

# **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.

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## 1 Key dates for the Retail Entitlement Offer

<b>Event</b>	<b>Date</b>
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 ( <b>Retail Closing Date</b> )	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](http://www.arultd.com) or [www.asx.com.au](http://www.asx.com.au).

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## 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	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.  If you do not take up your Entitlement in full you will not receive any payment or value for those Entitlements not taken up.  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.
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.

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## 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](http://www.asx.com.au) and [www.arultd.com](http://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 21<sup>st</sup> 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](http://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.

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**5 ASX Announcement and Investor Presentation**

See following pages

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## ASX Announcement

# Accelerated Non-Renounceable Entitlement Offer

10 August 2018

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Arafura Resources Limited (ASX: ARU) (**Arafura, the Company**) is pleased to announce a 1 for 4 accelerated non-renounceable entitlement offer (**Entitlement Offer**) at \$0.08 per share (**Offer Price**) to raise approximately \$11.5 million through the issue of approximately 143,938,988 new Arafura shares (subject to rounding) (**New Shares**).

Arafura intends to use the funds raised under the Entitlement Offer 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 Entitlement Offer is comprised of:

- an accelerated institutional component to be conducted between 13 August 2018 and 14 August 2018 (**Institutional Entitlement Offer**); and
- a retail component which is anticipated to open on 20 August 2018 and close on 29 August 2018 (**Retail Entitlement Offer**).

The record date under the Entitlement Offer is 7.00pm (AEST) on 15 August 2018 (**Record Date**). Entitlements are non-renounceable and accordingly cannot be traded on the ASX.

The Entitlement Offer is not underwritten and any shortfall shares will be placed by the directors at their discretion subject to compliance with the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

The Offer Price of \$0.08 per New Share under the Entitlement Offer represents a discount of 17.5% to \$0.097, being the last closing price of Arafura shares before announcement of the Entitlement Offer. The Offer Price also represents a discount of 20% to the 10 day VWAP of Arafura shares before announcement of the Entitlement Offer.

The New Shares to be issued will rank equally with existing Arafura shares on issue at the time of allotment.

### **Institutional Entitlement Offer**

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which opens on 13 August 2018 and closes on 14 August 2018.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their Entitlement. New Shares in relation to Entitlements not taken up under the Institutional Entitlement Offer, or New Shares in relation to entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to eligible institutional investors and other institutional investors at the Offer Price through a bookbuild process.

Arafura shares have been placed in a trading halt while the Institutional Entitlement Offer is undertaken. It is expected that the trading halt will end at market open on 15 August 2018.



## Accelerated Non-Renounceable Entitlement Offer

New Shares under the Institutional Entitlement Offer are expected to be issued on 22 August 2018. Arafura will, upon issue of the New Shares under the Institutional Entitlement Offer, seek quotation of the New Shares on ASX.

### Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand as at the Record Date (**Eligible Retail Shareholders**), have the opportunity to take up their entitlement of New Shares at the Offer Price, on the terms and conditions outlined in the Retail Offer Booklet to be sent to Eligible Retail Shareholders on or around 20 August 2018. The Retail Entitlement Offer is anticipated to close on 29 August 2018.

Eligible Retail Shareholders can choose to take up all, part, or none of their Entitlements. Furthermore, the Retail Entitlement Offer will include a top up facility under which Eligible Retail Shareholders who take up their Entitlement in full may also apply for additional shares in the Retail Entitlement Offer that were not taken up by other Eligible Retail Shareholders. There is no guarantee that applicants under the top up facility will receive all or any of the additional shares for which they apply.

New Shares under the Retail Entitlement Offer are expected to be issued on 6 September 2018. Arafura will, upon issue of the New Shares under the Retail Entitlement Offer, seek quotation of the New Shares on ASX.

Please note that Shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer.

### Key dates

Event	Date
Announcement of the Entitlement Offer	10 August 2018
Institutional Entitlement Offer opens	13 August 2018
Institutional Entitlement Offer closes	14 August 2018
Shares recommence trading on ASX on an "ex-entitlement" basis	15 August 2018
Record Date for the Entitlement Offer	7.00pm (AEST) 15 August 2018
Retail Entitlement Offer opens	20 August 2018
Retail Offer Booklet despatched	20 August 2018
Settlement of New Shares issued under the Institutional Entitlement Offer	21 August 2018
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	22 August 2018
Retail Entitlement Offer closes (Retail Closing Date)	5.00 pm (AEST) 29 August 2018
Allotment of New Shares under the Retail Entitlement Offer	5 September 2018
New Shares issued under the Retail Entitlement Offer commence trading on ASX	6 September 2018
Despatch to Shareholders of holding statements under the Retail Entitlement Offer	7 September 2018

## Accelerated Non-Renounceable Entitlement Offer

All dates and times referred to are based on Australian Eastern Standard Time and are subject to change. ARU reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

### Retail Investor Enquiries

For further information in regard to the Retail Entitlement Offer, please contact the Arafura Shareholder Information Line on 1300 494 861 (local call cost within Australia) or +61 1300 494 861 (from outside Australia) at any time between 8.30am and 5.30pm (AEST), Monday to Friday (excluding public holidays).

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

### Further Information

Johnson Winter & Slattery is acting as legal adviser to Arafura.

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 to the Institutional Entitlement Offer.

Further details about the Entitlement Offer are contained in a separate investor presentation lodged with the ASX today.

### ENDS

Further comment and information	
Gavin Lockyer, Managing Director	+61 8 6210 7666
Peter Sherrington, Chief Financial Officer and Company Secretary	+61 8 6210 7666

## Accelerated Non-Renounceable Entitlement Offer

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### Summary Information

The following disclaimer applies to this announcement and any information contained in it. The information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with Arafura's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at [www.asx.com.au](http://www.asx.com.au). You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

### Forward Looking Statements

This announcement includes forward-looking statements. These statements relate to Arafura'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 Arafura'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 Arafura, or any of its affiliates or persons acting on its behalf. Arafura 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 Arafura 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, Arafura 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.

### Not for release to US wire services or distribution in the United States

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be registered, under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act of 1933 and applicable US state securities laws.



# Arafura Resources Limited

*Nolans Equity Raising*

*Not for release to US wire services or distribution in the United States*

August 2018

Investor Presentation



# Important Notice - Disclaimer

This presentation has been prepared by Arafura Resources Limited (**Arafura**, **Arafura Resources** or the **Company**) in relation to an offer of new fully paid ordinary shares in Arafura Resources (**New Shares**) under an accelerated non-renounceable entitlement offer which comprises an accelerated institutional entitlement offer and a retail entitlement offer to be made under section 708AA of the Corporations Act (Cth) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

This presentation is of a summary form only and therefore contains general background information which may not be complete. It should be read in conjunction with and full review made of Arafura Resources' disclosures and releases lodged with the Australian Securities Exchange (**ASX**) and available at [www.asx.com.au](http://www.asx.com.au).

This presentation contains certain statements which may constitute "forward-looking statements." Such statements are only expectations or beliefs and are subject to inherent risks and uncertainties which could cause actual values, results or performance achievements to differ materially from those expressed or implied in this presentation. No representation or warranty, express or implied is made by Arafura Resources that any forward-looking statement contained in this presentation will occur, be achieved or prove to be correct. You are cautioned against relying upon any forward-looking statement. Except for statutory liability which cannot be excluded, each of Arafura Resources and its related body corporates and their officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this presentation and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error in it or omission from it. Arafura Resources accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in this presentation or any other information made available to a person, nor any obligation to furnish the person with any further information.

This presentation does not constitute an offer of any securities in Arafura Resources, in any jurisdiction, nor an invitation to apply for such securities, in any jurisdiction, and will not form part of any contract for the acquisition of Arafura shares. This presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this presentation have not been, and will not be, registered under the US Securities Act of 1933, as amended ("Securities Act") or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the Securities Act and applicable US state securities laws. This presentation may not be released to US wire services or distributed in the United States.

The distribution of this presentation in other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws (see "Appendix B: International Offer Restrictions" section of this presentation). By accepting this presentation you represent and warrant that you are entitled to receive such presentation in accordance with the above restrictions and agree to be bound by the limitations contained herein.

This presentation does not provide investment advice or financial product advice. You should obtain professional advice and carry out your own independent investigations and assessment of the information in this presentation (including any assumptions) before acting. Information in this presentation which is attributed to a third-party source has not been checked or verified by Arafura Resources.



# Important Notice - Disclaimer

The information in this presentation that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Kelvin Hussey BSc (Hons). Mr Hussey is a Member of the Australian Institute of Geoscientists and he has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)". Mr Hussey consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears. Mr Hussey is a full-time employee of Arafura Resources.

US investors should note that while the Company's reserve and resource estimates comply with the JORC Code, they may not comply with Industry Guide 7, which governs disclosures of mineral reserves in registration statements filed with the US Securities and Exchange Commission. In particular, Industry Guide 7 does not recognise classifications other than proven and probable reserves and, as a result, the SEC generally does not permit mining companies to disclose their mineral resources in SEC filings. You should not assume that quantities reported as "resources" will be converted to reserves under the JORC Code or any other reporting regime or that the Company will be able to legally and economically extract them.

# Contents

1. Entitlement Offer
2. Company Update
3. NdPr Market Update
4. Nolans Project
5. Review of Operations 2017/18
6. Appendices

# 1

# Entitlement Offer

# Entitlement Offer Summary

1.1

## Accelerated Non-Renounceable Entitlement Offer

- A **1 for 4** Accelerated Non-Renounceable **Entitlement Offer** at **\$0.08 per share** to raise approximately \$11.5 million. The Entitlement Offer comprises:
  - an **accelerated institutional** entitlement offer (**Institutional Entitlement Offer**); and
  - a **retail** entitlement offer (**Retail Entitlement Offer**).
- Approximately 143,938,988 New Shares to be issued under the Entitlement Offer (subject to rounding and determination of entitlements).
- Offer price of \$0.08 per New Share under the Entitlement Offer
  - Represents a **20% discount to the 10 day VWAP** of Arafura's shares before announcement of the Entitlement Offer
  - Represents a 17.5% discount to the closing price of \$0.097 on 10 August 2018, being the last closing price of Arafura shares before announcement of the Entitlement Offer

# Entitlement Offer Details

1.2

## Funds raised to progress further development of Nolans NdPr Project

- (see [section 4 below](#) for further information on the Nolans NdPr Project)

## Institutional Offer

- Institutional Entitlement Offer will be conducted from **13 August 2018 to 14 August 2018**
- New Shares in relation to Entitlements not taken up under the Institutional Entitlement Offer, along with New Shares in respect of Entitlements of ineligible institutional shareholders, will be offered to certain institutional investors concurrently with the Institutional Entitlement Offer through a **bookbuild process**
- Any remaining shortfall after completion of the bookbuild process may be placed by the directors in accordance with the ASX Listing Rules and the Corporations Act.

## Retail Entitlement Offer

- Retail Entitlement Offer **opens on 20 August 2018 and closes on 29 August 2018**
- Retail Entitlement Offer will include a **top up facility** under which Eligible Retail Shareholders who take up their entitlement in full may also apply for additional New Shares
- The directors reserve the right to place any shares not subscribed for by Eligible Retail Shareholders under the Retail Entitlement Offer at their discretion in accordance with the ASX Listing Rules and the Corporations Act

## Ranking

- New Shares issued will rank equally with existing ordinary shares in all respects from allotment.

# Effect of Entitlement Offer

1.3

The below assumes the maximum number of New Shares are issued under the Entitlement Offer (subject to rounding and determination of entitlements) and no options are exercised.

- Existing shares on issue: 575,755,949
- Existing options on issue: 22,270,000
- New Shares proposed to be issued under the Entitlement Offer: approximately 143,938,988 representing approximately 20% of existing undiluted share capital
- Total shares on issue following the Entitlement Offer: approximately 719,964,937

# Entitlement Offer Timetable

1.4

Event	Date
Announcement of Entitlement Offer	10 August 2018
<b>Institutional Entitlement Offer opens</b>	13 August 2018
<b>Institutional Entitlement Offer closes</b>	14 August 2018
Shares recommence trading on ASX on an “ex-entitlement” basis	15 August 2018
<b>Record Date for the Entitlement Offer</b>	7.00pm (AEST) 15 August 2018
<b>Retail Entitlement Offer opens</b>	20 August 2018
Retail Offer Booklet despatched	20 August 2018
Settlement of New Shares issued under the Institutional Entitlement Offer	21 August 2018
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	22 August 2018
<b>Retail Entitlement Offer closes (Retail Closing Date)</b>	5.00 pm (AEST) 29 August 2018
Allotment of New Shares under the Retail Entitlement Offer	5 September 2018
New Shares issued under the Retail Entitlement Offer commence trading on ASX	6 September 2018
Despatch to Shareholders of holding statements under the Retail Entitlement Offer	7 September 2018

All dates and times referred to are based on Australian Eastern Standard Time and are subject to change. Arafura reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

# Entitlement Offer Application of Funds

1.5

Arafura intends to use funds raised under the Entitlement Offer 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**.

If all eligible shareholders do not take up their full entitlement and it is not possible to place the entire shortfall then Arafura intends that the gross proceeds received from the Entitlement Offer will be applied firstly towards meeting the costs of the offer and secondly towards completing the piloting activities and engineering for the DFS to the extent possible.

2

# Company update

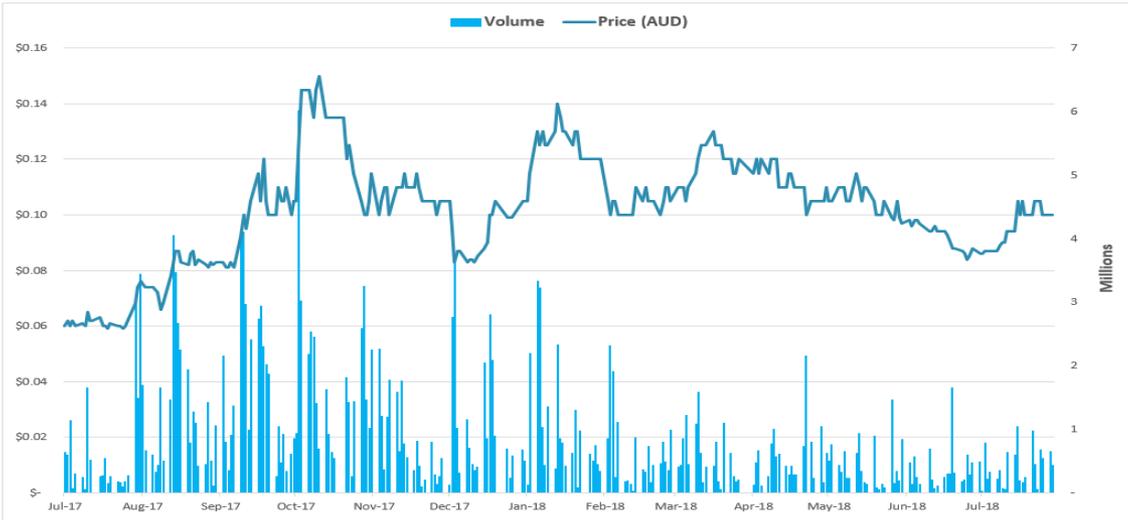


# Company Snapshot

2.1

- ASX listed company developing the **Nolans Rare Earths Project** in the Northern Territory, a **long-life** mining and chemical processing operation
- Arafura has the expectation of producing **5-10% of global demand of NdPr oxide** for permanent magnets
- Nolans has been afforded **major project status** by the Northern Territory and Australian governments
- Nolans has **environmental approval** and is in **advanced feasibility**

ASX Code	ARU
Share Price (31-Jul-18)	A\$0.10
Issued Shares (31-Jul-18)	575.8m
Market Cap (31-Jul-18)	A\$57.6m
Cash (30-Jun-18)	A\$7.9m
Debt (30-Jun-18)	Nil
Enterprise Value (31-Jul-18)	A\$49.7m



Shareholder Spread (as at 31-Jul-18)	
JP Morgan Nominees	21.08%
ECE Nolans Investment Co	19.05%
Citicorp Nominees	3.35%
HSBC Custody Nominees	2.81%
BNP Paribas Nominees	1.06%

3

# NdPr Market Update

# Overview

## 3.1

- **NdPr Oxide is a key component** in the manufacture of high-strength NdFeB permanent magnets used in electric vehicles (EVs), wind turbines, portable electronic devices, and many industrial applications
- NdFeB magnets are the dominant drive train technology for EVs. Each electric drive motor requires **1 kg of NdPr**.
- NdPr accounts for 26.4% of Nolans rare earths composition by volume and over **80% by value**
- China has been the dominant NdPr producer but recently analysts are forecasting **China to become a net importer**

# Emerging Demand Dynamic – China 2025 Strategy

## 3.2

### Arafura is of the opinion that:

- **China’s domestic NdPr consumption will increase by over 30% in the next 5 years** as it pursues clean energy objectives and global leadership in EV manufacturing.
- Supply reforms, industry consolidation and higher environmental standards will constrain China’s ability to rapidly increase NdPr production. Further policy change is expected but in recent years Chinese production has been supplemented with imported concentrate and oxide to meet China demand. ROW supply is being sourced from Malaysia and notionally illegal China sources.
- **Increased NdPr consumption combined with constrained supply could result in China moving from being the worlds major source of NdPr to a net importer by the early 2020’s**



Source: ACREI, Asian Metals, Shanghai Metals Market and Adamas

# 4

# Nolans Project

# Current Project Metrics

## 4.1

The following cost estimates have been generated by Arafura based on Arafura's historical test work and previous work by independent consultants and are considered +/- 30% accuracy. They will be refined upon completion of the definitive feasibility study expected to be reported by the end of 2018. The preliminary basis of design for the feasibility study assumes a life of mine greater than 30 years.<sup>1</sup>

Production Targets <sup>1,3</sup>		Financial US\$	
NdPr Oxide	3,600 tpa	Capital Cost <sup>2</sup>	\$680m
La Oxide	2,660 tpa	Operating Cost	\$125m pa
Mixed RE Carbonate	660 tpa	Operating Cost	\$8.89/kg TREO
Phosphoric Acid	110,000 tpa	Operating Cost	\$24.38/kg NdPr (Incl Phosphoric Acid credit)

1) Refer risk section 1.1 (a) & (f) , Appendix E & Arafura ASX release 7 June 2017 for additional and qualifying information on the Mineral Resources that underpin the production target and provides the material assumptions on which the production target is based. The Company confirms that all material assumptions underpinning the forecast financial information derived from its 14,000 tpa TREO production target and the production target itself, continue to apply and have not materially changed since the 7 June 2017 ASX release.

2) Exchange rate utilised A\$1:US\$0.70

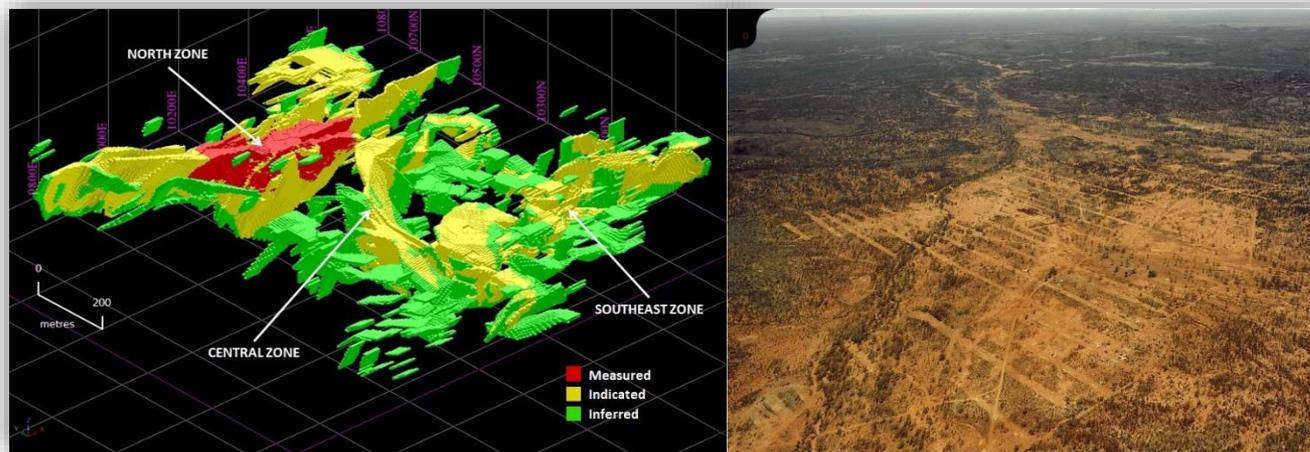
3) Refer risk section 1.1 (g)

# Mineral Resources

## 4.2

RESOURCES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P <sub>2</sub> O <sub>5</sub> %	NdPr Enrichment %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
<b>TOTAL</b>	<b>56</b>	<b>2.6</b>	<b>11</b>	<b>26.4</b>

1% TREO cut-off grade. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd<sub>2</sub>O<sub>3</sub> and Pr<sub>6</sub>O<sub>11</sub>. Refer to footnote 1 below.

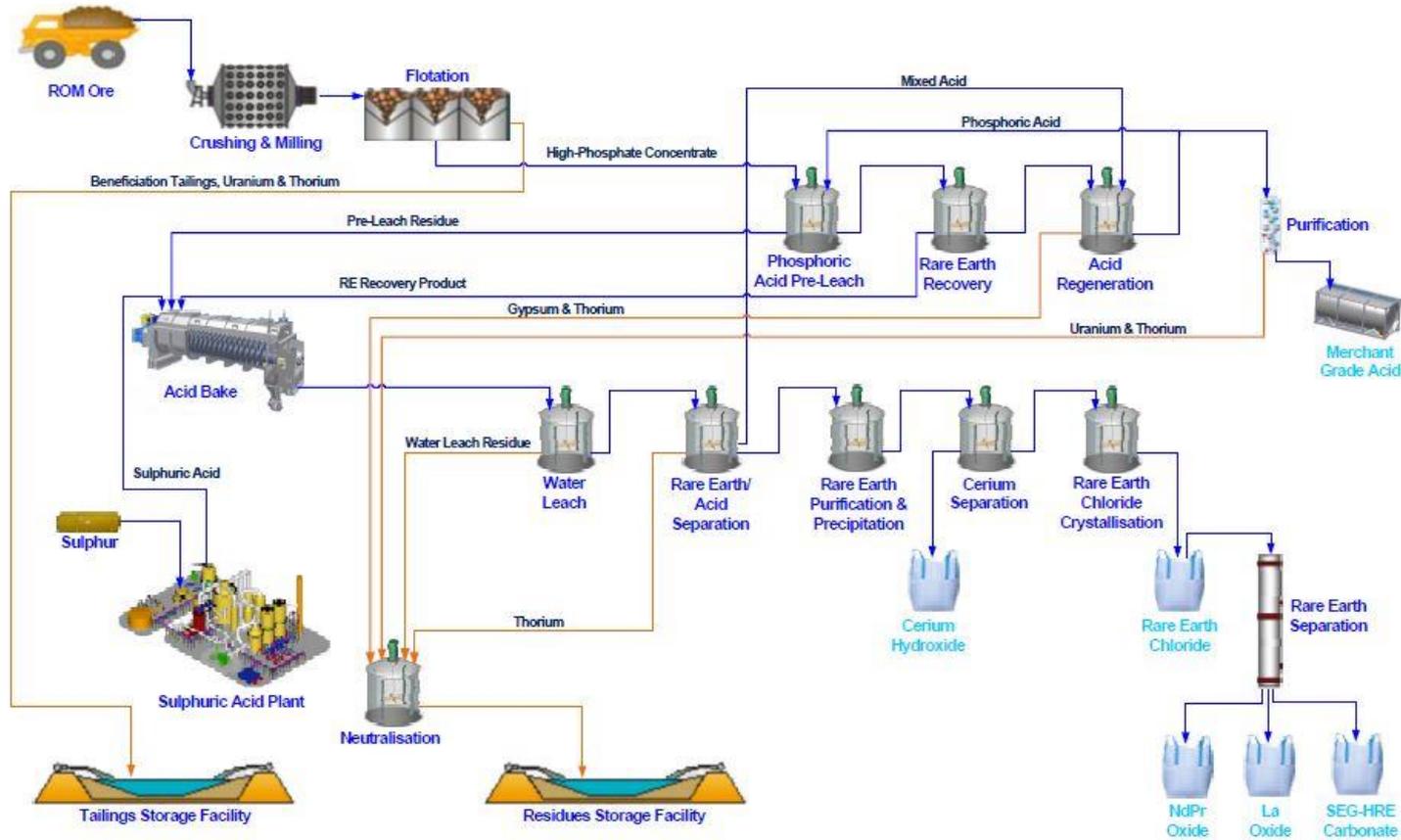


- **Resource defined** via extensive drilling and detailed material type studies and extends from surface down to 215m.
- Drilling has identified mineralization below 215m
- 90,000 metres of drilling
- Amenable to standard mining and beneficiation techniques
- Fluorapatite is the most abundant REE-bearing mineral

1) Refer risk section 1.1 (a) & (f), Appendix E & Arafura ASX release 7 June 2017 for additional and qualifying information on the Mineral Resources that underpin the production target and provides the material assumptions on which the production target is based. The Company confirms that all material assumptions underpinning the forecast financial information derived from its 14,000 tpa TREO production target and the production target itself, continue to apply and have not materially changed since the 7 June 2017 ASX release.

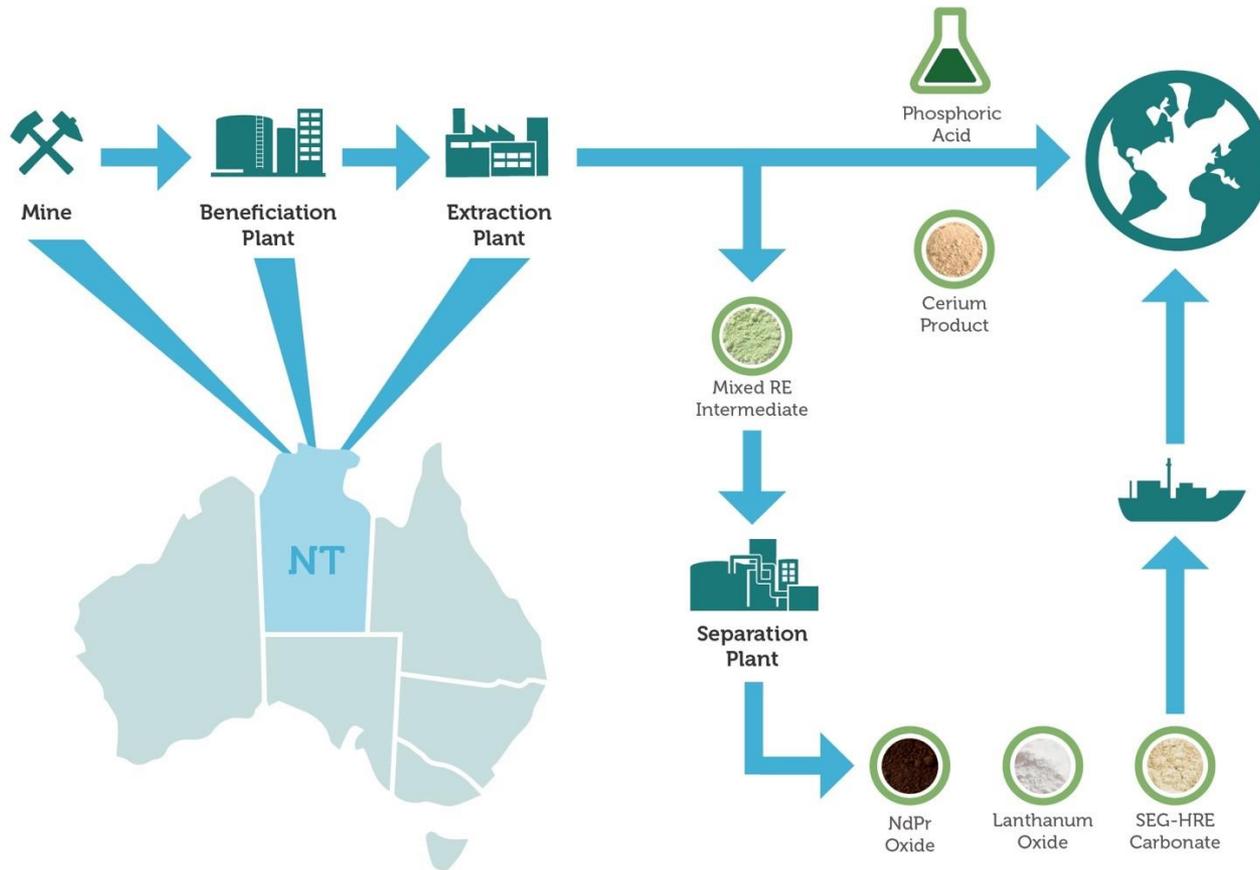
# Project Flowsheet – Piloting & Basis of Design for DFS

4.3



# Project Configuration – Basis of Design for DFS

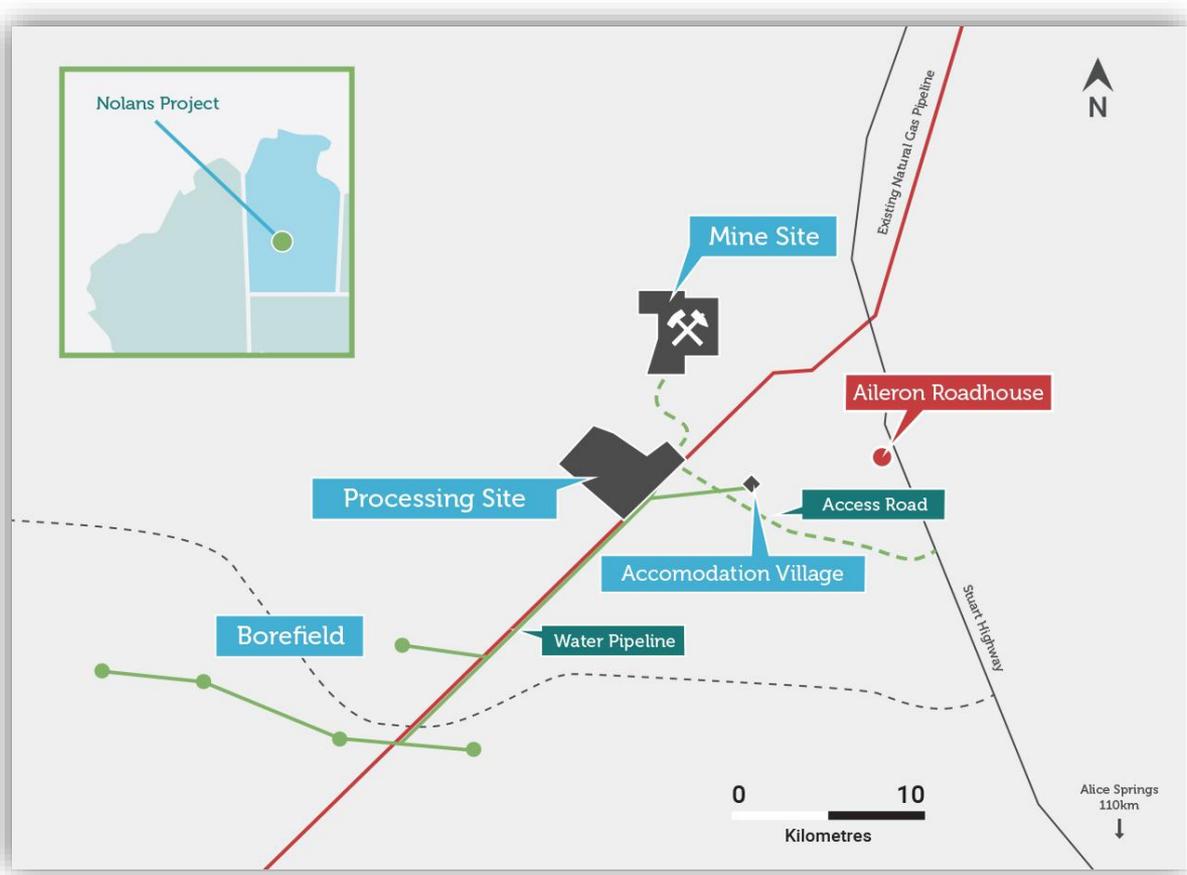
4.4



Separation Plant – site option study advanced for Nolans and alternate overseas location

# Close To Key Infrastructure

4.5

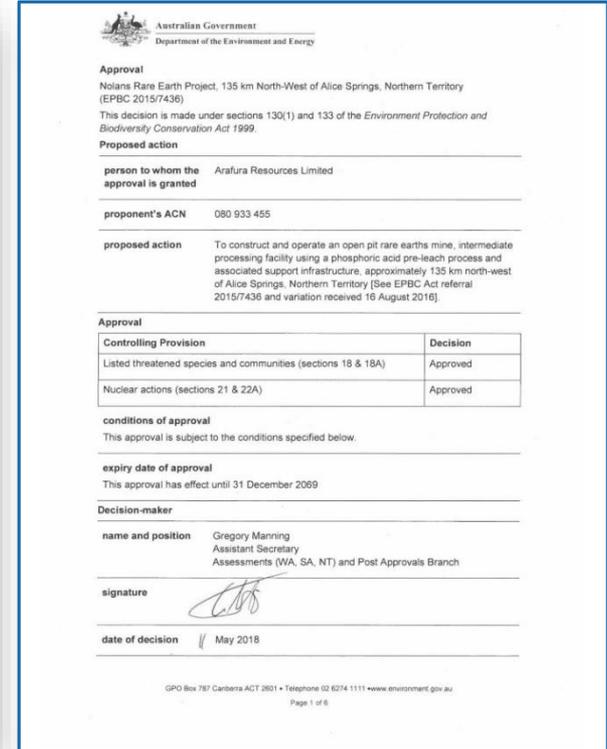
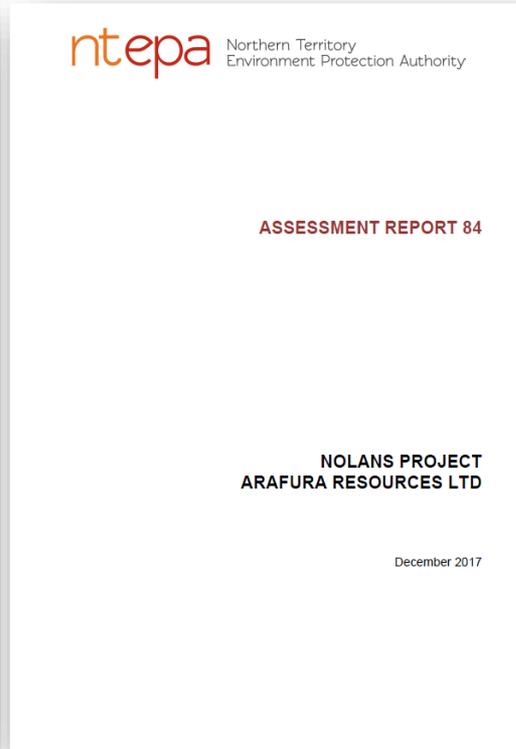
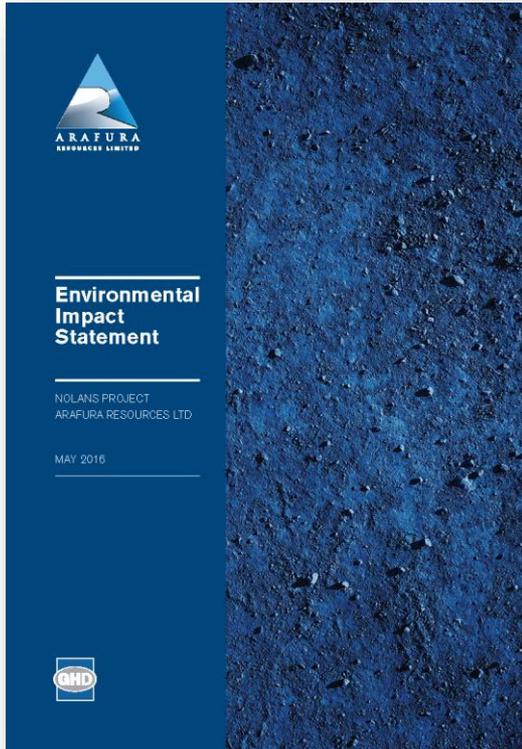


- Current layout used as basis of design for DFS
- Stuart Highway – **10 km east**
- Alice Springs railyard, airport and other services – **135 km south**
- Amadeus natural gas pipeline – **adjacent to project site**
- Water supply – **30 km south**
- Tailings and process wastes **remain at site**

# 5 Review of Operations 2017/18

# Environmental Assessment Completed

5.1



**NT Environment Protection Authority (EPA) Recommends Environmental Approval**

*“The NT EPA considers that ..... the Project can be managed in a manner that .... avoids significant or unacceptable environmental impacts and risks.”*

# Flowsheet Piloting

5.2

Beneficiation Pilot Plant



Bulk Pre-Leach Pilot Plant



- Program aimed to reduce execution risk by addressing key engineering and operational considerations prior to commissioning of the commercial facility
- Draws on independent expert advice from specialist consultants and equipment vendors

**Phase 1**  
Beneficiation

- ✓ > 5,000 kg high-phosphate concentrate
- ✓ >80% NdPr recovery
- ✓ >90% P<sub>2</sub>O<sub>5</sub> recovery
- ✓ Met performance objectives

**Phase 2**  
Phosphate Extraction

- ✓ Merchant grade phosphoric acid suitable for fertilizers
- ✓ 3% TREO losses to gypsum waste
- ✓ Met performance objectives

**Phase 3**  
Bulk Pre-Leach

- ✓ Approx. 2,000 kg pre-leach residue
- ✓ Met performance objectives

**Phase 4**  
Acid Bake

- ✓ Pilot completed
- ✓ Results pending

**Phases 5 & 6**  
Rare Earth Processing

- Pilot setup and operation scheduled

**Phase 7**  
Rare Earth Separation

- Planning well advanced



Phosphate Extraction Pilot Plant



Acid Bake Pilot Plant

# Definitive Feasibility Study

5.3

- ✓ **Director appointment:** Mark Southey, previously WorleyParsons Group Managing Director for Minerals, Metals and Chemicals
- ✓ **Nolans Project Manager appointment:** Stewart Watkins, chemical engineer (AusIMM) 25 years experience
- ✓ **DFS Lead Engineering Study Manager appointment:** 
- ✓ **Process design advanced, layouts and equipment costing commenced:** engineering study results to be reported December 2018

- Process design criteria, PFDs and mechanical equipment list issued for use
- Underway
  - Layouts of process plant
  - Energy demand finalised and commenced discussions with gas suppliers and power station operators.
  - Tailings impoundment designs and planning for site geotechnical program
- Awarded
  - Mine planning: Mining Plus
  - Transport and logistics study: Qube Bulk
  - Water supply study and design: GHD and Ride Consulting



# Timeline & Targets

5.4



2018 targets include:

- Advancing **NdPr offtake arrangements**
- Reporting **DFS results**
- Engaging with **strategic partners for capital equipment procurement and project funding**

# 6

# Appendices

Appendix A: Risks

Appendix B: International Offer Restrictions

Appendix C: Board

Appendix D: Management

Appendix E: Production Targets and Mineral Resources

# Appendix A: Risks

## 6.1

### **Risk factors**

You should be aware that being issued New Shares involves various risks. This Section discusses some of the key risks associated with an investment in New Shares. A number of risks and uncertainties, which are both specific to and of a more general nature, may adversely affect the operating and financial performance or position of the Company, which in turn may affect the value of New Shares and the value of an investment in the Company.

The risks and uncertainties described below are not an exhaustive list of the risks facing the Company or associated with an investment in the Company. Additional risks and uncertainties may also become important factors that adversely affect the Company's operating and financial performance or position.

This document is not financial product advice and has been prepared without taking into account your investment objectives or personal circumstances. Before investing in New Shares, you should consider whether an investment in New Shares is suitable for you. Potential investors should consider publicly available information on the Company (such as that available on the websites of the Company and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

# Appendix A: Risks

## 6.2

### **1.1 Company specific risks**

#### **(a) Exploration and production**

The future profitability of the Company (and its subsidiaries) (**Group**), and the value of the New Shares are directly related to the results of exploration, development and production activities as well as costs and prices. Exploration, project development and production involves significant risk.

Exploration is a speculative endeavour with an associated risk of discovery of finding NdPr and other products in commercial quantities and risks associated with development of a project. No assurances can be given that funds spent on exploration and development will result in discoveries that will be commercially viable.

Development and production of NdPr requires sufficient reserves to support project development, cost overruns, production decrease or stoppage, which may be the result of commissioning, facility shutdowns, mechanical or technical failure and other unforeseen events. A significant poor development outcome or failure to maintain production could result in the Group lowering reserve and production forecasts, loss of revenue; increased working capital requirements; and additional operating costs to restore production.

In some instances, a loss of production may incur significant capital expenditure, which could require the Group to seek additional funding. The Group may fail to meet product quality requirements and material specifications required by buyers.

#### **(b) Volatility of the price of rare earth elements**

NdPr and other rare earth products are not exchange traded commodities. The Group will require contracts for sale of these mineral commodities. There is no guarantee the Group will secure contracts on terms favourable to the Group. NdPr and other rare earth product prices will depend on available markets at acceptable prices and distribution and other costs. Any substantial variation in the price of NdPr and other rare earth products or an increase in the distribution costs could have a significant impact on the Group.

# Appendix A: Risks

## 6.3

### **(c) Operating**

Industry operating risks include, but are not limited to, fire, explosions and environmental hazards. The occurrence of any of these risks could result in substantial losses to the Group due to injury or loss of life, damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; clean-up responsibilities; regulatory investigation and penalties; or suspension of operations. Damages occurring to third parties as a result of such risks may give rise to claims against the Group.

### **(d) Reliance on key personnel and advisors**

The ability of the Group to achieve its objectives depends on the engagement of key employees, directors and external contractors that provide management and technical expertise.

If the Group cannot secure external technical expertise (for example to carry out development activities) or if the services of the present management or technical team cease to be available to the Group, this may affect the Group's ability to achieve its objectives either fully or within the timeframes and the budget that it has forecast. Additionally, industrial disruptions, work stoppages and accidents in the course of operations may adversely affect the Group's performance.

### **(e) Reliance on third party infrastructure**

The Group will rely on third party transportation infrastructure in order to deliver its production to the market and incoming reagents and supplies to the Nolans project site . Any delay or failure to access or properly maintain operating infrastructure or shared facilities may have a material adverse effect on the Group.

### **(f) Reserves and resource estimates**

Mineral reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter or become uncertain when new information becomes available on the tenements through additional tests over the life of a project.

# Appendix A: Risks

## 6.4

### **(f) Reserves and resource estimates (continued)**

In addition, reserve and contingent resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. The actual reserves or contingent resources may differ from those estimated which may result in the Group altering its plans which could have either a positive or negative effect on its operations.

Changes in reserve estimates could also impact the Group's ability to maintain its borrowing capacity with its current or future lenders.

### **(g) Metallurgy and Hydrometallurgy**

Testwork is used to develop the metallurgical and hydrometallurgical processes required to convert ore into final products. Scale up, technology and materials handling risks remain as the Group moves from development, to construction, commissioning and production. Product recoveries are dependent upon the metallurgical and hydrometallurgical processes, and by its nature contain elements of significant risk such as:

- (i) developing and identifying metallurgical and hydrometallurgical processes through testwork to produce a saleable product;
- (ii) developing an economic process route to produce a saleable product; and
- (iii) changes in mineralogy in the ore deposit result in inconsistent product recovery, adversely affecting the economic viability of the project.

### **(h) Native title**

Both the Native Title Act (Cth) the Northern Territory Native Title Legislation and Aboriginal land rights and Aboriginal heritage legislation might affect the Company's ability to gain access to prospective exploration areas or obtain Mineral Leases. The Group may from time to time, need to negotiate with any native title claimant for access rights to its tenements. In addition, agreement will need to be reached with native title claimants and/or holders prior to the grant of a Mineral Lease. There may be significant delays and costs associated with these negotiations and to reach agreement acceptable to all relevant parties. At this stage, it is not possible to quantify the impact that these developments may have on the operations of the Company.

# Appendix A: Risks

6.5

## **(i) Environmental**

The Group's exploration, development and production activities are subject to legislation regarding environmental matters.

The legal framework governing this area is complex and constantly developing. There is a risk that the environmental regulations may become more onerous, making the Group's operations more expensive or cause delays. The Group may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible.

The Group's operations are subject to the Northern Territory and Commonwealth laws and regulations regarding environment including hazards and discharge of hazardous waste and materials. The mining and processing of Normally Occurring Radioactive Materials (NORM) is subject to additional laws and regulations regarding environmental matters. The cost of compliance with these laws and regulations may impact the cost of exploration, development, construction, operation of the production facilities and mine closure costs.

## **(j) Title**

All mining tenements which the Group may acquire either by application, sale and purchase or farm-in are regulated by the applicable state or territory mining legislation.

There is no guarantee that applications will be granted as applied for (although the Group has no reason to believe that tenements will not be granted in due course). Various conditions may also be imposed as a condition of grant. In addition the relevant minister may need to consent to any transfer of a tenement to the Group.

Renewal of titles is made by way of application to the relevant department. There is no guarantee that a renewal will be automatically granted other than in accordance with the applicable state or territory mining legislation. In addition, the relevant department may impose conditions on any renewal, including relinquishment of ground.

# Appendix A: Risks

6.6

## **(j) Title (continued)**

In 2017 the Northern Territory Government (NTG) introduced a “Shared Land Use” policy which encourages consultation between the holder of a mineral title and a pastoral lessee. NTG approval of substantial disturbance activity by the mineral title holder requires evidence of a land access agreement between an explorer and pastoral lessee. Where such an agreement cannot be reached the matter can be referred to the NTG’s Land Access Assessment Panel (LAAP). In the event of a positive determination from the LAAP the mineral title holder may undertake the substantial disturbance activities in accordance with the Mine Management Plan authorised by the Department of Primary Industries and Resources. There is the potential for the land access requirements to cause delays to the Group’s planned development activities.

## **(k) Legislative changes, government policy and approvals**

Changes in government, monetary policies, taxation and other laws in Australia or internationally may impact the Group’s operations and the value of the New Shares. The Group requires government regulatory approvals for its operations.

The impact of actions, including delays and inactions, by state, territory and federal governments may affect the Group’s activities including such matters as access to lands and infrastructure, compliance with environmental regulations, production and exploration activities. This may from time to time affect timing and scope of work to be undertaken. No guarantee can be given that all necessary permits, authorisations, agreements or licences will be provided to the Group by government bodies, or if they are, that they will be renewed. The Group has received environmental approval from the Australian Government and the Northern Territory Environment Protection Authority has recommended the project for approval for the development at Nolans in the Northern Territory but there is no guarantee that the Group can comply with all conditions that are imposed under these approvals.

# Appendix A: Risks

6.7

## **(l) Access to Capital Markets**

The Group's business relies on access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available to the Group on favourable terms or within a reasonable timeframe. Failure to obtain additional funding may cause the Group to postpone any development plans, forfeit rights to some or all of its projects or reduce its operating structures, including staff and overhead levels, which may delay or suspend the Group's business strategy and could have a material adverse effect on the Group's activities. Any additional equity financing may dilute existing shareholdings.

## **(m) Occupational health and safety**

Exploration and production activities may expose the Group's staff and contractors to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. If any of the Group's employees or contractors suffers injury or death, compensation payments or fines may be payable and such circumstances could result in the loss of a licence or permit required to carry on the business. Such an incident may also have an adverse effect on the Group's business and reputation.

## **(n) Insurance**

Insurance of all risks associated with mineral exploration and production is not always available and, where available, the cost can be high. The Group maintains insurance within a coverage range that it considers to be consistent with industry practice and appropriate for its needs. The occurrence of an event that is uninsurable, not covered, or only partially covered by insurance could have a material adverse effect on the Group's business and financial position.

# Appendix A: Risks

6.8

## (o) Financial risks

The Group's activities expose it to a variety of financial risks, including:

- *Market risk:* The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices interest rate risk, price risk, credit risk and liquidity risk (maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities). The Group's future activities will be subject to volatility and fluctuations in those particular areas.
- *Foreign exchange/currency risk:* The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures with respect to changes in foreign exchange rates. The Group's future commercial transactions include product sales, capital expenditure, purchase of foreign sources inputs and debt facilities. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.
- *Interest rate and credit risk:* This relates to the risk that interest rates applicable to the Group may fluctuate and have an impact on the value of the Group's assets and liabilities.
- *Liquidity risk:* This relates to the ability of the Group to maintain sufficient cash and the availability of funding through an adequate amount of committed credit facilities to support the Group's operations.

# Appendix A: Risks

6.9

## **1.2 General risks**

### **(a) Potential for dilution**

If shareholders do not take up their entitlements under the Entitlement Offer, then their percentage holding in the Company may be diluted by not participating to the full extent in the Entitlement Offer.

It is not possible to predict what the value of the Company or its shares will be following the completion of the Entitlement Offer and the Directors do not make any representation as to such matters.

The historical trading price of the Shares on ASX prior to this Entitlement Offer is not a reliable indicator as to the potential trading price of Shares or after completion of the Entitlement Offer.

### **(b) General market and share price**

There are general risks associated with investments in equity capital such as the Shares. The trading price of the Shares may fluctuate with movements in equity capital markets in Australia and internationally.

Generally applicable factors which may affect the market price of shares include:

- general movements in Australian and international stock markets;
- investor sentiment;
- Australian and international economic conditions and outlook;
- commodity prices;
- changes in interest rates and the rate of inflation;
- changes in government legislation and policies, including taxation laws and foreign investment legislation;
- announcement of new technologies; and
- geo-political instability, including international hostilities and acts of terrorism.

# Appendix A: Risks

## 6.10

Further, the effect of these conditions on the Group's ability to refinance its debt obligations, and the terms on which any such refinancing can be obtained, is uncertain. If these conditions result in the Group being unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse impact on its financial position, financial performance and/or share price. The operational and financial performance and position of the Company's share price may be adversely affected by a worsening of international economic and market conditions and related factors. It is also possible that new risks might emerge as a result of global markets experiencing extreme stress, or existing risks may manifest themselves in ways that are not currently foreseeable.

### **(c) Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

### **(d) Taxation**

The disposal of New Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All investors are urged to obtain independent financial advice about the consequences of disposing of New Shares from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of acquiring or disposing of New Shares under this Entitlement Offer.

# Appendix A: Risks

6.11

## ***1.3 Speculative investment***

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under the Entitlement Offer. An investment in the Company is speculative and investors should consult their professional adviser before applying for or disposing of New Shares.

# Appendix B: International Offer Restrictions

6.12

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## **European Economic Area - Germany, Luxembourg and the Netherlands**

This document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to publish a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments unless such entity has requested to be treated as a non-professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2014/65/EC, "MiFID II") and the MiFID II Delegated Regulation (EU) 2017/565;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) unless such entity has requested to be treated as a non-professional client in accordance with MiFID II and the MiFID II Delegated Regulation (EU) 2017/565;

# Appendix B: International Offer Restrictions

6.13

- to any person or entity who has requested to be treated as a professional client in accordance with MiFID II; or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 30 of the MiFID II unless such entity has requested to be treated as a non-professional client in accordance with the MiFID II Delegated Regulation (EU) 2017/565.

## Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

# Appendix B: International Offer Restrictions

6.14

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## Malaysia

This document may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

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

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

# Appendix B: International Offer Restrictions

6.15

## Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering material relating to the New Shares (i) constitutes a prospectus or a similar notice as such terms are understood under art. 652a, art. 752 or art. 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of art. 27 et seqq. of the SIX Listing Rules or (ii) has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

Neither this document nor any other offering material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations. This document is personal to the recipient and not for general circulation in Switzerland.

## United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

# Appendix C: Board

6.16



**IAN KOWALICK**  
NON-EXECUTIVE CHAIRMAN

Ian Kowalick has qualifications in science, engineering, economics, and finance. From 1995 to 2000, he held the most senior management position in the South Australian public sector, and was previously the Chairman of the South Australian Forestry Corporation Board. Ian is currently a board member of the Northern Territory Power and Water Corporation.



**TERRY GROSE**  
NON-EXECUTIVE DIRECTOR

Terry Grose has a strong commercial background gained over 30 years as a senior business executive, consultant, and director, in Australia and internationally. Terry worked in Hong Kong for over a decade in a senior financial role before establishing his own business, Grose International, a commercial and financial consultancy with clients throughout Asia.



**GAVIN LOCKYER**  
MANAGING DIRECTOR

Gavin Lockyer's diverse, global experience has provided management and leadership opportunities in a range of disciplines including; Accounting, Financial & Investment Banking, Major Resource Development & Operations, and Global Bank Treasuries. Over the past 20 years his career has exposed him to business practices in North America, Europe, and Australasia.



**QUANSHENG ZHANG**  
NON-EXECUTIVE DIRECTOR

Quansheng Zhang holds a Doctoral degree in Engineering and a Masters degree in Geophysical Prospecting. He is based in Nanjing in the Peoples Republic of China and is the General Manager of Hong Kong East China Non-Ferrous Mineral Resources Co Ltd (HKECE). Quansheng has over 30 years of mineral prospecting and exploration experience, and expertise in mineral resource surveys and geophysics.



**CHRIS TONKIN**  
NON-EXECUTIVE DIRECTOR

Chris Tonkin has over 35 years' experience as a senior business executive with a broad industry background in business generation, management, and strategy development. He is a member of Arafura Resources' Remuneration and Nomination and Audit and Risk Committees and is also Chairman of Lakes Oil NL.



**MARK SOUTHEY**  
NON-EXECUTIVE DIRECTOR

Mark Southey has previously held senior executive positions with Honeywell and ABB both in Australia and internationally, and more recently was part of the global executive leadership team within WorleyParsons, where he held the position of Group Managing Director for the Minerals, Metals and Chemicals Sector.

# Appendix D: Management

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**RICHARD BRESCIANINI**  
GENERAL MANAGER EXPLORATION & DEVELOPMENT

Richard has over 30 years' experience in the minerals industry. He worked with BHP Minerals on base and precious metals exploration programs throughout Australasia and North America, contributing to significant economic discoveries at Eloise (copper-gold) and Cannington (silver-lead-zinc). Thereafter he led the Northern Territory Government's Geological Survey as its Director from 2003 to 2007 before joining Arafura.



**LLOYD KAISER**  
GENERAL MANAGER SALES, MARKETING & TECHNOLOGY DEVELOPMENT

Lloyd has more than 10 years' experience in the sales and marketing of industrial minerals into high value sector markets including the nuclear, automotive, and advanced ceramics sectors. Prior to joining Arafura, he held several senior positions in account management, business development and marketing across a diverse range of commodities and chemicals including alumina, coal, industrial minerals, refractories, and ceramics.



**PETER SHERRINGTON**  
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

He commenced employment with Arafura in 2008 as Commercial Manager and was appointed Chief Financial Officer in July 2013. He has more than 20 years' experience in professional and corporate roles in Perth. Prior to working with Arafura, he held senior finance and commercial positions with several ASX and public unlisted entities. He has also worked in public practice for 10 years in the areas of business services and corporate advisory.



**BRIAN FOWLER**  
GENERAL MANAGER NT & SUSTAINABILITY

Brian has worked for over 40 years in private sector mineral companies developing a range of commodities, including rare earths, base metals, and gold. Brian is a member of the Northern Territory Mining Board, Management Board of the Northern Territory Minerals Council of Australia, and a member of Work Health & Safety Advisory Council of the Northern Territory.



**STEWART WATKINS**  
PROJECT MANAGER – NOLANS PROJECT

Stewart Watkins has 25 years' experience in many facets of the mining industry including operations, engineering consulting, project development and management. Stewart is a Fellow of the AusIMM.

# Appendix E: Mineral Resources and Production Targets

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## **Mineral Resources**

The mineral resource estimate set out in this presentation was released in an ASX announcement dated 7<sup>th</sup> June 2017, and was completed in accordance with the guidelines of the JORC Code (2012). Arafura confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the mineral resource estimates in the relevant announcement continue to apply and have not materially changed. Arafura confirms that the form and content in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

## **Production Targets and Financial Information**

Information in relation to production targets and financial information included in this presentation is extracted from an ASX announcement dated 7<sup>th</sup> June 2017. Arafura confirms that all material assumptions underpinning the production target and financial information set out in the announcement released on 7<sup>th</sup> June 2017 continue to apply and have not materially changed.

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## **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:

<b>Term</b>	<b>Definition</b>
\$ 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"><li>• was identified as an Institutional Shareholder by Arafura;</li><li>• 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;</li><li>• is not in the United States and is not acting for the account or benefit of a person in the United States;</li><li>• is eligible under all applicable securities laws to receive an offer under the Institutional Entitlement Offer; and</li><li>• who has successfully received an offer under the Institutional Entitlement Offer.</li></ul>
Eligible Retail Shareholder	is defined in Section 6.1
Eligible Shareholder	a person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder

<b>Term</b>	<b>Definition</b>
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"> <li>• 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</li> <li>• 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).</li> </ul>
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

<b>Term</b>	<b>Definition</b>
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

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## **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