

RETAIL OFFER BOOKLET

**Arafura Resources Limited
ACN 080 933 455**

1-for-4 accelerated non-renounceable pro rata entitlement offer of fully paid ordinary shares at \$0.08 per new share

The Entitlement Offer is not underwritten

Retail Entitlement Offer closes at 5.00pm (AEST) on 29 August 2018.

NOT FOR DISTRIBUTION OR RELEASE OUTSIDE AUSTRALIA OR NEW ZEALAND

This is an important document which is accompanied by a personalised Entitlement and Acceptance Form and both documents should be read in their entirety.

If you have any questions please contact your professional adviser or the Arafura Shareholder Information Line on 1300 494 861 (within Australia) or +61 1300 494 861 (outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday (excluding public holidays) during the Retail Entitlement Offer Period.

IMPORTANT NOTICES

This Retail Offer Booklet has been prepared by Arafura Resources Limited ABN 22 080 933 455 and is dated 15 August 2018. Capitalised terms in this section have the meaning given to them in this Retail Offer Booklet.

The Retail Entitlement Offer is made in accordance with section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84). This Retail Offer Booklet does not contain all of the information which an investor may require to make an informed investment decision. The information in this Retail Offer Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation or particular needs.

This Retail Offer Booklet should be read in its entirety before you decide to participate in the Retail Entitlement Offer. This Retail Offer Booklet is not a prospectus or other disclosure document under the Corporations Act and has not been lodged with ASIC.

By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPay® in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Retail Offer Booklet and you have acted in accordance with and agree to the terms of the Retail Entitlement Offer detailed in this Retail Offer Booklet.

No overseas offering

This Retail Offer Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. In particular, this Retail Offer Booklet does not constitute an offer to Ineligible Retail Shareholders and may not be distributed in the United States and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States.

This Retail Offer Booklet is not to be distributed in, and no offer of New Shares is to be made, in countries other than Australia and New Zealand.

No action has been taken to register or qualify the Retail Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Retail Offer Booklet (including an electronic copy) outside Australia and New Zealand, is restricted by law. If you come into possession of the information in this booklet, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Your Application for New Shares is subject to all requisite authorities and clearances being obtained for Arafura to lawfully receive your Application Monies.

New Zealand

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of Arafura with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

United States

None of the information in this Retail Offer Booklet or the Entitlement and Acceptance Form that will accompany this booklet when it is despatched to Eligible Retail Shareholders constitutes an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this booklet (or any part of it), the accompanying ASX announcements nor the Entitlement and Acceptance Form when that is to be made available, may be released to US wire services or distributed directly or indirectly, to any persons in the United States.

The New Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States or by persons (including nominees or custodians) who are acting for the account or benefit of a person in the United States, and the New Shares may not be offered, sold or resold in the United States or to, or for the account or benefit of, a person in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction in the United States. The New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold outside the United States in "offshore transactions" in reliance on Regulation S under the U.S. Securities Act.

Definitions and time

Defined terms used in this Retail Offer Booklet are contained in Section 7. All references to time are to the time in Sydney (Australia), unless otherwise indicated.

Foreign exchange

All references to '\$' are AUD unless otherwise noted.

Taxation

Arafura recommends that you consult your professional tax adviser in connection with the Retail Entitlement Offer.

Privacy

Arafura collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in Arafura.

By submitting an Entitlement and Acceptance Form, you will be providing personal information to Arafura (directly or through the Share Registry). Arafura collects, holds and will use that information to assess your Application. Arafura collects your personal information to process and administer your shareholding in Arafura and to provide related services to you. Arafura may disclose your personal information for purposes related to your shareholding in Arafura, including to the Share Registry, Arafura's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory bodies. You can obtain access to personal information that Arafura holds about you. To make a request for access to your personal information held by (or on behalf of) Arafura, please contact Arafura through the Share Registry.

Governing law

This Retail Offer Booklet, the Retail Entitlement Offer and the contracts formed on acceptance of the Applications are governed by the law of Western Australia, Australia.

No representations

No person is authorised to give any information or to make any representation in connection with the Retail Entitlement Offer which is not contained in this Retail Offer Booklet. Any information or representation in connection with the Retail Entitlement Offer not contained in the Retail Offer Booklet may not be relied upon as having been authorised by Arafura or any of its officers.

Past performance

Investors should note that Arafura's past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guidance as to) Arafura's future performance including Arafura's future financial position or share price performance.

Future performance

This Retail Offer Booklet contains certain forward-looking statements with respect to the financial condition, results of operations, projects and business of Arafura and certain plans and objectives of the management of Arafura. These forward-looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Neither Arafura, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. In particular, such forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of Arafura. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Applicants should consider the forward looking statements contained in this Retail Offer Booklet in light of those disclosures. Except as required by law or regulation (including ASX Listing Rules), Arafura undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Risks

Refer to the Appendices section of the Investor Presentation included in Section 5 of this Retail Offer Booklet for a summary of general and specific risk factors that may affect Arafura.

Trading New Shares

Arafura will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by Arafura or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt, as to these matters you should first consult with your stockbroker, solicitor, accountant or other professional adviser.

Contents

1	Key dates for the Retail Entitlement Offer	4
2	Letter from the Chairman	5
3	Summary of options available to you	7
4	How to apply	8
5	ASX Announcement and Investor Presentation	17
6	Additional information	18
7	Glossary	20

1 Key dates for the Retail Entitlement Offer

Event	Date
Announcement of Entitlement Offer	Friday, 10 August 2018
Record Date	7.00pm (AEST) Wednesday, 15 August 2018
Retail Entitlement Offer opens	Monday, 20 August 2018
Allotment and commencement of trading of Shares issued under the Institutional Entitlement Offer	Wednesday, 22 August 2018
Retail Entitlement Offer closes (Retail Closing Date)	5.00pm (AEST) Wednesday, 29 August 2018
Allotment of New Shares under the Retail Entitlement Offer	Wednesday, 5 September 2018
New Shares issued under the Retail Entitlement Offer commence trading on ASX	Thursday, 6 September 2018
Despatch to Shareholders of holding statements under the Retail Entitlement Offer	Friday, 7 September 2018

This timetable is indicative only and subject to change without notice.

The commencement of quotation of New Shares is subject to confirmation from ASX.

Subject to the requirements of the Corporations Act, ASX Listing Rules and any other applicable laws, Arafura reserves the right to amend this timetable at any time, including extending the Retail Entitlement Offer Period or accepting late applications, either generally or in particular cases, and to withdraw the Retail Entitlement Offer, without notice. Any extension of the Retail Closing Date will have a consequential effect on the allotment date of New Shares.

Arafura also reserves the right not to proceed with the Retail Entitlement Offer in whole or in part at any time prior to allotment and issue of the New Shares. In that event, the relevant Application Monies will be returned in full to Applicants (without interest).

Enquiries

If you have any questions please contact your professional adviser or the Arafura Shareholder Information Line on 1300 494 861 (within Australia) or +61 1300 494 861 (outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday (excluding public holidays) during the Retail Entitlement Offer Period. Alternatively, you can access information about the Retail Entitlement Offer online at www.arultd.com or www.asx.com.au.

2 Letter from the Chairman

15 August 2018

Dear Shareholder,

As announced on 10 August 2018, Arafura Resources Limited (**Arafura**) is carrying out a 1 for 4 accelerated non-renounceable pro-rata entitlement offer of new fully paid ordinary shares in Arafura (**New Shares**) at an offer price of \$0.08 per New Share (**Offer Price**). The offer comprises an accelerated institutional entitlement offer (**Institutional Entitlement Offer**) and a retail entitlement offer (**Retail Entitlement Offer**) (together, the **Entitlement Offer**).

Arafura intends to raise approximately \$11.5 million through the Entitlement Offer.

The Entitlement Offer is not underwritten.

On behalf of the Directors of Arafura I invite you to participate in the Retail Entitlement Offer.

Details of the Entitlement Offer

Subject only to settlement, the Institutional Entitlement Offer has been completed with approximately \$2.45m being raised. Arafura is seeking to raise an additional \$9.05m through the Retail Entitlement Offer to which this Retail Offer Booklet relates. The Retail Entitlement Offer is not underwritten.

The proceeds of the Entitlement Offer will be used to progress further development of the Company's Nolans NdPr Project in the Northern Territory by carrying out technology, engineering and piloting activities as required to progress to a definitive feasibility study (DFS) and to enable project execution readiness, and for general working capital purposes.

The \$0.08 Offer Price for the Retail Entitlement Offer represents:

- (a) approximately a 17.5% discount to the closing price of Arafura shares on 10 August 2018 (the last trading day before the Entitlement Offer was announced); and
- (b) approximately a 20% discount to the 10-day VWAP of Arafura shares before announcement of the Entitlement Offer,

and is the same price at which New Shares were issued to Institutional Investors under the Institutional Entitlement Offer.

If you take up your full Entitlement, you may also apply for additional New Shares in excess of your Entitlement, at the Offer Price (**Top Up Facility**). Additional New Shares will only be available where there is a shortfall between Applications received from Eligible Retail Shareholders and the number of New Shares proposed to be issued under the Retail Entitlement Offer. Arafura retains the flexibility to scale back Applications for additional New Shares at its discretion (refer to Section 4 of this Retail Offer Booklet for more information). In accordance with ASX Listing Rules, any participating Directors will not be applying for any additional New Shares under the Top Up Facility.

The Entitlement Offer is non-renounceable and therefore your Entitlements will not be tradeable on ASX or otherwise transferable.

Other information

This Retail Offer Booklet contains important information, including:

- ASX announcements relating to the Entitlement Offer, including the ASX Announcement and the Investor Presentation, which provides information on Arafura, the Entitlement Offer and key risks for you to consider;
- instructions on how to participate in the Retail Entitlement Offer if you choose to do so, and a timetable of key dates;
- information regarding the personalised Entitlement and Acceptance Form that will accompany this Retail Offer Booklet when it is despatched to Eligible Retail Shareholders (and which will detail your Entitlement) to be completed in accordance with the instructions in this Retail Offer Booklet and your personalised Entitlement and Acceptance Form; and
- instructions on how to take up all or part of your Entitlement via BPay® or by cheque.

The Retail Entitlement Offer closes at 5.00pm (AEST) on 29 August 2018

You should read this Retail Offer Booklet carefully in its entirety before making your investment decision. In particular, you should read and consider the risks in the Appendices of the Investor Presentation included in Section 5 of this Retail Offer Booklet, which summarise some of the key risks associated with an investment in Arafura. If you are uncertain about taking up your Entitlement you should consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

If you do not wish to take up any of your Entitlement, you do not have to take any action.

If you decide to take this opportunity to increase your investment in Arafura please ensure that, before 5.00pm (AEST) on 29 August 2018, you have paid your Application Monies, preferably via BPay® pursuant to the instructions that are set out in the personalised Entitlement and Acceptance Form that will accompany this Retail Offer Booklet when it is despatched to you, or otherwise that your completed Entitlement and Acceptance Form and your Application Monies are received in cleared funds by the Share Registry.

For further information on the Retail Entitlement Offer you can call the Arafura Shareholder Information Line on 1300 494 861 (within Australia) or +61 1300 494 861 (outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday (excluding public holidays during the Retail Entitlement Offer Period).

On behalf of the board of Arafura, I invite you to consider this investment opportunity carefully.

Thank you for your ongoing support of Arafura.

Yours sincerely



Ian Kowalick
Chairman
Arafura Resources Limited

3 Summary of options available to you

If you are an Eligible Retail Shareholder, you may take one of the following actions:

- take up all of your Entitlement and also apply for additional New Shares under the Top Up Facility;
- take up all of your Entitlement but not apply for any additional New Shares under the Top Up Facility;
- take up part of your Entitlement and allow the balance to lapse, in which case you will receive no value for those lapsed Entitlements; or
- do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements.

If you are a retail shareholder that is not an Eligible Retail Shareholder, you are an “**Ineligible Retail Shareholder**”. Ineligible Retail Shareholders are not entitled to participate in the Entitlement Offer.

Options available to you	Key considerations
Take up all of your Entitlement	You may elect to purchase New Shares at the Offer Price (see Section 4 for instructions on how to take up your Entitlement). If you take up all of your Entitlement, you may also apply for additional New Shares under the Top Up Facility. There is no guarantee that you will be allocated any additional New Shares under the Top Up Facility.
Take up part of your Entitlement	<p>If you only take up part of your Entitlement, the part not taken up will lapse. You will not be entitled to apply for additional New Shares under the Top Up Facility.</p> <p>If you do not take up your Entitlement in full you will not receive any payment or value for those Entitlements not taken up.</p> <p>If you do not take up your Entitlement in full, you will have your percentage holding in Arafura reduced as a result of dilution by the shares issued under the Entitlement Offer.</p>
Do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements	If you do not take up your Entitlement, you will not be allocated New Shares and your Entitlements will lapse. Your Entitlements to participate in the Retail Entitlement Offer are non-renounceable, which means they are non-transferrable and cannot be sold, traded on ASX or any other exchange, nor can they be privately transferred.

4 How to apply

4.1 Overview

Arafura proposes to raise approximately \$11.5 million under the Entitlement Offer (subject to rounding). Under the Entitlement Offer, Arafura is offering Eligible Shareholders the opportunity to subscribe for 1 New Share for every 4 Existing Shares held at 7.00pm (AEST) on 15 August 2018, at the Offer Price of \$0.08 per New Share.

The Entitlement Offer comprises two parts:

- **The Institutional Entitlement Offer** – under which Eligible Institutional Shareholders were invited to take up all or part of their Entitlement, and a process to sell New Shares in respect of Entitlements not taken up by Eligible Institutional Shareholders as well as New Shares in respect of Entitlements of Ineligible Institutional Shareholders to certain Institutional Investors at the Offer Price through an institutional shortfall bookbuild, was carried out.
- **The Retail Entitlement Offer** – under which Eligible Retail Shareholders are being sent this Retail Offer Booklet, together with a personalised Entitlement and Acceptance Form, and are being invited to take up all or part of their Entitlement. In addition, Eligible Retail Shareholders who take up their full Entitlement may also participate in the Top Up Facility by applying for additional New Shares in excess of their Entitlement, at the Offer Price.

Both the Institutional Entitlement Offer and the Retail Entitlement Offer are non-renounceable.

The Entitlement Offer is not underwritten.

Please refer to the ASX Announcement and the Investor Presentation set out in Section 5 for information on the purpose of the Entitlement Offer, the application of the proceeds of the Entitlement Offer and for information on Arafura's business, performance and strategy. You should also consider other publicly available information about Arafura, including information available at www.asx.com.au and www.arultd.com.

4.2 Institutional Entitlement Offer

The Institutional Entitlement Offer was conducted between 13 August 2018 and 14 August 2018 (inclusive), and settlement of the Institutional Entitlement Offer is expected to occur on 21st August 2018.

The Institutional Entitlement Offer will (once settlement occurs) raise approximately \$2.45m through the issue of approximately 30,625,000 New Shares.

4.3 Retail Entitlement Offer

The Retail Entitlement Offer constitutes an offer to Eligible Retail Shareholders, who are invited to apply for 1 New Share for every 4 Existing Shares held on the Record Date. The Offer Price of \$0.08 per New Share represents a discount of 17.5% to the closing price of the Shares on 10 August 2018, being the last trading day before the Entitlement Offer was announced. The Offer Price also represents a 20% discount to the 10 day VWAP of Arafura shares before announcement of the Entitlement Offer.

The Entitlement Offer is non-renounceable. Accordingly, Entitlements do not trade on ASX, nor can they be sold, transferred or otherwise disposed of.

The Retail Entitlement Offer opens on 20 August 2018. The Retail Offer Booklet will be despatched on 20 August 2018, along with a personalised Entitlement and Acceptance Form,

to Eligible Retail Shareholders. The Retail Entitlement Offer is expected to close at 5.00pm (AEST) on 29 August 2018.

The Retail Entitlement Offer is being made pursuant to section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) which allows entitlement offers to be made without a prospectus, provided certain conditions are satisfied.

As a result, this offer is not being made under a prospectus and it is important for Eligible Retail Shareholders to read and understand the information on Arafura and the Retail Entitlement Offer made publicly available by Arafura, prior to taking up all or part of their Entitlement. In particular, please refer to the materials enclosed in Section 5, Arafura's interim and annual reports and other announcements made available at www.asx.com.au (including Arafura's half yearly report and accounts for the financial half-year ended 31 December 2017 released to ASX on 1 March 2018) and all other parts of this Retail Offer Booklet carefully before making any decisions in relation to your Entitlement.

4.4 Your Entitlement

An Entitlement and Acceptance Form setting out your Entitlement (calculated as 1 New Share for every 4 Existing Shares held on the Record Date with fractional entitlements rounded up to the nearest whole number of New Shares) will accompany this Retail Offer Booklet when it is despatched to Eligible Retail Shareholders. Eligible Retail Shareholders may subscribe for all or part of their Entitlement. If you have more than one registered holding of Shares, you will be sent an Entitlement and Acceptance Form for each separate registered holding, and you will have separate Entitlements for each separate registered holding.

Any New Shares not taken up by the Retail Closing Date may be made available to those Eligible Retail Shareholders who took up their full Entitlement and applied for additional New Shares under the Top Up Facility. There is no guarantee that such Shareholders will receive the number of additional New Shares applied for under the Top Up Facility, or any. Additional New Shares will only be allocated to Eligible Retail Shareholders under the Top Up Facility if available and then only if and to the extent that Arafura so determines, in its absolute discretion. Any scale-back will be applied by Arafura in its absolute discretion.

4.5 Options available to you

The number of New Shares to which Eligible Retail Shareholders are entitled is shown on the Entitlement and Acceptance Form that will accompany this Retail Offer Booklet when it is despatched to you.

Eligible Retail Shareholders may:

- (a) take up their Entitlement in full and, if they do so, they may apply for additional New Shares under the Top Up Facility (refer to Section 4.6);
- (b) take up part of their Entitlement, in which case the balance of the Entitlement would lapse (refer to Section to 4.7); or
- (c) allow their Entitlement to lapse (refer to Section 4.8).

Arafura reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Retail Closing Date.

The Retail Closing Date for acceptance of the Retail Entitlement Offer is 5.00pm (AEST) on 29 August 2018 (however, that date may be varied by Arafura, in accordance with ASX Listing Rules).

4.6 Taking up all of your Entitlement or taking up all of your Entitlement and participating in the Top Up Facility

If you wish to take up all or part of your Entitlement, payment must be made by following the instructions set out on the personalised Entitlement and Acceptance Form. Payment must be received by no later than 5.00pm (AEST) on 29 August 2018. If you apply to take up all of your Entitlement, you may also apply for additional New Shares under the Top Up Facility. If you apply for additional New Shares under the Top Up Facility, your Application Monies must include payment for as many additional New Shares as you are applying for.

Application Monies received by Arafura in excess of the amount in respect of your Entitlement (**Excess Amount**) may be treated as an application to apply for as many additional New Shares as your Excess Amount will pay for in full, subject to any scale-back Arafura may determine to implement, in its absolute discretion, in respect of additional New Shares. Arafura's decision on the number of additional New Shares to be allocated to you will be final.

If you apply for additional New Shares under the Top Up Facility and if your Application is successful (in whole or in part), your additional New Shares will be issued to you at the same time that other New Shares are issued under the Retail Entitlement Offer. Additional New Shares will only be allocated to Eligible Retail Shareholders if available. If you apply for additional New Shares, there is no guarantee that you will be allocated any additional New Shares. If your Application Monies includes an Excess Amount for additional New Shares which you are not ultimately allocated, you will be refunded in respect of those additional New Shares that you included payment for but were not allocated.

Refund amounts, if any, will be paid in Australian dollars by cheque sent by ordinary post to your address as recorded on the share register.

4.7 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement, payment for the number of New Shares you wish to be allocated must be made by following the instructions set out on the personalised Entitlement and Acceptance Form. If Arafura receives an amount that is less than the Offer Price multiplied by your Entitlement, your payment will be treated as an Application for as many New Shares as your Application Monies will pay for in full and any excess will be refunded to you (without interest). Alternatively your application may not be accepted.

If you do not take up your Entitlement in full, any part of your Entitlement which you do not take up will lapse and you will not receive any New Shares under the Retail Entitlement Offer in respect of that part of your Entitlement.

4.8 Allowing your full Entitlement to lapse

If you do not wish to accept any of your Entitlement, do not take any further action and your full Entitlement will lapse.

4.9 Consequences of not accepting all or part of your Entitlement

If you do not accept all or part of your Entitlement in accordance with the instructions set out above, those New Shares for which you would have otherwise been entitled under the Retail Entitlement Offer (including New Shares that relate to the portion of your Entitlement that has not been accepted) may be acquired by Eligible Retail Shareholders under the Top Up Facility. The Directors also reserve the right to place any shares not subscribed for by Eligible Retail Shareholders at their discretion within three months of the Retail Closing Date. The Directors also reserve the right to place any shares not subscribed for under the Institutional Entitlement Offer at their discretion within three months of the closing date of the Institutional Entitlement Offer.

By allowing part or all of your Entitlement to lapse, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement in full and you

will not receive any value for any part of your Entitlement which lapses. Your interest in Arafura will also be diluted.

4.10 Payment

Payment should be made using BPay® if possible. New Zealand shareholders who do not have an Australian bank account will be able to pay by cheque, bank draft or money order (see below at Section 4.12).

Cash payments will not be accepted. Receipts for payment will not be issued.

Arafura will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement.

Any Excess Amount received by Arafura may be treated as an application to apply for as many Additional Shares as your Excess Amount will pay for in full, subject to any scale-back Arafura may determine to implement, in its absolute discretion, in respect of additional New Shares. Arafura's decision on the number of additional New Shares to be allocated to you will be final.

Any refunds in respect of Application Monies will be made as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to applicants on any Application Monies received or refunded.

4.11 Payment by BPay®

For payment by BPay®, please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make payment via BPay® if you are the holder of an account with an Australian financial institution that supports BPay® transactions.

If you are paying by BPay®, please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on the back of your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you inadvertently use the same CRN for more than one of your Entitlements, you will be deemed to have applied only for New Shares on the Entitlement to which the CRN applies.

Please note that by paying by BPay®:

- (a) you do not need to submit your personalised Entitlement and Acceptance Form but are taken to have made the declarations, representations and warranties on that Entitlement and Acceptance Form and in Section 4.13; and
- (b) if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of as many New Shares as your Application Monies will pay for in full.

It is your responsibility to ensure that your BPay® payment is received by the Share Registry by no later than 5.00pm (AEST) on 29 August 2018. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

4.12 If you are unable to pay by BPay®

Arafura encourages payments by BPay® if possible.

To pay by cheque, bank draft or money order you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount

of the Application Monies, payable to 'Arafura Retail Entitlement Offer' and crossed 'Not Negotiable'.

It is your responsibility to ensure that your payment by cheque is received by the Share Registry by no later than 5.00pm (AEST) on 29 August 2018. You must ensure cleared funds are held in your account as your cheque will be banked as soon as practicable after it is received. Please note that you should consider postal and cheque clearance timeframes in meeting this deadline.

Your cheque, bank draft or money order must be:

- (a) for an amount equal to \$0.08 multiplied by the number of New Shares that you are applying for; and
- (b) in Australian dollars drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars. New Zealand resident shareholders must arrange for payment to be made in Australian dollars.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque will be processed as soon as it is received. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your application may not be accepted.

If you make payment via cheque, you should mail your completed personalised Entitlement and Acceptance Form together with the cheque to:

Mailing Address

Arafura Resources Limited
C/-Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Hand Delivery

Arafura Resources limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

(Please do not use this address for mailing purposes)

Personalised Entitlement and Acceptance Forms and Application Monies will not be accepted at Arafura's registered or corporate offices or other offices of the Share Registry.

4.13 Entitlement and Acceptance form is binding

A payment made through BPay® or a completed and lodged Entitlement and Acceptance Form together with the payment of requisite Application Monies constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Retail Offer Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. Arafura's decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By making a payment by BPay® or by completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you have read and understand this Retail Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- (b) you agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Offer Booklet, and Arafura's constitution;
- (c) you authorise Arafura to register you as the holder(s) of New Shares allotted to you;
- (d) you declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- (e) you declare you are over 18 years of age (if you are a natural person) and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- (f) once Arafura receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPay®, you may not withdraw your application or funds provided except as allowed by law;
- (g) you agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPay®, at the Offer Price per New Share;
- (h) you authorise Arafura, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- (i) you acknowledge and agree that:
 - (i) determination of eligibility of investors for the purposes of the institutional or retail components of the Entitlement Offer was determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Arafura; and
 - (ii) each of Arafura and its respective affiliates, disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law;
- (j) you declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- (k) the information contained in this Retail Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- (l) this Retail Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in Arafura and is given in the context of Arafura's past and ongoing continuous disclosure announcements to ASX;
- (m) you have read and understand the statement of risks in the Appendices section of the Investor Presentation included in Section 5 of this Retail Offer Booklet, and that investments in Arafura are subject to risk;
- (n) none of Arafura, nor its respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, warrants or guarantees the future performance of Arafura, nor do they guarantee any return on any investment made pursuant to the Entitlement Offer;

- (o) you agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;
- (p) you authorise Arafura to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- (q) you represent and warrant (for the benefit of Arafura and its respective related bodies corporate and affiliates) that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer;
- (r) you represent and warrant that the law of any place does not prohibit you from being given this Retail Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and that you are otherwise eligible to participate in the Retail Entitlement Offer;
- (s) you represent and warrant (for the benefit of Arafura and its respective related bodies corporate and affiliates) that you are an Eligible Retail Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Retail Entitlement Offer;
- (t) the New Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States or under the laws of any other jurisdiction outside Australia;
- (u) you are subscribing for or purchasing the New Shares in an 'offshore transaction' (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act;
- (v) you, and any person on whose account you are acting, have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States;
- (w) if you decide to sell or otherwise transfer any New Shares, you will only do so in regular way transactions on the ASX where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or is acting on behalf of a person in the United States; and
- (x) if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States and you have not sent this Retail Offer Booklet, the Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person in the United States.

4.14 Brokerage and stamp duty

No brokerage fee is payable by Eligible Retail Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for New Shares under the Retail Entitlement Offer or for additional New Shares under the Top Up Facility.

4.15 Director participation

Mr Lockyer, Mr Tonkin and Mr Grose of Arafura intend to take up all of their Entitlement in full.

4.16 ECE participation

The Company's largest shareholder (not including JP Morgan Nominees Australia Limited which acts as a nominee or custodian for various shareholders), ECE Nolans Investment Company Pty Ltd, has confirmed that it will not participate in the Entitlement Offer.

4.17 Notice to Nominees and Custodians

The Retail Entitlement Offer is being made to all Eligible Retail Shareholders. Nominees with registered addresses in the eligible jurisdictions, irrespective of whether they participate under the Institutional Entitlement Offer, may also be able to participate in the Retail Entitlement Offer in respect of some or all of the beneficiaries on whose behalf they hold existing Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Retail Shareholder.

Nominees and custodians should note that the Retail Entitlement Offer is not available to:

- (a) beneficiaries on whose behalf they hold existing Shares who would not satisfy the criteria for an Eligible Retail Shareholder;
- (b) Eligible Institutional Shareholders who received an offer to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not);
- (c) Ineligible Institutional Shareholders who were ineligible to participate in the Institutional Entitlement Offer; or
- (d) shareholders who are not eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

In particular, persons acting as nominees for other persons may not take up Entitlements on behalf of, or send any documents relating to the Retail Entitlement Offer to, any person in the United States.

Arafura is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Retail Entitlement Offer is compatible with applicable foreign laws. Arafura is not able to advise on foreign laws.

4.18 Withdrawal of the Entitlement Offer

Subject to applicable law, Arafura reserves the right to withdraw the Entitlement Offer at any time before the issue of New Shares, in which case Arafura will refund any Application Monies already received in accordance with the Corporations Act and will do so without interest being payable to Applicants.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to Arafura will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to Arafura.

4.19 Appointment of managers to the Entitlement Offer

Origin Securities Pty Ltd and Amvest Capital Inc (acting through Mann Mann Jensen Partners LP) have been appointed as managers of the Institutional Entitlement Offer and book runners for the Institutional Entitlement Offer. Origin Securities Pty Ltd and Amvest Capital Inc will each be paid a fee of 5% of the amount their respective clients invest under the Institutional Entitlement Offer and the institutional shortfall bookbuild under the Institutional Entitlement Offer.

4.20 Taxation implications

The directors do not consider it appropriate to give advice regarding the taxation consequences of subscribing for New Shares under this Entitlement Offer. The Company, its officers and its advisers do not accept any responsibility or liability for any such taxation consequences to Shareholders. Eligible Retail Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Entitlement Offer.

4.21 Risks

Eligible Retail Shareholders should be aware that an investment in Arafura involves risks. The key risks identified by Arafura are set out in the Appendices section of the Investor Presentation in Section 5.

4.22 Further enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions regarding the Entitlement Offer, please contact the Arafura Shareholder Information Line on 1300 494 861 (within Australia) or +61 1300 494 861 (outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday (excluding public holidays) during the Retail Entitlement Offer Period. If you have any further questions, you should contact your stockbroker, solicitor, accountant or other professional adviser.

5 ASX Announcement and Investor Presentation

See following pages

6 Additional information

6.1 Eligibility of Retail Shareholders

The Retail Entitlement Offer is being offered to all Eligible Retail Shareholders only.

Eligible Retail Shareholders are Shareholders who:

- (a) are registered as holders of Existing Shares as at 7:00pm (AEST) on the Record Date;
- (b) have a registered address on Arafura's share register in Australia or New Zealand;
- (c) are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States;
- (d) were not invited to participate in the Institutional Entitlement Offer and were not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and
- (e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Retail shareholders who do not satisfy the above criteria are Ineligible Retail Shareholders.

By returning a completed personalised Entitlement and Acceptance Form or making a payment by either BPay® or cheque, bank draft or money order, you will be taken to have represented and warranted that you satisfy each of the criteria listed above to be an Eligible Retail Shareholder. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

Arafura has determined that it is unreasonable to extend the Retail Entitlement Offer to Ineligible Retail Shareholders because of the small number of such Shareholders, the number and value of Shares that they hold and the cost of complying with the applicable regulations in jurisdictions outside Australia and New Zealand.

6.2 Ranking of New Shares

The New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally with Existing Shares.

6.3 Allotment

Arafura has applied for quotation of the New Shares on ASX in accordance with ASX Listing Rule requirements. If ASX does not grant quotation of the New Shares, Arafura will repay all Application Monies (without interest).

Trading of New Shares will, subject to ASX approval, occur shortly after allotment. It is expected that allotment of the New Shares under the Retail Entitlement Offer will take place on 5 September 2018. Application Monies will be held by Arafura on trust for Applicants until the New Shares are allotted. No interest will be paid on Application Monies.

Subject to approval being granted, it is expected that the New Shares allotted under the Retail Entitlement Offer will commence trading on a normal basis on 6 September 2018.

It is the responsibility of Applicants to determine the number of New Shares allotted and issued to them prior to trading in the New Shares. The sale by an Applicant of New Shares prior to receiving their holding statement is at the Applicant's own risk.

6.4 Reconciliation

The Entitlement Offer is a complex process and in some instances investors may believe they own more Shares than they actually do or are otherwise entitled to more New Shares than initially offered to them. These matters may result in a need for reconciliation. If reconciliation is required, it is possible that Arafura may need to issue a small quantity of additional New Shares to ensure all Eligible Shareholders receive their full Entitlement. The price at which these additional New Shares would be issued, if required, is the Offer Price.

Arafura also reserves the right to reduce the number of New Shares allocated to Eligible Shareholders or persons claiming to be Eligible Shareholders, if their Entitlement claims prove to be overstated, if they or their nominees fail to provide information requested to substantiate their Entitlement claims, or if they are not Eligible Shareholders.

6.5 Continuous Disclosure

Arafura is a “disclosing entity” under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules, including the preparation of annual reports and half yearly reports.

Arafura is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the stock markets conducted by ASX. In particular, Arafura has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of Arafura shares. That information is available to the public from ASX.

6.6 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted.

6.7 Not investment advice

This Retail Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Arafura is not licensed to provide financial product advice in respect of the New Shares. The information contained in this Retail Offer Booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares, nor does it purport to contain all the information which would be required in a prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Arafura’s other periodic statements and continuous disclosure announcements lodged with ASX.

7 Glossary

In this Retail Offer Booklet, the following terms have the following meanings:

Term	Definition
\$ or A\$ or AUD or dollars	Australian dollars (unless otherwise specified)
Applicant	an Eligible Retail Shareholder who has submitted a valid Application
Application	an application to subscribe for New Shares under the Retail Entitlement Offer
Application Monies	monies received from applicants in respect of their Applications
Arafura	Arafura Resources Limited (ACN 080 933 455)
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the financial products market operated by that entity known as the Australian Securities Exchange
ASX Announcement	the announcement released to ASX on 10 August 2018 in connection with the Entitlement Offer, a copy of which is set out in Section 5
ASX Listing Rules	the official listing rules of ASX, as amended or replaced from time to time
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Eligible Institutional Shareholder	a person who: <ul style="list-style-type: none">• was identified as an Institutional Shareholder by Arafura;• has a registered address in Australia, New Zealand or certain other jurisdictions (except the United States) disclosed in the “International Offer Restrictions” slides of the Investor Presentation;• is not in the United States and is not acting for the account or benefit of a person in the United States;• is eligible under all applicable securities laws to receive an offer under the Institutional Entitlement Offer; and• who has successfully received an offer under the Institutional Entitlement Offer.
Eligible Retail Shareholder	is defined in Section 6.1
Eligible Shareholder	a person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder

Term	Definition
Entitlement	the entitlement to subscribe for 1 New Share for every 4 Existing Shares held on the Record Date by Eligible Shareholders
Entitlement and Acceptance Form	the Entitlement and Acceptance Form accompanying this Retail Offer Booklet upon which an Application can be made
Entitlement Offer	the Institutional Entitlement Offer and the Retail Entitlement Offer
Excess Amount	is defined in Section 4.6
Existing Share	a Share on issue before the Record Date
GST	Australian Goods and Services Tax (currently 10%)
Ineligible Institutional Shareholder	an Institutional Shareholder who is not an Eligible Institutional Shareholder
Ineligible Retail Shareholder	a Shareholder who is neither an Institutional Shareholder nor an Eligible Retail Shareholder
Institutional Entitlement Offer	the accelerated non-renounceable pro-rata entitlement offer to Eligible Institutional Shareholders
Institutional Investor	<p>a person:</p> <ul style="list-style-type: none"> • in Australia, to whom an offer of securities in a company may be made in Australia without a disclosure document (as defined in the Corporations Act) on the basis that such a person is an 'exempt investor' as defined section 9A(5) of the Corporations Act (as inserted by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84); or • in selected jurisdictions outside Australia to whom an offer of New Shares may be made without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that foreign jurisdiction (except to the extent to which Arafura, at its absolute discretion, is willing to comply with such requirements).
Institutional Shareholder	a Shareholder on the Record Date who is an Institutional Investor
Investor Presentation	the presentation released to ASX on 10 August 2018 in connection with the Entitlement Offer, a copy of which is set out in Section 5
New Shares	a Share issued in connection with the Entitlement Offer
Offer Price	\$0.08 per New Share
Record Date	the time and date for determining which Shareholders are entitled to an Entitlement under the Entitlement Offer, being 7.00pm (AEST) on 15 August 2018

Term	Definition
Retail Closing Date	5.00pm (AEST) on 29 August 2018. This is the final date that Eligible Retail Shareholders can take up some or all of their Entitlement
Retail Entitlement Offer	the non-renounceable pro-rata offer to Eligible Retail Shareholders to subscribe for 1 New Share for every 4 Existing Shares of which the Shareholder is the registered holder on the Record Date, at the Offer Price pursuant to this Retail Offer Booklet
Retail Entitlement Offer Period	the period commencing on the opening date of the Retail Entitlement Offer, as specified in the 'Key Dates for the Entitlement Offer' in Section 1, and ending on the Retail Closing Date
Retail Offer Booklet	this booklet dated 15 August 2018, including the ASX Announcement and Investor Presentation set out in Section 5
Section	a section of this Retail Offer Booklet
Share	a fully paid ordinary Arafura share
Share Registry	Link Market Services Limited (ACN 083 214 537) or any other person appointed as registry by Arafura from time to time
Shareholder	the registered holder of an Existing Share
Top Up Facility	the facility described in Section 4.6 under which Eligible Retail Shareholders may apply for additional New Shares in excess of their Entitlement
U.S. or United States	United States of America, its territories and possessions, any state of the United States and the District of Columbia
U.S. Securities Act	U.S. Securities Act of 1933, as amended

8 Corporate Directory

Arafura

Arafura Resources Limited
Level 3, 263 Adelaide Terrace
Perth WA 6000

Arafura Shareholder Information Line

1300 494 861 (within Australia) or
+61 1300 494 861 (outside Australia)

Open 8.30am to 5.30pm (AEST) Monday to Friday (excluding public holidays) during the Retail Entitlement Offer Period.

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Australian Legal Adviser

Johnson Winter & Slattery
Level 4, 167 St Georges Terrace
Perth WA 6000