

ASX Announcement

Quarterly Activities Report and Appendix 5B

30 September 2019

Highlights

- **Acceleration of engineering activities and technology programs**
- **NT EPA assesses Section 14A variation to include rare earth separation at Nolans and confirms changes fit within with the original approval conditions**
- **The Nolans site is the only permitted site in Australia covering rare earths mining, beneficiation, extraction and separation, including waste management from all processes**
- **Drilling and metallurgical programs commence aiming to extend the Nolans mine life beyond 23 years**
- **Second Memorandum of Understanding (MoU) signed for NdPr Oxide product with Baotou Tianhe Magnetics Technology Co.**
- **Arafura engages with Australian Government bureaucrats and Ministerial advisors, and a number of foreign embassy representatives in Canberra**
- **Austrade advances a Critical Minerals Initiative between Australia and the U.S. to secure a stable and reliable supply of critical minerals**
- **Talaxis to provide assistance with project funding, product marketing services and logistics services**
- **Cash position of \$24.9 million following the completion of fully underwritten entitlement offer for \$23.2 million in July**
- **Arafura accesses additional funds through the receipt of \$1.5 million R&D Rebate in October**

Nolans NdPr Project

Execution Readiness

Execution readiness activities continued during the quarter with the following undertaken or underway:

- Finalisation of the project execution framework further developing the execution plan outlined in the Nolans definitive feasibility study (DFS);
- Further development of the project execution control budget and schedule based on the cost estimate and schedule developed in the DFS, with these to be finalised in Q4 CY2019;
- Development of scopes of work and tender documentation for the key contract packages for project delivery, with these to be finalised in Q4 CY2019; and
- Engagement with legal and insurance support to develop draft contracts for the key contract packages for project delivery.

As part of finalising the project execution framework the following key changes have been made to the strategy for the delivery of the project:

- Separation of the process plant package into four separable portions (beneficiation plant, hydrometallurgical plant which includes extraction and separation plant areas, sulphuric acid plant and overall process control system) to allow selection of more appropriate contractors and contract structures for each of these packages;
- Inclusion of the non-process infrastructure management scope into the integrated project management team scope of work (SOW) to remove a doubling up of roles and responsibilities; and
- Incorporation of a pre-front end engineering and design (FEED) SOW into the execution readiness phase to incorporate final design adjustments coming from the final stages of process plant piloting and to establish clear design requirements and standards in preparation for FEED.

This pre-FEED SOW has been awarded to Hatch Pty Ltd (Hatch) with most of the team having been involved with the completion of the DFS. The SOW includes the development of the design basis, process design criteria, key design specifications and philosophies, preferred equipment lists and overarching project standards. Hatch have commenced work on the pre-FEED SOW with anticipated completion in Q1 CY2020.

Tendering

During the quarter expressions of interest were called from prospective tenderers for the following key contract packages:

- Integrated project management team;
- Beneficiation plant; and

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- Hydrometallurgical plant.

Submissions have been received and the Company is in the process of reviewing them and short-listing contractors for tendering. It is anticipated that tender documents will be issued during Q4 CY2019 in line with the project development timeline (Table 1) presented below. The sulphuric acid plant and overall process control system packages will be tendered at a later stage once the contractors are selected for the other packages.

Technology Programs

A beneficiation variability test work program is currently underway at Nagrom's mineral processing facility in Perth. The primary suite of variability tests traversing the selected variability samples includes core samples from the current Nolans drilling program (Figure 1). The program includes material types that were included in the DFS upside case production schedule but excluded from the base case production schedule based on Ore Reserves only (*refer to ASX announcement 7 February 2019 and the Nolans Definitive Feasibility Study Summary Report*). The objective of the program is aimed at potentially increasing the project's mine life beyond the 23 years envisaged in the DFS. The beneficiation variability test program is expected to be completed in Q4 CY2019.

A test work program to optimise phosphoric acid purification by ion exchange is currently underway at the Australian Nuclear Science and Technology Organisation (ANSTO). A review of the DFS identified opportunities for reducing the capital and operating costs associated with uranium and thorium removal from the phosphoric acid product. A significant portion of this program was conducted in Q3 CY2019 with testing expected to be completed in Q4 CY2019.

ALS Global has been engaged to conduct a program of corrosion coupon testing to investigate general corrosion for materials of construction throughout all key areas of the extraction plant where metals are in contact with process liquor. This coupon testing is expected to be completed in Q1 CY2020 with results available for FEED.

A formal SOW has been issued for the rare earth separation pilot program, the seventh and final stage of Arafura's flowsheet piloting program. Completion of testing and key results from this program are expected in Q1 CY2020. Arafura completed substantial test work for rare earth separation at ANSTO during 2008-2010 and pilot plant trials for continuous testing of solvent extraction circuits were completed at ANSTO in 2012. Data from the 2012 trials were used as the basis for the separation plant capital and operating cost estimates for the DFS. Data and information from the upcoming program will be available for inclusion in the final basis of design documents for FEED. NdPr oxide samples from the separation pilot will be made available to customers for product qualification purposes.

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Figure 1: Drill core from Nolans Bore South East Zone (left) and flotation variability test work at Nagrom mineral processing facility (right)



Mining Licence

The four Mineral Lease (ML) applications for the Nolans Project remain in place over the mine, the process plant, the tailings and residue storage area, and the accommodation village. These applications will progress to grant when Arafura provides an executed Native Title agreement.

Progress continues to be made with negotiating the agreement with Native Title holders over the Nolans Project area through the Central Land Council (CLC). Arafura is confident the Native Title holders are keen to conclude an agreement and has provided the CLC with a draft agreement and a proposed compensation regime. Discussions with the CLC have been positive to date and both groups are working to a previously agreed schedule for the negotiations.

During Q3 CY2019 Arafura met with the newly appointed Chief Executive Officer of the CLC. The purpose of the meeting was to discuss a range of matters related to Nolans with emphasis on the opportunities for long term community benefits.

Environment

As previously reported, overall environmental and project development approvals were secured for the Nolans Project in May 2018 (*refer to ASX announcement 14 May 2018*). As a consequence of the decision taken by the Company to locate the rare earth separation plant at the Nolans site (*refer to ASX announcement 7 November 2018*), Arafura prepared and lodged a Section 14A (s14A) variation under Northern Territory environmental regulations to ensure the planned changes would be compliant with the original approval conditions. The s14A variation also included several configuration changes that had been incorporated into the DFS. The Northern Territory Environment Protection Authority (NT EPA) have assessed the variation application and no new or additional conditions to the project's environmental approval are required. The Nolans site is now the only permitted site in Australia covering rare earths mining, beneficiation, extraction and separation, including radioactive and other waste management from all processes (Figure 2).

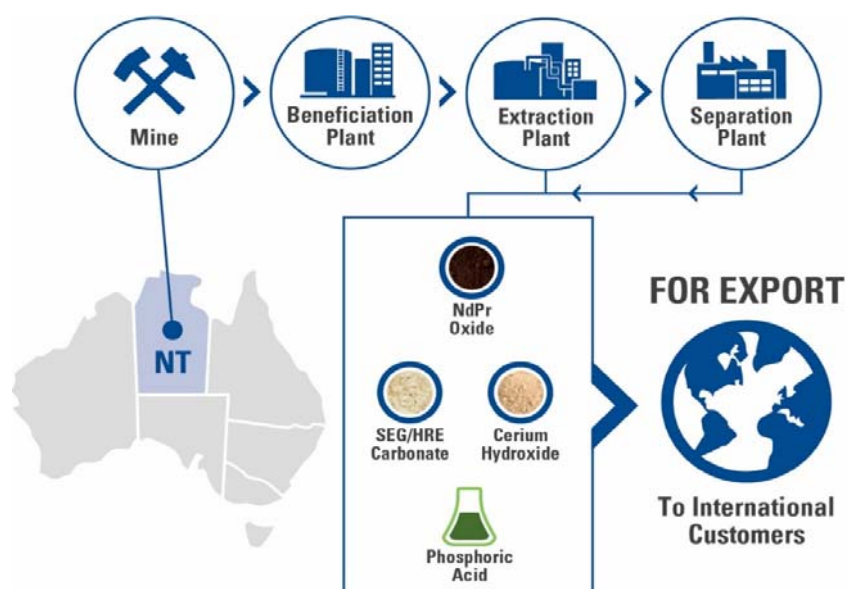
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All documents relating to environmental approval for the Nolans Project, including the s14A notification and assessment, can be accessed via Arafura's website at <https://www.arulld.com/projects/nolans/eis.html>.

Work continued on the groundwater extraction license application for the project's water supply during the current quarter. The application provides for contingency supply and a management framework for the borefield operation. Additionally, the updated water license application identifies a pathway to provide a high level of confidence in the aquifer modelling that has been prepared to ensure compliance with the project's environmental approval conditions. This work has taken longer than anticipated but is nearing completion and the application will be lodged in Q4 CY2019.

Work on the project's Mining Management Plan (MMP) continues. Draft management plans have been prepared incorporating actions and strategies that will manage impacts to the environment. The MMP is being prepared with reference to the impact Assessment Report issued by the NT EPA as part of the project's environmental approval process. The MMP will be lodged with the Northern Territory Department of Primary Industry and Resources in Q1 CY2020.

Figure 2: Nolans is 100% Australian domiciled and permitted for mining, beneficiation, extraction and separation at a single site



Exploration

Nolans (Rare Earths)

Drilling at the Nolans Bore deposit, which commenced in late-September, comprises up to nine inclined diamond core holes for a planned total of 2,120 metres. Five of the holes are being drilled across the Southeast Zone of the deposit (Figure 3) into shallow resources where there is limited or no drill core currently available. These infill resource definition holes are being cored from surface to final depths of between 70 and 120 metres to confirm material types, refine resource modelling and better inform mine planning. Indicated Resources in this part of the deposit have previously been estimated primarily on reverse circulation (RC) drilling.

Core samples from these five holes are being used in the metallurgical program being completed at Nagrom's mineral processing facility in Perth (Figure 1).

The other four core holes in the program are designed to target deep extensions of NdPr-rich mineralisation 100-200 metres beneath the final mining pit in the deposit's North and Southeast zones. Final depths for these drill holes are planned to lie in the range 350-500 metres. The Company expects to report assay results from this drilling in the early part of 2020.

The Company has also brought forward a small geotechnical drilling program originally scheduled for 2020 to confirm the suitability of rocks near the project site for construction materials.

As at the date of this report, more than 75% of the Nolans drilling program had been completed, including all five infill resource definition holes and three of the four deep exploration holes.

Figure 3: Nolans Project Ore Reserves (red) and other Mineral Resources (yellow)

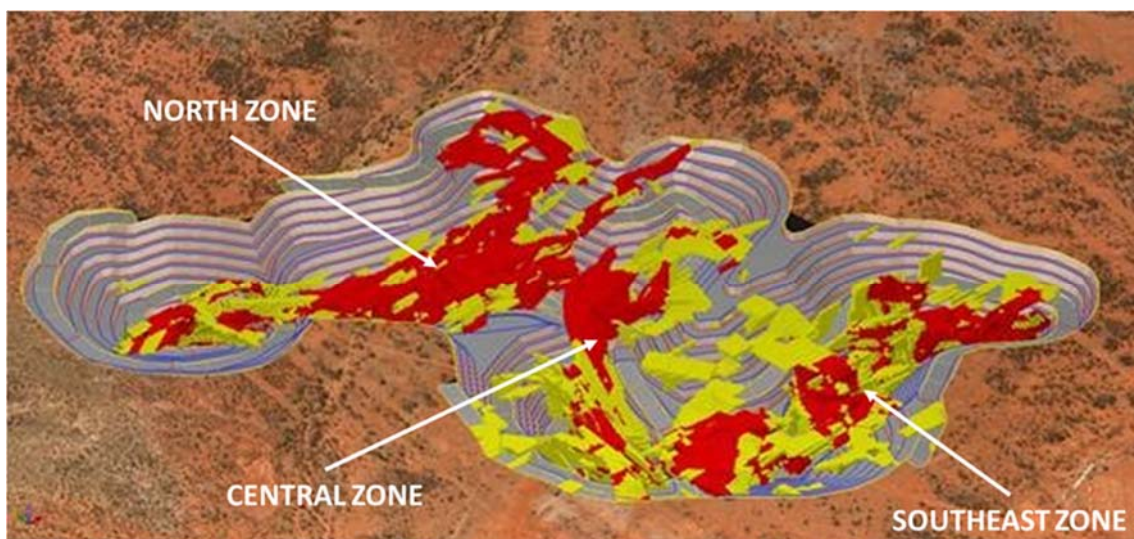
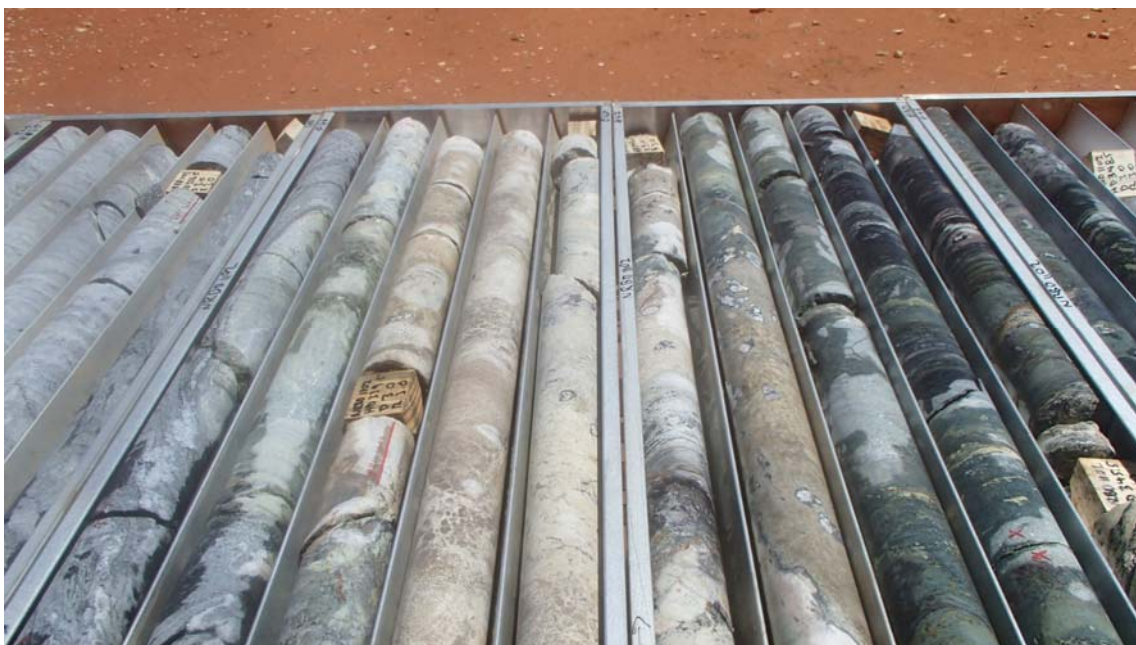


Figure 4: United Drilling Services rig at the Nolans Bore deposit



Figure 5: Apatite-rich mineralization in drill core from deep exploration hole NBDH102 at Nolans Bore



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Bonya Joint Venture (Tungsten; Base and Precious Metals; Vanadium)

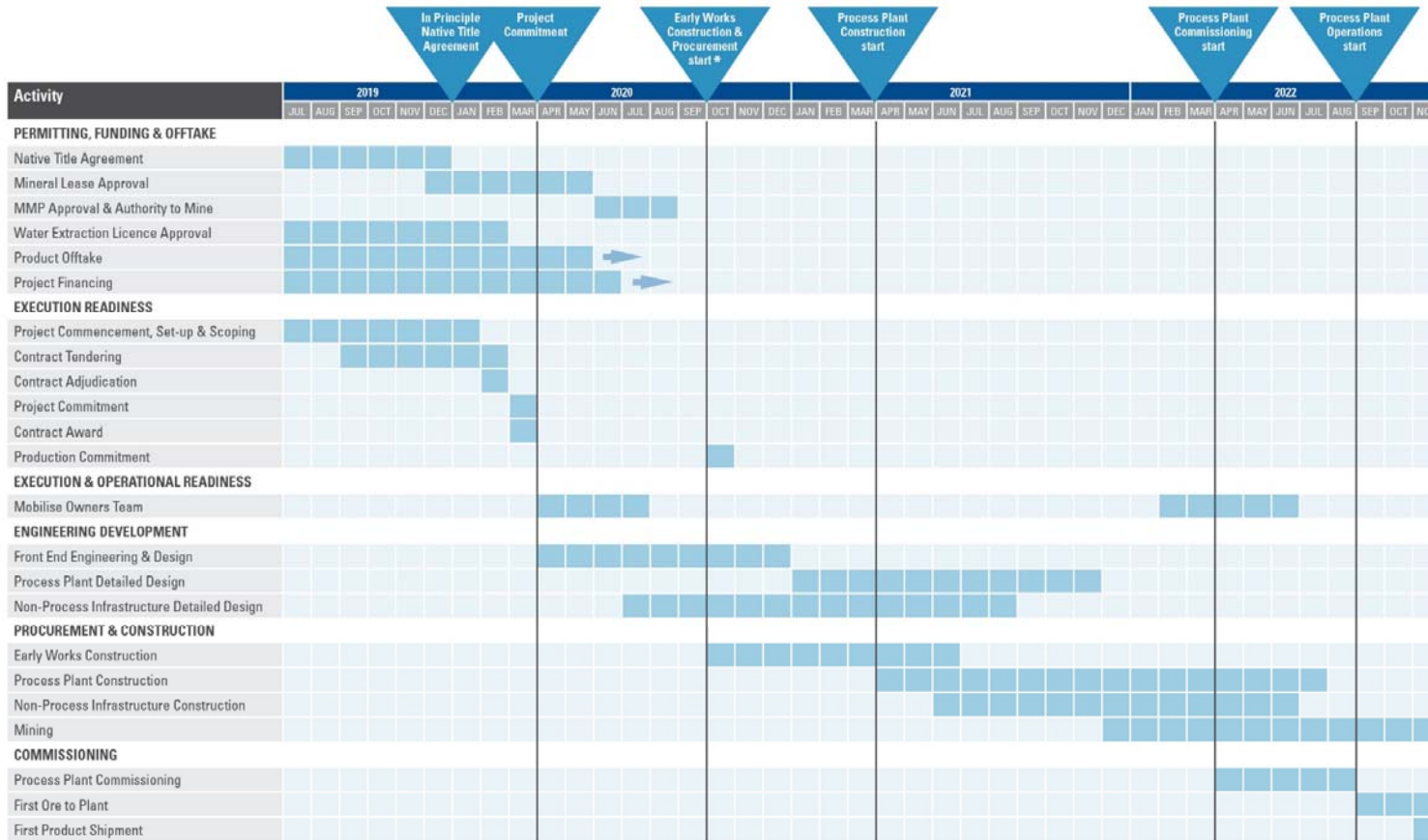
Exploration licences 29701 and 32167 (Bonya Project) are located 280 kilometres north-east of Alice Springs. Arafura holds a 60% joint venture (JV) interest in the Bonya Project and Thor Mining Plc (Thor) (AIM, ASX: THR) holds 40% with Thor acting as the project manager. The project is located adjacent to Thor's Molyhil Tungsten-Molybdenum (W-Mo) development project. Thor completed an updated feasibility study on Molyhil in 2018.

A second drilling program is currently underway at the Bonya tungsten deposits (*refer to THR ASX announcement 14 October 2019*). The program objective is to achieve sufficient drill density to allow the preparation of a mineral resource estimate at the Samarkand and White Violet tungsten prospects. Drilling is expected to be completed over three weeks and Arafura, in conjunction with Thor, will report assay results as they come available.



Table 1: Indicative Project Timeline

Estimate of times for Project and Production are indicative only and are subject to change



*Early Works Construction & Procurement to the items that follow are subject to:

- Product Offtake being secured
- Sufficient Project Funding secured
- Permitting and other related activities being completed
- Each previous activity being completed successfully

Delays to commencing Early Works Construction will also impact the timing of Plant Construction and Commissioning.

Community

In Q3 CY2019 two follow-up workshops were held in Alice Springs and Darwin to seek feedback and input from stakeholders into the draft local community engagement and employment strategy for the Nolans Project. During the workshop the strategy was presented for discussion. Work is ongoing to finalise the strategy which now incorporates improvements and comments provided by local stakeholders. When complete the strategy will assist ongoing negotiations with the Central Land Council, facilitate further engagement with the Australian Government's Northern Australia Infrastructure Facility (NAIF), the Northern Territory Government's Local Jobs Fund and the development of the procurement and employment plans for the project.

In September, Arafura presented at the Mining the Territory and the NT Resources Industry Environmental Management & Logistics Forum events in Darwin (*refer to ASX announcement 4 September 2019*). The Company also participated in the Facing North event. This annual event is held in the Great Hall at Parliament House in Canberra and showcases Northern Territory businesses and development opportunities. Approximately 450 people attended, including many Federal and Northern Territory parliamentarians such as the Prime Minister, the Deputy Prime Minister and the NT Chief Minister. Arafura's trade display attracted significant attention during the function.

NdPr Oxide and Other Products

Marketing & Offtake

Arafura's primary focus remains on advancing negotiations towards binding offtake agreements for its NdPr oxide product which is a key raw material feedstock for the Neodymium Iron Boron (NdFeB) magnet alloy market. The Company's NdPr oxide marketing strategy is underpinned by targeting customers in the high growth NdFeB permanent magnet supply chain for electric vehicles (EV), the clean energy economy and factory automation. The potential for NdPr supply imbalance will be more pronounced for supply chain stakeholders not aligned with the *Made in China 2025* strategy. Marketing efforts are focused on customers incentivised to reduce their Chinese NdPr supply risk. Target customers include:

- Japan – NdFeB magnet manufacturers and trading houses for eventual use in the Japanese automotive sector and in factory automation.
- Europe and South Korea – Automotive, OEMs, wind turbine and consumer electronics makers diversifying NdPr supply risk and seeking product traceability.
- China – Tier one NdFeB magnet manufacturers that have significant export sales to Europe, Japan and the USA.

The Company sees emerging opportunities with potential customers in the USA and has extended its target customers to include American end-users. By comparison with Europe the USA is a smaller importer of NdFeB magnet alloy as it imports more finished products and components. However, more recently there is evidence of substantial efforts by American end-users to map and better understand their existing supply chains.

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During the last quarter, Arafura increased sales and marketing activities with visits to China, South Korea, Europe and India to continue offtake and supply chain discussions with potential customers including several Chinese magnet companies and end-users of rare earth permanent magnets. Potential customers remain engaged to develop supply diversification strategies and Arafura has made significant progress in the period signing an additional MoU with Baotou Tianhe Magnetics Technology Co., Ltd (Tianhe Magnetics), one of China's leading manufacturers of NdFeB permanent magnets.

The Tianhe Magnetics MoU takes potential commitments of NdPr oxide production to 1,800 tonnes and negotiations are ongoing with parties in Europe, Japan and South Korea with respect to further offtake opportunities. Interest by end-users in an integrated, de-risked and sustainable supply chain outside China has Arafura exploring opportunities for metal conversion of NdPr oxide outside China.










Customers have requested samples of NdPr oxide from the upcoming rare earth separation pilot for product qualification for its intended application. This will add further verification of Arafura's product by end-users.

In India, engagement continues with Indian fertilizer conglomerates and commercial negotiations are ongoing.

In Q4 CY2019, Arafura will visit Japan, Europe and China for ongoing engagement and offtake discussions. The Rare Earths Industry Association (REIA) was launched in Brussels last quarter with founding industry members from nations such as the UK, Germany, France, the Netherlands, Japan and China. A key goal of the group is to support transparency across and address sustainability issues in the rare earths value chain. Arafura is pleased to advise it has been accepted as a member of REIA just 3 months after its formation. Table 2 shows an overview of Arafura's rare earths product distribution plan and the status of its offtake negotiations.

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Table 2: Rare Earths Product Distribution Plan

Customer / Target Region	Amount (tonnes p.a.)	Offtake Status	Proportion of Revenue
NdPr Oxide – targeting contracts with NdFeB magnet companies &/or end users			
JingCi Material Science 	900	MoU	96%
Baotou Tianhe Magnetics 	900	MoU	
Japan 	2,557	In progress	
South Korea 			
Europe 			
USA 			
SEG-HRE Carbonate – targeting contracts with rare earth processors			
China 	606 (TREO equivalent)	In progress	1%
Japan 			
Cerium Hydroxide – targeting contracts with rare earth processors			
Baotou Xinyuan Rare Earth Hi-tech 	8,383 (TREO equivalent)	MoU	3%

From rare earth products only

U.S. and China Trade War – the Critical Minerals Strategy

As a consequence of the current tensions between China and the USA, awareness of ‘critical minerals’ has now risen to a significant level. In September Arafura was extended the opportunity to hold several important meetings in Canberra with key bureaucrats, senior Ministerial advisors and a number of foreign embassy representatives over a 2-day period.

The focus on global demand for critical materials has broadened in recent months driven by emerging interest in “high tech” applications many of which are linked with clean energy initiatives. Whilst traditional bulk commodities by volume and value are significant, materials like NdPr are critical to the economic and development objectives of many economies. The fragmented supply chain for critical minerals and specifically NdPr has resulted in several countries developing risk management strategies to ensure they have a stable and secure supply for their future critical material requirements.

The U.S.-China trade war has highlighted structural NdPr supply chain risks that exist for the USA and in fact many other Western world economies. The development and facilitation of alternative NdPr supply sources has been the subject of significant media attention and engagement between the U.S. and Australian governments. Significantly in September the joint development of alternative supplies of critical materials was a key topic for discussion in the reported meetings between U.S. President Trump and Australian Prime Minister Morrison.

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The Australian Trade and Investment Commission (Austrade) has identified the significant opportunity for Australia to be a key supplier of NdPr to meet the growing needs of the U.S.-based high-tech industries. In July 2019 a U.S. Presidential Memoranda was issued authorising the use of the *Defense Production Act* to support the development of a U.S. rare earths supply chain. Austrade has sought to leverage this opportunity for the Australian critical minerals industry with the release of “Australia’s Critical Minerals Strategy 2019”. Arafura has this year been working with Austrade and attended trade missions in Washington D.C. and Europe to demonstrate the role Arafura can play in the critical minerals supply chain. Continued engagement with government and industry will be ongoing during Q4 CY2019.

Figure 6: Austrade publications *Australia’s Critical Minerals Strategy* and *Critical Minerals Supply Chain in the United States*



Mapping the supply chains for NdPr and understanding future requirements is critical. An overview of the European auto industry provides an example of how significant the economic impact would be if there is substantial uptake of EVs away from internal combustion engine (ICE) vehicles and local industry is not able to transition. The European auto industry employs 13.8 million people which equates to 6.1% of total European Union (EU) workforce and 11.4% of all manufacturing jobs (*Wall Street Journal*, “Electric cars spark jobs fears in Germany’s auto heartland”, 16 August 2019). According to Chen Zhanheng of the Association of China Rare Earth Industry, in 2018 the EU accounted for 52% of China’s magnet exports, followed by the USA with 17%. There is significant manufacturing activity, including in the automotive and wind power industries, that rely on NdPr. The criticality of NdPr for European manufacturing is evidenced by the recent establishment of the REIA by the EU-sponsored EIT RawMaterials. REIA is charged with the objective of bringing together key supply chain stakeholders to ensure there is supply certainty for renewable and clean energy applications.

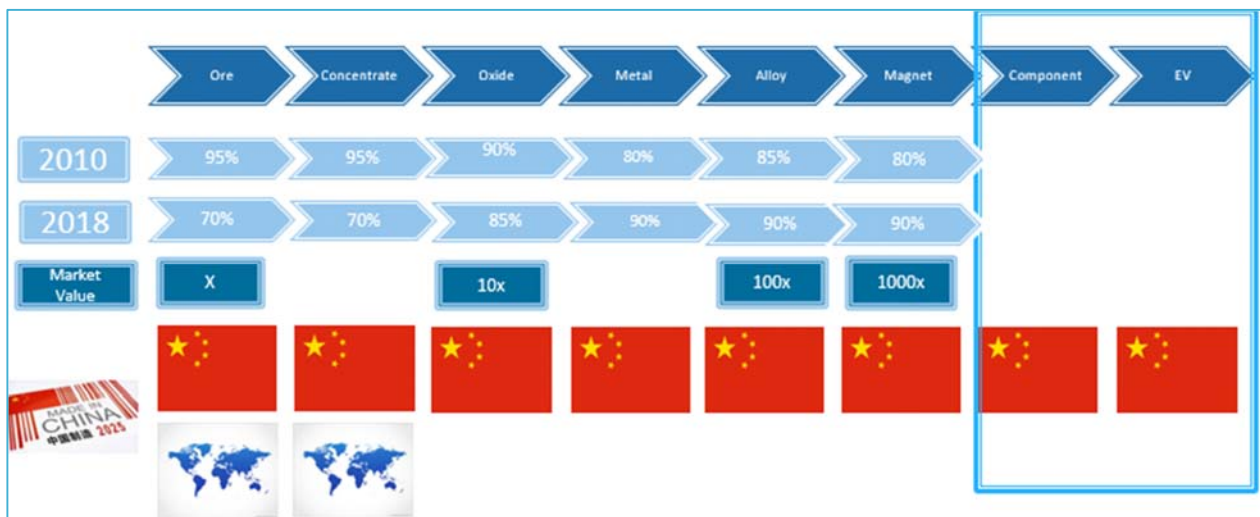
Through centralised policy and access to capital China has over many years already made significant supply chain developments to position itself as a key player in the EV industry by leveraging its NdPr enrichment. Significantly China’s supply chain is fully integrated from mine to motors (see Figure 7)

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which enables China to move further along the supply chain. As it moves downstream from ore to EV the economic multiplier effect, employment created and incremental GDP from manufacturing becomes significant. It is notable in the period since 2010 China’s global share of upstream production for rare earths ore and oxide has declined to 70% and it has increased its reliance during this period on rare earths concentrate and oxide from non-China sources. The decline in these upstream activities can be attributed to higher environmental permitting standards and capital being deployed downstream to higher value-add activities focused on enabling China’s *Made in China 2025* EV strategy. As China’s focus and strategy moves along the supply chain it will have a reduced capacity to flex its upstream production in response to demand.

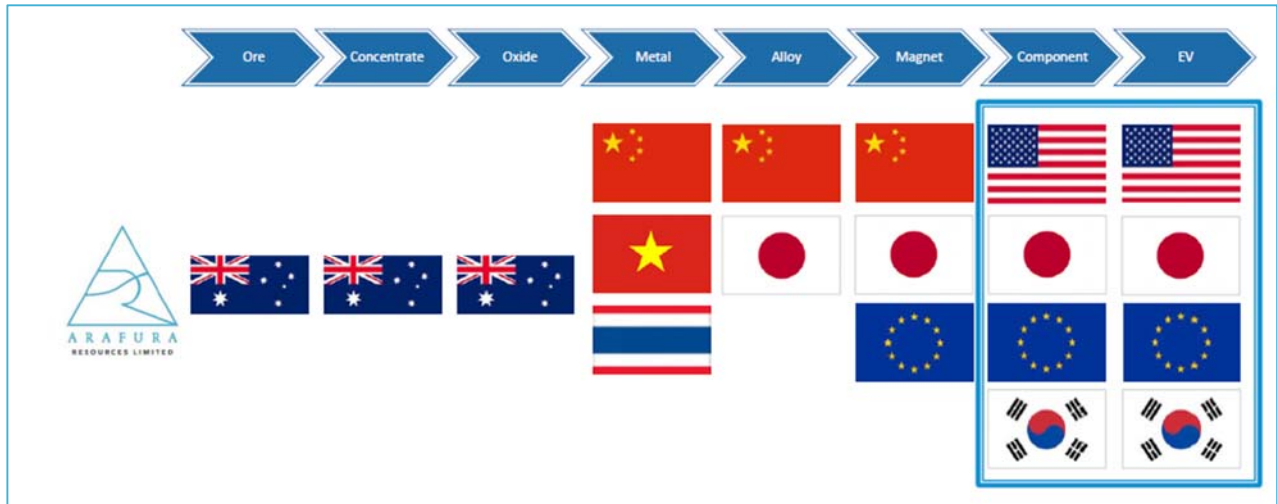
By contrast the rest of world (RoW) supply chain is highly fragmented with downstream activities from metal onwards conducted across a number jurisdictions (Figure 8). The significant government focus in the USA, Europe and other locations has confirmed the strategic significance of NdPr and is for obvious reasons looking to enable a multilateral Mine to Motor supply chain solution.

Figure 7: China NdPr Supply Chain – Mine to Motor



Source: Adamas Intelligence

Figure 8: RoW Alternative Supply Chain



NdPr Market

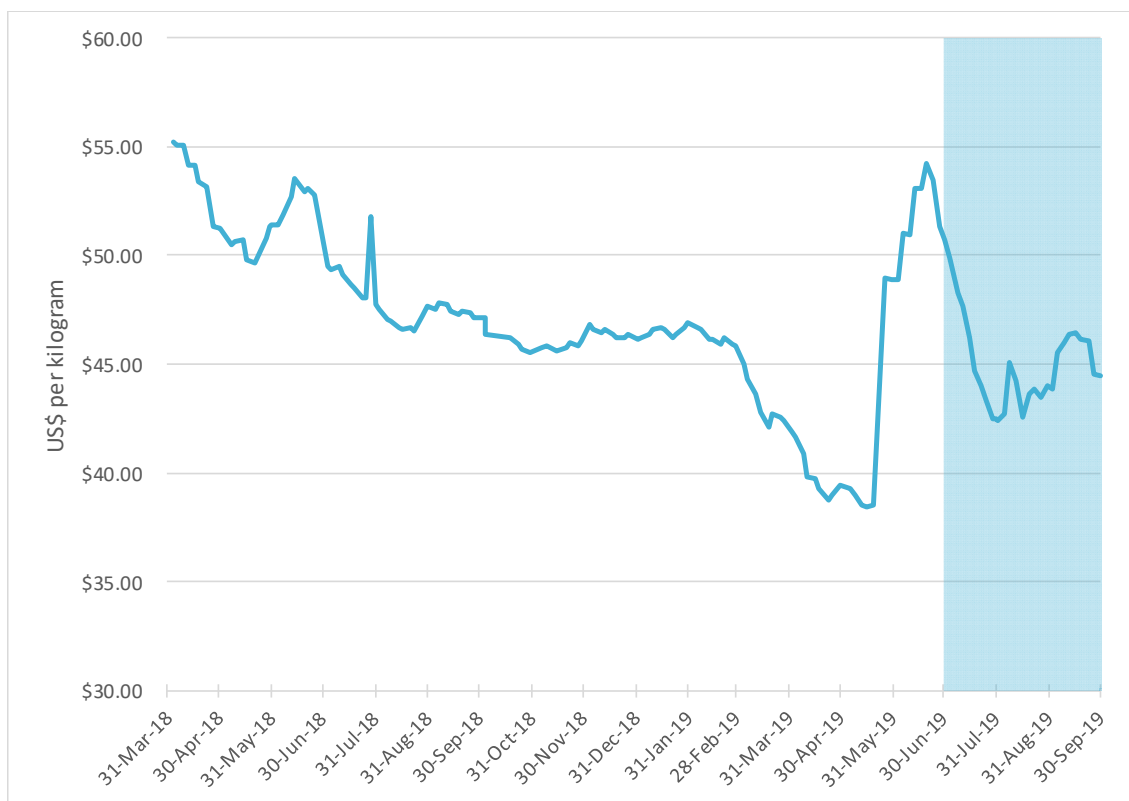
Since May, the NdPr oxide market price has at times been buoyed by the fear of bilateral trade tariffs between the USA and China and inspection by China’s state leaders to a rare earth magnet plant.

This quarter began during the start of a price adjustment following an initial price spike in the NdPr oxide price following speculation that rare earths could be the next front in the U.S.-China trade war.

During the quarter, China announced details of its long-anticipated retaliation to the U.S.’s newest tariffs on US\$300 billion of Chinese imports with additional tariffs on US\$75 billion of U.S. exports. Over the quarter, the continued tension between the USA and China has kept the NdPr price in a volatile zone.

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Figure 9: NdPr Oxide Price
EXW China VAT included, converted to US\$



Source: Asian Metal and OANDA

Project Funding

In Q3 CY2019 Arafura continued its engagement with corporate advisors, and debt advisors and arrangers. The Company also continues to engage with overseas equity funds to examine strategic equity opportunities. As the Company continues to develop its offtake and marketing arrangements it will then work towards advancing the appointment of key debt and equity advisors.

In July 2019 Arafura successfully completed a fully underwritten entitlement offer. Talaxis Limited (Talaxis) agreed to sub-underwrite \$7.2 million of the entitlement offer and on completion holds 5% of Arafura's issued share capital. Talaxis is a wholly owned subsidiary of Noble Group Holdings Limited (Noble Group). Noble Group is Asia's leading independent energy products and industrial raw materials supply chain manager. Noble Group trades energy raw materials, special ores and industrial minerals, base metals, aluminium and technology metals, supported by its freight and logistics operations. Arafura and Talaxis are in the process of agreeing arrangements for Talaxis to provide assistance with introducing parties for strategic investment and financing. The proposed agreement under consideration also extends to product marketing services and assistance with logistics for rare earth and phosphoric acid products and incoming reagents.

Corporate

Cash Position

Arafura had \$24.9 million in cash reserves at 30 September 2019 and is in a strong position to advance the Nolans NdPr project. The cash position was increased as a result of the successful completion of its fully underwritten 7-for-20 pro-rata non-renounceable entitlement offer. The offer was completed on 22 July and raised \$23.2 million (before costs) through the issue of 273 million shares. Additionally, the Company received a \$1.5 million Research and Development (R&D) refundable tax offset in October.

For the quarter ended 30 September 2019, average monthly cash expenditure was \$717,000 compared with \$848,000 for the June 2019 quarter. The Company expects the expenditure profile for the December 2019 quarter to increase as a result of accelerating its engineering activities and advancing its drilling and technology programs.

AGM

Arafura's Annual General Meeting was held on Thursday 17 October 2019 at BDO's office in Subiaco, Western Australia. All three resolutions proposed were passed by way of a poll. The Company would like to thank all shareholders for their support and participation in this event.

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Nolans Project Mineral Resources and Ore Reserves

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 7 February 2019 (Nolans Project Definitive Feasibility Study) 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

RESOURCES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P ₂ O ₅ %	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.

Ore Reserves

RESERVES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P ₂ O ₅ %	NdPr Enrichment %
Proved	4.3	3.1	13	26.1
Probable	14.9	2.9	13	26.5
TOTAL	19.2	3.0	13	26.4

As announced on 7 February 2019. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd₂O₃ and Pr₆O₁₁.

Production targets and forecast financial information

The information in this report that relates to production targets and forecast financial information derived from a production target is extracted from an ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study). Arafura confirms that all material assumptions underpinning the production target and forecast financial information derived from production targets set out in the announcement released on 7 February 2019 continue to apply and have not materially changed.

Forward Looking Statements

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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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Arafura Resources Ltd

ABN

22 080 933 455

Quarter ended ("current quarter")

30 September 2019

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	(1,205)	(1,205)
(b) development	-	-
(c) production	-	-
(d) staff costs	(338)	(338)
(e) administration and corporate costs	(701)	(701)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	94	94
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 R&D refund - Non Capitalised Portion	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,150)	(2,150)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(12)	(12)
(b) tenements (see item 10)	(10)	(10)
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(b) security deposits on tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (R&D Refund – Capitalised Portion)	-	-
2.6	Net cash from / (used in) investing activities	(22)	(22)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	23,246	23,246
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(1,551)	(1,551)
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 (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	21,695	21,695
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,398	5,398
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,150)	(2,150)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(22)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	21,695	21,695
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	24,921	24,921

Quarterly Activities Report and Appendix 5B

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,356	1,398
5.2	Call deposits	21,565	4,000
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)	24,921	5,398

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(182)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Salaries, fees and superannuation of Directors of the Company.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A.

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

Quarterly Activities Report and Appendix 5B

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	5,000
9.2	Development	-
9.3	Production	-
9.4	Staff costs	400
9.5	Administration and corporate costs	600
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	6,000

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	See Appendix A below.			

Quarterly Activities Report and Appendix 5B

Compliance statement

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

Sign here:



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(Company secretary)

Date: 29 October 2019.

Print name: Peter Sherrington

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

Appendix A – Mining Tenements Held as at 30 September 2019

Tenement reference	Project	Holder	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	Notes
ML 26659	Nolans, NT	Arafura Rare Earths Pty Ltd	Mineral Lease	100%	100%	Application Lodged
ML 30702				100%	100%	Application Lodged
ML 30703				100%	100%	Application Lodged
ML 30704				100%	100%	Application Lodged
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	Jervis Vanadium, NT	Arafura Resources Ltd	Exploration Licence	60%	60%	Thor Mining Plc 40%, Arafura Resources Limited 60%