ARAFURA
RESOURCES LIMITED

ANNUAL REPORT 2022

30 June 2022

Arafura Resources Limited | ABN 22 080 933 455

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CORPORATE DIRECTORY

Directors	Mark Southey | Chairman & Non-Executive Director Gavin Lockyer | Managing Director & Chief Executive Officer Chris Tonkin | Non-Executive Director Quansheng Zhang | Non-Executive Director Cathy Moises | Non-Executive Director Darryl Cuzzubbo | Non-Executive Director
Company Secretary	Catherine Huynh
Annual General Meeting to be held at	BDO Audit (WA) Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000
Time	10:00am (WST)
Date	Thursday, 20 October 2022
Closing date of director elections	31 August 2022 Nominations must be received at Company's registered office by 5:00pm (AWST) on this day.
Principal registered office in Australia	Level 6, 432 Murray Street Perth WA 6000
Share Registry	Link Market Service Ltd QV1 Building, Level 12, 250 St Georges Terrace Perth WA 6000
Auditors	BDO Audit (WA) Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000
Solicitors	Johnson Winter and Slattery Level 4, 167 St Georges Terrace Perth WA 6000
Bankers	Westpac Banking Corporation Tower 2, Level 3 123 St Georges Terrace Perth WA 6000
Stock Exchange Listings	Arafura Resources Limited shares are listed on the Australian Stock Exchange under the ticker code "ARU".
Website	www.arultd.com

Dear Shareholders,

It is my pleasure on behalf of the Arafura Board to present your 2022 Annual Report, following a year of significant achievement during challenging market and operating conditions.

During the 2022 financial year, Arafura successfully navigated a rapidly evolving commercial environment ranging from economic volatility caused by geo-political events along with the ongoing impacts of the COVID pandemic. Geo-political and market turbulence was combined with an ever-increasing global focus by Governments, OEM customers and investors on energy transition, sustainability and ESG requirements.

Importantly, Arafura continued to develop and grow its long-term prospects during this period, as the complex issues that the world faces highlighted the need for our strategically valuable NdPr product, along with the need for our customers to have secure and sustainable supply chains with low sovereign risk.

Our commercial and operational progress during the 2022 financial year remained focused on the critical path to potentially starting development of the Nolans Project during the next financial year. This is an important achievement in guiding our rare earths vision towards reality.

Progress to production

The Front-End Engineering and Design (**FEED**) process for the Nolans Project is now well underway and heading towards completion at the end of 2022, following the award of engineering design contract for the hydrometallurgical plan to Hatch. The FEED process was formally initiated in August 2021 and is targeting tender for a fixed price construction contract, which will be the basis for the Board making a Final Investment Decision (**FID**). Managing Director Gavin Lockyer provides more details on the FEED process in his report.

Arafura expects to commence Ore Commissioning of NdPr Oxide in May 2025 with a sustained ramp up in 2025 to 2026 towards 4,440 tonnes per annum. Your Board is increasingly confident that market, economic, supply chain and sustainability factors are all moving in the direction required to enable an FID to commence construction of the Nolans Project.

As this Annual Report was being prepared, Arafura undertook a capital raising to secure A$41.5 million to finalise FEED and fund ongoing offtake and financing on the pathway to FID.

NdPr Market

NdPr pricing strengthened significantly during the financial year, growing 90% by the end of the year. This substantial increase is assisting our long-term decision-making around project economics and off-take agreements; and comes on the back of global supply chain security risk, increasing international and domestic environmental legislation constraints, tight supply conditions, and steadily growing demand for permanent magnets. By the end of the year, NdPr pricing had risen to US$139/kg, providing real confidence in sustained higher prices and therefore strong project economics. Arafura remains well-placed to supply around 5% of world's NdPr oxide demand.

Growing strategic importance

In the past two years, the impacts of COVID on global supply chains have led to much industry, Government and public discussion about the importance of robust supply chains. In the case of critical minerals, this discussion has been further informed and heightened by geo-political events which have demonstrated the risks associated with the future production of those products that are vital for developed nations to retain their technological advantages in areas ranging from renewable energy to defence.

Heightened awareness of the importance of securing robust and sustainable supply chains among national Governments, the security sector and our OEM customers, is of great strategic and commercial advantage to Arafura. Permanent magnets are among the many high-tech products where future production capacity must be encouraged and protected, particularly for essential material inputs such as our NdPr oxides.

The war in Ukraine and its immediate impact on minerals, metals, energy and other commodity markets again revealed the importance of diversified supply chains to Governments and business. This theme was highlighted through the Quadrilateral Security Dialogue (Quad) deal between leaders of Australia, the United States, India and Japan to develop a strategy to secure supply chains.

This multi-Government strategic position has been reinforced by new Australian Government Initiatives, as was demonstrated in the third quarter by the former Liberal Government's establishment of a $2 billion Critical Minerals Loan facility for Australian critical minerals projects, such as our Nolans Project.

A further example occurred in the new financial year when the Sydney Energy Forum, a high-level summit hosted by the Australian Government and the International Energy Agency, became the backdrop for the signing of a non-binding memorandum of understand (MoU) with global OEM customer GE Renewable Energy to jointly c-operate in the establishment of a sustainable supply chain for NdPr central to energy transition.

Significantly our MoU with GE Renewables was signed in the presence of the US Secretary of Energy Jennifer Granholm and Australia's Minister for Resources and Northern Australia, the Hon. Madeleine King, and the Minister for Trade and Tourism, Senator the Hon. Don Farrell. Both Governments are focused on achieving new formal agreements to facilitate cooperation in securing supply chains for clean energy technologies.

Funding

In March 2022 we were pleased to advise shareholders that Arafura had been awarded grant funding of $30 million under the Federal Government's Modern Manufacturing Initiative (MMI). These funds will contribute to the construction of a rare earth separation plant at the Nolans Project.

The $1.3 billion MMI forms part of the Resources Technology and Critical Minerals Processing Roadmap that aims to develop Australia as a regional resources technology and critical minerals processing hub within 10 years. The grant awarded to Arafura falls under the MMI's Collaboration Stream, which will fund a small number of transformational projects to create and facilitate collaborative ecosystems.

Offtake strategy

Arafura continued to progress its offtake strategy, following our earlier validation of final rare earth oxide (REO) products by supply chain partners from Europe, Japan and China. We have had strong engagement with potential customers seeking a long-term strategic supply of NdPr Oxide. Advanced discussions are continuing for the sale of product that represents over 260% of our annual nameplate production of 4,440 tonnes per annum NdPr oxide.

In May we signed a non-binding Memorandum of Understanding with Hyundai Motor Company to negotiate an offtake agreement for the sale of NdPr Oxide over a seven-year term commencing in 2025. As a major global vehicle manufacturer, Hyundai is one of a group of companies leading the increasingly rapid transition to EV use around the world. As the financial year ended, the Arafura team was advancing this agreement with Hyundai to achieve the jointly held goal of executing a definitive binding offtake agreement by September 2022.

The potential Hyundai offtake would involve the supply of 1000 – 1500 tonnes per annum of NdPr Oxide, which represents between 22 – 34% of our annual nameplate production. Arafura has warmly welcome Hyundai's interest in potentially becoming a foundation customer. Our Managing Director attended the signing ceremony in South Korea to further our ties with that nation.

Arafura continues to advance its engagement with a range of other parties that are aligned with our offtake and investment strategies. As the year ended, we were engaged in productive discussions with a range of multi-national companies, with a deeper engagement with GE Renewable Energy announced just after the completion of the year, as previously outlined.

Sustainability

In November 2021, we released an updated Sustainability Report, detailing the initiatives and targets set in line with our ESG commitment to, "*be a trusted global leader and supplier of choice for sustainably mined rare earth products, helping our customers deliver clean and efficient technologies…committed to delivering positive intergenerational economic, environmental and social benefits to our stakeholders*".

Implementing and maintaining a culture of sustainability is central to Arafura's single site ore-to-oxide business model, and a range of sustainability initiatives are being implemented across the organisation. A Board Sustainability Committee has been established to review long-term targets and aspirations and monitor progress towards these goals. Arafura has also applied to join the UN Global Compact and the Initiative for Responsible Mining Assurance (IRMA).

The UN Global Compact aims to accelerate and scale the collective global impact of business through its Ten Principles in the areas of human rights, labour, the environment and anti-corruption and to take action on the issues embodied in the 17 UN Sustainable Development Goals (SDGs). As a member of UN Global Compact, Arafura will be required to complete detailed reporting against the governing principles and UN SDGs.

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 members include global mining companies as well as potential customers for the NdPr oxide product from Nolans.

ESG and sustainability initiatives represent complex, multi-faceted and interlinked areas of our operations. One in which we must meet our own sustainability goals for NdPr production, while we contribute to the ESG goals of our customers because of the importance of our NdPr Oxide to reducing greenhouse gas emissions.

Among the many sustainability areas, we will be focused on are: climate change; water consumption; waste, hazardous materials and supply chain management, health and safety, Indigenous people and local participation, diversity and employee engagement.

Climate change

Arafura has committed to achieving net-zero greenhouse gas emissions from the Nolans Project by 2050. We have completed an independent greenhouse gas emissions audit of the proposed operation and are working to develop emission reduction strategies and goals toward reaching our net zero target.

An important step in this carbon reduction journey has been the application for an ancillary mineral lease (MLA 32722) close to the process plant site for the construction of a substantial solar farm to offset power production from natural gas.

Board evolution

In November 2021 we welcomed Mr Darryl Cuzzubbo as our new Non-Executive Director. Mr Cuzzubbo brings to the Board a wealth of knowledge and experience in the resources and manufacturing sectors, having run operational assets and led breakthrough strategies to deliver major projects.

Darryl has formerly held senior roles with Orica Pty Ltd and BHP, where his lengthy 24-year international career included time in Australia as President of Olympic Dam with responsibility for operations, expansions projects and transformation change

In closing I am excited to be commencing a new financial year, one that the Board believes will be critical to the success of Arafura as we work towards making the FID for Nolans.

I would like to thank my fellow Directors, Managing Director Gavin Lockyer and his team for their continued hard work and commitment during challenging times. During the next financial year, the Board looks forward to delivering significant positive news from Arafura on the steady progress of the Nolans Project towards development and future revenue.

Mark Southey

Chairman

I am pleased to report to Shareholders that the 2022 financial year saw steady progress on all fronts towards ensuring the Arafura Board is in position to decide on commencing construction at the Nolans Project in the next financial year.

The teamwork required to achieve this goal has been substantial and required simultaneous progress across all elements of our operations, including commercial and investment activity, engineering, and stakeholder engagement. We have been advancing in parallel the interlinked activities of financing, both offtake agreements and investment funding, and our ongoing FEED process.

Funding

Toward the end of the year, we appointed two leading mining project finance institutions – Societe Generale and National Australia Bank - as the initial Mandated Lead Arrangers and Bookrunners (**MLAs**) to arrange the debt financing facility for the Nolans Project.

The MLAs will arrange and syndicate a finance facility targeting debt funding in the order of 60% of the estimated total development cost of the Nolans Project, including working capital and other credit facilities. The MLAs, subject to the terms of the mandate letter, will seek to arrange limited recourse debt finance of approximately US$510 million, inclusive of a cost overrun facility. Representatives of the MLAs together with Export Finance Australia (**EFA**) and the Northern Australia Infrastructure Fund (**NAIF**) visited Nolans in early 2022 to obtain a deeper understanding of the development.

In addition to the targeted US$510 million commercial financing, it is important to note that Arafura has previously received letters of support from EFA and the NAIF for senior debt facilities of up to A$200 million and A$100 million respectively. As outlined in the Chairman's Report, Arafura has also been awarded A$30 million grant funding under the Federal Government's Modern Manufacturing Initiative specifically for the Rare Earth separation plant.

Cash position

Importantly, while we continue to focus on securing long-term capital, we ended the year with a sound cash position of more than $24.6 million at 30 June 2022. This cash position represents sufficient funds to continue Arafura's current progress and to support our FEED process towards its conclusion.

Offtake progress

Arafura's offtake strategy for the Nolans Project has been to target original equipment manufacturers (**OEMs**) primarily in the automotive and renewable energy sectors from geographic regions with supportive export credit agencies (**ECAs**); and working with customers that are strategically aligned with our value proposition of supply chain diversification, product traceability and security of supply with high ESG standards

As outlined in the Chairman's Report we have signed a non-binding MoU with one the world's most progressive automotive groups, South Korea's Hyundai Motor Company (**HMC**). With a presence in 200 countries, HMC is focused on global leadership and commitment to an EV future by transforming its vehicle production and supply chain, including securing the critical minerals like NdPr to de-risk its permanent magnet supply chain.

The MoU provides a framework for both parties to negotiate a binding offtake agreement for the supply of between 1000 – 1500 tonnes per annum of NdPr Oxide to commence in 2025 for a seven-year term. As announced to the market during May, Arafura and HMC are now working towards executing a definitive binding offtake agreement by in the later part of 2022. Both parties will work collaboratively to engage with relevant ECA's to access debt funding and guarantees linked with critical minerals procurement for use in Korean-based manufacturing.

The signing of the Hyundai MoU validates the credentials of the Nolan Project as one of the world's premier next generation NdPr ore to oxide projects. The Nolans Project is strategically significant for global customers because it offers the scale and supply chain diversification and security necessary to underpin their expansion in EV technologies.

Prior to our HMC MOU, Arafura had signed a Joint Statement of Cooperation with the Korean Government Agency to support development of the Nolans Project and assist in export of our product to South Korea. The Korean Mine Rehabilitation and Mineral Resources Corporation (**KOMIR**) will play a key role in facilitating our entry to the Korean market.

Cooperation between Arafura and KOMIR recognises the strategic importance for Korea of a secure supply of critical minerals including NdPr. We are working with KOMIR on a range of initiatives to support Korean customers' access to our project. Our relationship will focus on expanding information sharing with Korean investors, enabling the import of rare earths products into Korea and strategic stockpiling.

Separation Plant

As mentioned, we were pleased to obtain $30 million of funding support under the MMI specifically for the separation plant at the Nolans Project. The plant will be the first of its kind in Australia and only the second outside China, producing rare earth oxides, and enabling the development of diversified and secure rare earths supply chains for global customers. Rare earths separation technology does not currently exist in Australia and the Nolans Project presents an opportunity to develop a higher value product by leveraging Australia's highly regarded mineral processing expertise.

Focus on FEED & FID

To achieve our target for FID in late 2022, a detailed FEED process was underway throughout the financial year. Arafura commenced its FEED execution strategy in August 2021, following the award of the engineering design contract for the Nolans Hydrometallurgical plant to Hatch.

Execution of our FEED strategy was estimated to take 12 months. At the end of the 2022 financial year, we remain focussed to deliver FID in the second half of calendar 2022. The FEED program has advanced engineering and equipment procurement to allow Arafura to tender for fixed price construction contracts. The FEED program progresses the design of the plant to provide sufficient detail to reduce construction risk; as well as providing sufficient certainty for contractors to enable the tendering of fixed prices for project delivery. FEED has progressed steadily on multiple fronts including the hydrometallurgical and sulphuric acid plants, power station, process control system and non-process infrastructure.

While FEED has been a focus throughout the year, in parallel our integrated project management team has progressed several other key elements necessary for project execution, including finalisation of the construction logistics strategy and shortlisting for tender; identification of local and indigenous business that can assist with project delivery; implementation of project management systems and risk management plan; developing a tender list and investigation of the operational management systems required for construction and operations.

SRK Consulting was awarded the contract for as independent technical review of the project on behalf of the lenders, which began in November 2021. SRK have completed a preliminary due diligence report, focussed on potential 'red flag issues' to provide input to the banker's due diligence prior to FID.

Stakeholder support and engagement

We continue to seek a proactive and positive long-term engagement with the Traditional Owners and communities around the Nolans Project with the intent that future development delivers a range of economic and social opportunities for the members of the local community from employment to business opportunities. During the year several business workshops were conducted to present an indication of the opportunities a successful Nolans project may offer the region.

We understand that Arafura will only be successful with the ongoing support of local communities.

With the increasing focus on supply chain diversification and security by Governments and business, our stakeholder engagement activity was busy at all levels of our operations, despite the travel restrictions created by COVID. Regular contact was maintained with both the Northern Territory and Federal Governments at Ministerial and agency levels on subjects ranging from critical mineral supply chains, financing to environmental permitting and other approvals. At the end of the year the change of Federal Government meant the start of a renewed effort to ensure the incoming Government had a full understanding of the importance of rare earths minerals to Australia's economic future and to the future of partner nations in areas relating to climate change and energy transition.

Operating during COVID

Finally, I would like to commend everyone in the Arafura team for the way they have handled the many challenges presented by COVID throughout the year. Entry into, and movement around Australia only became uniform in the final quarter of the year, with quarantine requirements finally falling away.

With travel restrictions and direct health impacts resulting from COVID, there was very little business as usual throughout 2021/22, however, all members of the Arafura team have demonstrated the high levels of flexibility and agility required to progress our corporate and operational goals. I look forward to working with the Board and the team to advance our shareholders' interests in the new financial year.

Gavin Lockyer

Managing Director

Nolans NdPr Project

Execution Readiness

The Company continues to target a FID in CY22 for Nolans, with significant work completed on detailed FEED in the year.

The Company began its FEED execution strategy in August 2021 with the award of the engineering design contract for the Nolans Hydrometallurgical plant to Hatch. The FEED program is progressing design of the plant to provide sufficient detail to reduce execution risk, as well as providing sufficient certainty to allow for the tendering of fixed price contracts for project delivery.

FEED has progressed steadily on multiple fronts including the hydrometallurgical and sulphuric acid plants, power station, process control system and non-process infrastructure, which is already providing tenderers with greater assurance in terms of their ability to commit to a fixed price construction contract.

In parallel with, but connected to, FEED activities, the integrated project management team has progressed several important project elements relating to logistics; project management systems and risk management plans; and the operational management systems required for construction and operations.

An independent technical review of the project by SRK Global has focused on potential 'red flag issues' for input to the banker's due diligence prior to FID.

Development update

Throughout the financial year detailed and steady progress has been made on all elements of the Nolans project development.

Progress on the hydrometallurgical plant included detailed, risk and value engineering activities, and the completion of tendering, negotiation and selection of long-lead and critical mechanical equipment. Tendering of other equipment is largely completed in order to support the design and costing process. The construction scope of work and contract is ready for tendering. A range of innovations identified by potential contractors during maturity design reviews are likely to deliver significant savings.

As a result of a review of the delivery strategy for the Nolans sulphuric acid plant, the Company has moved away from a modular solution in favour of a large single-train sulphuric acid plant to maximise cost effectiveness. This was in part due to potential cost savings of a single plant over a series of smaller modular plants.

The impact of this strategy is an increase in up-front costs from A$1,056m to A$1,150m through the movement of A$93.4m from sustaining capital (expended in years one and two) into pre-production capital. Importantly, the overall impact on the financial return on the project is minimal. Tender submissions from potential vendors have been generally in-line with the savings expectations.

Arafura has completed the scope of works and documents to commence tendering for the power station to short-listed independent power providers.

Considerable progress was made on the design and tendering of non-process infrastructure (NPI), which range from bulk earthworks and roads to water management and bore fields, as well as communications systems and the village. Each of these NPI elements is critical to timely project delivery.

Global macro-economic effects, particularly on supply chains and long-lead equipment deliveries may impact the delivery schedule. A plan has been adopted that incorporates the commencement of procurement for long-lead equipment in advance of the start of early works construction.

- At the end of the year, key forward-looking points in the Nolans development schedule included:
- Commencement of long-lead procurement when funding is available
- adoption of the tendering process for the hydrometallurgical plan
- commencement of early works construction at the beginning of 2023
- parallel construction and commission of various plants of the plant
- six-month early works program
- twenty-eight month construction schedule from commencement of early works through to commencement of ore commissioning
- six-month pre-production mining mobilisation, pre-strip, and ore mining prior to commencement of ore commissioning

Geology and Mineral Resources

Refinement to the company's exploration database and re-modelling of the central part of the Nolans orebody continues, with the work forming part of readiness for detailed auditing and due diligence. During the year additional structural and geotechnical data was acquired and processed from 46 historic RC drill holes from the northeast part of the Nolans Bore Deposit, with the aim of improving the understanding of the deposit geology and aiding future geotechnical, mine and production planning. A test pitting and sampling program across the extractive mineral exploration licences (**EMELs**) confirmed the suitability for use in site construction of sources of borrow materials. The EMELS are located close to the proposed processing plant site and should reduce haulage distances and the civil construction costs.

Offtake and Funding

Throughout the year, Arafura successfully advanced its offtake opportunities and arrangements with automotive and wind turbine original end manufacturer (OEM) companies in Asia, Europe, and North America. All potential OEM and Tier-1 customers are increasingly focused on the criticality of ensuring a secure supply chain for the materials required for magnet production and ensuring knowledge of the provenance and sustainability of the materials being procured for their long-term operations. Arafura enables customers to comprehensively address these commercial and social concerns.

In May a non-binding MoU for NdPr offtake was signed with South Korean automotive manufacturer HMC. The MoU is for 1,000 – 1,500 tonnes per annum of NdPr oxide commencing in 2025 for a seven-year term (refer to ASX announcement 19 May 2022). As part of the HMC agreement, both companies will work together to engage with relevant Export Credit Agencies to access debt funding and guarantees linked with critical materials procurement for use in Korean based manufacturing.

In July, further non-binding MoU to negotiate an offtake agreement was announced with GE Renewable Energy for collaboration in establishing a sustainable supply chain for NdPr to be utilized in GE's manufacture of offshore wind turbines (refer ASX announcement dated 12 July 2022). This will be the basis from which an NdPr supply contract will be negotiated together for GE to consider potential strategic investment in the Company.

Two leading mining project finance institutions – Societe Generale and the National Australia Bank were appointed in April 2022 as the initial MLAs to arrange the debt financing facility for the Nolans Project. These two MLAs will arrange and syndicate a finance facility targeting debt funding in the order of 60% of the estimated total development cost of the Project, including working capital and other credit facilities. The proposed funding package will also comprise of a separate cost overrun facility (refer to ASX announcement dated 28 April 2022).

In additional to the targeted $510 million from commercial lenders the MLAs will work to structure and harmonise the debt facilities including funding via the letters of support for A$200 million from EFA and A$100 million from NAIF announced toward the end of the 2021 year.

Arafura was awarded grant funding of A$30 million under the Federal Government's Modern Manufacturing Initiative (refer to ASX announcement dated 16 March 2022) which will specifically contribute to the funding construction of the rare earth separation plant.

Environment Social Governance (ESG)

Arafura is a signatory to the United Nations Sustainability Goals (**UN SDGs**), which are essential to guiding the Company's approach to its own ESG activities as well as alignment with the activities and requirements of its customers. The Company submitted its annual Communication of Progress, formally documenting the company's ongoing alignment with the UN SDGs.

An application was submitted to the Initiative for Responsible Mining (**IRMA**), which is an ESG framework focusing on how mining impacts communities and nature and encourages the participation of community groups, NGOs and group that might be affected by a mining operation. Arafura is aligned with IRMA's goal to encourage transparency between mining companies and their stakeholders.

In the important area of addressing climate change, considerable activity was undertaken in completing a detailed carbon reduction pathway for power generation at Nolans. A draft term sheet has been developed for a power purchase agreement that will drive reduction in greenhouse gases over the course of the power station contract.

Significantly, the Company has now clearly identified the opportunities associated with on-site solar and wind generation to achieve a significant penetration of carbon-free renewable power generation and reduce levelised energy costs. The power purchase agreement will incorporate incentives and penalties for carbon emissions as part of the process of finalising a build-own-operate power station at Nolans.

Domestic Stakeholder Engagement

Major Project Status

The Nolans ore-to-oxide business model has received all environmental approvals to allow processing to occur in the Northern Territory, which is expected to create 650 jobs during construction and 280 jobs in operation.

Arafura continues to deliver on its Major Project Status and the Territory Benefits Plan through continual close engagement with the Federal and Territory and Federal governments, business facilitation agencies and other stakeholders to ensure the economic and strategic benefits of the Nolans Project are understood and ready for delivery. Among the many visitors who toured the site through the year were a range of senior Ministers in the NT Government and the former Coalition Federal Government.

The Federal Government continues to clearly demonstrate its support for Nolans Major Project Status through other activities including influential assistance and cooperation with Foreign Governments and international entities, such as with Joint Statement of Cooperation signed between Arafura and Korean Government Agency KOMIR, and the more recent non-binding MoU signing with GE Renewables in the presence of the United States and Australian Governments.

Working with the NT government, the Company is reviewing and updating its local and indigenous employment strategies well in advance of construction commencing. This will ensure these long lead time employment strategies are well established during construction and into site operations.

Operating Licence

The Company lodged several key regulatory documents with NT government agencies during the period including:

- detailed Mining Management Plans and associated Environmental Management Plans (**EMP**) to the Northern Territory Department of Industry, Tourism and Trade (**DITT**)
- four of the EMPs have also been submitted to the Federal Department of Climate Change and Energy Efficiency as per the requirements of Arafura's Environmental Impact Assessment and will be assessed in parallel with the DITT mining authorization
- the groundwater extraction license for the project's production borefield water supply was submitted to the Northern Territory Department of Environment Parks and Water Security (**DEPWS**)
- the groundwater extraction license for the Nolans mine aquifer for pit dewatering was also submitted to DEPWS.

Approvals are expected in second half of calendar year 2022.

Compliance Statements

Forward Looking Statements

This annual 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.

Nolans Project Exploration Results, Mineral Resources and Ore Reserves

The information in this report that relates to Exploration Results was released in an announcement dated 9 March 2020 (Drilling Confirms Deep Extensions to Mineralization) and was completed in accordance with the guidelines of the JORC Code (2012). The information in this report that relates to Mineral Resources was released in an ASX announcement dated 7 June 2017 (Detailed Resource Assessment Completed) and was completed in accordance with the guidelines of the JORC Code (2012). The information in this report that relates to Ore Reserves was released in an ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project) and was completed in accordance with the guidelines of the JORC Code (2012).

Arafura confirms that it is not aware of any new information or data that materially affects the information included in these original market announcements and that all material assumptions and technical parameters underpinning the estimates in the original market announcements continue to apply and have not materially changed. Arafura confirms that the form and context in which the Competent Person’s findings are represented have not been materially modified from the original market announcements.

Mineral Resources

	Tonnes (m)	Rare Earths TREO %	Phosphate P2O5 %	NdPr Enrichment %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
TOTAL	**56**	**2.6**	**11**	**26.4**

As announced on 7 June 2017. 1.0% TREO cut-off grade. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd2O3 and Pr6O11.

The stated TREO grade is based on the sum of the estimated grades for La_2O_3, CeO_2, Pr_6O_{11}, Nd_2O_3, Sm_2O_3, Eu_2O_3, Gd_2O_3, Tb_4O_7, Dy_2O_3, Ho_2O_3, Er_2O_3, Tm_2O_3, Yb_2O_3, Lu_2O_3 and Y_2O_3.

The Mineral Resources were further classified by geometallurgical material types based on logging and analysis. Details of the material classification are contained in the DFS.

Ore Reserves

	Tonnes (m)	Rare Earths TREO %	Phosphate P2O5 %	NdPr Enrichment %
Proved	5.0	3.0	13	26.2
Probable	24.6	2.8	13	26.5
TOTAL	**29.5**	**2.9**	**13**	**26.4**

As announced on 16 March 2020. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd2O3 and Pr6O11.

Mineral Resources and Ore Reserves

The information in this report that relates to Mineral Resources is extracted from the Company's ASX announcement dated 7 June 2017 (Detailed Resource Assessment Completed) and was completed in accordance with the guidelines of the JORC Code (2012). The information in this report that relates to Ore Reserves is extracted from the Company's ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project) and was completed in accordance with the guidelines of the JORC Code (2012). Arafura Resources confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the original market announcements continue to apply and have not materially changed. Arafura Resources confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

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.

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 year ended 30 June 2022.

Directors

The following persons were Directors of Arafura Resources Limited during the financial year or up to the date of this report:

- M. Southey
- G. Lockyer
- C. Tonkin
- Q. Zhang
- C. Moises
- D. Cuzzubbo[1]

[1] D Cuzzubbo was appointed on 1 November 2021.

Principal activities

During the year, the principal continuing activities of the Group consisted of:

- Nolans Project engineering studies, primarily font-end engineering and design;
- Advancement of Nolans Project funding and offtake negotiations;
- Mining and associated infrastructure, social, environmental and definitive feasibility evaluations; and
- Mineral exploration, definition and development.

Dividends – Arafura Resources Limited

No dividends were paid during the year and the Directors do not recommend the payment of a dividend.

Operating and financial review

Arafura Resources Limited incurred a group loss of $35,558,220 for the year ended 30 June 2021 (2021: 6,480,429). The loss is higher than 2021 primarily as a result of the commencement of FEED during the period.

Commencement of the FEED program was funded by a well-supported placement and Share Purchase Plan (**SPP**) which was launched in late June 2021 and raised a total of $45.5m at $0.12 per share.

Subsequent to year end the Company undertook a placement to raise $41.5m under a placement of fully paid ordinary shares. Please refer to 'matters subsequent to the end of the financial year' for further information.

Significant changes in the state of affairs

During the period the Group:

- Commenced FEED on the Nolans Project hydrometallurgical plant and progressed other engineering studies on other aspects of the Project.
- Was awarded grant funding of $30m under the Federal Government's Modern Manufacturing Initiative which will contribute to the construction of the rare earth separation plant at the Nolans Project.

- Signed a non-binding memorandum of understanding with Hyundai Motor Company which provides a framework for the parties to negotiate a binding offtake agreement for the supply of up to approximately 1,000 – 1,500 tonnes per annum of NdPr Oxide.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 12 July 2022 the Company announced it had signed a non-binding memorandum of understanding (**MoU**) with GE Renewable Energy (**GE**). The MoU relates to collaboration in the establishment of a sustainable supply chain for NdPr for the manufacture of offshore wind turbines and energy transition. GE and Arafura have agreed to negotiation of a long-term sale and purchase agreement for GE to purchase NdPr from Arafura's Nolans project. The MoU also outlines a potential strategic investment by GE in Arafura to be negotiated in conjunction with the NdPr sale and purchase agreement.

On 5 August 2022 the Company announced it had received firm commitments to raise A$41.5 million (before costs) from Australian and overseas institutional and professional investors under a placement of fully paid ordinary shares (**New Shares**) at an issue price of A$0.265 per share. Under the Placement, the Company will also issue to investors one free-attaching option for every two New Shares subscribed for. Funds raised from the Placement will be used to accelerate development of the Nolans Project by:

- completing front-end engineering and commencement of detailed design; and
- commencing tendering activities for main construction contracts.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The Company intends to complete FEED and commence detailed design and tendering activities for main construction contracts for the Nolans Project following the recent placement which raised $41.5 million before costs. Concurrently, the Company will continue to progress offtake and project funding opportunities with a Final Investment Decision targeted in December 2022 and early works construction at the beginning of 2023.

Environmental regulation

The Group is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The Directors are not aware of any environmental law that is not being complied with.

Greenhouse gas and energy data reporting requirements

The Directors have considered compliance with the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report annual greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements, but Arafura may be required to do so in the future.

Information on Directors

Mark Southey

Non-Executive Chairman

Qualifications: BSc (Hons) in Engineering with Business Studies, an MBA from the University of Sydney Business School and is a Graduate of the Australian Institute of Company Directors (GAICD) and a member of Engineers Australia (MIEAust).

Mr Southey has extensive global experience in the industrial and natural resources sectors covering all aspects of asset management, maintenance, design and engineering, and major capital project development and execution. He is well versed in public company board and institutional investor engagement and has a background in both senior operational and financial roles.

Mr Southey has previously held senior executive positions with Honeywell and ABB both in Australia and internationally, and more recently was part of the global executive leadership team within WorleyParsons, a leader in the engineering, procurement and construction of projects in the energy and resources sector where he held the position of Group Managing Director for the Minerals, Metals and Chemicals Sector. Mr Southey is also a Non-Executive Director of Fleetwood Corporation (ASX: FWD) and an advisory board member for Gas Cleaning Technologies LLC (Dallas).

Mr Southey was appointed as the Chairman of Arafura Resources Limited on the 14th of February 2019.

First Appointed

30 January 2018

Other current Directorships

Fleetwood Corporation (ASX:FWD) – Independent Non-Executive Director

Former Directorships in the last 3 years

None

Special responsibilities

Chairman of the Remuneration and Nomination Committee

Member of the Risk Management Committee

Member of the Sustainability Committee

Interests in shares, performance rights and options

225,000 ordinary shares in Arafura Resources Limited (Direct)

378,980 ordinary shares in Arafura Resources Limited (Indirect)

Gavin Lockyer

Managing Director and Chief Executive Officer

Qualifications: BBus, ACA, FTA

Gavin graduated with a Bachelor of Business in Accounting and Finance in Western Australia in 1987 and has subsequently become a member of both Chartered Accountants Australia and New Zealand and the Finance & Treasury Association of Australia.

He joined Arafura in 2006 as Chief Financial Officer and Company Secretary after previously holding several senior finance and treasury positions in global mining companies including Newcrest and Newmont following a successful international investment banking career in Australia and London.

Gavin's diverse, global experience has provided management and leadership opportunities in a range of disciplines including; Accounting, Financial & Investment Banking, Major Resource Development & Operations, and Global Bank Treasuries. Over the past 20 years his career has exposed him to business practices in North America, Europe, and Australasia.

First Appointed

23 July 2013

Other current Directorships

None.

Former Directorships in the last 3 years

None.

Special Responsibilities

None.

Interests in shares, performance rights and options

1,240,000 unlisted options in Arafura Resources Limited (Indirect)

4,770,983 ordinary shares in Arafura Resources Limited (Indirect)

3,430,000 performance rights in Arafura Resources Limited (Direct)

Chris Tonkin

Non-Executive Director

Qualifications: BSc (Hons) Metallurgy and Chemistry, BA Economics and Politics, MBA

Chris Tonkin has over 40 years' experience as a senior business executive with a broad multiple industry background in resources, telecommunications and banking and finance covering project finance, business generation, management, technical and strategy development roles. He began his career as a metallurgist and environmental specialist, diversifying into commercial roles at several major industrial companies and subsequently into project finance, corporate and project advisory roles at AIDC, The Chase Manhattan Bank, KPMG Corporate Finance and ANZ, where he was instrumental in the successful financing of many resources, telecommunications and infrastructure projects within Australia and globally. Chris was Head of Natural Resources Project Finance at ANZ for a number of years, leading a highly successful team of project financiers.

In early 2012, Chris was appointed Chief Executive Officer and Managing Director of Arafura Resources Limited and assisted the Company through a difficult period before stepping down to concentrate on his project advisory activities as Executive Director of Capital Advisory Services Pty Ltd and Managing Director of Catalyst Capital Solutions Pty Ltd.

Chris is a Graduate Member of the Australian Institute of Company Directors. He is Chairman of Arafura Resources' Audit and Risk Committee and a Member of its Nomination and Remuneration Committee.

First Appointed

1 January 2011.

Other current Directorships

None.

Former Directorships in the last 3 years

Lakes Oil N.L. - Chairman

Special Responsibilities

Chairman of the Audit Committee

Member of the Remuneration and Nomination Committee

Member of the Risk Management Committee

Interests in shares, performance rights and options

426,140 ordinary shares in Arafura Resources Limited (Direct)

Quansheng Zhang

Non-Executive Director

Qualifications: Doctoral degree in Engineering and Masters degree in Geophysical Prospecting

Quansheng Zhang is based in Nanjing in the People's Republic of China and is the General Manager of Hong Kong East China Non-Ferrous Mineral Resources Co Ltd (HKECE). Mr. Zhang has over 30 years of mineral prospecting and exploration experience, and expertise in mineral resource surveys and geophysics.

First Appointed

18 November 2016.

Other current Directorships

None.

Former Directorships in the last 3 years

None.

Special Responsibilities

None.

Interests in shares, performance rights and options

None.

Cathy Moises

Non-Executive Director

Qualifications: BSc (Hons) in Geology from the University of Melbourne and a Diploma of Finance and Investment from the Securities Institute of Australia.

Cathy Moises has extensive experience in the resources sector having worked as a senior resources analyst for several major stockbroking firms including McIntosh (now Merrill Lynch), County Securities (now Citigroup) and Evans and Partners where she was a partner of that firm. More recently in 2017-2019, Cathy was Head of Research at Patersons Securities Limited.

Ms Moises brings substantial experience to Arafura in company management, capital markets and institutional investor engagement. Her key areas of industry experience include gold, base metals, mineral sands and the rare earths sector.

First Appointed

1 December 2019

Other current Directorships

Pacgold Limited – Chairman

WA Kaolin Limited – Non-Executive Director

Australian Potash Limited - Non-Executive Director

Podium Minerals Ltd – Non-Executive Director

Former Directorships in the last 3 years

None.

Special Responsibilities

Chairman of the Sustainability Committee

Member of the Audit Committee

Member of the Remuneration and Nomination Committee

Interests in shares, performance rights and options

342,181 ordinary shares in Arafura Resources Limited (Indirect)

Darryl Cuzzubbo

Non-Executive Director

Qualifications: BEng Mechanical (Hons 1), Masters of Science (Total Quality Management), MBA

Darryl has over 30 years' experience in global roles in multi-commodity resources, services and manufacturing, holding both Senior Executive and Executive Director roles over a very successful career. He brings a wealth of knowledge and experience in both the resources and manufacturing sectors having run major operational assets and led the development and execution of significant breakthrough strategies to deliver major projects.

Darryl was formerly Chief Manufacturing and Supply Officer as well as Group Executive and President of Auspac Asia while at Orica Pty Ltd, joining Orica in 2015 after a 24-year career with BHP where he held senior positions including 3 years as President of Olympic Dam with responsibility for operations, expansion projects and organisation wide transformational change programs. He has a broad international perspective, having experience in running operations across over 30 countries and has the ability to understand and work across diverse cultures to deliver results.

First Appointed

1 November 2021

Other current Directorships

SolGold – Managing Director

Former Directorships in the last 3 years

None.

Special Responsibilities

Chairman of the Risk Management Committee

Member of the Audit Committee

Member of the Sustainability Committee

Interests in shares, performance rights and options

450,000 ordinary shares in Arafura Resources Limited (Indirect)

Peter Sherrington

Chief Financial Officer

Qualifications: B.Bus, CA

Peter holds a Bachelor of Business in accounting and finance and is a member of Chartered Accountants Australia and New Zealand.

He commenced employment with Arafura in 2008 as Commercial Manager and was appointed Chief Financial Officer in July 2013. He has in excess of 20 years' experience in professional and corporate roles in Perth. Prior to working with Arafura he held senior finance and commercial positions with a number of ASX and public unlisted entities. He has also worked in public practice for 10 years in the areas of business services and corporate advisory.

Catherine Huynh

Company Secretary

Qualifications: B.Com, CA, ACIS

Catherine commenced employment with Arafura in 2018 in the role of Financial Controller. She has over 10 years of professional experience and is a member of the Chartered Accountants Australia and New Zealand and the Governance Institute of Australia.

Meeting of Directors

As at 30 June 2022 the Committees of Arafura are comprised of the following:

- Mr Southey is Chairman of the Remuneration and Nomination Committee (**RNC**) and a member of the Risk Management Committee (**RMC**) and Sustainability Committee (**SC**).
- Mr Tonkin is Chairman of the Audit Committee (**AC**) and a member of the RNC and RMC.
- Ms Moises is Chairman of the SC and a member of the AC and RNC.
- Mr Cuzzubbo is Chairman of the RMC and a member of the AC and SC.

The number of meetings of the Company's Board of Directors, the number of meetings each Board Committee held, and the number of meetings attended by each Director throughout the year ended 30 June 2022 were:

			Committee Meetings							
	Board Meetings		AC		RNC		SC		RMC	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M Southey[1]	12	12	4	2	5	5	1	1	2	2
G Lockyer	12	11	-	-	-	-	-	-	-	-
C Tonkin	12	12	4	4	5	5	-	-	2	2
Q Zhang	12	12	-	-	-	-	-	-	-	-
C Moises	12	12	4	4	5	5	1	1	-	-
D Cuzzubbo[2]	12	8	4	3	-	-	1	1	2	2

[1] M Southey resigned from the Audit Committee on 1 December 2021. He attended all meetings prior to his resignation.
[2] D Cuzzubbo was appointed on 1 November 2021. He attended all Board and required committe meetings subsequent to his appointment.

Remuneration Report (audited)

Dear Shareholder,

On behalf of the Nomination and Remuneration Committee I am pleased to present the Remuneration Report for the year ended 30 June 2022.

The Company has worked hard over the financial year to advance the Nolans Project and with this in mind, the Remuneration and Nomination Committee have endeavoured to align executive remuneration with shareholder value.

For Executives long term incentive structures through participation in the Employee Share Option Plan and Performance Rights Plan has been aligned with the delivery of key milestones for the Nolans Project. Two of these milestones have been achieved, being the completion of the Nolans Project DFS and grant of the Mining Leases. Other milestones yet to be achieved include completion project funding on terms acceptable to the Board and announcement of FID to the ASX following completion of the approved FEED phase.

Non-Executive Director remuneration consists of Base Fees. During the period an independent market assessment of Non-Executive Director fees was commissioned and resulted in an increase in Non-Executive Base Fees from $78,400 to $90,000 Total Fixed Remuneration (**TFR**). This was the first change in Base Fees for Non-Executive Directors since 2011 and takes into account no committee fees, short term incentives or long-term incentives are currently paid or provided to Non-Executive Directors.

We believe the report will assist you in understanding the objectives targeted through the remuneration strategy. Should you have any questions we would be happy to discuss these with you.

Yours Sincerely,

Mark Southey

Chairman

Nomination and Remuneration Committee

A list of Directors and Key Management Personnel (**KMP**) of Arafura Resources Ltd during the financial year or up to the date of this report is detailed below:

Non-Executive and Executive Directors

- Mark Southey - Chairman
- Gavin Lockyer – Managing Director and Chief Executive Officer
- Chris Tonkin
- Quansheng Zhang
- Cathy Moises
- Darryl Cuzzubbo[1]

[1] D Cuzzubbo was appointed on 1 November 2021.

Other KMP

- Peter Sherrington – Chief Financial Officer
- Stewart Watkins – General Manager Projects

Remuneration Governance

The Remuneration and Nomination Committee is a Committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework
- operation of the incentive plans which apply to the executive team, including key performance indicators and possible performance hurdles
- remuneration levels of Executive Directors and other KMP, and
- Non-Executive Directors' fees.

Its objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company and its shareholders. Further information is provided within the remuneration report.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

For the 2022 financial year, all compensation arrangements for Directors and the Group's Executives were determined at Board level after taking into account the competitive rates prevailing in the marketplace.

Remuneration levels of the Directors and the Group's Executives were set by reference to other similar resources and chemical companies with similar scale and risk profiles. They are set to attract and retain Executives capable of managing the Group's operations.

Remuneration of Non-Executive Directors were determined by the Board within the amount approved by shareholders. The Board undertakes an annual review of its performance. No bonuses were paid to Non-Executive Directors.

The Group's Executive remuneration framework aligns Executive remuneration with the achievement of strategic objectives and the creation of value to shareholders and conforms to market practice for delivery of reward. The Board ensures that the Executive remuneration is competitive, reasonable and acceptable to shareholders and aligned with performance.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments were reviewed by the Nomination and Remuneration Committee. The Committee considered market conditions and independent remuneration benchmarking and, acknowledging there is no equity component to remuneration, recommended an increase in remuneration of Non-Executive Directors as shown below.

The Chairman's fee is determined independently to the fees of Non-Executive Directors based on comparative roles in the external market. There was no change to the Chairman's remuneration for the year ended 30 June 2022.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders and currently stands at $1,000,000 per annum.

Directors are expected to serve on Board sub-committees on a reasonable and appropriate basis. No additional fees are paid in respect of these services.

Fees	Year ended 30 June 2022	Year ended 30 June 2021
Base Fees		
Chairman	$151,200	$151,200
Other Non-Executive Directors	$90,000	$78,400

The above fees are per annum and include superannuation.

The Non-Executive Directors do not receive retirement allowances or performance-based bonuses.

There is no direct link between remuneration paid to any Non-Executive Directors and corporate performance as Arafura expects Non-Executive Directors to carry out their duties to the best of their ability. There is no termination, retirement or accumulating and vesting annual leave benefits for Non-Executive Directors.

Executive pay

The Executive pay and reward framework has four components which comprise the Executive's total remuneration:

- base pay and benefits;
- short-term performance (cash based) incentives;
- long-term incentives through participation in the Employee Share Option Plan or Performance Rights Plan; and
- other remuneration (e.g. termination payments)

Base pay and benefits

The base pay is inclusive of statutory superannuation and is structured as a total employment cost package, which may be delivered as a mix of cash and prescribed non-financial benefits at an Executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. The Board considered prevailing market conditions and the Company's strategy going forward. Base pay for Senior Executives is reviewed annually to ensure the Executive's pay is competitive with the market. An Executive's pay is also reviewed upon promotion. There are no guaranteed base pay increases fixed in any Senior Executive's contract.

Managing Director and Chief Executive Officer, Mr. Gavin Lockyer's contract remained unchanged for the 2022 financial year.

Short-term performance incentives

Short-term incentives are used to encourage and reward the performance of Executive Directors, officers and senior management for their role in achieving corporate objectives and are directly linked to the creation of shareholder wealth.

The Remuneration and Nomination Committee is responsible for assessing whether Key Performance Indicators (**KPI's**) are met. The Committee considers market rates of salaries for levels across the Company, which have been based on industry data provided by a range of employment agencies.

Long-term performance incentives

Long-term performance-linked remuneration is designed for rewarding Executive Directors, officers and senior management for their role in achieving corporate objectives and is directly linked to the creation of shareholder value.

Senior management receive long-term incentives which are provided as options or performance rights issued either under the terms and conditions of the Group's Employee Share Option Plan, Performance Rights Plan or otherwise under the terms and conditions determined at the time of issue by the Board.

Under the Company's Option Plan approved by shareholders at the general meeting held on 22 October 2020, the Board has absolute discretion to:

- invite eligible persons to apply for a specified number of options;
- set performance criteria (typically 1 year service period); and
- set option exercise prices and expiry dates.

Under the terms and conditions of the plan, options lapse in a number of circumstances including cessation as an employee or for fraudulent or dishonest actions.

Under the Company's Performance Rights Plan approved by shareholders at the general meeting held on 22 October 2020, the Board has absolute discretion to:

- invite eligible persons to apply for a specified number of performance rights;
- set performance conditions attaching to the rights (typically milestones);
- require no payment for the grant of a right and no payment on vesting or exercise of a right; and
- set expiry dates for the rights.

No bonus payments were paid during the reporting period.

Other transactions with KMP

During the 2022 financial year, there were no other transactions with the directors or other KMP at any time.

Use of remuneration consultants

The Remuneration and Nomination Committee utilised the Reward Practice in the year ended 30 June 2022 to appropriately benchmark Director and executive remuneration and to guide the structure of short and long-term incentives issued during the period.

Relationship between remuneration and Company performance

Executives receive their TFR which is not linked to Company performance, however can also receive short and long-term incentives which are used to encourage and reward the performance of Executive Directors, officers and senior management for their role in achieving corporate objectives that are directly linked to the creation of shareholder wealth.

For the year ended 30 June 2022 senior staff, Executives and the Managing Director were issued with options and performance rights as disclosed under Note 24. The options will vest 3-years after grant date subject to the employee remaining employed by the Company. The performance rights will vest upon the Company announcing to the ASX that the Board has made the FID in relation to the Nolans Project and expire on 31 December 2022. Current option and performance right interests are shown on pages 38 and 39 respectively.

B Details of remuneration

Details on the remuneration of KMP of the Group (as defined in AASB 124: *Related Party Disclosures*) are set out in the following tables.

KMP include the Directors of Arafura Resources Limited and those senior executives having authority and responsibility for planning, directing and controlling the activities of Arafura, being:

- P. Sherrington – Chief Financial Officer
- S. Watkins – General Manager of Projects

Voting and comments made at the Company's 2021 Annual General Meeting

Arafura Resources Ltd received more than 97% of "for" votes on its remuneration report for the 2021 financial year.

The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

	Short–term benefits			Post–employment benefits	Long-term benefits		Share-based payments		
2022	Cash salary and fees	Bonus	Non-monetary benefits	Super-annuation	Long service leave	Termination benefits	Options and Performance Rights	% share based payments	Total
Name	$	$	$	$	$	$	$		$
Non-Executive Directors									
M Southey	137,455	-	-	13,745	-	-	-	-	151,200
C Tonkin	66,256	-	-	19,877	-	-	-	-	86,133
D Cuzzubbo[1]	54,545	-	-	5,455	-	-	-	-	60,000
Z Quansheng	86,133	-	-	-	-	-	-	-	86,133
C Moises	78,303	-	-	7,830	-	-	-	-	86,133
Executive Directors									
G Lockyer	422,500	-	-	27,500	13,638	-	102,570	18.1%	566,208
Other KMP									
P Sherrington	344,600	-	-	27,500	6,202	-	70,535	15.7%	448,837
S Watkins	345,599	-	-	23,568	9,209	-	67,966	15.2%	446,342
Total	**1,535,391**	**-**	**-**	**125,475**	**29,049**	**-**	**241,071**		**1,930,986**

[1] D Cuzzubbo was appointed on 1 November 2021.

	Short–term benefits			Post–employment benefits	Long-term benefits		Share-based payments		
2021	**Cash salary and fees**	**Bonus**	**Non-monetary benefits**	**Super-annuation**	**Long service leave**	**Terminat ion benefits**	**Options and Performance Rights**	**% share based payments**	**Total**
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**		**$**
Non-Executive Directors									
M Southey	138,082	-	-	13,118	-	-	-	-	151,200
C Tonkin	70,000	-	-	8,400	-	-	-	-	78,400
Z Quansheng	78,400	-	-	-	-	-	-	-	78,400
C Moises	71,598	-	-	6,802	-	-	-	-	78,400
Executive Directors									
G Lockyer	401,100	-	-	25,000	8,650	-	6,046	1.4%	440,796
Other KMP									
P Sherrington	344,517	-	-	25,000	13,029	-	14,477	3.6%	397,023
S Watkins	296,722	-	-	21,694	6,545	-	21,982	6.3%	346,943
Total	**1,400,419**	**-**	**-**	**100,014**	**28,224**	**-**	**42,505**		**1,571,162**

C Service agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office or director.

Remuneration and other terms of employment for the Managing Director and other KMP are also formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses and other benefits including participation where eligible in the Arafura Share Option Plan and Performance Rights Plan. Other major provisions of the agreements relating to remuneration are set out below for the 2022 financial year:

G Lockyer, Managing Director

- No term of agreement.
- Base salary inclusive of superannuation, for the year ended 30 June 2022 of $450,000.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to six months of the base salary.
- Payment of termination benefit on the position becoming redundant, equal to six months of the base salary.

P Sherrington, Chief Financial Officer

- No term of agreement.
- Base salary inclusive of superannuation, for the year ended 30 June 2022 of $372,100.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to three months of the base salary.
- Payment of termination benefit on the position becoming redundant, equal to three months of the base salary.

S Watkins, General Manager of Projects

- No term of agreement.
- Base salary inclusive of superannuation for the year ended 30 June 2022 of $375,000.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to one month of the base salary.
- Payment of termination benefit on the position becoming redundant, equal to one month of the base salary.

D Share-based compensation

Employee share scheme - Options

Options over shares in Arafura Resources Limited are granted by the Board under the Arafura Resources Limited Share Option Plan which was last approved by shareholders at the 2020 Annual General Meeting.

Options are granted for no consideration and generally have a term of three years. For options affecting remuneration in current or future reporting period, 100% of each tranche vests and is exercisable in accordance with the table below.

Grant date	Date vested and exercisable	Expiry date	Exercise price	Model option value	% Vested
31-Jul-18	1-Jul-19	1-Jul-22	$0.12	$0.051	100%
31-Jul-18	1-Jul-20	1-Jul-22	$0.12	$0.050	100%
31-Jul-18	1-Jul-21	1-Jul-22	$0.12	$0.050	0%
22-Nov-18	1-Jul-19	1-Jul-22	$0.12	$0.023	100%
22-Nov-18	1-Jul-20	1-Jul-22	$0.12	$0.024	100%
22-Nov-18	01-Jul-21	1-Jul-22	$0.12	$0.020	0%
31-Aug-21	31-Aug-24	31-Aug-25	$0.20	$0.081	0%
21-Oct-21	21-Oct-24	21-Oct-25	$0.31	$0.114	0%

Options were issued to the Managing Director and other KMP on 21 October 2021 and 31 August 2021 respectively. The number of options issued to the Managing Director and other KMP is disclosed in Section E and the key terms in Note 24.

Options granted under the plan carry no dividend or voting rights.

Vesting of the options is not subject to any conditions other than it be at or subsequent to the vesting date and before the expiry date. When exercisable, each option is convertible into one ordinary share of Arafura Resources Limited.

The options expire on the earlier of their expiry date or one month after resignation of the employee (whether vested or not) or upon termination of their employment (unless the Board decides otherwise).

The Company has the option of deferral of performance-based remuneration and/or the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

The assessed fair value at grant date of the options given to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables in this report. Fair values at grant date are determined using the Black Scholes option pricing model that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate of the term of the option. The options are probability weighted for management's best estimate of staff turnover taking into account the period of time to vesting date.

Shares provided on exercise of remuneration options

A total of 10,775,000 options were converted into shares by KMP during the 30 June 2022 financial year. The details of the movement in shares and options during the period are detailed in Section E.

Employee Share Scheme - Performance rights

During the year ended 30 June 2022, the Board approved a total of 5,230,000 performance rights to be offered to senior staff, senior management and the Managing Director. The Managing Director was issued 930,000 performance rights which was subsequently approved by shareholders at the Annual General Meeting on 21 October 2021. The performance rights vest upon the announcement of the FID for Nolans by the Board to the ASX following completion of the approved FEED phase. The fair value per right was calculated at $0.15 for staff and $0.21 for the Managing Director being the 5-day VWAP of the company's share price at grant date. Details of key inputs and methodology for the valuation of these rights is provided in Note 24.

During the year ended 30 June 2019, the Board approved a total of 10,000,000 performance rights to be offered to senior staff, senior management and the Managing Director. The Managing Director was issued 3,000,000 performance rights which was subsequently approved by shareholders at the Annual General Meeting on 22 November 2018. These performance rights were granted in three tranches and vest upon the successful completion of the following performance and service conditions:

- Tranche 1 - completion of the DFS within 25% or better of US$680m Capex and $35/kg NdPr Opex (excluding Phosphate credit) for the Company's Nolans NdPr Project and completion of an eligible service period of 24 months from the date the milestone is achieved.
- Tranche 2 - Grant of the Mining Lease from the Northern Territory Department of Primary Industry and Resources in relation to the Nolans NdPr Project and completion of an eligible service period of 24 months from the date the milestone is achieved.
- Tranche 3 - Project funding secured on term acceptable to the Board to enable project investment decision and completion of an eligible service period of 24 months from the date the milestone is achieved.

Performance rights in Arafura Resources Limited are granted by the Board under the Arafura Resources Limited Performance Rights Plan which was last approved by shareholders at the 2021 Annual General Meeting.

Performance rights are issued for no consideration and vest according to a set of performance criteria being met. The Board has ultimate discretion on whether the conditions have been met. Tranche 1 vested on 7 February 2021 and Tranche 2 vested subsequent to year end on 21 July 2022. Tranche 3 and the performance rights issued during the year ended 30 June 2022 remain unvested as at the date of this report. The details of each grant of performance rights affecting remuneration in the current or future reporting periods are detailed in Section E.

E Additional information

Loans to Directors and Executives

During the 2021 and 2022 financial year, there were no loans to the Directors or other KMP.

Other transactions with KMP

During the 2021 and 2022 financial year, there were no other transactions with the Directors or other KMP at any time.

Movements in option interests of KMP for 30 June 2022

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested during the year	Vested and exercisable at end of year
Directors of Arafura Resources Limited							
M Southey	-	-	-	-	-	-	-
G Lockyer	4,750,000	1,240,000	(4,750,000)	-	1,240,000	1,583,333	-
D Cuzzubbo	-	-	-	-	-	-	-
C Tonkin	-	-	-	-	-	-	-
Q Zhang	-	-	-	-	-	-	-
C Moises	-	-	-	-	-	-	-
KMP of the Group							
P Sherrington	2,650,000	880,000	(2,650,000)	-	880,000	883,334	-
S Watkins	3,375,000	850,000	(3,375,000)	-	850,000	1,125,000	-
Total	**10,775,000**	**2,970,000**	**(10,775,000)**	**-**	**2,970,000**	**3,591,667**	**-**

Movements in performance rights of KMP for 30 June 2022

Name	Balance at the start of the year	Granted as compensation	Exercised	Other Changes	Balance at end of the year	Vested during the year	Vested and exercisable at end of year
Directors of Arafura Resources Limited							
M Southey	-	-	-	-	-	-	-
G Lockyer	2,500,000	930,000	-	-	3,430,000	-	-
D Cuzzubbo	-	-	-	-	-	-	-
C Tonkin	-	-	-	-	-	-	-
Q Zhang	-	-	-	-	-	-	-
C Moises	-	-	-	-	-	-	-
Other KMP of the group							
P Sherrington	1,200,000	940,000	-	-	2,140,000	-	-
S Watkins	1,100,000	900,000	-	-	2,000,000	-	-
Total	**4,800,000**	**2,770,000**	**-**	**-**	**7,570,000**	**-**	**-**

Movements in share interests of KMP for 30 June 2022

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year (on market trades, share purchase plan and vesting of performance rights)	Balance at the end of the year
Directors of Arafura Resources Limited				
M Southey	500,000	-	103,980	603,980
G Lockyer	2,252,726	4,750,000	(2,231,743)	4,770,983
C Tonkin	322,160	-	103,980	426,140
D Cuzzubbo	-	-	450,000[1]	450,000
Q Zhang	-	-	-	-
C Moises	307,521	-	34,660	342,181
KMP of the Group				
P Sherrington	941,569	2,650,000	103,980	3,695,549
S Watkins	250,000	3,375,000	(250,000)	3,375,000
Total	**4,573,976**	**10,775,000**	**(1,685,143)**	**13,663,833**

[1] Shares were purchased prior to the appointment of D Cuzzubbo on 1 November 2021.

This is the end of the audited remuneration report.

Insurance of officers

During the 2021 and 2022 financial year, the Group paid an insurance premium in respect of a Directors' and Officers' Liability Insurance. The insurance premium relates to liabilities that may arise from an officer's position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The officers covered by the insurance policies are Directors and officers of the Group.

The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of premium.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* nor the principles set out in *APES110 Code of Ethics for Professional Accountants.*

As a result, the Board is satisfied that the auditor is compatible with, and did not compromise, the auditor's independence requirements of the Corporations Act 2001.

No fees for non-audit services were paid or payable to the Company's external auditors for the year ended 30 June 2022.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 42.

Signed in accordance with a resolution of the Directors.

Gavin Lockyer

Managing Director

Mark Southey

Chairman

Perth, Western Australia

17 August 2022

The Company has established a corporate governance framework, the key features of which are set out in its Corporate Governance statement which can be found on the Company's website at arultd.com, under the section marked "Corporate Governance".

In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition (**Principles & Recommendations**).

The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

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

As lead auditor of Arafura Resources Limited for the year ended 30 June 2022, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 17 August 2022

	Notes	2022 $	2021 $
Non-capitalised portion of R&D tax incentive rebate	4(b)	14,099	81,361
Other income	4(a)	164,031	235,878
Employee benefits expense	5(c)	(2,791,623)	(2,764,261)
Project costs expensed	5(f)	(28,175,159)	-
Other expenses	5(e)	(3,996,751)	(3,662,927)
Depreciation and amortisation	5(a)	(318,569)	(280,396)
Finance costs	5(b)	(19,762)	(27,727)
Share based payments	5(d)	(434,486)	(62,357)
Loss before income tax		**(35,558,220)**	**(6,480,429)**
Net (loss) after income tax for the year		**(35,558,220)**	**(6,480,429)**
Total comprehensive (loss) for the year attributable to owners of Arafura Resources Limited		**(35,558,220)**	**(6,480,429)**
Loss per share attributable to owners of Arafura Resources Limited			
Basic loss per share (cents per share)	20	(2.33)	(0.55)
Diluted loss per share (cents per share)	20	(2.33)	(0.55)

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 30 JUNE 2022

	Notes	2022 $	2021 $
CURRENT ASSETS			
Cash and cash equivalents	7	24,680,222	10,787,548
Trade and other receivables	8	747,370	117,350
Total Current Assets		**25,427,592**	**10,904,898**
NON-CURRENT ASSETS			
Property, plant and equipment		235,779	169,859
Right-of-use assets		471,537	181,735
Deferred exploration and evaluation costs	9	116,598,800	113,714,145
Other assets	10	587,806	563,742
Total Non-Current Assets		**117,893,922**	**114,629,481**
TOTAL ASSETS		**143,321,514**	**114,629,481**
CURRENT LIABILITIES			
Trade and other payables	11	9,720,070	2,557,786
Lease liabilities		264,930	190,900
Provisions	12	750,806	760,506
Total Current Liabilities		**10,735,806**	**3,509,192**
NON-CURRENT LIABILITIES			
Lease liabilities		209,286	-
Provisions	12	8,348	4,137
Total Non-Current Liabilities		**217,634**	**4,137**
TOTAL LIABILITIES		**10,953,440**	**3,513,329**
NET ASSETS		**132,368,074**	**122,021,050**
EQUITY			
Contributed equity	13	287,728,300	242,257,542
Reserves	14	13,135,601	12,701,115
Accumulated losses	15	(168,495,827)	(132,937,607)
TOTAL EQUITY		**132,368,074**	**122,021,050**

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

Consolidated	Notes	Contributed equity $	Equity reserve $	Accumulated losses $	Total equity $
Balance at 30 June 2020		**242,281,597**	**12,638,758**	**(126,457,178)**	**128,463,177**
Loss for the 2021 financial year	15	-	-	(6,480,429)	(6,480,429)
Other comprehensive income		-	-	-	-
Total Comprehensive loss for the year		**-**	**-**	(6,480,429)	(6,480,429)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs and tax	13	(24,055)	-	-	(24,055)
Share based payments	14	-	62,357	-	62,357
Balance at 30 June 2021		**242,257,542**	**12,701,115**	**(132,937,607)**	**122,021,050**
Loss for the 2022 financial year	15	-	-	(35,558,220)	(35,558,220)
Other comprehensive income		-	-	-	-
Total Comprehensive loss for the year				**(35,558,220)**	**(35,558,220)**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs and tax	13	45,470,758	-	-	45,470,758
Share based payments	14	-	434,486	-	434,486
Balance at 30 June 2022		**287,728,300**	**13,135,601**	**(168,495,827)**	**132,368,074**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Payments to suppliers and employees		(7,552,187)	(5,554,256)
Payments for project costs		(19,737,429)	-
Interest received		131,343	106,930
Other income		-	127,500
R&D Incentive rebate - non-capitalised portion		14,099	81,361
Interest paid		(19,762)	(27,729)
Net cash (outflow) from operating activities	16	**(27,163,936)**	**(5,266,194)**
Cash flows from investing activities			
Payments for property, plant and equipment		(159,885)	(142,091)
Payments for term deposits		(132,000)	(250,000)
Proceeds from term deposits		116,581	-
(Payments)/proceeds for security deposits		(8,646)	5,729
Proceeds from disposal of fixed assets		33,636	500
Payments for exploration and evaluation		(4,137,147)	(7,489,327)
R&D Incentive rebate - capitalised portion		379,315	1,053,145
Net cash (outflow) from investing activities		**(3,908,146)**	**(6,822,044)**
Cash flows from financing activities			
Net proceeds from issue of shares		47,190,939	116,500
Net proceeds pending issue of shares		-	234,449
Payments for transaction costs		(1,987,526)	-
Repayment of lease liabilities		(239,080)	(245,837)
Net cash inflow from financing activities		**44,964,333**	**105,112**
Net (decrease)/increase in cash and cash equivalents		**13,892,251**	**(11,983,126)**
Cash at the beginning of the financial year		10,787,548	22,771,113
Effects of exchange rate changes on cash and cash equivalents		423	(439)
Cash and cash equivalents at the end of the financial year		**24,680,222**	**10,787,548**

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

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FOR THE YEAR ENDED 30 JUNE 202

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Arafura Resources Limited and its subsidiaries.

Basis of preparation

This general-purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001*. Arafura Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the Arafura Resources Limited Group also comply with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

Early adoption of standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022.

Historical cost convention

These financial statements have been prepared on a historical cost basis.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 3.

Going concern

Arafura's financial statements have been prepared on a going concern basis. There does not currently appear to be either any significant impact upon the financial position of the Group or any significant uncertainties with respect to events or conditions which may impact the financial position of the Group unfavourably as at the reporting date or subsequently.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Arafura Resources Limited (**Parent Entity**) as at 30 June 2022 and the results of all controlled entities for the year then ended. Arafura Resources Limited and its subsidiaries together are referred to in this financial report as the Group.

Note 1: Summary of significant accounting policies (continued)

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint arrangements

Under *AASB 11 Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint Operations

Arafura recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held of incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements.

Joint Ventures

Although Arafura has no current interest in any joint venture, any interests in joint ventures will be accounted for using the equity method, after initially being recognised at cost in consolidated Statement of Financial Position.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 1: Summary of significant accounting policies (continued)

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees up to the reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months are not discounted if the effect of discounting is immaterial. The amount for the provision is recognised in the statement of financial position.

Share-based compensation benefits are provided to employees via the Arafura Resources Limited Employee Share Option Plan and Performance Rights Plan. Employee benefits received under this plan are accounted for as an option under *AASB2: Share-based Payment*. Information in relation to the scheme is set out in Note 24.

The fair value of options granted is recognised as an expense with a corresponding increase in equity over the relevant vesting period. The fair value is measured at grant date using the Black-Scholes or Binomial option pricing model. The cumulative charge to profit or loss is calculated based on the grant date fair value, the best estimate of the number of options that are likely to vest and the expired portion of the vesting period. Upon exercise of options, the balance of the share-based payments reserve in relation to those options is transferred to retained earnings.

The fair value of performance rights granted to employees is recognised as an expense with a corresponding increase in equity over the relevant vesting period, being the period over which the performance condition and any service condition is achieved. The cumulative charge to profit or loss is calculated based on the grant date fair value, the best estimate of the number of performance rights that are likely to vest and the expired portion of the vesting period. The number of rights expected to vest is estimated based on the attaching conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and equity.

The dilutive effect of outstanding vested options with an exercise price less than the market weighted average share price is reflected as additional share dilution on the computation of earnings per share.

Project Cost Expenditure

During the period the Company commenced FEED for the Nolans hydrometallurgical plant and non-process infrastructure and engineering activities on other aspects of the Nolans Project. Expenditure associated with these activities has been expensed to the profit and loss as 'project costs' under *AASB 116 Property, Plant and Equipment*. These activities were determined to be development activities outside the scope of *AASB 6 Exploration for and Evaluation of Mineral Resources*.

Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is Arafura Resources Limited's functional and presentational currency. Foreign currency transactions are translated into the foreign currency using the exchange rates prevailing at the date of transaction.

Note 1: Summary of significant accounting policies (continued)

R&D Incentive Rebate

Any rebate received for eligible Research and Development activities are offset against the area where the costs were initially incurred. For R&D expenditure that has been capitalised, any claim received will be offset against 'Deferred Exploration and Evaluation Expenditure' in the Consolidated Statement of Financial Position. For R&D expenditure that has been expensed, any claim received will be recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Accounting standards and interpretations issued but not yet mandatory

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

New or amended standards adopted by the Company

The Group has not adopted any new or amended standards during the year ended 30 June 2022.

Note 2: Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (which can include currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Group holds the following financial instruments:

	2022 $	2021 $
Financial assets		
Cash and cash equivalents	24,680,222	10,787,548
Trade and other receivables	747,370	117,350
	25,427,592	**10,904,898**
Financial liabilities		
Trade creditors	3,084,219	897,411
Trade and other accruals	6,620,473	1,616,198
PAYG and payroll tax liabilities	15,378	44,178
Lease liabilities	474,217	190,900
	10,194,287	**2,748,687**

Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from contract exposure in relation to the provisions of goods and services by outside organisations. The exposure is limited to the value of a USD bank balance, being USD$3,463 at 30 June 2022 (2021: USD$3,463).

Price risk

The Group was not exposed to equity securities price risk. This typically arises from investments held by the Group and classified on the statement of financial position as financial assets held at fair value. At 30 June 2022, Arafura had no such investments (2021: nil).

Cash flow and fair value interest rate risk

The Group has no significant long-term borrowings and hence, is not exposed to any significant interest rate risk.

Credit risk

The Group has no significant concentrations of credit risk.

Note 2: Financial Risk Management (continued)

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings:

	2022 $	2021 $
Cash at bank and short-term bank deposits		
Standard & Poor's rating AA-	**24,680,222**	**10,787,548**

The Group's exposure to credit risk on financial assets that cannot be assessed by reference to external credit ratings is immaterial.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities for the ability to fund future commitments. Due to the dynamic nature of the underlying businesses, the finance team aims at maintaining flexibility in funding to achieve this goal.

Financing arrangements

The Group has no financing arrangements as at the reporting date.

Maturities of financial liabilities

The table below illustrates the Group's financial liabilities at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 30 June 2022	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amounts of liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	9,720,070	-	-	-	-	9,720,070	9,720,070
Fixed rate	141,776	140,419	214,005	-	-	496,200	474,217
Total non-derivatives	**9,861,846**	**140,419**	**214,005**	**-**	**-**	**10,216,270**	**10,194,287**

Group – At 30 June 2021	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amounts of liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	2,557,787	-	-	-	-	2,557,786	2,557,787
Fixed rate	126,614	68,307	-	-	-	194,921	190,900
Total non-derivatives	**2,684,401**	**68,307**	**-**	**-**	**-**	**2,752,707**	**2,748,687**

Note 3: Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstance.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the following section.

Continued recognition of Exploration and evaluation expenditure

Details of the Group's policy regarding the capitalisation of mining, evaluation and development expenditure are found in Note 9.

Income taxes

The Research and Development (**R&D**) Tax Incentive is administered jointly by AusIndustry (on behalf of Innovation Australia) and the Australian Taxation Office (**ATO**).

The R&D Tax Incentive is a self-assessment program and as at the date of the signing of this report Arafura has received no notification from AusIndustry and/or the ATO rejecting the registered R&D activities as ineligible R&D or the associated eligible R&D expenditures claimed.

The Group is currently in the process of claiming for expenditure on the eligible registered R&D activities for the 2022 financial year.

Share-based payments

The Parent Entity issued share-based payments in the form of options and performance rights during the year. Assumptions and estimates made in relation to these share-based payments are detailed in Note 24.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Note 3: Critical accounting estimates and judgments (continued)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Critical judgments in applying the entity's accounting policies

The following critical judgements have been made when applying the entity's accounting policies for the 2022 financial year:

Impairment assessment of Exploration and Evaluation cost carried forward

Details of the Group's impairment assessment of Exploration and Evaluation costs carried forward are found in Note 9.

Coronavirus (COVID-19) pandemic

There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic

Note 4: Revenue

Accounting Standard

Revenue Recognition

Revenue is recognised and measured when the performance obligation has been satisfied. The performance obligation is generally considered to be satisfied when the goods are physically transferred to the buyer.

Interest revenue is recognised as earned.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

	2022	2021
	$	$
Other Income		
Interest received	130,394	107,878
Government grants	-	67,500
Royalty settlement	-	60,000
Gain on sale of assets	33,637	500
Total other income	**164,031**	**235,878**
Non-capitalised portion of R&D Tax Incentive rebate		
Non-capitalised portion of R&D Tax Incentive rebate	**14,099**	**81,361**

Note 5: Expenses

	Notes	2022 $	2021 $
(a) Depreciation			
Depreciation – office furniture and fittings		3,280	2,517
Depreciation – office and computer equipment		78,998	32,974
Depreciation – plant & equipment		8,546	5,789
Depreciation – leasehold improvements		3,140	3,140
Depreciation – right-of-use assets		224,605	235,976
Total depreciation		**318,569**	**280,396**
(b) Finance costs			
Interest expense – lease liability		7,990	15,522
Interest expense - other		11,772	12,205
Total finance costs		**19,762**	**27,727**
(c) Employee benefits expense			
Employee benefits expense		**2,791,623**	**2,764,261**
(d) Share Based Payments			
Share-based employee benefits	24	**434,486**	**62,357**
(e) Other expenses			
Accounting and other professional fees		36,670	46,533
Audit fees		55,659	55,130
Consultants fees		1,652,019	2,199,451
Insurance		213,007	139,199
Legal fees		249,592	136,584
Share registry and stock listing fees		297,007	187,165
Other expenses		1,492,797	898,865
Total other expenses		**3,996,751**	**3,662,927**

Note5: Expenses (continued)

	Notes	2022 $	2021 $
(f) Project costs expensed[1]			
Consultants		26,357,224	-
Employee benefits expense		1,174,515	-
Computer software		325,560	-
Other project costs		317,860	-
Total Project Costs Expensed		**28,175,159**	-
Total expenses		**35,736,349**	**6,797,668**

[1] Expenditure relates to FEED commenced during the period.

Note 6: Income Tax

Accounting Standard

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for by using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which any deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Arafura Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the Tax Consolidation Regime. Arafura Resources Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated Group. The entities in the tax consolidated Group have not yet entered into a tax sharing agreement or a tax funding arrangement but may enter into these types of agreements in the future if it is considered beneficial to the Group to do so.

The reconciliation between tax expense and the product of accounting loss before tax multiplied by Group’s applicable income tax rate is as follows:

Note 6: Income Tax (continued)

	2022 $	2021 $
Income tax expense		
Current tax	-	-
Loss before income tax	**35,558,220**	**6,480,429**
Income tax benefit @ 30%	10,667,466	1,944,129
Tax effect of amounts which are not deductible in calculating taxable income:		
Entertainment	(8,908)	(6,581)
Share-based payments	(145,501)	(18,707)
Sundry items not deductible (assessable)	4,230	39,408
Deferred tax assets relating to tax losses and temporary differences not recognised	(1,874,124)	2,266,093
Temporary differences not recognised	(8,643,163)	(4,224,342)
Total income tax benefit	**-**	**-**

The franking account balance at year end was nil (2021: nil).

Deferred tax assets and liabilities not recognised relate to the following:

	2022	2021
Deferred tax assets		
Tax losses	64,008,358	61,862,916
Other temporary differences	11,593,867	1,286,307
Total deferred tax assets	75,602,225	63,149,223
Deferred tax liabilities	(35,170,394)	(34,206,308)
Net Deferred tax assets	**40,431,830**	**28,942,915**

Net deferred tax assets have not been bought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

Note 7: Current assets – cash and cash equivalents

Accounting Standard

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	2022 $	2021 $
Cash at bank and in hand	5,617,182	753,176
Bank deposits[1]	19,063,040	10,034,372
	24,680,222	**10,787,548**

[1] All bank deposits mature within three months of 30 June 2022.

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Reconciliation to cash at the end of the year		
Balances as above and per statement of cash flows	**24,680,222**	**10,787,548**

The Group's exposure to interest rate risk is discussed in Note 2.

Note 8: Current assets – trade and other receivables

Accounting Standard

Trade receivables are recognised initially at fair value less allowance for expected credit losses. Trade and other receivables are generally due for settlement no more than 30 days.

Collection of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established using the expected credit loss model under AASB 9.

	2022 $	2021 $
Sundry debtors	6,748	948
GST receivables	597,134	65,705
Prepayments	143,488	50,697
	747,370	**117,350**

Note 9: Non-current assets – deferred exploration and evaluation expenditure

Accounting Standard

Exploration

Exploration expenditure incurred is accumulated in respect of each identifiable area of interest. The expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated capitalised exploration expenditure in relation to an abandoned area of interest and/or an area where no mineable ore body is discovered are expensed in the period in which it is determined the area of interest has no future economic benefit.

Evaluation

Evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. The expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When the technical feasibility and commercial viability of extracting and processing mineral resources have been demonstrated, then any capitalised evaluation expenditure will be classified to mine development and mineral processing development expenditure. Prior to reclassification, capitalised evaluation expenditure is assessed for impairment.

Accumulated capitalised evaluation expenditure in relation to an abandoned area of interest and/or an area where no mineable ore body is discovered are expensed in the period in which it is determined the area of interest has no future economic benefit. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Note 9: Non-current assets – deferred exploration and evaluation expenditure (continued)

	2022 $	2021 $
Exploration, evaluation and development costs carried forward		
Balance at beginning of year	113,714,145	107,562,652
Capitalised exploration expenditure	726,438	609,746
Capitalised evaluation expenditure[1]	2,537,532	6,594,892
R&D Tax Incentive rebate receipted against capitalised evaluation costs	(379,315)	(1,053,145)
Balance at end of year	**116,598,800**	**113,714,145**

[1] Capitalised evaluation expenditure is expenditure on the Nolans Project, its proposed design and engineering including pilot plant activities, environmental impact assessments 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 Nolan's Project. It excludes expenditure associated with FEED and other such engineering programs which have been treated as development activities under *AASB 116 Property, Plant and Equipment*.

The ultimate recoverability of capitalised exploration and evaluation expenditure is dependent on the successful development of the area of interest and/or project or subsequent sale.

Note 10: Non-current assets – other assets

	2022 $	2021 $
Tenement and other exploration related bonds	447,306	441,660
Lease bonds	140,500	122,082
	587,806	**563,742**

Accounting Standards

Loans and receivables

The Group classifies its investments in the following categories: financial assets at fair value through the profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods, and/or services directly to a debtor with no intention of selling the receivable.

They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets.

Note 11: Current liabilities – trade and other payables

Accounting Standard

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. The amounts are unsecured, non-interest bearing and are usually paid within 30 days of recognition.

	2022 $	2021 $
Current		
Trade creditors	3,084,220	897,411
Trade and other accruals	6,620,473	1,616,198
PAYG and payroll tax liabilities	15,377	44,177
	9,720,070	**2,557,786**

Information about the Group's exposure to foreign exchange risk is provided in Note 2. Carrying amounts equal fair values due to the short-term nature.

Note 12: Current and non-current liabilities – provisions

	2022	2021
	$	$
Current		
Annual and long service leave	643,696	623,817
Provision for restoration of evaluation expenditure	107,110	107,110
Other	-	29,579
	750,806	**760,506**
Non-current		
Long service leave	**8,348**	**4,137**

Accounting Standard

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Note 13: Equity – contributed equity

Accounting Standard

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

	2022	2021	**2022**	2021
	Shares	Shares	**$**	$
Share capital				
Fully paid ordinary shares	**1,566,242,332**	1,170,780,763	**287,728,300**	242,257,542

Note 13: Equity – contributed equity (continued)

Movements in ordinary share capital

Movements in ordinary share capital over the past two years are as follows:

Date	Details	Number of shares	Issue Price	$
30-Jun-20	**Balance**	**1,167,797,430**		**242,281,597**
8-Feb-21	Vesting of performance rights	2,050,000	-	-
4-Mar-21	Exercise of options	150,000	0.15	22,500
4-Mar-21	Exercise of options	783,333	0.12	94,000
	Capital raising costs			(140,555)
30-Jun-21	**Balance**	**1,170,780,763**		**242,257,542**
2-Jul-21	Share capital	175,617,114	0.12	21,074,054
13-Aug-21	Share capital	157,716,220	0.12	18,925,946
20-Aug-21	Share capital	45,833,235	0.12	5,499,988
31-Oct-21	Options exercised	200,000	0.12	24,000
30-Nov-21	Options exercised	270,000	0.12	32,400
23-May-22	Options exercised	3,465,000	0.12	415,800
23-May-22	Vesting of performance rights	250,000	-	-
20-Jun-22	Options exercised	200,000	0.12	24,000
21-Jun-22	Options exercised	241,667	0.12	29,000
22-Jun-22	Options exercised	6,416,667	0.12	770,000
23-Jun-22	Options exercised	4,803,333	0.12	576,400
24-Jun-22	Options exercised	248,333	0.12	29,800
27-Jun-22	Options exercised	200,000	0.12	24,000
30-Jun-22	Capital raising costs			(1,954,630)
30-Jun-22	**Balance**	**1,566,242,332**		**287,728,300**

Capital risk management

The Group's objectives when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as current borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

Note 14: Equity – reserves

Accounting Standard

Share-based payments compensation benefits are provided to employees via the Arafura Resources Ltd Employee Share Option Plan or the Performance Rights Plan as set out in Note 24.

The fair value of options and performance rights granted is recognised as an expense with a corresponding increase in equity over the relevant vesting period. The fair value is measured at grant date using the Black-Scholes or Binomial option pricing model. The cumulative charge to profit or loss is calculated based on the grant date fair value, the best estimate of the number of options that are likely to vest and the expired portion of the vesting period. The number of options and performance rights expected to vest is estimated based on the attaching service and/or performance conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and equity. Upon exercise of options and performance rights, the balance of the share-based payments reserve in relation to those options is transferred to retained earnings.

Market vesting conditions are taken into consideration in determining fair value of the option or performance right at grant date. Non-market vesting conditions are included in assumptions about the number of options and performance rights that are expected to vest. At the end of each period, the entity revises its estimates of the number of options and performance rights that are expected to vest based on non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

	2022 **$**	2021 $
Reserves		
Share-based payments reserve	13,135,601	12,701,115
	13,135,601	**12,701,115**
Movements		
Share-based payments reserve		
Balance at beginning of year	12,701,115	12,638,758
Option expense	434,486	62,357
Balance at end of year	**13,135,601**	**12,701,115**

Nature and purpose of reserves

The share-based payments reserve is used to recognise the fair value of options issued to employees and Directors but not exercised.

Note 15: Equity – accumulated losses

	2022 **$**	2021 $
Balance at beginning of year	(132,937,607)	(126,457,178)
Net loss for the year	(35,558,220)	(6,480,429)
Balance at end of year	**(168,495,827)**	**(132,937,607)**

Note 16: Statement of cash flows reconciliation

	2022 **$**	2021 $
Net (loss)	(35,558,220)	(6,480,429)
Adjustments for:		
Depreciation and amortisation	318,569	280,396
Disposal of fixed assets	(33,636)	(500)
Unrealised foreign exchange	(421)	440
Share-based employee benefits	434,486	62,357
Change in operating assets and liabilities:		
Trade & other receivables	(630,019)	121,063
Trade & other payables	8,281,215	748,833
Provisions	24,090	1,646
Net cash (outflow) from operating activities	**(27,163,936)**	**(5,266,194)**

Note 17: Key Management personnel compensation

	2022 $	2021 $
Short-term employee benefits	1,535,391	1,400,419
Post-employment benefits	125,475	100,014
Long-term benefits	29,049	28,224
Share-based payments	241,071	42,505
	1,930,986	**1,571,162**

Detailed remuneration disclosures are provided in sections A-E of the remuneration report on pages 29 to 39.

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the Remuneration report.

Loans to KMP

During the 2021 and 2022 financial year, there were no loans to the Directors or other KMP.

Other transactions with KMP

During the 2021 and 2022 financial year, there were no other transactions with the Directors or other KMP at any time.

Note 18: Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the Company.

No non-audit services were provided during the year (2021: Nil).

	2022 $	2021 $
Audit services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	**55,659**	**55,130**

Note 19: Commitments and contingencies

Capital commitments

No significant capital expenditure has been contracted for at the reporting date but not recognised as a liability.

Lease commitments - operating:

As of 30 June 2022, all leases held by the Company have been measured in accordance with AASB 16 *Leases*.

Mining tenement commitments

	2022 $	2021 $
Within one year	139,978	308,304
Later than one year but not later than five years	406,581	426,541
Later than five years	105,505	93,942
	652,064	**828,787**

In order to maintain current rights of tenure to exploration and mining tenements, the Group has the following discretionary exploration expenditure requirements up until expiry of the tenements. These obligations are not provided for in the financial statements.

If the Group decides to relinquish certain tenements and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

Contingencies

No contingent liabilities exist at 30 June 2022 or 30 June 2021.

Note 20: Earnings per share

Accounting Standard

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2022 Cents	2021 Cents
Basic loss per share		
Basic loss per share (cents per share)	(2.33)	(0.55)
Diluted loss per share		
Diluted loss per share (cents per share)	(2.33)	(0.55)

	2022 $	2021 $
Net (loss)	(35,558,220)	(6,480,429)
(Loss) used to calculate basic earnings per share	(35,558,220)	(6,480,429)
(Loss) used to calculate diluted earnings per share	(35,558,220)	(6,480,429)

	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	1,525,578,155	1,168,904,873
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,525,578,155	1,168,904,873
Weighted average number of ordinary shares from option conversions which are dilutive and potential ordinary shares that are not used in calculation of diluted earnings per share	-	-

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion to these options would result in a decrease in the net loss per share.

Note 21: Related party transactions

Parent entity

The parent entity within the Group is Arafura Resources Limited.

Subsidiaries

Interests in subsidiaries are set out in Note 22.

Key management personnel

Disclosures relating to KMP are set out in Note 17.

Transactions with related parties

There were no transactions with related parties in the year ended 30 June 2022 or 30 June 2021.

Outstanding balances arising from sale/purchases of goods and services

There were no outstanding balances at the end of the reporting period in relation to transactions with related parties.

Loans to/from related parties

Other than loans held between subsidiaries of the Group, there were no other loans entered into or agreed upon with related parties of the Group.

Terms and conditions

All transactions were made at cost. Outstanding balances with subsidiaries of the Group are unsecured and repayable in cash.

Note 22: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1(c).

Name of entity	Country of incorporation	Class of share	Equity holding 2022 %	Equity holding 2021 %
Arafura Rare Earths Pty Ltd[1]	Australia	Ordinary	100	100
Arafura Nolans Project Pty Ltd[2]	Australia	Ordinary	100	100
Arafura Iron Pty Ltd[3]	Australia	Ordinary	-	100
Arafura IP Pty Ltd	Australia	Ordinary	100	-
Arafura Rare Earths Processing Pty Ltd[3]	Australia	Ordinary	-	100
Central Australian Resources Pty Ltd	Australia	Ordinary	100	-
Nolans Operations Pty Ltd	Australia	Ordinary	100	100

[1] Subsidiary's legal name was change from Arafura Landholdings Pty Ltd to Arafura Rare Earths Pty Ltd during the period.
[2] Subsidiary's legal name was change from Arafura Rare Earths Pty Ltd to Arafura Nolans Project Pty Ltd during the period.
[3] Subsidiaries were deregistered during the period.

Note 23: Events occurring after the reporting date

On 12 July 2022 the Company announced it had signed a non-binding memorandum of understanding (**MoU**) with GE Renewable Energy (**GE**). The MoU relates to collaboration in the establishment of a sustainable supply chain for NdPr for the manufacture of offshore wind turbines and energy transition. GE and Arafura have agreed to negotiation of a long-term sale and purchase agreement for GE to purchase NdPr from Arafura's Nolans project. The MoU also outlines a potential strategic investment by GE in Arafura to be negotiated in conjunction with the NdPr sale and purchase agreement.

On 5 August 2022 the Company announced it had received firm commitments to raise A$41.5 million (before costs) from Australian and overseas institutional and professional investors under a placement of fully paid ordinary shares (**New Shares**) at an issue price of A$0.265 per share. Under the Placement, the Company will also issue to investors one free-attaching option for every two New Shares subscribed for. Funds raised from the Placement will be used to accelerate development of the Nolans Project by:

- completing front-end engineering and commencement of detailed design; and
- commencing tendering activities for main construction contracts.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

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

Note 24: Share-based payments

Expenses arising from share-based payment transactions

The total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2022 $	2021 $
Vesting of options and performance rights issued under the Employee Share Option Plan or Performance Rights Plan	434,485	90,012
Reversal of cumulative expense recognised for options and performance rights forfeited[1]	-	(27,655)
	434,485	**62,357**

[1] Relates to the reversal of the cumulative expense recognised for options or performance rights which had not vested by employee termination date.

Options

Options over shares in Arafura Resources Limited are granted by the Board under the Arafura Resources Limited Share Option Plan which was last approved by shareholders at the 2020 Annual General Meeting.

On 18 August 2021, the Board approved the issue of unlisted options under the Option Plan up to a maximum value of $632,563 for staff and $270,000 for the Managing Director (subsequently ratified by shareholders at the 2021 Annual General Meeting). The company has internally measured the fair value of options granted by adopting a Black-Scholes pricing model.

Key terms of the Options and inputs to the Black-Scholes pricing model as follows:

Term	Staff Options	Managing Director Options
Grant Date	31/08/2021	21/10/2021
Date of Expiry	31/08/2025	21/10/2025
Number of Options Granted	4,370,000	1,240,000
Vesting condition	3 years from grant date	3 years from grant date
Share price at grant date	$0.15	$0.21
Exercise Price	$0.20	$0.31
Risk free interest rate	0.15%	0.64%
Volatility	83.41%	87.13%
Fair value per option	$0.0807	$0.1144
Total fair value at grant date[1]	$352,593	$141,873

[1] Figures may not compute due to rounding.

Note 24: Share-based payments (continued)

In accordance with *AASB 2 Share Based Payments*, as at 30 June 2022 the fair value of the options has been probability weighted at 60% representing management's best estimate of the number of options that will ultimately vest based on staff turnover rates.

Options granted under the plan carry no dividend or voting rights.

The options expire on the earlier of their expiry date or one month after resignation of the employee (whether vested or not) or upon termination of their employment (unless the Board decides otherwise).

The Company has the option of deferral of performance-based remuneration and/or the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Vesting of the options is not subject to any conditions other than it be at or subsequent to the vesting date and before the expiry date.

Set out below are summaries of options granted and still outstanding at the beginning and/or end of the financial year:

Grant date	Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of year	Vested and exercisable at end of year
			Number	Number	Number	Number	Number	Number
Consolidated – 2022								
31-Jul-18	1-Jul-22	$ 0.120	11,805,000	-	(11,555,000)	-	250,000	-
22-Nov-18	1-Jul-22	$ 0.120	4,750,000	-	(4,750,000)	-	-	-
31-Aug-21	31-Aug-25	$ 0.200	-	4,370,000	-	(40,000)	4,330,000	-
21-Oct-21	21-Oct-25	$ 0.310	-	1,240,000	-	-	1,240,000	-
Total			**16,555,000**	**5,610,000**	**(16,305,000)**	**(40,000)**	**5,820,000**	**-**
Weighted average exercise price			$0.12	$0.22	$0.12	$0.20	$0.22	-

Note 24: Share-based payments (continued)

Grant date	Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of year	Vested and exercisable at end of year
			Number	Number	Number	Number	Number	Number
Consolidated – 2021								
31-Jul-17	30-Jun-21	$0.150	1,635,000	-	(150,000)	(1,485,000)	-	-
31-Jul-18	1-Jul-22	$0.120	14,155,000	-	(783,333)	(1,566,667)	11,805,000	9,436,662
22-Nov-18	1-Jul-22	$0.120	4,750,000	-	-	-	4,750,000	2,375,000
Total			**20,540,000**	**-**	**(933,333)**	**(3,051,667)**	**16,555,000**	**11,811,662**
Weighted average exercise price			$0.12	-	$0.12	$0.13	$0.12	$0.12

Employee Share Scheme - Performance rights

Performance rights in Arafura Resources Limited are granted by the Board under the Arafura Resources Limited Performance Rights Plan which was last approved by shareholders at the 2020 Annual General Meeting.

On 18 August 2021, the Board approved the issue of unlisted performance rights under the Performance Rights Plan up to a maximum value of $623,218 for staff and $202,500 for the Managing Director (subsequently ratified by shareholders at the 2021 Annual General Meeting). The performance rights will vest upon the Company announcing to the ASX that the Board has made the final investment decision in relation to the Nolans Project (Performance Condition).

Note 24: Share-based payments (continued)

Key terms of the Performance Rights are as follows:

Term	Staff Performance Rights	Managing Director Performance Rights
Grant Date	31/08/2021	21/10/2021
Date of Expiry	31/12/2022	31/12/2022
Number of Performance Rights Granted	4,300,000	930,000
Vesting condition	The Performance Condition	The Performance Condition
5-day VWAP at grant date	0.15	0.21
Exercise Price	Nil	Nil
Fair value per performance right	$0.1449	$0.2172
Total fair value at grant date[1]	$623,218	$201,982

[1] Figures may not compute due to rounding.

The fair value of the performance rights has been calculated as the 5-day volume-weighted average price at grant date. In accordance with *AASB 2 Share Based Payments*, as at 30 June 2022 the fair value of the performance rights has been probability weighted at 60% representing management's best estimate of the number of options that will ultimately vest based on the probability of reaching the Performance Condition and staff turnover rates.

The Board has ultimate discretion on whether the Performance Condition has been met. No issue price is payable for the performance rights, and no payment is required on vesting of a performance right. The Performance Rights will, if not vested, lapse on 31 December 2022.

Performance rights will be automatically exercised when the performance rights vest. Each performance right which vests will entitle the holder to be issued one share in the Company.

Note 25: Segment information

The company has identified its operating segments based 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 financial report.

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

Note 26: Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Arafura Resources Ltd (Parent)	**2022** **$**	2021 $
Statement of Financial Position		
Total current assets	**25,348,321**	**10,903,426**
Total assets	**120,509,587**	**103,199,204**
Total current liabilities	**10,685,806**	**3,290,914**
Total liabilities	**10,903,440**	**3,295,050**
Shareholders' equity		
Issued capital	287,728,299	242,257,543
Option reserve	13,135,600	12,701,114
Accumulated loss	(191,257,752)	(155,054,503)
Total equity	**109,606,147**	**99,904,154**
Loss for the year	(36,203,249)	(7,559,304)
Total comprehensive loss	**(36,203,249)**	**(7,559,304)**

All commitments and contingencies of the Group are held in the name of the Parent entity. Refer to Note 19 for full disclosure of these items.

Declaration by Directors

The Directors of the Company declare that:

1. The financial statements comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, accompanying notes are in accordance with the Corporations Act 2001, and:
   a. comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date for the Group.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. In the Directors' opinion, the financial statements and notes are prepared in compliance with IFRS and interpretations alerted by the International Accounting Standards Board.
4. The remuneration disclosures set out on pages 27 to 39 of the Directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2022 complies with section 300A of the Corporations Act 2001.
5. The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the Directors.

Mark Southey

Chairman

17 August 2022

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INDEPENDENT AUDITOR'S REPORT

To the members of Arafura Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Arafura Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Arafura Resources Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Exploration and Evaluation Assets

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2022, we note that the carrying value of the Deferred Exploration and Evaluation Asset is significant to the financial statements, as disclosed in note 9. As a result, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering whether any facts of circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 9 of the Financial Report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 27 to 39 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Arafura Resources Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 17 August 2022

Additional information included in accordance with the listing rules of the Australian Stock Exchange Limited.

Shareholder Information

Statement of issued capital at 12 August 2022:

Distribution of fully paid ordinary shareholders:

Size of holding	Number of shareholders	Number of shares
100,001 and Over	1,914	1,374,107,036
10,001 to 100,000	8,535	304,017,371
5,001 to 10,000	3,765	30,173,606
1,001 to 5,000	5,088	15,902,173
1 to 1,000	932	371,379
	20,234	**1,724,571,565**

There are no restrictions on voting rights attached to ordinary shares. On a show of hands, every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

As at 12 August 2022, there existed 1,727 shareholders who held less than a marketable parcel of shares.

Fully paid ordinary shares are quoted on the Australian Stock Exchange Limited.

Substantial shareholders at 17 August 2022 as per their notices:

Name	Ordinary shares %
ECE Nolans Investment Company Pty Ltd[1]	6.36

[1] The last notice of change of interest of substantial holder was provided to the ASX on 20 August 2021. The next notice of change of interest of substantial holder is only required where there is a change in holding greater than 1% from the previous notice.

Top Twenty Shareholders

As at 12 August 2022, the twenty largest shareholders held 684,443,979 of the fully paid ordinary shares in Arafura Resources Limited and they are:

No.	Name	Shares	% of issued
1	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	155,306,868	9.01
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	145,649,631	8.45
3	ECE NOLANS INVESTMENT COMPANY PTY LTD	109,699,833	6.36
4	CITICORP NOMINEES PTY LIMITED	80,629,026	4.68
5	BNP PARIBAS NOMS PTY LTD	38,598,230	2.24
6	BNP PARIBAS NOMINEES PTY LTD	30,213,328	1.75
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	16,191,824	0.94
8	UBS NOMINEES PTY LTD	11,583,171	0.67
9	MR JING WANG	11,158,063	0.65
10	MS DANIELLE SHARON TUDEHOPE	11,000,000	0.64
11	ELEMENT AU SMSF PTY LTD	10,238,981	0.59
12	CS FOURTH NOMINEES PTY LIMITED	9,748,617	0.57
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	9,572,620	0.56
14	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	8,680,325	0.50
15	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,481,256	0.43
16	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,792,453	0.39
17	CA INVESTMENT CORP PTY LTD	6,000,000	0.35
18	NATIONAL NOMINEES LIMITED	5,653,612	0.33
19	MR DAVID JOHN HARRISON	5,150,000	0.30
20	BRISPOT NOMINEES PTY LTD	5,096,141	0.30
		684,443,979	**39.69**

Tenement Register as at 12 August 2022:

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 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 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 Exploration Licence	100%	100%	Application lodged.