

## HIGHLIGHTS

- **Nolans Project early construction works completed during quarter, positioning Arafura to commence full construction on site in line with current schedule.**
- **Program of operational readiness underway, in preparation for Nolans Project to move into main construction, commissioning and operations.**
- **Fully underwritten placement in December upsized to A\$25 million following strong demand from leading investor groups. Funds raised intended to be used for Nolans Project development activities and general working capital including transaction costs. Share Purchase Plan to existing shareholders completed in January 2024.**
- **Letter of Interest received from Korea EXIMbank (KEXIM) in early December for up to US\$150 million of debt funding.**
  - **All contracted offtake groups now strategically linked to international export credit agency support via non-binding Letters of Interest or similar.**
  - **Increased confidence in the level debt funding available aligned with binding offtake commitments enhances opportunities to place remaining available offtake with customers with strategic equity investment interest.**

## **NOLANS NdPr PROJECT**

During the quarter, early works on site at the Nolans Neodymium-Praseodymium (NdPr) Project (**Nolans or the Project**) were completed.

The finalisation of early works ensures that the Company is positioned as strongly as possible to mobilise to site and commence main construction at Nolans upon the completion of project funding activities. This included the commissioning and handover of more than 250 permanent camp rooms, along with associated utilities. Water supply from the Nolans bore field was commissioned and handed over in readiness to support bulk earthworks commencement, and access roads were prepared for the wet season and made ready for the next phase of work at site.

The Integrated Project Management Team (**IPMT**) continued to manage engineering, procurement activities, early contractor involvement (**ECI**), and environmental, social and governance due diligence requirements while also prioritising support for the Nolans funding strategy with the Arafura finance team.

Where not on the critical path, procurement of vendor data and equipment was deferred during the quarter, with an expectation that these activities will resume once there is sufficient certainty for the timing to secure project funding.

Operational Readiness planning commenced during the quarter, with a review carried out of the current status of readiness at Nolans, outlining all risks and opportunities. This review informed a workplan for 2024 consisting of critical path activities, long lead items, set up and integration of appropriate systems and appropriate updates to policy and procedures for operations.

In anticipation of securing financing for Nolans in the first quarter of 2024, the Company believes it is appropriate to boost operational readiness capabilities and is reviewing the project's organisational structure in preparation for the next phase of its development.

### **Engineering Design and Procurement**

Engineering design and procurement continued during the quarter. 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 continued during the quarter. Activities focused on 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 **ECI** engagement.

The following activities were undertaken or completed during the quarter:

- Hazard and Operability (**HAZOP**) studies and control narratives for various plant areas, to allow for commencement of detailed electrical, control and piping design and outline detailed control and operational philosophies.

- Progression of 'issued for design' piping and instrumentation diagrams (P&IDs) incorporating HAZOP action items.
- Milestone 1 reviews for plant areas including:
  - 4340 - Hydroxide dissolution
  - 4360 - RE Chloride concentration
  - 4310/20 - RE Sulphate dissolution
  - 4330 - RE Hydroxide precipitation
- Procurement of certified vendor data for critical equipment to feed into detailed plant design, including the receipt of evaporator vendor data from Jord.
- Continuation of technical and commercial conformance of supply contracts for mechanical equipment.
- Continuation of detailed concrete, structural and tankage design and commencement of detailed electrical, instrumentation and piping design.
- Updates to bulk material take-offs for concrete, structural steel, piping and electrical bulks following completion of design across various areas.
- Continuation of shop detailing for tanks.
- 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.
  - Investigation to increase passive fire protection for equipment in solvent extraction areas and incorporate fire protection layout into the design to refine the sizing for the fire water system.
  - Incorporation of geotechnical information into the concrete design to reduce concrete quantities.
  - Review of the route survey work to determine transport costs (line lifts etc) to refine the tank sizing split between shop, partial shop and field fabricated tanks.

### **Sulphuric Acid Plant**

Detailed engineering and procurement by Chemetics remains on hold pending the outcome of project funding activities.

### **Beneficiation Plant**

Preliminary P&IDs for the beneficiation plant were developed and submitted by MACA Interquip (**Interquip**) for Arafura's review during the quarter. These were reviewed and returned to Interquip, and revised P&IDs are expected to be returned to Aurecon in January 2024. Interquip also reviewed and approved the technical bid evaluation for the plant's primary sizer.

### **Power Station**

During the quarter preliminary engineering continued with APA Group (**APA**) following APA's selection as the preferred independent power provider for power and steam generation at Nolans. APA also continued detailed specification and design based on General Electric's (GE) aeroderivative gas turbine technology, which will be utilised for the Project.

## **Non-Process Infrastructure**

While non-process infrastructure design and design-related activities generally slowed during the quarter, progress in a small number of areas included:

- Earthworks design and modelling focussed on the site access road and integration of process plant bulk and detail civils.
- Completion of 50% engineering modelling and design for the diversion of Kerosene Camp Creek. Design reviews will be completed early in the first quarter of 2024 to inform meetings with the Northern Territory Government's Department of Environment, Parks and Water Security outlining the Company's proposal and application for a permit to interfere with a waterway.
- Minor engineering focused on village utilities and interfaces for services provided by multiple vendors (i.e., water, wastewater, power and communications).
- The submission of an interpretive geotechnical report at 'issue for use' status.
  - The award of a site communications (ICT) contract under limited notice to proceed. The tender and/or award of other packages remains on hold, subject to the outcome of project funding activities.

## **Construction**

Early construction activities at Nolans were completed early in the quarter and all contractors subsequently demobilised. Activities during the quarter were limited to:

- Wet season readiness, including the review, maintenance and upgrading of erosion and sediment controls.
- Fabrication and delivery of a main site switchboard and temporary generator switchboard.
- Ongoing site security and surveillance.
- Installation of mine surface water management monitoring equipment.
- Installation of danger signage at main site access points, and additional fauna fencing around the site's raw water pond.
- Installation of new automated rain gauges at borefield D and the process plant site.
- Reverse osmosis water treatment plant maintenance.

## **OPERATIONAL READINESS**

During the quarter Arafura commenced a program of operational readiness planning, to ensure optimum preparation for commissioning and operations at Nolans, and a timely and safe ramp up to operation at nameplate capacity. The full operational readiness scope is broad, covering aspects of the Project from safety and production processes and controls to asset management and IT systems. A critical component of the planning process includes organisational structure and management planning to ensure an optimum skillset is available to drive development of Nolans to full operations.

The focus of the operational readiness work completed during the quarter was ensuring gaps were identified and understood, and a clear path to readiness established. Areas reviewed included mining, ROM and processing, maintenance functions and operational support functions. Further updates on the progress of operational readiness planning will be provided as the scope of work progresses.

## **TECHNOLOGY DEVELOPMENT**

Minor test work activities were undertaken during the quarter to support and confirm design work completed for the Nolans processing facility, including:

- Follow-up confirmatory corrosion testing on the materials of construction for the rare earth sulphate precipitation reboiler, with preliminary results received. Rigorous analysis and reporting of coupon performance will be completed in the coming quarter.
- Corrosion coupons sourced for testing optimised acid purification conditions, with contact testing scheduled to take place through the coming quarter.

## **CAPITAL COST TRENDING**

During the quarter, monitoring of capital cost trending for the Nolans Project was ongoing. An independent member of the Project Advisory Committee will review the current Capital estimates for possible capital expenditure reduction opportunities, as well as providing advice as to the suitability and extent of cost reduction measures already identified by the Nolans project team. The Company continues to refer to the detailed capital cost estimates outlined 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.

Current trend analysis is not considered to be a material change to the capital cost of the project in the context of the overall capital cost associated with the Project and is in line with expectations. An update will be provided to the market should there be a material change, including details of any material financial impact on the Project.

## **PROJECT SCHEDULE**

Project funding remains the key driver of the Nolans development schedule. Arafura continues to target completion of project funding activities in the first quarter of 2024 – refer to the Project Funding section of this report for more information. The Company will provide an update to the market in relation to the Project Schedule when there is more certainty on funding.

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



## **OPERATIONAL LICENCING**

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. Arafura continued engagement with the Department during the quarter to manage the completion of the relevant approvals ahead of the planned start of main construction at Nolans.

## **SUSTAINABILITY**

### **Reporting, disclosures and compliance**

Arafura's FY23 Sustainability Report was released on 22 November 2023. The report defines the eight 'elements' governing Arafura's approach to sustainability and reflects the continuing evolution of the Company's sustainability narrative, disclosures and datasets. The report was prepared 'with reference' to Global Reporting Index (GRI) Standards, with a view to completing ongoing compliance activities and achieving an 'in compliance' standard in future reporting.

During the quarter, ongoing self-assessment continued to determine Arafura's compliance with recognised sustainability frameworks including GRI and the Initiative for Responsible Mining Assurance. Self-assessment will continue in the coming quarter against the standards, with activities including identification of evidence and data for compliance, articulation of gaps in compliance, and development of an associated action plan. The pace of this work will be adjusted as required in line with the Nolans development schedule.

Work also continued during the quarter on the Company's Taskforce for Climate-Related Financial Disclosures (**TCFD**) scope. This included a risks and opportunities workshop related to the physical and financial resilience of the Nolans Project to climate change, testing assumptions and mitigation measures in place, and considering further measures to be adopted. Work will continue in early 2024 toward achieving full TCFD compliance, with a view to relevant disclosures and reporting in Arafura's FY24 Annual Report and Sustainability Report.

### **Energy and Emissions Reduction**

In November Arafura received a draft report from the CSIRO Renewable Heat Industrial Decarbonisation program outlining options for the implementation of renewable energy technologies at the Nolans Project. The report confirmed concentrated solar thermal (CST) combined with thermal energy storage as the preferred approach to generating renewable steam in the medium-term. Specific implementations of CST and other renewable technologies into the Project continue to be developed as part of its power station solution, in line with the Company's Green House Gas Emissions Reduction Pathway released in 2023 (refer to ASX announcement dated 31 January 2023).

During the quarter, Arafura continued to engage with DCCEEW and the Clean Energy Regulator on the establishment of an appropriate safeguard mechanism baseline for Nolans. Arafura submitted a suggested mechanism for establishing the baseline for a new and novel facility such as Nolans and proposed a collaborative approach with DCCEEW to leverage internal data and expertise for setting the facility baseline. DCCEEW was receptive to this approach and in late December made a request to Arafura for technical process-related information, which will be submitted in the coming quarter. Arafura will continue working with DCCEEW into 2024 as the Department seeks to establish best practice emissions intensities for rare earths processing.

### **Domestic Stakeholder Engagement**

During the quarter, the Company continued ongoing engagement with Project stakeholders including the Northern Territory government and communities local to the Nolans Project. Government engagement included participation in the consultation process for a proposed new Ad Valorem mineral royalty scheme, proposed to replace the Northern Territory's existing profit-based scheme. The proposed new scheme incorporates a fixed rate mineral royalty model based on the level of downstream processing undertaken in the Territory by a producer. Arafura will continue to engagement with the Northern Territory Government in relation to the fixed rates proposed to be applied to Nolans once the Project is operational.

## **EXPLORATION**

### **Nolans**

During the quarter the Company focussed on progressing and refining the Nolans mining execution plan. This work included a detailed review of the Project's geological model and an assessment of historic drill samples to identify assay pulps requiring follow-up whole rock assays to provide more robust estimates and better understanding of deleterious elements and material types.

A detailed ground gravity survey covering a significant part of EL28473 was also completed. This new gravity survey expanded upon the closely spaced gravity survey over the Nolans Bore deposit on ML26659, acquired in 2022. The processing and merging of these two gravity datasets is nearing completion and will be reported in early 2024. The acquisition of phase three regional gravity survey across more distal parts of the Aileron-Reynolds project area and the subsequent detailed modelling of the entire area's gravity dataset is planned for 2024.

A review of the Company's other rare earths exploration activities is ongoing, with a view to developing a better long-term understanding of potential targets for exploration and business development.

## MACROECONOMIC DEVELOPMENTS

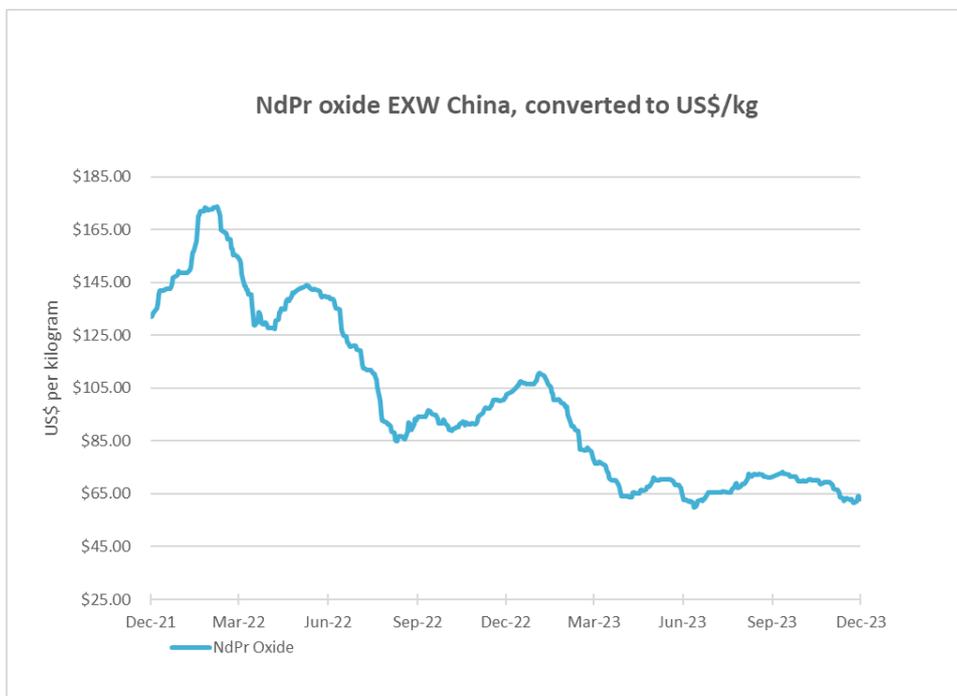
### NdPr Market

The NdPr oxide price decreased 14% during the quarter from US\$73.02 per kilogram to US\$62.85 per kilogram. Inflation reduced worldwide to more sustainable levels (e.g. 3.2% in November in the US and 2.9% in the Eurozone), and it is expected that this should lead to rate cuts by Central Banks and increased consumer spending.

China's GDP grew by 4.9% year-on-year in the third quarter of 2023; while its manufacturing sector and exports remain strong, a weak property sector is expected to continue to decline in 2024 despite measures taken by the Chinese government to incentivise investments in the real estate industry, such as reduced downpayment ratio for first time buyers and investment properties.

Chinese consumers appear to have shifted their spending from product to service consumption. This has led to lower spending on consumer electronics and appliances – representative market sectors with significant end use demand for NdFeB magnets – resulting in ongoing weakness in rare earth prices since the start of the 2023 calendar year. Some restocking before Chinese Lunar New Year is expected, and typically would provide some seasonal price support, however the announcement of an unprecedented third rare earth mining and smelting quota increase by China's Ministry of Industry and Information in mid-December 2023 may keep prices subdued over the period. Quota announcements are typically biannual, and a third increase so soon following the second 2023 quota announcement in late September was unusual.

In 2023 up to November, global EV sales were up 20% compared to the corresponding period in 2022. Sales in Europe are expected to remain strong due to automakers' need to meet emissions targets into 2025. EV sales remain driven by China's adoption of the technology, with EVs representing 27% of local passenger vehicle sales in 2023.



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

## OFFTAKE AND PROJECT FUNDING

### Offtake

Negotiations continued during the quarter for the remaining portion of Arafura's offtake target, seeking to secure between 80% and 85% of annual NdPr production from Nolans contracted under binding long-term offtake agreements. The customer groups announced to the market with binding offtake agreement or MoU level commitments in place now comprises 64% of the total offtake target volume.

The table below outlines Arafura's offtake volumes confirmed under binding agreements and volumes under negotiation as at 31 December 2023.

Offtake Discussion Group	Location	NdPr Oxide (tpa) <sup>1</sup>	% of Binding Offtake Target
<b>Secured Offtake (Binding Agreement)</b>			
Hyundai & Kia	Korea	1,500	40%
Siemens Gamesa RE	Germany	520	14%
<b>Offtake Under Discussion<sup>2</sup></b>			
Contract negotiations	Japan & Europe	1,600	77%
Advanced offtake discussions	Europe & US	2,890	77%
<b>TOTAL</b>		<b>6,510</b>	<b>172%</b>

**Table 2: Offtake overview as of 31 December 2023**

(1) Product may be supplied as NdPr Oxide or Metal equivalent.

(2) The Company, at this stage, has no certainty as to the timing and likelihood of successfully concluding binding agreements being entered into.

Following the receipt of indicative debt funding support from KEXIM (refer to ASX Announcement dated 4 December 2023) all offtake groups are now strategically linked to export credit agency support received from non-binding Letters of Interest or similar. Increased confidence in the level debt funding available, successfully aligned with current offtake commitment, enhances the opportunity to place some of the remaining available offtake to credible OEM customers with strategic equity investment interest.

### Project Funding

Arafura's funding activities continue to progress positively following receipt of a letter of interest (**LoI**) from Korea EXIMbank (**KEXIM**) on 1 December 2023 for up to US\$150 million of debt funding (refer to ASX Announcement dated 4 December 2023). The LoI proposes the provision of funding in two tranches – a first tranche equal to or more than US\$75 million as direct lending, and a second tranche equal to or less than US\$75 million as an untied loan guarantee. The LoI provided greater certainty on the final funding structure for Nolans, reducing overall liquidity requirements from commercial banks. KEXIM subsidiary KEXIM Global (Singapore) may also lend under the commercial bank tranche, subject to further negotiation. This has enabled Arafura to advance discussions for the Nolans debt facility terms sheet

with key agencies and the Project's mandated lead arrangers to progress their credit submissions. The Lol is linked to binding offtake arrangement with Hyundai Motor Corporation and Kia Corporation (refer to ASX announcement dated 7 November 2022), and is linked to the strategic nature of NdPr supply and its critical role in the electrification of Korea's automotive manufacturing sector.

A number of export credit agency (ECA) and government agency lenders are now advanced in the preparation of their credit papers and are working towards formal approval consideration of the financing facilities for Nolans. Debt financing is conditional on completion of due diligence and satisfaction of customary conditions precedent. The Company continues to work closely with the lender group 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. Any formal approvals considered material will be communicated to the market when received by Arafura.

The Lol from KEXIM followed the receipt of debt financing support from Export Development Canada aligned with NdPr offtake negotiated with GE Renewable Energy (refer to ASX Announcement dated 12 July 2022 and 20 June 2023) and debt financing support from Germany's Euler Hermes lined to offtake with Siemens Gamesa Renewable Energy and other prospective German offtake partners (refer to ASX Announcement dated 29 March 2023 and 11 April 2023). The table below outlines the indicative funding structure for Nolans from international and domestic ECAs and banks to date.

The indicative funding structure for the senior debt facilities of US\$775 million consists entirely of direct loans with ECAs and government agencies, and ECA debt guarantees sitting across the commercial bank tranche. Arafura's ore to oxide business model has enabled it to secure high quality offtake counter parties and alignment with the energy transition and supply chain diversification objectives has facilitated the strong support of a number of ECAs and government agencies for the Nolans Project's financing.

Agency	Amount	Description	Status
<b>Debt Facilities</b>			
Export Finance Australia	A\$200m	Debt financing	Letter of support received
Northern Australia Infrastructure Facility	A\$150m		Letter of support received & completion of strategic assessment
Export Development Canada	US\$300m	Debt financing	Letter of interest received
KEXIM	Up to US\$75m	Debt financing	Letter of interest received
Commercial bank tranche	Up to US\$175m <sup>3</sup>	Debt financing	In discussion
<b>Total</b>	<b>Up to US\$775m</b>		
<b>Untied Loan Guarantees</b>			
Euler Hermes Aktiengesellschaft	Up to US\$100m <sup>(1)</sup>	Untied loan guarantee	In-principle support received
KEXIM	Up to US\$75m	Untied loan guarantee	Letter of interest received
<b>Total</b>	<b>Up to US\$175m</b>		

- (3) Arafura is targeting US\$100m of Euler Hermes loan guarantee, subject to debt sizing constraints and securing sufficient German based NdPr offtake. The Euler Hermes in-principle letter of support provides for up to US\$600 million of loan guarantee.
- (4) A\$200m (EFA) and A\$150m (NAIF) combined and converted for comparison purposes only at AUD/USD 0.6428
- (5) Commercial bank tranche will be supported by untied loan guarantee from Euler Hermes and KEXIM.

**Table 2: Indicative Debt Facilities**

Ongoing funding activities running concurrently with debt funding include strategic equity investment discussions, engagement with domestic and international ECAs, and an intended equity raising to complete the funding required to enable construction, commissioning and first production at Nolans. The Company continues to target contractual close of debt financing in the first quarter of 2024, subject to a range of factors including 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 31 December 2023, Arafura had cash reserves of \$67 million, including \$25 million (before costs) from the completion of the placement to sophisticated and institutional investors completed during December. Subsequent to the end of the quarter, the Company also launched a Share Purchase Plan (refer to ASX announcement dated 13 December 2023), the results of which are detailed in a separate announcement today.

During the quarter, the Company spent ~\$0.8 million on exploration and evaluation activities, ~\$2.7 million on corporate, administration and business development costs and ~\$22.8 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 31 December 2023 was ~\$8.7m – a decrease from the previous quarter as the Company completed early construction activity at Nolans.

Payments of \$323,000 reported in Item 6.1 of the attached Appendix 5B relate to salaries, fees, special exertion services by Darryl Cuzzubbo and superannuation paid to Directors.

## Capital Raising

In December, the company launched a fully underwritten placement to raise approximately A\$20 million from sophisticated and institutional investors, which was subsequently upsized to A\$25 million following strong demand from leading investor groups. The issue price for the placement is A\$0.16 per share, representing a 20% discount to the last traded price of shares on 13 December 2023 of A\$0.20. Investors under the placement will also be issued with one (1) free-attaching option for every two (2) new shares subscribed. The funds raised are intended to be used to further develop the Nolans Project including:

- IPMT costs (including KBR); Detailed engineering (including Hatch) and ECI works to advance detailed design and construction planning;
- procurement of certified vendor data for equipment to support detailed engineering;
- site overheads, ESG, technology and business development and exploration;
- corporate costs including office costs, project funding and sales and marketing; and
- retained cash liquidity buffer.

Proceeds will also be used for general working capital purposes (including transaction costs).

Additionally, a share purchase plan was launched on 21 December 2023, targeting the raising of an additional A\$10 million at an issue price of A\$0.16. The share purchase plan closed on 22 January 2024 at 5:00pm AEDT, with shares expected to be quoted on 29 January 2024.

## Annual General Meeting

The Company's annual general meeting was held at 10:00am, WST on 19 October 2023. All resolutions were passed by way of a poll.

## 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

<b>Name of entity</b>	
Arafura Rare Earths Ltd	
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
22 080 933 455	31 December 2023

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(22,850)	(68,999)
	(c) production	-	-
	(d) staff costs	(1,209)	(2,489)
	(e) administration and corporate costs	(2,693)	(6,236)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	601	1,394
1.5	Interest and other costs of finance paid	(80)	(200)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(26,230)</b>	<b>(76,530)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements and bonds	-	-
	(c) property, plant and equipment	(5)	(85)
	(d) exploration and evaluation	(815)	(1,473)
	(e) investments	-	-
	(f) other non-current assets (environmental bond and term deposit)	(133)	(1,679)
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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(928)</b>	<b>(3,213)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	25,000	25,000
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	(1,225)	(1,225)
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)	(5,298)	(6,355)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>18,477</b>	<b>17,420</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	75,067	128,848
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(26,230)	(76,530)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(928)	(3,213)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	18,477	17,420
4.5	Effect of movement in exchange rates on cash held	555	415
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>66,940</b>	<b>66,940</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
	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	66,940	74,855
5.2	Call deposits	-	212
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>66,940</b>	<b>75,067</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate number of payments to related parties and their associates included in item 1	(323)
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, special exertion services by Darryl Cuzzubbo and superannuation of Directors of the Company.

<b>7.</b>	<b>Financing facilities</b> 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.	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
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.			

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(26,230)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(815)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(27,045)
8.4	Cash and cash equivalents at quarter end (item 4.6)	66,940
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	66,940
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	2.5
	Note: if the entity has reported positive relevant outgoings (i.e. 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	<b>If item 8.7 is less than 2 quarters, please provide answers to the following questions:</b>	
	<b>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?</b>	
	<b>Answer:</b> Not applicable.	
	<b>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?</b>	
	<b>Answer:</b> Not applicable.	
	<b>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?</b>	
	<b>Answer:</b> Not applicable.	
	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: 25 January 2024

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 31 DECEMBER 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.
E MEL 32672 E MEL 32673 E MEL 32674 E MEL 32675 E MEL 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%	