CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31ST DECEMBER 2021

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Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Arafura Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

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

[1] Appointed 1 November 2021.

REVIEW OF OPERATIONS

During the six months ended 31 December 2021, Arafura incurred a net loss of $12,176,550 (2020: $3,155,714). This increase in the company's net loss position resulted from a ramp up in project expenditure following the decision to commence Front End Engineering Design (**FEED**) with a view to reaching Final Investment Decision (**FID**) in the second half of 2022, and the engagement of advisors to assist in offtake and project funding activities aimed at achieving FID.

Strong alignment of the Nolans Project with the world's key priorities for diversification of supply chains from a sustainable source enables Australia to play a critical role as an alternate supplier. With strong project economics confirmed in the Company's Project Update (refer to ASX Announcement dated 11 May 2021) coupled with a strengthening NdPr price, the Company continues to advance its offtake and project funding discussions.

CORPORATE

In June 2021, the Company launched a two-tranche Placement and Share Purchase Plan (**SPP**) to raise A$45.5 million (before costs) to commence FEED and for general working capital purposes. New shares were offered at a price of $0.12 per share across the placement and the SPP. International and domestical institutional investors and existing shareholders showed strong support, resulting in the SPP closing oversubscribed and a scale-back of 42% applied to eligible applications.

With the Australian Government seeking opportunities to meet its new energy economy objectives, Nolans is recognised as an economically and strategically significant asset to Australia – particularly the Northern Territory – and is recognised for its strong alignment with the Australian Government's critical minerals initiatives. The Company has secured non-binding letters of support from the Australian Government's Export Finance Australia (**EFA**) and Northern Australia Infrastructure Facility (**NAIF**) for proposed senior debt facilities of up to A$200 million and A$100 million respectively, for a facility term up to 15 years – a positive step for the Company's project financing activities as sovereign support, coupled with offtake, will help Nolans to achieve its project funding with other Export Credit Agencies (**ECA**s). Diversification of supply chains and access to critical raw materials continue to escalate in importance as the world moves towards renewable and clean energy sources, particularly in industries linked to the manufacturing of electric vehicles and the renewable energy sectors.

Arafura continues to execute its offtake strategy, following validation of final rare earth oxide (REO) products from the Nolans Project flowsheet pilot program by supply chain partners from Europe, Japan and China. With strong engagement among customers seeking long-term strategic supply of NdPr, the Company has been in advanced discussion for product over 260% of its annual nameplate production of 4,440 tonnes per annum NdPr oxide. More recently, the Company's focus has shifted to progressing negotiations with customers aligned with its ECA debt funding strategy.

In January 2022, the Company received confirmation that its research and development (**R&D**) return has been approved for eligible R&D expenditure spent for the year ended 30 June 2021. The Company will be eligible for a $0.4 million refund. To date, the Company has received approximately $41.7 million in cash receipts from the R&D tax incentive.

OPERATIONAL LICENCING

Through August to October 2021, the Company submitted its detailed Mining Management Plans (**MMP**) and. associated Environmental Management Plans (**EMP**) for Nolans to the Northern Territory Department of Industry, Tourism and Trade (**DITT**).

In September 2021, 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 application's public notice and advertisement period has ended and stakeholder submissions are currently being reviewed. Separately, the groundwater extraction license for the Nolans mine aquifer for pit dewatering is being prepared for submission to DEPWS.

SUSTAINABILITY

In November 2021, the Company released its updated Sustainability Report, detailing the initiatives and targets set in line with its 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 the Company's single site ore-to-oxide business model, and a range of sustainability initiatives are being implemented across the organisation including the establishment of a Board Sustainability Committee to review long-term targets and aspirations and monitor progress towards these goals. To maintain accountability, the Company has applied to join the UN Global Compact and the Initiative for Responsible Mining Assurance (**IRMA**).

STAKEHOLDER ENGAGEMENT

Through its Major Project Status with the Australian Government and the Territory Benefits Plan, the Company continues to closely engage with the Territory and Federal governments, business facilitation agencies and other key stakeholders to build on its commitments to ensure the economic and strategic benefits of the Nolans Project are understood and ready for delivery. The Nolans ore-to-oxide business model has received all environmental approvals (including waste disposal) to allow further downstream processing to occur in the Northern Territory, which is expected to create 650 jobs during construction and 280 jobs in operation. This demonstrates just one of the far-reaching economic benefits to Australia that stem from this single project.

During the period, the Company was pleased to provide site tours to Minister for Northern Australia David Littleproud, Senator Susan McDonald, Northern Territory Major Projects Commissioner Jason Schoolmeester, Northern Territory Assistant Investment Commissioner Cliff Weeks and Northern Territory Deputy Chief Minister and Minister for Mining and Industry Nicole Manison. The tours provided valuable project insights for the participants, who shared their support for Nolans and its proposed development.

NOLANS PROJECT

The Company commenced its FEED execution strategy in August 2021 following the award of the engineering design contract for the Nolans Hydrometallurgical plant to Hatch. FEED is estimated to take 12 months, and the Company is on schedule to meet its FID target in the second half of 2022. The FEED program will advance engineering and equipment procurement to allow the Company to tender a fixed price construction contract with FEED progressed on multiple fronts including the hydrometallurgical and sulphuric acid plants, power station, process control system and non-process infrastructure.

The FEED program will progress the design of the plant to provide sufficient detail as to reduce execution risk, as well as providing sufficient certainty to allow for the tendering of fixed price contracts for project delivery.

The Company's integrated project management team (**IPMT**) has progressed several project aspects for project execution in parallel to FEED, including:

- finalisation of the construction logistics strategy and shortlisting for tender
- planning with the Northern Territory Government and industry support bodies to provide project updates to potential contractors and assistance in identification of local and indigenous business that can assist with project delivery
- implementation of project management systems and risk management plan
- engagement with operational logistics contractors to provide input into the scope of work and develop a tender list
- investigation of operational management systems required for construction and operations.

The Company also awarded SRK Consulting the contract for an independent technical review for the project, which began in November 2021. SRK will provide a preliminary review, focussed on potential 'red flag issues' to provide input to the banker's due diligence prior to FID.

TECHNOLOGY PROGRAMS

Following completion of the Nolans Project flowsheet pilot program and appropriate validation of final REO products from a number of global supply chain partners, the Company undertook two key test work programs to assist in the workstreams being carried out for FEED.

A corrosion test work program was completed in the period to validate the performance of materials of construction under the anticipated conditions across metallurgical processes proposed at Nolans. The findings from this test work program will provide the basis for selection of the key materials of construction during the design phase.

Vendor test work was also completed for the chloride removal stage in the project's cerium processing circuit, and the report from this testing was provided to Hatch for engineering design and to vendors for equipment design. The Company expects this test work to provide vendors with sufficient clarity to provide equipment performance guarantees.

EXPLORATION

During the period, Borehole Wireline was engaged to acquire and process structural and geotechnical data from 3,263m of optical scans in 46 historic RC drill holes from the northeast part of the Nolans Bore Deposit, to improve the 3D understanding of the deposit geology and aid future geotechnical and mine planning studies. A revised block model will be developed using the data to allow for better short-term production planning once mining commences.

EVENTS OCCURRING AFTER THE REPORTING DATE

The impact of the COVID-19 pandemic is ongoing and while it has not significantly impacted the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or

b) the results of those operations in future financial years, or

c) the Group's state of affairs in future financial years.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the Directors.

Gavin Lockyer
CEO & Managing Director

Perth
23 February 2022

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

As lead auditor for the review of Arafura Resources Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 23 February 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	31-Dec-21 $	31-Dec-20 $
Non-capitalised portion of R&D tax incentive rebate		**14,098**	81,361
Other income		**67,985**	206,374
Employee benefits expense	3	**(1,367,883)**	(1,514,258)
Project development	3	**(8,771,554)**	-
Other expenses	3	**(1,792,355)**	(1,783,025)
Depreciation and amortisation	3	**(159,009)**	(138,928)
Finance costs	3	**(9,037)**	(15,766)
Share based payments	3, 8	**(158,795)**	8,528
Loss before income tax		**(12,176,550)**	(3,155,714)
Income tax benefit		-	-
Net (loss) after income tax for the period		**(12,176,550)**	**(3,155,714)**
Total comprehensive (loss) for the half year attributable to owners of Arafura Resources Limited		**(12,176,550)**	**(3,155,714)**
Loss per share attributable to owners of Arafura Resources Limited			
Basic loss per share (cents per share)		**(0.8)**	(0.3)
Diluted loss per share (cents per share)		**(0.8)**	(0.3)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31-Dec-21 $	30-Jun-21 $
CURRENT ASSETS			
Cash and cash equivalents		**41,738,960**	10,787,548
Trade and other receivables	4	**871,471**	117,350
Total Current Assets		**42,610,431**	**10,904,898**
NON-CURRENT ASSETS			
Property, plant and equipment		**210,903**	169,859
Right-of-use assets		**541,920**	181,735
Deferred exploration and evaluation costs	5	**115,406,882**	113,714,145
Other assets		**569,388**	563,742
Total Non-Current Assets		**116,729,093**	**114,629,481**
TOTAL ASSETS		**159,339,524**	**125,534,379**
CURRENT LIABILITIES			
Trade and other payables		**4,385,625**	2,557,786
Lease liabilities		**218,491**	190,900
Provisions		**797,983**	760,506
Total Current Liabilities		**5,402,099**	**3,509,192**
NON-CURRENT LIABILITIES			
Lease liabilities		**327,386**	-
Provisions		**4,986**	4,137
Total Non-Current Liabilities		**332,372**	**4,137**
TOTAL LIABILITIES		**5,734,472**	**3,513,329**
NET ASSETS		**153,605,052**	**122,021,050**
EQUITY			
Contributed equity	6	**285,859,299**	242,257,542
Reserves	7	**12,859,910**	12,701,115
Accumulated losses		**(145,114,157)**	(132,937,607)
TOTAL EQUITY		**153,605,052**	**122,021,050**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2021

Consolidated	Contributed equity $	Equity reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2020	**242,281,597**	**12,638,758**	**(126,457,178)**	**128,463,177**
Loss for the period	-	-	(3,155,714)	(3,155,714)
Total comprehensive loss for the period	-	-	(3,155,714)	(3,155,714)
Cost of Share Based Options	-	(8,528)	-	(8,528)
Contributions of equity, net of transaction costs and tax	-	-	-	-
Balance at 31 Dec 2020	**242,281,597**	**12,630,230**	**(129,612,892)**	**125,298,935**
Balance at 1 July 2021	**242,257,542**	**12,701,115**	**(132,937,607)**	**122,021,050**
Loss for the period	**-**	**-**	**(12,176,550)**	**(12,176,550)**
Total comprehensive loss for the period	**-**	**-**	**(12,176,550)**	**(12,176,550)**
Contributions of equity, net of transaction costs and tax	**43,601,757**	**-**	**-**	**43,601,757**
Employee share options – value of employee services	**-**	**158,795**	**-**	**158,795**
Balance at 31 Dec 2021	**285,859,299**	**12,859,910**	**(145,114,157)**	**153,605,052**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2021

	31-Dec-21 $	31-Dec-20 $
Cash flows from operating activities		
Payments to suppliers and employees	**(3,985,026)**	(2,762,341)
Payments for project development	**(5,295,771)**	-
Interest received	**68,934**	77,409
R&D Incentive rebate - non-capitalised portion	**-**	81,361
Other income	**-**	127,500
Interest paid	**(9,037)**	(15,766)
Net cash (outflow) from operating activities	**(9,220,900)**	**(2,491,837)**
Cash flows from investing activities		
Payment for property, plant and equipment	**(82,065)**	(40,108)
Payments for exploration and evaluation	**(2,947,942)**	(4,543,097)
Deposits and bonds for tenements	**(5,646)**	-
Payments for security deposits	**-**	(244,271)
Proceeds from sale of fixed assets	**-**	500
R&D Incentive rebate - capitalised portion	**-**	1,053,145
Net cash (outflow) from investing activities	**(3,035,653)**	**(3,773,831)**
Cash flows from financing activities		
Proceeds from share issue	**45,321,939**	-
Capital raising expenses	**(1,987,526)**	-
Repayment of lease liability	**(126,614)**	(121,687)
Net cash (outflow)/inflow from financing activities	**43,207,799**	**(121,687)**
Net (decrease)/increase in cash and cash equivalents	**30,951,246**	**(6,387,355)**
Cash at the beginning of the period	**10,787,548**	22,771,113
Effects of exchange rate changes on cash and cash equivalents	**166**	(550)
Cash and cash equivalents at the end of the period	**41,738,960**	**16,383,208**

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

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT

BASIS OF PREPARATION

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reports and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Arafura Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

During the period the Company commenced FEED for the Nolans hydrometallurgical plant which will see 60-70% of detailed engineering design completed prior to the tendering of construction. Expenditure associated with FEED has been expensed to the profit and loss as 'project development' costs under *AASB 116 Property, Plant and Equipment* because FEED was determined to be a development activity outside the scope of *AASB 6 Exploration for and Evaluation of Mineral Resources*.

Apart from the above, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

NEW AND AMENDED STANDARDS ADOPTED

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

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

NOTE 2: SEGMENT INFORMATION

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

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

NOTE 3: EXPENSES

	31-Dec-21 $	31-Dec-20 $
Expenses		
Depreciation		
Depreciation – plant & equipment	**39,451**	19,370
Depreciation – leasehold improvements	**1,570**	1,570
Depreciation – right-of-use assets	**117,988**	117,988
Total depreciation	**159,009**	**138,928**
Finance costs		
Interest expense – lease liability	**3,418**	9,156
Interest expense - other	**5,619**	6,610
Total finance costs	**9,037**	**15,766**
Employee benefits expense		
Employee benefits expense	**1,367,883**	**1,514,258**
Share based payments		
Share-based employee benefits	**158,795**	**(8,528)**
Other expenses		
Accounting and other professional fees	**-**	30,533
Audit fees	**21,383**	20,677
Consultants fees	**817,333**	986,002
Insurance	**105,422**	69,434
Legal fees	**142,925**	159,220
Share registry and stock listing fees	**157,716**	83,127
Other expenses	**547,576**	434,032
Total other expenses	**1,792,355**	**1,783,025**
Project Development		
Consultants	**7,953,450**	-
Employee benefits expense	**471,046**	-
Computer Software	**208,622**	-
Other project development costs	**138,436**	-
Total Project Development[1]	**8,771,554**	-
Total expenses	**12,258,634**	**3,443,449**

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

NOTE 4: TRADE AND OTHER RECEIVABLES

	31-Dec-21 $	30-Jun-21 $
Trade and other receivables		
Sundry debtors	**393,413**	948
Goods & services tax paid	**260,031**	65,705
Prepayments	**218,027**	50,697
Balance at end of period	**871,471**	117,350

NOTE 5: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-21 $	30-Jun-21 $
Exploration and evaluation costs carried forward		
Balance at beginning of period	**113,714,145**	107,562,652
Capitalised exploration expenditure	**418,423**	609,746
Capitalised evaluation expenditure[1]	**1,653,629**	6,594,892
R&D Tax Incentive rebate receipted against capitalised evaluation costs	**(379,315)**	(1,053,145)
Balance at end of period	**115,406,882**	**113,714,145**

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

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

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

NOTE 6: EQUITY – CONTRIBUTED EQUITY

	31 Dec 2021 Shares	30 June 2021 Shares	31 Dec 2021 $	30 June 2021 $
Share capital				
Fully Paid Ordinary Shares	**1,550,417,332**	1,170,780,763	**285,859,299**	242,257,542

Movement in ordinary share capital over the past 6 months are as follows:

Date	Details	Number of shares	Issue Price	$
30-Jun-21	**Balance**	1,170,780,763		242,257,542
02-Jul-21	Placement (Tranche 1)	175,617,114	0.12	21,074,054
13-Aug-21	Placement (Tranche 2)	157,716,220	0.12	18,925,946
20-Aug-21	Share Purchase Plan	45,833,235	0.12	5,499,988
08-Nov-21	Exercised Options	470,000	0.12	56,400
	Capital Raising Costs	-	-	(1,954,631)
31-Dec-21	**Balance**	**1,550,417,332**		**285,859,299**

NOTE 7: EQUITY – RESERVES

	31-Dec-21 $	30-Jun-21 $
Reserves		
Share based payments reserve	**12,859,910**	**12,701,115**

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

	31-Dec-21 $	30-Jun-21 $
Share based payments reserve		
Balance at beginning of period	12,701,115	12,638,758
Share based payments expense	158,795	62,357
Balance at end of period	**12,859,910**	**12,701,115**

NOTE 8: SHARE BASED PAYMENTS

a) 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	5,610,000	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[1]	$452,643	$141,873

[1] Figures may not compute due to rounding.

In accordance with *AASB 2 Share Based Payments*, the fair value of the options has been probability weighted at 50% 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.

b) 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).

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
Share price at grant date	0.15	0.21
Exercise Price	Nil	Nil
Fair value per performance right	$0.1449	$0.2172
Total fair value[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*, 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 9: RELATED PARTY TRANSACTIONS

During the period key management personnel were issued with the following options and performance rights:

Key Management Personnel	Options	Performance Rights
Gavin Lockyer (Manager Director)	1,240,000	930,000
Peter Sherrington (Chief Financial Officer)	880,000	940,000
Stewart Watkins (General Manager Projects)	850,000	900,000
Total	**2,970,000**	**2,770,000**

NOTE 10: COMMITMENTS

Since the release of the 30 June 2021 Financial Statements there has been:

- An increase in commitments due to an increase in project development activities related to the commencement of front-end engineering and design and extension of the Company's Perth office lease.
- No significant changes in contingencies.

NOTE 11: EVENTS OCCURING AFTER THE REPORTING DATE

The impact of the COVID-19 pandemic is ongoing and while it has not significantly impacted the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

NOTE 11: EVENTS OCCURING AFTER THE REPORTING DATE (CONTINUED)

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or

b) the results of those operations in future financial years, or

c) the Group's state of affairs in future financial years.

In the Directors' opinion:

a) the financial statements and notes set out on pages 9-19 are in accordance with the Corporations Act 2001; and
   i. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Gavin Lockyer
CEO & Managing Director

Perth
23 February 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arafura Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Arafura Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for conclusion

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

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Director

Perth, 23 February 2022