

HIGHLIGHTS

- **Early works construction on site at the Nolans Project complete, positioning the Company strongly to move into full construction, including:**
 - Completion of main site access road temporary intersection with Stuart Highway, and initial works on the main site access road to the Nolans village and process plant area.
 - Completion of the Amadeus gas pipeline road crossing.
 - Commissioning of stages 1 and 2 of the construction camp to house approximately 200 personnel, including all village central facilities.
 - Installation of village services infrastructure including potable water and wastewater treatment plants.
 - Completion and commissioning of 25km arterial water pipeline, raw water dam, temporary raw water distribution systems and borefield headworks.
- **Engineering, design and procurement progress including:**
 - Completion of 80% of site earthworks design deliverables including process plant, site access road, mine access road and mine infrastructure area.
 - Continued progress by Hatch on the hydrometallurgical plant's detailed design.
 - Hydrometallurgical plant design review completed by Monadelphous as part of early contractor involvement.
 - Completion of beneficiation plant design optimisation investigations by MACA Interquip as part of the early contractor involvement.
- **Nolans Project execution schedule updated during the quarter based on a contractual close target for project funding in March 2024.**
- **Cost trending analysis indicates the capital cost to first production will be approximately A\$1,680 million – an approximate 5.7% increase from the capital cost estimate provided in Arafura's November 2022 Project Update.**
- **Continued advancement of debt facility terms sheet and close engagement with lenders to ensure a robust funding solution for Nolans targeting up to US\$775m of senior debt, excluding cost overrun facility.**

NOLANS NdPr PROJECT

Engineering Design and Procurement

Engineering design and procurement for the Nolans Neodymium-Praseodymium (NdPr) Project (**Nolans** or **the Project**) continued during the quarter as early construction works for the Project were completed.

Activities across the following areas are outlined below:

- Hydrometallurgical plant
- Sulphuric acid plant
- Beneficiation plant
- Power Station
- Non-process infrastructure

Hydrometallurgical Plant

Detailed design by Hatch for the hydrometallurgical plant and associated equipment procurement activities continued during the quarter.

The key focus was completion of aspects of the plant's design to feed into shop detailing of tankage and structural steel, ready for commencement of fabrication and concrete installation in line with the proposed construction schedule developed by Monadelphous as part of early contractor involvement (**ECI**).

The following activities were undertaken or completed during the quarter.

- Finalisation of the majority of Hazard and Operability studies and control narratives for various plant areas to allow commencement of detailed electrical, control and piping design and outline the detailed control and operational philosophy for each area of the plant.
- Procurement of certified vendor data for critical equipment to feed into the detailed design of the plant.
- Reliability modelling and simulation of the hydrometallurgical plant to confirm the design will meet availability design levels.
- Continuation of technical and commercial conformance of supply contracts for mechanical equipment ready to place orders.
- Continuation of detailed concrete, structural and tankage design and commencement of detailed electrical, instrumentation and piping design.
- Updating of material take-offs for bulk materials (concrete, structural steel, piping and electrical bulks) following completion of design across various areas.
- Commencement of shop detailing for tanks and structural steel in readiness for fabrication.
- Hydrometallurgical plant value engineering including:
 - Optimisation of the phosphoric acid purification area following completion of piloting to reduce standard skids and pump skid numbers.
 - Continued optimisation of materials of construction for equipment, tankage and piping to reduce cost.
 - Modification of designs to reduce field fabricated tank numbers and move to offsite fabricated tanks.
 - Use of electrical immersion heaters to reduce steam reticulation and tank complexity.
 - Fire suppression investigation to increase passive fire protection for equipment in solvent extraction areas.

- Change to reverse-flow mixer settlers to reduce piping requirements and improve operational ease.
- Optimisation of cooling tower designs to reduce footprint areas and move to more efficient designs.

Sulphuric Acid Plant

Sulphuric acid plant supplier Chemetics completed preliminary engineering during the quarter to confirm the design and scope of supply. Detailed engineering and procurement by Chemetics is now on hold pending the outcome of project funding activities. Hatch also substantially completed the detailed design on the wraparound plant during the quarter.

Beneficiation Plant

MACA Interquip (**Interquip**), selected as the preferred contractor for the engineering and construction of the beneficiation plant, completed an ECI phase to investigate potential design optimisations identified during the tendering process. This ECI phase resulted in optimisation of the plant's design to ensure cost effectiveness, operability and maintainability.

Power Station

The company commenced a preliminary engineering phase with APA Group (**APA**) following APA's selection as the preferred independent power provider for power and steam generation at Nolans. APA commenced detailed specification and design during the quarter, based on GE's aeroderivative gas turbine technology complete with heat recovery steam generation. This preliminary engineering confirmed the required implementation schedule and optimised the design for capital effectiveness while maintaining operational requirements for electrical and steam availability, including once renewable power generation is progressively added to the Nolans energy mix.

Non-Process Infrastructure

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

- Completion of 80% of site earthworks design deliverables including process plant, site access road, mine access road, mine infrastructure area and explosives storage.
- Commencement of engineering modelling and design for the diversion of Kerosene Camp Creek, including meetings with the Northern Territory Government's Department of Environment, Parks and Water Security (**DEPWS**) to outline process and detail expectations for the Company's submission of an application for the relevant permit.
- Other engineering focused on village utilities and their respective interfaces where services are provided by multiple vendors (i.e., water, wastewater, power and communications).
- Receipt of a draft process plant geotechnical interpretive report, now under review for incorporation into design.
- Ongoing tender submission reviews, contract negotiations and delivery evaluation for packages including:
 - Site communications and ICT
 - Temporary facilities
 - Concrete batch plant
 - Modular buildings, including the site offices and other buildings
 - Steel framed buildings, including the workshop and fixed plant warehouse
 - Permanent operations village.

Borefield A, B and C engineering designs were placed on hold during the quarter pending development of findings and assessment from the initial production and monitoring bore drilling program.

Construction

Early construction activities were largely completed during the quarter, including:

- Completion of the site access road connecting the Stuart Highway to the Nolans village and process plant area, including an initial 4km constructed to full width subgrade level and completion of the Amadeus gas pipeline road crossing.
- Completion of a first stage temporary site access road intersection with the Stuart Highway, in accordance with the Northern Territory Government's Department of Infrastructure Planning and Logistics specifications.
- Batch plant bulk earthworks and construction of process plant laydown hardstands.
- Completion of the shallow groundwater monitoring bores and installation of bores around the mining area, including pit wall geotechnical bores.
- Commissioning of stages 1 and 2 of the construction camp to house approximately 200 personnel, including all village central facilities.
- Mobile batch plant mobilised with concrete installed for a number of work fronts including water treatment plants, gas pipeline crossing, and highway intersection culverts.
- Installation of village services infrastructure to support construction camp use, including potable water and wastewater treatment plants; commissioning on hold to commence prior to camp occupation.
- Fabrication of the village site main switchboard and temporary generator switchboard to connect the village to local generating sets.
- Completion and commissioning of the raw water dam and temporary raw water distribution systems.
- Completion and commissioning of the site's 25km arterial water pipeline and borefield headworks, delivering water to the raw water pond.
- Fencing of site facilities.

The images on the following pages illustrate the progress of these and other site activities during the quarter.



Figure 1: Aerial view of the Nolans Project village area, construction camp stages 1 and 2 at left, August 2023



Figure 2: Nolans Project construction camp facilities, August 2023



Figure 3: Water storage tank and pump infrastructure installation, August 2023



Figure 4: Aerial view of the Nolans Project site access temporary intersection with Stuart Highway, September 2023



Figure 5: Completed site raw water storage dam, September 2023



Figure 6: Process plant laydown area and concrete batch plant bulk earthworks complete, September 2023

TECHNOLOGY DEVELOPMENT

During the quarter some minor test work programs were completed, providing key design information and confirmation of performance predictions for the processing plant. These included:

- Ongoing corrosion test work on the materials of construction for the rare earth sulphate precipitation reboiler.
- Modelling of the phosphoric acid purification using vibratory shear enhanced processing technology to determine the final configuration and performance of the process.

CAPITAL COST TRENDING

Detailed capital cost estimates for the Project are contained in the November 2022 Project Update (refer to ASX Announcement dated 11 November 2022), which was the last first principles estimate for the project provided to the market. Since publication of those estimates, the Company has undertaken (and continues to undertake) trending analysis and forecasting of the major costs associated with delivering the Project. Following the award of major contracts and significant engineering and procurement progress for Nolans, Arafura's capital cost trending indicates that the capital cost to first production is likely to be approximately A\$1,680 million (**Capital Cost**). Currently, this represents an approximate 5.7% increase from the A\$1,590 million estimate provided in the November 2022 Project Update. At this stage, the Company does not consider the increase to be material in the context of the overall capital cost associated with the Project, but thought it was prudent to inform the market about the current trend analysis.

The Capital Cost trending analysis includes:

- Trending adjustments to cost estimates provided in the November 2022 Project Update, including:
 - Engineering and consultant cost increases for various packages.
 - Movement in prices for equipment and other contract packages as a result of final tendering.
 - Increases in costs driven by variations to work being undertaken (e.g., camp installation costs, earthworks costs from rock excavation, increased unanticipated water haulage costs).
 - Movements in costs due to engineering changes, resulting from changes to duty requirements or addition/removal of equipment or bulk quantities.
 - Project insurance re-pricing.
 - Changes to time-based 'level of effort' costs due to schedule slippage.
 - Savings through engineering (e.g., skid mounting), methodology (e.g., pre-cast concrete) and design changes (e.g., changing tank dimensions to allow for off-site fabrication) realised as part of the various ECI processes undertaken with Monadelphous and others.
- Purchase costs for the permanent accommodation village, which was assumed to be under a build, own, operate arrangement in the November 2022 Project Update.
- Contingency (unchanged).
- Incurred and forecast sunk costs relating to procurement, engineering and construction from March 2023 to February 2024.

The Capital Cost trending excludes:

- Actual and forecast expenditure that has not reduced estimated completion costs, such as owner's team overheads, temporary facility leasing costs and construction camp leasing costs, from March 2023 through to the targeted commencement of main construction.
- Pre-production costs including mining, labour, spares and inventory.
- Project overheads including levies, insurances and other payments.

- Allowances for escalation.
- Working capital and financing costs.
- Corporate overheads.

Given the 12-month period since the Nolans Project Update (Refer to ASX Announcement dated 11 November 2022) was released, the Capital Cost trend estimate is substantially in line with expectations and does not indicate a material change to the Capital Cost of the project. The Company continues to monitor the Capital Cost trend estimate and its impact on the Project.

PROJECT SCHEDULE

The key factor impacting the Nolans delivery schedule remains the progress of ongoing project funding activities. A number of funding activities continue to advance as detailed in the Project Funding section of this report.

The Company is targeting finalisation of project funding activities in the first quarter of 2024 and will provide the market further guidance regarding the Nolans schedule in relation to full construction and commissioning works once the funding timeline becomes more certain.

An updated high-level indicative schedule for the Project is provided in Figure 7. This schedule has been updated to reflect the assumed finalisation of project funding activities and incorporates an updated schedule for hydrometallurgical plant construction prepared by Monadelphous as part of its ECI works, along with updated delivery times received from equipment suppliers.

Key aspects of the schedule include:

- Continuation of hydrometallurgical plant detailed design, supported by procurement of certified vendor data where required, to further advance engineering ahead of fabrication and construction.
- Continuation of ECI works with Monadelphous and Interquip to allow for better integration of construction into design elements and optimisation of construction methodology.
- Commencement of main construction in March 2024 starting with bulk earthworks for the process plant site and moving promptly into process plant construction after approximately two months.
- Acceleration of equipment procurement in March 2024, driving the critical path for the Project's commissioning.
- Extended operational readiness planning commencing in Q4 2023 ahead of operational mobilisation in 2025.

The schedule is indicative only and subject to change, and is contingent on funding, offtake activities, completion of construction and development, commissioning and general market conditions.

OPERATIONAL LICENCING

Amendments to the Project's water licence (L10013) to identify the current monitoring bore network were approved by DEPWS during the quarter. The updated licence details are available via Arafura's website.

Also, during the quarter, a Sacred Site Clearance Certificate (**SSCC**) application covering two additional groundwater monitoring bores was approved by the Central Land Council after being submitted in May.

A remaining SSCC for an annexure to the Nolans Project's Native Title Agreement (**NTA**) is expected to be issued once the NTA annexure is finalised.

An Aboriginal Areas Protection Authority (**AAPA**) Authority certificate for the project submitted in June and updated in July remains under assessment, delayed pending a decision by AAPA as to whether borefield groundwater drawdown should be taken into account for the certificate. A meeting with AAPA is scheduled early in the coming quarter. Following finalisation of the current NTA Annexure, Arafura will apply for the issuance of a second AAPA certificate to cover the recent NTA additions.

Environmental management plans submitted to the Federal Government's Department of Climate Change, Energy, and Environment and Water (**DCCEEW**) under the project's existing EPBC approval conditions remain under assessment.

SUSTAINABILITY

During the quarter, work began on defining a new level of maturity in Arafura's approach to sustainability reporting, including the definition of eight key 'elements' that form the Arafura sustainability ecosystem. These elements are tailored to our business, underpinned by our vision and values, and informed by globally recognised sustainability frameworks.

The sustainability elements will provide a framework for this year's Sustainability Report, which will be released in the coming quarter. This year's report will include increased narrative regarding Arafura's FY23 sustainability performance and disclosures that have evolved from the World Economic Forum's Measuring Stakeholder Capitalism framework (adopted in previous sustainability reports) towards the widely recognised Global Reporting Index (GRI) standards.

The FY23 report is being prepared 'with reference' to the GRI Standards framework, with the objective of working towards reporting 'in accordance' with GRI in the future.

In parallel with preparation of the Sustainability Report, work continued during the quarter toward completion of a detailed self-assessment against the GRI and IRMA Ready (currently in draft form) standards. This process supports Arafura to identify and articulate compliance with standard requirements and disclosures, clarify gaps and develop an action plan for gap closure.

Energy and Emissions Reduction

Arafura continued engagement with the CSIRO's Renewable Heat and Industrial Decarbonisation Group during the quarter on the Group's ongoing assessment of renewables implementation for the Nolans Project, focussed on thermal generation and storage.

The Company also provided input into early works for the Project's power solution to ensure alignment between the proposed solution and Arafura's published Greenhouse Gas Emissions Reduction Pathway.

Arafura also progressed discussions with DCCEEW and the Clean Energy Regulator on how best to establish an appropriate safeguard mechanism baseline for Nolans.

Domestic Stakeholder Engagement

During the quarter, the Company continued ongoing engagement activities with Project stakeholders including the Northern Territory government, local communities and environmental groups.

Local pastoralists were notified of groundwater sampling and infrastructure verification in some of the monitoring and pumping bores across the Nolans project area. This engagement included station managers from Aileron, Napperby and Pine Hill stations, along with a notification to NT Power Water to enable access to the bore and water plant used for water supply in Laramba.

Significant progress was made during the quarter on the development of Arafura's workforce development program, which will be established as part of the Company's Local and Indigenous Workforce Development Plan. Both documents are informed by consultation with government at all levels, along with education and training providers, employment service providers, community representative groups, and commercial and government entities. Activities undertaken during the quarter as part of this program of engagement included individual and small group meetings, community consultation sessions and a series of workshops in Alice Springs and Darwin.

EXPLORATION

Nolans

During the quarter the Company progressed development of an updated exploration strategy focussed on:

- Improving the understanding of the underpinning geological processes associated with the formation of the Nolans orebody to build a conceptual model for the deeper Nolans mineralisation, demonstrated to exist to greater than 400m below surface by the drilling campaign completed in 2019 (refer to ASX announcement dated 9 March 2020).
- Developing an understanding of shallower extensions to the Nolans orebody and exploring potential for other resources to be defined close to Nolans. Key to this work is an expanded gravity survey focused on known exploration targets near Nolans, which was largely completed during the quarter. It is anticipated that the processing of this gravity survey will be undertaken during late 2023 and early 2024.
- Mapping of the existing exploration tenements held by the Company to identify other potential mineralisation, with an initial focus on rare earths and due consideration to other mineral potential.
- Review of other rare earths exploration activities with a view to developing a better long-term understanding of potential targets for exploration and business development.

MACROECONOMIC DEVELOPMENTS

NdPr Market

The NdPr oxide price increased 13.5% during the quarter from US\$63 per kg to US\$72 per kg, improving from a 17% decline in the previous quarter. Inflationary pressure has negatively impacted consumer confidence and spending on consumer electronics and appliances – representative market sectors with significant end use demand for NdFeB magnets – resulting in the ongoing weakness of rare earth prices since start of the calendar year. Seasonal restocking and concluding of procurement contract renegotiations following the European holiday period may support firmer pricing in the near term. Heavy rare earth prices have been well supported, with disruption of supply from Myanmar being somewhat offset by a modest lift in China’s H2 production quota up 10% against the same period last year. The potential reduction of concentrate exports to China from MP Materials as it begins commissioning of its separation facility may also support firmer pricing.

Global EV sales remained relatively flat during the quarter despite total vehicle sales improving, signalling a decline in the EV penetration rate. The penetration rate is likely to improve as China’s 2024 to 2025 exemption on the purchase tax for EVs increases, improving EV affordability in the world’s largest market.

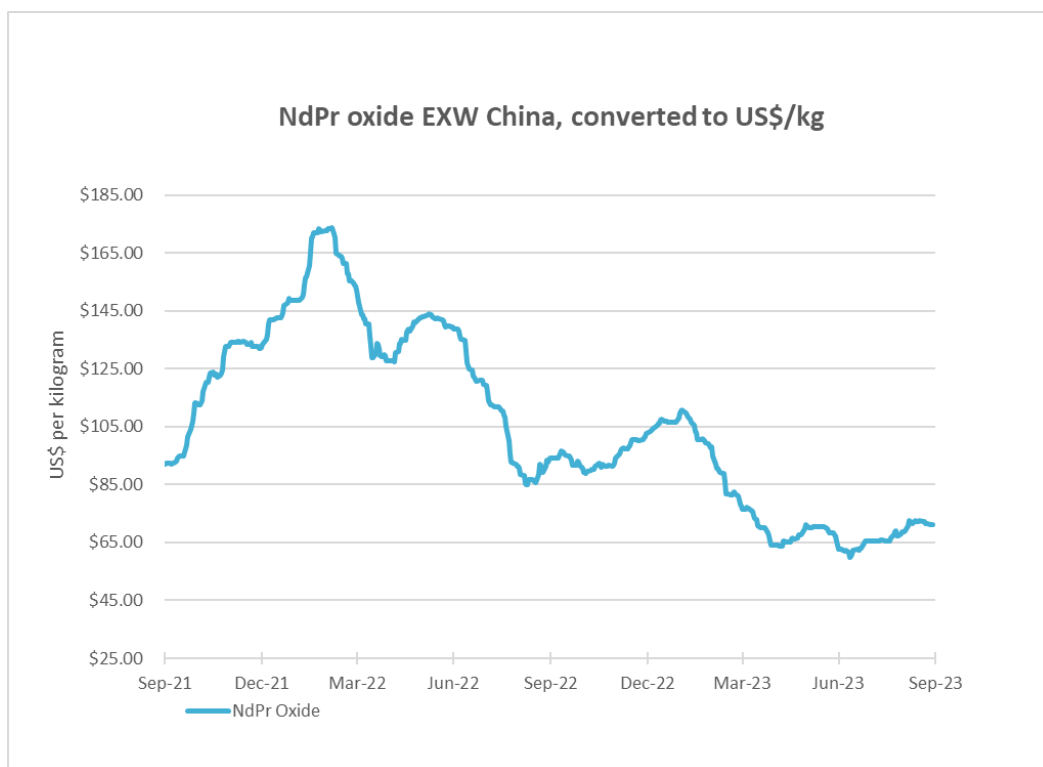


Figure 8: NdPr oxide price EXW China (inclusive VAT) converted to US\$

OFFTAKE AND PROJECT FUNDING

Offtake

The company continues to advance its negotiations with several prospective offtake partners to close-out the approximately 47% remaining of the Company's target of 85% of annual NdPr production from Nolans to be contracted under long-term sale agreements. Negotiations cover a prospective volume of product that exceeds the 4,440tpa design capacity of Nolans. The Company continues to seek offtake arrangements for the Project that best align with broader funding objectives – specifically indicative support provided by export credit agencies (ECAs) including Germany's Euler Hermes.

In alignment with Arafura's strategic offtake approach, remaining negotiations are with tier 1 manufacturers and OEMs in the motor vehicle and wind turbine sectors – all highly credible groups with direct raw material procurement requirements.

Project Funding

Arafura has several key funding activities running concurrently, including debt funding negotiations, strategic equity investment discussions and domestic and international ECA engagement. Debt financing is conditional on completion of due diligence and satisfaction of customary conditions precedent.

During the quarter Arafura continued to advance discussions for the Nolans debt facility terms sheet with key agencies and the Project's mandated lead arrangers. Cost and timetable pressures experienced by other projects in the Australian mining sector have placed increased external emphasis on capital cost estimates and ramp-up schedules, and the Company has been working closely with the Project's commercial lenders and their advisers to ensure that the funding solution for Nolans is robust, with increased focus on contingency and a cost overrun facility. This has impacted the funding schedule.

The Company is:

- Working to assist potential lenders to complete lenders' due diligence in relation to technical, legal, environmental and sustainability aspects of the Project in conjunction with the lenders' independent technical experts;
- Targeting completion of commitment letters and credit approved terms sheet with project financiers by Q1 2024.

In addition to debt funding, the Company will also conduct an equity raising to complete the funding required to enable construction, commissioning and first production at Nolans.

The framework for project financing is aligned with non-binding letters of support that are currently in place, as well as those that the Company is continuing to negotiate. The table below outlines the indicative funding structure for Nolans from international and domestic Export Credit Agencies (ECAs) and banks to date.

| Agency | Amount | Description | Status |
|---|---------|-----------------------|---|
| Debt Facilities | | | |
| Export Finance Australia (EFA) | A\$200m | US\$225m ² | Debt financing |
| Northern Australia Infrastructure Facility (NAIF) | A\$150m | | Debt financing |
| | | | Letter of support received & completion of strategic assessment |

| | | | |
|--|-------------------------------|-----------------------|-------------------------------|
| Export Development Canada (EDC) | US\$300m | Debt financing | Letter of Interest received |
| Commercial bank tranche | Up to US\$250m ³ | Debt financing | In discussion |
| Total | Up to US\$775m | | |
| Untied Loan Guarantees | | | |
| German ECA - Euler Hermes Aktiengesellschaft | Up to US\$600m ⁽¹⁾ | Untied loan guarantee | In-principle support received |
| Korean ECA support | To be confirmed | Untied loan guarantee | In discussion |

(1) Euler Hermes loan guarantee amount subject to offtake agreements sufficient to support the loan guarantee.

(2) A\$200m (EFA) and A\$150m (NAIF) combined and converted for comparison purposes only at AUD/USD 0.6428

(3) Commercial bank tranche will be driven by untied loan guarantee support available from ECAs.

Table 1: Indicative Debt Facilities

The Project's ore-to-oxide business model broadly aligns with both EFA and NAIF's strategic considerations, and the objectives of the Australian Federal Government's Critical Minerals Strategy 2023-2030, released in June. The debt financing opportunity with EDC is aligned with NdPr offtake being negotiated under the Memorandum of Understanding with GE Renewable Energy (refer to ASX Announcement dated 12 July 2022). The commercial bank tranche will be driven by the level of untied loan guarantee support available from ECAs, and other factors. The ECA untied loan guarantee from Euler Hermes is linked to offtake with Siemens Gamesa Renewable Energy and other potential supply chain opportunities currently being negotiated with prospective German offtake partners. Euler Hermes has confirmed the transaction was presented to the Inter-ministerial Committee (IMC) in October and that the IMC approved the transaction to proceed to the next stage of the approval process. The Company is also engaged with Korean ECAs where offtake has already been secured and company-level investment is being considered.

Arafura is targeting contractual close of debt financing in the first quarter of 2024 based on feedback from groups the Company has engaged for debt financing. The Company notes that the level of offtake and untied loan guarantees to support the commercial bank tranche are likely to be less than the Euler Hermes in-principle support amount of US\$600m. Additional ECA support from Korea is being targeted as part of the final funding structure. Contractual close for the Nolans debt facilities will be subject to, among other things, securing the equity required to fully fund the Project.

The Company will provide further details about project funding arrangements for the development of the Project as and when binding agreements are entered into.

CORPORATE

Cash Position

On 30 September 2023, Arafura had cash reserves of \$75 million. During the quarter, the Company spent ~\$0.7 million on exploration and evaluation activities, ~\$3.5 million on corporate, administration and business development costs and ~\$46.1 million on project development activities including detailed engineering and development work at site. Further details are available in the attached Appendix 5B.

Average monthly cash expenditure for the quarter ended 30 September 2023 was ~\$16.8m – an increase from the previous quarter as the Company progressed early construction activity at the Nolans Project.

31 October 2023 | **ASX Announcement**

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B



Payments of \$264,000 reported in Item 6.1 of the attached Appendix 5B relate to salaries, fees and superannuation paid to Directors.

Tenements

In accordance with ASX Listing Rule 5.3, please refer to Appendix 1 for a listing of all tenement holdings.

Forward Looking Statements

This report includes forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "will", "progress", "anticipate", "intend", "expect", "may", "seek", "towards", "enable" and similar words or expressions containing same.

The forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to the Company, or any of its affiliates or persons acting on its behalf. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Neither the Company nor any other person gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. To the maximum extent permitted by law, the Company and each of its advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise.

Production Targets and Forecast Financial Information

The information in this report that relates to production targets and forecast financial information (in relation to the capital cost estimate of A\$1,590 million) is extracted from the Company's ASX Announcement dated 11 November 2022 (Nolans Project Update). The production target is based on 12% Proved Reserves, 62% Probable Reserves and 26% inferred resources as reported in the Company's ASX Announcement dated 11 November 2022. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. Arafura confirms that, other than as set out in this report, all material assumptions underpinning the production target and forecast financial information derived from the production target set out in the Company's ASX Announcement dated 11 November 2022 (including any assumptions referred to in the Company's ASX Announcement dated 11 November 2022 that were sourced from the DFS as set out in the Company's ASX Announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) or from the Updated Mining Study as set out in the Company's ASX Announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project), continue to apply and have not materially changed.

APPENDIX 5B

Mining exploration entity and oil and gas exploration entity quarterly report

| | |
|-------------------------|--|
| Name of entity | |
| Arafura Rare Earths Ltd | |
| ABN | Quarter ended ("current quarter") |
| 22 080 933 455 | 30 September 2023 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | - | - |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation | - | - |
| | (b) development | (46,150) | (46,150) |
| | (c) production | - | - |
| | (d) staff costs | (1,280) | (1,280) |
| | (e) administration and corporate costs | (3,543) | (3,543) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 793 | 793 |
| 1.5 | Interest and other costs of finance paid | (120) | (120) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other | - | - |
| 1.9 | Net cash from / (used in) operating activities | (50,300) | (50,300) |

| | | | |
|------------|---|----------------|----------------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire: | | |
| | (a) entities | - | - |
| | (b) tenements and bonds | - | - |
| | (c) property, plant and equipment | (80) | (80) |
| | (d) exploration and evaluation | (658) | (658) |
| | (e) investments | - | - |
| | (f) other non-current assets (environmental bond and term deposit) | (1,546) | (1,546) |
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other | - | - |
| 2.6 | Net cash from / (used in) investing activities | (2,284) | (2,284) |

| | | | |
|-------------|---|----------------|----------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (repayment of lease liabilities) | (1,057) | (1,057) |
| 3.10 | Net cash from / (used in) financing activities | (1,057) | (1,057) |

| | | | |
|------------|--|---------------|---------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 128,848 | 128,848 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (50,300) | (50,300) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (2,284) | (2,284) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (1,057) | (1,057) |
| 4.5 | Effect of movement in exchange rates on cash held | (140) | (140) |
| 4.6 | Cash and cash equivalents at end of period | 75,067 | 75,067 |

| | | | |
|------------|---|------------------------------------|-------------------------------------|
| 5. | Reconciliation of cash and cash equivalents | Current quarter \$A'000 | Previous quarter \$A'000 |
| | at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | | |
| 5.1 | Bank balances | 75,855 | 19,587 |
| 5.2 | Call deposits | 212 | 109,261 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 75,067 | 128,848 |

| | | |
|-----------|---|------------------------------------|
| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
| 6.1 | Aggregate number of payments to related parties and their associates included in item 1 | (264) |
| 6.2 | Aggregate number of payments to related parties and their associates included in item 2 | - |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Salaries, fees and superannuation of Directors of the Company.

| 7. | Financing facilities Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity. | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|-----------------|---|---|--|
| 7.1 | Loan facilities | - | - |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | Total financing facilities | - | - |
| 7.5 | Unused financing facilities available at quarter end | | - |
| 7.6 | Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |
| Not applicable. | | | |

| 8. | Estimated cash available for future operating activities | \$A'000 |
|-----------|--|----------------|
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (50,300) |
| 8.2 | (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | (658) |
| 8.3 | Total relevant outgoings (item 8.1 + item 8.2) | (50,958) |
| 8.4 | Cash and cash equivalents at quarter end (item 4.6) | 75,067 |
| 8.5 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 | Total available funding (item 8.4 + item 8.5) | 75,067 |
| 8.7 | Estimated quarters of funding available (item 8.6 divided by item 8.3) | 1.5 |
| | Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7. | |
| 8.8 | If item 8.7 is less than 2 quarters, please provide answers to the following questions: | |
| | 8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| | <p>Answer: No. Relevant outgoings for the September quarter totalled \$50.1 million, which included cash flows from operating activities for the September quarter including \$46 million of payments for development costs. The level of expenditure incurred on development costs is attributed to the significant amount of early works activities completed at the Nolans site across the June and September 2023 quarters. Development costs in the September 2023 quarter included:</p> <ul style="list-style-type: none"> ▪ Installation and commissioning of a 48-person fly-camp. ▪ Installation and commissioning of the first two phases of the construction camp which can accommodate approximately 200 people. ▪ Installation and commissioning of a 25km pipeline between the borefield and process plant. ▪ Completion of the raw water pond at the plant site and pipeline to the village. <p>A substantial proportion of development costs were incurred during the quarter with the objective of preparing the Nolans site for main construction. Significant activities on site have now ceased with future on-site development costs to commence when the Company has advanced the Nolans debt</p> | |

| | |
|--|--|
| | facilities and project equity initiatives (see 8.8.2 below). Forecast cash outflows for development costs will be lower in subsequent quarters until such time as the Company is in a position to commence main construction. |
| | 8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? |
| | <p>Answer: Yes. As noted above, Arafura continues to progress its debt-led funding strategy and project equity initiatives with potential offtake partners, strategic investors and key institutional investors. Arafura has several key funding activities running concurrently, including debt funding, strategic equity investment and export credit agency engagement in several regions.</p> <p>Completion of the overall funding strategy is conditional on completion of a successful due diligence process, agreement of terms and conditions, credit approvals, entry into binding facility agreements and general market conditions.</p> <p>Please refer to the Project Funding section of Arafura's September 2023 Quarterly Report for a full description of current project funding activities.</p> <p>Depending on the rate of progress of the debt funding strategy and project equity initiatives for Nolans, and on market conditions and investor demand, Arafura may seek to raise additional/interim equity to assist in continuing development activities at Nolans while the main funding package is being progressed.</p> |
| | 8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? |
| | <p>Answer: Yes. Arafura expects to be able to continue its operations and to meet its business objectives on the basis of lower cash outflows forecast whilst the Company progresses the project debt and equity funding initiatives outlined in 8.8.2.</p> |
| | Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered. |

COMPLIANCE STATEMENT

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2023

Authorised by: The Audit Committee

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

Notes

- (1) This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- (2) If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- (3) Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- (4) If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- (5) If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

APPENDIX A – MINING TENEMENTS HELD AS AT 30 SEPTEMBER 2023

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