO specifications indicated in the table below.

REO	REO/TREO	TREO	Planned Production (tonnes per annum) ¹
NdPr Oxide	>99.9%	>99.5%	4,325
SEG-HRE Oxide	>99.5%	>99.5%	600
Ce Oxide	>99.95%	>99.5%	8,280

In all cases, the supply chain partners confirmed that Arafura’s products met the required specifications for use in the production environment and/or in their respective downstream applications.

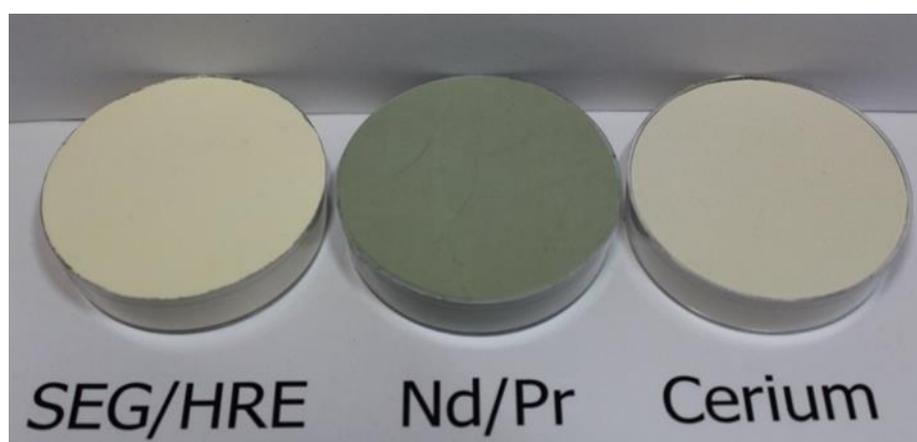


Figure 1 - Rare earth oxide product samples from Nolans

The Metallurgical Test Work for the Nolans Project phosphoric acid pre-leach flowsheet and a program for the purification of cerium hydroxide product with the aim of recovering lost NdPr in the cerium hydroxide product was also completed in the period. The results of these technology programs resulted in enhancement of the Definitive Feasibility Study and a final process flowsheet for the Nolans Project agreed. The final flowsheet incorporates changes since the DFS which optimises flowsheet performance, as well as reduces commissioning, ramp-up and operational risk.

Provisional patent applications to protect novel and inventive processes used in the Nolans flowsheet for rare earth sulphate precipitation and rare earth sulphate processing to produce a cerium hydroxide product and purified rare earth chloride have been previously lodged by the Company. In the period, national patents have been lodged in numerous jurisdictions in Australia, Europe, South Africa, North America, China, and other Asia based locations.

¹ Based on the updated mining inventory announced on 16 March 2020. Average production is calculated as the arithmetic annual average following the anticipated three-year ramp up and excluding the partial final year of production.

EXPLORATION

The Company has developed biogeochemical interpretation techniques relating to the sampling of selected vegetation types in the Nolans region that has successfully detected apatite-hosted rare earths mineralization beneath transported cover.

Vegetation survey samples were collected during September 2020 over parts of ML 26659 where infrastructure is planned to be positioned and submitted for assay along with historical vegetation samples collected in recent years. Remaining assays are expected to be received during Q1 2021 when all data will be reviewed to guide shallow sterilization drilling campaigns, if required, on areas designated for the placement of mining related infrastructure such as waste rock dumps.

EVENTS OCCURRING AFTER THE REPORTING DATE

The impact of the COVID-19 pandemic is ongoing and while it has not significantly impacted the Group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

In accordance with the terms of the Arafura Performance Rights Plan (**Plan**), 2,050,000 Performance Rights (**Rights**) that were issued to Key Management Personnel and employees in 2018 vested in full on 8 February 2021 due to the achievement of the performance and service conditions that attached to these Rights. Upon vesting, 2,050,000 Rights have been exercised into an equivalent number of fully paid ordinary shares in accordance with the terms of the Plan.

The Company was also granted ML 32416 (diversion channel) and ML's 32411- 32415 (borefield) on 8 February 2021 for an initial term of 25 years by the Northern Territory Minister for Mining and Industry to provide exclusive access for the construction, use and maintenance of the borefield to support the operations of the mine and processing plant. Additionally, the MLs also enable the construction of a water diversion channel around the mining area as required under the Project's environmental approval conditions.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) the Group's state of affairs in future financial years.



AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the Directors.

Gavin Lockyer
CEO & Managing Director

Perth
24 February 2021

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ARAFURA RESOURCES LIMITED

As lead auditor for the review of Arafura Resources Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Arafura Resources Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 24 February 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

		31-Dec-20	31-Dec-19
	Notes	\$	\$
Non-capitalised portion of R&D tax incentive rebate		81,361	237,272
Other income		206,374	186,926
Employee benefits expense	3	(1,514,258)	(1,219,401)
Other expenses	3	(1,783,025)	(1,156,094)
Depreciation and amortisation	3	(138,928)	(22,367)
Finance costs	3	(15,766)	(2,394)
Share based payments	3	8,528	(187,984)
Loss before income tax		(3,155,714)	(2,164,042)
Income tax benefit		-	-
Net (loss) after income tax for the period		(3,155,714)	(2,164,042)
Total comprehensive (loss) for the half year attributable to owners of Arafura Resources Limited		(3,155,714)	(2,164,042)
Loss per share attributable to owners of Arafura Resources Limited			
Basic loss per share (cents per share)		(0.3)	(0.2)
Diluted loss per share (cents per share)		(0.3)	(0.2)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	31-Dec-20 \$	30-Jun-20 \$
CURRENT ASSETS			
Cash and cash equivalents		16,383,208	22,771,113
Trade and other receivables		207,889	217,558
Total Current Assets		16,591,097	22,988,671
NON-CURRENT ASSETS			
Property, plant and equipment		91,355	72,187
Right-of-use assets		299,723	417,712
Deferred exploration and evaluation costs	4	110,449,671	107,562,652
Other assets		563,743	340,326
Total Non-Current Assets		111,404,492	108,392,877
TOTAL ASSETS		127,995,589	131,381,548
CURRENT LIABILITIES			
Trade and other payables		1,528,237	1,763,738
Lease liabilities		241,208	230,543
Provisions		855,899	730,846
Total Current Liabilities		2,625,344	2,725,127
NON-CURRENT LIABILITIES			
Lease liabilities		67,476	190,672
Provisions		3,834	2,572
Total Non-Current Liabilities		71,310	193,244
TOTAL LIABILITIES		2,696,654	2,918,371
NET ASSETS		125,298,935	128,463,177
EQUITY			
Contributed equity	5	242,281,597	242,281,597
Reserves	6	12,630,230	12,638,758
Accumulated losses		(129,612,892)	(126,457,178)
TOTAL EQUITY		125,298,935	128,463,177

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2020**

Consolidated	Contributed equity \$	Equity reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	214,045,526	12,213,590	(121,646,220)	104,612,896
Loss for the period	-	-	(2,164,042)	(2,164,042)
Total comprehensive loss for the period	-	-	(2,164,042)	(2,164,042)
Cost of Share Based Options	-	187,984	-	187,984
Contributions of equity, net of transaction costs and tax	21,696,012	-	-	21,696,012
Balance at 31 Dec 2019	235,741,538	12,401,574	(123,810,262)	124,332,850
Balance at 1 July 2020	242,281,597	12,638,758	(126,457,178)	128,463,177
Loss for the period	-	-	(3,155,714)	(3,155,714)
Total comprehensive loss for the period	-	-	(3,155,714)	(3,155,714)
Cost of Share Based Options	-	(8,528)	-	(8,528)
Contributions of equity, net of transaction costs and tax	-	-	-	-
Balance at 31 Dec 2020	242,281,597	12,630,230	(129,612,892)	125,298,935

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	31-Dec-20 \$	31-Dec-19 \$
Cash flows from operating activities		
Payments to suppliers and employees	(2,762,341)	(2,785,838)
Interest received	77,409	196,799
R&D Incentive rebate - non-capitalised portion	81,361	237,272
Other income	127,500	-
Interest paid	(15,766)	(2,394)
Net cash (outflow) from operating activities	(2,491,837)	(2,354,161)
Cash flows from investing activities		
Payment for property, plant and equipment	(40,108)	(15,174)
Payments for exploration and evaluation	(4,543,097)	(3,065,525)
Payments for security deposits	(244,271)	(11,366)
Proceeds from sale of fixed assets	500	-
R&D Incentive rebate - capitalised portion	1,053,145	1,278,022
Net cash (outflow) from investing activities	(3,773,831)	(1,814,043)
Cash flows from financing activities		
Proceeds from share issue	-	23,246,747
Capital raising expenses	-	(1,550,735)
Repayment of lease liability	(121,687)	-
Net cash (outflow)/inflow from financing activities	(121,687)	21,696,012
Net (decrease)/increase in cash and cash equivalents	(6,387,355)	17,527,808
Cash at the beginning of the period	22,771,113	5,397,775
Effects of exchange rate changes on cash and cash equivalents	(550)	5
Cash and cash equivalents at the end of the period	16,383,208	22,925,588

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT

BASIS OF PREPARATION

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reports and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Arafura Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of the following new accounting standard.

NEW AND AMENDED STANDARDS ADOPTED

The Group has adopted all of the new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new or amended standards has not resulted in any change to the entity's accounting policies.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

NOTE 2: SEGMENT INFORMATION

The Company has identified its operating segments on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. The reportable segment is represented by the primary statements forming this half-year report.

At the end of the financial period, the Group was operating primarily in one segment, as an exploration business in Australia.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

NOTE 3: EXPENSES

	31-Dec-20 \$	31-Dec-19 \$
Expenses		
<i>Depreciation</i>		
Depreciation – plant & equipment	19,370	17,003
Depreciation – leasehold improvements	1,570	5,364
Depreciation – right-of-use assets	117,988	-
Total depreciation	138,928	22,367
<i>Finance costs</i>		
Interest expense – lease liability	9,156	-
Interest expense - other	6,610	2,394
Total finance costs	15,766	2,394
<i>Employee benefits expense</i>		
Employee benefits expense	1,514,258	1,219,401
<i>Share based payments</i>		
Share-based employee benefits	(8,528)	187,984
<i>Other expenses</i>		
Accounting and other professional fees	30,533	22,376
Audit fees	20,677	21,201
Consultants fees	986,002	146,051
Insurance	69,434	53,078
Legal fees	159,220	42,843
Share registry and stock listing fees	83,127	87,014
Other expenses	434,032	783,440
Loss on disposal of plant and equipment	-	92
Total other expenses	1,783,025	1,156,094
Total expenses	3,443,449	2,588,240

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-20 \$	30-Jun-20 \$
Exploration and evaluation costs carried forward		
Balance at beginning of period	107,562,652	100,239,297
Capitalised exploration expenditure	402,702	1,696,227
Capitalised evaluation expenditure ^(a)	3,537,462	6,905,150
Impairment of exploration expenditure	-	-
R&D Tax Incentive rebate receipted against capitalised evaluation costs	(1,053,145)	(1,278,022)
Balance at end of period	110,449,671	107,562,652

- a) Capitalised evaluation expenditure is expenditure on the Nolans Project feasibility works and environment impact assessment to evaluate, formulate and demonstrate the technical feasibility and commercial viability in developing a Rare Earths processing plant to process and treat the ore to be mined from the Nolans Project.

The exploration and evaluation costs in relation to each area of interest are carried forward as an asset where the Group:

- Has rights to tenure of the area of interest;
- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest or; alternatively by its sale; or
- Exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

NOTE 5: EQUITY – CONTRIBUTED EQUITY

	31 Dec 2020 Shares	30 June 2020 Shares	31 Dec 2020 \$	30 June 2020 \$
Share capital				
Fully Paid Ordinary Shares	1,167,797,430	1,167,797,430	242,281,597	242,281,597

There has been no movements in ordinary share capital over the past 6 months:

Date	Details	Number of shares	Issue Price	\$
30-Jun-20	Balance	1,167,797,430		242,281,597
31-Dec-20	Balance	1,167,797,430		242,281,597

NOTE 6: EQUITY – RESERVES

	31-Dec-20 \$	30-Jun-20 \$
Reserves		
Share based payments reserve	12,630,230	12,638,758

The movement in the share-based payments reserve over the past 6 months:

	31-Dec-20 \$	30-Jun-20 \$
Share based payments reserve		
Balance at beginning of period	12,638,758	12,213,590
Share based payments expense ⁽ⁱ⁾	(8,528)	425,168
Balance at end of period	12,630,230	12,638,758

(i) The movement in the share-based payments reserve for the current period is made up of options and performance rights expenditure of \$110,387 offset by the reversal of all previously recognised expenditure totalling \$118,915 relating to Tranche 3 performance rights issued during the year ended 30 June 2019 to senior staff, senior management and the Managing Director. The performance condition and the 24-month service condition attached to the Tranche 3 performance rights will not be achieved before the performance rights expire.

NOTE 7: COMMITMENTS

There have been no significant changes in commitments and contingencies since the release of the 30 June 2020 Financial Statements.

NOTE 8: EVENTS OCCURRING AFTER THE REPORTING DATE

The impact of the COVID-19 pandemic is ongoing and while it has not significantly impacted the Group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

In accordance with the terms of the Arafura Performance Rights Plan (**Plan**), 2,050,000 Performance Rights (**Rights**) that were issued to Key Management Personnel and employees in 2018 vested in full on 8 February 2021 due to the achievement of the performance and service conditions that attached to these Rights. Upon vesting, 2,050,000 Rights have been exercised into an equivalent number of fully paid ordinary shares in accordance with the terms of the Plan.

The Company was also granted ML 32416 (diversion channel) and ML's 32411- 32415 (borefield) on 8 February 2021 for an initial term of 25 years by the Northern Territory Minister for Mining and Industry to provide exclusive access for the construction, use and maintenance of the borefield to support the operations of the mine and processing plant. Additionally, the MLs also enable the construction of a water diversion channel around the mining area as required under the Project's environmental approval conditions.

NOTE 8: EVENTS OCCURRING AFTER THE REPORTING DATE (CONTINUED)

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) the Group's state of affairs in future financial years.

**DIRECTOR'S DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

In the Directors' opinion:

- a) the financial statements and notes set out on pages 10-18 are in accordance with the Corporations Act 2001; and
 - i. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Gavin Lockyer
CEO & Managing Director

Perth
24 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arafura Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Arafura Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.



Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', with the 'BDO' logo written above it.

Glyn O'Brien

Director

Perth, 24 February 2021